

Savant Capital Management, Inc.

Keeping Assets Under In-House Management

Savant Capital Management Tackles Growth With Help from Tamarac

In 2003, Savant Capital Management, a wealth management firm based in Rockford, Illinois, faced what is commonly known as a fork in the road.

The 21-year-old, SEC-registered investment advisory firm was seeing strong growth that would only get stronger. Assets under management would reach \$1 billion in early 2006, and one year later, \$1.5 billion. Where once a typical, individual client might hold \$250,000 in investments, that number would head north of \$800 thousand.

Savant had successfully negotiated diverging paths before. A financial planning firm for its first six years, by 2001 Savant was firmly ensconced on lists of the nation's top wealth managers—offering investment management, financial planning, and family office services to individual clients, trust funds, retirement plans, non-profit organizations, and fiduciaries.

Their brand of wealth management—relying on systematic, disciplined passive, structured, and indexed investment strategies to prudently maximize wealth—raised a question that went to the heart of the firm's operations.

"Think of it this way," said Savant's Amy Barrett, a portfolio manager within the Investment Services Team and a financial advisor on the Advisory Team. "We're wealth managers. Our primary goal is to deliver the highest quality 'integrated' wealth management service. We work on a fee-only basis so that we're free to make the best choices for our clients. That includes decisions about what is a core function and what we can outsource to support client-centered work."

Specifically, the firm needed to decide whether to keep its portfolio management services in-house or outsource them. As passive investment specialists, it's not surprising that Savant weighed the associated in-house and outsourcing costs carefully.

"We considered Parametric and State Street as outsourcing options, but we found outsourcing assets was more expensive," noted Barrett. "We discovered there were also very few products where you could pay for the software and run it yourself. That's when we looked into Tamarac Advisor."

A Purchase that Pays Back

Created by Seattle-based Tamarac, Inc., Tamarac Advisor is a fast, web-based Investment Strategy Management Platform™ that automates portfolio rebalancing, cash management, and directed trading.

While Tamarac's cost structure first caught Savant's interest, the firm chose Tamarac for its robust capabilities. With Tamarac, investment advisors can integrate customized data for individual accounts or across a family of accounts. The software also factors in tax efficiencies, client preferences, risk tolerance, and restrictions on legacy positions.

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*- Amy Barrett
Portfolio Manager*

As a web-based platform, new feature upgrades are continual—the latest includes the ability to automate margin positions, including separate margin and non-margin cash positions in the same account, and household reallocations—via three different scenarios.

Tamarac's scalability, automation, and customization were just what Savant needed. "One way we use Tamarac is to manage U.S. Large Cap and Large Value asset classes," Barrett explains. "From a marketing perspective, we wanted to tell potential clients that we absolutely can separately manage these asset classes." Thanks to Tamarac's ability to select and trade stocks that effectively mimic an index or asset class, while accounting for each individual client's preferences, Savant has the technology to meet the needs of their target clients.

When new clients come on board with concentrated stock positions, Savant has options on bringing these portfolios into the fold. "We had to be able to incorporate new clients into a model without telling them that they had to sell everything," said Barrett. "Tamarac Advisor allows us to keep legacy positions as long as necessary, and incrementally merge them into an investment model."

Tax management is a key feature. "Clients may come in with cash and need to do some tax loss harvesting and Tamarac does that very effectively," said Barrett. "There's no question more companies should do tax loss harvesting and separate accounts. The question is whether they will bring that capability in-house or outsource it. With Tamarac Advisor, we didn't have to compromise with a less hands-on approach."

A Firm Grasp on Value

A 24-year industry veteran and past member of the Chicago Board of Trade, Barrett's role at Savant Capital Management includes monitoring investment strategies and new product development. For Barrett, the key is broad, global diversification. Savant clients are not speculative or high-risk investors. They want to preserve their capital, grow assets, and avoid unwarranted risks.

Savant's solution is a disciplined buy-and-hold strategy.

"Our philosophy is that it's a zero sum game," said Barrett. "For every active manager that makes gains, there's one that loses. Then too, very few active managers add alpha consistently. Research shows that 70–80% of active managers fail to beat index returns; if you add in taxes, it's 85–90%. Those top managers are either hard to identify or not accepting new clients."

Savant's product lines lean toward passive indexing and ETFs. "I'd say 95% of our investments are in mutual funds, with 5% in our product, SISTEM." For SISTEM, Savant combines the U.S. Large Cap (S&P 500) and U.S. Large Cap Value (S&P 500 Pure Value) indices into a single blended index, creating a benchmark index that is three-quarters S&P 500 stocks and one-quarter S&P 500 Pure Value stocks.

Tamarac produces a portfolio of 100 to 200 stocks to track the performance of the blended index and allow for tax loss harvesting opportunities – furthering Tamarac's unique position as the most powerful rebalancing and trade order generation platform available.

Thanks to an intensive education in Savant's process, their clients know what they're signing up for and indications are that they're happy about it. This year, the firm added a fifth office (in Madison, Wisconsin) to their four Illinois-based offices.

Adding Another Dimension to Fund Insight

Thanks to Tamarac's unique access to Dimensional Fund Advisors fund activity, advisors can look through DFA funds, all the way through to the underlying securities, which helps to expose overlap and determine risk exposures.

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Currently, Tamarac is the only rebalancing software that has the capability to review DFA funds. This functionality is not a stand-alone feature; Tamarac Advisor can look through to over twenty indexes from specific sector to broad market.

Savant appreciates the competitive edge such capability offers. The firm's AUM are split among a range of mutual funds; about 43% of Savant's assets are invested in DFA asset class funds, with much of the rest in Vanguard, the index fund specialists. "We bought into the DFA philosophy from the beginning," said Barrett, "and they offered very good funds in areas where they had no competition—for example, Vanguard doesn't have an international small-cap value fund."

Helping Clients Become Overachievers

Tamarac's clients agree that the software truly is "user-friendly." They also consistently rate Tamarac's client support as above and beyond. Barrett's response was no different. "Their help desk is really there for you," she said. "They are available on the phone whenever we need them. We're very happy with their support system."

Though comfortable with Tamarac, Barrett knows there is a lot more to learn about Tamarac's ever-expanding capabilities, and is ready to put those capabilities to good use for Savant's clients. An unwavering philosophy, productive strategy, and streamlined technology have combined to make the firm a repeat success story in industry news pages. A partner in that success has been Tamarac, an innovative software company that shares the firm's dedication to client satisfaction.

For more information:

- Online at: www.tamaracinc.com
- Call toll-free: 866-525-8811