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Rockefeller Capital's Ed Moldaver: Why We're Putting Wealthy Clients in Alts

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ILLUSTRATION BY KATE COPELAND

During his 34 years as a financial advisor, Ed Moldaver has seen both his profession and financial markets evolve. Today, another transformation is under way, he says. Wealthy clients increasingly expect family office-style services from their advisors. And advisors are now incorporating more alternative investments into client portfolios, in part because public markets have become much more efficient, Moldaver says. "Some of the best managers have not been outperforming," he says. "But that club still exists in the private market. If you can get access to the right type of investments for your clients, there will be some pretty decent outperformance."

Moldaver, whose team at Rockefeller Capital Management currently oversees more than $4 billion in assets, spoke with Barron's Advisor about his approach to client service, portfolio construction, and his immigrant journey to America.

What sets you apart from other financial advisors? As our industry keeps changing, there have been pivot points. I started in the business in 1990. Back then, all we did was just recommend stocks. There was very little financial planning. Then through technology and financial planning, we're able to deliver almost an institutional type of approach to the ultrahigh-net-worth client. That was a major pivot point. Having access to the right type of alternative investments was another pivot point. As we speak now, there's another pivot point, and that is delivering family office services. At Rockefeller, ultrahigh-net-worth clients can basically get everything done under one roof.

I think from a competitive standpoint, having a team structured where you have family office services is a game changer for the ultrahigh-net-worth market. We have a team of 12 people, with each person concentrating on their specific area of wealth management. We have CFAs and CFPs. When people hire Ed Moldaver, they're really hiring 12 people and basically an outsourced family office.

How do you approach client service? I'm an entrepreneur at heart, and I think that's a common element with clients, most of whom are entrepreneurs. A lot of them are first-generation wealth. So I've implemented a specific process that works really well, and the most important part is actually getting to know the person and what makes them tick financially, because everybody's different. Some people like instant liquidity, while others don't mind locking some of their funds up for the longer term as long as they're getting compensated. I want to know all of that. And then we'll do a financial plan:

"Here's where we are; here's where we want to be." And there's constant monitoring that happens thereafter.

How did you build your practice? Initially it was smile-and-dial. Thirty-five years ago, I would make several hundred phone calls per day, and I got hung up on most of the time. Once in a while, you would get a couple of good leads, go out and see them, and build the practice that way. Eventually, you build a referral base. Today, a great majority of my business comes from referrals. I continue to expand and grow, especially with the right kind of clients. A reason why I love to work with business people is I love to pick their brains. Like, what made them successful? I learn from my clients. You know, we had an event yesterday at the firm with Michael Strahan and Derek Jeter, and they were talking about how after 20 years of hard work, they became an overnight success. So yeah, nothing that is worthwhile is easy. It takes a lot of determination. You have to be consistent with what you do every single day.

What are your clients' top concerns? Geopolitical risk is one. If you look back to history, there have been events that people were concerned about: the Vietnam War, the Korean War, President Kennedy's assassination, pandemics, global financial crises. But if you believe in the United States, you should never bet against it. So, generally, I look at dislocations as opportunities to buy at a lower level. Today, we're sitting pretty close to an all-time high. And I don't mind having some dry powder in case we get some dislocation.

How do you approach portfolio construction with your clients? Every client has their own custom portfolio based upon their specific risk tolerance. But there's a general theme, at least in our book of clients, and that is that there's now an ability to get pretty decent returns in the bond market and private instruments—although you have to be very careful about who manages that. But as a general theme we have a lot less in public equities, and we have a lot bigger allocation to alternatives. And we're sitting on some decent amounts of cash, because unlike over the last 10 years where you got zero [interest], we're getting about 5%. And if that dislocation does come, then it's good to have some dry powder after such a massive market rally that we had since October.

When did the shift to alts take place? We started really allocating a lot more to alternatives about four years ago. If you take a look at the performance of alternatives over the last 10 years, they outperformed by about 4% annualized. I think the market delivered 13%, and private equity as a whole delivered somewhere around 17%, give or take half a percent. The view is private companies generally trade at a discount to public companies. If you have two identical companies, one public and one private, why would you buy the private one unless you're getting it at a discount? So if you have a portfolio of 20 of them, and over the next five years they either get sold or go public, that gap will close, and that's your additional illiquidity premium that you're going to benefit from.

The public market is pretty efficient. It has to be, because there are many more participants. The efficiencies have been squeezed out. Some of the best managers have not been outperforming. But that club still exists in the private market. If you can get access to the right type of investments for your clients there will be some pretty decent outperformance. So if you're ultrahigh-net-worth and you're connected, you're co-investing along with some of the best investors out there. If you're ultrahigh-net-worth and you're less connected, hopefully your financial advisors are connected.

Are there particular areas of alternative investments that you like? Initially, we were doing a lot of traditional middle-market private equity. We've got clients involved in some cash-flowing direct deals. Over the last year-and-a-half, we went really heavy into private debt funds. These are entities that lend to private companies. Because there's a dislocation in regional banks that gets picked up by private debt funds. If a public company can issue bonds at 8%, well, a private company that needs $75 million, they can't issue a bond. So there are pools of money that tell them, "Yeah, we could lend to you, but we'll charge you 10%, and we'll charge you an origination fee." These pools of money are giving you double-digit returns in a pretty systematic, consistent manner. Going forward, we like the secondaries, pools of money that are buying at a discount the assets of other equity funds. There's a massive need for some existing private-equity funds to give capital back to their shareholders. Some of these funds are coming due.

When you talked about dry powder earlier, is there any particular area of the markets that you think might be overstretched? I've been around for 35 years. There are remnants of a little bit of '99 and 2000 where everybody gets really excited about a great technology. Back then, it was the internet. Today, the valuations are getting pretty stretched, especially anything that's associated with AI.

I do see a lot of opportunity in traditional S&P types of stocks, such as industrials, because I think AI will have a great impact on their productivity and their bottom line. So I like to go with more value.

You joined Rockefeller from Stifel in 2020. What attracted you to the firm? Two major factors. First is getting differentiated solutions for clients: private equity, alternatives, and access to direct co-investment opportunities that are rarely seen. I've worked at a couple of major firms, and the deals that we see I haven't seen in any size at any other firms. So that's one. Second is the ability to deliver the family office structure. I find that the most frustrating thing for clients around taxes and planning is actually trying to quarterback the whole thing. Some people love it, but the majority don't. So having a central person that communicates with their accountant and trust, and estate attorneys, and handles the debt side of the balance sheet—you basically have your own family office. That's what we deliver here. I think it's a major differentiation.

You were born in Ukraine when it was part of the Soviet Union and immigrated to the United States at a young age. What was that like? The only way that they let you out of the country back then is if you had relatives abroad, and my uncle happened to be in the U.S. As soon as they applied to leave the country, my parents lost their jobs. That's just the way they did stuff. And you weren't able to take much with you. We took a train to Austria, and that's where you sell whatever little belongings you took out of the country just to get some money for the next leg of the journey. We stayed in Italy for about four months until we got the visa to come to the United States. It was an eye-opener. When I went to grade school in the Soviet Union, they brainwashed you with propaganda. After a while here, I was just like a normal teenager. I made friends, played football.

Have you been back to Ukraine since you left? I have not.

How do you view the war? It's very sad. There's a couple of charities that I support for orphans over there. Some people are under dictatorship, and some are fighting for their freedom.

What do you do outside of work? I do a lot of power boating. I have a boat that has four engines on it. It goes 80 miles an hour. I like water sports and Jet Skis. I love working out, and I've been working out since I was a teenager. I do a little golf, although I'm horrible at it. And I like to do cold plunges every day. You basically dip yourself in 40 degree water and it invigorates you with endorphins throughout your body. You're in a good mood for at least the next four or five hours.

Wow, I can't say I've tried that. Thanks, Ed.

Endnote[1]: Figures referenced from the Cambridge Private Investments benchmark (May 2014 through May 2024) with a 5yr ~ 17% return and ~15.5% 10 yr.

Additional information:

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