

# THE FUTURE'S MANAGED

Montlake Dunn's **Marty Bergin** says the growing appetite for CTA strategies makes perfect sense in a world too often driven by rash sentiment. He explains why computers, together with a pinch of humanity, are the perfect investment mix



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Managed futures are on a roll. In the first quarter of last year, more than \$13 billion of fresh capital was allocated to quantitative strategies. However, Montlake Dunn's Marty Bergin says the surge seen at the start of 2016 is far below where it should be.

'People talk about the popularity of our type of investing, I would push back on that and say I don't think it's as popular as it should be,' says the Florida-based CTA specialist.

Montlake Dunn has been running since the early 70s when William Dunn founded the company at a time when computers mere shadows of what they are today.

Together Dunn and Bergin built the Dunn WMA Institutional Ucits fund, and to highlight just how much technology has progressed, the duo started by using punch cards in their bid to develop a fully systematic approach.

Veteran Bergin believes there is no true uncorrelated investment strategy, aside from managed futures.

'There are a lot of investment strategies where people use hedge funds to add diversity and it works fine under normal market conditions.

'But during credit environments, such as the credit crisis, Brexit, or anything of that nature, all the standard investment practices

become very correlated to the downside.'

Bergin says it's because of these major historical events, and the effects they have on the economy, that investors should have retained some allocation to systematic trading in their portfolios.

'When you hear about bad events and where it hits stock prices, it seems to hurt all hedge funds. Yet managed futures or CTAs tend to make money at these times.

'From a portfolio design point of view, everybody in the world should have some allocation to managed futures and systematic trading. Right now they don't, but it's starting to get some legs and people are interested.'

## TECH TAKEOVER

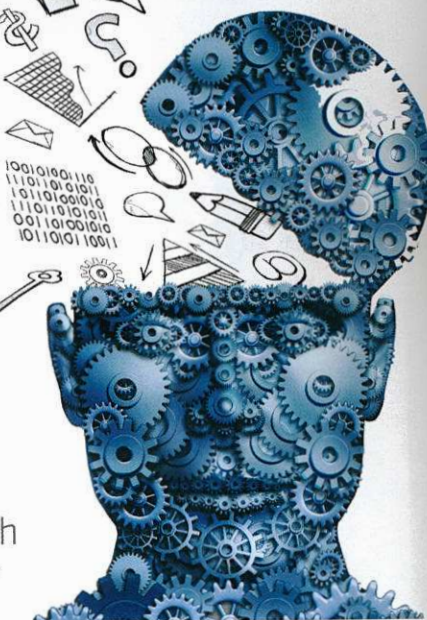
Given his computer-led investment approach, Bergin is aware he is at the forefront of the ongoing discussions about heightened automation and how this is reshaping the workplace.

'More and more people are using algorithms to place trades. Humans will never be removed from the equation because we design these systems and we've found it's important to have people involved.

'There's a certain amount of common sense that can introduce safety into the process. If you have some bad code you can start making bad trades and I think this is partly what caused the flash crash events.

'It's nice to have a human being there, watching things, ready to hit the "stop" button and to say: "Let's look at this again,"' he says.

While fresh capital has entered the sector, Bergin says most of the money went to the 'big players'. Despite the fund currently sitting at only \$204.2 million in assets, both Bergin and Dunn were ranked top in the managed futures sector at the end of January 2017.



'These other guys already have billions of dollars under management but people will start to allocating to smaller managers as they grow more comfortable with this space. Managers that are a little bit more aggressive have proven over time that they are actually doing better on a risk-adjusted basis,' he says.

## THE FAKE NEWS THREAT

Fake news is everywhere, just last month Skagen's investment director, Alexandra Morris, told *Citywire Selector* she believed this phenomenon could pose problems for investors using quant-backed systems, due to the algorithm trading on sentiment rather than reality.

However, Bergin says CTA strategies are unlikely to be as affected as funds that operate on a more fundamental basis.

'Most CTA strategies are based on price movement. Any type of investing is underpinned by information, so people take in information and they make decisions on where they want to allocate their capital based on that. That data can come from multiple of sources, including fake news.

'But the price would have accumulated all of the information from all the sources and that's how it's calculated.'

For this reason Bergin says CTA strategies are less prone to make decisions driven by sentiment alone, whether it is based on truth or lies.



**Marty Bergin**

## SECTOR SNAPSHOT



**Tim Wong**

There are currently 28 fund managers active in the Managed Futures category, according to data at the end of January 2017. The top performers over this time frame are of Montlake Dunn's Dunn and Bergin, who returned 30.64% on the Montlake Dunn WMA Ucits Retail fund. They are ahead of AHL/MSS' Tim Wong and Matthew Sargaison (pictured), who co-run the both the Man AHL Diversity Alternative and Man AHL Trend Alternative funds. This duo returned 29.03% over the same time period. Third sits John Locke Investments' François Bonnin, who runs the Cyril Systematic fund. Bonnin drops back from the top spot he held in December but still boasts a total return of 28.79%.