

The Vector Group: Zero to \$1 Billion in Under Three Years

INTRODUCTION

Put the client first. Go the extra mile. Respect colleagues and partners. Embrace intellectual challenge. To some, such words are just slogans. To three seasoned Financial Advisors, the words comprised the building blocks for a group that manages more than \$500 million in-house and advises on more than \$1 billion in total client assets. David Sherrill, Michael Belsky and Chet Safian are the three lead partners of the Vector Group, a seven-person team that also includes two junior financial advisors and two client service associates.

What's truly amazing is that three years ago, the Vector Group didn't exist.

TEAM

THE VECTOR GROUP AT MORGAN STANLEY SMITH BARNEY

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Senior Portfolio Management Director

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Putting the Client First

“Each of us arrived here at different times and from different venues,” said David, the leader of the group. “Shortly after... I joined the firm from Wachovia... the sales manager here, Damon Gallagher, introduced us.”

That fortuitous introduction quickly evolved into a team that Morgan Stanley Smith Barney has named one of its select Featured Portfolio Managers, a designation reserved for the top Portfolio Managers (PMs) within the firm.

“It turned out that our investment philosophy, the outlook on the markets, the way we handled risk and client issues were very similar,” said Michael. “It didn’t take us long to realize we’d make a great team because even though our philosophies were similar, our expertise was very different and we complemented each other well.”

David’s specialty is portfolio strategy, with a focus on equities, and emerging markets. Michael is a fixed income specialist and knows U.S. equities well. Chet concentrates on risk assessment and sector analysis as well as client relations.

“One thing we all shared,” noted Chet, “and for me this was the most important element, is that we have a common understanding of what it meant to be successful in this business for the long term.”

“That was to trust each other, and to recognize that the most important people in this venture, which is often said but not always followed, are our

clients.” he continued. “Putting our clients first is something, in the long run, that is best for us because it has been our common experience in the past.”

INTELLECTUAL CHALLENGE, GOING THE EXTRA MILE

“To do that, we employ very independent thinking,” said David. “We use the firm’s resources extensively which are excellent, but we also employ independent research which we pay for ourselves.”

“We spend a lot of time doing our own analysis and employing a unique multi-asset approach,” he continued.

According to David, Morgan Stanley Smith Barney embraces the team approach wholeheartedly, and in fact views them as a model for team construction and development.

LISTENING TO THE CLIENTS

One thing that helps the group is its use of an Advisory Board, in this case, 15 individuals including clients, friends and outside professionals.

“We meet with them twice a year and review salient issues in the market as well as what we’re doing,” said Michael. “It’s a lot of work but not only do they give us feedback and advice on business expansion but on the client experience as well. For example, they told us we had a lousy brochure so we improved it. They have been invaluable in helping us grow our business.”



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—David Sherrill

THE BUSINESS OF PORTFOLIO MANAGEMENT

The Vector Group decided from the start to employ a direct way to invest as opposed to using intermediaries.

“A great example of that happened last year, right after the Japanese earthquake and nuclear disaster,” noted Chet. “If we were investing with an international money manager, we would have had to take money out and that would have taken awhile.”

“Instead the five of us met and in five minutes decided to sell Japan and buy South Korea,” he said.

“We use that story to demonstrate

our flexibility and the quickness with which we can move,” said Michael. “We are not bound by several different managers’ visions of the world.”

AN IN-HOUSE RESOURCE FOR OTHER FAs

“Another reason Morgan Stanley Smith Barney appreciates our work is that besides our own portfolio management clients, we serve other Financial

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—Michael Belsky



Advisors within the firm who want to go out and raise the assets but who prefer not to manage the money themselves,” explained Michael.

“This way, we keep the fees low to the client, and help the FA who can access us and get a flavor of what’s happening rather than going through layers of outside money managers.”

MUTUAL RESPECT

David, Michael and Chet all agree that they would not have achieved all they’ve achieved without excellent support throughout the firm, from compliance, the branch and the Managed Accounts Fixed Income desk.

“Mark Best and Banke Tung on the Corporate Bond side and King Wong on the Muni side have been especially helpful,” noted Michael. “These folks provide research, excellent color on markets, good execution. They are good partners and I don’t think too many people even know about this area.”

Michael says he also likes the Advisor’s Insight blog on the Morgan Stanley intranet. “I’ve written 40 different articles and have gotten ideas from our partners,” he says. “I used our pitch book as an example of how to construct one. Then I made it available to those who wanted to talk about it. That was a big hit.”

“Management at the branch level and the complex level have been very good to us,” added Chet, “providing us support when needed. Damon, our sales manager, has been more than a facilitator and Ben Firestein, the complex manager, has been very responsive to our needs.”

The mission statement for The Vector Group is a mere 12 words: “To make money work for the people who make the world work.” If total assets are the

measure of achievement, then this mission is a resounding success.

The Managed Accounts Fixed Income desk serves as a virtual team for many top-tier Financial Advisors who use the Portfolio Management and Consulting Group platforms.

“The team works hand in hand with the firm’s CGA, PM and PWM advisors, providing them with market color, trading levels and best execution so they can make more tactical and strategic decisions,” says Cynthia Ghaffari, Executive director and manager of the desk.



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—Chet Safian

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