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Best diversified FoHF under $500m; Best investor relations team

Kairos Partners

Continual portfolio and strategy adjustments, and continual meetings to find undiscovered new funds are the keys to success, the team at Kairos Partners thinks – even if it requires a great deal of exertion.

The Kairos Multi Strategy Fund won best sub-$500 million diversified fund of hedge funds (FoHF) at the Hedge Funds Review European Fund of Hedge Funds Awards. Between Q3 in 2014 and Q2 this year, about a fifth of the portfolio comprised event-driven strategies, 18% was European Union equity long/short funds and 16% was Asian equity long/short funds.

Kairos has an emphasis on selling funds that have done well – a hard prospect, the team admits – and buying others it hopes will outperform. Rotating strategies is necessary, particularly for nimble managers that transmute as they grow. "You can't just rely on one or two funds doing well," says Michele Gesualdi, chief investment officer of multi-manager funds. Drivers for good performance are different year to year.

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>
> Michele Gesualdi, Kairos Partners

Moreno Tatangelo, Kairos Partners

James Wellwood, Kairos Partners

The portfolio managers like new funds; this does not necessarily mean new managers. "We try to find people that are motivated. If it's a new baby, it has to be taken care of," reasons Gesualdi. "If it's your only business, you will be very careful." An extra advantage is the avoidance of crowded trades, says senior analyst Moreno Tatangelo.

Kairos therefore tries to do a lot of meetings with interesting, undiscovered managers based in Asia, Europe and the US. The target is 2,500 meetings a year, which Gesualdi says – taking a deep swig of air – other funds of hedge funds don't do. "We constantly travel to find new ideas," he says, lamenting fund-pickers who sit in their offices all day. "You don't find ideas off the beaten track that way."

As of November, the multi-strategy portfolio recorded no losses this year from its funds, bar one based in the US that lost "a few basis points". Its top-performing Asian stock-picker generated more than 30% returns, as it had flexibility to invest in different equity markets across China and timed equity markets well, says Tatangelo.

Most European equity long/short funds on the market performed well over the year, where US ones did not. Tatangelo says the firm raised its exposure to European equity funds at the start of the year after they returned little in 2014, as he thought the alpha generated felt disconnected to the talent of the managers. Kairos seeks to raise exposure to US managers next year, as prospects look sunnier.

The fund manager says it sees symmetrical demand for its onshore Ucits funds and its offshore funds. Since its launch as an offshore fund business in 2000, Kairos has sought to push into Ucits territory, particularly as interest in offshore vehicles dropped off after the 2008 crash. "Both in offshore and Ucits we look for a competitive advantage in underlying managers," says senior analyst Mario Unali.

But now Japanese pension funds are starting to deploy more capital, with more demand for offshore funds, the team says. European family offices are becoming more favourable towards holding onshore regulated vehicles, explains James Wellwood, sales representative at Kairos. The firm also picked up the award for best investor relations. ■