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PE DEALS

Inside the deal: Why Advent invested in Fisher Investment

'This is the world's largest independent RIA and it has broken through in the financial services landscape to build a brand. It's very rare to be able to do that,' said David Mussafer, a managing partner at Advent International.

In wealth management, investors are likely more comfortable dealing with strong institutions than robo-advisers, according to David Mussafer, a managing partner at Advent International following his firm's recent minority investment in Fisher Investments.

Advent and Abu Dhabi Investment Authority agreed this month to make a minority investment of at least \$2.5 billion and up to \$3 billion in Fisher Investments, a Texas-based investment adviser. The investment puts Fisher at a valuation of \$12.75 billion. The deal is expected to close later this year.

"There was a time about 10 years ago where people thought the wealth management space would move to a passive investing model with robo-advisers and that active money managers would be a much smaller part of the global market," said Mussafer.

"Since then we've seen that customers want the safety and security of knowing that there is a very strong institution that is managing their money and that there is a person behind that." Most of those customers, Mussafer added, are in retirement and would need someone to be a fiduciary on their behalf. Cybersecurity threats are among the factors pushing people to work with companies such as Fisher, as opposed to the passive investing model, he added.

Many sectors are determining how AI might play a role in their future.



David Mussafer, Advent International

Mussafer said the same is true for wealth management. "Active managers will likely always prioritize the human approach, but there still may be a role for AI behind the scenes. We see it as an opportunity rather than a concern."

A few reasons that stood out for Advent in making this investment include the fact that Fisher is global, operating in 18 countries. Its international segment is the fastest growing part of the business. "This is the world's largest independent RIA and it has broken through in the financial services landscape to build a brand. It's very rare to be able to do that," he said.

Also, the wealth management space is a very attractive sector because of a "mega trend" that is seeing an aging population

accumulating more wealth than previous generations. This, according to Mussafer, is fueling an opportunity for companies like Fisher that are servicing a broad array of clients.

The business has a "very powerful incumbent position as a market leader," he explained, adding that Fisher has scale in the marketplace, and it is able to use that scale effectively to reinforce the power of its brand.

Mussafer said the business has at its core "a very strong investment driven culture" and that Fisher brings those investment skills to a Main Street customer. Fisher has a \$500,000 minimum for new clients. "Instead of going up the ladder to the uber wealthy, Fisher can serve a broader mass affluent client base. I think that's an attractive area that is underserved in the marketplace," he said.

Finally, the Advent managing partner noted that the wealth management space is a "massive addressable market." Fisher has more than \$275 billion in AUM today, and yet that is only around 1 percent of market share. "There is a global opportunity for them to continue to grow for a very long time," Mussafer said.

Founded by Ken Fisher, Fisher Investments has over 150,000 clients globally, including 120,000 US private clients and 185 of the world's largest and most well-known institutional clients, according to the company.

PE Hub

The deal

At the close, which is expected later this year, Ken Fisher will remain active in his current role as FI's executive chairman and co-chief investment officer, and CEO Damian Ornani will continue to lead the company.

Also, after the transaction closes, Ken Fisher will retain a majority of beneficial ownership and of voting shares. Mussafer will join the board of directors.

As its investment thesis, Advent targets some of the world's best companies that are growing rapidly, Mussafer said. "These companies have powerful tail winds, and they are oftentimes growing between 15-20 percent organically. We target those

businesses because we think we can help them continue to accelerate the path that they're on. Fisher falls into this type of 'acceleration' deal."

Advent has been following Fisher for more than a decade looking for an investment in wealth management space. When the opportunity arose with Fisher, Advent jumped on the investment along with Abu Dhabi Investment Authority.

"ADIA is one of our longtime investment partners," Mussafer said. "When an opportunity to team up came to partner with them on this deal, we welcomed it."

The two firms have worked collaboratively in the past – for example,

with an investment in INNIO, an Austrian energy solution provider in 2023 and in McAfee, a cybersecurity company in 2022.

Advent said it will draw from its experience of minority investments in companies such as Lululemon, in which Advent invested in 2014, to scale Fisher.

This deal represents the first outside capital that Fisher has taken.

With a mixture of advertising and marketing, Advent is targeting to grow Fisher into new markets, especially in Europe and Asia.

"We think there is quite a global opportunity for this business, and that includes a long runway right here in the United States." ■