

SEB Asset Selection Marks 20 Years of Trend-Following Evolution

Twenty years is a long time in the hedge fund industry, where strategies evolve, market environments change, and investment teams come and go. Once a €1 billion fund and the world's first UCITS-compliant CTA, SEB Asset Selection Fund celebrates its 20th anniversary in October 2026. Since a new team took over in 2021, the strategy has continued to evolve, adapting its models and investment universe to changing market conditions while retaining its core principles. For portfolio managers Mikael Nilsson and Otto Francke, the objective remains the same: to generate uncorrelated returns by systematically identifying and capitalizing on trends across financial markets.

"SEB Asset Selection has, since its inception in 2006, been a pure trend-following strategy with the aim of generating uncorrelated returns and thereby adding diversification to client portfolios," says Mikael Nilsson, who has co-managed the fund with Otto Francke since 2021. While the current team may articulate the investment philosophy somewhat differently from its predecessors, the underlying objective remains unchanged: "Give investors an uncorrelated return stream by systematically capitalizing on existing trends in the financial markets."

Nilsson explains that the approach connects theory with market reality, favoring simplicity and transparency over unnecessary complexity. "This is done by connecting reality to theory and favor simplicity over complexity using a robust and transparent methodology. While the strategy has evolved over the years, that remains our aim, 20 years later."

Refining the Model Without Abandoning Its Principles

The fund's signal-generation process has developed over time, and the underlying engine was replaced when the current team assumed responsibility in 2021. The new model, however, retained similar characteristics and the strategy's emphasis on systematic, transparent decision-making. "We favor simplicity and transparency over complexity and black boxes. The more an investor understands the strategy, the better it is for everyone," Nilsson says.

SEB Asset Selection uses market prices across a universe of 61 liquid assets to generate its trend signals. The investment universe has also expanded to include commodities, which Nilsson says helps create a more robust and diversified model.

Another adjustment has involved the speed at which the trend-following models respond to market movements. While the lookback period used to identify a trend can extend to two years, greater emphasis is now placed on recent price developments, particularly when markets reach new highs or lows. This can shorten the effective lookback period and make the strategy more responsive to changing conditions. "With market dynamics changing and market cycles potentially becoming shorter, this makes the strategy more reactive," Nilsson explains.

Sharp Reversals Challenge Trend-Following Strategies

SEB Asset Selection has historically performed particularly well during prolonged risk-off environments, including 2008, 2014 and 2022, although its performance has varied considerably across other years. More recently, sharp market reversals have presented challenges for trend-following strategies, which can suffer when established trends abruptly change direction. SEB Asset Selection has not been immune, with particularly difficult periods around August 2024 and April 2025.

In August 2024, the Bank of Japan's interest rate hike and hawkish comments accelerated the unwinding of carry trades, triggering sharp movements in the yen, Japanese government bonds and equities. The turbulence intensified following weaker-than-expected US labor market data, creating abrupt reversals across several markets.

April 2025 brought another challenging episode, as US tariff announcements triggered steep declines in equities and the dollar, followed by a rapid recovery after the announced tariffs were paused. The fund entered April with reduced but still net long equity and US dollar positions, following weaker trend signals in March. As market data changed, the model shifted to short equities and halved its dollar exposure around 8 April. "Unfortunately, this was followed by yet another turn in the market when Trump announced that the tariffs were paused, and US stock markets rose by between seven and eleven times the size of a 'standard' daily move," Nilsson says. SEB Asset Selection lost approximately 11.9 percent during the month.

These episodes illustrate a central challenge for trend-following strategies: models can adjust to changing conditions, but abrupt reversals may generate losses before new trends become established.

A Strong Anniversary Year Despite Renewed Volatility

Despite these difficult periods, including a more a challenging March this year, 2026 has so far been a strong year for SEB Asset Selection, ranking as the fourth-best year in the strategy's 20-year history. SEB Asset Selection was up approximately 11 percent year to date through the end of September. Over the previous 12 months, the fund returned approximately 16 percent, with equities and interest rates providing the strongest contributions. Notable contributors included long positions in Korean and Japanese equities, alongside short positions in Japanese government bonds, US two-year Treasuries, and German Schatz futures. Foreign exchange and commodities detracted from performance.

For Nilsson and Francke, the case for the strategy rests on its role within a broader investment portfolio rather than its ability to perform in every market environment. "Any traditional equity and bond portfolio benefits from adding exposure to an uncorrelated asset class, such as trend-following," Nilsson concludes. He remains confident that the strategy can continue to fulfil that role over time. "Even if trends are sometimes hard to spot amid all the volatility, we are certain that they will continue to exist. We believe that, as systematic investors, we have the skills and tools to identify relevant and lucrative trends."