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Investment boutiques finding opportunities for growth in the new financial climate

Charlotte Business Journal - by [Adam O'Daniel](#) Staff writer

Charlotte wealth managers H.K. Hallett and Alex Miles wanted more control of their business and a different kind of relationship with their clients.

So last year, the pair spun off their local wealth management practice from Nashville, Tenn.-based [WealthTrust](#), a nationwide firm with more than \$6 billion in assets under management.

Hallett and Miles say the move to buy out WealthTrust's controlling interest in their firm, now called [Kingfisher Capital](#), allowed them to invest more cash in local operations instead of sending it to the parent company.

It also gave them the freedom to offer clients different investment strategies.

"We wanted to control our own destiny," says Hallett, a 55-year-old investment-industry veteran.

The duo's move to split from a large firm is part of a growing trend in the financial-services sector. In recent years, financial advisers from various backgrounds have split away at a faster pace from the massive Wall Street and regional brokerages that dominate the industry.

Those advisers say they're able to offer clients better service and advice by operating on their own. And the recent financial crisis, coupled with new technologies, is making the transition more attractive than ever.

At the same time, large brokerage firms say they're adapting to a new financial environment and shifting more focus to serving individual customer needs, while also offering the security of doing business with a trusted brand.

Going independent

Financial-services research firm [Cerulli Associates](#) recently found the number of independent financial advisers in the United States increased 29% over the past three years, according to a *Wall Street Journal* report.

Meanwhile, the number of brokers at large Wall Street firms dropped 14%. And Cerulli projects that advisers leaving big firms in 2009 took \$188 billion in client assets with them.

Securities officials in North Carolina don't track how many advisers work independently, compared with working for a large wirehouse such as [Bank of America Merrill Lynch](#) or [Wells Fargo Advisors](#). But the number of Registered Investment Advisers, a preferred designation for independent wealth managers, doing business here is increasing.

The RIA designation indicates the broker is operating as a fiduciary, meaning that individual offers advice based on the best interests of the client, rather than selling a particular product. The number of RIAs serving North Carolina has grown to 11,949 this year from 7,026 in 2005, a 70% increase.

In comparison, 157,489 individuals are licensed to sell securities in the state, a 22% increase since 2005. RIAs point out those licensed securities salespeople often sell proprietary mutual funds or other products pushed by their employer, instead of offering independent advice.

"If you're doing business with a large bank or wirehouse, the alignment of interests isn't always there," Kingfisher Capital's Miles says.

Crisis, technology open door

Many independent advisers say the recession has pushed investors to reconsider where they do business.

Mike Hayes, founder of [Willingdon Wealth Management](#) in Huntersville, says clients once leery of doing business with a small firm are now seeking out his services.

He believes controversy on Wall Street has convinced investors that good advice is more easily found face-to-face with a local, independent adviser because small firms tend to have less turnover and fewer clients.

“People tended to put up with less-than-perfect service because they thought bigger firms were safer,” Hayes says. “That perception was completely shattered in the financial meltdown.”

Hayes founded his company in 2003 after a long career managing a state pension fund and working at a Charlotte investment firm.

He says the number of assets he manages doubled in 2008 and 2009 because clients wanted to “sit across the table from the people pulling the trigger.”

Willingdon now manages more than \$125 million in client money, and it added two advisers in 2009.

New technologies are also prompting the migration to smaller firms, says Chris Winn, managing director of [AdvisorAssist](#), a New England-based consulting firm that helps wealth managers set up independent businesses.

Winn says the expenses associated with back-office legal compliance and trading operations often kept advisers from breaking away.

But he says those costs have dropped 90% in recent years. New technology for watching markets and analyzing data also is making it easier to leave the big firms.

“Technology is breaking down barriers,” Winn says. “There is an abundance of resources out there compared to even just one year ago.”

Some of the large firms are even selling their back-office support services to independent advisers, he notes.

Big firms still dominate

Despite the recent wave of advisers going independent, large Wall Street firms still control about half of the nation’s individual investments.

And brokers — and some investors — at large firms say the stereotype that they’re too big to develop personal relationships isn’t accurate.

Last fall, Merrill Lynch — owned by Charlotte-based [Bank of America Corp.](#) — began surveying investors in various markets, including Charlotte, to improve its relationship-building efforts.

The firm also launched a \$20 million ad campaign pitching the expertise of Merrill’s “thundering herd” of brokers and advisers.

The survey found 56% of investors in Charlotte used a broker affiliated with their bank, a clear indication that large firms still attract a large swath of the market.

Scott Hotham, managing director of BofA Merrill Lynch in Charlotte, says the key to continued growth in the years ahead will be custom investment plans.

“What the last two years have shown us are that advice and investments are not meant to take a one-size-fits-all approach,” he says. “The underlying point right now is that clients have concerns about the marketplace. And their decisions all go back to what kind of relationship they have with the adviser.”

Big isn’t necessarily bad

Charlotte attorney Pat Jenkins chose Hayes at Willingdon Wealth Management for investment advice. But that doesn’t mean he thinks ill of brokers at big firms.

“My money is with Mike because his integrity and character are unquestionable,” Jenkins says. “But I believe there are people at large firms who are just as trustworthy. It’s all about the relationship.”

At Kingfisher Capital, Miles admits his small firm can’t compete with the established brands such as BofA Merrill Lynch. So he focuses on developing unique investment philosophies for his clients.

He pitches a strategy known as “gravity investing.”

The strategy focuses on long-term trends across the globe, including investments tied to energy, clean water, urbanization and emerging economies in Asia.

“We’re trying to look into the future and around the corner,” Miles says. “A lot of investors are looking for something different, something more thoughtful.”



Kingfisher Capital, LLC is headquartered at 215 Queens Road, Charlotte, North Carolina.