



# Emerging Manager Focus

SMALL IS BEAUTIFUL

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## WOMEN'S CORNER

# Financial Architect Builds Successful Consulting Firm

By Stephen Dalton



Myrna Rivera

**M**yrna Rivera is the founder, president and CEO of Consultiva Internacional, Inc. based in San Juan, Puerto Rico. Consultiva is an investment management consulting firm, led by Rivera who has accumulated 25 years of experience as an investment management consultant.

### Starting Out

Rivera recalls discovering investment consulting when she was working as a retail broker at Merrill

Lynch. She was given the opportunity to work with a pension fund and needed to study ERISA and fiduciary responsibility. Rivera recalls, "It literally changed my life because it afforded me the opportunity to counsel rather than to sell product. Counseling is more akin with who I am and how I enjoy thinking and interacting with other people."

Rivera left Merrill and moved over to consulting with EF Hutton. At the time, they were one of the few Wall Street firms with a consulting services division. Rivera was invited to join the firm when they first opened their offices in San Juan, Puerto Rico. She has spent most of her adult life building this business. EF Hutton became Shearson and then later became Smith Barney. Rivera was employed there for 17 years, and then in 1999 ventured out on her own.

### Architects of Finance

Rivera founded Consultiva that year as the product of introspection on the role of consultants. She concluded that consultants are financial architects. The role of an architect is to work with the client to help develop a dream of where they are trying to go. Rivera asks, "What are their objectives as an organization? What would you like to be doing when you look out 10 years from now? We then examine the different resources available to support that vision and that dream. A counseling job is a job of trust. That's what we do, and that's what I have been doing for 25 years."

"Financial architects are the designers of the strategy to the specifications and the needs of a particular client. They will then seek out the specialists or "contractors" who will implement the different parts of that strategy. So for example after we develop that strategy, the second step is to find the money managers, the funds, the funds of funds, the private equity firms, that together will create the ensemble to execute that investment strategy."

Consultiva started as a group of 7 professionals comprised of one consultant, analysts and their staff. Today Consultiva has 5 consultants and 20 total employees. They operate their own Investment Strategy Group that does capital markets research, investment manager due diligence research, and all reporting functions. Now in its 9th year, Consultiva supervises over \$2 billion in client assets from a pool of 220 clients. Consultiva counsels both institutional and individual clients. Institutions include endowments, foundations, labor unions, insurance companies, credit unions and pension funds. Consultiva works with the Puerto Rico State Insurance Fund with 1.3 billion in AUM, in addition to working with the Puerto Rico Department of Labor and special projects with the LA City Employees Retirement System (LACERS) and the Government Development Bank for Puerto Rico.

### Direct Contact and Agility

Rivera has a particular interest in emerging managers and specializes in working on their behalf to grow the emerging manager presence with big pension funds. Rivera says that without question, there is a lot of talent among emerging firms. She says, "People don't set up asset management companies because they woke up one day and decided they wanted to be an asset manager. It turns out they probably came from a larger firm and wanted to operate in an environment that was less restrictive. Many of them can and have outperformed larger managers, absolutely."

After years of experience, Rivera says confidently that she believes in the importance of smaller firms. She likes to work with them because of the direct contact with the owners and founders of the firms. This enables her to understand how they think and what drove them to create the business in the first place. Rivera explains, "I feel far more comfortable and settled to hear about the business plans from the founder rather than a marketing rep. I like to talk to the founders because we are asking our clients to trust in these people to manage their money, and I can get the straight answers directly from those founders in emerging firms."

In addition to the personal touch of working with emerging firms, Rivera feels that smaller firms can be more mobile and nimble in the markets. She says, "With these firms, my clients money is going to get invested in and out of the markets and nobody is going to see them coming, compared to a huge firm where the client's money is part of a large transaction. Everybody is going to see that trade. I prefer to work with the smaller firms because the volume of those transactions is smaller and if they know what they are doing, they can be very efficient and take advantage of inefficiencies in the market with more agility."

### Emerging Manager Advice

Rivera acknowledges that larger clients tend to hire larger consulting firms and thus larger managers. However, the advent of emerging manager programs has attempted to overcome these hurdles. Rivera remarks, "There are 10 such programs in operation today including

Leading Edge, Progress, and FIS that were originally set up to provide access for women and minority owned firms, however the broader definition of Emerging Managers now applies to these emerging manager databases. If I were starting up an asset management firm today, I would call all of these emerging manager programs and get on their databases.”

Rivera continues by saying, “You also want to go to conferences and network. A lot of this is about branding the name, but if an emerging firm does not have the time and resources for that they should consider a 3rd party marketer. The advantage of attending conferences is then meeting and connecting with 3rd party marketers specializing in presenting smaller firms.”

### **Emerging Hedge Fund Advice**

Rivera has noticed that a large number of emerging managers are being birthed in the alternative area today via private equity and hedge strategies. The hedge funds business has evolved the business model including incubator and seeder funds. Rivera has thought about this model and says, “If I were to create a hedge fund today, I would do my research on who the incubator and seeder funds are that are funding these hedge funds. You probably have to give up some of the equity in the business, but in turn you receive assets to manage and you can begin to develop a performance record. You hit the ground running.”

### **Doing the Business vs. Running the Business**

One major problem that Rivera has counseled emerging managers about is separating doing the business from running the business. This is the failure of many companies. Rivera explains, “We learned this in starting Consultiva; if the person who is talking to the clients and managing assets is the same person dealing with human resources and turning off the lights in the office, they will burn out. If the founder of the company is a portfolio manager, they ought not to be the person paying the bills and running the office. The fact is that many of the failures of emerging companies surround the mistake of not separating managing the enterprise from doing the actual business of managing assets.”

### **Born to Counsel**

Rivera feels that the job of an investment management consultant is well suited to the strengths of women in the industry. This is because consulting is a relationship business that relies on credibility and trust. “At the end of the day you’re managing money, but it’s really about the relationships and ability to build trust, empathy, solidarity and genuine alignment of one’s values with the values of the client. These are all traits that a lot of women are particularly good at, and I think that those skills sets that women bring to a business can provide an opportunity for much success.”

The challenge, however, for women in the financial services industry is that statistically there are more males in business. Rivera has had the experience of working with institutional investors who were hesitant about being counseled by a woman. However, Rivera’s experience has shown the majority of clients are interested and impressed by the experience and new insight that Rivera and Consultiva bring to the investment world.

Rivera recalls, “I’ve had the experience of groups who have been so grateful that it is in fact a woman, because I’ve demonstrated the patience of teaching, the perseverance of explaining things a thousand times and of helping them to digest the process. I have been able to intellectually hold hands with them until they really understand the process. We have that sense of endurance and sense of patience.”

Rivera ends with a hopeful outlook of the future saying, “But I think there are more and more women showing up, because I think it is a beautiful profession for women. That’s my perception after 25 years. I see more women at conferences and I see more women making presentations, running workshops and presenting white papers on research.”