

Colosseum Seeks Alpha from Short-Term Fluctuations

Oleg Sutjagin, a long-time professional trader, and Eric Andersson, formerly a hedge fund portfolio manager, have joined forces to launch Colosseum Global Alpha on the Swedish hedge fund scene. The fund employs a systematic equity long/short strategy designed to generate alpha from short-term price fluctuations across individual stocks.

"I have been trading full-time since around 2016-2017, across a wide range of instruments including futures, equities, cryptocurrencies and commodities," Sutjagin outlines his background. He says his focus has largely been on volatility, which he sees as offering significant potential to generate alpha. Colosseum Global Alpha builds on this focus by relying on systematic approaches to idea generation and a structured, process-driven decision framework to capture alpha from short-term volatility. "Automation has always been central to my approach," Sutjagin adds. "A computer can process data, send, modify, and cancel orders far faster than a human ever could."

Eric Andersson, already known in the Nordic hedge fund community for his role as co-portfolio manager at the equity long/short fund Elementa, had been thinking about developing his own fund concept after leaving Elementa in 2023. "I had a very clear vision of what I was aiming for," Andersson says. He recalls meeting Sutjagin in the community and realizing that their approaches aligned. "When we exchanged ideas, it became clear that we shared the same perspective: there is a significant amount of alpha to be harvested in the market," he explains. Both saw opportunities arising from persistent anomalies across equity markets and agreed that a systematic, process-driven approach could be used to capture them.

Exploiting Market Anomalies

Having spent much of his career as a fundamental stock picker, Andersson believes there are multiple ways to enhance alpha creation. "Alpha is not only found in stock selection," he says. "It can also be generated from short-term market fluctuations. Adding a more transactional, highly active layer to the portfolio can also create alpha." Colosseum Global Alpha is designed to do precisely that, systematically targeting short-term movements through a long/short equity approach.

To illustrate the types of anomalies they aim to exploit, Andersson notes that "stocks often move in groups, but with varying delays." Andersson also points to the influence of passive investment flows, which can create significant discrepancies between and across stocks, further contributing to these anomalies.

"Active investing has declined to the point where even shares of the same company, such as Handelsbanken's A and B shares, can trade at significantly different valuations," Andersson explains. "Even if all active managers were to shift from one share to the other, it wouldn't fully correct the discrepancy, because one of the shares is heavily influenced by passive flows." These are among the market inefficiencies that Colosseum Global Alpha aims to identify and exploit.

From Common Sense to Statistical Edges

Despite its systematic foundation, the team emphasizes that their investment approach is "really based on common sense," according to Sutjagin. The duo has focused on building structured processes and a system that allows them to identify opportunities, systematize portfolio construction, and manage trading effectively. "Our goal is to view the market from a trading perspective every day," Sutjagin explains. "The product we are creating is not purely automated or mathematically complex, it is a systematized set of statistical models."

Using trading terminology to explain the strategy, Andersson notes that the fund seeks to identify multiple "statistical edges," systematic advantages that offer a positive expected outcome over a large number of events. "It's important to emphasize that we do not rely on some specific strategies," he adds. "Our perspective and objective is to identify a broad set of statistical edges." He notes that the fund's gross and net exposure evolve as these edges are layered together and continuously adjusted to the market environment.

The Role of Scale and Repeatability

According to Andersson, the success of a strategy focused on short-term alpha depends more on maintaining a "positive batting average" than on selecting individual trades. "Our approach is highly systematized and repeatable. It's less about how we pick specific positions and more about the number of opportunities we take. If you maintain a positive batting average, the number of swings matters," he explains.

Achieving a high number of opportunities requires a system that supports both idea generation and investment decisions. "We rely on quantitative tools and software to manage the fund and process large volumes of data," Sutjagin adds. "The systematized software supports portfolio management and execution, allowing us to optimize processes, while the ultimate investment decisions remain discretionary."

Balancing System and Discretion

While the team places strong emphasis on systematizing processes and idea generation, every investment is ultimately subject to discretionary judgment. "It's valuable to have a human perspective and input on portfolio construction," Andersson explains. "A common-sense view is always important."

Sutjagin notes that not all signals generated by the system are acted upon, depending on the broader portfolio context. Using momentum and mean-reversion signals as an example, the team regularly evaluates the number of momentum signals in the portfolio to determine whether additional exposure is appropriate. "If a signal is compelling, we may adjust holdings, replacing existing positions as needed," says Sutjagin. "At the same time, if a particular signal is already overrepresented or too correlated with others, we may choose not to act on it."

Colosseum Global Alpha combines a systematic framework with discretionary oversight, aiming to capture alpha from short-term market fluctuations. Sutjagin and Andersson have built a structured, process-driven approach designed to exploit anomalies. Whether the strategy can consistently generate value over time remains to be seen, but one thing is clear: the fund's approach draws on the extensive trading and investment experience of its founders.