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AsiaHedge STRATEGY FOCUS

Asia waits patiently for volatility to spike

The True Partner Fund was established by global derivatives business pioneer Ralph Van Put in July last year, and has started to attract more attention in recent months after delivering above-average return of more than 16% in its first year of operation.

Making risk management a priority

“While vol-arb strategies occupy a small part of the hedge fund space, the strategies can be quite different from one another as it depends on how you draw options – whether you want to make it very risky or very risk-averse,” explains Heijboer.

The True Partner team runs a quant programme that quickly identifies undervaluation or overvaluation across indices and single stocks, and also offers suggestions on the most interesting positions to take. Unlike a pure quant fund, however, the team still exercises significant discretion as to whether to go along with the suggested exposures.

“There are quantifiable factors and then there are the non-quantifiable ones, especially geopolitical events that could affect the Korean market, such as a military action from North Korea. We are able to supplement the limitation of the model with our experience,” Heijboer says.



Govert Heijboer

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Year-to-date through end August, the True Partner fund has secured a 5.8% return, making it one of the stronger-performing vol-arb funds in the Asian space, despite the challenging environment. Its long/short volatility strategy with a market-neutral approach has already grown to \$33 million in size and is looking to scale capacity to \$500 million.

Heijboer and his team at True Partner had worked at market maker Saen Options in the Netherlands but he moved to Hong Kong in 2008 with the rest of the crew, bringing a cross-regional flavour to the operation. While the fund takes a long/short view on index volatility across the globe including that of S&P 500, its trades are mostly set in Asia where Heijboer thinks that most mispricing and inefficiencies originate.

“Within the region itself we can hedge Korea against Japan or against Hong Kong, and we also deliver regional hedges between Asia and the US or Europe,” says Heijboer.

The fund on average runs 15-20 short-term positions – mostly index volatility, followed by single stocks and then a small portion on interest rates.

For more information, please contact info@truepartnerfund.com

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