

## A Capital Idea

Bob Francis - October 17, 2005

*No doubt about it: Mac McLain had to be with Rogers*

When Dale Rogers heard that Louis R. “Mac” McLain was planning to retire from Texas Wesleyan University, he knew right where McLain should be: The Rogers Companies.

“I knew it was a great cost to Texas Wesleyan when Mac retired, but when Craig (Rogers, Dale’s son and president of the firm) and I heard about that, we knew where he belonged and we brought him on as our chief investment officer here,” said Rogers chairman, founder and CEO of The Rogers Companies, parent company of Rogers Capital Management and Rogers & Associates, the pension consulting firm he founded in 1973.

McLain also was the perfect person to lead a new division of The Rogers Companies devoted to providing investment advice for small to medium-sized colleges and universities and non-profit organizations.

Rogers Capital Management is a Fort Worth company that administers 401(k) retirement plans, handles investment activities for pension managers, consults on pension plan design and manages payrolls.

The Institutional Consulting Group (ICG) formally began operating in August, said McLain, who is executive vice president and chief investment officer and managing director of the new division.

“This is a new market for the company, but we have a very solid reputation in investment consulting,” he said.

McLain also has a solid background advising medium-sized colleges and universities. Prior to joining RCM full time this spring, McLain was the chief investment officer for Fort Worth’s Texas Wesleyan University, where he was responsible for the school’s endowment and defined benefit plan funds.

“From a strategic perspective, I believe there is a demand for the types of services that we offer our clients,” McLain said. “At Texas Wesleyan, I saw that organizations with small-to-mid-size endowments were underserved by institutional investment consultants. Most organizations have chief investment officers, so they need help and will more than likely always need help. We believe there is a void in the marketplace for service organizations with varying sizes of endowments, especially those with endowments ranging from \$20 million to \$200 million,” said McLain.

Large schools such as Southern Methodist University have dedicated chief investment officers to handle their endowments and investments, said McLain.

“We’re targeting universities and colleges more the size of Texas Wesleyan and Stephen F. Austin,” he said.

Texas Wesleyan, for instance, has about \$500 million in endowments – gifts of property or cash that provide income for the university – while SMU and TCU have endowments closer to \$1 billion. Some investment firms, such as Mercer Investments, also offer colleges investment advice, but most aim at the larger colleges, said McLain.

Rogers said that McLain's expertise was one reason the company decided to start the new division.

"There are two things that differentiate us from others in the market," said Rogers. "One is that we have a professional of Mac's caliber to lead this division. We know him well; he has served as an economic consultant to RCM for the past 10 years. He has also been on the other side of the table, so he brings an insider's perspective and he understands the problems faced by endowment committees.

"The second advantage we have is that Rogers Capital Management and ICG in particular employ the Multifactor Risk Model. Its creators, Dr. Eugene F. Fama of the University of Chicago and Dr. Kenneth R. French of Dartmouth College, are financial economists. The model allows us to balance portfolios in a way that has never been possible before, allowing us to allocate assets to lower risk and enhance return. Mac is not only a chartered financial analyst, he is an expert in modern portfolio management theory."

McLain said he both taught and utilized the theories of Fama and French while he was at Texas Wesleyan.

"Over the past several years, the theory and the practice of investment management have advanced significantly," he explained. "Astute money managers have learned how to successfully apply the tools of modern portfolio theory in a variety of market settings, realizing that at its core, portfolio management is about identifying, measuring and managing risk and cost in the pursuit of targeted returns."

Nonprofits have a similar problem, said McLain. "They often need some way to make their financial situation more predictable and we aim to help them do that," he said.

Among the fee-only services provided by the ICG division are:

- Developing and/or reviewing a statement of investment policy that represents the strategic planning document for an endowment or foundation's portfolio.
- Performing asset allocation and spending-policy studies that will provide primary guidance for the structure of a portfolio.
- Conducting traditional and alternative manager searches and recommending those managers whom ICG believes will best fulfill the investment mandates required to achieve the objectives of a portfolio.
- Measuring and evaluating investment performance at the overall portfolio and individual investment manager levels.
- Educating trustees and investment committees on governance and contemporary investment management issues.
- Conducting quarterly trustee and investment committee meetings to review progress toward the attainment of portfolio objectives.

Rogers Capital Management has been growing in recent years. The company recently purchased the American Title building at 1330 Summit Ave. and expanded to more than 25 employees.

The company has also purchased and installed several computer systems to help manage customer assets, said Rogers.

Rogers, along with his son, Craig, executive vice president and chief investment officer for RCM, recently authored a book, *How to Build, Protect and Maintain Your 401(k) Plan*, for Marketplace Books that has been well-received in the investment community.

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