Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

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THE GRAPEVINE

Verition Fund Management has hired a London-based portfolio manager to invest in fixed-income products in countries from emerging markets. **Geras Kharatyan** started working for the Greenwich, Conn., multi-strategy firm this month after more than three years as a senior portfolio manager at Munich asset-management giant **MEAG,** which ran some €339 billion ($388.4 billion) across credit products and public and private equity strategies as of Sept. 30. Kharatyan also spent time in Germany at **Deka Investment.** Verition, led by chief executive **Nicholas Maounis** and president **Josh Goldstein,** has $4.8 billion under management.

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KG Founder Was Intent on Unwinding Strong Flagship Fund; PM's Swift Action Saved It

After a near-death experience, **KG Funds'** well-regarded and long-running flagship offering is slated to emerge at a new firm in March, albeit with significantly diminished assets.

The unusual move was set in motion after **Ike Kier,** KG's co-founder and majority owner, informed investors in a Dec. 3 letter that, at 69, he no longer wanted to work with the same intensity and that the $614 million event-driven fund, KG Investments, would be liquidated by yearend.

It's not clear how much notice the firm's other partners and staff were given or if they had any input about the decision. The letter to investors was signed by Kier alone and not – as has often been the case – by the flagship's portfolio manager, **Ilya Zaides,** or partner **Ron Mandel.**

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Asymmetry Unwinding Following Outsized Losses in Battered Healthcare Sector

Fund operator **Asymmetry Capital** is shutting down following steep losses.

The timing is unclear. What's known is that founder **Scott Kay** is planning to join **Balyasny Asset Management** after he completes the unwinding of Asymmetry Global Healthcare Fund and its offshore companion. It's likely that some members of the seven-person team, which includes five investment professionals, will join Kay at Balyasny.

Asymmetry Global Healthcare lost 21.2% in the first 11 months of 2021, while the offshore companion lost about 19%. Its December performance, if any, could not be learned. The vehicles were up 20.5% and 20%, respectively, in 2020.

San Francisco-based Asymmetry managed $510.4 million at yearend 2020. The firm employed a fundamental research

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Don't Time the Market, They Say; Doshi Algorithm Challenges Conventional Wisdom

Doshi Capital has generated outsized returns by using a proprietary computer model designed to time moves in the stock market.

Led by **Heeten Doshi,** the Cedar Knolls, N.J., firm's sole hedge fund has posted a cumulative return of 179.2% from January 2020 to yearend 2021. Its annualized return stands at 67.1%, compared with the S&P 500 Total Return Index's gain of 47.5% on a cumulative basis and 21.5% on an annualized basis during the same period. What's more, Doshi's fund has earned the lofty returns while generating a 1.9 Sharpe ratio, indicating low volatility.

The fund gained 12.8% in 2021, below the 26.9% rise of the S&P 500, but it soared 147.5% in the prior year, outpacing the

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that it will become a global reserve asset and that the price will start skyrocketing once we find out that central banks start accumulating it," he said.

He described Tesla as his top bet, citing revenue projections related to Tesla's self-driving vehicles and the company's development of the 4680 battery cell.

"Tesla's gross margins may very well approach 40% (Apple-like) later in 2022 or 2023," Postnieks wrote in a research paper.

He is Wooster's only employee, though he expects he'll eventually take on an analyst.

He's focusing on building a three-year track record, with an objective to earn returns "substantially higher" than the S&P 500 Total Return Index.

Postnieks said he asks limited partners to invest with a seven-year time horizon, with monthly inflows and quarterly outflows following a 90-day notice. ■

Webs Creek Surging on Energy Strategy

An energy-focused firm led by a former partner at $1 billion **Brenham Capital** is hitting its stride.

Dallas-based **Webs Creek Capital,** led by founder and portfolio manager **Stephen Thomas,** jumped 49.5% during its second full year of trading in 2021. The firm's Webs Creek Capital Partners fund gained 4.5% in December, its 17th monthly increase in the last 21 months – roughly lining up with the onset of the global pandemic. That stretch included monthly gains of 13.8% in February 2021 and 9.4% in September.

By contrast, the fund finished down in six of its first 11 months after it began trading in May 2019.

Including the 7.9% full-year gain in 2020 and 3.1% for the eight months it was in existence in 2019, Webs Creek Capital Partners' annualized gain stood at 21% at yearend, with an above-average Sharpe ratio of 1.43.

One of its benchmarks, the Energy Select Sector SPDR Fund, gained 46.4% in 2021, but was down 6.4% on an annualized basis.

Using a concentrated portfolio of "best ideas," Webs Creek invests long and short in the stocks of energy companies.

The fund began this month with 33 positions. That included 19 short positions – a dozen in energy exploration and production, a half-dozen in oilfield services and one in an unidentified sector – and 14 long positions, including nine in exploration and production and five in oilfield services.

The firm began this year with $200 million under management.

Before launching Webs Creek, Thomas was a co-founder, partner and director of research at energy-focused equities manager Brenham, which launched in 2012 and returned more than 70% to early investors before closing in 2018 after two years of losses.

At Brenham, Thomas generated ideas, analyzed investments and managed money, while leading recruitment, development and management of the investment team.

He started his career at energy-focused investment bank **Pritchard Capital,** where he participated in the early financing of U.S. onshore shale exploration. ■

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benchmark's 18.3% 2020 return by 700%.

The Doshi vehicle has $16.3 million under management and 17 limited partners. Heeten Doshi said he recognizes that his fund's stellar performance is not sustainable, but he believes that gaining an average of 25% a year with a 2.0 Sharpe ratio – or a high risk-adjusted return – is achievable.

Promoting a market-timing hedge fund is "a hard sell," Doshi said, acknowledging that such strategies are widely viewed as somewhat of a fool's errand.

Doshi, however, believes that buy-and-hold strategies leave investors vulnerable to short- and medium-term movements, substantially eroding their potential gains. Consider that returns for the S&P 500 from 2000 to 2020 were negative on a weekly basis 44% of the time, he said. Long-term investors could improve their performance by avoiding those down weeks.

To that end, Doshi combines multiple market signals into a single systematic model that cues a "risk on" or "risk off" posture: 100% invested in futures linked to the S&P 500 during positive periods or fully invested in U.S. Treasurys during negative periods. The market signals arise from technical analysis, macro-economic data, understanding moves in other markets that can impact the S&P 500, and behavioral observations of market participants.

Doshi launched the fund in 2012 but ran it only with internal capital. At inception, the fund used discretionary and systematic means to generate the highest possible equity returns with high leverage and volatility. But the firm made significant structural changes following conversations with potential outside investors. Leverage was significantly scaled back, and the strategy was refocused to trade futures due to their tax advantages. In addition, human bias was removed, and a systematic stop-loss was implemented to provide risk-management and downside protection. Development is in progress to fully automate the strategy.

Before launching his firm in 2011, Doshi was a senior equity strategist on the portfolio-strategy team at **Brown Brothers Harriman,** focusing on the U.S. economy, equity markets and sector/industry investment recommendations. He earlier worked at **Morgan Stanley** as a research analyst, conducting fundamental analysis on companies. Doshi also spent time at **Lehman Brothers** as a fixed-income derivatives trader. ■