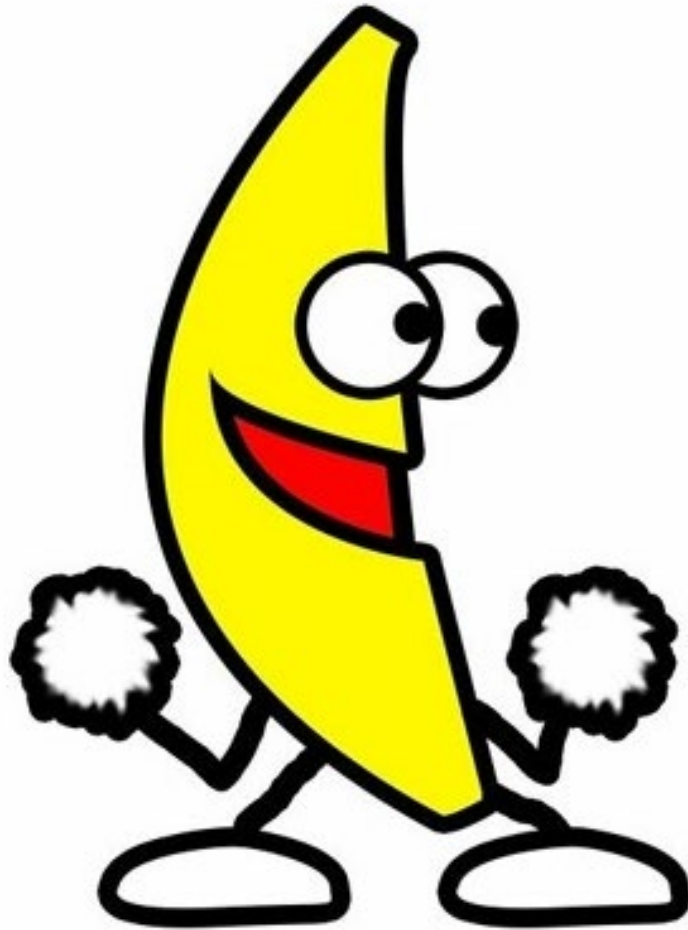


WHAT TIME IS IT?



**IT'S LONG-SHORT QUANTISH
HEDGE FUND TIME!!!**

Christopher Brown

Aristides Capital

Ben Graham VIII Annual Conference

CFA Society of New York

June 18, 2020





WHY SHOULD I EVEN LISTEN TO THIS?

BARCLAYHEDGE RANKINGS REPORT

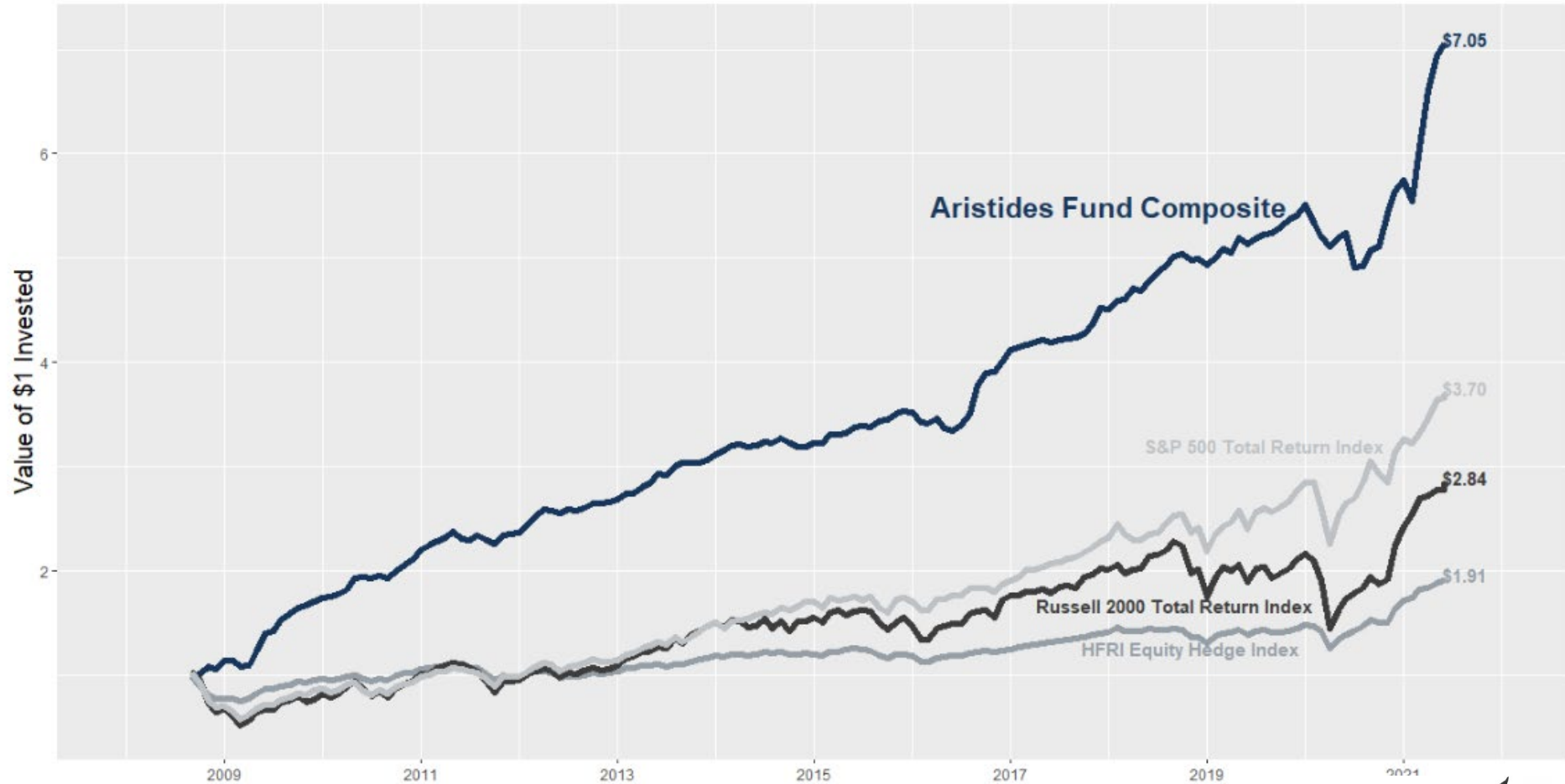
TOP 30 EQUITY LONG-BIAS FUNDS*

For the period from 8/1/2008 to 3/31/2021. Includes only Hedge Funds managing at least \$10M as of 3/31/2021.

	Fund	Sortino Ratio	Sharpe Ratio	Sterling Ratio	Compound Annual Return	CAR/WDD	% Profitable 12 Mo. Periods
1	<u>Aristides Fund LP</u>	4.57	1.70	0.81	16.06	1.46	95.70
2	JM Catalyst Fund	2.94	1.57	0.19	9.29	0.67	87.94
3	Sphera Fund	2.25	1.32	0.84	10.53	0.88	92.20
4	Intrinsic Edge Capture LP	2.18	1.08	0.72	14.65	0.98	90.78
5	Taiga Fund A EUR	2.18	1.33	0.63	14.89	0.80	87.94
6	Maga Smaller Co Ltd USD A	1.98	1.03	0.75	7.92	0.63	77.30
7	Sidus Double Alpha Fund, LP	1.78	0.98	0.80	11.59	0.49	75.89
8	Hawk Ridge Partners LP	1.77	1.15	1.04	13.98	0.46	97.87
9	ACK Asset Partners LP	1.76	1.00	1.41	12.47	0.51	87.94
10	Millrace Fund LP	1.72	0.99	1.44	12.40	0.70	83.69
11	Clayton Capital Appreciation Fund LP	1.61	0.88	1.01	10.47	0.69	77.30
12	New Paradigm Fund	1.49	0.77	0.49	4.50	0.82	82.98
13	SEG Partners LP	1.47	0.92	1.22	10.49	0.37	95.74
14	Optis Global Opportunities Fund Ltd	1.46	0.72	3.05	14.65	0.62	72.34
15	Braddock Partners LP	1.40	0.86	0.92	13.71	0.36	97.16
16	Apis GI Deep Value LP	1.32	0.81	1.03	12.32	0.40	85.11



WHY SHOULD I EVEN LISTEN TO THIS?





PAST CONFERENCE SHORT PITCH: WATT



Short-seller Chris Brown says wireless charging company Energous is 'worthless'

PUBLISHED THU, MAY 3 2018 9:42 AM EDT | UPDATED THU, MAY 3 2018 11:22 AM EDT





PAST CONFERENCE SHORT PITCH: TLRY



Premium HOME > FINANCE

A short seller is attacking cannabis company Tilray, saying the price of raw marijuana will 'come down aggressively'

Jeremy Berke Dec 3, 2018, 12:45 PM





CHRIS' BACKGROUND





OUR PEOPLE



Daniel Nall
PM & CCO

B.S. Mechanical
Engineering &
Mathematical
Economics (UK)

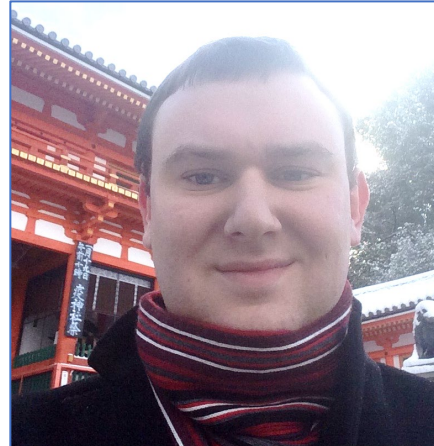
can ball out



Caleb Brody
Quant

B.S. Applied Math
(Rutgers)
MFE (Berkeley)

data science &
cybersecurity at Citi



Sam Bubnovich
Quant

B.S. Chemical Physics
& Pure Mathematics
MS Applied
Mathematics
(Rensselaer)
PhD candidate Applied
Mathematics (UNC)

Chief Data Scientist at
Irrational Capital

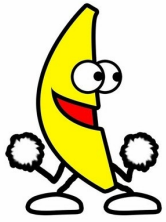


Andrew Beeli
Ops / Analyst

B.B.A. Finance &
Management (UK)

investment banking at
Stephens





WHAT DO WE DO?

Single-Factor Quant/Event Strategies (since 2008)

Long Fundamental Value (since 2008)

Long Community Banks (since 2009)

Traditional Long-Term L/S Factor Quant (since 2019)

Single-Name Shorting (since 2014)

Closed-End Fund Arb

Capital Structure Arb

Idiosyncratic Arb

Distressed Debt

Miscellany





WHY IS IT L-S QUANTISH HEDGE FUND TIME?

the “long” part of long-short is essential in the long run...



Politicians have learned that re-electability is maximized, and crisis severity (at least in the short-term) is minimized, by higher asset prices, which are trivially easy for policymakers to cause (in nominal dollars) over the long-term.





WHY IS IT L-S QUANTISH HEDGE FUND TIME?

But...equity valuations are on the full side.

How do you withstand inevitable bouts of volatility?



U.S. treasury bonds, previously the easy, liquid hedge to an equity portfolio, have been getting progressively more expensive for the past 40 years.





WHY IS IT L-S QUANTISH HEDGE FUND TIME?

As the market is largely dependent on Fed policy,
correlations between equities and bonds have turned positive

Reunited U.S. stocks, bonds 90-day correlation highest since 1999





IT'S A GREAT TIME TO GET A SHORT BOOK



**Russell 3000 Growth vs. Russell 3000 Value Index
2017 to 2020 was very anomalous**





IT'S A GREAT TIME TO GET A SHORT BOOK



**Russell 3000 Growth vs. Russell 3000 Value Index
dot com boom (left) vs. today (right)**





IT'S A GREAT TIME TO GET A SHORT BOOK



**Goldman Sachs Most Shorted Index (GSCBMSAL Index)
2008 to June 16, 2021**





IT'S A GREAT TIME TO GET A SHORT BOOK



Goldman Sachs Most Shorted Index (GSCBMSAL Index)
10-min periods, January 5, 2021 to June 16, 2021





IT'S A GREAT TIME TO GET A SHORT BOOK

**Institutional
Investor**

Portfolio

Corner Office

Culture

PORTFOLIO



Michelle
Celarier

Assets Have Tanked at Two of the World's Biggest Short Sellers

Jim Chanos' Kynikos Associates and Jim Carruthers' Sophos Capital got much smaller in 2020, according to new regulatory filings.

April 08, 2021



Jim Chanos, founder and president of Kynikos Associates. (Misha Friedman/Bloomberg)





IT'S A GREAT TIME TO GET A SHORT BOOK

**Institutional
Investor**

Portfolio Corner Office Culture



Michelle
Cotelier

PORTFOLIO

Assets Have Tanked at Two of the World's Biggest Short Sellers

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April 08, 2021



Jim Chanos, founder and president of Kynikos Associates. (Misha Friedman/Bloomberg)

Chanos, arguably the most well-known short seller in the world, lost more than 50 percent of its assets last year. Kynikos ended 2020 with about \$405 million in regulatory assets under management, down from around \$932 million the prior year, according to annual ADV filings with the Securities and Exchange Commission.

The long bull market has punished Chanos for years. In 2018, when *Institutional Investor* profiled him, Kynikos ran just under \$2 billion, having already lost almost three-quarters of his assets since the financial crash of 2008, when it ran \$7 billion.

Sophos had an even more dramatic decline than Kynikos.

The firm started 2020 as the world's largest short seller with \$1.16 billion in regulatory assets under management. But by year end, the firm was winding down some positions and scaling back, as *Institutional Investor* previously reported. Sophos ended 2020 with \$258 million, according to its ADV.





IT'S A GREAT TIME TO GET A SHORT BOOK

Percent of S&P 500 Index Component Market Cap Held Short



Source: Bloomberg BQL/Aristides Capital





THE EXPOSURES I MOST WANT NOW

for positive beta:

**Long businesses with sustainably strong ROIC and
attractive cash flow relative to their valuations
(*somewhat hard to find)**

**Long affordable call options on any reasonable asset
(e.g. July monthly SPY 425 calls at 11.98 implied vol)**





THE EXPOSURES I MOST WANT NOW

for negative beta:

POST-PUMP EPICENTER STONKS

Short perpetually unprofitable businesses >\$1 bil market cap which have mooned by overpromising to a gullible shareholder base and will underdeliver (position size is key to avoid being squoze)

Long affordable put options or put options structures on any very overpriced asset





THE BIGGEST BUBBLE STOCK OF ALL

Thematic/Growth-at-any-Price Institutional Investment

+

Promotional, Overpromising CEO

+

Retail Mania

+

Slow-motion Short Squeeze

+

Repeated Gamma Squeezes

+

\$65 Billion Dollar Volume in 1 Day

+

Up 2,444% in under 20 months





THE BIGGEST BUBBLE STOCK



+2,444% in under 20 months





THE BIGGEST BUBBLE STOCK



Trades at 12x EV/forward revs, on single digit op margin, in one of the most competitive, capital-intensive industries on earth, but allocators give you a dirty look for having a position, and ask “What edge could you possibly have?”





OLD GROWTH BUBBLE CHARTS



Cisco Systems





OLD GROWTH BUBBLE CHARTS



Broadcom





OLD GROWTH BUBBLE CHARTS



Apple





OLD GROWTH BUBBLE CHARTS



Qualcomm





NEW GROWTH BUBBLE CHART



Tesla





DYING BUBBLE CONSOLIDATION COMP?



Nasdaq Comp 2000 vs. Tesla 2021





RISKS TO OUR THESIS

chart analogies never work

Fed printing / QQQ tailwind

prolonged boom/new highs in shitcos

new large EV subsidies

Tesla retest to 780ish before failing

other





RANDOM TWITTER WISDOM



Dan McMurtrie
@SuperMugatu



Take: good short sellers, shorter term traders, ugly SMIDcap special sits, etc. are 100% going to smoke compounder bro long only next 5 years.

8:45 PM · Jun 16, 2021 · Twitter Web App





IMPORTANT LEGALESE

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QUESTIONS???



info@aristidescapital.com

