

# \$25bn OCIO plots emerging managers program

Andrew Jones / 28 November 2018, 12:22



Photograph: iStock

## Capital Markets Consultants has a new recommended list and emerging manager program planned for early 2019.

OCIO firm Capital Markets Consultants (CMC) is to roll out a recommended list for its clients in the second quarter of 2019, at which time it will also introduce an emerging managers program to bring lesser known managers to independents and RIAs.

The Milwaukee, Wisconsin-based firm, which caters to 30 clients including RIAs, independent broker-dealers, law firms, software platforms and banks, currently has about \$25 billion in assets under advisement.

It offers investment research and consultant services to these firms as well as offerings that include model portfolios, which currently have roughly \$700 million in assets. Founded in 2002, it is comprised of eight employees with a total of six members on the investment team, led by founder and chief executive Barry Mendelson.

In the second quarter of 2019 the firm is rolling out a recommended list called the Manager Value Proposition (MVP), which will include best in class strategies from roughly 120 fund managers, covering an array of different investment categories.

Strategies are chosen from the firm's proprietary screening tool that aims to identify both consistency and solid risk-adjusted returns. A screen is done every

month on both mutual funds and ETFs to identify favorable strategies that are then ranked based on how they score on specific factors including fees, Sharpe ratio, performance, manager tenure and beta.

'We build a manager value proposition by picking products within an investment space and [by] trying to identify the top performers. Within that universe, we are interested in firms that are actually different from one another,' Mendelson said.

The firm will break down the equity and fixed income asset classes into 30 style boxes, and Mendelson aims to have at least three to four manager options for each.

'We always have to have some depth in choices for our existing clients because they may want a second growth manager, a growth manager may not do so well, or a great manager reaches capacity,' Mendelson said.

### Emerging managers program

Also in the process of being rolled out is an emerging managers program, which will aim to identify managers that might not be known to RIAs or independent

Some strategies from managers in the program will also be part of the MVP list, Mendelson said.

The investment team's definition of an emerging manager differs from others that focus solely on smaller shops, said Andrew Hurvitz, CFA, senior research analyst at CMC.

'The traditional definition of an emerging manager is XYZ assets under management but Barry and I are aware of many firms that have over that amount but mainly cater to high-net-worth individuals (the firm is not really in the institutional game) and we would consider those emerging managers because they do not have many institutional investors,' said Hurvitz.

To be considered, strategies must have a minimum of three years performance with the same lead managers, Global Investment Performance Standards verified performance and at least \$100 million in assets under management.

'At the end of the day, while size is a factor, if the manager has \$5 billion or \$10 billion but nobody knows about them or if they've never sold through intermediaries as they've always had direct clients, they're basically unknown,' Mendelson said. 'So, we're interested in a wide variety of managers that are basically unknown.'