

24 **JAMES KING**

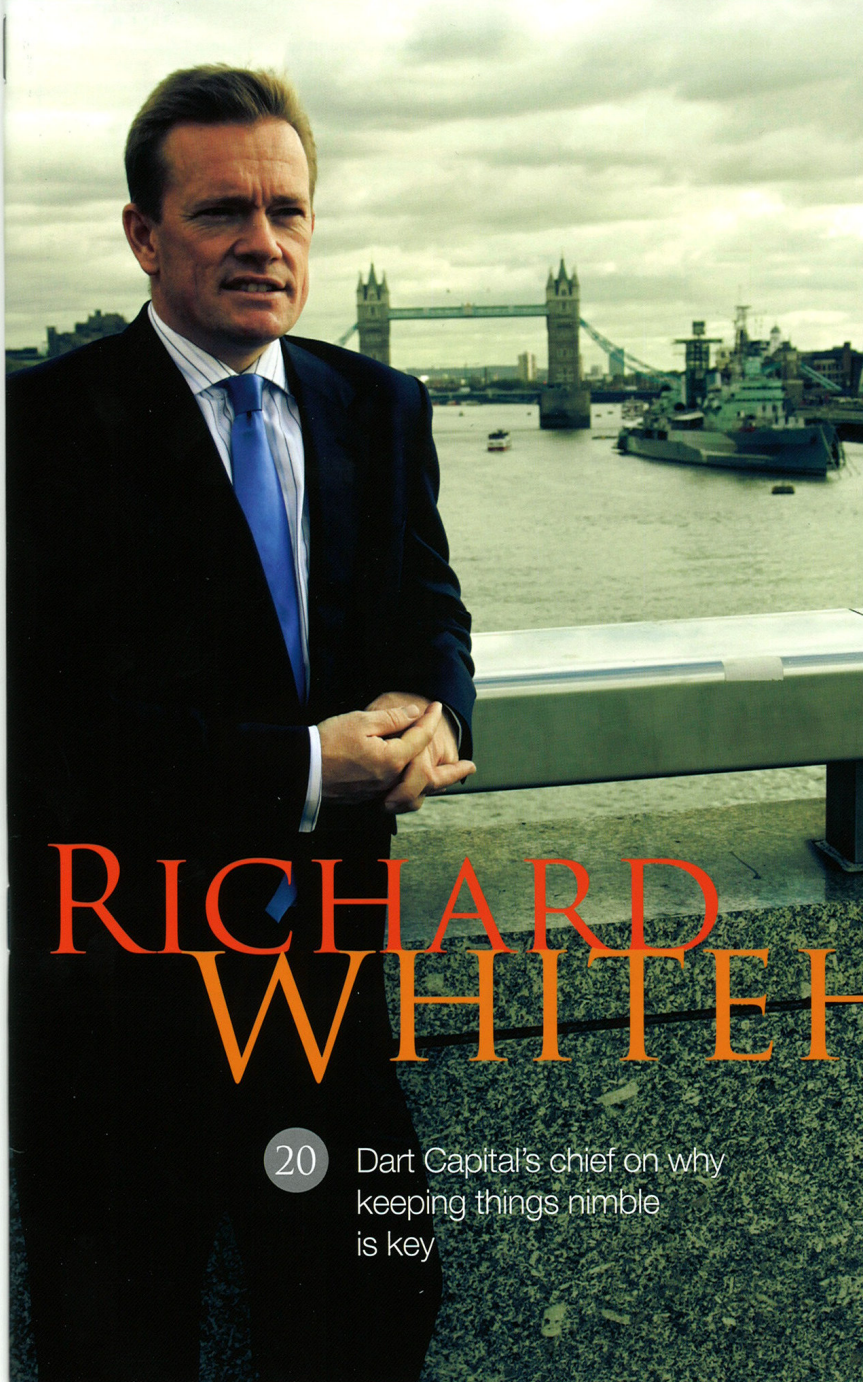
The Price Bailey director on how advisers can work across professional lines



**THREE TRUSTS IN
NEED OF CHANGE**



We pick three prime investment trust candidates for a change of management



RICHARD WHITEHEAD

20 Dart Capital's chief on why keeping things nimble is key

**THREE SCENARIOS
FOR GILTS**

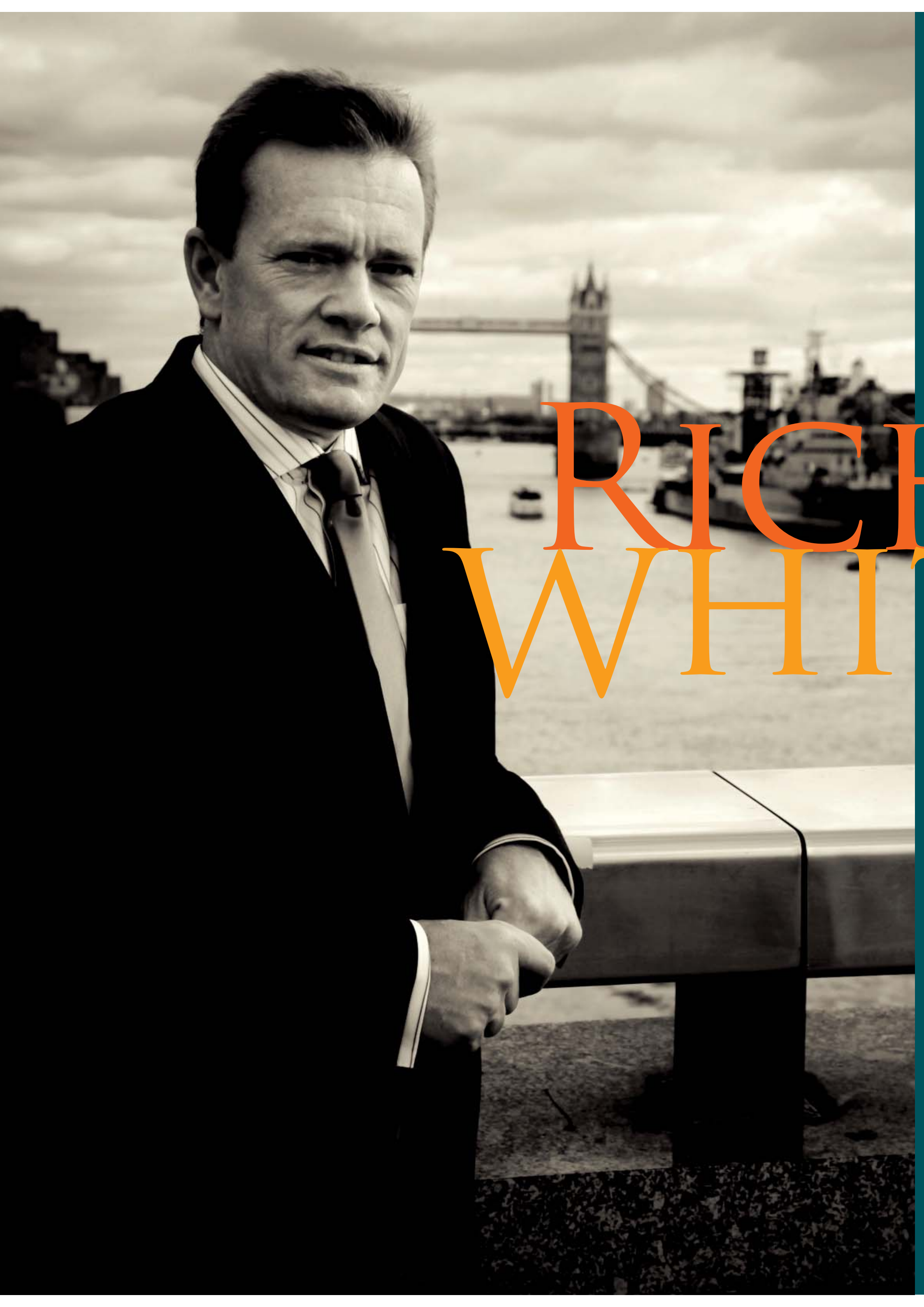
What happens to gilts if the Tories are elected, if Labour is re-elected or if there is a hung parliament

**DID MULTI-MANAGER
WORK?**

Did the multi-manager concept deliver in the credit crisis or not?

**JEREMY TIGUE AND
TED SCOTT**

F&C's best brains on what 2010 holds for markets



RICH
WHI

WEALTH MANAGER PROFILE

Dart Capital's chief on why keeping things nimble is key

HARD THE HEAD



MATTHEW GOODBURN

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Richard Whitehead is a man on a mission.

Eighteen months on from spearheading a management buyout from James Baxter Capital Management, which saw him and his colleagues take control of the former IFA business, he is clearly thriving on leading the challenge of growing the rebranded business.

'It's my Viking blood,' says the Northumberland-born Whitehead with a smile, 'I like to be in charge.'

He has enjoyed a steady rise up the ranks in a career that has taken him from Chase de Vere to Cazenove to Coutts, before his latest move to what was then James Baxter.

Whitehead is not the first *Citywire Wealth Manager* cover star to have made a bold business decision at the height of the market dislocation. While he admits that it was a 'brave' move to push through the MBO in February 2008 when markets were experiencing freefall, it is clear that he is continuing to relish the challenge.

'The market has forced us to be incredibly close to our clients. An MBO offers you an opportunity to improve capital and bring in new blood in marketing and direction,' he says before adding: 'It has been a challenge but I would not change it.'

The former Coutts man and his co-director Matthew Wille have successfully converted what was an IFA business into a discretionary management business and, with the financial backing of the Timpson family and a handful of private investors, the transition is now complete.

Whitehead runs the lion's share of the firm's £150 million in assets under management but has big plans for his three fellow portfolio managers to grow their business.

He says the 13-strong firm lost a sprinkling of transactional clients in the handover but the vast majority remained with the business, only too happy to find themselves under active wealth management with Whitehead's team.

With the completion of the MBO, and the move into smart new offices on London's Eastcheap, Dart Capital has made a clean break from the Baxter family. 'We bought the entire business so decided that we wanted to rebrand our clients away from the old name.'

A key part of the transition has been the shifting of its clients to discretionary management fees.

Whitehead is evangelical on the subject and has a clear view on what being fee-based means, and what it doesn't.

'When I joined the James Baxter business five years ago, a lot of businesses were evolving to fee-based models. They had to go through the pain of losing commission offset and that inevitably leads to confusion about what you are billing for.

'We told our clients that we would bill them 1% a year from their nominee bank account.

That is what discretionary fees are, he stresses, 'when you get paid by your client at a transparent rate'.

It is an area Whitehead believes some of the larger institutions have been taking advantage of without actually delivering genuine fee-based advice.

'There are a number of very large players who are calling themselves wealth managers, but who have not made the jump across.'

Dart Capital's chief executive is excited about the changes that the Retail Distribution Review will bring about, and believes it will help to make the wealth manager industry more professional and improve its image among its professional peers.

Again, this is a mantra that Whitehead repeats more than once. 'We all want the industry to be perceived as a better quality industry. There are some great firms out there but also some that are less good,' he says. 'The barriers to entry in financial services are lower than for accountants and lawyers, and not expensive enough to deter people from setting up.

'There is too much grandfathering. Many of these people could be great at relationships but they often don't have enough experience. It cannot be right that you can take a graduate and make them an adviser straight away,' he adds.

Despite his misgivings, Whitehead is quick to stress that most of his peers are fully competent.

WEALTH MANAGER PROFILE



The market has forced us to be incredibly close to our clients

But he believes another area where the industry could improve is in the need to make greater provision for things going wrong.

Many businesses need to put aside more financial capacity to cover any eventuality, he says. 'If you are a discretionary or an advisory business you should have a large amount of capital set aside in terms of solvency.'

Like many of his peers, Whitehead says such preparation is important when clients are entrusting you with substantial amounts of their savings.

'The commission model falls down when you are looking after people's wealth.'

He is animated again by the perceived imperfections of some of his peers when dealing with clients' money.

'Considering people are offering you the opportunity to look after their wealth for 20 years, many groups are a bit of a shambles,' he says.

Wanting to be nimble enough to react decisively to market events and to be able to boost and protect returns are essential to Whitehead's thinking, and the main reasons that he pushed for the MBO to form Dart Capital.

For its 160 clients, Whitehead's agile company has been able to make several proactive decisions to protect and enhance portfolios. The process has been aided by changing the management culture of the old business.

One area of contention was reporting, which Whitehead says is often neither comprehensive nor regular enough for clients.

'Many people are still using spreadsheets in communicating with clients, but we have switched to OMX reporting, which gives clients up-to-date comprehensive portfolio information.'

Whitehead chairs the group's monthly asset allocation committee, which sets the group's asset allocation process.

The big test of whether Dart's risk-driven models were able to respond to the rapidly changing markets came in the first quarter of this year.

'We took a view in Q1 that if the stockmarket was going to recover, there needed to be a big improvement in bond markets so we deliberately spent January to March in corporate bonds.'

Whitehead took the corporate bond exposure of some portfolios up to 40% while shunning conventional gilts because the market had become saturated.

'Clients have been grateful,' he says.

The firm missed the very beginnings of the sharp equity market rally by being underweight equities in March which 'hurt a little' but has since participated fully in the equities rally albeit more at the lower end of the risk spectrum.

'We continued to hold bonds into early May and have now taken equity levels down to around 20%.'

Once again, Whitehead returns to extolling the virtues of being part of a small, flexible investment operation.

'Our recent investment policy is a good example of how being a more nimble group has meant we can make rapid shifts in policy,' he says. 'A lot of larger organisations can have billions of pounds spread across thousands of funds and many have not stayed close to their clients, leaving them disillusioned.'

He says this has led to his firm picking up new client business from a number of private banks and other larger institutions although he is not looking to make the firm's £160 million of assets skyrocket. Building a reputation for effective and competent investment management comes before looking for fast growth.

Whitehead stresses that the group does not want to go on a mega expansion drive but prefers to keep its culture and investment process intact and at a manageable level.

'We don't aspire to being a £10 billion company. We would rather aspire to reaching £0.5 billion by handpicking the best people in the industry.'

With backing from the Timpson business dynasty (see boxout by chairman John Timpson) and one or two other private investors, there is cash on the balance sheet to make big hires if necessary, he says – but he is keen to keep a strong hand on the tiller and pursue steady growth.

'Culturally, we want to be known as an exceptional investment management business.'

Whitehead began his investment career at Chase de Vere's Bath office before moving to Coutts in 1996.

Like former wealth manager cover star Robert Morse, Whitehead says Chase was a great training ground for financial advisers but that a step-change came when he joined Coutts in 1996.

While at Coutts, he was to benefit further from the arrival of Towry Law's current boss, Andrew Fisher, three years later.

He had stints at Coutts' Manchester, Birmingham and Leeds offices, clocking up 60,000 miles in a year, and putting his Chase financial planning knowledge to good use.

He was also instrumental in setting up the private bank's Newcastle and Nottingham offices before moving to head the Oxford office in 1998.

The latter office gave him a higher profile and a platform to expand into the lucrative Cotswolds region.

WHY I BACKED DART CAPITAL BY JOHN TIMPSON

I was born into the shoe business. The shop my great grandfather opened in 1869 grew into a national chain and in 1960 when I started as a shop assistant there were 260 Timpson shops plus several shoe repair factories.

By 1972 I was a director but following a boardroom bust-up my father was ousted as chairman and we sold our shareholding to UDS Group. Eleven years later, after Hanson Trust bought UDS, I led a management buyout and brought the business back into family ownership.

However, it was not the fairy story I had hoped for; shoe retailing was heading for trouble. High rents, cheap imports and escalating wage costs meant Timpson, being highly geared following the buyout, was hit harder than most. I made the toughest decision of my life and sold the shops.

Fortunately, I kept the 150 shoe repair outlets which formed the basis of today's Timpson business, which is now under 100% Timpson ownership. Through a series of acquisitions we now have 850 shops, most trading as Timpson but also including 200 Max Spielmann and Klick photo shops purchased in December 2008.

It is not just what we do that is different it is the way we do it – I call it 'Upside Down Management'. Ten years ago I realised that you can't provide great service by following a set of rules. Exceptional customer care can only come if frontline colleagues have total freedom to run their own businesses, so that is what we do.

It has worked – sales have risen from £35 million to £150 million and profits have gone up from £2.8 million to £15 million. The secret ingredient is personality. We try to recruit only people with the right attitude. We are not interested in references or psychometric testing – we simply employ people who 'get it'.

With all my money invested in the business I turn down every approach from any wealth management firm but I had to take notice when Matthew Wille of Dart Capital gave me a call. He wasn't trying to sell me something but wanted advice. He was in talks about a management buyout and that I, his godfather, had been through the buyout experience.

I met Matthew [Wille, operations director] and Richard at their office, happy to give advice but determined not to get too involved. Within half an hour my attitude changed. Here were people with the same personality that I cultivated in my own company. Their buyout could not have come at a more difficult time. The banks were starting to shut up shop. The backroom bankers simply looked at the numbers. They did not fully recognise the potential promised by the Dart team.

We invested and also helped secure the bank backing they needed – then, in true Upside Down Management style, we sat back and let them get on with it – watching them from a distance.

As well as an excellent first-year performance, we get an increasing number of rave reports about Dart from blue-chip operators in the professional community.

I am delighted to see how Upside Down Management applies just as well to wealth management as it does to cobbling.

John Timpson CBE is chairman of Timpson, and a financial backer of Dart Capital

A key beneficiary of what he calls the 'night of the long knives' – when Fisher culled around 25% of the private client managers at the illustrious firm – Whitehead found his world view on how the industry should be run chimed with his boss's.

He was promoted to run two of Coutts' South Coast offices, although he admits it was a tricky time as two of the older managers lost their jobs.

Fisher, he says, was a tough task master but a good one to have if you are operating effectively in your role (and shared his world view).

'If you get it right, and are politically onside you are fine. Andrew [Fisher] was anti-commission and pro fee-based advice.

'Chase was a great training ground but it was much more driven by yourself whereas Coutts taught me the importance of a team,' he says.

A further sign of the success at Dart Capital has been the fact that PricewaterhouseCoopers has appointed the firm as one of a select few companies to give investment advice to its retired partners, something Whitehead is evidently proud of.

When he is not adjusting portfolios or meeting managers, Whitehead likes to fish near his home and enjoys playing sports, and skiing with his wife and two children.

He lives in Hampshire and reckons the 90-minute commute to and from London each day gives him plenty of time to extend his working day by keeping up with clients.

With this sort of work ethic, it seems unlikely the Norse-blooded Whitehead will be burning his clients' boats any time soon. ■



Culturally we want to be known as an exceptional investment management business