Sabre UCITS fund markets to investors

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It looks like 2011 has begun where 2010 left off in so far as UCITS funds continue to be set up and marketed to investors.

Sabre Fund Management has begun marketing its inaugural UCITS III product, the Sabre All Weather Fund, to investors and is in talks with a strategic seed investor about an allocation of some €20-30 million.

The UCITS fund, which Sabre announced plans for in May, will track the firm's two offshore quantitative equity market neutral (Sabre Style Arbitrage) funds. It took some months for the Luxembourg authorities to approve the fund, reflecting the many additional informational requests compared with what is required to launch a Cayman fund.

"It has helped us approach a whole different investor audience," said Melissa Hill, managing principal at Sabre, discussing the marketing of the UCITS fund. "It is part of our strategic plan as a business to move to a more hybrid approach and build a multi product asset management company."

The UCITS offering will rank pari passu with the offshore funds (which target different risk/return profiles) in terms of strategy implementation. Some small tracking error is anticipated owing to the UCITS product's daily liquidity. Though Hill acknowledged that there may be some performance difference between the onshore and offshore products, she noted that segregated accounts for the Cayman offering that have more liquid terms have recorded minimal performance variation.

The two offshore strategies, which are running $180 million, using different risk/return targets have delivered compound annualised returns of 8.5% and 14.2% since inception in 2002. The Cayman and Luxembourg funds will be run by the four man team headed by Dan Jelicic. The new All Weather Fund will have euro, sterling and dollar share classes.

Like the offshore fund, the UCITS offering will be highly diversified featuring over 1200 names in the portfolio drawn from large cap stocks in Asia, Europe and the US. The fund aims to capture most of the returns that are available in the equity market by incorporating some of the best ideas in the quantitative equity space, combined with Sabre's proprietary theory and models.

The arbitrage strategy combines three uncorrelated alpha engines, which capture the longer term returns generated by economic cycling as well as the short term returns attributed to investor behavioural activity.
The portfolio managers combine traditional multi-factor models with statistical arbitrage and style rotation in a dynamic framework.

"This blended approach is why we are calling it the All Weather Fund," said Hill. "Although the fund pursues one overall strategy, its underlying broad diversification in portfolios capturing most equity investment management styles can be thought of as a multi-strategy or fund of funds type approach – in effect a fund of equity style managers – thus providing return opportunities in a variety of different market environments."

"We are offering one of the lower risk hedge fund strategies to traditional long only investors," Hill said. "Hedge funds traditionally haven't focussed on the private client market. But with UCITS you have access via traditional distribution outlets."

She noted that the small amount of retail money that Sabre ran proved to be more sticky than traditional hedge fund allocations during the market maelstrom post-2008. As such, Sabre is seeking to diversify its investor base as part of the firm's evolution into a more multi-faceted asset manager. "For the right strategy," Hill added, "UCITS provide an opportunity for a hedge fund business to build a more stable investor base. We want to access clients that have longer time horizons for their allocations compared to some traditional hedge fund investor groups. This way we can build a more robust business."

To this end, Sabre has also set up new distribution relationships. These include linking with a private client wealth manager distributor in the UK, targeting Nordic asset management and pension fund investors and opening new distribution relationships in Asia. Sabre, which has total assets under management of $500 million, is also exploring distribution opportunities with several fund platform operators. **THFJ**