

Researchdepartment PROFILE

Fulcrum Global Partners



Robert Hoehn
Director of Research

THE FULCRUM POINT

**Independent, Unbiased
Analysis Keeps Research
Shop Ahead of the Curve**

BY SANDY SERVA

For many firms, crafting unbiased, independent research sounds good in a marketing spiel, while the proper execution of it often results in a less compelling story.

However, at Fulcrum Global Partners, independent research has never been beside the point — it's been the main objective. Operational since May 2001, its analysts have been given a mandate to develop an in-depth understanding of the companies they cover. By grasping both the bull and bear case for a stock, they are then able to discern the critical point — the fulcrum point — that separates the two. Such due diligence has produced significant results: Since the firm's inception, analysts' picks generated a positive return of more than 19%; during this same period the S&P has been down more than 16%.

Fulcrum focuses on the research and trade execution needs of institutional investors, portfolio managers and hedge funds. The firm does not engage in traditional investment banking activities

such as managed underwritings, corporate finance, advisory opinions, merger and acquisition services and leveraged buy-outs.

By giving analysts freedom to find good ideas, the firm has managed to snag top talent. "We've been able to attract seasoned, experienced professionals who got into this business because they liked stocks," says Robert Hoehn, Fulcrum's director of research. "And then we've been able to build a product around these analysts."

While other firms set out to cover specific industries and then hire analysts who have the sector expertise they need, Fulcrum looks for the most talented analysts instead. "We are constantly searching for good analysts who can make a differentiated call in order to make our clients money," Hoehn says. "So, we've really built it from the bottom up. We didn't go into this saying we want to be in certain areas such as technology, health-care or consumer. We've ended up in these areas because we found very good people following them."

Currently, the firm has 26 analysts following more than 250 stocks; the plan is to grow the team to 40 by the end of 2004. And because Fulcrum is growing, it has been a magnet for executive recruiters hoping to fill some vacant analyst chairs. "When they ask us what we're looking for, I can't tell them I'm looking for a consumer products analyst or an integrated oil analyst. I just tell them I'm looking for good stock pickers," Hoehn says. "This makes their jobs difficult, because they're not used to doing that."

Hoehn believes that in the wake of conflict-of-interest scandals, there is a

wealth of skilled professionals available, many of who haven't been given their proper due. "I think the analytical community has taken a lot of hits over the last couple of years for not being good at what they do, and that's simply not true," he says. "What's true is that when they're encumbered by investment banking and other influences, they don't do a good job. But when you compensate them to pick stocks, they do a very good job."

Hoehn believes a good analyst must be able to easily switch gears to get the job done. For instance, in addition to understanding the complexities of financial statements and being able to both write and tell a company's story accurately, they must possess solid investigative skills. "You need someone who's very good at being a detective and digging for information that's outside of the mainstream," he says. Such information must then be accurately deciphered. "I know plenty of smart people who don't make good analysts because they're not inquisitive enough, or skeptical enough," he says. "They need to be skeptical of what management tells them versus what a company's clients, distributors or middle management tells them. That makes a difference in understanding where a stock price is going." **B**

fulcrum GLOBAL PARTNERS

AT A GLANCE

Founded: 2001

Research Director: Robert Hoehn, Jr.

Number of Analysts: 26

Companies Covered: 257

www.fulcrumgp.com