

WEALTH MANAGER PROFILE

The Vestra founder has overcome many obstacles on the way to the big £1 billion

DAVID SCOTT



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In the lobby of Vestra Wealth there is little evidence the company has existed for only a year – and in that year overcome obstacles that would have stopped many start-ups in their tracks.

The office overlooking the Bank of England is perfectly contrived. Purple carpets complement the purple logo on the wall, which complements the purple flowers on the reception desk.

A perfectly spoken receptionist with a maternal air runs the busy waiting room. Clients who arrive are seen in a moment; those pitching business wait a little longer (including a group of men who are apparently trying to pitch an investment in pop star Natalie Imbruglia, and talk loudly about her merits while well-presented private client managers sweep past).

The office would be worthy of the top floor of an established investment bank but the managing partner of Vestra, David Scott, actually built all this from scratch while the credit crunch raged outside.

Founded in this most difficult of times, the firm now has about 40 partners and has just reached £1 billion under management – the figure Scott concedes the partners knew they needed to break even. He eventually hopes to raise about £5 billion.

News of Vestra's launch broke in spring 2008. Scott was then working at UBS, effectively running the UK wealth management operation. Some months before, another senior UBS figure, Michael Kerr-Dineen, had led a team of investment managers out of the firm to set up Cheviot.

So when Scott left, with many of those managers who remained leaving to join him shortly afterwards, UBS came under real pressure.

The move triggered a bitter row. It soon became apparent that Cheviot was not happy to share the fruit of the exodus from UBS with another boutique.

Kerr-Dineen wrote to UBS clients claiming the Vestra staff Scott had recruited were at an assistant level saying: 'Most, if not all, of the directors who were responsible for the decisions on your investments will be unable to work for your new company, let alone manage your portfolios.'

He questioned whether Vestra was really being backed by Goldman Sachs. Scott had secured investment from the bank to fund the start-up but Kerr-Dineen took umbrage with the perception the firm was 'backed' by the bank.

Privately, Scott's rivals dismissed the firm as being the 'B' team. Meanwhile, UBS launched a law suit aimed at preventing Scott from taking his clients with him. The writ landed just days before Scott opened the new firm's doors.

To Scott's credit, in public he maintained a dignified silence – only reiterating his stated objections for founding the business.

He settled the dispute with UBS – the details of which remain secret – and considering the rate at which assets have been gathered in the first year, the Cheviot attacks clearly did not resonate with clients.

After the dispute was settled a fightback began, which saw Scott hiring some of the most impressive figures in the wealth management industry.

He put together an investment advisory board that included Prince Rupert zu Loewenstein, the former chief executive of Leopold Joseph & Sons and financial adviser to the Rolling Stones.

One of the keynote speakers at Citywire's upcoming Wealth Management Retreat, Derek Scott, also joined. He was previously economic adviser to Tony Blair.

This added to a line-up of senior figures from UBS including Duncan Carmichael-Jack, the only one with a

retail track record gathered running the Elite fund range.

Scott must have fought some battles to achieve this under these difficult circumstances, but he gives little sign of it. When pressured to express his true feelings about Cheviot's attack or UBS's problems he shrugs, equivocates and does everything in his power to avoid the question.

'When I left UBS, I said I wanted the freedom to set up a new organisation. My philosophy is to focus on what we are doing and not worry about the competition,' he says. 'We have had people try to destroy us. We did not respond to any of them. It was a challenge to go through the court case when you have others trying to have a pop at you.'

It is true he did not get involved in the catfight – he was the only one of the protagonists during the crisis who would not return calls from Citywire journalists. Others were happy to vent their views.

However, when pushed he does reveal his view of UBS's business model.

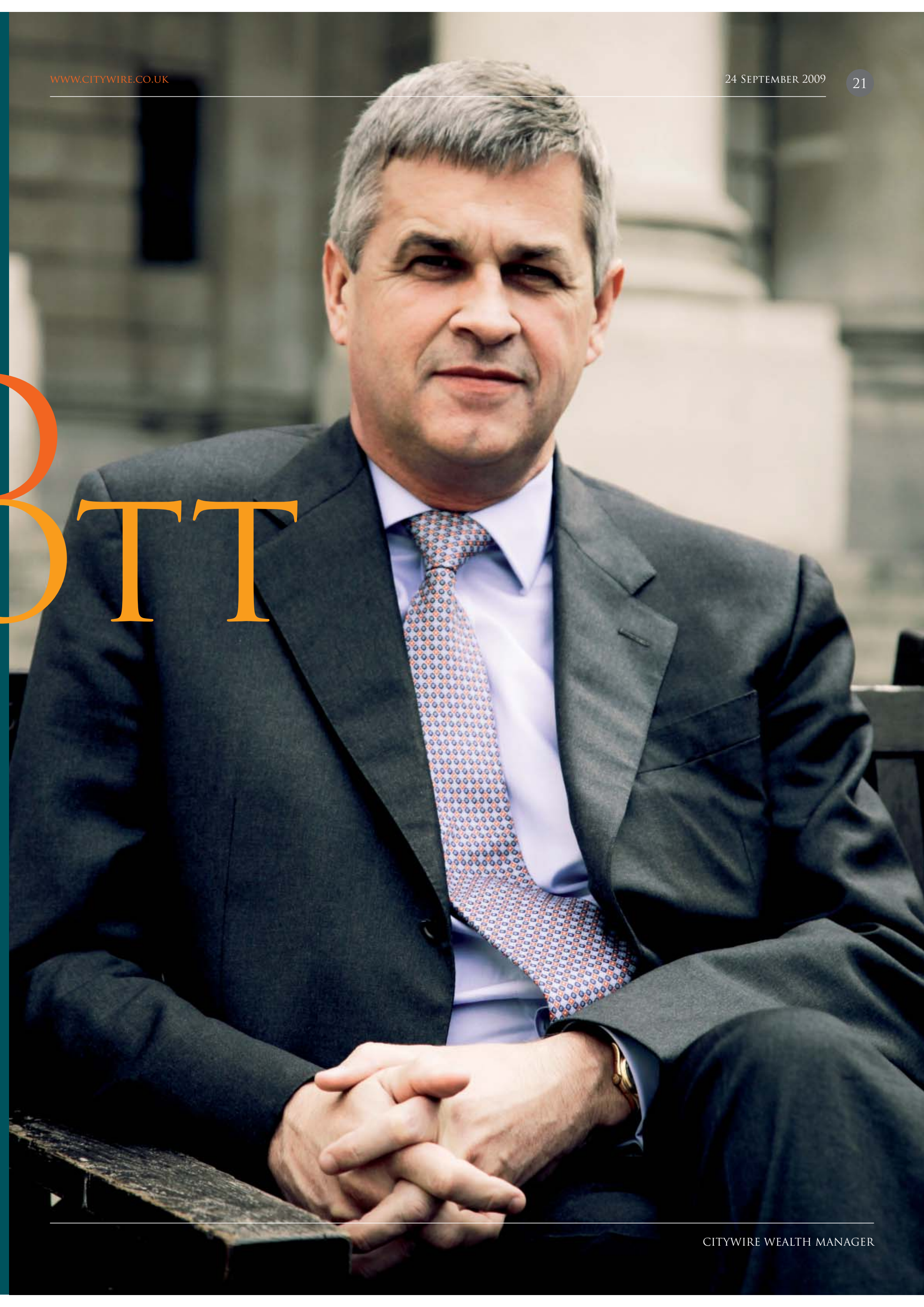
He had been running the division of the bank that it acquired as Laing & Cruickshank in 2004. 'One of the disappointing things about working at UBS was all the legacy issues you get from working in a large organisation. I do think there was some conflict between manufacturing product and giving advice. There is a temptation to go down a certain route in that culture,' he says.

'I wanted to be completely independent and embrace a multi asset class approach. My perception is that there is still a UK-centric model among many at UBS.'

The multi asset class model has been embraced by his new firm, which invests across collectives and securities without any preference for packaged solutions.

So how did Scott succeed in bringing such a large number of people from the bank without

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bringing the culture with them? 'The challenge of a new firm is that when you take on people, you take on culture with them. But I believe the people we took on shared my goals so it was just about creating an environment that could bring together all that expertise,' he says.

Scott did, of course, ask the investment directors who joined with him to take something of a risk in leaving the bank as the clouds of the credit crunch gathered, together with the legal threat mounting from UBS.

Did it make them nervous? 'It was difficult but I think the people who made that decision are people who really wanted the blank sheet of paper. People had to trust us in order to leave. For many, this was the opportunity to move their career forward.'

Scott clearly inspired considerable faith from the other partners who trusted him to establish Vestra. Perhaps it is his unflappable demeanour that has got the job done.

The route to his current role began in his native Northern Ireland. He left school without a degree and joined Chase Manhattan. While there he went to university, emerging with an MBA from the prestigious Queen's University in Belfast.

From there he moved to London to work for Equitable Life, dealing with high net worth clients' insurance needs. In 1995 he left to join Axa, working in the ultra-high net worth division. 'Axa wanted a division to target City bankers,' he says. There he began to form a client base that he has retained over the past 15 years.

He had moved from Equitable to Axa along with his friend Julian Goodman so when he left Axa in 1997, it was natural that along with a third colleague, Philip Harris, they set up business together.

They founded Scott, Goodman & Harris as a financial advisory firm dealing with their City banker client base. It bought together sophisticated investment banking

and financial planning. When UBS acquired the blue-blooded stockbroker Laing & Cruickshank, it also acquired Scott's firm and he joined to manage the UK high net worth unit, dealing with clients with between £2 million and £20 million.

After 18 months he took over the whole of the former Laing & Cruickshank business with the task of integrating it into the wider bank.

Anyone who knows the UK stockbroking community from which Laing emerged – and the Swiss banking model that it met at UBS – will not be surprised to hear that the task was, in Scott's words, 'pretty difficult'.

He clearly became disenchanted.

'I felt that the proposition had to combine all three aspects of financial planning, stockbroking and private banking to be dominant. That was not happening,' he says.

Vestra is a firm comfortable in its own skin because Scott has worked so hard to achieve this goal.

'I want to provide for clients who are looking for independent, impartial advice. I could only do that if we treated these three disciplines equally without any animosity.

'There are so many generalisations and prejudices about financial planners, stockbrokers and banks. We rank them equally and the partners work together.'

Scott has organised Vestra in such a way that the partners who specialise in different areas will feel able to share expertise, without the old tensions that can exist around 'who's client is it?'

But which specialism describes him? 'I am all three,' he says convincingly. Surely that must help melding these people together.

The name Vestra Wealth is intended to convey the fact that no partners will grab at clients to take control of every part of their financial affairs – they are happy fulfilling any single function. 'Vestra means "your

wealth" so the job of the partner meeting the client is to understand whether you want all of the aspects or just one. If they want to use other people we are happy to do that,' Scott explains.

Indeed, he does not criticise the big private banks in the way many of his peers do for their sausage-maker approach to portfolio construction. He believes they have a place and works with them all.

Even, I ask, UBS? 'No,' he says after a pause and wry smile, 'but we would welcome that.'

Call me naïve but I think I believe him. It takes no small leadership ability to have brought his firm through the turbulence of the past year, and the smoothness with which the office operates indicates that he has successfully shielded his clients from much of it.

'We spent a lot of time making systems and operations were in place. We spent 12 to 15 months planning that.'

If anything, he says, the credit crunch helped him because clients were reassessing risk. The asset raising achieved is testament to the fact that they clearly found someone they could trust in him and his team. 'What is particularly pleasing is that we have managed to gain some quite big clients, including entrepreneurs who like what we have done. It would have been easy to give up the ghost but I had a strong conviction.'

Scott also describes how he was selective in the clients he embraced after leaving UBS. 'We put no pressure on clients. The only ones who came wanted to be part of what we were offering. We did not grab every client who existed. There are clients for whom the big global bank is the right answer.

'So we did not advertise ourselves. They had to buy into the concept of a tailored approach.'

Some of Scott's most loyal clients invested in the firm alongside Goldman Sachs and may well stay invested long after the bank has made its return and exited.

The client base of the firm sees about 60% of clients coming from what Scott calls 'middle England' – effectively ex-Laing & Cruickshank clients who have followed their managers from UBS. About 25% are City bankers and 15% are entrepreneurs.

Of course, successfully guiding a company through the problems of the past year is to Scott's credit but ultimately it is performance that matters. So how has Vestra done over the past year?

'As a general rule we have been quite defensive, we are conviction investors. We had no exposure to financials in terms of our recommendations leading into it all. That was the case from last summer so we had taken out those people we could well before the collapse of Lehman Brothers,' says Scott.

'It is also fair to say that we have not benefited from the full extent of the rally because we remained very cautious.

'People are looking to their wealth manager for straight-talking advice, honesty and not trying to chase the latest faddish investment. Coming into this crisis we were seeing win-wins, and there is no such thing. People are becoming more realistic in their expectations now – the blasé attitude of 2005, 2006, 2007 has past.'

For all that has been achieved Scott must surely hope that the next phase in Vestra's growth will encounter fewer obstacles.

He is at least devoted to the enterprise and doubts if he will work in another job again.

'This is my last job. It is the culmination of 25 years in the business. I have learned from other organisations and now I want to pull it all together. This is a unique opportunity to get it right,' he concludes. ■