Fund bears lead the pack in volatile markets

By Sam Jones in London
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Bearish hedge fund managers are making their biggest gains since the collapse of Lehman Brothers.

Only a handful of hedge fund managers have made money in May and June, when many of the industry's biggest names were caught out by a sharp rise in market volatility.

Autonomy Capital, the $1.7bn macro fund run by former Lehman trader Robert Gibbins, is up 17 per cent so far this year, according to an investor in the fund. The fund has profited from short positions against the euro and European sovereign credit.

Other large funds to have done well include the $7bn BlueCrest Capital International, the flagship fund of London-based BlueCrest, run by former JPMorgan trader Mike Platt. The fund, which focuses on trading fixed income, was up 10.16 per cent as at 9 July, thanks largely to its bearish positions in sovereign credit. Mr Platt was not a believer in the global economic recovery, said a person familiar with the fund.

The $500m Conquest macro fund was up 22 per cent as at the end of June thanks to its bearish outlook, though it has given back around 7 percentage points this month.

GLG Partners' $160m macro fund was another winner, up 8 per cent in May alone thanks to short positions against so-called commodity currencies including the Australian and Canadian dollars.

The average hedge fund lost money in both May and June, according to Hedge Fund Research and is down 0.21 per cent so far this year.

Macro funds – which aim to profit from shifts in the global economy – have been among the most disappointing performers. The average macro hedge fund is down 1.16 per cent so far this year, in spite of some of the biggest market opportunities in decades, according to traders.

Big macro funds such as Brevan Howard, Tudor Investment and Moore Capital have all seen lackluster or negative returns. Brevan Howard, which manages $27bn and is Europe's biggest hedge fund, is up 1.39 per cent so far this year, according to an investor after returns of 1.31 per cent in June.

Only dedicated short sellers – funds that only bet on falling prices – have fared well in May and June. On average, they returned 3.6 per cent in June and 7 per cent in May amid declines in stock markets in Europe and the US. The strategy is still down 3.35 per cent on the year, however, and many managers have yet to make back losses suffered in 2009.

CNBC Videos
Airtime: Wed. Jul. 7 2010 | 10:11 AM ET
A top performing hedge fund manager in June talking to CNBC about his investment playbook, with CNBC's Kate Kelly.
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Airtime: Fri. Jul. 2 2010 | 12:22 PM ET
The Strategy Session crew takes a look at the best and the rest in the hedge fund space.
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