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Wealth Manager Profile: 'Wealth management has become complicated to charge more. We don't do that'

by **Danielle Levy** on May 10, 2010 at 08:30

Not many people can accuse boutique Charteris Treasury Portfolio Managers of providing a stuffy, impersonal service for their clients.

Their no-nonsense approach to managing client portfolios is even reflected in their choice of office. Located in the narrow cobble-stoned Lovat Lane near London's Monument, the office is kitted out with the latest technology but retains a homely feel.

In 2002 chairman and chief executive **Ian Williams** and head of private wealth management Nick Taylor decided to take on the challenge of creating a private client business able to compete with industry giants in terms of performance, but could also treat clients as individuals.

Almost eight years on, their efforts have paid off. Charteris can boast a solid performance record, driven by a simple yet sophisticated investment approach.

'We have all made ourselves too complicated over the years. The industry has made fund management complicated in order to charge more, but we don't do that,' Taylor says.

What makes Charteris all the more interesting is that Williams and Taylor agree in terms of the type of service they believe clients should receive. However, they have taken very different routes into the world of wealth management, which has caused them to approach investment management quite differently.



Taylor is responsible for bottom-up stock selection, while Williams provides the macro-overlay guiding asset allocation. He also manages the **City Financial Gilt fund** alongside the **Elite Charteris Premium Income fund**, enhancing returns on both through his covered call option writing strategies.

More recently the firm launched the **Way Charteris Gold fund** to capitalise on what they anticipate could be a 10-year bull market for the asset class. All three tend to feature in the firm's client portfolios.

'The wonderful thing is – and I find this quite intriguing in terms of working with Ian – we have come from totally different large companies, but when it comes to the world as we see it today, we pretty much agree overall about the sort of sectors we should be in, the progress of economies and currencies around the world and we both like gold,' says Taylor.

'We found this out without having to argue the toss, as one does in committees in the old organisations, because actually what we really wanted to do is to get it right. We are not trying to play a macho trip of any sort and there are not too many people to make decisions here,' Taylor says.

Taylor began work in institutional fund management as an analyst in National Westminster bank's pension fund department. He later moved to Morgan Grenfell to head its institutional business, working alongside several figures who are prominent in the industry, including Schroders' chief executive Michael Dobson (who he trained).

After 27 years spent predominantly in senior positions in institutional fund management, managing large pension funds including that of Cadbury Schweppes, he took the plunge and entered wealth management. It was, he says, one of his better career decisions. 'If I had my time again I would have always managed private clients,' Taylor admits.

He joined Matheson Investment Management as managing director, building up private client assets from £200 million to £600 million.

He came to embrace the personal aspect of building bespoke portfolios for individuals and finds the institutional side too benchmark-driven. This might explain why Charteris operates on an absolute return basis and Taylor and Williams seek to significantly outperform cash over three to five years.

After close to 10 years at Matheson, the firm was taken over and Taylor moved to Durlacher to develop its private client service. Here he met Williams, who was the firm's head of fixed income.



Unlike Taylor, Williams began his career in private client stockbroking at Joseph Sebag & Co in the mid-1970s. During the early 1980s he enjoyed stints at Montagu Loeb, becoming a member of the London Stock Exchange in 1981, and Vickers da Costa.

At Big Bang in 1986, Williams headed up Prudential Bache's gilt sales team and subsequently joined the gilt market-maker team at Chase Manhattan Bank (now JP Morgan). When Chase withdrew from gilt market-making, Williams' department was closed down, but he and one other person were retained and moved to the proprietary trading team, trading government bonds and foreign exchange. Williams then worked as a proprietary trader, mostly covering government bonds for Sanwa Bank before being headhunted by Kleinwort Benson to run an index-linked gilt market-making book, which he transformed

from a loss-making exercise into a highly profitable area. At Kleinwort he became particularly interested in the study of time cycles and even published research on the topic.

Although he made the firm a lot of money, he decided to return to proprietary trading, leaving Guinness Mahon in 1996 to head its government bond desk. His strategies, particularly basis trading, proved lucrative but eventually Investec took over the firm and closed down the treasury and capital markets desk.

In 2001 Williams joined Durlacher, and was also working as an investment strategist at Charteris, a boutique with in-house Sipp and ISA management capabilities and a fund management licence to boot.

When Williams found Charteris was up for sale in 2002 he saw an opportunity to strike out alone. After 30 years spent mainly at large banks, many of which had experienced corporate instability following takeovers, he wanted to create a small yet stable private client boutique with a fund management arm.

He clubbed together with Edward Shaw, former managing director of Hibernian General Insurance and Hibernian Investment Managers, to buy the company.

In 2008 when the global downturn hit and markets plummeted, the firm's clients finished the year 5% up as Williams and Taylor piled into gilts, gold and cash. At the time, private clients had an exposure of around 40% to gilts.



Taylor admits the firm slightly lagged the markets in 2009 as he did not anticipate that markets would recover so quickly. Nonetheless, the average private client portfolio returned a very respectable 20%.

For private client portfolios the team – now five-strong – invests a significant proportion in direct equities and seeks to identify growth companies around the world with barriers to entry and pricing power, particularly those that tend to reinvest cashflow.

An average private client portfolio at the firm tends to have around 45% in direct equities, 15% in specialist emerging markets funds and around 10% to 20% in the Elite Charteris Premium Income fund, which Taylor says gives clients access to covered call option writing.

Since Williams, who is Citywire A-rated, took over the income fund from James Brearley in November 2008, he has posted a 42.4% return, while the FTSE 100 was up 37.8% over the same period. The fund has an 8% dividend yield target.