John Hancock Currency Fund Sheds 8.7%, Hardest Hit by Swiss Franc Turmoil

By Netty Ismail - Jan 15, 2015

The market turmoil sparked by the Swiss franc's record surge has turned the $1.9 billion John Hancock Absolute Return Currency Fund into the biggest loser among U.S. peers.

The fund tumbled 8.7 percent yesterday, the steepest drop on record and the most among more than 2,000 U.S.-domiciled funds tracked by Bloomberg with at least $1 billion under management. The fund, managed by Dori Levanoni and Jeppe Ladekarl, had its second-biggest short position in the franc at the end of November, according to the latest fact sheet on John Hancock's website.

Switzerland's currency surged as much as 41 percent against the euro yesterday, roiling markets worldwide after the Swiss National Bank's surprise decision to abandon the franc's cap against the euro. FXCM Inc., the largest U.S. retail foreign-exchange brokerage, said client losses on the swings threatened its compliance with capital ratios while a New Zealand-based dealer went out of business.

“When they pulled the rug under the market, the Swiss franc rallied against everything,” said Chris Weston, chief market strategist at IG Markets Ltd. in Melbourne. Many funds “would have been in a lot of pain last night,” Weston said.

Ladekarl, who has been with the John Hancock fund since 2012 according to the firm’s website, declined to comment. Yesterday’s drop brought the fund’s loss during the past 12 months to about 6 percent, according to data compiled by Bloomberg.

The SNB ended its three-year policy of capping the franc at 1.20 per euro a week before the European Central Bank meets to discuss government bond purchases to boost the euro-area economy. Such a policy, known as quantitative easing, could spur pressure on the franc to appreciate against the euro. The SNB spent billions defending the currency cap after introducing it in September 2011.

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