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Eastern Shore Sees Rising Tide of Capital From Institutions

Domestic equity manager Eastern Shore Capital Management's multi-front marketing approach is beginning to yield mandates as the team surpasses the three-year anniversary of its launch.

The Marblehead, Mass.-based division of Moody Aldrich Partners was launched in late 2012 through Co-Founders Jim O'Brien, Sarah Westwood and Robert Barringer

"We're seeing a whole lot more attention now that we've been together as a team for the full three years and performance has remained strong," Westwood said. "And we've been in contact with a lot of these groups for some time now."

The firm recently received funding through its first emerging manager-of-manager relationship via a \$20 million allocation from Capital Prospects (EMM, 3/2) and since that time has received allocations with managers-of-managers Bivium Capital Partners and Progress Investment Management Company, which will boost the firm's small-cap core assets under management to roughly \$183 million, according to Westwood.

The asset gathering process has been a long journey that has resulted in the firm leaving no stone unturned in its outreach to emerging manager-of-managers, consultants, plan sponsors and even subadvisory relationships.

The addition of Eastern Shore to the Dreyfus Select Managers Small Cap Value Fund, a multi-manager approach benchmarked to the Russell 2000 Value Index, marked an important moment in the asset gathering process as an additional \$20 million investment has resulted in an additional \$30 million in funding through inflows.

The subadvisory role also offered the firm a chance to showcase its small-cap strategy, although generally benchmarked to the Russell 2000 Index, is described by O'Brien as "style agnostic," capable of tilting toward either value or growth depending on the opportunity set.

"It's been very important to us because we just didn't know who would come through first," Westwood said of the multi-faceted marketing approach. "We did some projections at the beginning of this year and have been really surprised with what came through with the probabilities we assigned to those opportunities. You never know where the mandates will come. We've cast a broad net to keep conversations going across a number of different options so that we're well positioned when they do come up."

Eastern Shore has benefited from being organized as a division of Moody Aldrich, the previous firm of both O'Brien and Westwood that transitioned to a holding company and helped launch Eastern Shore. Moody Aldrich has a 55% stake in Eastern Shore and has assisted in providing resources such as compliance, infrastructure, office space and marketing support.

"It's been very good because these are people we've known for a long time, they've got a lot of capital behind them and have started more than one billion dollar-plus asset management firm in the past," O'Brien said. "Their experience and knowledge of the business has been beneficial to us."

The backing of Moody Aldrich has allowed Eastern Shore to focus on not only the performance of its two strategies—small-cap equity and small- to mid-cap equity—but also networking and outreach toward allocators critical to gaining traction in a competitive investment landscape.

The persistent and varied approach to marketing has paid off for Eastern Shore and its three co-portfolio managers, which have taken turns wearing the marketing hat.

"I think you really have to be persistent in your effort throughout because it takes multiple times going to talk to somebody and they want to meet everybody... they want to be familiar with everyone," Barringer said.

"It's not only important to have a great business model and investment strategy, but to execute marketing. Those are multiple hats that you have to be able to wear. For a small company like we are you have to have a cohesive team that can do everything. You need to have complementary skillsets so you can make use of the fewer bodies that you do have."

With a three-year firm track record to its name and assets under management pushing \$200 million, Eastern Shore is primed to make major inroads in the space as more traditional opportunities have become available to the firm.

Longer term plans for the firm include capping its small-cap core strategy at around \$2 billion and its smid-cap core strategy at at least \$3 billion. The firm also anticipates greater growth in the smid-cap strategy moving forward, which has picked up a few clients in light of the success of the small-cap strategy, which received a majority of the firm's initial marketing focus.

The firm will also target the addition of a marketing-focused professional to join the staff, which will alleviate some of the responsibilities currently shouldered by O'Brien, Westwood and Barringer.

"When you add a marketing person, you're adding to your research capabilities because you're not having the research people do it as much," Barringer said. "We've received that advice from a couple of firms in the space that are a few years ahead of us."

The firm has also begun targeting wealth management platforms and is preparing to roll out a collective investment trust (CIT) moving forward as it attempts continue its goal of pursuing as many investment options as possible, giving it the greatest likelihood of success.

"We're trying to build a very diversified business that has many avenues of asset gathering so we have a stable firm," O'Brien said.