

Silvercove Hard Asset gains +17.24% since Oct-09 inception by protecting capital and lowering volatility



Pace Goldman

Silvercove Hard Asset Fund is an onshore Canadian LP with \$21m of AuM, managed by [Silvercove Fund Management](#). The multi-strategy fund was launched in October 2009.

In an interview with Opalesque, Pace Goldman, Business Development Officer at Silvercove, said the fund [generated](#) +17.24% gains net of fees since inception in October 2009 (+2.07% in June) because of the managers' "sharpened focus on protecting capital and lowering volatility". Silvercove achieved double-digit returns compared to its

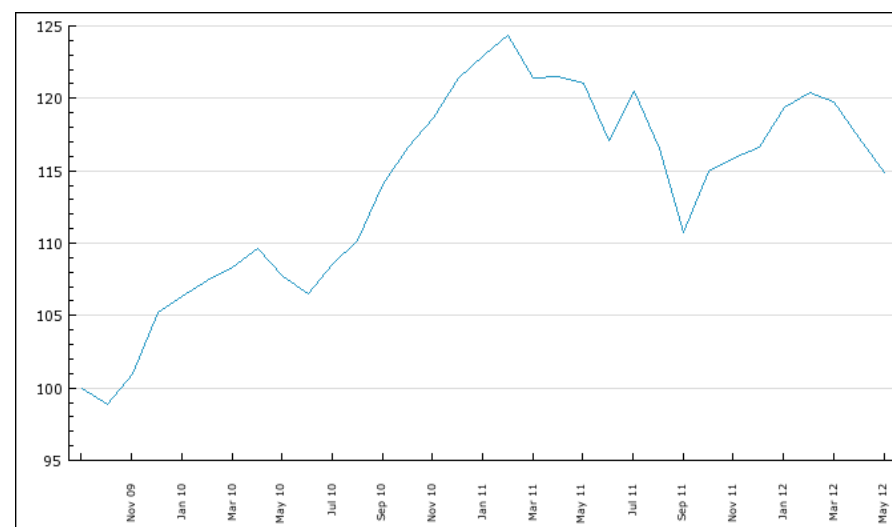
benchmark, the S&P/TSX Composite ("S&P/TSX") which gained +3.10% over the same period but with a standard deviation 64% higher at 12.5%.

The Silvercove Hard Asset Fund is currently featured in [Opalesque Solutions' Emerging Managers Database](#).

Goldman added, "Our strategy is performing as expected during the current period and we are up +0.56% year-to-date through the end of June in 2012, while the S&P/TSX Composite is down -3.00% YTD. We remain quite cautious and have been managing the book between 10-35% net long and with a healthy amount of cash to deploy into mispriced opportunities."

More importantly, Silvercove's investors earned +2.07% in June versus the S&P/TSX at +0.72%. The fund outperformed in six of the nine sectors that it invested in

during the month.



Silvercove Hard Asset Fund LP, performance from October 2009 to May 2012.

"With a net outperformance of more than 1400 bps, our fund is delivering more than 400bps of alpha per annum since October 2009," Goldman further said. "To further validate our performance, we back-tested this strategy since July 2002 to see how it would fare over a full 10-year period and the net result was even more compelling, i.e. our strategy results in both increased overall returns as well as lower volatility which, when combined, would have resulted in both superior absolute as well as superior risk-adjusted returns over the period."

Commenting on why the firm decided to choose the strategy, Goldman affirmed that his partners, Robert Waxman and Louis Goluboff, have been managing

capital since 2003. The experience they learned has taught them that protecting capital when the market is volatile should allow for both outperformance and lower volatility over the long term.

“The managers at Silvercove do not use leverage, which reflects their views that leverage adds risk and is fundamentally contrary to what they are trying to achieve”

“While many investors opt for passive strategies due to the low attendant fees, 2011 validated that selecting the right active manager is worthwhile. Looking back at 2011, our performance of -3.93% vs the -11.07% decline of the S&P/TSX Composite largely reflected the nature of our hedging process and its ability to reduce correlations between the investments and sectors in which we invest. Had an investor opted for a passive strategy versus our Fund in 2011, roughly half of their passive portfolio would have been comprised of investments that were highly correlated to each other resulting in virtually no diversification. Conversely, our hedging process resulted in lowering correlations across the portfolio with the proportion of highly correlated investments declining by 68%. Moreover, a full attribution of our 2011 returns revealed that our outperformance stemmed from a healthy mix of both stock selection and sector allocation, validating our abilities in both areas,” Goldman explained.

Offshore version coming soon

Currently, Silvercove is in the process of launching an offshore version of its fund to be domiciled in the Cayman Islands and is seeking between \$25m and \$50m of offshore seed capital (from one or more investors) so they could launch the fund in the fall 2012. For more information, please contact info@silvercovecapital.com.

This year, Goldman said the managers at Silvercove see the potential for the fund

to gain between 5% and 10% in 2012. “This would prove to be more challenging if the fund was down dramatically YTD but, given our fund’s current position at +0.56%, we don’t need to add much risk to the portfolio to achieve those numbers should the market gather steam. However, we still have 6 months to go and many uncertainties lie ahead so we remain cautious,” he concluded.

- Komfie Manalo, Opalesque Asia.

The Silvercove Hard Asset Fund can be found in [Opalesque Solutions’ Emerging Managers Database](#), which is available to Opalesque’ subscribers. You can subscribe here: www.opalesque.com/Subscribe-New-Managers.html

If you want your fund to be in the Emerging Managers Database, please send your fund’s details to: db@opalesque.com.