# Black box traders and their uber-nerds whirr into Australia

Managed future funds have blitzed the local financial scene, writes **Archie Bayvel**

Managed future funds are such an alternative form of investment in Australia that almost nobody has heard of them – although such funds trade in billions of dollars worldwide.

Their track record is primarily in Britain, Europe and America, where they are sometimes referred to as "black box traders" or "commodity trading advisers" and where fortunes have been founded on them.

One of the most colourful of these specialists, the Superfund group, has opened in Australia; Sydney has become its 20th office worldwide since the group was formed in 1996.

The two managed futures funds it is offering here have averaged net annual returns of 18 per cent and 45.23 per cent with more than 50,000 investors around the world.

Black box traders operate with large teams of highly qualified mathematicians continually updating complex computerised algorithms that scan the world's commodity futures markets.

They have reached such a level of sophistication and speed of response that their promoters claim even minor fluctuations can be identified as profitable trading opportunities.

In theory at least, investors can sit back while the black boxes – and their armies of PhDs – whirr away making them money.

Like many things that appear too good to be true, managed futures funds were regarded almost exclusively as for the mega-rich or institutions – until the arrival on the scene of Christian Baha, 38, a former Vienna policeman who founded Superfund.

In the US, Baha invites people with as little as $5000 to invest.

He told *Bloomberg* recently that if these products were good for the rich they are also good for everyone.

In Sydney this week his local manager, Matthias Gaertner, quoted Baha as saying: "Our automated approach to generating absolute returns enables us to observe fear and greed in the market and to adopt investment positions accordingly."

Another colourful character who helped pioneer this form of investing is Cambridge theoretical physicist David Winton Harding, whom the London market refers to as "the Wizard of Winton".

Traderdaily.com described him recently as "London's commodity king, lord of an asset management empire built on back box trading".

Australians can access his "amazing money machine" through an arrangement between his company, Winton Capital Management, and Macquarie Bank Global Investments.

Macquarie Global head of alternative investments, Craig Swanger, says its entry into managed futures funds began with its capital-protected launch of Macquarie-Winton Global Opportunities Trust which after some 18 months was followed by its present open Winton Global Futures Fund.

"We were attracted to managed futures funds because they have a genuinely low correlation with equities, so in an equities downturn you have something that's still performing," he says. "While equities were returning 13-14 per cent, our managed futures funds were giving 19.94 per cent with a correspondingly higher risk. In the past 12 months our fund has returned 39.99 per cent."

Macquarie is promoting its Winton fund to institutions and private investors through stockbrokers and financial planners.

David Winton Harding originally teamed up with Michael Adam and Martin Lueck to launch CTA firm Adam, Harding and Lueck. Since then AHL's assets under management have soared to $21 billion and it is the world's biggest commodity trading adviser, aka managed futures funder.

Harding and his partners sold out 10 years ago and AHL is owned by the Man group, which also has an office in Sydney.

Its communications manager, Linda Callaghan, points to its AHL Diversified program that has long been a key ingredient of the 31 diversified OM-IP funds it has launched since 1997. They have more than $6.9 billion under management for 125,000 investors.

Man also offers a separate fund that Callaghan describes as pure AHL. Man publishes a document – *Demystifying Managed Futures* – that reveals that electronic research teams range from 50 to 70 people (mostly uber-nerds in maths and physics) and that CTAs today are "investment companies that need multibillion-dollar assets under management to fund their technology and research teams".

Back at Superfund, Matthias Gaertner is slowly spreading the word with the launch here of his Strategy A Fund and Superfund Gold A.

He says that since its inception in 1996, Strategy A has averaged net annual returns of 18 per cent or 624 per cent in total.

Gold A has returned an annual net of 45.23 per cent a year for a total since its 2005 launch of 142.88 per cent. For 2008 YTD they have returned 20 per cent and 44 per cent respectively.

While Superfund is still organising full legal compliance with regulations here, expected to be complete by July, it can market only to institutions and high-net-worth individuals. It is doing this through an extensive series of invitation-only breakfasts, wine, coffee and hot chocolate sessions.