

PROFILE

Lampe AIR² UCITS Fund of Hedge Funds

Manager sourcing, selection and seeding driving outperformance

Hamlin Lovell

Lampe Asset Management's Lampe AIR² has received *The Hedge Fund Journal's* 2025 UCITS Hedge Award for Best Performing Fund in 2024 and over 2 years ending in December 2024, in the Fund of Funds category. Many of its holdings have also been recognised by *The Hedge Fund Journal's* UCITS Hedge Awards since their launch in 2012. In addition, several of the emerging managers seeded and supported by Lampe have featured in the annual Tomorrow's Titans reports on rising hedge fund managers.

The manager selection process is based partly on a sophisticated proprietary quantitative approach but lead portfolio manager Frank Neidig also draws on his experience and judgement, particularly when it comes to emerging managers and more unusual strategies that are not easily captured by Lampe's quantitative portfolio optimisation and sizing algorithms. "We want to pick the

best UCITS hedge funds to generate stable outperformance that would not be possible with long-only equities and long-only bonds," says Neidig.

Drivers of outperformance

The product is to some extent a hedge fund index replicator, but its sources of outperformance differ fundamentally from those of vehicles typically seen as replicators. Instead of using indices, swaps, notes or certificates, which tend to generate excess return mainly through lower fees and risk premia, Lampe seeks alpha through a blend of discretionary and quantitative UCITS funds, while also securing modest fee savings through seeding, early-bird and institutional share classes, long-standing relationships and negotiation.

Lampe experimented with a risk premia strategy but discontinued it after disappointing results. Neidig firmly believes that active systematic and discretionary managers are required to generate sustainable alpha.

“Alpha can be captured in both discretionary and systematic strategies.”

FRANK NEIDIG



▲ Frank Neidig, lead portfolio manager, Lampe AIR²

Pure UCITS

“We aim to pick the best 30 out of roughly 1,000 UCITS-compliant hedge funds,” says Neidig, who began building the hedge fund allocation business in Düsseldorf in 2008 at Bankhaus Lampe after starting his career at Citibank. “The experience of liquidity issues and Madoff exposure during the GFC led me to focus exclusively on UCITS and avoid Cayman funds or certificates,” he recalls. Although the vehicle has the latitude to invest up to 10% in non-UCITS it has never done so.

The fund of funds has prospered through several corporate transitions. China’s Fosun acquired Hauck Aufhäuser in 2016, which then acquired and merged with Bankhaus Lampe in 2020. Since 2019, Neidig has operated through the subsidiary ‘Lampe Asset Management’, which primarily focuses on institutional clients.

Proprietary systematic analytics

The objective is to remain reasonably close to the UCITS hedge fund universe

as measured by a specific index. “The HFRU Composite Index was chosen because it is Euro-based, has a long track record dating back to 2008 as one of the first UCITS hedge fund indices and publishes daily NAVs. Our tracking error to it has been realised at 2.5% – around half the target – which is very low for a fund of funds. With this low tracking error, we also meet the demand from institutional investors to replicate markets as cost-efficiently and effectively as possible,” says Neidig.

Inferred factor loadings

One initial challenge with this index was that its constituents were not disclosed, so exposures had to be inferred through regression analysis based on four broad sub-indices for macro, relative value, equity long/short and event driven. “Factor loadings and performance drivers were inferred using a library of more than 30 factors in total. These include classical long-only factors as well as a broad range of empirically validated alternative beta factors from Goldman Sachs. These are essentially based on

different long/short strategies across equities, fixed income, commodities and currencies, including momentum and style models,” says Neidig. This process also feeds into portfolio construction techniques that are more sophisticated than a simple mean/variance correlation matrix.

Diversification based on factor loadings

“Underlying factor drivers are used to build diversified portfolios and are more robust than correlations,” says Neidig. Portfolio construction has combined funds with average standalone volatility of 8% to deliver a portfolio volatility of 3%, thanks to diversification benefits. The code calculates optimal position sizes for each fund and is generally followed.

Manager selection

Funds are sourced from a wide variety of channels. “We have used databases

such as Kepler and HFR, though some commercial databases have recently become too expensive and are anyway unnecessary since we know the universe so well and can easily track launches through our network. Prime brokers such as Goldman Sachs have also been helpful in alerting us to seeding opportunities,” says Neidig.

Systematic and discretionary managers

“Alpha can be captured in both discretionary and systematic strategies,” says Neidig. Lampe AIR² reflects this by combining managers from both worlds in a balanced allocation. This reflects the analytical structure within Lampe, which has both systematic and fundamental investment teams. Neidig however questions the usefulness of the common distinction between systematic and so-called fundamental managers. “In practice, many systematic managers

work in a far more fundamentally grounded way than discretionary managers, who ultimately decide based on judgement. At the same time, most discretionary managers now use systematic tools and filters. The boundary is blurred, and the distinction is often not very meaningful,” he emphasises.

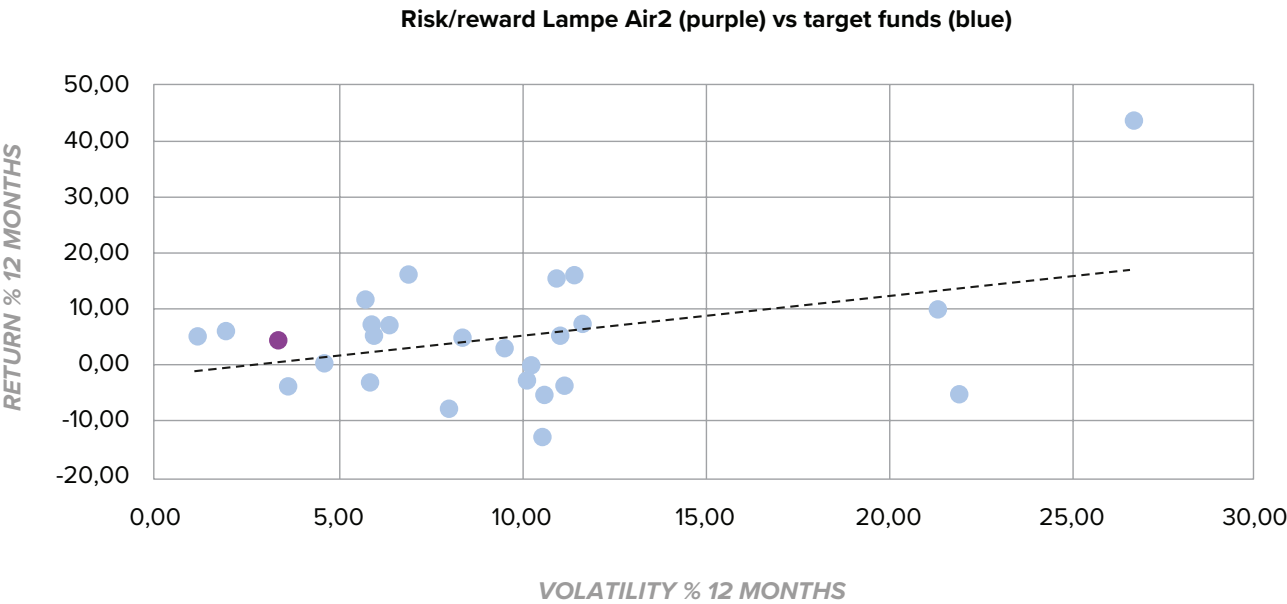
German managers

Germany is not Europe’s largest hedge fund hub, but it has developed specialist clusters of expertise in areas such as volatility trading, corporate events specific to the local market and a growing number of managers using AI. Almost half of the current roster of managers is based in Germany. “We use our strong network to find these managers and build relationships with them,” says Neidig.

A handful of strategies also focus on German-speaking financial markets.

Fig.1 High Diversification Effect Due to Heterogeneity of Target Funds

Source: LAM/Bloomberg. As at 08.08.25.

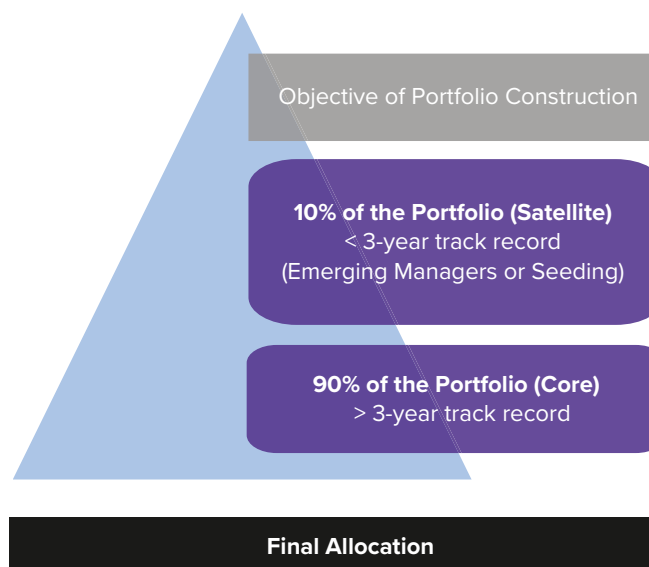


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Fig.2 Core-Satellite Approach

Source: LAM



Mainberg Special Situations trades corporate events including minority squeeze-outs mainly in Germany. “This is a niche strategy where only a handful of managers are active,” says Neidig. Long/short equity fund Lupus Alpha All Opportunities also has a somewhat German focus, though it is pan-European.

Long/short equity selections

Equity beta averaging around 0.3 has mostly come from a mix of long/short equity, event driven and macro managers. In long/short equity Neidig has deliberately avoided global long/short managers that risk significant overlap – for example in technology – and instead allocated to regional specialists such as Japan’s SPARX and Lafayette Dalton Asia Pacific. Neidig was an early investor in the SPARX UCITS and previously had very little in Japanese equity beyond Dalton’s holdings in the Tokyo market. “Dalton pursues a very

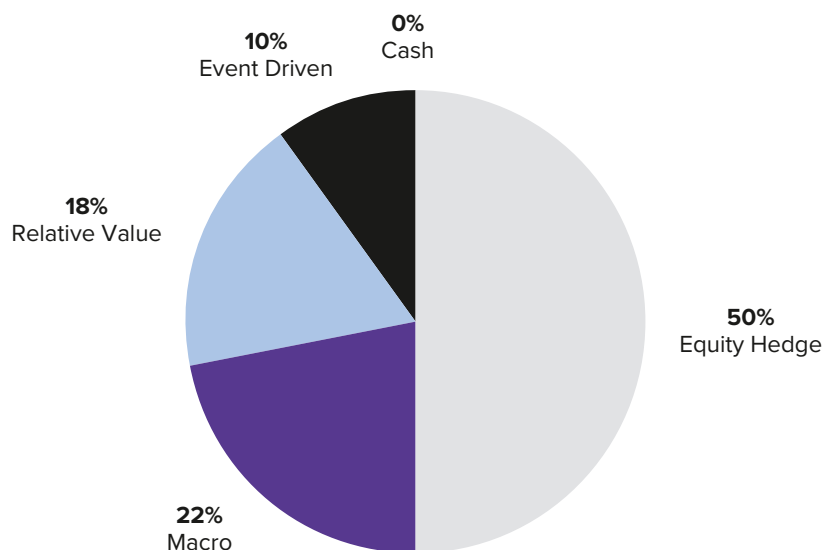
traditional value approach and has deep insights into Asian countries that inform a concentrated portfolio. We also value our long-standing relationship with Jamie Rosenwald, which further enriches the dialogue.”

CAT bonds

Neidig has been allocating to catastrophe bonds for more than ten years. Rather than investing in one of several multi-billion-dollar funds run by giant asset managers, he has chosen a somewhat smaller Zurich-based manager, Plenum Investments AG, founded in 2001 and dedicated to ILS, which has also built expertise in the sustainability analysis of CAT bonds. “We love exotic premia and CAT bonds are a special, uncorrelated niche that acts as a very good diversifier. I would want to allocate 5-6%, but the code has currently capped it at 2%,” admits Neidig. The same cap has applied to a Bitcoin vehicle.

Fig.3 Current Portfolio

Source: LAM



Digital currency

Neidig has been personally investing in crypto since 2012 but struggled to find a suitable UCITS vehicle until he discovered one run by Incrementum AG in Schaan, Liechtenstein, which combines traditional gold with “digital gold”. “They can allocate up to 30% to crypto alongside gold. This fund is currently capped at around 2% due to the coding optimisation, though this can change at any time,” says Neidig.

Timing

The code generally determines position sizes, but Neidig exercises discretion when it comes to timing entry points for long-term holdings. “I always try to time entry points well. I waited a year or two for a drawdown before buying a US small cap equity long/short manager,” reveals Neidig. “That said, we are not trading in and out of managers – and have only once reinvested after redeeming. Once invested, we have generally remained

invested for long periods. We can tolerate some volatility because a linear return profile is suspicious and we must let strategies breathe,” he adds.

Emerging managers

The code is only used to size positions in funds older than three years, since a longer track record is needed to run the statistical analysis. Discretion is applied to size younger funds. The fund of funds allocates up to 10% to a seeding bucket, which is mainly comprised of new managers, but sometimes also includes new funds from much older managers, since any fund under three years old falls into this bucket. “We are invested with some larger funds such as M&G Total Return Credit Fund but also plenty of boutiques. We like emerging managers because research shows they often outperform in their early years,” says Neidig. Here too, Lampe maintains an active dialogue: emerging managers are often spoken to more frequently to

monitor their development closely and support them in building a sustainable track record.

Minimum assets and personal investment

Most funds manage at least EUR 50 million, though this is not an absolute minimum. In fact, the portfolio currently includes two funds with around EUR 20 million each. “When seeding a fund, we would probably not go below EUR 20 million,” says Neidig.

Managers are expected to be invested in their own funds, though judgement is applied. “If they have all of their wealth in the fund it can also create issues of moral hazard, stress and personal health,” cautions Neidig.

Funds using AI

Several of Lampe’s managers use AI and machine learning. “We view this as a source of diversification even though we are not convinced it will perform better over the long term,” explains Neidig.

He has negotiated competitive fees on Tungsten TRYCON, a short-term trading CTA strategy, which is a regular winner in the UCITS Hedge Awards.

The seeding sleeve includes several managers who have featured in *The Hedge Fund Journal’s* annual Tomorrow’s Titans reports: Nuremberg-based Artellium, which Neidig co-seeded, applies AI and machine learning to an equity market neutral strategy, FP Artellium Evolution. Daniel Linzmeier’s Ansa – Global Q Equity Market Neutral is another equity fund using AI that was partly seeded by Neidig.

Tomorrow’s Titans managers

Neidig was also one of the first investors in Empureon’s volatility risk premium (VRP) strategy, the Empureon Volatility One Fund, whose founders were

highlighted in our 2024 Tomorrow's Titans report. Neidig knew the team well, having also invested in the volatility strategy that the Empureon founders co-managed at FERI. Vienna-based Blue Balance, which runs a unique relative value macro approach through its Blue Balance UCITS Global Opportunity Fund, is another award-winning *Tomorrow's Titans* manager to which Lampe is allocated.

Volatility and option strategies

Neidig has some appetite for long volatility exposure, even if he is not pursuing full-fledged tail risk. "Assenagon's long equity volatility and dispersion strategy can be a useful hedge for equity market drawdowns and is another example where I needed to exercise discretion to override the code," says Neidig. He is also researching lower-cost volatility risk premium strategies.

Fee discounts and capacity

Neidig acknowledges that smaller tickets can make it harder to negotiate fee discounts, but he has worked with boutiques where it is easier to negotiate them. "The sweet spot is managers running less than USD 100 million, but we have also secured discounts from certain platforms we know well. We have

also negotiated institutional share class fees at less than the usual minimum," reveals Neidig. Sometimes the discount may be only 0.10% but in other cases there might even be a zero management fee for some funds. Early-bird discounts have occasionally included zero management and/or performance fees.

Lampe has also secured capacity agreements and has exposure to funds that have often been soft closed, including Man GLG Alpha Select. Over the past 17 years, Neidig has uncovered far greater diversity of asset classes and strategies in the UCITS hedge fund universe than many investors might expect. He keeps a close eye on a strong pipeline of interesting UCITS launches from both new and established managers, with some home bias towards German-speaking countries – Germany, Austria and Switzerland – but always within a global perspective.

The institutional share class is priced at only 0.25% management fee plus 10% performance fee, offering excellent value for institutional investors. Since last year, Lampe AIR² has also offered a retail share class, priced very competitively at a management fee of only 0.60%, which is significantly lower than many peers. [THEFJ](#)