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Advisors Roam Far Afield in Search of Alternative Investments

As AI gains in popularity, advisors consider many sources

BY MARLENE Y. SATTER, ADVISORONE
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Alternative investments are grabbing financial advisors' interest as a means to achieve portfolio goals. Where they are looking for AI may be surprising, because the biggest firms are not necessarily getting all the attention.

A report from Cogent Research finds that advisors seeking out AI are looking at multistrategy and managed futures as offering the most potential in the next year. It also says advisors will show less interest in long/short interest or market-neutral strategies in the year to come.

The report, 2011 Alternative Investment Trends, says asset managers hoping to attract advisors will have to use specific segment and channel strategies to get their attention. Providers of managed futures, for example, would be more likely to see even greater demand among sellers who are the heaviest users of alternatives, having more than 15% of AUM in AI, as well as national wirehouse advisors; among this group, more than 4 out of 10 already use AI and are expected to make even more use of this strategy.



Alternatives are gaining in popularity among advisors, says the report, reflecting industry trends. But rather than relying on a few more mainstream suppliers for their options, as they do with more conventional asset classes, advisors instead are venturing farther afield in search of AI. The report cites traditional mutual fund, ETF, hedge fund managers, and other AI specialists as go-to sources for advisors.

Antonio (Tony) Ferreira, Cogent Research managing director and co-author of the report, said in a statement, "While we expected to see a range of providers, we were surprised to uncover that nearly 300 unique firms and managers were being considered by AI users." Sources can include major brands like PIMCO, BlackRock and Natixis, but smaller and emerging providers such as Altegris, Hussman and Virtus are also considered important providers.

Ferreira said of the trend, "These results demonstrate that advisors are performing extensive due diligence in their quest to find the best alternative investment solution in every AI strategy."

While large companies will definitely get attention, smaller players should not be counted out, not just for multistrategy and managed future flows, but also for other AI categories, he said.

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