

Hedge Fund ALERT

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Gains Keep Coming for ValueWorks

ValueWorks' lone hedge fund finished 2016 with a resounding gain.

The New York firm reported in a Jan. 23 letter to investors that its long-biased ValueWorks LP booked a 66.5% profit for the year. The rise was the second largest ever for the vehicle, slightly behind a 68.8% showing in 2013.

The 2016 return compares favorably to a 5.2% increase in the Barclay Equity Long Bias Index and a 12% rise in the S&P 500 Total Return Index.

Word of the ValueWorks fund's performance follows reports from the firm that it had posted a 19.7% gain over the first three months of 2016 and a 27.6% rise at midyear. With the exception of a 7.8% loss in January, the entity was up every month of the year — including profits of 18.6% in March, 8.9% in November and July, 8.4% in April and 6.5% in December.

The fund shows an annualized return of 9.5% since its inception in 2006, including losses of 33.1% in 2015 and 7.6% in 2014.

Its largest holdings in 2016 included corporate bonds issued by **Cliffs Natural Resources** and shares in **Maui Land & Pineapple** and **Cheniere Energy Partners LP Holdings**. "The year was a pleasant reminder of how dicey it can be to try and time when investment gains are realized," ValueWorks founder **Charles Lemonides** wrote in the investor letter. "We came into the year in the midst of a global commodity meltdown and a sharp double-digit market decline. We ended the year with the least-predicated outcome of an election cycle in the past 70 years and the market hitting all-time highs."

Lemonides added that 2017 offers an "equally muddled investment view," although he does anticipate continued economic growth and possible improvements in the energy and housing sectors. ValueWorks employs a value-oriented strat-



egy, basing its picks on bottom-up, research-driven analysis. It aims to maintain a 100% net long exposure, with gross long exposures of 80-150% and gross short exposures of 0-35%.

ValueWorks has \$175 million under management, including \$52.3 million in its hedge fund. Before starting the firm, Lemonides worked at **M&R Capital** and **Gruntal & Co.** ❖