

ADVISOR

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M&A Offers Opportunities to Marketing Directors

By Susan B. Weiner, CFA

Investment managers, move over! You can't keep all of the equity designated for your firm's management. You've got to share with senior marketing professionals. That's just one of the implications of recent investment management M&A activity. The bottom line for marketers? These transactions can create opportunities for you, if you excel at your job.

Dealmakers recognize marketing's importance

It used to be that the investment people were the "rock stars" of asset management firms, says Bruce Cameron, president of *Berkshire Capital*, an investment banking firm. Only the investment pros were wooed with equity. But now acquirers realize that the marketing side is also critical to success. Cameron points to the sale of ABN Amro's U.S. mutual funds to Highbury Financial. "The senior marketing people at ABN Amro each got equity," he says.

Chas Burkhart, founder of *Rosemont Investment Partners*, a private equity firm, observes that marketing professionals have become larger equity owners in employee-owned firms. "We've seen that marketing commissions and trailing payments can be used to purchase or barter for equity according to an internal price mechanism," he says.

Michael Wilson, managing director of *TA Associates*, a private equity firm, points to the boom in private equity investments as a driver of equity stakes for marketing pros. Private equity deals are generally leveraged purchases

or recapitalizations, involving debt and equity from the private equity firm. "It creates a great opportunity to get ownership at reasonably cheap prices because of the incorporation of debt. It's similar to buying a house with a mortgage," says Wilson. "It's a once in a lifetime opportunity to get an equity stake that can appreciate." Plus, there's the benefit of eventually paying capital gains tax instead of a tax on ordinary income.

When TA invests in a firm, it creates an options pool for key members of management, allowing them to get their first ownership stake or to increase their stake. "I can't think of a deal when the marketing director wasn't a major participant in the business," says Wilson.

Private equity deals sometimes drive ownership farther down the organizational chart. "It's not uncommon for companies to have underinvested in sales and marketing," says Wilson. Accordingly, when options pools are created, some may be set aside to recruit new hires in those areas. "We invest in growth, in addition to investment performance. So we're typically beefing up sales and marketing," he adds.

The trend toward dealmakers leaving some equity with management is likely to continue. "There's lots of evidence that the best investment performance and financial performance comes from independent firms with significant management ownership," says Wilson. He notes that his firm pioneered the break from the old United Asset Management model of 100% ownership of investment management

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firms. TA has done nine money manager transactions over fifteen-plus years, more than any other private equity investor.

Rosemont's Burkhart agrees that some management ownership is desirable. "Clients and consultants are wary of any group that completely cashes out to a buyer," he says. Management equity is associated with greater firm stability and managers' alignment with the firm's best interests.

How to survive in an era of M&A

So let's say you're marketing for a firm that's a potential acquirer or target. How can you position yourself to survive a transaction?

Dealmakers evaluate the marketing function as part of their due diligence. **Jim Minnick**, managing director of *Lovell Minnick Partners*, a private equity firm, says he considers marketing's effectiveness given their product range and their ability to retain clients in a challenging period. He looks for people who understand their product so well that they can represent it without the participation of portfolio management staff.

Berkshire's Cameron seeks marketers who are proactive in positioning their product to show the product's strengths to advantage. He also favors marketers who maximize the value of their product. For example, the best marketers don't cut fees to build assets quickly. Instead, they take a longer view and get full-fee business. That's especially important for capacity-constrained products such as small cap.

"Manufacturers will always look for people who understand their products and who have contacts with sources of funds," says Cameron. He recommends that institutional marketers choose a firm with a strong investment process. That provides clout with consultants.

At TA, there's an emphasis on talking to clients as a means of evaluating a firm's sales and marketing. "After all, this is a client-focused business," says Wilson.

Marketers who work for firms with a marketing-savvy CEO, chief investment officer or head of research may have a tough time establishing the value they've added, according to Rosemont's Burkhart. "You need to establish ground rules for any 'house' business to avoid being marginalized," he adds.

Moreover, some marketers won't survive a M&A deal. When a deal brings overlapping resources, some marketers will be casualties. "It's survival of the fittest," says Minnick. Accordingly, it's important to be aware of where deals are most likely to occur.

Where the Deals Are

The targets of investment management M&A have changed over time. Recent trends include:

1. Separation of manufacturing and distribution

2. Deals for hot products, such as alternative assets and quantitative strategies.

The two biggest deals of the recent past — Merrill Lynch-Blackrock and Citi-Legg Mason — reflect the first trend. In these cases, "two financial institutions made strategic moves in — and out — of proprietary asset management," says Burkhart. Now Merrill and Citi will focus on distribution, while Blackrock and Legg Mason boost their manufacturing. "Some organizations have realized they're good at one or the other," says **Takashi Moriuchi**, a principal with *Lovell Minnick Partners*.

Some say that divesting manufacturing is a good way for big distributors to keep the regulators happy by avoiding the potential for conflicts of interest inherent in pushing proprietary mutual funds. From another viewpoint, "Increasingly, banks and insurance companies are seeking to divest themselves of their sub-scale mutual fund businesses.... At heart, these companies discovered that running mutual funds is tough work," according to the 1st Quarter 2006 issue of *The Berkshire Capital Newsletter*.

The big transactions may get the most attention, but they're not the most interesting to some of the dealmakers. There are smaller deals that companies make to take advantage of the demand for certain products. "Firms that want to accelerate growth beyond organic marketing are seeking acquisition targets that fill product gaps, have client acceptance and capacity," says Lovell Minnick's Moriuchi.

Quantitative and alternative investment strategies are hot

In a recent example, Federated Investors completed its acquisition of MDTA LLC, a quantitative firm, in mid-July 2006. It promptly began making MDTA's eight equity mutual funds available to its financial-intermediary clients. Federated is positioning MDTA as its "quantitative center of excellence" employing "the Optimum Q process, which uses a bottom-up portfolio selection process that integrates precision stock selection with trading-cost control and risk control." Moriuchi believes that Federated "made the deal to build out their platform by adding quantitative products, which are currently in high demand."

Quantitative firms are hot targets. Why? "Firms like INTECH, Arrowstreet Capital, LSV and Acadian Asset Management have all seen strong asset growth over the past two to three years," says Minnick. That's part of a larger trend for institutional investors — and dealmakers — to favor firms that can reliably produce alpha. TA Associates, for example, invested two years ago in Numeric Investors, a quantitative investment firm with global products. "They can produce alpha in up and down markets," says TA's Wilson.

Alternative assets offer the appeal of alpha and potentially great margins. "From an acquisition standpoint, there's lots of interest in assessing how to pull the trigger," says Berkshire's Cameron. One of his concerns: "Will they stand the test of time in producing

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M&A

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higher returns?” Wilson says, “The view is that going forward, there will be a big shakeout of players.”

Another issue, according to Burkhart, is how to value and share the performance fees that are such a key part of hedge firms’ income.

There has been some M&A activity in hedge funds, especially hedge funds of funds. For example, Legg Mason’s 2005 acquisition of Permal and JPMorgan Chase’s 2004 Highbridge Capital Management.

Acquiring a single product hedge fund can be risky. There’s more personnel risk and more investment risk compared to a fund of funds that could use hundreds of individual funds, says Wilson.

There’s a flip side to the alpha craze. That’s the search for beta at low cost, which was reflected in AMVESCAP’s acquisition of PowerShares, says Moriuchi.

But Wilson notes, “We spend more time on alpha generators because they have higher margins and there are more players.”

Some deals don’t fall into the major categories described above. Burkhart sees a trend to more good start-ups. He points to firms such as Stone Harbor Investment Partners, formed as a spin-off from Legg Mason, Inc., following Legg Mason’s purchase of Citigroup Asset Management (which included the Salomon Brothers Asset Management unit and Perimeter Capital Management) which recently launched out of Trustco/SunTrust.

There are also deals like Mellon’s acquisition of Walter Scott & Partners Limited and New York Life’s of Institutional Capital Corporation (ICAP). The acquirers gain expertise — international from Walter Scott and value from ICAP — and their acquisitions get to remain focused on managing money instead of building the infrastructure needed for growth, says Cameron.

Deal activity remains robust, with more than 70 transactions during the first half of 2006, according to Berkshire Capital. See the table below for a list of the deals that Berkshire considers purely institutional.

Keep your eyes open, and polish your negotiating skills! The next merger could impact you.

Institutional Investment Management M&A Transaction, January 1 – July 11, 2006

DATE	SELLER COMPANY	ENTITY SOLD	BUYER COMPANY
June 29	AssetMark Investment Services, Inc.		Genworth Financial
May 24	Nationwide Mutual Insurance Company	Gartmore Investment Management Plc	Hellman & Friedman LLC
May 18	Institutional Capital Corporation		New York Life
May 17	Walter Scott & Partners Limited		Mellon Financial Corp.
May 12	MDTA LLC	MDT Advisers	Federated Investors
May 9	Xiangcai Securities Co. Ltd.	ABN Amro Xiangcai	Tianjin TEDA Holdings
April 28	Vanderbilt Capital Advisors, LLC		UniCredito Italiano, S.p.A.
March 24	Manulife Financial Corporation	Independence Investments LLC	City National Corporation
Feb. 27	Copper Rock Capital Partners		Old Mutual plc
Feb. 14	Merrill Lynch & Co.	Merrill Lynch Investment Management	Blackrock, Inc.
Jan. 9	ForstmannLeff Associates		Angelo, Gordon & Co.

Source: Berkshire Capital Securities LLC

SEC Hedge Fund Registration

Dead or Alive?

In June 2006, a federal appeals court overturned the requirement that hedge funds register with the SEC. What does the future hold for SEC regulation of hedge funds, the number of registrations and how hedge funds are marketed?

Richard Goldman, a partner with the law firm of *Bingham McCutcheon* in Boston believes that some firms will de-register. They'll do it to avoid the added costs — in both money and time — of registration, he says. However, even if the hedge funds de-register, they may keep in place many of the compliance procedures associated with SEC-registered firms. It isn't registration itself that's critical to prospective clients, says Goldman. "It's whether hedge fund managers have good policies and procedures in place."

That's just one opinion. The national law firm of *Kirkpatrick & Lockhart Nicholson Graham* says that hedge fund advisors who have already registered should consider, "whether the benefits of continued registration may, at this point, outweigh continued compliance costs." For starters, "Registered status may afford prospective and existing investors more comfort," according to the firm. Marketers will watch to see if that's true.

John P. Drohan, III of the law firm of *Drohan & Drohan LLP* in New York says the court decision will have "no real short-term impact." He doubts that many hedge funds will de-register soon. Registered firms have already incurred the majority of expenses, such as filing Form ADV and creating a compliance manual and procedures.

Still, firms may change their minds in one to two years — after they go through their first SEC inspection. "Some will de-register because they didn't appreciate what a headache [SEC inspections] can be," says Drohan.

However, **Robert G. Heim**, partner with the law firm of *Meyers & Heim* in New York, points out that, "It's often easier for newer funds to obtain investments from new investors if they're registered."

Drohan believes that the court decision "could bring more heat on hedge funds." Why? The court decision has turned Congressional attention to hedge funds. It has stirred up calls for new regulatory legislation that would grant the SEC the regulatory power that the court didn't find in existing legislation.

Heim also foresees Congressional action. However, "I don't think it would be a slam dunk for the SEC."

If new legislation doesn't seem imminent, a number of hedge funds may rescind their two-year lockups, says Heim. The two-year lockup had been embraced by some hedge funds as a means to skirt the SEC registration requirement. In contrast, there had been a trend to greater liquidity before the SEC announced its hedge fund registration requirement in 2004.

Drohan questions whether the two-year lockup was a legitimate way out of registering with the SEC. "The SEC had said not to abuse the two-year exemption, which was really designed for private equity," he says.

One of the most important messages about hedge fund marketing to emerge from this issue may be one of the least obvious. Drohan says, "Don't think this gives breathing space to capital introducers who have flown under the radar without registering as broker-dealers."

Capital introducers, or third party marketers, are people who are paid quarterly or regular trailer fees for bringing in assets. "The SEC says that anyone involved in sales of shares of pooled investments is engaged in the brokering of securities. If they're paid contingent upon sales, they need to have a Series 7 license and be a registered broker-dealer," says Drohan. However, many capital introducers have failed to register in the absence of SEC enforcement. Drohan anticipates that capital introducers will come under increased scrutiny as SEC-registered hedge funds undergo their first inspections. If you're a hedge fund, don't accept funds from a capital introducer without the proper credentials, warns Drohan.

Heim says that SEC registration has exposed practices that more prospective clients will ask about. For example, side letter agreements for certain preferred investors and side pocket agreements.

Even if the SEC doesn't appeal the court decision, and if there's no hedge fund regulation passed by Congress, you can expect heightened scrutiny of hedge funds by regulators and investors.

What does the future hold for
SEC regulation of hedge
funds, the number of registra-
tions and how hedge funds
are marketed?

MESSAGE

FROM THE PRESIDENT

Dear AIMSE Members:

In 2007 AIMSE will be celebrating its 30th year as the preeminent organization for institutional investment sales education. For 2006 we are off to a great start and we are building on the tremendous momentum that we have generated to this point. That momentum began with an oversubscribed AIMSE/Wharton Investment Institute held at the Wharton School in January and our inaugural AIMSE/Pensions & Investments Hedge Fund Marketing Conference held in New York this past March. On September 21–22, we will have our 15th Annual Fall Consultant – Plan Sponsor – Manager Dialogue. One of our most successful new endeavors has been the regional breakfast meetings that we have held in various locations across the country. These informal meetings provide members the ability to share with each other insights, opportunities and potential market problems with their local peers. Stay tuned for a meeting in your area.

Thirty years ago, banks and insurance companies dominated the institutional investment world. It was the entrepreneurial aptitude of sales and investment professionals in the late '70's and early '80's that changed the competitive landscape, creating privately owned firms dedicated to the institutional marketplace. That same aptitude led to the emergence of the intellectual growth that we are experiencing today with alternative assets. Never before has there been such a need for AIMSE's targeted education. Sales professionals are the front door and the face of their respective firms. Today's complex investment environment means being much more than a bright smile and a propensity to travel. It means being an intellectual asset to your firm and to your clients. A great quote attributed to Harry Truman sums up what we all need to humbly remember, "It's what you learn after you know it all that counts."

We are the only conference or professional association that provides its members with direct conversation with consultant and fund sponsors. The 2006 Annual Conference in Orlando had corporate, Taft-Hartley, healthcare, public, and endowment and foundation investment officers from funds including: Georgia Tech Foundation, British Petroleum America (BP), Alfred I. duPont Trust and Adventist Health Systems—all on hand to share their interests and insights with AIMSE members. There were 11 fund sponsors with assets of \$30 billion participating in our roundtables. Consultants from Wurts, EAI, Rocaton, Wyatt, CRA, Callan, FEG, PCA, Yanni, Towers Perrin, Richards & Tierney and the Gregory Group also shared information on working with their respective firms and their clients. If you can't benefit from this level of access, you may be in the wrong line of work.

Some of my favorite sessions are those led by our industry peers. It is here where you find the heart of AIMSE. It is here where you learn from and share ideas with your peers. What better way to learn about your competitors than from your competitors? The AIMSE experience is sharing and fostering relationships with consultants, plan sponsors, vendors and our peers. It is unique and it is about learning and bettering yourself as an investment sales professional. It is far too easy to fall prey to "group think" within the walls of our own firms. As the New York attorney and politician Dudley Field Malone once said, "I have never in my life learned anything from any man who agreed with me."

The AIMSE Board of Directors, nominated and elected by the membership, consists of investment sales professionals from boutique, multi-product and alternative asset firms. This is an exceptionally qualified group of individuals who are unselfishly sharing their time and energy to enhance the AIMSE experience on behalf of our members and to give something back to an industry in which we are all privileged to work. This is your organization and I



J. Kurt Wood

encourage all of you to become involved. In this newsletter and on the website, you will find a list of standing committees. Please take a moment and find one where you have interest. Then contact the committee chair or the AIMSE office and join up. We welcome your involvement and look forward to seeing you at our next AIMSE event.

On the Road: Marketing Budgets—Priorities for 2007

By Rob Rowan,
Staff Writer

What a difference a year makes. In a 2005 survey of investment managers by the investment banking firm Grail Partners and research company Prince & Associates, 72% of respondents reported that “growing sales and marketing capabilities” was one of their top priorities over next three years. But interviews this month with several AIMSE members show that some firms are holding their marketing budgets and activities steady as they face various external market challenges. Have these members, all of whom are directors of marketing for their firms, been temporarily swayed from their long term plans by nervous markets? Or are things really different this time around?

Marketing Budgets and Activities Stable

“Our firm is in ‘block and tackle’ mode,” said **Chris Krein**, Director of Sales & Marketing at *Allegiance Capital Customized Investments*. “Our budget for next year will be about the same as it was this year... roughly 20% of our overall budget.” **George Chelius**, Director of Marketing at *Fenimore Asset Management* echoed those thoughts. “Our budget will stay the same — about 2% of our overall budget.”

The reasons for the stability in marketing budgets are related directly to each firm’s priorities for the coming year. Krein explained, “Our firm was a lift out. So our main priority this year has been accessing more distribution methods. We hired people with networks in different marketplaces. Our secondary priority for the year has been to find a client service system—a CRM [customer relationship management software]—that we hope to decide on by year end.” With the staff hired and the CRM search in process, Krein’s time is now taken up by managing the new people and the search.

Fenimore has a different set of priorities. “Eighty percent of our new business comes from our existing client base so our main priority is to make sure we have happy clients. We get in

touch with our client base beyond the quarterly standards, with proactive calls, twice per year.”

Kurt Wood of *DePrince, Race & Zollo*, believes many of the boutique firms with a DB heavy client base need to evaluate opportunities to diversify their business in light of the troubling DB environment. Boutique firms are not likely to create their own mutual fund platform so they need to look to the subadvisory business to tap into the DC and retail markets. Wood finds that with the DC market becoming more institutionalized, there are new opportunities with consultants and plan sponsors touting daily valued commingled funds with lower than mutual fund fee structures. “A trustee is usually involved in this structure and plan participants are increasingly looking to the web for performance and account balance information. Fund flows also tend to be less volatile in an institutional-only product as opposed to a mutual fund with retail and DC assets in one pool. Investment firms must evaluate their strategic initiative as the DB market continues to decline,” says Wood.

2006 Expansion Plans

Most of the growth in these firms’ marketing plans will be accomplished by enhancing what they already do. “This year we’ve also been looking to clarify the content on our website by asking people ‘Whose is better than ours?’ We’re learning more and more that the web is your first exposure to people... The day of the brochure is fleeting,” Chelius said.

Fenimore also plans to expand an existing marketing program. “We have an advisory council to the separate account side of our business that we established 8 years ago. We get a cross-section of our clients (e.g. institutional, high net worth, new client, old client, young client, etc.) to advise us for 3 years [as council members]. We fly them into our offices and give them an overview of the status of our different business units, then ask them to spend some time telling us not what we do well, but what we do not do so well. This year we’re considering how we can take that idea to the mutual fund side of our business.”

Most of the growth in these firms’ marketing plans will be accomplished by enhancing what they already do.

2006 Annual Conference Highlights—On the Web

Over 300 members attended the recent 29th Annual Marketing & Sales Conference in Orlando, FL, including 13 exhibitor companies and 63 industry expert presenters. Check out our newly redesigned website at www.AIMSE.com for a gallery of photos and copies of presentations, including the in-depth presentation by keynote speaker, the “Wizard of Wharton,” Dr. Jeremy Siegel!

AIMSE is grateful to the 29th Annual AIMSE Conference exhibitors

Beacon Verification Services, LLC

Callan Associates Inc.

eVestment Alliance

Infinity Info Systems, Inc.

Informa Investment Solutions, Inc.

Institutional Investor, Inc.

LexisNexis Interface Software

Mellon Analytical Solutions

Morningstar, Inc.

Pensions & Investments

Pyxis Mobile, Inc.

Satuit Technologies, Inc.

Standard & Poor’s—Money Market Directories



Champions Gate Orlando
Site of the 2006 Annual Conference

ORLANDO

Jerry DeVore Receives 2006 Lothrop Award

At the 29th Annual Conference, AIMSE announced the 7th recipient of the 2006 Richard A. Lothrop Award established in memory of Dick Lothrop, formerly of the Frank Russell Company and a pioneer and innovator in the investment management marketing and sales industry. Lothrop is recognized as the founder of AIMSE. The 2006 Lothrop Award was presented by 2005 Award recipient Richard E. Graf, Director, WestAM to AIMSE member and Past President Jerry D. DeVore, Partner, Atlanta Capital Management Company, LLC.

Jerry is a Partner of Atlanta Capital Management Company with responsibilities for marketing strategies for the firm and is involved in client servicing. He joined Atlanta Capital in May 1992 after serving as Regional Vice-President with the Travelers Company and as a member of the Board of Directors of the Travelers Indemnity Company. He was with Travelers for twenty-eight years.

Jerry received his bachelor's degree from Wichita State University. He has been involved with the Southwest Pension Conference and Southern Pension. He also serves as advisor to the Board of Directors of the Florida Public Pension Trustees Association (FPPTA).

The full text of DeVore's acceptance speech follows:

"Good Morning!

Another great conference put together by Tom, Lori, Norbert and Pam. Next year will be AIMSE's 30th Anniversary. That's hard to believe. My words will be brief but from the heart. I had the pleasure to know Richard fairly well. He was truly an outstanding person. Richard exemplified great humility and integrity. AIMSE is all about Richard Lothrop.



From left: Richard E. Graf, Jerry D. DeVore, and Tom Barron

Today is a great day for me. I am humbled to know that I stand in the company of other outstanding past recipients of this award. I would like to take a moment to acknowledge each of them: Dick Graf, Vic Zollo, Mike Fisher, Sharon Haugh, John Seiter, and Jim Manley. All are exceptional individuals.

My association with AIMSE goes back over 25 years. I joined the association at the insistence of my mentor, Tom Keating. Tom was one of the founding members of AIMSE and also served as President. Without Tom's help, I would have never become involved in this great business and what a noble business it is. Tom Keating was an excellent mentor who taught me so much about the business. His influence in my life and on my career taught me the importance of mentorship.

As a result, I've tried to establish mentoring relationships with the people I've worked with over

the years. At one time, under Tom Keating's direction, I believe Travelers had one of the greatest sales teams ever put together. People like: Doreen Mochrie, Tom Barron, Tom Sorbo, Mike McCloskey, Chris Lacroix, Eric Johnson, Dan Deter, Bob Southard, Harry Elkin, Mike Grant, Tom McGowan, Don Steinbrugge, Rob Burdick, Bob Clark, Dan Tretnik, Pete Zummo, Steve Kneecley, Steve Barringer, John Prom, Doug Barron. Some are here today. I have been blessed to be their friend. They all have been very successful in their own way.

AIMSE is without a doubt one of the most outstanding associations ever established. Where can a person go to attend a conference and get to hear people share their thoughts as to what has made them successful and to give away trade secrets to their competitors? Members of AIMSE are also willing to help other members secure new clients when they can help. I know of at least three occasions where this happened to me personally. Dick Graff helped me on a large public fund as well as Doug Angstrom on another large public fund, and Mike Del Priore on a large municipal fund. There were others.

During my entire career in this amazing business, I have always tried to live by two basic principals: ONE: You never have to apologize for being nice, and TWO: The Optimist's Creed by Christian Larson: *To be so strong that nothing can disturb your peace of mind; to talk health, happiness and prosperity; to make your friends feel that there is something in them; to look on the sunny side of everything; to think only of the best; to be just as enthusiastic about the success of others as you are about your own; to forget the mistakes of the past and profit by them; to wear a cheerful countenance and give a smile to everyone you meet; to*

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15th Annual Fall Conference Preview

AIMSE Members “Gain Access—Gain Relationships” at the Consultant–Plan Sponsor–Manager Dialogue

Mark your calendars for September 21-22, 2006 for the 15th Annual Fall Conference at the Grand Hyatt New York. Don't miss this unique opportunity to meet top consultants and plan sponsors through intimate, interactive roundtable settings. Attend mock finals presentations and learn from key consultant and plan sponsor decision-makers what is discussed after you leave the room and how the winner is chosen.

Keynote presenters include:

Jeff Birnbaum, award-winning author, Fox News Channel political analyst, and *Washington Post* columnist will give his perspective on world events.

Rich Nuzum, Americas Business Leader, *Mercer Investment Consulting* will update you on:

- The latest changes within Mercer's Manager Research business — who does what?
- How Mercer covers investment managers
- An update on Mercer's global search activity, including details on Mercer's Global Investment Management Database (GIMD)
- An inside look at the Mercer Manager Research process.

With over \$76 billion in assets placed through their manager search process in 2005, Mercer is one of the world's leading investment consulting firms. Mercer's Manager Research process continues to evolve to meet the changing needs of institutional investors. This is your opportunity to get a thorough update on how these changes will affect your firm and how your firm should adapt.

Jurrien Timmer, Investment Strategist and Director of Market Research, *Fidelity Management and Research Company*

This session will review technical and fundamental indicators for the U.S. capital markets and highlight data that may forecast the direction of key economic indicators as we enter the fourth quarter and a dynamic political season. Jurrien's research directly impacts the portfolio strategy of Fidelity's asset allocation funds and is widely used by Fidelity's portfolio managers and analysts. He is a member of Fidelity's Asset Allocation group, where he specializes in tactical asset allocation.

Consultant and Plan Sponsor Roundtables

Roll up your sleeves and join top consultants and plan sponsors for true “roundtable” discussions of the pertinent issues we all face today. There's no podium and no audience—just individual discussion groups at each roundtable. You'll benefit from the insights of the consultant and plans sponsor at your table and the final “reporting back” from other groups. In an intimate and interactive setting, you'll hear straight talk on how to streamline your sales and marketing efforts, develop productive relationships with influential consultants and connect with the plan sponsors who need your services most.



Grand Hyatt, New York

Confirmed Consultant Roundtable participants include:

Mark Vorhees, CFA, Vice President, *Aon Investment Consulting*

Kevin M. Dolsen, Investment Consultant, Global Manager Research, *Callan Associates Inc.*

Susan McDermott, Senior Vice President, *Clark Strategic Advisors*

Tim Fallon, Managing Director, *Marquette Associates*

David Morton, Partner, Hedge Fund and Fixed Income Research, *Rocaton Investment Advisors, LLC*

Wayne Lomicky, Senior Consulting Analyst, *Russell Investment Advisors*

Kevin Leonard, Senior Consultant, *Segal Advisors*

Confirmed Plan Sponsor Roundtable participants include:

Bob Stanton, Executive Director, *El Paso Firemen's & Policemen's Fund*

Sue Painter, *Providence Health System*

Frank Foy, CIO, *New Mexico Educational Retirement Board*

Straight talk, great ideas, mock finals and more! Don't miss this must-attend event!

For more information or to register, please visit www.AIMSE.com.

On the Road

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What Keeps You Awake at Night?

While these members are happy with the growth of their firms and the priorities that they have chosen in the past, many of them fear that issues in the overall market could threaten their future successes. Surprisingly, terrorism, foreign policy, budget deficits and monetary policies are not what keep these professionals awake at night. Their issues are more endemic to clients and the growth of the financial services industry.

“What should keep the industry awake at night but does not? Regulatory and compliance issues. I think that actions by the SEC, NASD, and others will continue to grow because they need something to do. The concern that we have is: how does a small firm manage all those needs? Should you hire people or look for firms to out-source to? The industry needs to worry

about questions like this and how more regulation and compliance needs will impact the margins of our businesses,” Krein said.

Chelius’ concerns center on the how clients will react to growing volatility in the US markets and the growth of the industry. “For our firm, I’m concerned that the client base doesn’t understand that short-term volatility can create buying opportunities. I’m afraid that our clients might get caught up in the day-to-day frenzies of this market. And, over the last ten to fifteen years our industry has created an enormous amount of product: asset allocation, derivatives, overseas products... It concerns me that the public is confused by the growth in these products. Investing is, in reality, very much common sense. I tell people to go back and read *One Up On Wall Street: How To Use What You Already Know To Make Money In The Market* by Peter Lynch to help them remember that.”

Is it Really Different This Time?

The neutral budget stance by these firms suggests that things might be different now. But a closer look at their plans shows that they are attempting to grow in smaller, more efficient ways than in the past. The reasons reported are many (regulation, DB industry challenges) but the results are clear: lean, mean marketing machines are in.

AIMSE Standing Committees and Responsibilities

Strategic Planning Committee

Chair: Neal J. Howe
Merrill Lynch Investment Managers
609-282-2767
neal_howe@ml.com

Communications Committee

Chair: Larry S. Pokora
Paulson & Company
212-813-6818
Larry.pokora@paulsonco.com

Awards Committee

Chair: Doreen M. Mochrie
Cyrus Capital Partners
212-380-5830
dmochrie@cyruscapital.com

Program Committee

Chair: Jack Boyce
GE Asset Management
203-708-3128
jack.boyce@ge.com

Education Committee

Chair: Lori McEvoy
WisdomTree Investments, Inc.
610-265-1565
lmcvoy@wisdomtree.com

Membership Committee

Chair: Rachel S. L. Minard
Corbin Capital Partners, LP
415-989-3020
rminard@corbincapital.com

Canadian Committee

Chair: Michael Gillis
416-702-2611
michaelroygillis@gmail.com

International Committee

Chair: John Gee-Grant
Merrill Lynch Investment Managers
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be too large for worry, too noble for anger, too strong for fear, and too happy to permit the presence of trouble.

Also, I want to acknowledge a person who during the last 5 - 6 years at Atlanta Capital has made my life wonderful, Jim Skesavage. He is a dear friend. Jim, you are very special.

During my 40 plus years in the business, there have been 4 or 5 defining moments:

- 1) The first day I started in the business;
- 2) The very first client who selected my firm;
- 3) The day my son Darren, who many of you know, told me he wanted to have a career in this industry. Every parent wants their children to be more successful than they were. I believe Darren has achieved this. His mother and I could not have a better son;

4) Ten years ago five of my partners and I purchased Atlanta Capital, Dan Boone, Chip Reames, Bill Hackney, Greg Coleman and Dallas Lundy. Three of these partners are here today. Dan Boone, Bill Hackney and Chip Reames. All three are Senior Partners of Atlanta Capital. All three have unique skill sets and one common trait, Dan with his ability to select stock and portfolio management, Bill with his portfolio management capabilities and great writing ability and Chip with his strategic planning, marketing and client service. The one common trait they share is people skills. I referred earlier to the Optimists Creed. It comes naturally to Dan, Bill and Chip. If you were starting an Investment Firm, you would want all three as a part of the firm. I am a better person today for having had both a professional and personal relationship with the three of them for the last 15 years. Thank you for being here to share this moment.

5) And finally, today, as I receive this award, I stand before you a person with a great deal of happiness, a lot of pride and so much humility. I am truly honored to have been selected as this year's recipient and I will always remember this day.

I want to thank those individuals who nominated me for this award and to the committee for their approval. I also want to thank all of my friends in the consultant community and the many clients I have had the pleasure to be associated with over the past 42 years.

Whatever success I have achieved over my career would never have been possible without the tremendous support from my beautiful wife, Judy. Her support was relentless and knew no boundaries.

I wish each of you the success you so richly deserve and the very best in life. Again, thank you and God bless."

AIMSE Richard A. Lothrop Outstanding Achievement Award

Established in 1999, the Richard A. Lothrop Award recognizes an individual who, through his/her efforts and activities in the investment management industry and in his/her community, has contributed significantly to the betterment of the investment management industry and to mankind.

To qualify for the Richard A. Lothrop Award,

1. The individual must be in the investment management sales and marketing business for at least ten years;
2. The individual must be or have been an AIMSE member for a minimum of five years;
3. The individual should have demonstrated outstanding achievement in investment management sales and marketing over a period of time, not just for a single year;
4. The individual should have made some significant contribution(s) to society outside of the investment management industry;
5. There should be awareness within the investment management marketing and sales industry of the individual's accomplishments.

The 8th Annual AIMSE Richard A. Lothrop Outstanding Achievement Award will be awarded next spring at AIMSE's 30th Annual Marketing & Sales Conference. For more information or to nominate a colleague, visit www.AIMSE.com.

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