

BY GINGER SZALA

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Aspect Capital soars with diversification

Aspect Capital is aptly named. Its group of physics-trained leaders took it from the aspect ratio of plane design, that is, the wider the wing span, the more stable the plane. As such, Aspect trades not only futures of its early roots but European equities, bonds and currencies in various forms, covering a so-called wider wing span.

The London-based hedge fund was the brainchild of Martin Lueck, Eugene Lambert and Anthony Todd. All have formidable pedigrees in trading. Lueck is the "L" in Man Financial's successful fund manager AHL. Lambert was head of trading systems for ED&F Man, and Todd headed marketing and institutional sales for ED&F Man Investments.

After leaving Man in 1995, Lueck headed to southern France with his family and became a stay-at-home dad. But after 18 months, he says he started "pickling." He contacted his two colleagues, and they began talking. "We thought, let's get the band back together," Lueck says.

And it has been rock and roll ever since. Launched in December 1998, the firm's futures fund, Diversified, had a rough start. Down 10% in its first month in a terrible commodity recession, the team pushed on, and today, with equity and bond funds making up about a third of the \$800 million under management, the firm has become, as Lueck says, "a grown-up CTA."

Today, Aspect is tops at its game. Diversified through June was flat for the year but has a return of 46% since its launch. The Currency fund is up 40% since it launched in November 2001, while the Fixed Income fund, launched in September 2000, is up 4% for 2002 but 33% since its start. Truly the star is its European Equity fund, launched in October 1999. This year it is up almost 5% through June, but up 54% since its launch. That is impressive during these trying equity times. In fact, the fund was ranked tops in 2001 by Lipper with an 18.67% return.

The firm follows purely systematic programs and puts as much time and team into research as into its trading. Its office separates the two groups — physically — and gives each the same level of importance. In fact, Lambert says they

have more researchers than traders, and they constantly are testing new ideas to try to increase the funds' Sharpe ratio.

Lambert says each system for the funds is put together differently, although each was built on the same fundamental process. Also, the firm built its own front-end system that is able to "cut time dramatically of getting into the market," Lambert says. The key reason is they have eliminated the time between calculation and execution.



Aspect Capital: Martin Lueck, Anthony Todd and Eugene Lambert

Lambert describes how each fund is approached from a three-part perspective: style vs. frequency vs. number of markets. For example, the Diversified futures fund uses two different styles — trend following and a pattern-recognition approach. Each style has a short- (three days), medium- (two months) and long-term (six months) time scale, all which run currently. Diversified trades more than 100 products. The

Fixed Income fund is similar in style but trades fewer markets (25) and has a bit higher frequency. The Equity fund trades more products (liquid equities only), uses more styles or models of trading — a combination of value, growth and momentum strategies — but frequency of trading is less than the other funds. Risk is managed by restricting exposure to an individual country or sector, and a systematic market timing overlay adjusts the exposure to market conditions.

Aspect's core, however, is its emphasis on research. One example of how a new idea was taken to fruition was the observation that, during quiet market periods, the funds "could get hammered if we're in the market the whole time," Lambert says. "We looked at being more selective." Using what he calls a "playground," the group tested what would happen if it pulled out of the market during quiet periods. Once it was refined, it deployed the idea, trading the firm's own money to test the concept. The result is a fast pattern-recognition overlay program that is in and out of the market when it sees quick opportunities. The other systems are either long or short. Lambert says increasing the Sharpe ratio at least slightly with each idea is the goal. Judging by Aspect's performance, it must be working. **FM**

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