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# **Kamco Invest: Investment managers rely on alternative asset classes, most notably hedge funds, to outperform during violent shifts**

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Kamco Invest hosted a webinar discussing the management of downside risk to achieve long-term outperformance in capital markets. The webinar touched on some of the necessary actions to consider through the eyes of accomplished managers who possess a history of managing client portfolios with same objective in mind.

Faisal AlOthman, Director of Third-Party Solutions at Kamco Invest, moderated the discussion with Cédric Kohler, Head of Advisory at Fundana, a Geneva-based independent boutique specialized in Alternative Investments, and Hedge Funds managing around USD1.3bn. Cédric provided valuable insights on the benefits of managing portfolio drawdowns to achieve long-term performance objectives, achieving downside limitation with solid upside participation in a portfolio, how investors should position themselves for some of the key events anticipated in 2021, as well as the tools, strategies and exposure investors should look for or consider to achieve their investment objectives.

AlOthman commenced by briefly highlighting the exceptional year financial markets witnessed in 2020 despite the challenging global economic environment triggered by the pandemic. The

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emergence of the novel Coronavirus triggered the sharpest quarterly drop in global GDP and the highest unemployment rate since the Great Depression. He emphasized that regardless of the circumstances, it is essential for money managers to constantly assess the landscape and develop innovative strategies to navigate such tumultuous markets in favor of each client's investment objectives.

Managing a portfolio's downside, while ensuring proper diversification to mitigate the violent shifts in market trajectories is always paramount to achieving positive results for clients. To achieve such objectives, money managers rely on their exposure to alternative asset classes, most notably hedge funds, to outperform during these violent shifts. Consequently, the mitigatory techniques implemented by asset managers aid in delivering risk adjusted returns in the long-term to clients irrespective of market conditions.

2020 reminded investors that protecting capital during market drawdowns is key to performing over time. Kohler emphasized that well-chosen long/short equity managers can structure an excellent defensive equity allocation when it comes to that. These managers can provide equity-like returns but with significantly reduced risk. The lower volatility of these investments enables investors to stay invested over the long run, a key requirement for generating top tier performance.

Kohler added that finding a long/short equity manager is a no-brainer but finding one who will generate outstanding performance over an investment cycle is much more complicated. In fact, the difference between the outperformers and laggards – the return dispersion – is double that of their long-only peers. So even if a client selects two long/short equity managers, one could be up 20% while the other down 20% in the same year. Therefore, hedge fund manager selection requires experience, discipline, and the time to undertake deep-dive analysis, which are generally only possible with a dedicated specialist advisor.

The managers who navigated 2020 well, Kohler explained, will be in a very strong position to continue that success in 2021. The outperformers tend to know when to focus on fundamentals and when to focus on portfolio management. They know when to participate in the euphoria and when to have disdain for the irrationality. They are able to identify vantage points in market rotations such as Growth vs. Value, by analysing stocks through a prism that combines COVID impact, secular trends (e.g. "Access Anywhere Anytime to All Things") and cyclical ones (e.g. higher interest rates due to inflation).

AlOthman concluded by emphasizing that Kamco Invest aims to not only provide clients with access to global opportunities, but also offering valuable insights that can assist clients in making better informed investment decisions with regards to their portfolios. The Company will be hosting its next webinar in collaboration with M7 Group, a leading specialist in the pan-European, regional, and multi-tenanted real estate market, to provide Middle East investors with deep insights into opportunities and risks facing investors in the market. For every challenge lies an opportunity and Kamco Invest positions itself to guide its clients through the multitude of challenges ahead.

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To receive invites and updates on upcoming webinars, send an email to [events@kamcoinvest.com](mailto:events@kamcoinvest.com) to subscribe to our mailing list.

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