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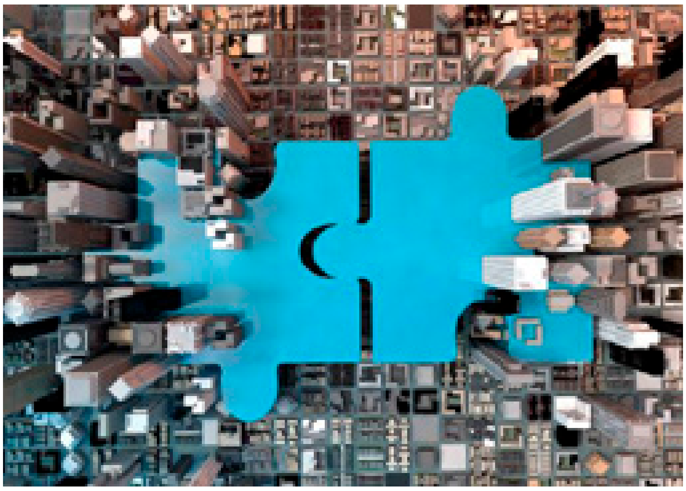
GWM unveils ESG merger arb hedge fund amid rising corporate activity

London-based GWM Asset Management has launched a novel merger arbitrage hedge fund strategy which uses ESG (environmental, social and governance) factors in its investment process.

BY HUGH LEASK | 27/05/2021



The strategy, which rolled out in early May with USD270 million in assets, has a specific focus on mergers and acquisitions in Europe, applying sustainable investment criteria to its position-building and excluding controversial sectors.

Commenting on the launch of the ESG-focused fund, Peter Sartogo, managing partner at GWM said moves towards sustainability within the investment and wealth management communities is now "of crucial importance."

"For some asset and wealth managers, excluding controversial sectors and stocks with a low ESG rating means risking reducing the universe of potential investment opportunities. However, we are convinced that taking in consideration ESG factors into the investment analysis can reduce risks and increase long term returns," Sartogo said.

"For this reason, we decided to focus our efforts on sustainable finance and we are proud to be among the first ESG friendly hedge funds in Europe. The portfolio of our fund has an ESG rating of AA on a range that goes from CCC to AAA."

GWM's merger arbitrage strategy has a track record of more than three years, with an annualised return of 9 per cent, volatility of 5 per cent, and a Sharpe ratio of 1.7. The fund is offered to institutional investors only.

Merger arbitrage hedge fund strategies – often seen as a hedge against rising rates thanks to their short duration and uncorrelated returns - are enjoying a resurgence this year, with M&A and corporate events rebounding as Covid cases decline in many countries and economies begin to unlock.

"The M&A investment universe is growing rapidly since Q3 2020 and new deals announced in the first quarter of this year could make 2021 a record year," added Sartogo.

GWM Asset Management's parent company GWM Group has some EUR4.5 billion in assets across real estate and alternative investments.