

AMC FUND – BCV Cluster Equity Opportunity (CHF)

In the third quarter, the sub-fund fell by 17.50%, taking its return since launch to -6.48% for the Class I unit (-7.18% for the Class A unit). This performance fell short of that delivered by the HFRI Equity Hedge index, down 10.42% over Q3 2011. Stock markets tumbled steeply and the MSCI World TR Local index (-14.71%) endured its worst quarter since the crisis of 2008.

The punitive impact (-3.20%) from the underperformance by the smallest-cap stocks was principally to blame for the sub-fund's disappointing return. The selection model also worked against the sub-fund (-1.50%). As correlations hit record levels on stock markets over the summer months, it became very challenging to generate any alpha. Value and growth factors penalised the Cluster Equity sub-funds overall whereas earnings revisions and technical factors were neutral influences over the quarter.

Lastly, regions-wise, the Hong Kong zone performed particularly poorly, chiefly because of the slump by the smallest-cap stocks.

The ratio of hedging of market risk for the sub-fund began the quarter at 50%, but ended it at 100%. It fluctuated quite significantly over the quarter: during July, it dipped as low as 30% before gradually moving back up to 100%. This active hedging management, which is particularly challenging when markets are so erratic, was unable to shield the sub-fund efficiently from the steep slide on equity markets (-14.7%).

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