





Industry vet on the 'continuous evolution' of wealth firms

KATIE ROYALS, 30/05/2022

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Wealth management firms are in a state of “continuous transition and evolution”, James Fleming tells *Katie Royals*.

Having previously been chief executive of multi-family office Sandaire, Mr Fleming is now vice chairman of boutique wealth manager VAR Capital and chairman of LS Estates and Arc & Co. Previously, he was also head of international private banking at Coutts and vice chairman of Arbuthnot Latham.

Given this array of experience, Mr Fleming certainly has insight into the industry as a whole.

At the moment, it seems to be “one big challenge after another” for the sector, creating the need for continual evolution and development.

One of the unescapable issues is inflation.

These levels of inflation have not been seen for 30 or 40 years. Therefore, a further challenge presents itself. Very few investment managers today have ever worked in this environment or have any experience of managing money in these conditions.

Mr Fleming says this should not be an issue. “History is a great guide to the present day.

“While a lot of investment managers may not have been around when inflation was lost at these types of levels we are seeing today, I think advisers are professionally trained and better informed to make appropriate investment decisions on behalf of their clients.”

Rising inflation often indicates there will be interest rate hikes. In the UK and US, rates have already been raised to 1 percent. Market have factored in further rate hikes in the next 12 months.

As a result, VAR Capital is overweight in cash, commodities and companies with strong pricing power, Mr Fleming explains. This is to take advantage of the perceived advantages higher interest rates might offer.

While these factors pose challenges to investment managers, they will be felt far more acutely by those less well off.

The cost of living crisis is hard to escape, but wealthy families will feel price increases less acutely than most, Mr Fleming acknowledges.

Investment managers should remain sensitive to this, but do still have to perform as well as they can.

Clients are always looking for good investment opportunities, regardless of the economic or political backdrop, Mr Fleming stresses.

"It is the job of our organisations to bring those opportunities in front of clients. This is what we are trying to do."

These opportunities could come from a range of sectors, from food technology to the green energy transition and many others.

"History shows us that whatever the prevailing circumstances there are opportunities to look out for."

At the same time, some clients may be nervous. Seeing portfolios drop in value is never going to be a comfortable feeling.

Well advised clients will always be diversified in their approach to risk management, Mr Fleming says. This means they should be comfortable with the level of risk they have taken on, but small adjustments may need to be made in certain cases.

It is important to remember that each client is unique. Some will be more comfortable than others with volatility. In many cases this will depend on their personal circumstances and whether they are expecting to draw on any of their funds in the short-term.

In general, the focus remains on wealth preservation, Mr Fleming explains. For most clients at VAR Capital – and across wealth firms generally – the plans are intergenerational. This makes what happens in the next five to ten years far less important.

Inflation, for example, is "a trend that will start to cool down in the next three to four years," Mr Fleming believes. If your wealth plans are for the next 50 years or more, this is unlikely to phase clients too much.

When these trends do settle or change, VAR Capital's boutique nature means it can move quickly to adapt, hopefully creating the best opportunities for clients. It can also communicate these changes to clients on a personal level.

Mr Fleming thinks clients really value this level of care and service and believes we will start to see more boutiques being founded. The trend is already strong in Asia and is likely to become more prominent in the UK in the coming years.

"Clients want to deal with individuals. Personal relationships are key," Mr Fleming stresses.

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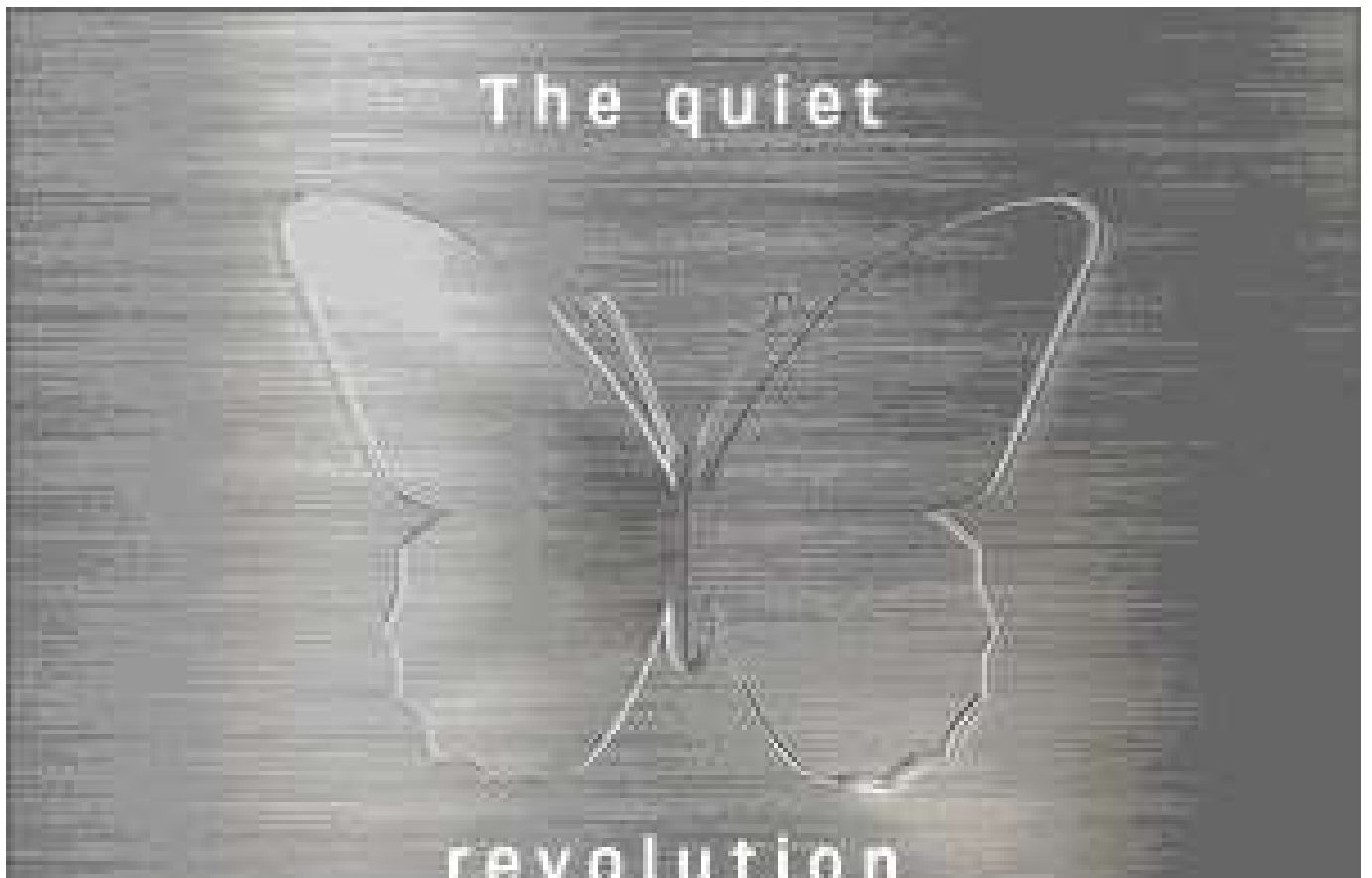
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