

ADFW

ABU DHABI FINANCE WEEK

27-30 NOV | 2023

- Venue: ADGM, Abu Dhabi, UAE
- Asset Abu Dhabi GP x LP Programme
27th Nov, 2023
- International Family Office Congress
28th Nov, 2023



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Prentice Capital Management's long/short strategy began in 2009 and invests in the U.S. consumer sector. Prentice pursues a fundamentally driven, value-oriented research strategy, managed in a low-net long/short equity-only portfolio by PM Michael Zimmerman, formerly of S.A.C. Capital (now Point72) and Omega Advisors. Prentice benefits from Michael's 25+ years of experience as a U.S. consumer specialist, who has successfully married "deep-roots" research with catalyst investing, producing strong risk-adjusted returns with little or no correlation to equity markets.

Prentice approaches stock selection with a contrarian bend, focusing on less trafficked, lightly covered names, where an intimate knowledge of company and industry fundamentals is required to identify approaching catalysts for change. Performance is driven primarily by idiosyncratic stock selection, long and short. Prentice typically manages a concentrated portfolio of often-overlooked consumer stocks, with 20-25 longs and 20-35 shorts.

The long book focuses on out-of-favor names with depressed margins, historically cheap valuations, and a satisfactory balance sheet. Companies that were once considered great but have since struggled for various reasons, however, now present with an impetus for change, often led by new management teams, as a key for generating materially higher stock prices.

While long positions have limited downside and infinite upside, shorts are quite the opposite. However, shorting is a core competency vital to creating alpha and dampening volatility.

Prentice underwrites a short where the risk-reward is one which yields a 20% return when the thesis is correct, and a loss of 10% if wrong (within two quarters or 3 to 6 months). The actual return for a short position is usually less than the targeted returns from the long book. However, the time horizon for a short is much less; thus, the IRR is similar in many cases.

Prentice's short book consists of stocks that typically have low short-interest ratios. Therefore, they are not congested and often are in industries where the volatility is insignificant. This approach yields a far less risky method of shorting, yet when done well, it can provide better risk-adjusted returns, reduce volatility, and protect the downside.

Having spent decades looking at the market through a differentiated lens, while managing a concentrated portfolio that generally has little position overlap with other hedge fund managers, has paid off, as demonstrated by our historical performance.

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Michael J.
Zimmerman
Founder and CEO

Michael J. Zimmerman is a highly accomplished professional with extensive experience in the finance and investment industry. As the Founder and Chief Investment Officer of Prentice Capital Management, LP, a hedge fund specializing in the U.S. consumer/retail sector, he has been responsible for all aspects of the fund's operations since May 2005. This includes making investment decisions, managing risk, and overseeing the portfolio. Zimmerman is known for his deep primary research on companies in the U.S. consumer/retail sector, and he has held board memberships with notable firms like GAIAM, Delia's, Wetseal, Kid Brands, and It's Sugar.

Before establishing Prentice Capital Management, Zimmerman worked at SAC Capital Management as a Portfolio Manager from 2000 to May 2005, focusing on retail and consumer products. His role involved actively managing a substantial portfolio and leading a team of analysts to conduct research within the consumer/retail sector. Prior to this, he served as a Portfolio Manager at OMEGA ADVISORS, INC. and as an Investment Analyst at LAZARD ASSET MANAGEMENT LLC, where he specialized in the same industry sectors.

Michael J. Zimmerman's diverse background also includes a career as a professional tennis player on the ATP Tour from June 1992 to 1995. He graduated from Harvard University with a Bachelor of Arts in Economics in 1992, where he was the Captain of the Harvard Tennis Team and earned the distinction of being an All-American. Michael Zimmerman's expertise in finance, strong leadership, and investment acumen make him a notable figure in the field.