

The Global CIO Office - One-Year Mature and Ideally Placed for a Tougher Investment World

The Global CIO Office has as its core mission the elevation of research, deal selection and advisory to institutional levels for those smaller EAMs, or single- and multi-family offices that need to upgrade product selection, filter out better deals and boost the quality of advice for their end-clients, generally very wealthy Asian individuals or families. As such, the firm's approach and its services are likely to see an even greater interest in the post-coronavirus world, as financial markets are no longer likely to be floating on a rising tide of optimism. Accordingly, research, analysis, and a more refined judgement are likely to be more rigorously sought and applied. Johan Jooste is Managing Director of The Global CIO Office and in his spare time a passionate amateur chef; he believes the firm has the right ingredients for the world ahead as both society and the financial markets gradually and cautiously emerge from Covid-19 lockdown.

High-profile veteran

banker Gary Dugan and long-time financial markets expert Johan Jooste joined forces to launch The Global CIO Office in Singapore in the first half of 2019. Their mission is to provide outsourced investment ideas and research services to multi-family offices. Although only just over one-year old, they are already in a very different global environment to that in which the firm was first imagined; however, they believe the premise for creating The Global CIO Office has been reinforced by the events of 2020 so far, and they are optimistic they will find an even more robust client demand as the world's asset markets are now set to demonstrate much greater divergence of performance than seen for many years past.

FORGED ON A SOLID ANVIL

By way of background, Dugan is CEO, and Johan Jooste is Managing Director. The joint owners of their former firm, Purple Asset Management in Singapore, namely the UK's Fry Group and the Independent Strategy Group, came in to back the pair as shareholders, offering both funding and resource; they have made their platform and technology available, thereby helping to leverage the type of outsourcing facilities that The Global CIO Office now provides.

Jooste reports that the firm was launched under Purple Asset Management, with the CIO team looking after ultra-wealthy segment of multi-family offices, and possibly also outsourcing research and fund management services to some of the independent asset managers based in Singapore and across the region.

Johan Jooste's key priorities

Whatever the precise lie of the land ahead, Jooste's first mission is to ensure institutional quality and due diligence on private deals, debt and equity.

"There is a gap in the market for greater professionalisation of this segment, as there is plenty of supply of opportunities, plenty of demand, so we must push to filter the best for the clients," he explains. "There is limited ability for family offices and wealthy investors to rigorously assess and compare deals against peer opportunities, so we want to be the go-to source of advice, and further than that, we want to formalise the rating process of the deals from an independent and objective standpoint."

Another priority is to broaden the firm's geographic horizons. "Singapore," he says, "is an excellent base from which to expand and offers an edge in terms of reputation and perceived quality, but we also recognise we want to represent ourselves in Hong Kong, and perhaps in the Middle East. Of course, this will have to wait for the virus to abate, but it is core to our vision of the future."

The third, somewhat more esoteric mission is to reconfigure asset allocation. "We have to re-think the whole approach," Jooste says. "After the global financial crisis, there was a lot of talk about the old portfolio approach being defunct, but not much changed in reality as the 10-year bull market ensued. And new ideas emerged such as smart beta and impact investing, but quite a lot of that sort of innovation has proved to some extent a busted flush. We need a more effective approach to wealth for very wealthy families that offers the prospect of preserving and building wealth over decades, over multiple generations."

"In short," he continues, "we need a more radical approach to asset allocation with completely new eyes, because fool me once, ok, but fool me twice or more and shame on me, you know that old saying. At some time in the not distant future, we need to arrive as a totally different approach, after all, we have seen two major crises barely a decade apart, but we need strategies for wealth to endure and thrive well beyond that type of time frame."

QUALITY AND INTEGRITY

The Global CIO Office has been building its clientele through the provision of high-grade outsourced Chief Investment Officer services and advisory services for external asset managers and wealth management businesses.

"High-quality investment advice and product platforms can be expensive to assemble," Jooste explains, "but our clients expect nothing less. A successful wealth advisory and execution business needs quality investment proposals, regular reports to share



JOHAN JOOSTE
The Global CIO Office

with clients, research on investment themes, high quality strategic asset allocation and inputs on tactical asset allocation, no matter their scale. Our mission is to elevate this for them and to curate the very best advice on product selection from mutual funds, to structured products, through to alternatives such as real estate and private equity and private debt. The crucial difference between The Global CIO office and other investment advisory firms is that we give independent investment advice and we are not motivated by placing in-house product."

DEMAND FOR DIFFERENTIATION

Jooste also explains that Global CIO's typical client is a small to a medium-sized family office, with assets of USD50 million and upwards, that might have been fairly recently created, and that is likely to require research support, for example offering views of certain asset classes.

"These entities are also likely to require discretionary fund management for global mandates," he reports, "so we see considerable demand for that sort of service,

based on a very considerable amount of market research we have conducted and of course our deep knowledge of this wealth market in Asia. There is a common hurdle to overcome for newer family offices to provide the level of service to their clients that those clients might be used to, especially if they are moving off a leading private banking platform. And that is exactly where we can truly add value."

FEAR OF THE UNKNOWN

Jooste brings us right up to date by explaining that one over-arching emotion that the firm's clients have been expressing in these lockdown weeks is fear. "They are very anxious about the current and impending uncertainty," he reports. "Of course, this is not an earth-shattering observation, but it is entirely relevant to their response to their investments and positioning for the future, and to our philosophy. Actually, it will, we believe, play into our hands, as our core mission is to institutionalise and professionalise the levels of research, selection and advice that our clients need, and will need even more in the world ahead of us all."

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He knows that right now there is no clarity on the future, so information, judgement and a careful approach are all essential. He observes that clients are

entirely unsure about even what might have been considered basic assumptions, such as whether the world now expects inflation or deflation.

"There are many premises of the bull market years that are now up in the air," Jooste observes. "Clients wonder if this crisis will halt or hinder ESG investing, which was an increasingly hot topic in Asia. They wonder about the US-China story and how this crisis might change that dynamic. Where will Europe sit in all that? Should they de-risk, or should they see this as an opening to selectively increase exposures? These and many other concerns are part of daily conversations in recent weeks."

ADJUSTING AND REFINING

For The Global CIO itself, Jooste explains, the issue is to fine-tune the business strategy to cope with the current opaque reality, to anticipate developments in the months ahead as best as possible, and also to ensure that clients are properly serviced.

"Whether you are an independent, as we are, or a private bank, or family office, we are all adjusting as rapidly and smartly as we can," he observes. "For the time being, there

is almost a phase that I would characterise as false optimism, as people have actually found the experience of remote offices, remote working fairly interesting and novel, but I worry that the new reality will dawn, and it will be one in which there is a much reduced activity. I have seen some very alarming projections, but perhaps this is simply what we can call 'quackery' with no sound grasp of what the future might truly offer."

STRATEGIC AND CONSERVATIVE

He comments that this crisis therefore again emphasises the value of investing strategically and conservatively, avoiding leverage, avoiding complex structure products that most investors do not fully understand, and avoiding other products or solutions that are difficult to analyse.

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"It boils down to the Buffett rules," he comments, "so if you have broken any of those rules and compounded the problems with leverage, then you will have been suffering margin calls at a very difficult time, often meaning you have to become a distressed seller, and of course some of that has been going on. The truth is that all the bells and whistles that come with too much leverage, for

example, the structured products, derivatives exposure and so forth, they perform extremely badly when volatility spikes. Lessons must, yet again, be learned."

INDEPENDENCE AND EXPERIENCE

Jooste comments that Global CIO's approach is largely in tune with that of the multi-family offices and EAM community, which generally take a more conservative approach as standard. "We therefore see eye-to-eye with them," he says, "and our differentiation, which they really value, centres around independence and the experience. We are independent of product streams for generating our revenue, as we work on an advisory model based in objectivity. That model will work even better in the foreseeable future."

"And as to experience," he continues, "we have seen more crises than we care to remember; nevertheless what we do remember constantly is that darkness eventually turns to light, so we know we must engage with clients to focus them on a more robust future. However, there is no need to rush, because while there will be opportunities, it is advisable to tread carefully."

A WELL - POSITIONED PROPOSITION

Jooste believes it is highly likely that there will be intense pressure on costs ahead, leading potentially to a deflationary spiral in many segments of the economy. "Nobody expects to pay more in the future, and everyone will be aiming to take costs out of their system, but that does not overly concern us, as we have the flexibility to use technology to boost our platform's efficiencies and therefore be cost-effective and productive. We had been positioning ourselves, thus, since well before the pandemic hit."

Client empathy is also even more vital in the current and anticipated environment. "You need to connect deeply with them, to understand their business, personal and family pain points, and then help solve problems ahead so that they are comfortable paying for the advice and services you offer," he reports.

The one certainty right now is that we are in an uncertain world, and likely to be for some time to come. "It is even more vital now to provide advice on what can go right and wrong," Jooste states, on closing the discussion. "Our clients and their end-clients need accurate and timely information; they want targeted solutions, someone to give them an unvarnished view, an advisor or partner who is essentially willing to speak the truth, even if they are a billionaire and immensely successful."

"As a firm and with our experience and resources," he concludes, "we have to have the presence and the confidence to stand up and guide them properly, not shrinking from tough calls and decisions. For those that stick to the old routine of 'you can do this, or that, or this and that' then I think their time is up in this industry." ■

Getting Personal with Johan Jooste

Jooste is South African, hailing from Cape Town, and later studying at what was then the University of Port Elizabeth, and is today the Nelson Mandela University, majoring in Economics and Law. He then completed his Masters in International Economics, and spent a decade working in FX and fixed income with the South African firm, Rand Merchant Bank.

He was in London working in fixed income institutional fund management when he was hired into Merrill Lynch Wealth Management, joining Gary Dugan who was then Head of Fixed Income. "That was six weeks to the day before the fall of Lehman Brothers, a date I will never forget," Jooste recalls. "That was my first real exposure to wealth management, and I then enjoyed five years there before moving to Julius Baer and ended up after that spending three years at Bank of Singapore, before re-joining Gary with effect from 1 July 2019."

"I reached a point in my career where I realised that I could actually make a difference to peoples' lives," he adds, "not just be a dispassionate member of the financial world crunching spreadsheets. Getting together with Gary Dugan again – it is now just over a year – has been good from a personal and business perspective and helps me fulfil my goals for myself and for clients."

Jooste is married with a 23-year old daughter who studies in The Netherlands. One of his hobbies is collecting antique books. "My father was a professor of literature, so I have a predilection to buy old classic literature things that come in nice leather bindings and smell of old book shops when you open them," he explains. "My most prized books are stored in the UK, as the heat and humidity here in Singapore is not ideal."

In his roughly 500-strong specialist book collection, Jooste counts a number of tomes on South African colonial history, especially around the time of the wars against Britain during the period from 1860 to about 1910. "I find it fascinating how times have changed," he observes, "so, for example, a book written by Winston Churchill or Arthur Doyle about the Angle Boer War will use language that today would fail every test of political correctness. For example, the way they might have written about race or attitudes of British soldiers towards Afrikaans women or vice versa is truly fascinating."

Jooste also likes to act out a role as "master chef" at weekends. "Roast Leg of Welsh lamb is a bit difficult to find in Singapore, but we can find Australian lamb here and the trick is to cook it from fresh, never frozen and to cook it super rare."

