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Disciplined investing style pays dividends: Bragg

FRED TANNENBAUM

Benton Bragg's grandfather, John Frank Bragg, used to say, "If you work hard and you're honest, you're ahead of 90% of the folks out there." Bragg's father, Frank Jr., who founded Bragg Financial Advisors Inc. in 1966, used to tell his children, "Do the right thing and make good decisions." Today, those are the guiding principles at the firm Benton Bragg now heads.

These principles are further cemented by the fact that Bragg Financial is a family firm. Benton's brothers, John III and Phillips, work there, as does their brother-in-law, Steven Scruggs. Frank Bragg Jr. comes into the office at least four days a week, often with his dog, Ramah.

The firm has helped generations of Charlotteans manage their wealth; assets under management have grown to about \$500 million from \$320 million in 1993. Three years ago, Bragg Financial launched two mutual funds. Managed by Scruggs, the funds repeatedly are ranked highly for performance by industry publications. They also are expected to receive their first ratings later this month from fund analysts Morningstar and Lipper.

Benton Bragg discussed the firm, its progress and principles with the *Charlotte Business Journal*. Below are excerpts of that conversation.

Your firm's two mutual funds are highly ranked for performance by Bloomberg and *The Wall Street Journal*. What's made them perform well?

The biggest difference is that we do what we say we are going to do. We laid out an investment philosophy, which is to identify companies that have consistently demonstrated

BENTON BRAGG

*President
Bragg Financial Advisors Inc.*

the ability to earn high returns on invested capital and are priced reasonably. We make sure we have a diversified blend of these companies and then we maintain our discipline and patience.

You find a lot of managers who say the same things but they do not follow through. They react to headlines, they look at the price of oil, they look at interest rates, they try to figure what's going to happen in the future. We accept the fact we don't know what oil's going to do, what interest rates are going to do and ignore those headlines. We remain humble and stay the course.

Steve (Scruggs), the portfolio manager of our two Queens Road funds, tells us, "Let me know if I ever start sounding like I think I'm smart." The biggest threat to any portfolio manager is that he starts to think he's smart. They pick stocks that do not meet

their criteria, and they think they will do well just because they think so. It can cause them to miss the market or be overweight or underweight in a sector.

How we manage the funds is not different



BRAGG: Firm's approach to investing pays for clients, mutual fund buyers

than how we run our core portfolio in our core business. We build a very diversified portfolio keeping in mind the client's age, risk tolerance and need for return.

Is there a challenge to managing your funds while balancing that with your traditional focus of financial management for individuals and charitable organizations?

What we love to do is work with people and that will never change. It's labor intensive because everyone is different. It does require putting on your thinking cap for each relationship. But that's what we like, helping folks accumulate, enjoy and preserve their wealth. In going through that process, we build wonderful relationships and that's what it's all about. Mutual funds are nice in that it's only one portfolio, so the economies of scale permit you to commit some additional resources as the funds grow, but not significantly, as if you were trying to bring on 200 additional investors to the firm. But 200 shareholders in the fund won't be noticed.

(My father) encouraged us to make huge commitments to clients and then exceed those expectations with our delivery. We're a small firm. We compete with Bank of America, Wachovia and other huge financial institutions every day. We have to stand out and that's how we do it.

What are the advantages of operating a family firm?

We're going to be here. That's one of the reasons our clients climb on board with us. We're not going to get promoted or transferred. It also helps us think long term, which means we're putting the clients' interest first. I know my brother's not going

to run off with six or eight of our best clients. There's a lot of trust there and it allows us to specialize in different areas and work as a team.

What's your take on the ongoing fallout from corporate scandals?

We've always felt that you're going to find a few bad apples wherever you look, whether it's in the business community, church, media outlets or government. There are folks in every walk of life that are going to do the wrong thing. We believe that most people are good and want to do the right thing.

As far as the headlines that scream "Corruption!" and "What's the world coming to?," we don't buy into that. We think things are good and getting better.

Our economic system is not perfect, but when compared to other forms of government and economic systems, we think, hands-down, it's the best.

What do investors need to improve on?

They need to realize they're their own worst enemy when it comes to maintaining discipline. They feel like they have to do something, react, make a change, make a trade. Some of that is due to media bombardment but part of that is just human nature. Investors will do well when they realize that what they should really do is build a diversified portfolio that is appropriate for their age, risk tolerance and their need for return and stay the course.

Your firm has placed a great emphasis on charitable giving and helping others do the same. What has prompted this?

This community has been wonderful to our family and we believe in making a big commitment to it. We support those things

BENTON BRAGG

Age: 37

Native: Charlotte

Family: Wife, Alice; three children aged 5 and under

Education: Wake Forest University, B.A., 1990; MBA, 1997

Career: Branch manager, Bank of America Corp. (NCNB), 1990-93; Bragg Financial Advisors, associate, 1993-98; president, 1998-present

Career advice: Believe you can do it and you will.

First job: Tractor work for a farmer down the road at 13

Last book read: *Mike Mulligan and His Steam Shovel* (with my children)

Neighborhood: Ramah Preserve

What you like most about your job: I get to see my family at work every day

Favorite charities: Boy Scouts of America, Right Moves for Youth, St. John's Baptist Church, Catawba Lands Conservancy

Favorite vacation spot: Beartooth Plateau, Montana

Favorite Charlotte restaurant: Take-out from Wolfman Pizza

Favorite film: *Big Wednesday*

Likes about Charlotte: Strong private-sector commitment to charity and fantastic economic opportunities

Spare-time activities: Anything with my wife and children, charity, manual labor on the farm, cycling, backpacking, fishing

we really believe in both financially and through direct participation on boards and other volunteer activities. All employees are encouraged to do all the charity work they want and the company commits to financially supporting any organization they're involved in. Our commitment to the community has great rewards. The folks we meet doing charity work become clients and friends.

Staff Writer Fred Tannenbaum can be reached at (704) 973-1147 or ftannenbaum@bizjournals.com.