Di*worse*ification

How Investors Can Avoid the Scourge of Overdiversification with Best Idea Funds

Kyle Mowery

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Preface

"Wide diversification is only required when investors do not understand what they are doing. Diversification is a protection against ignorance. It makes very little sense for those who know what they're doing."

– Warren Buffett, Berkshire Hathaway

Active investment managers overuse the concept of diversification in the name of safety. Many active managers overdiversify their funds to reduce portfolio volatility, which in turn reduces the business risk of the active manager at the expense of clients' return. This di***worse***ification has a deleterious effect on portfolio performance as active managers become closet indexers with high fees.

Best idea fund managers realize exemplary investment performance results from security selection and effective position sizing. When hiring an active manager, investors should demand nothing less than skilled capital allocation to the managers' best investment ideas. Active managers must add value by selecting attractive risk-adjusted investments without over diversifying investment portfolios.

Two quick notes as we dive in: First, this piece is written by an active investment fund manager for fellow practitioners, investors, and asset allocators. As such, the author assumes readers have strong investment acumen yet little desire to become bogged down in theory and/or academic formulae.

Secondly, this piece assumes that investors attempt to maximize long-run investment performance net of fees. Focus on other performance metrics (such as short term Sharpe Ratio) may influence the efficacy of a best idea strategy.

The Problem: Overdiversification

US stocks returned roughly 16% in 2012, yet hedge funds in aggregate returned just 6.16%. While many hedge funds are not designed to beat the stock market during strong years, the disparity is striking. Active mutual funds did not perform much better. Per Goldman Sachs, "65% of large-cap core, 51% of large-cap growth, 80% of large-cap value, and 67% of small-cap mutual funds underperformed their respective benchmarks." While these returns are for just one year, the results are emblematic of a troubling trend: active managers often fail to outperform their benchmarks and targets.

Can active managers simply not generate alpha?

Many academics and some practitioners postulate that active managers cannot select market-beating investments. Yet according to researchers at Harvard Business School and the London School of Economics, active managers produce statistically significant positive alpha with their top five investments yet little to no alpha with the balance of their portfolio. This 2009 study entitled "Best Ideas" emphasizes that portfolio composition is to blame for underperformance as returns from the top five best ideas are diluted by investments with no alpha. (Study is discussed in detail later in this piece.)

So if active managers can select investments that create alpha, why do so many chronically underperform?

"As a result of ***overdiversification***, their (active managers) returns get watered down. Diversification covers up ignorance. Active managers haven't done enough research into any of their companies. If managers have 200 positions, do you think they know what's going on at any one of those companies at this moment?"

– Bill Ackman, Pershing Square

"Diversification for its own sake is not sensible. This is the index fund mentality: if you can't beat the market, be the market. Advocates of extreme diversification—which I think of as ***overdiversification***—live in fear of company-specific risks; their view is that if no single position is large, losses from unanticipated events cannot be great. My view is that an investor is better off knowing a lot about a few investments than knowing only a little about each of a great many holdings. One's very best ideas are likely to generate higher returns for a given level of risk than one's hundredth or thousandth best idea."

– Seth Klarman, Baupost Group

The cult of academics and ne'er-do-wells drone on about diversification. Over time the cult of diversification has lulled investors into simply nodding in agreement when the subject is praised. **Yet, investors who see diversification as a savior subject themselves to a tremendous scourge of lower returns from excess diversification.** Academics and active managers who do not implement the best ideas concept are smart, capable individuals who unwittingly set up investors for failure.

By including many lesser conviction investments with a handful of "best ideas" the only thing active fund managers create is a high-cost portfolio with little chance of outperforming. It's little wonder that average active mutual funds underperform their benchmark by the amount of their fees over the long term!

Why do active managers overdiversify their funds?

"The average mutual fund that holds 150 names goes that far out on the spectrum more for business reasons than for performance reasons. This is a profession where managers focus a lot on the question: 'What mistake would it take to get me fired?' The answer usually centers around underperforming by a certain amount, so they develop a strategy to minimize the probability of that outcome."

- Bill Nygren, Oakmark Funds

Many active managers overdiversify their funds to reduce portfolio volatility, which in turn reduces the business risk of the active managers at the expense of clients' return. Active managers are afraid of underperforming and losing clients. The desire to mollify business risk motivates active managers to take diversification past its logical extreme and dilute their value proposition to clients.

While overdiversification may reduce short-term business risk, the strategy virtually assures long-term underperformance as overdiversified managers become "closet indexers" while charging active fees. Active managers should put client interests ahead of their own by refusing to overdiversify their portfolios. Active fund managers succeed in the long-term by building strong long-term track records through exceptional security analysis and portfolio management.

What is the optimal response from investors and asset allocators?

When hiring active managers, investors should focus on active managers who skillfully allocate capital to their best investment ideas. Passive investment options are widely available to investors who want market returns with low fees. Active managers must add value by acting in clients' best interests by allocating capital to attractive risk-adjusted investments to increase returns and more than justify fees.

The Solution: "Best Idea" Funds

"The idea of excessive diversification is madness. Wide diversification, which necessarily includes investment in mediocre businesses, only guarantees ordinary results."

- Charlie Munger, Berkshire Hathaway

What is a "best idea" fund?

Quite simply, a "best idea" fund is an active investment vehicle that allocates significant capital to a manager's most attractive risk-adjusted investment ideas while diversifying away significant idiosyncratic risk. (Idiosyncratic risk only applies to an individual company or project and has no correlation to market risk.)

The exact number of investments a best idea fund requires depends on investment correlation and will vary by asset class. For example, 20 US stocks may diversify 80% to 90% of a portfolio's idiosyncratic risk; other asset classes may require additional or fewer positions for effective diversification. The key to best idea funds is for active managers to maximize the percentage of capital allocated to top investment ideas.

A best idea fund will not beat the market every quarter. A best idea fund may take a drawdown on an investment with conviction. This is part of the process. Yet, focusing on top investment ideas is the ideal way for active managers to outperform indices and peers over the long term. **As such, investors evaluating a best ideas active manager ought to assess process in the short term and performance in the long-term.**

Principles in Practice: Fairholme Funds Investment in AIG

Morningstar's Mutual Fund Manager of the Decade for the 2000s, Fairholme Fund's Bruce Berkowitz, is a believer in best idea investing. In 2012, Berkowitz had over 1/3 of his fund invested in the equity of AIG. Placing 1/3 of a fund's capital represents a decisive "bet the firm" moment. If Berkowitz was wrong about AIG he likely would have lost a large share of his firm's assets under management.

Berkowitz put his clients first by doing his homework, finding an extremely attractive security and allocating significant capital to the opportunity. In so doing, Berkowitz and his clients were rewarded with a 33.6% return in 2012.

What type of funds can benefit from utilizing best ideas?

"The right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes. It is a mistake to think that one limits one's risk by spreading too much between enterprises about which one knows little and has no reason for special confidence."

- John Maynard Keynes

Active funds with mandates to outperform a benchmark or provide excellent long-term, risk-adjusted returns will benefit from the best ideas concept. However, implementing the best idea fund concept may not be ideal if funds are attempting to execute an absolute return or low volatility strategy. Among funds whose mandate is to maximize risk-adjusted returns both mutual funds and hedge funds benefit from the best ideas concept.

Mutual funds are beginning to embrace the concept of best ideas via the concept of active share. In 2006, Martijn Cremers and Antti Petajisto of the Yale School of Management released a paper, which assessed US equity mutual funds from 1980 to 2003 comparing active share with performance. Active share is defined as the share of portfolio holdings that differs from the benchmark index holdings. Cremers and Petajisto conclude **"Active Share predicts fund performance: funds with the highest Active Share significantly outperform their benchmarks, both before and after expenses, and they exhibit strong performance persistence. Non-index funds with the lowest Active Share underperform their benchmarks."** This makes intuitive sense: active managers who are "closet indexers" will perennially underperform due to fees and a lack of value creation through security selection.

The concept of best ideas also applies to hedge funds. Making broad statements about diversification in hedge funds is difficult as fund types, goals, and benchmarks diverge considerably. However, there are three key differences between hedge funds and mutual funds worth highlighting.

First, hedge funds typically sell short securities which offset the market risk deemed "un-diversifiable" under the assumptions of Modern Portfolio Theory. As such, hedge funds can reduce market effects as much or as little as desired.

Secondly, a common anecdote from hedge fund investors and asset allocators is that they prefer fewer total positions and more capital concentrated in best ideas. When pressed, hedge fund allocators agree that doing so increases a fund manager's business risk. (As discussed later in the piece, there are ways to effectively mitigate this risk.)

Lastly, hedge fund managers charging performance fees have asymmetric payoffs which favor volatility. A concentrated hedge fund with high volatility favors the manager during periods of strong performance. Hedge fund investors and managers should structure reasonable arrangements (such as a high water mark and/or a hurdle rate) to allow investors to capture alpha generated by a manager's best ideas.

Principles in Practice: GrizzlyRock Application of Best Idea Concepts

At GrizzlyRock we have historically averaged 22 best idea investments at one time (inclusive of long and short positions). This number allows effective diversification yet focuses our efforts on best ideas.

With respect to performance fees, we implement a reasonable hurdle rate along with a high water mark to ensure clients are compensated first and only then are we rewarded for success.

Wouldn't a best idea fund contain more risk?

Academics and some asset allocators define risk as volatility. The more the prices move the greater the "risk." Limiting price movements is rational in certain situations (such as a pension plan which needs to utilize principal over the next few years). However, to maximize long-term portfolio performance this definition of "risk" is short sighted.

At GrizzlyRock, risk is defined as "the probability of permanent capital impairment." Taking steps to understand investments in depth reduces the chance that capital will be lost to market price movements. **Volatility does not imply risk – in fact upside volatility is called "alpha"!** Arguably the best active manager of all time, Warren Buffett, summarizes this concept: "I'd take a lumpy 15% return over a smooth 12% return."

Principles in Practice: A Decline in a Security's Price is not "Risk"

During the late summer of 2011, risk markets declined as US debt was downgraded from AAA to AA+. As equity price declines continued in September 2011, Berkshire Hathaway declined nearly 20% year-to-date and was trading at 1.2x book value for a company worth significantly in excess of 1.2x book value.

This was music to the ears of many active managers. Executing a simple strategy of purchasing more Berkshire Hathaway shares as prices fell was rewarded when Berkshire announced a repurchase program at 1.1x book value, effectively putting a floor on the stock price.

While the return for Berkshire Hathaway shareholders who purchased additional shares during the summer of 2011 was lumpy over the full year, managers who did so ultimately prevailed for clients by assuming judicious risk regardless of irrational pricing in securities markets.

From an investment allocator's perspective, paying underperforming active managers with overdiversified or "closet indexed" portfolios is risky. The corollary is selecting focused mangers to reduce the risk of failing to meet long-term investing goals.

Benefits of Moderate Diversification (As Opposed to the Perils of Overdiversification)

"Diversification (is defined as) ownership of many rather than a small number of securities. The goal of diversification is to limit the risk of company-specific events on one's portfolio as a whole."

– Seth Klarman, Baupost Group

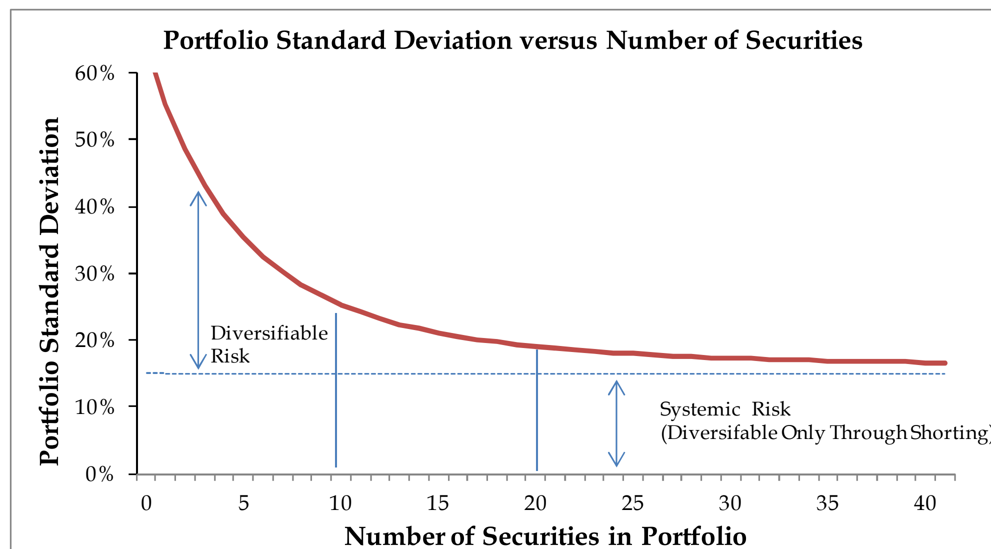
Benefits of Moderate Diversification

"Divide your investments among many places, for you do not know what risks might lie ahead."

– King Solomon of Judeo-Christian writings

Investors benefit from moderate diversification yet are made decidedly worse off when over diversification dilutes strong security selection. Moderate portfolio diversification involves holding a variety of uncorrelated investments. The rationale is a portfolio with a myriad of various return drivers will, on average, pose lower risk than any individual investment found within a portfolio. Moderate diversification of assets is seminal to long-term investment success. David Swensen, the highly regarded manager of the Yale University endowment, mentions diversification as "the only free lunch investors have."

Moderate diversification is achieved by compiling uncorrelated assets in order to diversify away idiosyncratic ("diversifiable") risk leaving portfolios with systemic ("market") risk. The following chart from Franco Modigliani demonstrates this principle. As the number of securities increase to 10, much of the diversifiable risk is mitigated. At 20 securities, the vast majority of idiosyncratic risk has been diversified out of the portfolio.



Reducing Correlation: How Much is Enough?

"By holding uncorrelated assets, I can improve my risk / return ratio by a factor of five through diversification."

– Ray Dalio, Bridgewater Associates

GrizzlyRock Capital invests utilizing fundamental business valuation methodologies. In order to minimize portfolio correlation, GrizzlyRock Capital invests in businesses with divergent industry and business drivers as well as long and short investments. As demonstrated below, these 14 long equity investments are quite diverse and have vastly divergent idiosyncratic risks.

Principles in Practice:
GrizzlyRock Capital's Model Long Equity Portfolio at 1/31/13 (1)

Investment	Market Capitalization	Investment Type	Industry
1	Large Cap	Value	Property & Casualty Insurance
2	Large Cap	Value	Multiple
3	Small Cap	Value	Real Estate Brokerage Franchisor
4	Mid Cap	Event Driven	Life Insurance
5	Small Cap	Value	Ship Building & Repair
6	Mid Cap	Event Driven	Life & Mortgage Insurance
7	Small Cap	Value	Asset Management
8	Small Cap	Value	Vehicle Security & Location
9	Small Cap	Value	Urological Product Distribution
10	Small Cap	Event Driven	Canadian Education Supplier
11	Small Cap	Value	Television Broadcasting
12	Mid Cap	Value	Specialty Chemical Manufacturing
13	Large Cap	Event Driven	Media & Telecom
14	Mid Cap	Value	Business Services

(1) Specific investments not disclosed due to proprietary nature of research. Additionally, corporate credit and equity short positions decrease portfolio correlation (not shown for simplicity).

However active portfolios are constructed, fund managers add investments with unique return drivers and risk factors to diversify risk and increase probabilistic long-term return. Regardless of how active managers achieve portfolio diversification, moderate diversification is unequivocally beneficial.

Academic Research Regarding Overdiversification

"Overdiversification does not imply meaningful risk reduction and leads to diminished returns and in extreme cases death of the fund."

– Stephen Brown, Professor of Finance at NYU Stern

Harvard Business School's Randy Cohen along with Christopher Polk and Bernard Stilli from the London School of Economics undertook an in-depth analysis of the components of active manager return. Their work, entitled "Best Ideas" released in 2005 and updated in 2009, tracked all actively-managed US mutual funds larger than $5 million dollars from 1990 through 2005. As stated at the beginning of this piece, the authors found **statistically significant outperformance for an active manager's top five stocks including outperformance of one to four percentage points per quarter for an active manager's highest conviction investment.**

One excellent question regarding this research is: how did the researchers identify active manager's ex ante top ideas? Researchers focused on a manager's highest conviction ideas corroborated by multiple methods including the investment's comparable portfolio weighting, recent trades, and the manager's willingness to discuss (where applicable).

The paper then went on to prove "the typical (active) manager has a small number of good ideas that provide positive alpha in expectation, the remaining ideas in a typical managed portfolio add no alpha at all." **Managers include the low-conviction, no-alpha positions as a volatility reduction method, which may increase the portfolio's Sharpe Ratio, yet the "typical investor is made worse off" according to Cohen, Stilli, and Polk.**

Cohen, Polk, and Stilli's conclusion is directly in line with the best idea fund concept: "We argue that investors would benefit if (active) managers held more concentrated portfolios." Lastly, the authors recommended investors allocate capital across multiple funds, each utilizing a less-diversified, best idea framework. In this manner, investors can ideally access each manager's alpha generating positions while reducing capital allocation to low-conviction, no-alpha ideas.

Best Idea Position Sizing

What investment is more appealing? A 50% chance for a 13.6% gain with a 50% chance of a 10% loss or a 50% chance for a 30% gain with 50% chance of a 10% loss? Pretty obvious, right? But this mathematically implies the difference between a 2.0% position and a 5.0% position. How does that work?

Mathematically optimal position sizing can be determined by the Kelly Growth Criterion. This simple formula determines mathematically optimal allocations to maximize long-term portfolio performance given each investment's probability of success ("edge") compared to the amount of potential gain or loss ("odds"). The formula below assumes a bimodal outcome of success ("base case") or failure ("stress case") over a single time period.

$$\text{Kelly Growth Criterion Allocation} = \frac{\text{Edge}}{\text{Odds}}$$

The formula's power lies in considering both the chance of success and payoff offered. For example, the formula suggests a large investment if you have either a significant edge given reasonable odds, or exceptional odds offsetting a moderate chance of success.

How Can the Formula be Applied to Investing?

When applied to investing, the Kelly Growth Criterion formula has six inputs. First is simply portfolio size. Second is the amount of capital the portfolio will risk in the pursuit of gain: the maximum tolerable drawdown. For a venture capital group this figure (as a percentage of assets) will be high while a conservative pension plan would be willing to risk much less. Portfolio size and maximum tolerable drawdown remain constant for each portfolio analyzed regardless of specific investment opportunities.

Next come four factors regarding the investment itself: the probability of gain in a base case, probability of loss in a stress case, percent of projected gain in the base case, and percent of projected loss in the stress case.

$$\text{Kelly Growth Criterion Portfolio Allocation} = \left(\text{Portfolio Size} \times \text{Maximum Portfolio Drawdown Tolerable}\right) \times \left(\text{Probability of Base Case} - \frac{\text{Probability of Stress Case}}{\left(\frac{\text{Gain in Base Case}}{\text{Loss In Stress Case}}\right)}\right)$$

Using the Kelly Growth Criterion to Size Best Ideas

The Kelly Growth Criterion suggests a 5.0% allocation in the following two scenarios. First, an investment that offers a 50% chance to gain 30% with a 50% chance to lose 10% (Investment A in the diagram below) justifies a 5.0% allocation. Alternatively, the Kelly

Formula also justifies a 5.0% allocation to an investment with a 2/3 chance of success with equal chances to gain or lose 20%. (Investment B).

Kelly Growth Criterion: 5.0% Portfolio Allocation		
Portfolio Size	$100,000,000	
Maximum Tolerable Drawdown	15%	
	Investment A	**Investment B**
Probability of Base Case	50.0%	66.7%
Probability of Stress Case	50.0%	33.3%
Gain In Base Case (% of Capital Allocated)	30.0%	20.0%
Loss In Stress Case (% of Capital Allocated)	10.0%	20.0%
Kelly Suggested Allocation ($)	$5,000,000	$5,000,000
Kelly Suggested Allocation (%)	5.0%	5.0%

The above investments are emblematic of the type of situations active managers strive to own in their portfolios. At GrizzlyRock, we treasure investments with these return profiles.

By definition, a fully invested portfolio with 20 investments must average 5.0% allocation per idea while a portfolio with 50 investments must average a 2.0% allocation per investment. However, many active managers own 50 or more assets. While theoretically possible that active funds require 50 investments to achieve diversification, what is more likely is the manager has poor conviction or unattractive ex-ante investment prospects.

What allocation would the Kelly Formula suggest for a less attractive investment? As shown below, an investment with no edge (probability of success versus failure) and 13.6% gain versus 10.0% loss is allocated 2.0% of the portfolio.

Kelly Growth Criterion: 2.0% Portfolio Allocation	
Portfolio Size	$100,000,000
Maximum Tolerable Drawdown	15%
Probability of Base Case	50.0%
Probability of Stress Case	50.0%
Gain In Base Case (% of Capital Allocated)	13.6%
Loss In Stress Case (% of Capital Allocated)	10.0%
Kelly Suggested Allocation ($)	$2,000,000
Kelly Suggested Allocation (%)	2.0%

As shown above, these odds are hardly the makings of a scintillating investment. Are these the types of scenarios active managers are looking for? **If the majority of a portfolio is dominated by 2.0% positions the manager either has no great ideas or they are diluting their research impact on the portfolio via overdiversification.**

Kelly Growth Formula Limitations & Mitigants

(1) Ex-ante input assumptions are inherently imprecise: As with any model, the formula is only as good as its inputs. How can allocators know beforehand whether an investment has a 50% or a 60% chance of success? This input must be estimated without an ability to determine the efficacy of the estimate ex-post facto.

The simplicity and power of the formula is a double-edged sword. If investment allocators systematically overestimate the probability of success, long-term return will be hampered. The offset of this risk is to estimate projected gains and success probability conservatively. If allocators error on the conservative side, the model will allocate smaller amounts to each investment. This is perfectly acceptable given the model's proclivity to encourage substantial position sizes.

(2) **The formula cannot account for correlation:** The Kelly Growth Criterion accounts for an investment's specific edge and odds. As such, the formula cannot address the relationship between portfolio investments and thus does not account for correlation.

There are two mitigants for this risk: (1) Invest in securities with divergent risk factors. If a manager's edge in each investment is not correlated, the formula will provide a strong outcome at a portfolio level. (2) Akin to the mitigants for imprecise input assumptions, estimating a conservative edge and odds for each investment will decrease position sizing in any one security. By avoiding the weaknesses of the Kelly Growth Criterion, the robustness of the formula is enhanced.

(3) **The formula assumes a single time period while portfolios are managed dynamically:** The Kelly formula assumes a bimodal outcome, success or failure. Portfolio managers often confront prices that meander towards their eventual outcome over time. As prices change, position sizes will be suboptimal at various times. To compensate for the model's simplicity, allocators should specify a time horizon before applying the Kelly formula. For example, if hiring a private equity fund manager with an investment horizon of 10 years your Kelly Growth formula will utilize a longer time frame than if you are a trader.

Principles in Practice: Kelly Formula Implementation at GrizzlyRock

At GrizzlyRock Capital we employ a long-term, fundamental value methodology. As such, we utilize a period of multiple years when applying the Kelly Growth Criterion. We calculate the value of a business using an upside, base, and stress case then utilize the base and stress case forecast in the Kelly formula.

This conservatism allows position sizing to err on the safe side – effectively implementing prudent diversification as appropriate without diluting the impact of our investment research and security selection.

Implications for Investors & Asset Allocators

"We don't believe that widespread diversification will yield a good result. We believe almost all good investments will involve relatively low diversification."

- Charlie Munger, Berkshire Hathaway

For investors and asset allocators the recommendations are fairly straightforward.

(1) Hire Active Managers Who Implement a Best Idea Approach: Select managers with proven skill in selecting attractive investments and adding alpha to portfolios. Structure your investment portfolio so each manager has moderate, yet not excessive, diversification.

(2) Hire Multiple Best Idea Managers: To maximize long-term portfolio returns using best idea funds, asset allocators ought to utilize multiple managers to moderate the inevitable outperformance and underperformance during individual time periods. Doing so will increase an investor's Sharpe Ratio. Secondly, assess managers over a long enough time so that skill becomes evident as opposed to luck. Once hired, provide managers sufficient time for their skills to manifest in performance.

(3) Recognize that Active Managers Increase their Business Risk by Implementing a Best Ideas Approach: Despite the aforementioned exhortations regarding the efficacy of best idea funds, there may be bumps along the way. When you invest in a best ideas fund, ensure that you assess the manager against a reasonable time period and framework. Recognize that the manager is prioritizing client investment results when applying a best ideas approach.

Implications for Active Fund Managers

"We're non-diversified. We focus. Why not buy more of your best idea rather than your 60th best idea?

How many companies can I really know well over time and focus on, on a daily basis?"

– Bruce Berkowitz, Fairholme Funds

For active fund managers, this model may appear to increase business risk. There are three ways to offset this risk:

(1) Communicate with Clients: Explain how the best idea strategy places them in the optimal position to outperform the indices over time. Communicate with clients upfront that the portfolio will outperform during some periods and underperform during others. By doing so you can preempt some of the inevitable concerned calls and questions during periods of underperformance.

(2) Let Clients "Select In": Alignment of investor and active managers is paramount for success. Best idea funds are ideal for long-term portfolio growth but not every investor is capable of implementing the approach due to different investment mandates.

As a manager, utilize fund terms (such as an initial investment period) to help determine an ideal fit before each client invests with your firm.

(3) Produce Great Risk-Adjusted Results: Business success and especially investment success is based on results. **Active management funds that do not outperform passive indices on a risk-adjusted basis net of fees over a reasonable time frame do not deserve to exist**. Investors can access many asset classes passively. Active managers must add value to justify their continued existence. This may sound harsh but it is realistic.

Putting clients' interests first via a best idea approach will position portfolios for optimal long-term growth. Ultimately this will increase well-deserved assets under management as portfolios outperform passive indices and peers.

Conclusion

"Diversification is a surrogate - and a damn poor surrogate - for knowledge, elements of control, and price-consciousness.

– Martin Whitman, Third Avenue Management

In conclusion, active fund managers who implement a best ideas approach have a strong probability of outperforming market indices as well as fellow active managers over the long-term. While many on Wall Street talk about putting clients first, numerous active managers clearly overdiversify client portfolios to the detriment of long-term client returns.

When assessed both academically and empirically, it is clear that overdiversification by active managers abdicates their fiduciary responsibility to put long-term client returns first. As more investors and active managers commit to the best idea concept, long-term returns will be maximized and investors will be ultimately better off.

Kyle Mowery is the Founder and Managing Partner of GrizzlyRock Capital, LLC. Before founding GrizzlyRock Capital, Mr. Mowery worked at Pacific Alternative Management Company (PAAMCO), the Alternative Credit Strategies team at McDonnell Investment Management (now THL Credit Senior Loan Strategies) and BMO Capital Markets.

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GrizzlyRock Capital, LLC is a Chicago based investment firm that manages the investment partnership, GrizzlyRock Value Partners, LP, and separately managed accounts. GrizzlyRock Capital invests in long / short corporate securities including equity and debt utilizing fundamental investment analysis. The firm's objective is to provide clients exceptional investment services focused on strong risk-adjusted return regardless of market environment. GrizzlyRock invests in 20 to 25 best idea investments at any one time.

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