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Five Years After Buyout, FMA Attracting Interest From Institutions

It has been over five years since the senior leadership of **Fiduciary Management Associates** bought back the firm from **Old Mutual U.S. Holdings**. In that time, the firm has strengthened its investment staff, expanded its research and reinvigorated its marketing—all moves that appear to be paying off for the Chicago-based firm.

“If you go back to the buyout in 2002 from Old Mutual, from that point coming forward it was really kind of a trigger point for us,” said **Fred Devlin**, chief marketing officer for the firm.

The firm was founded in 1980 and after 16 years as a subsidiary of **United Asset Management** and later Old Mutual, senior management of FMA repurchased the firm from Old Mutual. Presently, the firm is wholly owned by five current employees.

Following the buy-back, the firm added several experienced analysts and portfolio managers in 2003 and 2004. “One of the first things that we focused on at the firm was to expand our research and portfolio management team,” said **Kathryn Vorisek**, senior managing director, cio and small-cap team leader.

Vorisek said the firm’s philosophy as a relative value manager has remained constant throughout the changes and the process has essentially been the same.

“I really think the big difference was adding the experienced analysts and portfolio managers,” she said of the firm, which now has nine research professionals and portfolio managers, compared to five individuals when she joined in 1996. “It’s been a meaningful investment in the firm.”

The firm currently has \$1.4 billion in assets, spread among its four portfolios—small-cap value, large-cap value, large-cap core and core fixed-income. As well as having less than \$2 billion in assets under management, the firm is woman- and minority-owned, so the emerging manager space has been an attractive arena for the firm, which has targeted both managers-of-managers and direct relationships with public and corporate plans that focus on emerging managers. “The reception has been tremendous,” Vorisek said.

At the end of the 2007 the firm was awarded a mandate from **Northern Trust Global Advisors**. The firm was not able to provide the details of the hire, but noted it also expects to receive a direct allocation from a large Illinois plan through an emerging

manager program in the near future.

FMA’s equity portfolios are based on the philosophy of looking for attractively valued companies or sectors, coupled with specific catalysts either from a macro view, a sector view or an individual company view. In 2007, Vorisek said the firm began looking for companies that had a significant portion of their earnings and revenues generated outside the U.S., a theme FMA was able to exploit in the second half of the year.

Vorisek said the firm’s analysts—there are four each on working on the small- and large-cap portfolios—have sector specialties and are responsible for identifying companies through screens that look for attractive valuations, positive reflections in earnings and revenue growth and healthy balance sheets. After the screens, the analysts conduct additional due diligence by contacting company management, forecasting cash flow and speaking with vendors, suppliers and customers.

Typically, the equity portfolios will hold 50-70 securities, with a typical investment of 1-2.5% in an individual stock. “We really use diversification as our guiding principal as well as risk management,” Vorisek said, adding that no holding in the portfolios can be greater than 5%. “In essence, because of our focus on valuation, there is somewhat of a built in risk management,” she said. “If you looked over a three-year period, our beta is below the style index benchmarked against.”

After focusing on the products and investment strategies following the buy-back, the firm began to rebuild its marketing and client service effort in 2006, starting with bringing on Devlin and Director of Marketing **Loryn Mischke**.

Devlin said he has focused on introducing FMA to consultants and plan sponsors who are not familiar with the firm. “In some cases, the consultants haven’t met with FMA for a long time and in other cases they had no record of meeting with us at all,” Devlin said, adding that the response from the consulting community has been positive.

Devlin said he is also looking to add another institutional marketer. He said he is looking for a marketer with 5-7 years of institutional sales experience with some experience marketing to consultants.



Fred Devlin

(312) 334-0253