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NEWS RELEASE

PLATFORM MAKER FORTIGENT ADDS A RAFT OF NEW CLIENTS

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Fortigent is having a good year. In recent months the Rockville, Md.-based research and investment-platform provider, financial-data aggregator and practice-management consultancy has added eight clients including the investment advisories **Alexandra & James**, **Next Capital Management** and **Capital Fiduciary Advisors** and, more recently, the RIA holding company **WealthTrust**.

"It's gratifying to see the market respond the way it has," says Fortigent's president and CEO **Andrew Putterman**. "We're filling a number of critical needs for business savvy, fee-based firms that [work with] high-net-worth and ultra-high-net-worth clients."

Fortigent exists because wealth management is a difficult business. An independent advisory or a small-bank trust department that hopes to compete with big-name financial institutions and nimble peers needs a dynamic business model that includes strong client-service and referral processes, reporting capabilities that embrace "held" and "held away" assets and the wherewithal to assess and then tap outside investment managers.

"If you try to do this yourself, it's going to cost you millions of dollars," says Putterman. "You can get it from us for a lot less."

Private labeling

This leaves Fortigent users free to concentrate on business development and end-client service. Not that those things are especially easy; a point **Scott Welch**, Fortigent's head of investment research and strategy, makes in a 2005 article in the **Investment Management Consultant Association's *Monitor***.

Drawing on research by the New York-based headhunter **Riotto-Jones**, Welch says that only around 10% of applicants have the psychological makeup of effective business-development officers for wealth management firms. People suited to the task of managing client relationships -- even though that calls for a profound technical grasp of wealth-management issues and solutions -- are significantly thicker on the ground with about half of applicants fitting the bill. Trouble is, boutique advisories need sales types who are thoroughly conversant with the intricacies of integrated wealth management *and* client minders who know how to turn referrals into sales.

So, if the part of the wealth-management equation that *can't* be outsourced is already so vexed, then giving the time-consuming, labor-intensive and anyway commoditized pieces of the puzzle off to firms that "recognize the opportunities available in 'private labeling' their solutions" makes sense, Welch writes in his *Monitor* article.

Point of origin

Fortigent's positioning is closely tied to its origins as the investment-research and data-sifting platform of **Lydian Wealth Management**, a multifamily office that, until recently, was a subsidiary of the Palm Beach, Fla.-based holding company **Lydian Trust**.

Though its back-office and investment services had been available to outside firms since 2001, it was in mid 2005 that Lydian WM officially re-branded its "Advisor Solutions" group as "Fortigent." At the time it administered around \$2 billion in assets (not counting assets under Lydian WM's supervision) for about 20 firms, mainly RIAs. In the summer of 2006, Fortigent became an RIA in its own right with a management team -- Putterman, Welch, sales and consulting head **Gary Carrai** and chief technology officer **Jamie McIntyre** -- taken from Lydian WM's top ranks. It then administered approximately \$3 billion for 21 "full-service" clients -- again, Lydian WM aside -- and provided "reporting only" services to five others.

Earlier this year Lydian Trust sold Lydian WM to **Convergent Capital Management**, an asset-management holding company owned by Beverly Hills, Calif.-based **City National**, but kept Fortigent to continue its mission as an outsourcer, and to support its fast-growing and largely Florida-focused private-banking subsidiary **Lydian Bank & Trust**. Lydian WM has since become **Convergent Wealth Advisors**.

A push for sales

Though "separating" from Lydian WM was one of the benefits Putterman mentioned when Fortigent achieved RIA status in 2006, he now says it took the more recent -- and rather more definitive -- partition of the units to make him see just how much the former affiliation gave the market pause. "Business opportunities have increased dramatically because we're not associated with Convergent," he says. "There was clearly some hesitancy before the split."

But Fortigent is also benefiting from a concerted sales push. Where before its approach to sales was more or less passive, Fortigent has brought in "five or six sales people" since the sale of Lydian WM, says Putterman. Among these new hires are former **SEI** marketers **Tim Stinson** and **John Yackel** and **Natixis** wholesaler **Jeffrey Coron**.

Now -- this time *counting* the assets of Convergent Wealth Advisors, its biggest client -- Fortigent administers \$18 billion for 39 firms -- RIAs, banks and the investment-advisory units of at least one CPA. And that's counting Nashville, Tenn.-based WealthTrust as one client: Fortigent's services are also available to the holding company's 11 affiliates.

Just with a smile

And though the firms are asunder, the historical links between Fortigent and the multifamily office it used to be a part of are important, especially to Fortigent's consulting efforts. "We know this business from the practice-management [standpoint] because we *did* it, we *ran* it," says Carrai.

Michelle Smith is director of family-wealth management at New York-based Alexandra & James, a year-old multifamily office that advises 15 families on about \$500 million in assets. She and her colleagues assessed a number of third-party investment platform providers but decided that only Fortigent painted an accurate picture of what it could deliver. "We felt they were what the claimed they were -- especially when we saw they [offered] a couple of boutique long-only managers that we knew here in New York [as] ones that specifically didn't want to be on large platforms," she says. "We know that true best of breed isn't necessarily to be found in the biggest names, and what we saw in Fortigent showed us that they knew it."

But the compliments don't stop there. "We were coming to them with problems -- there are *always* problems: you know, 'how do we do this?' 'what about that?'" -- and they always helped us, promptly and just with a smile," says Smith. Overall, she adds, Fortigent's staff is "high-touch, high-class, smart, friendly and sophisticated."

Three out of four

A truly comprehensive wealth-management outsourcer has to provide four things, according to **Dan Seivert**, CEO of Los Angeles-based investment banking and consulting firm **Echelon Partners**.

1. A broad investment platform, including alternatives
2. "Institutional quality" research
3. Unified or "omnibus" reporting that's custody neutral and provides a complete picture of the client's holdings
4. Credit, deposit and trust services

Fortigent falls down on the last point, says Seivert, but it hits mark otherwise and, as far as he knows, comes closer to the ideal in terms of its service offerings than any other firm out there.

Meanwhile Welch says that adding a banking component to its platform is something Fortigent is "looking into." -FWR

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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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