

Hedge Fund ALERT

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Rare Stumble for Value Investor

December's stock-market rout was too much even for **ValueWorks**, a fundamental stock picker that has outperformed the market for 20 years.

The long-biased ValueWorks Limited Partners fund, with roughly \$200 million under management, suffered a one-month loss of 14.7% — dragging its full-year return down from a marginal gain to a 12.9% loss. By comparison, the S&P 500 fell 9% in December and was down 4.4% for the year.

The fund's monthly performance barely tarnishes ValueWorks' track record. Since inception in September 1998, the fund has delivered an 11.8% annualized gain — more than twice the return for the S&P 500 during the same period. In the past 10 years, ValueWorks has gained 16.5% on an annualized basis, versus 13.1% for the S&P.

The results are even more impressive when you consider that ValueWorks founder **Charles Lemonides** applies fundamental analysis to picking value stocks — an asset class that has suffered in recent years amid insatiable demand for growth stocks.

"It takes more skill to build a portfolio now than it has the past 10 years," he said. "You need to be more selective."

One reason ValueWorks stumbled in December was that Lemonides snapped up already-undervalued shares as the market continued to fall, resulting in short-term losses but positioning the fund for potentially handsome gains down the road.

Lemonides founded ValueWorks in 2001, but his track record stretches back to a predecessor firm called **M&R Capital**. ❖



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