What Does Accelerate Do?

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By Accelerate

What do you do? This is a good question to ask of any of company, and with our culture of radical transparency, we aim to have our clients understand how we operate and invest their capital.

Let's start with the basics. We launched Accelerate to provide access to performance-oriented investment strategies previously reserved for the wealthy in a transparent, easy to use, liquid and low-cost vehicle. We want to discuss how and why we can offer our strategies at fee levels significantly lower than our competitors.

Hedge fund managers tend to be well-paid individuals; Very, very well paid. According to Forbes, the 25 highest-earning hedge fund managers made a combined $16.8 billion in 2017. Yes the top 25 hedge fund managers made nearly $17 billion! Almost $1 billion per manager on average, in one year.

The way these hedge fund managers make billions of dollars is to combine high-performing investment strategies with high fees. Their standard fee is "2 and 20", meaning an annual 2% cut of the total assets along with a 20% cut of any positive investment performance. Say in a typical year, for example, one of these hedge funds earns a 12% return. After the 2% management fee to the hedge fund, there is 10% left over. The hedge fund then takes a 20% cut of the 10% leftover performance (so another 2% to the hedge fund manager), leaving 8% to the investor and 4% to the hedge fund manager. In a world of index fund fees of 0.03%, this example of a 4% annual fee seems quite high. Private equity fees can be even higher.

"Your margin is my opportunity" – Jeff Bezos

In a nutshell, Accelerate seeks to replicate what these hedge fund managers do by using software. Instead of paying a hedge fund manager a billion dollars per year, we can program an algorithm to attempt to replicate what they do for much, much, less. Almost infinitely so! That's why our innovative fee structure for our strategies is substantially lower than our competitors.

"Software is eating the world" – Marc Andreesen

The strategies employed by these hedge fund managers typically aren't rocket science (although it sometimes can be close) and have been well-covered in countless books, texts and academic studies over the years. To put it concisely, these strategies are simple, but not easy.

As Warren Buffett stated, accounting is the language of business. And it turns out, algorithms are quite good with analyzing numbers and accounting data. Often much better than humans, actually.

In a nutshell, instead of hiring teams of hedge fund managers and analysts (costing millions or billions of dollars), Accelerate attempts to replicate the investment decisions these hedge fund managers would make, sourced from decades of research tracking the nuances of these strategies. We're replicating these strategies and instead of taking high fees, we're taking what we believe is a fair fee and putting the lion's share of the potential investment gains into the clients' pockets.

For example, Accelerate may put together a long-short equity portfolio using the following characteristics (known as factors):

For the long portfolio, Accelerate would buy stocks of high quality companies with low valuations, good price momentum, strong operating momentum and attractive share price trends.

For the short portfolio, Accelerate would short stocks of low quality companies with high valuations, poor price momentum, bad operating momentum and unattractive share price trends.

We have powerful algorithmic models to rebalance the strategies monthly to create portfolios of hundreds of stocks with these characteristics, which historically have been proven to be effective over decades of research and experience.

Simple, but not easy.

-Julian