



PIONEERING NEW IDEAS; ESTLANDER STAY TOP

Estlander & Partners has an established track record as a commodity trading advisor with an idiosyncratic difference. The secret of its success lies not only with its distinctive approach due to its unusual location but also in the company's employees and their refined methods. Eleni Chalkidou reports

■ The Finnish CTA, Estlander & Partners, has shown the market that it is possible to learn from the errors others make in the industry and use it to its advantage. This magazine awarded the firm Best UCITS Compliant Product in Europe, citing in particular its fund offers to investors looking for an investment that does not correlate with other risky assets, and which provides an excellent opportunity to broaden their portfolio.

The company has built on the knowledge that capturing and locking-in opportunities for financial success requires extremely fast decision-making abilities founded in comprehensive and structured market information. Its resourceful employees made use of this information in an innovative and systematic way as they developed a combination of information, advanced IT capabilities and risk management, supported by a committed R&D strategy and constant product refinement.

Martin Estlander in his humble Finnish manner explains: "Some of our competitors who

implemented a comparable trading style have also been quite successful. The trading style we adopted however has been positive so far as we have never experienced a negative calendar year with it. Our holding period is shorter and we are more reactive to the market environment. This provides good returns and excellent diversifications. It is our long track record of achievement and our solid return characteristics which make us different."

The latest published data showed Estlander & Partners manages \$1bn, within its three distinctive investment programs: Estlander & Partners Global Markets, Estlander & Partners Freedom and Estlander & Partners Alpha Trend. Each one of the three programmes is a systematic CTA created to take advantage of any change, which denotes fluctuations in global asset prices and modifications in risk appetite. One of the CTAs most successful products has been the Estlander & Partners Alpha Trend, which has been in operation nearly 20 years and is a diversified short term trend structure

which is active on more than 70 futures markets and offers a systematic programme with a highly selective trading process. The "Alpha Trend" offers investors the ability to hold positions for an average period of 20 to 30 days, delivers steady and consistent returns and has so far never experienced a year of negative returns. According to Estlander it has delivered a positive performance in 95 percent of its six month periods.

The investment philosophy within the different products of Estlander & Partners is straightforward. The CTA systematically and in a disciplined manner, without losing focus on constant innovation and enhancement, capitalises on market movements driven by investor behaviour. "Estlander tries to deliver high, absolute returns and strong risk adjusted returns by implementing rigorous risk control at every stage of the investment process," the CTA says.

Estlander has been able to combine its employee's individual trading experiences, quanti-

tative skills and sophisticated modelling capacities to successfully tackle the complexity of the markets at any moment. The CTAs investment philosophy states: “We know that quantitative analysis is an effective way of profiting from market movements and historic price data repeatedly provides identifiable investment opportunities.”

It is Estlander’s belief that diversification across a broad range of markets maximises opportunity and ensures liquidity and that a systematic approach to investment decision-making enables the CTA and its clients to benefit from investor behaviour in a disciplined and risk controlled manner.

Meanwhile, CTAs nowadays use a plethora of electronic techniques such as algorithmic trading to achieve efficient execution. Institutional investors also increasingly use algorithmic trading in identifying and executing trading opportunities. Demand for advancing systems has led to technology constantly changing the markets and the way the industry conducts its business and is shaping next generation financial services delivery. Estlander’s CEO notes: “Advanced technology has been an important part, has a big impact on the market and will continue to have an impact because it emancipates investors and allows for more liberty. The investor need to depend less on the human brokers and more on the platforms. It is a big change. Algorithmic trading has changed the industry especially for banks and professional players it has changed the market.”

Estlander & Partners is aware and welcomes the ever-changing landscape of alternative investments and regulation change for European funds. Institutional grade controls, increased transparency, liquidity and flexible product strategies are driving fundamental changes in the very fibre of the industry. Estlander feels this is a great opportunity for the industry. He says: “Added and appropriate regulation of products and the industry as a whole will assist in making it more regulated and comparable to other investments. It will also be easier to focus on benefits and bring about a change of mentality by making it more onshore. This is a very positive trend.”

The CTA has not yet adopted UCITS IV, which was transposed into national law on July 1, but noted, it will look into it in detail shortly. Estlander’s CEO said: “We welcome UCITS IV very much. It improves the regulatory framework further and is clear step in the right direction, making cross boarder sales more ef-

ficient. The reason of our growth has been due to UCITS as they provide us with the freedom to speak openly and communicate unreservedly, which has helped to promote transparency and will continue to do so.”

It was at the end of April when the CTA announced that its assets under management had gone past the \$1bn landmark, which was an asset growth of over 100 percent on its year on year growth. Estlander commenting on the importance of the \$1bn milestone and the significant growth, said: “We have seen increased interest in CTA strategies over the past year in addition to our amplified our focus on raising assets through the strengthening of our client relations with added client meetings.” He noted: “Estlander’s daily liquidity, uncorrelated profits and a long and successful track record have been welcomed by investors. This, in addition to onshore UCITS wrappers without any restrictions for investments or non-transparent

Estlander & Partners
upholds a positive outlook
for the future due to
an extremely strong
investor demand

added costs, seems to have attracted further investors. It has also helped the managed futures sector grow at the expense of other hedge fund strategies.”

The CTA operates out of two of the key university cities in Finland, Helsinki and Vaasa. Estlander says: “We are surrounded by outstanding people and co-operate with the academic world through sponsorship as well. In return this gives us very good access to creative people and superior thoughts. The pool of people we work with is paramount to us.”

The CEO of Estlander moreover feels that being based in Finland ranks highly because the business environment is considered one of the most commendable due to its high employee loyalty, job satisfaction, low corruption and strong corporate environment. In addition to the Finland offices the company also has an office in Munich. Its location close to the universities helped Estlander to enlist top talent, who then maintained their relationships with

the company and assisted in the realisation of Estlander’s target objectives.

Estlander commented on the company’s distinctive location: “Our unique location, away from the main financial hubs, has supplied us with the freedom to employ a non conformist way of thought and provided an opportunity to approach unconventional solutions.” He added: “It feels good to have the freedom of thought, to work on our ideas and maintain a particular, unique focus without too much influence of how others do it or investors expect it to be done.”

The CTA recently opened an office in Zurich, Switzerland, to strengthen its presence further in continental Europe, and will be especially focusing on servicing high net worth individuals and institutional investor clients within the Benelux countries, Switzerland and Sweden. The strategy behind the move is simple according to its CEO: “An office in Zurich allows us to show our strong, more personalised, commitment to our clients. We are now closer to them as we can meet them face to face and in that way can serve them better.”

Estlander & Partners employs 45 professionals with reputable, thriving track records in fund management, trading and distribution and considers them the key element to their success. Estlander’s CEO notes: “As Finns, it is no surprise we want to be based in our own country, if possible. Our employees are our main asset and that’s key. Since our current location works for our clients and is important to our employees, it all works out just right.”

There are a few things in the pipeline for Estlander & Partners but there will first be a waiting phase until Zurich is fully up and running. Estlander says: “Once Zurich gets up to speed we will see what will develop next. It is so hard to predict the future but it more important to be reactive. Although it is too early to give specifics we do have an eye on further increasing our exposure to Asia, which is exciting as we increasingly observe demand from that region.”

Estlander & Partners upholds a positive outlook for the future due to an extremely strong investor demand but takes nothing for granted. Estlander commenting on the CTAs prospects: “The challenge and focal point for us will be to take care of our clients. We need to focus, research, pioneer new ideas and continually refine our methods. We also need to make sure we can keep up with providing investors with excellent, personalised service.” ♦