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Wealth Firms and Inst'l Consultants Link Arms to Serve Up Alts

Wealth management firms are increasingly interested in accessing institutional-quality alternative investment research, and institutional consultants are eager to expand their services into the wealth space.

By Sabiq Shahidullah | December 17, 2024

As asset managers roll out a new generation of alternative investments targeting financial advisors, institutional consultants and wealth management firms are teaming up to deliver the goods.

While a number of institutional consultants have made moves to shore up business lines selling alts vetting services to wealth management firms, some shops are forming even closer ties through mergers and acquisitions.

For example, registered investment advisor consolidator **Hightower Holding** in October inked a deal to acquire a majority stake in **NEPC**. The acquisition is expected to give Hightower access to the consultant's alternative product menus, while expanding NEPC's reach in the private wealth channel.

"We started looking at the institutional consulting OCIO space about four years ago, and we saw this opportunity that was emerging to bring more institutional capabilities to retail wealth clients," **Bob Oros**, chairman and CEO of Hightower, told FundFire.

Also in October, **Pathstone** agreed to acquire $45 billion **Hall Capital Partners**, an investment advisor that works with ultra-high-net-worth and institutional clients. Earlier this year, wealth manager **Cerity Partners** acquired $15 billion OCIO firm **Agility**, which rebranded to Cerity Partners OCIO. **AlTi Global**, another wealth manager, bought **East End Advisors**, a $5.6 billion investment advisory firm for endowments, foundation and private wealth clients.

The addition of an institutional consultant provides large RIAs with access to manager research and asset allocation capabilities, which would otherwise take significant resources to develop in-house, said **Stephen Caruso**, an associate director at **Cerulli Associates**.

"They're getting stronger investment expertise and due diligence, there's going to be better resources for portfolio construction across multi-asset class and the alternative investment space," Caruso said.

There's been a massive uptick in advisor demand for alternatives in recent years, said **Michael Bell**, CEO of **Meketa Capital**.

"We have seen the demand come up from retail investors going to their financial advisors," Bell said. "They hear a buddy get access to an IPO or a venture capital deal or a private equity deal, and they ask their financial advisor, why can't I get access to this?"

A majority of financial advisors, 91%, plan to increase alternative asset allocations in the coming years, according to a recent study by **Mercer** and **CAIS**.

Access to high-quality managers, investment research and advisor education are the key factors wealth managers must consider for a successful alts push, Bell said.

"If you're going to bring a private equity fund to market, you need access to the right types of managers, those that are outperforming, and the ability to do due diligence on those managers," Bell said.

Some large RIAs work directly with managers, while others use alternative investment platforms such as **iCapital** to access private investment products, Caruso said.

The acquisition of an investment consultant can help RIAs attain a portfolio construction skillset akin to an outsourced chief investment officer, or OCIO, Caruso said. OCIOs typically manage investments for institutional clients, such as pensions, endowments and foundations, many of which maintain allocations to alternative assets.

"Now we get to bring what the biggest endowments have access to – we get that intellectual capital and we get to deploy it for our clients," Oros said.

Building the necessary manager and investment research to implement private investment is a lofty task for advisors to do on their own, Bell said. "Marrying up access, expertise and simplicity... that is the key to a successful offering to the wealth management community."

High levels of administration and paperwork, liquidity concerns and concerns around due diligence are the top challenges to adopting alternatives, advisors said in the Mercer-CAIS study.

Advisor education is crucial to wealth manager adoption of alts, said **Mike Perry**, head of the global client group and global product at **Nuveen**, during an interview at Nuveen's nPowered conference in November.

"There's a lot of cookie-cutter education that's out there today – it's either very simplistic or it may be super deep and too complex focusing in on an individual product," Perry said. "Some [advisors] are starting and need the basic education, and others are much more sophisticated and need to dig into topics like portfolio construction."

Nuveen has a "Private Markets Institute," which educates financial advisors on alternative assets and how to present them to high-net-worth clients.

"Alternative assets have unique risk characteristics," Perry said. "Private investments may be locked up for several years, or they may just have quarterly redemption features, so the advisor needs to make sure that the liquidity needs of the client match up with the liquidity of the portfolio."