nma
READ • WATCH • LISTEN • MEET

CITYWIRE.CO.UK/ADVISER
8 FEBRUARY 2021 • ISSUE 698

HARD YARDS AHEAD

Aegon UK CEO Mike Holliday-Williams dreams of running across the

60 SECONDS
I'M PLOTTING OUR IPO FROM HOME

ADVISER PROFILE
NO-NONSENSE FIRM THAT BEGAN ON A NAPKIN

ESG
LESSONS FROM SCHOOL MEALS CRISIS

CONTENTS

I haven't had any difficult conversations with clients about being restricted

TOBY OWEN-BROWNE
FINURA PARTNERS

16

Our clients told us to keep it simple and make it faster. We listened

Toby Owen-Browne chose the eye of the financial crisis to join advice. Years later, a scribbled business plan on a wine bar napkin would make him and Nathan Mead-Wellings masters of their own destiny

OLLIE SMITH

There are plenty of great stories about how business partners meet. US ice cream entrepreneurs Ben Cohen and Jerry Greenfield met in a school gym class and became best friends.

Finura directors Toby Owen-Browne and Nathan Mead-Wellings's meeting was a tad less wholesome. The pair first got chatting over a cigarette outside their then office. Mead-Wellings was a senior financial adviser and Owen-Browne was an associate partner.

The pair's lives have changed quite a bit since then. You are more likely to find Mead-Wellings running a charity half marathon and Owen-Browne playing with his two children with his wife, a City restaurateur.

They have quit smoking and are focusing on building a business that will last. Just as Owen-Browne can barely recognise his former self, he says Finura looks pretty different too.

Speaking from his London home on a cold January afternoon, he says he has ditched some bright ideas originally intended to add glamour to clients' lives in favour of simplicity. Clients tell him they prefer this approach, and feel the business has listened to them.

ROOKIE UPSTART

Owen-Browne finished his studies in 2007, graduating from Newcastle University with a degree in business management and economics.

It was an inopportune time to be entering the job market. The collapse of Northern Rock was just weeks away, and pain lay ahead for the global financial system as the credit crunch took hold and governments scrambled to shore up the world's big economies with bailouts.

By this time, Mead-Wellings had a job in an advertising agency managing accounts for Canon and that other ice cream manufacturer, Häagen-Dazs. Owen-Browne's job prospects were not so sweet, however.

'It was very hard to get an interview anywhere,' he says.

'My oldest friend's father, who works in private equity, suggested financial advice was an interesting industry because it was likely to become a professional service rather than a sales-led one.'

Owen-Browne landed a job at the advice arm of Welbeck Consulting, which was part of the Openwork Network. The company later rebranded as Wilmslow Wealth and became a founding firm within Caerus after the network's launch in 2009.

Euphemistically, he describes Welbeck's culture as 'motivational'. His superiors drove fast cars, and he was told he would obtain similar riches if he made a success of his work.

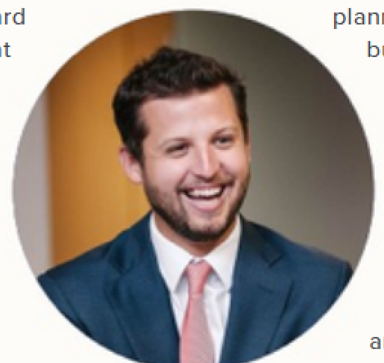
'It was like a lot of advice businesses in the Noughties. You had to build your client base using whatever the equivalent of social media was then, including cold calling,' he says.

'It was spirit-crushing and exhausting, but we were promised big things so we stuck with it.'

Owen-Browne learned a lot at the business, but concerns were mounting over the implications of the Financial Services Authority's retail distribution review (RDR). Advisers started to leave the company, and eventually Owen-Browne (pictured) and Mead-Wellings joined the exiting throng.

'With RDR on the horizon, there were mutterings that our business model would not work. It was too focused on new clients, without enough support for existing clients,' he says.

'Nathan and I occasionally bumped into each other for a cigarette. Fast forward to 2012 and we're sat in a wine bar, writing an overly enthusiastic, naive business plan to protect our clients by not losing them. I'd love to have that napkin now. Christ knows what was on it.'



Joining them as a founding director was James Herman who continues to run the business with Owen-Browne and Mead-Wellings, and Caerus senior financial adviser Roger Murphy who is now one of the firm's senior advisers.

NOTHING WRONG WITH BEING RESTRICTED

To ease the transition into running their own business and reassuring clients, Owen-Browne and Mead-Wellings decided to stick with Caerus. When the network was bought by Quilter Financial Planning (formerly Intrinsic) in 2017, Quilter's leadership team made overtures to the business.

'They were quite enthusiastic for us to join, and it was really appealing,' says Owen-Browne.

'They were great. We met [Quilter's then chief executive] Andy Thompson a number of times. I can't speak highly enough of that interaction, but we just felt we didn't want to do that. We felt we would be joining a big old machine where it would be quite hard to differentiate yourself. It felt like the easy option.'

Finura opted instead to join the Evolution Wealth Network, which is owned by Benchmark Capital, 77% of which is owned by Schroders. The vertically integrated proposition is based on Benchmark Capital's Fusion Wealth platform, where Finura last year placed £45m of the £70m of new client money it received.

For efficiency, it restricted running client discretionary permissions to this proposition only. If the Fusion Wealth platform is not suitable for a client's particular financial planning needs, the business will perform due diligence on all available products to ensure the client gets the best possible advice. The business therefore falls under the 'restricted' banner, and has no qualms with the set-up.

'What we wouldn't do is have multiple model portfolio strategies on multiple platforms with different investment managers. We don't think it's the right way of running an efficient business,' says Owen-Browne.

But what do clients think of the fact Finura is not independent? As one adviser recently tweeted, 'restricted' is not a term you can shout about as easily as 'independent'.

Owen-Browne says clients are not bothered. He is determined the firm should not be an investment management business. There is still some flexibility in the way things work. Not all the money the business brought in last year ended up on Fusion. A lot of it stayed where clients originally had it because that is what they wanted.

'I haven't had any difficult conversations with clients about being restricted,' he says.

'What we're not is a production line for one end result. We have good relationships with Prudential

Finura

	2018	2019	2020	2021*
TOTAL NUMBER OF STAFF	20	24	27	32
TOTAL NUMBER OF FEE-EARNING STAFF	8	10	13	16
TOTAL NUMBER OF ONGOING CLIENTS	670	873	915	1,052

£	2018	2019	2020	2021*
TOTAL INCOME (£)	2.2M	2.9M	3.1M	4.2M
TOTAL COSTS (£)	1.7M	2.5M	2.5M	2.7M

*projected figures

and other wrap and pension providers. If there's a way of not moving money around, then we'd prefer not to. But it has to enable an efficient relationship that's in a client's best interests.'

Owen-Browne is clear about what Finura should be, and what it is not.

'If someone wants to become a client of Finura and wants us to give them fund advice and day-trade their portfolio, and they keep ringing up with ideas about investment trusts and oil prices, we're not the firm for them. We're a financial planning firm, and we're very happy to let people know that at the beginning.'

CHOPPING AND CHANGING

Finura places no restrictions on internal change. Indeed, its financial planning process is unrecognisable from the early days, when it was doing cashflow planning using spreadsheets that were, says Owen-Browne, 'factually correct but hideous to look at'.

Likewise, it used to make pension illustrations using a Hargreaves Lansdown tool that he describes as 'a disaster'.

Those experiences led the firm to focus on advice as a cohesive package, with proper financial planning facilitated by better technology, and slick customer service.

Finura now uses Voyant for its cashflow analysis, and the Benchmark Capital-owned Creative Technologies service Enable for its back office and fact finds.

Owen-Browne wrestled with what else should go into the cohesive package.

'This shows the naivety we used to have. Five years ago I thought: "If we had concierge services, we could get clients tickets to the things they like, and we could capture all that data. So, if so-and-so liked watching Lions rugby, we could get a deal on it."

'It was nonsense; I know that now. But I remember sitting in a meeting with the Ten Group, a concierge service, thinking this is going to differentiate us so much. It was a waste of time.'

On the financial side, the business stripped back the proposition, eventually outsourcing its mortgage work.

'We tried to bring mortgages in-house. We thought it was potentially a good source of revenue, and that it would keep the client close within the group.

But there are some seriously good mortgage brokers out there. Mortgages are an emotional thing. All you want is the cheapest product, with as little interaction as possible, and it's stressful. And it's about speed.

'People are typically patient on financial planning stuff. What they're not patient about is when their deal is about to collapse because the chain is about to break. Having a mortgage business running through the same level of complexity as a financial planning business makes it uncompetitive.'

Finura now outsources its mortgage work to Professional Mortgage Services in Manchester. Owen-Browne cannot speak highly enough of the firm.

ACTING ON FEEDBACK

As for the future, further changes at Finura have been guided by the client research the firm conducted between the fourth quarter of 2019 and the first quarter of 2020, just as the pandemic was taking hold in Europe and the US.

In a process designed to highlight the business's weaknesses, Finura selected around 40 clients to take part in a questionnaire. It cost a small fortune, but the results were revealing.

In the 'good' column came trustworthiness, the firm's personal interest in clients, and the fact that staff were 'not salesy' in their approach.

In the 'bad' column were bureaucracy and speed.

'We asked: "Do you want accounting services?", "Do you want will reviews every two years?"' says Owen-Browne.

'The answers to those questions were: "No, I just want you to be really good at what you do." And that is what we do.'

Owen-Browne says efficiency is the name of the game. He has spoken to staff about 'marginal gains', the phrase coined by Dave Brailsford, the mastermind behind British cycling's runaway Olympic success, to describe how small incremental improvements can make a significant improvement in performance.

From shipping cyclists' own mattresses and pillows to their sleeping locations to ensure a good night's sleep, and ordering tyres a year in advance, to standardising bike measurements for its international mechanics, Brailsford focused obsessively on the details.

FEES

As Finura's fee page on its website explains, the business insists on at least one exploratory meeting with prospective clients at the firm's expense.

After that, it charges an hourly rate for initial financial planning work before establishing a fixed fee for the client, based on what they require. Where investment work is involved, Finura charges a yearly fee of 1% of the client's assets, paid monthly.

All clients sign a fee agreement up front declaring they understand the nature of the charging. The business will never charge on a contingent basis for any of its advice.

Owen-Browne says that, having banned contingent charging on defined benefit transfer advice last year, the FCA will likely move in that direction in other elements of financial planning too.

'It'll go there on everything else in time. Our decision not to charge contingent fees was designed to cement the idea that we're a profession. In some industries you only get remunerated if you move something somewhere or, in the case of financial planning, if all a client's assets are moved into one specific area. We didn't want to do that, despite being restricted.

'What we find, almost without exception, is that people follow the advice because they've paid for it. You're going to get an invoice anyway, we're just trying to maximise the benefit to the client.'

TECHNOLOGY TOOLS

Back office	Enable
Fact find	Enable
Cashflow analysis	Voyant
Attitude to risk	Oxford Risk
Fund analysis	FE Analytics
Fund platforms	Fusion Wealth
Client portal	Wealth Platform
Other technology used	Schroders InvestIQ

Not surprisingly, the idea of marginal gains soon took hold in the business world. For Finura, it means speeding up individual elements of the back-office process.

'We had a process in 2014, and then as regulation got tighter and we identified weaknesses in it, we added to it,' says Owen-Browne.

'Last year that process just got ripped down. We found the more human interaction there is in a process, the more chance there is of it going wrong.'

Finura set about limiting the amount of internal back and forth needed to accomplish client requirements, and the results speak for themselves. Making the process slicker allowed the business to bring on more clients. Its client base grew by 15% in 2020. All of its internal documents are now handled on a paperless basis.

'Instead of me being given a task, sending it to someone else in the business, then them checking it and sending it back to me before I send it to the next person, we stripped it back. We're now running the best service levels we've ever had.'

That means the business can get on with what Owen-Browne says financial planning is all about: relationships. And he can relax, safe in the knowledge the firm's operations are under the watchful eye of operations director Louise Fish, who joined the firm from Jupiter Asset Management in May 2019.

'People really want the human relationship, they want the interaction,' he says.

'Financial planning doesn't tend to be positively motivated. Not many people wake up and leap out of bed like that chap in *The Lego Movie* and think: "Yes, today's the day to sort out my life financially." People become concerned that it's not sorted and they seek out a relationship.

'The strength of a financial planning firm is to use technology to remove that complexity and speed things up, but also to ensure you're still speaking to them.'

Owen-Browne and Mead-Wellings may be different people to when they started out but, for all the ideas they have backed and abandoned, that statement seems pretty future-proof. •

INVESTMENT

As a business with close commercial ties with the Fusion Wealth platform, Finura describes Benchmark Capital's chief investment officer Alex Funk as its 'proxy CIO'.

Owen-Browne's team speak with Funk every week about investment matters, and clients get a Finura-branded monthly market report with Funk's commentary explaining what is going on using a traffic-light system. That is only one part of the process.

Overall responsibility for the Fusion Wealth investment range sits with the firm's investment committee, which meets quarterly.

Its job is to examine impartial fund recommendations made to it by fund research house Rayner Spencer Mills Research, but it also receives economic data and analysis provided by Schroder Economics, whose team includes 80 analysts. Asset allocation recommendations are also made by the Schroders multi-asset team.

Final client asset allocations are based on the client's individual circumstances and risk profiling, but Finura uses Fusion's standardised asset allocations according to the risk scale of two to 10. Balanced clients tend to fall into risk scales five or six, depending on their requirements.

The portfolio of a risk scale five investor would be broken up as follows: 12% North American equity; 20% UK equity; 4.5% European (excluding UK) equity; 2% Japanese equity; 11.5% emerging market equity; 30.5% fixed income; 15% alternatives; and 4.5% cash.

In last year's market mayhem, Fusion Wealth's balanced Fusion Active 5 portfolio held up well, returning 7.7%. The portfolio's five-year cumulative return to November 2020 was 40.8%.

The top five fund picks in the portfolio are Jupiter Strategic Bond (8%), Schroder Strategic Credit (7%), Mi TwentyFour Dynamic Bond (7%), Artemis US Select (6%), and Merian's UK Mid Cap (5%).

The Jupiter Strategic Bond fund has been managed by experienced fund manager Ariel Bezalel since its launch in 2008, and it has comfortably outperformed its global flexible bond Morningstar category peers between 2008 and November 2020.

It has also 'significantly outperformed' its category benchmark over the same period, but marginally underperformed on a risk-adjusted basis owing to its higher volatility, according to Morningstar.

Nevertheless, the fund has remained popular, and currently holds about £4.4bn in assets.

And if the portfolios are good enough for clients, they are good enough for Finura's staff as well.

'I invest in it too,' says Owen-Browne.