

PRIVATE BANKING: Savouring a vintage generation

Jeremy Marshall, Credit Suisse Private Banking UK

TIPS FROM TOP TRADERS ON HOW TO RUN A SUCCESSFUL TRADING DESK

GOOD PARENTING: Asset managers flourish under insurers

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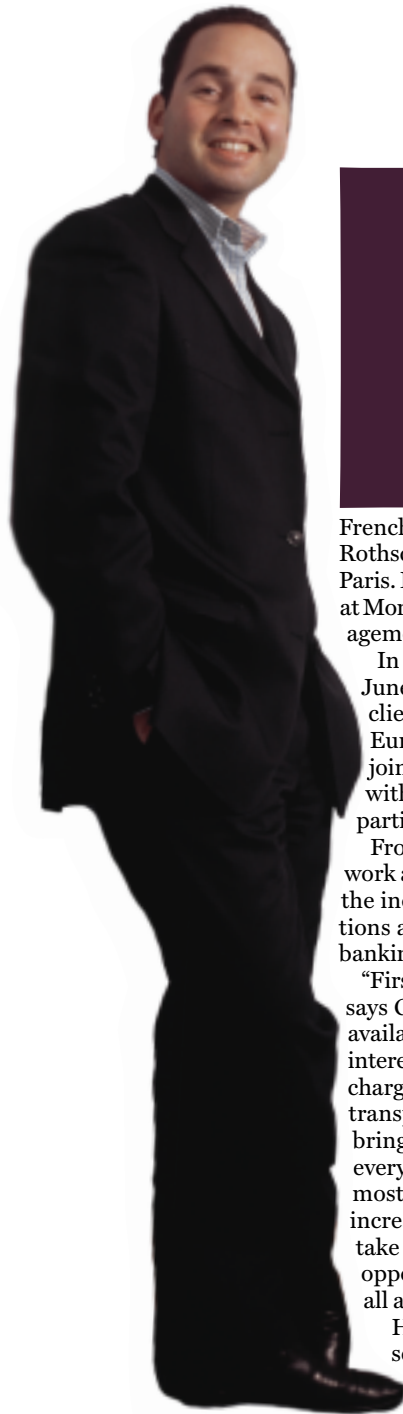
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Editor Caroline Allen
Tel +44 (0)207 779 8390
Operations editor Nick Fitzpatrick
Staff writers Ettie Neil-Gallacher, Susanna Robinson
Art director Abi Hardwick
Photography Robin Laurance, Dwight Carter, John Boehm
Contributors Justine Trueman, Brendan Maton, Paul Allen
Illustrations Paul Daviz, Jake Abrams
Advertising managers Will Browne, Miguel Brito, Robert Reed
Head of research Tim Moxon
Marketing manager Dom West
Head of reprints Liz Onisiforou
Managing editor Will Goodhart
Publishing assistant Ayesha Martin
Global Investor
Nestor House, Playhouse Yard
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Subscriptions
UK hotline (UK/ROW)
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Fax: +44 (0)207 246 5200
US hotline (Americas)
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hotline@euromoneyplc.com
Renewals
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Fax: +44 (0) 207 779 8344
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Break-away boutiques now

The hedge fund industry led the way. Now private banking Each has a different business model, depending on their



LONDON Management Group (LMG) is typical of a new breed of private banking boutique, following their hedge fund colleagues out of the big institutions to better fulfil two aims: to offer their clients a special level of service, and to achieve a certain independence of thought and action.

LMG was set up in this year by Michel Glas and Laurent Zmiro as a London-based independent wealth management boutique. French-born Glas started his career with Banque Rothschild, and with Chemical Bank in New York and Paris. From 1985 to 2001 he was an executive director at Morgan Stanley London in the Private Wealth Management department.

In 2001 he moved to a large Swiss bank where until June this year he was a director, and head of private client services for French-speaking and southern Europe. Zmiro, also born and educated in France, joined Glas at Morgan Stanley in 1998 and moved with him to the Swiss bank, where he developed particular expertise in real estate.

From their elegant offices in Piccadilly, the pair work a network of contacts built up over a lifetime in the industry, offering highly personalised introductions and skills that sit somewhere between private banking and wealth management.

"Firstly, this business is all about the human factor," says Glas. "It's about service, and that means being available 24/7. Secondly, we offer a true alignment of interest. Everyone has to make a living, but we are not charging layer on layer of fees. We offer a fee cap and transparency. We try to differentiate ourselves by bringing original solutions to key questions that every investor faces such as: how to invest cash in the most efficient way, how to increase return without increasing risk in a similar proportion, how to take advantage of occasional specific market opportunities or how to have centralised access to all asset classes."

He defines what LMG does as offering global services dedicated to all aspects of an individual's financial affairs. It is not simply asset management, or banking, or distributing product.

"This kind of business is not highly scaleable. Here the client has contact with the advisor rather than the bank. Private Banks like to show their own brand. They want the client to buy the bank first; the advisor is the point of delivery."

OPPORTUNITIES

Zmiro elaborates: "It is all about having someone you trust in the industry, who knows it a little bit better than you, who is actively on your side. Sometimes we are invested alongside our clients, so we know how they feel. We can help negotiate with the banks, because we know their cost structures, we know what is fair, and what happens backstage."

"In a larger organisation, inevitably, there are limits and targets or a corporate agenda. The conversations we have with clients are much wider than just about money. We get to know their full story, the whole picture, including who else is managing their money and what they are already invested in. It's like a doctor, you

"It is all about having someone you trust in the industry... who is actively on your side..."

◀ LAURENT ZMIRO

need to know what other medication a patient is on if you are also prescribing something, if you want a certain result."

The boutique edge is also about being aware of opportunities coming up in the markets, to explore new ideas, to make introductions. With one proviso: "When it comes to investing, then you get very serious about due diligence. We cannot be experts in all areas but we know people who are."

Customer Relationship Management, the formalisation of interactions with clients, is done by all the banks. "There are good reasons for it," Glas notes. "You have to have systems. But we are not passing recommendations around for others to act on. We are the ones doing it, direct. When you talk to me, I don't do the chat, and then ask you to talk to someone else, who does the investing."

Zmiro comments that the hedge fund phenomenon made it clear to investors, especially in the high net worth, and ultra high net worth strata, that perform-

re-define personal service

is experiencing a surge in specialist boutiques. *Caroline Allen* meets the partners at LMG.

ance derived not necessarily from the organisation, but from individual managers—their talent, skill and dedication. So open architecture, being able to pick and mix platforms, has become standard.

LMG's service may be advisory or discretionary, global or limited to one asset class or even one product. It involves investment in individual securities as well as in funds. The distribution activities provide access to selected established and emerging managers and to a wide range of products and services including cash management, brokerage, structured products, hedge funds global advisory, real estate, private equity, investment banking and family office.

The contact network affords clients access to large institutions as well as managers such as US-based Kessler and Jonas, Cheyne Capital or Capital Partners in the UK, or Carmignac in France. These highly specialised and innovative managers are difficult for most market players to get in touch with, let alone invest alongside.

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MICHEL GLAS ▶

They are moving in sectors where, globally, wealth is being created fastest – business ownership. A survey this year from consultants Cap Gemini indicates that business ownership, or the sale of a business, is the primary source of wealth (37%) for the majority of the world's high net worth individuals.

BUSINESS OWNERSHIP

Income ranks second, the source for 24% of HNWI wealth, and inheritance trails in at third, with 18%. In successive surveys over recent years, inherited wealth has been dropping as the main source of wealth. Interestingly for investment managers, just 10% of the wealth of those polled derives from investment management performance. "HNWI's overall are very good at creating new wealth," the survey report notes. "They are not simply relying on global economic prosperity to expand their financial holdings through reinvested

interest payments, dividends and capital appreciation."

All that bodes very well for boutique bankers with strong relationships to bigger institutions. Arguably, Swiss private banks had the kind of relationship with external advisors that only recently was replicated by hedge funds. But Glas sees some convergence occurring between the Swiss style and the more broker-orientated US model. "What would be ideal is private banking à la Suisse and brokerage à l'AngloSaxone," he quips.

LMG's business model is a core of around 40 clients, and then a satellite operation distributing products and services to a wider network.

"These are not core clients, but the work is very complementary," says Glas. "It is almost like a brokerage, but of ideas and funds, not just stocks. We want to be involved in other decisions related to those portfolios or that circle of contacts."

The two say they might, "just might", call in another partner in due course, but need to be very careful about that. The longer a client has been with an advisor, the deeper the bond. Glas and Zmiro have many clients who become friends. And the other way round? "That is more difficult, we are extra careful with that!" ■

