

Third-Party Databases Offer Way Into Institutional World

Being listed on third-party databases does not guarantee that emerging managers will be noticed by institutional investors, but industry experts say it is a vital step every emerging manager should take.

“Just because you are in the database doesn’t mean you are going to surface in a search or an emerging manager portfolio but it’s a necessary precondition,” said **Ed Swan**, president of **FIS Group**, an emerging manager-of-managers firm.

Clayton Jue, president of **Leading Edge**

Investment Advisors, a San Francisco-based emerging manager-of-managers, recommends that all firms work on getting their information into databases. He said the major users of third-party databases are often large institutions and larger investment management firms, but until a database is created that focuses on the emerging manager space, these databases are the best option for emerging managers. “There is no real database out there that seems to be very efficient or superior to finding these managers,”

said Jue. “What happens is you have this chicken and egg thing.”

Aside from direct contact, managers submitting portfolio information to databases **eVestment Alliance**, **Informa Investment Solutions**, **Mobius** and **Nelson Information** are most likely to be seen by decision makers, several emerging managers-of-managers said.

Each firm that spoke with *EMM* agreed

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NTGA Back To Business As Usual

After completing a whirlwind tour that included meeting with all but two of the firm’s clients by the end of the calendar year, **Larry Jones**, head of **Northern Trust Global Advisors’** emerging manager program, is ready to focus on growing the program.



Larry Jones

“The first thing we want to do is tell a great story about a missed opportunity in the marketplace,” he said.

According to Jones, emerging managers produce 39% of the top quartile results, yet manage only 1% of institutional money.

“A lot of plan sponsors are ignoring emerging and minority managers out there and they don’t know how quite to attack that,” he said. “The best way to do that is with an emerging manager-of-managers program such as ours at Northern Trust.”

Hired in September to replace **Clayton Jue**, who left to start his own emerging manager-of-managers firm, **Leading Edge Investment Advisors**, Jones said he has

experienced a smooth transition—83 professionals working on the program can do that.

“I’m happy to say the reception was very positive,” Jones said, later acknowledging that “obviously everyone is watching very closely what we do, how we perform.”

“More than one person contributed to [our] success over that 13 year period of time,” he said. “That says this organization not only has people, but also has a process. So we don’t have to come in and reinvent the wheel.”

Jones said while he has never run a manager-of-managers program, he has the collective experience of managing money and qualifying three different minority firms to participate in manager-of-managers programs.

“A portfolio is a living and breathing entity that responds to economic and other developments such as earnings and commodity price changes as well as the buy and sell decisions of managers,” Jones said.

“It takes a portfolio manager to really understand that and not just present a collection of managers to a client. That’s going to

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Profit Completes Kenwood Purchase

Profit Investment Management has finalized the purchase of **The Kenwood Group** and will integrate the firm into its operations.

Eugene Profit, ceo and president, said the integration of the two African-American owned firms will take about a month to complete, provided there are no client issues, and will create a firm with approximately \$1 billion in assets under management.

The new firm, which combines Profit’s small-cap core and large-cap growth offerings with Kenwood’s mid-cap core and mid-cap value products, creates a fundamental stock selection firm that will have a greater ability to compete for institutional assets.

“We are in the position now where we have strong performance,” said Profit. “We wanted to get our assets up to \$1 billion as quickly as we could to be able to participate in any search that comes out in our space.”

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NTGA: Jones Completes Team, Program Ready To Move Forward

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differentiate Northern Trust under my leadership of the Emerging/Minority Program.”

Jones has extensive experience in the minority manager space, having joined from **NCM Capital**, a minority-owned investment management firm in North Carolina, where he oversaw \$2.5 billion in assets as managing director for equity securities. He also served as president, marketing strategist and director of research for **The Kenwood Group**, a minority-owned Chicago-based investment firm, where he managed over \$400 million. He was also previously cio at **W.R. Lazard**.

Along with Jones, the firm brought in **Julie Castillo** and **John McCareins** in February. Castillo, who joins from **Church Pension Group**, will focus on client service and McCareins, formerly v.p. at **T. Rowe Price**, will assist with portfolio construction and manager research.

“(McCareins) learns fast and is aggressive. He wants to be my boss tomorrow, and you have to admire that in young people,” Jones said. Regarding Castillo, he said he feels comfortable leaving her to handle any client issue when he is on the road.

The firm has an open door policy for managers seeking to be involved in NTGA’s program. Also, Jones said the firm is active in meeting with professionals before a new firm is even launched. “Many of the people who seek to launch firms talk to us immediately, before they actually have started their firms,” he said, adding that some send their business plans for critique. “It’s very well known that you should get in touch with Northern Trust,” he said.

One area the firm is examining is the emerging manager alterna-

“
Many of the people who seek to launch firms talk to us immediately, before they actually start their firms. It’s very well known that you should get in touch with Northern Trust.

Larry Jones

*Head of Emerging/Minority Program
Northern Trust Global Advisors*

”
tives space, which has begun to draw interest from plan sponsors. Jones said the firm has already responded to one RFP for an alternatives program. “I believe there is going to be a marketplace for that,” he said. “We have not yet decided what direction we are going to go in that space.”

The traditional program, which at last count had 42 different emerging minority managers, is able to tailor itself to client needs, Jones said, including geographic preference, allocation size and a limit to the percentage a plan is willing to have of a firm’s overall portfolio.

“I think we have a great team, the market has not had exciting returns in the last five years but I think these things go in cycles and I think we have a great opportunity to participate in the growth that is out there in assets under management,” Jones said. “I am just really excited about it.”

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Under the deal, **Barbara Bowles**, vice chairman of Chicago-based Kenwood, will hold the same title at Silver Springs, Md.-based Profit and will also remain as senior portfolio manager on the mid-cap products.

The new firm now has two portfolio managers (Profit and Bowles) and six research analysts, creating a “pretty strong credentialed team,” Profit said.

Profit has already performed due diligence with Kenwood’s clients to ensure a smooth transition. The deal has gotten a positive reception and Profit will again meet with clients now that the deal has been finalized.

Profit said right now the firm is growing organically but will be looking for high-level marketing talent at some point this year.

Profit said the deal’s wheels began spinning when Bowles called him in mid-2005 to initiate conversations, which were then put into motion after Profit bought the firm’s mutual fund assets in 2004.

And with the deal, new ground may have been broken in the emerging manager space.

“I can’t think of any other deals that have been accomplished, at least in the African-American space,” Profit said.

DATABASE: A Look At The Best Databases For Emerging Managers

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that consultant databases, conferences and direct meetings are also helpful tools for emerging managers looking to get their name out in the space. Most consultants have their own proprietary database, and the number of emerging manager-focused conferences has grown in recent years, with **Opal Financial Group, R.G. & Associates** and the **California Public Employees and State Teachers Retirement Systems** now offering events.

Marilyn Freeman, principal and managing director of **Capital Prospects**, generally uses Nelson, eVestment Alliance and **Morningstar** because the products have good coverage of the emerging manager space, though Morningstar is known more for its mutual fund coverage.

Other firms don't use databases at all, such as **EACM Advisors**. **Keith Stransky**, executive v.p. and senior portfolio manager, said the firm has an open door policy and will see any firm once, and relies on networking for contacts.

So which database is best? Below are three database companies (Informa and Mobius are considered one firm after the merger) that spoke with *EMM* about what they have to offer:

eVestment Alliance

eVestment Alliance has more than 350 firms with \$2 billion or less in assets under management. According to most emerging managers-of-managers *EMM* spoke with, it is the best option for managers looking to gain exposure. The database has over 290 firms that are minority women-owned, as well as over 325 women-owned firms and 350 minority-owned firms.

"As we continue to work with those types of organizations ... that certainly adds to the capability for us to attract that data," said **Heath Wilson**, principal and founder of eVestment.

The database also has a search criterion that includes ownership percentages. "From a minority searching standpoint, our database is very flexible," Wilson said.

Donna DiMaria, ceo of third-party marketing firm **Tessera Capital Partners**, said she recommends eVestment Alliance. "Out of all the third-party public databases you can buy, they have done the best job of going out and recruiting managers," she said. "How they even found out about some of those firms, I don't know."

Wilson said one reason firms should submit data to eVestment is that over 70 consultants and more than 100 plan sponsors access the database.

The firm, with over 300 total clients, does not have a minimum asset size to be included in the database but does have a minimum track record of four quarters worth of data, said Wilson.

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Compass Offers Third-Party Option To Database Entries

Compass Institutional Marketing, a marketing support company that opened in May 2005, is looking to increase its roster. The firm, which offers RFP and database outsourcing and sales presentation support, currently has five clients and would like to grow that to up to 40 clients, said **Rick Gagnon**, founder.

Gagnon said his firm alleviates a lot of the work that can bog down an emerging manager. "This is all that we do," he said. "Especially smaller managers, they are worrying about trading and portfolio construction and money management."

The Boca Raton, Fla.-based firm works with approximately 16 databases that he feels cover 98-99% of the marketplace, including **eVestment Alliance, Informa, Mobius, InvestorForce** and the **Nelson Information** database from **Thomson's Financial**, and consultant databases such as **Mercer Investment Consulting, Wilshire Associates, Callan Associates** and **Yanni Partners**. "Ultimately the key is the third-party databases," he said.

Gagnon said the industry has grown and consolidated to the point where the third party databases will continue to gain more market-share.

"The consulting firms are getting out of the data collection process and are just going to subscribe to these third party databases," he said.

Along with that, many institutional investors are relying more on the databases for manager searches.

"There is a certain trend where institutional investors avoid RFPs and screen from the databases," he said. "If you're not in the database, there are a lot of cases where you aren't going to get noticed."

"The key, too, is if you don't fill out an RFP you don't compete for business," he said. "It is one of the first steps in the search process."

For managers, that means increased time filling out questionnaires, updating numbers and tending to other administrative tasks when their focus should be on money management. "It's the time management as well as the expertise of it," he said. "We can be much more efficient." Gagnon pointed to a manager he recently worked with that tried doing the database work itself over a seven-month span before turning to Compass. "We did more in two weeks than they did in months worth of time," he said.

Compass has already garnered the attention of three other firms and Gagnon expects the interest to continue to increase.

"There really isn't much for choices and that is really why I set this up," he said.

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DATABASE: A Look At The Best Databases For Emerging Managers

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Overall, eVestment's database has 1,154 managers and 6,624 products.

Informa Information Solutions

The merger of Informa and Mobius (see story below) will create the largest separate accounts database in the industry, said **Margaret Tobiason**, senior v.p. for research products and services.

Currently, Informa seeks to highlight women- and minority-owned firms. Tobiason said the first question on its forms asks if the firm is women- or minority-owned.

Informa also has a minority manager directory that is available to anyone who registers. Overall, the company has about 105 minority managers in its database.

Mobius, officially named **M-Solutions**, requires that firms have at least \$25 million in assets under management, though it is not clear yet whether that will carry over once the database is merged with Informa, which does not have a minimum requirement.

Swan of FIS said he has found Mobius to have a good range of firms. He said the database also uses the same analytics system as FIS, which "makes it very easy for us."

Money Manager Review

Money Manager Review, a 20-year old online database, is used by approximately 1,000 clients. **Peter Walker**, president, said nearly half the users are high-net-worth clients, while the remaining half is split between consultants and managers.

Overall, about 500-600 asset management firms post their return figures with MMR. The database generally requires firms have 1-year performance figures and at least \$15-20 million in assets under management. Approximately 70% of the managers that use MMR manage less than \$2 billion.

Filling out the online questionnaire takes about an hour, depending on a firm's product lineup, Walker said.

Informa Buys M-Solutions; Will Merge Databases In Summer

Informa Investment Solutions has purchased **M-Solutions** from **CheckFree Corp.**, the companies announced Feb. 6. The deal will create a "super database" of money managers that is expected to be completed by the end of the summer, said **Margaret Tobiason**, senior v.p. for research products and services. The new firm will have roughly 800 clients, including plan sponsors, consultants and money managers.

Durham, N.C.-based M-Solutions, often referred to in the industry as **Mobius Group**, was purchased by CheckFree in 1999. Informa runs the PSN database.

While details of the merger have not been finalized, **Jay Kimple**, v.p. of marketing and client relations for Informa, said the combined product will provide more datafields, more universes, more reports and more features. "The best things about Mobius and the best things about PSN will be combined," he said. In the meantime, both platforms will be supported independently.

Rushmore Uses Award To Bolster Position Among Consultants

Rushmore Investment Advisors was named one of **Nelson's** top performing managers for the fourth quarter and already the firm is seeing more interest from consultants.

"We've seen the doors open a little more easier, provided we knock a little louder," said **John Vann**, firm founder. For the fourth quarter 2005, the firm was rated the ninth-best large-cap growth manager and nineteenth over a 36 month period, ending Dec. 31.

The award, and the attention it can garner, makes up for the internal resources the firm dedicates to populating databases and updating information. Vann said it takes about a full week of staff time each quarter to populate and update the databases.

"You have to be in the databases, if you aren't, you aren't going to be in the search, bottom line," Vann said.

Melody Frey, v.p. of investments, said she notices the difference in marketing after the firm receives an industry award.

"It's easier to get someone on the phone," Frey said. "In my position, if someone has never heard of us at all and I pick up the phone and call, it might take 6 months of calling before they pick up our calls."

Vann said since the firm received the Nelson's award it has started e-mail, letter and phone campaigns to middle market and large consultants. "Every time we get a placement like that, we toot our own horn," Vann said.

Of course, the firm's investment performance is the reason it was recognized by Nelson's in the first place. The firm's large-cap growth portfolio returned 14.81% last year and 22.42% over the past three years. The firm has \$135 million in its large-cap growth strategy and expects to raise another \$150-200 million this year.

To be involved in searches, Vann said it is vital for emerging managers to be sure to populate available databases and do so in a timely manner. Rushmore is involved in about 12 databases, including **eVestment Alliance**, **Mobius**, **InvestorForce** and various consultant databases. "Your goal should be to attempt to be in all of them because you never know what consultant will be basing their decision off what databases," he said.

Vann said he has found more interest in recent years from plan sponsors looking for smaller managers, though he is unsure if that is consultant driven or plan sponsor driven. "We are starting to see the welcome mat more today than we were in '98 and '99," he said.

"It's a very tough sell. Managers tend to go with the people they have danced with before," he said, adding that at times Rushmore has lost out to a firm with a lesser track record but a more established name. "That's just the business," he said.

It all goes back to the databases. "When you make this commitment, it's a long-term commitment of internal resources to do so," Vann said. "You cannot just participate when business seems to be good, remember that. You have to participate every single time, when markets are flush and markets are stingy."

For Vann and Rushmore, their returns have made it easy to participate. And the award makes it easier to get an audience.

"I think that gives us a leg up. It is certainly a great confirmation piece when we make a presentation," he said.

Emerging Managers Summit

Opening Doors...

May 17-19, 2006 Westin Chicago River North, Chicago, IL

Some of the Discussions will Include:

- A Closer Examination of Emerging Managers: From five years ago to five years from now
- Identifying the Similarities Differences between Emerging Manager Programs used by Corporate & Public Retirement Systems
- How to identify emerging managers? What characteristics do you look for?
- Going Direct versus Using Manager of Managers
- How Does An Emerging Manager Shift Into A Mainstream Fund?
- What are the Major Risks Emerging Managers May Encounter?
- What kind of compliance issues need to be addressed?
- What is the role of Emerging Brokers

Some of the Institutional Investors to include:

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
CHICAGO (IL) TEACHERS' PENSION FUND
ILLINOIS STATE BOARD OF INVESTMENT
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS
ILLINOIS TEACHERS' RETIREMENT SYSTEM
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
NEW MEXICO STATE INVESTMENT COUNCIL
NEW YORK CITY RETIREMENT SYSTEMS
CITY OF PHILADELPHIA BOARD OF PENSIONS & RETIREMENT
SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SAN ANTONIO (TX) FIREMEN'S & POLICEMEN'S FUND
TEACHERS RETIREMENT SYSTEM OF TEXAS

Some of the Consultants and Manager of Managers to include:

CAPITAL PROSPECTS LLC
CONSULTIVA INTERNATIONAL, INC.
CRA ROGERSCASEY
EACM ADVISORS LLC
ENNIS, KNUPP & ASSOCIATES
FIS FUNDS MANAGEMENT
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MB Investment Partners Goes Into 'Aggressive Growth Mode'

Large-cap growth manager **MB Investment Partners** is aiming to acquire investment firms with \$1 billion or more in assets under management.

Mark Bloom, coo and co-managing partner, said the firm is in "aggressive growth mode" and is looking for fixed-income, international, large-cap value and mid-cap firms to "cover all the bases."

The firm, which recently announced the acquisition of small-cap firm **Ironwood Capital Management**, is working with private equity firm **Centre Partners** to build its platform. MB Investment Partners currently has \$1.1 billion in assets under management after the Ironwood acquisition, one-third of which is with institutional investors.

Regarding the Ironwood deal, the acquisition will bring small-cap value, core and concentrated strategies to MB Investment Partners. **Warren Isabelle**, president and cio of Ironwood, will become cio of the newly consolidated organization and **Don Collins** will remain as senior portfolio manager.

Bloom said the deal was attractive because small-cap value

and core are "very much in vogue and very appealing at the current moment to all types of investors."

Each firm operates separately under MB Investment Partners.

Also, MB Investment Partners will launch a shareholder activist fund on April 1 that will invest in mid-cap and large-cap companies. The fund, **Strategic Initiative Investors**, is a joint venture with hedge fund industry veterans **Lawrence** and **Barry Lafer**. The new fund's management team will also include **John Oppenheimer**.

The firm is hoping to have \$100 million in investments in the new fund in the next six months, Bloom said.

The fund will identify undervalued opportunities in mid-cap and large-cap companies that will allow a large enough position to have the ability to speak to management in an effort to influence decisions. Bloom said the activist positions would be decided on a case-by-case basis.

The fund will market to high-net-worth individuals and small institutions.

Kerry Calls On Government To Invest In Women, Minorities

Women- and minority-owned venture capital firms might get a boost from the federal government if Senator **John Kerry** (D-Mass.) gets his way.

Kerry, a ranking member on the Senate Committee on Small Business and Entrepreneurship, sent a letter to the **Small Business Administration** in mid-February calling for an increase in venture capital investments in firms owned by women and minorities.

"One way to solve this problem is by getting minority- and women-owned venture capital firms involved in the process," said Kerry in a news release. "The SBA needs to change its tune and start welcoming these companies."

In the letter to SBA Administrator **Hector Barreto**, sent Feb. 16, Kerry wrote, "...the SBA does not seem to be investing in the firms most in need of venture capital dollars, minority and women-owned businesses. Evidence shows that financing of minority-owned venture capital firms reached a high point of 25.6% in 1998 and a steady decline in utilization during the tenure of the Bush Administration."

The specific number of women- and minority-owned venture capital firms in the SBA program could not be determined.

Kathryn Seck, Democratic press secretary for the Senate committee, said Kerry is not recommending a number of participants, but is working in his oversight role to ensure the SBA develops the necessary strategies to raise the participation levels.

Dennis Byrne, spokesman for the SBA, said the government agency could not comment because "we have not completed our response to Senator Kerry's letter."



John Kerry

Progress Names New CIO

Manager-of-managers firm **Progress Investment Management** has named **Alex Hsiao** as cio.

He replaces **Donna Gilding**, who left the firm last summer. Hsiao was treasurer and cio of **The California Endowment in Los Angeles**, where he managed approximately \$4 billion.

The search for Gilding's replacement was conducted by **Higdon Partners**, an executive search firm based in New York.

Calls to Progress were directed to **Mona Williams**, senior v.p. for marketing and client services, who did not return several messages seeking comment.

Progress has approximately \$5 billion in assets under management.

Top Women, Minority Brokerage Firms Ranked; Numbers Drop

Blaylock & Partners, **Melvin Securities**, **Muriel Siebert & Co.**, **Bley Investment Group** and **Cabrera Capital Markets** have been named the top women- and minority-owned brokerage firms by **Creative Investment Research**.

Overall, the number of women- and minority-owned brokerage firms has decreased by 57 since 1994, according to Creative Investment Research. **William Cunningham**, president of the firm, said the decline is due "in no small measure" to the decline in the public pension plan sponsored brokerage programs.

CIR looked at 106 brokerage firms, the majority of which were African American or female, at 32 and 35, respectively. Hispanic brokers totaled 14, while Asian, disabled veteran and "unknown" rounded out the group at 8, 4 and 13, respectively.



William Cunningham

InFocus

This month EMM spoke with Quintin Primo III, who has taken steps to incorporate minorities into both his real estate investments and the real estate industry in general

Quintin Primo III, chairman and ceo of **Capri Capital Advisors**, has a mission to increase the participation of minorities in commercial real estate. Besides focusing investments on minority areas, Primo also created the **Real Estate Executive Council**, which sponsors the Emerging Leaders Program, designed to place young minorities in leading real estate firms.

Business First

Primo makes sure everyone knows his commercial real estate investment firm is first and foremost a business. "Capri Capital is not a social investor," he said. "We make hard nosed investment decisions based on the level of risk that we perceive and the overall level of return which we hope to generate."

But just because his firm is out for the best deals, does not mean he can't find them in areas many people overlook. "Having said that, we see a vast opportunity in these traditionally minority areas that have been grossly underserved by major retailers, housing developers and other sources that provide capital and opportunity."

Capri Capital announced in February it has purchased Baldwin Hills Crenshaw Plaza, one of the oldest malls in the country, located in south Los Angeles, a predominantly African-American and Hispanic section. The deal highlighted Capri Capital's ability to find investment opportunities in underserved, traditionally minority areas. "At Capri Capital, diversity gives the opportunity to seek out opportunities, like Baldwin Hills, that others have missed," Primo said.

On Emerging Leaders

The Baldwin Hills deal also highlighted Primo's push to increase the participation of minorities in real estate. **Careina Williams**, who played a vital role in the deal by serving as the team leader and overseeing five individuals, is a graduate of the Emerging Leaders Program. The program was founded in 2004 to provide MBA candidates with paid internships that allow them to receive hands on training in the commercial real estate investment world.

Williams, who received her undergraduate degree and MBA from **Harvard University**, joined Capri Capital in 2003 and soon after became involved in the emerging leaders program. She said before the program she had one real estate course at Harvard.

"It's extremely important for the program to exist," Williams said. "If it didn't, I don't know that we would find these jobs."

From Williams' ELP class, one classmate is at **Transwestern Investment Company**, another is at **General Growth Properties** and a third is working at **CB Richard Ellis**. "Those individuals have become the people that I lean on," Williams said. "The people I call when I have questions on different deals."

The Emerging Leaders Program annually seeks out 5-10 minorities that are placed with sponsoring firms, all of which are some of the leading organizations in the commercial real estate industry. The program, in its third year, involves a 4-6 week period of intensive classroom training and education on various elements of the real estate industry, an 18-month paid internship with a sponsoring company, direct contact with executive management at the firm and additional mentoring from members of the REEC organization. "It's hard to miss when you have that support," Primo said.

The sponsoring firms for the ELP include **CB Richard Ellis, Bank of America, General Electric Real Estate, Trizec Properties** and **Transwestern**, along with **Capri Capital**.

Primo said REEC is constantly looking for more firms to get involved. "We are one by one approaching these organizations and convincing them of the wisdom and the long term financial benefits of employing qualified minorities," he said.

Interested firms can go to www.reec.org or contact **Heather Mitchell**, acting executive director at REEC.

Ideally, the program would have 10 students from leading universities across the country, Primo said. He said the first year, the program received well

over 100 resumes for five positions. He likes 10 because it keeps the class small. "It is important that these participants get to intimately know one another, form a class and form a support network as they spread out," he said.

On Diversity

Primo, who founded Capri Capital in 1992 and now has approximately \$3 billion in assets under management, said that just 1% of real estate investment professionals are minorities and that it is important to build that number in order to not only show that minorities can be in real estate, but also to put back into minority areas.

"Diversity is good for our industry," Primo said. "The leading corporations that trade on the public exchanges in this country have gotten it. In the real estate space, we have not yet fully embraced the idea of diversity."

On Giving Back

For Primo, his desire to give back to the community started at a young age.

"We were raised in a household that demanded that we be involved in the community, that we help those that cannot help themselves and that we actively engage ourselves in working with and lifting up those who are less fortunate than ourselves," he said.

"It's all about giving back," he said. "It's impossible for me to be successful as a businessperson in this country and not give back to make the community better."



At Capri Capital, diversity gives the opportunity to seek out opportunities, like Baldwin Hills, that others have missed.

Quintin Primo III
Chairman & CEO
Capri Capital Advisors

Mid-Cap Firm Named For Stability Opens; Eyes \$100M In 2006

Mid-cap firm **Keel Asset Management** recently opened for business.

The firm, based in Chicago, will use a relative approach in mid-cap core and mid-cap value, said **Mark Watson**, ceo and cio. He expects the firm, named after the part of the boat that provides stability, to have \$100 million in assets under management by year-end.



Mark Watson

Watson said he has been pre-marketing the business to various relationships he has developed over the last 20 years. Mostly notably, he has served as president and senior portfolio manager of the **Kenwood Group** and managing director at **Equinox Capital Management**.

He said he has talked mostly with fund-of-funds and will begin speaking with consultants, although he recognizes the need to develop a track record.

"It takes time to introduce yourself," he said.

Keel's initial team consists of two portfolio managers and a director of trading/quantitative analysis and Watson expects two others, a portfolio manager and an equity analyst, to join the firm. He declined to name them.

The firm will also have a board of five people who represent different spheres of influence in the institutional marketplace. It's a great way to combine business strategy and the ability to help market the strategy," he said.

The firm's portfolios will consist of 35-40 stocks and will also have social screening capabilities.

Emerald Opens Mid-Cap Fund

Emerald Advisors has closed its small- to mid-cap product and is launching a mid-cap growth product.

The portfolio will be run by **David Chu**, who joins the firm from **INVECO**. Chu declined to comment on the portfolio because it is in its early stages.

According to **Dennis Stuckey**, controller of the **Lancaster County (Pa.) Employees Retirement Fund**, the firm will decide May 19 whether to shift its \$9 million 'smid'-cap investment with Emerald Advisors to the mid-cap growth portfolio. Emerald is based in Lancaster County.

The firm has \$2.4 billion in assets under management and has had returns of 9.1% in its 'smid'-cap portfolio, beating the 4.3% return for its benchmark, the Russell 2000 Growth Index.

Callan Preps For Small-Cap Fund

Callan Associates is starting a small-cap pooled vehicle that aims to raise \$1 billion in assets.

The firm is currently in negotiations with managers, said **Greg Allen**, who declined to comment until the talks are completed.

According to several sources, the fund is planning on creating 10 buckets of managers with four managers each. **Mark Stahl**, manager of the firm's domestic equity research group, said the fund will include managers with small asset bases, but is not designed specifically for those firms.

Negotiations are expected to be completed in April or May.

Proctor Investment Opens; Seeks Firms With \$2.5B Or Less

Proctor Investment Managers, a new firm formed by employees of **Overture Asset Management**, is offering a two-part service that aims to give firms with less than \$2.5 billion in assets under management a "a way to grow themselves," **James Coley**, chairman and ceo, said.

The firm is looking to acquire 20-60% stakes in firms, ideally with around \$1 billion in assets, and will also provide distribution and risk management services.

Coley said the firm is looking for 10-20 complementary managers in both the traditional and alternative space. The firm wants managers with a unique story and an institutionally sound investment process.

Proctor has both an institutional and intermediary sales force and does not get involved in the portfolio management process.

Coley was previously chairman and ceo at Overture. **Mona Aboelnaga**, formerly senior managing director and head of strategic development and acquisitions at Overture, will serve as the firm's president.

Proctor has marketing partnerships with **Avatar Associates**, a quantitative investment manager owned by Overture, and quantitative manager **Ashland Management**, Coley said.

The firm was formed earlier this year and is based in New York City. Proctor is backed by **National Bank Financial**, a leading Canadian investment bank.

Are you launching a new fund or did your firm recently open its doors? Let the world know! Contact Matthew McCue at 212-627-7615 or by e-mail at mmccue@fin-news.com.

Hanseatic Refocuses Marketing Effort, Begins To See Results

After struggling to gain traction in the institutional marketplace, **Hanseatic Group** has refocused its marketing effort over the past year and a half, a move that has paid off in renewed interest in its large-cap growth product, including three site visits in February.

“I think we’ve gotten an excellent response,” said **Ed Meihaus**, cio. With \$165 million in assets under management, the firm is gearing up to reach \$250 million this year and \$500 million to \$1 billion in the next three years.

The evolution of the firm goes back three years to when the firm, which started managing institutional accounts in 1999, found itself out of institutional databases and without access to consultants. Frustrated with the results of using third-party marketers, Hanseatic decided to “tell our own story,” Meihaus said.

As a quantitative manager, Hanseatic found it was very difficult to describe the firm’s process if the person explaining it was not actually doing it. So the firm decided to focus its message in



Ed Meihaus

an organized and efficient way that did a better job of describing the process and getting it into the hands of consultants, while also increasing its responses to RFPs.

One of the keys to the increased interest has been the firm’s consistent returns. The firm has outperformed its benchmarks over the last three years after making changes to its investment process in 2001 following a tough year.

“We discovered that a part of our sell disciplines were not as effective in the volatile market environments,” Meihaus said.

Following 2001, the firm has based its sell disciplines on stock price behavior relative to the product’s benchmark rather than on absolute stock price behavior.

The firm’s quantitative process is different in that it does not use fundamental data—price is the only input into the model. The firm developed a core philosophy in the mid-90s that recognized the characteristics that differentiated stocks that did well over various target holding periods, from six months to three years. Also, the portfolio is structured based on sectors and industry.

“Consistency is more important than shooting the lights out,” Meihaus said.

Daedalus Capital Hires 2 Marketers, Eyeing Asset Boost In 2006



Steve Coleman

With a Web site address like wegrow-money.com, **Daedalus Capital** automatically has a lot to live up to for investors. And now, after hiring two marketers in January and being ranked in the top 1% of **Morningstar**’s large-cap growth category, founder **Steve Coleman** is ready to grow his firm’s money. “Quite frankly, our assets are about to skyrocket,” he said.

Daedalus Select, the firm’s large-cap growth fund, has a three-year annualized return of 47.93% for the period ending Dec. 31, ranking it in the top percentile of the 322 money managers in the strategy that are measured by Morningstar. The fund has \$7.2 million in assets under management. “No one seems to know us,” Coleman said. “I just think it’s a matter of getting out there and telling our story,” he said.

To achieve that, Coleman hired **Kim Douglas** and **Dan Leritz** to do just that. Douglas, who joins the firm from **Union Planters Bank** in St. Louis, is focusing on marketing through pension consultants, while Leritz, who joined from **Sparrow Capital Management**, is working with broker-dealers.

Already the plan has garnered attention from two institutions, which are each considering investing “well over \$10 million” in Daedalus, Coleman said. By the end of the quarter he expects to have \$100 million in verbal commitments.

Coleman uses The Alpha Strategy, an investment method he created that splits the Daedalus Select portfolio into 50% Alpha Side and 50% Market Side. The Alpha Side of the portfolio is 3-5 stocks, while the market side consists of 22 stocks. “It’s the

best way to control your risk,” he said. “What we’ve done is taken half the portfolio and neutralized it.”

As of Dec. 31, the alpha stocks were **Apple Computer**, **Pixar Animation** and **Caterpillar**. “You’ve got to be right,” he said. “There is nowhere to hide.” And lately, he has been. Coleman has seen his investments in Apple pay off, with his investment returning 123% in 2005 and 6 to 1 since he bought the stock in February 2004.

Coleman said the key metric that his firm uses is expected earnings growth. “What anchors us is the quarterly earnings,” he said. “That is what tells us if we are right or we are wrong.” He said he does not predict a stock’s future, but stays focused and patient and makes decisions off the earnings report. For example, he said Daedalus decided to keep Apple in its portfolio in October after two statements made in a conference call showed the company’s popular iPod’s market share was growing.

The firm has seen hard times as well, when from 2000 to 2002 it suffered “massive losses, which gave birth to the alpha strategy. “We recovered,” Coleman said. “We lost money, and we made it back.” Back then the firm ran 10-12 stock portfolios. “In that period, it became clear to us that it was totally unwise to trust too many stocks to deliver positive results,” Coleman writes on his Web site, adding later, “we decided that our success or failure would be determined by our accuracy as stock pickers.”

And at its roots is where Daedalus has found success.

“We are just trying to grow your money,” Coleman said. “That’s our DNA. That is all we are committed to.”

FIS Group Sees Opportunity Out West, Looking For Marketer

FIS Group, an emerging manager-of-managers, is looking for a West Coast marketer.

Ed Swan, president, said the firm is looking for someone with marketing experience and an understanding of the institutional marketplace to help service its California clients and to build more business in the area.

“We see the West Coast as having significant future opportunities for us,” Swan said. “We want to have a permanent West Coast presence.”

He declined to name any clients, but said “a significant

amount” of the firm’s \$1.1 billion is out West.

Swan said the firm’s preference would be to have someone based in Los Angeles or San Francisco.

He said the most important credentials are experience and industry contacts.

Also, detailed knowledge of the emerging manager space is “less important than someone coming to the table that has some credibility,” he said.

Interested marketers can contact Swan via e-mail at eswan@fisgrp.com.

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JB Investments Sees Opportunity In Sectors Undergoing Change

Where some see chaos, **Brian Riley** sees opportunity. The managing partner of **JB Investments Management**, which opened up its fund to outside investors in September 2005 and now has \$10 million in assets under management, puts a unique spin on distressed debt by targeting industry segments undergoing significant changes.

"We go into situations where there are industries undergoing structural change," Riley said, explaining that such industries would have several companies in or near bankruptcy.

"We waded into this mess, and then say to ourselves, 'five years from now, here are the winners and here are the losers of this structural change,' and we invest accordingly."

Riley initially launched his firm in early 2001 as a managed account. Since then he has seen 55% annualized returns.

Riley's background is in distressed debt. He worked for New York-based **KPS Special Situations Funds**, a turnaround private equity fund, for 12 years before striking out on his own in 2004. He views his new fund, JB Investments Fund, as a hybrid vehicle.

"We are a hedge fund because we invest in public securities, but we are much like a private equity fund in the sense that we hold our positions for a long period of time, have a small number of positions and intensely analyze each investment," he said, adding that he holds positions for an average of two years and invests in both debt and equity.

Riley is focusing on two industries right now, predominantly the airlines sector and, to a lesser extent, the auto parts industry.

"The airlines have been through a very difficult time, incurring huge losses and implementing massive cost reductions," he said.

"With the exit of some inefficient capacity, I believe the airlines are in the beginning stages of a recovery. I think the inflection point started in September or October of last year, so we think this party is going to go on for a while."

Currently, Riley doesn't take an activist approach to influencing companies or sectors.

"We don't do it now because of our size, but we will look at

Small H.F. Managers: Energy, Real Estate Impact Economy Most

Small hedge fund managers are expecting rising energy costs and a slowdown in the real estate markets to be the two biggest factors in how the U.S. economy performs this year, according to results of a recent survey conducted by financial service provider **VanthedgePoint Group**.

The *Small Hedge Fund Manager Sentiment Survey* also reveals that 44% of respondents are slightly bullish on the U.S. economy, while 32% are neutral.

When it comes to investing, 37% of respondents predict international equities will be the best performing asset class this year, while 30% think commodities will be tops and 30% place U.S. equities as the best performer. Meanwhile, 49% expect real estate to be the worst performing asset class.

One result that **Geoffrey Tudisco**, chief executive officer of VanthedgePoint, finds surprising is that 22% of respondents invest

““

What we think we are doing is exploiting an inefficiency in the market. It isn't a large one, but we think it can be exploited not just in tougher economic times, but in all economic situations.

Brian Riley
Managing Partner
JB Investments Management

”

that when we get bigger," he said. "We would actively push where we have investments and where we could influence the fix on the industry."

Brian Sweeney, chief operating officer, is currently speaking with potential investors.

"We have our own little quirks in that we're different, so we are not going to fit every typical fund-of-funds or every typical family office," he said.

"So we have really been targeting people who are applicable and who can take the higher volatility and the higher returns."

As for capacity, Riley believes that his strategy allows him to manage up to \$500 million, and "in a recessionary situation it would be higher than that."

The minimum investment in the fund is \$1 million and the fees are 2% for management and 20% for performance.

"What we think we are doing is exploiting an inefficiency in the market," said Riley. "It isn't a large one, but we think it can be exploited not just in tougher economic times, but in all economic situations. Structural change is occurring in the economy somewhere at all times."

more than 20% of their portfolios in private equity while 17% invest between 6-10% in the asset class. Additionally, 44% of small hedge fund managers say they use index-based products, while another 10% are considering adding them to their portfolios.

Tudisco said his firm, which specializes in providing services to small hedge funds, conducted the survey in order to bring attention to small and emerging managers, which he believes often produce superior results than larger, more established funds.

"Small hedge funds are capable of generating more attractive returns than larger funds because they are not capacity constrained, and their small size allows them to move in and out of positions much easier than large funds," Tudisco said.

This was the first year VanthedgePoint polled small hedge fund managers, though it plans to conduct the survey annually.

Chicago Park Employees Considering Emerging Managers

The \$600 million **Chicago Park Employees Annuity & Benefit Fund** may make a maiden investment in emerging managers in the next 2-3 months.

Executive Director **Joseph Fratto** said the board has been looking at the space for the last few months and believes now is a good time to hire emerging managers because the number of experienced firms currently in the space compared to 10 years ago. The fund will base the decision on a study of its current asset allocation and manager roster to see if it is happy with its current makeup.

"If there is a need to do a search for a manager we will then try to incorporate a piece for emerging managers," Fratto said.

The investment could be somewhere in the \$30 million range and may come as early as April. He added the fund will consider both manager-of-managers and direct investments.

The fund currently has two minority-owned managers—**Ariel Capital Management**, which handles a \$35 million mid-to large-cap value portfolio and **Taplin, Canida & Habacht**, which manages a \$30 million core fixed-income mandate.

The plan's consultant is **Ennis Knupp + Associates**.

NYC Mum On Emerging Program

There is no word from the **New York City Comptroller's Office** on the impact the departure of CIO **Deborah Gallegos** will have on the plan's \$800 million emerging manager program.

The plan began interviewing eight manager-of-managers finalists at the end of February and aiming to complete the searches in April. The plan is expected to hire three managers.

However, Gallegos, whose February departure was first reported in early January, was a key figure in the program's development and it is unclear how her departure will affect its outcome.

As first reported by *Financial Investment News* on Feb. 22 and confirmed by the city two days later, **Rita Sallis**, deputy comptroller for public finance, was named interim acting chief investment officer after Gallegos "left the New York City Comptroller's Office for professional reasons."

Officials at the city did not return calls and e-mails by press time.

Ill. Universities Hires Three

The **State Universities Retirement System of Illinois** has hired three fixed-income managers for its Manager Development Program and hopes to begin its search for emerging and minority international equity managers by April.

Dan Allen, cio, said the plan will invest \$25 million each in fixed-income firms **Taplin, Canida & Habacht**, **Pugh Capital Management** and **Smith, Graham & Co**. He said he expects

contracts to be finalized by the end of March. **Ennis Knupp + Associates** assisted.

The plan increased the fixed-income allocation to \$75 million from \$45 million because the investment staff felt the initial structure of three managers handling \$15 million would be too difficult in the asset class.

The three managers join seven active domestic equity managers the plan has hired for the program.

Chrysler Hires Maxam Capital

The **DaimlerChrysler Corp. Retirement Plan** has hired **Maxam Capital Management** to advise its minority equity trust.

The firm will be responsible for selecting, recommending and managing the minority- and women-owned investment managers for the \$18.5 billion plan, said Cathy Sweeney, managing director at Maxam.

Chrysler had previously used **Tremont Capital Management** to oversee the minority equity trust. Maxam was opened in April 2005 by former Tremont founder **Sandra Manzke**. Doug Brown, director of asset management at Chrysler, declined to comment.

IBM In 2nd Round of Interviews

The \$41.5 billion **IBM** retirement plan is in the second round of interviews for an allocation of another \$500 million to emerging managers, according to industry sources.

The plan, which already has an emerging manager program run by **Bivium Capital**, is now looking to directly invest with managers and has interviewed approximately 150 managers, a list now whittled down to approximately 65 firms, several sources involved in the process told EMM.

Funding is expected in June. The amount the firm is planning to invest in each manager is between \$25-50 million, depending on how many managers are hired.

Cesar Gonzales at IBM, and **Todd Martin**, spokesman for the company, both declined to comment. The funding is expected to be completed in June.

Emerging Manager Monthly is gearing up to add a search chart for our April issue that will include any hires involving emerging managers. If you've recently won a mandate, let us know. Contact Data Editor Gar Chung at 212-627-7615 or by e-mail at gchung@fin-news.com.

Fort Worth Director Leaving For Private Industry In Houston

James Newgard, executive director of the \$1.5 billion **Fort Worth Employees' Retirement Fund**, has announced that he is leaving his position for a role in private industry in Houston.

Newgard, who joined the retirement fund in 2003, has been instrumental in the fund's first foray into alternatives.

The plan had target allocations of 10% and 7.5% to hedge funds and private equity, respectively, as of March 2005. At that time, 9.3% had been invested to hedge funds and the plan had yet to make its first private equity investment.

Current figures were not available.

The retirement fund declined to comment on his departure, but an article in the local Texas press stated that the board has appointed a committee to select a new executive director.

Denver Public Schools To Decide Next Step In Director Search

The **Denver Public Schools Retirement System** will meet on March 6 to consider its next steps in its executive director search after the plan's initial choice declined the position.

The plan had offered the position to **Lana Calhoun**, former deputy executive director of benefits at the **Colorado Public Employees Retirement Association**.

John MacPherson, interim executive director, said the plan would likely choose one of three possibilities: offer the position to the other finalist, reconsider other applications or begin a new search.

The new executive director will replace **Robert Scott**. Scott came out of retirement in 2003 to help see the plan through the proposed merger with the Colorado Public Employees Retirement Association, which has fell through several times.

Ennis Knupp Names Principal

P.J. Kelly has been promoted to principal at **Ennis Knupp + Associates**, the firm announced.

He manages the firm's U.S. equity research group and is the primary consultant for a number of the firm's retainer and project clients. He was previously an associate at the firm.

Ill. Teachers Hire R.V. Kuhns

The **Illinois Teachers Retirement System** has hired **R.V. Kuhns & Associates** as its general consultant, the plan announced.

The firm replaces **Callan Associates**, whose contract expired at the end of 2005.

R.V. Kuhns will be responsible for asset allocation studies, investment manager research and performance reporting, among other duties.

Maryland Begins CIO Search

The **Maryland State Retirement System** is conducting a search for a cio.

The search, which is being conducted internally, is to replace **Steve Huber**, who left the firm in January. There is no time-frame for a completion, said **Anne Budowski**, spokeswoman, who added "the search will end when we find the right person."

The cio oversees management of the \$33 billion investment portfolio for the state, makes recommendations to the board and implements investment policy, strategy, and asset allocation.

The cio also participates in the selection, monitoring and evaluation of external investment advisors, provides oversight to the development of real estate and private equity asset classes and supervises investment staff.

The plan is looking for candidates with at least 10 years of direct experience in investment portfolio management and/or manager evaluation, as well as experience in administration and management of an investment organization.

Allentown Hires Dir. of Finance

Larry Hilliard is the new director of finance for the City of Allentown's three pension funds—Police Pension, Firemen's Pension, and Officers' & Employees' Retirement.

He previously spent 34 years in various accounting positions at **Air Products & Chemicals**. Hilliard replaces **Barbera Bigalow**, who retired in 2005.

LCG Promotes Analyst

Institutional investment consulting firm **LCG Associates** has promoted **Britt Bentley**, investment analyst, to consultant.

In his new position he will be responsible for investment related services, investment strategy, manager due diligence, manager selection and other projects for the firm's clients.

CalPERS Pres., V.P. Re-Elected

Rob Feckner and **Robert Carlson** have been re-elected as president and vice president, respectively, of the board of administration for the \$207 billion **California Public Employees Retirement System**.

Feckner, president of the **California School Employees Association**, will be serving his second term as president.

He is a member of the investment and health benefits committees and is vice president of the benefits and program administration committee.

CalPERS Board President oversees the Board's business, sets meeting schedules and agendas, makes appointments to Board policy committees, and represents CalPERS to outside parties.

Carlson, who has served on the board for more than 35 years, was Board President from 1976 to 1985 and vice president from 2000 to 2002.

BNP Paribas Names Head of U.S. Equity, Derivatives Marketing

Jacqueline Hayot has been named director and head of strategic marketing for **BNP Paribas'** equities and derivatives business in the Americas.

She will be responsible for educating the U.S. market about the firm's equities and derivatives division and will report to **Todd Steinberg**, deputy head of equities and derivatives in the Americas. She was most recently at **Edelman Financial**, where she was responsible for the development and execution of communications programs for financial services companies.

"We have an excellent equities and derivatives platform in the Americas that we want the market to know more about," Steinberg said in a news release. "Jacqueline's long experience, full understanding of the U.S. customer base and her broad product knowledge will help us to meet that goal."

BKF Hires For Sales, Relations

Krista Valentino has been named v.p. in **BKF Asset Management's** institutional sales and service group and **Scott Maguire** was named director of client and consultant relations at the firm.

Valentino will be responsible for serving current and prospective institutional clients in the eastern half of the U.S. She was previously an institutional sales associate at the firm since July 2004.

Maguire, previously the regional director of sales, marketing and client service for the mid-Atlantic region for BKF, will be responsible for existing consultant relationships and creating new relationships. Both will report to **Stephen Eckenberger**, senior v.p. of sales and marketing.

The firm has also named **James Mylett** as v.p. and director of institutional client relations/portfolio specialist, an "enhanced role." Mylett had been a portfolio specialist at the firm since 2000. BKF Asset Management was previously known as **John A. Levin & Co.**

Fidelity Hires Head of Consultant Relations, Institutional Sales

Jeffrey Smith, co-head of **UBS Global Asset Management's** institutional business, joined **Fidelity Management Trust Company** last week as executive v.p. of sales and consultant relations.

In the new role, he will oversee all sales, consultant relations and related activities for the firm and will report to **Drew Lawton**, president and ceo of FMTC. Smith was also president of **UBS Asset Management Trust Company**.

FMTC manages over \$100 billion for more than 500 institutional clients. **Peter Casey**, spokesman for UBS, was not available for comment.

BlackRock, Merrill Merge

BlackRock and **Merrill Lynch** have reached an agreement that will create a company with nearly \$1 trillion in combined assets under management, the firms announced.

BlackRock will acquire Merrill Lynch Investment Managers from its parent company in exchange for an almost 50% stake in the combined company. The combined company will retain the BlackRock name.

The transaction has been approved by the boards of directors of both companies and is expected to close in the third quarter. The deal will also create the largest fixed-income manager in the U.S. with a combined \$415 billion in assets under management.

Laurence Fink, ceo of **BlackRock**, will serve as chairman and ceo of the combined company and **Ralph Schlosstein** will continue to serve as president and a director. **Robert Doll**, president and cio of **MLIM**, will become vice chairman, cio of global equities and chairman of the private client operating committee.

Cornerstone Hires CIO

Cornerstone Capital Management has hired **Tom Kamp** as cio. Kamp, most recently a part of **Alliance Capital's** large-cap growth team, will be responsible for leading the firm's investment management efforts.

At Alliance Capital he was senior v.p. and portfolio manager, overseeing \$9 billion in assets under management. **John Meyers**, spokesman for Alliance Capital, said Kamp has not been replaced because the "investment process in the large-cap growth team is team-oriented."

M.S. Names Co-Presidents

Zoe Cruz and **Robert Scully** have been named co-presidents of Morgan Stanley. Cruz, acting president since July 2005, and Scully, chairman of global capital markets and vice chairman of investment banking, will report to **John Mack**, chairman and ceo.

Cruz will oversee the firm's institutional securities and retail brokerage businesses and Scully will oversee the firm's asset management, **Discover** and private equity businesses.

Connecticut Could Be Next State To Divest From Sudan

Connecticut Treasurer **Denise Nappier** has proposed the divestment of pension fund assets from Sudan investments. Nappier, who oversees the state's \$22 billion pension fund, recently called for legislation that would specifically authorize the divestment of state pension funds from businesses with financial interests in Sudan. Nappier was joined in the call for legislation by Senate Majority Leader **Martin Looney**. "The State of Connecticut should not condone, or even appear to condone, genocide in our investment policies," Nappier said in a statement.