

ClearRock Capital

After spending more than a combined 55 years at well-established brokerage firms, Mark Eshman and James Everitt founded ClearRock Capital in 2007 to bring focus back to addressing client needs. Currently with a team managing more than \$300 million in assets for clients across the United States, ClearRock's culture is committed to helping their clients become more intelligent investors by providing them with a transparent, articulate and process-driven investment experience. Based in Sun Valley, Idaho, ClearRock's boutique wealth management practice has grown to include additional offices in the Pacific Northwest and Northern California.

An interview with Mark Eshman and James Everitt



Mark Eshman



James Everitt

Q: Please describe your services.

James Everitt: ClearRock is an investment advisory boutique. We provide our clients with a broad and globally diversified suite of investment strategies. While our clients are primarily high-net-worth investors, we also serve corporations, foundations and endowments as well as wealth management professionals by providing them with our value-added investment management services.

Q: Both of you previously enjoyed success at established brokerage firms. Why leave to start ClearRock?

Mark Eshman: While we both have spent a significant portion of our investment careers at large brokerage firms—which is where we met—times were changing. We began to notice that the brokerage firm/client relationship had become fraught with conflicts of interest. As a result, we felt firms were focusing more on company products and platforms rather than what was best for the client. When we founded ClearRock, our philosophy was the same as it is today: each of our clients is at the center of everything we do.

JE: The bottom line is that we started ClearRock because we believed that our clients deserved a better value proposition.

Q: What is ClearRock's investment philosophy?

JE: We have three core beliefs that are both easy to articulate and understand. First of all, diversification is the most important risk management tool. Global asset allocation through broad diversification drives return and better manages risk. Second, an indexed approach—using exchange traded funds or ETFs—is a superior method of preserving and growing wealth. And third, a well-researched, tactically managed and risk-adjusted

global ETF portfolio presents a great investment solution for most investors.

Q: Please describe your ETF Model Portfolios.

ME: We have four ETF Model Portfolios—each one designed to meet a client's risk tolerance. The portfolios are Conservative, Moderate, Aggressive and Global Growth, which consists of a larger non-US allocation and minimal fixed income exposure. Each of our portfolios is broadly diversified to weather volatility and market fluctuations. Consequently, our models are not dependent on any one economic or financial market outcome in order to ensure investment success.

Q: How would you describe your research process?

ME: Our process is disciplined, transparent and simple to explain. As chief investment officer, I oversee our weekly investment committee meetings where we assess and weight 20 pieces of relevant macroeconomic data from around the world through our ClearRock Dashboard®. Second, we score each data point on its impact on each component of our portfolio. Third, we “size and test,” which means that we determine the size of each piece of the Models' pie in relation to the other slices and to the pie as a whole. We then stress-test the portfolio against various historical time periods that replicate the current environment as well as what we believe the next economic and market environment may look like. Finally, we rebalance our portfolios twice a year. Most studies have concluded that rebalancing adds at least 50 basis points a year to performance. But just as important, rebalancing triggers the critical discipline of buying low and selling high.

Q: Why do you choose to invest with ETFs?

ME: ETFs provide us with a very diverse, low-cost and tax-efficient way to access an asset class, sector and geography. ETFs provide instant diversification just like an index fund, yet can be bought and sold like a stock. We use ETFs in many different ways. For example, rather than choosing one stock for complete exposure to any one sector, we invest in an ETF giving us that exact same sector exposure. By doing so, we gain breadth of sector diversity, and therefore reduce risk. ETFs are also completely transparent, so that every day, we can see exactly what holdings make up that ETF. This transparency is a huge differentiator from mutual funds, most of which disclose their holdings no more than twice a year.

JE: We are also very committed to providing excellent value for our clients, which is another key reason we utilize ETFs. They provide access to beta, which is the market return of an index. Therefore, we see no need to charge our clients higher fees to use active managers or active mutual funds as numerous studies continue to show that most active managers do not outperform the index they are paid so well to exceed.

Q: How have iShares ETFs helped you grow your practice?

JE: iShares is a remarkable organization that has been a true partner to our practice. iShares is the world's largest provider of ETFs, so they have the breadth of offerings and the depth of resources to help us make informed investment decisions. Through their additional ETF expertise and education, they've been invaluable and instrumental in helping us best position ourselves as ETF innovators and industry leaders.

Q: What are your firm's greatest strengths?

JE: First and foremost, our team is our greatest strength. In my past role as a branch manager, I've learned that if you don't have the right people in the right roles, you're not going to be able to deliver a best-in-class experience for clients. Our team approach better serves our clients by offering a collaborative solution providing a range of unique perspectives and insights. Whether drafting an investment policy for a foundation, or creating a proposal for a new 401(k) plan, our team approach always results in better client outcomes.

ME: Our strength truly is our united team focus to ensure every client experience is optimal, and I'll share an example. While we provide our clients with the opportunity to leave us a voicemail after hours, we do everything in our power to ensure that they speak to us directly when they call during business hours. Our customer service experience is predicated on being responsive to their requests while also anticipating their needs.

Q: How does ClearRock work with foundations, endowments and corporations?

ME: Our role of advising foundations and endowments and managing corporate retirement plans currently makes up a sizable portion of our asset base and still continues to grow. We generally serve as subject matter experts by advising the investment

committees or the plan participants about how to best balance their investment allocations to minimize the risk. We also provide expertise to these organizations by helping them create a sustainable investment policy statement, also known as an IPS. The IPS is critical in helping them fulfill their fiduciary responsibility to provide a suitable, diversified investment process.

JE: Also, every year for the last decade, we have hosted educational conferences for foundations and endowments where we bring in thought leaders to discuss best practices in governance, development and investment policy.

Q: What do you find most challenging about today's investment landscape?

ME: Without question, it's the volatility of the markets. In the 50-plus years we've been in this business, we've never witnessed this type of day-to-day volatility. Our view is that this volatility is here to stay, and while none of us likes to see our portfolios rise and then drop in value, the reality of investing has always shown us that nothing goes in a straight line. ClearRock's systematic and disciplined investment process explicitly focuses on risk management to better navigate through choppy waters.

JE: We all take our role very seriously to help our clients through these turbulent markets. Our experience and expertise has been instrumental in better understanding what our clients are feeling, though they may not be putting it into words.

Q: How do you explain why someone should do business with you?

ME: Our differentiator is our core belief that clients deserve a better value proposition. Our ClearRock culture provides a level of optimal client service that is unmatched in the investment industry. We provide a straightforward, high-touch investment advisory relationship free of conflicts, complexity and hidden costs.

Q: What is your favorite quote?

JE: "The journey of a thousand miles begins with a single step."
Confucius

ME: "I'd put it all in a low cost index fund...and get back to work."
Warren Buffett