Inside Laurium Capital's award-winning **investment philosophy for generating returns**

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Laurium Capital's Laurium Aggressive Long Short Prescient QI Hedge Fund recently won the HedgeNews Africa Award for the Best Long/Short Equity Fund. Kim Zietsman, the firm's Head of Business Development and Marketing, discussed the firm's investment philosophy, risk management strategies, and unique approach to the market with Money*Marketing*.

When asked about Laurium's investment philosophy and approach to managing risk, Zietsman states that the team uses valuation-driven, fundamental bottom-up research combined with a macro, top-down overlay to generate a concentrated portfolio of investments that should generate attractive returns over time. In addition, the team looks to take advantage of special situations such as corporate actions, unbundlings, spin-offs, take-outs, and placings, as well as short-term trading opportunities.

With regards to portfolio risk management, Zietsman highlights the various tools at a hedge fund manager's disposal to manage risk, including reducing or increasing gross exposure, dynamically managing net exposure, and eliminating factor exposure. Although there are no strict stop losses for Laurium portfolios, position sizes and sector exposures are monitored constantly. The liquidity profile on the short book is managed on a very conservative basis, ensuring that short positions are sized appropriately in the context of trading volumes to ensure that these positions can be closed in a short timeframe.

She explains that Laurium's investment team's breadth of experience and knowledge is deployed in researching and finding mispricings and inefficiencies across the market cap spectrum. The ability to short and utilise derivatives and having constant access to cash to take advantage of market dislocations enhances returns for clients. Furthermore, being a boutique manager that is nimble and able to react quickly is very advantageous, particularly in these extraordinary times. The flat organisational structure of boutiques means that investment decisions are made and implemented quickly, giving Laurium an edge in the market.

Regarding risk management during periods of market turbulence, Zietsman explains that, with an experienced team and disciplined approach, volatility can be seen as an opportunity to generate alpha while minimising risks. Shorter-term inefficiencies may present trading opportunities, irrespective of a company's intrinsic value. Laurium monitors its net and gross exposure daily and currently has protection in the form of short futures or option positions, both on local and offshore indices, to counter risk in times of broad market selloffs. In addition to this, correlations between short and long books are monitored closely to mitigate any factor risk.

KIM ZIETSMAN
Head: Business Development and Marketing, Laurium Capital

Zietsman elaborates on Laurium's investment process for evaluating potential opportunities, stating that the team regularly screens the top 160 stocks using financial ratios in a comprehensive financial database and relative valuation tools. In addition, broker research and daily news flow are closely monitored, and these screens generate ideas for further investigation. Once an idea is selected for in-depth analysis, it is analysed in terms of what the team considers to be the three key building blocks of fundamental analysis: business assessment, financial analysis and valuation.

Price targets are set based on the above factors, as well as the level of conviction in that price target, and the idea is also analysed from a portfolio construction standpoint, including correlation to existing positions and concentration risk. The timing of implementing the idea takes into consideration factors such as possible catalysts and the liquidity of the instrument.

On the topic of interest rates and inflation, Zietsman explains that Laurium does not structure its funds based on top-down macro predictions, as accurately predicting factors such as global rates and currencies is exceptionally difficult. Instead, the team analyses and assesses the macro in the context of "what could go wrong" and in determining the environment in which the companies trade. Currently, inflation and policy rate increases are major discussion points and risk considerations in terms of global growth and financial system stability. On balance, Laurium expects US inflation to end the year at around 3%, in line with consensus.