A NEW DAWN

Ross Elder and Lincoln Private Investment Office have brought a new philosophy to wealth management – and central to it is having skin in the game themselves

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TWENTY-ONE YEARS in the game and Lincoln's Ross Elder oozes the quiet confidence of a man who's found the answer to a difficult question. After watching, learning, investing and developing his business philosophy at James Capel, Barclays and Berenberg, Elder is a wealth manager in the unlikely position of actually being able to do what he always knew he could do better. In short, how do you go beyond telling the client that you care? How do you knit that caring responsibility into the very DNA of your investment decisions? For Elder, there was a single meeting, and a simple point that changed it all.

'I had a very successful entrepreneur client at Barclays [Wealth],' Elder tells *Spear's*. 'I asked him what he thought was going well, what we could do better. And he said, "Ross, I have three advisers. I like you all, I trust you all, I think you're extremely good at your jobs – but I don't think any of you care when I lose money."'

Elder's initial reaction was to push back, but the question – a very difficult question for any wealth manager – really hit home. And hard. It was a seminal moment in the genesis of Lincoln. 'This moment made me realise that were not aligned when he lost money. We did not feel that pain, or have that sense of togetherness that is essential for a trusting, broader relationship to develop.' The lightbulb pinged. 'I really began to think about why we didn't make the same investment decisions that we recommended to our clients.'

Let's rewind back to 1997 and the moment Elder met Fred Hervey, the second musketeer of Lincoln's founding trio, at 300-year-old James Capel. They immediately hit it off. 'It was a traditional stockbrokers where we focused on building things individually for each and every one of our HNW clients, but,' charting the next leg of their journey, Elder adds, 'as investment managers, we had a chance to put across our own views, our own thoughts, our own insights around how we built our clients' portfolios.'

Elder and Hervey moved across to Barclays Wealth in 2004, excited by the arrival of UBS and the entire culture of Swiss private banking to London. 'It was a big step forward in how clients were looked after,' he says. 'There was a lot more structure, much more process, more consistency. A more sophisticated institutional style – investment ideas were then reaching private clients.'

Barclays Wealth began a sustained period of growth. But

there was a nagging feeling that something still wasn't right. Although the underlying service to clients improved, a little too much corporate structure came into play.

But in 2008 everything changed. 'From a personal perspective, I got married in October 2008 two weeks after Lehmans went bust,' says Elder, who relates his deep concern that Barclays was vulnerable and he too could find himself on the TV news, hailing a taxi, carrying a box. It was a dark period for wealth managers. Fortunately, Elder's thinking – how can we do this better – was well under way.

The 2008 turmoil was another landmark in his professional journey and a starting point for the unique philosophy that Lincoln would later adopt. Elder and Hervey were given the opportunity to head up the UK private bank for 400-year-old European giant Berenberg, where they began to hone this long-term, client-centric approach and build their own investment process and philosophy for the UK market.

It was at that point that Becky Robbins (now Lincoln's chief operating officer) became the third musketeer, teeming with expertise from Credit Suisse and Jefferies. Elder reminisces: 'After 3-4 years our clients very generously said we'd done a good job, service had been good, performance was good, and had we thought about doing this genuinely independently?' Lincoln Private Investment Office was born.

Elder's philosophy is, simply put, that a wealth management business must be built by its clients, for its clients. He says Lincoln has been purpose-built as vertically aligned as possible, and the clearest example of this is everyone who works there has to have their own money invested in the same way as our clients. 'If we ever lose money for our clients,' he says, 'we lose money for ourselves and our families.'

Ross Elder (left) and Fred Hervey (right) worked together at James Capel, Barclays Wealth and Berenberg before co-founding Lincoln Private Investment Office

Lincoln Private Investment Office arrived in 2014 and now has more than 100 clients, with a minimum investment of £3 million. Elder tells *Spear's* the pot is now in excess of £300 million, but the firm prefers to avoid AuM fascination. More specifically, on its two most significant areas of investment 'performance of core discretionary offering has been extremely good', Elder says, with the core portfolio posting 10 per cent returns in 2017. A standout stat of 8.1 per cent allocation in Japanese equities points to a contrarian streak.

In relation to the alternative investment offering, Lincoln's exposure to secondary private equity through a specialist manager is on track to deliver more than 30 per cent (internal rate of return). One of its small cap hedge funds – closed to new investors – delivered a return over 35 per cent last year.

BOND VILLAINS

When the conversation turns to investments more generally, Elder says that with global interest rates on the rise, the road to normalisation is going to cause greater volatility, and this increases the risks in investing. However, he warns that after a year of rising temperatures across the S&P 500, the difference between good investors and great wealth managers is about to diverge drastically.

'Within the wealth management industry you've generally been able to increase your allocation towards bonds in order to provide the protection when you go into periods of uncertainty,' he says. 'This is the first time we have not been able to do that. Bond prices are high, bond yields are extremely low. When interest rates rise, bond prices will fall. After a ten-year bull run coming out of the financial crisis, it means it's much harder to find somewhere to run and hide.'

Elder delivers his thoughts on geopolitical risk and volatility with clarity and simplicity. Throughout his career, a conversation about wealth managers and clients, and in particular why managers don't make the same investments decisions they recommended to clients, has developed. He repeats his mantra: 'We don't want to be the biggest. We do obviously want to be the best.' For him it's about 'slow and steady growth'. He adds: 'We have some long-term plans in place but really over the next decade we just see ourselves doing exactly what we're currently doing now.'

Perhaps the best example of Lincoln's philosophy is in the building in which they work. Wealth management office space is somewhat like a pair of shoes: you can tell a lot about a wealth manager by the colour of their taps. Elder tells *Spear's*: 'We asked the original clients of ours – the shareholders – what did they want from an office. And they all said, pretty much in unison, that they did not want marble and gold taps.' Simply put, Mayfair was 'not a necessity'.

Having moved to a new office in Victoria, he adds: 'The office is a nod towards our investment process, where we are willing to be extremely contrarian. To deliver returns one often needs to invest in dark times.'