

Kurt MacAlpine, CI Financial's new CEO, plots a change in direction amid industry challenges

CLARE O'HARA WEALTH MANAGEMENT REPORTER

PUBLISHED JANUARY 7, 2020

On the first day he took the reins as chief executive of CI Financial, Kurt MacAlpine sent out a company-wide e-mail introducing himself to more than 2,500 employees. By the end of the day, several hundred responses had poured in, many offering ideas about what he should consider improving at the asset-management company.

In the four months since joining CI on Sept. 1, Mr. MacAlpine has responded to the appetite for change at a company facing daunting industry challenges. He has unveiled a new strategic plan and announced five acquisitions in a matter of months, including two, unveiled in December, outside Canada.

“Scale is becoming increasingly important and difficult to achieve in Canada alone,” Mr. MacAlpine said in a recent interview in an executive boardroom at the company’s head office in Toronto. “Investors want to be serviced and supported globally, and expanding beyond Canada allows us to acquire global talent to complement our domestic talent.”

Mr. MacAlpine, 38, is searching for solutions as the glory days of the mutual-fund industry are fading. Regulators have required more fee disclosures to investors, who are increasingly favouring low-cost exchange-traded funds (ETFs). The competitive pressures have pushed CI’s shares down 45 per cent since their peak in 2014 as its funds have been hammered with monthly redemptions.

Recruited from WisdomTree Asset Management in New York, where he was most recently executive vice-president, Mr. MacAlpine replaced Peter Anderson, who had led CI for three years before announcing, in April, his plans to retire.

Despite spending the past decade abroad, Mr. MacAlpine said he is well aware of the changing landscape in the Canadian market and the need for asset managers to attract new clients – such as millennials – and adopt new technology.

Within weeks of joining CI, he crafted a list of priorities to try to propel the company in a new direction: modernizing the asset-management business; expanding the wealth-management arm; and globalizing the company.

“It was important to me to get those priorities out in the public forum as soon as possible,” Mr. MacAlpine said. “I wanted people to have an understanding of who we are as a company and where we are going.”

When Mr. Anderson announced his retirement plans, there was no one in line to take his place. At the time, CI’s chairman Bill Holland was vocal about finding an individual who was much more “digitally savvy” than either he or Mr. Anderson were, someone who could take the company into the “next generation of wealth.”

Mr. MacAlpine was the young blood Mr. Holland had been looking for. Despite spending the past 13 years abroad, he is Canadian – born and raised in Saint John – and has spent most of his career working in the asset- and wealth-management industry.

He completed his MBA at Queen’s University before landing a job in New York with McKinsey and Co., where he ran the North American asset-management practice. In 2016, he joined global asset-manager WisdomTree, which creates and markets ETFs.

When asked if he misses anything from the Big Apple, Mr. MacAlpine doesn’t hesitate: “the pace,” he said. It’s something he hopes to replicate at CI.

To start, he began by having a machine-learning analytics tool built for CI’s sales and marketing team. Similar to a system he had implemented at WisdomTree, the tool helps the company revamp its wholesale team and get a better perspective on what clients want and need.

“We don’t believe any of CI’s competitors have adopted a modernized sales approach such as this,” Scott Chan, research analyst with Canaccord Genuity, said in a note. “This should lead to better sales effectiveness toward its current adviser base and allow CI to navigate through potential new adviser interest.”

In October, CI bought Snap Projections Inc. – a digital financial-planning software company that helps younger investors set up plans. At the same time, CI bought a 49-per-cent equity stake in Australian equity manager, Redpoint Investment Management Ltd. And at the end of October, CI entered into a strategic partnership with d1g1t Inc., a fintech company that offers enhanced online portfolio-management tools for advisers.

CI manages about \$132-billion in assets, a figure that has decreased 5 per cent year-over-year, as of Sept. 30, 2019, mainly owing to net redemptions of CI’s mutual funds. Mr. MacAlpine said CI has seen “considerable improvement” in how much is being redeemed by retail investors, but he’s also looking to expand the firm’s investment capabilities.

He is currently finalizing a partnership with a global private-equity manager as he said alternative assets “will become increasingly important in Canadian portfolios.”

As well, with investors increasingly turning to ETFs, it came as no surprise when CI acquired the Canadian arm of MacAlpine's former employer, WisdomTree, adding almost \$1-billion in assets to CI's ETF division.

If a similar opportunity were to arise with another ETF provider, CI would be a "natural buyer," he said.

Expanding outside Canada was perhaps the most surprising news, bringing a new avenue of growth at CI and an area that, analysts say, probably would not have been contemplated without Mr. MacAlpine and his prior work experience in the United States.

At the end of 2019, CI purchased two U.S. registered investment adviser (RIA) firms: One Capital and Surevest Wealth Management. The deals allow CI to enter markets where cross-border capabilities could be added to CI's wealth operations, Assante Corp. and Stone Gate Private Counsel; they also significantly enhance the opportunity for overall company profits, Mr. Chan said.

Analysts are already anticipating future RIA acquisitions in 2020, which would be in line with the rapid pace already set by Mr. MacAlpine.

"We have the cash flow, the businesses and the relationships to be the industry pace setter," he said. "Hopefully that's demonstrated in the investments you've seen us make."

<https://www.theglobeandmail.com/business/article-kurt-macalpine-ci-financials-new-ceo-plots-a-change-in-direction/>

© Copyright 2020 The Globe and Mail Inc. All Rights Reserved.globeandmail.com and The Globe and Mail are divisions of The Globe and Mail Inc., The Globe and Mail Centre 351 King Street East, Suite 1600 Toronto, ON M5A 0N19 Phillip Crawley, Publisher