

'Fair, transparent and flexible' - newly formed UK firm on bringing the best elements of wealth management sector to one firm

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The founders of London-based Lincoln Private Investment Office are aiming to use their experience to build a firm that takes the best elements of the existing wealth management models. The business was set up last year by Ross Elder, Fred Hervey and Becky Robbins who take on the roles of managing partner, chief investment officer and chief operating officer at the new firm respectively (see *thewealthnet* 24/11/2014).

The elements they seek to combine include the personalised approach of the stockbroker, the robustness of process and sophisticated products of a private bank and the service level of a family office. This is what the trio understand as the concept of a private investment office.

Messrs Elder and Hervey have worked together for 18 years. They met at James Capel, a private client stockbrokers. The pair describes this as a "great training ground," and point out the now-defunct firm (it was acquired by HSBC) spawned many senior figures within the industry. In 2006 both moved to Barclays Wealth and ran high net worth teams as well as developing products and services.

They were then approached by Berenberg Bank to establish a private banking presence in London. This business was still family owned and with unlimited liability.

It was whilst at Berenberg they worked with Ms Robbins. Starting her career in accountancy, Ms Robbins then moved to Credit Suisse. She was also instrumental in setting up the Jefferies & Company UK wealth management business and was targeted by Berenberg to help set up and develop the business.

During the period of working together, the three have experienced different models operating in the UK wealth management sector. This led them to question what was the best way of running private client wealth.

Some clients were also encouraging them to investigate creating an independent firm based on transparent principles with a personalised service. It is these conversations that led to the establishment of Lincoln.

The staff of the firm are required to have all their investable assets managed by the firm, and pay the same fees as any other client. The fee schedule is set in the firm's terms and conditions and works on a sliding scale so the more an individual has to invest the lower the fee.

A number of founder clients are also shareholders in the business. These founder shareholders are still treated equally to other clients, and do not get any benefits such as fee discounts. It is this that leads Mr Elder to describe the business "as built by clients, for clients." He added that these clients have ensured the business is well capitalised to enable it to develop in its early stages.

Although the founders were approached by other finance professionals and even competitors offering to invest in the business, they turned these potential investors down. "We want shareholders who care about the business," Mr Elder said. "They must put the service of clients ahead of profit increases or a drive for economies of scale. They must see themselves as a client first and a shareholder second."

The founders believe that it is not possible to maintain the high levels of bespoke service they aim to offer if there is a drive for efficiency and economies of scale – or if an adviser is overburdened with clients. As a result Mr Elder said he is conscious that the firm needs to manage the onboarding of clients and staff at a steady and workable level.

The firm has set the target of no more than 35 clients per adviser, with a "hard" maximum of 50. Mr Elder expects to recruit at a "steady rate" of around two individuals a year for the next few years. The hires will be sourced via the team's network to ensure they find individuals who want to work within the framework and standards of the firm.

The firm has already recruited Chris Rowell as a partner using this approach (see *thewealthnet 05/01/2015*). He joined LPIO from Barclays.

"We worked with Chris for a number of years at Barclays," Mr Elder said. "Whilst there he stepped down from a management role in order to manage clients. He fitted our criteria as he truly puts the client first, the business second and himself third. It was a real vote of confidence for the firm for him to come across."

To aid the team in making investment decision there is an investment advisory board made up of Hugh Sloane of Sloane Robinson, Dipankar Shewaram formerly of BlueBay Asset Management and Alan Carruthers formerly of JPMorgan Cazenove.

However, there is a more informal method by which the firm gains advice. This includes talking to clients, many of whom are finance professionals, as well as fund managers that the team respect and are investing in and other contacts. These diverse sources feed into what becomes a formal strategy. Mr Hervey said this variety of sources is a benefit as it enables the team to hear a range of opinions and then make up its mind on what it believes is the best path to take.

Rather than have its own products, Lincoln invests in the funds that it believes are the best on the market. An important criteria in the selection is how much of their own wealth a fund manager has invested in the strategy, Mr Hervey added.

All clients have a discretionary and advisory element to their portfolios. The majority of investments are managed on a discretionary basis. However, the team recommend that illiquid elements are managed on an advisory basis. This is part of the firm's belief that should clients need to access their capital, or decide to leave the firm, they should not be shocked to find how much is tied up in illiquid vehicles, said Mr Hervey.

Lincoln only serves UK clients. It has no set minimum level of investment, but its service and fees mean that it is targeting "truly high net worth individuals."

Starting from scratch with no legacy issues has meant that the business has been built for the future, Ms Robbins said. It has meant that it can bring in a technology platform that is designed to evolve as the business grows and can easily adapt to the changing wider environment, such as regulation. The team has also spent time and effort on the client reporting services. "Part of how clients judge us is based on our reporting," Ms Robbins said. "We wanted it to be the best."

The founders believe they are offering a different service and helping to define the "private investment office" – which they see as a relatively new concept on the market. The key mantra for them is "fair, transparent and flexible."