PROVIDERS FIDELITY MOVES TO OUTSIDE MANAGEMENT. Providers Fidelity Life Insurance in Bala-Cynwyd, Pennsylvania, has doled out $45 million in fixed income assets to Merrill Lynch Asset Management and Bear Stearns Asset Management, V.P. Aldo Tenaglia said. Each firm received just more than $20 million from a fixed income pool which had previously been managed in-house, he explained. No consultant was used to find the recent hires, he said, adding that the accounts became effective at the first of the month.

Tenaglia said that the company went to outside management to improve the return on the asset pool, adding that the in-house team was too conservative. Tenaglia said the company had dealt with Bear Stearns & Co. and Merrill Lynch & Co. as brokers while running the money internally. Providers Fidelity liked BSAM's conservative investment approach and was especially impressed by Merrill Lynch Asset Management's performance, he added.

The insurance company does not run any other fixed income money in-house, nor does it act as an outside money manager.

DBL INVESTMENT BEEFS UP MARKETING EFFORT. Drexel Burnham Lambert Investment Advisory has begun a marketing drive to increase its assets under management and has recruited John Springrose from Frank Russell Trust to bolster its efforts. James Hesser, v.p.-marketing and client services, said the firm is pushing to see its $2 billion in assets--roughly split between stock and bond management--turn into $5 billion over the next two to three years. Indeed, developing mutual funds will be a major force in this drive.

Springrose was brought on from FRT, where he had been a marketer for the past seven months, "because he had the maturity and knowledge of the business DBL was looking for," Hesser said. In particular, he added, Springrose is accustomed to dealing with consultants and will focus on further developing DBL's contacts in that area.

Springrose was the central professional at FRT's Chicago office and will have to be replaced, he confirmed, adding that he handled all of the Midwest marketing out of that office. He moved to DBL because it was a "prestigious firm, a good product and an excellent financial deal," Springrose said. Paul Kaltrinick, president of FRT, did not return phone calls to comment on Springrose's successor.

"Every manager wants more assets," Hesser asserted, "we're no different." DBL has begun to lay down the foundation of its marketing campaign which includes creating a higher profile for its existing broad stock and bond products. Also, "we have some ideas in the planning stage right now for expanding services," Hesser said.

The fixed income management consists of taking advantage of inefficiencies that exist in the credit markets through the use of arbitrage and swapping techniques, Hesser said, playing off a basic bond index. For instance the Drexel Bond Debenture Fund is managed around the Salomon Brothers Index, Hesser said, and separate accounts are based on the Shearson Lehman Government/Corporate Bond Index. In its separate accounts, the firm favors high quality issues, Hesser added, with an average maturity of eight years. While active, the firm does not weave interest rate anticipation in its style.

On the stock side, the firm implements a value approach to stock selection, Hesser explained. After screening a universe of 1,700 stocks for market liquidity, the firm looks at 600 issues for p/e ratio, earnings yield and price-to-book. The bottom 150 stocks are considered purchase candidates and the top 300 sell candidates, he noted. This is a fundamental analysis, not a black box approach, he said, adding that the firm determines relative value by looking at how the stock traded over the past five years as compared to how it's trading today.

MINNEAPOLIS TEACHERS HIRES OPCAP; MORE STOCK FIRMS TO FOLLOW. The $300 million Minneapolis Teachers' Retirement Fund Association has hired Oppenheimer Capital for a portfolio insurance account, said Harry Adams, executive secretary and investment manager. With portfolio insurance--a type of defensive hedge using options and futures--the fund is now able to begin the slow process of liquidating significant portions of its $15 million fixed income commitment, he added. The fund will then be farming out a modest, but undetermined, amount of its equity portfolio to money managers within the next year.

Adams, who joined the firm last year (MML, 12/23) from the Cargill master pension trust when Newell Gaasedelen retired, said given that the stock market has risen so sharply in recent months, the cost of insuring the Minneapolis system's stock portfolio against a 10% correction is modest.

By insuring the portfolio, which is managed entirely in-house, the fund was able to increase its equity exposure, liquidate the internally managed debt portfolio and eliminate most of the cash holdings, while holding the volatility level even. The Minneapolis fund has been considering boosting the equity exposure for some time.

Oppenheimer was chosen because of the fund's confidence in Portfolio Manager Ethan Etzioni, and the firm's track record, Adams said. OpCap will be running a defensive hedging account, he added. The plan will not get involved in dynamic hedging.

The Minneapolis Teachers' fund has a high-yield bond account with Magten Asset Management, Adams noted, which will remain intact. The teachers' retirement system is ultimately looking to place 30% of its assets in bond and fixed income real estate and 70% in equities, Adams said, managed by inside and outside investment teams. Now, 40% is in stocks, 40% in equity real estate 5% in bonds and 15% in cash, according to the 1986 Money Market Directory.