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New Wealth Shop Opens Two Biz Units

Article published on June 25, 2008

By Tom Stabile

A start-up firm in New York is targeting two distinct markets with an investment bank focused on U.S. financial services-sector transactions and a multi-family office for high-net-worth clients in three South American countries. The dual-model business announced this week by [Park Sutton Advisors](#)¹ aims to leverage the professional experience of its two main partners, who own it as a 50-50 joint venture with [Meeschaert Gestion Privée](#)², a Paris-based private bank.

The boutique investment banking arm will target asset managers, wealth managers, broker-dealers, mutual fund companies, alternative investment firms, fund administrators, and other financial services outfits involved in deals valued at \$10 million to \$200 million, says **Steven Levitt**, managing director and co-founder of Park Sutton. The scope of services includes advice on mergers and acquisitions, valuations, and other investment banking staples. Levitt, who will head up the unit, says the clients will largely be privately owned firms.

Meanwhile, the wealth management arm will serve high-net-worth clients in Peru, Colombia, and Ecuador with a multi-family office model. The other co-founder, **Jaime Carvallo**, will tap his private banking background – and Peruvian heritage – to lead the division, Levitt says.

The key to running both businesses is partitioning them from each other, primarily by limiting the geographic scope of the wealth management arm to Latin America, Levitt says. “We want to be very clear to U.S. wealth managers that we are not competing with them,” he adds. “There is a little bit of work required to make it clear that we’re not going to be offering any multi-family office services in the U.S.”

By splitting off the businesses, the core units will not benefit from synergies that might offer wealth management clients access to private investment deals. Levitt says there is the potential in the future to spread the investment banking services to their multi-family office clients in Latin America, but only through non-financial sector deals.

Levitt says the combination of the two businesses is commonplace in larger organizations, such as big Wall Street investment banks that have wealth management units – a model that aims to cross-sell both services to wealthy clients. Park Sutton’s impetus to mix the two specialties stems solely from the skill sets of the founding principals, though Levitt says it also serves another purpose.

“Mergers and acquisitions is a very lumpy business in terms of revenue because it’s transaction-oriented,” he adds. “It’s nice to have a smoother revenue stream in your business through the [asset-based] wealth management fees. It also represents low-hanging fruit for us because these are clients Jaime has worked with for years in some cases. And the multi-family office is a new concept in a lot of those markets, so it’s an area with good opportunity for us.”

Combining the two models raises the potential for conflicts of interest, even with the geographic split, says **Chris Winn**, principal and cofounder of [MainStay Consulting Group](#)³ in Boston. While large investment banks have wealth management divisions, keeping the units operationally separate through different systems, office locations, and reporting chains is usually a high priority to maintain regulatory compliance. “For a smaller shop, that’s certainly not going to be the case,” he says.

The primary conflict to avoid is any intersection of the private holdings of wealth management clients with any business that an investment banking arm is advising. Another concern might be ensuring that information on deals does not work its way out of the investment banking side into advice for high-net-worth clients.

“It’s not only how do you prevent the conflicts but also ensuring that any conflicts don’t rise to the level where you are disadvantaging one set of clients,” Winn says.

"It's really a tough thing to police. I'm not saying it can't be done, but there's a heightened level of compliance, due diligence, and transparency you have to do to pull it off. There may not be actual conflict, but there is certainly potential."

Levitt says the time is ripe to enter investment banking in the financial services sector, particularly in the "middle-market" segment. "In general, it's quite active," he adds. "We continue to see many folks interested in the groups we're working with, even leaving aside the current state of the economy. We see M&A in this sector continuing on pace for the next 10 years from individual managers who want to set up their own shops, firms looking for solutions to succession issues, or owners trying to monetize their portion of ownership in a firm. All of the factors are there."

Levitt says there are about 150 deals a year globally in the middle-market slice of the financial services industry, with about a third of those involving wealth managers specifically. He says wealth management will probably constitute about half of his activity.

Mergers and acquisitions should produce 80% of the firm's business, with valuation, fairness opinions, and due diligence taking up much of the rest, Levitt says. The client base will probably be 75% sellers and 25% buyers.

Levitt had previously worked on investment banking assignments for [Cambridge International Partners](#)⁴, [MilleniumAssociates](#)⁵, and [Putnam Lovell](#)⁶.

On the wealth management side, Carvallo will focus on entrepreneurs and family-owned businesses in South America's northern reaches, Levitt says. Carvallo's background includes private banking positions at [HSBC](#)⁷, [Citigroup](#)⁸, [Deutsche Bank](#)⁹, and [Banco de Credito del Peru](#)¹⁰.

All three countries Carvallo is targeting have strong economic growth prospects, and many of the potential clients are already used to doing business with private banks in Miami, New York, and Switzerland, Levitt says. Wealth management will be the smaller part of Park Sutton's business, but it may expand the unit to other countries in Latin America down the line, he adds.

The new firm has six employees. It may tap into Meeschaert's infrastructure for accounting, compliance, technology, and regulatory support, Levitt says.

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