

Advisor wishes upon a Morningstar rating

Tiny Cush Capital gets a four-star rating

BY JAMES DORN BROOK | STAFF WRITER

Cush Capital Management is small and relatively new to the market, but it has something in common with American Century Investments: a four-star rating from Morningstar in the Large Cap Value category.

Vern Cushenbery founded Overland Park-based Cush Capital in October 2007, when the Dow Jones industrial average was at 14,000. Cushenbery said that the three years that followed were the most stressful of his life but that the recession turned out to be a blessing.

"It's given us the opportunity to shine, relative to our peers," he said. "In a bear market, our Large Cap Value strategy put more focus on the downside risk. It really stood out."

The strategy is simple: Find investments in core markets where a company's underlying book value is higher than the price at which the stock is trading. So, for example, if a company that has a liquidation value of \$13 a share but is trading at \$10 a share, it has less downside risk.

Steve Farrell, a Cush client from Overland Park, said he was drawn to the value-oriented investment philosophy and appreciates the level of service Cush provides.

"They really strive to deliver constant communication and consistent customer service," Farrell said. "Most new holdings, he writes up in the newsletter and adds the rationale for why. It's just a very comfortable relationship."

Cush Capital has only \$14 million in assets under management, but Cushenbery said he hopes to parlay the national renown that comes with a four-star rating into significant growth. He said the plan all along was to let a strong investment strategy be the marketing that attracts new investors.

"Now three years in, we're at an inflection point where we're starting to become attractive to wholesalers and other advisers nationwide who could potentially select Cush Capital, just as they could select Fidelity, American Century or other big portfolio management platforms," Cushenbery said. "This four-star rating gives us an opportunity to really capitalize on this channel."

When choosing a platform, it's important not to rely on the ratings alone, said Stuart Speer, a certified financial planner for Waddell & Reed Financial Inc. and a professor of finance at Park University.

"The question is: Do you want one where the party is over or one where the party is just begin-



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Vern Cushenbery, owner and portfolio manager for Cush Capital Management LLC, says that even though the firm started in late 2007 — on the cusp of the Great Recession — the bear market has "given us the opportunity to shine, relative to our peers."

ning?" Speer said. "So you need to be sure that your four-star isn't on the way down from five stars, which would be a good indication to stay away."

Financial advisers typically want to stick with fund managers that are in the top of their category, so having a high rating surely attracts interest, said Ryan Poage, president of Kansas City-based Ryan Poage & Co. However, the discussion about which investment to make at any given time in the investment cycle also includes whether you want to be in that particular asset category.

"That category could do very well for a while, but over time, it may hit a cycle where it doesn't," Poage said. "This being a fund with a strong three-year cycle could be viewed favorably since the market trends tend to still be fresh."

Cushenbery said he thinks his strategy will stay solid in the long run. It's designed using best practices he compiled when he did investment consulting work for Demarche & Associates, where it was his job to interview portfolio managers and make recommendations. It's targeted to clients age 50 to 65 who are primarily motivated to protect and preserve capital but still need a bit of upside. Cush-

CUSH LARGE CAP VALUE

The strategy of Cush Capital Management LLC's core platform is long term and has three main parts:

- To target businesses with long-term sustainable competitive advantages and avoid high turnover with investments.
- To recognize and evaluate the intrinsic value of the business behind the stock to ensure long-term success.
- To recognize that investing in solid companies with sustainable competitive advantages that are trading at a discount requires acting with conviction.

SOURCE: www.cushcapital.com

enbery has his portfolio in the strategy.

"As risk tolerances change, we take the core product and mix it with varying levels of fixed-income and dividend-paying stocks," Cushenbery said. "We can slant it toward safer and safer investments, so it's scalable to fit each individual client's needs."