

Quest Partners launches equity hedge program with pension plan tickets

By Matt Smith

New York-based Quest Partners has launched a new CTA program with investment from two pension plans to provide better equity hedging than traditional trend-followers.

The Quest Equity Hedge (QEH) program aims to offer a negative correlation of -70% to the S&P500 as well as low correlation to other hedge funds.

The program is based on recent Quest research that found a style drift among the largest trend followers that the firm says has reduced their equity hedging capabilities in the event of market downturns.

Quest added covariance filtering to its AlphaQuest Original Program models to take only trades which have a negative correlation to the S&P 500 at entry to create a program that aims to reduce the volatility of a stock portfolio with enhanced risk adjusted returns and higher alpha than an equity long/short hedge fund.

The QEH uses the same alpha generating mechanisms as the AlphaQuest Original Program, which is running \$43m assets across 50 markets and was up an estimated 16% YTD to 19 July.

The QEH is offered as a standalone with 1/20 fees or as part of Quest Equity Neutral (QEN), which combines a new systematic long only equity program called Quest Equity Long, which charges a 1% management fee.

QEN has been launched with \$40m from two US corporate pension plans.

Quest, which had firm-wide AuM of \$848m, also runs a short and long term CTA programs with \$168m in AuM as of 19 July, and a \$279m in AuM tracker index, which recently had its exposure to fixed income reduced by 20%.

Quest uses Morgan Stanley and Newedge as prime brokers, Swiss Financial Services as administrator, and PWC for audit.

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