

PROFILES *in Success*

BY ELLEN UZELAC

Super-Focused on Risk

HighTower Advisors' David Wisehaupt took his clients' discretionary assets out of the stock market well in advance of the collapse last fall.

DAVID WISEHAUPT USED TO joke that if he were cut, little bulls would run out — that's how loyal he was to Merrill Lynch, his longtime corporate home.

For 26 years, the 51-year-old Wisehaupt took on increasingly greater responsibilities at the firm, eventually managing discretionary portfolios for clients using his own proprietary investment methods. When Wisehaupt and his partner defected to HighTower

Advisors last December, Merrill Lynch executives had just told Wisehaupt that his risk-adjusted portfolio investment process had been approved for use by the firm's entire sales force. The rollout never happened.

"We hated to leave that on the table," he says. "It would have been nice if we could have built a relationship with many advisors around the country."

Wisehaupt, based in Palm Beach Gardens, Fla., is one of the high-profile breakaway brokers that industry upstart

SCOTT WISEMAN

HighTower Advisors has recruited in recent months from global investment firms burned in Wall Street's implosion.

"Clearly the wirehouse model had changed. It was being dismantled," observes Wisehaupt. When Bank of America acquired Merrill Lynch, Wisehaupt and partner Stella Kariofilis Bray began quietly shopping. "It was a great firm and a great culture for a lot of years," he says. "When we looked at all the major firms on the Street, we kept coming back to the same big worry: They had all basically changed control. We just didn't know what they would end up looking like. We didn't know what their value proposition would be. We didn't want to ask clients to make a big change only to take them to something that wasn't so good."

After an exhaustive search, Wisehaupt settled on HighTower, an advisor-owned financial services firm focused on the needs of the wealthy. Along the way, Wisehaupt and Bray considered opening their own company but opted not to after deciding it would take as long as two years to get it right. With HighTower, he said: "It was the one firm we found that had done it as closely to the way we would do it ourselves."

Today, Wisehaupt, who manages roughly \$125 million in assets for 150 households, is as focused as ever on his "go anywhere" portfolio methodology, which is centered on protection plus horsepower. Basically, Wisehaupt combines top-down and bottom-up methods to build risk-adjusted portfolios that can be invested in everything from equities and fixed income to currencies, short positions or other asset classes. A big believer in risk reduction techniques, Wisehaupt typically uses sell stops to protect capital.

His investment method came to Merrill's attention 12 years ago, when a manager took Wisehaupt to lunch and



David Wisehaupt

**MANAGING DIRECTOR & SENIOR PORTFOLIO MANAGER,
WISEHAUPT BRAY ASSET MANAGEMENT AT HIGHTOWER
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THE QUESTION THAT DRIVES HIM:

How do you make money in the market?

asked him: Why do your clients earn more than everyone else's clients? "I was dumbfounded," he said. "I didn't know where he was coming from. I thought everybody did that."

Notably, Wisehaupt took his clients' assets that were discretionary out of the stock market well in advance of the collapse last fall — an action that sets him apart from most of his peers, according to Kariofilis Bray, his partner for more than a decade.

"He understands not just the market in the U.S., but how things are affected globally. He truly is a student of the markets. It's something he eats, breathes and sleeps," she says. "When we see there's a danger in the market, we're not afraid to get out of the market. It's something that sets him apart from the rest of the industry. We've sat through countless sales meetings where you're told: Stay the course. Stay the course. Stay the course. But if you can step off the train for a few months while the market is down and miss that downside, when it's time

to get back in, you at least don't have to make up what's lost. This is a person who's super-focused on risk."

Wisehaupt, who grew up in Pennsylvania Dutch country, says he has known exactly what he wanted to do since age 12. He didn't know what to call it but he was interested in the idea of buying and selling things and trying to profit from it. An economics and finance major at Pennsylvania State University, he joined Merrill Lynch as a trainee on Aug. 16, 1982. "I used to joke that it took me one day to fill out the paperwork and the next day I got the bull market started," he adds. "It lasted 20 years."

Looking ahead, Wisehaupt and Bray are planning to grow their firm. "We have a very scalable model. We can manage 10 times the assets we're managing without an awful lot of staff additions," he notes. "Everywhere we go people who are not yet clients talk to us about becoming clients. When we tell them what we do, they say that's just what we're looking for. The opportunity today is enormous." **B**

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