

ASOLID FOUNDATION

How Vermeer took £2bn from Quilter Cheviot

ROBIN AMOS
RAMOS@CITYWIRE.CO.UK

As global markets entered meltdown, Simon Melling found himself confronting the impact of the Covid-19 pandemic at a personal level.

'As it happens I was meant to be skiing, and I got to France on Saturday but they closed the resort on Sunday,' he says. 'I can't say it was the most pleasant journey I have ever had. Ten hours at Geneva airport is no fun.'

Despite that bringing home just how serious the situation had become, the 'born optimist' believes the team he heads as chief executive of Vermeer Partners – a boutique that fully opened its doors just under a year ago – 'will get through it, as we have done in most situations.'

It certainly takes some amount of optimism to pass up a contemplated retirement and help lead a new venture, even one founded by a name as respected in its sector as Michael Kerr-Dineen. But that leap

of faith has clearly paid off with the company pulling in roughly £1.5bn in assets in its short life.

That was testament to the depth of strength within the team of investment managers that followed Kerr-Dineen, who now chairs the business, out of Quilter in 2018. Melling hopes that up to 75% of the assets they ran at their previous employer – worth around £3bn when they left – will eventually follow, though he admits this may again be his naturally sunny outlook. ▶



He adds that the firm is in a series of conversations about bringing further teams onboard, which are 'getting close to fruition'. Economic turbulence 'has probably slowed down the pipeline a little', however, as people are more reluctant to take extended gardening leave in 'unsettled times.'

While Vermeer posted a loss of £4.1m in its accounts to June last year as the firm was still in the process of setting up shop, thanks to its strong inflows Melling says it has already started turning a profit on a monthly basis. Prior to the coronavirus-induced crash, it was on course to break even on an annualised basis by this summer.

He notes that through outsourcing a lot of its processes 'we've got a high amount of variable costs rather than fixed costs, unlike some other operations', which he believes should help the firm prove more resilient amid the economic turmoil.

Melling says: 'I feel we are on solid ground. The next challenge is taking it from there and not being complacent, trying to look at all the opportunities out there, which I think are great.'

A WINNING PROPOSITION

Melling attributes the appeal of the start-up to very comfortably remunerated senior investment staff and frustration with the vertically integrated business models adopted by larger firms.

Joiners include Cheviot founders James Mann, Gerald Rothwell and Tom Lahaise as well as several other former partners, who together were said to have persuaded Kerr-Dineen 'to find a home for them'.

'We just felt we couldn't give a real bespoke service that our clients want; that is why we set it up. And the clients agree, because they followed us.'

There may be a certain survivorship bias to that statement. Kerr-Dineen famously led his team out of UBS in the mid-2000s to create Cheviot and later merged that company with Quilter, before the whole was subsumed by what was then Old Mutual.

The many colleagues and clients who have put their trust in the management team to do right by them have had plenty of opportunities to stay put if they wanted the

path of least resistance.

'There was the decision taken during the UBS days to set up Cheviot,' Melling says. 'And yes, that is very similar to what we have done now, in terms of setup and operation and then bringing the clients across.'

'The reasons that motivated us doing that were that there was increasing pressure to move down a models route and limit the amount of exposure we could give our clients. That has meant that the same clients have been with the same people managing their portfolios. So actually, it is incredibly fair on the client, in terms of the consistency of advice that they've had.'

He is adamant that there is 'no intention whatsoever' to build a business for sale, which the partnership helps make more difficult. In order to avoid being pushed into doing so, it has not sought funding from 'pure external' shareholders, though some 'friends and families' of members do hold stakes.

'Our model is very much to incentivise people in terms of share revenue, and equity, as well, is spread very [widely],' he says. 'People here feel like owners, and that goes with the collegiate structure.'

Vermeer Investment Management, which runs Ucits funds and which Melling oversees as a separate business except for compliance and finance, also holds a stake. The asset manager provided the vehicle that the partnership 'reversed into', but the wealth business does not have an allocation to its sole global fund except at the request of clients.

The fact that 'when you come in and see Vermeer, you actually see the person who is running your money' helps in building relationships, some of which have been going on for more than 30 years, Melling says.

While the firm's chief investment officer Simon King and head of funds research William Buckhurst provide oversight of investment strategies for individual clients, Melling stresses the firm does not have models.

Despite this, wealth managers across the business have tended to have an overweight to equities, and are willing to allocate to smaller funds and investment trusts. The Covid-19 outbreak has not led to major changes in

SIMON MELLING

CV

VERMEER PARTNERS

CHIEF EXECUTIVE OFFICER **2018 - PRESENT**

VARTAN RAVENSCROFT

CONSULTANT **2017**

RAVENSCROFT (FORMERLY CENKOS (CI))

HEAD OF CORPORATE FINANCE & INVESTMENT MANAGEMENT **2013 - 2016**
CHIEF OPERATING OFFICER & FINANCE DIRECTOR **2006 - 2009**

CENKOS

CHIEF EXECUTIVE OFFICER **2009 - 2011**
CHIEF OPERATING OFFICER & FINANCE DIRECTOR **2006 - 2009**

CAPITAL ACCUMULATION (CAPACC)

FINANCE DIRECTOR **2005 - 2006**

COLLINS STEWART

CHIEF OPERATING OFFICER & HEAD OF RISK - PRIVATE CLIENTS **2001 - 2005**

SINGER & FRIEDLANDER GROUP

DIRECTOR OF GROUP FINANCIAL SERVICES (OVERSIGHT OF CARNEGIE GROUP & COLLINS STEWART) **1988 - 2001**

CLIENT ACCOUNT SIZES

SMALLEST	£1,250
AVERAGE	£635,000
LARGEST	£57,000,000

STAFF

WEALTH MANAGEMENT STAFF:
40, OF WHICH 19 ARE INVESTMENT
MANAGERS/DIRECTORS & CIO



BLIP OR BUST?

BY SIMON KING, CIO

It is somewhat tragic that it has taken a real-life health epidemic with thousands of lost lives to shake the global markets from their zombie-like upward progression.

We do not share the view that the outbreak

will inflict permanent damage on the global economy. It may change consumer behaviours in terms of less travel, and corporate supply chains may alter, with perhaps an increase in local production, but these will provide as many opportunities as risks.

The factors we were basing our positive stance on for 2020, namely no interest rate rises and increased government spending, have perversely been reinforced by the crisis. We expect markets to begin to recover slowly, if and when the growth in infection rates begins to slow.

The sell-off in the market has been indiscriminate with many very good stocks suffering as much or more as lesser quality ones. This provides us with opportunities to invest in for the first time, or add to our holdings, in companies with strong financial positions.

their investments, which are focused on capital preservation, as they don't want to be 'panicked into crystallising losses'.

Melling argues that Vermeer's partnership structure offers an easier route to long term common goals than listed firms with external pressures. Roughly three quarters of the business's staff, including nearly all its investment managers, hold a stake.

OLD SCHOOL

Vermeer's structure as an LLP fits in well with Melling's experience, as much of his career has been spent in senior roles at firms where he learnt that equity stakes can produce 'amazing' results in staff performance.

After starting out as an accountant at Peat

Marwick Mitchell, which was later bought by KPMG, he joined Singer & Friedlander in 1988. There he met many of his most important contacts in his rise to director of its financial services division before leaving to become chief operating officer and head of risk at Collins Stewart when the broker was spun out in 2001.

He later served as chief executive of Cenkos between 2006 and 2011, and then until 2017 at the Channel Islands-based Vartan Ravenscroft, when he was introduced to Kerr-Dineen. They 'instantly got on very well' and he persuaded Melling to join the new venture.

At Collins Stewart, he 'worked with some very interesting individuals, such as Terry Smith and Andy Stewart' and noted that Kerr-Dineen fitted into the same 'entrepreneurial,

interesting, slot' which as someone focused on execution he has always found energising.

'I suppose, for me Vermeer is the pinnacle – I mean, it's the one situation where I can use all the bits of information I have acquired over the last 30-odd years,' he says.

'It goes from structuring and putting the LLP together to employment contracts to making sure the paint goes on the walls here.'

A keen West Ham supporter, Melling is also glad to be back in London after several years in Guernsey, which he at times found too small. 'If you go to a restaurant, you have to look behind you,' he says. 'I'm not saying it can't happen in London, but it happens a damn sight more in Guernsey.'

When it comes to the challenges facing the private client business, he has little doubt that Vermeer can carve out a niche for itself as a high-quality service. He believes the push towards greater transparency over fees will work in its favour.

'I've probably been in the industry for about 35 years. And everyone kept telling me 35 years ago that this sector of the market is dying. That is still where the world is – and the average age then was 70. Well, remarkably, it still is now, 35 years on.' •