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IronHorse Capital Management Bolsters Marketing Efforts

IronHorse Capital Management has bolstered its marketing efforts and launched a mutual fund as it looks to expand its distribution channels for its liquid alternative global equity strategy.

The firm, launched in 2009 by President Kerr Tigrett, CIO Chad Cunningham and investment committee member and chairman of the board David Waddell, currently manages roughly \$40 million, largely from high-net-worth investors.

IronHorse was started in hopes of creating a liquid alternative product that could provide risk management aspects to a global equity product and not charge hedge fund-type fees, Tigrett said.

The Memphis, Tenn.-based firm launched the Global Conductor Fund, a mutual fund vehicle, on Dec. 26 under the ticker symbol RAALX and an institutional share class under RAILX.

Additionally, the firm brought on John Daly on April 1 as managing director of national sales to oversee marketing and distribution. Daly has previously worked at firms such as Alliance Capital, Lockwood Advisors and Franklin Square Capital Partners.

Daly said the firm is looking to the independent broker-dealer community and has also brought on third-party marketing firm Dolan Capital to assist with its efforts.

Cunningham said the firm always planned to launch the mutual fund after establishing a track record on the strategy—which now stands at over four years—as a means to expand its distribution channels.

The strategy, which has a track record dating back to Dec. 31, 2009, is built with a bottom-up fundamental process that aims to take risk off the table and “cut off tails” ahead of major downside events, Cunningham said.

He said the process is more quantitatively-oriented in that he

focuses on fundamental metrics such as cash flow and other fundamental multiples like price to book ratio.

“If I want to be a true value manager, I need to be able to institute a process that allows me to ignore the headlines and focus on valuation and a reversion to the mean event that is positive for us,” he said.

Cunningham likened the strategy’s market adjustments to an aircraft carrier turning rather than a motor boat, meaning that the portfolio adjustments are more subtle and gradual than tactical long/short funds or macro funds that can drastically change positions from one month to the next.

In general, the strategy holds 50 to 100 names, with no name greater than a 5% position.

To help manage risk exposure from the top-down, Cunningham utilizes a model that focuses on three indicators to identify when a fully hedged position should be implemented: valuation, economic and technical.

The valuation measure is based on a normalized five-year price to earnings ratio, a market-based Q-Ratio and domestic and international valuations, while the economic measure looks at six-month annualized leading economic indicators and various regional indicators, while the technical measure looks at intermediate price momentum, both positive and negative.

Daly said the firm’s strategy should fit well as a core allocation for investors.

“You look at the philosophy around what we are doing here and the fact that there really wasn’t something in the space that I saw to be really what we do. I think that is very valuable and will present a very compelling choice,” he said.