



## Small Managers - BIG ALPHA - Report 116



### The Alpha Hunter's Manifesto: Edward Lam on Culture, Conviction, and Unconstrained Investing - Part 2

Matthias Knab, Opalesque for [New Managers](#):

This is Part 2 of a three-part series.

[Read Part 1](#) to understand [how Edward Lam rebuilt his career at legendary macro shop Sloane Robinson](#) - and delivered 57% returns in 2025 by refusing to be pigeonholed.

*This part dives into Lam's investment theses, how "old school macro" still works for modern markets, and suggests four specific markers helping investors to research and evaluate an investment management's culture.*

#### A Global Banks Bull Market: The Contrarian Thesis

Lam has been articulating a global banks bull market thesis for more than two years - a period when investor mindshare has been almost entirely consumed by artificial intelligence, semiconductors, and mega-cap technology.

"I don't know if you have a feel for this," Lam muses, "but based on what I see from the media, a lot of mind space is being taken up by AI and tech - not financials. That makes me optimistic."

The contrarian indicator is even more pronounced in relative performance. Early in this bull market, the NASDAQ and Philadelphia Semiconductor Index significantly outperformed global bank indices. But in 2024, this relationship reversed - banks began outperforming tech, though this rotation remains largely unnoticed by the financial media.

"I think we're one of the few funds that have had a very good year that hasn't made most of the money in tech," Lam emphasizes. The portfolio includes European banks, Chinese insurers, and Korean insurance stocks - along with positions in defense stocks and gold - but financials have been the primary driver across geographies.

The strategy combines bottom-up fundamental analysis with top-down macro understanding. "It's very important that it's both," Lam stresses. Understanding individual bank management teams and balance sheets matters, but so does understanding the broader banking cycle and where different regions sit within it.

#### The Unrestricted Mandate Advantage: Old-School Macro for Modern Markets

Sloane Robinson's heritage as a legendary macro hedge fund created the intellectual and operational framework for Lam's approach. This isn't a closet indexer with a 20% active share making marginal sector tilts within a benchmark. This is genuinely unrestricted investing - the ability to pursue alpha wherever it appears, constrained only by risk management and conviction level.

"What I love about working with Hugh and George is that some of what they do recalls the old-school macro hedge fund approach," Lam says. "They're very focused on bottom-up too, but they have that macro perspective. I re-read Soros' Alchemy of finance 6 months ago and it is very apt."

For institutional allocators, this distinction should matter profoundly. The hedge fund industry's evolution toward long-bias equity strategies, tight benchmark tracking, and rigid style boxes has arguably destroyed much of its original value proposition. The whole point of paying hedge fund fees was to access managers who could pursue alpha without constraints - who could go long European banks when everyone else was buying U.S. tech, or build positions in Hong Kong real estate restructurings while others stuck to liquid large-caps.

Lam's newest theme - Hong Kong property and real assets - emerged from this same opportunistic, pattern-recognition approach. "We think there are restructuring opportunities there," he explains, adding positions that might never appear in a conventional "global banks" mandate.

The Sloane Robinson platform enables this flexibility because the culture prioritizes research and alpha generation over style purity and marketing convenience. When Lam identified Italian banks as offering similar crisis-recovery patterns to his Greek investments, he wasn't blocked by artificial restrictions about what an "emerging markets manager" could own.

## **Culture as Competitive Advantage: The Anti-Politics Environment**

Across multiple mentions in our conversation, Lam returns to culture - not as a throwaway HR concept, but as the fundamental infrastructure that enables (or destroys) investment excellence.

His Somerset experience taught him that politics, misalignment, and lack of transparency can make excellent investors miserable and mediocre. His Sloane Robinson experience proves that the inverse is also true: the right culture can resurrect passion for investing and enable exceptional performance.

"There wasn't any politics," Lam says of his early days at Sloane Robinson. "I immediately remembered what I enjoyed about doing research on stocks, research on macro."

For allocators conducting due diligence, culture assessment tends to be soft and subjective - office tours, team lunches, vague questions about "collaborative environment."

But Lam's story suggests more concrete markers:

**\*\*Do the senior partners still build models?\*\*** If the founders have handed off all research to junior staff while focusing on business development, that's a red flag. If they're still grinding through Excel and pitching ideas, that's genuine intellectual capital at work.

**\*\*Is the firm willing to let strategies evolve based on where alpha appears?\*\*** If managers are locked into rigid mandates regardless of market opportunities, that's an asset gathering business optimized for fundraising, not performance. If strategies can evolve based on research insights, that's an investment business.

**\*\*How does the firm handle transparency with investors?\*\*** Lam's criticism of Somerset - "too much attempt to tell investors what they wanted to hear" - should resonate with any allocator tired of managers who market narratives rather than honest portfolio updates.

**\*\*What's the alignment between stated strategy and actual positioning?\*\*** Lam's portfolio could have easily pivoted to AI and tech like most managers in 2024. Instead, he stuck with his banks thesis even when unfashionable, because the research supported it. That's conviction, not narrative.

## **The Small Manager Opportunity: \$46 Million and Climbing**

At \$48 million in AUM - with Sloane Robinson's firm-wide assets at \$400 million - the S.R. Ocellus Fund sits squarely in small manager territory. For allocators with mandates to support emerging managers, this creates an unusual opportunity.

The fund has:

- Genuine track record: 57% net returns in year one, achieved largely outside the year's dominant theme
- Institutional pedigree: Sloane and Robinson's legendary reputation, plus Lam's track record at Somerset before its decline
- Significant alignment: The fund is majority owned by the three partners who seeded it
- Scalable capacity: At \$46 million, there's substantial room for growth before position sizes become constraining
- Differentiated positioning: A global banks bull market thesis that runs counter to current investor enthusiasm

The small manager research is clear: alpha tends to be highest at smaller AUM, and deteriorates as funds scale. Yet allocators face career risk backing unknown managers. The S.R. Ocellus Fund offers the rare combination of true small-manager dynamics with the reputational insurance of the Sloane Robinson name.

## Finding Alpha in Pattern Recognition: The Practitioner's Edge

Throughout our conversation, Lam returns to a central theme: alpha emerges from pattern recognition across time periods and geographies. This isn't about quantitative backtesting or data mining - it's about having lived through previous cycles, recognized the patterns, and maintained the intellectual infrastructure to apply those lessons to new situations.

European banks look like emerging market bank restructurings because they are emerging market bank restructurings - just with different sovereign guarantees and regulatory frameworks. Luigi Lovaglio's risk management in Poland predicts his approach at Monte dei Paschi because character and risk discipline tend to be stable. The global banks bull market will continue because most investors are focused elsewhere, creating the same asymmetry that has characterized the entire cycle.

These aren't insights available through Bloomberg terminals or sell-side research. They require accumulated experience, pattern matching across contexts, and the freedom to act on those insights even when they cross conventional category boundaries.

This is the original value proposition of active management - not marginal stock selection within a benchmark, but genuine insight that creates information advantages. And it's increasingly rare in an industry that has industrialized manager selection around quantitative screens, style box classifications, and benchmark-relative tracking error limits.

## The Macro-Fundamental Synthesis: Bottom-Up Meets Top-Down

Lam's emphasis on combining bottom-up fundamental analysis with top-down macro perspective represents a sophisticated approach that many managers claim but few execute well.

The bottom-up component includes meeting management teams (like his historical relationship with Lovaglio), analyzing balance sheets, understanding business models, and evaluating competitive positioning. This is fundamental security analysis of the Graham-and-Dodd variety.

The top-down component includes understanding banking cycles, sovereign debt dynamics, currency impacts, and how financial crises resolve across different institutional contexts. This is macro analysis in the Soros tradition.

The magic happens at the intersection. Lam can identify that Spanish and Italian banks are attractive opportunities (macro thesis) and then conduct deep fundamental analysis to select which specific institutions to own (bottom-up execution). Neither approach alone would generate the same results.

"It's very important that it's both," Lam stresses - a reminder that the most powerful investment approaches tend to synthesize multiple frameworks rather than religiously adhering to a single methodology.

--- To be concluded in Part 3 ---

## Join Edward Lam Live

Want to hear more from Edward Lam about his investment approach and the opportunities he's seeing in global banks and financials? Join Edward and his co-panelists Youssef Sbai (Katch Investment Group), Jonathan Jacoby (Tabor Asset Management), and Rob McGregor (Coromandel Capital) for a live conversation at the Small Managers - BIG ALPHA Investor Workshop on February 12th (for qualified investors only).

**Register now:** <https://www.opalesque.com/webinar/#uw1>

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