

Focus Financial bags \$3.1 billion, 50-person RIA and why it 'really is impressive'

by Brooke Southall

Brooke's Note: While I was busy writing about [how Focus Financial had fallen into slumber](#), the New York roll-up was busy popping corks on one of its biggest deals ever. I am happy to be wrong and take this as a sign that RIA roll-ups, or at least Rudy Adolf's creation, and M&A are off to a promising start in 2016.

[Focus Financial Partners LLC](#) added an explosively fast-growing RIA in Chicago.

The big New York-based aggregator rolled up Kovitz Investment Group, which has \$3.1 billion of assets under management and 50 employees, as of Jan. 1.

The deal is a head-turner, even for members of the M&A fraternity, according to Steven Levitt, CEO of Park Sutton Advisors LLC of New York.

"It seems Focus just has a marketing machine," he says. "It really is impressive. They seem to be distancing themselves from the pack."

h2, Wind in sails

Rudy Adolf, founder and CEO of Focus, says the move is intended to build on a growing presence in the Windy City. See: [Focus Financial gets its first beachhead in HighTower's backyard — buying an exhibit-A organic-growth RIA with a hankering to go inorganic](#).

Steve Levitt: You don't get to be \$3 billion if you're an idiot.

"When combined with our strong existing presence in the Chicago market, this new partnership presents an unprecedented opportunity to offer additional growth opportunities as well as consolidate the highly fragmented Chicago RIA market," he stated in a release. See: [The case for Chicago as an epicenter of the RIA world](#).

Kovitz becomes the fourth Greater Chicago Area registered investment advisor to join Focus along with Vestor Capital, Strategic Wealth Partners and Relative Value Partners. See: [How a Chicago RIA grew to more than \\$700 million by carving out a client niche of wirehouse execs](#).

What stands out about the Focus deals for these RIAs is that they don't have a whiff of exit strategies — but instead look like ambitious principals of RIAs looking to build on their success, says Levitt.

"These aren't old guys," he says. "They're not 67."

Deep value dive

What jumps out about the firm, founded in 2003, is its growth from \$1 billion of AUM in 2007 to its current \$3.1 billion stature — momentum built up with a running start. Mitchell Kovitz, Marc Brenner and Jonathan Shapiro, who previously worked together at Rothschild Investment Corp., broke away to form the RIA.

Shortly thereafter, Bruce Weininger, previously a partner with Deloitte U.S. and The Ayco Co. LP, joined the founding principals. Rothschild currently manages \$1.3 billion, according to its ADV.

In a [2007 Chicago Sun Times article](#), the principals explained that they earn assets by handily outperforming the S&P 500 by use of judicious stock picking. The company has made a handful of deep value bets including Wal-Mart and Berkshire Hathaway.

Rudy Adolf: The firm's eagerness to continue its legacy of growth makes it a natural fit.

Kovitz charges a fee of 1.25% for up to \$5 million in assets. After \$5 million, the fee drops to 1%, according to the firm's ADV.

Hungry for more

The deal signals that Kovitz is just getting started on its quest for growth.

"We are excited about our partnership with Focus, a firm known for its strong value-add programs in M&A, legal & compliance, pricing and marketing," he says. "With access to Focus' resources and capital, we believe Kovitz will be able to enter into its next phase of growth while maintaining our independence."

It was Kovitz's feisty attitude that won over Adolf.

"The firm's eagerness to continue its legacy of growth makes it a natural fit for the Focus partnership," he said in a statement. See: [Report: Focus Financial is preparing SEC paperwork for its initial public offering — but is it jumping the gun?](#).

There's also the presumption of the outsider looking in at a private company like Focus that good things are happening if a company like Kovitz vets them and does a partnering deal, according to Levitt.

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