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CITYWIRE | Issue 351 • 21 April 2016 | citywire.co.uk/wm

How Ascot Lloyd plans to become a national player

Richard Dunbabin & Iain Balchin

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How Ascot Lloyd plans to become a national player

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'We are at the beginning of an interesting journey,' Iain Balchin, chief financial officer of Ascot Lloyd tells *Wealth Manager*.

This is surprising news as the firm is over 16 years old – in its current form at least, having been founded by chief executive Richard Dunbabin after it changed its name from GHM Financial Services 2003.

Since then, the firm has made 28 acquisitions and had a steady rate of organic growth. However, the most recent buys stand apart from the others.

'The last two gave us scale,' reflects Balchin. 'We are looking very much for those discrete whole client acquisitions as we build up our client base. We don't want to buy everything we see and we don't want to necessarily be everywhere, but we do want to be a leading national firm.'

After acquiring the large IFA business IFG Group in 2014, Ascot Lloyd then bought wealth firm PFP Group in August 2015. This gave it a branch with which to service the north from an office in Harrogate.

The deal – following some internal branding – also saw Ascot Lloyd offer a private office solution from London. It now has 180 staff spread over 10 offices who service £2 billion of assets.

The acquisition of PFP brought employee benefits expertise to Ascot Lloyd, but its scale and wealth clients enabled the firm to target further wealth growth, says Dunbabin.

'The intention is there will be more acquisitions. We are in the process of evaluating some possible deals. We are in a stronger place than we have ever been before to accommodate strategic acquisitions,' he explains.

He is reserved about sharing the specifics, but admits the firm is looking at a potential acquisition on the South Coast.

'We would consider further geographical expansion,' he says. 'Right now we can service the north from Harrogate, but if an opportunity came up in Newcastle upon Tyne we would consider it. We class ourselves as an integrator and not a mass acquirer.'

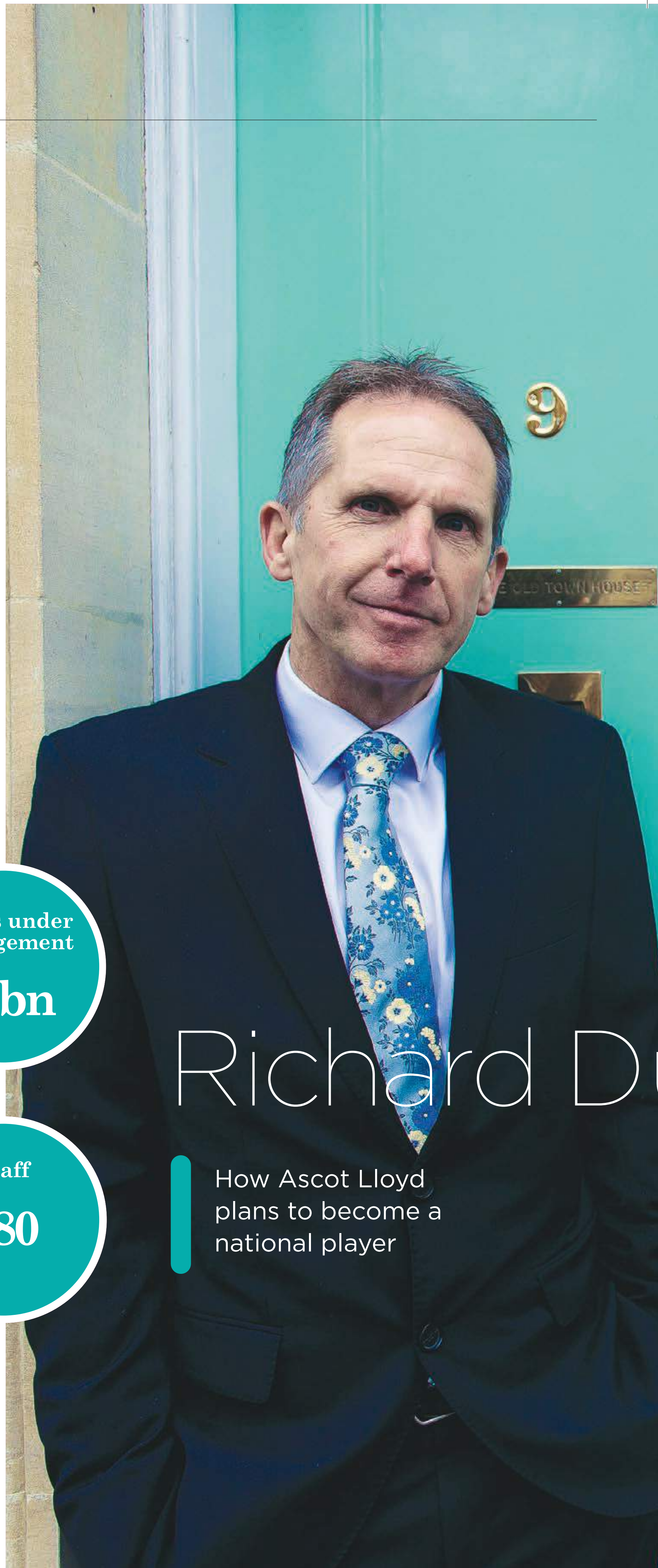
The firm, now having satisfactory scale according to Balchin and Dunbabin, will be eyeing smaller companies as it aims to grow its client base. Balchin says that mega-deals such as Tilney Bestinvest's recent £600 million acquisition of Towry are not of interest.

'We are looking for smaller companies. The valuation at that level is nothing like what you see in the public sector,' says Balchin. 'We have become large very quickly. We want to grow but we want to do it in a measured and compliant way. But might we do a larger acquisition in a few years? Possibly.'

An important part of getting bigger is getting ready to allow for further growth says Balchin, whose hire was part of this strategy. He joined in January 2016 from St James's Place

Assets under management
£2bn

Staff
180



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(SJP) where he was executive director of finance, and was soon followed by non-executive director Patrick Muir and non-executive chair Stuart Dyer.

Muir has held several marketing roles in the industry and ex-Cofunds chief Dyer was formerly the architect of Close Brothers' acquisition strategy.

'These hires are a reflection of the seriousness with which we are taking this,' says Dunbabin. 'In a growing company, corporate governance is key and we had not had a chairman before Stuart joined us.'

'We have changed the board structure fundamentally,' adds Balchin. 'As well as myself joining, we are also strengthening the next level down of management.

'This is an issue Ascot Lloyd is dealing with quicker than other companies I have worked at. We are now acknowledging the fact that we are big and we want to get bigger.'

But how big do they want to grow? There are obvious comparisons to be drawn between SJP and Ascot Lloyd's aspirations, following the appointment of the former's finance director. Balchin says there are no set targets for growth, but equally they are agnostic about limits.

'This is why I joined from SJP,' says Balchin. 'We are at an interesting size in an interesting industry. If you look at SJP, they have gone from zero assets to £50 billion in AUM in 20 years. We are around £2 billion and we could get to that size. Is that a stated objective? No.

'Seeing how they have done it, there are some similarities in terms of the two models. The biggest difference is we are an employed model and they are self-employed.'

The pair are still reluctant to give details when asked the next obvious question; are they planning to float?

'We will continue to look at ways to raise capital,' says Balchin. 'We would not discount anything at this point as we have to still keep raising capital. So floating is potentially an option at some point in the future.'

In the meantime, Ascot Lloyd is looking to grow its private office offering. Aimed at clients with over £1 million to invest, the pair say they are planning to hire more wealth managers for this part of the business and have just signed a new property deal for its client-facing premises.

'We just moved into new offices in [London's] Wigmore Street near Cavendish Square,' says Dunbabin, who says the deal was finalised the morning of *Wealth Manager's* visit to its Hanborough office.

'That is significantly different to where we were before in Red Lion Street. It is a flagship office in a very important location. Signing this sort of deal, with more room for expansion, is a big statement to our clients and the industry.'

Some rapidly growing wealth managers have recently struggled to service the wider client spectrum. While a few have been forced to step away from the more modest investment pots due to the challenges, the response of many has been to roll out robo-advice services, but this is something Dunbabin has no interest in.

He says that the firm's 'client support unit' (CSU) allows it to offer simplified advice over the phone to smaller investors.

'What we have learnt is people are prepared to pay for quality advice,' he says. 'The retail distribution review has

> "We have become large very quickly. We want to grow but we want to do it in a measured and compliant way. But might we do a larger acquisition in a few years? Possibly"

proved people are prepared to pay for advice. The amount of clients who have chosen not to pay ongoing fees is minimal. For the more modest end of the market we have the CSU. But we are not a robo-advice operation.'

Balchin echoes this sentiment and while he concedes they need to invest in their functionality and how they use technology, he does not think there is a place for full automation; 'Robo-advice is not core to our proposition.

'This is still a people business, that's why we do these acquisitions, because people still want to deal with people. It is like going to the doctor – you can Google your symptoms or you can go and see a doctor.'

As Ascot Lloyd adjusts to its newfound size, Dunbabin says the firm is approaching a crossroads of sorts as to the kind of company it wants to be.

Following a wave of consolidation, more companies are becoming 'vertically integrated' and while this model can deliver efficiencies, some managers have complained it creates conflicts of interest.

Dunbabin dismisses the term 'vertically integrated' as a 'buzz word' but admits Ascot Lloyd has to determine which model it wants to adopt. 'There's a debate going on as to whether this is the right model or not,' he says. 'Some have become fully integrated and some have not. We want to fully understand all implications before we move forward.'

CV

Richard Dunbabin

2003 – present
CEO and founder Ascot Lloyd

2001 – 2002 Financial Services
Distribution consultant, Marsh & McLennan

1999 – 2001
Managing director, Rapidinsure

1980 – 1999
Managing director, Lynx Insurance

Iain Balchin

2016 – present
Group CFO, Ascot Lloyd

2013 – 2015 Executive director of finance, St James's Place Wealth Management

2011 – 2012
Regional head finance, planning and analysis, AIG

2010 – 2011
CFO WB Finance Africa, Standard Chartered Bank

2006 – 2010
Director – investment banking finance, Credit Suisse

2004 – 2006 Finance
Director – corporate banking, Lloyds TSB

But what about markets?

By Andrew Miles, head of research, Ascot Lloyd

Markets continue to analyse every word of every statement from the US Federal Reserve, which has proved cagey about raising its interest rates too quickly and seems wedded to economic data. The next hike will probably be in June at the earliest.

The Bank of England has also kept monetary policy on hold. While the Monetary Policy Committee continues to recognise domestic demand, concerns remain about slowing global growth and the potential impact on business investment if the UK leaves the EU.

The Office for Budget Responsibility downgraded its growth forecasts in each of the next five years, prompting George Osborne to reduce the pace of fiscal austerity through tax cuts. However, if the government is to meet its commitment to achieving a budget surplus by 2019/20, then sharp fiscal tightening is forecast after 2018.

Notwithstanding the glut of global steel, economic data from the US and other developed economies suggests that the downturn in global manufacturing has bottomed out. This indicates that the broad picture of continued moderate global growth in the near term remains intact.

The EU referendum will undoubtedly add volatility in UK markets this quarter, and if the UK votes to remain, as the bookmakers suggest, we are likely to see a short-term relief rally.