

A team approach can score big for clients

by Beth Anne Carr

For Robert Isbitts, founder and chief investment strategist of Sungarden Investment Research in Sunrise, Fla., building a winning team at work is second nature to him.

“I look at my career as a team sport. Like a good manager, I try to put everyone in a position to win, figuring out what the best role is for every person on the team,” Isbitts said. “I managed Little League baseball teams for years, and while the stakes are naturally much higher in our business, the principle is the same. I want the young professionals at Sungarden to learn the business through my eyes, take their own natural skills and opinions, and grow as a team. I try to take those energetic minds and get them to fulfill their individual potential, and do it with a spirit of client service, teamwork and investment acumen. If we do that consistently, everyone wins, especially our clients. And we get a sense of accomplishment that makes all the hard work worthwhile.”

Isbitts and his wife Dana started Sungarden at the beginning of 2012. The firm’s name combines his state of residence for the last 16 years (Florida, the Sunshine State) and his home state of New Jersey (the

Garden State). It has grown nicely since then. Isbitts spent the first dozen years of his career on Wall Street, then spent the next 15 years advising clients on how to avoid the pitfalls of Wall Street. Now he looks forward to building his own firm his way — offering private portfolio management to individuals and providing outsourced investment management to other financial advisors.

Amid his focus on the business of Sungarden, Isbitts has not given up his love for sports, particularly as a vehicle for philanthropy. In early 2013, he raised a total of \$20,000 for two organizations: his synagogue, B’nai Aviv in Weston, Fla., and the Daniel D. Cantor Senior Center in Sunrise, Fla. He did so by creating and running an event which celebrated the contributions of Jewish athletes to Major League Baseball. (there have been about 170 Jewish Major Leaguers in the sport’s long history).

As a fan, he has observed how the history of the game dovetails with the history of our country. For He explains that the 1968 Detroit Tigers’ dramatic run to the World Series took place in the throes of the infamous Detroit riots. The Tigers’ success provided a reason for the



Robert Isbitts

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city to band together and move forward from the strife that had occurred. More recently, the Boston Red Sox world title in 2013 was the first World Series played following the Boston Marathon bombing. Again, baseball was part of the recovery process. Whether it was those events, 9-11 or many other landmark moments in history, baseball was there as a reminder that there are things to look forward to.

He and Dana recently took their philanthropic pursuits to the next level by starting the Sungarden Charitable Fund, which will raise money for a group of non-profit organizations devoted to children, the elderly and military veterans. The idea was inspired by his desire to honor his father, Carl Isbitts, who passed away in June 2013.

“My dad had an amazing relationship with his six grandchildren, and he was a veteran, so we aim to honor what he stood for through acts of charity and kindness, just as he did,” he said.

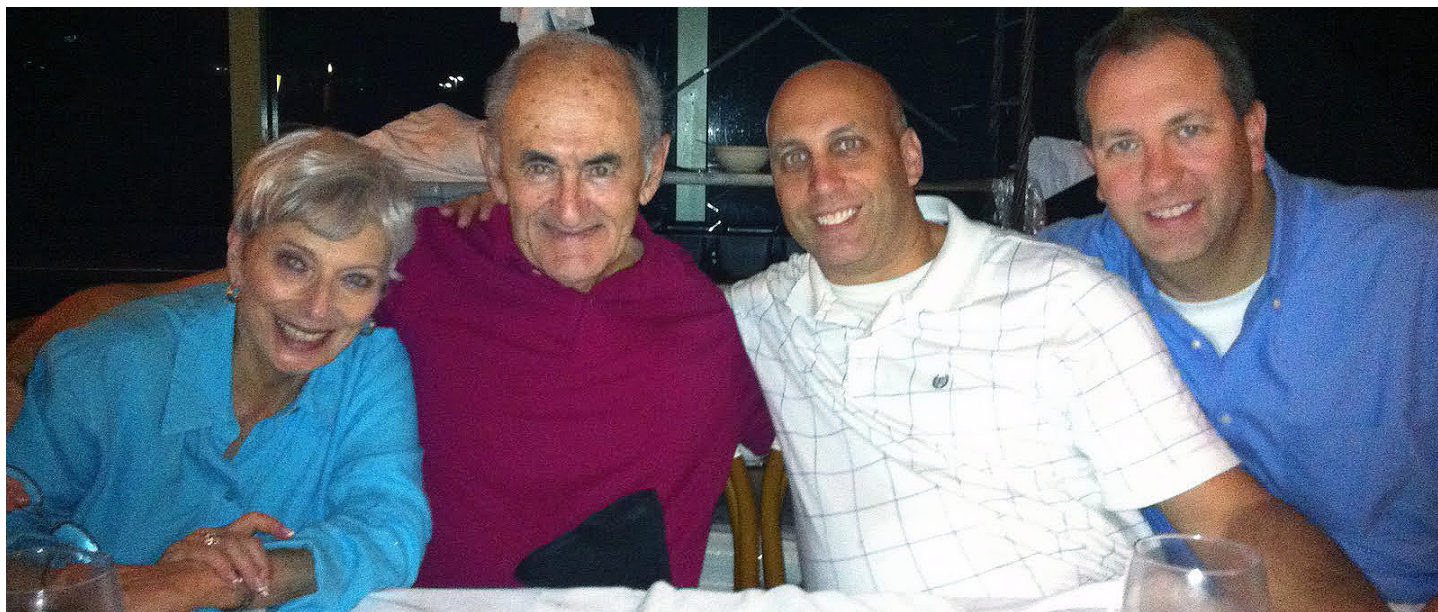
He has also loved watching his son develop as a baseball player in high school. Because so many major league players live in or retire to south Florida, youth base-

ball players often get the chance to learn directly from them.

“One night when he was pitching, I looked around and realized that either coaching or watching the game were four former Major League players,” Isbitts said. “I told him that he had better appreciate what a special situation that is. He certainly does, and it is just one of the many things we love about living here.”

Meanwhile, Isbitts focuses on the sport of business.

“I’m a long-term thinker, and I approach this very methodically. It is what I have learned over 27 years of becoming somewhat of a practice-management geek. I saw good potential in offering advisor-to-advisor support and research in addition to our core private client advisory work” Isbitts said. “In this business, there is a tendency for advisors to want to do everything themselves. As we grow, I suspect that each member of the team will be allocating their time to the two parts of the company as they and we see fit. In any case, I just want to create a practice that develops and mentors industry talent so Sungarden can be a brand that can grow



Rob’s mother, Joyce Isbitts; his late father, Carl Isbitts; his brother Mark Isbitts with Rob



Rob & Tyler Isbitts at Fenway Park

into next generation. None of my kids have expressed an interest in it, but they are really too young to know yet.”

His team approach is ensuring that Sungarden will continue, regardless.

Isbitts wanted to focus on researching investments and was introduced to Delvis Llanes, who had been looking into starting his own firm, by Dynamic Wealth Advisors. Dynamic is a firm based in Scottsdale, Ariz. that provides outsourced compliance and back office support to firms like Sungarden. Dynamic founder Jim Cannon suggested that Llanes speak with Isbitts before starting a practice. He turned out to be a good fit for the Sungarden team and was brought on to be Sungarden’s director of advisory services.

“I realized that I wanted someone like him to expand our footprint—someone who had the time and energy to do it while I’m focused on managing money and identifying strategic opportunities for Sungarden,” Isbitts said.

“I have worked with many of the same families for 15 or 20 years. Most are in the third phase of their careers, but I’m now helping them in a different phase of their life when they are more concerned about retirement than ever,” Isbitts said.

He also works with the next generation of these families, to help promote continuity in the management of their assets. However, he finds that he can handle about 30 families’ accounts personally. More than that, and he believes the client service or the investment strategy would suffer. Having Llanes in house and other advisor firms using his research and money management skills allows more individuals and families to benefit from his expertise, while keeping him focused on his strongest skills.

The addition of Llanes has freed Isbitts to concentrate on research and writing. While Isbitts continues to be the lead advisor on his long-term clients, Llanes lead-manages the relationships with newer clients. Isbitts’ portfolio management experience and Llanes’ strengths in holistic financial planning create a strong combination.

“We have developed a comprehensive communication system, which I believe is one of our firm’s most distinguishing features,” Isbitts said. “Soon after every model portfolio change we make, our clients get a trade note, which is an explanation of why we made the decision and what they now own. In these trade notes, we try to keep things light. For example, when we bought McDonalds we started by saying, ‘We have been following this company since we were small fries.’ ”

Sungarden also provides clients and advisors with outline reports on the stocks and ETFs they follow, and is about to launch a proprietary macro market gauge



Family in Jerusalem

Front: Morgan and Tyler, Back: Jordann, Dana, and Rob

called the “Investment Climate Indicator.”

Along with their investment strategies, Isbitts says that Sungarden distinguishes itself from other firms by communicating regularly – and in everyday language – to its clients. The “Informed Investor” blog is published every Friday, and has featured pieces such as “The Top 10 Worries Investors Have Now” and “Why Fixed Income is Broken.” Isbitts said, “I do a lot of writing. We want to over-deliver when we can.”

This communication and investment strategy also attracts advisors to the advisor services portion of Sungarden’s business. Sungarden partners with other advisor firms throughout the country to provide the money management and communication, so the advisor can customize plans and provide day-to-day client ser-

vice. Sungarden simply provides the services. The clients belong to the advisor. Sungarden even offers “private labeling” of the communication so that the communication to clients of another advisor firm can have that firm’s branding.

“Advisors are being pummeled with opportunities to blend their practice into other firms,” Isbitts said. I suspect that many advisors want to have the services we provide but without having to give up one ounce of their independence. What we are doing is really a miniature, personalized version of what firms like DFA have been so successful doing. The big difference is in our investment philosophy, which is rooted in a very different belief system than DFA and other Modern Portfolio Theory firms believe in.”

“We have an approach to retirement income that is pretty straightforward, but I haven’t heard anyone else who has married dividend-oriented equity investing with concept of long/short investing, and does it in a separate account instead of a hedge fund format,” Isbitts said. “Look at the markets — you see stocks at all-time highs and bonds at generational lows. There is quantitative easing at a level so high, if it were akin to a blood alcohol level, the investor population would be well over the legal limit. Clients are worried about a repeat of 2008 stock market decline; they want to guard against losing big money from stock market declines and rising interest rates. We aim to avoid the full brunt of stock market declines, sidestep the coming doom in the bond world, and get enough cash flow out of the portfolio each year. We ‘thread the needle’ by buy stocks we think are healthy, with strong and growing dividends. The portfolio’s goal is to yield as close to three percent above S&P 500 as we can, which is a target yield of 5 percent these days. On the long side of portfolio, we supplement our stock selection with ETFs (Exchange Traded Funds) that help boost the overall portfolio yield. For the short side, we use put options or inverse ETFs to protect against big losses. We expect to run at about a 50 percent net equity exposure on average.

“The number one rule is to avoid the big loss because, from a client standpoint, it is emotional. If we do that, they are satisfied and comfortable, and the advisor gets to stay employed,” Isbitts said.

Sungarden refers to this as being Cash-Flow Focused (CFFTM). This not only applies to retirement planning but is good as a total return strategy, Isbitts said. “For a lot of investors CFF could be their

BFF — you get above-average dividends and can grow over time while doing better in a down market.”

For Sungarden, this “Cash-Flow Focused” strategy has quickly become a core portfolio for many clients. The firm started using this strategy with long-term clients, and now more than half of Sungarden’s total client assets are managed this way.

“Everything we do is about volatility management,” Isbitts said. “Every investor has an ideal point on the volatility scale — from T-bills (0 percent of the stock market’s volatility) up to holding an index fund (100 percent of the stock market’s volatility), and every spot in between. Our average client is about a 60 on that scale. Our job is to take each investor’s desired tradeoff between reward potential and loss potential and manage to that via a long-short strategy.”

The full Sungarden team stands at six. In addition to Isbitts, his wife Dana, and Llanes, Mark Jakupcik and Cristen Dankner are analysts, and Michelle Pinto provides administrative support.

“Mark is a primarily a stock and ETF researcher and is charged with understanding the 100 stock and roughly 40 ETFs we follow. Cristen is more of a process engineer, organizer and data manager around our investment process. We follow 100 stocks and have built proprietary rating systems based on what I consider to be good investments, based on my experience. The two analyst roles complement each other in supporting the depth and consistent application of our portfolio management process,” Isbitts said.

Isbitts was recently appointed as a founding member to the Chairman’s Club of FA today, which advises on the future development of FAtoday.com. This web-

site dynamically delivers the focused resources, practice management, education, industry-specific news, and data to IFAs from its media partners, which also includes Sungarden Investment Research's own popular blog.

"FA today comes along at a great time for us," Isbitts said. "FA today is more focused than LinkedIn for financial advisors. For financial advisors, it's probably your primary (media) channel. FA today will be a regular part of my day."

Isbitts sees FA today as a great way of to increase the awareness and audience of his own blog because the filtering that is incorporated in FAtoday.com highlights his blog to those who would be most interested in reading his information.

"Our biggest challenge is to know who are readers are. There are good matches out there for us in the advisor community when they hear about our strategy and service offering. We hope to find some excellent collaborators within the FA today audience," Isbitts said.

As for research, Isbitts is a voracious reader. "I'm an industry hound. I love to see what's going on, think about how to implement it into our practice, and continue to get better at what I do. I spend a lot of time researching—now that I have put myself in a position to do that, I always want to do more," he said. "I'm a huge Morningstar fan; their equity research is a really good base from which to do further research. I enjoy

the macro and quantitative research provided by The Leuthold Group in Minnesota. Axel Merk is a Dean of the currency market. Advisor Perspectives, Investment News and RIA Biz (which Isbitts has written for many times) are phenomenal."

Isbitts is a four-time Top Wealth Advisor on Worth's list. He also was selected as one of the Top 25 "Venerated Voices" by Advisor Perspectives for three straight years. He is the author of two books, "The Flexible Investing Playbook (2010, John Wiley & Sons, Inc.)" and "Wall Street's Bull and How to Bear It (2006, Isle Press)."

He served on the investment committee of the Jewish Community Foundation of Broward County for several years and is a long-time board member of the Daniel D. Cantor Senior Center in Sunrise, Fla. He also has mentored students through Nova Southeastern University.

Isbitts said that working with his wife has even made his home team stronger. They are raising three children who are 17, 15, and 11.

"It was an amazing marriage all along, and working together, we have made it even better," Isbitts said. "My wife, Dana, has been right there with me as our Operations Manager. I love to work with her and the process of building and sustaining a business with her is a great source of pride for us and a great way for our kids to learn about the value of and return on hard work." That's their winning strategy.



Robert & Dana Isbitts