

BLACK ENTERPRISE

What To Look For In An IPO

WEALTH FOR LIFE

ELECTRONICALLY REPRINTED FROM JUNE 2014



Scale Up Your
Company

LESSONS FROM THE

**NATION'S
LARGEST
BLACK
BUSINESSES**

UNIVERSITY OF WISCONSIN HALL OF FAME HALFBACK LOUIS

A. Holland entered the investment arena in 1968 at a time when big firms weren't looking to African Americans to manage money. But the former Wisconsin Badgers and Chicago Bears player worked hard and became a giant in the stock-picking world. You can trace his growth as an investment management executive and entrepreneur from firms Commonwealth Edison to A.G. Becker Paribas to Hahn, Holland and Grossman, which he founded in 1983. Holland commanded so much respect as a stock pro that he appeared as a regular panelist on the PBS television program *Wall Street Week with Louis Rukeyser* for 22 years.

MANAGERS list, managing assets across a client base of public and corporate pension plan sponsors, unions, endowments, foundations, two mutual funds (as a subadviser), and a limited number of wealthy individual clients. The firm has 61 accounts, mostly public pension plans, with the average account balance around \$76.1 million.

Holland Capital's increase in assets came from a strong equity market during the year as well as new client gains, including a major win to the tune of \$1.3 billion—a subadvisory relationship with Columbia Management (owned by Ameriprise Financial). Holland Capital is the sole manager of the Columbia Variable Portfolio Holland Large Cap Growth Fund, a variable annuity product.

Taking Care of Business

When Monica L. Walker, a cowgirl from Texas, met Holland, a Wisconsin farm boy, the two instantly hit it off. He decided to launch another investment firm and encouraged Walker to join him. "We shared the same values. He believed in intellectual honesty, teamwork, and dedication to excellence," says Walker, who was then a manager of trust fund administration for Texas Utilities' \$1.5 billion pension fund and defined contribution plan assets. A licensed CPA, Walker had begun her career at Texas Utilities in 1981 serving in various supervisory capacities and working in the corporate finance group.

In 1991, Holland and Walker along with Laura J. Janus and Catherine E. Lavery founded Holland Capital Management, a Chicago-based equity and fixed income institutional investment management firm.

Holland Capital had \$2.1 billion in assets under management when its 71-year-old namesake retired in 2007. For 17 years, Holland acted as CEO before his heir apparent, Walker, who was age 49, assumed the helm first as president and chief investment officer in February 2008, and then as CEO and chairman of the board in 2009.

Since making the transition from the leadership of its patriarchy to the new guard over the last six years, Holland Capital hasn't just survived a decline in assets, weak relative portfolio, client losses, and the Great Recession—it has thrived.

"We were able to make it through the financial crisis and reap the benefits of our good relative performance," says Walker. "We take a conservative, methodical approach to how we manage money and how we manage our business."

Today, Holland Capital offers 100% equity portfolio management, mainly to institutional investors, with \$4.9 billion in assets under management, up from \$2.8 billion in 2012—an outstanding 76.9% jump. The 20-employee firm rose to the No. 8 spot on the **BE ASSET**

"Monica is a very thoughtful leader and is spearheading the effort to drive the company through its second generation of leadership," says Paul Mikelson, Columbia's vice president of subadvised strategies. "Holland has a superior client service model." Columbia sought Holland as a subadviser because of its disciplined and well-organized investment process and its historical performance in the large cap growth fund category.

Because of its capital growth, stellar mutual fund performance, and impressive leadership, Holland Capital Management has been recognized as the 2014 **BLACK ENTERPRISE** Financial Services Company of the Year.

IT'S A MAN'S WORLD

Women are heavily underrepresented in all key positions of the financial services industry, not just within portfolio management. According to the report *Where The Boys Are—Gender, Risk Taking, and Authority in Institutional Equity Management* released by Quantitative Management Associates in 2013, women account for 52% of support staff, 24% in marketing and client service, 24% of traders, 16% of analysts, and just 11% of portfolio managers. The disparity between women and men grows with seniority, particularly in the institutional equity management sphere: Men represent 92% of CIOs and senior management.

Such abysmal figures put Walker in a rare position as an African American female CEO of a money management firm, a testament to Holland's maverick style of command. "The firm has always been predominantly female in terms of leadership. One of the things that [Lou] told people is 'I started the company with three women so I wouldn't have to hire 10 men,'" recounts Walker. ▶

HOLLAND
CAPITAL
MANAGEMENT

LESSONS FROM THE
FINANCIAL SERVICES
COMPANY OF THE YEAR

BE100S

THE NATION'S LARGEST
BLACK BUSINESSES
FINANCIAL SERVICES
COMPANY OF THE YEAR

**Monica L. Walker
delivers stellar
performance with
her bottom-up
investing style
while preserving
the legacy of the
firm's founder**

By Carolyn M. Brown





WALKER'S WINNING TEAM INCLUDES KING AND BHATHENA (CLOCKWISE).

As a founder, Walker was involved in the creation of the firm's large cap growth strategy; the Lou Holland Growth Fund (now an American Beacon fund) was created in 1996; the mid cap growth strategy followed in 2005. Upon Holland's retirement, founding partner Janus became a managing director and chief investment officer of the fixed-income group, while Lavery became a managing director and chief administrative officer. Walker became managing director and CIO of the equity division and assumed oversight of the firm's day-to-day operations.

The control and ownership of the firm was transferred from Holland's 90% to a group of seven employees led by Walker, who became the largest owner followed by co-portfolio manager and senior equity analyst Carl Bhathena.

The times, they are a-changing observes Holland Capital's Director of Marketing Valerie King. States such as Illinois, New York, and California have emerging manager minority- and woman-enterprise initiatives that are "forcing a lot of folks into having conversations with us who may not have talked to us 10 years ago," explains King. "There are more opportunities and access to capital now than before."

Case in point is Holland Capital being tapped by the University of Chicago in 2011 to manage a portion of its endowment, valued at \$6.6 billion as of 2013. "When you look at educational institutions with large endowments it is very rare that you will see minority money managers investing those endowments," says Nadia Quarles, assistant vice president of business diversity, who

introduced Holland Capital to the University of Chicago through a symposium intended to develop business relationships between minority- and women-owned professional services firms and university decision makers. "Our chief investment officer felt that there was a close philosophical alignment between Holland's investment strategy and the university's views."

SHE WORKS HARD FOR THE MONEY

Walker is responsible for the execution of the firm's large cap growth and mid cap growth equity strategies along with a team of equity research analysts. As of Dec. 31, 2013, the American Beacon Holland Large Cap Growth Fund (LHGFX) had returned 32.21% with \$96 million in net assets and 47 different company holdings.

Prior to topping nearly \$5 billion in assets under management in 2013, Holland Capital had reached its highest level at \$3 billion in 2005. But by 2008—the year of the financial meltdown—assets under management plummeted to \$1.3 billion. The previous year several public pension funds like the Teachers' Retirement System of Illinois, Holland's biggest loss at \$315 million, axed the firm. That action contributed to a 28% decline in assets.

Other client defections included the Illinois State Board of Investment and the Chicago Policemen's Annuity and Benefit Fund. Investors expressed concerns about the firm's succession under a woman, organizational issues, and poor performance, according to *Crain's Chicago Business*. Holland's large cap growth mutual fund one-year return was 5.23% for 2006, compared to 15.46% for its benchmark—the Russell 1000 Index.

It's a simple equation; money management firms generate revenues from the assets they manage, typically 1% in fees. Not surprisingly, Holland Capital was affected by the 2008 market ►

downturn. “You don’t have to lose an account. If your assets under management goes down, your revenues go down,” says Walker. “But during that period our large cap strategy had better relative performance than the Russell 1000 Growth Index. “In 2010, 2011, and 2012 we were able to gain additional client assets,” she adds.

Holland Capital held up extraordinarily well during the financial crisis and the Great Recession, says Jeff Ringdahl, COO, American Beacon Advisors, which holds the No. 1 spot on the **BE ASSET MANAGERS** list with \$49.4 billion in assets under management. “If you lose 20% of your portfolio’s value, then it takes a 25% return in order to make up for that loss. Holland Capital’s downside protection is one of its most attractive and differentiating characteristics.”

Walker says Holland Capital managed operations during the downturn by “looking across discretionary expenses for areas where we could reduce expenses without cutting the services our clients expected us to provide and they deserve. We eliminated one position. We didn’t give out bonuses. We had cash reserves.” Holland Capital took advantage of the 2008 bear market and picked up some consistent growth equities at bargain-basement prices including several in consumer related sectors.

DEVELOP BRAND POSITIONING.

Business owners need to spend time developing company positioning to differentiate their brand and speak with a unified voice in the market. “Your brand and who you are, that is what we want people to think of when they think of me and the company,” Walker says.

BUILD SOLID RELATIONSHIPS.

Walker acknowledges founder Holland’s great networking and people skills. “Lou was a very gregarious person. This is a competitive business... it is a relationship business.”

HOLLAND CAPITAL MANAGEMENT L.L.C.

Founded 1991

Assets Under Management (in billions)

2009	\$1.765
2010	\$2.187
2011	\$2.712
2012	\$2.788
2013	\$4.932

Staff

2009	20
2010	20
2011	19
2012	18
2013	20

SOURCE: B.E. RESEARCH.

The American Beacon Large Cap Growth fund returned 39.07% for 2009. As of 2010, the fund’s 10-year returns put it in the top 25% of the large-growth category. In 2012, American Beacon adopted the fund. Ringdahl notes, “There are three capabilities that a mutual fund sponsor needs to execute successfully: to be able to manage the portfolio, operate the mutual fund, and distribute the fund and grow it. We hire asset managers like Holland Capital to manage a fund’s assets while we operate and distribute the funds. It’s a symbiotic partnership.” American Beacon has 38 different sub advisory relationships with asset management firms.

Holland Capital’s investment style seeks to provide participation in rising markets and protection in declining markets. “We aren’t momentum players, we are long term. We look to own stocks three to five years or longer. Our portfolio turnover is low, about 27%,” says Walker.

Walker’s team looks for companies that have strong management and good financial positions—solid balance sheets, strong return on equity, and good cash flow—and are strong brands or industry leaders. “We are bottom-up stock pickers, driven by fundamental research and analysis of individual companies,” Walker notes. By contrast, top-down pickers analyze the economy and industry forecasts.

Holland Capital has a clear and compelling philosophy for how it manages money. “One thing that has always been a characteristic of our strategy is that we are high quality growth managers,” says Walker, who looks for large companies that are growing faster than the general market with earnings increasing at a double-digit rate that can be bought at a reasonable valuation. Walker also likes management teams that disclose information, have a good track record, and buy their own stock. Trust and faith in management is crucial, she says.

CREATE AN OPEN ENVIRONMENT. A paternalistic view existed under Holland’s leadership where employees were not told every detail about the management’s business decisions, so they wouldn’t worry. The working environment is more open now. Informed employees feel more involved and therefore more vested in your firm’s success.

DELIVER ON PERFORMANCE. It doesn’t matter whether you are a female- or minority-owned firm, you must have consistent performance, stresses Walker. “Your performance has to match what you say you do.”

BE FORWARD THINKING. The company’s future can’t be simply your vision alone. “We learned in transitioning from Lou’s ownership, that you always have to be looking forward and making decisions today that impact the long-term vision of the company,” Walker says. **BE**

ASSET MANAGERS

This Year	Last Year	Company	Location	Chief Executive	Staff	Assets Under Management (in billions)
1	1	American Beacon Advisors Inc.	Fort Worth, TX	Gene L. Needles Jr.	94	\$49.420
2	3	Herndon Capital Management L.L.C.	Atlanta, GA	Randell A. Cain/Drake J. Craig/ Kenneth R. Holley	46	10.210
3	7	Ariel Investments L.L.C.	Chicago, IL	John W. Rogers Jr.	86	9.000
4	4	Progress Investment Management Co. L.L.C.	San Francisco, CA	Thurman V. White Jr.	33	8.376
5	5	Advent Capital Management L.L.C.	New York, NY	Tracy V. Maitland	55	7.591
6	8	Brown Capital Management L.L.C.	Baltimore, MD	Eddie C. Brown	33	7.019
7	6	Smith, Graham & Co. Investment Advisors L.P.	Houston, TX	Gerald B. Smith	30	5.514
8	11	Holland Capital Management L.L.C.	Chicago, IL	Monica L. Walker	20	4.932
9	9	Capri Capital Partners L.L.C.	Chicago, IL	Quintin E. Primo III	41	3.853
10	10	Piedmont Investment Advisors L.L.C.	Durham, NC	Isaac H. Green	24	2.731
11	12	Pugh Capital Management Inc.	Seattle, WA	Mary Pugh	13	2.616
12	14	Profit Investments	Bethesda, MD	Eugene A. Profit	17	2.100
13	15	The Swarthmore Group Inc.	Philadelphia, PA	James E. Nevels/Paula R. Mandle	14	1.771
14	13	Williams Capital Management L.L.C.	New York, NY	Christopher J. Williams	6	1.700
15	—	Channing Capital Management L.L.C.	Chicago, IL	Eric T. McKissack/ Rodney B. Herenton/ Wendell E. Mackey	12	1.600

AS OF DEC 31, 2013. SOURCE: B.E. RESEARCH, SECURITIES AND EXCHANGE COMMISSION

Holland Capital Management serves as a sub-advisor to the American Beacon Holland Large Cap Growth Fund.
For more information, please visit <http://www.americanbeaconfunds.com/>.

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