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3G, BTG Veterans Take Surf Survival Tips to Rio-Based Hedge Fund

- Mar Asset Management has returned 30% since inception in 2019
- Rio-based fund treats market like sea: 'You can't control it'

By Felipe Marques

(Bloomberg) -- One of the newest hedge funds in Rio de Janeiro is run by a trio of die-hard surfers who know how to bounce back after a wipe out.

Aptly named Mar Asset Management (mar means sea in Portuguese), the firm was founded by veterans of Banco BTG Pactual SA and 3G Capital and is now outperforming the sector, even after its single hedge fund product tumbled 26% in March. The Mar Absoluto FIC FIM fund erased those losses and is up 4.74% year to date, while the nation's 185 biggest hedge funds are down 0.6% on average, according to data provided by Bloomberg.

Founders Bruno Coutinho, Philippe Perdigao and Luis Moura -- who years ago bonded on a surf trip to the Maldives and in 2019 founded the hedge fund -- credit an investing philosophy honed while navigating choppy waters and big waves.

"The sea metaphor works well in times like this," said Coutinho, 40, chief executive officer of Mar. "You can read the sea, but you can't control it. You have to observe, react."

Going into the global pandemic that triggered lock-downs and market chaos, Mar had to quickly jettison the fund's optimistic stock holdings in favor of fixed income. Some sectors, like shopping malls, were completely abandoned, Perdigao said. Betting on falling Brazilian rates was key for the fund's recovery, Coutinho added.



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Coutinho and Perdigao were introduced by Moura, 50, previously a founding partner at Jorge Paulo Lemann's 3G Capital who used to organize a yearly trip to the Maldives with surfer friends. Later, they started sharing office space in in the posh beach-front neighborhood of Leblon and managed mostly their own money.

Coutinho had spent 17 years working at BTG Pactual, mostly as a fixed-income trader with stints in Mexico and Argentina, where he helped start the bank's operations. Perdigao, 34, was coming off of 13 years managing equity portfolios at Brazil's Opportunity Asset Management. Moura is now a board member.

They spoke during an interview first at their headquarters in January and then in followups via video conferencing.

The building where Mar is housed has an open floor plan, with a single trading desk and hints of the founders' love of surfing and the sea are scattered about. There's a trophy with a surfer on it (Coutinho used to surf competitively), as well as Ray Dalio's "Principles" side by side with Ernest Hemingway's "The Old Man and the Sea."

'Outlet to Survive'

While the newbie firm only has 192 million reais (\$38.9 million) in assets under management, with a seven-member team, it's seeking to ramp up AUM to 1 billion reais by the end of 2021, Coutinho said. Since inception, it's returned 30% using a mix of macro and long-biased strategies, compared with a 7.1% return of its benchmark.

Mar's equity holdings now favor stocks they think will emerge stronger as Brazilians hunker down at home, like e-commerce retailer B2W Cia. Digital and cosmetics maker Natura & Co., or that will find less competition once it's all over, including BK Brasil Operacao e Assessoria a Restaurantes SA, which runs local Burger King franchises, Perdigao said.

"For the e-commerce firms," Perdigao said, "the past three months were like three years of growth."

Still, even with the recent recovery, Mar is holding back on adding too much risk, expecting a possible second wave of coronavirus infections as social distancing measures are eased. "It's all still very muddy to take on significant risk in the portfolio," Moura said. The firm is focused on new treatments for the illness, which could spark market rallies.

And as for surfing? That's been a challenge during quarantines as local beaches have been closed, but Coutinho has found a workaround with early morning surf sessions in nearby Buzios.

"You have to have an outlet to survive," he said. "Surfing calms the mind, helps you think when things are too intense."

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