

# MARKET STREET:

## Keeping the glass half full

Market Street Trust believes in its mutual ownership model above all else. The Corning, New York-based multi-family office spoke with *PAM* about how it seeks to stand apart from the rest of the wealth management space

By Max Viscio



The firm began as a single-family office for the Houghton family. The family patriarch, Amory Houghton, founded the Corning Glass Company in 1851, which is now one of the largest glass manufacturers in the world. But aside from its glassy origins, Market Street thinks it has something that sets it apart from most multi-family offices.

"One of the most unique features about Market Street is that we're client-owned," Marianne Young, president at Market Street, told *PAM*. "You can think of us as a mutual company or a co-op so that all of our clients' interests are aligned."

Market Street vice-chairman Rob Elliott said the



co-op structure differentiates his firm's model from that of other wealth managers. "That [alignment] doesn't exist in publicly owned entities where you have a pecking order and where things are done for the benefit of shareholders which may not always be in the best interest of clients," he said. "They might get tempted to push a certain product or even a strategy that would have a financial benefit to the company but not necessarily be in the best interest of their clients. You can guess that by being so close to our clients, we definitely shy away from pushing products because we're closer to the clients. So there's no incentive, no product that's created internally."



Another benefit to the client ownership model is Market Street's ability to rapidly gauge the moods of its families. "Are our fees the right fees? Do they compensate us properly? What are our minimums? Are we interested in growth for growth's sake or are we interested in taking on the right clients?" Elliott asked. "Clearly, we want take on the right clients and stay true to our model, which is integrated wealth management. So I think it's a nice way to stay very close to our clients."

Elliott emphasized the collaborative aspect of the model as well. "One of the other benefits is the ability to regularly meet with other like-minded families and

share ideas about the challenges of wealth and educating the next generation and philanthropy," Elliott said. "One of our roles is being a convener and facilitator of that interaction between client families."

Meanwhile, Young emphasized that Market Street's model aims to bring in the best of both the single- and multi-family office structures. "It's really families of affinity coming together and sharing ideas with each other when we have events," Young said. "But it's almost as if each family has their own family office. It's really dedicated to them, dedicated to their needs, providing integrated services and yet these families, behind the scenes, are able to share the costs of the family office."

### Formation

"We have been organized as a shared family office since the late '90s and it really came out of some strategic planning work that the sixth generation of our founding family did at the board level. During this process we surveyed all the family members and worked with an outside consultant to really think about what the family office should look like twenty years from now," Young said. "What we realized was that while the family had built a great private trust company, at the end of the day no company is going to survive multiple generations without an ability to grow and retain and attract great talent."

That line of thinking prompted a discussion surrounding Market Street's ownership. The firm considered keeping its family ownership model, reducing ownership to a select few family members or even having management buy the firm. Eventually, the family made the decision to go with a shared office model.

"I was here at the time and one of the catalysts as well was that one of our investment advisers came to the management team and asked if we would manage money for his family. Of course the management team loved that idea," Young said. "We loved what we did for the founding family, but as professionals we were really excited about working with another family that would have many of the same issues that we were good at addressing but might have some different and unique challenges as well. It was really driven by long-term sustainability and making sure that the office 20 or 30 years from now would be vibrant enough to serve that next generation of the family."

### Investment approach

"There are a lot of families that think direct investing is the only way to go because of the ability to cut out the role of the general partner and that paying 2/20 or thereabouts is not necessary. We have a different view of that," Elliott said. "We think that properly constructed, vintage-year investment programs are a better way to go for most clients."

Market Street opts for a fund-of-funds approach without an additional layer of management fees. "When people do fund-of-funds they typically charge an additional fee, but we charge no fee,"

## Facts about Market Street Trust



- Family office for over 105 years
- Private trust company for 30 years
- Client-owned multi-family office model
- \$1.6bn in assets under management
- Trustee for over 300 trusts
- 41 Client family groups located in 21 states
- Advisor to 9 family foundations
- 42 professionals including attorneys, accountants, and Investment, tax and insurance specialist

We just put together eight to 12 funds that run the gamut from early stage to late stage,” Elliott said. “It’s not always big mega funds with brand names, but funds where we can get to know the people quite well such as more middle market sized private equity funds.”

While Elliott believes in a balanced approach, Market Street is weighted toward later-stage players with smaller sized managers. “It’s not just looking for home runs on the venture side, the next Uber or anything like that. We do have investments that are at the earlier stages, but most of it is growth equity and expansion equity,” Elliott said. “And we’re not believers in big mega funds because they tend to be interested, because of their size, in taking in more money and caring less about their returns than smaller funds do.”

Another area Elliott sees as a strength is navigating the pitfalls of exiting a position. “One thing I don’t think families really know how to do is exit an investment, exiting either because it’s unsuccessful or it’s successful,” he said. “A lot of family offices, for example, think deal flow is the easy part. Maybe they have sold their own family business and they’re aware of that sector, but they’re not aware of other sectors and they think because they were successful as a family it isn’t that hard.”

### Security

Young sees client security as one of Market Street’s most pressing concerns. “We’re very concerned about personal security for our clients, whether

that’s information security, cybersecurity or their personal safety. So we have rolled out a secure client portal so we’re able to share information with them post-report in a secure way,” she said. “We’re actually using that instead of sharing documents via email these days. We’re also working on improving some of our reports we share with them.”

The focus on security stems in part from the evolving nature of cyber threats, but another motivating factor for Market Street is regulatory change from the New York State Department of Financial Services. “New York, about a year ago, passed a new law and has just developed regulations mandating that every financial institution has to meet these fairly rigorous cybersecurity guidelines. So we have to do it by year’s end,” Young said. “I’m happy to report that we’re on target and in compliance with these new regulations, which I believe will be among the most rigorous in the country. So there’s the company focus, which we continue to be vigilant about, as well as educating clients about their own precautions and more importantly their children and social media.”

### Exploring impact

Another focus for Market Street is defining its approach to impact investing. “We have been looking at it for two to three years to make sure it was going to have legs,” Elliott said. “Socially responsible investing from twenty years ago didn’t quite become a permanent fixture in everybody’s mind, but I think we would agree impact investing certainly has a lot more life to it.”



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And while Elliott declined to go into explicit detail about Market Street’s impact investing plans, he emphasized that a significant level of demand exists among the firm’s clientele. “There’s a lot of interest in having a positive impact in social areas beyond just financial returns and we now think there are better metrics measuring the impact on society. I think then the challenge becomes how do you execute it since families have different areas of interest,” he said. “But I think we’ll be creating a program for our clients who obviously seem to have an interest in the area. Not to the extent of hurting returns, but just realizing there can be good returns and returns to society.”