AMG Divorces John Copeland and Rich Gill After Roll-up RIA Gathers $40Bn in Six Years – Quickly Remarries the Duo in New Arm's-Length Venture

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Affiliated Managers Group Inc. has pushed John Copeland out of the roll-up he largely built up to $40 billion of AUM and replaced him with staffers who were with AMG when he arrived.

Yet, as corporately cold as that sounds at first blush, AMG may be granting Copeland the best severance deal in history -- albeit not a chest of gold -- yet.

But we're getting ahead of the tale of a manager who gets axed from a multibillion-dollar roll-up but is staked to the launch of an almost $11-billion roll-up on Day One that he leads and owns part of.

Our story really begins in 2011 with an act of inspired alchemy when Affiliated Managers Group hired Copeland and bestowed its brand and checkbook on him to build an RIA roll-up alongside its (now) $700-billion roll-up of asset managers.

If résumé credentials are worth anything, then Copeland had everything. He earned his JD magna cum laude from Harvard Law School. He also holds an MS from MIT Sloan School of Management and a BA from Georgetown University.

The West Palm Beach-based aggregator's belief in Copeland's curricula vitae was rewarded. Under Copeland, AMG Wealth Partners, the West Palm Beach, Fla.-based RIA roll-up subsidiary, snapped up five of the industry's biggest and best RIAs and grew to $40 billion -- placing it right near the top of the roll-up heap.

Wrong model?

Yet, after banging out the Baker Street deal in early 2015 and a $7-billion Philadelphia-based myCIO Wealth Partners LLC deal a few months later, the RIA deal machine mostly ground to a halt although the it did bring aboard the Forbes Family Trust and its $3.6 billion of assets last fall.

The problem was that applying an asset management model to an RIA market that has few large, organizationally mature RIAs for sale at attractive prices was a drag on progress, says Copeland.

"We took that AMG model and applied it to RIAs but the opportunity set is very limited," he says, adding that the total universe is 300 firms tops and few, if any, are for sale -- or at least not for good prices with a variety of buyers bidding up the good ones.

Wrong, says **Dan Seivert**, CEO of **ECHELON Partners**, a succession planning and M&A firm in Manhattan Beach, Calif. There are usually about 5%-10% of advisors at that $4-billion mark that "need a liquidity event."

"It's so easy to say that nobody is willing to sell. I would contend that if you're given a whole bunch of money and told to buy a bunch of whatever, it's just not that hard. But what you're cooking, nobody is buying."

The Copeland-AMG kitchen may have simply have had two many chefs, according to Jeff Spears, former CEO of Sanctuary. "Did AMG have illusions of grandeur or was Copeland ineffective?" he asks. "It was probably a little of both but there's no doubt in my mind that it didn't work."

Nevertheless, the result of the perceived mismatch was that Copeland was sent packing -- albeit with a parting gift that could prove immensely lucrative if it functions according to plan.

Oh MAI

Copeland and outside private equity backers -- including the former overseer of Goldman Sachs's wealth management unit -- have launched a new roll-up venture -- Wealth Partners Capital Group LLC -- with AMG as a significant minority investor with the in-kind contribution of Forbes Family Trust and its assets. Copeland spent the bulk of his career at Goldman Sachs.

Following Copeland to Wealth Partners Capital is Rich Gill, who joined AMG from New York-based Focus Financial Partners, LLC three years ago. Sean Bresnan also followed. Gill is located in San Francisco and Copeland remains in West Palm Beach.

Wealth Partners Capital Group LLC hits the ground running as minority owner of MAI Capital Management LLC in Cleveland with its $3.5 billion of AUM, in addition to Forbes Family Trust with more than $3.5 billion, and EP Wealth Advisors Inc. of Torrance, Calif., with near to $2.6 billion.

The design of the new roll-up model has these three firms, with a combined AUM in the $10 billion ballpark, doing all the buying up of RIAs and targeting ones with $200 million to $300 million in AUM.

The new model is highly interesting, Spears says. "It plays into the industry not getting any younger and the advisors coming aboard have the choice of three business models so it's not going to break as much glass and it'll make the firms worth a little more."

No PE, please

This scheme held enormous promise on the whiteboard, according to Seivert, who says that many sellers at that size are fed up.

"There's a huge population of RIA owners who met with buyers and were turned off and just went back to work," he says. "There is an enormous opportunity for someone positioned as a good buyer."

The problem, Spears says, isn't just the bad buyers but the bad attitude of the smaller sellers.

"The advisors see articles in publications like yours [about deals for big RIAs] and think: I should be worth this -- and they are worth half that -- if that," he says.

Topping the list of bad buyers for small RIAs, Seivert says, are roll-ups and banks, which give off an institutional vibe and a vast sense of uncertainty about the endgame combined with confusing and opaque financial terms.

He says a merger of equals with a fellow RIA with $200 million may also be a nonstarter because neither firm may have young managers to take over and there may not be sufficient cash for a real liquidity event.

As part of his effort to create a good buyer, Copeland says he intentionally avoided taking capital from private equity firms in order to get RIAs off the seven-year clock of flipping the investment and other corporate-imposed circadian-ignoring rhythms. The capital behind his venture is from the Forbes family itself and from Eric Schwartz, a former Goldman Sachs managing partner who retired at age 44 in 2007. Schwartz headed wealth management and investment management at Goldman.

Ambition-driven

What made the venture particularly enticing to Schwartz and the Forbes family is the sheer volume of smaller RIAs for sale and attractive prices they command.

In addition, Copeland is adopting the Mark Hurley-style tactic of taking a backseat to RIA principals by letting them own a majority of their firms.

"If an advisor is willing to sell a majority then they don't have the same ambition," Gill says. "Is there really an advisor-driven model out there today?"

Copeland adds that all the firms retained by AMG have organic strategies for growth, including Baker Street Advisors LLC in San Francisco and Veritable LP in Newtown Square, Pa.

The organic strategies are perfectly OK for AMG and the firm will continue to hold and nurture them, according to a spokeswoman, who adds that AMG will still be in the market for big RIAs on an opportunistic basis.

In other words: "We look forward to continuing to selectively invest in additional wealth managers when opportunities arise with firms of meaningful scale and at valuations which align with our long-term discipline," said Nathaniel Dalton, president and chief operating officer of AMG, in a release.

AMG's shares have hovered at about the same level of $170 since 2013, perhaps encouraging the firm to tighten its discipline.