

INVESTMENT WEEK

Fund buyers lose patience with Hendry after steep losses

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By Dan Jones

Fund buyers have been selling down their exposure to Hugh Hendry's Eclectica Absolute Macro fund after his performance downturn accelerated at the start of 2014.

Hendry attracted attention last November, describing himself as “the last bear to capitulate” and announcing a more bullish turn.

However, after a 0.8% return last year, his UCITS fund has suffered in 2014. Absolute Macro has fallen some 10.9% year-to-date, according to *FE* data, shedding 5.6% in March alone.

That month was characterised by a bounce for some emerging markets at the expense of their developed peers, and some wealth managers have pointed to Hendry's long DM/short EM bias as a particular point of concern.

“Hendry has recently materially increased exposure to US shares, and is shorting emerging markets. Our view was that, after five years of market rises in the US, we would not have been comfortable increasing exposure to something that appears to be topping out,” said Jonathan Davis, managing director of Jonathan Davis Wealth Management.

“He is failing in his remit and also failing in his thinking.”

Davis said the firm has halved what was a “significant” exposure to the portfolio over the past quarter.

“A multi-asset, ostensibly no-volatility fund should not make bags of money, but it should not lose money,” he said.

Andrew Alexander, head of investments at Three Counties, said he had reduced exposure to the fund at the margin late last year on the news Hendry had turned more bullish on equities.

Alexander is now considering a move out of the portfolio entirely, replacing it with the Old Mutual Global Equity Absolute Return fund, which he values for its focus on style dispersion and consistency.

“We have held the Eclectica fund for a long time, but it holds a low-volatility position in the portfolio, and recent performance has got steadily worse,” he said.

Schroders' multi-manager team, headed by Marcus Brookes and Robin McDonald, have also cut their exposure to Hendry in recent months.

As of 28 February, the fund made up less than 2% of their flagship £1.4bn Diversity portfolio. Like Alexander, the pair's initial decision to reduce their holding came at the time of Hendry's shift in sentiment last November.

Eclectica was unavailable for comment.

CF Eclectica Absolute Macro fund performance over three years

