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The investment chief at a $20 billion family office explains how he allocates assets for the ultra-wealthy — and shares 3 outperforming mutual fund managers on his buy list

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- **Kent Insley is the chief investment officer of Tiedemann Advisors, a $20 billion family office for high-net-worth individuals, families, trusts, foundations, and endowments.**

- **Insley leads a 17-person investment team that is tasked with searching for and allocating to fund managers who can demonstrate a successful and repeatable investment process, have the right client alignment in place, employ a long-term orientation, and charge a reasonable fee.**

- **In an interview with Business Insider, he explains the team's investment philosophy and shares three outperforming managers – including a hidden gem manager – on his buy list.**

TIEDEMANN ADVISORS

Kent Insley is the chief investment officer of the $20 billion Tiedemann Advisors.

Growing up with a passion for research and debate, Kent Insley had planned for a career in politics and law.

But two college internships in Washington D.C. and a lot of devouring of the financial periodicals later, he pivoted to a career in investment management, starting as a management trainee at Boston-based MFS Investment Management and then working his way up to becoming a fixed-income specialist at New York-based hedge fund Millennium Partners.

Today, he serves as the chief investment officer of Tiedemann Advisors, a $20 billion family office that invests for 370 clients ranging from high-net-worth individuals and families to trusts, foundations, and endowments.

As the head of a 17-person investment team, Insley is tasked with overseeing the firm's investment process related to asset allocation and implementation, which he anchors around three pillars.

"Our clients all have a very long time horizon, so our investment philosophy is to use a long-term investment orientation that emphasizes risk management, valuation, and sustainability to achieve the clients' goals," he said.

Risk management is first and foremost for Insley because of his belief in the laws of compounding, which indicates that small losses generally take less time and smaller gains to recoup, while big losses require significant gains and longer time to recover pre-loss portfolio value.

"We think focus on downside protection over a full market cycle reduces the probability of extreme losses in our clients' portfolios," he said. "And then it limits the drag that volatility and losses can have on long-term compounding."

Valuation, which distinguishes from the value investing style, is another tenet by which Insley invests for his clients.

"Because valuation is an important driver of long-term performance, we do look to gradually shift over time exposure in client portfolios to assets that have been driven below fair value by excessive pessimism and avoid those that have been bid up by excessive optimism," he said.

Last but not least, Insley and his team spend most of their time focusing on sustainability and quality.

"The reason that we focus so much on quality and sustainability is because it is the best way that we know to compound wealth over time," he said. "It also eliminates the risk that you end up investing in a very cyclical or a leveraged business or a business that's run by a bad management team that destroys the value of the business during your holding period."

By focusing on these three pillars, Insley and his team have been able to steer their clients through times of recessions and market stress, but it is only the first step to building resilient portfolios that compound over time.

Finding successful fund managers

After establishing the three pillars for portfolio construction, Insley seeks to find managers who can demonstrate a successful and repeatable investment process, have the right client alignment in place, employ a long-term orientation, and charge a reasonable fee.

These criteria have often led Insley to boutique asset managers.

"They tend to be focused on just one area," he said. "And they will continuously invest in and improve that process over time rather than developing multiple products and becoming like a supermarket of active management."

One of the hidden-gem boutique asset managers is Middleburg, Virginia-based Akre Capital Management, which was founded by Chuck Akre in 1989 and offers the $14.9 billion Akre Focus Retail fund in addition to private partnerships and separately managed accounts.

"They run an extremely concentrated portfolio of very high-quality businesses; they call them compounders," he said of the firm. "And they focus in a few industries where they have a proven track record of adding great value through stock selection."

He added: "Stock selection is where we believe active managers have the highest probability of continuously adding alpha over time. We tend to not invest with groups who believe they add value through market timing or sector rotation."

Another manager who shares Insley's focus on picking stocks that demonstrate sustainability and quality is Terry Smith, founder of London-based Fundsmith, which offers the £22 billion Fundsmith Equity portfolio.

"They have a very concentrated portfolio and they usually own 30 stocks, plus or minus, of very high-quality companies that compound capital at a very high rate over time," Insley said.

"They also understand which industries they know well and have successfully identified over time. They know which industries to avoid either because they are too cyclical or they just don't have a competitive advantage when it comes to evaluating those kinds of businesses."

While Insley tends to avoid what he calls the "financial supermarket of active management" where a big fund firm offers multiple products covering every asset class and market area, he did make an exception for a star manager: Rajiv Jain, who had been the co-CEO and CIO of Vontobel Asset Management before breaking away to found his own firm GQG Partners in 2016.

"When he spun out of his previous organization and launched his current organization," Insley recalled, "we moved very quickly to back this group and they're a group that actually invest a lot of capital overseas for us."

The team uses the $5.7 billion GQG Partners Emerging Markets Equity fund and the $332.2 million GQG Partners Global Quality Equity fund, he said.

Customized investing for the ultra-wealthy

Working at a firm where the average investible assets is around $60 million, Insley admits that there is a very high level of customization from one client to the next.

"They all have very different long-term goals, risk tolerances, liquidity needs, and willingness to invest in different types of asset classes," he said, adding that the team has to think of other ways to add value besides investing in public equities and high-quality bonds.

He added: "We are also active investors in real estate both public and private, venture capital, private equity, private credit. These are all areas of focus for us and then we do focus on the hedge fund industry as well."

While some of these asset classes are only for accredited investors, Insley offers two recommendations that retail investors can access too.

One area where his team holds a long-term positive outlook is housing, which he believes is driven by a very favorable supply-demand dynamic in place right now.

"We have chronically underbuilt single-family homes here in the US dating back to the financial crisis, and it will take many years for the economy to overcome the underinvestment in that sector and meet the demand," Insley explains.

He continued: "There's increasing demand from millennials and we think that that's been accelerated due to COVID for single-family homes. Affordability is likely to remain very high or favorable for many years as we live through this low-interest rate, highly accommodative Fed policy environment."

His team is using Jeff Gundlach's $51.8 billion DoubleLine Total Return fund, which has a large exposure to mortgage-backed securities, to implement its housing view.

The other opportunity that retail investors can adopt is to diversify their portfolios with gold.

"In all developed markets with almost no exception, you've got extremely accommodative central bank policy to face as an investor," he said. "We think gold is a very good diversifying asset for portfolios that would typically be dominated by bond and equity investments."

There, Insley has invested on behalf of his clients in the $31.8 billion iShares Gold Trust (IAU), which he believes to be the "lowest fee and highest-quality gold ETF that investors could buy."