SINGER PARTNERS

Why Create Singer Partners?

Brian D. Singer, CFA

While working at Brinson Partners and its successor organizations and during my involvement on and as Chair of the Board of Governors of the CFA Institute, I developed a vision of the optimal investment organization – a high-integrity firm that puts superior client outcomes at the core of its mission. Building upon my Brinson Partners heritage of fundamental analysis, I and my team successfully managed multi-asset and multi-currency portfolios through the 2000-2002 collapse of the tech bubble and the rally that emerged in late 2002 and continued into 2007. In 2007, after broadly communicating the critical state of capital markets and honing a vision of the type of investment organization that would best navigate through the turbulence to come, I left UBS Global Asset Management.

I have previously helped to pioneer advances in the management of multi-asset portfolios. Singer Partners will continue to expand the horizons of investing and client relations by delivering top-tier investment performance, superior client outcomes and strong team engagement.

While spending the last two years contemplating how best to make use of my expertise and build a preeminent investment organization, I noted that the universe of long-term, fundamental macro investors had tapered off markedly. Responding to industry pressure, managers increasingly sought short-term panaceas glittering with putative high returns. Many clients bought into these dreams of success yet tended to terminate their managers at low points of inevitable performance failure. We believe that the self-reinforcing rush of investors toward unrealistic and unattainable short-term performance has yielded an outcome of poorly designed incentive structures that fail to align client and manager interests.

The Team:
Joined by a team of experts with whom I have successfully invested over the last decade, I have now created what I believe to be the optimal investment firm. Our staff is excited to be working together again with a new, unfettered focus on investment performance. We employ the three-staged process developed under my tutelage during our years together, with each stage adding a particular dimension to the Singer Partners investment team.

Our first stage is the tried-and-tested fundamental determination of asset values implemented at Brinson Partners 27 years ago. Our ten-year history as a fundamentally driven macro investment team is a unique advantage, and we fully intend to continue our success by exploiting this long-term relationship. Since we are fundamental investors, discrepancies between market prices and fundamental values determine the direction of our macro positions. Fundamental value is a beacon in the storm, allowing calm decision-making when others panic or become euphoric from perceived opportunity. Twenty years ago, it was sufficient to sharpen your valuation pencil to gain an investment edge. But over the last two decades, the CFA Institute and numerous MBA programs have produced hundreds of thousands of well-trained fundamental analysts. Fundamental valuation alone is no longer an advantage, though it remains an important and necessary function of successful investing.

Realizing that market prices can deviate from fundamental values for longer than many investors can remain solvent, we developed a second stage of our process to improve the timing of our decisions. In this stage, we focus on understanding why prices deviate from values using behavioral models. These models explore the biases of individual behavior and the influences of crowd behavior. The Singer Partners investment team, a collection of strong personalities from small-town Tennessee, Chicago, London, France and Switzerland, is uniquely suited to this type of market analysis, as the diverse backgrounds and cultures of our staff make for a vast breadth of perspectives. We are proud of what our team has already accomplished, and we now look forward to future investment success.

Finally, the third stage is portfolio design. Singer Partners' unique edge is our melding of the rigor and discipline of quantitative tools with our qualitative fundamental analysis skills to determine the magnitudes of our positions. This risk capital allocation process fully integrates all positions into a coherent portfolio for which all risks are understood, intended and compensated.

Client Interests:
Over my many years of experience, I've concluded that the optimal investment firm is aware of its owners' interests but ultimately venerates the interests of its clients. While all organizations act in the interest of their owners, asset management organizations should act in the best interest of their clients. Alignment of owner and client interests is fundamental to successful outcomes for both parties. Publicly traded asset management firms tend to struggle with this alignment, because the short-term focus of shareholders conflicts with integrity-based prescriptions and fiduciary requirements to act in the best interest of clients. Only within public constructs like Warren Buffett's Berkshire Hathaway, where client investment outcomes and shareholder value are congruous, can investors' money be reliably managed. At Singer Partners, I believe we have implemented a fee structure that goes further than anything I have encountered previously at any publicly traded asset management firm to align client and manager interests. This will be a unique ingredient that allows our investment process to work as planned and that also allows clients to experience the intended long-term outcome. Finally, Singer Partners endeavors to build an Advisory Board composed of key clients to ensure that client interests remain at the center of Singer Partners' mission and ongoing activities.

Limited Size:
My vision of the optimal multi-asset investment firm tends toward limited size, especially with respect to the number of different investment capabilities. Singer Partners limits the growth of assets, the number of capabilities, the extent of separately managed accounts and the amount of total assets under management. We presently limit net new client subscriptions in any year and the number of different capabilities that we will adopt. At a total AuM of $20 billion, excluding advisory assets, we will assess restraining growth by precluding further subscriptions from new clients.

Open Architecture:
The portfolio manager of multi-asset portfolios, like those I have managed over the last 20 years, is accountable for total portfolio performance but typically does not have authority over the performance of underlying asset class components. Unfortunately, large investment firms struggle to maintain high performance accountability standards across a diversified array of equity and bond capabilities. In order to maintain high performance standards, many large firms impose a similar, unifying investment philosophy across capabilities. While a single investment philosophy facilitates a high standard of accountability, outperformance and underperformance within asset classes tend to occur concurrently. Either way, when combining diversified or undiversified capabilities, multi-asset portfolios within a single large institution are suboptimal.

An optimal multi-asset portfolio comprises macro strategies cognizant of the risks embedded in each of the diversified sub-component investment philosophies. While large firms struggle to maintain superiority in multiple asset classes, Singer Partners' multi-asset portfolios will focus the overwhelming majority of its risk budget on macro strategies. However, we will use a combination of passive and active exposures and of internal and external investment capabilities. Passive macro exposures will be obtained via ETFs, derivatives, and active sub-advised portfolios to garner market exposures not available through passive investments. Occasionally, we will use active bottom-up capabilities via sub-advised portfolios to capture exceptional alpha opportunities. The objective is not to identify best-in-class capabilities; rather, we will occasionally assemble capabilities that improve the risk-adjusted performance of our multi-asset portfolios. These capabilities must generate strong investment performance and diversify the aggregate portfolio. External capabilities must be not only asset diversifiers but also process, behavioral, operational and client diversifiers.

Long Horizon:
I am a fundamental investor, and Singer Partner is built upon the successful, if sometimes painful, fundamental valuation experience garnered during my Brinson Partners years and the market vicissitudes of the last 10 years. I believe that there remains a great untapped frontier of investing with a long horizon, comfortably incurring interim return volatility and capturing the illiquidity premium that other investors simply cannot capture. Since we will be investing with a five-year horizon, we do not believe that our clients should pay performance fees prior until the end of that horizon. Our primary performance fee structure charges performances fees after five years of realized performance and does not charge any fee for performance generated simply through passive market, or beta, exposure. The hurdle for our performance fee may seem high, but it is appropriate, reasonable, and ethical.

Client Partnership:
Partnership relationships with clients, and the highest degree of transparency feasible of a fiduciary, are of critical importance to Singer Partners. We want clients to be closer to our investment discipline and decision-making processes than is typical with other firms so that clients understand our investment decisions, sustain the interim volatility inevitable with long-horizon investing, and accurately monitor our investment discipline and investment philosophy adherence.

Fair Fees with Aligned Incentives:
Singer Partners offers and recommend a fee structure that is fairer than the compensation schemes of many alternative investment firms and that more rationally aligns our interests with our clients' objectives. Singer Partners will adopt an asset management fee that reflects our operating expenses – declining as our assets under management grow – and a performance fee that will separate out beta, or passive market-based performance, from a portfolio's performance. The net beta performance will earn us no fee, while the remainder – which will include the active management of asset class, market, sector, theme and currency exposures, and the occasional security selection – will earn a higher fee. In our primary fee structure, Singer Partners does not crystallize performance fees until performance has been confirmed over a five-year horizon. Our objectives are to lower the fee burden that clients pay for active asset management and align the incentives of Singer Partners and its clients.

Singer Partners, for the Long Term:
My peerless colleagues and I love to garner superior investment performance using our fundamental knowledge and to ensure congruent objectives, transparency and superior client outcomes through close client partnerships. The Singer Partners team shares both my love of investing and my desire for superior client outcomes. Consequently, we have created an ownership structure that substantially rewards all employees for achieving superior client outcomes and incentivizes the passage of Singer Partners from one generation to the next.

Singer Partners will only succeed if our investment process is superior to those of our peers. But the firm's conviction, its investment team's prior success, and its pioneering alignment of client interests with those of the firm itself are certainly a strong start.