

Concentrated strategy finds new home

A family and friends' soft launch in August 2015 is just the start of greater things for Paul-Georges Moucan and his Quadra Global Equity Alpha fund.

He spent most of his career at French asset manager, Amundi, from 2005 managing a USD2 billion strategy. 2015 found him at Quadra and applying his long/short global equities strategy to the Quadra Global Equity Alpha fund.

The soft launch raised EUR16 million and a further EUR200 million is down the line as institutional investors rediscover their old favourite. The friends and family from that first soft launch year received, as at the end of September 2016, returns of 8 per cent on a one-year rolling basis, with volatility of 5.3 per cent. This return is broadly in line with the strategy's performance since its 2005 launch.

The Global Equity Alpha Fund's portfolio is extremely concentrated with just 50 stocks in the portfolio, against a global universe of 10,000. "It is impossible to follow 10,000 stocks," Moucan says. The strategy is all encompassing global including emerging markets, long/short with a directional bias.

Moucan says: "When I set up the strategy I had to face many questions. If you look at the classic top down allocation between countries, there is more and more correlation and more or less the same pattern with stocks, and when everything is super correlated, your stockpicking is useless."

A thematic approach presented a solution. "I used all my experience and one of the things I was experiencing was long-term trends, mega trends which were very relevant and had a longer horizon than the others. It was also a way to avoid the country sector approach."

The themes are well diversified in Moucan's 500 stock universe. "I am more positive and just looking at stocks exposed to my themes," he says. "So there is a positive bias towards growth and I am not fishing in the ocean but in a pond."

The themes fall into three pillars – demographics, such as the ageing population, education, infrastructure, as well as luxury and lifestyle; innovation – with sub themes of robotics and automatics, security and safety, and the third pillar is resource scarcity.

The themes have remained the same since Moucan invented the process so the framework



Paul-Georges Moucan,
founder of the Quadra
Global Equity Alpha
fund

needs little maintenance and the number of stocks in the universe are not moving that much because stocks leave due to M&A activity, or stocks enter because of an IPO.

"Everything is very stable," Moucan says. "The beauty of the thing is that it is just 500 names and your small team is meeting the companies on a regular basis, which is convenient. We are not using quantitative analysis, we use a simple template looking at the growth prospects, the barriers to entry of the business and the management execution."

Moucan goes long and short the same 500 stocks, giving as an example, Salvatore Ferragamo. "We were long based on the growth of the brand especially in emerging markets but in 2015 Ferragamo was the most exposed to China, so the most vulnerable and I went short at the time."

Some of the stock has been in the portfolio for seven years, since he ran the strategy at Amundi. Quadra Capital Partners was founded in 2014 and the team all come from significant positions in large houses, so it is a boutique fund management firm that packs quite a punch. The founding partners have managed more than USD20 billion in over 100 funds, including more than USD3 billion in international equity structures.

Moucan says: "In reality, a lot of products are very much the same and you have to provide something different, and it's not just products but service. We are a small firm and the capacity of this strategy is the same as it used to be but our strategy is very consistent which is key to keeping the clients." ■