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Meet The Marathon Manager Helping Tampa's First Responders Retire Rich

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Harold J. Bowen III has competed in so many triathlons he has lost count. At age 59, he's training for his twelfth Escape from Alcatraz race, which means that next June he will swim 1.5 miles across San Francisco Bay, ride a bike 18 miles to Golden Gate Park and run eight miles to Marina Green. Bowen describes his endurance-sports obsession as a "productive addiction," because many years ago he realized that exercise would help him combat his attention deficit disorder.

"I will keep at it as long as I'm walking," insists Bowen, lean and tall with a slight Southern accent.

As the sole asset manager of Tampa, Florida's firefighters' and police officers' $2.7 billion pension fund, Bowen has staked his success on focus and stamina. His firm—Bowen, Hanes & Company—is not only the first responders' sole asset manager, but the pension fund makes up nearly 80% of the Atlanta money manager's $3.5 billion in assets.

In an industry in which diversification is foundational, Bowen is an outlier. His fund's balanced strategy—a mix of roughly 70% equities, 30% fixed income—has returned 15% (net of fees) over the last three years and 13.5% over the last five years, versus 13.7% and 12.4% for the benchmark index, respectively. That puts the boutique manager in the top 1 percent of comparable pension plans, according to data from the Wilshire Trust Universe Comparison Service. Over 47 years the fund has logged equity returns of 14.8%, outpacing the S&P 500's 12.6% total return. In the last year, Tampa's police and firemen have been treated to a 32% return. Even more importantly, actuarial reports show that their pension is 94% funded, compared to 71% among municipal pensions, according to Wilshire.

"It's tragic to say Tampa is the exception and not the rule," says Bowen, with a hint of hubris, over a salmon salad lunch in historic St. Augustine, Florida. "We don't get involved in any type of pool funds, private equity or hedge funds. We are unconventionally conventional, and it's boring, but it's also high-quality and long-term in approach."

“Jay” Bowen, as he’s known, inherited his pension management operation from his father, Harold J. Bowen Jr., who founded the firm in 1972 but had courted the Tampa pension fund since the ’60s. Bowen III’s approach is very much “if it ain’t broke, don’t fix it.” Like his late father, he uses a top-down “thematic” method to picking sectors and individual, mostly large-cap blue chips, typically with dividends. Another key to his firm’s success is the 25-basis-point fee he charges Tampa, about half the industry average.

An English major who graduated from UNC Chapel Hill in 1984, Bowen joined his family firm in 1986. In 1989 he wrote a thesis on international economics at the London School of Economics and later spent time doing research in Washington, D.C., at the Cato Institute, a libertarian think tank.

“My time at the LSE and Cato made me realize how important monetary policy is to the markets,” he says. “There are other important policy regimes to monitor—regulatory, tax and trade policy—but monetary policy is the granddaddy of them all.”

In the 1980s, Bowen, Hanes used the economic backdrop of falling interest rates and declining inflation to buy winners like Campbell Soup and Coca-Cola. In the ’90s, as a new global economy emerged after the fall of the Berlin Wall, Bowen’s biggest holdings were in companies that would benefit from globalization, such as General Electric and Colgate-Palmolive. In the early 2000s, he saw opportunity in China’s rapid growth and its voracious appetite for natural resources, making big bets on mining companies INCO, which was sold to Brazil’s Vale in 2006, and BHP Billiton. Post–Financial Crisis, Bowen gauged which sectors the Fed’s easy-money stance would favor and loaded up on S&P 500 momentum giants Apple and Microsoft but also consumer staples such as PepsiCo and Procter & Gamble.

Bowen’s current picks focus on tech companies disguised as industrials. In other words, new technologies like AI, the internet of things (IOT) and 5G are changing the prospects for industrials like Charlotte, North Carolina’s Honeywell, once best known for making home thermostats. Last November, Honeywell, a market leader in aerospace, invested in Trinity Mobility, an Indian company whose IOT apps will soon be put to work in so-called smart cities. Honeywell also paid $1.3 billion a year ago for life-sciences software company Sparta Systems.

Other less-obvious technology plays he favors include Johnson Controls, Union Pacific, Teledyne and Corning, which as the largest global fiber-optic cable manufacturer profits from the growth of 5G networks. Corning is also a major supplier of the advanced glass used in displays for iPhones, flat-panel TVs and laptops.

“A lot of these companies are selling at either market multiple or below, and they have strong balance sheets and attractive yields,” Bowen says, noting Honeywell’s 1.8% dividend yield.

His approach is not without hiccups. He has long held Swedish telecom giant LM Ericsson, whose stock has languished for more than a decade and is down 9% year-to-date. “Their latest problems emanate from their Chinese exposure, but I haven’t given up on Ericsson,” Bowen says. “It’s right in the heart of 5G equipment, and there are not too many players in that area.”

Although Covid-19 has had little effect on Bowen's investment approach, he has embraced the work-from-home ethos, having moved his home and main office to Ponte Vedra Beach, just outside Jacksonville. His largest account is now about three hours away by car.

"Big public pension plans will usually have 20 or 30 managers," says Bowen, who notes that he has signed up a few other pension funds, including that of the employees of coastal Glynn County, Georgia. "We're lucky to be involved with a fund that views us as their core unconstrained manager, letting us pretty much do what we want."