

REAL **ASSETS**

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ADVISER



The **road** to growth

Brinker Capital was named after Brinker Road, and \$23 billion later CEO **Noreen Beaman** is behind the wheel and negotiating its destination

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What's in store for CRE

Plenty of thunderclouds are on the horizon in the new year; here's how to stay sheltered

Auction funds

New financial instrument offers individuals broader access to nonpublic investment categories

The road to growth

By Mike Consol

Brinker Capital was named after Brinker Road and, \$23 billion AUM later, CEO **Noreen Beaman** is behind the wheel and negotiating its destination

“Off we went,” recalls Noreen Beaman about the start of Brinker Capital. “There were eight of us, a little over \$100 million under management and 91 clients.”

Thirty years later, Beaman is CEO, and Brinker Capital has \$23 billion in assets under management, 165 staff members and more than 50,000 clients.

Brinker Capital serves fee-based financial advisers, and that group is divided between insurance-based broker/dealer advisers and traditional independent financial advisers, as well as advisers in the RIA community. The bulk of Brinker Capital’s clientele is individuals and families. A little more than half of its \$23 billion in assets under management has come to the company from the “mass affluent” space, which Beaman defines as clients with less than \$1 million of investable assets, not counting the value of their home.

“Think in terms of individuals who are rolling over their 401(k), looking for asset management in retirement,” she says. “That is about 60 percent of our portfolios — people in the retirement assets, meaning 401(k)s or IRAs.

That space really is looking for advice. It is a crowded marketplace, but there are a lot of people to serve.”

Overall, the company’s average account ranges from \$150,000 to \$250,000, while its high-net-worth category averages between \$3 million and \$4 million per account.

The company is focused on a multi-asset approach to portfolio construction, with an emphasis on diversification, innovation and active management.

“We construct portfolios on the risk profile of that end investor,” Beaman explains. “Whether you are a mass-affluent client or a high-net-worth client, the investment philosophy at Brinker Capital is the same; it is consistent.”

Brinker Capital uses diversification to manage risk, and a mix of active and passive instruments in client portfolios.

“We believe the active management overlay within the portfolio allows us to grab performance while still managing risk,” she adds.

That diversification is anchored, in part, to alternatives and real assets, including global natural resources, commodities, equities and real estate.



Brinker Capital by the Numbers

Year founded
1987

**Assets under
management**
\$22.9 billion

Affiliated advisers
5,200

Clients
58,000

Personnel
160

Offices
One, in Berwyn, Pa., a
Philadelphia suburb

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GETTING PERSONAL

Noreen Beaman

If you could go back in time, what would you tell a 25-year-old Noreen Beaman?

Breathe and don't overthink it. There will be moments when you get it right and moments when you get it wrong, but if you continue to put one foot in front of the other, you will end up enjoying the moment and learning from it.

How do you like to spend your time outside of work?

I love to read. I am in a book group with an amazing group of women in my hometown. I am also in a book group with some Brinker Capital professionals. I also love to spend time with my family. My husband and I are proud parents to Elizabeth, 27, Emily, 23, and Jack, 16, as well as our Bernese Mountain Dog named Madison. I am also one of four girls, and the Heath sisters are a force to be reckoned with.

First choice for a new career?

Teaching or career coaching.

Most influential book you have read?

Man's Search for Meaning by Viktor Frankl

Favorite book?

Jane Eyre by Charlotte Bronte. The book that started me on my journey of reading was Charlotte's Web.

What are you afraid of?

I am claustrophobic, much of which is my fear of not being in control.



Biggest lesson learned?

That you are not in control, so just breathe. I control the variables that I can control and try to embrace the ride.

Best piece of career advice you ever received?

Live outside your comfort zone.

Favorite quotation?

Ayn Rand: "The question is not who is going to let me, but who is going to stop me."

Tell us something people would be surprised to know about you.

I am a very big New York Giants football fan! We have season tickets, and I am not a fair-weather fan.

What is your idea of perfect happiness?

A day on the beach in Kiawah Island, South Carolina, with my family.

What is your biggest regret?

While there are so many things I would have done differently, each of those things has helped get me here, taught me a lesson and informed me to be a better person, so while I would have done some things differently, I can't live in a state of regret.

What phrase is most overused in your industry?

Innovation

BEGINNINGS

Brinker Capital was founded in 1987 by Chuck Widger as a subsidiary of Mutual Benefit Life Insurance Co. and became an independent investment company in 1991. Now executive chairman, Widger's original business plan was to provide institutional-quality investment advice to the individual retail investor, and that goal has not changed. Beaman joined the company — which was named after Brinker Road, the Barrington Hills, Ill., street where Widger lived at the time — in 1989, after a stint as an auditor at Ernst & Young.

During her tenure at Brinker Capital, Beaman has occupied a variety of roles, including regional and national sales positions, business development and client service posts in New York and New Jersey, and then COO and CFO roles at the company's suburban Philadelphia headquarters in Berwyn, Pa. The move to the CEO's office was not an easy transition. In year six of her term as chief executive, Beaman says she has only recently achieved a sense of mastery over the job. She did so with the help of an executive coach, who was introduced to her by Widger.

"The CEO role is very challenging," she acknowledges. "I had the interest, and I had the enthusiasm to do this job well, though I did not have the tools. But the tools [my executive coach] gave me have allowed me to do the job much more effectively."

Beaman's executive coach is one of several mentors, including a number of Brinker Capital partners, she credits with her professional advancement.

"When I first moved into sales, I was terrible," she admits, "and there were many financial advisers that spent time teaching me how to be a better salesperson. Chuck Widger has been phenomenally generous to me over our 31 years, giving me direct feedback about what worked and what did not."

She combats the pressures of being CEO by eating well, exercising and immersing herself in recreational reading. It was her reading of E.B. White's *Charlotte's Web* as a young girl that fired her passion for literature. Today, she counts *Jane Eyre* by Charlotte Bronte as her favorite novel, and the classic Viktor Frankl memoir *Man's Search for Meaning* as the most influential book she has read.

STAYING THE COURSE

Beaman oversees short-term (120-day) and longer-term (24-month) plans with her team, during which they examine each of the disciplines within the organization, look at the markets they are trying to serve and the execution around achieving that.

"It gives each of the senior team members an opportunity to revisit the planning we have done," she says. "Some things come off the list because they were bad ideas; some things we fast-track, and then some things we are just going put off until next quarter or maybe the next year."

A big priority for Brinker Capital this year was ensuring its high-net-worth strategy was in place and its product offerings filled out.

GOING INORGANIC — MAYBE

All the growth Brinker Capital has registered to date has been organic, though Beaman says the company is looking for potential opportunities for inorganic growth in the form of strategic investments in organizations that could make good partners. She points out, though, valuations in the private wealth advisory business are currently high, and the company fancies itself a "value buyer."

While many RIAs are pursuing a consolidation strategy — consuming smaller RIAs to achieve the scale required to afford the technology, marketing and compliance resources required to compete at the highest levels — Beaman says she and her leadership team feel no such pressure.

"At \$23 billion, we are feeling financially stable," she says. "We will not be the biggest firm, but if we do a good job in service, we can withstand this change. Right now, we are staying focused on delivering a high-quality result."

Indeed, Beaman's vision for Brinker Capital over the next five to 10 years is to add more clients and services, and she sees the high-net-worth space as "opportunistic," where clients are looking for customized and personalized experiences, something Brinker Capital excels at, in her estimation.

TALKIN' PRODUCT

Beaman frequently speaks at industry conferences and likes to talk to audiences about culture, diversity and team building, which are among her favorite activities as CEO,



Alternatives and real assets at Brinker Capital

What alternatives and real assets has your firm been recommending to its clients?

Brinker Capital utilizes a mix of real assets and alternative strategies for use in client portfolios. In real assets, we have been allocating to global natural resources through commodity equities and allocating a portion of our real asset exposure to U.S. real estate. For alternative exposure, we advocate using a mix of higher-volatility strategies that have equity-like characteristics, along with lower-volatility strategies with risk profiles closer to fixed income.

Which specific real asset subsectors have you been using (real estate, agriculture, timber, infrastructure, energy, commodities, maritime, etc.)?

Brinker Capital portfolios are allocated to both global natural resources and to real estate. However, the real assets exposure in portfolios currently is heavily weighted toward commodity equities, with a much smaller position in U.S. real estate companies and REITs.

Talk about the role of alternatives and real assets in your client portfolios.

They are integral to Brinker Capital's multi-asset-class approach to investing. We create broadly diversified portfolios that include exposure to diversifying strategies within the nontraditional asset classes, such as absolute return and real assets. These strategies are important to our portfolio construction methodology because they provide low correlation to traditional equity and fixed-income asset classes, help reduce portfolio volatility and, in turn, create a more consistent return. In addition, real assets can provide some inflation protection

due to their positive correlation with inflation, which can become more important in an environment where global central banks are reducing monetary stimulus and fiscal stimulus is on the rise.

Do you expect alternatives and real assets to hold bigger positions in client portfolios in the years to come?

Allocations to these asset classes might increase at the margin in Brinker Capital portfolios; however, we expect to remain consistent with our multi-asset-class investment approach, which typically allocates a majority of the portfolio to equity (domestic and international) and fixed income (core and global credit). As such, we expect to continue to view the alternatives and real asset exposure as a complement to our traditional holdings. However, given we are likely in the later stages of the market cycle and we expect interest rates will continue to move higher, you could expect to see higher allocations to these asset classes, given their lower correlations to traditional asset classes.

What are your concentration limits for alternatives and real assets?

Our portfolio construction methodology includes defined ranges for our three asset class categories which are growth (equity), stable (fixed income), and diversifying (absolute return, real assets, global credit). Brinker Capital risk-based portfolios typically exhibit an allocation to the diversifying portion of the portfolio within a range of 0 percent to 25 percent combined across those sub-asset classes. More specifically, the range for absolute return is 0 percent to 25 percent, while real assets is 0 percent to 10 percent.

The current allocation within these tolerances depends on our assessment of the potential investment opportunity. Generally, we strive to keep allocations to individual strategies at 5 percent or less of the total portfolio.

Do you see those concentration limits changing in the future?

Our long-term strategic weights to all asset classes are set by Brinker Capital's asset allocation committee. They are defined broadly, and then we manage the exposures to these asset classes dynamically, meaning that we will actively implement smaller shifts within these asset classes depending on market conditions. There are no current plans to change these concentration limits. However, the asset allocation committee has the discretion to decide that these ranges should be modified if the analysis supports the decision.

What liquid alternatives and real assets are commonly used for your clients?

Brinker Capital portfolios have exposure to a variety of liquid strategies. Within alternatives, we allocate across multiple alternative styles, including long/short credit, event-driven, global macro, and alternative risk premia strategies. For real assets, we allocate a majority of the exposure to global natural resources in a global all-cap strategy that invests in commodity equities diversified across exchange-traded and non-exchange-traded commodities. In addition, we invest a smaller portion of the real assets allocation to a passive real estate ETF.

What illiquid alternatives and real assets are commonly used?

Brinker Capital's Wealth Advisory group serves our high-net-worth



clients. For these investors, illiquid solutions within alternative and real assets are used when appropriate. Depending on the needs and risk tolerance of the client, this might include allocations to limited partnerships in private equity fund of funds, private debt, and private real estate offerings.

Do you provide separate accounts, club deals, etc., to your firm's individual high-net-worth clients and families?

No, we only provide access to limited partnership vehicles.

What alternatives and real assets are you especially optimistic about over the next two to five years?

We believe that alternative strategies, in general, should be of more importance over the next two to five years. Since the financial crisis, the domestic stock market has benefitted from massive central-bank accommodation, and the Federal Reserve has kept interest rates at historic lows for a decade now. However, accommodation through monetary stimulus has helped fuel risk-taking in the equity market and dampened volatility levels, as well. With the reduction and removal of monetary accommodation, investors should expect a

return of volatility to more normal historic levels that can penalize excessive risk-taking and place a premium once again on fundamentals. As such, alternatives within a diversified portfolio should gain importance. Alternatives serve as a ballast for the portfolio and help reduce volatility through low correlations to traditional equity and fixed-income markets. As we progress later in the cycle, valuation, macroeconomic and geopolitical risks are on the rise, and in doing so, the opportunity set for alternative strategies increases as well. Given the flexibility of their mandates, we expect a late cycle and a rising-rate environment to be a tailwind for our equity and fixed-income long/short strategies, as well as our event-driven strategies. Also, we are optimistic about the opportunity for global natural resources ahead. Valuations remain low and attractive, as there has been a significant disconnect between natural-resource-commodity equity prices and their underlying company fundamentals. As commodity market fundamentals continue to improve, these natural resource companies across a diverse set of commodities should be able to create value for investors going forward.

though building product is chief among her favorites.

"I really love product development and the research involved," she says. "I did product development and product management for about five years, and that was probably my favorite part of the job."

Her understanding of product helped immensely during her years as a product wholesaler, selling to advisers and working with the end investor, from 1998 to 2004 in the New York City area. Beaman asserts a financial professional does not truly understand their products until he or she has to sell them to someone.

"That experience marked me in a big way," she recalls. "It made me more empathetic to our sales professionals and how hard their jobs are."

MILESTONE

As Brinker Capital celebrated its 30th anniversary, Beaman, who was named one of the private wealth industry's Women to Watch by *InvestmentNews* in 2018, says she and her leadership team took the opportunity to revisit the firm's culture.

"As a leader, you must ensure that you're living your values at work," she told the news outlet, identifying her goal as keeping the organization a meritocracy and an inclusive place to work.

The company's core values have evolved to reflect its authentic culture that supports the needs of the workforce and clients it serves. Brinker Capital's core values include: people first, independence, entrepreneurial spirit, service driven, and a focus on outcomes.

Culture is also assessed by measuring outcomes, such as the representation of women and their progress through the firm, she says. One form of support is the practice of benchmarking jobs against outside indicators of what they should be paying, rather than looking at what jobholders have earned in the past, which influences both compensation and advancement opportunities.

The challenge is constant, Beaman says, adding: "With culture, if you don't keep watering it, especially with positive feedback, it can get away from you." ■

Mike Consol (m.consol@irei.com) is editor of *Real Assets Adviser*. Follow him on **Twitter** @mikeconsol to read his latest postings.