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New Turnkey Firm Brings Broad Menu to Market

by Tom Stabile

A new end-to-end turnkey service provider is aiming to grow rapidly in the independent advisor market this year with a model that goes beyond an investment platform. The new platform from Bellatore of San Jose, Calif., incorporates business financing, practice management, and portfolio construction, among other options.

Bellatore has hired three business development officers who are expected to sign on 50 new advisor clients by the end of the year as part of an aggressive push that also includes acquiring a rival turnkey platform provider, says Al Steele, president and CEO of Bellatore. It is already building out an investment platform with separately managed accounts (SMAs) and other products.

“We’re a [turnkey asset management program], but we’re really an evolved TAMP,” he adds. “We’re a full-service solution to our clients, not just a platform but a service to help them grow efficiently and bring our expertise to the table.” Steele previously was president of Loring Ward Advisor Services, a turnkey asset management firm in San Jose serving registered investment advisors (RIAs).

The Bellatore model resembles the broad service platform that AssetMark of Pleasant Hill, Calif., has on the market, says John Shields, principal at MainStay, an asset management industry consultancy in Portsmouth, N.H. AssetMark was acquired in 2006 by Genworth Financial of Richmond, Va., and that purchase is likely to inspire other competitors in the end-to-end platform space, Shields adds.

“If you’re an advisor, you can basically hand them the keys,” he says. “That’s what made it attractive to Genworth. They want to be the [full] service provider for their clients. And because of the price multiple that AssetMark ended up selling themselves to Genworth for, there was a lot of interest to create clones.”

Jonathan Scheid, executive v.p. for Bellatore’s investment and marketing group, says the comparison is valid to a point, but he adds that whereas AssetMark has thousands of clients, Bellatore is planning to build out to about 500 RIAs. “We feel we have a narrower focus,” he adds. “We will be successful with 500 of the right advisors, ones where we have a deep relationship and a large portion of their assets.”

Bellatore has built its product over the past two years, and recently signed up 10 independent RIAs as “founding partners” that are getting equity interest in the firm, Steele says. Those RIAs have about \$2 billion in combined client assets, and up to half of those assets are coming onto Bellatore’s investment platform. The firm offers its services through affiliated units, including Bellatore LLC, Bellatore Securities, and Bellatore Investment Counsel, which is an RIA.

The business development team will be targeting advisors who are mostly in the \$30 million to \$500 million range in terms of assets under advisement, Steele says. “We’re looking for firms in a growth stage, to help them get to the next level,” he adds.

The firm is also eyeing the purchase of a rival in the market, with a goal of adding another \$2 billion in client assets to the fold this year. The deal – for which the firm has already hired New York-based Silver Lane

Advisors as its investment bank – would entail buying a turnkey provider with an SMA platform or the nonadvisory, back-office portion of a large RIA, or both. “We’ll probably do between two and four deals this year,” Steele adds. “A year from now, we should be a \$3 billion to \$4 billion firm.”

For its “end-to-end” coverage, Bellatore’s model incorporates a variety of services beyond the investment piece, including practice management tools for marketing, portfolio accounting, performance reporting, billing, and other administrative functions. The RIA clients would pick and choose among the services they need.

The platform also offers the advisor clients access to a suite of technology systems through newly minted relationships with three providers, Scheid says. The new partners are Vestmark for portfolio management, accounting, and UMA systems; Odyssey Financial Technologies for portfolio construction, proposal generation, client reporting, and Web site tools; and Redi2 Technologies for billing and revenue management systems.

The platform would also offer specialty services such as a “practice guarantee” option that would function like an insurance policy for the RIA owner. If the owner dies or retires, the guarantee would entail Bellatore buying the practice for a prearranged multiple or transferring the practice to another advisor client in its network. Another feature is the offer of monetization for advisors that need financing for expansions, generational transitions, or sale of their practice in order to retire. That would involve Bellatore providing capital to the RIA in exchange for a share in the cash flow of the business. The offering would mirror stand-alone options in the market today for RIAs to sell interest in their businesses to gain capital, but at Bellatore it would only be available to existing clients.

Despite its broad menu, the firm at its core is an investment management provider, anchored by an in-house investment management committee, Scheid says. “Where we truly add value is in our investment philosophy,” he adds. The tools will include asset allocation and portfolio construction functions built by the investment committee, which includes Harry Markowitz, a Nobel Prize-winning economist who focused on modern portfolio theory. The committee will also manage the selection and review of SMAs, mutual funds, alternatives, and exchange-traded funds on Bellatore’s recommended platform for its clients.

The committee also has developed nine asset-class funds that it will hire money managers to oversee on a subadvised basis. It partnered with Evaluation Associates, an investment consultant based in Norwalk, Conn., on the due diligence of those managers.