the art of intelligent investing

Abner Herrman & Brock
asset management

Abner Herrman & Brock Asset Management

Abner Herrman & Brock (AHB) is an investment advisory firm specializing in managing customized, separately managed portfolios in large capitalization stocks and investment grade bonds. Founded in 1981, AHB is recognized for its high-quality investment management and outstanding client service.

"Knowledge and experience, resulting in understanding, is our greatest investment advantage. At AHB, we know why each stock or bond is in the portfolio, we know what we expect of its long-term performance and we know what changes are required to achieve our targeted investor return. We aren't depending on historical trends or faith that the market will deliver above-average returns. Instead, we seek to understand and assess future outcomes and leverage that understanding to achieve those returns. For over 30 years, that has made all the difference."

- Caryn Zweig, CEO, Senior Investment Manager

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What is the firm's investment philosophy?

We target above-average, risk-adjusted returns, recognizing that preservation of capital is an integral part of the investment process. We have employed this consistent investment philosophy and process since the firm's inception.

How is AHB's investment management approach different from your competitors?

We differ from our competitors in several critical ways. AHB manages Separately Managed Accounts (SMAs) to meet the needs of our high net worth individuals, families and institutional clients. We develop and deploy investment strategies that are unique to each client and offer a high degree of customization, including in asset allocation, duration, risk tolerance, social and impact directives, and management of tax realization timelines. Furthermore, AHB invests exclusively in individual stocks and bonds for its clients, as opposed to other firms that invest in mutual funds or ETFs. Importantly, we are disciplined, with loss targets and a continuous review of changing investment circumstances. Another differentiation that provides a competitive edge is our team-based approach, as opposed to one portfolio manager making the investment decisions. The team provides an edge that leverages its accumulated investment knowledge and experience across industries and throughout various market cycles.

What are the characteristics required to add a stock to the firm's buy list?

Our investment team focuses on fundamental analysis, with an emphasis on catalysts that will accelerate future earnings growth of a portfolio company. Our internal forecasts for earnings must be higher than consensus expectations as a threshold criterion. Coupled with that, valuation must be attractive on a relative basis to provide a minimum expected 20% return with a 10% estimate of downside risk. AHB speaks directly to the companies that we select for investment for client portfolios and does not rely on sell side analyst recommendations for investment decisions.

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How do you reduce risk in the equity portfolio?

Managing risk begins with mandating appropriate disciplines and controls. AHB maintains portfolio structures such that no one sector is more than 30%, no one industry is more than 20%, and no one investment is more than 5%. These parameters provide diversification to reduce the risk of an isolated event or security having a material negative impact on the portfolio. Our investment idea generation places an emphasis on high visibility in earnings and recurring revenue streams. The consistency of these attributes minimizes the impact of business cycles and stock price volatility. Finally, the investment process avoids companies that are significantly impacted by commodity pricing or cycles, such as steel, aluminum, paper, or fuel, as commodity price fluctuations result in excess stock price volatility.

Howard Abner, Caryn Zweig, Bryan DiDonato, Joshua Kuckley, Evan Kurzman

Are there any technical characteristics that you consider?

Although investment decisions are made on the fundamentals, we do overlay technical analysis to assist with the timing of purchase or sale and the scaling in and out of positions.

Tell us about the fixed income investment philosophy at AHB?

Both the municipal bond and taxable bond strategies are designed for income and preservation of capital. To achieve these objectives, the research team completes a fundamental credit analysis of each bond. Due diligence monitoring is ongoing until maturity to confirm that the credit quality is maintained for the entire holding period. If there is a change in the quality, the holding will be reviewed for potential sale. We also carefully manage duration through laddering, so we mitigate exogenous interest rate risk.

How can fixed income allocation be customized?

We understand that each client has different risk tolerances and income needs. Both taxable and municipal bond portfolios are customized by maturity date, maximum duration, minimum credit quality, and minimum coupon. Municipal bond portfolios are structured on a state-specific basis to maximize tax efficiency. Taxable bonds may be blended with municipals to provide the additional taxable income for clients to achieve the higher tax rates needed before municipal bonds are appropriate.

How do you reduce risk in fixed income portfolios?

Similar to equity portfolios, AHB fixed income portfolios are built upon carefully-designed risk parameters. Taxable bond portfolios are exclusively invested in investment grade bonds (BBB or higher). In addition to credit research, each issuer is subject to a fundamental research review to determine the long-term growth prospects and business risks for the issuer. Municipal bonds must have an underlying rating of “A-“ or higher. Analysis includes municipal funding balance trends, demographics, reliance on state funding and climate risk. The diversification discipline on all bond portfolios include no one economic sector greater than 35%, no one industry more than 20%, and no one issuer is more than 5% of the portfolio.

What is the first consideration for an investor when considering an SMA?

Asset allocation is an investor's most important decision. The balance in a portfolio among asset classes, more importantly between equities and fixed income, is the decision that most significantly impacts achieving long term goals. Risk tolerance is equally important to identify the appropriate segments of the equity and/or bond markets that match with a client’s comfort with both volatility and potential loss of principal.

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