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View from the top: 12 years of change

Polen Capital CEO Stan Moss discusses the Somerset fund acquisition, UK expansion plans and work with Make-A-Wish Foundation. By **Lauren Hardy**

With more than $66bn (£51.9bn) in assets under management, Polen Capital is hardly a small player within the world of investment. And yet, its suite of Ucits and UK-domiciled funds are flying below the radar of some wealth managers and discretionary fund managers here on home turf.

In total, Polen Capital has 12 mandates which are available to UK and European investors, and a further five which are managed in conjunction with other partners. Funds on the menu include quality growth strategies, credit portfolios and emerging market equity funds – some of which were purchased from Somerset Capital Management at the start of the year.

"Polen Capital was founded in 1979, so we have been around for quite some time," says Stan Moss, the firm's CEO. "But it wasn't until after I became CEO [in 2012] that we made our first venture into Ucits funds, and established an office and a presence in the UK. So, we haven't had as much time to develop our UK business as we have in the US.

"However, we are very pleased with what we have accomplished over the last decade. In fact, our Ucits funds now hold over $4bn in total assets. We have about $9bn within our broader EMEA business.

"But in the UK specifically, following our Somerset acquisition, we were able to obtain Ucits funds which were very attractive to the IFA market, and we hadn't had that before. I think that gives us a great avenue for growth."

> **'We have really focused on developing our people. It's amazing to watch them grow and add value across the firm, which ultimately adds value to client portfolios'**

Based in Boca Raton, South Florida, Polen Capital is an active fund management house, offering concentrated, high-growth portfolios with low turnover and high active share. Alongside equity funds, the firm offers high-yield credit strategies, which are also high conviction.

"Whether we are looking at our equity products, or our credit products, I would say that we look different from most other asset managers, and very different from the index itself," Moss says.

"Something that I think has been unique over my 20-plus years there is that we like to talk a lot about high value-added outcomes for clients. This can manifest itself in different ways.

"The number one area people focus on is whether you're beating the benchmark and whether you are producing excess returns. But we like to think about returns from an absolute perspective, over longer periods of time.

"Our equity products across the board are striving to deliver mid-teen returns for investors over long periods of time – typically a five-to-seven-year period. This means we can double the monetary value of a client's portfolio in five-to-six years.

"So, we have an absolute return, long-term way of thinking – it is very similar on the credit side."

A 'circuitous' route

Moss himself joined Polen Capital back in 2003, where he spent eight-and-a-half years serving as CFO, CCO and COO of the company. He describes his route into the asset management industry as "circuitous", however, having started his career in 1994 as an auditor for what is now PricewaterhouseCoopers.

After spending two years there – which saw him audit several financial services companies during his tenure – he became CFO of the wealth and asset management arm of Regions Bank, a role he held for seven years.

"As part of that, we started looking for lift-outs of investment teams to start up as boutique investment managers, with the backing of the bank itself. Being on that project team meant I became really excited about boutique asset management," Moss explains.

"From there, I saw a job advert for a firm in Florida called Polen Capital Management. It had about $1bn under management and a very attractive risk-return profile. The founder wanted to exclusively focus on investing, and therefore hire somebody to run the day-to-day business.

"Because of my skillset across finance, accounting, operations, sales and marketing that I have developed over my career, I thought it would be a great opportunity for me to leave the bank-owned asset management world and move to an independent, wholly-owned boutique."

In 2012, Polen Capital's CEO and founder David Polen, who created the firm's investment philosophy and process, and managed its flagship Focus Growth strategy for more than 20 years, sadly passed away.

This is when Moss took to the company's helm. Between 2012 and today, assets under management for the firm have grown from $3bn to $66bn.

Nurturing people

Moss hasn't just managed to grow the company's assets over his tenue. For the past eight years consecutively, Polen Capital has been named as one of the best places to work by Pensions & Investments.

"There has been cultural change at our organisation," the CEO says. "We have really focused on developing our people; recruiting talented people and giving them the tools – even the financial backing – to grow both personally and professionally. It's amazing to watch these people grow and add value across the firm, which ultimately adds value to client portfolios."

When asked what 'the secret sauce' was when it came to fostering positive corporate culture, Moss says it is largely qualitative factors at play and so is difficult to summarise.

However, he points out that if a company "sets a clear purpose around what [it] wants to do and what [it] believes in, and intentional action is built around the purpose – and all the structure is in place to make it happen – [companies] can achieve great things".

"So, if we have decided that we really want to develop our people, and that this is the most important thing for us as a firm at that time, we need to action this. As an example, we give every person at the firm – no exceptions – $5,000 to invest in themselves to develop personally and professionally every single year.

"There are several other things, but I'd say the main thing around culture is that you have to have communication, documentation, intentional action and structure to make your words become a reality. And I think we do an excellent job of that."

Make-A-Wish

The idea of identifying a purpose, defining an "intentional action" and putting the necessary structure in place to facilitate change, also applies to Polen Capital's work with Make-A-Wish Foundation.

The charity, which grants the wishes of seriously ill children, is an organisation Moss has worked with closely since moving to South Florida in 2003.

"One of our purposes as a firm is not only to help our clients, but to help our community. We don't just want to support them by matching funding, we want to be active and really make a difference to peoples' lives in the community," he says.

"I was introduced to the Make-A-Wish Foundation in 2003 and ended up serving on its finance committee, then on the board of the Big Wish Foundation of Southern Florida.

"When my term limits rolled off I decided that I wanted to stay engaged, so I spoke to the CEO of the South Florida foundation, and we decided to cobrand a golf tournament.

"We started off small. We wanted the event to be run in a very client-centric way, to create a nice occasion for people to come to. Over the past decade, it has grown each year. We have been able to raise more than $3m for children in South Florida, and grant over 600 wishes to children in our local community, just here in Boca [Raton]."

'The Make-A-Wish Foundation connects the organisation to something greater than spreadsheets and PowerPoints, because that's not all that life is about'

Moss, who now serves on the national board of the Make-A-Wish Foundation in the US, adds that what the charity achieves is "very tangible for every employee at Polen Capital".

"Because we have done so much work with Make-A-Wish, they have partnered with us and will actually reveal a wish inside our offices. They will tell a family they need to be at Polen Capital's office, without telling them what is actually about to happen," he explains.

"Then, the wish is revealed to the child and we have a big celebration. You see the child smiling, the emotion on the parents' faces, and you're able to see what our work really does for people. This connects the organisation to something greater than spreadsheets and PowerPoints, because that's not all that life is about."

Plans for growth

Having achieved significant levels of growth, as well as impressive philanthropic endeavours, over the last 12 years, what will Moss's focus be both over the medium term, and over the longer term?

"Our focus, first and foremost, is on the clients and the business that we have today. We have tremendous depth and breadth to our equity business. Something we are very focused on is delivering mid-teen returns across the board for our equity investors," he says.

"Then, on the credit side, we have been able to structure portfolios with very attractive double-digit yields. Their volatility is also typically half that of what the broad-based index volatility is. So, we have attractive propositions there.

"Really, focusing on the organic growth of these two parts of the business is number one priority."

Looking over the next five years, however, the CEO would like to see the company's equity-to-credit ratio rebalance, in favour of fixed income.

"At the moment, we are about 85% equities and 15% credit. Over time, I would like to see credit become a higher overall percentage of our assets. I don't know whether it will get to 60/40 or 70/30, but I want the allocation to be higher than 15% – I can definitely see that [happening]," he explains.

"Second, and very importantly as it relates to the UK and Europe, we would like to see the proportion of assets from clients that are outside the United States increase.

"Similarly, we have about 85% of our clients domiciled in the US. So, we would like to grow at a faster rate outside the US to increase that total proportion of our asset base coming from the EMEA and Apac regions."

Key themes

When it comes to fixed income, Moss says higher interest rates and increased inflation have improved appetite for credit. In fact, the CEO says some asset allocation models are showing that wealth managers and DFMs are doubling or tripling their exposure to the asset class, showing a "preponderance of activity" within the world of bonds that hadn't existed over the previous decade.

Elsewhere, the increased appetite for alternatives is a market behaviour he is keeping a close eye on. While Moss says alternatives have "always been a part of institutional asset allocation models", they are becoming an "increasing proportion" of high net-worth individuals' portfolios.

He says: "This has been enabled by the creation of fund vehicle structures which can provide alternative-type investments to high net-worth individuals. In Europe, for instance, it's LTIFs and LTAFs. These types of semi-liquid portfolios."

When asked whether the CEO would consider a foray into this area of the market at some point in the future, he replies: "Absolutely."

"We like to be vehicle-indifferent for our investors. If our investors would like access to a certain fund structure or ETF, or a separate managed account mandate – then so be it. If we have the investor appetite or demand for a particular vehicle, we are certainly willing to provide that.

"In the alternatives space, we have been providing private primary credit in the US for the better part of 25 years. Also in the US, we do have a semi-liquid vehicle where we offer a mix of public credit and private credit. If there was an opportunity, or demand, for that in the UK, it's certainly a situation we would monitor." **PA**