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Short Duration Fixed Income Assets Help Preserve Clients' Capital

Vanderbilt Avenue Asset Management Chose a 'Path Less Travelled'



Emad A. Zikry

The Vanderbilt story began in the office building atop the historic Grand Central Station, where the crowds can be intense. Nearly everyone uses the same entrances and exits, but Emad A. Zikry found he could avoid the crush by slipping around to the western side of the terminal to a little-used entrance on Vanderbilt Avenue.

“From my office atop this historic landmark, I could look directly down on this little side street and appreciate the advantages to be gained when one refuses to be swept along with the

crowd and takes the time to find a path less travelled,” says Zikry, managing partner and chief executive officer of Vanderbilt Avenue Asset Management, LLC (VAAM). “Since this roughly approximates our investment approach, I thought it appropriate to adopt the name that inspired it.”

A uni-product firm that focuses on managing short duration fixed income assets, VAAM is 100 percent owned by its active employees. Everyone from senior management to administrative staff has an equity stake in the firm’s success. “No employee can be made better off without our clients first being made better off,” explains the 35-year financial services industry veteran. “And all clients work directly with firm principals, who have a deeply personal commitment to the success of our clients’ investment programs.”

Zikry says there are both quantitative and qualitative reasons for the firm’s focus on short duration.

“Quantitatively, our short duration bond management has a modest correlation with other asset classes and an attractive Sharpe ratio.”

From a qualitative perspective, it fits with the firm’s objective: to do everything it can to protect clients’ capital. As Zikry likes to say, “at VAAM we have only two goals. (1) Preserve client capital. (2) Never forget Goal #1. In order to achieve our objectives,” he adds, “all portfolios have a high degree of liquidity and quality.”

Separately Managed Accounts Allow Clients to Dictate Their Own Guidelines

Zikry notes that all of VAAM’s accounts are separately managed. “Unlike our competition, we do not use mutual funds, co-mingled products or ETFs. As a result, client performance is not subject to other clients’ outflows or inflows. Moreover, clients can dictate their own objectives and guidelines.”

Ultimately, the job of any money manager is to add value, and VAAM is no exception. The practice seeks to add value through both its culture and its investment process. “Our culture is best described as operating in an overlapping set of active and quantitative management,” Zikry says. “Our active management is used to enhance alpha, while our quantitative techniques are used to control the portfolios’ beta.”

VAAM has neither a star system nor a system of committees and consensus decisions. Instead, the firm divides the fixed income marketplace into smaller, more manageable areas and aligns expertise against these sectors. As a result, Zikry says, “the sum of the parts is greater than the whole, and any errors (which invariably occur) are not necessarily correlated to one another.”

“Our investment process is rigorous and disciplined and has been applied across many market cycles. We tell our consultants and clients if they ever observe us deviating from our stated process, they should terminate us.”

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410 Park Avenue, 4th Floor | New York, NY 10022 | 212-973-2200 | vaamllc.com

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