

BANKING & MONEY MANAGEMENT

Keeping the streak alive



JEFF LEE / PORTLAND BUSINESS JOURNAL

George Hosfield, Ferguson Wellman chief investment officer, is part of a loyal team that has been assembled over the past three decades.

After 30 years, Ferguson Wellman stays on growth path

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Like the 2005 World Series- champion Chicago White Sox, Ferguson Wellman Capital Management Inc. sees itself as a superstar-free unit focused only on winning.

However, unlike the previously dormant White Sox, Ferguson Wellman has sustained its performance since Norb Wellman and Joe Ferguson founded it in 1975.

And, unlike in the revolving-door Major League Baseball world, Ferguson Wellman

employees tend to stick with it for the long haul. George Hosfield, the Portland-based firm's chief investment officer, said Ferguson Wellman has experienced no turnover among its portfolio managers and analysts in 17 years.

The longevity extends to other staff

Portland is filled with money-management pros. But one firm has been quietly building an enviable and consistent track record.

TEAM: Outlook for 2006 still uncertain for many investment experts

members as well. For instance Kathi Kimes, Ferguson Wellman's ace receptionist and administrative assistant, has greeted office visitors and performed other functions there for 26 years.

"We're a destination for employees, not a stepping stone," said Hosfield.

The stability has helped Ferguson Wellman, which invests money on behalf of well-off clients and institutional investors, deliver solid year-over-year performances. In 2005, the firm, which marks its 30th anniversary this month, expects to easily meet its goals of delivering portfolio percentage-wise returns in the high single digits.

The results come a year after Ferguson Wellman returned to the \$2 billion mark in managed assets. The firm's client mix remains fairly even between the individual (56 percent) and institutional sides.

Ferguson Wellman gives its clients a nice dose of diversity: In 2004, it steered 53 percent of its managed money toward domestic equities, 17 percent toward corporate bonds and 10 percent toward municipal bonds.

The firm counts about 400 clients in 28 states.

To serve those clients, Ferguson Wellman reps devote much time toward determining asset and product blends. A company committee meets regularly to gauge how well certain sectors perform.

The firm also regularly consults with third-party research providers such as REIT specialist Greenstreet Advisors Inc., of Newport Beach, Calif.; equity cruncher Applied Finance Group Ltd., of Chicago; and economy and market researchers International Strategy & Investment Group, of New York, and Ned Davis Research, of Rye, N.Y.

Lately, the firm has delved into the cyclical nature of the energy, basic materials and industrials sectors. The three are now considered overweighted, or contain more Ferguson Wellman investment money than other sectors.

At the same time, the firm has underweighted consumer staple and

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interest-sensitive sectors.

To reach its conclusions, the firm deploys its own forecasting models, such as the Horizon tool that aids clients seeking advice on retirement plans. The proprietary software program analyzes different scenarios — such as whether the client wants a taxable account or seeks real estate investments — before prescribing a wealth management path.

"It's a way of showing them how to sustain their current lifestyle, as well as make plans for supplying that lifestyle over the long term," Hosfield said.

Other Ferguson Wellman products of note include an equity income product, rolled out in 2004, that offers a built-in yield double that of the market, Hosfield said.

"If we remain in a single-digit return environment for equities, an incremental 4 percent return can be very meaningful to total return," Hosfield said, adding that since 1926, 45 percent of the stock market's total return has come from equities.

In coming months, Hosfield said the firm, working with a sub-adviser, could soon offer a small-cap fund, as well as other alternative investments.

For now, Ferguson Wellman will continue tailoring its services to its clients' needs. For instance, it recently accepted a client who had made money by day trading. To sustain his money, Ferguson Wellman's team suggested a slow-growing, but rewarding, portfolio that promised down-the-road security.

One problem: The portfolio saw early negative returns, and the client quickly

asked his advisers to reinvest, from stocks into bonds.

"That was exactly the wrong thing to do," Hosfield said. The firm counseled the client to stick with it. Just because the market had declined, it did not change the portfolio's risk tolerance, they said.

"We were able to remove the emotion from the investment process. It's like flying a plane. You want the pilot to remain calm and composed at the controls."

Indeed, the investments rose again and the client, Hosfield reported, "is very happy."

Such grace under fire typically comes from experience, which Ferguson Wellman develops with its ownership structure. The system grants privately held Ferguson Wellman shares to those who've worked there for more than five years. Twenty-three of the firm's employees hold shares; in keeping with the White Sox-like no-star system, none is a majority shareholder.

The shareholding employees, Hosfield said, anxiously await an uncertain 2006 financial outlook. Rising energy prices and interest rates have made investors nervous, he said.

Ferguson Wellman will thus analyze how well corporate America has squirreled away cash, and how they'll spend it. The coming year could demonstrate how well companies managed their money because new income might not readily arrive.

Through it all, Ferguson Wellman will deal with such local issues as the county's business income tax, which at one point nearly spurred a company move to the Portland suburbs, Hosfield said.

But Hosfield promised that Ferguson Wellman and its current management team — including CEO James Rudd and COO Steven Holwerda — aren't budging from its Pioneer Place Tower space.

"We just signed a 10-year lease," he said.



Rudd

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