Jonathan Bergman: It creates a beautiful intellectual challenge, and that's what gets me fired up.

A $6-billion multifamily office highlights its home-cooking approach to picking boutique managers with a star hire

TAG Associates, founded to manage big assets of a Warner Communications billionaire in 1983, is growing locomotive style by eschewing most outsourcing

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One of the larger, longer-tenured pioneers of the multifamily office business has made a hire that says much about how it will grow and how family offices can add value to the superrich clients that they serve on the investments side of the equation.

TAG Associates LLC, a New York City-based multiclient family office, has hired Jonathan M. Bergman as a managing director, reporting to its chief executive, David Basner. See: Look before you leap: Six questions you must consider before becoming a multifamily office.

Palisades all-star

Bergman, 37, was hired away from Palisades Hudson Financial Group LLC, where he served as chief investment officer overseeing strategy and management of client investment portfolios. He also was chairman of the investment committee. Bergman helped launch the firm's asset management division and played a vital role in building its assets under management to more than $1 billion. He led the firm's first forays into alternative assets, allocating nearly $100 million to private-equity managers and co-investments. Bergman was also the firm's senior client services executive, overseeing asset allocation, cash flow projections and coordination of estate and tax planning.

At TAG, Bergman will be part of a 15-person team (out of a 75-person office) dedicated to investing. He'll also help vet managers, customize client portfolios and spend considerable amounts of time with clients. The Rubik's cube calculus demanded in dealing with managing an ultra-affluent client's assets is what really drew him to TAG.

"It creates a beautiful intellectual challenge, and that's what gets me fired up," Bergman says.

$3 billion to $6 billion in a decade

TAG was founded in 1983 to manage the immense wealth of the late Steve Ross, who made his fortune building Warner Communications from a struggling studio to a cable, publishing and entertainment giant. Although Mr. Ross died nearly 20 years ago, TAG still manages assets of the Warner diaspora of executives but it stays mum about its other uberwealthy clients. See: Family Office Exchange is betting that RIAs and the ultra-affluent can't get enough of each other.

TAG depends on generating capacity in advance of bringing in new families because of the labor-intensive nature of the service it provides, according to Basner. The company has grown from about $3 billion of advised assets 10 years ago when he purchased the firm to about $6 billion today.

The firm's growth rate is not likely to accelerate. Due to the level of service it provides to its clients, TAG can bring aboard only a handful of families each year. Its current families have an average of $60 million and a minimum of $10 million.

About 33% of TAG's clients' assets are in alternative investments, such as hedge funds, private equity, distressed debt, etc. The remainder is mostly in managed accounts and cash equivalents. TAG serves about 100 families. See: Are ultra-high-net-worth clients really worth it?.

Multi-trick pony

The strategy behind the Bergman hire can be replicated by family offices that want to distinguish themselves from wealth management firms, private banks and Wall Street firms that live from "lists" of managers, according to Jeff Roush, managing partner of Argos Wealth Advisors LLC in Napa, Calif. Though family offices are often perceived as big-service firms that pay bills, put trusts in place and find cheap insurance for the client's Gulfstream, they can also win by differentiating their approach to investing.

"Most of these clients have been through the private banks and brokerages and they've been through the kinds of stables of managers and the results haven't been as effective as investing through more-unique managers," Roush says. "It creates a boutique feel when they say, 'You're not going to find this anywhere else.' See: Smelling-blood-on-wall-street-genteel-family-offices-are-using-the-s-word-study-shows

Basner says that his company is not likely to outsource its selection of managers anytime soon.

David Basner: To hand it off would not be the right solution.

"We've always done it internally, so it would be difficult to let the reins go — particularly on the alternatives side. To hand it off wouldn't be the right solution."

Couture portfolios

There are companies such as Fortigent LLC, Mercer and Callan Associates Inc. that have large staffs dedicated to choosing managers. Wirehouses have similar staffs that generate lists for their brokers. Companies such as SEI Advisor Network and Russell Investments have hundreds of manager-selectors that get leveraged by their TAMPs on behalf of financial advisors.

The downside to these big due-diligence staffs is that they tend to generate relatively generic picks, according to Roush. The best managers tend to be what Roush refers to as early-cycle managers who are growing organically and working directly with family offices. An in-house staff can turn over these gems if it knows what it's doing. See: Suddenly noticed by big investors, Kevin Tanner's small RIA is bracing for billions of AUM.

There can be good symbioses between multifamily offices and these hot managers because the family offices are patient about getting good long-term returns and the managers can often outperform over time — especially if they're not getting drowned in assets that come in through a big platform.

Client connections

Bergman was attracted to TAG by the opportunity to work in an atmosphere where he meets with the clients and then constructs portfolios for their specific needs. Clients tend to have legacy assets, investments in commodities and a desire for various hedging that makes customization important.

"I prefer talking to clients to talking with economists," says Bergman, who describes his investing philosophy as "buy and hold some — and be smart with the rest." Bergman says that having a tactical component to investing makes sense in today's environment, in which both bull and bear cases are easy to make.

Bergman declined to say whether clients would follow him from his old employer but made this allowance: "Having worked in [the business] for 15 years, there are a lot of people who know me. I have the capacity to take on new clients."

Says Basner: "[Bergman] is a visible and admired leader in the wealth management field, and we are delighted to have him on board."