

Patanekar, Adventivity's chief executive. For mutual funds, that number could be about \$5 billion (versus "tens of millions of dollars" today). Adventivity has 2,200 employees now, and just got \$20 million in funding from a venture capitalist. Patanekar hopes to bring his company public late next year.

Last October, rival ExlService (EXLS) went public on Nasdaq at \$13.50 a share then ran up as high as 29.24. Recently, it traded around 20—or 35 times trailing earnings for the last four quarters.

Buy-side research is attractive to other outsourceurs, including privately held Zenta Group, which has 1,500 people in Chennai, a hotbed for accounting, and does financial analysis for the real-estate industry. "It's a natural fit for us," says Zenta's senior vice president, David Jones. "If you can do cash-flow models, it's directly applicable."

The Indian analysts maintain financial models on large numbers of companies, updating them for earnings or shifts in interest rates, assessing regulatory changes' impact on cash flows, assessing whether mergers are accretive and examining many other factors.

Some junior analysts in India are paired with portfolio managers in the U.S. "About 90% of kicking tires is analyzing information and talking on the phone at your desk, analyzing data through the Internet or through paid-subscription databases," says Patanekar. With corporate-earnings conference calls, "the Indian folks do get a chance to be on the call and get first-hand information."

Purveyors of research know that outsourcing is a touchy subject that often comes under close scrutiny from those whose jobs are threatened. Adventivity, says Patanekar, "has zero tolerance for errors. The work product that comes out of India is equivalent to Harvard MBAs." They provide more granular research and more finely tuned analysis." Indeed, Patanekar maintains, some firms already slap their brand names on Adventivity research without changing a word.

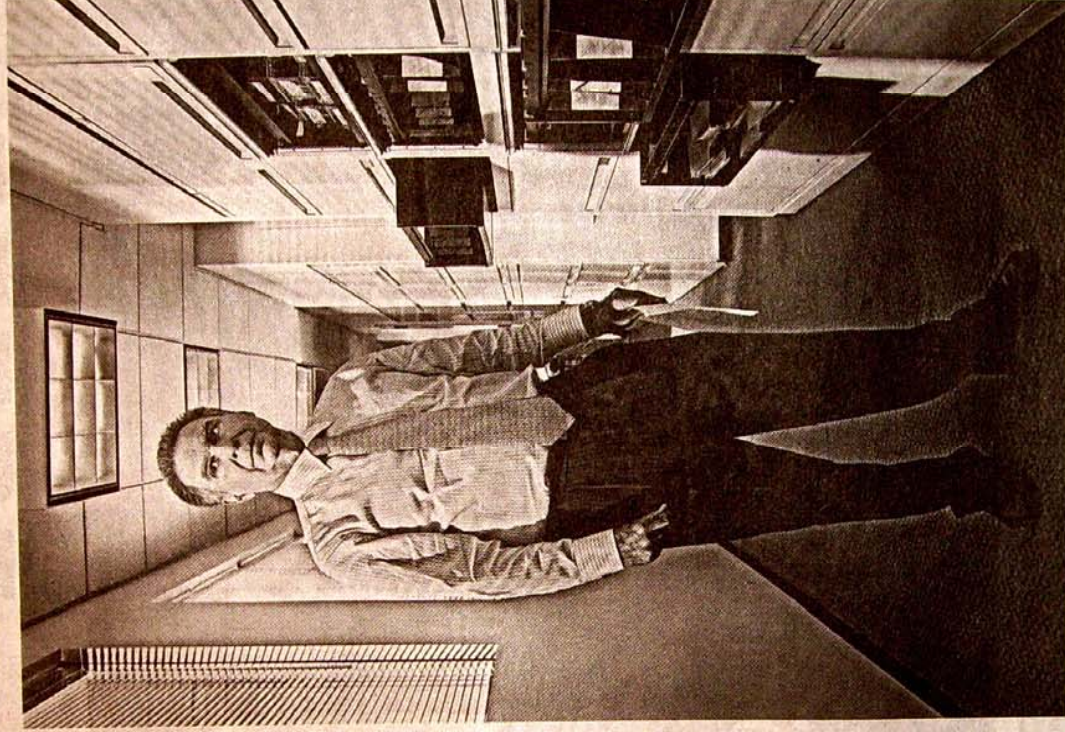
For now, however, the Indian analysts stop short of making outright stock recommendations—though that can't be far away. "Technically, you could offshore the whole thing in the next 10 years," says Patanekar. That would raise another issue. "If this goes beyond simply plugging numbers into spreadsheets, then it calls into question the value of many fund firms' research operations," says fund manager Dan Wiener.

Addis Larry Lieberman, a mutual-fund-industry headhunter with Princeton, N.J.-based Orion Group: "It's just as easy to have a black box in Bangalore as it is to have it here. At the end of the day, if they can get the research done better and cheaper—go for it. You have a fiduciary duty to provide the lowest possible prices to your customers." ■

Niche-player Neuberger Berman produces strong results for investors...and for its parent, Lehman Brothers.

## The Village That Works

by Lawrence C. Strauss



Neuberger chief investment officer Jack Rivkin wants his teams to ponder "big themes," such as the growth of China or the aging global population. Play those right, he says, and "the wind is at your back."

WALL STREET FIRMS HAVE resulted in the asset-management group and Merrill Lynch, tail brokerage forces, got to potential conflicts over funds to clients. Medi didn't help either. Morgan to fix its asset-management been plagued by underperformance in recent years.

But Lehman Brothers has done much better, one smart deal—the 2000 merger Berman, just as market was starting stocks, then as now, we see a trend that has Neuberger Berman's strategy.

Lehman bought the manager for about \$2.5 billion, accounting for a billion of Lehman's asset-management on Feb. 28 stood a Neuberger's assets had

since mid-2003, as has Lehman, which was north of 70 late which doesn't have a mass an important and growing investors—along with seasoned management team Chief Executive Richard

Also, Lehman, whose investment division accounted for 13.7% of the firm's last year, now has a major stream, in part because of fixed-income investments and native investments such as asset-management businesses

While its asset totals those of behemoth mutual Capital Research and Management, Fidelity and which oversee around \$1 trillion, Neuberger Berman is an effective niche player, in part because Lehman has lightly. "There has been no interference, nor any desire to mess around with the management of Rivkin, Neuberger's veteran chief investment officer.

Notes Marvin C. Schwartz, a longtime money manager at the Straus Group, a Neuberger unit: "Leh-