ABR Dynamic Funds builds for scale

Bailey McCann, Opalesque New York:

Taylor Lukof is founder and CEO of ABR Dynamic Funds, LLC, in New York. ABR invests firm and client capital through separately-managed accounts in quantitative-driven strategies in US-based equities, futures and options.

Lukof will be in Switzerland in June, on the 8th and 9th in Geneva and on the 12th and 13th in Zurich and Liechtenstein.

Opalesque, the leading source for "Premium Alternative News", interviewed ABR. This article captures ABR's rich trading history and ambitious future: they are building their firm for scale.

If you travel to New York to meet with alternative investment managers, most of the time you'll visit lofty buildings in Midtown Manhattan, far away from the trading floors that once defined Wall Street's physical presence. That's not the case with New York-based ABR Dynamic Funds, LLC, hereinafter ABR, however, which has offices a few steps away from the American Stock Exchange (AMEX) building. The firm is steeped in the personal histories of its founding investment team Taylor Lukof and David Skordal, who both got their start in finance working on the trading floor at the AMEX. Lukof began his career at TANSTAAFL Research and Trading as the youngest member of the AMEX at that time. Eventually, he moved over to Toro Trading's booth, where he met Skordal. The two men have been working together ever since and they still prefer the winding, narrow streets of lower Manhattan.

ABR is a quantitative firm which blends a long-only equities strategy with VIX futures. The resulting flagship fund is designed to participate in equities rallies but also generate crisis alpha in the event of a significant drawdown through its VIX futures position.

Rather than launch as a quantitative hedge fund, ABR offers a Fund of its portfolio in the UCITS wrapper and has daily liquidity and no performance fee. "We decided to go with the UCITS structure because we do think that's where a lot of managers and strategies are heading," Lukof explains in an interview with Opalesque. "The writing is on the wall for traditional hedge funds."

According to Lukof, UCITS funds have a positive reputation for being tightly regulated and more liquid than the typical hedge fund structure. Those benefits have made it easier for a new firm like ABR to make its case to investors.

This ABR Fund is still relatively new, having launched just two years ago, but 2016 proved to be a good year for highlighting how the strategy works in a drawdown. Last year's rocky January start coupled with Brexit and September's slump provided the kind of volatility the strategy was designed for. The fund ended the year up 1.8 percent, outperforming long volatility strategies, which as a group ended the year in negative territory.

In addition to the UCITS fund, ABR has developed a group of index products verified by Wilshire Associates that expand on its blended volatility approach. So far, the firm has created a crisis alpha index; a multi-asset portfolio index with volatility exposure; a short volatility index; a version of its equity/volatility blend and a blended treasuries index. ABR owns the indexes and licenses them out to other investment firms. "We want to build our products for scale," Lukof says.

Taken together, the product mix at ABR allows the firm to operate as a solutions provider rather than relying on a single flagship fund. Lukof and Skordal note that having volatility exposure in a fund as downside protection is an approach that investors have started understanding more readily in recent years. However, it can be difficult and expensive to maintain that exposure over the long-term with more traditional volatility products.

"With every strategy we create, we're looking for persistent alpha with significant scalability," Lukof explains. "Some systematic strategies may have very high Sharpe ratios, but you typically see a much quicker alpha decay and significantly tighter capacity constraints."

Looking ahead, the firm plans to continue building out its platform of products. Lukof notes that the blended volatility approach gives ABR the ability to create several variations on its strategy that investors can use as diversifiers in both equities and treasury portfolios.

Please click here for the link to the same article on the Opalesque website.