Regions Bank to Acquire $26B Institutional Consultant

By Aziza Kasumov

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Regions Bank plans to acquire institutional investment consulting firm **Highland Associates**, expanding its outsourced CIO (OCIO) platform and advisory services in the health care sector.

Highland, which managed about $10 billion in assets on a discretionary basis and $16 billion on a non-discretionary basis at the end of 2018, will keep its name and employees. Its CEO, **Trey Echols**, will continue to lead the practice, which will report through **Regions Wealth Management Group**, a business unit of Regions Bank overseeing roughly $98 billion in client assets. The bank is a subsidiary of Regions Financial **Corporation**, which counts a total of $129 billion in assets.

Both Regions and Highland are based in Birmingham, Ala. The deal was announced Friday, and financial terms were not disclosed.

Regions already provides some OCIO services to institutional clients, including nonprofits, foundations and endowments, a spokeswoman says, but the firm declined to disclose the platform's assets under management. The firm also serves a group of health care clients through both its wealth management and its banking arm.

The acquisition of Highland, which serves a range of clients but focuses on the health care sector, aims to boost Regions' presence in the health care market, a segment many consultants have identified as a prime growth opportunity, as reported.

"The larger the health care and hospital system, the more likely it is to have a consultant," says **Daniel Uquillas**, a senior analyst for the retirement and institutional markets at Cerulli Associates. "But overall, the recognition is that these institutions remain underserved."

Only about 23% of health service organizations have a consultant, 2018 research from Cerulli found. But that number was significantly higher among those institutions with more than $5 billion in assets — more than 81% used an investment consultant. A study from the research firm released earlier this year also showed that such systems might be ripe for adopting OCIO services. Out of the 14 nonprofit hospitals surveyed by Cerulli, most had some traditional consultants in place – but none used a discretionary option, as reported.

Cerulli's Uquillas says many of the health care firms in the system want to allocate more toward alternatives, but they usually don't have the resources to source private investments and monitor them.

"We think that presents an opportunity for consultants and OCIOs to step in and provide that service," he adds.

Highland's leadership hopes for additional benefits beyond a strategic alliance to expand further into the sector.

The firm is also banking on developing IT-enabled research and investment products, as well as expanding its research and consulting personnel, CEO Echols wrote in a letter to clients seen by *FundFire*. Additionally, the deal provides an opportunity to "complete a decade old succession plan," he wrote.

Highland was founded in 1987 by **William Mills**, **Charles Perry** and **William Terry**; the latter two still serve as chairmen of the firm. About 10 years ago, the company started thinking about how to transfer ownership on to the next generation, a spokeswoman says.

Devising a succession plan is something many in the investment consulting space are wrestling with – and getting it resolved can be critical to landing new business.

"A lot of these firms started in the 70s and 80s, and the founders are ready to ride off into the sunset," says **Brad Alford**, founder and principal of OCIO and consultant search firm Alpha Capital Management. "Who has large ownership and what's going to happen to them? How's the transition going to happen?"

Not having those questions resolved can be a red flag, Alford says.

Regions' plan to acquire the firm, however, clears up the succession plan, so that's "very positive" for Highland, Alford says.

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