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Opalesque Exclusive: Quant funds saw redemptions early on in crisis as some questioned the strategy, but Richmond Group's steady returns in 2008 (+42% YTD) see assets rise again

From [Kirsten Bischoff](#), Opalesque New York: In December, Opalesque looked at the asset raising environment for hedge funds boasting positive performance in 2008 (see previous article: [here](#)). The environment did (and still does) look bleak as the combination of jitters from the Madoff fraud and the need to fund other portions of portfolios has investors raiding even their positive hedge fund investments.

However, as we learned in 2008 exceptions to every circumstance abound. Take for instance, quant firm Richmond Group. Quant hedge funds took the earliest hits in the credit crisis as jittery investors began to doubt the strategy after August 2007 saw many quants take severe tumbles. But Richmond Group may provide a glimmer of hope for those looking to raise assets in 2009.

Like many quant funds who managed to perform well through this time, Richmond still saw an investor pullback in late 2007 and early 2008. But positive performance grew in 2008 as the firm was well positioned for the outlier and profits actually accelerated as the year went on. With year-end performance at +42% in their global macro (diversified) fund and +18% in the global currency program the firm is now in the process of cycling back up through the \$100m asset mark.

Staying contrarian in 2009

Being contrarian through 2008 allowed Richmond's trading models to quickly connect the dots as the credit crisis rolled through the global markets and the firm was able to not only reduce exposures but profit from such things as currency trades in Iceland.

"I'm bullish the opportunity set. And I am more bullish on the US than I am bearish at this point," says Bob Marcellus, founder of Richmond Group. Although Marcellus sees a chance for a slight resumption in the decline of equity markets "I really see the models have turned and that we are on the buy side of equities."

Currency trades to return to the fundamentals of economies

However, when pressed to give an overview of 2009 markets Marcellus' bias lies with currencies. "Since we track the velocity of money moving around the world – currency is a target rich set for us, and we think most of this will be manifested in currency moves as opposed to equity moves." Richmond will look for an increase in volatility in the currency markets. "With the bailouts sovereign risk is replacing corporate risk. The result is more velocity, or money flows moving back and forth between countries looking for the best haven for their assets."

As a result, Marcellus expects currency trading to go back to simpler forms. "We will go back to the basis of investing in economies. Looking at who is making cash, who has a deficit and who is running a surplus," he says.

Corporate website: [Source](#)