

“EVOLVE your practice, I DID”

FIRM: Horizon Investments, LLC

LOCATION: Charlotte, NC

FIRM TYPE: RIA Investment Management

FOUNDED: 1995

AUM: \$3.2 billion

CUSTODIAN: Trust Company of America



Robbie Cannon

“Founded in 1995, Horizon Investments’ clients include independent advisors, broker/dealers and institutions. Through its diverse staff and innovative think-tank business model, the firm hopes to, “change the way risk and retirement strategies are managed for retail investors.” - Robbie Cannon

When you visit Horizon Investments’ website, the firm’s media exposure makes an immediate impression. Within the past few months alone, their Chief Economist Jeffrey Roach was quoted in *The Wall Street Journal*, *Bloomberg News* and *CNN Money*; Director of Equity Research Ron Saba was quoted in an *AP Market* story; and President of Fiduciary Services James Breen was quoted in an *InvestmentNews* piece about retirement. Not bad for an RIA firm in Charlotte, N.C., without the help of a PR firm. And yes, you read that right: a “Chief Economist,” “Director of Equity research,” and “President of Fiduciary Services.”

Clearly, Horizon is not your typical RIA.

But, Horizon Investments has been atypical since the beginning, when a marketing executive and an engineer who wanted to offer financial advice in their spare time launched the firm in 1995. Two years later, they caught the attention of Robbie Cannon, a recent graduate of Furman University who was working as an investment analyst.

After four years, the firm had 600 clients, but only \$6 million in AUM and wasn't financially viable — so the two hobbyist partners were going to shut Horizon down.

Instead, Cannon bought in and took over the firm. "I realized the investment markets were changing," he says. "The old fund families were giving way to supermarkets of mutual funds, making virtually all funds available to anyone. And computer technology combined with the Internet enabled us to create models that were impossible before. Suddenly, we were able to

trade between asset classes and sectors within traditional portfolios."

By the end of 1999, Cannon had increased the firm's AUM to \$41 million. Then came the dot.com crash, followed by 9/11. While those

downturns resulted in losing some clients, they also provided an opportunity for the firm to showcase their investment management strategy. "We went into 2002 with around \$30 million in assets," recalls Cannon, "but we had a really nice track record."

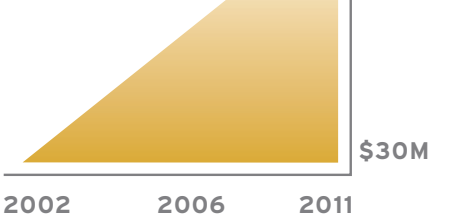
That year was full of ups and downs for Horizon: Their tactically managed portfolios were

out of the market for a major drop in July, but they weren't so fortunate when another market downturn occurred in the fall. "We got killed in October," says Cannon. "But it was the turning point for our firm. We lost confidence in a purely quantitative strategy and realized that we needed a much broader, multi-faceted view of the markets."

Over the next few years, Cannon enacted his plan to bring diversified opinions about the future of U.S. and global markets to Horizon by assembling a team of experts one would expect at a large institution, not an independent RIA. For their Senior Investment Strategist, he brought in William Breen, Ph.D., professor emeritus of finance at the Kellogg Graduate School of Management at Northwestern University. Jeffery Roach, Ph.D., left a position as senior economist at Bank of America to become Horizon's Chief Economist. And as Director of Retirement Research, Cannon brought in T. Daniel Coggin, Ph.D., whose 30-year career included serving as Director of Research and a management committee member of the \$40 billion Virginia Retirement System, as well as work on the editorial boards of *The Journal of Portfolio Management* and *The Journal of Investing*.

GROWTH IN ASSETS
SINCE AFFILIATION
WITH TRUST:

1000+%



James Breen and Scott Ladner rounded out Cannon's new team. Prior to serving as President of Horizon Fiduciary Services, Breen was a senior vice president at Atlanta-based pension consulting firm LCG Associates, where he serviced over \$10 billion in institutional client assets. Director of Alternative Strategies, Scott Ladner, had started and run a \$4 billion equity swap and forwards portfolios for First Union/Wachovia Bank, and he later managed the \$300 billion swap and cap/floor portion of their derivatives portfolio.

"We wanted to construct a think-tank model that creates a broad conversation about potential market risks and opportunities," says Cannon. "We're looking out to 2020, and asking,

"We wanted to construct a think-tank model that creates a broad conversation about potential market risks and opportunities."

ing, 'Where are we headed, and what should our strategy look like to take advantage of that?' Just because a model works today doesn't mean it will work tomorrow. We want to have a volatility trader talking to a quant talking to an economist to solve problems that everyone else is still wrestling with."

As Horizon's structure and perspective transformed, their clientele changed, too. The firm shifted away from retail clients into supporting outside advisors and institutions with portfolio management. Their insightful, customized

investment portfolios focus on reducing overall risk through hedging strategies tailored to fit the growth and/or income needs of each client — achieving a level of sophistication you just don't see in retail portfolios.

"There are many genres in the institutional risk management space that ordinary investors don't have access to," explains Cannon. "We've found ways for smaller portfolios to embrace these opportunities. For instance, the problem with most so-called portfolio insurance is that it's still tied to the market. But, with the Principal Protection overlay in many of our portfolios, we use treasuries to create a hedge, so our investors know we seek to at least get their money back."

At a time when many RIAs are thinking about exit strategies, Horizon can also establish predictable revenue streams and still stay in equities to capture the growth their clients need.

The only downside to the firm's advanced approach is that managing such sophisticated, complex portfolios across thousands of smaller retail accounts can be a logistical nightmare. "We're the only ones who are doing this in an SMA environment," says Cannon. "To do

NUMBER OF
EMPLOYEES:

22

AUM PER
EMPLOYEE:

\$145.5M

it, we need a technology that can handle all the movements of our portfolio offerings, so we use Trust Company of America as our custodian. There's no other technology out there like Trust's. The platform has allowed us to innovate and put our solutions in the marketplace. Everyone else is still trying to solve the problems that Trust solved for me 10 years ago. It's that cutting edge."

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And it works.

By 2007, Horizon's institutional strategies had attracted \$171 million in AUM. Then the subprime markets began to meltdown, taking many of the world's economies with them. "During the boom years of the last decade, no one wanted to hear about managing risk," says Cannon. "Then, in 2008, we started getting calls from people asking, 'What was that Principal Protection thing?'"

By March 1 of this year, Horizon accumulated over \$3.2 billion in AUM. And perhaps the best part of the story is that by compiling a staff of financial think-tank gurus, the firm accomplishes everything with only 22 employees: a staggering \$145.5 million in AUM each.

ABOUT TRUST COMPANY OF AMERICA

Trust Company of America is the only independent RIA custodian offering fully integrated, real-time technology and back office services built exclusively for RIAs. Headquartered in Centennial, Colorado, Trust has been helping RIAs optimize their portfolios by improving the scale, efficiency and sophistication of their trading for over 20 years.

For more information, please call 800-955-7808 or visit www.trustamerica.com.

