



Case study

Platform Managed Portfolio Solution

For professional advisers only

BM

BROOKS MACDONALD

Brooks Macdonald Investment Solutions (BMIS) is a B2B consultation function that spans the CIO, Portfolio Management, Sales and Operations pillars, to bring the best of Brooks Macdonald to clients.

BMIS is an in-house specialist consulting team, partnering with you to understand your business goals and aspirations, to provide a solution that is fit for purpose. We offer guidance around portfolio construction, market dynamics, investment vehicles and implementation. Using our investment expertise, BMIS work with your internal committees in partnership to ensure the correct governance framework is in place from the beginning.

With communication being key, we will provide enhanced co-branded reporting, such as attribution analysis, stress testing, portfolio activity and volatility on a monthly and/or quarterly basis, providing transparency on portfolio components.

We work with your advisers to ensure they have a clear understanding of the proposition by offering training and marketing materials to help them convey the key messages to your clients.



In this case study, we worked closely with an intermediary who had not previously considered outsourcing, as their success had been supported by their ability to choose and blend individual funds.

Our staged approach to understanding the needs of the business and their clients allowed us to create an offering that directly addressed their challenges as well as their business aspirations.

Stage 1 – Scoping



The initial stage was centred around the business owners and understanding what keeps them up at night. We also took into consideration the direction and development strategy for the business over the next three to five years.

Background

- The business had become a victim of its own success, growing from £10 million to £300 million Assets Under Management (AUM) over 17 years.
- Growth had been driven by:
 - > **Acquisition** - Four client bank purchases over a ten-year period
 - > **Expanding team** - Three additional advisers
 - > **Specialisation** - The firm had become regarded as experts in certain areas of advice
- Through the BMIS consulting process, we ascertained that the rebalancing and platform trade administration was undertaken by one person, managing trades across 500 clients and two platforms on a fixed quarterly basis.

Business challenges



Size Given the size of the book and the trade administration being undertaken by one person, the potential risk of human-error was high.



Investment expertise From an investment viewpoint, the team's expertise was centred on equity markets and they struggled to understand the complexities of the fixed income space and being able to manage across bond asset classes, durations and jurisdictions.



Rebalancing process The nature of advisory portfolio rebalancing meant that they were running a large number of portfolios leading to a multitude of client allocations and, therefore, outcomes identified as a risk to the business.



Regulations Their time was being consumed by increasing regulatory and compliance requirements and the need to focus more time on cash flow modelling and providing consistent client outcomes.



Resource The lack of resource ultimately meant there was a gap in oversight and having a risk framework. This fell on the managing director's shoulders and he wanted it off his desk.

Stage 2 – Consultation



Having accumulated enough information as a starting point, BMIS were able to map out the moving parts for the business owners, highlighting both their strengths and their weaknesses.

The challenge

- As a business, it had always undertaken fund selection, which the team felt was part of its DNA and was hesitant to outsource this part of the process. The directors firmly believed the value they provide to clients - both new and existing - was the strength of the investment offering.
- The performance of the portfolios was also investigated on a risk/return basis. Given the results of the consultation process, we were able to demonstrate that the use of a wider selection of asset classes would provide a more linear risk adjusted return across all portfolios, providing more consistent client outcomes.
- There was ultimately an emotional aspect which needed to be addressed in the right way.
- They had a lack of belief in using external managers, given some strong performance in their own portfolios, and were unsure of what Brooks Macdonald could offer them over and above what they currently had.

Raising awareness

- Through the consultation process and tapping into our vast experience of working with advisers on outsourced solutions, we raised the team's awareness of where they could add the most value to their clients and what those clients typically look for in an adviser.
- We helped the directors prepare commentary for a few key clients to test the water on the new proposed proposition. Given their thoughts on what clients valued from them, the directors were pleasantly surprised with the results. This was a key factor in their decision-making process.
- What once was a winning formula was not necessarily going to take them to their next stage of growth, and the business needed to evolve.
- In highlighting the risks to their business across operational, reputational, investment and regulatory, they were conscious that action needed to be taken, but were uncertain as to what action to take.
- As part of the consultation process, BMIS dissected the client book, looking at broad shapes to help define the service proposition and allow for ease of management. With this, they were keen to outsource £160 million AUM across 500 clients.

Stage 3 – The solution



- The immediate options were to either increase headcount or look to outsource an element of the business.
- Through regular meetings over a 13-month period, we were able to provide a managed portfolio solution alongside regular tailored communication.
- The team was keen to explore other avenues and discretionary fund manager (DFM) providers. There were several compelling opportunities on the table. On further inspection, some appeared more advisory in nature, which may have bought new risks to the business.
- The process of selecting a preferred DFM proved to be a useful exercise as part of their due diligence process.
- All DFMs came with varying degrees of capabilities and interpretations of the brief. The key differentiator for them was that through the consultation process, we had taken on board their concerns around client impact and chosen to transition the portfolios over time.
- The BMIS function provides a range of investment solutions as well as a tailored service, and direct access to Brooks Macdonald's senior management members. Having direct access to senior leadership team members was a new dimension to DFM relationships they had in the past. This provided them with an understanding of our business and investment strategy. It's a key consideration when looking to build a strategic partnership of lasting lifetime value.
- Through assessing their target markets, we proposed a solution for all portfolios.
- A key element was client messaging, and they were mindful about wholesale changes for these clients.
- We were able to provide a solution from a range of offerings to meet their client circumstances and desired outcome, governed by Brooks Macdonald's centralised investment process risk framework, using a phased approach over time to move portfolios in line with an agreed investment mandate.

Stage 4 – Ongoing management



The BMIS team does not undertake a ‘set it and forget it’ approach. We worked with the intermediary in establishing the ongoing operating framework. Brooks Macdonald holds the investment governance framework as the most critical aspect of any investment solution, taking an institutional mindset to a focused wealth manager.

As part of this, we worked with the intermediary to:

1

Create an Investment Committee to provide oversight of the investment assets, through an established investment policy, and measuring our performance against set criteria.

2

Set up and agree regular interactions, via the Investment Committee, with their designated portfolio manager, alongside updates directly from Brooks Macdonald’s Chief Investment Office. This allowed for temperature checks to be made along the journey.

3

Work with the respective marketing and communications teams to create regular portfolio review documentation, branded in the intermediary’s template, covering market commentary, return attribution and portfolio positioning in a lucid and digestible format.

Conclusion and key takeaways



The output resulted in increased time for the intermediary to focus on their clients, with regular investment information and repeatable and consistent outcomes provided for their clients, powered by Brooks Macdonald's investment team.



Client-focused Acknowledgment that one size does not fit all.



The journey While the end product was important, this was more about the journey for both the intermediary and their clients.



Flexible time frames There are no set time frames to transition. Moving at a pace where all parties are comfortable is key.



Evolutionary solution The solution evolved over time as new information and preferences came to light to ultimately create an offering that was fit for purpose.



Reduced transition time Given the initial take up from key clients identified early on in the process, the business made a decision to reduce the transition time from twelve months to four months. The offering is now blended in line with their requirements and they are looking at ways to enhance the proposition further.



Contact us

Our BMIS team are available for an initial consultation to discuss your current circumstances and business objectives.

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About Brooks Macdonald

Brooks Macdonald Group plc, through its various subsidiaries, provides leading investment management services in the UK and internationally. The Group, which was founded in 1991 and began trading on AIM in 2005, had Discretionary Funds Under Management of £16.2 billion as at 31 December 2022.

Brooks Macdonald offers a range of investment management services to private high net worth individuals, pension funds, institutions, and trusts. The Group also provides financial planning as well as offshore investment management and acts as fund manager to a regulated OEIC providing a range of risk-managed multi-asset funds and a specialised absolute return fund.

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