The Interview – Thomas Wehlen, Coburn Barrett: “We have considered a higher risk/higher return fund, but it will not be for the faint of heart”

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Coburn Barrett founder and senior manager Thomas Wehlen says the firm’s GLI Fund, a global quantitative macro fund, has beaten both the S&P 500 and the MSCI Global indices by more than 10 per cent over its nearly 13 years of existence, but fundraising is difficult because the fund does not fit into any standard category and not charge a performance fee.

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

TW: Coburn Barrett is the manager of the GLI Fund, a global quantitative macro fund launched in January 1998, and also advises a few managed accounts. The principals are Eleanor Wehlen, Rainer Genschel, Andrew Brigham and myself. Currently we have USD70m in assets under management. The fund is domiciled in the Cayman Islands and registered there, Germany and Switzerland. At present the fund is offshore only and does not have US investors.

GFM: Who are your key service providers?

TW: Our law firm is Walkers in Cayman, our administrator is Circle Partners and our auditor: is KPMG.

GFM: What is the profile of your current and targeted client base?

TW: We only have non-US private clients. We do not target only private money, but because we are small, institutions are hesitant to invest with us.

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

TW: In 2008 we lost 13.8 per cent, but considering we are a long fund, this was not a bad result. It allowed us to stay the course; in 2009 we were up 35 per cent and we are up 20 per cent in 2010. We did lose money under management due to clients being spooked enough by the events to put all their money in cash.

GFM: What is your investment process?

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TW: We build a highly diversified core portfolio of stocks, bonds, currencies, and commodities worldwide with factors such as correlations, market capitalisation and volatility as inputs. As second step, we use a proprietary algorithm to adjust risk, and thus returns, upward.

GFM: What is your approach to managing risk?

TW: Our approach to risk is a defining characteristic of our fund. When someone invests in the GLI Fund they know there is a downside risk of 16 per cent per year. This is a targeted risk level – we picked it simply because it is the same as the S&P 500 over the long term, and we thought people could stomach this. Managing risk is not only a protective measure – it is the way we make money.

GFM: How has your recent performance compared with your expectations and track record?

TW: The results of our backtesting led us to conclude we could beat the S&P or MSCI Global indices by between 4 and 8 per cent per year. In reality, over the past 12 years of operation, we have beaten both benchmarks by more than 10 per cent.

GFM: What opportunities are you looking at right now?

TW: We are looking to grow the fund. An interesting aspect to our methodology is that we can take our product and apply any risk level one wants. In theory, if we had a big enough investor, we could tailor the risk level to their specific needs.

GFM: How do you assess investors' current expectations?

TW: Investors are still fearful and prefer cash at the moment.

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

TW: We avoid predictions, we have no short-term trading, we do not charge a performance fee, and we have a very long track record – we are in the top 10 per cent for longevity.

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

TW: Fundraising is clearly not our specialty. One of the most common questions we get is why we are not bigger given our track record. I do not have an answer to that, other than the fact we do not charge a performance fee, and intermediaries are therefore not interested. Also, we do not fit into any specific category.

GFM: Are you considering any mergers or acquisitions in the foreseeable future?

TW: No, but I suppose there is a price at which we would consider anything.

GFM: Do you have any plans for further product launches?

TW: Yes, we have considered opening a higher risk/higher return fund, based on the same model as our GLI fund, but it will not be for the faint of heart.

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