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Wealth

Back to the old-style basics of advising

WEALTH MANAGEMENT

Investment adviser Silvercrest has found a successful niche with its boutique size and private-bank ethos, writes **Ian Driscoll**

By any measure, the spring of 2002 was an inauspicious time to launch a wealth management company. The September 11 terrorist attacks were fresh in investors' minds. The Dow was plumbing five-year lows.

"People thought we were mad; it was an ugly time. There were a lot of sceptics," recalls G. Moffett Cochran of reaction to his launch of Silvercrest, an investment advisory and asset management firm offering family office services. "Others were concerned we would just build it to flip it."

Mr Cochran, though, felt market conditions could be trumped. After almost 30 years in asset management and private banking, he envisaged an environment that would appeal to clients and employees alike. And even if Silvercrest would be his career swansong, he says, he was not looking for an early get-out.

Mr Cochran was appointed to his previous position, president of asset management at Credit Suisse, after the banking giant bought his then-employer, Donaldson, Lufkin & Jenrette. "Until then I always thought I wanted to be part of a big asset operation," he says. The bureaucratic ways of the Swiss company soon persuaded him otherwise.

After leaving Credit Suisse, Mr Cochran contemplated retirement and spent time on the golf course.



G. Moffett Cochran: 'Like Field of Dreams, I had a sense that if we built it, they would come'

Helayne Seidman

He realised he had not tired of the investment advisory business. But he knew that any venture had to take account of two themes.

First was mounting client dissatisfaction with big asset managers, especially their service. "Customising portfolio management, talking to clients extensively about their likes and dislikes and developing portfolio strategies to address those things can be highly inefficient," says Mr Cochran. "But the big firms need to be efficient."

Second was his belief that employees in those firms disliked being small cogs in far bigger wheels.

The niche he saw was for a boutique-sized yet full-service

asset manager modelled on an old-style private bank. "Like Field of Dreams, I had a sense that if we built it, they would come," he recalls, referring to the film about a man who builds a baseball diamond in a field on his Iowa farm. The catch-line for the film was: "If you build it, they will come."

Within a year, Silvercrest had more than \$2bn under management, and about 30 former DLJ staffers had joined Mr Cochran.

The first wave of clients was mostly first-generation wealth. "They were entrepreneurs, people accustomed to making quick decisions. And most knew us very well," he says. Indeed, he admits it wasn't a huge leap of faith to

conclude that if he secured several former DLJ employees, long-term clients were likely to follow.

Today, visitors to Silvercrest's New York office cannot help but notice the atmosphere. From the Currier & Ives prints on the walls to carpeting that once covered the floors at DLJ, the office exudes old-school, private bank assurance. "We actually recreated the DLJ look," admits Mr Cochran.

Silvercrest now has nearly \$10bn under management, including assets acquired through its recent acquisition of Boston-based Marathon Capital Group. The average worth of clients is \$30m. The company's portfolio managers each handle about 15-30 relationships, although often they

are also responsible for the needs of extended family members.

The firm offers both in-house and externally sourced investments - a function, says Mr Cochran, of Silvercrest's size and its desire to avoid the conflict of interests that have beset large asset advisory firms that push internal products.

From a revenue standpoint, he admits the business model is inefficient. But he doesn't see that the company will become a \$100bn manager reliant on economies of scale for profit. "Our service is a throwback to the old days, but we like it and our clients like it.

"If you work with a family, listen to what they want, give them what they want, they're likely to

stay for a long time. It isn't just about investment performance."

Until this year, many advisory firms would have considered such words heretical. But Mr Cochran's approach does not appear to have harmed Silvercrest.

When two of Silvercrest's original investors profitably exercised put options, Vulcan Investments, Microsoft co-founder Paul Allen's investment holding company, took up a stake of 30 per cent. (The remainder of the company is employee-owned.)

"They [Vulcan] were careful; their due diligence was amazing. They concluded that we were well positioned to take advantage of the opportunity arising from client dissatisfaction with the big

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houses," says Mr Cochran. "It's nice to have that stamp of approval."

Looking back, he says there isn't much he would do differently. "I think we naively assumed a certain level of institutional business. If I did the business plan again I would scale that assumption down."

Nevertheless, the company

has hired a managing director to head its institutional business and says that its proprietary equity portfolios have outperformed industry benchmarks.

Still, it is in the private client arena that the firm is enjoying a surge in interest. While not one to dwell on the misfortune of others, Mr Cochran admits that the implosion of large investment banks and the tarnished reputations of advisers who sold auction rate securities has clearly benefited Silvercrest.

"We have seen inflows from some of the major firms," he says. "We have even begun a little advertising campaign. I think all the boutique operators are going to do well from this."