



Gurus Positive 2008 ROI

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Gurus who made money in 2008 and what they expect for 2009:

I wanted to know what does someone who was in tune with this market expect for the coming year. So I looked for gurus who actually made money in 2008, and then tried to find out what they expected for 2009. Not one of our gurus here made money in 2008 so I had to look beyond my usual list: Buffett, Klarman, Wasta, Lampert etc..

I know many here are against market timing. Aside from some core holdings, I was out of the market for most of 2008 and got in the market in October. I still lost money for the year, but it would have been much worse had I stayed all in. Maybe Buffett is right after all about not trying any market timing, still his Op Ed in the NYT sounded a lot like some long term market timing too: buy now that values are good, it will pay off in 5 years. That was his position as far as I could tell, and he probably is correct.

So, I wanted to know something simple: who made money in 2008 and what do they expect for 2009.

There are thousands of mutual funds, but amazingly the only Mutual fund that I could find with a positive ROI in 2008 was Forester Value (FVALX), this is a very small value fund that had about \$50 million to invest. The 2008 ROI was below 1%, but it was still positive at 0.48% and much better than the S&P or any of our gurus here. But I can not make much out of them since the record is too short.

Given all the supposed brains on wall street, the millions paid to these MBA's, I just can not believe that **this was the only mutual fund I could find that made money in 2008.**

So I looked for hedge funds. The average hedge fund lost 18 percent of its value in 2008, according to Hedge Fund Research, that is still better than both the S&P's -38% and also better than most our gurus according to guru - scoreboard. So no matter what we say about them they still did substantially better than most investors or mutual funds.

By the way, the only other negative year on record for hedge funds was 2002, when they lost an average of 1.45 percent. But in 2002 there were many hedge funds with positive returns since despite a down market, there were still many other asset classes that had positive ROI's.

The returns for the most known hedge fund index, the Credit Suisse/Tremont index that tracks over 5000 index funds was at -19.07% for the 2008 calendar year. Now it is clear that some will make money in 2008 since there are some 10,000 hedge funds, and unlike most mutual funds, by definition hedge funds can short, buy commodities and play by all sorts of strategies.

Very few hedge fund categories came out with positive returns in 2008. You will easily guess the first one:

Dedicated short bias: 14.87% (I am not too impressed with that ROI when the market was down 38%, and world markets were down 42%, all they could make in average was 14.87% ???) Here i looked up Taleb, who did very well indeed, see below.

hedge funds that trade futures, so-called CTAs were the best performers gaining **17 % ROI** according to EurekaHedge. But these are beyond the scope of what we invest in, so I did not follow up on them.

Equity Market Neutral funds were horrible at: **-40.32% ROI**

(given the fact that these funds should not be affected much by declining markets, I think they are the worst surprise out there, maybe they should change the name from Market Neutral to market losers)

So I had to look very hard to find a few names who made money in 2008, and see what they think now, here they are:

Hugh Hendry at Eclectica Asset Management, assets under management of around US\$650 million, he made around **40% ROI in 2008** by selling all stocks and commodities early on and betting heavily on T-Bill futures. His view is deflation is here and with all the deleveraging going on and past bubbles, stocks are not going to give us good returns for many

years to come. Stay in T-Bills.

here is a 2009 cncb interview: [[search.cncb.com](#)]

Jeremy Grantham's GMO ALPHA ONLY FUND III, GGSEX. the **2008 ROI: 12.09%** His views have already been posted on gurufocus. He correctly predicted in 1998 we would be here in 2008, at around Dow 8000, and stayed mostly in cash. Now he is starting to invest again in stocks, but warns we may go down to S&P 600 as we overshoot to the downside, but the next decade will be up 8% to 12% so he is allocating money to stocks slowly. here is his letter again: [[www.gmo.com](#)]

Robert Romero of Connective Capital, a \$120 million long/short strategy hedge fund, investing primarily in technology equities, had 3.5 % ROI in 2008. This is proof that you can make a bit of money if you stay within your circle of competence.

Chris Wang, of New York-based SYW Capital Management, \$52 million in assets. Decided to short the financials and **2008 ROI was 80%**. His view: "Credit is still dead, inventories are still piling up and there's no demand to build anything," more pain to come.

Nassim Nicholas Taleb author of "The Black Swan," a best-selling book about the impact of extreme events on the world and the financial markets. He also started a hedge fund, Universa Investments L.P., which bases many of its strategies on possible Black Swans, including how to reap big rewards in a sharp market downturn. Assets under management at Universa have neared \$2 billion since the fund launched early last year with \$300 million under management. Universa buys far-out-of-the-money "put" options on stocks and stock indexes. Separate funds in Universa Investments were **up 65% to 115% as of October 2008**. Taleb says he expects market volatility to continue as more hedge funds run into trouble. Taleb's partner, Spitznagel cautions against optimism. "You could say that so much value has been destroyed that there just isn't much left," he said. That is "a dangerous assumption, since things can always get worse."

My conclusion was that this was a rather depressing exercise. It seems that a few barley made it through on the positive side, a few others made great ROI, but mostly sound like perma bears and therefore I can not rely on their point of view. Then there is my two favorites Jeremy Grantham and Hugh Hendry. Grantham is relatively positive on equities now and Hendry is still very negative on equities.

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