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Profiles

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Profile: Mark Green, CIO, Oxford Financial Group

Mark Green, cio of Indianapolis-based **Oxford Financial Group**, believes that keeping pace with client expectations is a multi-step process based on a foundation of communication and creating investment-specific groups charged with formulating market and investment views that help shape policy and strategy.

Organization: Oxford Financial Group
Location: Headquartered in Indianapolis with other locations throughout the country.
Leadership: Jeffrey Thomasson, ceo and managing director; Mark Green, chief investment officer
AUA: $14 billion
Web site: www.ofgltd.com
Firms: Managers can contact the advisor's research team at its Indianapolis headquarters, which will then be put forward to the appropriate research member that focuses on specific asset classes.

The advisor begins its work in a six-man investment policy council that includes a family office investment professional, a former university cio and Green that is designed to provide a wide range of views from people throughout the investment world. Assembling a group of financial experts, from a decision-making standpoint, helps the advisor make sure that its views do not become too myopic, said Green, who declined to name the members of the council.

"(The council) gives us a group of people to talk about broader investment policy issues so we don't get caught up in the day-to-day," he said. "We can take a big step back and think from a policy perspective."

Within that investment policy framework, Oxford established an investment strategy group, which consists of Green, Director of Investment Research **Robert Schaefer** and key analysts in the firm. This group manages the day-to-day aspects of the consultant's investment operations, which includes discussions on developing asset allocation for clients and more tactical aspects, such as manager selection and termination.

Oxford also brings in its client service managers to talk about the investment climate and get a feel for the thoughts and concerns of its current and potential clients. Green said that having the entire firm on the same page is beneficial, and can in turn drive the decision-making from the investment policy and strategy perspectives.

Adding Value Through Access & Managers

Green said that the firm has the ability to access top-tier managers for its large pool of clients. What makes the firm different, Green says, is its ability to do so in various asset classes outside the alternatives space.

"Everyone can point to the alternatives space" to gain access with lower minimums," he said. "But we can do the same with traditional long-only managers."

He said that when Oxford thinks about manager selection, one of the first questions the firm's professionals ask is, "Are we getting what we're paying for here?"

Another factor is asset pricing. When looking at liquidity, the more liquid and efficient a market is, the fewer opportunities there are for managers to add alpha. Because of this, Oxford may lean towards using indexes at that point in time, returning to active managers when the market once again favors their abilities.

Oxford's simple answer for assessing a manager's abilities is to look at each firm's philosophy, people, process, performance, price and patience.

The real answer for vetting managers in the various asset classes is a bit more complicated and while performance factors in, Green said it is not the top factor.

"How do you evaluate performance? Is it short or long, relative or absolute and how is it side-by-side (with other managers)?" he said. "Even if we find someone with great performance…it's really important that they have a good philosophy, and it's surprising how many managers don't have one. You should be able to explain it in a 10-floor elevator ride," he said.

When Oxford looks at the professionals in a given firm, he said that there should be a balance between their lives inside and outside of the office.

"They don't have to be saints, but they should have some balance as professionals," he said. "We want people with real lives that give back to the community."

In addition, they should have solid processes in place, a succession plan and invest in the company and not just the markets.

Internal changes, such as the loss of key personnel and sudden growth that cannot be handled are warning signs for the advisor. "If they've grown too quickly and can't handle it, if they change styles or if they've lost a lot of clients, we want to know about that," he said. "If it's just that their strategy is out of favor with markets" at that point in time, Oxford is willing to be more patient with a firm that sticks with its philosophy.

This is where patience factors in. With performance, Oxford is aware that even some of the best managers have been in the bottom quartile at some point in their track record, which isn't always an indicator of its performance over longer periods of time.

"It's an involved process that can take a long time," he said. "We develop a relationship and look at them over years, which is driven by what we're looking for and assets we can invest in."

There are a series of meetings before Oxford approves a manager, which happens at its investment strategy group sessions. A good deal of the quantitative work and on-site due diligence takes place during this process, Green said. "In addition to understanding their strategy, we want to know what art is on the walls—it's conducive to their thought process," he said.

This type of transparency and dialogue between Oxford and its managers is critical to developing long-term relationships with managers and is a big reason why even managers that are terminated at one point could be brought back later on.

"Because we're completely independent, we don't get fees or financial incentives to recommend one manager over another," he said. "We get to be as candid as we want to be (with managers) and we can tell them why it is we've made changes."

Views on Financial Markets/Client Education

The firm advises about $7.5 billion through approximately 100 clients in the institutional space, with a total of approximately $14 billion across its entire consulting platform. The firm works with clients in over 30 states, but a majority of them are based near its Indianapolis headquarters and various offices in the Midwest. Within the nonprofit space, Green said that Oxford typically works with clients in the $25 million range, which allows the firm the flexibility to invest clients' assets in the alternatives space.

In working with its array of clients, Oxford's financial thought process is broadly based on four determinants of market pricing—market fundamentals, valuation, technical considerations (that includes analysis such as the ban on short-selling) and market behavior. Part of this process is derived from modern portfolio theory, which serves as a good base, but is not always an accurate determinant of investment trends during shaky market periods. The basic assumptions of modern portfolio theory are that the markets are generally efficient, investors are rational and that returns are normally distributed.

"The modern portfolio theory is a useful framework to get close…but none of these hold all the time," Green said.

With everyone talking about opportunities in credit markets and high-yield fixed-income, he said, the assumption is that investments would pile in. But as institutions continue to commit to a wait-and-see approach, Oxford has considered the technical and behavioral issues that are staring investors in the face during this crisis.

Part of this is the constraints of investment policies that were formed or reformulated following the fall of the technology markets in the early 2000s.

Green said that being nimble is key, but with committees that have rotating boards and 60/40 allocations to equity and fixed-income instruments, it has been difficult to keep funds in the loop on making tactical asset allocations. This has also led to the emergence of the outsourced cio function, and although there has been interest from clients in that area, Oxford has not delved into that space quite yet.

"In a period like now, it's very challenging for (clients)," he said. "They would like to be doing more than they are, and they're holding the course because they can't do anything else."

Client education is another significant factor that encompasses one of the firm's dimensions of value and comes in a variety of different forms, Green said. Education ranges from sending out comprehensive letters on developments in the market to a written quarterly financial outlook and Webcast that presents special presentations on timely topics in the investment world.

For new investment committee members, the advisor spends a great deal of time developing knowledge of various asset classes and in turn helping them think about managers in those specific areas.

"Asking us to guide them through the process is good for them and us," he said. "At the end of the day, we are left with a very highly-educated clientele."