



Zentrum offers route to Asian specialist portfolio

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Hong Kong based Asian specialist multi-strategy manager Zentrum Capital Advisors achieved 32 per cent performance last year, sits in the top decile of Prequin's global multi-strategy league table and has a Sharpe ratio of 1.4.

Kevin Yuen founded Zentrum in 2010, having spent a career at Credit Suisse, BNP Paribas and Merrill Lynch. The fund has around USD70 million under management, drawn from family offices, high net worth individuals and funds of funds. The Zentrum team eat their own cooking with 25 per cent of the fund representing their own assets.

The portfolio leans towards China and Hong Kong but includes holdings in Japan and Australia.

"I have a unique experience in equity research and derivatives," Yuen says. "This means that I can do the fundamental as well as the technical side and pick all the good ideas that we know and understand using our own unique methodologies."

Asian markets are different, he says. "If you use the standard fundamental Western approach, it may not work as well in Asia where corporate governance is not up to Western standards. The market is not as transparent as the Western markets so it is difficult to rely purely on fundamentals."

The power of retail investors in Asian markets also means that the markets are very momentum driven.

The crash of Asian markets in 2016 saw Yuen sit in cash looking for stocks that were well supported as these stocks tend to be the future winners when the bear market ends.

"We waited for a good moment to come in internet, pharmaceutical, educational and consumer related stocks," he says, commenting that the Chinese government would like to have more of its own domestic pharmaceutical companies, rather than relying on foreign brands.

"We like sticky growth companies with business that keeps on increasing," he says. Other sectors include component manufacturers for smartphones and Chinese high-end liquor makers.

The portfolio is absolute return but has a long bias and is not market neutral. We use our own proprietary risk management model to adjust our equity allocation in order to achieve our capital preservation objective.

There are also some US stocks in the portfolio – global companies that are driven by demand in Asia or China, such as luxury goods or everyday household products such as baby milk powder. "You can't look at global companies without looking at China," Yuen says.

"We are focused on long term investors who are confident that we can sit in cash during bear markets, wait for the market to turn and be aggressive when the right time comes. It's the mix of investors that allows us to do that. We are not keen to grow assets under management just for the sake of it."

Morgan Stanley is their newly appointed prime broker and the fund could take on assets up to about USD400-500 million, Yuen says.

<https://www.alphaq.world/2018/03/26/262546/zentrum-offers-route-asian-specialist-portfolio>