



2023

Tomorrow's
Titans

the **hedge fund journal**

Introduction

Fifty Rising Stars

HAMLIN LOVELL



The Hedge Fund Journal has been publishing the Tomorrow's Titans report on rising star hedge fund managers since 2010. It has been an annual report since 2020, and since 2021 has run a mix of short and extended profiles.

Most of the managers featured in this year's report have launched a strategy – and their own firm – during the past five years. All the names are new, save for macro and credit manager Alberto Gallo, who has featured before when at Algebris, and who has now launched his own firm Andromeda with Aditya Aney.

Managers featured range in age from their 20s to their 60s, and it is not a list of first-time launches; some managers featured are onto their second, third or fourth launch.

Strategy mix

Thirty-three of the fifty managers featured are running discretionary strategies; thirteen are running systematic strategies; the two single strategy managers are explicitly hybrid, and two multi-strategy/multi-manager platforms are also effectively hybrid.

The largest group of managers run discretionary equity long/short strategies with a geographic or sector focus. Orlog and Jungle Gene are globally focused; High Ground is Europe-oriented; Wellfield trades energy, and Gersemi trades shipping. Some have both a geographic and sector bent, such as Millingtonia's digital dominated strategy in India. There are five discretionary managers investing in credit.

There are three CTA strategies, three event driven and three equity market neutral. Two trade discretionary macro, one systematic macro, one is a volatility arbitrageur and Cellyant trades a rather unique strategy in securities financing arbitrage.

There are four pure cryptocurrency managers trading a variety of long/short and/or market

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neutral strategies using proprietary technology, and one multi-strategy platform, The Quarry, which allocates to crypto strategies and other relative value strategies.

There are three commodity traders: one systematic strategy trading a range of commodities, one fundamental systematic trader focused on energy, and a third trading carbon.

Many managers are using AI and machine learning for part of their process and there are several dedicated AI and machine learning strategies, such as those run by Castle Ridge Asset Management, Kvasir Technologies and Ancova Capital Management.

Some managers are activist: Metrica in Singapore has recently been so in South Korea, and Nippon Active Value Fund is dedicated to activism in Japan. In the US, Brian Finn of Findell Capital Management has written an open letter, and Jonathan Lefebvre of Aleena Capital engages with companies on matters including ESG.

ESG

Many managers incorporate ESG into their investment process, the operation of their management company, and the selection of their service providers.

Some managers marketing in Europe are also making disclosures under the EU Sustainable Finance Disclosure Regime: Osmosis equity market neutral does so under SFDR Article 8, and Carbon Cap's The World Carbon Fund makes disclosures under SFDR Article 9.

Locations

Twenty two managers are located in the Americas: nineteen in the US, two in Canada and one, Fourth Sail, in Brazil. Within the US, outside the tristate area of New York, New Jersey and Connecticut, there are managers in Boston, Chicago and Wyoming, as well as in the growing hedge fund hubs of Texas and Florida.

Nineteen of the managers are based in Europe. There are ten in the UK of which eight are in London, one in Cornwall and one in Cambridge. There are two in Germany, two in Luxembourg, one in Switzerland, one in Spain, and one in each of Denmark, Sweden and Norway.

Nine managers are based in Asia, including Shanghai, Hong Kong, Singapore and Tokyo as well as one in India. Unusually, there are no managers based in Australasia in this year's report, though we do feature expat Australians: Orlog's John Qiu and Carl Radford and Mike Rothlin, who are launching a macro strategy in Hong Kong. For the first time, we feature a manager based in Abu Dhabi, which is building a growing hedge funds presence.

Assets and maturity

Managers running more than USD 1 billion include Arini, Fourth Sail and Mane Global; those running more than USD 500 million include DCM Systematic and Pantechinon. But this is not a ranking of the largest launches of recent years, for a couple of reasons. Some managers do not want media coverage and so do not feature at all in this report. Plus, we have set out to provide a

broader coverage of emerging managers, where optimal capacity can vary by strategy; so for example Nordic equities specialist Protean has set a capacity limit of USD 200 million for its long/short strategy, while Daniel McNamara's Polpo Capital will cap its CMBS long/short strategy at USD 150 million. Assets are not always listed in profiles. Some managers could be open to seed or acceleration capital deals while others do not need them.

Seeders are not always publicly disclosed, but we can highlight a few. Some funds are effectively lift outs or spin outs from former firms; Mane Global continues to run money for Moore Capital, while Jack Land's Axebrook has spun out of York Capital. Scandinavia's largest hedge fund manager, Brummer & Partners of Sweden, regularly seeds new funds such as Pantechnicon. In Canada, seeders include Canadian pension funds and Quebec Emerging Managers' Program. The Norwegian oil fund, Norges Bank Investment Management, is allocating to specialist "boutique" hedge fund managers globally, such as UK equity long/short manager, Kernow Asset Management. There are also seasoned seeders such as Stable Asset Management.

Previous firms

Most managers have previously worked for other hedge funds including giants such as Brevan Howard, BlueCrest, Bridgewater, Citadel (and affiliates), Millennium, Moore Capital, TCI and York Capital. The remaining managers hail from smaller and medium sized firms such as emerging markets specialist Prince Street and Asia-Pacific specialist Indus Capital.

Some managers came from a proprietary trading background, at banks such as China's Bank of Communications, Deutsche Bank, Natixis, Societe Generale, Credit Suisse, and Goldman Sachs. Meanwhile the option traders at Patronus Capital Management were previously market makers for Optiver. One co-founder – of Castle Ridge – formerly worked for a giant Canadian pension fund. Two managers, Derek Brown of Dardanelles Capital, and Misha Sanwal of Millingtonia, previously worked in private equity, in addition to

hedge funds. Daniya Lukmanova of Infinite Edge is distinguished by her prior role in academic biomedical research.

Platforms and service providers

Most managers have founded their own firms, but we also feature developing strategies sitting on established platforms, these include strategies managed by Osmosis Investment Management, Crossborder Capital and First Private Investment Management in Europe, as well as Dalton (and affiliate Rising Sun) and Wolver Hill Asset Management in Asia. There are also newer platforms catering for emerging managers, these include Eschler Capital Management in the UK and Eva Maria Kullmann's Ancova Capital Management in Cayman.

Some managers are working with bulge bracket prime brokers and service providers. Others, often the smaller and newer ones, are working with firms such as Interactive Brokers, Apex Fund Services or NAV Consulting.

Vehicles

Most managers are running Cayman, Luxembourg or Ireland funds, but there are some exceptions. A distinctive trend following CTA, Bowmoor Capital, is setting up a Guernsey structure; Bob Elliott's Unlimited runs a US-listed ETF; and Nippon Asset Value Fund is an LSE-listed closed end fund investment trust. UCITS funds are run by firms including Seahawk, First Private Investment Management, and Osmosis Investment Management. Some managers currently only run managed accounts and/or sit on managed account platforms such as Galaxy Plus.

The number of launches and asset raising achieved in any one year will fluctuate, and the climate might have become more challenging for some start-ups. That said we continue to see a steady stream of distinctive and often innovative strategies, which are often generating exceptional returns. We are also monitoring pre-launch managers for future reports and encourage readers to reach out alerting us to new launches.

“Most managers have founded their own firms, but we also feature developing strategies sitting on established platforms.”

*Chief Investment Officer
Bowmoor Capital
London*

Bowmoor Capital CIO, Gareth Abbot, has developed a distinguished trend following CTA strategy that has been managed since 2013 (and an earlier version of it dates back to 2006). The Global Alpha strategy has been recognized by *The Hedge Fund Journal's* CTA and Discretionary Trader Awards 2023, receiving the award for the Best Performing Fund over 3, 4 and 5 years in the Trend Following (AUM < \$50 million) category. It has annualized at 26.84% (gross) over the past 10 years.

Abbot, a mathematician and Fellow of The Institute of Mathematics and its Applications (FIMA), was fascinated by maths from an early age, and still agonises over the riddle of the odd perfect number, and views, "Beating the market with a system entirely based on mathematics as one of the greatest challenges for mathematics".

Abbot has worked in the markets for more than 20 years, helping Duncan Duckett set up a derivatives desk in 2000, and was at Harmonic Capital Partners during its early years of growth.

Bowmoor Capital is led by CEO, Richard Liddle, a former RAF pilot, who has served in Iraq, Libya, Syria and Afghanistan, and says, "I am bringing elements of military discipline and risk management to the business". Liddle previously was part of a team who raised over \$500 million for a real estate fund.

COO Brendan Mulvany, whose home near Bowmoor Lake in the Cotswolds provided the inspiration for the firm's name, brings trading savvy and much more to the table. He has spent all of his career trading derivatives, futures and options, including at Dresdner Bank and Bank of America. He traded as a "local" in the German Bund pit on the LIFFE exchange for 8 years. After that he setup and ran highly successful trading desks at Refco, Kyte Futures, GHF Futures and Marex. This also involved high frequency trading, with programmers in Singapore

Performance through cycles

The performance objective is to double capital (gross of fees) every three to five years, which implies annualized returns of between 14% and 23% (based on the rule of 70). Both the real money track record, and simulations reaching back to the 1970s and 1980s, show that this objective would have been achieved, on average. Profits frequently outweigh losses, thus performance has positive "mathematical expectancy". Additionally, the Sharpe ratio has exceeded one and the Sortino ratio has been higher still at over 3, due to the

Gareth Abbot

Bowmoor Capital's distinctive Global Alpha strategy



downside volatility being dwarfed by the upside volatility.

The return objective was also met during the QE era of central bank market manipulation that wrong-footed many trend followers. Though the fund was down 6.71% in 2018, a year bereft of trends, it had several other very strong years. "We did have some short-term underperformance over 1-3 year periods, but overall, we recovered, and had some spectacular years. The best was up 72% in 2014, and up 49% in 2017," says Abbot, who judges that, "The post GFC market climate did diminish opportunities, but now we are back to more normal markets, which mean non-normal fat tail price distribution in statistical terms".

Bowmoor pays more attention to maximum drawdowns than Value at Risk (VaR), though VaR is published in its reporting. Abbot fully expects one drawdown around 20% in every 3-to-5-year macro cycle as part of the strategy.

In the CTA world, Abbot admires Dunn for their consistent commitment to trend following over 50 years, and has also drawn inspiration from others such as Ed Seykota, Jerry Parker, Michael Covel, Perry Kaufman and Richard Dennis but also reaches back further for deeper academic foundations to the likes of David Ricardo and Charles Dow.

Dow theory

The performance cycle aligns with the over 100-year-old Dow theory, which identifies bigger picture macroeconomic trends in economies, macro and government policy of 3-5 years as being key drivers of markets. "There are always fundamental forces, behavioural biases, human nature and government policy driving markets. Charles MacKay's *Madness of Crowds and Popular Delusions* never ages," says Abbot. Though Global Alpha does not use fundamental or economic data inputs, it can be seen as "systematic macro" to the extent that its models capture major economic trends.

Glass box models

Though Bowmoor's models only use technical price data, they are not super simple. The models, and various filters applied to them, can be quite intricate in some areas, though they are very much a "glass box" rather than a "black box".

Abbot's approach to model building is to, "Capture the overall structure of trends, which adapt and change, and avoid over-fitting or over-optimizing". For instance, he dislikes some price derivatives – such as oscillators or MACD histograms – that are too far removed from the price action.

Multiple medium- and long-term timeframes

There are four trend signals, each applied over 4 timeframes, which works out at 16 models. "The primary trend, lasting at least a year, is the cornerstone and most important one, following macroeconomic and economic cycles. The secondary trend, over semi-annual or quarterly periods, also has some economic influences. The shortest trend is the minor trend, usually measured over a month, but ranging between a week and four weeks," explains Abbot.

A smart pyramiding system allows the minor trend to either augment, or reduce, the primary trend, but the position will never trade against the trend. A minor trend recovery can rebuild a position that had been scaled back based on primary trend.

Abbot's lookback periods for measuring trends do not go below a week. He finds that, "Most daily and intraday price action can be "noise". We see inferior risk/reward in shorter term trading since transaction costs are a larger percentage of the moves". A recent research project examined the value of price data during shortened holiday trading sessions., which tend to have lower volumes and liquidity.

Trend and momentum measures

The models are designed to enhance the natural positive skew of trend following. The four trend measures include well known moving average indicators such as EMA, swing price channels, Donchian price channels, and slope strength. Abbot has strong views on the logical and intellectual consistency and coherence of models. He argues that, "If a model enters upon a moving average signal, it should also exit upon the same signal. In this context, exiting on a trailing stop, or a volatility level, is arbitrary. Fewer degrees of freedom are better to take less liberty around market strategy rules".

Abbot admits that his trend indicators are not proprietary, rather the recipe for reading and combining them is: "A trading manual defines trading rules for portfolio allocation, market strategy, and risk management, and this is where the advanced proprietary maths comes into play". Position sizes can be adjusted daily, based on risk, signal strength, volatility and correlation.

Average holding periods have been stable around 2-4 months, with profitable trades held for longer and losing trades cut. The average timeframe has not in fact grown longer during periods of stronger trends. "The reason is that there is always a balance between trending and non-trending markets and this ratio has been stable," says Abbot. The stability of trend prevalence reflects both the models and the investment universe.

Concentrated and diversified investment universe

The current suite of models has traded a universe of 21 markets since 2013; between 2006 and 2013, a slightly simpler version of the strategy was applied to only 13 markets, in various vehicles and structures including joint accounts and an investment club.

The same models apply to all markets. The investment universe is determined based on an acronym that is also used to structure Bowmoor documentation, including an extensive DDQ: MECE (Mutually Exclusive and Collectively Exhaustive). "Every market needs to be different and uncorrelated, to achieve diversification with minimum correlation and without overlap. We cover 8 sectors of the global economy with minimal overlap. We only need one good position to make a good return, and that can be lost in hundreds of markets," says Abbot.

Some 21 markets listed on CME Group and Eurex have been traded since 2013. They cover livestock, soft commodities, precious and base metals, energy, currencies, short term and long-term interest rates and equity indices. Bowmoor also monitor the largest 60 markets by volume.

Bowmoor would only cease trading a market if its liquidity dropped below acceptable levels. Abbot recognizes that markets such as lumber or cryptocurrencies can generate powerful trends but has concerns about liquidity and scalability: "We want to be able to flatten the book and go to 100% cash if necessary so we can provide daily liquidity".

He also points out that the program can anyway generate strong returns from the existing markets it trades. For instance, in May 2023, both long cattle and short hogs were substantial winners.

Opportunistic filters

Bowmoor is often exposed to all 21 markets but typically has positions in at least 18 of them with up to 3 switched off, though the lowest recently observed exposure has been to only 15 of the 21. "Markets are filtered out based on extreme volatility overshoots, which would need to be at least 3 sigma events, and this is after top slicing when the trend goes parabolic. Conversely, markets can also be turned off when a fractal efficiency filter finds the price action is trapped in a choppy range," explains Abbot.

Correlation heat control uses proprietary measures introduced in 2013. "They work better than standard covariance," says Abbot. The starting point is to assume that markets within each sector are correlated, and risk would not be increased even if correlations dropped. The objective is rather to find surprising correlations such as Euro Bund and cocoa, as an extra layer of risk control.

There are other filters as well. Abbot agrees with the common rule of thumb that a trend follower might capture one third of a move, but in some cases his filters have done much better and pinpointed certain moves between troughs and peaks.

Execution and brokers

Mulvany manages operations, systems, execution and volumes, based on his experience of technical analysis. Software and a suite of algorithms are used for execution and more will be added as assets grow. Mulvany aims to obtain better trade execution than some automated systems. We use Trading Technologies software for trade execution and for post trade allocations.

Britannia Global Markets in London is used as the current prime broker. The Guernsey fund will also add R.J. O'Brien as execution broker. EY are auditors and Northern Trust are administrator and custodian.

Panima Capital Management, who the Bowmoor team know well, are used for regulatory hosting, and some other support functions such as compliance monitoring, record keeping and best execution reporting.

Growing team

Strategic hires have resulted in an impressive and experienced distribution team. Bowmoor's Head of Distribution brings over 25 years of experience, with a particular focus on fundraising from family offices and institutional markets. The firm has also recently hired a Head of Investor Relations who has held senior hedge fund roles across a wide range of strategies, including as Head of Marketing at BH-DG Systematic Trading, and Head of Business Development at Kirkoswald Capital Partners.

Hiring Philip Salvesen, formerly of Withers LLP and Kingsley Napley LLP, as general counsel has expedited the setup of a Guernsey fund, which will offer a founders' share class charging 0.75 and 15 or 0 and 20, versus normal fees of 1 and 20 and 0 and 30.

Fund seeders

The Guernsey structure launched on 1 August 2023 is being seeded by the managers and London-based discretionary manager, Peregrine and Black, which is allocating a portion of its alternatives portfolio to the strategy.

Rami Abdel-Misih

*Founder and CIO
Mane Global Capital Management
New York*

Mane Global was launched by Rami Abdel-Misih in 2021 with \$1 billion of support from Moore Capital. The firm is a full spin out of Moore Capital where the low-net consumer and technology long/short equity strategy had been managed since 2015. The firm's investment process blends deep fundamental analysis with a data-driven approach using a proprietary data product, research bank and financial models in addition to a focus on macro dynamics given the lessons learned from and a continued relationship with Moore Capital. The 10-person investment team, many of whom shared professional history at Moore Capital, have experience across retail, consumer staples, consumer discretionary, internet, payments and other consumer-facing tech in addition to a five-person non-investment team that supports the business. Position sizing, portfolio construction and risk management all follow a structured process seeking asymmetric risk reward. From a risk management standpoint, style, factor and industry tilts are closely monitored, as is crowding. The firm is global in nature and focuses on liquid securities from mid to mega cap. Abdel-Misih was previously a consumer and technology portfolio manager at Moore Capital, an investment analyst at Level Global and started his finance career as a research associate at J.P. Morgan. He has a BA in Finance from Franklin and Marshall College.

Edgar Allen

*Founder and CIO
High Ground Investment Management
London*

Edgar Allen launched HGIM in 2019 to trade a long-biased European oriented equity long/short strategy, taking a long-term view on investing in high quality longs trading below intrinsic value, while shorting firms with secular headwinds and dishonest accounting. The investment process also includes an awareness of behavioural finance biases. Around 70% of exposure is in Europe with 30% in other developed markets. The largest long holdings in June 2023 included Airbus, Legal & General, Julius Baer, Humana and BAE Systems. HGIM does independent ESG analysis and finds high quality companies tend to have high ESG scores; the manager can also short toxic ESG firms including those with weak accounting or governance. Allen, who started shorting equities in 2000 during the tech bubble, was previously a partner at Naya, and earlier at TCI. At both firms he researched some of their most profitable long and short investments. He was earlier an analyst at other hedge funds and at BlackRock and Fidelity. HGIM's innovative fee structure sees

management fees decline as assets rise, while performance fees crystallize after two years and only apply above a hurdle rate. Allen has an MA in Pathology from Cambridge University.

Mike Azlen

*Founder and CEO
Carbon Cap Management LLP
London*

Mike Azlen founded Carbon Cap Management LLP in 2018. The firm manages a distinguished carbon strategy, the World Carbon Fund, which invests in liquid and regulated compliance carbon markets. It has met its aim of delivering high absolute returns with low correlation to equities and commodities. The fund deploys capital across two complementary strategies within a clearly defined risk framework: Core Strategy and Alpha Strategies. The Core Strategy seeks to generate returns from directional tactical allocations across multiple carbon markets combined with an options overlay. The Alpha Strategies seek to generate returns from arbitrage, relative value and other short term trading strategies. Tactical shorting and idiosyncratic trading strategies have helped to preserve capital and avoid downside in late 2022 and early 2023. The fund reports under SFDR Article 9 and demonstrates positive impact in part by contributing to lowering global CO2 emissions. In addition, 20% of the performance fees are committed to the purchase and permanent cancellation of carbon allowance permits. Azlen sits on the CFA Institute's Climate and Investing Panel. He previously founded multi-asset manager, Frontier Investment Management, and earlier was the CEO of alternative asset manager, Asset Alliance International (the UK subsidiary of Asset Alliance Corporation). He has a Sloan Masters from London Business School, where he is a guest lecturer, and a BA in Economics from University of Guelph in Ontario, Canada.

Brent Belote

*CEO and Portfolio Manager
Cayler Capital
Jackson, Wyoming*

Brent Belote has built the Cayler Energy Program, a systematic fundamental approach to energy trading, which uses algorithms to track data including production, imports, exports, inventories, shipping, transport, pipelines, cost curves, end user data and volatility. The data is gathered from government bodies, international organisations, exchanges, financial data providers and industry players. The strategy trades liquid, exchange cleared energy futures and options, including WTI, Brent crude, gasoline and heating oil. Trade types include directional trades on oil; call spreads and put spreads; and

relative value positions such as calendar spreads, crack spreads to trade refinery margins and basis markets. The strategy has been profitable in every calendar year since 2020. The return profile has a strong positive skew and is not correlated to other energy or systematic strategies, or to trend following CTAs. The strategy can be accessed via managed accounts and will soon be on the Galaxy Plus managed account platform. Belote was previously an oil product derivatives trader and a crude oil derivatives trader at J.P. Morgan. He has an MBA from NYU Stern School of Business and a BSc in Accounting from University of Southern California.

Jaime Beza

*Founder, Managing Partner and CEO
ANB Investments
Madrid*

ANB was founded in 2016, and initially applied its proprietary algorithms and technology to FX, commodities and equity indices. In August 2020, the asset class focus switched to cryptocurrencies, and in August 2021 ANB (which is BVI regulated) launched a Cayman fund, the Full Strategy Fund, applying the same quantitative strategies that were applied to traditional assets with delta neutral strategies to cryptocurrencies. The fund has annualised 25% net return to June 2023. Quantitative strategies include trend and countertrend trading of BTH and ETH. Delta neutral models capture market inefficiencies including arbitrage, liquidity provision, lending, cash and carry and staking, for top 20 market cap coins; Blockchains Ethereum, Polygon, BSC & Avalanche; and Protocols Aave, Compound, Curve and Uniswap. The short-term strategy turns over 40 times per month on average, and trades 24/7 with risk alerts and human supervision. ANB has often been cautious in switching wholly or mainly to cash during episodes such as TerraUSD/Luna collapse and Voyager and Celsius bankruptcies. Exposure to FTX was eliminated before its collapse. ANB has never lost assets to any of these events, following strict risk management procedures. Jaime Beza was previously a derivatives sales trader at Credit Suisse. He has a double degree in Business Management and Law from Universidad Pontificia Comillas in Madrid.

Mathieu Boisvert/ Charles Haggar

*Founding Partners, CEO/CIO
Bastion Asset Management
Montreal*

Mathieu Boisvert, Charles Haggar, and senior portfolio manager Michael Gentile founded Bastion in January 2022 with seed funding from one of the largest pension funds in Canada,

and they later also received investments from another entity, the Quebec Emerging Managers Program. Assets have since grown to more than C\$265 million as of June 2023. The strategy is fundamental equity long/short with a variable net bias. It selects a concentrated book of longs and shorts from around 3,000 under-researched US mid and small caps and Canadian equities with market caps between \$150 million and \$20 billion. The investment philosophy is to find “growth at a reasonable price” opportunities for longs along with selective alpha short positions facing cyclical and secular challenges. Bastion meets company management and writes proprietary research notes, including specific catalysts and an integrated ESG analysis for each stock. Bastion are SBAI signatories; report portfolio carbon footprints and engagement is important via proxy voting and giving a percentage of their profits to charities every year. Haggard and Gentile previously co-managed equity long/short and equity market neutral strategies at Formula Growth Ltd. Boisvert worked with Haggard and Gentile at Formula Growth and previously for HR Strategies, a fund of hedge funds in Canada. Haggard, a CPA and CFA charterholder, has a finance degree from Concordia University. Boisvert has an MSc in Finance from University of Sherbrooke and a BA in Economics and Finance from McGill University.

Peter Bremberg

*Founder and CIO
The Quarry
New York*

Multi-strategy, multi-manager allocator, The Quarry, launched in September 2022, with a focus on relative value and arbitrage across asset classes, special situations and event driven, index/ETF arbitrage, volatility arbitrage, quantitative equity, niche commodity trading, and market making. The Quarry has some appetite for cryptocurrency strategies and has the infrastructure to handle these markets. Liquid and less scalable strategies with Sharpe ratios above 2 are sought. The firm invests with managers through separately managed accounts and may selectively bring portfolio managers internally to trade exclusively for The Quarry in some cases, though most can also run third party capital. The firm is backed by large, well-known institutional investors (including Stable Asset Management, a US state pension fund, and some of the founders’ former employers) and is actively on-boarding an initial set of managers: allocating between \$200-\$400 million in the initial 6-18 months across 15-25 managers. Peter Bremberg was previously Chief Operating Officer of Boothbay Fund Management, a multi-manager hedge fund with more than \$5 billion of capital allocations to over 130 managers globally. Senior leadership of The Quarry has extensive institutional multi-strategy investment

experience at Millennium, Boothbay, Infini, Taconic, APG and deep digital asset/crypto investment experience at BlockFi, LedgerX, Boothbay and Infini. Bremberg has an MBA from NYU Stern School of Business, and a BA in Philosophy and Finance from Steubenville.

Derek Brown

*Founder and Portfolio Manager
Dardanelles Capital, LP
Boston, Massachusetts*

Derek Brown founded Dardanelles Capital, the manager of a long/short equity fund primarily focused on identifying idiosyncratic opportunities in consumer and TMT, in October 2022. He takes a three-year private owner’s view on under-appreciated, high-quality growing businesses, which may be facing an ephemeral setback or approaching an inflection point. The manager takes a one-year view on shorts with deteriorating fundamentals, such as market share loss, secular headwinds, poor cash generation, as well as bad accounting and competitive threats. Most exposure is in North America with opportunistic excursions into Europe and Asia and stocks need a market capitalisation above \$100 million. Brown previously worked at value oriented long/short equity fund, Graham Partners, and at Tiger-seeded growth-focused long/short equity fund, Fox Point Capital. He has also worked in private equity for Advent International and led Lululemon Athletica’s IPO process. Brown has an MBA from Harvard Business School and a BA in Economics from Davidson College.

Ronnie Chowdhury/ Eva Maria Kullmann

*Co-Founders, CIO/CEO
Ancova Capital Management
United Arab Emirates*

Ronnie Chowdhury created the Ancova Volatility Optimiser Fund strategy, which is a systematic market neutral strategy including statistical arbitrage, trading US equities and options. It uses artificial intelligence and machine learning techniques and has developed option pricing techniques that he claims mark an improvement on the Heston model. The strategy has generated a Sharpe of over 2 since 2017. It started trading using proprietary capital in 2017 and launched as a fund on the Ancova Capital Management SPC platform in 2022. ACM SPC, founded by Eva Maria Kullmann, is an administered mutual fund platform in the Cayman Islands which is licensed and regulated by the Cayman Islands Monetary Authority, established with the vision to offer emerging fund managers a professional platform to launch unique strategies. Chowdhury was

formerly a quantitative trader of commodities correlation, indices, futures and options at Deutsche Bank UK running a book of \$8 billion. He earlier held roles in commodities IT development at RBS Semptra Commodities, Credit Suisse, and Barclays Capital. He has a Masters Research degree in AI and Computer Science from UCL. Kullmann was previously a Managing Director at wealth manager Ryze Investments Limited leading over 60 professionals. She has an MSc in International Business and Economics from University of Westminster, London and a BS in International Business and Economics from University of Trier.

Kenny Chung

*Executive Director and Portfolio Manager
Astera Capital
Hong Kong*

Kenny Chung, an expert on Asian credit markets, manages the public long/short credit strategy on the Astera Capital platform launched in September 2021. His credit long/short strategy trades senior and subordinated bonds, perpetual debt, convertible bonds, options and swaps including CDS, globally with a strong focus on Asian credit and macro driven credit events. The investment process blends top down and bottom-up analysis, including precise judgements on credit cycles and trends, carrying out fundamental credit analysis and technical trading. Investment themes in 2023 have included “Cautious Fundamental Selection on India and Indonesia High Yield Borrowers”; “China Property Market Shows Slow Recovery, Bearish Sector with High Liquidity Wall”; and “The Next Stage of Asia Frontier Markets After Defaults”. The strategy has generated strong risk-adjusted returns with low correlation to equities and relevant fixed income indices such as China high yield bonds and emerging market bonds. Chung was previously a portfolio manager at GaoTeng Global Asset Management, where he co-managed the GaoTeng Greater China Select Bond Fund and assisted in managing other fixed income mandates. Prior to GaoTeng, he was a credit analyst and trader at HuaAn Asset Management co-managing \$1 billion in offshore fixed income. He has a BBA in Economics and Finance from The University of Hong Kong.

Hubertus Clausius

*Co-Founder and Managing Director
Seahawk Investments
Oberursel, Hesse (Frankfurt area)*

Hubertus Clausius co-founded Seahawk Investments which is owned by investment and corporate finance advisory group, Transport Capital, in 2018. He co-manages the Seahawk Equity Long/Short Fund, which invests in

shipping, aviation and energy sectors. The strategy carries out deep fundamental analysis on sectors and individual companies. Transport includes various types of shipping (dry bulk, container, crude, refined, chemical, LPG, cruise, shipyards and ports), freight, logistics, aircraft makers, airlines, airports, aircraft leasing, aerospace and defence, as well as freight and railroads. Energy includes integrated majors, exploration and production, additionally renewable energy (wind, solar, hydro, hydrogen, carbon capture) and utilities. Example trades include longs in dry bulk carriers and LNG carriers bought below NAV and shorts in a cruise line operator, a freight servicer and an airline. Between May 2019 and April 2023, the fund has more than doubled its return target of 8-10% and had moderate equity market beta, averaging 0.35 to MSCI World. It has also had much smaller drawdowns than seen in the Dow Jones Transportation, Stoxx 600 Energy, Russell 2000 Shipping and US Global Jets sector indices. Clausius was previously a senior fund manager at Helaba Invest. He has an MBA from SDA Bocconi and is a CFA charterholder.

Michael Coleman

*CIO, CEO and Founding Partner
Taika Capital
Miami*

Michael Coleman launched Taika Capital's equity long/short strategy in August 2021, and assets have grown to about \$185 million as of July 2023. It follows a "quantamental" (hybrid quantitative and discretionary) strategy that anticipates earnings beats and misses. The strategy uses proprietary quantitative multi-factor models as well as fundamental analysis. The objective is to avoid human behavioural biases while also reducing blind spots in quantitative models. Quant models, covering proprietary measures of earnings momentum, valuation, quality, and profitability, and earnings beats and misses, shortlist long and short candidates. Fundamental analysts perform a discretionary review to highlight the potential for earnings surprises. The strategy is typically invested in US listed mid and large caps and averages a net long bias, with longs being bigger and longer-term positions than shorts. Coleman was previously a portfolio manager and technology analyst at PNC Capital Advisors, LLC, where he belonged to the large-cap equity team that managed over \$7 billion, co-managed the PNC Balanced Fund, and several multi-factor equity funds. Prior to that, he worked for mid-cap equity fund, Turner Investment Partner, LLC and traded options at Susquehanna International Group. Coleman has a BSc in Economics from Drexel University and is a CFA charterholder.

Pontus Dackmo/Carl Gustafsson

*CEO and Investment Manager/Investment Manager
Protean Funds
Stockholm*

Protean Funds launched its inaugural fund Protean Select in 2022 and Protean Small Cap in mid-2023. Select runs a low but variable net exposure long/short strategy targeting 10-15% returns with less volatility than equities. Small Cap runs a small cap-focused long-only fund. The investment universe is Nordic equities for both. Protean Funds' investment process gathers ideas from a range of sources and the managers pride themselves with adding an overlay of proprietary research while being nimble when skewed risk/rewards arise. Generally, the long book invests in core quality, growth tilt, and special situations while the short book contains single stock alpha shorts, covered calls and puts, and market hedges including index futures, options and customised baskets. The managers both have 100% of their net worth invested in the funds, which limit capacity to approximately \$200 million and \$400 million, respectively, in SEK-terms. Pontus Dackmo previously worked for SEB, Nordea Investment Management, Nordea Equities, Danske Bank and ABG Sundal Collier. Carl Gustafsson previously worked for Didner & Gerge, Danske Bank, and in journalism at Affarsvarlden and Dagens Industri as well as heading IR at Hexagon. Dackmo has a double BA from Umea University and Gustafsson has a MSc from Gothenburg University.

Paul ffolkes Davis

*Chairman
Rising Sun Management/Nippon Active Value Fund
St Kitts and Nevis*

Rising Sun Management (led by Dalton Investments' co-founder and managing partner, James Rosenwald II) launched the LSE-listed Nippon Active Value Fund (ticker: NAVF) in February 2020 after three decades of investing in Japan. The fund harnesses local research in Tokyo from a team of native Japanese speakers at Dalton Advisory KK. The strategy invests in selected Japanese small and mid-caps, which are mainly domestic manufacturers, but also have export revenues benefiting from a weaker Yen. Valuations have historically been below book value and on single digit PEs with some companies having a high proportion of market capitalization in cash, liquid securities or other realizable assets. Rising Sun's activism unlocks this value by encouraging management to change capital allocation, which can involve one or more of buybacks, dividend increases and stock options

to incentivize management. Some firms have also been taken private through MBOs. NAVF's own governance boasts impressive board diversity: four of its five UK directors are women. The trust is augmenting its assets by rolling over the abrdn Japan Investment Trust (AJIT) into NAVF and raising its profile by switching its listing to the Main Market of the LSE. Paul ffolkes Davis has previously worked in privatisations at NM Rothschild, been Bursar of Trinity Hall Cambridge University managing its endowment, and founded a specialty property lender, the Cambridge & Counties Bank. He has MAs in Modern History from both Oxford and Cambridge universities.

Dr Anthony Dearden/Dr Jerome Callut

*Principal, CIO/Principal, Chief Research Officer
DCM Systematic Advisors SA
Geneva*

Anthony Dearden, Jerome Callut and Gaetan Maraite are principals of DCM Systematic which was founded in December 2014 and launched Diversified Alpha, a systematic, multi-strategy, non-trend CTA, in February 2016. The firm was created upon the belief that continually researching new ideas, learning from markets, and looking beyond traditional trading approaches could lead to successful investment outcomes. The result of this approach is Diversified Alpha, which employs over 20 independent strategies categorised into 3 styles: (i) behavioural (ii) relative value and (iii) macro; with most of the risk typically allocated to non-directional trades. The strategies focus on specific ideas connected to real world observations and are traded using liquid futures markets in equities (and volatility), commodities, fixed income and FX. Risk management is an integral part of the process and combines historical and forward-looking techniques. The firm has grown assets to over \$550 million and the strategy can be accessed via a Luxembourg fund, separately managed accounts, and the Galaxy Plus managed account platform. Dearden and Callut previously worked at BlueCrest Capital Management as Senior Researchers working on the BlueTrend CTA strategy. Dearden has a PhD in Robotics from Imperial College London. Callut has a PhD in Machine Learning from UCLouvain in Belgium.

Theron de Ris

*Founder and Portfolio Manager
Sorengo Partners Ltd
Cambridge, UK*

Theron de Ris founded Sorengo Partners to manage a directional global equity long/short strategy, which has annualized double digit

returns since 2017. The strategy identifies and researches industries and markets with cyclical imbalances, investing in well-financed smaller companies with significant insider ownership, strong shareholder returns and attractive risk/reward ratios. A disciplined risk management process minimizes unintended bets at the position and portfolio level. Since 2023, the sector focus has shifted towards financials, industrials and consumer cyclicals, and the geographic emphasis has moved to the UK, EMEA and emerging markets. The largest sector weight is in precious metals and there is also a substantial allocation to energy and materials. The strategy's exposure toward small/mid-cap, international and value factors combine with a proven track record of alpha generation in less efficient markets. Sorengo is capacity-constrained and 100% active employee owned, with a high level of partner alignment with LPs and continual allocation of GP capital to the strategy. De Ris was previously a senior analyst at Indus Capital from 2008 to 2016, working with founder David Kowitz. He previously worked for Morgan Stanley and Goldman Sachs. He has a BA in International Politics and Economics from Middlebury College and is a CFA and CAIA charterholder.

Damian Edwards

CIO
Metrica Partners
Singapore

Damian Edwards and COO David Mulvenna co-founded Metrica in 2016, with early investors including a leading hedge fund allocator in Germany. Firm assets have grown to \$144 million as of June 2023. Metrica's broadly market neutral Asian strategy trades event driven merger arbitrage, holding company sum of the parts, and share classes, across Asia Pacific equity markets including Japan, and across small, mid and large caps. Holding companies in Asia can trade at large discounts to NAV, which can be reduced by buy backs, asset sales, spin offs, tender offers or public offerings of divisions, which Metrica may encourage. Metrica's engagement with management can go public and an open letter in September 2022 set out why it did not tender its fund's shares in SK, following Metrica's December 2021 call for a strategic review at SK Chemicals and its September 2021 letter urging SK Chemicals to sell SK Bioscience upon lockup expiry. In 2022 and 2023, Metrica's thought leadership highlighted deeply discounted valuations for Japanese regional banks; buoyant M&A activity in Japan; and a rare hostile takeover in Korea. Edwards was previously a proprietary trader in Hong Kong for Morgan Stanley and Royal Bank of Canada. He has an MBA from London Business School and an MA in Law from Cambridge University.

Bob Elliott

Co-Founder, CEO and CIO
Unlimited
New York City

Bob Elliott co-founded Unlimited with Chief Data Scientist Bruce McNevin, as well as Matt Salzberg and Andy Salamon. Unlimited runs the US-listed fully systematic multi-strategy hedge fund replication ETF with ticker HFND, launched in October 2022. It uses proprietary statistical techniques to track and infer hedge fund exposures from around 3,000 hedge fund managers. These are then mapped onto long and short positions in 30-50 ETFs and futures to try and replicate the exposures. The plan is to roll out a suite of hedge fund strategies in ETF wrappers, which offer intraday liquidity and much lower fees than the typical 2&20 style fee structure (HFND has a management fee of 0.95%). Elliott also regularly provides extensive insight into his personal views on the economy and financial markets, expressed in his fast-growing Twitter following, his blog and regular broadcast appearances. Elliott previously headed foreign exchange, sat on the investment committee and headed Ray Dalio's research team at Bridgewater Associates. He authored hundreds of the firm's widely read Daily Observations, co-authored several investment philosophy pieces, and led the firm's research identifying the size and risk of the GFC years before it unfolded. Elliott has a BA in Economic History and Botany from Harvard University.

Brian Finn

Founder and CIO
Findell Capital Management LLC
New York

Brian Finn launched Findell's concentrated long/short equity strategy in 2019. The strategy contains most of his net worth, and has annualized at over 23% since then, generating a net return of 134% versus the Russell at 14%. Today, the strategy has over \$100 million in assets under management. The strategy trades dislocations and special situations in North American small and mid-cap equities (with market caps of \$250 million to \$10 billion). Dislocations can be caused by technical or behavioural factors, such as litigation, corporate actions, or complexity. Findell conducts deep due diligence to identify asymmetries in both information and risk/reward, based on a proprietary key investing factors approach. In 2023, Findell wrote its first activist letter, arguing for new management and cost-cutting at lender Oportun Financial. Finn was previously a managing director at MAK Capital and earlier worked for Force Capital. He also worked for Glencore in Switzerland trading commodities. His

finance career started prop trading mortgage-backed security derivatives at Deutsche Bank. He has an MBA from Columbia Business School and a BA in Economics from Harvard University, where he co-authored a book on behavioural finance theory.

Alberto Gallo/Aditya Aney

Co-Founders, CIO/PM
Andromeda Capital Management
London

Alberto Gallo and Aditya Aney launched Andromeda master fund in October 2022 with \$200 million, including seed capital from a global insurance firm. Andromeda uses a top-down approach to trade long/short liquid credit, including sovereign and corporate debt across the whole capital structure. The fund is global, with a European bias. Trade construction is designed to harvest positive convexity. The duo previously launched and managed Algebris Global Credit Opportunities Fund between 2016 and 2022, which ran \$1 billion. Andromeda uses a mix of qualitative credit research and quantitative top-down tools to generate alpha. In June 2023, Andromeda's Silver Bullet letter warned that inflation would remain above target and that interest rates would stay higher for longer. The team includes three senior women: Head of Research Tao Pan, who have worked alongside Gallo and Aney since 2012; COO & CFO Nimika Karadia; and Head of Business Development, Hopewell Wood, who featured in the 2018 edition of The Hedge Fund Journal's 50 Leading Women in Hedge Funds report. Gallo previously held research roles at RBS, Goldman Sachs, Bear Stearns and Merrill Lynch. He has sat on the ECB financial stability working group since 2014. He is a guest professor at Bocconi University, where he graduated in Economics. Previously, he served in the Navy. Aney started his career in risk management, after graduating in Operations Research at LSE. He is a former civil aviation pilot.

Joakim Hannisdahl

Founder and CEO
Gersemi Asset Management
Oslo

Joakim Hannisdahl founded Gersemi to trade a long/short strategy in shipping, which expresses views on the boom-and-bust cycles for several different sub-sectors, including dry bulk, oil tankers, car carriers, LPG carriers, LNG carriers and containers. Fundamental econometric analysis is used to gauge the cycles. Low correlations between the segments contribute to portfolio diversification within the strategy while

*Founder and Chief Investment Officer
Findell Capital
New York*

Brian Finn

Ferretting out small cap value with behavioral insights

Findell Capital's strategy has annualized at over 25% net since 2019 with double digit positive returns every calendar year, over a period in which the Russell 2000 has been roughly flat.

Founder and CIO Brian Finn took a long path before finally actually practicing small cap value investing. Having initially contemplated academia, Finn was first lured on to a proprietary trading desk that specialized in mortgage derivatives at Deutsche Bank in 2007, working closely with the characters that inspired the book and then film, *The Big Short*. "This was very macro and quant focused, building complex models for prepayments," he recalls. Finn then went to Columbia Business School and studied value investing. After getting an MBA, he worked at commodity trader Glencore in Switzerland, analyzing asset deals including one involving a Russian oligarch (Oleg Deripaska).

Finn's first hedge fund role was at Force Capital in 2012 before moving onto MAK Capital in 2014 where he worked for five years before launching Findell in 2019.

Neglected names

Finn's specialty is ferretting out neglected names that offer a skewed risk reward based on an approach that distills a business into one or two key investment drivers that can be properly researched. Most holdings have a market cap of between USD 1 and 5 billion, though there are a handful of microcaps. "Our goal is to find small and mid-cap, off the run, idiosyncratic, companies that the average investor has not heard of. The share prices are typically dislocated due to behavioural or technical factors, but our research process reduces the complexity to one or two key drivers. We build a portfolio of names with a catalyst schedule. Catalysts can create outperformance even when small caps and value are out of favour," says Finn.

Behavioral biases

Many of the inefficiencies that Findell trades are explained by behavioural finance, which Finn encountered as a Harvard undergraduate in 2005: "I realized that my own sometimes impulsive risk taking seemed to be guided by unlearned instincts. I started collaborating with a doctoral student at Harvard Business School



and we put together a book that outlined how evolutionary psychology has created innate behaviour patterns that lead to all sorts of irrational decision making in the financial markets. For instance, herding makes sense from an evolutionary perspective – if all your fellow hunter gatherers dart in one direction at the same time – you should probably follow. But herding in financial markets can lead to folks buying a stock simply because others are buying it and can create huge deviations away from fundamental value”.

These sorts of behaviours are called heuristics and they systematically create dislocations in the market: “Selling losers is an example of recency bias, so we screen for new lows. We also screen for news stories because people over-interpret headlines due to representativeness. Binary situations may scare away many investors because the pain of loss outweighs the pleasure of gain. A portfolio of very skewed risk/reward investment should work regardless of the market environment as long you do the work on the idiosyncratic risk factors”.

Post-bankruptcy stocks are another source of inefficiency because the new shareholder base is more plugged into, and anchored to, the debt markets. “Every offshore oil driller save Transocean went bust during the long oil price decline since 2014. It takes a while psychologically for investors to recover from that. All the post re-organization holders of the equity were debt guys who did not want to own the equity, so they were natural sellers,” points out Finn.

There can also be technical situations such as spin-offs and index ejections that force sales. Novelty and lack of coverage can make IPOs mispriced after they float.

MiMedx was a good example of technical and behavioural factors combining together to create a perfect storm of dislocation. “A vicious campaign from short sellers led by Marc Cohodes led to the share price going from \$18 to \$1 as the stock went on to pull its financials and be delisted. Cohodes had made some true claims and a lot of nonsense claims, tweeting at various points that MiMedx had no revenue. There were no financials to rely upon, but we found third party data sources that showed little change in revenues from the prior year, disproving most of this thesis,” says Finn. The stock more than tripled from 3 to above 10, when Findell took it off. This is typical; the trading style is to take profits after the catalyst and re-rating has occurred.

The approach is relatively sector agnostic and has worked across industries. Findell selectively talks about selected investments on social media, including webcasts and Twitter, and has become formally publicly activist on one position.

Occasional activism

Findell’s first public letter was written to subprime lender Oportun Financial, which provides short term loans of one or two years to mainly Hispanic borrowers who want to build a strong credit score. The fundamentals are strong, but the share price has been dragged down by excessive costs and poor capital allocation. “This is an egregiously mismanaged company, run like a fiefdom by the CEO who has increased costs by hiring far too many highly paid senior managers. All of his FinTech initiatives have failed and are a distraction from the core business of making specialty loans to underbanked people. Oportun has underperformed its peers for years and is not being publicly called to account by the board. They need a new CEO and board to look after shareholders. The stock could be worth 5 or 10 times as much,” argues Finn. Findell established his position at \$3 and has continued to add as the stock approaches \$7.

Another microcap holding, a med tech company, also has governance issues. “There has been dysfunction at the board level for years – it was so bad former employees commented on it. This year, the CEO and chairmen tried to vote off some board members in a Special Meeting. Those board members then unilaterally fired the CEO and Chairmen and took control of the company. This is a great example of how incentives matter – the three board members who led the coup were unemployed/retired and owned practically no stock in the company. They were incentivized to keep their board member paychecks and seemed indifferent to the effect their actions had on the company’s stock price and operations – both of which tanked,” says Finn.

“As Berkshire Hathaway Chairman, Charlie Munger, says – *show me the incentives and I’ll show you the outcome*. Now, while these holdovers are still on the board, they are outnumbered by new board members who were brought on in May. These members have skin in the game and one of them, Taylor Harris, became the new CEO. Taylor Harris will be highly motivated to make this work. His past experience of generating multi-baggers as a CFO three different times gives him a lot of credibility to do the same here.”

“It is going to be a lot of wood to chop given how many self-inflicted wounds the legacy board members left him, but he has a great product in AviClear and a great base business. We think over the next three years, he can get the stock back over \$50 from \$14 today.”

Macro awareness

Though Findell majors in bottom-up research, Finn is cognizant of macro risks: “A rising interest rate environment is bad for Software as a Service (SaaS) companies where most of the value lies in the terminal value. So even if you find a potentially interesting situation in that space, now might not be the time to invest in it”.

Equally, Finn has identified niches that can thrive amid challenging sector dynamics: “In oil drilling, supply shortages in offshore floaters and jack-ups have helped them to outperform over the past year despite lower oil prices”.

Net long exposure has ranged between 50% and 85% and averaged 70%. Longs can reach 20% position sizes but are usually in the 5-10% range. Shorts are sized around 1-3% and are also shorter term in focus. Findell has shorted alleged frauds and was once sued by one of them – Alpine4 – over a short report.

The story of this lawsuit was later featured in an article in Bloomberg titled – *The Stock Market Reaches Late Stage Fanaticism*. Finn received death threats and hate mail from the various pumpers of the stock but was vindicated in the end as the stock fell 95% from the date of the short report’s publication.

Value resurgence

In Findell’s August 2023 investor letter, Finn described the valuation differential for growth versus value as being at a 99th percentile. A long-term force behind this has been the rise of passive, ETF and index investing, which has funnelled more capital into large cap, growth and momentum-oriented approaches.

Any small or large mean reversion towards value or small caps or both could provide a substantial tailwind for the style and factor exposures in the Findell strategy. Finn also expects that inflation might stay higher for longer due to higher prices for oil and other commodities such as copper, and doubts whether AI innovations such as ChatGPT will solve inflationary pressures.

At the same time, the track record shows that Findell has been able to extract idiosyncratic alpha even when value and small caps have been unfashionable.

Long-term aligned investor base

Finn has all his liquid net worth in the fund. Findell has grown to assets of \$100 million without any seed or acceleration capital deals but has recently attracted a \$100 million ticket from a leading UK hedge fund allocator, taking total assets to \$200 million.

The fund offers share classes with either a one- or three-year soft lockup; earlier redemptions are possible with an exit fee paid to the fund. Findell seeks longer term investors to align fund liquidity with that of their small cap investments. It can take months or years for the valuation discrepancies to play out and dealing with monthly redemptions would be a distraction, especially in situations that may require engagement with management and occasional activism. Investors should be able to weather some volatility for these exceptional long-term returns.

*Nicolas Hamar, Chief Investment Officer
Thomas Neveux, Investment Risk Manager
Cellyant Capital Management
Luxembourg*

Very rarely do you see “securities financing arbitrage” listed as a strategy in hedge fund databases, indices or anywhere else, and this is probably because very few funds are doing it. Cellyant Capital Management Chief Investment Officer, Nicolas Hamar, recalls that back in 2016, “Initially the Luxembourg CSSF regulator were not sure how to classify the strategy because they had not encountered it before”.

Opportunities for exceptional risk-adjusted returns are hiding in such neglected areas of the market. Cellyant Convergence Fund, a Luxembourg domiciled global SICAV SIF, using Fuchs Management as AIFM and audited by EY, has an extraordinary return profile. Since 2017 it has annualised in low double digits, with low single digit volatility, had no losing calendar years, no calendar months down more than 1%, and drawdowns of even less than the manager’s estimated “business as usual” maximum drawdown estimate of 2%. The return pattern shows a remarkably strong positive skew, which is particularly unusual for a relative value strategy. In the relative value space, mean reversion and reconvergence trades are often characterised as being akin to selling puts, but Cellyant is doing something very different.

Cellyant applies a market-neutral, delta neutral and gamma positive, securities financing arbitrage strategy that is often very close to a pure academic “textbook arbitrage”, in that the anticipated reconvergence is a mechanical process with a clear timeline and end date, based on contract maturities or very high probability corporate events, rather than relying on statistical mean reversion or the consummation of more uncertain corporate events such as takeover offers. (It certainly does not speculate on “rumour-trage”.) The prospectus binds the fund to exceptionally strict limits on net equity exposure, namely 1.5% at position level and 5% in aggregate.

The landscape for arbitrage

European policymakers, and some other regulators, have for decades set out lofty ambitions to harmonise and unify capital markets, but the reality is that securities financing markets, including equity-based repoes, continue to exhibit a rich tapestry of intricate quirks and anomalies, even within a single country. Implied financing rates can diverge from implied repo rates and various other financing curves for derivatives. Sometimes the costs might be explicit and separately identifiable line items, and at other times they could be embedded in the pricing of instruments. Term

Nicolas Hamar + Thomas Neveux

The holy grail of pure “textbook” arbitrage



Thomas Neveux



Nicolas Hamar

structures for cash and fixed income can also be asymmetric, with different rates for spot and term financing based on the gradient of various curves.

Why anomalies exist

A myriad of reasons can lie behind these differences. Beyond interest rates and exchange rates, the level of short interest, various corporate actions, dividends, credit, regulation, accounting and prudential rules, withholding taxes and financial transaction taxes, and other taxes, can all count towards explaining some anomalies. “There are usually a mix of these reasons, and we do not always know the exact number and type of reasons for the anomaly. There are so many parameters to explain why one entity finds it more difficult to finance than another, and ultimately the subjective funding decision is the most important,” says Hamar, who teaches a course on Delta One Arbitrage at ESLSCA Business School in Paris. Various other market inefficiencies lead the

divergences to persist. They can include incomplete information; the fact that some participants, such as long only asset managers, face limits on hedging, and legal considerations. There can even be different opinions about how to value a corporate action.

No prime brokers

Hamar previously pursued the strategy in a proprietary trading environment at CDC-Ixis/Natixis, where he was Head of Equity Finance Delta One, and Head of Equity Finance. “For almost 10 years we were the most profitable desk in equity derivatives in Natixis,” he recalls. Nowadays, the banks have become less active in the space due to risks and scalability, leaving prime brokers and other funds as the main competitors.

The Cellyant strategy does not use prime brokers, precisely because it is in some cases seeking to arbitrage discrepancies between the

financing rates offered by prime brokers and other participants in the market. "Using prime brokers would create a conflict of interest," Hamar bluntly states. The fund itself can act as a market maker, and sometimes an intermediary in securities financing, bridging gaps between lenders and borrowers for mutual benefit.

Skillsets and relationships

The strategy demands a versatile skillset and range of relationships. The requisite skills include mathematics, IT, and a precise understanding of legal documents and regulations. The operational and counterparty framework requires the ability to execute and settle on many markets, and source stock borrow through counterparty relationships and solutions in this fragmented market.

For instance, sourcing of what are usually hard to borrow shares, is based on direct custodian relationships. "The *intuitu personae* parameter prevails in the stock lending and borrowing world: for hard to borrow it is a people business," explains Hamar.

"Another counterparty is also used, which acts as a matched book principal intermediary," reveals Hamar. Cellyant have an open and transparent dialogue with financing counterparties about the target financing rates needed to make arbitrages work. "In some special situations, the extra cost of borrowing special collateral is very marginal compared with the potential profit on the trade. ADRs can sometimes plug a gap. In other cases, we simply judge that the difficulty of sourcing borrow is too great, and do not bother," says Thomas Neveux, Cellyant's Investment Risk Officer.

Drivers: volumes and volatility

The opportunity set is linked partly to volatility and volumes of corporate actions and can be marginally affected by interest rates and regulations. "Higher interest rates can improve theoretical basis returns, but overall volumes and volatility tend to be more important," says Hamar. Credit spreads do not have much influence on repo margins, which are somewhat divorced from other risk premiums.

Categories of arbitrage

The textbook arbitrage equation states that futures prices should equal spot plus carry minus corporate actions, such as dividends, but this does not always hold. In practice, the implied financing cost can deviate from the repo or borrowing rate, and a large enough gap between the two opens up a potentially low risk arbitrage opportunity. Cellyant can arbitrage between equities and single stock futures, in either direction: cash and carry, or reverse cash and carry.

Other strategies could trade a rights issue entitlement, or another subscription right related to a capital increase, against the underlying equity. They might also trade new against old

shares, possibly based on different dividend entitlements.

Scrip entitlements to dividends can also be hedged and traded, and in some countries such as France scrips offer a way to buy shares at a 10% discount.

Cellyant can also sometimes help with sourcing financing or facilitating and arranging financing for other parties, both as a standalone strategy, and to enable their own strategies.

The strategies are usually distinct, and it is very rare for a trade to involve more than one of them. (One exception is that a capital increase could lead to an old versus new shares trade.)

The allocation to strategies is completely opportunistic and might be entirely in one of them over a quarter, so long as the liquidity and volatility make sense. The manager does not feel the need to diversify into 10 or 15 deals at any one time, though there might be 10-15 over a whole year.

"There might for instance be 30-40 share issues and scrip dividends each year in the French market, but we will only select those offering the best risk reward and satisfying multiple other criteria," says Hamar.

WHT and FTT

Withholding taxes and financial transaction taxes can sometimes be one factor indirectly explaining divergences in financing rates offered by third parties, but the Cellyant fund usually does not pay these taxes, nor is it seeking to arbitrage or reclaim them. "Withholding taxes and double tax treaties are not really relevant sources of alpha as taxation becomes more harmonized at fund levels," points out Hamar.

Risk factors

Though the setups can often sound like very logical textbook arbitrages when held to maturity, they are not entirely without risks. In contrast to some "equity capital markets" strategies, there is not any direct underwriting risk.

Presuming that interest rate and currency risks are hedged, the risks mainly relate to operational matters.

The most important factor is usually sourcing secure, stable and affordable borrow and financing, based on counterparty relationships. "There is sometimes a risk of security borrow being recalled or repriced, or both, since locking it up can be too costly and it may not be realistic to fix the cost. This could result in unbalanced hedging and/or eat up the arbitrage," says Hamar.

There are ways to mitigate this, however. "We try to diversify and sometimes mutualise this risk by alerting lenders to profitable strategies that

make use of the borrow," says Hamar. Cellyant works collaboratively with counterparties, in areas such as collateral upgrades, intermediation between counterparties, and optimization strategies, to take advantage of corporate actions.

There might be a dividend risk, though this can sometimes be hedged through dividend futures in very specific situations, such as for a new versus old shares trade. Dividend risks could include a surprise cut or more unusually, the "Black Swan" risk of cancellation of dividends, as a few companies did during Covid. For instance, in 2010 BP cancelled its dividend during the Deepwater Horizon disaster, and in 2020 it halved the dividend during the Covid crisis.

All legs of a trade need to be executed simultaneously to lock in the arbitrage, and this becomes especially important in more volatile markets. This can be relatively easy to address: "Asynchronous execution risks can often be dealt with through a double fixing on Euronext," says Hamar.

There can also be a limited degree of credit and counterparty risk, though regular sweeping back and forth of margin means that this is usually limited to daily mark to market movement since the last margin call. To be comprehensive and conservative, credit risk could also include clearing houses, which have sometimes failed or come very close to failing before being bailed out.

Beyond these risk factors, the manager admits that there could be some vulnerability to events such as major credit events, tax changes or major operational problems, which might lead to drawdowns of more than the base case 2% estimate.

Returns, leverage and the opportunity set

The return target is an average of 10% per year, though it could be higher in a year such as 2018 with more opportunities and might be lower in other years. Target returns for the individual strategies range from 2-3% up to 12%, and the maximum expected drawdowns for each run from 1% to 3%. Performance fees apply only above a floating interest rate (EONIA) hurdle.

The strategy has generally not used leverage but might be more inclined to as it grows. Capacity is probably at least \$100 million to \$300 million, and more assets would expand the opportunity set in part by allowing for more leverage, which has not historically exceeded 2x.

In June 2023, Cellyant circulated a note alerting potential investors to exceptionally attractive arbitrage opportunities in the French market. Though financial markets and interest rates are to some degree normalizing, plenty of anomalies and arbitrage opportunities remain in securities financing arbitrage.

shipping's low correlation with broader equity markets should limit the strategy's equity beta. The fund can invest across equities, mezzanine, bonds and derivatives (Hannisdahl was a senior fund manager for investment grade bonds at Santander Consumer Bank between 2016 and 2018). Gersemi Shipping Fund launched as an Irish ICAV QIAIF in July 2023 with seeding from Hannisdahl and other investors. His prior shipping experience has included buy side and sell side roles. Taken together, Hannisdahl's personal investments; fund investments at two other shipping funds he co-founded, and analyst recommendations, have substantially outperformed the shipping index. Hannisdahl was ranked #1 shipping equity analyst globally by Bloomberg during 2019, 2020 and 2021, when he was MD and Head of Research at Cleaves Securities. Other sell side roles were at Nordea Markets and Fearnley Securities. Hannisdahl has a Master of Commerce from University of New South Wales in Sydney and a dual Bachelors in Economics and International Relations from Norwegian University of Science and Technology.

Chua Soon Hock

*Founder and CIO
Asia Genesis Asset Management
Singapore*

Chua Soon Hock founded Asia Genesis Asset Management in 1999 with the launch in March 2000 of Japan Macro Fund, which annualized in the high teens over its 10-year life including double-digit returns in 2008. In May 2020, Chua re-launched his award-winning discretionary macro strategy with Asia Genesis Macro Fund, returning +15.3% net amidst 2022's challenging markets and generating, since inception, a Sharpe ratio above 1 and a Sortino ratio above 2. Targeting consistently positive returns with low downside volatility, Chua's active tactical "all-weather" strategy rarely uses leverage, and seeks outperformance in bull, bear and rangebound markets. It trades global liquid instruments including futures and options in equity indices, interest rates and foreign exchange, with a particular focus on the Asian markets. This has allowed for monthly liquidity with no redemption fees, lock ups or penalties. Management fees are waived absent positive calendar year performance. Chua's macro-outlook to 2030 foresees sticky inflation, geopolitical tensions, bubbles and bursts, and extreme divergences between bull markets in some regions and bear markets in others. He started his career at the Monetary Authority of Singapore, managing sovereign wealth funds with MAS and GIC. Before founding Asia Genesis, he was Chief Strategist and Head of Trading at Sanwa Bank in Singapore, and held other lead trading roles at Koch Capital, Bankers Trust and Salomon Brothers.

Brian Hurst

*Founder and CIO
ClearAlpha Technologies
Greenwich, Connecticut*

Brian Hurst and Chief Technology Officer, Sean Teretta, co-founded ClearAlpha Technologies in 2021. ClearAlpha has launched a multimanager platform, Niche Plus, with several hundred million dollars raised from institutional investors including Stable Asset Management, New York City's Church Pension Group, Carnegie Corporation and AQR co-founder, Clifford Asness. The multi-strategy fund aims to raise \$1 billion within the next year. The fund is starting with 13 investment teams managing 20 strategies, about 70% in uncrowded niche alpha strategies and about 30% opportunistic excursions into more well trafficked alpha sources. The niche strategies include statistical arbitrage trading in various emerging markets including the Middle East/North Africa and Brazil, and a temperature arbitrage strategy run by former Swiss Re traders. Hurst will manage the niche alpha strategy alongside Chief Risk Officer, Elisha Wiesel. Hurst was previously a day one employee and first non-founding partner at AQR Capital Management, where he was a portfolio manager, researcher and Head of Trading, and a member of AQR's operating committee. Wiesel was previously Chief Information Officer for Goldman Sachs and the Chief Risk Officer of Goldman Sachs Markets Division. Terretta was previously the Head of Technology Incubation and Innovation at Bridgewater Associates and the CTO of MUFG Americas. Hurst has a BSc in Finance from Wharton.

Mads Ingwar/Martin Oberhuber

*CEO/CIO
Kvasir Technologies
London/Copenhagen*

Mads Ingwar, Martin Oberhuber and COO Mike Merritt-Holmes co-founded Kvasir Technologies in 2018. Kvasir runs a strategy using full stack artificial intelligence and machine learning to exploit market inefficiencies including not only human behavioural biases but also weaknesses of traditional quantitative strategies. The objective is to generate broadly factor neutral, idiosyncratic alpha, with low factor and sector exposures, from trading US, European and Asian single stocks as well as some futures. The models can identify hidden, counter-intuitive and novel correlation patterns. The strategy started trading proprietary capital in 2016, attracted a sub-allocation from a hedge fund manager in 2018, and launched a fund in 2019, before entering a strategic partnership with Nile Capital Group in 2020. The latest incarnation of the models has increased the forecast Sharpe ratio to 2 thanks to several new sub-strategies. Returns

have been very lowly correlated to equities and bonds and 87% of returns in 2022 were idiosyncratic (i.e. stocks specific) alpha, according to the Global Axioma Risk Model. Ingwar, Oberhuber and Merritt-Holmes previously worked for Think Big Analytics, which was acquired by Teradata. Ingwar has a PhD in Computer Science, and an MSc in Informatics from Technical University of Denmark. Oberhuber has an MSc in Computational Finance from Carnegie Mellon University, an MSc in Mechanical Engineering from ETH Zurich, and a BSc in Mechanical Engineering from Padova.

Daniel Johansson/ Gustaf Lindskog

*Co-Founders and CIO/Portfolio Manager
Pantehnicon Advisors LLP
London*

Daniel Johansson and Gustaf Lindskog launched Pantehnicon in October 2021, with seed capital from Brummer and Partners' Multi-Strategy fund. Pantehnicon's global equity long short strategy has assets of circa \$800 million and has generated a Sharpe ratio of circa 1.5 to June 2023. The broadly market neutral strategy focuses on industrials sectors including capital goods, autos, aerospace, building materials, chemicals, metals and mining, oil services and pulp and paper. The managers carry out fundamental analysis of industrial value chains and focus on significant deviations in earnings expectations 2-3 years out, while limiting geographical and value/growth exposures to remain macro agnostic. Johansson was previously a portfolio manager at UBS O'Connor and Norges Bank Investment Management. Before that he was an analyst for Brummer & Partners' Zenit fund. His career started at Investor AB. Lindskog was previously a global industrials equity market neutral portfolio manager at Man GLG. Earlier he helped Soros Fund Management set up its London office and prior to that was an industrials analyst at Highbridge Capital. His career began at Alfred Berg/Morgan Stanley.

Jean Josse/Dan Zanger

*Chief Investment Officer/Chief Portfolio Manager
GlassBead Capital Management
Miami Beach*

Jean Josse launched GlassBead Strategic Partners Fund LP in June 2019. The growth-oriented long/short equity strategy has annualized at over 20%. GlassBead's investment process uses quantitative and qualitative analysis to identify breakthrough and leading technology companies which are ahead of their peer group, following certain themes such as cloud computing, electric cars

and artificial intelligence, using technical and fundamental data points as entry signals. The strategy is typically concentrated into 10 large cap, liquid stocks and can also hold cash and Treasuries as well as short stocks depending on the market environment. The average holding period is between 2-3 months and several years. Trade timing is based on price inflections and patterns. Risk management and exit timing include strict sell discipline, stop losses on individual positions, and reducing exposure if volatility exceeds certain levels. Josse has held various investment management roles advising individuals, family offices and institutions at Alliance Global Partners, Aegis Capital, JHS Capital Advisers and GunnAllen Financial. Zanger, a mentor to Josse, was brought on in April 2023. Zanger is an experienced momentum investor and trader who authors The Zanger Report. Josse has a major in Philosophy and Global Studies from UC Santa Barbara.

Jack Land

*Founder and CIO
Axebrook Capital LLP
London*

Jack Land founded Axebrook Capital in 2021 while working as a portfolio manager at York Capital. Land spun out the liquid credit strategy that he managed, with the support of key principals at York, in February 2022. The all-weather strategy focuses on leveraged issuers and event-driven situations, both long and short. The strategy invests in global developed markets across multiple sector verticals, focusing on the \$10 trillion of tradeable corporate credit in the US and Europe. It seeks to exploit mispriced risk and market inefficiency via four sub strategies, special situations, arbitrage, debt capital markets and alpha shorts. Land takes an active trading approach with dynamic allocation across sub-strategies to target sustainable performance throughout the credit cycle. Land has 19 years of buy-side credit investing experience. Prior to York, Land worked at Mount Kellett, GoldenTree and Oak Hill Advisors, actively investing in the US and European corporate credit markets from investment grade to distressed, through multiple credit cycles. He started his career at Lehman Brothers and has a BA in Economics from Princeton University.

Jonathan P. Lefebvre

*Managing Partner
Aleena Capital Management
Greenwich, Connecticut*

Jonathan P. Lefebvre founded Aleena Capital Management in 2021 and launched a generalist long/short equity strategy, investing across most sectors, market caps (>\$500m) and styles.

The manager will invest in value, GARP (growth at a reasonable price), or special situations. Aleena applies a private equity mindset to public equity investing in 10 to 30 core longs trading below intrinsic value and targets an IRR of 20%-25%, a 3:1 reward to risk ratio, over a three-year investment horizon. There are also 15 to 40 alpha and beta shorts to manage portfolio and individual position level risk. Lefebvre has extensive experience of engaging with management and boards, on capital allocation decisions, operating efficiency, corporate structures and on ESG initiatives. The manager is currently invested behind several secular growth trends including climate change, digital payments, and generative AI. The manager's largest investment last year was in an innovative renewable natural gas firm called Archaea Energy (LFG), with a negative carbon footprint that was acquired by an oil major (BP) for a 38% premium. Lefebvre was previously a senior partner at Kensico Capital Management where he worked for ten years. He has an MBA from NYU Stern and a BBA from James Madison University.

Hamza Lemssouguer

*Founder and CIO
Arini
London*

Hamza Lemssouguer founded Arini within Credit Suisse in 2020, spinning it out in 2021 as part of a strategic partnership with Squarepoint Capital, which provided operational support and seed capital, and launched Arini's flagship fund in 2022. Headquartered in London, Arini manages alternative credit strategies focused on fundamental analysis of structured, performing, stressed and special situations, primarily in Europe. Sector specific research allows Arini to move fast, and the team of 27 people is conversant with the nuances of legal and restructuring regimes in different European countries. The flagship long/short all-weather strategy targets an IRR of 15%. Instruments invested in include bonds, loans, CDS and structured credit, where Arini offered an opportunistic structured credit co-investment in 2022 which returned 52% over 9 months through harvest and has launched a structured credit equity strategy in May 2023. The firm has already grown assets to \$2.8 billion, raising assets globally with an investor base dominated by sovereign wealth funds, endowments and foundations. Lemssouguer was previously Head of European High Yield Trading at Credit Suisse, where his team generated strong absolute returns in 2018, 2019 and 2020. He has two Masters degrees in Applied Mathematics from Ecole Polytechnique and ENSAE, where he also obtained an Actuary degree.

Daniya Lukmanova

*Founder, CEO and CIO
Infinite Edge Investments LLC
Newport Beach, California*

Daniya Lukmanova founded Infinite Edge in November 2021 to manage the discretionary and opportunistic Sharp Edge Program. It trades short term pattern recognition in agricultural products, metals, currencies, energy, equities indices, Treasuries and financials, with average holding periods of one to three days; beyond that timeframe buy options are utilized. Proprietary Fractal Pattern Recognition System and a Game Theory Optimal framework are applied to trading. Pattern recognition, trends, countertrends, technical and fundamental inputs can all feed into signals. Risk management is rule-based with predetermined daily and monthly stop loss levels. Since inception in April 2022, the strategy has generated high risk adjusted returns, and been lowly correlated with CTAs and the SG Short Term Traders Index. Some of the financial models use statistical modelling techniques that Lukmanova applied in biomedical research, where she authored biomedical journal articles. She holds a Masters degree in Chemistry from Villanova University. Additionally, she was a Doctor of Pharmacy student at UCSD and a Research Analyst at the University of Pennsylvania, where she also received a graduate degree.

Daniel McNamara

*Founder and CIO
Polpo Capital
New York*

Daniel McNamara founded CMBS long/short manager Polpo in 2021, targeting 15% net returns with gross exposure below 200%. The process emphasizes bottom-up underwriting, but also heeds macroeconomics. It blends some longer-term long holdings with short portfolio hedges and shorter-term tactical trades on both sides. Polpo has identified some sub-sectors of CMBS as being vulnerable to higher delinquency and "shadow delinquency" rates, which could lead to an increased distressed opportunity set in retail, hospitality, office and multifamily. Given the challenges of sourcing paper, fund capacity is limited to \$150 million. McNamara finds that inefficiencies can arise in CMBS due to market segmentation and calendar effects based on financial year ends and flows, as well as credit ratings constraints for some investors. Few investors are active in CMBS "credit", which is less than \$140 billion of paper having credit ratings below AAA. The team includes several people from McNamara's former firm, MP Securitized Credit fund, where he was a CMBS portfolio manager, and launched an opportunistic CMBX/Regional Mall Short Fund in

*Founder and Chief Investment Officer
Orlog Capital
Hong Kong*

John Qiu founded Orlog Capital in January 2022 with the name based on the Anglo-Norse belief in a recursive, fluid and probabilistic fate. It has significance both in the investment approach of the fund, as well as the way the business is operated.

Qiu's educational background in biochemistry and molecular biology (as part of a double degree including finance) has influenced his use of the scientific method in stock analysis – start with a few key core hypotheses and constantly challenge them using collected data. Evolutionary biology is another major influence and he considers the ideas behind evolutionary theory to be a base framework for understanding the world. Despite his background (or because of it), Qiu does not invest in early-stage biotech, explaining it as: “My background can provide understanding, but does not give me any edge in predicting a drug's success rate. I would rather look at firms where their competitive edge can be clearly defined”.

Qiu views the stock market as a zero-sum game, like poker: “Somebody else has to be making a mistake for me to win at the game. My contrarian, fundamental and long-term approach gives me more optionality to exploit market biases”.

Former employers and fund model

Qiu spent 15 years at two very different asset managers before launching his own firm. In 2007, fresh out of university, he joined the recently launched Orbis/Allan Gray Australia. Later, after relocating to Hong Kong in 2013, he joined Overlook Investments as one of a five-member investment team. Both dates were momentous in timing, the first coinciding with the beginning of the global financial crisis, and the later with the beginning of significant western capital flows into domestic and offshore Chinese equities. These events left a deep impression on Qiu's approach to investing.

Orlog's investment philosophy and business model takes elements from both investment managers. Allan Gray taught him the deep-value, contrarian investment approach, which worked extremely well in the aftermath of the global financial crisis, while Overlook provided insights into long-term, high quality, compound growth investing. Qiu describes his own approach as contrarian, fundamental, long term and high conviction: “I am more deep value and contrarian than Overlook but generally speaking, require more growth as a driver of returns compared to Allan Gray Australia”. Equally, Qiu owns some companies he could not envisage either of his

John Qiu

Contrarian, fundamental, long term, aligned equity investing



former employers owning, such as China's on-demand platform, Dada Nexus, whose share price has been very volatile. Qiu has actively traded around the volatility, top slicing the position in January 2023 and now buying back shares, illustrating his adherence to a clearly defined valuation range, no matter how bright he thinks their long-term prospects are.

Qiu deliberately hires from outside the investment industry, which is something also commonly practiced at Orbis/Allan Gray. Qiu looks for people with 3-5 years of work experience and often from non-finance related academic backgrounds such as maths, science and accounting. They are required to complete the CFA to get up to speed on finance. Past hires have included a lawyer, tech startup employee and biotech private equity analyst. The remuneration structure is similar to Overlook where the bonus, based on individual investment contributions, is the key feature.

Portfolio structure

Qiu has the mentality of a private markets buyer and limits his portfolio to 15-25 names; the top five of which could make up 50% or more of the book. He only invests once he has a deep understanding of the company and industry, focusing most of his attention on the supply side and competition dynamics. This often leads him to avoid certain companies or situations: “We are not confident about predicting competitive dynamics in EVs and could not build enough confidence understanding how content competition and the transition from linear to streaming model would affect future profits at Netflix, Disney and Paramount: we simply wouldn't know what to do if their share price fell another -20-30% lower”. This is important because if the price falls and the core thesis hasn't changed, Qiu will generally buy more shares in the company (assuming relative returns versus other opportunities has also improved).

Investments could be held indefinitely if the thesis remains intact and there is no superior alternative to recycle capital into. The 15-25 portfolio stocks must constantly compete to retain their place in the portfolio.

Qiu does not generally own companies below \$1 billion market capitalisation unless the risk/return ratio is exceptional.

Ambitious return targets

Qiu is seeking much higher returns than most asset managers. "We set a minimum hurdle of 25% CAGR over three years for investment candidates, which works out at around 20% CAGR assuming a 70% hit rate and disappointing underperformance on the theses that do not play out." With high quality companies available at distressed prices today, Qiu sees significantly higher returns potential for the current portfolio but expects the realisation of this to be very lumpy.

China

It is rare to find high quality compounding companies at cheap prices but Qiu sees no shortage of these opportunities in Chinese equities today. The ongoing geopolitical tensions and the disappointing pace of economic recovery post ending Covid-lockdowns in late 2022 has depressed sentiment and created excessive fear on investing in China. "I couldn't call myself a contrarian value investor if I wasn't attracted to Chinese equities at these prices today," says Qiu.

Stock selection is on a bottom-up basis, which for his Chinese holdings today, happens to be mostly internet and consumer goods/services companies. This includes his Macau casino positions, first acquired in 2022: "I thought the risks of license renewal was grossly mispriced and that gaming revenues would rebound quickly once Covid restrictions were lifted".

Some contrarians were tempted by Chinese property, but Qiu has avoided these investments: "Although there are similarities here to what Allan Gray Australia did investing in distressed Australian REITs in 2008, I felt that many of the Chinese developers had been aggressive in their accounting. It was clear early in the crisis they weren't going to get book value for most of their assets and nobody could be certain what the real level of liabilities was. Additionally, the industry had been far too aggressive bidding on land. It wasn't clear to what extent this would unravel. This made assessing the risks and outcomes very uncertain, even using a basket purchase approach".

Technology companies

Qiu often finds investor understanding of technology companies to be lacking or myopic. The long-term impact of competition is usually neglected next to optimistic assessments on demand. As for accounting, on the one hand valuations commonly use non-GAAP metrics which reverses out non-cash expenses such as share based compensation (which he believes

is aggressive) but on the other hand, investors don't really know how to evaluate and treat expansionary expenses (equivalent to expansionary capex for a traditional company). Qiu thinks sell-side research often makes things worse with their overzealous focus on short-term forecasts and flawed use of valuation methods such as P/S and DCF. He believes market assessment of risk and valuation for technology companies frequently differs significantly from their true prospects, in both directions.

He gave the example of when the market fell out of love with Amazon during the early 2000s: "They didn't understand Amazon's accounting, they didn't understand retailing and they didn't understand the long-term strategy of using negative working capital to fund the disruption of offline retailers". It was the same in China with JD.com and there was a period of time where some investors thought the company was an unsustainable fraud and almost everyone preferred Alibaba. Today, the valuation gap between the two has compressed significantly and both companies have been oversold in Qiu's opinion. The widely reported Chinese crackdown on technology companies was a major contributor but Qiu believes it misrepresented the actual situation: "Previously there was a lot of anti-competitive behavior among the Chinese tech majors. They used their market clout to create walled gardens and suppress fair competition. It was an unhealthy, unsustainable environment. For the most part, the regulatory responses were pragmatic and stopped this behavior".

Qiu believes it's not a winner takes all situation and multiple e-commerce companies can prosper as 75% of Chinese consumer spending is still offline and there remains large scope for these platforms to improve efficiency and generate attractive returns. He thinks competition today is vigorous but rational and companies have started moving away from burning cash to drive activity and instead, are focusing on improving profitability. Also, they've become more shareholder friendly, making positive progress in capital returns and operational restructurings. Among the Chinese e-commerce companies Qiu holds JD.com and Dada Nexus among his top five positions: "JD is an excellent operator, always keenly focused on operational efficiency and the consumer experience. They outcompeted peers in consumer electronics/home appliances and we think they'll continue to grow share and profits in other verticals. Dada is a subsidiary of JD and is basically the entirety of its offline to online marketplace business and express delivery e-commerce. It is closely integrated within the JD ecosystem which gives it exclusive access to vast amounts of traffic. We think both companies are trading at a fraction of their long-term intrinsic value".

Non-China investments

Other top five positions include non-China equities: Spirit Aerosystems and KION. "We like both of these companies for their low valuation and

dominant positions in their respective verticals," says Qiu.

Spirit Aerosystems (SPR) is the world's largest commercial aerostructures manufacturer and exclusive supplier of key parts to both Boeing and Airbus, including all 737 Max fuselages (which contributed most of their historical profits). The stock has been depressed since 2020 when the 737 Max was grounded and Covid started. Qiu says: "The commercial airplane market is a duopoly and SPR enjoys a monopoly position within the ecosystem. Despite facing the perfect storm, we think it is only a matter of time before production and profitability mean reverts. On top of that, SPR has grown significant value in their defense and after-sales businesses". Qiu thinks the return upside is large using a wide range of bull and bear scenarios.

KION is the world's second biggest forklift manufacturer and warehouse automation provider. Qiu started buying the stock in the second half of 2022 after the company issued an unexpected third quarter 2022 profit warning which highlighted a trifecta of issues: sharply rising cost inflation, supply chain shortages on forklift parts and a downturn in warehouse automation spending. Qiu thinks investors are overly concerned about transitory issues and the quality of the business is high: "They've changed their contracts to build in inflation protection and resolved their forklift parts shortage. The way they did it showed strong pricing power and a rational competitive environment. As for the economic cycle, while forklifts are cyclical, the warehouse automation business is more of a structural growth story, especially given high wage inflation. The customer base is extremely sticky for both businesses and KION earns high margins providing after-sales services to its growing installed base".

Investor base

The ideal investors are patient capital who can withstand volatility because Qiu defines risk as the risk of absolute loss. "For our strategy to work it requires holding power and conviction in our model. The capital base must match," says Qiu. The fund has no marketing team with all client dialogue directly handled by the investment team.

The current capital within the fund is all friends and family with most of it coming from Qiu's family office and personal savings. "We are looking to open the fund to external capital but there's no rush. Focusing on performance is the priority," says Qiu. Orlog Capital has recently started a database for investor interest on their website and has tentative plans to open the fund either late 2023 or early 2024.

Orlog Capital is a Cayman fund and licensed with the Hong Kong SFC. Investors should review Orlog's detailed quarterly letters, on the firm's website, for more colour on the firm's philosophy, process and the aforementioned stocks.

2020, which generated a 119% net return in under 4 months. He was earlier co-head of CMBS at SocGen and Braver Stern, and prior to that worked on the prop trading CMBS desk at UBS. McNamara has a degree in Law from Amherst College.

Ariel Merenstein

*Founder, Managing Partner and CIO
Fourth Sail Capital LLP
Sao Paulo*

Fourth Sail Capital is a Latin America focused investment firm which launched in January 2019 after spinning out of Prince Street Capital Management. Today, Fourth Sail manages their flagship low net equity/long short fund and a long only fund. In total, the firm manages \$1.3 billion for an investor base of primarily endowments, foundations and families and employs nearly 30 people. Fourth Sail's funds generate alpha from a fundamental value approach to picking stocks in Latin American markets and commodities globally. Deep bottom-up research into companies leads to long term and high conviction positions. The analyst team is organized by sectors (including commodities and mining), cover the entire Latin American region, speak Spanish and Portuguese and leverage their in-house data science team to deepen and expedite research. Before founding Fourth Sail, Ariel Merenstein, a dual Costa Rican and US citizen, managed a Latin America long/short equity fund at Prince Street from 2012-2018. His first finance role was trading interest rate derivatives at Lehman Brothers. He has a BS in Finance from New York University Stern School of Business.

Kennedy Mitchell

*Founder
Edgehill Investment Group
New York*

Edgehill's Prometheus Cryptocurrency Strategy trades spot cryptocurrencies, as pairs and against fiat, using a multi-day rules-based trading strategy based on proprietary pattern recognition that monitors sentiment, fundamentals and price action, and separates signal from noise. There is also a shorter-term overlay. Signals are ranked on statistical probabilities, and trades have both stop losses and take profit targets. The investment universe includes top ten digital currencies, such as Bitcoin, Ethereum, Solana, Litecoin, and MATIC, which are traded across multiple prime brokers and multiple platforms. The strategy, which is accessed through managed accounts, has generated triple digit annualized returns and a Sortino ratio above 5 between January 2020 and May 2023, with a negative correlation to the SG CTA Index. Kennedy Mitchell has been trading technical systems for 25 years,

and has held a wide variety of macro, fixed income and currency portfolio management roles, at Graham Capital Management, First New York Securities, Falconview Capital, Balyasny Asset Management, ISAM Global Fund, Brevan Howard UK and Bedford Investment Group (which was renamed Edgehill Investment Group). His investment management career began at Gruntal & Co. in 1993. Mitchell has a degree in Business and Economics from ACS Switzerland.

Vikas Mittal

*Founder and CIO
Meteora Capital LLC
Boca Raton, Florida*

Vikas Mittal founded Meteora Capital Partners in 2021 and launched the Meteora Select Trading Opportunities fund in 2022 to manage an event driven and arbitrage strategy in equities, warrants, options and credit. Current strategies of focus include SPAC arbitrage, fallen angel credit, short duration credit, closed end fund arbitrage, warrant arbitrage and capital structure arbitrage. The strategy uses 2-4 times leverage and targets gross yields of 6-10%. The manager has assets of \$437 million. Mittal is the Managing Member of Meteora Capital and has over 18 years' experience on the buy side as a principal investor, where he has deployed capital across event-driven investment strategies. Prior to Meteora Capital, he was an investment professional and partner at Glazer Capital, LLC ("GCM"), having joined GCM in 2005. During his tenure, Mittal was responsible as one of only two portfolio managers for all investments made in event-driven strategies on behalf of GCM. Prior to transitioning to the buy side, he was part of the founding team that launched Raymond James' TMT investment banking practice in Palo Alto, CA in 2002 focusing on mid-market M&A and private placements. Mittal has a B.S. in Finance from University of Florida, and an MBA from NYU Stern School of Business. He is also a CFA charterholder.

Robbie Parker

*CIO
Osmosis Investment Management
London*

Robbie Parker became CIO of sustainable quant manager Osmosis in 2021 having joined the firm in 2014. Parker manages the Osmosis Resource Efficient Equity Market Neutral UCITS Fund which launched in August 2018 as well as a higher leveraged portfolio based on the same strategy which launched in 2021. Harnessing Osmosis's proprietary data set, which identifies those companies that are ahead of their peers in terms of their efficient use of carbon, water and waste, the strategies seek to identify alpha in both the long and the short book, aiming

to deliver absolute returns, uncorrelated to equity markets, with a significantly reduced net environmental footprint. In the absence of consistent environmental reporting standards, Osmosis pioneered a proprietary approach to the standardisation of unstructured corporate environmental, allowing for the objective measurement of a company's relative Resource Efficiency within all sectors of the economy. The 'Resource Efficiency factor' has been evidenced to have a low correlation to other common factors and academic research has linked Resource Efficiency to forward-looking firm value. Osmosis also operates an extensive active ownership program to complement its research. The firm, which also manages a range of long-only portfolios, is backed by Oxford University Endowment Fund and Capricorn Investment Group. Parker holds a BSc in Geography and Economics from the London School of Economics and currently manages portfolios with more than \$14 billion in committed capital.

Michael Petruzella/ Adrian de Valois- Franklin

*CIO/CEO
Castle Ridge Asset Management
Toronto*

Castle Ridge's AI investment strategies are based on proprietary, self-evolving artificial intelligence, which is transparent and dynamic, and is trained on fundamental, technical, news and sentiment data to identify patterns that apply across asset classes. The signals have a high prediction efficiency rating based on directional calls and weightings. The strategy, named after evolutionary developer and scientist, Sir Alfred Russell Wallace, is the culmination of 20 years research in financial markets, where rules change daily. W.A.L.L.A.C.E is a specialized inference engine based on adaptive learning. Castle Ridge also uses Geno Synthetic-Algorithms, a proprietary self-evolving evolutionary computing approach. The firm carried out two years of live testing, initially using a supercomputer running 20 million server core equivalents, before launching the dollar, beta and sector neutral, equity market neutral strategy in 2019. There is also a slightly net long equity long/short strategy, a global currency strategy as well as a multi-strat. Strategies can be accessed through an unleveraged Cayman fund or managed accounts with customization including variable leverage and variable allocations to the equity market neutral, equity long short and FX strategies. Michael Petruzella was previously Director of Trading and Risk at Arrow Capital Management, where he ran a volatility arbitrage strategy and monitored external managers. Adrian de Valois-Franklin was previously a member of the Principal

Investing group for Canada's \$500 billion CPP Investment Board, doing mega-cap acquisitions and financings. He earlier worked in Silicon Valley investing in technology for Accel-KKR and Goldman Sachs. Petruzella has a BA in Economics from Western University. De Valois-Franklin has an HBA from Ivey Business School at Western University.

Michael Pope

*Founder and Portfolio Manager
Wellfield Capital
Houston, Texas*

Michael Pope founded Wellfield Capital in July 2022 in Houston, Texas. The investment strategy is equity long/short relative value, focusing on the energy value chain in North America and developed Europe. Fundamentals, thematics and money flows are all sources of idea generation, which also focuses on how different parts of the value chain perform at various stages of their respective cycle. The strategy can take some degree of industry, macro and beta tilts while style and factor tilts are minimal. Assets under management are \$330 million as of July 1, 2023. Pope was previously an energy and industrials portfolio manager, managing a seven-person global energy team at Citadel's Surveyor Capital. Before that he worked in research and analyst roles covering energy for two other buy-side firms: long/short manager TPH Asset Management and long-only manager The Mitchell Group. His career began on the sell side, covering oilfield services and pipelines for Credit Suisse and BMO Capital. He has a BSc in Business Administration from Trinity University in San Antonio, Texas. Marc Ortiz, a former Goldman Sachs prime broker who previously worked at First Quadrant and Tudor, Pickering, Holt & Co., is the COO and CCO.

Carl Radford/Mike Rothlin

*CIO/Senior Portfolio Manager
White Elk Alpha Fund
Hong Kong*

In July 2023, Carl Radford and Mike Rothlin launched the Cayman White Elk Alpha fund, and separately managed accounts, on the Wolver Hill Asset Management platform. White Elk trades a global macro relative value strategy, targeting uncorrelated returns in the mid-teens, with a convex return profile that is designed to diversify equities. A directional macro portfolio trading rates, currencies and equity indices is combined with a delta neutral relative value book trading niche interest rate derivative and fixed income strategies in the Asia Pacific markets. White Elk also enhances returns by optimizing leverage costs and returns on cash through its integrated

collateral management strategy. Radford was previously a portfolio manager at Brevan Howard Asset Management and before that at BlueCrest Capital Management. He was earlier Global Head of Dollar Bloc Rates Trading at Nomura International in London and Global Head of AUD and NZD Derivatives Trading at HSBC Hong Kong. Rothlin was previously Head of G10 Trading for FX Cash and Short-Term Rates for Asia Pacific for HSBC and earlier Director of STIRD Asia for Société Générale, both in Hong Kong; a senior trader of G10 FX for Barclays Investment Bank and ABN AMRO Bank NV both in Singapore, and a derivatives trader at Rothschild in Sydney. Rothlin has a Masters in Applied Finance from Macquarie University. Radford has a BA in Commerce from Sydney University.

Christian Schuster

*Senior Portfolio Manager and Partner
First Private Investment Management
Frankfurt am Main*

Christian Schuster created the First Private Commodities long/short strategy, which is based on four pillars of strategies: curve and carry, momentum, passive flows and seasonality. They are applied to energy, base metals and precious metals (with no agriculture nor livestock). Passive flows, and associated roll dates and premiums, are important in commodities because a high proportion of assets are passively managed. Momentum captures uptrends and downtrends. Curve and carry strategies go long of commodities with highest backwardation and short of commodities with highest contango. Seasonal patterns in commodities could include natural gas prices being higher in winter and gasoline prices higher in summer. The strategy sizes the four lowly correlated sub-strategies for equal risk contribution, subject to an overriding cap of 10% on volatility. The strategy has operated since 2015 inside UCITS multi-asset funds and mandates, and has been a standalone UCITS fund, generating a Sharpe ratio of 0.8, with a low equity and bond correlation, between December 2018 and April 2023. Schuster was previously Managing Partner at Alpha2 Invest, and earlier portfolio manager at Alpha-Centauri. He has a degree in Economics from University of Hamburg.

Christophe Sfeir/ Raphaël Sfeir

*Co-Founders, CEO/CTO
Constella Capital
Luxembourg*

Constella is a quantitative hedge fund specialized in market-neutral strategies. Since 2019, the fund has generated net returns over 25% per year, a Sharpe near 3, and been profitable

in 99% of weeks. Investment strategies are designed to capitalize on market inefficiencies, liquidity fragmentation and price dislocations, while maintaining a non-directional exposure in digital asset markets. They include cross exchange spot and derivatives arbitrage, market making, carry trades, and mean reversion trading strategies, which can be combined in flagship and customised multi-strategy programmes. They deliver uncorrelated returns, monetising arbitrage and trading opportunities, while prioritizing the preservation of capital during market downturns. Since 2017, Constella has developed proprietary and fully automated operating systems. The team has developed techniques and algorithms tailored to tasks such as optimising trading speeds, sophisticated hedging algorithms, multi-level risk management process and order routing. The firm uses proprietary infrastructure for data warehousing, processing, signal generation and continues to evolve its technology, AI and alpha generation capabilities. Christophe Sfeir has a decade of experience in investment banking at Natixis, Société Générale and Calyon in London and NYC and a 6-year investment discipline as a digital asset trader. He holds a MSc in Quantitative Finance from Toulouse Business School. Raphaël Sfeir has been coding since his teenage years, has worked in various coding and software engineering roles and holds a MSc in Engineering from Centrales Nantes.

Hayden Van Reijn

*Fund Manager
Crossborder Capital
London*

Hayden Van Reijn joined Crossborder Capital in 2018, started running a macro systematic equity strategy in separately managed accounts in September 2019, and launched Crossborder Capital Macro Fund UCITS in January 2021. From 2019 to 2022 the strategy has consistently achieved its objectives. It has demonstrated its ability to provide downside protection while outperforming the MSCI World index with lower volatility. The strategy has achieved annualised returns in the high single digits, supported by a Sharpe ratio near 1. Notably, the strategy delivered double-digit returns in both 2020 and 2022, driven by a combination of directional exposure and country selection. It employs a data-driven system that leverages macroeconomic data inefficiencies. Proprietary machine learning and big data algorithms are utilised to monitor and evaluate liquidity conditions, risk appetite and economic growth momentum. These algorithms generate daily investment and trading signals, which inform the strategy's positions in equity index, option, and FX futures across various countries such as the US, UK, Eurozone, Japan, Canada, Brazil, South Korea, South Africa, Italy, France, Germany,

Misha Sanwal, Managing Partner and CIO
Sasha Sanwal, Managing Partner
Millingtonia Capital
India

Misha Sanwal and Sasha Sanwal see digital and technology driven growth stories in India at a tipping point with mobile penetration, deployment of digital public infrastructure and per capita income simultaneously crossing important thresholds. “New India” digitally driven businesses are leapfrogging legacy models, enabling new use cases, and lifting “old India” businesses by digitizing manufacturing and organizing informal sectors with technology to achieve scale. Despite established careers in the U.S. at leading financial firms and degrees from Ivy League universities, the two brothers chose to return to their roots to seize what they see as a “once in a generation” investment opportunity. Millingtonia Capital launched in January 2022 as an India dedicated equity long short fund with a focus on digitization and technology transformation. This is Misha’s second time setting up an India focused venture – he was part of the founding team of Blackstone Private Equity’s India office in 2005.

India’s rising investability

India’s growth story needs no introduction. Its demographic dividend, rapid urbanization and expanding middle class are powering consumption and economic growth. India is expected to grow its GDP per capita from about \$2,300 to about \$5,000 by 2030. With a mobile first, technologically savvy, growing workforce, it will soon have the second largest base of online shoppers in the world. This growth is being supported by an increasingly business-friendly tax and regulatory backdrop, maturing pro-growth reforms as well as an English-speaking common law legal system. India’s reform agenda has seen it greatly improve its ranking for ease of doing business as the bankruptcy and tax codes have been simplified and regulatory processes streamlined.

Millingtonia believes India will be one of the biggest beneficiaries of a multi-polar world. This includes significant economic benefits from a diversification of global supply chains away from China as well as deeper partnerships between India, the United States and Europe. The government’s well-timed policy support through PLI schemes (Production Linked Incentive schemes) in high technology, export-oriented sectors has spurred large scale capex investments to develop local supply ecosystems, and global bellwethers such as Apple and Samsung have begun shifting some production to India.

Despite this, India still punches below its weight as a destination for foreign equity capital. India

Misha Sanwal + Sasha Sanwal

India’s digital and technology tipping point



(L-R): Misha Sanwal and Sasha Sanwal

was historically seen as an “allocation” within emerging market funds. Millingtonia believes this is set to change as these new growth drivers enhance the “investability” of India. “We see a shift in approach to India when we speak to potential investors,” says Misha. Millingtonia publishes a lot of material on topics such as regulatory changes, technology developments, private company conversations and other aspects of investing in India. “As we build our fund, one of our goals is to help illuminate interesting aspects of the evolving Indian investment landscape for our investors,” says Sasha.

Global lens combined with local context

The duo have refined their investing toolset over 20 years. Their backgrounds include stints at firms such as Blackstone, Bain Capital, Jericho Capital, UBS and JP Morgan. They have been investing in India for over 15 years. Misha was a

founding member of Blackstone’s India private equity business in 2005. Sasha helped take some of India’s biggest IT companies public in the early 2000s. Through these experiences, they built a vast network of relationships in India at board and senior management levels. Misha has also invested across the technology and payments value chains in Brazil, Japan, Russia and other markets globally.

This experience leads them to view India through the lens of a global investor and they also understand the local context and cultural nuances of investing in India. This is a powerful combination. Their language fluency in Hindi (the national language) is essential for primary due diligence on customers, suppliers and competitors; an important differentiator in a market where expert networks are much slower and significantly less helpful than Millingtonia’s own extensive network.

Investment philosophy

Millingtonia's investment philosophy combines key lessons from prior roles, melding a private equity mindset of longer term investing with an approach to understanding the key considerations of technology buyers supplemented by a robust risk management framework. The firm believes investing is an "apprenticeship business".

"Blackstone taught me about the importance of betting on high quality management, those that are flexible, nimble, forward looking, understand unit economics and have the ability to adapt," says Misha. By being on the ground in India full-time, Millingtonia spends a lot of time with the senior management of its portfolio companies. "The best Indian companies have global ambitions, and they want to learn from our experiences globally as much as we want to learn from them. This back and forth with the senior leadership of our portfolio companies is a key part of our process of tracking and monitoring our positions," he says.

When describing his five years at Bain Capital's public equity hedge fund, Misha highlights lessons learnt on industry structure as a determinant of sustained industry profitability. "We like to see a stable industry structure with structural forces for persistent profits, such as scale economies, barriers to entry such as network effects or customer acquisition costs, and technology IP," he says. His biggest insight from his time at the fund was to focus on the technology buyer's pain-point and the unmet need the technology was solving. Misha, who also has a degree in computer science and worked in a technology startup, can speak on the same wavelength as developers and technology CEOs. "Technology is ultimately bought by individuals, and understanding the nuances of the pain-point the technology solves, the inefficiency it eliminates, and the considerations of the buyer are a key part of our process," he says.

Recalling his most recent role at Jericho Capital, Misha emphasizes risk management. "To navigate all types of markets, correct sizing of positions is very important," he says. "The practical investor not the dogmatic investor wins," he adds. Sasha's time in energy research brought with it a macro-overlay that helps inform inputs into the fund's risk management processes. For example, Millingtonia incorporates market forces such as foreign capital flows into its proprietary risk system.

Despite choppy markets since launch, Millingtonia is up since inception and up double digits this year to June. "Volatility is always going to be present in emerging markets. Our job is to take advantage of the volatility with our long investment horizon," says Sasha. "We systematically analyse our mistakes, as well as our successes. We do an annual post-mortem of what has worked best over the last year and what did not work," he adds.

Wide idea funnel, high discovery value

The duo have had complementary industry coverages over the years, with Misha focusing on technology, payments, industrials, and consumer businesses in his prior roles. Sasha's sector experience includes energy, payments and technology. Given this overlap, technology, internet and payments businesses represent the majority of the portfolio. "You have to be on the ground in India to appreciate the pace of the shift to digital taking place," says Sasha. "For example, the value of instant digital payment transactions last year in India was much greater than in the US, UK, Germany and France combined".

The theme of digital and technology transformation is impacting all sectors of the Indian economy and Millingtonia is comfortable stepping outside the boundaries of traditionally defined technology sectors to find businesses that are being impacted (positively or negatively) by digitization and technology transformation. This gives the fund a wider investment universe for hunting ideas. "We have covered a number of sectors over the years," says Sasha, "and we don't need to be confined to only one sandbox for ideas as we invest behind digitization." The fund prefers secular versus cyclical growth stories and avoids directional bets on commodity prices.

From a market cap perspective, small and mid-cap stocks with high discovery value comprise the majority of exposures. Several of the positions in the portfolio have little or no sell side research coverage. Millingtonia was only able to diligence these positions by virtue of its local presence. Tellingly, for one of the fund's larger positions, the CEO had remarked that Millingtonia was the first institutional investor to visit their offices!

Some areas the fund sees opportunities in include 4G/5G enabled platform businesses, home grown software-as-a-service (SaaS) companies, penetration stories in the travel and hospitality value chains, the China + 1 imperative driving a shift in high-tech supply chains to India, and energy transition stories such as the electric vehicle supply chain.

Repeatable process, focused on valuation

Millingtonia's investments are first vetted using a bottom-up research process including India-specific factors to develop a point of view on earnings growth and sources of potential upside and downside risk. The fund believes in the value of primary research, relies on its extensive network, and builds its own data trackers for pricing, volumes and key trends. "We are very process oriented," says Misha. Recent investments that the fund has profiled in its quarterly letters include a technology player in the travel industry and an integrated electronics solutions provider for the defense and aerospace industry. In both cases, Millingtonia's primary research on cost structure and technology drove conviction in underwriting strong multi-year revenue and EPS growth profiles. Extensive conversations with

management and parallels of similar technology shifts in other markets globally increased conviction in the ideas and informed position sizing. Both companies are also benefitting from industry tailwinds that, "Skew the range of potential outcomes in our favour," says Misha. For example, India's travel market is undergoing a secular shift online and will see an immense build-out of infrastructure as India adds 75 new airports by 2025 and an order backlog of over 1,500 planes gets delivered.

"Valuation is a key input for our margin of safety assessment," says Misha. In 2022, the fund stayed away from high flying growth stocks due to valuation and elevated burn rates. In early 2023, after a valuation reset with these stocks 40%-60% below their highs and management conversations suggesting a refocus on unit economics and profitability, the fund selectively initiated a few positions in these former high-flyers. These new positions have been very profitable.

Portfolio construction

The fund typically holds between 20-25 long positions and 10-12 short positions. The fund takes a long-biased approach given the macro tailwinds India is benefitting from but has the ability to flex its gross and net exposures. The strategy is currently scalable to about \$750 million which will increase every year as India's equity markets continue to deepen. The fund also can do privates, capped at 15% in the main fund with the rest through co-investment share-classes. Given valuation considerations, the fund has not engaged in any private investments to date. "Top quality service providers ensure the operations of the fund are best in class. Millingtonia's custodian, prime broker and fund administrator is a top tier Indian bank and the largest domestic custodian for alternative investment funds; the fund's auditor is a big 4 accounting firm, and its brokerage relationships include a top global investment bank and a top 3 bank in India," says Sasha.

ESG opportunity

Millingtonia sees a big mismatch between the large sustainable investment opportunities in India and the breadth of investor capital focused on these opportunities. India is committed to a green energy transition to reduce dependence on imported oil and control air pollution. Policy support is providing a massive impetus for investments in electric vehicle infrastructure, deployment of high efficiency solar panels, and advanced battery development among other technologies. Indian companies are just starting to comply with ESG disclosure requirements, the first iteration of which comes into effect this year. Millingtonia has carried out an exercise of mapping these new requirements onto the EU SFDR framework. The fund believes that the vast majority of the portfolio of the main fund would comply with EU SFDR investing standards. Millingtonia also plans to launch an ESG dedicated fund in the future that will invest alongside its main fund.

*Founder and Chief Investment Officer
Jungle Gene
Tokyo*

Jungle Gene's concentrated and high conviction long biased equity strategy annualized at 17% over five years to December 2022, meeting its target of beating the S&P 500 index, and making profits in all calendar years – bar a small loss of 1% in 2018. The strategy, which is designed for longer term investors, has accomplished this with high confidence in the margin of safety of long-term valuations over the whole life cycle of companies it owned. Average holding periods are two to three years and portfolio turnover is low because very few stocks satisfy the manager's demanding criteria for long term valuation metrics, which quantitatively include being able to estimate ten year and perpetual cashflows. "We cannot calculate a stable long-term valuation for most companies because we do not have confidence in their future. We need to know the company and the industry well. They need wonderful, extraordinary, amazing and surprising products," says Jungle Gene founder and CIO, Hai Wei, whose investment career started in 2005, initially in economic research and currency trading at China's fifth largest bank, Bank of Communications, where he worked for nine years including three in New York. He then traded his personal account for seven years from 2011 before setting up the fund in 2018.

Qualitative criteria

Qualitatively, Jungle Gene's criteria for stock picks also demand a personal love of the company's products and services. "We use the products and services of the companies we invest in. We can see the differences and feel they pay more attention to design and user experience with more advanced technology," explains Wei.

Beyond valuations, the five key criteria sought from companies are: a sustainable and leading technological advantage; elegant and refined design; a wonderful user experience; a corporate culture fostering the emergence of creativity, and accurate judgment instincts from management. These factors partly reflect the zeitgeist of the 21st century: "In the era of information explosion, ordinary or indistinguishable products cannot be remembered, and extraordinary and world-shaking products are needed," says Wei.

Banks and insurance are generally avoided due to opacity and other companies are eschewed because they lack competitive edge. "Commodity producers such as oil, metals and mining are avoided because they just make raw materials with no added value and their products will be replaced by green technology. ESG can be a secondary criterion. We seek human value

Hai Wei

Finding extraordinary and world-shaking equities



added in products such as design, movie making, chipmaking and defence, which cannot be replaced," says Wei.

This also provides some comfort over valuation target ranges, which can expand or contract over time. "When we meet unknowns, we need to expand the margin of safety and seek deeper discounts," points out Wei. But some uncertainties are too great for any valuation discount: "We avoid Chinese technology due to regulatory risk which could lead to excessive uncertainties. The fund does not own any Chinese companies," confirms Wei.

AI-enabled investment process

Artificial intelligence, and artificial generative intelligence, which have been driving forward the US equity market in 2023, are examples of technological advantages which feed into portfolio ideas and expedite Jungle Gene's own analytical

process. A technology specialist has developed ways to make the workflows more efficient in terms of data gathering and productivity. The manager also uses a large language model (LLM) for analysing and translating news articles, which increases coverage of macro, industry and company news. "AI is a real game changer for the world, and we are using AI and our own tools to extract data and establish databases for analysis," says Wei. The team of seven people contains six in investment research and one in administration, mostly in Shanghai, but Wei, who oversees most steps and stages of the process, moved to Tokyo in 2023.

AI and tech stocks

Jungle Gene compares artificial generative intelligence to nuclear fusion in terms of its major technological impact. Wei reckons that AI could be a big threat to established technology firms including Apple and Google and even

Microsoft, notwithstanding its OpenAI unit. “When OpenAI makes enough earnings, it will become independent, and all of its shares then revert to the executing managers. OpenAI owns the technology and Microsoft cannot get the core technology. The OpenAI CEO interview in *The New York Times* shows that it expects to capture most of the market when AGI comes to fruition. This will be an earthquake in the technology industry”.

Anticipating AI implications is already leading to some portfolio sales. Wei bought Apple for its “wonderful design, user experience, ecosystem synergies, high software and hardware quality standard,” but he sold a large part of the Apple holdings due to the emergence of ChatGPT. Apple’s TV series “Extrapolations” expressed Apple’s vision of the future technology ecosystem. Apple understands AI is the holy grail of that ecosystem. But its AI technology is behind OpenAI. Our benchmark assumption is that Apple may not be able to gain the advantages of its previous comprehensive ecosystem in the new AI era, but it can become a very good supplier in terms of hardware and user experience. The release of Vision Pro headset proved its outstanding ability in this field. It could be a potential collaborator in the tech era possibly dominated by OpenAI, akin to Mercedes and BMW. But this is a far cry from its previous overall advantage in both hardware and software.”

AI is only one of many threats to established tech behemoths. Jungle Gene bought Google because, “We like YouTube, which is growing fast. We sold it because other Google products are replaceable, and the company is large and bureaucratic and cannot work out which part of its business is most important until competitors make that clear. And Google’s investment success rate has been low”.

Free offerings from new entrants can also lead to exits: “We bought Dolby because it is a leading technology in audio and video. We sold it because Samsung has started a video standard which is free, even if it is not as good as Dolby”.

Yet some technology firms are well placed to thrive in this climate. Dutch lithography machine maker, ASML, is a good example of a firm with a near monopoly that keeps investing in R&D to advance technology and keep their leading position in the industry. “Japanese companies, Nikon and Canon, also make lithography machines, but they are not as good. ASML is the key supplier to leading chipmakers Intel, Samsung and TSMC and it has no real competitors,” says Wei.

Fashion

Wei expects that creative, fashion and media companies with multi-dimensional products will not be drastically impacted by AI. In the fashion sector – the most profitable one so far for the strategy – Jungle Gene has a huge database monitoring leading fashion companies and collecting data on new product releases, including images, and reviews to predict future fashion

trends. This mainly focuses on luxury and high-end brands such as LVMH, Kering, Adidas and Nike, which are more innovative, rather than fast fashion.

But some active management is still needed to stay on top of the winners. “We bought Hermes because Chinese customers obsessively like the brand. We sold it because we cannot identify design advantages versus other luxury companies, based on our fashion products rating system. We bought Adidas and Muji due to their distinctive design and mass market appeal. We sold them due to lower brand loyalty.”

E-commerce is not a new story, but it could threaten some established retailers: “We bought Costco as it is the best wholesale grocery store but sold it because its slow reaction to e-commerce means it may not survive 50 years”.

Media

Similarly, timely data is collected on media companies in film, TV and gaming to find the best ones, based on big data ratings. The fund has owned Disney and Time Warner, and monitors firms such as Netflix. AI is also a threat to some media companies. “We bought News Corp because we like *The Wall Street Journal*. It grows at a stable rate. We sold it because the *WSJ* is a limited percentage of revenues. Algorithm-based news platforms like Apple News threaten the editorial edge at leading news agencies.”

But media outlets with a truly differentiated offering may survive AI: “We bought *The New York Times* because it grows as the population becomes more educated. We sold it for the same reasons as News Corp, but bought it back due to its screening offering, which together with in-depth reporting develops customer loyalty. This may defeat algorithm-recommended news platforms and help NYT become a direct source news and opinion boutique bypassing the aggregators”.

Travel

Competitive dynamics can be a moving target: “We bought TripAdvisor due to a great experience on attraction rating. We sold it because it is too easy for competitors like Google and Booking.com to copy. We bought Booking due to a great experience in booking hotels and reading reviews. We ultimately sold it for the same reason as TripAdvisor: because competitors are catching up and Google entered the market”.

Selling discipline

In summary, Jungle Gene is disciplined on selling companies facing threats. “No company keeps its edge forever, and it is also vital to calculate when their competitive advantage vanishes. Every company will go down at some stage after its peak. We look at how long a company can grow and maintain its competitive advantage within its own sector and across sectors. “Generally speaking, we sell stocks out for the reason of unclear or negative long-term outlook for the companies. We

ask ourselves “Will these companies’ growth last 30 years, 50 years or 80 years?” says Wei. “We are not sure if Airbus will survive the next industry revolution,” he adds.

Indeed, the true motivation to make investment his vocation reaches back much further into Chinese history. “Commercial battles are like the era of Warring States and Three Kingdoms, where feudal Lords were fighting each other for a very long era. Companies in the long term are just like kingdoms, and their pattern of prosperity and decline matches history, because human nature is constant. The Tang Dynasty historian, Wu Jing, said “Take history as a mirror, and one can understand the rise and fall, in his book *Political Affairs overview in Zhengguan Era*,” explains Wei.

Hedging in 2022

A recent video update revealed that News Corp and Google were sold in 2018; TripAdvisor in 2019; Hermes and Dolby in 2020; Goldman Sachs, Booking.com, Airbus and Costco in 2021; Twitter, Adidas, and Muji in 2022; and *The New York Times* and a large part of Apple in 2023.

Sometimes selling out of individual firms is not enough, and the macro backdrop requires more active hedging to address a market-wide shift in valuations.

There are typically 10-15 stocks in the long book while index hedging is carried out on an opportunistic basis, including in 2022. Based on accurately predicting interest rate rises, the fund had a gross short of between 130% and 150% in 2022, peaking at net short exposure between 50% and 70%, until around July and August. Cash could also be held as a means of defence. “Historically in 2018 the Japanese Yen was used as a hedge, but it did not work as well as equity futures. There were less hedges in 2018 because we judged that the trade war was difficult to predict,” recalls Wei. The strategy has the flexibility to trade currencies, bonds and commodities, but in practice invests mainly in equities.

The manager generally does not attempt to predict short term equity market movements or those in macroeconomic variables such as inflation, interest rates and GDP growth rates, and only adjusts macro positioning when markets are judged to be at extreme levels or apparent policy mistakes are made by central banks or governments like in 2021. A version of the Shiller Model of long-term risk premia, modified with some innovative proprietary cross paradigm adjustments, is used to determine when market emotions are at extremes. They were extended for much of 2022 but are currently classified as stable. Hence as of April 2023, the fund was running at a net long of 90% and has no shorts.

The investor base for the Cayman fund, which is listed on Bloomberg, includes friends and family and Chinese offshore assets. The firm is audited by MHA and Apex is the administrator.

China and Australia. The strategy is flexible and can be implemented with a net long, net short, or neutral position, depending on market conditions. Van Reijn holds an MSc in Finance and Econometrics from Queen Mary and a BSc in Mathematics from Royal Holloway, both from the University of London.

Alyx Wood

*Co-Founder and CIO
Kernow Asset Management
Cornwall*

Alyx Wood co-founded Kernow Asset Management in 2019 with Edward Hugo. Kernow is a specialist investor and authority on UK equities. Wood has a contrarian investment philosophy that forms the foundation of Kernow's long/short strategy - an approach that he has honed over more than twenty years of active investing. Kernow uses deep fundamental analysis to uncover hidden gems - quality stocks that are undervalued and have identifiable catalysts. Kernow's portfolio holdings have received six takeover bids since its inception, including for Caretech in June 2022. The short book generates ideas using forensic analysis to unveil accounting red-flags. This approach has exposed several companies which have subsequently faced high-profile allegations of fraud, including WANdisco. Kernow's strategy has significantly outperformed the UK equities market, achieving a positively-skewed return profile with low market correlation. Kernow manages capital for family offices, high net-worth individuals and institutions, including Norges Bank Investment Management. Wood previously managed a UK equity portfolio at Downing LLP. Prior to this, he worked at Deutsche Bank and KPMG. He has a BA in Accounting and Economics from Reading University. Wood holds the Investment Management Certificate (CFA Institute) and is a chartered accountant (ICAS).

Keith Wu

*Chairman and CIO
WeTrust Asset Management
Singapore*

Keith Wu founded Singapore-based WeTrust Asset Management to identify and invest in super compounders in "happiness-related" consumer

and consumer tech sectors, such as spirits, aesthetic surgery, gaming and e-commerce, in China and US equity markets. The flagship equity long/short fund, WeTrust Absolute Return Growth Fund, launched in June 2020, has netted 22% per annum to May 2023 with close to zero correlation to Chinese equity indices, and grown assets to \$150 million with investors including funds of funds and family offices. Typically, the WeTrust fund invests in 10-20 strong growers at reasonable valuations for the long book, and 5-10 individual name shorts. The long and short book contributed 62% and 28% respectively to the fund's historical performance. Unlike typical long-biased China hedge funds, the WeTrust fund is absolute return oriented and adheres to disciplined stop-loss mechanism during bear market. Before founding WeTrust, Keith was Managing Director and Head of Equity Investment for China Everbright Limited, including being portfolio manager of the multiple award winning Everbright China Focus Fund since January 2014. Prior to that he worked for Shanghai Zendai Investment Management, one of the earliest sunshine hedge funds in mainland China. Keith has a MEd in International Finance from Shanghai University of Finance and Economics, an MSc in Management from Stanford Graduate School of Business and is a CFA charterholder.

Bernie Yu/Jeffrey Liu

*CIO/CEO
Patronus Capital Management LLC
Chicago*

Patronus was launched in 2019 by Jeffrey Liu, with Bernie Yu joining as a full partner in 2020. The fund trades a volatility relative value strategy in US index options and futures using proprietary models seeking to capture option mis-pricings. The strategy is designed to remain volatility, skew, kurtosis, and direction neutral. Patronus aims to exploit dislocations in volatility surfaces, which can be caused by price insensitive options traders demanding continuous quotes from market makers. Patronus are opportunistic medium frequency liquidity providers who benefit from growing volumes traded, typically during periods of stress. The strategy has generated a Sharpe above 3 with no US equity index correlation and plans to diversify into European and Asian markets as assets grow. Fund investors include Marbella Interests LLC and

Blueprint Capital Management LLC from Austin, Texas; Zero Delta Funds LLC from Mathews, North Carolina; and DV Group from Chicago, Illinois is invested via a managed account. The principals met while working together at high frequency options market making firm, Optiver. Liu aided in launching Optiver's Eurodollar desk in 2015 and helped develop their fixed income spreading desk. In 2012 he co-founded proprietary trading group, Cardinal Trading. He has a BS in Finance and Banking from the University of Missouri Columbia. Yu was previously Head of Short-Term Interest Rates at Optiver US and established their Cross Product Fixed Income strategy. He has a Bachelor of Commerce in Actuarial Science and Econometrics from UNSW in Australia. He has also completed the CQF.

Kevin Zhu/Dina Tsarapkina

*Co-CIOs and Founders
Syncretic Capital
New York*

Kevin Zhu, Dina Tsarapkina and CEO Ross Tan co-founded Syncretic in 2021 with proprietary capital and some seed capital from anchor investor Stable Asset Management. The firm trades cryptocurrencies using a cyclical multi-strategy approach, which determines if markets are in an early bull, late bull, early bear or later bear market phase. The multi-factor models consider fundamentals, technical, flows, sentiment and behavioural factors. The flagship can go directionally net long up to 85% or net short up to 25% and it also trades pairs as well as two strategies - hedged yield and arbitrage - that make up a separate market neutral strategy. The arbitrage strategies are especially sensitive to liquidity and require confidence in venues and counterparties; Syncretic exited virtually all FTX exposure in early November 2022. Tsarapkina was previously a researcher for Co-CIO Bob Prince at Bridgewater Associates, where Tan also worked on both the investment and management side, and earlier an analyst at Goldman Sachs. Zhu was previously a portfolio manager at GSA Capital, and before that was at Millennium and Balyasny. Zhu has a Bachelor of Engineering from Princeton University. Tsarapkina has a Master of Quantitative Finance from University of Waterloo and a Bachelors in Financial Modelling from Western University.

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