# Foresight Eyes Broader Marketing Approach Amid Static EMoM Space

Global value equity manager Foresight Global Investors is diversifying its marketing outreach as it chases the "critical mass" point of $100 million in assets under management.

Founded in August 2015 by Managing Partner and CIO Ajay Mehra, the Purchase, N.Y.-based firm launched an international equity product at that time to pair with a global equity product launched by Mehra while at Salient Partners that eclipsed its three-year track record later that year.

While newly-launched emerging managers are often dependent on the emerging manager-of-mangers space to gather early assets, Mehra acknowledged that the process has been frustrating given the landscape's static nature–meaning that there is little movement in assets and mandates among emerging manager sub-allocations–and a focus on larger firms.

"The early seed capital for any alpha generating manager has to come from these programs, but unfortunately, this is debatable because the programs have been hijacked and the money seems to go to same underlying managers," Mehra said, adding that a majority of the money is being invested by firms handling greater than $1 billion in assets.

"Everybody wants to do something unique and find that unique process, but in a market where managers have underperformed indices for the most part, it's easier to go with the bigger, more well-known firms within the emerging manager space," said Neil Gabriel, head of business development. "I'm not really sure that gets to the heart of what they're trying to find in the emerging manager space. Are they truly emerging managers?"

The firm does count its blessings in the early support it received. The Public School Teachers' Pension & Retirement Fund of Chicago funded the international strategy with $14.6 million in November 2015 through its emerging manager-of-managers program overseen by Leading Edge Investment Advisors.

The confidence in Foresight's international strategy has certainly paid off as it has returned 20.92% and 15.22% over one- and three-year periods as of September versus 19.65% and 13.8% for the MSCI EAFE Index, according to the PSN Informa database.

The firm is also an affiliate of Mid Atlantic Financial Management, which provided the firm with seed capital and continues to supply operational and compliance support, allowing Foresight to focus on its investment process.

Despite the early institutional mandate and support from Mid Atlantic, Mehra reiterated that gaining traction in the space has presented a challenge, noting that many institutional investors are unwilling to "take a chance" on an emerging manager with a small asset base and limited institutional backing to date.

Launched with roughly $20 million in assets under management, the firm now handles approximately $60 million split roughly down the middle between the international strategy and a global strategy, which has returned 10.8% since its December 2012 inception versus 11.53% for the MSCI World Index.

In particular, Mehra acknowledged that the "international results are more robust than the global," noting that the global equity strategy has had more difficulty gaining traction because many investors in the institutional space organize their staffs to focus more specifically in either the domestic or international markets and not the broader global space.

In spite of headwinds, the Foresight team feels confident in the firm's growth as it approaches that "critical mass" plateau of $100 million.

"I think it will have a lot of appeal once we get to critical mass," Mehra said of the firm breaking through the $100 million assets under management ceiling. "We have a lot of positive feedback on our process, on our philosophy."

In order to help achieve the $100 million critical mass, the firm brought Gabriel on in June 2016 to expand its marketing exposure to institutional investors and asset allocators beyond the emerging manager-of-managers space.

"We brought on Neil to go beyond the emerging manager-of-managers space, to go to family offices, endowments, and other channels," Mehra said.

Gabriel's roughly 30 years in the industry as a third-party marketer and–in the last nine years–in gathering assets on the alternatives side have helped him generate a database of 1,200 to 1,500 contacts that he estimates has a 70% applicability to Foresight's marketing aims.

He also credited Mehra with establishing and maintaining the firm's strong emerging manager-of-managers relationships in Foresight's early years through today.

The firm has begun targeting institutional investors directly while also engaging with consultants at various levels, Gabriel said. While "expectations are low" for connecting with larger consultants, he noted the small- and mid-sized consulting firms have proven to be a more fertile ground for dialogue given their size and ability to allocate resources to smaller firms.

"I'm hoping that we're getting to an inflection point with significant allocations," Gabriel said, adding that Foresight has an appealing product that he is confident he can sell alongside Mehra.

The firm fundamentally believes returns across global markets tend to equilibrate over time and that having an unconstrained, benchmark-agnostic approach allows the flexibility to invest wherever the most value can be identified.

"We take emotion out of portfolio construction and it helps us and prevents us from getting into value traps, which is the bane of most value managers," Mehra said. "We're not deep value managers, but that keeps it more objective."

The firm also added Investment Manager Kevin Shacknofsky, previously a portfolio manager at Alpine Funds, last year to assist Mehra on the research side and is in the process of adding an investment analyst.

Moving forward, Foresight believes it has the process and consistency to continue toward $100 million in assets under management and beyond.

"We are basically consistent, hope to keep it in the middle of the fairway, and have been fortunate with the results we've been able to generate," Mehra said.

## *Two Years Ago*

### Foresight Looks To Bring Consistency To Global Equity Markets

Foresight Global Investors believes that constructing a focused, high conviction portfolio is the key to providing consistent performance through market cycles in the global and international equity spaces.

The firm was launched in August and is led by Managing Partner and CIO Ajay Mehra, formerly a managing director and head of equities at Salient Partners, and Partner and Investment Manager Ronald Dornau, previously a portfolio manager at Lazard Asset Management.

The firm currently has approximately $20 million in assets and is an affiliate of Mid Atlantic Financial Management, which provided seed capital and will supply operational and compliance support as part of a revenue sharing agreement.

The firm offers a global equity strategy that Mehra had launched at Salient and will reach its three-year track record at the end of the year and also launched an international equity strategy on Sept. 1 after receiving an allocation from a public pension fund that it declined to name.

The firm's investment focus is on constructing unconstrained, benchmark-agnostic portfolios that allow the team to invest wherever the most value can be identified–which is apparent from the global equity strategy's 92% active share versus the MSCI All Country World Index as of June 30.

Mehra said that high conviction investing is the solution to investors that are tired of paying active fees for benchmark shadowing.

"The philosophy is to buy 50 best of breed businesses," he said, explaining that by balancing the risks of the 40 to 50 holdings in the portfolio, the strategy is able to stay "in the middle of are high quality businesses with a competitive advantage and a share price that is not fully reflecting the intrinsic value of the company; 30% in yield-oriented holdings, which are companies providing a high yield that is paid from operating cash flows or asset sales that can be sustained; and 20% in opportunistic, which are companies that either at the firm level or industry level are out of favor but are pointed to benefit from a secular or cyclical shift.

"The three buckets really offer a better diversified value proposition," Dornau said.

The firm screens on the cheapest one-third of the universe of companies with market capitalizations over $2 billion through standard metrics such as price-to-earnings and price-to-book that are overlaid with quality metrics such as debt to equity, return on equity and return on invested capital.

Once an idea is sourced, the firm looks to make sure it fits into the CYO bucket before beginning a more fundamental review of the company.

In constructing the portfolio, all holdings are given an equal risk weighting as a baseline, with a maximum 5% position size, and then the highest conviction stocks are given a double risk weighting.

The structure is designed to typically exhibit lower beta and downside capture and potentially deliver higher risk-adjusted returns compared to a cap-weighted portfolio.

Since inception on Jan. 3, 2013, the global equity strategy has provided annualized gross returns as of Sept. 30 of 7.57%, compared to 5.67% by the MSCI ACWI and 3.86% by the MSCI ACWI Value.