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Profiles

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Profile: Glenn Ross & Alex Fisher, Archstone Portfolio Solutions

Since launching investment consulting firm Archstone Portfolio Solutions in 2006, Managing Directors Glenn Ross and Alex Fisher have worked to stay true to their promise to always be there for their clients—literally.

Alex Fisher

The pair said it has always been their goal to not only make sure their clients can access the best investment firms, but also the managing directors themselves on a daily basis, which is why they've always been a phone call or e-mail away.

"We do believe we've created a rather unique model," Ross said. "We've outsourced our investment manager research and performance measurement presentation tools, which allows us to have a flat structure to provide clients full access to the two main managing directors."

Archstone Portfolio's model has been especially beneficial to the middle market investment space, where nonprofits with assets ranging anywhere from $20 million to around $700 million can capture a great deal of comparative information from their peers that Archstone Portfolio works with.

Glenn Ross

Overall, the Lutherville, Md.-based firm works with approximately 30 clients and has approximately $1.5 billion in assets under advisement.

"One of our big advantages for middle market endowments having Archstone Portfolio is that we can compare middle-sized endowments and foundations to other [funds their size] and can customize peer groups based on the level of market value our clients hold," Ross said.

Organization: Archstone Portfolio Solutions
Established: 2006
Location: Lutherville, Md.
AUA: $1.5 billion
Web site: www.archstoneportfolio.com
Firms: Managers should contact Summit Strategies Group, which performs initial investment manager research for the advisory firm.

Assessing Managers

Evaluating asset managers is performed through two primary avenues for the firm: a close manager research relationship with St. Louis-based investment consultant Summit Strategies Group and an investment analytics relationship with Investment Metrics, which until June, was owned by investment consultant Rogerscasey.

"What we try to do for our clients through Summit Strategies Group is look at managers through a quantitative and qualitative approach," Ross said. "We don't just want to rest on past data, but get involved, ensuring that there's stability of ownership, no dynamic changes going on that could hurt future performance as well as knowing what their growth prospects are."

Ross said that through Summit Strategies' research process, the firm is able to identify a host of manager candidates that would work best for its clients, based on previous conversations with a client's investment committee about what they are particularly looking for out of a money manager.

When looking at managers, Archstone Portfolio wants to make sure that the amount of risk taken on by a manager to achieve its returns are reasonable and that its up-market capture is aligned with its philosophy. Beyond that, the firm looks closely at a manager's underlying personnel, compensation practices, decision-making processes and its buy/sell discipline, which Ross said he believes is critically important.

But more than anything, Ross said stability plays a significant role in the manager research process.

"The easy part is doing queries on managers that have a great rate of performance, but the tricky part is finding portfolio managers that are stable within a firm, where they aren't going to get up and lift out with the team," he said. "The effort includes making sure they're adequately compensated and even having 'skin in the game' is pretty important, especially in middle market endowment arena."

With its middle market clients in mind, Archstone Portfolio has put forth an effort to devote much of its manager research to finding managers that could serve smaller institutions.

"Minimums can be prohibitive, but Summit can go out and find top-tier managers as they define it and have lower minimums for the middle market to provide best in class research in a separate account structure," Ross said. "It's a unique model and combination to serve the middle market, an area we feel is underserved."

Fisher said that changing managers is a costly game, particularly for nonprofits that hope to keep their expenses low throughout the year. In addition, the delays in transferring money from one firm to another can be even more costly to clients.

"The cost in this is delays and making sure the money is moved immediately from one manager to another," Fisher said. "The market went up 5% [earlier this month] and you could have left 5% on the table - managing these transitions has become an important part of the process."

Client Education

As part of its ongoing education process, Archstone Portfolio has held client conferences throughout the year that focus on areas such as the Uniform Prudent Management of Institutional Funds Act or emerging markets investments. The managing directors said experts from the respective legal and investment management side of the table taking time to speak with clients adds value to the monthly or quarterly meeting sessions.

Another area of education for Archstone Portfolio has been in the hedge fund space, where the firm has worked with clients to understand that low volatility or absolute return managers were no proxy for bonds, which boded well for them in the economic turmoil of 2008.

"One thing we try to educate clients on is that hedge funds are not a substitute for fixed-income," Ross said. "Hedge funds could have a place if it is understood how they would be used."

Fisher said that every meeting with a client is a forward-looking opportunity to educate them on what's going on in the portfolio and what is available to add to it for greater diversification.

Ross and Fisher said that MLPs is one category Archstone Portfolio embraced, perhaps as early in 2007, and has worked with Summit Strategies to seek out opportunities for its nonprofit clients.

Over the years, the pair said that they have been strongly encouraged by the reception they've received from clients, who appreciate the direct access to Ross and Fisher, but also that they will be more adaptive to a changing economic atmosphere. In the same vein, Ross and Fisher have grown to appreciate the focus and interest that has risen among nonprofit fiduciaries over the years.

"Investment committees are so much more focused on outcomes than they have ever been, and it's true of investors everywhere," Fisher said. "There were times when quarterly meetings would be skipped, but now the involvement is much more intensive. The level of understanding of what's going on and why things are being done is significantly ahead and the numbers of asset classes are growing."