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When their clients talk ...

By Gregory Bresiger, Traders Magazine

January 2010

To some money managers, "high-touch" means the desk knows exactly what the client wants and how he wants it. That's the philosophy at Ferguson Wellman, a firm in Portland, Ore., where almost everyone in the investment business--including investors--knows your name.



"This is a small, tightly knit community and our firm is entrenched here," said head trader Tim Carkin. "Everybody knows everybody."

Most clients are the high-net-worth variety who sometimes want the personal touch. Carkin has few big institutional clients.

To ensure that the firm avoids a "one-size-fits-all approach," 14 model portfolios are offered. They have an average annual turnover of about 70 percent. Strategies include value and growth for small-cap and large-cap stocks.

Carkin trades with a mix of independents and bulge bracket firms. In recent years, these mid-tier and smaller brokerage houses have increased their level of business with him. Six years ago, when he started, the bulge bracket comprised about 30 percent of the commissions. That figure has been cut in half since then, he said.

Carkin says he is more comfortable dealing with smaller brokerage houses--firms that have similar cultures as his shop. Still, finding the right brokers for each trade is his most important job. Overall, Ferguson Wellman pays a blended commission rate of about 1.25 cents. That translates into about \$3 million to \$4 million a year in commissions.

Unlike most traders at bigger shops, Carkin says he has conversations and relationships with his clients. Consequently, he understands how they might want to trade an order--just as he has a feel for his portfolio managers' trading style.

"Most desks won't have the clients talk to them. With our desk, if the manager has a question he can't answer, we'll talk to the clients ourselves," Carkin said.

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The personal touch means the desk understands "the intent" of the trade. "We can walk clients through a trade," Carkin said. "We know that sometimes they just want a stock sold immediately. Other times they want us to fight for every penny."

But other times he has to deal with client direction issues. As any buy-side trader will tell you, whether your accounts are institutional or high-net-worth, direction often poses problems.

The good news is that about 75 percent of all shares traded are large cap. Still, even though he could easily do the orders himself electronically, he is often asked to send orders to some brokers who don't have the necessary tools to interact effectively with the market.

Ferguson Wellman Capital Mgmt.

Equity AUM: \$1.4 billion

Desk: One trader

Broker List: 25 firms

Comm. Range: 1-3 cents

OMS: Advent's Mox

For example, for a 200,000-share order, Carkin might have to split up the order among 10 brokers. Depending upon the order and the brokers involved, Carkin needs

to figure out if he will trade with the particular brokers or trade away.

"I could end up crossing two-thirds of an order in a dark pool; then I can trade away because I was able to access the liquidity," Carkin said. "I got a better execution, and I feel good about that."