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Advisors warming to alternatives, says Cogent

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Nearly 1/3 of all financial advisors who sell alternative investments (AI) predict that the Multi-Strategy and Managed Futures strategies have the greatest potential over the next 12 months, according to a new report released by Cogent Research.

By contrast, providers offering Long/Short Interest or Market Neutral solutions are likely to experience lower interest in the coming year as advisors look to shift their AI holdings and categories says the 2011 Alternative Investment Trend report, which is based on a nationally representative survey of 1,643 retail investment advisors.

While there is widespread demand for AI, asset managers will need to apply specific segment and channel strategies when targeting AI users. For example, Managed Futures product providers are likely to see even greater demand among sellers who are the heaviest users of alternatives (15%+ of AUM in AI) and National wirehouse advisors, where more than four in 10 users predict greater utilisation of this strategy.

Reflecting industry trends and flows, there is a growing interest in alternatives among advisors. However, unlike in the case of traditional asset categories, AI users are turning to a wide variety of firms, including traditional mutual fund, ETF, hedge fund managers, and other AI specialists to address their needs. "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," says Antonio (Tony) Ferreira, Cogent Research Managing Director and co-author of the report. While brands like PIMCO, BlackRock and Natixis were mentioned in their AI consideration set, smaller and emerging providers like Altegris, Hussman and Virtus are also top-of-mind among AI sellers.

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

Combined, these insights 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 AI categories.

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