

Ludger Hentschel

Current Employment

Founding Partner, Co-Head of Investment Research

Versor Investments (formerly Alternative Risk Premia Investments), New York, NY.

I lead and conduct quantitative research for systematic alternative investments, applying financial expertise and machine learning to large, diverse datasets. The research covers alpha signals, risk modeling, liquidity analysis, portfolio optimization, and execution strategies.

Versor is an award-winning investment boutique specializing in systematic alternative investment strategies. These strategies include stock selection with short or medium holding periods, merger arbitrage, global macro, trend following, and multi-strategy combinations.

Professional Awards

With Intelligence HFM Performance Awards 2024

Versor Equity Summit (won), Versor Alternative Return Capture (short-listed), Versor Merger Arbitrage (short-listed), Versor Equity Prism (short-listed)

With Intelligence HFM Performance Awards 2021

Versor Alternative Return Capture (won), Versor Merger Arbitrage (short-listed), Versor Global Equities Tactical Trading (short-listed)

With Intelligence HFM Performance Awards 2020

Versor Merger Arbitrage (won)

Previous Work Experience

Managing Director, Research, Multi-Asset, Multi-Factor Risk and Asset Allocation

MSCI, New York, NY.

Led and conducted quantitative research for global multi-asset-class risk models (Barra/RiskMetrics), including private equity and private real estate.

Director of Quantitative Research and Asset Allocation

Investcorp, New York, NY.

Led and conducted research for systematic implementation of hedge fund strategies. Analysis used for asset allocation and manager selection decisions in multi-manager hedge fund portfolios.

Director of Equity Research

Equity Investors Group, New York Life Investment Management, New York, NY.

Conducted quantitative research for systematic equity strategies. Supported 5 systematic portfolio management teams. Launched target date funds.

Assistant/Associate Professor of Finance

William E. Simon Graduate School of Business Administration, University of Rochester, Rochester, NY.

Published academic research in empirical finance. Taught graduate courses in forecasting, finance, and international finance.

Economist

Division of International Finance, Board of Governors of the Federal Reserve System, Washington, DC.

Briefed Board of Governors on international economic and financial news. Conducted financial research.

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Professional Activities

Series 3 — National Commodity Futures Examination, NFA/FINRA
Current Member, American Finance Association
Former Associate Editor, *Journal of Financial Economics*
Past Participant, NYLIM Leadership Development Program
Past Member, Chicago Quantitative Alliance (CQA), Matlab Financial Services Advisory Board, Thomson/Reuters Customer Advisory Board
Ad hoc Referee for top academic journals in Economics and Finance

Computer and Language Skills

Expert programmer in Python and Matlab with a focus on machine learning, statistics, and numerical optimization. Skilled user of SQL database systems.
German native speaker.

Education

Ph.D., Economics
Princeton University, Princeton, NJ.
B.S., Engineering Science, Mechanical, *cum laude*, distinction in Economics
Yale University, New Haven, CT.
International Baccalaureate
Lester B. Pearson United World College of the Pacific, Victoria, BC, Canada.

Academic Honors

William G. Bowen Fellowship, Princeton University.
General Motors Scholarship, Yale University.
Fellow, Studienstiftung des deutschen Volkes.

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Research Summary

Most of my research is proprietary and is not reflected in the publications listed below.

My research focuses on quantitative investment management, combining machine learning with diverse data sources to generate forecasts for returns, risk, liquidity, and related quantities. These forecasts span time horizons from minutes to months, depending on the application. Additionally, I work on optimization problems in portfolio construction and trading. At Versor, I also lead a research team of 30+ while conducting this work.

For return predictions, we nowcast firms' fundamentals, compare firms' and investors' growth expectations, assess relative valuations, decompose past returns into mean-reverting and persistent components, and analyze sentiment in text and speech. Much of this research extends beyond analysis of financial statements, prices, and volumes.

Across all strategies, we develop proprietary, security-level risk models that account for the risks embedded in our return forecasts. These models cover global equities, merger-related stocks, and futures across all major asset classes.

In parallel, I and my co-authors produce non-proprietary research, shared through publications. This publicly available work, listed below, represents only a small portion of my research and is often intended for a broader, less technical audience.

Refereed Publications

- "Errors in implied volatility estimation." *Journal of Financial and Quantitative Analysis*, 2003, 38:779-810.
- "Are corporations reducing or taking risks with derivatives?" *Journal of Financial and Quantitative Analysis*, 2001, 36:93-118. (With S.P. Kothari.)
- "Derivatives regulation: Implications for central banks." *Journal of Monetary Economics*, 1997, 40:305-346. (With Clifford W. Smith, Jr.)
- "Risks in derivatives markets: Implications for the insurance industry." *Journal of Risk and Insurance*, 1997, 64:323-345. (With Clifford W. Smith, Jr.)
- "Controlling risks in derivatives markets." *Journal of Financial Engineering*, 1995, 4:101-125. (With Clifford W. Smith, Jr.)
- "All in the family: Nesting symmetric and asymmetric GARCH models." *Journal of Financial Economics*, 1995, 39:71-104.
- "Risk and regulation in derivatives markets." *Journal of Applied Corporate Finance*, Fall 1994, 7:8-21. (With Clifford W. Smith, Jr.)
- Reprinted in *Journal of Applied Corporate Finance, The Best of 1988-1994 Collection*.
Reprinted in *Derivatives Handbook: Risk Management and Control*, Robert J. Schwartz and Clifford W. Smith, Jr., eds., 1997, (John Wiley and Sons, New York, NY), 3-21.
Translated and reprinted as "Riesgo y regulación en mercados derivados." *Revista Superintendencia Bancaria* (Santa Fé de Bogotá, D.C., Colombia) 30 (March 1997): 34-50.
Reprinted in *Journal of Applied Corporate Finance: Honoring Cliff Smith*, 32 (Winter 2020): 36-47.
- "No news is good news: An asymmetric model of changing volatility in stock returns." *Journal of Financial Economics*, 1992, 31:281-313. (With John Y. Campbell. *JFE* "All Star" paper.)

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Non-Refereed Publications

- “The limits of diversification.” 2025, Versor Investments, New York, NY.
- “Exponential weighting: Effects on precision.” 2024, Versor Investments, New York, NY.
- “The case for alternative risk premia, Part III.” 2024, Versor Investments, New York, NY.
(With Deepak Gurnani.)
- “Versor¹⁰: A decade of quantitative research in 10 white papers.” 2023, Versor Investments, New York, NY. (With Deepak Gurnani.)
- “Merger arbitrage and ESG impact investing.” 2022, Versor Investments, New York, NY.
(With Deepak Gurnani and Neetu Jhamb.)
- “Has Trend gone flat? Return convexity in trend following.” 2022, Versor Investments, New York, NY. (With Deepak Gurnani.)
- “Value returns in 2021: Mirage or oasis?.” 2021, Versor Investments, New York, NY. (With Deepak Gurnani.)
- “Value factor performance in 2018.” 2018, Versor Investments, New York, NY. (With Deepak Gurnani.)
- “Global Macro: Portfolio diversification for turbulent times.” 2018, Versor Investments, New York, NY. (With Deepak Gurnani.)
- “CTA trend following — this time is different?” 2017, Versor Investments, New York, NY.
(With Deepak Gurnani.)
- “The case for alternative risk premia, Part II.” 2016, Versor Investments, New York, NY.
(With Deepak Gurnani.)
- “The case for alternative risk premia, Part I.” 2016, Versor Investments, New York, NY.
(With Deepak Gurnani.)
- “Evaluating hedge funds with systematic hedge fund strategy returns.” 2014, Versor Investments, New York, NY. (With Deepak Gurnani.)
- “Alternative risk premia in CTA-Trend Following.” 2014, Versor Investments, New York, NY.
(With Deepak Gurnani.)
- “Understanding macroeconomic risk and its impact on asset allocation.” 2014, MSCI Research Spotlight, New York, NY. (With Raghu Suryanarayanan, Katalin Varga, and Kurt Winkelmann.)
- “Goal-based asset allocation in WealthBench.” 2014, MSCI Research Insight, New York, NY.
(With Giulio Panzano, Dan Schneider, and Raghu Suryanarayanan.)
- “The end of quantitative easing: Tapering and its effect on bonds and equities.” 2013, MSCI Market Insight, New York, NY. (With Attila, Agod, Raghu Suryanarayanan, and Kurt Winkelmann.)
- “Macro risk and strategic asset allocation: Deconstructing risk parity portfolios.” 2013, MSCI Market Insight, New York, NY. (With Raghu Suryanarayanan, Katalin Varga, and Kurt Winkelmann.)
- “Macro-sensitive portfolio strategies: Pricing and analyzing macro risk.” 2013, MSCI Market Insight, New York, NY. (With Raghu Suryanarayanan, Katalin Varga, and Kurt Winkelmann.)

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- “Macro-sensitive portfolio strategies: Macroeconomic risk and asset cash-flows.” 2013, MSCI Market Insight, New York, NY. (With Raghu Suryanarayanan, Katalin Varga, and Kurt Winkelmann.)
- “Macro-sensitive portfolio strategies and defining macroeconomic risk.” 2012, MSCI Market Insight, New York, NY. (With Raghu Suryanarayanan, Katalin Varga, and Kurt Winkelmann.)
- “Hedge funds are not an asset class: Implications for institutional portfolios.” 2011, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani and Christopher Vogt.)
- “Demystifying hedge funds: An analysis of trades and alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani.)
- “Emerging hedge funds: A source of alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani and Nirav Shah.)
- “Demystifying hedge funds: An analysis of Equity Market Neutral trades and alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani and Leonid Keyser.)
- “Demystifying hedge funds: An analysis of Convertible Arbitrage trades and alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani, Ed Nakon, and Dimitri Paliouras.)
- “Demystifying hedge funds: An analysis of Fixed Income Relative Value trades and alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani, Leonid Keyser, and Ed Nakon.)
- “Demystifying hedge funds: An analysis of Merger Arbitrage trades and alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani and Dimitri Paliouras.)
- “Demystifying hedge funds: An analysis of Distressed Debt trades and alpha.” 2010, Investcorp Research Report, Investcorp, New York, NY. (With Deepak Gurnani and Dimitri Paliouras.)
- “Hedge fund alpha.” 2009, Investcorp Research Report, Investcorp, New York, NY.

Unpublished Papers

- “Numerical solution of the static portfolio problem for power utility investors.” 2023. (With John B. Long, Jr.)
- “How high are hedge fund fees?” 2011.
- “The size and source of gains from international diversification.” 2010. (With John B. Long, Jr.)
- “Portfolio turnover.” 2010, Draft.
- “Simple measures of portfolio concentration.” 2006, Draft.
- “Option hedging in the presence of measurement errors.” 2006, Draft.
- “Numeraire portfolio tests of international government bond market integration.” 2002. (With Jangkoo Kang and John B. Long, Jr.)
- “Statistical arbitrage in three key steps.” 2024, Work in progress.
- “Predicting changes in CTA trends.” 2016, Work in progress.

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“Macro factors: A method for aggregating factor models.” 2013, Work in progress.

“Portfolios with private assets: The opportunity costs of illiquid investments.” 2013, Work in progress.

“Complete regression-based attribution.” 2009, Work in progress.