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New Consultant Aims for the Middle

By Matt Gunn
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Charlie Waibel has been busy in the week and a half since he and three other former R.V. Kuhns and Associates consultants set off on their own to open the new Portland, Ore.-based shop, **Sellwood Consulting**.

In its mission to carve out a space serving mid-market institutions, Sellwood is the latest of several new firms to form through what one expert considers a natural cycle of consultants breaking away from larger firms to create businesses of their own.

“It is something that happens with great regularity and cyclicality in the industry,” says **Tom Fisher**, managing director and team leader of consultant sales at J.P. Morgan Asset Management.

Fisher cites **Mesa Investment Consulting** in Greenwich, Conn., and **Cliffwater** in Santa Monica, Calif., as examples. Three former Evaluation Associates consultants launched Mesa earlier this year, as reported, striking out on their own after their old firm was acquired by Mercer. Cliffwater’s genesis goes back to 2004, when four former Wilshire Associates consultants set off to build a new firm specializing in alternatives.

Each firm – Mesa, Cliffwater and Sellwood – formed following a period of change–acquisition, growth or reorganization–at their respective prior firms, Evaluation Associates, Wilshire and R.V. Kuhns. But Fisher cautions against assuming causality. “There are always going to be outstanding smaller firms that spin off of larger firms,” he says.

Much has changed since the investment consulting industry’s early days. Now industry diversification and specialization have made it normal for pensions and other institutions to seek the services of several consultants in different asset classes or specialties, Fisher says. The $7.7 billion **Missouri State Employees Retirement System**, for instance lists three: one general investment consultant, a timber consultant and a hedge fund advisor.

Sellwood’s managing director, Waibel, says his new firm will focus on mid-market institutions--those having less than $2 billion assets, most with $50 million to $500 million. It’s a segment he says can be overlooked as some of the larger firms grow to meet the needs of the larger clients. He and his partners, **Ryan Harvey**, **Kevin Raymond** and **Ashlee Moehring**, saw opening a new firm as an opportunity to return to those roots.

“Over the last seven years that we’ve worked together, R.V. Kuhns has gone from a 40-person firm to a 100-plus firm, and has created a large presence in the mega-retirement system part of the market,” Waibel says. “That’s not an area that the four of us are particularly interested in. We are most interested in what we would consider the moderate size.”

Just as much as serving a particular segment of the industry, Waibel says, he also finds value in having a smaller firm. As consultants scale up in size to meet the needs of the largest clients, he says, it's easy to lose "face time".

"I don't think there's any substitute for everyone being together in a room sharing ideas, the approaches and the ability to collaborate to build the best investment thesis," he says.

That extends, he believes, to internal collaboration. "We [in the industry] all meet personally with the client, we recognize that need [for interaction] at the client level," he says "We don't do that in terms of collaborating with our peers. That logic should consistent in your intra-office relationships as well as your client relationships."

While super-sized retirement funds control the largest pool of assets in sheer dollars, small- to- mid-size institutions represent the largest number of potential clients, Waibel says. As much as the firm was built with collaboration in mind, it was also practical to go for that wide swath of potential clients. Waibel explains that advances in technology and information providers have made it easier to start a new firm than it might have been in past decades.

"We opened our office last week and we had the same primary research tool that we had before. Twenty years ago we had to go out and create our own database. Now you don't have to do that," he explains. "That makes our sort of mid-market strategy a much more viable alternative."

One of the hardest parts was simply coming up with a name. "We went through a long and laborious process," Waibel says.

The founders ultimately named Sellwood for one of the bridges in their hometown, tying the firm's identity to something local that would 'travel', so to speak.

"There was Marquam Bridge, which no one could spell," he says. "Hawthorne Bridge, everyone spells wrong. Broadway Bridge – that name is everywhere."

The old Sellwood Bridge is being torn down; a new one will rise in its place, Waibel adds.