

from the [president]

Dear AIMSE Members,

As we sit back and look at the first half of 2008 it has certainly been challenging. The sub-prime crisis, fleeting investment returns and low consumer confidence has led us to a crossroads as investment management sales executives. How do we

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engage our clients and prospects to instill a sense of confidence in our capabilities and use this as an opportunity to build even deeper relationships with our industry contacts?

We at AIMSE recognize our mission is to provide outstanding educational programs and opportunities to develop members' investment knowledge and sales skills in order to effectively increase the probability of your success. Education happens in many places and spaces and we recognize and appreciate the many ways that learning can occur.

With that in mind we want to make you aware of an initiative we recently began titled "AIMSE Goes Local." This encompasses a series of regional breakfast meetings aimed at providing a venue to discuss topical ideas and trends at a local level. Over the last six months we have hosted a number of such meetings in Atlanta, San Francisco and Philadelphia. At these gatherings we discussed changes to consulting personnel at organizations like Callan, LCG, NEPC and others. In Philadelphia we had an opportunity to have Orim Graves,

Senior Consultant at FIS Group give us his thoughts on the marketplace and manager search trends as well as the economy. We also shared information on changes in plan sponsor contacts and current searches (RFP's).

AIMSE members and guests who attended walked away with the "local knowledge" they could use to make a difference in their day to day jobs as well as intelligence on trends that might affect their firm's strategic positioning. We will continue to host these meetings on a more frequent and broader basis to ensure AIMSE provides every opportunity to enhance your capabilities as a sales executive.

Of course this is in addition to the already engaging lineup of conferences we hold on an annual basis. This fall, the Plan Sponsor-Consultant-Manager Dialogue will be held at the New York Hilton on October 1st and 2nd. Not only will you be able to meet leading plan sponsors and consultants in an informal roundtable environment, but we will also hear from industry leaders like McKinsey & Company and Casey Quirk & Associates. Toronto will once again host the Annual Canadian Conference on January 13-14, 2009 and New York will also be the sight of next year's AIMSE/P&I Hedge Fund Conference in early 2009.

A perennial favorite, AIMSE and P&I will again collaborate to host some of the best and brightest in the hedge fund industry. Finally, we will return to the fabulous Arizona Biltmore Resort on April 26-28, 2009 for our Annual Conference. As always the agenda will be filled with topical sessions from industry experts designed to advance your sales and marketing relationship skills.

The Board and I understand the goal of AIMSE is to educate the leaders of today and tomorrow. With our goals in mind, and in addition to our new educational initiatives, we have redesigned our website to make it more useful and established a new partnership with the Drohan Management Group to handle our ever-growing administrative requirements. We believe we are in the best position to meet and exceed the needs of all AIMSE members.

We always are looking for feedback and new ideas. So join a committee and give us your perspective!

I look forward to personally welcoming you at an AIMSE sponsored educational event soon!

With warmest regards,

Larry Pokora

## from the *[editor]*

Dear AIMSE Members,

You probably do not have time to read this letter. That's why you are a member of AIMSE. We are all scraping for ways to blast through our growing 'to-do' lists faster and more effectively. Toward that end, the Advisor is changing to help.



First, we have changed the format in a couple of ways. It's all electronic. You can print out what you want or forward it on. Next, we put summaries of most articles in the newsletter with links to the full text of the articles

if you want the details. Finally, we have links back to the AIMSE website which has - and will increasingly have - a host of other member resources.

In terms of content, whether you attended the Annual Conference or not, you'll find 'call reports' of some of the sessions which provide useful insight into the current state of client and consultant requirements....and what they don't want. These sessions were designed to help you decide where to spend and where you're wasting your time given your firm's strategy and products.

For some inspiration, check out Sally Stalcup's interview with this year's Lothrop Award winner, Gene Waldron. You'll read how Gene, like our other Lothrop Award winners, makes a lifetime of achievement look fun and easy.

Long ago a wise friend told me that time becomes more valuable the busier you get. As I write this letter from a hotel room in Seattle with my Blackberry earbud in one ear, my personal phone on the other side of the table, checkout time arriving, a meeting pending, a flight to catch and the promise to the AIMSE staff to finish this letter today...or else, I finally truly understand what she was talking about.

I imagine you do, too.

Hope you find this issue of the AIMSE Advisor helpful. Please do give us your feedback.

Safe travels.

A handwritten signature in black ink that reads "Anthony E. Wilkins, CFA". The signature is written in a cursive, flowing style.

Tony Wilkins

# [2008 annual conference] highlights

A capacity crowd turned out for AIMSE's 31st Annual Conference at the Boca Raton Resort & Club in Boca Raton, Florida. Conference Co-Chairs Larry Pokora, Paulson & Company and Cheryl King, Emperor Investment Management programmed an agenda of powerful consultant and plan sponsor roundtables as well as workshops tailored for AIMSE members that proved very effective for learning and exchanging ideas.

## Plan Sponsor Roundtables

AIMSE members had opportunities to meet with consultants and investment officers in the ever-popular Roundtable formats. The sessions drew representation from public, endowment, corporate and hospital plans. The AIMSE Plan Sponsor Roundtables are an exceptionally good opportunity for a little "face time" with these hard to meet prospective clients.

Moderators Brad Williams, Promontory Partners and Kathleen Dunlap, Epoch Investment Partners arranged opportunities for attendees to meet with investment officers including:

Name	Company
John Girard	City of Boca Raton Police & Fire
John F. Driscoll	NYC Police Pension Fund
Randy Stalnaker	Texas Association of Public Employee Retirement Systems
Pat McGuillicot	State of Washington Investment Board
John Keane	Jacksonville Police & Fire Pension Fund
Patrick Baumann	Harris Corporation
Eli Kahwaty	The Henry J. Kaiser Family Foundation
Michele Ward, CFA	Commonfund Asset Management Company, Inc.
Laurence Siegel	Ford Foundation
Kent Muckel, CFA	University of Colorado Foundation
James Bencomo	USG Corporation
Jason Wallace	Florida Power Light

## Among the words of wisdom from these sessions were:

- The institutional market is a "process sale." Learn from some of the best marketers in each segment.
- Long standing relationships are drivers for public funds, unions, endowments/foundations.
- Endowments and foundations can take years to develop relationships. The key contacts get more calls than ever due to the growth in alternatives offerings.
- Partnering is desired by most as they are long term investors.
- Smaller round table discussion and brainstorming sessions create bonding.
- Better writing, communication and listening skills will help you be more effective.

## Consultant Roundtables: "What's Hot & What's Not"

It was standing room only as moderator Tim McAvoy, Marvin & Palmer Associates, Inc. provided conference participants the opportunity to share information at individual discussion groups with consultants:

[Orim Graves, CFA, Fiduciary Investment Solutions](#)  
[David Hyman, CFA, Evaluation Associates](#)  
[Liana Magner, CFA, Mercer](#)  
[John Krimmel, CPA, CFA, Callan Associates](#)  
[Paul Malizia, CFA Hewitt Associates](#)  
[Richard Charlton, NEPC](#)  
[Chris Meyer, Fund Evaluation Group, LLC](#)  
[Adam Kimball, Consulting Service Group](#)

Participants got first-hand insight into the strategies these key consultants are looking for in 2008 and beyond:

## NEPC--Charlton

### Hot

- Portable alpha
- GTAA
- LDI
- Credit Opportunities
- Risk-parity
- Absolute return
- Less constrained investing including hedge funds

### Not

- Large cap domestic equity
- Core fixed income

## Fund Evaluation Group--Meyer

### Hot

- Credit-based and distress funds
- Multi-strategy hedge funds
- Alpha transport

### Not

- Traditional core mandates
- Low tracking error traditional strategies
- Large buyout funds
- Asset gathering hedge fund of funds

## Fiduciary Investment Solutions (FIS)--Graves

### Hot

- Moving to non-U.S. real estate (30%-40% of full R-E allocation)
- Emphasis on stock picking versus style bucketing
- Portable alpha
- Promotes TIPS in portfolio
- Global fixed income

### Not

- Seeing a reduction in domestic equity footprint

## Hewitt Associates--Malizia

### Hot

- Infrastructure, private equity, real estate (to a lesser extent)
- Global/foreign equities
- Extension strategies (e.g., 130/30) and portable alpha are not hot yet, but interest in them is growing
- LDI
- Core plus fixed income
- Greater attention is being paid to overall pension risk
- DB still dominates in terms of overall assets, however, is stagnant
- DC is the way of the future and growing rapidly

### Not

- Hedge funds and other absolute return strategies

## Consulting Services Group (CSG)--Kimball

### Hot

- Hedge funds
- Infrastructure investing
- Alternative energy and green investing

## Callan Associates--Krimmel

### Hot

- Strategies that offer substantial diversification from the traditional equity and fixed income markets, including hedge funds and other alternative investment strategies.

Also see a number of clients consider inflation hedging strategies as they conduct asset-liability studies

From a strategy standpoint, the continued adoption of 130/30 and GTAA are areas where we continue to see increased search activity

Given the recent "quant meltdown" and "fixed income" challenges, we expect to see increased search activities in these areas

## Evaluation Associates--Hyman

### Hot

U.S. equities – look for pockets of opportunities

- Non-cyclical stocks
- Quality stocks
- Large caps
- Active management
- Opportunistic mandates

Possibility for U.S./Foreign marketing decoupling?

Do not give up on emerging markets equities

Strong dollar/weak dollar – how about both?

Credit spreads starting to look more attractive

Bank loans/levered loans

Distressed

Alternative strategies

- Hedge funds
- Commodities
- Private equity

*The Advisor is grateful to Sally Stalcup, Cheryl King and Carter Bailey for their assistance in these Annual Conference highlights.*

# the changing face of *[hedge funds]*

One of the most popular sessions at this year's Annual Conference was provided by moderator Stefanie Frese of Palm Beach Capital and her panelists, [William Huger](#), Global Strategies Investment Management [Ray Nottle](#), Citigroup Alternative Investments, [Tim Schuler](#), Alpha Equity Management, [Charles Krusen](#), Permal Asset Management. The subject was the changing landscape of the hedge fund space. The following insights and comments on strategies were offered:

## *[william]*

- Eliminated futures; focused on long-short equity; event space has slowed down

## *[ray]*

- Been out of the relative value space – there's too much leverage; looking at convertible space – starting to open due to companies needing financing
- Also, some prime mortgage space is looking better; credit related – the loan market – levered and straight loans; avoid managers heavily exposed to debt side into 2009

## *[tim]*

- Shifted toward global macro due to liquidity and volatility in the market
- 2007 was a good year to find good long-short equity managers
- Today, managers have opportunity to find inequalities...
- Staying in things that are liquid

## *[charles]*

- Looking at infrastructure space – MLPs subset
- Distressed is a 2009 opportunity
- Likes global real-estate and global macro

## questions

How has the due diligence process changed given changes in the market?

- Look hard at the exposure to illiquid opportunities
- Private placement
- Side pockets and how they are managed
- Look at gates
- Ask, "Do you have the staying power? Is your business positioned right?"
- Remember, risk management begins before you make the investment – we dig through the strategy and look at the type of instruments they use.
- Risk is not standard deviation. We look at performance attribution to see how the manager got their track record. Want to make sure the strategy is matching the underlying liquidity.

How long does it take to fire an underperforming manager?

- Underperforming to what? Often when performance is down, that manager can open and then continue to put money to work.
- Look at what's driving the underperformance – why and relative to what?

## other

- When firms are marketing, focus on what the manager does and how versus the "hot" strategies and the numbers. Share what's at the heart of what they do.
- Do your homework and make sure you know what the buyer's needs are

[Coming Soon]

## third annual aimse/ p&i hedge fund conference

The great paradox in the alternatives space is that even while the flow of institutional assets into hedge funds continues with no sign of abating, raising capital has never been harder. How do you stay firmly ahead of the pack?

The Third Annual AIMSE/Pensions & Investments Hedge Fund Conference in NYC has one goal: to collect the smartest minds in hedge funds into one room for one day to get to the root of the issues: Is 130/30 just a compensation scheme? Will hedge funds of funds unwilling to negotiate fees remain relevant? How do you satisfy the request for transparency but hold onto your great ideas so they're not arbitrated away? The "What's Hot and What's Not" list has become out of date the minute it's published. Join the highest caliber minds in alternative assets today to get right down to what matters most. Listen to those who have successfully raised assets globally and hear what strategies get traction, which consultants are placing assets with hedge funds and how to successfully manage client expectations. You'll finish this one-day crash course with all the tools you'll need to start winning business against even your fiercest competitors.

The AIMSE/P&I Hedge Fund Conference will take place in early 2009. Stay tuned to [www.AIMSE.com](http://www.AIMSE.com) for more details.

## gene waldron receives 2008

# [Lothrop award]

Gene Waldron of Capital Guardian Trust Company received the 2008 Richard A. Lothrop Award at the 31st AIMSE Annual Conference. Waldron is the 9th recipient of the award which 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. The Lothrop Award was established in memory of Richard 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 full text of Waldron's acceptance speech is available at [www.AIMSE.com](http://www.AIMSE.com).

In an interview with AIMSE member Sally Stalcup of Stalcup Consulting, Waldron talks about his career, his involvement with AIMSE and what it takes to be successful in our industry.

**SS:** How did you find your way into the investment management industry?

**GW:** It started with a love of the investment business back when I was in grade school, believe it or not. I had an uncle who was retired on a medical disability and supported his family on his investment portfolio. He had me help him look up stock prices when I was 12 years old; I loved it! In 1969, Merrill Lynch was building a presence and placed a full page ad for analysts. I was one of twenty analysts hired. I moved to Baltimore and migrated to T. Rowe Price 10 years later as a marketing professional.

**SS:** What has your career track looked like – types of roles?

**GW:** Being an analyst at the start of my career was an enormous benefit to me in my role as a marketing professional. It made me more conversant with companies as we discussed their pension plan. I knew about their business, their competitors, the mechanics, etc. It helped me to build a comfort level with them because I could demonstrate/speak to what was driving their business/industry. Earning the CFA designation helped to send a message that I was serious about our profession.

I've really been a utility player and have worked with consultants, foundations, endowments, and corporations. My public funds concentration began at Capital Guardian. My roles have included management responsibilities since I was with Fidelity. I've always kept my hand in the (sales) game, which has been beneficial. Capital is a relatively flat organization; consequently, my management responsibility has taken about 15% of time with the balance in the trenches.



## [Eugene M. Waldron, Jr.]

Gene Waldron is a senior vice president of Capital Guardian Trust Company with marketing and client relations responsibilities for public employee benefit plans. He joined Capital Guardian with more than 29 years of investment-related work experience. Prior to joining Capital Guardian in 1998, he spent four and a half years as a vice president with Loomis, Sayles & Company. Before that, he spent one and a half years as a director with CS First Boston Asset Management, two and a half years as a senior vice president with Fidelity Management Trust Company and eleven years as a vice president with T. Rowe Price Associates.

Waldron received his MBA in finance and investments from the Bernard M. Baruch College, City University of New York and his BS in economics from Mt. St. Mary's College in Emmitsburg, Maryland. He holds the Chartered Financial Analyst® designation and is based in Washington, D.C.

**SS:** How has being an AIMSE member helped your career?

**GW:** I shared this in my Lothrop acceptance speech and I really meant it when I said getting to know other firms and other strategies, how they work, how individuals do things, has been enormously beneficial to me. It's a great place to grow a network of friends and to help each other out. I haven't missed one AIMSE annual meeting since 1979. I have always learned something such as a technique on managing priorities, how to attack an asset class, how to deal with specific individuals. Following the conferences, you can call up the folks you met and ask for assistance.

Another benefit of being a member has been by being active and chairing panels. It's great to be able to invite plan sponsors or consultants to come and participate at the events – it really helps you to build your relationships with them.

**SS:** How do you prepare for a new business/final presentation?

**GW:** It's all about the preparation. Before each presentation, I try to find out as much about the decision-makers as possible such as, what drives them, what do they want to accomplish and then tailor the presentation to that mission. I don't believe in giving a canned presentation; I try to personalize every one. Travel schedules and time constraints sometimes make rehearsals difficult. The goal is to go through a meaningful rehearsal – sit down, say, "here's what we are saying, here's what's important to them – I need you to focus on this." I then usually go through examples for our timing such as, "we'll spend 3 minutes on this, then to that for 5 minutes, etc." I also recommend to the investment team to minimize jargon and not "talk down" to the group. Of course, it's a soft science and it doesn't always work the way you plan.

**SS:** Is it more challenging to rehearse with someone you've presented with for years due to your comfort level of delivering so many presentations together?

**GW:** Yes, definitely. However, the longer you work together can almost make it tougher to rehearse – but you have to otherwise you can get too comfortable and sloppy. You have to remain disciplined. All the responsibility is

with the relationship manager. It's difficult for the younger relationship managers to tell the older portfolio manager, "Here's what we are going to do..." but I encourage everyone to forge on. Egos sometime make this tough to accomplish.

**SS:** What was the worst presentation you ever experienced?

**GW:** I can tell you that there are many, but one time I attempted to bring humor into the presentation. My co-presenter ran the fixed income group at a former firm. We were the 14th (and last) presentation of the day for some public funds trustees, who had started their day at 8:30am. We presented at 7:30pm. Since we were talking about short term bonds, which are inherently boring, I thought we needed to keep them awake. I bought 12 packets of No-Doze to pass out and thought it would be hilarious. As we began our presentation, I opened my briefcase, tossed them out and said, "This might help you listen..." There was dead silence. Everyone looked at me like I was crazy. Since then, I said I would never do that again and haven't. We did get the business though.

**SS:** What is your greatest source of satisfaction in your career?

**GW:** That's an easy one – it's getting rehired by someone who's fired you before. It shows that they have enough confidence in you and your firm to give you a chance to come back and I love that feeling. When you get fired it's tough on the plan sponsor and on your organization. You need to maintain a professional relationship and keep the door open. When you circle back and win the business later on, it's a high. In either losing or getting fired, you cannot throw a fit and say things you might regret later. In our industry this happens with a greater frequency than you might imagine. Losing gracefully is something plan sponsors never forget.

**SS:** What's the key to leading successful sales people?

**GW:** I think it's to set a clear set of expectations and get out of their way. I've been more of a sales guy than a manager (of

course, I've had those responsibilities). The most effective approach is when you set standards, ensure resources are available, and then help when you can. Lead by example, which is why I've always maintained client relationships.

**SS:** How do you deal with a great sales person who is off their game?

**GW:** I've had the pleasure of working with some great sales people. The way I look at it is to make sure they are doing everything they used to do, just like with a firm, for example: Are the main attributes the same even though they've had a few down years? If it's all the same, I would just get out of their way and wait for their productivity to cycle back.

**SS:** What makes a great client service professional in your eyes?

**GW:** Being responsive instantaneously. I can cite a number of very successful firms with horrendous client service capabilities. When their numbers turned south, they lost large chunks of their franchise. They had actually built "bad will." So the first thing is being responsive; second is to be sensitive to the changes at the organization and how those changes will affect your firm's relationship with your client. You can sense opportunities or play defense.

**SS:** Have you ever fired a client and if so for what reasons?

**GW:** No, but I have fired prospects because the people were so obnoxious that I just refused to call on them. Some are so unpleasant to deal with you just wait for a staff change.

**SS:** What one thing do you think the investment management industry could do to improve?

**GW:** The industry as a whole could probably do a better job of communicating where their portfolios are positioned and why. There is a tendency to complicate things when responding to questions about positions – what you own and why. I have seen this firsthand as a trustee of a few endowment boards.

**SS:** What is the optimal way for managers to educate and work closely with plan sponsors and consultants (without seeming as though they are "selling")?

**GW:** The key here is to build trust. You need to develop sound bites about what distinguishes your firm and what you want to talk about. I think that is mandatory because typical plan sponsors and consultants hear from so many firms every day. You need to be able to reduce your comments to some sharp images and have them remember you and what you said – that makes all the difference.

**SS:** What's the key to selling when performance is not good?

**GW:** Make the call. Tell the client or prospect, "We are out of sync and this is why." But you've got to make the call. It's not easy of course but you need to know what is going on with your clients and their organizations so you have to keep communication open. They will remember you when you call when performance isn't good. Explain what's happening and it promotes trust. If you don't do it, it then takes too long to rebuild the trust when your numbers turn up.

**SS:** What have I not asked you that I should have?

**GW:** You've asked some terrific questions already...how about, "What do you like least about the business?" While Capital Guardian has been great in this regard, I would say that marketing people are almost by definition considered "second class citizens." It's not pronounced from a compensation standpoint, but typically investment people are "kings" and sales people are not. It's endemic to most businesses. Within any organization, skills should be respected at all levels, and sometimes that's not the case in our industry.

**SS:** How do you have fun?

**GW:** I play golf and I'm a woodworker. It's a great hobby; I mostly make toys for my grandchildren such as chairs, hobby horses and pull toys. I can dream up a project and then make it!



[Coming Soon]

*[2008 plan sponsor-consultant-  
manager dialogue]* the changing land-  
scape of the investment management industry

On October 1-2, the AIMSE Fall Conference will be held at the New York Hilton. The conference will be an excellent opportunity to meet with consultants from major firms, senior investment staff at plan sponsors, trade ideas with your colleagues and meet with leading industry providers of investment tools.

In addition, industry leaders from Casey Quirk Associates and McKinsey & Co. will be presenting their views on the fast changing landscape of the investment management industry.

Please join your colleagues in New York in October to participate in this exciting opportunity. Stay tuned to [www.AIMSE.com](http://www.AIMSE.com) for more details as to the plan sponsors and consultants who will participate. Speakers at the 2007 conference included plan sponsors Ted Balph, Albuquerque Academy, Joe Paoloni, Ciba Specialty Chemicals and Scott Pittman, Baylor University. Participating consultants in 2007 were:

Brian Birnbaum, CFA, EnnisKnupp  
Jonathan Cusa, Evaluation Associates, Inc.  
Ruth Falck, Watson Wyatt Investment Consulting  
Lisa Florentine, Rogerscasey  
David Grosner, Hewitt Investment Group  
Aruna Jain, Mercer Investment Consulting  
David Lee, CFA, Dahab Associates

aimse is especially grateful to the  
*[sponsors and exhibitors]*  
at the 31<sup>st</sup> aimse annual marketing  
and sales conference: [Ashland](#)

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[ProTrak International, Inc.](#)

[Satuit Technologies](#)

[Standard & Poor's Money Market Directories](#)

[Wilshire Associates](#)

[Zephyr Associates](#)



calendar of *[events]*

**17th Annual Fall Conference**

The Changing Landscape of the Investment Management Industry

October 1-2, 2008

Hilton New York

New York, New York

**16th Annual Canadian Conference**

January 13-14 2009

Fairmont Royal York

Toronto, Ontario

Canada

**3rd Annual Hedge Fund Conference**

February 2009 (Exact dates TBD)

New York, New York

**32nd Annual Marketing & Sales Conference**

April 26-28, 2009

Arizona Biltmore Resort & Spa

Phoenix, AZ

record attendance at

*[wharton]*

The January 2008 class of the AIMSE/Wharton Investment Institute was of record size with 58 sales/marketing and client service professionals and executives representing 39 firms and 8 countries. This special one-week Institute is held every other January on the campus of the University of Pennsylvania at the renowned Wharton School, offering over twenty different custom-designed courses in both finance and marketing. Join up and hear directly from the Wharton faculty regarding the newest thinking on a variety of topics from investment theory to specific strategies.

If you want to increase your knowledge of investment management marketing, raise the level of your understanding of the financial marketplace and gain an edge on your competitors, this Institute is for you. The AIMSE/Wharton Investment Institute is designed exclusively for AIMSE members who want to increase their understanding of investment management sales and marketing and have made a commitment to professional growth and development.

Please stay tuned for more information regarding the upcoming AIMSE/Wharton Investment Institute in January 2010.



*[get involved!]*

join a committee and become part of  
the aimse network.

*click here for a list of committees*