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## Beginnings

### NEWS

By James J. Green

## In \$4T Managed Money Industry, Finding and Honoring the Top Managers

Finalists for the 12th annual SMA Managers of the Year are consistent performers and practitioners in good market times and bad



**T**he SMA industry has seen much change over the past decade or so. The total managed money universe was \$4.1 trillion at year-end 2015, a 3.1% annual increase in assets, according to the Money Management Institute. While traditional SMAs saw only a slight increase in the value of assets last year, unified managed accounts (UMAs) and rep as portfolio manager (RPM) programs posted what MMI called “healthy gains” of 24.4% and 5% in assets, respectively.

Within that industry are many managers plying many different strategies, but when it comes to advisors, “they want the strategies, they want the simplicity of one statement” that a UMA can provide, said Tim Clift, Envestnet | PMC’s chief

investment strategist and a member of the awards committee that named 17 strategies as finalists in the 12th annual SMA Managers of the Year honors (*see list of finalists on following page*).

Beyond models-based SMA portfolios, Clift said that at Envestnet | PMC, “we’re getting a lot of demand for bond portfolio UMAs” from advisors, which he noted are “much more difficult operationally.”

One “standout” growth area in SMAs is in municipal fixed income, said Clift, since end investors and their advisors are looking for income but also “tax sensitive” investing.

That ability to meet the needs of investors through portfolios using proprietary research by a committed team, employed by an asset management firm

that’s committed to the strategy, are just two of the criteria that’s used to name the SMA Managers of the Year finalists and, eventually, the winners of this year’s awards. The winners will be announced during Envestnet’s Advisor Summit May 18-20, with ThinkAdvisor.com editors reporting and writing – and videotaping – the event and the winners in the July issue of *Investment Advisor* and throughout July on ThinkAdvisor.com.

So what do these 17 strategies have in common? Nathan Behan, who heads Envestnet | PMC’s fixed income team as senior VP of investment research, said, “There’s a great lack of commonality among the managers” honored as finalists. “They’re doing something different compared with their peer group,” he reported, which is why they stand out (*see following page for a description of the process by which the finalists, and winners, were picked*).

Behan said that the awards tend to honor managers “whose research process matches not only their philosophy but what the market is making available to them” at any given time. Both the investment thesis and their investment philosophies “should evolve over time based on what the markets are giving you,” Behan said.

Clift concurs. When it comes to the honorees and what sets them apart from their peers, “generally they’re very focused. They don’t cover every asset class.” In other words, Clift said, “they do one or two things really well.” Those firms

that win “tend to have very experienced professionals” on their teams, both as senior portfolio managers and as analysts. “Typically,” Clift said, “we see these firms exhibit better-than-average downside protection, which tends to lead to longevity.”

Staying close to their professed alpha thesis, showing flexibility when the markets demand it, boasting portfolio managers and analysts with long tenures and being good at

protecting against the down side: These are the common traits of the 12th annual SMA Managers of the Year. Clift said there is one more common trait.

“Nathan [Behan] said it well: They know their limitations. If there are things going on in the markets that they don’t understand, instead of taking a chance, they may step aside.” And consistently, “they don’t make unwise decisions.”

## Finding the Best

For 12 years, Envestnet and *Investment Advisor* have partnered in researching and then naming the SMA Managers of the Year to honor those money managers in the SMA space whose strategies are the best in the business.

Earlier this year, analysts at Envestnet | PMC with access to the universe of SMA strategies got to work to find those strategies whose performance is above their peers in multiple categories. In addition, we name a manager of the year in impact investing and this year, two “strategist” awards that honor an entire firm for its multiple strategies and one that supports advisors with practice management help in various formats.

The analysts winnow down the candidates by looking for those managers whose strategies:

- Exhibit a repeatable, clearly defined process and alpha thesis
- Consistently capture significant market upsides while avoiding major downside exposure
- Are widely available to advisors, on multiple platforms and deliver good customer service
- Are open to portfolio customization by end clients, particularly when it comes to tax awareness
- Are led by senior managers with long tenures supported by knowledgeable analysts and support staff
- Are part of an organization that values the strategy, shown by firm resources and assets devoted to the strategy
- Are part of an organization that values its managers and employees by its ownership and organizational structure

The Envestnet | PMC analysts know the numbers very well, but they also know the managers well through regular onsite visits. Such direct, personal knowledge of a firm’s culture often informs the awards committee’s decisions.

## 2016 SMA Managers of the Year Finalists

Here are the 17 strategies that are finalists for the 12th annual Envestnet-*Investment Advisor* SMA Managers of the Year awards:

### U.S. EQUITY LARGE-CAP (two awards)

Brown Advisory — Large-Cap Growth  
 Schafer Cullen — High-Dividend Value Equity  
 Victory NewBridge — Large-Cap Growth  
 Montag & Caldwell — Large-Cap Growth

### U.S. EQUITY SMALL- OR MID-CAP (two awards)

EARNEST Partners — Mid-Cap Value  
 Congress Asset Management — Mid-Cap Growth  
 Tributary Capital Management — Small-Cap Equity  
 Kayne Anderson Rudnick — Small-Cap Growth

### INTERNATIONAL OR GLOBAL EQUITY (one award)

Harding Loevner — Global ADR  
 Cambiar Investors — International Equity ADR  
 Acadian — International Equity ADR

### FIXED INCOME (one award)

GW&K Investment Management — Municipal Bond Strategy  
 Tom Johnson Investment Management — Intermediate Fixed Income

### STRATEGIST (two awards)

JAFornlines — Global Tactical Solutions  
 Sage Advisory Services — Tactical ETF Strategies  
 Russell Investments — Multi-Asset Class Strategy  
 Vanguard — Multi-Asset Class Strategy

### IMPACT (one award)

Boston Common Asset Management — International Equity SRI  
 Breckinridge Capital Advisors — Intermediate Term Tax-Efficient Sustainable Bond

### MANAGER OF THE YEAR

All of the winners in each category are finalists for this award.

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