

## Waverton Investment Management DFM

### Introduction

March 2024

Waverton Investment Management Limited (WIM) is an independent owner-managed investment house. Originally founded as JO Hambro Investment Management (JOHIM) in 1986, the firm was acquired by Credit Suisse in 2001. In 2013 Credit Suisse sold JOHIM to Somers Limited and the existing management team. In recognition of the new structure the firm changed its name to Waverton Investment Management. Currently the firm is owned 62.5% by Somers Limited, a financial services holding company, with the remaining 37.5% being owned by Waverton employees. The company comprises four business groups: Adviser Solutions, Private Clients, Charities, and Institutional Solutions.

### Important Note:

February 2024: Waverton has announced its intention to merge with London and Capital. The merger is funded by Lovell Minnick & Partners and is subject to regulatory approval. It is expected to complete in the second quarter of 2024.

Financial performance remains strong, for the year ended December 2022 WIM returned a pre-tax profit of £11.96m (2021: £11.98m) with a profit margin of 21.8% from 23.8% in 2021. The balance sheet remains robust with £15.4m in cash and no long term borrowings. The business continues to easily meet its regulatory capital requirements with a 333% surplus to own funds requirement and own funds threshold requirement.

WIM continues to grow assets under management both organically and through selected acquisition. Total AUM as of 31 December 2023 stood at £10.9bn, an increase of over £1.5bn since December 2022. Staff numbers have also increased, as at 31 December 2023 head count stood at over 170 of which 47 were investment professionals with an average of 21 years' experience.

The board is chaired by Non-Executive Chairman David Rosier. David has been involved in the investment industry for over forty years. His experience includes time spent at SG Warburg, where he headed up the Private Client business and spent 8 years as a UK fund manager. In 1986 he was a founding director of Mercury Asset Management Group, which was taken over by Merrill Lynch in 1997. He became Chairman of Private Investors at MLIM and sat on the Executive Management Committee. In 2003, he became a founding partner of wealth management boutique Thurleigh Investment Managers LLP.

Other board members include:

Nick Tucker – Chief Executive Officer. Nick joined Waverton in February 2020. He has spent many years building wealth management businesses in the UK and overseas. Prior to joining Waverton, Nick was Managing Director and Head of UBS Domestic Wealth Management business in the UK. Prior to that he spent 20 years with Merrill Lynch latterly as Head of Private Clients UK and Ireland. Nick graduated from Exeter University with a degree in Political Studies.

Algernon Percy – Executive Director. Algernon has been with Waverton since 2003 and was previously Head of Private Clients before becoming managing director in 2013. Prior to joining Waverton Algernon worked in the Private Client Department at Mercury Asset Management.

The board is further supported by four non-executive directors, all of whom have considerable industry experience.

Waverton offer a range of discretionary managed services available to clients both directly and via their financial intermediary.



## Range of Services

	Summary	Investments	Minimum Investment
<b>Managed Portfolio Service: On Platform</b>	Six risk graded portfolios available, Conservative, Defensive, Cautious, Balanced, Growth, and Equity. The portfolios have been mapped to Dynamic Planner, Synaptic, Defaqto, EValue, and Oxford Risk. Benchmarks are CPI + targets.	The portfolios are constructed from four specialist Waverton OEIC funds which are managed specifically to form the building blocks for these models. The four funds are: Waverton Sterling Bond, Waverton Strategic Equity, Waverton Absolute Return, and Waverton Real Assets fund.	None (Subject to platform minimum)
<b>Managed Portfolio Service: Direct</b>	Similar to the above but allowing a more personalised approach to cater for tax considerations and with access to a dedicated portfolio manager.	As above	£250,000
<b>Bespoke Portfolio Service</b>	A full discretionary service with clients allocated a dedicated portfolio manager and team	Where possible constructed from direct equities and bonds. Collectives also used where direct holdings are not practical	£500,000 via intermediaries (£1m direct)
<b>Specialist Charity Service</b>	Segregated mandates managed by a team focussed on the charity sector. Can cater for specific ethical or environmental concerns of charities, if required.	Where possible constructed from direct equities and bonds. Collectives also used where direct holdings are not practical.	£1m
<b>Offshore Portfolio Service</b>	Designed for investors who do not wish to hold assets in the UK for tax purposes. The service also includes bespoke portfolios for US clients.	Where possible constructed from direct equities and bonds. Suitable collectives also used where direct holdings are not practical or appropriate.	£1m (US-\$1m)
<b>Platform Portfolio for US Clients</b>	Designed specifically for expat US clients	3 portfolios to choose from: Cautious, Balanced, and Growth	£100,000

In addition to the above discretionary services, Waverton also manage a range of six Dublin domiciled OEICs, with mandates from Equity to Defensive which sit alongside the MPS for clients who require a single fund option. The range includes an income option, through the Multi Asset Income Fund. WIM also manage a specialist charity fund.

## Charges

	Initial	AMC (+VAT)	Dealing	Admin	ISA (+VAT)	OCF
<b>Managed Portfolio Service: On Platform</b>	0%	0.4% (No VAT)	0%	0%	0.4% (No VAT)	0.62% - 0.68%
<b>Managed Portfolio Service: Direct</b>	0%	0.75% (No VAT)	0%	0%	0.75% (No VAT)	0.97% - 1.03%
<b>Bespoke Portfolio Service</b>	0%	0.75%	0%	0%	0.75%	1.10% - 1.20%
<b>Specialist Charity Service</b>	0%	1.0% on first £1m 0.6% on anything above £1m	0%	0%	1.0% on first £1m 0.6% on anything above £1m	1.10% - 1.20%
<b>Bespoke Offshore Portfolio Service (Including US Clients)</b>	0%	0.75%	0%	0%	0.75%	1.10% - 1.20%
<b>Platform Portfolio for US Clients</b>	0%	0.5% (No VAT)	0%	0%	0.5% (No VAT)	0.6%-0.63%
<b>Multi-Asset OEIC Range</b>	0%	0.4%	0%	0%	0.4%	0.51%

## Investment Process

Waverton manage portfolios against a real return target of inflation plus. They are not wedded to any particular style as they believe in taking a flexible approach when managing client portfolios through volatile markets and differing cycles. Portfolios are built on a global multi asset basis to harness the benefits of geographical and asset class diversification.

The investment process is a combination of top-down analysis and fundamental research and is not constrained by index benchmarks. The top-down approach is driven by the Asset Allocation Committee whose primary role is to recommend the asset allocation policy for all client portfolios. The committee is chaired by the CIO, Bill Dinning, and includes three senior investment professionals.

Conclusions from the Asset Allocation Committee feed into recommendations across all investment strategies and guide specific short-term asset class weights. These views are immediately communicated across the firm and respective weights are reflected in the portfolio management system to be implemented in portfolios as appropriate.

The bottom-up research is a combination of quantitative and qualitative analysis across direct equities, fixed interest, alternative asset classes and third party funds. There are specialist in-house teams responsible for research and analysis across different investments (equities, third party funds etc) and each asset class.

Within equities, research is split between 5 regional teams (UK, US, Europe, Japan and Developed & Emerging Asia) and includes the managers of Waverton's European and Asian Funds, and dedicated regional analysts who generate their own research. Meeting company management is also an important part of the process and the regional equity teams meet with company management across all sectors conducting approximately 1,000 meetings per year.

The Stock Selection Committee construct the Global Recommended List, and the committee includes four of the global team, along with broad-based regional representation. The committee meets weekly with ad hoc meetings when required.

From the stock research process, a Global Recommended List is constructed comprising approximately 56 stocks that represent WIM's highest conviction investment ideas globally. The list is populated entirely from the Regional Stock Lists, generated by the specialist regional research teams.

The risk/return profile of each company is assessed both on its own merits and in a global context before being added to the Global Recommended List. In particular, the committee looks at the relative weighting of stocks in Regional Stock Lists to gauge the level of conviction in the idea and aims to construct a list broadly diversified by both sector and geographic revenue, albeit the regional/sector weightings are purely a reflection of the bottom-up fundamental stock selection.

Fixed income research is covered by a dedicated specialist team who also manage two in house bond funds, Waverton Strategic Bond Fund and the Waverton Sterling Bond Fund.

There is also a dedicated team of investment professionals covering third party fund research. The process again combines both a quantitative and qualitative approach. The quantitative screen helps narrow the universe for a more detailed examination on which analysts can perform more qualitative assessments. The team will meet with the relevant manager for further insight into their process and to cross reference this dialogue with their understanding of the fund from the quantitative and qualitative research undertaken.

WIM also has a dedicated Alternatives Team, which actively manages the Real Assets and Absolute Return Funds, as well as recommending individual alternative securities for inclusion in the Waverton Recommended Fund List.

External research is also used, and the firm works in partnership with several external investment/research firms not only to discover new ideas but also to review the investment thesis for long established holdings. All research costs are absorbed in Waverton's own P&L.

## Risk Management

The monitoring of portfolios in the first instance is the responsibility of portfolio managers. Waverton have adopted FactSet as their main performance and risk monitoring system and portfolio managers are able to view their portfolios against stated mandates and run various risk and performance calculations themselves. There is also a Performance Review Committee and a Firm Risk Committee providing higher-level oversight of all firm portfolios. The Portfolio Dispersion Review Committee and Portfolio Risk Review Committee also support the risk and performance monitoring process.

Portfolios are monitored against dispersion from the central asset allocation model, concentration risk, outliers from benchmark performance and a host of other risk metrics. The Performance and Risk Team also produce an asset allocation score which is the product of the dispersion from the mandate and volatility. This allows more tolerance of lower volatility assets being out of line with the mandate than it would for higher volatility assets.

## Opinion

Waverton offers a comprehensive range of portfolio services including model portfolios, a full multi-asset fund range and bespoke discretionary services. They also offer bespoke and model portfolio services specifically designed to cater for the expat US client.

They have built an experienced team of investment professionals which operates in a very collegiate manner with many of the team having worked together over a long period of time. There is a broad range of knowledge across the team with specialists assigned to the various asset classes and equity research further subdivided into regional teams. The board and senior management team are also experienced investment professionals many of whom have institutional investment backgrounds.

Perhaps what makes Waverton a little different to many other DFMs offering model portfolios is that their portfolios are constructed from four specialist Waverton OEIC funds which are managed specifically to form the building blocks for these models. This allows the managers total control and clarity of underlying holdings and enables them to determine their asset allocation very accurately. It also allows them to use their equity and bond research capability with the majority of underlying holdings within the building block funds comprising direct equities, bonds and investment trusts alongside a smaller number of third-party funds.

Waverton submit their Private Client Portfolios to ARC for performance verification. The Waverton Portfolios have produced good risk adjusted returns which remain ahead of their respective ARC PCI benchmarks over a variety of timeframes, and in turbulent markets have demonstrated good downside protection. The centralised investment process and in-house funds for model portfolio construction should ensure a high degree of consistency across the various offerings.

The firm remains well capitalised and easily meets its regulatory capital requirements. There is a robust risk monitoring system in place with industry leading technology providing real time monitoring of portfolios against mandates.

Waverton continue to invest in their personnel, adding to both the investment teams and distribution teams and appear very committed to supporting the advisory community and their clients.

We believe Waverton offer a quality range of services for advisers and their clients.



### **Important Notice**

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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