Stephen Diggle Starts Stock-Picking Fund With a Search for Value

By Netty Ismail

(Bloomberg) -- Stephen Diggle says the idea for a stock-picking, value-focused fund came over beers with ex-Army comrades at his Italian villa. Someone complained about the paltry yields offered on investment products, said Diggle, a longtime hedge fund manager who served in the British Army Reserve. And so, he offered to pool their money as a pro-bono project in March 2021. "Maybe I'd had one beer too many because it was a lot of work," he said. Fast-forward a year and the fund's success has led Diggle to start another value-focused vehicle at his $500 million Vulpes Investment Management Pte, which runs as a family office with other outside investors.

The small fund for veterans is up 20% since inception in March last year and still positive for 2022, said Diggle, famed for his winning bets on volatility during the 2008 financial crisis. "It struck me as something other investors might want, old-fashioned, disciplined stock picking in global value stocks, so we created this new fund to mirror what we've done for the veterans," said Diggle by email from Italy.

The new funds, called Allium, are so far only managing money from the family office, but he said they're planning to expand it to a wider range of investors. Diggle said he's looking for searching for undervalued, large-cap companies, judging them based on defensive qualities, such as strong cash flows, dividends and the ability to withstand inflation. They've been scooping up shares of Diageo Plc, the maker of Tanqueray gin, and French distiller Pernod Ricard SA. He's also still bullish on defense companies, like BAE Systems, and finds battered, big tech stocks, like Microsoft Corp., appealing.

The fund manager said he's still a believer in biotechnology companies, despite this year's severe selloff. Vulpes is the second-biggest shareholder in Oxford Biomedica Plc, which took on manufacturing AstraZeneca Plc's Covid vaccine. The stock soared during the pandemic, only to wipe out all the gains and plunge 61% this year.

Vulpes was started in 2011 after Diggle liquidated the volatility funds at Artradis Fund Management, which he had helped to found. Artradis shot to fame for its lucrative bets in 2007 and 2008 that market volatility would spike. That strategy later faltered when central banks slashed interest rates and began massive bond purchases. His view on volatility now is that prices are fair with the Cboe Volatility Index, or VIX, staying around 30. “Vol markets are largely being rational. I don’t see signs of panic, nor of complacency,” he said. “It’s more of a ‘dog that didn’t bark’ story.”

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