Invited Editorial

Delivering Alpha 2013 Conference

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Organized by CNBC and Institutional Investor for the third year in a row, the Delivering Alpha Conference did not disappoint. Hedge fund titans or more commonly known on CNBC as ‘Masters of the Universe’ descended at the Pierre Hotel in New York City on 17 July. Well-known hedge fund managers such as Carl Icahn, John Paulson, Nelson Peltz, Leon Cooperman and Jim Chanos, just to name a few, divulged their sought after stock picks along with solid reasoning and what lies ahead for stock and bond markets.

The opening remarks by Treasury secretary Jacob J. Lew provided his views on the current situation of the US economy and regulation post the 2008 crisis. Perry Partners CEO Richard Perry suggested that Europe is 2–3 years behind and will suffer in the short term. He believes Greece will stay in the Euro and is buying Greek bonds, but going short on Japanese bonds. CEO Jane Mendillo from the Harvard Management Company has 22 percent of her portfolio in Europe because of Harvard’s long-term vision as an endowment fund. Mendillo stressed that when investing in China because of the uncertainties, it is always best to have a Chinese partner that understands the demographic changes and the local market since index investing in China is flawed. However, Mendillo, as well as Bridgewater Associates Co-President David McCormick, also

mentioned that China has a challenge to maintain growth and how this will play over the next five years is interesting. Perry also suggested to develop relationships in China but has no positions due to the lack of liquidity in Chinese markets. He further added Japanese firms are highly leveraged.

According to Leon Cooperman, Chairman of Omega Advisors suggests that we are in a corrective mode and in a sideways market for the second half of 2013. Cooperman offered his stocks picks that he believes will outperform over the next 12 months, this included Qualcomm, Qualcorp, Express Scripts Pharmaceutical, Thermo Fisher Scientific, Sandridge Energy, Arbor Realty, KKR Financial, THL Credit, Atlas Resource Partners and Chimera Investment. Although Chris Hohn, Founder of the Children’s Investment Fund, suggested buying EADS (Airbus) that will likely double in price over the next 2–3 years, as well as buying Porsche that now gets an investor at a 30 per cent discount. He believes Volkswagen will double in 2 years and Aurizon (Australian railroad) will likely double in the next 3 years because of its more focused approach on profits.

Legendary short seller Jim Chanos, Founder of Kynikos Associates the largest exclusive short seller in the world, presented his views on why he is short Caterpillar. Because of accounting issues and the lack of growth, he believes that the

drop in commodity prices coupled with the company's unsound accounting issues and lack of growth issues is a short. He also mentioned that he is still short HP. Mark Kingdon, President of Kingdon Capital Management, suggested going long on the following Japanese stocks with low PE ratios (Mazda, Fuji Heavy (Subaru) and Toyota, as well as a pharmaceutical firm called Aegerion, which will have good returns over the next 12–18 months. When it comes to Powering America, the panel suggested that natural gas is cheaper and investors should include natural resources in a portfolio for protection against an inflationary environment with a panelist suggesting a long position in Whiting Petroleum. Activist investor Nelson Peltz was asked about his long position in DuPont and did not comment, but discussed his stakes in Pepsico and Mondelez and suggested two scenarios for Pepsico to follow.

During the luncheon speech, John Paulson suggested the best investment now is buying a home since the market in the United States has bottomed and he continued to emphasize his long position in gold. As for the asset bubble roundtable, one hedge fund manager believed that the hedge fund bubble ended back in 2007 but the panel believed that hedge funds create bubbles. Although one panelist suggested a bubble in venture capital startups, there is no imminent bubble. In addition to

this, it was mentioned that the Chinese real estate bubble that Chanos predicted is actually now popped.

Last on the presentation list was well-known raider/activist investor Carl Icahn, Chairman of Icahn Enterprises, who discussed his thoughts on the DELL takeover and his belief that he can win the proxy fight because of DELL's dysfunctional board. Furthermore, he talked about the much heated debate over Herbalife with Pershing Square hedge fund manager Bill Ackman that was ignited on CNBC on January 2013, resulting in a US\$250 million profit for Icahn.

In conclusion, the Delivering Alpha conference is the top hedge fund conference in the world attested by its roster of star hedge fund managers that make headlines on *Wall Street*. This conference is highly recommended and a must for institutional investors, family offices, insurance companies, portfolio managers, pension fund managers and high net worth individuals. Finally, I wish to thank Marc Weitzman from Institutional Investor for his assistance with the conference.

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