

## COMPANY REPORT

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# BROWN ADVISORY AIMS TO PLUG GAP LEFT BY INCONSISTENT US MANAGERS

**Joanna Faith** looks at the success of Brown Advisory since the Baltimore-based investment boutique set up its London office in 2008

"UK investors do not tend to allocate a huge amount of their portfolio to the US." This may seem like a strange thing for Brown Advisory's Logie Fitzwilliams to say seeing as though the group only offers US equity strategies to UK investors.

But as we sit in the Knightsbridge office Brown Advisory sublets from another investment company, Fitzwilliams, director of the group's London presence, says despite UK investors' lack of excitement towards US equities, the group has still managed to carve out a presence.

"There is always going to be some allocation to the US. It is clearly still a very important market," he says. "And we spend time competing for that allocation."

Brown Advisory's success has been impressive since they set up the firm's London office in 2008.

Fitzwilliams, alongside one assistant, has grown the UK business from an idea that originated in the company's Baltimore head office in 2005 to a firm with \$300m worth of UK assets under management. When we met they were about to move out of their rented space into their own Mayfair offices where they were to be joined by a further three employees including a compliance officer and a salesperson.

Brown Advisory decided to launch in the UK after it identified a drought of consistent US managers over here, according to Fitzwilliams. Its US Value fund was first to market.

"At that time a lot of UK investors held Bill Miller's Legg Mason Value trust and people were looking for an alternative. There seemed to be the most appetite for this strategy."

Once the Value fund had started to gain traction, Brown launched three other offerings: the US Equity Growth, US Smaller Companies and a fund that combines the Value, Growth and Small Cap strategies – the American Fund.

All strategies are managed out of Baltimore "away from the frenzy of New York", with one central equity team of 18 sector specific analysts as support. The group runs fixed income mandates but currently for US investors only.

Fitzwilliams highlights the team's collaborative investment process. "The fund managers and analysts work together from the first stage of a company being identified to the stock purchase," he says.

"Analysts are very much career analysts and four are currently partners of the firm."

The team employs a bottom-up, research intensive and collaborative approach that is consistent across all the US equity strategies.



Rick Bernstein



Mike Hankin



Chris Berrier and Tim Hathaway



Logie Fitzwilliams

Despite having only four offerings, Fitzwilliams says the group has no plans to launch anymore strategies for the time being. "We think we cover all we need to from a style perspective," he says.

He believes the group benefits from being US-only focused. "We are specialists; we do nothing else. We do not run emerging markets funds although a lot of US multinationals are generating revenue from emerging markets."

So how has the group achieved such success in such a short space of time? Surely a small, employee-owned US boutique would face an uphill struggle infiltrating the UK market with big houses such as Fidelity and Threadneedle running large, popular and well established US mandates?

Fitzwilliams admits it has been hard work and says he has relied heavily on word of mouth.

He thinks that Brown Advisory being a focused boutique has been a benefit. "Investors are more cautious today about the big brands and often seem to prefer specialist firms. We are small enough and nimble enough to give clients significant attention."

In fact Fitzwilliams has recently returned from taking four major clients to Baltimore to meet the group's fund managers and analysts – as well as sample some of the delights of the east coast city. Members of the investment team also make frequent trips to the UK.

The firm's US reputation has also helped cement its UK presence. The group may have a relatively small presence in Europe but across the Atlantic the situation could not be more different. It oversees \$19.5bn in client assets worldwide and was born out of Alex Brown & Sons, America's oldest investment bank.

Having the support of the US parent company has helped Fitzwilliams overcome a number of obstacles.

"Most investors want a long UCITS track record and won't look at a fund if it has no three year record," he says. But Brown has been running similar strategies in the US since 1993.

He also says at the beginning investors were cautious about making up a large overall percentage of their UCITS funds. "It takes time to move from zero, to \$10m and then to \$50m."

Now two of their funds are around the \$200m mark, Fitzwilliams is finding it much easier to attract investors. His focus is very much on the sophisticated fund buyer; he has considered using platforms as a means of fund distribution but has not committed to the method. It might be something for a few years down the line, he says.

For now he is excited about the future for Brown's London office and with the perception among UK investors that actively managed funds cannot outperform passive strategies in the US, his focus will remain persuading them the group's funds really can add value.

## COMPANY FACTS



Brown Advisory's Baltimore head office

- BROWN ADVISORY IS A FUNDAMENTALLY-DRIVEN, EMPLOYEE-OWNED, FOCUSED INVESTMENT BOUTIQUE HEADQUARTERED IN BALTIMORE, MARYLAND, WITH OFFICES IN WASHINGTON D.C., BOSTON AND LONDON.
- FOUNDED IN 1993 AS AN INVESTMENT MANAGEMENT ARM OF ALEX BROWN & SONS.
- ALEX BROWN & SONS WAS THE FIRST INVESTMENT BANK IN THE UNITED STATES, FOUNDED BY ALEXANDER BROWN IN 1800.
- BROWN ADVISORY HAS BEEN INDEPENDENT SINCE 1998.
- TODAY IT OVERSEES \$19.5BN IN CLIENT ASSETS.
- LONDON OFFICE OPENED IN 2008.
- DUBLIN UCITS III UMBRELLA LAUNCHED IN 2006.
- \$1.3BN IS MANAGED FOR NON-US CLIENTS VIA DUBLIN UCITS III FUNDS AND A NUMBER OF SEPARATE ACCOUNTS (\$900M FOR UK CLIENTS).

## IN THEIR OWN WORDS

"The importance of employee ownership was a founding principle of Brown Advisory; our ownership culture provides strong incentives for long-term investment performance, assures continuity and high levels of client service."

"At Brown Advisory we pride ourselves on our independent research, which we believe is the foundation of superior investment performance. We are dedicated US managers; our highly talented investment team performs deep fundamental research on a broad universe of US stocks while maintaining a process that is highly collaborative. Our conviction in our strict investment criteria and rigorous due diligence process ensures we concentrate each portfolio in our best ideas."

### UCITS FUNDS

STRATEGY	MANAGER	TOTAL STRAT AUM (US\$m)		UCITS FUND AMC
		AUM (US\$m)	AUM (US\$m)	AMC
US EQUITY GROWTH	KEN STUZIN	\$3,200	\$165	0.75%
US EQUITY VALUE	RICK BERNSTEIN	\$1,200	\$225	0.75%
US SMALLER COS	TIM HATHAWAY, CHRIS BERRIER	\$885	\$15	0.75%
AMERICAN	KEN STUZIN, RICK BERNSTEIN, TIM HATHAWAY, CHRIS BERRIER	\$45	\$45	0.75%