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Wealth management: An offer rich families cannot refuse

By Yuri Bender



Disappointed with the poor performance of portfolios handled by Swiss and global private banks since the turn of the millennium, families with more than £30m to invest have been busy pooling their money.

Bosses of the so-called multi-family offices (MFOs), which Hoover up the billions flowing away from more traditional wealth managers, are fast emerging from the shadows to manage these spoils.

Some of these classic poachers-turned-gamekeepers, mainly refugees from investment banks, will be touting their wares at Fund Forum this week, held in the high rollers' resort of Monte Carlo, close to the Italian border.

Those keen to raise their profile include Lorne Baring, founder of B Capital and previously one of Barclays' best-performing private bankers.

Also in Monaco will be Adam Wethered, co-founder of Lord North Street, which manages an estimated €5bn for 50 wealthy families in Europe and Latin America. He once ran the closely

linked asset management and private banking practices at [JPMorgan](#) and likes to recruit like-minded “renegades from stultifying banks”.

Money from wealthy families is slowly seeping into these offices after a series of mis-selling and mismanagement scandals in both Europe and Asia. Sick of seeing conflicts of interest and constant cross-selling of products, private investors are asking: can we work with somebody who is actually on our side?

Many investors, particularly in the world’s fastest-growing markets, are exhausted by having to attend several meetings with different specialists within their bank. They are crying out for something financial institutions have singularly failed to provide: a one-stop shop to manage both their business and personal interests.

The bankers’ burden of a bigger cost base and balance sheet often triggers an endless launch process of standardised, cheaply made, high-fee products, claim the MFOs. Instead, these outfits tend to specialise in alternatives such as hedge funds and private equity.

Because we are talking about well-connected, family money, the MFOs can exploit their contacts for investment opportunities. Bedrock, for example, which sprouted out of the Republic National Bank of New York, owned by the high-profile Safra family, is currently setting up infrastructure co-investment deals with families in Brazil.

So far, so good. But there is also a creeping nervousness about encouraging too much mixing among the wealthy families that make up the clientele of typical MFOs.

Although the private equity “club deals” – where families get together to exploit a specific opportunity in unquoted markets – sound attractive in principle, in practice they lead to inter-family squabbles. Participants are often left stranded in a highly illiquid investment, of which they have no knowledge or control.

Whatever the owners of the MFOs tell you, their clients will always need a bank for certain products. Banks have prepared themselves for the battle ahead and raised their own game.

“Four or five years ago, the banks were worried about this threat. Some realised they only had a handful of big family clients,” says Seb Dovey, managing partner at Scorpio Partnership, the wealth management consultancy.

They have since fought back, developing initiatives based around nurturing their largest clients. Family assets handled by [UBS](#) alone now dwarf all of the boutiques, he says.

But write off the MFOs at your peril. External fund managers, both large and small, prefer dealing with family offices rather than private banks, as they have a longer-term and broader investment outlook.

Furthermore, the current pressure-cooker regulatory and tax environment in Switzerland is

forcing private banks to turn their backs on trust business, estate planning services and corporate administration.

This could lead to a surge of new business to the MFOs, who continue to specialise in these traditional areas. While Swiss private banks have been forced to shed their secrecy-led offerings, to avoid falling foul of the US authorities, there is still a clandestine nature to the family-office world that will continue to attract clients.

If anything, the 1972 advice given by Italian clan leader Don Corleone to his eldest son, Santino, *The Godfather* holds even truer more than 40 years later: “Never tell anybody outside the family what you’re thinking.”

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