

NorthCoast Asset Management: Forging a Back Office Partnership

Case Study

NorthCoast Asset Management was founded in 1988 by three individuals who believed that few money managers truly addressed risk while designing investment strategies. As an alternative to the prevailing mindset, the trio developed a quantitative analysis approach that identified the leading sectors of the market and built a core investment strategy around investing in the hot sectors, avoiding the cold ones, and moving into cash when conditions warrant. Guided by a proprietary analysis that weighs factors within 1,700 mutual funds, the approach has proven successful, having handily beaten the Standard & Poor's 500 Index over the past 10 years. Serving primarily high net worth individuals, the firm manages \$100 million in assets for about 100 clients.

Marketplace Challenge

After more than a dozen years in business, NorthCoast Asset Management's principals grew weary of the back office demands, growing costs and bookkeeping behavior inherent in many custody relationships. The back office concerns stemmed from the need for NorthCoast to commit time and energy to developing and maintaining trading software, while expense considerations evolved into larger concerns with the increased utilization of exchange traded funds (ETFs). Meanwhile, with increased regulatory scrutiny industrywide, some custodians' practice of commingling client assets to beef up a balance sheet proved unsettling.

Trust Company of America's Solution

In switching the bulk of its business to Trust Company of America in 2004, NorthCoast Asset Management resolved all three of its major issues. Working with the technologically advanced *TCAAdvisor II* platform, the firm eliminated the need for its in-house allocation software. As for trading costs, Trust Company featured a very competitive per-share fee for trading ETFs and equities, which comprise 30% of NorthCoast's business. Meanwhile, its commingling concerns became a non-issue as Trust Company keeps assets separate and prohibits anyone from borrowing against the securities as required by trust regulation.

Reinforced by Trust Company's exceptional approach to customer service, NorthCoast Asset Management's relationship with Trust Company allows the money manager to better focus on developing new investment solutions and delivering optimal returns, without regulatory-driven reservations.

"It means a lot for a firm of eight people to free a principal from having to develop and maintain back office software. In addition, we avoid some of the conflicts that arise when a broker-dealer serves as custodian for client assets."

DAN KRANINGER

PRESIDENT

NorthCoast
Asset Management

