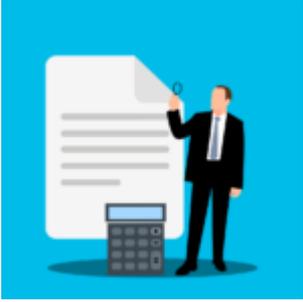


This Fund Manager Claims To Be Able To Time The Market

written by Michelle Jones | March 3, 2022



One piece of age-old investing advice tells investors that it's impossible to time the market. A simple internet search reveals numerous results explaining why investors should never time the market and how impossible it is to do so.

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However, one fund manager claims to have the key to timing the market. Doshi Capital's Systematic Strategy Fund has returned 180% since founder Heeten Doshi opened it to

outside investors about two years ago.

Since starting his current strategy, his annualized return has been 45%. Although he doesn't expect the fund to maintain that high of a run rate, Doshi is targeting a 25% annualized return with a Sharpe ratio of 2.0 over a market cycle.

Background On Heeten Doshi

Before starting Doshi Capital, Doshi was a strategist at Brown Brothers Harriman. He ascribes a lot of credit to what he learned there, which helped him build his current strategy and launch the firm. At BBH, Doshi focused on earnings revisions, macroeconomics, and data and market cycles.

Before working at BBH, Doshi was at Morgan Stanley, where he conducted bottom-up company analysis, and before that, he was a derivatives trader at Lehman Brothers. He decided to start his own fund when he started to feel that he had a lot of knowledge that was going to waste by pitching ideas to other firms.

"I would go around the U.S. and EU talking with pension funds, wealth managers, asset management teams, etc., discussing ideas," Doshi told ValueWalk in an interview view email. "I finally decided that it was time to take my expertise and use it to start my own fund and put my money where my mouth is."

When he started building his strategy a decade ago, his goal was to avoid recessions. Doshi noted that it has been so long since an extended recession that most people forget that the market drops 35% and it takes three and a half years to recover losses during the average recession.

He added that The Great Recession saw a 56% correction and took five and a half years to recover, while the tech bubble recorded a 49% correction and took more than seven years to recover its losses.

Doshi Capital's Strategy

"From there, I turned my attention to achieving positive returns every year, regardless of what the economy or market does, by analyzing different data on different time frames," Doshi explained. "We spent many years incubating the fund and finalizing our approach, but we believe we have built a great strategy at the end of the day."

He added that their strategy is unique because very few funds try to time the market.

"The strategy invests in the broad S&P 500 Index and attempts to avoid macro events,"

Doshi explained. “Our goal is to eliminate systematic and unsystematic risk. Our strategy also has low correlations to many asset classes and provides a significant amount of diversification to an investor’s portfolio.”

Doshi Capital does not focus on any sectors or themes, but Doshi himself likes tech and growth in the long term and electric vehicles and the metaverse in the short term. He describes these themes as “exciting,” adding that they could lead to “significant appreciation.” Also over the long term, Doshi likes disruptive technology that advances how we live, although he notes that valuations on many such names are extreme at the moment.

“So many stocks have been pushed to incredible valuations, and I believe after they have come back down to earth, they will lead to long-term value.”

One Trade That Changed Doshi’s Strategy

When Doshi started his fund, he began with a discretionary strategy. He explained how they made the wrong call in 2018 when they tried to fight a market that was relentlessly moving higher. Doshi then flipped just as the market corrected 10%.

“We got caught wrong-footed, and that is when I realized the best approach is [to] be systematic and to follow the data,” Doshi said. “Human emotions and discretionary bias were the wrong approach for the type of strategy we were trying to run.”

He has since made several structural changes to the fund’s strategy, reducing its leverage and revamping its risk management. Doshi Capital is now 100% systematic, and they are developing software to run the strategy.

When asked about his claims to be able to time the market, Doshi agreed that it’s “nearly impossible” to time the market on a daily basis, but he argued that it’s possible to “tilt the odds in your favor” over longer periods of time. His fund looks at data from a variety of disciplines to gauge whether to be in or out of the market.

Doshi believes the current macro environment is difficult but expects the markets to normalize over the next year or two as the Fed tightens.

Choosing Fund Managers

Doshi also had advice for investors about choosing the right funds. Of course, performance and alpha generation are important, but he also advises investors to review funds’ risk-adjusted returns.

“A high Sharpe ratio allows for apples-to-apples comparisons of funds,” Doshi explained. “It

also allows investors to see if they are being properly compensated for volatility. Also an investor should evaluate how each investment fits into their portfolio. An investor should aim to diversify their entire portfolio and lower correlations across investments.”

It’s also crucial for investors to look at annualized returns instead of focusing on short-term returns. Doshi said every investor concerned with growing their capital should take a long-term view, adding that no investment is immune to all risks. He said many factors can create volatility over the short term.

“Annualized returns allow an investor to gauge how successful a fund is rather than focus on short periods,” Doshi said. “This past January is a prime example. Many funds had a tumultuous month. Even funds that have provided double-digits, stable gains for years and decades were down double digits in January. One month or a few months does not denote the profile and success of a fund.”

Doshi’s Inspiration

When asked who inspires him, Doshi talked about his dad, who immigrated to the U.S. from India with nothing. He received his master’s degree and settled in the U.S., starting his own business when he was in his 50s.

“He has always shown me what hard work and generosity looks like,” Doshi said. “He has a big heart and is always willing to help those that are less fortunate. I have seen the ups and downs of running your own business since I was young, and it’s not something to be envious of. It takes a lot of dedication. I look at what he has accomplished in his life, and it inspired me to be my best and work as hard as I can and to give back.”