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## For McComsey Asset Management, Investing Is In The Genes

While most people dread family reunions, **Mark, Maureen** and **James McComsey** are embracing it. Coupled with a portfolio with a highly successful track record, **McComsey Asset Management** hopes to become a household name beyond its Thanksgiving dinner table.

The firm, with \$26 million in assets under management, opened its doors in January and, after successfully transitioning every client from Mark's tenure at **Morgan Stanley**, is ready to begin marketing to institutions.

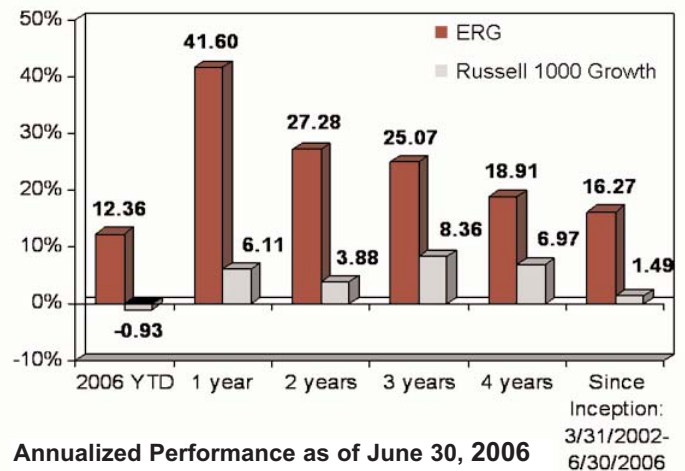
McComsey's large-cap growth portfolio, which has a four-and-a-half year track record that Mark was able to bring with him from Morgan Stanley, has year-to-date returns of 12.36% as of June 30, compared to -0.92% by the **Russell 1000 Growth Index** and 1- and 3-year returns of 41.60% and 25.07%, respectively, while the index returned 6.11% and 8.36% over the same time periods.



Mark McComsey

Mark said that the ability to use his track record was a key reason for making the decision to open the firm. "I think in this environment, if you don't have a GIPS compliant track record of at least three years, its difficult to attract investors," he said. "I wouldn't even think about it."

The strategy invests in profitable companies that have little or no debt and are experiencing positive, timely and sustainable change by factors the firm can quantify. The multi-factor model screens for quality and growth to isolate 70-80 stocks that fit into the model before qualitatively reducing that number to



25-40 stocks.

To reduce risk, the portfolio invests in at least seven of the ten major economic sectors, with less than 30% exposure to a specific sector. The portfolio has an average position of 3-4% with a maximum of 5%. The portfolio is 98-99% invested at all times; meaning the sell discipline and buy discipline are integrated. Mark believes that the firm's sell disciplines are an important factor in the strategy's performance.

One factor in both the buy and sell disciplines of the portfolio is the firm's ranking of analysts. Mark calls analyst's earnings estimates, for all their missteps, "one of the purest forms of research on a back-tested basis." He said that the key to understanding an analyst is two fold: a significant part of their compensation comes from how accurately they call earnings on companies they follow and the tight windows they have to adjust to a business cycle. He adds that, "the changes in regulations in the past few years has allowed for more transparency in the marketplace and increased accuracy by some analysts."

The portfolio has a 180% upside capture ratio and a 67% downside capture ratio, based on annualized returns from inception on March 31, 2002 through June 30.

“I could have taken all my existing assets and my clients and could have set up a hedge fund and made considerably more money for the assets I had,” Mark said. “We feel the strategy is just too good and we felt it would be better served managing separate accounts only.”

However returns alone, while important, are never enough. For other aspects of the business, Mark chose to work with his family. His father, James, is co-founder and senior partner of the firm. His duties include firm management responsibilities as a key shareholder and leading client service and marketing efforts. Previously, James spent 15 years with **Nicholas Applegate Capital Management** where he became a partner in 1992 and retired from in 2002. He also served as an institutional pension fund consultant at **Merrill Lynch**.

His sister, Maureen, is the chief operating officer. Maureen oversees day-to-day operations, including account maintenance, compliance and client service. In her prior life, Maureen was a producer and production manager in film and television, where she was responsible for bidding new projects, managing budgets and overseeing personnel, among other duties. Mark said that the move from managing a crew of one hundred people, constantly trying to come in under budget and completing projects within strict deadlines

makes Maureen’s new role with the firm a perfect fit.

The firm is rounded out by non-family member **Ivan Jevremovic**, v.p. of business development and marketing. Jevremovic comes from Morgan Stanley, where he worked as a financial advisor alongside Mark.

Along with being a family venture, the firm also has a significant amount of the family’s net worth invested in the fund, aligning their interests with the clients, Mark said.

Along those lines, Mark said the firm has also invested a significant amount in technology. “We are on a complete *Citrix* environment with servers in three places,” he said. One of the reasons for this, he said, was the impact 9/11 had on firms located in the World Trade Center. He said that Morgan Stanley had just invested in remote capabilities prior to Y2K and was one of the few firms that were fully operational despite the collapse of the towers.

The firm also has signed on with *CheckFree* to enhance its portfolio management and monitoring, streamline its front and back office functionality and improve its client service.

“Realistically, the relationship you have with the client is probably in my opinion the most important aspect of the business,” he said. “They need to feel that you are 100% transparent, that you provide them with timely and accurate information...”

Mark said he is expecting rapid growth this quarter and would not be surprised if the firm doubles its assets by the end of the year, adding that he will do a hard close at \$2 billion.