

Focus on the Manager

John Geissinger: Chief Investment Officer

As Chief Investment Officer of Bear Stearns Asset Management (BSAM), John

Geissinger is responsible for a staff of 30 portfolio managers, research analysts and trading desk personnel. "I see my role as one of coaching and broad oversight," he says. "In order for our portfolio managers to be successful, I need to make sure they have the support infrastructure, analytical tools and creative freedom to help them do what they do best—manage money."

It's a big responsibility. So how does one become CIO of a leading asset management firm? "I wasn't

one of those kids who always knew he wanted to be a portfolio manager," he says.

Growing up, John had a natural love of math, but didn't see himself becoming a mathematician. As he headed for college, he assumed he would become a doctor, like his father. "When I finally got away from home, however, I realized that being a doctor wasn't what I really wanted to do," he says, adding, "and quite frankly, I didn't do too well with the sight of blood." After taking his freshman

requirement for microeconomics, John was hooked. "The more I began to study it, the more I enjoyed being able to use mathematical techniques to help explain economic principles."

After college, John's proficiency in math and interest in economic modeling led him to pursue a masters in business administration in statistics at NYU's Stern School of Business.



John Geissinger

While in business school, John's interests flowed naturally to actuarial science, which led him to his first job out of

business school, as an actuary with Aetna Life & Casualty. He quickly realized he was more interested in the investment side of the business, however, and joined the firm's quantitative research group as an analyst.

Within a year, John was promoted to director of quantitative fixed income research at Aetna. As it turned out, he was in the right place at the right time to develop

his modeling skills to their fullest potential. "The early '80s was a revolutionary time for fixed income in terms of the availability of new quantitative techniques to analyze securities," John explains. "These techniques created an explosion of new types of fixed income instruments such as mortgage backed

securities, which has grown into a \$3 trillion plus market today."

While at Aetna, John developed a model that related the speed at which homeowners prepay their mortgages to the general level of interest rates. It was a cutting edge development. "We ran this and our other models on the third-largest IBM mainframe installation in the country, after the National Weather Service and the Department of Defense," he says. "This gives you an idea of the extent of the mathematical techniques and computational power we were using." John credits this intensive hands-on experience for giving him a strong foundation for analyzing fixed income securities and portfolio structure—skills he has used throughout his career.

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Today, as CIO of BSAM, John oversees the management of more than \$24 billion in assets. He explains that every investment

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product BSAM offers has at its foundation a strong consideration for value. "Even our growth products have a strong value component to them," explains John. Why the focus on value? "If you are consistently overpaying for securities, you'll lose money over time, but when you buy value, time is on your side," he says.

John's 21 years in the investment management business have led him to conclude that opportunities for finding undervalued securities develop as you move down through the markets—to the level of individual stocks and bonds. "Most investors assume when talking to portfolio managers that they spend a lot of time trying to predict changes in the economy or in interest rates," he says. "Our approach is somewhat different in that, while we are concerned about those things, we spend most of our effort where we'll be able to add the most value—in security selection."

"We believe the more macro you become in terms of your

decision-making process, the less likely you'll be able to consistently add value," says John.

Examples of macro-level decisions might include trying to guess the direction of interest rates or trying to gauge whether stocks will outperform cash over the next 30 to 60 days. "Those are fairly efficient markets," explains John.

"You're not going to be able to generate consistent, above-average returns by focusing on those kinds of decisions."

When asked what it takes to keep more than \$24 billion in assets headed in the right direction, John likens his responsibilities to those of skippering a sailboat through a race. It's an analogy he knows well, having grown up racing sailboats with his family in Delaware. Today, John sees a number of parallels between his approach to the sport and his role as CIO. "To win a sailing race, teamwork is essential," he says. "Everybody onboard the boat has a job—from the skipper to the mainsail trimmer, and from the tactician to the people changing sails in the cockpit," he

explains. "To get your boat around the course, all these people need to be doing their jobs at the right time in the right way. When you have good coordination and good crew work, it's amazing how much faster you go, and how many boats you can beat."

It's a similar story here at BSAM," says John. "As CIO, my role is to make sure I've got the right people in the right positions,"

“If you are consistently overpaying for securities, you'll lose money over time, but when you buy value, time is on your side.”

he says. "Everyone has his or her area of expertise—whether it's the fixed income analyst focusing on bank loans or the portfolio manager investing in

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large cap value stocks. Each of our teams relies on the skill and coordination of each one of its members."

John lives in Darien, Connecticut, with his wife and three children.

By Bobbie Turner, a financial writer based in New York City. 5/04