

No more 'smoke and mirrors' in product propositions

Tim Searle, Founder and Chairman of Dubai-based financial advisory Globaleye, talks to Hubbis about the realities facing the global wealth management space, and how it has gotten to the point where one company can simply replicate what another is doing. The days of firms having “a secret guy in a back room who knows this or that” no longer exist, and real value now lies in the quality of advisory, and helping clients navigate the impacts of increasingly complex - and often onerous - global tax regulations.

Executive summary

Tim Searle, Founder and Chairman of Dubai-based financial advisory Globaleye, says his company occupies a "sweet spot" of client segments, whose investments range from a minimum of USD 1 million to USD 5 million, the amount below which most private banks will not accept clients. In the last two decades, Globaleye has expanded its global presence and now has offices in Singapore, Vietnam, Malaysia and Switzerland and has also recently expanded into Africa, with the opening of its South African office on a full financial services provider (FSP) licence.

Searle believes that in the financial services space, the direction of travel has begun to move inexorably toward fee-based structures; and defines Globaleye clients as people who understand the importance of proper financial planning, and appreciate the value of sound financial advice.

It is because of this that "on a bell curve" of clients, there are now a number of clients whom Globaleye is no longer able to look after, simply because it has become commercially unfeasible for the company to do so, even if that is the segment of clients who may be aware that some traditional investment products, particularly unit-linked ones, may no longer be the most cost-effective in achieving outcomes and who require expert advice regarding making the necessary changes but "don't want to pay for it."

Searle shares updates on his company's recent expansion into Africa, where he believes there is the potential to deliver products and solutions in what is currently "rather vanilla" market. Globaleye is also opening up operations in the UK to assist high net worth clients, including non-resident owners, who own property here and who now face a possible 40% inheritance tax on their properties.

As for the UAE market, it is "suffering to a degree" with its convoluted regulatory frameworks that companies have to navigate; and believes that there is at present more regulation than enforcement there, an undesirable situation that has led to the financial services industry in that region "going backward."



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HEALTH MANAGE-
MENT FIRM
GLOBALEYE
PROVIDES FINAN-

CIAL PLANNING SOLUTIONS TO MORE THAN 15,000 CLIENTS WORLDWIDE. Globaleye was founded in Dubai in 1999, and in the last two decades, the company has expanded its global presence and now has offices in Singapore, Vietnam, Malaysia and Switzerland. Recently, the company has also expanded into Africa, with the opening of an office in South Africa, on a full financial services provider (FSP) licence.

Globaleye occupies a “sweet spot” of client segments. The company serves clients whose investments range between USD 1 million and USD 5 million, the minimum amount most private banks require. Among other things, the company offers universal life insurance for its clients, and will soon offer specialist, variable universal life insurance products by reinsurers such as Swiss Re and Spectra for its high net worth clients to meet their corporate and estate planning needs.

Globaleye Group founder and Chairman Tim Searle defines Globaleye clients as people who understand the importance of proper financial planning, and appreciate the value of sound financial advice. “These are the clients who are willing to pay the fees associated with such advice,” he says. In the financial services space, the direction of travel has begun to move inexorably toward fee-based structures. “Anyone who may be in denial about this development has to only look at the US, UK and Australasia. It’s all about fees, residual income, assets under management, and so on.”

Searle says there is another



TIM SEARLE
Globaleye

segment of clients - those in the “mass retail” category - who may be aware that some traditional investment products, particularly unit-linked ones, may not be the most cost-effective in achieving outcomes. These are the ones, he says, who require expert advice regarding making the necessary changes. “They can achieve outcomes, but there’s probably more efficient ways to do it,” he says. “However, they don’t want to pay for it.”

It is because of this, he adds, that “on a bell curve” of clients, there are now a number of clients whom Globaleye is no longer able to look after, simply because it has become commercially unfeasible for the company to do so.

“It means that maybe some of our clients from the old days cannot be our clients anymore, because if we cannot make them commercially viable then we have to let them go,” he says. “They might have to find another service provider who is willing to take them on board.”

“So it is very much a case of trimming in all areas, in terms of not just operational costs and overheads, but also our clients and our assets under management (AUM). There is no point in saying we have got two billion dollars in

AUM, if we are not picking up any residual income off it.”

No more smoke-and-mirrors

In terms of investments, Searle says the days of smoke-and-mirrors in terms of product value propositions are over. Investment companies can all see what each other are doing, and it has gotten to the point where one company can simply replicate what another is doing. “If I want to see what BlackRock or Vanguard are doing, I can see it. The days of “we have got a secret guy in a back room who knows this or that” - that is not really the case anymore.”

It is for this reason that Searle believes that real value that his company offers lies in its advisory. “Let us say I might be charging a client one per cent of their portfolio for advisory,” he explains. “But that is not very much when I save that client 40 per cent on a potential death tax liability. That is value straight away.”

“There was an old business model, and now we need to transition to a new model,” he says. “We have been doing this over a period of years, to baby-steps an issue, and then try to ramp it up. It is like when you boil a frog. It does not realize what is going on initially until, all of a sudden, “hang on a minute” - it’s dead.”

Searle does not believe that companies should try to hold on to old business models where, as he puts it, the outcomes of the clients are the last thing on the agenda. “We just said that can’t happen. Life insurance offices are brilliant at doing life insurance, they are great as insurance companies, and they should focus on being good at that.”

In with the new

On the back of this realisation, Globaleye has now moved on to other ventures. It now has an asset management business in Switzerland. In the EU, the company has a UCITS V (Undertakings for Collective Investment in Transferable Securities)-compliant structure.

"We have also moved into more exciting things like private equity for our higher net-worth clients, who have heard about the mainstream asset managers," he says. "And they want to know if we have something else which is maybe something they have not heard of, maybe a little more exciting and a great potential upside?"

"So carefully-selected private equity options is very much where a lot of alpha can be made from the high net worth client," he continues.

"They understand the risk, they have access to legal counsel, like this type of investment and probably already active in this space."

Key Priorities

A new investment proposition

The first priority for Globaleye in the coming months is a rollout of a new investment proposition. The reasoning behind the new proposition, he explains, was a recognition that there was a disconnect with the client in terms of delivering returns. Globaleye makes the connection between the client and the actual asset manager. "In some parts of the world, people do risk profiling, other parts they don't," Searle explains. "At Globaleye, we risk profile throughout, irrespective. There is no regulatory demand in the UAE on us to do risk profiling, but we do it anyway."

Globaleye clients go through a risk profiling process, but the trouble is, "While their version of balanced is not only different between each fund party, it is also different compared to the metrics my client used," he continues. "And you will see some massive deviations on what balance is to one company, and what balance is to another company."

"So there was this disconnect, and that's why we put the fund together."

Private equity fund in technology

The second priority for Globaleye is a private equity fund in a technology firm, pushfor.com, which Searle likens to "a Snapchat" for adults, and those in corporate world.

"I don't understand why Snapchat is a ten billion dollar business; it is basically kids sending a inappropriate picture of themselves to each other and it disappears after three seconds," he muses. "Of course, the multiples in tech are huge."

"So with Pushfor, you do not actually send something, you push something to someone. It means I can take it off your device anytime, you cannot save it, you cannot forward it, you cannot screenshot it. It has already got clients like Deloitte, PWC and Chelsea Football Club."

"So it is a very exciting proposition," he says. "We have our standard, core fund offering, where we mandate different managers to manage money, but those who are looking for something a tad more exciting, we have private equity run along the side of that. And it is going extremely well."

Insurance solutions for death taxes

The third priority for Globaleye is to have its UK multi-family office up and running and creating insurance solutions for its high net worth clients who face inheritance taxes on properties there. This is imperative, Searle says, as in the British Virgin Islands alone there are about GBP 35 billion worth of property in London.

"They need insurance solutions, or they need a solution to meet that death tax liability," he stresses. "Typically with people domiciled in the UK, you have a Joint Life Second Death Whole of Life written trust to pay your death tax bill when the day comes. For years, the non-domiciled and the non-residents did not have to worry about it. Now they do."

Getting Personal

Tim Searle was born in Vancouver, Canada in 1966. He is married with four children aged between 29 and 10, and one granddaughter, aged three. His oldest son and granddaughter live in Hong Kong, his second in Dubai and third child recently completed his politics degree in Bristol and now plans to join the British army. His youngest, a daughter, attends boarding school in Devon and auditioned in Orlando for Disney.

Searle considers himself "very lucky" compared to others as he has always known what he wanted to do. "I wanted to be in the Royal Navy, or I wanted to be a stockbroker. Hadn't had any exposure to either, but that's what I wanted to do."

His parents advised him to get a proper job first, so Searle dutifully joined the navy straight out of school. "They put a naval officer's application in front of me, so I filled it in." A couple of months later, he received a reply, and went for a "three- to four-day interview process" with the Admiralty Interview Board at the Royal Naval College in Dartmouth, which he passed.

"I think 495 of us joined Dartmouth Naval College, out of which just over 200 got through the other end." He was 17 years old. "I was the youngest there but one, and the chap that was younger than me was a gentleman called Nelson. He didn't quite make it, though, so by default I became the youngest in that intake."

When Searle passed out of Dartmouth he was the youngest Lieutenant in the fleet, and went on to join his first trained strength job as a gunnery officer in Hong Kong. It was in Hong Kong that he met his wife, "a classic expat brat," with whom he will soon be celebrating their 30th wedding anniversary.

His last job in the Royal Navy was as second-in-command of a ship running out of Dartmouth. "I had a rather good career, possibly too good," he says, and by then felt the need to do something else. It was the early 1990s, "all of a sudden the Russians became our friends. I was a warfare officer, so I did not have an enemy anymore."

That, and the reduction of funding going towards the military at the time, particularly to the Royal Navy, made Searle consider how far his role as a warfare officer could take him. Or as he puts it, "Where is my destroyer that I want to be a captain of eventually?"

So, he says, it was time for him to move on. By this time, he had a wife and a couple of children, and he looked at being a stockbroker. However, realizing that Devon was not, and still is not, a major financial centre, he contemplated moving to London or at least the Thames valley.

Yet the urge to return offshore was still there, and, as luck would have it, "I saw an advert for an overseas financial services company, I applied, and they sent me to Bahrain. And then the story starts."

In his spare time, Searle enjoys rugby, and sponsors the Pie and Pint Pilgrims rugby team in the Dubai Sevens tournaments. At home, he supports Bath "by default" since his chum is Graham Dawe. Recently he also attended his first football match, watching Aston Villa play, an experience he does not want to ever have again.

Searle is a passionate classic car enthusiast and has a collection of MG and Rolls-Royce cars. Three of his cars recently appeared on the front page of MG Enthusiasts magazine. He is a member of the Ninth Degree Car Club, and goes "whizzing around the Emirates" with the other, very social members of the club.

A busy man in business, he says he is happiest when he is "allowed to go out and play." Family comes first, but "If I can tinker on classic cars or nip off to a rugby match, then that's where you'll find me."

'Vanilla' propositions in Africa

On his company's recent push into Africa, Searle says that Globaleye is working with half a dozen South African ex-private bankers who have access to AUM and who want to deliver solutions which, according to him, remain "rather vanilla" propositions in South Africa.

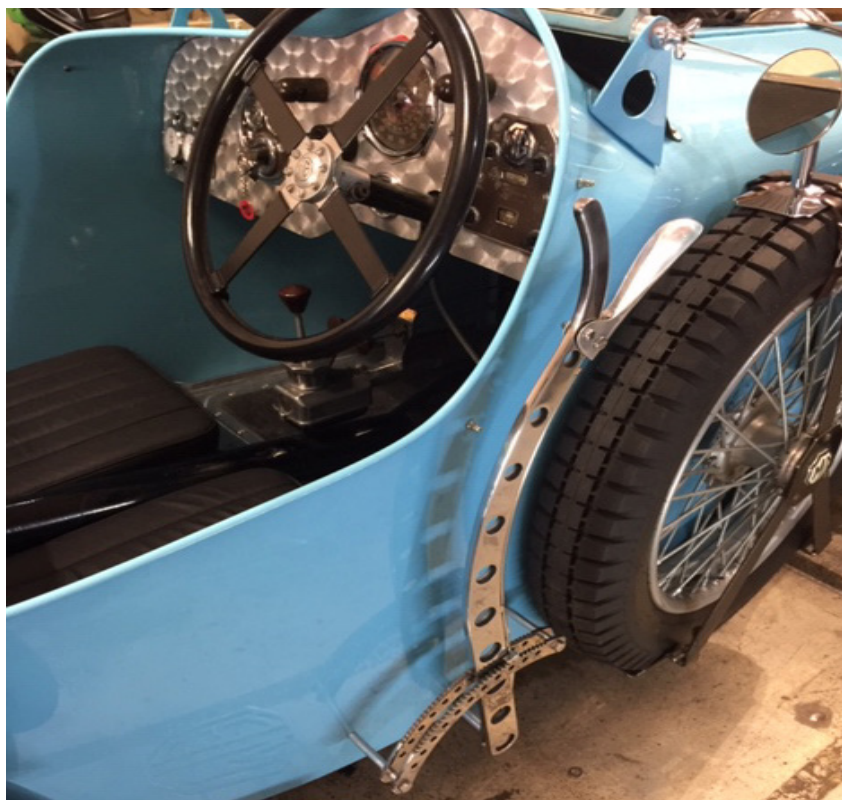
"Even if you look at South African based providers, compared to their International counterparts, the two groups don't talk to each other," he points out. "It's bizarre that they don't. But there's the niche, and the opportunity."

Searle believes that the continent is potentially a great market, and would advise anyone venturing into Africa to obtain a licence in Mauritius, because "the country is the African equivalent of the Isle of Man", and a Mauritian licence would give companies access to the continent. In South Africa a full FSP licence is required.

He continues: "Again, if you look at the niche in South Africa right now, South Africans are about to be hit massively on tax," he says. "Not only those within South Africa who are obviously very keen to get the money out of the country, but also expatriate South Africans who are now going to be faced with some rather punitive global tax regimes coming through."

Insurance against death taxes

Globaleye is also opening up with operations in the UK to assist high net worth clients who own property in London/UK and who face a possible 40% inheritance tax on their properties there. "They need special insurance solutions for that," Searle says. "There's no getting around it anymore; Her Majesty's Revenue and Customs (HMRC) made that very clear. But we can put



in a mechanism that, on your death, your death tax bill will be paid."

A lot of regulatory arbitrage

Of the market in the UAE however, Searle says it is "suffering to a degree" with its convoluted regulatory frameworks that companies have navigate, including among others the Dubai Financial Services Authority (DFSA), the Abu Dhabi Global Market (ADGM), the Dubai Multi Commodities Centre (DMCC) as well as an insurance authority and a central bank. "There is a lot of - for want of a better term - regulatory arbitrage, and no one knows which way to go. By doing that, you actually create more gaps and more grey areas."

Searle reveals that Globaleye has also recently acquired an UAE Securities and Commodities Authority (SCA) licence "so we can now double-head. So, if we think the investment world is going to go SCA, the insurance world will stay

with the insurance authority."

"My only remit to the insurance authority - and any of these regulators - is that if you are going to have regulation, you have to have enforcement as well."

Which, he says, is what has not been seen. "We saw it a little bit earlier this year when Holborn lost their license for a few weeks, but got it back again fairly soon after. Then others can learn from that and say, right, if you have been doing this, this is what happened with these guys, make sure you guys are not doing it."

Not enough enforcement

Searle reiterates that it is due to this lack of enforcement in the UAE that the market "is going backwards". He cites as an example: "There is so much unlicensed product being sold, so many companies offering piggyback solutions so you have all sorts of different entities underneath that. It is just total poppycock." ■