

AJOVista is fourth manager backed by Missouri LAGERS

By Douglas Appell

AJOVista LLC will be the fourth money management startup the \$10.2 billion Missouri Local Government Employees Retirement System helps get off the ground, said Brian K. Collett, the Jefferson City-based pension fund's chief investment officer since 2005.

Every situation has been a little different, depending on the needs of the general partner, he said.

For Edwardsville, Ill.-based real estate investor Fireside Financial LLC, the first firm Missouri LAGERS backed in 2008, the pension fund didn't take a stake in the newly launched firm. Mr. Collett said in an interview at that point he was still thinking through how the fund could support an investment team it had worked with successfully that was looking to set up shop on its own because he had "never heard of anybody doing it before." Instead, Missouri LAGERS became the new firm's first institutional client, providing it a running start by accepting "normal fees" on its allocations rather than using its scale to squeeze out hefty discounts. Missouri LAGERS also provided Fireside Financial with advice on reporting requirements and "back-office stuff," he said.

For the subsequent three firms — Greenwich, Conn.-based real estate debt boutique Sound Mark Partners LLC in 2013, New York-based real estate equity shop Machine Investment Group LP in 2020 and Boston-based equity boutique AJOVista, which

opened its doors on Oct. 1 — Missouri LAGERS acquired stakes of 10% to 33% for between \$1 million and \$6 million each, Mr. Collett said.

People are sometimes surprised that a public pension plan has the latitude to make such investments, but each plan's situation is different, Mr. Collett said. "Some are very political" but Missouri LAGERS isn't one of them, he said.

"The board has given me investment authority. I'm allowed to invest in equity and this is equity" — even if the fund expects the payoff for those investments to come in the form of alpha rather than capital gains, he said.

AJOVista, which got off the ground on Oct. 1 with roughly \$1 billion in assets under management, is the first equity boutique Missouri LAGERS has backed.

If Missouri LAGERS initial backing of Fireside Financial in 2008 had proved problematic, it could have made subsequent efforts to back talented teams more difficult, said Mr. Collett. But instead, the firm ended up being "our best real estate manager," he said.

Helping talented teams garner "some capital to get the lights on ... is a little bit like pre-paying fees," and the fund stands to enjoy some upside if firms it backs do well, he said.

With the addition of AJOVista, meanwhile, Missouri LAGERS will be investing roughly \$850 million — or more than 8% of its portfolio — with managers the pension fund has backed. At present, it has allocations of roughly



NIMBLE: Brian K. Collett said the board gives investment staff a lot of flexibility.

\$400 million with AJOVista, \$232 million with Fireside Financial, \$204 million with Sound Mark and \$28 million with Machine Investment.

Having the flexibility to take advantage of opportunities "describes us in lots of ways," Mr. Collett said. The board has given its investment team room to be "very nimble."

There's a "very large standard deviation" when it comes to how state plans in the U.S. are run, with some becoming investment shops, handling the vast majority of their investments themselves, he noted.

He called Missouri LAGERS a "hybrid, moving slowly to more in-house" investing. For example, he said, his pension plan manages roughly \$1.5 billion in derivatives and another \$1 billion in co-investments.