

1 From Mush-Mush to Hush-Hush

The time appointed for the execution of Beatrice Pillsbury von Vain was at hand. For the red-headed founder of Vain Capital, just having to look at Mush-Mush was punishment enough.

“Beatrice, our investment committee has become increasingly worried about Vain Capital’s performance,” said the man with hardly any teeth. “That’s what I’ve come to Washington to discuss.”

Mush-Mush, a.k.a. Eddie Merrybaker, the balding treasurer of Christians Eschewing Dentistry, was both a hideous sight and Beatrice’s unhappy client. His six teeth, a stained and rotted mess, were especially unhappy. They included a couple of incisors on top with a vast gap between them, then the same on the bottom, and the sad ruins of two molars scattered here and there.

Beatrice looked down at her shoes, at the snake plant in the corner, at the coffee pot on the credenza, at anything else in the conference room she could, but against her will, as if by some magnetism of horror, her eyes were drawn right back to Merrybaker’s miserable mouth. It was like trying to look away from a car crash.

“I’m afraid the committee has run out of patience,” said the toothless treasurer, “as Vain Capital’s returns have continued to deteriorate.”

Here it comes, Beatrice groaned under her breath: *Another ungrateful client blaming us for humoring them too well.* Beatrice could feel her body tense up as she awaited the blow.

The treasurer looked at his watch. With any luck, he might make it back to Boston in time to catch the Celtics game. He let out an audible sigh and administered the coup de grâce: “The Eschewer Foundation has reluctantly decided to terminate its investment agreement with Vain Capital in thirty days.”

Beatrice was officially fired. Or rather, her little investment firm was, which felt just as awful.

Out of the corner of her eye she could see Stanton Butcher III glaring at her, probing with his eyes for her reaction, expecting her to say something this instant to pull the Eschewer account out of the fire. She considered the Butcher even more frightful than Merrybaker in his own way, and far more dangerous. His short, pear-shaped body was topped by a nest of thin blond hair, a round face with a double chin, and beady green eyes that pierced their target like a laser. Lately the veteran manager of private equity funds had developed the irritating habit of exercising his right as her financial partner to drop in uninvited at her client meetings, which he invariably did just as Vain Capital was getting sacked.

Beatrice was determined not to flinch. She would trust her usual maneuver for soothing clients frustrated by Vain Capital's sub-par returns: buy time by turning their focus from recent results toward the long term. "Eddie, I think your committee should reconsider this rash action. Christians Without Dentistry—"

"That's *Eschewing* Dentistry," Merrybaker quickly corrected her.

Eschewing. Avoiding. Shunning. What was the difference? Beatrice wondered why the Eschewers, so oblivious to their appearance, were so hyper-sensitive about their silly name. A century ago they had split off from the Christian Scientists over a bitter doctrinal dispute. Unlike the Scientists, who believed illness to be an illusion and avoided most medical treatment in favor of prayer, the Christians Eschewing Dentistry had realized they were likely to live a lot longer if they limited their medical abstention to their teeth and simply refused to go to the dentist, which they did with great zeal. It was only logical that their investments must be aligned with their abiding faith. The three-billion-dollar Eschewer Foundation, bulging with the Eschewers' savings on dentists over so many decades, was barred from investing in dental products or services of any kind.

"Sorry, Eschewing Dentistry," Beatrice acknowledged. "Anyway, you've been our client for only three years, and we've lagged the benchmark for only two. Such a short period of underperformance is nothing to worry about."

"But you've trailed by five points annualized," Merrybaker said.

“That’s terrible. Vain Capital doesn’t even buy and sell securities itself. All your firm does is hire and fire money managers. How can that be so difficult? Just pick the good managers and eschew the bad ones.”

“Oh, it is extraordinarily difficult, Eddie,” Beatrice replied. “Finding good money managers is much harder than you might imagine. It’s even harder than finding good investments.”

But Merrybaker did have a point. Vain Capital, a so-called “manager-of-managers” or MOM, was not a typical investment firm but only an intermediary between clients and their money managers. It hired, fired, and monitored other money management firms that agreed to invest in accordance with a client’s moral views. Unencumbered by any particular creed itself, Vain Capital accepted anyone’s mission, assembling a roster of moral portfolios upon request. Managers of the Eschewer portfolios had received strict instructions from Vain Capital’s investment officers to steer clear of anything even remotely oral.

“Picking money managers looks easy enough to me,” said Merrybaker, regarding Beatrice with that pained expression of his. Among the Eschewers an agonized look signaled virtue and ensured social acceptance. A devout Eschewer himself, Merrybaker was always quite properly in pain, piously adhering to the dental strictures of his employer and putting his mouth where the foundation’s money was.

His virtuous display was having quite the opposite effect on Beatrice. *This is what you get for all your eschewing, Mush Mush*, she was thinking. *Now you can barely chew at all.*

“Consistent outperformers are extremely rare these days, Eddie,” she said. “It’s true we’re a bit behind the benchmark, but we firmly believe that you need to take a longer view of our performance—”

“A bit behind? Five points behind! Is this really the best your managers can do?”

“Well, unfortunately for the Eschewers, dental stocks skyrocketed last year,” Beatrice pointed out, “and your moral restrictions barred the money managers we hired for you from owning them, so naturally their returns lagged.”

“But when we hired Vain Capital, you assured us that dental stocks are such an insignificant part of the overall market that not owning them couldn’t possibly make any difference,” Merrybaker said.

“It appears I was mistaken,” Beatrice conceded. “The market never fails to amaze. You never know when one sleepy little group like dental stocks that is normally very well behaved will just explode to the upside.” Then she blurted, “Our investment officer for equities, Alison Hartswell, points out that denture stocks in particular were red hot.”

Beatrice was immediately sorry she had said that, but there again was the wreckage of Merrybaker’s mouth, practically jumping across the table to bite her on the nose. She guessed the poor man would need at least fifty thousand dollars of dental implants just to stop frightening small children. When her son Pillsbury was a little boy he would pretend he was a toothless old man like Mush-Mush by pulling his lips over his teeth and flapping his jaws up and down like he was gumming his food to pieces instead of chewing it. She was sorely tempted to do that right now, and she would have if not restrained by her firm policy of not mocking her clients to their faces.

Red hot, did she say? Merrybaker could not help thinking how Alison Hartswell was red hot and how badly he was going to miss seeing her here at Vain Capital. From his first encounter with Beatrice’s bossy investment officer the old goat had made a point of never missing an account review meeting. But as much as he enjoyed leering at the intoxicating Miss Hartswell, universally acknowledged to be the sexiest woman in the entire investment industry, even she was not enough bait to corrupt a committed Eschewer charged with a solemn fiduciary duty. Miss Hartswell or not, Vain Capital had to go.

“From the moment we first met you, you told us Vain Capital would outperform despite our restrictions,” he said. “Now you say our restrictions are the problem. What a convenient excuse.”

Beatrice swallowed hard. She *had* told him that. She routinely assured all Vain Capital’s clients that their restrictions, no matter how absurd, would have not have the slightest detrimental effect on their portfolios.

“Really, Eddie, five points is not that much of a performance deficit. We can make it up in a couple of years.”

Merrybaker just sat there, unmoved. Beatrice paused, trying to think of an argument that might appeal specifically to him. She must sympathize with his faith, speak to him in his own moral language.

“You know, in a way, looking at it philosophically,” she said,

“underperforming the market is very much like dental pain. It aches like the dickens for a little while, but it’s actually an illusion, just a temporary test of our faith that leads us to God. If you prove your faith by waiting, I’m sure the pain will go away in time. Underperformance will be corrected by faith and prayer! We’ll pray for your portfolios—everyone at Vain Capital will! We’ll all pray to Jesus for higher returns, every single one of us, even our bond guy! And he’s Jewish.”

“Only one of your equity firms beat its benchmark, out of ten!” Merrybaker retorted, his brow wrinkling. “I forget its name.”

“Quandary Capital,” Beatrice answered. “It’s a firm in Rocket City that does quantitative investing—a quant firm. The stocks are picked by computer programs, not humans. They are far and away our best money manager. The funny thing is, nobody really has the foggiest idea what they do. But that’s how it is with quants. They are the nerdiest fellows, the mad scientists of the investment industry.”

“Anyway, except for that one, the money managers you’ve hired have been very disappointing,” Merrybaker said. “We can’t just sit by and watch the portfolio lag endlessly. At some point we had to make a decision. It’s final—our investment committee has made up its mind.”

“Will you be taking your assets back in house?” the Butcher asked.

“No, we’ve given up trying to manage the foundation’s assets ourselves. We’re simply moving them to another manager-of-managers firm,” Merrybaker replied. “The investment committee doesn’t have the staff or expertise to hire, fire, and monitor money managers—too much cost and hassle. Our mission is eschewing dentists, not picking portfolio managers.” He paused for a moment and sniffed at Beatrice. “We hoped you could do it.”

“I’m sorry we weren’t able to meet your expectations, but we understand how investment committees can be,” Beatrice said, not actually meaning to imply that the Eschewers were being unreasonable or fickle, which of course they were. “We’ll pray for your portfolios anyway.”

After showing Merrybaker out, Beatrice and the Butcher returned to the conference room to hold a postmortem, as the Butcher always insisted that they do after a client defection. Beatrice shuffled nervously to the table and sat down.

The Butcher closed the door, waddled over to the credenza, and poured himself a cup of coffee. “Beatrice, this is the third client you’ve

lost this quarter,” he began. “This was a big one—three billion dollars! A third of your assets—gone! Poof—just like that!” he said with a sweep of his hand.

At first Beatrice nodded meekly. Then she rallied with an air of optimism and defiant self-confidence. “Yes, but we will make it up, I’m sure! Socially responsible investing is the wave of the future.”

The Butcher leaned across the table at her like a tiger ready to lunge. “You lost six million dollars in fees today, Beatrice.”

Beatrice struggled to hold her tongue. Vain Capital had never been all about fees to her, although she would never dare tell the Butcher so. As a child she had been taught that money would be morally improved if it were used to save the world, a belief which by adulthood had become so deeply rooted in her that it had even survived her two years at the Harvard Business School. *Money ought to go on a mission*, as her missionary father always used to say, on some sort of high-minded moral crusade. She had built a very profitable business upon that well-meaning premise, founding Vain Capital to assist endowments, foundations, and other institutions in investing their money with a conscience—also known as mission-based or socially responsible investing.

Beatrice’s voice grew shrill. “Stanton, look at the students protesting on college campuses! The students are rioting for social responsibility! And we’ve got it here in spades! We are the only manager-of-managers firm specializing in it! Vain Capital is the moral MOM firm, the MOM on a mission!”

Beatrice felt a volcanic gush of righteous zeal surging up from within her, a sort of moral hot flash. But it came with a secret guilt, a nagging sense that she was somehow demeaning her proud family tradition even as she strove to uphold it, that she had sold her pedigree for mere coin. For she was not just a missionary’s daughter, but a Pillsbury, and not of the cookie-mongering Doughboy clan either, but the great-great-great granddaughter of the ardent abolitionist Parker Pillsbury, who had been pretty great himself. A fiery social reformer descended from the most upright Puritans, her illustrious Pillsbury ancestor had thundered from Northern pulpits in the mid-nineteenth century for the emancipation of slaves. Sadly, in Beatrice’s own era the noble art of outrage had grown so popular for the cost-free power and gratification it conferred on the aggrieved, and so universally

practiced—increasingly on less worthy objects than slavery—that humanity was now compelled to recoil at the horror of dental floss.

The Butcher pressed his point. “Moral MOM or not makes little difference to me. This is business. Mark Weedle and I invested our private equity fund’s capital in your firm to get a return, Beatrice. A nice fat return, above twenty-five percent. To hit that target, you would have to grow your assets at least fifteen percent per year.”

“And we will, too. Just be patient.”

“But you keep losing old clients as fast as you get new ones!” the Butcher snapped.

“Well, a lot of them can’t tolerate the underperformance their own restrictions cause. Like the Eschewers not allowing dental stocks and then blaming me.”

“But dammit, Beatrice, that’s Vain Capital’s business model—hiring money managers to run restricted portfolios for conscience-bound clients. Are you saying Vain Capital can’t outperform benchmarks because socially responsible restrictions make it impossible? If that’s true, your business model doesn’t work. There’s a fundamental contradiction in it. Your clients would be investing in vain.”

“Of course our business model works!” Beatrice insisted. “Well, I think it works. It ought to work. But in any case, we still have six billion left! We don’t need old Mush-Mush! Hey, growing an investment firm takes time, and time takes patience. It’s just that these days it’s so awfully hard to beat the market under any circumstances, even without any restrictions hampering our managers’ performance. Meanwhile, we are helping our clients achieve their moral objectives regardless of their returns. And simply being socially responsible, or feeling that they are, ought to make our clients happy while they wait!”

“Apparently, not happy enough to keep their money with Vain Capital. Happy don’t pay the bills, Beatrice, not for the Eschewers and not for you. Listen, Weedle and I haven’t got time for this.” The Butcher poked the tabletop with his fat index finger. “Private equity funds have to deliver good returns or we’ll lose our clients too. If we don’t see much faster asset growth from you, we’ll have to sell the Butcher and Weedle Captivation Fund’s fifty-one-percent equity stake in Vain Capital to another MOM.”

“How much asset growth?”

“We’re giving you until the end of this year to prove to us that Vain Capital can both win and keep new clients. By the end of December, you need to have at least twelve billion. You need a mission? Well, that’s your mission. A penny less and we’re selling. Now that you’ve lost the Eschewers, you need to raise at least six billion this year, and it’s already March. That’s assuming the market doesn’t tank in the meantime.”

The Butcher paused for a moment, drilling into Beatrice with his laser-like stare. The sale of Vain Capital to a competitor would be devastating. The new MOM would just grab her clients and their hard-won assets and fire her employees. That would be the end of her little monarchy, not to mention her four-million-dollar annual income. She had nobody to fall back on. Gerhard von Vain had deserted her for a flirty twenty-year-old Capitol Hill intern after he had inconsiderately failed to be re-elected to Congress from Boston eight years ago, leaving her divorced and marooned in Washington. Pillsbury had grown up, gone off to college, and moved to the West Coast to run a hedge fund, leaving her to rattle around by herself in her Chevy Chase mansion. Vain Capital was her only remaining child.

“Beatrice, you obviously need some outside help growing Vain Capital’s assets, and I have an idea. The Captivation Fund has two clients interested in investing with you.”

“Really?” replied Beatrice, perking up.

“I’ve talked to both of them recently, and it is all arranged. They are planning to attend your spring client conference here in Washington, in two weeks.”

“Who are they?”

“The Russky Fund and California Retirement Asset Management.”

Beatrice’s eyes brightened. Those were two of the biggest pots of gold in the world, with hundreds of billions of dollars each. “The Russky Fund and CRAM? Fantastic! We’ll really put on a show!”

“That’s fine for CRAM. A state public employee pension fund, especially California’s, has to disclose everything it does. But be very careful with the Russky Fund, Beatrice,” the Butcher warned. “They are a low-profile client. The Russian government likes its investments kept very hush-hush. Do a private meeting, just you and them, with none of your investment officers there.”

“Hush-hush! Understood! I can’t wait to meet them!” Beatrice said.

Then she paused to think. “But Stanton, about the Russky Fund—don’t you think it’s peculiar?”

“What do you mean?”

“America is practically in another cold war with Russia. Why would the Russians want to invest in the U.S. these days?”

The Butcher shook his head. “International tensions don’t affect the Russky Fund. A sovereign wealth fund that big has to be practical and invest its money wherever it finds good opportunities. That’s mostly outside Russia.”

“Then why are they so secretive about it?”

He gazed at her sternly, as if at the age of fifty-three she was still a spoiled little rich girl from Boston and running an investment firm was all just a game to her. “You always look a gift horse in the mouth, Beatrice. You can’t do that. This is an asset-gathering business you’re in, not a hobby to pursue your ancestors’ outdated notions of social justice. You need the Russians’ money. You need everybody’s money. And this time, dammit, don’t lose it!”

“Yes, I’ve had quite enough of looking clients in the mouth.”

Beatrice wondered what these two huge organizations might want from her little firm, but tossed the thought aside and returned to her celebration. There was certainly never any lack of morality-seeking clients these days, especially in the vicinity of Vain Capital’s office at the corner of Seventeenth and K Streets. Just three blocks from the White House, her own building housed several excellent prospects: the Association for Atheist Action, the Baptist Union, Committee for a Progressive America, Conservative Conscience, Environmental Protection League, National Buddhism Board, National Scout Federation, Society of Feminist Educators, and United Black Colleges. Washington was a spider’s web of special interest groups, associations, think tanks, lawyers, lobbyists, and retired politicians. It was the ideal milieu for finding mission-driven clients: the morally sensitive neighborhood.

“So, here we go, Stanton! Out with Mush-Mush,” she said, raising a glass of sparkling water to toast the Butcher, “and in with Hush-Hush!”