

American Century Acquires International Equity Team

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By Mariana Lemann

American Century Investments is broadening its reach by lifting out a \$454 million international equity team.

The Kansas City-based \$160 billion manager has acquired the three-member team that runs the **Lombardia Capital Partners'** International Equity Value portfolio and its 13-year track record of investing in undervalued non-U.S. companies. Joining American Century on April 10 are v.p. and senior portfolio manager **Alvin Polit**, senior investment analyst **Bert Whitson** and senior investment analyst **Jonathan Veiga**.



Alvin Polit

The team addition brings to 27 the number of investment professionals across 10 equity strategies with approximately \$44.1 billion in assets, filling a hole in the firm's product set in a timely manner, says CIO **Phil Davidson**.

"One piece missing in our lineup was a fundamentally-driven international value offering," he says. "International value was just kind of a 'buy versus build' [choice]... We were just not going to be able to get that level of knowledge internationally without some more time."

Although flows into international equities were negative for last three quarters of 2016, netting \$37 billion in redemptions, according to [eVestment](#), investor sentiment toward the asset class appears to be reversing.

The growing institutional interest in international equity strategies makes that area of the market hard to neglect for managers. In fact, the majority of CIOs (54%) plan to increase international equity allocations over the next three years, according to the latest [Keefe, Bruyette & Woods CIO survey](#).

Besides its tenure, American Century's new team's investment process – based on bottom-up fundamental research – and its concentrated portfolio helped seal the deal, as those portfolios have gained favor on the active side, Davidson says. In the face of portfolios that are too diversified, “people are just opting to go passive.”

Besides rounding out the firm's equity suite, the new team helps boost the firm's \$68.5 billion in institutional assets.

“They've been institutionally focused... That was an added bonus,” Davidson says. “I'd say at the margin we are probably just a little underrepresented in that marketplace. For our size of assets, our penetration in that marketplace isn't as high as it should be.”

The market environment has become especially challenging for investment teams that manage fewer than \$3 billion in assets, particularly after the financial crisis, says **Mark Yancey**, managing partner of **Attacca**, a Dallas-based firm that specializes in investment team lift-outs. “In today's environment, firms that are less than \$3 billion in assets are struggling and are not raising assets. It doesn't matter what space [they] are in.”

Finding a larger manager that can help boost sales and distribution becomes a logical step for those teams, he adds.

“When you partner with a strategic partner... you have a much larger organization which has all four corners of the office built out. They have boots on the ground – meaning marketing, distribution, sales people – if not around the States, globally, that help them raise AUM.”

Lifting out long tenured teams looks compelling for firms seeking to fill holes in their product lineup as opposed to starting strategies from scratch, Yancey says. “From an economic perspective, you can look at the economics on both sides. It is a win-win situation for both parties because American Century can effectively pick up a team that has already established a GIPS track record.”

The other option would be to invest in a track record, that could turn out negative, and raise very little AUM, if any at all,” Yancey says.

Lombardia will work with American Century to provide clients in the strategy a long transition period, the firm's co-CEO Vincent Williams writes in a statement. “We are happy we provided [the team] a platform where they could achieve an outstanding performance track record that made them an attractive target,” he says in the statement.

American Century's ownership structure played a part on the team's decision to join the firm, Polit said in a statement. The company distributes 40% of its annual dividends to cancer and gene-based diseases medical research. American Century's founder **Jim Stowers** and his wife **Virginia**, both cancer survivors, founded the **Stowers Institute for Medical Research** in 1994.

Polit joined Lombardia in 2011 to manage the international equity value strategy and to lead company- and industry-specific research globally. He came to Lombardia from **Dean Chase**

Global Value, where he was CIO and portfolio manager responsible for global research and the international equity value and the global value strategies. Earlier in his career he served as portfolio manager and analyst at [Brandes Investment Partners](#).

Whitson came to Lombardia in 2012 as a senior research analyst focused on fundamental equity research across all sectors for the international equity value strategy. He also worked as a research analyst at **Kiitos Capital Management** and at **Riley Investment Management**.

Veiga, who joined Lombardia in 2008 as a research analyst, worked on multiple strategies as a generalist and sector specialist.