

# SG offers hedge fund strategies in new LSE-listed ETN

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Source: [Structured Products](#) | 16 May 2014



Alexandre Houpert, Societe Generale

**SG is offering professional and sophisticated retail investors in the UK an ETN that goes long stocks in the FTSE 100 and 250, and short the two indexes. Hinde Capital is the strategy manager for a product that is collateralised in a similar way to an ETF**

Societe Generale has listed an actively managed, long-short exchange-traded note (ETN) on the London Stock Exchange (LSE) this morning that offers UK investors a greater-than-usual degree of sophistication and access to strategies frequently used by hedge funds.

"This new and innovative actively managed tracker makes the link between the active and passive equity management worlds," says Alexandre Houpert, managing director and head of distribution, listed products France and Northern Europe, at Societe Generale in London.

The French bank has enlisted Hinde Capital to conduct the stock selection for the 10-year SG Hinde Dynamic Equity ETN – 50% Hedge (Half), which tracks the performance of a dynamic portfolio of UK equities. To reduce capital losses resulting from market falls, the portfolio includes a partial risk management feature called a 50% beta hedge, which takes a short position on the FTSE 100 and FTSE 250 indexes.

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"Due to the more complex nature of the basket, we will narrow the promotion to focus only on professional investors and sophisticated retail investors," says Houpert. "Appropriateness tests are required by execution-only stockbrokers and we recommend investors seek professional advice prior to investing."

Strategy manager Hinde selects a portfolio of 20 companies chosen from the FTSE 100 and FTSE 250 using its High Dividend Value Matrix. "The key premise of this strategy is to accelerate the potential return by investing in relatively high-yielding stocks that look temporarily out of favour," states the offering document. By creating the short exposure, the dynamic portfolio can generate profits as the indexes fall in value.

"We have chosen to work in partnership with Hinde as we were impressed by the results of the Hinde strategy, which combines long UK equity dividend stocks and a permanent beta short on the FTSE 100 and FTSE 250," says Houpert. "Our customer research then confirmed that there is a clear demand for this type of strategy," he says.

"As an exchange-traded product, Half is easy to access, benefits from the full governance framework of the LSE and is backed by the liquidity of our market maker, much like an exchange-traded fund (ETF)."

SG is the issuer and collateral covering 110% of the ETN in a daily reset is held by Bank of New York Mellon (London branch), coming in the form of a pool of Ucits-eligible blue-chip equities and available in the event of an issuer default. "In this respect, the intent was to be as close to an ETF as possible. If the product performs well, an ETF may well follow should we be willing to extend the target audience," says Houpert.