

Title: Melvin Capital's Plotkin eyes new cash after year of double-digit losses

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Melvin Capital's Plotkin eyes new cash after year of double-digit losses

REUTERS - 5:14 PM ET

By Svea Herbst-Bayliss

Jan 31 (Reuters) - Melvin Capital, the hedge fund that lost nearly \$7 billion early last year by betting stocks like GameStop (GME) would tumble, wants to raise money for a new portfolio, according to a regulatory filing made on Monday.

The new fund will be called Melvin Capital Long Only LP and the filing did not say when fundraising will begin. The fund's name suggests that it will bet stocks will rise not fall and that the portfolio will not be hedged.

A spokesman for the firm declined to comment.

The new launch comes at a critical time for Gabriel Plotkin, Melvin's founder, who had established himself as one of Wall Street's most gifted traders before a band of retail investors ganged up on the firm last year to inflict heavy losses.

After losing 39% in 2021, Plotkin is trying to win back investors' trust but without employing a strategy Wall Street thought he was especially good at - selling stocks short.

"Launching a hedge fund strategy which doesn't (appear to) hedge is puzzling," said Max Gokhman, chief investment officer at hedge fund Alpha TrAI. Markets will likely be turbulent which will "require nimbleness to tactically go long and short, not just to maximize alpha but to minimize risk as well."

Markets, fueled by fears of rising interest rates and geopolitical turmoil between Russia and Ukraine, have already hurt Melvin and other hedge funds at the start of 2022. Melvin lost 17% in the first three weeks of January, according to a source familiar with the losses.

The sharp drop mirrors Melvin's performance last January when the fund lost about 54% and was not able to wipe the losses away by year's end.

Plotkin had been betting since 2014 that GameStop's (GME) shares would tumble as the world shifts away from the bricks and mortar video retailer's offerings.

But when retail investors banded together to support the stock, sending it surging more than 2,500% in January 2021, Melvin and others suffered. By the end of January Plotkin had closed the short position on GameStop (GME).

He tried to wipe out the losses, which took a bite out of his record where he had posted average gains of 30% a year between 2014 and 2020.

Now investors worry Plotkin's new fund might signal that he has lost the nerve to short, the very thing that allows hedge funds to promise clients a way to ride out tumbling markets.

Additionally, investors worry it is a tough time to raise fresh cash for a fund with a tainted record even as investors signal to other managers that they may wish to rotate cash out of technology-oriented funds into ones that bet on forgotten and less expensive stocks. (Reporting by Svea Herbst-Bayliss, with additional reporting by Mehnaz Yasmin in Bengaluru; Editing by Krishna Chandra Eluri, Megan Davies and Bernard Orr)

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