Q&A with Henley Smith
Senior Vice President of Vanderbilt Avenue Asset Management LLC

Principle Series:

*Family Office Insights* sits down with Henley Smith, the newly appointed senior vice president of Vanderbilt Avenue Asset Management LLC to discuss everything from his personal investment philosophy to the implications of pending money market reforms and what that means for the high-net-worth space.

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Family Office Insights is a voluntary, “opt-in” collaborative peer-to-peer community of single family offices, qualified investors and institutional investors.

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[FamilyOfficeInsights.com](http://FamilyOfficeInsights.com)
Q: Can you share with us your background in the family office/wealth management space?

A: I began my institutional/wealth management career as a fixed income portfolio manager with Manufacturers Hanover Trust in 1985. I spent the bulk of my career with the Gabelli organization in a similar role, first with GAMCO Investors, and then with Commonwealth Asset Management, which was a next-generation family office and part of the Gabelli Family’s private investment platform. My goal at Vanderbilt Avenue Asset is to build on the firm’s institutional success by extending our reach to the family office market, and provide direct access to our industry leading resources for the proper investment management of short-duration fixed income assets.

Q: What is your personal investment philosophy?

A: My personal experience and Vanderbilt’s philosophy are premised on the fact that the bond market is inefficient. Due to investor overreactions and increased complexity, the risks and benefits of fixed income securities can be difficult to analyze. Fixed income theory clearly indicates that bond markets will gravitate towards intrinsic value over time. Establishing a disciplined, rigorous process that captures value by identifying anomalies as a result of investors mispricing events, can create additional return opportunities without sacrifice to income generation, portfolio quality and market liquidity.

Q: The 2008 financial crisis raised serious questions regarding the health, security and viability of the money market mutual fund industry. Where do you believe we stand today?

A: This time next year (October 2016) new rules governing money market mutual funds will go into effect, significantly changing the operational structure of what up until now has been the backbone for financial market liquidity. Seeking to avoid any unintended consequences associated with these changes, many institutional investors have begun to seek alternatives (i.e. separately managed accounts) and I believe family offices and high-net-worth individuals will soon follow.

Q: What are some of the implications of pending money market reforms?

A: Prime money funds will begin to float their net asset values (NAV) reflecting the daily change in valuations to their underlying portfolio; contrasting the constant $1.00 NAV that these funds have historically posted. However, I believe a greater concern to investors will be centered on the addition of redemption fees and liquidity restrictions (gates) that these funds can authorize in times of fund stress.
Q: What do you think are other pressing issues facing the ultra-high-net-worth space today?

A: There are a numbers of issues facing what we see as agrowing, broader market of HNW and family offices. Foremost, many mid-market investors, squeezed between Wall Street’s emerging zeal for robo-advisory and larger entities with secured lines of sourcing unique opportunities, may find that gaining access to required, specialized resources a challenge. As a consequence, guiding investors towards blind pooled or market-indexed investments while clearly in the Street’s benefit may only create issues involving needed transparency and ongoing cost control. In our experience, only through customized management and direct ownership of portfolio securities can issues of liquidity, quality and expected return without undue risk or cost be resolved.

Q: What are some of the main industry trends you’re currently seeing?

A: Since 2008 and continuing through today, the trend towards redefinition of acceptable risk versus expected return remains intact. As an indication, even in this period of low or zero interest rates, cash and short-duration fixed income as a diversifying asset class and “anchor to windward” allocation, has increased its value premium. Additionally, as investors try to define new, even unintended risks in an increasingly volatile market, the trend back to mandated and specific investment guidelines for greater investor/family control has only gained in momentum.

Henley Smith

*Henley Smith currently serves as Senior Vice President with primary responsibility of business development and relationship management through the introduction of individual, family office and institutional clients to Vanderbilt’s short-duration fixed income investments and related market strategies. Prior to Vanderbilt, he served as Chief Investment Officer of Commonwealth (Gabelli Family Office) and Gabelli Fixed Income.*

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“Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices.”

Arthur Andrew Bavelas