Overview of CTA Fund Industry

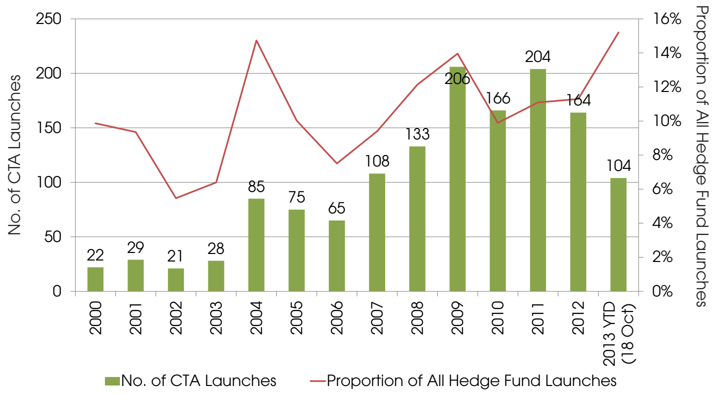
Ross Ford takes a look at the CTA fund universe, including CTA launches over time, trading methodologies used by CTAs, and the largest CTAs.

CTAs have suffered a disappointing few years, with the Preqin CTA benchmark showing only marginally positive performance figures in 2011 and 2012 and negative performance through the first nine months of 2013. The outlook is not entirely gloomy - as we have seen, there is still investor appetite for CTAs. Coupled with this, one of the largest fund launches in 2013 was a CTA, CCP Core Macro Fund, managed by Cantab Capital Partners. The number of new entrants to the industry has slowly been declining since 2011, when there were 204 CTA launches. So far in 2013, Preqin Hedge Fund Analyst has tracked 104 CTA launches as shown in Fig. 1; if launches continue at the same rate, 2013 will mark the lowest number of launches post-crisis.

Looking at CTAs as a proportion of all launches paints a different picture. CTAs are currently experiencing one of their best years on record in terms of the proportion of all fund launches they make up, which indicates a general slowdown in the number of fund launches in the industry as a whole. CTAs currently account for 15% of all funds launched in 2013; you have to go back to 2004 to find the most recent comparable year.

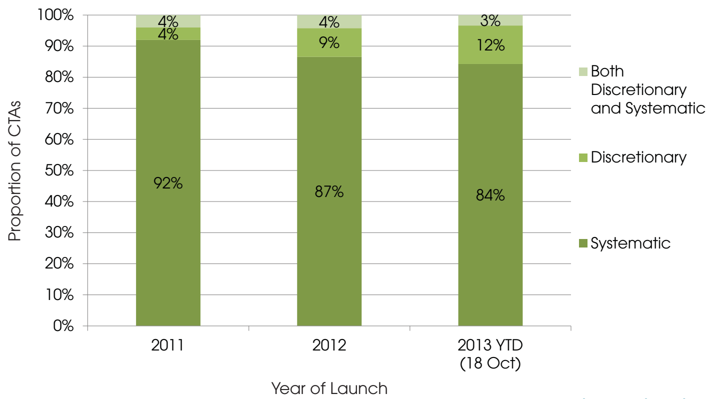
Some of the poor performance of CTAs can be attributed to low levels of volatility in global markets leading to fewer market trends for CTAs to exploit. What we have seen over the past three years is an evolution of the CTA industry, with many CTAs over-reliant on following a systematic trading methodology. Fig. 2 shows the trading methodology of CTAs that were launched from 2011 to 2013 YTD. In 2011, 92% of newly launched CTAs used a systematic trading methodology; this figure has fallen to 84% in 2013. Since 2011, the number of CTAs that employ a discretionary trading methodology has increased by eight percentage points. With reports indicating that the commodity "super-cycle" may be coming to an end, CTAs may feel that there are not adequate market signals that will facilitate systematic trading models in the current and future commodity market environment and, as a result, we have witnessed an increase in discretionary trading models.

Fig. 1: CTA Launches by Year of Inception and as a Proportion of All Fund Launches Each Year, 2000 - 2013 YTD (As at 18 October 2013)



Source: Preqin Hedge Fund Analyst

Fig. 2: Trading Methodology Employed by CTAs, 2011 - 2013 YTD (As at 18th October 2013)



Source: Preqin Hedge Fund Analyst

Fig. 3: Top Five Known CTAs by Assets under Management (As at 18 October 2013)

Fund	Firm	Firm Location	Year of Inception	Fund AUM ($bn)	Strategy
AHL	Man Investments	UK	1996	12.5	Systematic
BlueTrend Master Fund	BlueCrest Capital	UK	2004	10.8	Systematic, Trend-Following
Winton Futures Fund Ltd	Winton Capital Management	UK	1997	9.7	Multi-Strategy
Diversified Trend Program	Transtrend	Netherlands	1995	7.1	Systematic, Trend-Following
Renaissance Institutional Diversified Alpha Fund	Renaissance Technologies	US	2012	5.0	US, Systematic

Source: Preqin Hedge Fund Analyst

Subscriber Quicklink:

Subscribers to Preqin's Hedge Fund Analyst can click here to view detailed profiles for 1,700 CTA programs worldwide, including assets under management, performance, trading methods, terms and conditions and much more.

For more information, please visit: www.preqin.com/hfa