Paragon well under way with new QIF algorithmic and AI-focused fund

The team's factor-based investment algorithms have been given increased exposure over the year and remained resilient to the sell-off in domestic stocks

The Paragon quantitative multi-strategy fund has successfully launched as a regulated qualified investor fund (QIF) as of March 1.

The fund is managed by Evan Fotopoulos, Byron Vos and Ryan Swartzberg in Johannesburg, who employ a quantitative rules-based approach, relying on a set of diversified, proprietary trading algorithms. They began trading in 2016, starting the strategy as an *en commandite* partnership in February 2017 before launching as a regulated CIS QIF structure, using the Prescient management company with Peregrine Fund Platform as the investment manager.

The trio all studied actuarial science together at the University of the Witwatersrand to Honours level and share a passion for applying data science and statistics to financial markets.

The Paragon PFP Multi-strategy Prescient QI Hedge Fund uses a set of diversified trading algorithms, employing state-of-the-art statistical techniques, machine learning and artificial intelligence methods to generate outperformance, seeking to profit from anomalies driven by macroeconomic, fundamental, quantitative and behavioural factors. This is combined with a robust risk-management framework and proprietary money-management system that dynamically allocates capital based on each strategy's expected statistical behaviour.

The fund's strategy is to systematically invest in equities, commodities, bonds, currencies and derivatives across accessible markets. Funds are then allocated to the asset classes according to expected return and risk, investing in the best opportunities within each asset class.

The strategy is flat year to date, compared

FUND FACTS

Paragon PFP Multi-strategy Prescient QI Hedge Fund

Inception: March 2018
Investment manager: Peregrine Fund Platform
Managers: Evan Fotopoulos, Ryan Swartzberg, Byron Vos
Strategy: Quantitative multi-asset multi-strategy
Structure: QIF
AUM: R30.4 million
Prime brokers: Peregrine Securities
Manco: Prescient Fund Services
Administrator: Zurich Fiduciary Group
Open to investment: Yes

> **"We are positioned well and have rigorously tested our algorithms over 20 years of historical datasets"**
> *Evan Fotopoulos*

with a 1.7% decline in the Johannesburg All Share Index and –0.49% drop in the Top 40.

The team's factor-based investment algorithms have been given increased exposure in the fund over the course of the year. In spite of the market turbulence, the factor models have

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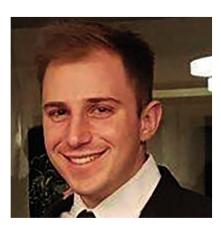remained resilient to the sell-off in domestic equities.

"We are positioned well and have rigorously tested our algorithms over 20 years of historical datasets," says Fotopoulos. "The algorithms are behaving as we expect."

The fund currently has more than 100 open positions, with the majority of assets concentrated in approximately 35 high-conviction holdings. It currently employs multiple algorithms that trade equities, currencies and commodities. By traversing multiple asset classes, the algorithms are able to diversify the return stream away from pure beta.

The trio started the fund investing only in South African equities. Now that they have developed algorithms that span asset classes and geographies, they are looking to expand the fund across global markets.

"We like to test models across different markets during the strategy development process as a common-sense check. A good investment strategy should have similar performance across different markets," notes Fotopoulos. "Within the next quarter, we plan to broaden the opportunities we are exploiting. For quantitative funds, the more markets we can trade the better. This helps us to remove idiosyncratic risks of individual markets and the larger our opportunity set, the more likely we are to realise the statistical odds that we spend much of our time quantifying."

Now that the fund is housed in a QIF structure, the team will be looking to increase its investor pool beyond its current high-net-worth allocations. Increased assets under management will also support employing more algorithms.

Evan Fotopoulos

Byron Vos

Ryan Swartzberg