HOW WE PURSUE SUPERIOR RETURNS

Ask the PORTFOLIO MANAGER

Tell us about your decision to launch a long/short strategy.

Transcript of a video recorded on November 8, 2017.

MICHAEL GRANT
SVP, Senior Portfolio Manager

Michael Grant, SVP, Senior Portfolio Manager, describes the appeal of long/short equity: to act like a long-only investor when the environment is favorable and yet to have the flexibility to preserve capital when the environment turns.

Prior to launching the fund, I had a long career in the long-only equity world. I got in the business in the mid-1980s in Canada. I worked as a portfolio manager in Asia, in Taiwan and Hong Kong for five years where I joined a firm called Schroders. And Schroders moved me to London for eight years where I managed a mix of U.S. equity and global equity long-only accounts. So I grew up in a fundamental long-term equity house and, of course, I believe in equities as a superior return vehicle. But I was struck through that experience by how little clients actually achieved that superior return even if they also understood the rationale for it. And much of the problem in the long-only world, of course, is that the clients inevitably buy up here [reaching above his head] and I could rarely get them to buy down here. And one of the real attractions to long/short was taking that risk-on/risk-off decision to my side of the table.

So that was the starting point and, equally, having had that long experience in equities and the flexibility to come up with a new approach to investing in equities, I was really answering the question of how I wanted to manage my own money. I've always had 95% of my own liquid capital in the fund and that is true today as well. There are some long/short products that aim for a portion of the equity return for a lesser portion of the risk. That's not what we're aiming for. We're aiming to meet or beat the major equity benchmarks. We think that's the right cost of capital for good long/short product.

And much of the value of being long/short is the flexibility to cut off the volatility tails that inevitably emerge in the equity cycle. So a simple way to put it is when the equity environment is favorable, let's act like a long-only investor and when the environment turns pear shaped, let's have the flexibility and skills to preserve capital. I think if we can deliver that over time—equity-like returns through the course of the cycle but with much less volatility—we've delivered something of real value to clients.

WATCH VIDEO

Video recorded 11/8/2017.

Before investing carefully consider the fund's investment objectives, risk, charges, and expenses. Please see the prospectus and the summary prospectus containing this other information or call 1-800-583-6959. Read it carefully before investing.

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