

Kairos flies high with Pegasus long/short equity, event fund

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A new strategy from one of Europe's oldest hedge fund firms is emerging as one of the star performers in a tough year – with Kairos Partners' new Pegasus event-focused long/short equity fund up by 44% to the end of October after rising 7% in a month when many other equity and event funds stumbled.

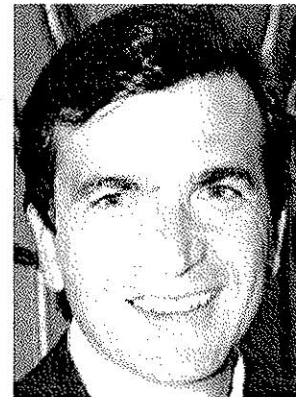
The Kairos Pegasus Fund, which launched at the beginning of this year, is a concentrated long/short equity strategy focused on soft-catalyst special situations and corporate actions – mainly targeting mid and large-cap European securities, but also allocating to global markets on an opportunistic basis.

The strategy is rooted in bottom-up fundamental research, running a tight portfolio of 40-50 positions both long and short. Stocks are picked to be profitable on both sides of the portfolio and a near-term catalyst is required for a position to be a top portfolio holding.

The exposure is unconstrained – with the net ranging from 20% to 80%, and the gross from 150% to 300%. The short book is constituted primarily by single-stock positions, selected to make money rather than as portfolio hedges – while the core stock-picking approach is supported by active risk management and the use of derivatives for tactical and hedging purposes.

The fund – which is run from the London-based investment management arm of the Kairos Group – is already managing assets of around €100 million. It is the latest addition to the range of single-strategy hedge, long-only and multi-manager strategies run by Kairos – which was one of the pioneers of the European hedge fund industry, launching its first long/short European equity fund in 1999.

The firm, in which Julius Baer has a 19.9% stake, has grown to manage over €6.5 billion of assets since its inception 15 years ago by a group of ex-Warburg equity specialists led by its founder Paolo Basilico.



Paolo Basilico