

FA News

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Boutique Alternatives Growing

Advisors are looking to a wide range of providers to satisfy their clients' growing interest in alternative investments rather than sticking with big-name firms, according to a recent study by Cogent.

Nearly 300 firms and managers, many of them small boutique entities, were among those being considered by advisors, according to Cogent Research's *2011 Alternative Investment Trends* report, culled from response of 1,643 retail investment advisors. Cogent Research, based in Cambridge, Mass., provides research for the financial industry.

While large name firms such as Pimco, BlackRock and Natixis are part of the arsenal for advisors looking at alternative investments, smaller and emerging providers like Altegris, Hussman and Virtus are close behind, according to the survey.

"Unlike other investment categories, alternatives have had positive flows in the last 12 months," said Antonio Ferreira, Cogent Research managing director and co-author of the report. About 78% of advisors use alternatives, making up about 11% of their investments, he said. "So it is a small percentage but it is going to grow."

Among those most invested in alternatives, where 15% or more of assets under management are in alternatives, managed futures and multi-strategy, otherwise known as multi-alternatives, are the attractive trends, according to the survey. Long/short and market neutral solutions are losing favor, Cogent said.

Four in ten wirehouse advisors predicted a growth in the managed futures alternatives, according to the study, which noted alternative investment users are turning to a wide variety of firms, including mutual fund, ETF and hedge fund managers.

Examples of some of the smaller but emerging asset managers mentioned by advisors in the survey and the alternative categories they deal in include Altegris and Absolute Strategies for multi-strategy; AQR and Mutual Hedge for managed futures, Virtus for commodities and Highland and Hussman for long/short equity.

Net inflows into alternatives for 2011 were more than \$11 billion, while stocks and bonds saw negative net inflow year to date, according to Morningstar.

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

The results "indicate that, while large brand name firms will get consideration, the smaller boutique players are very close behind in their quest to capture, not only multi-strategy and managed futures flows, but also strong consideration for other major alternative investment categories," Cogent said.

—*Karen DeMasters*