

Berk Advisory's Value-Aligned Investing

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Greg Milano's Fortuna Reinvents Value Based Management (VBM)

Last night I spent almost 3 engaging hours with some of the most important independent financial consultants with value based management experience.

Greg Milano, my old (not so old, he's aged very well) boss at Stern Stewart, invited a group of his ex-colleagues for a peer review of the technology, the intellectual capital and business plan for his new strategic consulting firm called [Fortuna Advisers](#). This is 3rd generation Value-Based consulting aimed at helping companies understand market under- and over- valuation, and then tell them what to do about it. **And they love economically profitable growth!**

It's long overdue and I would advise any C level executive contemplating how to move forward after the Great Recession to contact these guys; They emphasize growth and have solved the problems of EVA and other VBM systems concerning the perception and implied incentives against growth embedded in those more complicated measures. These guys believe growth is good!

Steve O'Byrne of [Shareholder Value Advisors](#), author of the definitive corporate managers' guide to [EVA and Value Based Management](#) principles and implementation was there, and so was John Ballow, formerly of Accenture and Stern Stewart now working with other Stern Stewart Alumni. Jim Singer formerly at Accenture and Stern Stewart & Co., now at Morgan Stanley Investment Banking attended, and, last but not least, our very own partner from [Hodak Value Advisors](#), expert on corporate governance and professor at NYU, Marc Hodak. (read his blog [here](#))

Greg, of course, is no light weight in the VBM/EVA consulting world. Most recently, he was a Managing Director of Credit Susie, Co-Head of the Investment Banking Department's Strategic Finance Group in the Americas and Head of Buyside Insights Group in the Americas, which provided the Bank's clients with strategic insights using [HOLT, a proprietary value-based framework](#).

Greg spent 11 years at [Stern Stewart & Co.](#), where he most recently was a partner and president of the North America Division. But like Steve O'Byrne, Marc Hodak, John Ballow and Jim Singer, Greg developed much of the new technology that has allowed corporate America to transform into better governed firms, more aligned with the interests of their shareholders - he helps CEO's and boards create Value-Aligned companies.

Charles Honey and I started Rapidan Capital (and Berk Advisory) almost 7 years ago by asking one simple question: Does a stock selection strategy based on companies that adopt a Value-Based Management ("VBM") program such as Economic Value Added ("EVA") produce superior risk-adjusted returns?

Our philosophy holds that a public commitment to VBM by a management team who has been **unwilling, unmotivated or unable** to address issues that are within its control, triggers tactical and strategic changes that increase shareholder value. In a EVA Portfolio Study ([Download EVA Portfolio Study](#)) we tested whether a portfolio of VBM adopters who publicly commit outperform popular benchmarks like the S&P 500, NASDAQ and Russell 2000. Suffice it to say that they did by a lot.

There's a problem though. In 2002 the number of companies willing to commit to a VBM program was down to only 77 companies. The largest increase in companies added to our EVA portfolio was 17 in 1994. It's been declining ever since.

Good luck Greg and team - we are counting on you to advise companies on how to grow profitably for years to come. **And make sure they let investors know that they are adopting a new decision-making framework - that's usually the time to BUY, even as other traditional investors over-react to historical or short-term results.**

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Value Investing using Economic Value Added (EVA®) The Economy, Incentives, Economic Profit, Capital Efficiency & Competitiveness

David Berkowitz: Value Investor, Long/Short Hedge Fund Manager & Founder of an Investment Management Company that manages portfolios of stocks for individuals and their families. His goal is to make building wealth in the stock market accessible to individuals and families using an investment strategy & vehicles like hedge funds and separately managed accounts that used to be only for the super rich.

His Value-Aligned™ Strategy is focused on buying companies that use a Value-Based Management (VBM) management system. Its Value Investing using EVA to judge whether companies are managing for the benefit of shareholders. Other value investors use EVA to evaluate corporate performance and for valuation...none systematically target companies that use the EVA system. Value-Aligned companies either already use EVA or are in process of adopting a similar Value-Based Management (VBM) system.

As a corporate finance consultant at Stern Stewart & Co in charge of N. American EVA implementations, he specialized in advising companies on shareholder value issues. He also designed and conducted corporate finance education and EVA training for over 6,500 financial and line managers, and corporate boards. As Chief Financial Officer and Head Trader for Woodward & Associates, a New York based hedge fund, he was responsible for analytical systems, performance reporting, portfolio and regulatory accounting, trading strategies and analysis, and tax plans for taxable clients.

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