Registered Rep.

The TEN To WATCH 2012

Expect these people to change your world in the next 12 months.

Illustrations by Johanna Goodman

Picking a *Registered Rep.* "Ten To Watch" list can be like diversifying a portfolio. Find some top wirehouse executives (large-cap equities), a few growing indie firms (small-caps), a money manager with new ideas (commodities), a government official with industry influence (munis), maybe someone from academia (cash). Okay, that may be stretching it but, the point, is, like selecting stocks, you want people with a good story to tell. Another similarity to investments: You expect interesting developments over the coming 12 months. (After all, we don't call the list the Ten We Remember Vaguely.)

So it is with this month's annual feature. Some of the names are easily recognized, others less so. Bill Gross, for instance, ought to jog a memory. The man is the Bond Market (writ large), and he is taking a bold position on U.S. Treasuries: He is bearish. How his bet fares will have major implications not just for bonds but for the global economy.

You'll find people on our list whose expertise will be challenged in the months to come. Greg Fleming, president of global wealth management over at Morgan Stanley, for example, will be charged with making a tough integration work in a tough environment. But he seems to have started on the right foot.

And don't be surprised if a name or two on this year's list is a bigger player a couple of years from now. Two years ago, we included Elizabeth Warren, chairwoman of the Congressional TARP Oversight Panel; she's since become one of the more controversial figures in Washington. Behind the scenes, she's quietly managed to assemble a formidable Consumer Financial Protection Bureau, a centerpiece of Dodd-Frank, even as her nomination to lead the bureau is being blocked by Republicans.

Of course, these prognostications cut both ways, too. A year ago we selected Denise Crawford, past NASAA president, who played a major role in helping to get state regulatory jurisdiction over mid-sized RIAs under Dodd-Frank and expected to continue to work with RIAs on that process. She promptly announced her retirement a few months after our issue went to press. Perhaps that's another similarity between Ten to Watch and investment picks for portfolios: Past performance doesn't guarantee future results.

Age: 52

Position: CEO, Richard Bernstein Advisors

Location: New York

Education: B.A. Hamilton College; MBA New York University

Richard Bernstein
The Contrarian

Richard Bernstein is shunning emerging markets and focusing on U.S. stocks. It is the kind of contrarian call that advisors have come to expect from Bernstein, a former Merrill Lynch chief investment strategist. Most of the forecasts have proved on target. In the late 1990s, he told Merrill advisors to emphasize unloved energy stocks and be wary of high-priced technology names. During the housing boom of the past decade, he avoided homebuilding stocks.

Bernstein left Merrill Lynch in 2009. In October 2010, he resurfaced as the portfolio manager of Eaton Vance Richard Bernstein Multi-Market Equity Strategy (ERBAX), a mutual fund that follows his contrarian style. The young fund has already attracted $470 million in assets, with much of the money coming from Merrill Lynch financial advisors, who have not forgotten Bernstein's enviable track record.

The fund picks equities from around the world. Bernstein makes top-down calls, emphasizing unloved countries and sectors. Bernstein jokes that his investing style is patterned after the approach taken by Mafia loan sharks. The gangsters find desperate borrowers and charge them high fees. In a similar manner, Bernstein looks for industries that are starved for capital. Such unloved sectors often produce the best 10-year returns, he says.

Bernstein is avoiding emerging markets because they are too popular with investors. "In 1998, emerging markets were starved for capital," he says. "People thought emerging markets were way too risky. Now people think emerging markets can do no wrong, and the emerging markets have so much capital they don't know what to do with it."

Many stocks are failing to meet earnings expectations. In addition, inflation is climbing, and many central banks are raising interest rates.

Bernstein benchmarks his allocations against the MSCI All Country World Index. Recently he had only 1 percent of assets in emerging markets, compared to 14 percent for the benchmark. He had 66 percent in the U.S., compared to 43 percent for the index. He is particularly bullish about the outlook for small U.S. stocks. With banks reluctant to lend, small companies have been hard-pressed to raise capital. That should set the stage for a boom in small stocks, he says. ***—Stan Luxenberg***

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