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**MIE** ASSET CLASSES  
**IN** US EQUITIES



## DR CHRISTIAN FUNKE

### US EQUITIES

# RIDING THE RISK CURVES



Within our value approach, the risk appetite of the market determines the risk positioning of the portfolio

Asked to cite his best investment idea in US equity plays, Citywire A-rated Dr Christian Funke, managing director and portfolio manager of the Source for Alpha funds, says successfully analysing and dealing with the 'risk appetite' of the market has been one of his foremost strategies.

'To put it in simple terms, the "best idea", one that really contributed to the performance of our fund, is our approach to constantly nourish the risk appetite of the market. Being value oriented is the main characteristic for the S4A US Long fund and within this value approach, the risk appetite of the market determines the risk positioning of the portfolio.'

Dr Funke recounts that in times of uncertainty, risky and cyclical names are relatively cheap, because a lot of investors avoid them. So during the heights of the European crisis in the summer of 2012, the fear in money markets led to a significant overweight in cyclical names (high beta).

In this context, the fund manager highlights two titles in the financial sector: 'The life insurance company Genworth Financial, as well as the financial services company Ameriprise Financial played a major role in the outperformance of the fund in 2012.'

Elsewhere, two companies in the industrial sector contributed to the performance of the fund during the European crisis: 'Ryder, an American-based provider of transportation and supply chain management products, and the energy and production company Helmerich & Payne were two very good investment ideas in that year.'

When the sentiment is different, for instance in times of greed (for example, during the late 90s), companies with a high beta value are considerably more expensive. These sentiments have an immediate effect on the \$22 million S4A US Long UI fund Dr Funke has managed since 2011.

'In those phases of positive market sentiment, the S4A US Long UI fund is overweight in defensive titles like consumer staples (low beta).'

This 'anti-sentiment' risk bias is intentional, says the fund manager, because in the long term, the sentiment is bound to normalise itself, which means that it does not remain 'greedy' or fearful, but always pushes back to normal average numbers.

'That is how our system profits, because the overweight risk group can achieve better returns within that process of normalisation.'

Interview by Philipp Sandmann

### TOP RATED GROUPS BY CITYWIRE IN EQUITY – NORTH AMERICA

| ASSET MANAGER                          | CITYWIRE GROUP RATING |
|--|-----------------------|
| MATTHEW 25 MANAGEMENT CORPORATION      | cityWire ★ PLATINUM   |
| FOURPOINTS INVESTMENT MANAGERS         | cityWire ★ PLATINUM   |
| NICHOLAS COMPANY INC                   | cityWire ★ PLATINUM   |
| FIDELITY MANAGEMENT & RESEARCH COMPANY | cityWire ★ PLATINUM   |
| BERKSHIRE CAPITAL HOLDINGS INC         | cityWire ★ PLATINUM   |