

**Ahuja, Maneet – The Alpha Masters**

John Wiley, 2012, [Finance] Grade ★★ ★

Maneet Ahuja has come from almost nowhere to fame after writing *The Alpha Masters: Unlocking the Genius of the World's Top Hedge Funds* describing the most famous hedge fund managers globally. Her ability to get access to these gentlemen and making interviews full of insights is nothing but remarkable. Ms Ahuja is born 1984 and has been covering hedge funds at CNBC since 2008. She is often delivering breaking news, the most recent example was in December 2012 when she was first to report that Bill Ackman had a short position in Herbalife and considered their business model to be a pyramid scheme.

Ms Ahuja starts out by giving the reader an account of who she is and how she managed to write this book. It's very interesting and impressive, to say the least. From there on she paints nine portraits of some of the most well-known hedge fund investors in several segments: long/short equity, global macro, distressed debt, activist and short only. Every chapter gives you a background of the alpha master, his upbringing, how he raised his first money and then presents you with some examples of how his strategy works. It's a very entertaining and easy to read concept, but often it's a little bit too much of background and too little alpha insight. The foreword is written by Mohamed El Erian and the afterword by Myron Scholes.

The alpha masters have truly outstanding track records. I knew of all but one of them before and in various ways I have followed their success. My favourites, both before and after reading the book, are Ray Dalio and David Tepper. These two chapters stand out from the rest so I will focus on them below.

Ray Dalio is probably the world's most famous hedge fund manager and of the most famous money manager all categories. The chapter about him is worth the entire book, not least his

personal story - how he became who he is. He is (in)famous for the white paper *Principles*, which is made up of 200 life- management- and investment guidelines. It's all about pursuing the truth and learning from mistakes. In 2004 Mr Dalio wrote *Engineering Targeted Returns and Risk* where he describes something that he calls Post modern portfolio theory, which he used when he launched his All Weather Portfolio. Over its life span it has outperformed the regular 60/40, stock/bond allocation with less than half the risk. What is behind his fantastic achievements? Dalio and Bridgewater are doing a lot of quantitative research, but they do not simply look at it from a purely mathematical point of view but also make sure that the underlying drivers of investment ideas truly are uncorrelated. Dalio thinks that the best mix of assets is an amalgam of different things, currencies, bonds and common stocks. His focus is on finding 15 or more good uncorrelated bets and leverage these three to four times. This is his recipe for a very good risk adjusted return.

David Tepper has returned an average of 28 percent net of fees since 1993, albeit with high volatility. His fund Appaloosa has lost around 25 percent three times and made it up in six months every time. Why does he himself think he has been so successful? Key is to be value oriented and to not be afraid of losing money. Some of Tepper's best positions were the ones he initially lost a lot of money on. The reason he can pursue this strategy, which very few can, is his set up. 55 percent of his firm's assets are held by himself and his partners and he is allowed to lock up 75 percent of the assets for a period of up to three years. Most cannot accept this withdrawal optionality, those who can do constitute a very stable client base that facilitates rational asset management. I really look forward to whatever Ms Ahuja is up to next.

Bo Börtemark, January 15, 2013