



David Dattels
President and
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**NEWGEN ASSET
MANAGEMENT**

Years in the industry

17

Fast fact

NewGen's Alternative Income Fund follows an opportunistic, multi-strategy approach in pursuit of yield and enhanced alpha

■ **Q&A**

Tapping Canada's alpha potential

● **What do you think the new liquid alts regulations will mean for Canada's hedge fund industry?**

Raising capital is very challenging for hedge funds in Canada, so there's a huge opportunity to tap into a new pool of investors. Yes, there will be new competition from the mutual fund companies, but some of the more specialized niche funds should be able to differentiate themselves pretty quickly. For example, shorting is more than just hiring an analyst to identify expensive stocks to bet against; it's a very unique field of expertise, which we think we've done a very good job demonstrating at NewGen.

● **Part of your fund's multi-strategy approach involves pursuing short-term trading opportunities, which some say can never beat betting on the market. What would you say to those critics?**

Perhaps that's true in the US and other more competitive markets, but Canada's hedge fund industry is very small relative to other major global financial centres. Almost all of Canada's institutional AUM is in the hands of slow-moving, long-biased mutual funds and pension funds, which tend to crowd into the most liquid large-caps and adopt a very long-term focus. Add in the major adoption of passive strategies as well as ETFs, and you have an environment where very few care about the short term. That very unique structural market imbalance in Canada creates a huge amount of alpha potential from short-term trading.

● **What impact has the return of volatility had on short-selling strategies?**

It hasn't really impacted our short strategy. We think Canada is ripe for shorting for a few reasons. First, there are very few institutions that focus on shorts. Second, there is a considerable bias in equity research because of the competitive banking nature of our capital markets. And third, there is the crowded positioning I mentioned because of the lack of depth in Canada. That creates a great setup, which doesn't change with volatility.

● **Can you talk about the investment opportunities and benefits developing in Canada's dividend space?**

After reaching our AUM capacity in our first fund, we began evaluating other segments within the Canadian market that offer the same inefficiencies and opportunities for alpha. We gravitated toward yield because it is such an important component of a balanced portfolio. Historically, the big mutual fund companies have dominated the space, but there's considerable overlap among the top holdings of the products they offer. Meanwhile, we see a huge opportunity in the more overlooked small- and mid-cap yield space, which offers more income and greater alpha potential when combined with a disciplined stock-picking approach.