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CURATED GROWTH

Curated Wealth grows its assets 96% in two years.

By KENNEDY ZAK
Staff Reporter

Curated Wealth Partners, an El Segundo-based registered investment adviser and multifamily office, is focused on stable and organic growth at a time when the wealth management industry is seeing increased private equity ownership.

And the strategy seems to be paying off. In the last two years, its assets under management have increased by about 96%.

Private equity roll-ups in the wealth advisory landscape have become increasingly popular in the last few years. S&P Global reported that private equity and venture capital firms in North America and in Europe invested $6.3 billion in 2021 into the asset management industry, compared to a combined total of $3.1 billion for the three years prior.

Because a wealth advisory firm's assets under management generate an annual recurring revenue stream through its fees, it's an attractive investment for private equity firms.

But Curated Wealth isn't interested in this trend for now, said Chief Executive Lee Hutter.

"We think, over the long term, clients lose out in that model," Hutter said. "We and our clients will win by being independent and growing maybe more slowly but growing in the right way so that we can really give that personal care to the clients."

Curated Wealth Partners has maintained a steady, organic growth trajectory in its assets under management in the last few years, moving from $545 million in 2021 to $1.4 billion currently with an average growth rate of 37% year-over-year since 2021. Richard Ward, chief investment officer at the firm, dubbed this a "graceful growth path."

Bosses: CEO Lee Hutter, left, with President Susan Moffat and Chief Investment Officer Richard Ward at Curated's office in El Segundo

"Staying independent in the way that we give advice and the way that we source investment ideas, we think is at the root of the best client experience," Ward said.

Avoiding conflicts of interest

Similar to staying away from private equity ownership, Curated also prefers not being tied to a larger financial institution.

"We serve one constituency: our clients," Hutter said. "And if you are at a big, public company or if you're in a roll-up backed by private equity, you're serving multiple constituencies. You're serving the owners of those businesses and your clients. We're focused on just one."

Susan Moffat, president of Curated, said wealth managers that are attached to larger financial institutions can be obligated to recommend their bank's loan products or mortgage program, even if it's not the best deal out there.

"When you're sitting inside an organization, you're beholden to working with your bank…but (at Curated), we can be a true partner to our clients and go out to the street and find them the best partner for the different scenarios or different issues that they have," Moffat said. "We can provide them with options, not just one."

This may not always be the case, according to Lloyd Greif, president and chief executive of investment bank Greif & Co. He said he finds that banks will typically try to keep their wealth management clients happy, often offering better deals to them than the general public because they have a history with the bank.

"When you're a client of a large firm like that, you can always shop for financing on the outside, but you may find it hard to match the deal that you get from the inside because of the fact that you have this preferred client status," Greif said.

Another concern the Curated team identified about larger firms has to do with retrocessions. Hutter claimed that advisers at these firms can be more likely to receive retrocessions, or kickbacks, from private equity funds if they distribute a particular fund to their clients' portfolios. As a result, he said firms may be less inclined to recommend funds – even if they perform well – if they are not going to receive a retrocession.

"That creates a tremendous conflict of interest (and) adverse selection," Hutter said.

Greif agreed that retrocessions are indeed a conflict of interest, though he said a firm's size doesn't necessarily dictate its likelihood of partaking in retrocessions, but rather it comes down to a firm's ethics.

"You don't want wealth advisers steering you into more profitable products for them," Greif said. "You want them steering you into products that are going to be more profitable investments for you."

As a registered investment adviser, Curated Wealth has a fiduciary responsibility to its clients. For Ward, this boils down to having the clients' interests be at the center of the motivation behind an investment.

"When you're delivering an investment solution to a client, a lot of those firms that we came from view them as products that are delivered and sold to clients, (whereas) we're giving objective advice," Ward said, adding that Curated is "not motivated by a sales structure or some sort of trailing commission."

Structuring its clients' portfolios

Almost all of Curated Wealth's clients are first-generation wealth creators, Ward said.

"We're oftentimes working around their main source of wealth when building out the diversified portfolios," Ward said. "They're starting from a place of usually extreme concentration in the area of their core competency, and we've been tasked with helping them to think about what else we can add to their portfolio that will either help complement or differentiate what that concentration looks like."

Because of this, the firm produces "very customized, strategic and pointed" recommendations for each client, he added, not only related to the investment ideas across asset classes but also the scale at which those are implemented in a family's various entities.

With about half of Curated Wealth's clients working in private equity and as hedge fund principals, Ward said the firm takes advantage of their market intelligence when constructing portfolios.

"Getting their perspective on valuations, price levels (and) return expectations of specific parts of the investment universe is very additive to our diligence process and allows us to make some really good decision making," Ward said.

Moving forward

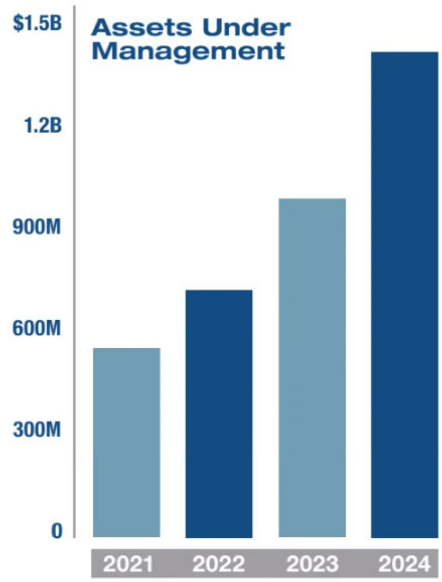
Curated Wealth values its independence in that it allows for more in-depth client relationships and operational freedom. The firm plans to continue to grow organically.

While Greif said he would be hard pressed to find a firm that would turn down private equity if the price was attractive enough, he acknowledged that if organic growth is the end goal, then private equity wouldn't bring much to the table.

"If (Curated) continues as an independent, they're going to be focused on old fashioned growth, which is growing your business one client at a time and there's certainly nothing wrong with that," Greif said. "If you provide good service to a client, not only will they stay with you, but they typically will recommend you to their friends and family and you can grow that way."

While the door isn't necessarily closed shut on a future merger, Moffat said it would be a "needle in the haystack" and the partner would need to serve a similar market segment and have alignment on operations and business model.

"The framework for Curated was built on really sitting in the client's seat and thinking about what they needed and what they were missing and what they valued," Moffat said. "…And doing that in a place and in a format where we don't have any other outside influences dictating the decisions that ultimately drive the experience for the client."



CURATED WEALTH PARTNERS

HEADQUARTERS: El Segundo

YEAR FOUNDED: 2018

BUSINESS: Wealth management

CEO: Lee Hutter

EMPLOYEES: 14

ASSETS UNDER MANAGEMENT: $1.4 billion

NOTABLE: Curated Wealth Partners has more than doubled its assets under management in the last three years.