

# LONG/SHORT EQUITY SPECIALIST WAYCROSS ACTIVELY HEDGES AMID HISTORIC VOLATILITY SWINGS



Liquid alternatives allocators to the Waycross Long/Short Equity Strategy have seen YTD losses of only 10.42%; Managing Partner and Founder Ben Thomas explains how they're pulling it off.

By Susan Barreto. Originally published on **Alternatives Watch** on May 20, 2020.

No money manager could ever say they have seen markets like this before, but for the Waycross Partners portfolio management team it is yet another market storm they can now say they have weathered.

As some investors may have been left wondering whether hedge funds actually hedge any more, liquid alternatives allocators to the Waycross Long/Short Equity Strategy (WAYEX) saw year-to-date losses of only 10.42% and three-year annualized performance of 3.4% through March.

Most liquid alternative funds posted declines in the month of March, with HFR reporting the HFRI-I Liquid Alternative UCITS Hedge Fund Index losing 5.6% during the monthly period. For the year-to-date through March the HFR Equity Hedge index was down more than 13% and the S&P 500 was down nearly the same amount for the month of March alone.

Celebrating its five-year anniversary at the end of April, WAYEX outperformed the S&P 500 over the one-year and the Morningstar Long/Short category over the five-year time period.

"Our experience has taught us not to fear volatility and to invest with the long term in mind," said Waycross Managing Partner and Founder Ben Thomas. "We look to buy companies that are either industry leaders or disrupting their industries through innovation on the long side, and short stocks with weak 'Key Factors' at questionable valuations."

WAYEX is based on the firm's flagship strategy has been operating for 15 years and is very much an 'all-hands on deck' enterprise. The fund's managers Thomas and John Ferreby are former Invesco portfolio managers that are very much believers in active management. Waycross Partners currently has \$1 billion in assets under advisement.

Prior to founding Waycross in 2005, Thomas was a portfolio manager and senior equity analyst at Invesco, where he was responsible for managing two mid-cap strategies and led the firm's technology and telecom research effort. Ferreby was the lead investment professional for Invesco's \$15 billion large-cap core institutional strategy and was responsible for final decisions on all mid-cap and large-cap equity trades.

Unsurprisingly, the team's investment process is based on fundamental analysis. They developed the Waycross Key Factor Approach, which relies on the most critical drivers to a company's earnings. It is a combination of bottom-up company research with comprehensive examination of stock valuation and market sentiment.

With net long exposure of between 40% and 60%, the liquid alternatives offering WAYEX invests in long and short equity positions from a universe of approximately 300 U.S. public traded companies with a market cap above \$1 billion.

According to Thomas, WAYEX doesn't rely on ETFs but only invest and short common stocks.

"Many times, you see other long/short managers that short baskets or ETFs. We consider that only market timing, rather than a stock selection effort," said Thomas. "We believe that clients hire us to pick stocks."

The duo believes that active management can deliver, especially in this current choppy environment.

Thomas said that investors should expect long/short managers right now to be transparent as possible and educate on the strategy in both good and bad markets. And an easy to understand explanation should be available when performance does not match expectations.

He said Waycross often highlights how the long/short strategy works within an investor's core allocation by providing a defensive form of equity exposure that can improve the risk-adjusted performance of the portfolio without giving up the benefits of stocks.

In marketing the strategy to broader audience, Waycross is working with Endeavour Investment Partners to reach out to the registered investment advisor (RIA) community.

"We feel RIAs and their clients can benefit from the Fund as a complementary part of the traditional core equity and income allocation, rather than just a satellite in a core/satellite approach or part of a stand-alone alternatives sleeve," said Endeavour Managing Partner Pat Carolan.

WAYEX can also be found on broker-dealer platforms such as Schwab, Pershing and NFS/Fidelity.

While daily market swings can rattle many investors looking for stability in a time of such unprecedented uncertainty, the team at Waycross maintains a high conviction in their holdings.

"By remaining patient, focused and disciplined in our approach we believe we can minimize distraction from market noise that occurs when volatility is heightened," said Thomas.