

ULTRA-WEALTH SHOP SILVERCREST BUYS BOSTON RIA

Originally Published By Tom Stabile, Fund Fire

Silvercrest Asset Management, a New York-based boutique advisor for ultra-wealthy clients, is adding to its \$10 billion in assets with the acquisition of Marathon Capital Group of Boston, a registered investment advisor firm that advises on nearly \$600 million in assets. And Silvercrest is exploring additional tracks of potential expansion, including acquisitions, mergers with other boutique firms, or recruiting teams of advisors from other wealth managers, including the wirehouse brokerages.

The moves could continue Silvercrest's steady rise in assets to date. It launched in 2002 and has added nearly \$5 billion in assets since late 2004, including jumping from \$7.9 billion at the end of 2006 to \$10.1 billion at the close of last year, a 28.4% increase. Some of the assets have come from three prior acquisitions and one advisor team lift-out, but the last move took place in 2006.

So far this year, the firm's asset totals are slightly down from the end of 2007. But options on the table could keep growth on track, says G. Moffett Cochran, Silvercrest's CEO.

"We've largely moved sideways in 2008, because you can't really avoid these declining markets," he adds. "We would like to continue our growth, which I would characterize as reasonably controlled, done in way to not violate the central tenets of our business to offer a high level of investment performance and a high level of personalized service."

The firm's average client relationship is \$30 million, and while the stated minimum account size is \$5 million, Cochran says it aims for clients with at least \$10 million.

Silvercrest also has an office in Charlottesville, Va., and now covers most of the East Coast with the Marathon Capital deal, which closed last Friday and which the firms planned to announce today. Marathon, which started up in 2002, handled investments, financial planning, and trust and estate plans for wealthy individuals, companies, and institutions.

Todd Kanter, Marathon's CEO and CIO, joins Silvercrest as managing director. He previously was a principal at the former Donaldson, Lufkin & Jenrette, an investment banking firm where he managed the Boston office and was a colleague of Cochran and other DLJ alumni now at Silvercrest.

Cochran says Silvercrest is now eyeing options for growth across a menu of acquisitions, advisor team poaching, mergers, and even global expansion moves.

"We're in discussions with possible merger partners in other parts of the country and in constant discussion with teams of people at other firms," Cochran says. "In some cases, those are people who may be dissatisfied with their current firms and who are interested in a purer wealth management environment."

Cochran says the merger discussions are not uncommon, but that "getting the cultural mix right is so critically important." However, at \$10 billion in client assets, the firm is not thinking small.

"We would like our next moves to be a good bit larger than the last deals we have done," he adds. "But the bigger they are, the more difficult. It's a matter of talking to a lot of folks and looking for ones that are compatible."

Ultra-wealthy boutiques are typically in the market to acquire managers running \$200 million to \$500 million in

assets, and mergers are less frequent, says **Dan Seivert**, CEO and managing partner of **Echelon Partners**, an investment bank and consulting firm in Manhattan Beach, Calif. But in the current market, fewer wealth management firms are up for sale. Instead, the market is seeing more mergers between smaller firms, as well as between medium-sized firms, in efforts to gain size and allow them to better compete in the tough market conditions.

Cochran says recruiting teams from wirehouses can be trickier because financial advisors must trade in their broker licenses for another way of doing business. The firm did bring on a team from Morgan Stanley a few years ago. "It's a fairly big bridge to cross," he adds.

The potential to go global is further down the line. Silvercrest has had preliminary discussions with counterparts in London and Switzerland, Cochran says. "There is logic to trying to establish a presence in one of those places, but it's very hard to do from the U.S., and hard to do without introductions," he says.

Cochran says Silvercrest would be unlikely to seek a buyer, because he and several partners remember not appreciating the change when they sold DLJ to Credit Suisse in 2000. The Silvercrest partners own 70% of the firm, and 30% is held by Vulcan Capital, the firm run by Paul Allen, a co-founder of Microsoft.

"At this firm there would be a strong reluctance to do a deal like that," Cochran adds. "We like our independence and freedom and autonomy."

While it doesn't position itself as a multi-family office, Silvercrest handles that model's range of family administrative services – such as trust and estate advising, philanthropic consulting, bill paying, and tax preparation – for many clients, Cochran says. That leaves it competing against firms such as Bessemer Trust, Rockefeller & Co., Brown Brothers Harriman, and Goldman Sachs, he adds.

"Most people are looking to us for investment advice, so we are positioning that first [ahead of the family services]," says Richard Hough III, managing director at Silvercrest.

Silvercrest's model diverges from the broader multi-family office trend toward open architecture investing – where the firm focuses on selection of outside money managers. Instead, Silvercrest mixes internal and external products, a model also used at firms such as Bessemer and Glenmede Trust.

When Silvercrest started out, its "nucleus" was as a proprietary manager, but it added open architecture over time to serve clients seeking asset diversification, Cochran says. Today, the split is about 60% in proprietary investments and 40% with outside managers. The in-house products are a mix of equity and fixed income strategies, while the outside products include about \$1.5 billion in a hedge fund of funds that Silvercrest runs, tapping into 30 external hedge fund managers.

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

Daniel Seivert

Managing Director

dseivert@echelon-group.com