

After key hire, asset manager nears \$2B

BY JIM HAMMERAND | STAFF WRITER

Patience has been key for a Bloomington investment firm that just passed one milestone and is closing fast on another.

Five years after bringing on a top-notch stock picker, Cornerstone Capital Management Inc. has grown assets under management from \$100 million to nearly \$2 billion and annually outperformed the S&P 500 by an average of 1.84 percentage points per year.

Surviving for half a decade and breaking \$2 billion are key hurdles for large-cap growth equity firms like Cornerstone, which trade stocks of companies like Target Corp., General Mills Inc. and Pentair Inc.



Frauenshuh

Those hurdles were only higher during the worst economy since the Great Depression, said Cornerstone CEO Andy Wyatt. A University of Minnesota graduate, Wyatt left Minneapolis-based Investment Advisers Inc. to found Cornerstone in 1993.

Cornerstone was primarily a wealth-management firm for individuals and families until 2005, when Wyatt decided to build a team for institutional clients such as states, nonprofits and pension plans.

He asked his primary investor, Bloomington-based Frauenshuh Cos. CEO and President David Frauenshuh, for permission to pursue the new business plan's linchpin: a sharp-minded large-cap growth stock picker.

With Frauenshuh's blessing, Wyatt made an offer to portfolio manager Tom Kamp, who at the time oversaw more than \$13 billion in assets while managing Alliance Capital Management Corp.'s Minneapolis office.

"Quite to my surprise, he agreed," Wyatt said.

But Kamp's clients didn't follow him to the startup, leaving Wyatt and Kamp to build the firm's business from the ground up.

"It was obviously quite a transition," said Kamp, now Cornerstone's president and chief investment officer. "I used to trade more money on an average day than what I managed when I first joined Cornerstone. It was embarrassing how small my first trades were."

Since Kamp's 2006 arrival, the firm has grown from five employees to 13, including a team of analysts and researchers, and has attracted new clients with its above-average performance.

Cornerstone now manages accounts of at least \$25 million for institutional investors, which include public companies such as Boeing Co. The firm also operates a large-cap growth equity mutual fund and still serves wealthy individuals.

"We've hung in there, we've stuck to our discipline and we've not wavered," Wyatt said. "It's all about P's: it's people, philosophy, process. If you get those three right, you're going to get performance."

"It's been a very long five years," Kamp said. "I certainly didn't anticipate the depth of the downturn we went through in 2008. We not only survived that downturn, which caused many people to go out of business in our industry, but we achieved top quartile performance numbers."

Kamp attributes the success to sticking with the firm's "eclectic" and "opportunistic" investment philosophy, even as investors cooled on large-cap growth as an investment strategy.

The firm puts less emphasis on a company's past performance and more on current factors that will drive a company's growth, Kamp said, adding that "perception gaps" between a company's earning potential and the market consensus is where the money's made.

Frauenshuh said the firm lost "very few customers, if any" when the market crashed in 2008 because of the relationship they had with the firm. "They trusted when Tom said it would come back," he said. "Patience is better than just making knee-jerk decisions."

Frauenshuh said his investment in the firm has grown by a factor of at least 10, as has the firm's value. He declined to disclose details, but said he expects the growth to continue.

"With the track record and integrity of the



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Tom Kamp, left, joined Andy Wyatt at Cornerstone Capital Management in 2006. The firm has taken off since then.

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Company: **Cornerstone Capital Management Inc.**
 Business: **Investment management for individuals, families and institutions**
 Assets under management: **\$1.97 billion**
 Founded: **1993**
 Founder and CEO: **Andy Wyatt**
 President and chief investment officer: **Tom Kamp**
 Headquarters: **Bloomington**
 Web: **cornerstonecapital.com**

principals, I think we'll be one of the larger large-cap growth firms in the nation. That's our objective," he said.

Cornerstone manages 20 percent of Boston-based Alps Advisers Inc.'s \$1 billion Liberty All-Star Equity Fund, helping it rank in the top 10 percent of performers, said Alps Chief Investment Officer Bill Parmentier.

"We'll see what happens with Cornerstone. ... They've got all the ingredients to be a successful firm in the long run," he said.

Cornerstone's investing process recognizes growth before it's reflected in a company's stock price, setting the firm apart from others, he said. "It's easy to understand these companies on a superficial level. But you've got to roll up your sleeves and get deep to understand what's driving the dynamic of change."

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