

Fund Industry Intelligence

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Advisors Turn To Boutique Firms For Alts

Financial advisors increasingly are turning to boutique firms—including **Altegris Investments**, **Hussman Funds** and **Virtus Investment Partners**—to manage their alternatives investment strategies, according to **Cogent Research**.

Advisors are more than willing to use boutique firms they perceive as being best in class for specific alternatives strategies, **Tony Ferreira**, managing director, told *FII*. Traditional fund providers who are building their alternatives lineups may wish to focus on a limited number of asset classes and develop a clear strategy for communicating their expertise in these specific strategies, he advised. Advisors strongly favor multi-strategy and managed futures strategies, he noted.

More than 300 boutique asset managers were cited by the 1,643 advisors who responded to a Cogent survey in May. That survey was used to compile the firm's annual *Advisor Brandscape* report (*FII, 9/16*). Cogent released additional data on alternatives investments from that survey this week in response to demand from its asset manager clients for more detailed information, particularly on providers, vehicles and strategies, Ferreira said.

Altegris—which specializes in multi-asset strategies, Hussman—which is known for its long/short equity strategies, and Virtus—which is strong in commodities—were among the top boutique managers in terms of being identified by advisors in open-ended questions, Ferreira noted. These questions focused on the asset managers the advisor would consider investing with for alternatives strategies. Altegris, Hussman and Virtus also had some of the strongest fund flows over the past 12 months, he added.

“It was surprising to see how fragmented this marketplace is. There are still lots of traditional, go-to fund providers, but advisors are definitely showing a willingness to go to unique firms,” Ferreira said. **PIMCO**, **BlackRock** and **Natixis** were among the most notable traditional fund providers in terms of advisor responses to open-ended questions in the May survey, he reported.

Exchange-traded funds are the favored vehicle for advisors to access alternatives investment strategies, Ferreira noted. Fifty-percent of advisors who invest in alternatives strategies do so via ETFs, compared to 32% who invest through mutual funds. Forty-one

percent of current investors will increase their allocations to ETFs, while 28% will increase their allocations to mutual funds over the next 12 months, he added.

In terms of strategies, 34% of advisors identified multi-strategy and 33% identified managed futures as the sectors that will increase in importance for them over the next 12 months, which indicates a likelihood of increased allocations, Ferreira said. At the bottom of the list were long/short interest strategies at 8% and market neutral at 12%.



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