

Evercore Wealth Management: The Challenge of Sustaining a Fast Start

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Armed with an impeccable pedigree, Evercore Wealth Management's fast start has been extremely impressive, but can it be sustained?

Launched only 13 months ago by former US Trust chief executive Jeff Maurer, Evercore has attracted industry attention - and, in some cases, envy - by its rapid growth, culminating in the recent announcement that Evercore pulled in \$1.5 billion in assets under management in its first year of business.

"They came out of the gate on fire, and they got it done in a treacherous market," said Elizabeth Nesvold, managing partner for the New York-based investment banking firm Silver Lane Advisors.

"They've been able to establish a tremendous market presence for being so new," said Gary Carrai, senior managing director for Fortigent, an outsource platform provider that works with Evercore.

The fast start can be traced to US Trust, whose former clients account for 90 per cent of the firm's assets, according to Mr Maurer. It is also the former home of all 16 of Evercore's partners.

What's more, Evercore is consciously emulating the high-touch, service-oriented business model that the "old" US Trust was famous for, before being sold to Charles Schwab & Co in 2000 and then to Bank of America in 2007.

"We'd like to replicate that culture and improve on it," said Mr Maurer, who is known for helping to build US Trust into an industry powerhouse over the course of more than three decades. "Personal service and flexibility are not always an option for clients as trust companies have become larger and larger and we think that's a niche for us."

Views from the competition

Competitors say that approach is a double-edged sword, however. While demand for highly personalized service exists, they say, delivering it can come at the price of lower margins.

"US Trust was the definitive model for service in the business," said one wealth management executive who did not want to be identified, "but it never had a particularly profitable business. You can build a business to meet client demand instead of building profitability."

Evercore hopes to do both, according to Mr Maurer. In fact, he said, the firm hopes to become profitable this year, earlier than many observers had predicted.

But Evercore's future growth and profitability is expected to be more difficult to achieve now that the low-hanging fruit from the US Trust crop has been picked.

"This next phase will be the true test for them," Ms Nesvold said. "Where will they go from here?"

Mr Maurer believes the answer to that questions is a combination of growth from acquisitions and lift-outs, and leveraging the firm's relationship with its parent company, New York-based investment bankers Evercore Partners.

Evercore will be looking to do more deals such as its recent acquisition of New York-based asset manager Morse Williams & Co, which will close on 1 April, Mr Maurer said.

Morse Williams, which had \$190 million in assets, was an "ideal fit," he explained, because of its investment expertise and lack of wealth management services.

Similar firms in New York, San Francisco and Florida would be the company's first priority, followed by firms in cities where Evercore Partners has offices: Los Angeles, Houston, Washington, DC and Boston.

Additions

Evercore will also be looking to add individual advisors or teams who are attracted to the firm's hybrid investment platform of 70 per cent proprietary product and 30 per cent open architecture.

"A lot of RIAs are in an open architecture-only environment, but I think the bloom has disappeared there," Mr Maurer said.

But advisors joining Evercore will more likely come from private banks or trust companies than brokerage firms, he said.

The firm also hopes to grow organically beyond its current 130 clients by adding to its sales force and targeting wealthy individuals and families with \$5 million or more (or less) in investible assets.

"Our sweet spot is less than multi-family size," Mr Maurer said.

Evercore Partners owns 51 per cent of Evercore Wealth Managers, is run by BlackRock founder Ralph Schlosstein and was founded by former treasury deputy secretary Roger Altman. Evercore Partners is a key element of Evercore Wealth Management's growth strategy.

"We have developed relationships and manage the wealth of many of the partners," Mr Maurer said. "As we demonstrate our capabilities to partners, we think it will lead to references from their clients."

What's more, Evercore Wealth Management is also poised to benefit from the investment bank's global presence, said Mr Maurer. He also believes Evercore Wealth Management will be helped by the ability of its sister company, Evercore Trust Company, to provide custodian and trust services for wealthy clients. And he believes the firm will gain further traction because it now is free to actively solicit US Trust clients and is beyond start-up stage, distancing itself from whatever negative connotations a brand-new firm may have had for potential clients.

Evercore's trajectory so far has led some to compare it not only to the old US Trust, but also to Bessemer Trust, a venerable New York firm also known for customized service and proprietary products, and HighTower Advisors, a fast growing Chicago firm which also boasts veteran executives who ran high-profile companies.

Mr Maurer acknowledged the similarities but also drew distinctions with all three firms.

Because of its large size, the pre-Schwab US Trust had "much more dispersion of [investment] results, Mr Maurer said, adding that Evercore is also more "nimble" and "collegial" because of its smaller size.

Mr Maurer said he was flattered to be mentioned in the same company as Bessemer, but noted that the trust company did not accept clients with less than \$10 million in investible assets and contrasted Bessemer's large size with Evercore's boutique status.

HighTower's business model, he said, was more like a condominium, where wirehouse teams sign on for a "plug and play" infrastructure but maintain their own business, while Evercore was more like a co-operative, where equity partners were fully integrated into the firm.

In the end, Mr Maurer said, Evercore faces the same challenge as all wealth managers: "finding prospects and being able to tell your story."

"If you satisfy clients," he said, "they will refer others, tell centers of influence, and you have a business," he concluded.