

BlackRock Small- & Mid-Cap Head Launches Monarch Partners

If the second time around is anything like the first time for Wayne Archambo, Monarch Partners is looking at a successful road ahead.

The Boston-based firm was launched at the start of the year and currently has \$25 million in assets under management in small- and small- to mid-cap value strategies from two U.S.-based foundations that have been clients of Archambo for almost 15 years.

Archambo has experience launching a successful investment management firm, founding Boston Partners Asset Management in 1995 and helping grow the firm's small- and mid-cap assets to \$3 billion before departing in 2001 for BlackRock, where he opened the firm's Boston office and was head of small- and mid-cap value equities.

Archambo said after reflecting back on his career he felt the most fun he had was building a business from scratch. "I got a great deal of personal satisfaction from building a business," he said of Boston Partners. "That was very rewarding for me."

Archambo said Monarch runs initial quantitative screens on the small-cap and smid-cap universe to quantify inexpensive stocks based on various fundamental metrics but ultimately about 90% of the selection process is fundamental analysis. "Being in this asset class for 17 years, I've probably owned thousands of stocks," he said.

"We are looking for short-term catalysts in the businesses that we think are going to transpire over the next 6 to 12 months," he said, explaining that he feels there is no visibility in trying to pick a catalyst three to five years out. He said he focuses on turnaround situations resulting from events such as a new management team, a com-

pany getting out of a low return division, an increase in market share or "some tangible evidence things are improving in the business."

The strategy will typically hold 80 companies, with an initial position of 0.5% to 1.0%. There is also a maximum sector weighting of four times the index weight or 30%, whichever is the lesser of the two.

"The sector weightings are really driven by where we find the most value," he said, explaining that the portfolio has a pro-cyclical bent to it.

He said the ability to launch a new strategy will also allow him to invest in companies that he was unable to buy during his time at BlackRock due to the size of the portfolio. "It will be fun to be able to own names below \$700 million market cap again," he said.

He said the macroeconomic variables that are creating volatility have created more of a stock pickers market. "The market should differentiate the stocks...visible business versus companies that are going up because everything else was going up," he said. "I think the market will be much more discriminating now and that should be good for stock pickers."

Archambo said the initial marketing focus will be on the consulting community and the various emerging manager programs, an area of the business that did not truly exist back in 1995 when he launched Boston Partners. "That is an evolution of the business and I think that is terrific," he said.

He said he will close the small-cap product between \$750 million and \$1 billion in assets.

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