

HEDGE FUNDS

Billionaire Stock Picker Jeffrey Vinik to Shut Down Hedge Fund

The decision comes less than eight months after he started the fund



Jeffrey Vinik had planned to raise \$3 billion by March 1 but fell far short. PHOTO: LUIS SANTANA | TIMES/ZUMA PRESS

By Juliet Chung

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Billionaire investor Jeffrey Vinik said he is closing his stock-picking hedge fund less than eight months after he started it, the latest sign of challenges facing the hedge-fund industry.

The closure puts an end to what would have been the third comeback for the former Fidelity Investments star and current owner of the Tampa Bay Lightning professional hockey team.

He announced in January he was getting back in the industry after effectively shuttering his hedge fund two prior times, most recently in 2013. He said he planned to raise \$3 billion by March 1, an ambitious goal in an environment where investors have been pulling money from the industry and from hedge funds betting on and against stocks in particular.

“I am committed to this, and I am extremely hungry,” Mr. Vinik said at the time. “We won’t shut down again.”

In an investor letter dated Wednesday announcing his decision, Mr. Vinik, 60, wrote, “It has been much harder to raise money over the last several months than I anticipated.”

Mr. Vinik had raised \$465 million as of March 1, according to a regulatory filing, at fees discounted from what the firm originally offered. It now manages about \$550 million.

He also wrote that while his Tampa, Fla., hedge fund Vinik Asset Management was up 4.8% from its March 1 launch through September, the returns hadn’t been enough to spark more flows into the fund. Mr. Vinik’s returns outstripped the 1% average return of stock-picking hedge funds during that period, according to HFR, but trailed the S&P’s total 8.1% gain.

In an interview, Mr. Vinik said he needed to manage significantly more money for the “economics to make sense” for himself and his business partners. He said he had been surprised to find how much the industry had changed since 2013, a period during which he had focused on the Lightning and a project to invest in Tampa’s downtown. Investors he had known had changed jobs and the decision-making process to invest was far more drawn out than in the past, he said. He said he made the decision to close recently as it became clear more money wouldn’t be pouring in at the start of 2020.

“I honestly believed, obviously foolishly, that I could raise \$3 billion by March 1,” Mr. Vinik said. “What I learned after probably 75 meetings is, the hedge-fund industry of 2019 is very different than the hedge-fund industry when I started in 1996, and it’s even very different from the hedge-fund industry when I closed in 2013.”

Despite the rise of quantitative and passive investing, which some managers say have distorted the market and made profiting off fundamental analyses of companies more difficult, Mr. Vinik said he felt his process of picking companies with good fundamentals still worked. But he said competition has increased and he believed it would continue to be a difficult environment for stock pickers.

Mr. Vinik was down 2.9% at the end of April, a result of what he called trading his portfolio of stocks too much and “acting like a rookie” as he settled back into managing client money. He has gained 7.7% since then, helped partly by capturing a recent shift from momentum to value stocks.

Mr. Vinik ran billions of dollars in each iteration of Vinik Asset Management. He first returned nearly all outside money in the fund in 2000, citing a desire to spend more time with his family. He opened it again to client money in 2005, then closed again in 2013 following a run of poor

performance coinciding with changes Mr. Vinik, by then the owner of the Lightning, had made at his firm.

Roughly 70% of the fund's assets are in cash. Investors will be redeemed out of the fund Nov. 15, the letter said.

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