



Jack Schwager, Emanuel Balarie team up to launch multi manager futures and FX fund

Bailey McCann, Opalesque New York:

On June 1, US-based [ADM Investor Services](#) plans to launch the ADM Investor Services Diversified Strategies Fund, a portfolio of futures and FX managed accounts. ADM Investor Services has tapped into the experience and expertise of industry veteran Jack Schwager to spearhead the manager selection and portfolio construction for the fund. Schwager is the author of John Wileys Schwager on Futures series and the best-selling Market Wizard series, which includes the recently released Hedge Fund Market Wizards. The fund is co-managed by Emanuel Balarie who heads up Balarie Capital Management, the managed futures division of Archer Financial Services.

The funds strategy will be unique in several ways. "I have deliberately constructed a portfolio in order to get literally zero correlation among the managers," Schwager explains. "At the end of the process, when we defined the portfolio and I did a correlation matrix of the managers, the average pair correlation was 0.02%."

In order to achieve this degree of diversification, the portfolio is constructed with an initial group of approximately 20 managers each taking an entirely different approach. Because of the lack of correlation, the portfolio is also expected to have very low volatility. The fund will use notional funding to increase volatility to a target of approximately 6%.

The fund will also operate entirely through managed accounts. "We can pretty much do away with all of the problems of lack of transparency in the hedge fund industry with this approach. By using this structure, we minimize, if not eliminate, the possibility of fraud and also avoid the possibility of managers taking on risk we don't see."

"Most of the managers in our portfolio are lesser known names in the industry," Schwager says. "We focus strictly on return/risk rather than return alone, and we found that, quite often, the managers with the best return/risk were those with smaller assets and lower profiles than the industry giants." Schwager adds, "Also, most of the large CTAs use similar trend-following methodologies and are highly correlated to each other. The only way we could get the complete lack of correlation we sought was by searching beyond the obvious names."

The fund also differs from traditional funds in the way that it allocates to its managers. "The allocation process is not equal allocation, which I think is nonsensical," he says. Rather than allocating the same amount to each manager, Schwager will widely vary the allocations with the goal of achieving a more equal distribution of risk among the managers.

"I think its illogical to do equal allocations," he says, "because managers that take on more risk end up being a bigger part of the portfolio. Why should I allow the funds portfolio to be impacted by the risk preferences of the managers?"

The Fund will be available to both institutional as well as accredited investors.

Full article link (subscription required): [http://www.opalesque.com/642197/
Jack_Schwager_Emanuel_Balarie_team_up_to219.html](http://www.opalesque.com/642197/Jack_Schwager_Emanuel_Balarie_team_up_to219.html)