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Although we all agree Allianz probably took large losses recently, and why not on options, it is hard to believe that the two derivatives funds they just liquidated had been long puts:

- a) These two funds would have made a fortune - not losses - in the last few weeks. Remind us. How did they generate 1000 bp return above benchmark again?
- b) It is well known that there has been a massive seller of VIX calls for months. Its positions didn't turn out so well in February.
- c) That institutional kept on selling vol-of-vol through March, with both puts and calls.
- d) With these sales, this player prevented the S&P tiny puts from rising, hence preventing the VIX from rising.
- d) Someone sold massive quantities of S&P Puts on the VIX fixing last week, down to the \$400 strike. As a result the VIX March futures settled 12 points (!) below their previous quote... while the S&P was limit down!
- e) Only an actor with massive financial capacity can do trades of those magnitudes.
- f) We can't assume who it is, but there aren't many such players.

That actor has raked billions in losses. A \$5 bn loss for a \$600 bn asset manager would barely register on their yearly performance (<1%). So why did Allianz suddenly liquidate teams of option traders....?



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Allianz Global Investors Liquidates Two Hedge Funds

Investing arm of German insurer will also close related offshore feeder fund following recent move in markets

By Justin Baer

Updated March 27, 2020 3:27 pm ET

Allianz Global Investors is liquidating two hedge funds after they took heavy losses in recent weeks on stock-options trades.

An Allianz Global Investors spokesman said the two funds, Structured Alpha 1000 and Structured Alpha 1000 Plus, had been net buyers of puts, or options giving the holder the right to sell an asset at a predetermined price in the future. The puts were designed to hedge against losses the funds might endure from other positions should the market decline.

They didn't work, in large part because the market sold off more rapidly this month than it had during past downturns, including the 2008 financial crisis, a person familiar with the funds said.

This pace "had a particularly large impact on the options positions held by Structured Alpha funds, particularly the two highest target alpha private strategies," the spokesman said in an email.

As the market continued its descent, the funds were forced to lock in losses.

"The portfolios were restructured and de-risked significantly during the course of this turmoil, but not without sustaining significant realized losses," the spokesman said.

Allianz Global Investors, an investing arm of German insurer Allianz SE, will also close a related offshore feeder fund.

"While markets will remain challenging, we believe the remaining funds are now well positioned," the spokesman wrote. The firm has 27 Structured Alpha funds.

Structured Alpha 1000 and 1000 Plus were the most aggressive of those funds. The "1000" in their names refer to their return targets: 1,000 basis points, or 10 percentage points, above their benchmarks.

U.S. stocks sold off sharply earlier this month as the coronavirus pandemic upended everything from travel and commerce to manufacturing and tourism.

While many hedge funds have reported losses this year, the group has held up well relative to benchmark indexes. The HRFC Global Hedge Fund Index is down

5.5% this year through March 13, besting the S&P 500 index's 2020 decline of 19%.

Allianz Global Investors manages \$569 billion in assets. Like many large insurers, Allianz owns money-management businesses that oversee its assets, as well as those of outside clients. Another Allianz manager, Pacific Investment Management Co., is one of the world's largest bond investors.

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