

Competitor Profile: Close Brothers Asset Management

Company Background

Close Brothers Asset Management is a consolidation of three previously independent, wealth management operations (Close Private Asset Management, Close Wealth Management and Close Private Bank). This consolidation took place in April 2009 and effectively integrated its high net worth discretionary service, mass-affluent proposition, private banking, protected investments and specialist fund range. In 2016, the Asset Management division disposed of its corporate advice and investment management business.

It is a wholly owned subsidiary of Close Brothers Plc, a merchant banking group founded in 1878 by William Brooks Close; the bank initially provided farm mortgages in Iowa and financed the first railway in Alaska. Today the group is listed on the London Stock Exchange and is a FTSE 250 company.

Today it advises, manages or administers almost £10bn of assets, predominantly for private clients in the UK.

Key People:

Martin Andrew – Chief Executive Officer – joined Close in 2005 as head of private client businesses before being promoted to Chief Executive of Close Brothers Asset Management in May 2008. Previously he worked for Merrill Lynch Investment Managers, Mercury Asset Management and McKinsey & Co. He has a first class degree in Economics from Leicester University and an MBA from Harvard Business School.

Nancy Curtin – Chief Investment Officer and head of Bespoke Investment Management – was appointed in March 2010. She was previously CIO of Fortune, a Close subsidiary since 2006. Prior to joining Fortune, Nancy worked at Schroders Investment Management, Baring Asset Management and Rho Asset Management. She holds a bachelor's degree in political science, from Princeton University and an MBA from Harvard Business School.

Financial Highlights (Year ending 31st July 2016)

Investment Assets:
£9.9bn (as at 31th July 2015)

YoY Asset Growth: -8%

Revenue: £92.3m

Operating Expenses:
£77.9m

Operating Profit: £14.4m

(Source: Close Brothers annual report – results for Asset Management)

Key News & Awards

Close Brothers Asset Management had success in recent award ceremonies, including:

Winner, Innovative Client Solution - Financial Advisory – WealthBriefing European Awards 2016

(Finalist for) Client Service Quality - High Net Worth: Quality & Clarity of Reporting. – PAM Awards 2016

Financial Advisory Firm of the Year – Magic Circle Awards 2016

Best financial education initiative - Professional Pension Scheme of the Year Awards 2016

Market Positioning

Close Brothers Asset Management offers a comprehensive range of investment management and financial planning services, catering for both the mass affluent and the high net worth. The standardised discretionary portfolio service has a minimum investment of £100,000, whilst the bespoke discretionary service requires £500,000. For the mass affluent, the managed portfolio service has a much smaller £30,000 minimum. At the smaller end of the scale, the Close Discretionary Funds require a minimum investment of £1,000. The firm primarily targets private individuals although it also provides intermediary services to investment consultants, trustees, professional advisers and family offices. It also offers a specialist charity investment proposition.

Services Offered:

Close Brothers Asset Management offers investment management services to private individuals and intermediaries. The firm claims to take an institutional approach to investment management, and every investor will receive the same 'rigorous, disciplined, institutional-quality approach'. Aside from discretionary investment management, the firm also provides financial planning, pension and retirement planning, estate planning and an advised, telephone-based mortgage broking service. Self-directed investors can utilise a range of execution only dealing options.

Business Review

The latest results to be published for Close Brothers Asset Management are for the twelve months ending 31st July 2016. In this period the firm reported a 3% drop in revenue, explaining that this had been a result of lower market levels and reduced inflows, which had affected recurring income and fees. During the same period, adjusted operating expenses remained static at £77.9m (2015: £77.8m). This led to a reduction in operating profit of 19%.

Included in operating profit was the contribution from the corporate advice and investment management business, which was sold during the year. The business contributed £2.1m towards operating profit for the year, and stripping this and the profit on disposal out adjusted operating profit was broadly flat at £12.3 million (2015: £12.7 million). It also accounted for the 8% drop in investment assets.

Media Coverage

In the 6 months leading to 18th January 2017, Close Brothers Asset Management appeared in 622 articles. This is a significant improvement on press coverage in previous years, when coverage was somewhat below average for a firm of this size and type.

Service Offering

Investment Services:

- Discretionary Portfolio Management
- Bespoke Discretionary Portfolio Management
- Fund-based Asset Management
- Financial Planning & Wealth Structuring
- ISAs and SIPPs
- Execution Only Dealing
- Inheritance Tax Solutions
- Retirement Planning
- Estate Planning
- Advised Mortgage Broking Service
- Protection Advice
- Financial Education Services
- Charity and Trustee Services
- Ethical Investing

Investment Approach:

The firm aims to achieve superior investment performance through active portfolio management, creating diversified, multi-asset portfolios. Its investment philosophy is guided by four principles: prudent investment management, a diversified approach, active investment management and an institutional discipline within a collegiate culture. This is all part of a long-term approach which aims to strike the right balance between growth and income. Close Brothers Asset Management describes its approach to decision making to be collegial, although they combine collegially-generated investment strategies with tailoring to meeting individual objectives

Research Capacity:

Close Brothers Asset Management has its own research capacity and all investment managers draw from the internal research team. The firm has a collegial approach, holding regular meetings to debate new investment ideas, confirm their security selection and to listen to the views of external specialists. These research meetings result in a broad range of investment ideas, the Close Brothers Core Universe. When screening equities, the research team will look at both qualitative and quantitative results.

Client Service & Reporting:

Close states that 'we believe in clarity and transparency of reporting, delivered in a timely way and personalised to reflect the investment service'. Clients have access to valuations online, which provides detailed and up-to-date portfolio valuation information including transaction details. The firm can provide individual or family-level investor reporting. The elements of its client reporting include detailed quarterly valuations, online access to portfolios and valuations, annual tax reports, the quarterly Investor Insight publication, and monthly and annual factsheets for the firm's funds. The three core values underpinning the firm's client reporting are: readable, holistic and detailed.

Tariff

Flat fee of 1.00%. A tiered fee structure is available for larger investments.
(Source: PAM 2016 Guide)

Media Coverage

On 14th December 2016, FT Adviser ran an article based on a survey conducted by Close Brothers Asset Management on the impact of Brexit on attitudes towards pensions. The survey found that 43% of businesses believed Brexit would increase employee engagement in retirement planning, and 26% of employers thought the vote would lead to staff increasing their pension contributions.

On 24th November 2016, FT Adviser ran a story speculating on what the longer-term implications might be of Donald Trump's election as US president for investors. The article includes a comment from Nancy Curtin, chief investment officer at Close Brothers Asset Management. She said that whilst his win was a surprise and was likely to bring higher volatility as a result, the firm believes "there are some positives to this outcome as well as some risks".

On 26th August 2016, The Guardian published an article which asked a number of UK economists for their reactions to the 0.6% reported economic growth for the second quarter of the year, and asked their predictions for the third quarter (following the Brexit referendum). Nancy Curtin of Close Brothers Asset Management was one of the experts quoted. She stated that "the UK economy is in the midst of a period of known 'unknowns' and it is too early to make a judgement on the likely health of the UK domestic economy over the coming years – let alone post-Brexit."

On 4th August 2016, IFA Magazine published commentary from industry professionals on the Bank of England's decision to cut interest rates. Andy Cumming, Head of Advice at Close Brothers Asset Management and Nancy Curtin, CIO, both give commentary.

People Moves:

In October 2016, Lloyds Private Banking hired Jon Wingent as head of portfolio specialists. He had previously been an investment director at Close, providing multi and single asset portfolio advice. He had been at the latter since 2010.

In September 2016, Close Brothers Asset Management hired Matthew Heapey as a business development director to spearhead a South West push. He joined the firm having spent three years working the South West intermediary circuit with AXA Life Invest and Standard Life.

Website:

Close Brothers Asset Management's website provides extensive detail of the firm's services, with significant emphasis on the level of client service. The website contains several guides and articles written by the firm, most recently an article with the firm's top eight pension tips. The website is well laid out, allowing easy navigation. It separates out its service offerings to individuals, employers, professional intermediaries, financial advisers and charities. Overall, a potential new client would be impressed with the welcoming and informative nature of these sites.

PR:

Close Brothers Asset Management's PR activity is relatively low key and the majority of its media mentions are reliant on its CIO, Nancy Curtin, providing her expert views. In recent months other employees of the firm have given further commentary in addition to Nancy Curtin. There are no mentions of any major sponsorship agreements, although the firm reported a joint venture with Cause4 in 2014 – Trustee Leadership Programme – to encourage more young professionals to become charity Trustees and to train them and give them the necessary skills to do so.