

# Emerging Manager monthly

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## Ohio Public Employees, NYC Make Manager-of-Managers Hires

Two of the country's largest pension plans have hired a total of six emerging managers-of-managers to handle over \$900 million in assets.

The \$64.8 billion **Ohio Public Employees Retirement System** has hired **Leading Edge Investment Advisors** and **Progress Investment Management Company** as its managers-of-minority managers; and the \$100 billion **New York City Retirement System**

has hired managers-of-managers **Attucks Asset Management**, **Bivium Capital Partners**, **Capital Prospects**, **FIS Group** and **Progress** for its \$800 million emerging manager program.

LEIA will manage \$75 million for OPERS and Progress will manage \$50 million, while the account sizes for New York City were not known, as the plan declined to confirm the hires until contract negotiations are completed—the

hires were, however, confirmed by multiple sources. The five firms were notified of the hires in late December (EMM, 1/3).

The \$75 million mandate to LEIA is the firm's first account since it was founded in July 2005 by **Clayton Jue**, formerly head of the emerging manager business at **Northern Trust Global Advisors**. "We are very pleased because

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## First Annual Emerging Manager Awards

### 24 Nominees Vie For First Annual Awards

*Emerging Manager Monthly*, in association with *eVestment Alliance*, is proud to present the nominees for the First Annual Emerging Manager Awards.

Nominees in eight categories were ranked based on the following criterion:

excess returns, performance versus peers, asset growth, asset percentage growth and standard deviation.

The categories are large-cap equity, small-cap equity, small- to mid-cap equity, mid-cap equity, all-cap equity, international equity, core fixed-income and high-yield fixed-income. Overall, over 430 products were considered.

The top three managers in each category will now be handed over to a five-person committee made up of industry

experts in the plan sponsor and emerging managers-of-managers community. The committee will evaluate the merits of each firm based on quantitative and qualitative measures before selecting the winners, who will then be announced in the

**For the list of nominees and finalists in each category, see pages 7-8.**

**Award recipients will be announced on April 4.**

April issue of *Emerging Manager Monthly*.

The committee will remain anonymous during the selection stage to maintain the integrity of the process.

To be eligible for the awards, managers must have submitted year-end 2006 data to *eVestment Alliance* by Jan. 26, have less than \$2 billion in assets under management and have full-year 2006 performance figures.

Only separately managed accounts were considered.

## Emerging Mgrs. Hot Topic At Pension Plans

Emerging asset management firms should be sure to clear their upcoming schedule, as several pension plans have let it be known they are considering new emerging manager allocations.

The **Dallas Employees Retirement Fund**, the **Jacksonville (Fla.) Fire & Police Pension Fund** and the **Texas Teachers Retirement System** are all considering investments in emerging managers, executives from each of the plans said.

Also, the **Detroit Police & Fire Pension System** is getting closer to beginning its search, as it expects to receive a report from its consultant by the end of the month. The plan is looking to directly invest \$150-250 million with emerging managers.

The \$3.2 billion Dallas plan will make its decision after an asset plan study that is expected to be completed by the end of spring. **Cheryl Alston**, administrator, said the plan has not decided whether to directly invest in emerging managers or go the

See **SEARCHES**, Page 17

# Chilton Merges With Dyer Robertson & Lamme, Doubles Assets

Growth equity firm **Chilton Capital Management** has merged with large-cap manager **Dyer Robertson & Lamme**. The merger doubles the size of the firm to over \$700 million. **Pat Dyer, John Roberston & Charles "Lin" Lamme**, founders of Dyer Robertson & Lamme, will become managing directors at Chilton.

"We've been thinking about a progression plan or a transition plan for several years...there is a very good fit between our two firms," Lamme said.

"We spent quite a bit of time looking at the growth equity strategy at Chilton, the actual positions and the stocks...their research procedures are pretty much the same as ours."

Lamme said that the primary focus for himself and the two other principals from his firm will be in client service and working with existing clients during the transition, while also being involved at an oversight level in the investment process.

**Thomas Motter**, cio of Chilton Capital, will head equity investments at the firm and **David Underwood**, chief operating officer, will oversee fixed-income investing.

"I thought there would be very little disruption to the clients," Motter said. "I saw this as an opportunity to significantly expand our portfolio management effort with people of the same philosophy."

"One of the problems that we did have was continuity for our clients, and I think that solves this problem," Lamme said.

The merger will not incorporate DR&L's track record into

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We are very pleased with this merger, because we have been well aware that many times consultants are not interested in looking at investment managers, even emerging managers, that have less than \$500 million in assets under management.

**Kim Fontenot**

*Director of Marketing & Client Services  
Chilton Capital Management*

”

Chilton. **Kim Fontenot**, director of marketing and client services, said that Chilton will hold accounts transitioned into its strategy outside the composite for 90 days before incorporating the performance into the growth equity composite.

Motter said that he believes that stock-picking type firms like Chilton are well positioned going forward in the growth space.

"Interest rates cannot decline to the degree they have over the past 25 years," he said, which will force companies to have growth earnings.

"One of the things that we do want from anything that we invest in is the belief that this company can grow and of course the stock will follow along with that."

Motter said that the addition of DR&L's background in the high-net-worth space to Chilton's own background in the space should help in the foundation and endowment area, which is generally controlled by high-net-worth individuals.

"We think there is a real blending of the two definitions there," Motter said.

"We are very pleased with this merger, because we have been well aware that many times consultants are not interested in looking at investment managers, even emerging managers, that have less than \$500 million in assets under management," Fontenot said. "I see this as a great positive for our marketing efforts."

Underwood said the firm will not rest on its laurels now that it has doubled its assets under management.

"This gives us that little extra push to get over that \$500 million, but we are still very aware that that is not going to be the answer to everything...because there are some consultants that will not look at us, or any firm, until they cross \$1 billion," he said.

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## Clarification

Barry Levin is an institutional trader with Man Securities, the retail securities business of Man Financial. Last month's article "Emerging Brokers Find Opportunities Difficult To Come By" inaccurately stated he worked for Man Financial.

## Progress Publishes Book On Emerging Manager Issues

**Progress Investment Management Company** has published its second book addressing issues facing emerging investment managers and institutional investors.

The book, titled "*A Dialogue On Emerging Managers & Related Topics*," is a compilation of presentations made at the firm's 11th Annual *Plan Sponsor & Emerging Manager Conference* held in 2005.

"We want to foster an understanding of the broad range of issues associated with emerging manager investment strategies," said **Thurman White**, ceo of Progress.

"We want to share best practices...we really want to stimulate a dialogue among a range of emerging manager issues."

The 139-page book covers 12 sessions, including: Identifying Alpha and How Much To Pay For It; The Business of Emerging Managers; Manager Search And Selection; and Maximizing The Potential of The Client Meeting.

"There are a lot of helpful tips and perspectives in the conference," White said, adding that the book allows firms who are not funded by Progress an opportunity to benefit from the firm's "non-investment alpha."

The book is free to anyone who requests it, White said. Interested parties can e-mail [mcs@progressinvestment.com](mailto:mcs@progressinvestment.com).

Progress did not hold a conference in 2006 but has scheduled their 12th Annual *Plan Sponsor and Emerging Manager Conference* for November 18-20 in Scottsdale, Ariz.

"If we continue to stimulate interest, that will create opportunity," White said. "That is part of our mission, to continue to stimulate opportunity."

## CRAFund Advisors Renamed Community Capital Management

**CRAFund Advisors** has changed its name to **Community Capital Management**.

The change, effective Feb. 1, is designed to better reflect the firm's community-based investment approach and its focus on a broader range of investors, including mission-based investors, according to **Alyssa Greenspan**, portfolio manager.

"We really wanted a name that better reflected what we do, not just for banks, but for all our investors," she said.

The firm was originally developed to help banks meet the requirements of the Community Reinvestment Act.

"When we started CRAFund Advisors, it was primarily to provide an investment vehicle for banks to reinvest in the community," Greenspan explained.

Since its founding in 1999, the firm has expanded to also managing pension fund and foundation assets.

"(CRA) doesn't mean anything to a public pension or a foundation," Greenspan said.

The firm has approximately \$185 million in separate accounts and manages over \$800 million overall.

The Fort Lauderdale, Fla.-based firm's new Web site is [www.ccmfixedincome.com](http://www.ccmfixedincome.com).

## Baltimore Mayor Urges Use of Local, Minority-Owned Firms

Local and minority-owned asset management firms in Baltimore could get a boost from the city's mayor. The *Baltimore Sun* reported last month that Mayor **Sheila Dixon**'s administration has asked officials from the city's employees and firefighters retirement systems to direct more contracts to local and minority-owned firms.

However, emerging manager sources say that pension officials at the fire plan have resisted the push in the past. The city's employees pension plan has an emerging manager program that invests in small, boutique and minority-owned firms.

**Roselyn Spencer**, executive director of the employees plan, and **Felicia Knight**, spokeswoman for the firefighters' plan, did not return calls seeking comment.

## Standard & Poor's Launches Backtesting Program

**Standard & Poor's** has launched a program that allows money managers to backtest potential investment strategies. Standard & Poor's Backtester uses historical data to develop real-world portfolio simulations that can analyze the effectiveness of a management firm's investment ideas. The program uses historical data from **Compustat**, combined with Standard & Poor's Research Insight analytics program.

"Active portfolio managers and financial analysts who want to outperform the market need to easily and accurately test investment ideas over time," said **JP Tremblay**, senior director of product development for Compustat at Standard & Poor's. "Backtester's ease-of-use, speed, and real-world data, provide the right combination for the demands of quantitative investment professionals."

Backtester allows the user to select and create combinations of variables, such as transaction costs, taxes, initial investment, holding period, weighting, ranking and scoring, buy and sell rules, cash holdings, purchases and volume, dividend treatment and rebalancing, and then test the scenarios.

## 2/3 of Employees Not Impressed With Marketing Material

Only one-third of investment management professionals believe their firm's marketing literature does a good job of describing the firm, according to a survey conducted by marketing consulting firm **Alpha Partners**. The survey found that only 32% of the 140 participants believe the firm's marketing literature "does a good job of describing who we really are," while 22% believe the marketing literature does not do a good job and 45% believe it sometimes does a good job.

The survey also found that only 17% of participants believe their firm has an objective way to evaluate its own performance in new business presentations and are able to act on information to build on strengths and eliminate weaknesses. Overall, 49% of firms operate in an environment where the reality underlying the marketing could be improved, Alpha Partners found.



Institutional Brokerage, Turn-Key Office Suites, Fund Manager Consulting, SEC Compliance, Capital Introduction

## IT BEGINS WITH A DREAM...

Hedge Fund Capital Partners, LLC or "HedgeCap" is an NASD licensed broker-dealer, headquartered in New York. HedgeCap was formed to service the needs of the rapidly growing hedge fund marketplace. The significant growth in the demand for alternative investment strategies from all sectors of the investor market, particularly the private and public institutional investor, combined with increased regulatory oversight has created a unique opportunity to create a financial services platform which can be leveraged to provide solutions to emerging hedge fund managers and their investors.



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How important is a Web site to your marketing message? It's not only essential, it's critical. It wasn't so long ago that Web sites were positioned as a "storefront," an online alternative to a bricks-and-mortar location. No longer. In today's global economy, the Web site is a business tool, a way of reaching out 24/7/365. People want information on demand. You've got to give it to them.

First, some history. In the mid-1990s, when the big push to Web sites occurred, the savvy businesses posted at least a few pages online, generally *brochureware*. In effect, they simply recycled their traditional marketing materials. It was the same story, same content – and it worked, and to a degree, still does. But because today's Web sites are much more interactive, they demand greater sophistication. The good news is that there are Web site developers, many of whom specialize in financial services, who can help you get the job done – and at a reasonable price.

It's easy enough to get online today by buying a template, which can cost as little as \$500. But in the case of money management firms, whose needs are complex and more sophisticated, you're not going to get by for long with three or four Web pages that basically replicate your marketing brochures. Check out [www.aiminvestments.com](http://www.aiminvestments.com) and [www.vanguard.com](http://www.vanguard.com), and you'll see what I mean. They're live-and lively. They're performance-related, client-friendly and news-driven. They're also industry models.

As an emerging manager, though, you may not need anything as sophisticated as something that the biggest investment firms are likely to have. What you need is something that works – not just for you, but for your clients and prospects.

A good Web site designer will sit down with you, listen to what your needs are and put together a plan, sketching out each and every page. Of course, there are decisions you'll have to make. Do you want to have separate links for individual and institutional investors? Do you want a link for financial advisors with more detailed and,

# STREET Savvy<sup>sm</sup> Marketer

By: Bill Blase

sometimes, proprietary information? And, needless to say, everything you post will need to conform to any legal and compliance requirements. And don't forget the small stuff like accurate contact information. We've all encountered Web sites where a phone number is wrong or a link doesn't work. It can compromise your entire marketing effort.

Once it's up, you'll also need to keep an eye on it. Internet technology is not infallible. Every once in awhile, I'll hear from someone that our site was taking a long time to load. The message here? You have to stay on top of your Web hosting company. You also need to keep the site fresh. What good are four-year-old press releases or bios of executives who no longer work with you? They won't exactly add to your 'crisp' factor.

I'm not a big fan of committees, but depending on how large your organization is, it can be very productive assigning a small number of people – maybe someone from HR, sales, marketing, and product development – to review your Web site's look and content regularly.

This will help ensure your site not only remains fresh and relevant, but gives the people who are most crucial to your continued success – client and prospects – reasons to come back. It can be an exciting, dynamic process. What you don't want is *corporatespeak*.

The bottom line? Think strategically and comprehensively. What is the value of the information you are communicating and how does it speak to your brand? This is how people will remember you. This isn't just a storefront. It's a business tool.

[Up next: Mail bag – Questions from Street Savvy Marketer<sup>sm</sup> readers]

Bill Blase is president of New York City-based W.T. Blase & Associates, a leading corporate and market positioning firms, and StreetSpeak, Inc., an executive presentation and media training firm. Bill can be reached at [billblase@wtblase.com](mailto:billblase@wtblase.com).

Ricardo Bekin was looking for a name for his firm that reflected his heritage and accurately described his business.

The firm was previously known as **Callard Asset Management**, however, when founder and mentor **Chuck Callard** passed away in 2004, "it just made sense to come up with a separate identity," Bekin said.

Bekin, of Brazilian heritage, conferred with his wife before deciding on "Ativo."

The word means both "active" and



"assets" in the Portuguese language.

"We were trying to convey my background, the flavor of the firm, plus the fact that we are not indexers, we are focused on the alpha side of the equation," he said.

The firm currently has \$59 million in assets under management after recently winning a \$15 million allocation through the **Chicago Public School Teachers Retirement System's** allocation to manager-of-managers **United Investment Managers** (EMM, 10/25).

## Managing Editor

Matthew McCue  
[mmccue@fin-news.com](mailto:mmccue@fin-news.com)  
646-810-1075

## Data Editor

Gar Chung  
[gchung@fin-news.com](mailto:gchung@fin-news.com)  
646-810-1073

Emerging Manager  
monthly

## Publisher

Robert Cavallito  
[rcavallito@fin-news.com](mailto:rcavallito@fin-news.com)  
646-810-1072

## Financial Investment News

41 Union Square West  
Suite 1027  
New York, NY 10003  
646-810-1072

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[www.emergingmanagermonthly.com](http://www.emergingmanagermonthly.com)



This month I am expanding upon last month's article and will explain the importance of networking and cultivating your centers of influence.

Last month I stated that the best prospects generally come from referrals, warm prospects come from networking and cold prospects come from cold solicitation. If you are a manager in an early stage and trying to gather assets in order to climb to the next level, then it would be wise to work your network of contacts to reach the best prospects.

Referrals come from existing clients, centers of influence, business managers, CPA's and other gate keepers. Referrals that come from investment management consultants are probably considered to be the most valuable and could be considered as "lay up" referrals.

Existing clients are a great source for referrals; if you are doing a great job then they are generally happier to introduce you to other investors. Individual investors and single trustees will provide more referrals than large investment committees.

In my practice I have found that a good percentage of the time when an existing client refers us they are referring a prospect with more assets than themselves. There are two distinct times to ask for referrals: when you first get hired and when the client has acknowledged that they are really pleased with your results. In addition to referrals, you also need to ask existing clients for the names and contact information of their other professional service providers in order to build a larger network of contacts.

Your next source of referrals will come from your network of contacts and your centers of influence (COI). COI's are another great place to garner referrals and potentially identify more investment management consultants. Building a COI network is not as hard as you may think. Every one of your existing clients will have an attorney, pension consultant and/or CPA that they

## Getting On The RADAR SCREEN



By Daniel Bott, Sr.

work with. It will serve you well to get to know them and most of the time clients are more than happy to have you become acquainted with their other professional service providers.

By seizing the opportunity to meet and speak with these new professionals you have expanded your network and have been given an opportunity to cross introduce your established network to an even greater network.

Now for the network icing on the cake, when you are talking to anyone within your COI, ask them if they are working with any existing investment management consultants. If they are, ask for contact info to follow up and then add these consultants to your expanding network.

However, if these newly acquainted COI's are not working with a consultant, then this is your opportunity to introduce the investment management consultants that are part of your professional network to them. This exchange procedure ensures an expanding network and will guarantee you get on the radar screen of more consultants.

The process of network building works both forward and backwards and the outcome should be considered a win-win situation. Remember, it is all about building contacts with a network of individuals that all have the same goal in mind-to provide the best possible service to current and future clients.

*Daniel R Bott Sr., CIMC, has completed his most recent book, "The Art & Science of Investment Management Consulting." To order a copy e-mail [nff.llc@earthlink.net](mailto:nff.llc@earthlink.net). His practice, Bott & Associates of Wachovia Securities LLC, is based in Scottsdale, Ariz. He can be reached at [Dan.Bott@Wachoviasec.com](mailto:Dan.Bott@Wachoviasec.com). The opinions expressed may not necessarily reflect those of Wachovia Securities or its affiliates.*

## HIRES: LEIA Gets First Client; New York Moving To Real Estate

Continued from Page 1

we faced some difficulty being excluded from many opportunities because of the lack of (assets under management)," Jue said. "It was not a good experience being penalized the same way a lot of the managers we are seeking to fund are penalized."

Jue said that the terms of the contract have not yet been finalized but that he expects OPERS to fund the account by the end of March. He said he has not yet selected the firms that will be included in the fund but said any allocations will be at least \$5 million and that he has begun to contact firms he is considering.

LEIA and Progress were selected from nine applications, according to OPERS. The allocation is approximately 1% of the plan's externally-managed public market assets. The plan's search, which began in July, was first reported by *EMM* in May.

While Progress pulled down mandates from both plans, **Mona Williams**, executive v.p., said that the firm's policy is not to comment on search activity unless the prospective client is willing to comment publicly.

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It was not a good experience being penalized the same way a lot of the managers we are seeking to fund are penalized.

**Clayton Jue**

*Founder*

*Leading Edge Investment Advisors*

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Also, **Joseph Haslip**, deputy comptroller for New York City, told attendees of the *12th Annual Wall Street Summit* that the plan expects to announce a \$200-350 million emerging real estate program in the first quarter and also plans to begin searching for developing managers with \$1-5 billion in assets under management next quarter to fill its \$1.2 billion developing manager allocation.

# First Annual Emerging Manager Awards Finalists

*\*Nominees are shaded*

FIRM	PRODUCT
<b>Large-Cap</b>	
1 Greenfield & Sietz	Greenfield Seitz Capital Multi-Cap
2 Campbell Newman Asset Management	Dividend Growth Equity
3 Liberty Ridge Capital, Inc.	LRC Focused Core Equity
4 Coho Partners, Ltd.	Large Cap Stable Growth
5 Liberty Ridge Capital, Inc.	LRC Large Cap Core Equity Strategy
6 OakBrook Investments, LLC	Select Equity Strategy
7 Ten Asset Management, Inc.	Large Cap Value
8 Runde & Co. LLC	Runde Large Cap
9 Palisades Investment Partners, LLC	Palisades Large Cap Value
10 TWIN Capital Management, Inc.	Top Stocks
<b>Mid-Cap</b>	
1 Reinhart & Mahoney Capital Management, Inc.	Reinhart & Mahoney Mid Cap Growth Equity
2 Optimum Investment Advisors	Mid Cap Core Equity
3 Seizert Capital Partners	Mid Cap
4 Reinhart & Mahoney Capital Management, Inc.	Reinhart & Mahoney Mid Cap Value
5 Southfield Investment Management, LLC	All-Cap
6 Miller/Howard Investments, Inc.	Distribution/Merging Utilities
7 Credo Capital Management, LLC	U. S. Equity Mid Cap Growth Service
8 Byram Capital Management LLC	Mid Cap Value Equity
9 Ranger Investment Management, L.P.	Ranger Mid-Cap
10 Brazos Capital Management	Brazos Capital Mid Cap Portfolio
<b>Small- to Mid-Cap</b>	
1 Bernzott Capital Advisors	Bernzott Small Cap Equity
2 Davidson Investment Advisors	Small/Mid Cap Strategy
3 Runde & Co. LLC	Runde Small/Mid Cap
4 Ativo Capital Management	Small Dynamic Select
5 Messner & Smith Investment Management, Ltd	Small/Mid Cap Value
6 OMT Capital Management, LLC	SMid Cap Growth Equity
7 Channing Capital Management, LLC	Channing Mid-Cap Value Fund
8 Great Northern Capital	SMID Cap
9 MKG Capital Advisors	MKG Small - Mid Cap Growth
10 DSM Capital Partners, LLC	DSM Small Mid Cap Growth Equity
<b>Small-Cap</b>	
1 MindShare Capital Manager, LLC	SmallCap Turnaround Growth
2 Van Berkomp and Associates Inc.	Small Cap Equity
3 The London Company	Small Cap Core
4 Deep Value Asset Management LLC	Deep Value US Equity
5 Bernzott Capital Advisors	Bernzott Small Cap Equity
6 Cortina Asset Management, LLC	Cortina Small Cap Opportunity
7 InView Investment Management, LLC	InView Small Value Portfolio
8 TAMRO Capital Partners LLC	TAMRO Small Cap Composite
9 Bjurman, Barry & Associates	Small Cap Absolute Return
10 Stonebridge Capital Management Inc.	Stonebridge Capital Management Small Cap Growth

FIRM	PRODUCT
<b>All-Cap</b>	
1 Locke Capital Management, Inc.	LCM US Equity Composite
2 Miller/Howard Investments, Inc.	Income Equity Strategy
3 Avenir Corporation	Equity Value
4 Campbell Newman Asset Management, Inc.	Dividend Growth Equity
5 Sparrow Capital Management	Tax Advantaged Rising Dividend
6 Moody Aldrich Partners, LLC	Focused Value
7 DeRoy & Devereaux Private Investment Counsel, Inc.	All Cap Equity
8 TAMRO Capital Partners LLC	TAMRO All Cap Select Composite
9 Albion Financial Group	All Capitalization Core Equity
10 Moloney Sec. Asset Mgmt.	Growth Composite
<b>International</b>	
1 Johnston Asset Management Corp	International
2 NorthRoad Capital Management	NorthRoad International Equity
3 John Hsu Capital Group, Inc.	International Top-Down Equity
4 Locke Capital Management, Inc.	LCM International Equity Composite
5 Hexavest Inc.	International Equity
6 Strategic Global Advisors	SGA Large Cap Core International Equity
7 Cheswold Lane Asset Management	Cheswold Lane International High Dividend Fund
8 Eagle Global Advisors, LLC	International Equity ADR
9 Philippe Investment Management	Philippe European Small and Mid Cap Equities
10 Dean Chase Global Value, LLC	Dean Chase International Equity Product
<b>High-Yield</b>	
1 Three Peaks Capital Management	High Yield Bond
2 Caywood-Scholl Capital Management	High Yield Fixed Income
3 SMH Capital Advisors, Inc.	Institutional High Yield
4 Fountain Capital Management	Short Duration High Yield
5 Financial Management Advisors	High Yield Fixed Income
6 Intrepid Capital Management	Intrepid High Yield
7 KDP Asset Management	Defensive High Yield
8 Cincinnati Asset Management	High Yield
9 EH Williams Capital Management	EH High Yield Portfolio
10 Fountain Capital Management	High Yield Total Return
<b>Core Fixed-Income</b>	
1 Dolan McEniry Capital Management	DMC Fixed Income
2 Tom Johnson Investment Management	TJIM Fixed Income
3 CRAFT Fund Advisors, Inc.	Community Investment Composite
4 JAG Advisors	Enhanced Core Fixed Income
5 John Hsu Capital Group, Inc.	US Core Fixed Income
6 JKMilne Asset Management	JKMAM Absolute Value
7 Oppenheimer Investment Management	Core Fixed Income
8 Davidson Investment Advisors	DIA Core Fixed Income
9 Cypress Asset Management	Cypress Core Fixed Income
10 Bjurman, Barry & Associates	Traditional Fixed Income

**Editors Note:** This is an exciting time in the emerging manager space and *Emerging Manager Monthly* is proud to provide our readers with the First Annual Emerging Manager Awards. First, I would like to thank *eVestment Alliance* for agreeing to co-sponsor the awards and providing the data for the selection of our finalists. For me, I believe this is an important first step in providing an avenue to recognize the top emerging management firms in the industry. The ability to utilize the eVestment Alliance database allowed us to conduct a true screen of managers based on our five criterion and ultimately allowed us to recognize firms based on true merit.

Thank you to all the firms who diligently submitted their year-end data to the eVestment database.  
 Congratulations to our finalists and best of luck to our nominees!



## Chicago Firemen See Performance, Not Size When Hiring Managers

Most emerging managers, pension plans and manager-of-managers will admit that while emerging manager programs are a great proving ground for newer or smaller asset management firms, every manager strives to obtain direct investments, which are often for more money and don't come with reduced fees. Pension plans such as the **Firemen's Annuity & Benefit Fund of Chicago** are willing to provide those opportunities-providing the firm can perform.

"Realistically, we seek managers that can provide us alpha.

It's not alpha at any cost, its alpha at a reasonable cost," said **Michael Moran**, cio of the \$1.3 billion plan. "Quite honestly, if they are established for 100 years with half a trillion in assets or if they are a minority or emerging manager, it doesn't necessarily matter to us. What matters to us is that they are a complement to the portfolio and over a long cycle they are positively contributing to the portfolio."

The plan recently hired large-cap growth manager **Logan Capital Management** to handle a \$50 million mandate. The hire is part of the plan's restructuring of its domestic large-cap portfolio, which also included the hiring of **Marvin & Palmer** and **Rhumblin Advisors**, the latter of which will manage a passive **Russell 1000 Index** fund for the plan.

Moran said the plan went with Logan Capital because the firm's top-down investment strategy complements its bottom-up managers. Also, he said the firm's strong performance numbers, correlation and competitive fee structure played an important role in the firm's hire.

"At 40% funded, we don't have the luxury of taking fliers," he said. "We don't have the luxury of being wrong."

### Proof Is In The Pudding

Moran said the plan has a history of providing opportunities to smaller firms, including being an initial investor in **Brandes Investment Partners** and **Keeley Asset Management** in the early-to mid-'90s.

**Lisa Peters**, managing director at Logan Capital, said it was apparent from the moment she stepped into the board meeting that the plan's trustees had a firm grasp of what goes into a successful portfolio. "We did not feel that we were a small firm when we were being interviewed," she said. "We felt we were being screened purely on our merits as a large-cap manager."

"They are not just looking at numbers. They really want to feel comfortable with process, portfolio strategy...that to me, is an indication that the board is informed," she said.

Moran said that if he had to guess, 33% of the plan's managers would be defined as either emerging or women- or minority-owned.

However, the plan does have some parameters it looks to stick by. Moran said that each mandate is specific, but as a general rule the

plan does not want to be more than 10% of a firm's assets under management.

Moran said he agrees with studies that suggest that smaller asset managers have the ability to outperform their larger counterparts. "Smaller managers have a greater agility," he said. "They are much more nimble."

"Chicago Fire is a very active participant in hiring emerging and minority managers, when at all possible, to meet the needs and goals of the fund," he said.

“...If they are established for 100 years with half a trillion in assets or if they are a minority or emerging manager, it doesn't necessarily matter to us. What matters to us is that they are a complement to the portfolio...”

**Michael Moran**

CIO

*Firemen's Annuity & Benefit Fund of Chicago*

### Opportunities Are Out There

Moran said he recommends that managers get into every consultants' database, whether the firm has met with the consultant or not, devote internal resources to ensure that all data is complete and accurate, work to differentiate themselves through strategy or style and find niche asset classes to gain more immediate access to investors.

Moran, like most plan sponsors, said that the entire international area provides an opportunity for a new firm because it is not highly represented by the emerging manager space. He said this goes for international equity, fixed-income and real estate and global REITs. "An emerging markets investment product from a minority-owned firm would provide them with ample opportunities," he said.

He also said private equity is an attractive spot for managers. Moran's plan has two private equity fund-of-funds investments, one with **Bank of America** and the other with minority- and women-owned private equity fund-of-funds manager **Muller & Monroe Asset Management**.

### Only The Best

Moran said the plan evaluates each and every opportunity to find the best opportunity for alpha. He said because of the strong performance of emerging managers, the plan has a focus on taking a look at smaller firms, and makes that very clear to consultant **Mercer Investment Consulting**. "With each search that we do, Mercer is instructed to seek out emerging and minority managers, as long as they meet the specific criteria of that search," Moran said.

"Any time that we meet with managers, we actively encourage them to have all their information in the Mercer database," he said, adding that if the firm is not in Mercer's database he will provide them with contact information. "Over the years, that has paid off for some smaller firms." Moran said one example was **GlobeFlex Capital**, which he met with in early 2001 and was hired by the plan in March 2005.

"You will never know when you were included in a search, but you won't be included in a search if they don't have access to your information," he said.

## Patience Is A Virtue: Gracor Looks To Capitalize On Shortsightedness

After spending years studying and teaching the writings of “The Father of Value Investing” **Benjamin Graham**, **Joe Cortopassi** is heading out on his own to show exactly what “The Dean of Wall Street” was writing about.

“This industry, if you are successful at it for any length of time, you have plenty of money to do what you want, and there comes a time when you only live once,” said Cortopassi, who left **Brandes Investment Partners** to launch Temecula, Calif.-based **Gracor Investors**.

Cortopassi said he will take a long-term investment approach that looks to take advantage of market-shortsightedness.

“The market is there to serve you, not to guide you...(Graham) used to talk about it like it’s manically depressive,” he said.

“To drive the market swing from manic to depressive, negative things have to happen that drive investors to throw up their hands and say forget it. That is where somebody steeped in the philosophy of Graham would start nosing around,” he said.

Cortopassi said that by examining behavioral finance, his portfolio can find investment opportunities usually overlooked by investors.

“You need to be less illogical. We are all emotional creatures, we all get scared,” he said.

“It’s the investors that can keep their emotions out of investing that prosper.”

Gracor’s concentrated global equity portfolio generally holds 30-35 companies, with a typical holding period of 4-6

“

You need to be less illogical. We are all emotional creatures, we all get scared. It’s the investors that can keep their emotions out of investing that prosper.

**Joe Cortopassi**

*Founder  
Gracor Investors*

”

years. Cortopassi said the portfolio will focus on mid- and large-cap investments and will have 20% country weightings.

“This whole global thing is relatively new. In the ’80s the technology really wasn’t there...today it is. Technology has helped this industry quite a bit,” he said.

The portfolio also has a 5% maximum investment per company. The portfolio, which currently has \$6.3 million in assets under management, could handle up to \$5 billion, however Cortopassi expects to close the fund earlier than that.

Cortopassi said he has a good relationship with his former employer and the decision to open Gracor was about the “intellectual challenge of doing the best possible job for the client.”

“At some point, you get that dream in your head of what would be the best thing for you personally, and I just think I like a smaller, more intimate relationship with clients,” he said.

## Former Wells Capital Execs Launch Small-Cap Value Firm

Three former senior executives of **Wells Capital Management** have launched small-cap value firm **Scott Creek Capital Management**.

The firm’s founders, **Dominic Marshall**, **Ryan Curdy** and **Adam Wilkie**, launched the firm on Oct. 12 and the firm’s initial capital is expected to be fully invested by the end of the first quarter.

Marshall, a portfolio manager at Wells Capital with Curdy, said the three will make an initial marketing push before transitioning to spending the majority of their time on the investment process, noting that ultimately Scott Creek will sink or swim based on performance.

The Clackamas, Ore.-based firm will look for contrarian investment opportunities in the \$100-300 million capitalization range, where Marshall believes inefficient opportunities can be found.

“We love to find the underfollowed and underloved company,” he said. “Down in our space, there is a plentiful amount of those.”

The firm’s investment philosophy centers around cash flow valuation and a disciplined investment approach that stresses

patience. Marshall said the firm evaluates a company’s value relative to its current valuation in the market, which allows the firm to generate returns based on its contrarian viewpoint.

The small-cap value portfolio will hold an average of 75 companies, with an expected maximum company weighting of 3%. Marshall said the product could handle up to \$1 billion.

At Wells Capital, Marshall and Curdy were part of the team that managed the Benson Small Cap Value Equity product and were co-lead managers on the Benson Micro Cap Value Equity product. Wilkie joined Wells Capital in 2003 as an equity analyst.

Marshall said that while the trio was not able to take its track record from Wells Capital, many of the consultants are familiar with their previous work but the challenge is letting people know about Scott Creek.

The firm has received interest from the consulting community, he said, though most want to see a portfolio in action.

“I think the key is that we have been together as a team for a long time,” he said.

“The three of us collectively bring very complementary skills to the table.”

# Northern Lights Looks To Bring Asset Managers Out of Dark

**Tim Carver, Paul Greenwood** and **Andy Turner** have launched **Northern Lights Ventures**, a private equity firm that will invest in independent investment management firms.

The Tacoma, Wash.-based firm will focus on lift-outs, recapitalization and partnerships with existing firms seeking additional capital. The firm has raised over \$50 million of financing in a perpetual-life investment company called Northern Lights Capital Partners.

Greenwood formed third-party marketing firm **Stellate Partners** two years ago with **Rob** and **John Mathai** after spending 15 years at **Frank Russell Company**, which has since been renamed Russell Investment Group.

"Stellate Partners will be an important strategic partner of

Northern Lights," Greenwood said. "While the companies are separate, we believe many of the companies we invest in will want to take advantage of Rob and John's exceptional marketing abilities."

Turner also previously worked at Russell, heading up a staff of more than 100 professionals in the firm's investment and research group, while Carver previously worked at private equity firm **Orca Bay Partners**.

"We have spent our careers finding, evaluating, and assisting money managers, and now we have the ability to back great teams that share our vision of building investment led firms that place client interests above corporate interests," Greenwood said.

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## Two-Year-Old JS Asset Management Hires Director of Marketing

**JS Asset Management**, launched two years ago this month, has hired **Christopher Fearey** as its director of marketing. Fearey, previously a v.p. in the institutional sales group at **Brandywine Global Investment Management**, will be responsible for marketing the firm's large-cap value and all-cap value portfolios to institutional investors.

The firm boasts a seven-year track record that founder **John Schneider** was able to bring with him from **PIMCO**, where he was a senior portfolio manager and managing director.

Fearey, who joined the firm on Jan. 2, will focus on introducing the large-cap value and all-cap value strategies to the consulting community. He said he is also getting his hands around the emerging manager space. Fearey said that Schneider's performance track record and his history handling approximately \$12 billion at PIMCO should make the firm attractive to the institutional community.

Schneider said he takes a long-term investment view of 18-24 months. He and the firm's three analysts each work to identify attractive stocks, often companies with problems or perceived problems that can be fixed down the line.

"We are often finding companies where the earnings are depressed," he said. For example, the firm currently has a 4% allocation to the airline industry, which were initially bought into about 18 months ago. "A year and a half ago you had **Delta** and **Northwest** and **US Air**, all of these companies going into bankruptcy, so the street was running away from these things," he said.

The firm has \$227 million in overall assets under management, \$198 million of which is in its large-cap value fund. The large-cap fund is a concentrated portfolio with generally 40 names. The firm won't go more than double the index's weight in a specific sector and generally won't invest more than 6% of the portfolio in one stock. The portfolio generally has 50% turnover in a year.

The large-cap value portfolio has trailed the **Russell 1000 Value Index** for the 1- and 3-year periods ending Sept. 30, but has returned 13.65% since it was launched in July 2000, compared to 8.19% by the benchmark. The all-cap value portfolio has also trailed over the past five years, but has returned 12.71% since inception in July 1999, compared to 11.34% by the Russell 2000 Value Index.

The firm has a \$20 million separate account minimum. Schneider said that is important because it allows the firm to spend its time focusing on investments, instead of handling a large number of separate accounts, which can hamper client service. "I think it is just best for the client," he said, adding that the firm also offers an institutional mutual fund.

Over the past year the firm doubled its assets under management and both Schneider and Fearey believe that the firm's structure and Schneider's background at PIMCO should quell any concerns investors might have with a smaller firm. The firm's infrastructure includes a full-time trader and operations professional, a CFO, CCO and office manager. "A lot of these smaller firms getting off the ground can't necessarily say that," Fearey said.

## Former LEIA Dir. of Research To Manage, Market Small-Cap Funds

**Kevin Granger**, director of research at **Leading Edge Investment Advisors**, has left the firm to become a portfolio manager at **Phocas Financial Corp.** He will be responsible for small-cap portfolio management at the firm, which was founded in 2006 by **Bill Schaff**.

"I think that to some extent, I always wanted to come back to the direct portfolio management side," Granger said. Granger also said that **Anira Advisory Group**, the fund-of-hedge funds firm he founded, has closed.

Phocas currently has \$178 million in assets under management overall in two mutual funds, a small-cap value portfolio, and a REIT portfolio.

Granger said he will use his contacts from his time at LEIA to help market the firm, however "to be fair, a lot of the [LEIA] competitors have already shown up," he said.

Granger said that Schaff's focus on business ethics and managing an optimal amount of money were attractive to him. "I've been in the business a long time, and I meet people that make business decisions that aren't always ethical, [they] make decisions because they are considered to be good business decisions," he said, adding, "The other part of being ethical, especially in the emerging manager space, is taking too much money. At some point in time you are essentially going to hurt your clients by taking too much money...your returns collapse and your clients get

“ I think that to some extent, I always wanted to come back to the direct portfolio management side.

**Kevin Granger**  
Portfolio Manager  
Phocas Financial Corp.

harm.”

Schaff has been down the emerging manager road before, growing a previous business to \$1.5 billion before selling the operation to the **Stillwell Group**, which became **Janus Capital Group**. However Schaff said that getting back to research analysis and portfolio management was important to him, resulting in Phocus. "The idea was to put a very small investment team together that was focused on performance," he said.

"The problem with most emerging managers is they don't have the support of really learning how to do the business well," he

**See PHOCUS, Next Page**



# InView Sees Opportunities In Track Record, Asset Milestones

Reaching a three-year track record is an important milestone for any asset management firm. Reaching \$100 million in assets under management is another. For **InView Investment Management**, both have happened at nearly the same time, providing the perfect opportunity to begin a marketing push in the institutional space.

"These two milestones essentially put us on every consultant's radar in the country," said **Glen Kleczka**, CEO of InView. "The activity level has picked up dramatically in terms of the number of people we are meeting with."

InView has hired third-party marketing firm **Huston Associates** to assist with the increased interest in the firm. **Randy Faust**, v.p. at Huston said, "Our goal is to ensure every institutional consultant knows of InView. If they are already familiar with the story, we will make sure that they are updated on the recent progress InView has made."

Virtually all of the firm's assets raised in the past year have come from emerging manager programs. "We think it's a great class to participate in," said Kleczka. "We like investors that enjoy being early to the party and want to get in on the ground floor. We have worked quite a bit within the emerging manager consultant channel making sure everyone is aware of InView."

"Historically, there has been a dearth of very good small cap value managers out there," said Faust. "InView's current inroads in the emerging manager space will allow Huston to focus on direct investment opportunities. We believe the firm is well constructed to withstand the direct route and accept all direct assets."

Kleczka said that his approach has been built and executed over the past 17 years, starting with his time at **Brinson**

**Partners**. InView uses a quantitative screen at the front-end to create a "farm team" of stocks with characteristics that have indicated success in the past. The screen uses over 20 valuation parameters to whittle the universe of investible stocks before using another 20 parameters to measure or quantify the financial strength of the small-cap value stocks.

"We believe that having both a very strong value orientation in combination with owning strong companies equates to market out performance," Kleczka said.

The firm also looks at "laggard stocks" that have underperformed the valued universe over the past three years on a cumulative basis.

The portfolio returned 14.34% in 2006, compared to 23.48% for the **Russell 2000 Value Index** but outperformed the index in 2005 and 2004 by 6.7% and 1.8%, respectively. The portfolio generally holds 45-50 names and attempts to be closely aligned to sector weights set by the benchmark.

"We don't have a way to identify sectors that are going to outperform, so we don't take big sector bets. That is very risky," Kleczka said, adding "we do not believe that many other people have a way to identify sectors that are going to outperform, either."

"We think that the consulting community really appreciates this approach," Kleczka said. "They don't like eclectic managers. Consultants want managers who can execute a methodical approach to investing."

Faust said that while having the three-year track record will certainly open more doors for the firm, Kleczka's investment process is "well honed" and has been through all market cycles. "It is not a new process," he said.

## Phocas: Firm Hopes Experience Pays Dividends With Investors

Continued From Previous Page

said. "That is a combination of education, training, going through ups and downs. If you don't have that, it is very difficult to compete in a very competitive world."

Schaff also benefits from his time as chairman of the **Alameda County (Calif.) Employees Retirement Association's** board of trustees from 1999 through 2003.

"He was a very decisive leader and he was so experienced and so knowledgeable about the fund management business that a lot of board members looked up to him for leadership," said **Betty Tse**, CIO of the plan.

"He was one of the pioneers, if you may, in helping to set the foundation for our investment portfolio structure."

Schaff said that the small-cap value portfolio has gained the most interest in the institutional space to this point because it fits nicely into the style boxes assigned by institutional investors.

"Institutions like the boxes," he said. "My belief is you can stay within a box and still add value."

Schaff said that small-cap value is historically less followed, and with the firm's deep value focus, fundamentally long-term investments provide an opportunity to add alpha.

"The number one rule of any active product is, where is the probability greatest for success," he said. "Then it is a matter of

designing the product within the constraints."

"The deep value is where you get the most return over time, but you also have to have the patience for it," Schaff said.

Schaff said that stocks today often run the risk of getting hammered by arbitrage and hedge fund traders.

"I don't want to be dictated to by them," he said. "The fact is I believe in deep value, holding it over time...you must have the patience to hold it. By definition, you need to be sure that you have the fortitude to be able to stomach volatility."

To manage risk and mute volatility, the portfolio holds 80-125 companies, with investments of 0.5% to 1.5% per name and has annual turnover of approximately 20-30%.

Schaff said ideally each of the firm's two current products, the small-cap value and REIT portfolio, would have \$500 million in assets under management, with a third portfolio, to be managed by Granger, also with \$500 million in assets.

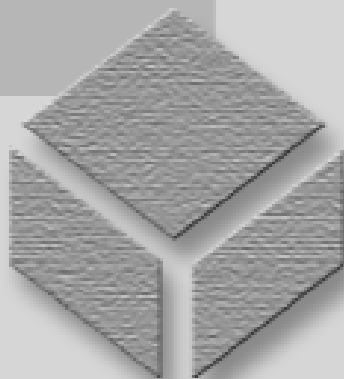
"It's still a new firm. We have managed a lot of money for institutional clients in the past...I haven't been connected with them because of my obligations to my immediate past employer...but I will now be able to renew a lot of those relationships," Schaff said.

**Clayton Jue**, founder of LEIA, said he is not actively looking for a replacement for Granger but he is always interested in qualified individuals.

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## Passing The Torch: FoF Seeking Women- & Minority-Owned Firms

**Torch Investment Partners** is looking for women- and minority-owned hedge fund managers for a new fund-of-funds it has launched.

**Pamela Jolly**, chairman and ceo, said the New Orleans-based firm has a \$50 million commitment from two banks and four high-net-worth investors and will look to market the fund-of-funds to foundations and endowments and other institutional investors.

Jolly said she will be looking to take an equity stake in any managers she brings into the fund. Jolly said she is still working on the framework of the fund-of-funds, including whether it will be a multi-strategy fund or a best-of-breed fund, though she is leaning toward the latter. "We are going to have complete and total transparency," she said.

Jolly founded Torch three years ago after working at niche mar-

keting strategies firm **Rosetta Marketing Group**.

"My heart lies within the individuals who just can't get access to folks but are really doing well in the marketplace," she said. "We want to be a resource provider...we want to be an aggregator."

"If you are niche and doing extremely well, and no one knows about you...I want to be able to put it out there who is doing what and why you should like them."

Jolly said she expects to have a portal on her Web site ready toward the middle of the month but in the meantime firms can contact her at [pamelajolly@torch-enterprises.com](mailto:pamelajolly@torch-enterprises.com).

She doesn't plan on stopping at hedge funds either.

"We want to do the same thing we are doing with our hedge funds with private equity firms, just down the line," she said, adding that she is interested in speaking with those firms as well.

## New JV Offers Seeding To HFs

**HedgeCo** and private equity firm **Holding Capital Group** have established a joint venture that will seed and support emerging hedge fund managers.

The venture, **HedgeCo Investments**, will provide incubation and capital introduction to managers, as well as trading platforms, fully-staffed office facilities in New York and West Palm Beach, Fla., service providers and marketers.

"Motivated by the performance of the financial markets over the last several years, institutions and qualified investors worldwide continue to make unprecedented allocations to hedge funds," said **Evan Rapoport**, principal of HedgeCo Investments, in a statement. "This increase in demand has created an urgent need to identify early-stage hedge fund managers that can deliver consistent and scalable risk-adjusted returns."

Additional information on the joint venture can be obtained by contacting [info@hedgecoinvestments.com](mailto:info@hedgecoinvestments.com).

## Silver Creek Hires Managing Director For Emerging Fund

**Steven Bloom** has been named senior managing director at hedge fund-of-funds **Silver Creek Capital Management**, the firm announced.

Bloom, founder and managing partner of **Sagamore Hill Capital Management**, will be responsible for the \$6.5 billion firm's Early Advantage Fund, a multi-strategy fund that invests in emerging hedge fund managers. He will also be a senior member of Silver Creek's investment committee.

Bloom, based in New York, declined to comment on his new position through a spokesman.

"We look forward to leveraging Steve's deep industry knowledge and broad experience to identify uniquely promising emerging hedge fund managers," said **Eric E. Dillon**, co-founder and managing member of Silver Creek, in a statement.

Sagamore closed at the end of 2006.

## Former Citi Execs Launch PE Fund

Two former **Citigroup** executives have launched a private equity firm that will focus on investments in consumer financial services companies in emerging markets. **Brysam Global Partners** was founded last month by **Robert Willumstad**, former president and chief operating officer, and **Marge Magner**, former chairman and ceo of Citigroup's Global Consumer Group.

"The truth is we love the consumer financial services business, the banking business," Magner said, adding that she and Willumstad have a unique set of skills that can add value to a business. "There really is a bit of a void on the operating experience."

Magner, who left Citigroup in August 2005, said that she and Willumstad, who announced his departure from the firm in July 2005, did not have plans to work together but "it became clear it was something we would do together because of our experience of working together."

Brysam will make direct investments through its own capital and investor funds and will also co-invest with financial institutions and private equity firms. "We also have the ability together to attract other people to work on different investments we make," she said.

Magner declined to specifically discuss the fundraising effort of the fund, but said reports that say the firm is looking to raise \$1 billion are "directionally correct."

Magner said that the firm will initially focus its investments in the larger markets, such as Russia, China, Mexico and India. She said the firm sees opportunity in the emerging markets space because, "clearly, it is where the growth is and will be in the near future."

The firm hopes to find success through its ability to offer operating expertise that Magner said can be lacking in private equity firms. "There is plenty of money around...there is no shortage of capital to invest," she said. "That generally means that I'll say prices go up a bit. To get the types of returns that investors will look for means you really need to be able to add value to the business. Not that it isn't important, but it's not just a balance sheet issue."

"You have to have people on the ground, if you will, that add value to the business and help that business perform better over time," she said.

# Proctor Takes Stake In Emerging Managers FoF Circle T Explorer

**Proctor Investment Managers** has taken a nearly 25% equity stake in **Circle T Explorer Asset Management**, a fund-of-hedge funds that offers a specialized emerging managers strategy. Circle T Explorer will operate as an independent company, with Proctor providing sales, marketing and infrastructure support to the firm. Circle T Explorer currently has \$110 million in assets under management.

Circle T Explorer invests only in alternative managers at the early stages of development, which the firm says is typically when the manager's assets under management are between \$10 million and \$300 million.

In December, Proctor announced it had acquired a 10% equity interest in large-cap growth and value manager **Aletheia Research and Management**.

## Van hedge Point Releases 2006 Performance Results, Survey

Emerging hedge fund managers outperformed major hedge fund indices by over 300 basis points in 2006, according to a report by **Van hedgePoint Group**.

The report, based on the performance by clients of broker/dealer subsidiary Van hedgePoint Securities, showed that emerging hedge funds generated average returns of 16.74% last year. The average of the five major indices was 12.37%. The indices are: the **Hedge Fund Research** Index, the **HedgeFund.net** Index, the **Barclay Group's** Hedge Fund Index, **Hennessee Group's** Index and **Eurekahedge's** Index.

Also, the only major index to outperform the emerging hedge fund managers on Van hedgePoint's platform was the **Russell 2000** Index, which returned 18.4%.

"Our clients' performance in 2006 confirms academic research that suggests emerging hedge funds outperform their larger peers," said **Geoffrey Tudisco**, ceo and founder of Van hedgePoint Group.

Nearly 70% of emerging hedge fund managers believe raising capital is the hardest part of running their business, according to the second annual *Emerging Hedge Fund Manager Survey*, conducted by **Van hedgePoint Group**.

The survey, which included over 200 participants, found that 70% of emerging hedge fund managers either currently use or are considering using index products in their portfolio—last year 44% of emerging hedge funds used index products.

"I think (indexes) are just increasing in popularity as a hedging tool," said **Geoffrey Tudisco**, ceo and founder of Van hedgePoint.

"I think in particular a lot of managers use them to gauge the overall market."

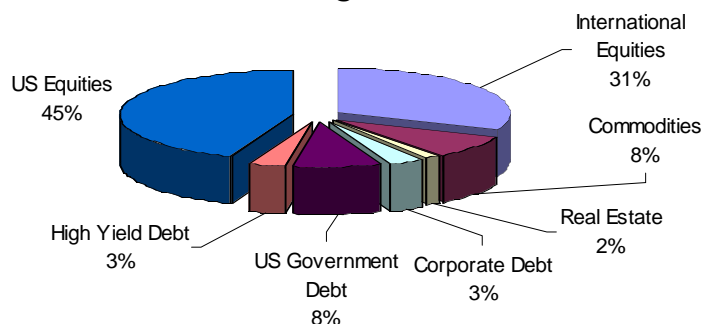
Over 85% of the managers surveyed manage less than \$100 million in assets and over half manage less than \$10 million.

Full results of the study are available by request.

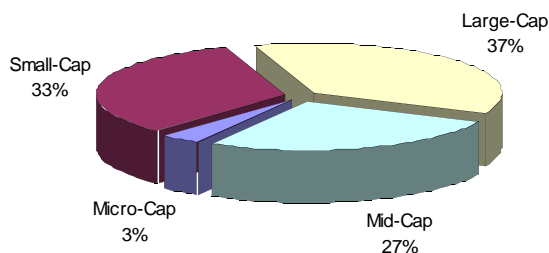
## A Look At Emerging Hedge Fund Expectations For 2007

\*Courtesy of Van hedgePoint Group

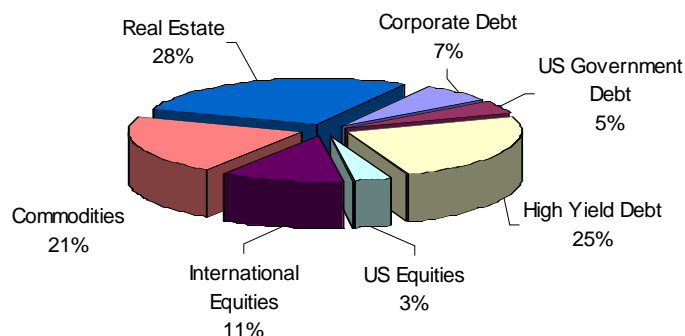
### Best Performing Asset Class



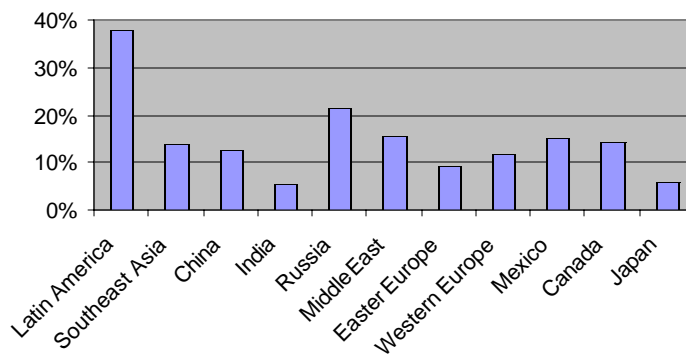
### Best Performing Market Cap



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## SURS To Search For Emerging Managers-of-Managers In Spring

The **State Universities Retirement System of Illinois** plans to begin searching for an emerging manager-of-managers in the spring, according to CIO **Dan Allen**. Allen said he expects to discuss the search at the plan's March meeting. The plan has used managers-of-managers **Progress Investment Management** and **Northern Trust Global Advisors** since 1997 but began discussing moving to using only one manager-of-managers last year after a recommendation by consultant **Ennis Knupp + Associates**.

The recommendation stems from the growth of the plan's manager development program, in which the plan directly invests in emerging managers. Allen said the plan's intent is to go with one manager-of-managers.

Progress and Northern Trust, which manages \$190 million and \$175 million, respectively, for the plan, will be invited to rebid. Both Progress and NTGA have slightly underperformed their benchmark, Allen said. Any money removed from the manager-of-managers allocation would be moved to the plan's manager development program.

## SEARCHES: Texas Teachers Eyes Private Equity, Real Estate

Continued from page 1

manager-of-managers route. The plan has an internal investment staff of two, including Alston. Decisions on the size of an investment and where funding would come from are part of the study.

Meanwhile, in Jacksonville, the \$1 billion pension fund plans to conduct an asset study this spring after it completes a general consultant search. **John Keane**, executive director, said the plan may look to invest in emerging managers as part of the study and could seek an emerging manager-of-managers. The plan's current passive equity manager is **Northern Trust**, which also has a manager-of-managers business.

The \$105 billion Texas plan will discuss adding a private equity fund-of-funds for emerging managers at a board meeting this month. **Jarvis Hollingsworth**, chairman of the board, said the plan would like to add a fund-of-funds to oversee a \$250-300 million allocation and will also discuss adding a second \$250-300 million fund to **Credit Suisse First Boston**, which currently oversees a \$250 million emerging manager private equity fund-of-funds.

The plan is also looking at an emerging manager program for its real estate portfolio and also uses **Invescorp** to manage a \$100 million emerging hedge fund-of-funds portfolio.

The three executives spoke at **World Research Group's Performance-Focused Emerging Managers 2007** conference held in New York City last month.

Up in Detroit, **Ken Nelson**, the plan's consultant at **North Point Advisors**, said his firm has been waiting for year-end performance numbers to be filed before beginning the search, which he said is likely to be on the lower end of \$150-250 million. The search was first reported on Nov. 1 by *Emerging Manager Monthly*. Nelson said any firms looking to be considered should be entered in the *eVestment Alliance* database.

## Texas Permanent Fund May Move Back To Emerging Managers

The \$25 billion **Texas Permanent School Fund** will begin working on the process of re-instituting an emerging manager program over the next few years, according to **Rene Nunez**, vice chairman of the fund.

Nunez, speaking at the **World Research Group's Performance-Focused Emerging Managers 2007** conference, said that he hopes to begin the education process with his board and hopes to have a program in place before his term runs out in four years.

The plan previously had an emerging managers program run by **Northern Trust Global Advisors** and **FIS Group**, however the plan moved all its investments in-house over budget issues a few years ago.

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# Michigan Fund Terminates Ariel Capital For Performance

The \$413 million **Lansing (Mich.) Retirement Systems** has voted to proceed with terminating mid-cap value manager **Ariel Capital Management** for underperformance, said **Tom Korkoske**, city finance director. Korkoske said Ariel, which manages \$12 million for the \$210 million Police and Firemen's Retirement Fund and \$9 million for the \$201 million City Employees Retirement Fund, has

had poor performance over the last several quarters. The plan will move the assets to **Integrity Asset Management's** small- to mid-cap portfolio. Korkoske said the board decided to move away from mid-cap value because performance in 'smid'-cap has been better.

The termination of Ariel and funding of Integrity is expected to be completed this month.

## Search Roundup

*The following directory includes search and hire activity for the last month, as well as previously reported ongoing searches. The chart also includes emerging managers hired for direct investments. All amounts are in \$ millions unless otherwise stated. To report manager hires and new searches, please call Gar Chung at 646-810-1073 or e-mail him at [gchung@fin-news.com](mailto:gchung@fin-news.com).*

For further information on FINDaily's daily search leads and mandates awarded and lost, please visit [findaily.com](http://findaily.com) or contact Robert Cavallito at 646-810-1072 or [rcavallito@fin-news.com](mailto:rcavallito@fin-news.com)

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FUND NAME	FUND SIZE (M)	INVESTMENT TYPE	SIZE (M)	COMMENTS
<b>NEW LEADS</b>				
State Universities Retirement System of Illinois	14,300	Emerging Manager-of-Manager	N/A	Fund plans to begin searching for an emerging manager-of-managers in the spring.
Dallas Employees Retirement Fund	3,200	Emerging Manager	N/A	Fund is considering investing in emerging managers as part of an asset study. Study expected to be completed by the end of spring.
Jacksonville Police & Fire Pension Fund	1,000	Emerging Manager-of-Manager	N/A	Fund may look to invest in emerging managers as part of an asset study and could seek an emerging manager-of-managers.
Teacher Retirement System of Texas	105,000	Private Equity FoF	N/A	Fund will discuss hiring a private equity fund-of-funds for emerging managers at its February retirement board meeting.
Texas Permanent School Fund	25,000	Emerging Manager-of-Manager	N/A	Fund will begin working on the process of re-instituting an emerging manager program over the next few years.
New York City Retirement Systems	100,000	Emerging Hedge Funds	N/A	Fund may make an investment in emerging hedge funds.
<b>UPDATES</b>				
Municipal Employees' Retirement System of Michigan	5,600	Emerging Manager	N/A	Plan will not create a formal emerging manager program, however MERS is open to all emerging managers. Managers should visit <a href="http://www.mersinvestments.com">www.mersinvestments.com</a> for more information.
State Universities Retirement System of Illinois	14,300	Mid-Cap Value	42	Plan decided to retain Ariel Capital Management as mid-cap value manager. Firm handles \$42 million for defined benefit plan. Plan was concerned with firm's performance. Ariel will be reviewed again during annual domestic equity manager review in April.
Detroit Police & Fire Retirement System	4,000	Emerging Manager	150-250	Fund will likely receive a report from consultant North Point Advisors on emerging managers by the end of the month before beginning search. Interested managers should be entered in the eVestment Alliance database.
<b>FIRMS HIRED</b>				
Ohio Public Employees Retirement System	77,600	Managers-of-Minority Managers	125	Plan has hired Leading Edge Investment Advisors and Progress Investment Management Company as its managers-of-minority managers. LEIA will manage \$75 million and Progress will manage \$50 million.
New York City Retirement Systems	100,000	Managers-of-Managers	800	Plan hired Attucks Asset Management, Bivium Capital Partners, Capital Prospects, FIS Group and Progress Investment Management for its \$800 million emerging manager program.

FIRMS HIRED				
Fulton-DeKalb Hospital Authority	40	Mid-Cap Growth	9	Fulton-DeKalb Hospital Authority allocated an additional \$9 million to mid-cap growth manager Credo Capital Management. Credo had previously managed \$5 million for the plan.
Chicago Firemen's Annuity & Benefit Fund	1,300	Large-Cap Growth	50	Fund hired large-cap growth manager Logan Capital Management to handle \$50 million.
Metropolitan Atlanta Rapid Transit Authority	700	Large-Cap Value	10	Plan allocated \$10 million to Cornerstone Investment Partners' large-cap value portfolio through United Investment Managers.
Metropolitan Atlanta Rapid Transit Authority	700	Mid-Cap Core	1	Plan allocated \$1 million to Credo Capital Management's mid-cap core portfolio through United Investment Managers.
Denver Employees Retirement Fund	1,800	Small-Cap Growth	80	Fund hired North Pointe Capital as a domestic small-cap growth manager. Other finalists were Essex Investments and Copper Rock Capital.
FIRMS ON WATCH				
Town of Fairfield Retirement Fund	340	Active Fixed-Income	N/A	Fund is reviewing fixed-income manager Smith Affiliated Capital and will meet with consultant in March about potential changes.
Columbus Consolidated Government Retirement System	193	Large-Cap Core	14	Fund has placed Knott Capital Management on watch for performance. No timeframe for decision.
Atlanta Pension Funds	1,600	Large-Cap	N/A	Fund has placed GLOBALT Management on watch for performance reasons. Will review firm again at its February meeting.
FIRMS TERMINATED				
Lansing (Mich.) Retirement Systems	413	Mid-Cap Value	21	Plan has terminated mid-cap value manager Ariel Capital Management for underperformance

## [Events Calendar]

*In our efforts to provide readers with more information, here is a calendar of events we feel readers may be interested in.  
If you are hosting or know of an upcoming event, contact Matthew McCue at [mmccue@fin-news.com](mailto:mmccue@fin-news.com).*

CONFERENCE	DATE	LOCATION	COMPANY	MORE INFO
Third Annual Alpha-Bets 2007 Summit	2/12-2/13	New York, NY	Financial Research Associates	<a href="http://www.frallc.com">www.frallc.com</a>
Complying with the Compliance Program Rule & Surviving the SEC Audit	2/26	New York, NY	Financial Research Associates	<a href="http://www.frallc.com">www.frallc.com</a>
South East PERS	2/27-2/28	Atlanta, GA	IMN	<a href="http://www.imn.org">www.imn.org</a>
Hedge Fund Incubation and Seeding Conference	3/7-3/8	London, England	Financial Research Associates	<a href="http://www.frallc.com">www.frallc.com</a>
Family Office Forum: Challenges in Wealth Management	3/11-3/14	Palm Beach, FL	NMS Management	<a href="http://www.nmsmanagement.com">www.nmsmanagement.com</a>
Public Funds Summit	3/12-3/14	Lake Las Vegas, NV	IMN	<a href="http://www.imn.org">www.imn.org</a>
TEXPERS 18th Annual Conference	3/18 - 3/21	Austin, TX	TEXPERS	<a href="http://www.texpers.org">www.texpers.org</a>
Defined Benefit Plans: Fix or Freeze?	3/19-3/20	Washington DC	Strategic Research Institute	<a href="http://www.srinstitute.com">www.srinstitute.com</a>
Investing In Infrastructure Assets	3/20-3/22	New York, NY	Terrapinn	<a href="http://www.terrapinn.com">www.terrapinn.com</a>
2nd Annual Marketing and Advertising Compliance Forum	3/29-3/30	New York, NY	Financial Research Associates	<a href="http://www.frallc.com">www.frallc.com</a>
2nd Annual Socially Responsible Investment Forum	3/29-3/30	New York, NY	Strategic Research Institute	<a href="http://www.srinstitute.com">www.srinstitute.com</a>



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## Industry Events

### ENVIRONMENTAL TRADING 101 SEMINAR

*Strategies for Succeeding in the Environmental Financial Markets*

February 7th, 2007, Chicago, IL\*

\*Venue to be announced

Conference Code: **SH139**

### THE THIRD ANNUAL ALPHA-BETS™ 2007 SUMMIT

*Newest Trends in Alpha-Generating Investment Strategies*

February 12th - 13th, 2007

Flatotel, NYC

Conference Code: **B411**

### ALTERNATIVE INVESTMENTS 101 & 102

*Hedge Funds – Private Equity – Commodities – Real Estate*

February 26th - 27th, 2007

The Harvard Club, NYC

Conference Code: **B422**

### CAPITAL RAISING STRATEGIES SEMINAR

*Moving Renewable Energy Projects from Ideas to Operations*

February 28th, 2007, NYC\*

\*Venue to be announced

Conference Code: **SH142**

### HEDGE FUND INCUBATION & SEEDING CONFERENCE

March 7th - 8th, 2007

The Savoy, London

Conference Code: **B473**

### CREDIT DERIVATIVES 101 & 102

*A two day primer examining the concepts, strategies, and processes of a multi-trillion dollar market*

March 22nd - 23rd, 2007

The Princeton Club, NYC

Conference Code: **B456**

### 3RD ANNUAL FUND OF FUNDS BUSINESS OPERATIONS FORUM

*Maximizing Operational Efficiencies to Achieve Optimum Fund Management*

April 16th - 17th, 2007

The New York Helmsley, Midtown Manhattan

Conference Code: **B487**

### EFFECTIVE HEDGE FUND TAX PRACTICES CONFERENCE

*This is the only conference focused on the emerging and complex issues of taxation for hedge funds & their investors*

April 19th - 20th, 2007

Victoria Park Plaza, London

Conference Code: **B486**

### EFFECTIVE HEDGE FUND TAX PRACTICES CONFERENCE

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Conference Code: **B486**

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Conference Code: **B417**

### 2ND ANNUAL RENEWABLE ENERGY FINANCE & INVESTMENT SUMMIT

April 23rd - 25th, 2007

Pointe South Mountain Resort, Phoenix, AZ

Conference Code: **B415**

### 3RD ANNUAL HEDGE FUND INCUBATION AND SEEDING

April 24th - 25th, 2007

The 3 West Club, NYC

Conference Code: **B479**

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## Former Holbein Consultant Reappears At Hewitt

**Scott Coopridner** has joined **Hewitt Investment Group** as a senior investment consultant in the firm's Atlanta office, said **Maurissa Kanter**, spokeswoman. Coopridner replaces **Weston Tompkins**, who left the firm in July to join **Watson Wyatt Investment Consulting** (*EMM*, 9/6).

Coopridner was previously vice president at **Holbein Associates** and his departure from the firm was first reported by *EMM* sister publication *FINdaily* on Jan. 22. Kanter declined to comment on Coopridner's focus, which was previously in the public sector, as he was the lead consultant at Holbein for the \$12.7 billion **Teachers Retirement System of Louisiana**. The plan issued an RFP for an investment consultant after learning of Coopridner's departure.

**Richard Holbein**, president at the firm, did not return calls.

## Kentucky Hires CIO

**Adam Tosh** has been named cio of the \$16 billion **Kentucky Retirement Systems**, according to the plan's Web site. Tosh, who previously worked at **MDL Capital** and also spent time with the **Pennsylvania State Employees Retirement System**, began on Feb. 1. He replaces **John Krimmel**, who resigned in May (*EMM*, 6/8).

"Adam's strong financial background and experience with public retirement systems makes him a perfect fit for this position," said KRS Executive Director **William Hanes**, in a statement.

## Pa. County Hires New Consultant

The \$719 million **Retirement Board of Allegheny County** (Pa.) has hired **Wilshire Associates** as its new consultant, said **Cheryl Bateman**, executive director. The plan's previous consultant was **Yanni Partners**, whose three-year contract ended last year.

Bateman declined to comment on why the board selected Wilshire over Yanni. The plan's lead contact at Wilshire is **David Lindberg**.

## Former ML Consultant Lands At Southeastern Advisory Services

**Jeff Swanson**, formerly a consultant at **Merrill Lynch Investment Consulting Services**, has joined **Southeastern Advisory Services** as a senior consultant, said **John Small**, managing principal. Swanson, who joined the firm on Jan. 2, will be based in Jacksonville and will focus on public pension plans in Florida, "mainly at the municipality level," according to Small.

Swanson left Merrill Lynch at the end of 2006 (*EMM*, 1/3). Atlanta-based Southeastern was founded in 1986 and now has five full-time consultants.

## Maryland Removes Interim Tag From Executive Director

The **Maryland State Retirement and Pension System** has named **R. Dean Kenderdine** as its new executive director, the \$35 billion plan announced. Kenderdine, who has served as interim executive director since Sept. 6, previously served as the chief of staff for State Comptroller **William Donald Schaefer**, who is chairman of the system's board.

Kenderdine replaces **Thomas Lee**, who joined the **New York State Teachers' Retirement System** as deputy executive director (*EMM*, 9/6).

## Berks County Hires Peirce Park

The \$180 million **Berks County** (Pa.) **Employees Retirement System** has selected **Peirce Park Group** as its new consultant, said **Nelson Long**, county treasurer.

The board had issued an RFP in July to gather information on other consultants in addition to incumbent **Smith Barney**. Long said the RFP did not reflect on Smith Barney's performance but could not provide reasons for the change.

## Florida Plan Hires Bogdahn

The \$114 million **Boynton Beach** (Fla.) **Firefighters Retirement System** selected **Bogdahn Consulting** as its general consultant, replacing **Smith Barney**.

The hire was made at the plan's December retirement board meeting, according to minutes. Other finalists were **Burgess Chambers & Associates**, **Dahab Associates**, **GRS Asset Consulting Group**, **Morgan Stanley Investment Consulting Group** and **Southeastern Advisory Services**.

## La. Plan Removes CIO Over Law

**Charles Hall**, cio of the \$1.5 billion **Louisiana Municipal Police Employees Retirement System**, has been removed from his position because of a law that prohibits employees from working as consultants, according to **Kathy Bourque**, director of the plan.

Hall, hired as cio in October, is also the plan's actuary. Bourque said the move was made at the plan's Jan. 17 board meeting. She said she did not know if the plan would search for a new cio. Hall's position was part-time.

### Web Extra!

- Louisiana Teachers CIO Retiring
- New Hampshire Plan Hires Consultant
- NEPC Hires Senior Consultant

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## Atlantic Boosts Marketing Team

**Atlantic Asset Management** has bolstered its marketing department with two new hires. The plan hired **Frederick Volp** as v.p. of marketing for public and Taft-Hartley plans and **Caryn Buck** as senior v.p. of West Coast institutional marketing and sales.

**Franklin Scott Tuck**, managing director at the firm, said the firm, with \$15 billion in assets under management, recently reorganized its marketing department.

Volp joins Atlantic from securities law firm **Kaplan Fox & Kilsheimer**, while Buck spent the past 15 years as a principal and marketer for **Geewax, Terker & Co.**

## BKF Head Joins Grail Partners

**John Siciliano**, former chairman and ceo of **BKF Asset Management**, has joined **Grail Partners** as a partner. Siciliano, who, along with CFO **Clarke Gray**, resigned from BKF in November, will provide insight for the firm in various mergers and private equity transactions.

Grail invests firm and investor capital to facilitate transactions, provide growth capital, recapitalize businesses and incubate financial service businesses.

"We believe that 2007 will be one of the most active years on record for mergers and private equity transactions in the money management industry," said **Donald Putnam**, managing partner and founder of Grail Partners.

## Seneca Capital Changes Name

**Seneca Capital Management** has changed its name to **SCM Advisors**, nearly two years after founder **Gail Seneca** retired from the firm. The change is designed to better reflect the firm's increased growth and new product offerings, the firm said in a release.

"This is an exciting time for SCM Advisors and we look forward to taking our firm to the next level," said CIO **Albert Gutierrez**. "We are re-energized to continue meeting the needs of our clients and the changing landscape of the marketplace."

The firm raised \$2.5 billion in new assets last year and now manages \$12 billion in a variety of fixed-income and equity strategies.

## Callan Names President

**Gregory Allen** has been named president of **Callan Associates**. Allen, who joined the firm in 1988, will continue to serve as director of research. Former President **Ronald Peyton** will remain as ceo and chief operating officer and has been appointed chairman of the board. Firm founder **Edwin Callan**, former chairman of the board, will become chairman emeritus.

Callan also promoted **James A. Callahan**, who was named executive vice president and manager of the Fund Sponsor Consulting group. He will report to Allen.

## Morgan Stanley Hires Co-Heads for Public Fund, Taft-Hartley Biz

**Doug McNeely** and **Jordan Gershuny** have been named co-heads of the public fund and Taft-Hartley business for **Morgan Stanley Investment Management's** U.S. institutional sales team.

McNeely, most recently a product specialist on the alternative investment team at MSIM, and Gershuny, product manager for **FrontPoint Partners'** multi-strategy and enhanced index business, will be responsible for building MSIM's institutional presence in the public and Taft-Hartley spaces. FrontPoint Partners was acquired by Morgan Stanley in November.

McNeely and Gershuny will report to **Dan Waters**, MSIM's head of U.S. institutional distribution, who was a partner and head of the client advisory group at FrontPoint Partners prior to the acquisition.

## Evergreen Hires 2 Institutional Sales Directors

**Kirsten Burton** and **Sean Kelly** have joined the **Evergreen Investments'** institutional division as sales directors. Burton, previously v.p. of institutional sales and client service at **Advantus Capital Management**, joins as v.p. and director of Midwest regional sales and will report to **Lisa Wesolek**, director of asset management sales.

Kelly, previously a sub-advisory global relationship manager at **Wellington Management**, joins as v.p. and director of sub-advisory sales. He will report to **Pam Rose**, managing director of sub-advisory sales and service. Burton will be based in Minneapolis and Kelly will be based in Boston.

## Robeco Hires Fixed-Income Head

**James Ramsay** has been named co-head of domestic fixed-income at **Robeco Investment Management**. Ramsay, previously a senior v.p. at **PIMCO**, will also serve as a senior managing director and as a member of the firm's management committee.

Ramsay will co-head the U.S. fixed-income group with **Daniel Vandivort**.

## Pioneer Prez Joins MacKay Shields

**Osbert Hood**, president and ceo of **Pioneer Investments**, has been hired as president of **MacKay Shields**. **John Prom**, senior managing director at **MacKay Shields**, said Hood will report to Chairman and CEO **Ravi Akhoury** in the new position and will help run the day-to-day operations of the firm. Hood will be based in New York.

**Tara Pescatore**, spokeswoman for Boston-based Pioneer, said the firm is currently considering internal and external candidates to replace Hood, whose last day at the firm was Jan. 9.