

MARKET MOVEMENTS

Recent spouses Stonehage and Fleming Family & Partners think modern wealth management firms need to be like shopping centres. But are they Harrods or Westfield?



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Attentive readers of *Spear's* won't have been surprised to hear that another two of London's independent wealth managers — Stonehage and Fleming Family & Partners — were pairing up, the latest in a long line in recent months.

Uniting under the less-than-catchy banner of Stonehage Fleming Family & Partners (SF&P for short), the new company will have £7 billion of assets under management and more than 500 staff across seven countries. Soon after the news broke, Adam Fleming, now a board member of SF&P, and Giuseppe Ciucci, group CEO, told *Spear's* at their Suffolk Street headquarters why they had come together. There seemed to have been a meeting of minds, yet there was still a slight clash of styles, genteel and corporate not yet thoroughly harmonised.

In the new firm, the management and staff will own 70 per cent; the next largest shareholders are the Fleming family, Standard Chartered and Wafic Saïd. This means that the Fleming family are going from 50 per cent of their current business to well under 30 per cent of the new one; does that indicate that the FF&P way will have to cede to Stonehage's?

'Shareholdings are not important from that perspective,' says Ciucci. 'Whether it was 50:50 or whether it's 75:25, it's still a partnership between the Fleming family and Stonehage, mainly represented by myself.'

Fleming takes this up with perhaps greater candour than anyone expects: 'Can I — as, as it were, the person at risk here — give my take on this? At the end of the day all these things are based on trust and you never 100 per cent know... We've had a good record as a family of choosing our partners and I would put this partnership right up there as making huge sense, and again having not zero risk, but very low risk that what we're going to do together isn't going to transpire... It would be crazy of Giuseppe to say, "Right, that's it, this is where we're going," and we go off in a completely different direction.'

This candour reappears when I ask if either firm had talked to another partner about merging in the past five years. As soon as Fleming starts to speak,

Ciucci shoots a glance at the PR.

'Certainly we looked at a number of opportunities and at one point were quite close to taking over another, being the senior partner in another outfit, and that failed — these things are meant to be, so it wasn't meant to be. We'd been actively looking around to go to the next level and this arose, as I say, probably three years ago.'

Ciucci, perhaps now the veil has been torn, speaks about Stonehage's search too: 'We are very, very difficult and selective only because of our own culture, and I spoke to one party who, when he reads this, will know who he is... We spoke for a very, very long time and couldn't quite agree on how it would work, but I greatly admire him and that's it.'

TWO TO TANGO

There is no shame in these admissions. But given the spate of mergers and acquisitions — Lord North Street and SandAire, Ingenious and Thurleigh, Schroders and Cazenove, Quilter and Cheviot — was there a feeling that either firm didn't want to be the final firm standing alone, the last girl at the dance?

We wait for someone to break the awkward silence.

'Certainly not,' Ciucci says. 'I have global ambitions and this was a great way of scaling it up.' He says they were 'opportunistic' (in a positive sense) and that factors such as amity with the Flemings, a shared commitment to a limited number of clients and expected synergies made the merger desirable.

'There are things we've got,' says Fleming, 'that Giuseppe hasn't got, like private equity and the advisory side, and we've also got a big fund management business in Zurich. There are many things he's got that our clients are going to love,' such as Stonehage's equities business to complement FF&P's fixed-interest desk. FF&P will adopt Stonehage's 'key adviser' concept, *hommes* (and *femmes*) *d'affaires*, to give strategic advice and troubleshoot.

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OLD MASTERS
AND NEW:
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Ciucci says the internet has played a role in this marriage: 'The internet era will destroy a lot of business models as it is doing in our world; people pay too much for investment advice, there are too many conflicts of interest, the fees are too high in hedge funds, so the internet will bring all that down because it will create enormous competition.'

This means wealth management firms must be like shopping centres, offering everything a client could want, and that might be created through mergers. 'You go to a shopping centre for an experience,' says Ciucci, 'partially amusement, partially informative and so on. This is what a multi-family office wants to achieve: it wants to be a shopping centre for these complex families.' You'll get independent investment advice as well as legal and tax services, philanthropy advice, art advice and so on.

So is SF&P more like Westfield or Harrods? 'If you look at the technical business models,' says Ciucci, 'Harrods would struggle with the online concept — you would have to be more of a Westfield. However, in our context we definitely are a Harrods.'

'I think it's Harrods meets Elon Musk,' says Fleming, referring to the constantly innovating co-founder of PayPal and Tesla Motors and CEO of SpaceX, which is trying to take customers into orbit.

NIL DESPERANDUM

In contrast to some other firms that have merged, Fleming and Ciucci don't cite the regulatory burden — easier to bear across a larger firm — as a merger motivator. The opposite, says Ciucci: 'Our response

to regulatory issues is to have fewer clients but larger clients... then you have less of a regulatory burden because you know exactly what they're doing.'

Fleming is under no illusions about how (or whether) mergers work: 'Most mergers don't work and sometimes are born out of desperation. But we are profitable, pay a dividend, we've got £20 million in the bank. So I would hate for "desperation" to enter our lexicon... It's also born out of a history of doing things with partners: you get to know when it's the right time and the right person.' He can cite a history of successful Fleming family partnerships, from starting Jardine Fleming in Asia in 1970 with the Keswicks to alliances in Zimbabwe, Botswana and South Africa (where Stonehage is also strong).

This heritage of global expansion will be emulated by SF&P. 'There is an opportunity in the space that on an international scale hasn't been done, and that's what we're busy working on,' says Ciucci.

There must be a race going on, given that other mergers have stated their global ambitions. 'It hasn't started,' says Ciucci, 'but you need scale. Everyone becomes unstuck because they don't, they're scared to invest, scared to go to America and Asia — but the banks do it. In this space people don't do it because they don't have a banking licence, the margins are wafer thin, it requires a lot of investment.'

A fair global network exists already and will only grow, they say. Asia is a natural extension. They want to be the first global multi-family office.

Watch out, world: the Harrods of the wealth management industry is on its way. *f*