



Small Managers - BIG ALPHA - Report 22



Hedge fund seizes opportunities in investment time horizons

B. G., Opalesque Geneva:

A Stamford, CT-based hedge fund is efficiently betting on the inefficiencies in investment time horizons between short-term quantitative trading and long-term investing by focusing on the source of return on capital employed (ROCE).

“Short-term mechanical strategies focusing on less than six months are crowding into traditional factors, while long-term buy-and-hold strategies focusing on more than five years have caused opportunities with investment time horizons between short-term quantitative trading and longer-term investing to be vastly inefficient,” explained Dennis Jean-Jacques, CIO of [Ocean Park Investments LP](#), an alternative asset management firm founded in 2016. “Ocean Park Absolute Return seeks to profit from these inefficiencies by focusing on the key source of ROCE.”

Mr. Jean-Jacques has over 20 years of experience deploying approximately \$3.2bn of investor capital in the US and Western European public markets. He will be speaking at the [Small Managers - BIG ALPHA, Episode 5](#) webinar on November 30th.

[Return on capital employed](#) (ROCE) is a financial ratio that can be used to assess a company’s profitability and capital efficiency. This ratio can help to understand how well a company is generating profits from its capital as it is put to use.

Ocean Park Absolute Return Fund LP, the firm’s flagship, is a long/short fundamental equity hedge fund that invests in the US and Western European large-cap, highly liquid, listed companies with hard assets and cash flows. It has annualised 11.9% from inception in April 2017 to September this year with a Sharpe Ratio of 2.18, and has comfortably outperformed the HFRI Equity market neutral index, the HFRI Fixed income corporate index, and the [HFRI](#) Fixed income directional index.

Ocean Park’s thesis is that over time the market has become less human, thereby causing structural inefficiencies. Whereas from the 60s to the 90s, dividend yield

as a factor and valuation as a factor had a 65-75% correlation with generating outperformance, this went down to less than 50% in 1997. By 2011, dividend yield had less than 5% correlation, and today, valuation as a factor has minimal correlation to generating outperformance in the 6-18 month period. "2011 marked a structural shift where an influx of short term traders became bigger players in public markets versus long term investors," according to the firm.

Short-term mechanical strategies are crowding into traditional factors and contrast with long-term buy-and-hold strategies. The structural inefficiencies between short-term quantitative trading and longer-term investing create opportunities, which Ocean Park seeks to seize.

The managers take market tendencies into account, seek catalysts (such as equity carve-outs, spin-offs, etc.) and milestones (key variable inflection points and cash flow reclassifications). They are specialists in industries areas such as alternative energy, petrochemicals, paper/packaging, warehouses, construction, engineering, waste disposal, and others.

They manage risks by being non-directional, running the long and hedge books independently, maintaining liquidity, diversifying within north American and Western European equities, and remaining focused with 30 to 35 positions in each book. Their differentiation is found in the analytical process where large, cumbersome, complex companies are distilled into simple and focused key variables, and in the behavioural process, where small position sizes allow maintenance of position during market volatility.

[Next webinar:](#)

Small Managers - BIG ALPHA Episode 5

When: Tuesday, November 30th 10:30 am ET

Free registration: www.opalesque.com/webinar/

With larger quantities of capital chasing the same Alpha strategies and continuing to erode Alpha, savvy investors are turning to smaller and/or emerging managers as they look for alternative sources of return.

We are proud to present Episode 5 of this groundbreaking webinar series with the following carefully screened panel of investment managers:

- Wayne Ferbert, Alpha DNA Investment
- Dennis Jean-Jacques, Ocean Park Investments LP
- Nico Cordeiro, Strix Leviathan
- Michael Azlen, Carbon Cap Management LLP