

# **Super Gains Fund**

## **Introduction**

Super Gains Fund is comprised of 4 stocks, namely Google, Lulu Lemon, AMD and Walmart. They are some of the highly profitable stocks of the past 5 years. Lulu lemon has gained over \$42 Billion in Market capitalisation over the same period. In the same period the other 3 companies gained the following amounts in market capitalisation. Google: \$ 1 trillion. AMD: \$ 90 Billion. Walmart: \$ 180 Billion.

The companies are not strongly correlated with the S&P 500. But at the same time, they are in 4 different product categories. AMD Is a computer parts manufacturer. Google is an online platform. Walmart is the biggest retail supermarket chain. And Lululemon is an athletic apparel company.

## **Fund Objective:**

The fund objective is to maximise investment by taking high risk positions in futures and options. This will enable the fund manager to maximise investment value by successfully predicting dips in stocks and protecting the portfolio by carefully selected hedges.

The fund is a Large cap fund, comprising of Lulu Lemon, Google, AMD and Walmart. It is essentially a multi-sector growth fund.

## **Investment Advisor Information**

The fund manager's name is Advait Varma, he is a graduate student of CSOM at Boston College. His prodigious sense of looking ahead and successfully predicting bearish trends has translated into making several serious portfolio gains. This is the first fund he has managed under the Guidance of his Professor, Mr Nathan Dong.

## **Investment Portfolio**

AMD (\$25000, 8711 shares)

Advanced Micro Devices, Inc. operates as a semiconductor company worldwide. The company operates in two segments, Computing and Graphics; and Enterprise, Embedded and Semi-Custom. Its products include x86 microprocessors as an accelerated processing unit, chipsets, discrete and integrated graphics processing units (GPUs), data center and professional GPUs, and development services; and server and embedded processors, and semi-custom System-on-Chip (SoC) products, development services, and technology for game consoles.

#### GOOG (\$25000, 33 shares)

Alphabet Inc. provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America. The company offers performance and brand advertising services. It operates through Google Services, Google Cloud, and Other Bets segments. The Google Services segment provides products and services, such as ads, Android, Chrome, hardware, Google Maps, Google Play, Search, and YouTube, as well as technical infrastructure, and digital content. The Google Cloud segment offers infrastructure and data analytics platforms, collaboration tools, and other services for enterprise customers. The Other Bets segment sells internet and TV services, as well as licensing and research and development services. The company was founded in 1998 and is headquartered in Mountain View, California.

#### LULU (\$25000, 476 shares)

lululemon athletica inc., together with its subsidiaries, designs, distributes, and retails athletic apparel and accessories for women and men. It operates through two segments, Company-Operated Stores and Direct to Consumer. The company offers pants, shorts, tops, and jackets for healthy lifestyle and athletic activities, such as yoga, running, and training, as well as other sweaty pursuits. It also provides fitness-related accessories. The company sells its products through a chain of company-operated stores; outlets and warehouse sales; a network of wholesale accounts, such as yoga studios, health clubs, and fitness centers; temporary locations, including seasonal stores; and license and supply arrangements, as well as directly to consumer through mobile apps, and lululemon.com e-commerce website. As of January 31, 2021, it operated 521 company-operated stores under the lululemon brand in the United States, Canada, the People's Republic of China, Australia, the United Kingdom, Japan, New Zealand, Germany, South Korea, Singapore, France, Malaysia, Sweden, Ireland, the Netherlands, Norway, and Switzerland. lululemon athletica inc. was founded in 1998 and is based in Vancouver, Canada.

#### WMT (\$25000, 459 shares)

Walmart Inc. engages in the operation of retail, wholesale, and other units worldwide. The company operates through three segments: Walmart U.S., Walmart International, and Sam's Club. It operates supercenters, supermarkets, hypermarkets, warehouse clubs, cash and carry stores, and discount stores; membership-only warehouse clubs; ecommerce websites, such as walmart.com, walmart.com.mx, walmart.ca, flipkart.com, and samsclub.com; and mobile commerce applications. The company offers grocery products, including dry grocery, snacks, dairy, meat, produce, deli and bakery, frozen foods, and alcoholic and nonalcoholic beverages, as well as consumables, such as health and beauty aids, pet supplies, household chemicals, paper goods, and baby products; and health and wellness products covering pharmacy, over-the-counter drugs and other medical products, and optical and clinical services. It also provides gasoline stations and tobacco; home improvement, outdoor living, gardening, furniture, apparel, and jewelry, as well as tools and power equipment, housewares, toys, seasonal items, mattresses, and tire and battery centers; and consumer electronics and accessories, software, video games, office supplies, appliances, and third-party gift cards. In addition, the company offers fuel and financial services and related products, including money orders, prepaid cards, money transfers, and check cashing.

and bill payment. It operates approximately 11,400 stores and various e-commerce websites under 54 banners in 26 countries. The company was formerly known as Wal-Mart Stores, Inc. and changed its name to Walmart Inc. in February 2018. Walmart Inc. was founded in 1945 and is based in Bentonville, Arkansas.

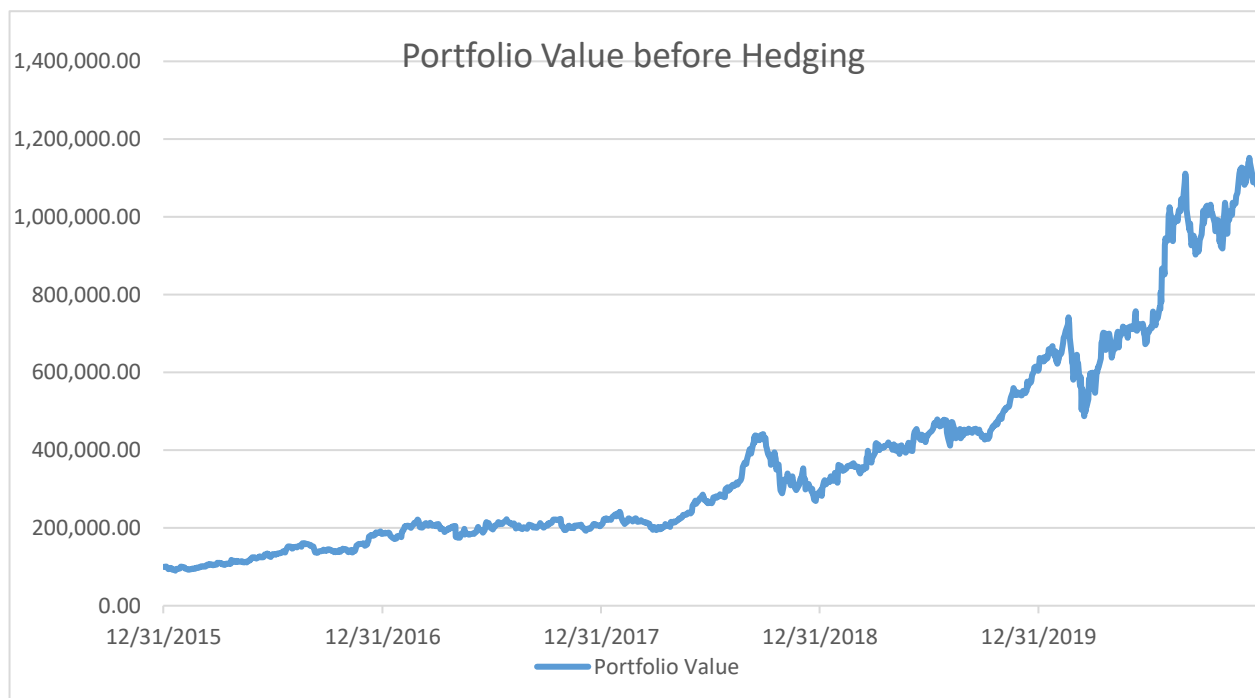
## Portfolio Risk

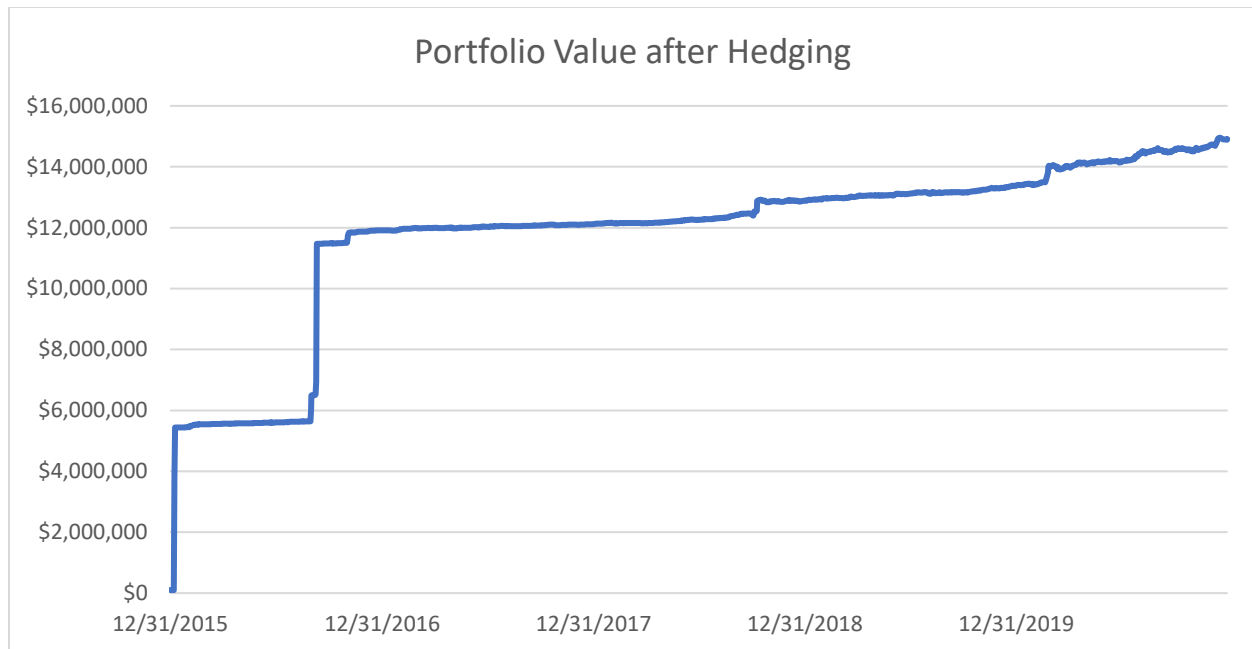
Since the companies are not highly volatile, several short positions in Futures and Puts were undertaken. Giving the portfolio a beta of -5.02. Meaning that it's highly uncorrelated to the S&P500. Meaning that the portfolio has gained millions on several short hedges over the period of 5 years since it is inception in 2016. The portfolio has a negative correlation with the S&P500 of -5.8%.

Since the portfolio is comprised only of Large Cap stocks, they have gained several billions in market cap over the past 5 years and that enables the fund manager.

Comparing it with the portfolio owned by Professor Nathan Dong, Super Gains Fund beats the Var and ES of that of the latter as seen in the figure below.

	Professor's Fund	S&P500	Super Gains Fund
Daily Risk-Free Rate	0.005%	0.01%	0.01%
Sharpe Ratio	0.0835	0.041	0.029
VaR (99% for 1 day)	-\$29,339	-\$6,559	-\$2,588
ES (99% for 1 day)	-\$47,074	-\$10,600	-\$4,879





Like we see here, the portfolio value grew from \$100,000 from 12/31/2015 to \$17,868,970 at the end of 2020. Here google and Walmart were facing very high volatility. The portfolio profits jump close to 5.5 Million dollars on 8 January. This corresponds to a dip in the portfolio value and marks days where portfolio suffered significant losses due to normal market forces, it was not a bearish market but the timing of the market down move recorded 3 consecutive days of continuous negative returns. This enabled the fund manager to successfully establish short future position. Here google and Walmart were facing very high volatility.

Subsequently another short position was established in late August 2016 to early September 2016 where another such dip in the portfolio was predicted in the portfolio value. Where another \$5 million was added to the profits from the portfolio value. Here, all 4 stocks were facing high trading volumes and high volatility in the market. This was taken into consideration and days of continuous bearish markets were successfully predicted and that enabled the fund manager to improve the value of the portfolio.

## Conclusion

My learnings from my successful hedging in the portfolio all the jump starts aside, is that in real life. Portfolio hedging involves predictions that are intricate and accurate. Essentially it will involve tracking several market makers and understanding the volume of trading and different attributes that contribute to influencing the market.

Real fund managers must take several risks often at the expense of the investors' real money and each decision to protect the investment must be taken with absolute certainty and has to be intended towards improving the market value of the investment.