

## The Interview - Simon Collard, Collard Capital: "Demand for hedge funds, particularly global macro, is returning"



Over the next 12 months Simon Collard, founder of Collard Capital and portfolio manager of the newly-launched Collard Global Macro Fund, expects to see more intervention by central banks in the currency markets, more measures by governments in Asia to target the property sector, and increasing social unrest in emerging markets related to food prices.

### **GFM: What is the background to your company and fund?**

**SC:** Following a career in the City I spent 14 years independently managing money, collaborating with James Beaton over the past eight years. In the summer of 2007 we concentrated purely on the global macro strategy and the success led us to offer our skills to a broader base of investors by launching the Collard Global Macro Fund on September 1 this year.

The Collard Global Macro Fund is incorporated in the Cayman Islands and listed on the Irish Stock Exchange. It is managed by Collard Capital Management Ltd, which in turn entrusts investment management to Collard Capital SA in Geneva.

James and I are jointly responsible for the portfolio management and risk. Simon Lovett is our chief operating officer, responsible for operational infrastructure, compliance and the smooth running of our relationships with service providers. Sebastien Sainsbury is head of investor relations.

### **GFM: Who are your key service providers?**

**SC:** PricewaterhouseCoopers is the auditor of the fund and of Collard Capital, the investment manager. Maples and Calder provides legal counsel in the Cayman Islands and Lenz & Staehelin in Switzerland. Apex Fund Services (Ireland) provides fund administration services and Saxo Bank acts as prime broker.

### **GFM: How and where do you distribute the funds?**

**SC:** We are focused initially on Europe and the Middle East. We have interest from a wide range of experienced hedge fund investors, who find our track record – we have not had a down year in any

of the past three years – together with the highly liquid offering terms attractive. In response to investor demand, the fund offers weekly redemptions, and gates and side-pockets are specifically prohibited.

**GFM: How would you assess the impact of the recent global financial crisis and economic downturn on your business?**

**SC:** We see it as a tremendous opportunity. Many managers failed to meet investors' expectations, so they are interested in looking at something new. We have proved ourselves capable of making positive returns in one of the most difficult trading periods in history, which makes us stand out from the crowd. Our returns have demonstrated very low correlation with financial markets in general.

**GFM: What is your investment process?**

**SC:** Our top-down process starts by analysing macroeconomics for the G20, then compares the results with the current market situation and continues on to idea generation. Ideas are vigorously critiqued and debated internally, and the best ideas are further researched. Outside research is only brought in at the latter stages to check if we have missed anything in our analysis and to ascertain whether ours is a consensus view or not. If we decide to implement an idea, this is done using the most liquid instruments possible, and we always monitor liquidity closely.

**GFM: How do you generate ideas for your fund?**

**SC:** All our ideas, which come to us in many ways, are set against our macroeconomic outlook. What we do not do is read outside research with a view to generating ideas, as this leads us down a well-trodden path. Our results reflect our originality.

**GFM: What is your approach to managing risk?**

**SC:** We always begin by asking ourselves how much we are prepared to risk losing on any given idea, and then size the positions according to volatility. We always have a stop-loss limit at the initiation of a position. We tend to start with small positions and only add to them if they begin to work, so we allocate capital to winners. We monitor value at risk and run stress tests on a daily basis. We regularly review the portfolio for correlation between positions and have hard position size limits.

All of our positions have to be liquid. We offer investors weekly liquidity, so our underlying portfolio has to be highly liquid.

**GFM: How has your recent performance compared with your expectations?**

**SC:** Recent performance is in line with our expectations. Our performance will naturally vary, but we aim to deliver positive returns in all types of market and economic conditions, and we have done this successfully to date.

**GFM: What opportunities are you looking at right now?**

**SC:** We are looking closely at recovery rates in various economies. We favour Germany and Switzerland within Europe and we are negative on the near-term prospects in the US. We are looking closely at food price inflation and we see opportunities in industrial commodities.

China is increasingly important as a driver of the world economy. Without China the world in general and the eurozone especially would be in a much more difficult position than it is in now.

**GFM: What events do you expect to see in your sector in the coming year, and how will they affect your portfolio?**

**SC:** We are watching the tense situation regarding the renminbi-US dollar exchange rate. We expect to see either an acceleration in the appreciation of the renminbi or a political reaction in Washington,

including possibly the introduction of tariffs on certain products.

We expect to see more intervention by central banks in the currency markets, more measures by governments in Asia to target the property sector, and increasing social unrest in emerging markets related to food prices. We expect economic data to remain rather ambiguous until at least the first quarter of 2011, with markets yo-yoing with each data release.

Our portfolio will be rather market neutral and defensive in the current environment and will focus on relative returns between similar assets rather than overall direction.

**GFM: How do you assess investors' current expectations?**

**SC:** We believe that investors want liquidity, transparency, an absence of gates, side-pockets and lock-ups, and decent risk adjusted performance, which is what we offer.

**GFM: What differentiates you from other managers in your sector?**

**SC:** We are differentiated principally by our performance, having not had a down year in the past three. Having been independent money managers for 14 years gives us a more acute sense of risk than say, former bank proprietary traders, because we have had our own money at risk, not the bank's. Our approach is original and our results reflect this.

**GFM: How do you view the environment for fundraising over the coming 12 months?**

**SC:** It will certainly not be easy. Investors quite rightly have very high demands in terms of what they expect to see operationally, in the risk-adjusted returns they require and in the investment terms they are offered. There is much greater emphasis on due diligence than before. We are very happy to work with investors on all these fronts, and feel they will not be disappointed in what they find. We are finding demand for hedge funds, particularly global macro, is returning.

- [Global Macro](#)

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