

# GRAVITAS Focuses on Innovation

## *Brings Financial Solutions to Global Institutional Clients*

GRAVITAS Capital Advisors, LLC, a Washington, D.C.-based investment boutique, currently oversees about \$2 billion in various sovereign mandates. CIO and Principal Eric V. Guichard recently spoke about the solutions GRAVITAS provides to sovereigns and global institutional investors.

### **What makes GRAVITAS unique as a fund manager?**

Our firm's background reflects our focus. The firm is made of former staffers from the World Bank, central banks, and the U.S. government. From inception we have concentrated on providing investment solutions that meet our clients' return objectives.

Our view has been that current offerings poorly address the increasing need for above-average returns. In that vein, the firm has positioned itself as a structurer of investment portfolios most commonly used by institutional investors in the OECD, but rarely introduced to sovereign clients in the emerging markets.

One such example is the use of tailored multi-manager portfolios where risk-adjusted returns can be quite attractive and downside risk controlled. Another such example is the use of institutional mutual funds (or unit trusts) structured to achieve target returns while providing for liquidity. These investment approaches are much more flexible and rewarding than the traditional separate account mandates. Typically separate account mandates are saddled with inefficiently designed risk parameters.

### **Does GRAVITAS have a dedicated sovereign practice?**

Yes, we do. We have, in fact, two key areas of focus: Sovereign Solutions and Absolute Return Products. In the former, the firm offers innovative financial instruments to address problems most commonly faced by our sovereign governments. For instance, the Sovereign Debt Redemption Fund, Ltd (DRF) is an asset-liability management tool designed to address sovereign debt management issues and provide assistance in the repayment of those obligations at term. Similarly, the Public Pension Guarantee Fund (PGF) is designed to facilitate the transition from defined benefit to defined contribution plans by securing the benefits of current participants while enabling the introduction of needed reforms that will sustain the plans for future generations. Finally, we

are exploring the design of a Purchasing Power Parity Fund that will address issues of volatile currencies. In all cases, technical assistance is provided on a pro-bono basis. Both DRF and PGF are set up as separate organizations with their own board of advisors.

### **What does GRAVITAS offer in the absolute returns space?**

The focus is very different — it is purely about finding ways to generate absolute returns. Here our universe of clients extends to the wider institutional public. Our approach is to identify structural anomalies, test them for consistency, and then build investment funds around them. In that vein, we've put together the Early Stage Investment Fund (ESIF) based on the observation that a substantial percentage of a fund's aggregated historical performance occurs in the first phases of its existence. Along the same lines, we've put together the Global Opportunity Fund (GOF), which is primarily a globally distributed fund of private equity funds. Here, we are simply trying to fill a void.

### **How do you explain GRAVITAS' success, despite competition from larger firms for similar mandates?**

Well, I think we want to be conservative about what has been achieved to date. I do think, however, that we have done relatively well simply because we understand our clients and have aligned our interest with theirs. We think combining pro-bono assistance and education with primarily performance-based compensation is a winning proposition for our clients.

### **What does the future hold for GRAVITAS?**

We hope to continue to innovate in both areas of activity. We are currently working on some interesting ideas regarding sovereign capital access as well as some new offerings in the multi-strategy space.



Eric V. Guichard, CIO, and James L. Fleming, SIO

## GRAVITAS

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