

Raising the independent wealth bar in Hong Kong

Partners from two of Hong Kong's leading independent asset management firms have joined forces in a bid to bring necessary scale and efficiency – plus more value-add – to a combined offering.

To be a successful independent asset manager (IAM) requires a certain level of scalability to survive in the new economic and regulatory reality of Asian wealth management.

It is against this backdrop that four partners from two of Hong Kong's leading IAMs have come together to create a new firm in this space – The Capital Company.

Lodewijk Lamaison, a founder and managing partner of Caidao Wealth, has joined forces with Jessica Cutrera, former managing partner of EXS Capital Asia and Todd Pallett, a former partner and managing director of the same firm. Harmen Overdijk will join at a later stage from Caidao to complete the partnership.

The starting point was a discussion that both firms had in early 2016 with a US private equity firm which specialises in this segment and buys minority stakes in such businesses. “They effectively

said that we needed to scale up, and so should consider inorganic growth,” explains Lamaison. After several conversations, he says it seemed a logical step for the two to join forces in a merger of equals. “One of the reasons is simply to create more scale in this industry, which is lacking among many IAMs in Hong Kong.”

The new entity will be 100% owned by the four founders. The structure is more akin to a law firm partnership rather than a wealth management firm with a CEO, but still with strong reporting lines in line with the regulatory license.

While Lamaison is going to help spearhead the relationship front, Cutrera will lead the compliance and operations parts of the business; Pallett will also oversee the client relationship management piece. However, going forward, they are open to the idea of adding new shareholders or partners, or even a strategic investor.



CUTRERA & LAMAISON
The Capital Company

The outcome, essentially, is a doubling of the senior team, a couple more operational staff, and a near-doubling of AUM at launch. “The synergy of the

two firms, and the size and scale that we can build, are what's most exciting for me," adds Cutrera.

BEST OF BOTH WORLDS

The business philosophy of the partners is aligned insofar as they all work on a management fee basis.

In other areas, the firms are complementary. The Caidao business, for example, has traditionally focused on larger clients via discretionary portfolios, where Cutrera has more experience in dealing with clients below the 'Professional Investor' threshold. Plus, she

find solutions that banks are not willing to deliver anymore," explains Lamaison.

Being able to increase efficiency will also lead to a significant improvement in the offering to clients, adds Cutrera.

From her perspective, in particular, splitting the wealth management business of EXS Capital from the firm's private equity advisory offering removes any confusion about the business model.

"We will now have a pure wealth management platform that focuses on transparency of fees and costs, align-

other, existing platforms to join. "This is really about an alignment of interests for our clients, driven by a shared investment philosophy to pursue this opportunity," explains Cutrera.

On top of this, hers and Pallett's backgrounds lend themselves to bringing to the combined set of clients a strategic estate planning focus, to help deliver a more rounded service. The new firm's license also enables it to offer insurance solutions as part of this – ranging from term life to income protection, to high-end healthcare to investment-linked.

THE RIGHT THING FOR CLIENTS

The needs-based approach of the new firm is among the characteristics which will enable it to stand out. "What we do is not necessarily about performance," confirms Lamaison. "In most cases, our clients want us to help them protect their capital more than anything else." Even when the conversation turns to investments, the idea is to generate absolute returns if it fits a client's needs.

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brings a very strong focus on the operational and compliance side.

The firm's new license will allow it to deal with clients that are relatively a bit smaller in terms of AUM, which is deliberate given that this segment is generally under-served in Hong Kong.

More broadly, the importance of the value proposition of an IAM is getting increasingly pronounced in an environment where private banks are more and more restricted in what they can offer their clients, or even talk to them about.

"Our independence still secures the fact that we can deal with different service providers, which enables us to

ment of interest, and outcome-based investing," she explains.

ADDING MORE VALUE

There are two drivers behind the desire for scale. First, it makes doing business more efficient, and therefore more profitable. Secondly, since small firms are subject to the same compliance and regulatory pressures as larger organisations, they need to find ways to minimise the costs of these. "Being a bigger firm with more revenue will enable us to better deal with those challenges," explains Lamaison.

Yet the cost-saving element is only an added bonus. If this were the sole focus for the partners, they could have found

This marries with the fact that the partners are not afraid of giving advice. "As a team, we specialise in multi-jurisdiction, cross-border planning. And more people are moving away from that business not towards it," adds Cutrera.

Advising US citizens is an example of this. "Most wealth managers don't want to talk to US citizens, or even hold their assets. But our combined resources, and the fact that more of our time is going to be freed up to do actual client work, is really powerful," she explains.

Growth via a few more bankers joining the platform at some point is something the partners welcome – but only if these individuals fit the culture of DPM, fee-based advisory and total transparency. ■