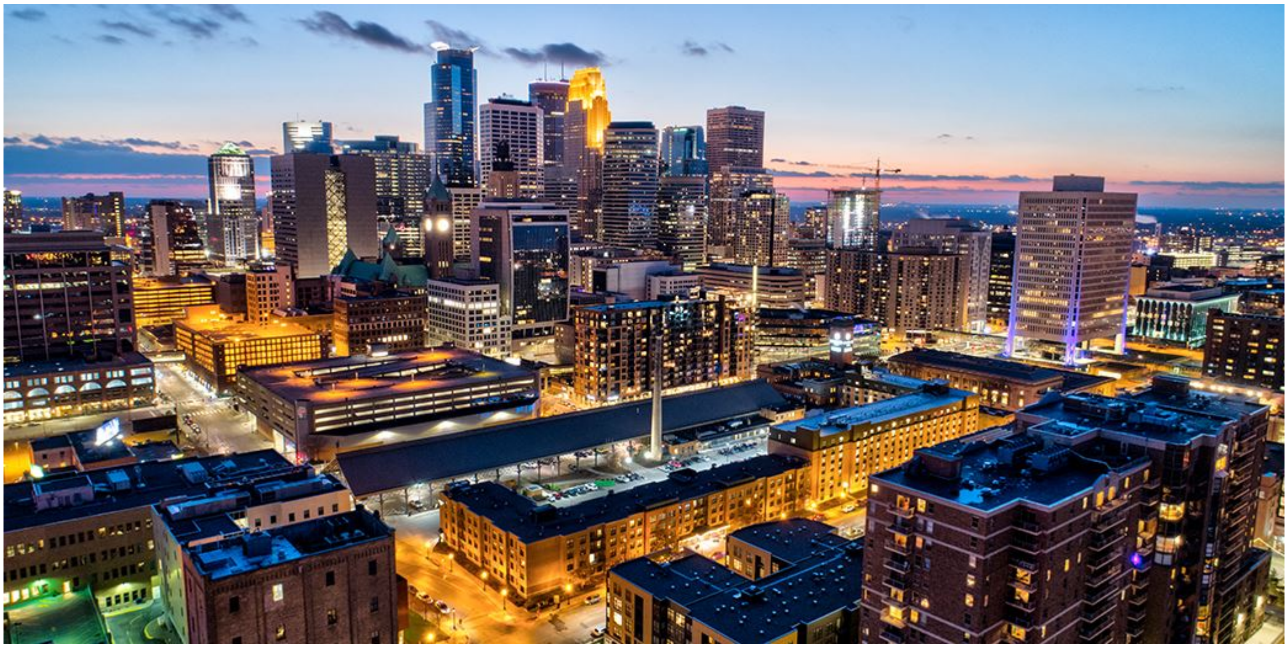
On the Road: Gatekeeper meetings in Minnesota and New York



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Amelia Garland / 28 October 2019, 17:08

Whether you're in the bustling streets of New York City or the quiet suburbs of Minnesota, RIAs and broker-dealers have much on their minds when it comes to asset allocation shifts, the hunt for alts and where model initiatives are headed this fall.

Starting off my local meetings, I took the 7 line to Grand Central Station, where Cerity Partners' office is conveniently located. Cerity Partners is a private equity-backed RIA that was founded in 2009. With 10 offices serving high-net-worth individuals, businesses and nonprofit organizations across the US, it has over $21 billion in assets under administration.

I sat down with David Jumper and Ben Pace, both partners at the firm, who have been working together for more than 20 years. Prior to joining Cerity Partners, Jumper and Pace worked for Deutsche Bank Private Wealth Management, where Pace was chief investment officer and head of global investment solutions. Jumper was managing director and senior investment advisor. They joined Cerity Partners in 2014.

'The firm's independent business model and comprehensive approach to wealth management aligned better with the ever-changing needs of our clients,' Jumper said.

Pace is the firm's CIO and chairs the investment committee. Jumper is an investment advisor and leads a sub-committee that identifies managers in jeopardy of falling behind their peers in risk-adjusted returns.

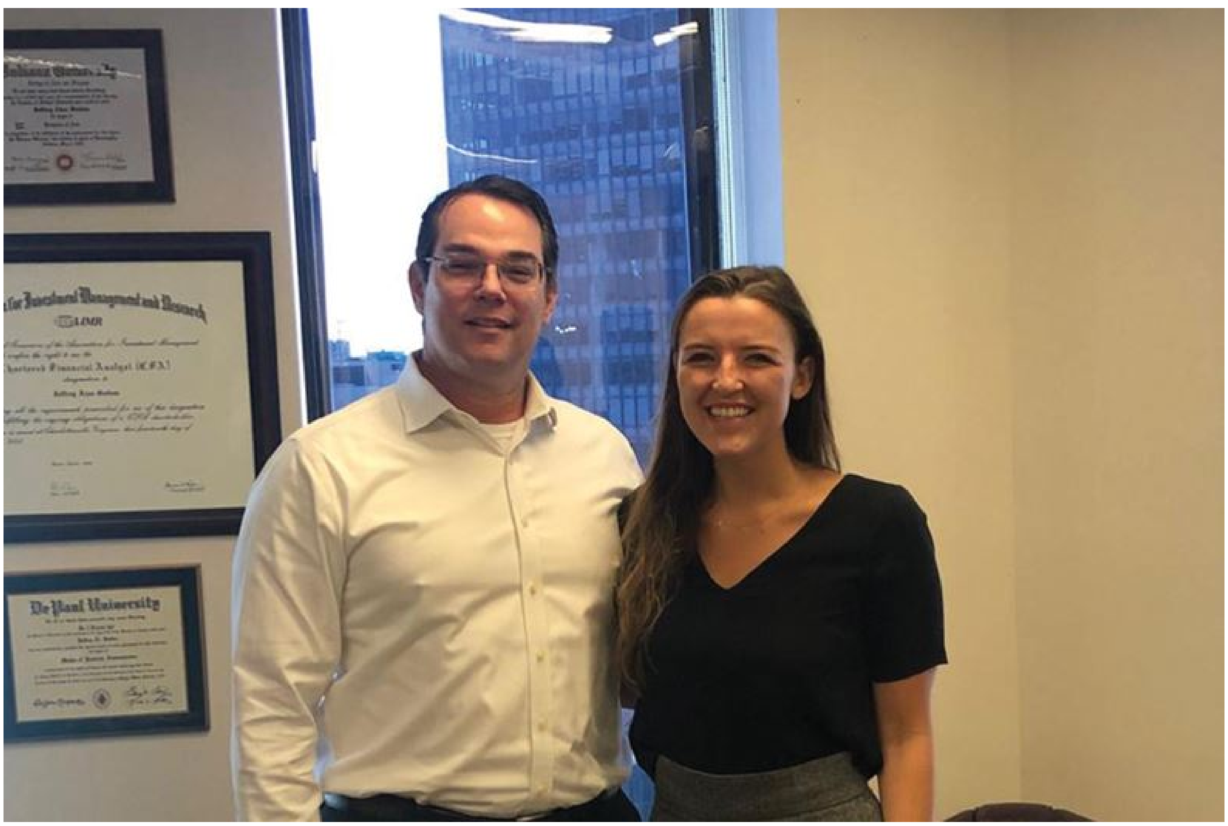
The 12-member investment committee maintains a list of 150 mutual funds and ETFs. The typical model portfolio holds between 12 and 18 different strategies. 'The size of our focus list ensures we have the tools and flexibility to provide our clients with custom solutions,' Jumper said.

There are 25 strategies in the alternative investment category. While hedge funds and private equity fit in this category, the team has been focusing on other areas like private debt and private real estate, which Jumper said continue to look attractive in the low-interest-rate environment.

‘We just completed a tactical allocation shift to reduce emerging equity and debt due primarily to the recent escalation of the US-China trade conflict and the devaluation of the Chinese currency,’ Pace said. ‘Regarding managers, we’re focused on building our alternatives platform. In particular, we’re looking for an intelligent solution for providing direct investing opportunities to supplement our current core and niche private equity and debt fund structures.’

In addition to the LP structure they already offer clients, the team also wants to add an Reit-structured opportunity zone fund, Pace said. ‘The Reit structure helps ensure the reinvestment of realized capital gains occurs before the statutory deadlines.’

My next meeting in New York was a catch-up with Oppenheimer Asset Management (OAM) Consulting’s Jeff Sutton, whom I haven’t seen in over a year since his Citywire cover star feature!

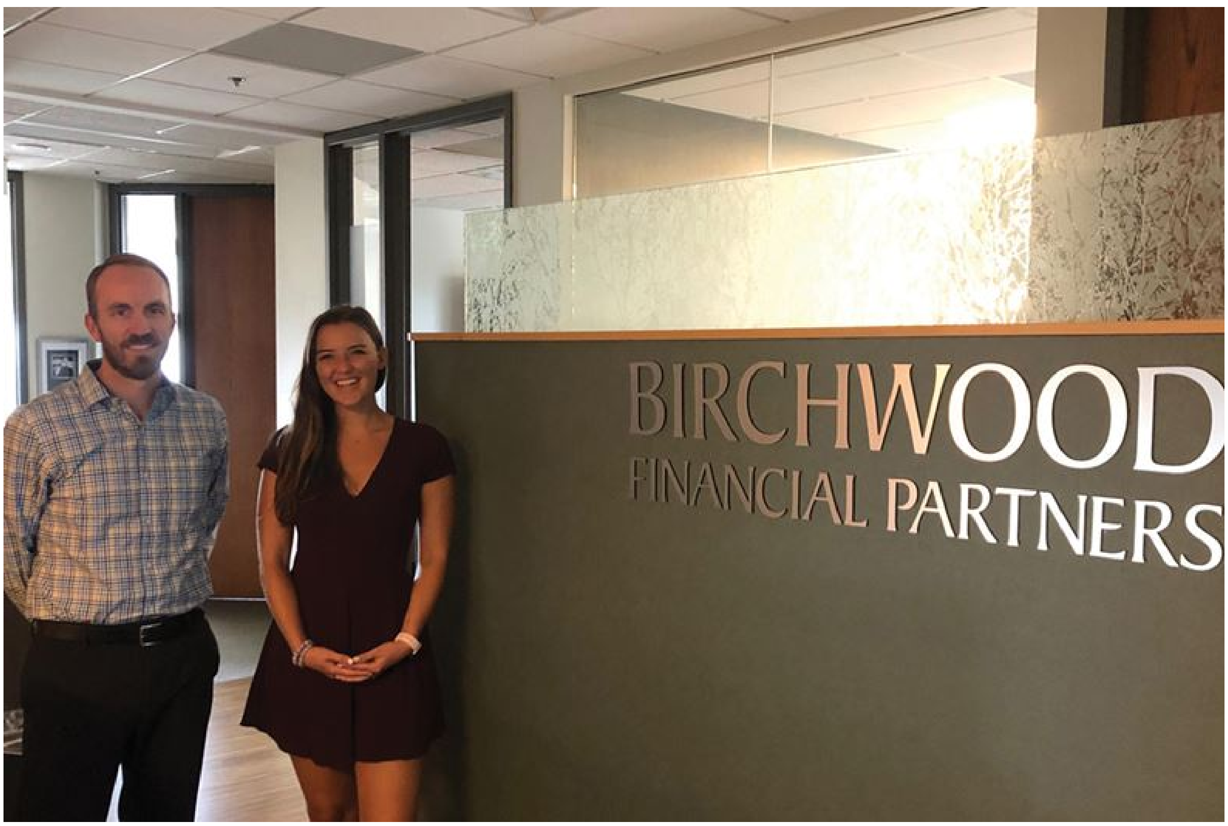


Based right next to my apartment in the Financial District, OAM Consulting oversees $13 billion in fee-based advisory assets. Of that, $730 million comes from its discretionary model portfolios. As managing director, Sutton works alongside 10 analysts who assist with asset allocation, manager selection, due diligence and portfolio construction.

Sutton has continued to focus on the firm's discovered-managers initiative. 'Over the past year, we have added five new discovered-manager strategies to our focus list of recommended strategies,' he said. 'We have one new strategy in our pipeline that is getting ready to launch. Our goal over the next few quarters is to educate our financial advisors on these strategies so they know what to expect and how to use them in client portfolios.'

Sutton is also working on the build-out of OAM's ESG offerings. 'Our existing offerings of ESG separate account strategies have received a lot of interest from advisors and clients,' he said. 'The next step is to build a home office ESG model consisting of mutual funds and, in some cases, ETFs.'

And with that, I was off to my favorite mid-western hub, Minnesota! My first meeting was in the suburbs of Edina with Steve Dixon, principal and investment manager at Birchwood Financial Partners.



Birchwood Financial Partners was founded in 1990 by Kay Kramer and John Lothrop. Shortly after starting the firm, Dana Brewer was hired and less than a decade later, became an owner, paving the way for Lothrop to retire in 2004.

Socially responsible investing (SRI) has been a focus for Birchwood since the beginning. Over 20% of the firm's clients have a portfolio built with SRI. 'If you believe in the investments you've made, beyond the purely financial aspect, it becomes more challenging to abandon the plan that led you to make those investments in the first place,' Dixon said.

Since 69% of the firm's employees are women and 71% of the firm is owned by women, Birchwood's clients tend to be women or couples who play a large role in the financial planning process.

With $400 million in AUM, the firm's commitment to diversity and SRI have dovetailed nicely in the progressively-minded Twin Cities to generate good growth over the past few years. While options to grow faster through M&A have surfaced over the years, Dixon said the company believes in the values and culture that it has built and is very protective of.

'We consider an opportunity as much from its financial aspect as we do from the risk that it may jeopardize our strong culture or our core values as a firm, which include building strong client relationships,' he said.

Check out our next issue for a recap of our LA Professional Buyer Retreat!