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Rendering: 44-acre former Beckman site to see construction begin in earnest this week, $130 million, eight-building project

No Land, No Problem For Developer Western Realco

$40M in Buys Kick Off 1-Million-SF Beckman Project

By MARK MUELLER

Western Realco isn't the only game in town right now when it comes to industrial development in Orange County.

But it's close.

The Newport Beach-based developer, one of the most active builders of industrial properties in OC since the last recession, is breaking ground this month on its largest-ever local project, a multibuilding business park on land in Fullerton that previously held the headquarters of **Beckman Coulter Inc.**

The 44-acre site, vacant except for one midsized office that will be redeveloped, is being turned into an eight-building project of just under 1-million-square-feet.

It's the largest industrial project in OC to start in about four years, and comes at

Western 53

With Partner H.I.G., Trace3 Could Go Big

TECHNOLOGY: 'Very deep pockets ... a very good thing'

By CHRIS CASACCHIA

Beecher: Trace3 CEO may 'look at [new] markets … even competitors' with H.I.G. on board

Irvine IT services provider **Trace3** could change its long-held growth strategy under the financial muscle of new private equity owner **H.I.G. Capital**.

"We have the ability to look at various markets and groups and even competitors if we want to do that," Chief Executive **Tyler Beecher** said. "It just makes us a lot stronger if we do view someone that we're interested in."

Trace3, launched in 2002 by entrepreneur **Hayes Drumwright** with $100 in his pocket, has zoomed past $500 million in sales without an acquisition. The value-added reseller has relied on a network of technology consultants that sell goods and services to businesses in its ascension to one of the

Trace3 53

Canterbury Tries to Reallocate Expectations

FINANCE: Advisory says endowments reporting good FY '17

By PETER J. BRENNAN

Chowdhury: advice-only allows 'complete independence'

It was a good fiscal year for the endowments of many charities.

They're reporting returns of 12% to 14% for the 12-month period that ended in June, according to **Debashis Chowdhury**, president of **Canterbury Consulting Inc.**, a Newport Beach firm that advises many endowments.

Still, the charities aren't popping champagne bottles and expanding their budgets. That's because in prior fiscal years, many reported returns that declined 1% to 4%, he said.

"People are aware that market values are at all-time highs," Chowdhury said. "It hasn't led to euphoria and irrational decision making that you saw in prior economic cycles, which is a good thing."

Canterbury 54

Mapping Technology Firm Moving Irvine HQ to URP

REAL ESTATE: Digital Map move follows VC funding, buy

By MARK MUELLER

The latest technology tenant that **Irvine Co.** has landed to replace **Broadcom Ltd.** at University Research Park shouldn't need help with directions to its new headquarters.

The Newport Beach-based office owner said it signed Irvine-based **Digital Map Products Inc.** to a 22,000-square-foot lease at University Research Park, the 185-acre park next to the **University of California-Irvine** whose largest tenant, chipmaker

Digital Map 43

Renovations: rendering of upgrades planned at current Broadcom campus

MAIL TO:

Canterbury

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Canterbury Consulting itself is on a streak when its assets under advisement have doubled to $17.5 billion since 2008. The firm, which has an office at Fashion Island near bond giant **Pacific Investment Management Co.** and insurance giant **Pacific Life**, provides advice to charities and wealthy families on where to invest their money.

Clients include well-known endowments like the **San Diego Museum of Art**, the **Roman Catholic Diocese of Orange** and the **Arnold & Mabel Beckman Foundation**.

"Canterbury is clearly acknowledged as one of the leaders in their field, particularly for not-for-profit performing arts groups," said **Terry Dwyer**, president of the **Segerstrom Center for the Arts**, which has $62 million in assets.

"They provide an exceptional level of consulting. They have a rigorous investment process that our investment committee is comfortable with."

Focus on Investments

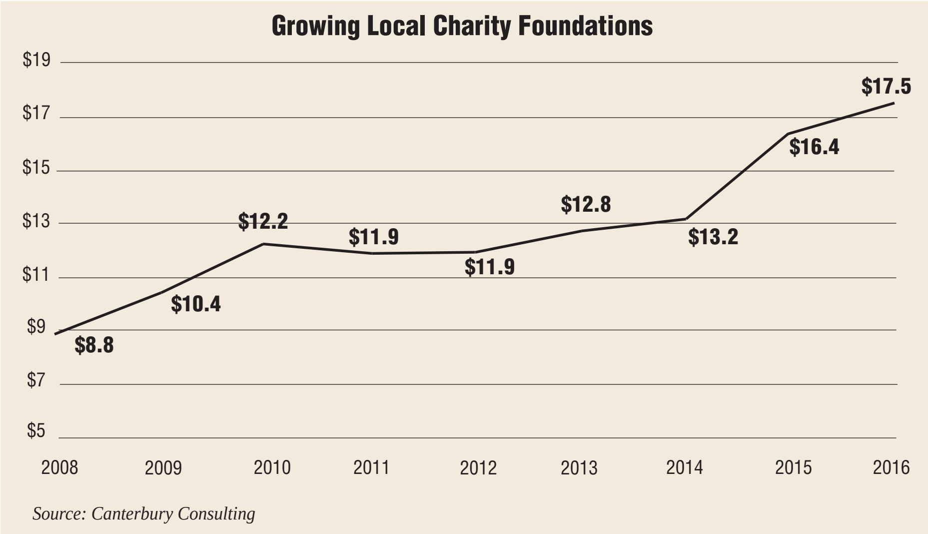
Canterbury was founded in 1988 by **Bob Cluck**, **Al Beimfohr**, **Ken Krueger** and **Garth Flint**. Cluck remains chairman, while Krueger left last year and is now on the board of directors at **Terra Tech Corp.**, a cannabis-focused agriculture company. Beimfohr died in 2012. Flint, with his daughter **Shannon Eusey** in 2002 formed **Beacon Pointe Advisors**, a Newport Beach-based wealth manager that now manages $9 billion in assets.

The firm has 56 employees altogether, 16 of whom are owners.

Cluck, co-author of "Asset Management for Endowments & Foundations," serves as treasurer for the **United Cerebral Palsy Foundation of Orange County** and as chairman of the investment committee at the **University of California-Irvine Foundation**.

Canterbury's clients, which range from $10 million to $1 billion in assets, hire the firm because they may not have the in-house experience to find good investments, manage portfolios or know when to shift asset allocation, Chowdhury said.

"Our tagline is we focus on your investments so you can focus on your mission," he said.



Assets under steerage doubled since 2008; clients include O'Melveny & Meyers, Segerstrom Center

Chowdhury, who has been with the firm for 15 years, is on the boards of the **Child Abuse Prevention Center of Orange County** and the **Mission Hospital Foundation**. Canterbury has also benefitted when board members of hospitals and museums see its work and transfer their family wealth to the firm, he said.

$17.5B Attention Getter

The firm prides itself on providing only investment advice while other financial firms may offer their own products, like mutual funds, a practice that creates conflicts of interest, Chowdhury said.

"One of our unique features is being completely independent. "There is full transparency on what you own, what things cost and why we would recommend anything to the client. Those three features are not something consistently we hear from our clients when dealing with other firms."

Canterbury's fee is generally about 20 to 50 basis points of the typical 1% annual fee charged to manage an endowment or family office fund, he said.

It allocates $17.5 billion into about 100 different firms all over the world. Among its recipients are **Robeco Group**'s **Boston Partners**, **Diamond Hill Capital Management Inc.** of Ohio, **Dodge & Cox** of San Francisco, **Aberdeen Asset Management PLC** of Scotland, and **Capital Group** and **TCW Group Inc.**'s **Metwest**, both of Los Angeles.

"We're more than large enough to get the attention of virtually every investment manager in the world," Chowdhury said. "Most investment managers love our types of clients. Family office and foundation clients are the good, high-quality, sticky type."

Then there is neighbor PIMCO; Canterbury has about 6% of its assets there, about $1 billion. That percentage is "considerably less" than five years ago, as Canterbury has diversified away from bonds due to concerns about rising interest rates, Chowdhury said.

Follow the Talent

In his role as president, Chowdhury oversees the firm's strategy, consulting, investment research and business development.

When he's looking for a portfolio manager, he wants to see performance of three to five years or more in all types of environments, such as an oil shock or a credit crisis. He particularly keeps his eye on talented portfolio managers who can move from firm to firm.

"We tend to follow the talent, figuratively and literally. If the talent moves, chances are we recommend the clients move their capital with them."

He is cautious about trends, such as passive investments that have lower fees and have beaten active managers.

"When someone says active management is dead, it's not. It had a tough go for a long time, particularly if you were a large-cap equity manager."

He said about 90% of active managers have beaten passive indexes in the first six months this year. It's why he recommends passive investments for large-cap U.S. stocks and active managers for other investments, like bonds, small cap and emerging markets.

Allocation Strategy

He recommends allocating 50% to 70% to equities, 15% to 30% to fixed income, and zero to 20% to private equity.

Since U.S. stocks have climbed so much in recent years and are trading at multiples higher than normal, Chowdhury advises cutting U.S. stocks from as high as 80% to about 55% of an equity sector, and boosting stocks in other developed nations to around 30% and emerging stocks to around 15%.

"We have become wary about these historically high valuations" in the U.S., he said. "That led us to allocate to the rest of the world, which if nothing else, is trading at much lower valuations."

He suggests bond holdings be one-third core U.S., one-third global, and one-third "opportunistic" sectors, like mortgage-backed securities, high-yield bonds and bank loans.

He is cautious about private equity because there has been "a herd" stampeding into this sector in search of higher returns.

Challenging Conversations

A difficult discussion is to temper expectations of clients who are accustomed to annual growth near 10% and instead should plan for around 6.5%, he said.

"The days of getting to that 8% to 10% return scenario are academically difficult to pencil," he said. "It leads to very challenging conversations with clients."

For now, the solid fiscal 2017 returns haven't made clients euphoric because they realize the returns may not last, Chowdhury said.

"People aren't doing stupid things. They're not indiscriminately buying assets and levering things up. Behaviorally, things are much better than the euphoria of 2006-07 or the late 1990s." ■

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