

# Hedge Fund **ALERT**

www.HFAlert.com

## Long-Biased Shop Ups Short Bets

After bouncing back from a severe fourth-quarter loss, fundamental stock-picker **ValueWorks** has increased its short exposure.

The firm's long-biased stance contributed to losses in October-December that totaled about 20%. But it quickly recovered as the market rebounded in the first quarter, with the ValueWorks Limited Partner Fund gaining 20.6% from Dec. 24 to April 10.

Founder and portfolio manager **Charles Lemonides** has never been afraid of volatility, as evidenced by annual returns of plus-68.8% in 2013, minus-7.6% in 2014, minus-33.1% in 2015, plus-66.5% in 2016, plus-24.2% in 2017 and minus-13% in 2018.

But in an April 11 letter to investors, Lemonides indicated his New York firm has assumed a more defensive posture. "While we are fully invested on the long side, we are also as fully invested on the short side as we ever have been," he wrote. "While this has meant we captured less pure beta in the past quarter, I also see it positioning us to capture more pure alpha in the next year."

ValueWorks' short exposure now stands at 47% of gross assets, versus the fund's historic average of less than 20%. That said, Lemonides' approach to shorting is mainly opportunistic, rather than for hedging purposes.

ValueWorks has \$193 million under management. Since inception in 2006, the fund has delivered a 9.5% annualized return, versus 8.6% for the S&P 500 Index.

"From the market bottom on March 9, 2009, to now, our portfolio is up 722.5%, or 23.5% annually," Lemonides wrote.



"This is how wealth is built over time. It is achieved by having the discipline and confidence to stay invested through difficult periods." ❖

**HEDGE FUND ALERT: April 17, 2019**

Start a [free-trial subscription](#) at HFAlert.com. Or call 201-659-1700.