

The wealth management CEO who says working from home isn't all it's cracked up to be

ALEXANDRA NEWLOVE, 17/02/2021

Alex Newlove spoke to Vermeer Partners chief executive Simon Melling about growing a new business under lockdown, the challenge of diverse recruitment, and whether working from home is all it's cracked up to be.

Vermeer Partners chief executive Simon Melling isn't fully sold on the oft-recited vision of the future where we all swan into our offices a couple of days a week.

"I do think the pendulum is ebbing away [from home working]," he says.

"My answer to this has slightly changed this lockdown compared to the first, at which point I would've said inevitably, it is useful to have more flexible arrangements."

Now he believes businesses will be suffering from a lack of "across the desk" moments: those everyday spontaneous interactions with colleagues which enhance morale – and efficiency.

He caveats this with the opinion that "of course" there will be times where working from home is the best use of time, but says he feels for staff at big organisations who have been told they won't be returning until the latter part of the year.

Vermeer was one of few firms which encouraged staff back when government guidelines permitted it during 2020 – "the vast majority were crying out to come back, we're a sociable bunch", says Mr Melling, a chartered accountant who formerly headed AIM listed stockbroker Cenkos.



The onset of a pandemic obviously is not an ideal scenario for a new business: Vermeer, a wealth management partnership founded by Michael Kerr Dineen and spun out of Quilter Cheviot, officially launched in mid-2019.

But growth has been pleasing despite restrictions on some of the usual business development activities, Mr Melling says. Assets under management sit at £1.5 billion, up from around £1 billion at end-2019, and the firm moved into profit in 2020.

Mr Kerr Dineen, Vermeer's chairman, is somewhat legendary in wealth management circles for his ability to generate staff loyalty and entice former colleagues to join him when he shifts firms.

He carved Laing & Cruikshank out of Credit Lyonnais before it was sold to UBS in 2002, but became disenchanted with product pushing at UBS, orchestrating a 2006 defection of 50 staff when he set up his own venture, Cheviot Asset Management. Cheviot was subsequently acquired by Quilter, then owned by private equity house Bridgepoint, in 2012. Quilter Cheviot was then acquired by Old Mutual in 2015.

Mr Melling says part of the point behind Vermeer is to break this wider industry trend of spin-offs and acquisitions. The firm is set up as an old-fashioned partnership with 30 of its 45 staff being equity owners.

He sees "consolidation" in the industry, such as it is, as a game of two halves.

"I think you will always have those two bits: Increasing consolidation at the top level, with homogeneity of product and service, which will suit certain parts of the market.

"Then you have people who rebel and revolt against the big boys. But when firms sell out to bigger players, you just watch, as soon as the covenants come off, they start reinventing themselves as well."

Vermeer builds bespoke portfolios for all its clients but keeps costs down by buying direct equities, with relatively little exposure to funds – a typical portfolio would be about 30 percent funds. The end client pays just 1 percent regardless of the assets they hold, there are no "underlying" charges passed on.

Where funds are used, Vermeer favours smaller niche fund managers where they can buy direct and be considered an important client – "everyone says this, but if performance is really good, we don't mind paying for it", Mr Melling says.

A focus on traditional, relationship-based wealth management does not mean neglecting the sector's more fashionable topics – namely diversity and inclusion, and ESG investing.

Mr Melling says the former proves a challenge for a boutique but that he will fight to recruit mixed teams when the opportunity presents, as he acknowledges Vermeer's heavy preponderance of "white males".

"Internally, we are actively trying to change that," he says.

"We do as much as we can at the pipeline level and I would love to [acquire] teams that have a different ethnicity and gender makeup to ours, it's an added advantage, but it is difficult to come across [them]."

Given the firm's portfolios are tailor-made, ESG is not too much of a puzzle from an investment point of view – any client's ethical requirements can easily be taken into account.

"It's becoming an increasing part of the process. Some [clients] aren't interested at all, but most sit in the middle and that middle is moving towards ESG," Mr Melling says.

The firm is also looking at its own behaviours (Mr Melling says some astute clients occasionally ask about this) looking at its own recycling and consumption habits in what will hopefully be an eventual push towards carbon neutrality.

Mr Melling describes the current lockdown down as "a slog" but says Vermeer has done well in terms of new business through referrals and a loyal client base.

Despite this, he says it is much more difficult to get a new relationship over the line virtually – people still want to look their adviser in the eye, and there is sometimes a nervousness around transferring assets without meeting.

The same is true on the staffing front. Vermeer has recruited during the pandemic period and has a new business development person joining soon, along with other "advanced discussions".

"Even if you know those individuals fairly well, to get them that final move over the line, people want to meet," he says.

Mr Melling says Vermeer's people have looked to keep morale up through online socialising. He also just completed an exercise in which he did a Zoom call with every employee in the business.

"I found that very useful because you get feedback from every level on their concerns, which you'd normally get if you're standing by the coffee machine. You forget how much communication happens naturally."

The firm is named for the artist Johannes Vermeer, who has just 36 surviving paintings. The founders said they wanted to reflect the painter's "attention to detail and personal relationship to clients" – an approach which will surely never go out of style.

Mr Melling: "We're breaking the cycle [of consolidation], we are genuinely trying to create a sustainable LLP. We want to stay in control of our destiny."