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Contrarian Adds to 2016 Gains

A strong December allowed **Contrarian Capital** to post some of the highest returns among distressed-securities specialists in 2016 — which is saying something considering distressed debt was one of the top-performing strategies last year.

The \$4 billion firm, which has been investing in distressed assets for more than 20 years, posted a 25.4% return for its flagship Contrarian Capital Fund 1, after the vehicle gained 2.9% in December. Its 2016 profits — driven by positions in energy businesses and trade claims — marked a strong comeback from 2015, when Fund 1 lost 7.9%.

“Many positions were initiated in 2015 and early 2016, illustrating the point that the best time to invest is when most others are selling,” a source said.

Another vehicle, Contrarian Emerging Markets Fund, gained 22.7% last year, following a 0.8% dip in December. Since 2012, the emerging-markets vehicle has posted double-digit gains every year but one — in 2014, when it fell 2%. It rose 14.5% in 2015, 14.6% in 2013 and 23.2% in 2012.

Across the board, distressed-debt managers outperformed most of their peers in the hedge fund field last year. Consider that the HFRI Distressed/Restructuring Index gained 13.4%, compared to 5.6% for the broad-based HFRI Fund Weighted Composite Index.

Other distressed-debt funds notching impressive 2016 returns include **Mudrick Capital's** Mudrick Distressed Opportunity Fund, which gained a whopping 38.9%; **Strategic Value Partners' Strategic Value Restructuring Fund**, up 21.5%; and **Davidson Kempner Capital's** Davidson Kempner Distressed Opportunities International Fund, up 18.9% through Nov. 30.

Like hedge funds as a whole, distressed-debt vehicles experienced net outflows last year, according to **eVestment**. But in a Jan. 13 report, eVestment said investors are showing “strong interest in private debt products,” a category that includes distressed-debt offerings.



Contrarian is led by chief executive **Jon Bauer**, who began investing in distressed debt in the early 1980s while working at **Bear Stearns**. He and his partners at Contrarian, **Janice Stanton** and **Gil Tenzer**, met while working in the distressed-debt division of **Oppenheimer Co.** They founded their Greenwich, Conn., firm in 1995. ❖