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Global Alpha Eclipses \$1B In Assets Under Management

Global and international non-U.S. small-cap equity manager Global Alpha Capital Management has surpassed \$1 billion in assets under management in just over 10 years by sticking to the low end of the capitalization spectrum and focusing on long-term performance.

The Montreal-based firm, which announced the milestone last month, runs the assets split fairly evenly across its Global Alpha Global Small Cap and Global Alpha International Small Cap funds, which were launched concurrently with the firm in September 2008, President and CIO Robert Beauregard said.

“Our core is really our global and international small-cap, that’s our focus,” Beauregard said.

Reaching the \$1 billion asset under management plateau has been rigorous, Beauregard admitted, particularly after handling more than \$3 billion in his previous position as senior small-cap v.p. at Natcan Investment Management.

“I think it just takes time,” he said. “It’s frustrating, you hope that people would trust you. It takes a long time to build the trust.”

But the firm has achieved its success by sticking to smaller cap strategies, with the help of emerging manager-of-managers programs and through a partnership with multi-boutique firm Connor, Clark and Lunn Financial Group, Beauregard said.

Beauregard heads a five-person investment team that includes Portfolio Managers Serge Depatie, Qing Ji and David Savignac and Associate Portfolio Manager Sain Godil, each of covering specific regions as well as two or three sectors globally—what he called “a matrix approach.”

It may seem like a tall task for a five-member team to cov-



Robert Beauregard

er the whole globe, but Beauregard believes the team’s ability to reach the \$1 billion mark is a testament to their expertise, prowess and the firm’s steadfast commitment to focusing on the strategies it knows best.

“You get the question, ‘Five people managing international and global?’ We’re really experts at what we do and don’t want to be distracted,” Beauregard said, adding that each team member has significant industry experience managing money, with three of the five having run their own companies.

Consistent returns across longer time frames speak to that expertise and the continued success of the firm. The firm’s global small-cap strategy has returned 13.81% versus 9.22% from the MSCI World Gross Index while the international small-cap has returned 14.54% against 6.73% from the MSCI EAFE Gross Index since inception, according to the PSN Informa database.

“Rarely will we be the top 10 percentile in performance, but if you take any longer-term time frame we’ll be there in the first quartile,” Beauregard said.

Emerging manager-of-managers programs have proven to be an essential resource in Global Alpha reaching its current level of growth, Beauregard said.

“Without the emerging manager programs I’m not sure we’d be here today,” Beauregard said. “They were certainly very instrumental in getting to a size, to a credibility. I’m a big, big believer and very into that model.”

The firm boasts at least seven institutional emerging manager mandates in its international small-cap product across four manager-of-managers firms with a client list that includes the \$225 billion California State Teachers’ Retirement System and the \$201 billion New York State Common Retirement Fund, among others, according to the fin|searches database.

Multi-boutique firm CC&L has also been a key to the firm’s success. The firm seeded Global Alpha in 2008 and provides legal and back- and mid-office support as well as marketing and infrastructure for the firm, among other things, according to Beauregard. The firm holds a 49% stake, he added.

While Global Alpha has no intention of moving into strat-



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egies with larger capitalizations—Beauregard called the small-to mid-cap and mid-cap markets “a crowded space”—the firm is open to seeking new ways to grow while focusing on its strengths.

A case in point is the firm’s September launch of an international micro-cap strategy. After receiving the client request and careful consideration, the firm began researching the names and building a portfolio in the micro-cap space that would actually be within the team’s inherent skillset, he said.

“They’re really the farm team for our small-cap mandate. It’s like our emerging [manager] stocks which we will graduate,” he said.

The international micro-cap portfolio follows the same philosophy and portfolio construction method as the firm’s other two strategies, which looks to add alpha through security selection across industries and sectors, Beauregard said. He added that much like its first two strategies, the micro-cap portfolio targets between 55 and 70 holdings and will target no more than \$500 million in assets.

Global Alpha’s micro-cap portfolio model was analyzed by the client, which then performed back testing and conducted

a detailed due diligence meeting with team members before funding the product with a now \$18 million mandate, Beauregard said.

“It’s not a big, big mandate, but it’s real money,” he said, adding that the firm is not actively promoting the strategy at this time.

As the firm grows, it will also look to expand its team. The firm in the process of adding a dedicated trader to the team and also hired Janine Tran Lam as manager of client relationships, risk, compliance and operations in June, complementing the firm’s relationship with CC&L. The hire takes an additional responsibility off Saginac, who had been handling compliance duties in addition to portfolio management.

“We felt we were now at a size where you want the portfolio management team to stay focused on picking stocks,” Beauregard said. “You want people to do what they do best and stay focused.”

Global Alpha hopes to continue its success by sticking to the lower cap spectrum that has helped it reach \$1 billion in assets.

“We’re very content to focus on what we do best and what we like best,” Beauregard said.



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