

# A<sup>2</sup>ML

*A new direction for financial solutions*

## Alternative Asset Management(A2ML)

Press Release

### A2ML's Megalio creates range of volatility trading structures

**EuroHedge Newsletter**

**March 2010**

Alternative Asset Management (A<sup>2</sup>ML), an FSA-registered firm in the UK led by Nicholas Edwards, has put together an innovative new platform to offer investors varying options on a new volatility trading strategy.



Called the Megalio Macro Strategy, the underlying strategy is managed by Triple 3 Partners, an Australia-based management firm headed by Simon Ho, formerly of JP Morgan and Goldman Sachs.

According to Edwards, the product was inspired by the desire to meet the new needs of investors in the wake of the financial crisis in terms of liquidity, transparency, low volatility, downside protection and, of course, returns.

Running in a fund structure with proprietary capital of \$20 million, the unleveraged version of the Megalio Macro Strategy delivered 9.04% from October 2008 through the end of 2009. Though this was a steady if unexciting return, importantly it had very little downside volatility.

The strategy has been running since August 2006, but the team refined it in 2008 so as to reduce risk. The strategy now has a maximum capped downside.

However, Edwards believes that - given the very low volatility of returns (with a monthly standard deviation of only 1.32) and strong downside protection - investors may be more interested in a four times leveraged version of Megalio Macro that A<sup>2</sup>ML is also marketing. Edwards argues that with four times leverage the standard deviation is only 5.23% for annualised returns so far of 35.49%.

In another innovation, A<sup>2</sup>ML is also offering Megalio in a guaranteed fund structure - with a 100% capital guarantee provided over 10 years by **HSBC**  *The world's local bank*. The capital guarantee is backed, as in the original structure pioneered by Man Group in the 1980s, by zero-coupon bonds. But in the Megalio case, A<sup>2</sup>ML also aims to offer investors continuous daily liquidity - based on the value of the zero coupon bonds - throughout the life of the investment, a new innovation designed and structured by Edwards.

The strategy itself has a systematic approach to trading volatility in large-cap equities, indices, ETFs, commodities and FX.

Ho has 16 years experience as an options trader and has previously held senior positions at Goldman Sachs, JPMorgan and Deutsche Bank. He is supported on research by Paolo Giordano, an expert in Bayesian statistics and volatility modelling who has published work in various academic journals.

A<sup>2</sup>ML has created a master feeder structure, which will allow it to create fund structures and managed accounts in various formats to accommodate the differing needs of investors.

**Alternative Asset Management (A2ML)**

[admin@altasset.com](mailto:admin@altasset.com)  
[www.altasset.com](http://www.altasset.com)

+44 (0) 1892 731 080  
+44 (0) 0800 0612 556

Leap House  
Frog Lane  
Tunbridge Wells  
Kent TN1 1YT

*Authorised and Regulated by the FSA*