

HAV Capital Hits 3-Year Track Record, Lands First Inst'l Account

HAV Capital has surpassed its three-year track record on its global equity strategy and recently brought on its first institutional account through an emerging manager program.

The San Diego-based firm, which was founded by former Allianz Global Investors Capital CIO Horatio Valerias, offers a concentrated global all-cap equity strategy that reached its three-year track record at the end of February and through March has annualized returns of 9.7% gross of fees, compared to 6.1% for the MSCI ACWI Index.

The strategy was able to garner the attention of emerging manager-of-managers Progress Investment Management Company, which allocated \$18 million to HAV Capital through an undisclosed client in November.

"Getting the first [institutional account] is huge because once you have one you have credibility in the market. I am really grateful to Progress for going through the months-long process to validate us," Valerias said.

Overall, the firm manages about \$42 million in assets in the concentrated strategy, which on average has about 18 holdings. "A lot of managers own way too many stocks," he said.



Horatio Valerias

The firm's screens look at net cash on the balance sheet, valuations with a price to earnings of less than 15, positive earnings revisions and dividend payment.

The team, which also includes Principal and Analyst David Valeiras and V.P. of Research and Operations Miral Kim-E, also focuses on speaking with analysts or reading reviews.

"We generally do all the work without talking to the company. What I've found over my career is a lot of times management is a cheerleader for the company. Everything is skewed better," he said.

Valeiras said one of the goals in launching the firm was building an alpha generating engine that is not tied to beta in the markets.

"We have good numbers on it. We outperform about 75% of the months where the market is down and about half the time when the markets are up," he said.

He said that the strategy's volatility is about 10% lower than the market during the three years.

"I think that as we look forward, as long as we build the portfolio in a reasonable way, you can run a portfolio where you have conviction in the stocks and end up with a portfolio where the volatility is lower," he said.

While the firm's allocation with Progress is based on a standard management fee at the request of the client, HAV also offers no management fee on its strategy and performance fees subject to high water marks relative to the MSCI ACWI Index.

"We decided early on that we really wanted to attempt to change the paradigm of fees in the asset management industry," he said. "We only get paid if people make money and if we outperform."