

## WILSHIRE BREAKS INTO PRIVATE BANK MARKET

Originally Published By Gregory Shulas, Fund Fire

Wilshire Associates is making its boldest step yet into the high-net-worth market through an agreement to build and run a multi-manager platform for Santa Monica-based First Private Bank & Trust. The partnership marks the institutional consultant's first direct relationship with a private banking sponsor.

Managers who have mainly served Wilshire's institutional clients will be making their first foray into the retail separately managed account (SMA) space as a result of the agreement. Wealthy First Private investors will access the managers' products at a lower minimum rate than they would at rival sponsor firms, a byproduct of Wilshire's scalability.

The alliance is a notable milestone for Wilshire's half-decade old effort to grow a retail business. While the consultant has worked with third-party asset management provider AssetMark, it has never provided such an active management service to a retail private bank and trust.

"This is a strategic relationship that we established which is a continuation of over five years of taking our institutional experience and bringing that to the retail space," says Lawrence Davanzo, a senior managing director responsible for Wilshire Funds Management, which is also based in Santa Monica.

As the financial services industry prepares for the retirement of approximately 77 million baby boomers, sponsors and managers alike have sought to bring a more institutional approach to money management. Other institutional consultants now working with retail wealth managers include CRARogers Casey and Callan Associates through their relationships with US Fiduciary and Charles Schwab Institutional respectively.

For First Private, the Wilshire partnership serves as a key part of the firm's growth strategy as well as a significant client service differentiator. Gary Helme, First Private's executive v.p., expects assets under management to increase from roughly \$20 million now to \$1 billion in the coming months as the Wilshire initiative gains steady traction.

"Wilshire Associates is that rare investment advisor who can and is willing to bring this combination of accessibility and experience to the emerging wealth management area and has the worldwide name recognition to make it work," Helme says, adding that the open architecture service will be compatible with First Private's trust program. Initially opened in September, First Private is an independent affiliate of the Boston Private Wealth Management Group.

Under the partnership, Wilshire Funds Management will select SMA and mutual fund products for investment models that match specific high-net-worth client profiles, such as conservative and aggressive, Davanzo says. Meanwhile, ultra high-net-worth clients will be able to harness more sophisticated Wilshire-selected products, including alternatives strategies.

The investment consultant will work with First Private professionals to ensure the end-clients' larger tax situation is taken into account during the asset allocation process, says Davanzo. Details on account minimums and selected managers were not immediately available. The program includes no proprietary products.

Helme says the Wilshire relationship stemmed from First Private's desire to make institutional-grade strategies available to high-net-worth investors at a reasonable price. It's unclear whether the firm looked at other providers before teaming with Wilshire. Sally Pai, CIO with First Private, played an integral part in forging the partnership and will continue to collaborate with Wilshire throughout the program's development.

"Prominent families and foundations in Los Angeles have been saying for some time that they would prefer an open architecture approach to investing so that they don't feel limited to a brokerage, bank or trust company," she explains. "We believe this offering will be extremely appealing to First Private's individual customers."

Daniel Seivert, managing partner of investment bank and consultancy 3C Financial Partners in Manhattan Beach, Calif., believes Wilshire is right in transporting its institutional consultancy business to the high-net-worth space. He expects more private banks/trusts will turn to third-party investment service providers as they realize how expensive and time-consuming it is to build an open architecture platform.

"Manager and product research continues to grow in importance, given that wealth advisors are increasing the breadth of products they use as they push to keep the promise of wealth management. Developing an in-house research staff to cover funds, managed accounts, hedge funds..and commodities is very difficult and costly. Such an effort requires core competence and data collection, analytics, in-person interviewing and report development," Seivert says.

"Institutional investors achieve diversification by investing across an average of 20 different investment objectives. The average SMA investor is in 2 ½ investment objectives, which either means they are under diversified or achieving their diversification through other investments they hold."

As more high-net-worth investors demand that their portfolios be run like an endowment or foundation, more sponsors are realizing that the result is best achieved by working with a third-party, says Peter Green, a senior v.p. at Prudential's Wealth Management Solutions, a turnkey asset management provider (TAMP) in the private bank/ trust space.

"This just confirms the major trends taking place in the industry, whether it is a large bank or a smaller specialized investment boutique," Green says. "[Private banks] are realizing that they can no longer provide proprietary investment management. They have to show open or flexible architecture."

Wilshire Funds Management offers traditional and alternative multi-manager investment services with nearly \$20 billion in client assets. Boston Private, which First Private is part of, has \$32 billion in managed or advised client assets.

## 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.

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