11 APR 2023 Jennifer Grybowski

Breckinridge sets out equity dividend expansion

Fixed income shop will bring its credit focus to equities investing

This article relates to:

Active Boston Equity Fixed Income Large-Cap Launches Managers North America (continent)

Credit specialist Breckinridge Capital Advisors is moving into equities as the firm looks to leverage its existing capabilities in the new asset class.

The $42bn Boston-based firm has rolled out two dividend equities SMAs, the High Quality Dividend Strategy and the Sustainable High Quality Dividend Strategy, both of which use the firm's corporate credit ratings system to make security selection decisions.

The firm currently offers 40 fixed income strategies, 14 of them of which are sustainable. Within fixed income, the approach is *to evaluate* the fundamental credit worthiness of both municipal and corporate credit issuers in the United States, with a focus on investment grade quality.

"That really stems from our belief that investments in companies with strong balance sheets are ultimately designed to help mitigate that downside risk and give investors a peace of mind as it relates to reliability of the interest payments that they get," CIO Ognjen Sosa said.

Some of that framework's core tenets, including downside volatility mitigation and reliable income, are ones the firm thought would translate well into certain equities strategies.

"There is quite a bit of resemblance between how we think about credit quality and how an equity analyst would think about quality – a combination of profitability, reliability of earnings and some form of financial robustness," Sosa added.

The new funds will use fundamental bottom-up credit research to identify high quality, large cap companies with a strong record of paying dividends. Management will score each company on credit rating and then a variety of traditional equity factors such long-term sustainability and strength, and proven profitability.

The Sustainable High Quality Dividend Strategy uses the same approach while also emphasizing ESG factors to identify non-financial risks.

Breckinridge has fully integrated ESG considerations into its investment process for about a decade, noting for its non-sustainable strategies the approach is to ensure compensation for the risk is adequate.

“The firm generally believes that full integration and consideration of material, financial and financial risks is really core in understanding why potentially the market misunderstands or misprices certain securities,” Sosa said.

Josh Perez, director, corporate research, will manage the strategies with oversight from Sosa.

Breckinridge has not hired any equity-specific staff to support the move, instead looking to leverage its existing in-house capabilities.

Distribution for the firm’s book of business is primarily within the intermediary channel, specifically RIAs, wirehouses, IBD platforms and Tamps, as well as some institutional business.

As well as tapping these relationships for the new SMA rollouts, the firm is targeting older demographics with income needs in the private wealth space.

Future product dev

There are no plans to move into mutual funds or ETFs, although more SMAs will be forthcoming.

Increasing demand for liability-driven solutions and long duration government securities in the institutional market is a segment it doesn’t currently partake in but is interested in exploring.

Another area of development is within its ESG capabilities, offering additional customizations for clients who want exposure to specific subsets.

Previous Article
Marathon AM adds IR duo

Next Article
Nuveen muni chief to depart