

# Dr. Eric S. Meyer, CFA

## Founder and Co-Portfolio Manager of ESM Management LLC



**E**ric S. Meyer, PhD, J.D., CFA is the Portfolio Manager of an event-driven, non-agency RMBS strategy at Rational Funds. He is also the founder of ESM Management LLC. Eric's intellectual curiosity and interest in solving complex problems led him on a path to his position today.

After receiving his PhD in Physics from Harvard University in 1993, Eric did two years of postdoctoral work at the National Institute of Standards and Technology. While managing his own personal portfolio, Eric stumbled upon two books that sparked his interest in finance. One was "One Up On Wall Street" by Peter Lynch, and the other was Options, Futures, and Other Derivatives by John Hull. Eric found two trade ideas around this time that convinced him that the



market was far from efficient. The first was the refusal of the market to recognize the danger to Intel's stock price (and implied volatility in particular) from the bug in its Pentium chip found by a researcher in 1994. Although the bug was completely insignificant for the vast

majority of applications, it was clear that it would be a public relations disaster unless Intel agreed to a very costly recall.

While exploring job opportunities in finance, Eric discovered an arbitrage opportunity in call options on Genentech. He real-

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ized that there were likely more opportunities like this and decided to make a switch in his career and seek out an opportunity with a financial firm.

While interviewing with Susquehanna Investment Group ("SIG"), Eric explained the arbitrage opportunity that he had found. Although he was not initially hired by SIG, when he interviewed with them again a few months later, he realized that they had exploited the arbitrage he had told them about. This time, they did hire him and tasked him with building out the fixed income trading team.

It was in this position that Eric discovered an incredible opportunity in Argentine sovereign debt. Eric was among very few fixed income professionals that realized that defaulted Argentine debt was not worthless, but in fact, was reasonably certain to be worth par. The reason for this was the legal restrictions embedded in the original (defaulted) bonds that would not allow Argentina to issue new debt without paying off the old

debt. Argentina fought this in US courts for over a decade before finally agreeing to pay back the bonds in full. During this time, Eric initiated legal maneuvers in order to seize collateral that the Argentinians had posted with the Federal Reserve. His maneuver was one of the only asset seizures of Argentine property that was upheld by the courts.

This trade made Eric realize that having the ability to truly understand both the financial implications and legal implications of governing documents as well as the law could lead to unique and significant results.

His other realization was that there were very few people that had the ability to do this effectively. Too many financial personnel did not understand the legal implications of documentation and too many lawyers were unable to see the financial opportunity to exploit problems or misinterpretation of legal documents. This effect is further amplified in spaces where the securities are not standardized and each one could have a different prospectus.

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cal to their success in minimizing their losses in the space. It was toward the end of the crisis that Eric began to see a significant opportunity in senior non-agency residential mortgage backed securities.

Recognizing that the market had been oversold and seeing the tremendous opportunity, Eric left Susquehanna and founded ESM Management, LLC in early 2009. After a few years managing the portfolio mostly from a relative value credit spread perspective, Eric recognized an opportunity that most market participants did not understand. There was a significant disconnect between the legal documentation and what had transpired in the market during the financial crisis. This disconnect presented huge opportunities to apply Eric's ability to navigate these complex issues to the advantage of his investors.

In 2017, Eric decided that it would be prudent for him to get his law degree. He hoped that he would learn legal techniques that would assist in the management of the portfolio as well as helping to limit legal costs associated with activist strategies that he wanted to deploy.

As a resident of Newton, Massachusetts, Eric lives a few blocks away from Boston College Law School and so he spent the next three years earning his law degree while continuing to manage his various clients and funds. After graduating this past year, Eric has been admitted to the bar in Oregon and is now allowed to practice law in federal courts, the primary jurisdiction we adjudicate in.

Today, Eric continues to reside in Newton with his wife Clara. His daughter attends Brown University and his son attends Tufts University. Eric is an avid chess

player and fan. His other bonafides include:

- » He received both his A.B. degree and Ph.D. degree in Physics from Harvard University.
- » Before entering the financial field, Dr. Meyer was a physicist at the National Institute of Standards and Technology in Gaithersburg, MD.
- » Postdoctoral Associate, National Institute of Standard and Technology
- » J.D., Boston College Law School
- » National Science Foundation Graduate Fellow
- » Over a dozen publications in physics journals and conference proceedings.



*Investors should carefully consider the investment objectives, risks, charges and expenses of the Rational Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling (800) 253-0412 or at [www.rationalmf.com](http://www.rationalmf.com). The prospectus should be read carefully before investing. The Rational Funds are distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Rational Advisors, Inc. is not affiliated with Northern Lights Distributors, LLC.*