Amid client fears, a shift from defense to conservative offense

By Darla Mercado, Investment News
December 6, 2009

During the throes of last year's downturn, portfolio manager Steven J. Holwerda found himself at the head of Ferguson Wellman Capital Management Inc., a long way from the sales position he had there at the start of his financial services career in 1989.

Having experienced previous recessions, he knew that this one would be different.

"I remember going through 2000 to 2002 and feeling the stress related to it; you carry the weight of your clients' worries on your shoulders," said Mr. Holwerda, who is also the firm's chief operating officer and principal. "We thought 2008 would be tough, but we didn't imagine it being this difficult."

Clients' fear "was on steroids" this time, as they contended with a seizing bond market, declining home values and a major money market fund that broke the buck — nightmares that weren't realized during the tech crash, Mr. Holwerda said.

However, making drastic investment changes based on emotion was neither the firm's nor Mr. Holwerda's style. Co-founder H. Joseph Ferguson had said the key to keeping a tight investment culture is hiring people with similar core values when it comes to investing, Mr. Holwerda said.

Coming from an atypical background, Mr. Holwerda was a regional director of the University of Oregon's Duck Athletic Fund, where he worked on fundraising, before Ferguson Wellman brought him on to work on its sales staff 20 years ago.

"When we hire portfolio managers, we want them to buy into the philosophy of being a little conservative in nature, willing to give up a little on the upside to protect on the downside," Mr. Holwerda added.

The conservative investing philosophy of the firm, which manages $2.19 billion in discretionary assets, left it in a defensive position coming out of a strong run in 2006. The firm shifted portfolios in 5% increments from stocks to bonds from 2007 to 2008 and raised cash levels last year, Mr. Holwerda said.

But even conservative portfolio managers feel that it's time to go back into equities now. Though Ferguson Wellman sat out of the March rally, it re-entered stocks at the end of the summer, catching some of those gains.

“We don't try to time the market, but we were more defensive coming back in,” Mr. Holwerda said. “We saw the recovery happening, and we did a decent job of catching a good portion of it. But we wanted to make sure it was occurring.”