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## WEALTH ADVISOR PROFILE

# SIMON LOUGH

Heartwood Wealth Management's chief executive on the move from regional player to national heavyweight

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They say it is harder to lose a reputation than to gain one, but Heartwood Wealth Management has long since shaken off the 'Tunbridge Wells based-' prefix that used to irk chief executive Simon Lough.

Although there are far worse places to be associated with, the small town link does not do justice to the massive investment the firm has made in both people and processes at its London office.

Heartwood now sees 80% of its clients in its Covent Garden base, which is just a stone's throw from the Royal Opera House, and has £1 billion in assets under management. It counts several FTSE 100 chief executives and finance directors among its affluent client base, along with a number of senior investment bankers.

The latter is in many ways no real surprise given the background of both Lough and his elder brother David, the business's founder and current chairman.

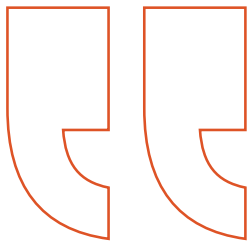
'David was an investment banker,' Lough explains. 'He had a decent income and besides working very long hours, he had five children and found that he was spending far too much time co-ordinating his lawyer, accountant and stockbroker, who all worked out of separate places. It was his early vision to bring as much of this together as possible and put in place the systems to make this much more efficient.'

David launched the business with Cripps Harries Hall, a well-respected firm of solicitors in Tunbridge Wells, in 1988. It had a natural stream of clients as it worked with many affluent executives who lived in the area. After many years in the City, the elder Lough had a contact book that most wealth advisers would give their right arm for.

Besides investment management, the business offered specialist tax planning services, which struck a chord with company directors and City workers, who had to efficiently manage their share options and bonus payouts.



# WEALTH ADVISOR PROFILE



With the management buyout, two thirds dipped into their pockets and bought shares

It quickly became established and was profitable from year one. David Lough soon recognised the potential to expand the franchise. 'By the mid-1990s, David was increasingly being contacted by people he knew who needed a wealth management service. He was at County NatWest at the time, but realised the potential demand was much greater than just Cripps Harries Hall clients,' Simon says.

After long conversations with his brother, he joined the business in 1996 and opened its London office. Simon had been working in investment banking for 12 years, spending several of those in Japan at Kleinwort Benson and latterly Banca della Svizzera Italiana.

'I had a fantastic time in Tokyo. I was dealing with the major financial institutions and helping them adapt to the new capital adequacy rules,' he recalls. 'They had all manner of problems and many were having a lot of issues with the overseas assets they had bought in the mid-1980s.'

'It was a very rewarding career in many ways, but I did not like some aspects of the City, where the client was not always put first. I found the ethical approach of a law firm very refreshing.'

However, the legal link had its downside, and in 2001 – faced with being regulated by both the Law Society and the Financial Services Authority – it started to move towards independence and incorporated as a separate company, Cripps Portfolio.

In 2005, it achieved full independence with a management buyout of the Cripps Harries Hall shareholders and rebranded as Heartwood Wealth Management.

The evolution of the company's structure was matched by an ongoing development of its investment process. Whereas Lough's time in Japan may be seen as a case of a different decade, a different banking crisis, and perhaps all too few lessons learnt, one thing that has characterised this firm's development is its ability to learn from its experiences.

After the post-bubble bear market, Lough says it became readily apparent the traditional relative returns approach and reliance on equities, bonds and cash that had prevailed throughout the 1980s and 1990s was an outdated model.

He says clients' needs had changed, and high net worth individuals did not want such levels of volatility, which resulted in the firm becoming an early adaptor of a much more diversified absolute return approach, with protecting and enhancing their wealth its mantra.

'The combination of our sophisticated investment offering and our under-one-roof approach enabled the business to grow rapidly while still retaining the personal touch of a small firm,' he says.

The strength of its client relationships was proven during the business's transition to first Cripps Portfolio and then Heartwood because on both occasions it had to write to each client and ask for their consent.

'On three occasions I have felt very humbled by the support we have had from both our clients and our staff. In 2001, when we moved out of Cripps Harries Hall we budgeted for client losses, but they were miniscule, which is particularly pleasing when you consider the market conditions,' he says.

'With the management buyout in 2005 both the clients and staff were fantastic. We had about 60 people in the company and two thirds dipped into their pockets and bought shares. Thirdly, we have just carried out a client satisfaction survey and 92% said they would definitely or probably recommend us to friends and family.'

There is no question of Heartwood resting on its laurels, however, and its ambitious plans to grow the business have been underlined by a string of recent high profile appointments. Approaching 60, David Lough decided to step back and passed the reins to Simon last year, taking the position of chairman. Simon immediately set about broadening the management team.

Noland Carter, who was previously the chief executive and chief investment officer at Rothschild Private Management, joined as CIO last May, and he was soon followed by his colleague Scott Ingham, who is now an investment director.

On the sales and marketing side, Guy Hudson joined as head of client services from BNY

Mellon Asset Management, where he headed its international distribution business, and the firm also poached Hugh Tottenham as business development director from GAM, where he worked in a similar role.

Carter set about revamping Heartwood's investment process taking a multi-asset approach, targeting cash plus 2% as its central position, albeit with the ability to tweak for individual clients' needs. At the start of this year, Carter also moved the firm away from holding direct equities and bonds, to focusing on collective vehicles, including hedge funds, unit trusts, investment trusts and ETFs but with the ability to overlay this with option strategies.

In the next quarter, its investment process will be rolled out into the wider market, where Lough feels there is strong demand from advisers who have previously been unable to access family office-style fund management services.

Tottenham will spearhead the group's push into the wider market and Lough says both his and Hudson's appointments are instrumental to getting its message out to a much wider audience.

'Our greatest weakness has been our distribution. We are very well known in a very narrow band and the strategic challenge is to break out of that,' Lough says.

While the portfolio service is likely to bring in significant new assets, Heartwood is also looking at other avenues to grow the business. Its focus has traditionally been on organic growth and while acquisitions are not on the cards, the firm is keen to attract quality, established advisers who can bring their own client banks over.

'If we can find like-minded souls who can see the value not just for themselves but for their clients, then we would be very interested in having conversations with them,' he says. 'They would have to buy into our strong team culture and centralised investment approach however, because we are not interested in individual franchises.'

There is no doubt Heartwood is increasingly on the industry radar. It was nominated in the key 'Image and Reputation' category of the PAM Awards last year, alongside long-established industry giants Sarasin, Schroders and Hoare & Co.

With so much going on at the firm, it is impressive that Lough still finds time for a range of outside interests. He thinks of his life as a 'triangle between Heartwood, his family and his personal interests'. Married with three young daughters, he still plays football once a week and is a keen golfer. He also sits on the national board of Fairbridge, a charity that aims to help the development

of socially excluded youngsters.

All are done with a boundless energy and infectious enthusiasm that characterises the management team and ensures that Heartwood will continue to flourish.

# WEALTH MANAGER PROFILE

## OBJECTIVES OF HEARTWOOD INVESTMENT STRATEGIES

**Liquidity Management Service:** Generate performance above cash taking low overall risk.

**Defensive:** Achieve some of the returns generated by a diversified portfolio of securities but with the primary aim to preserve capital.

**Cautious:** Achieve the returns of a diversified portfolio of securities with moderate downside risk.

**Balanced:** Achieve the higher expected returns consistent with a diversified equity biased portfolio whilst accepting greater capital volatility.

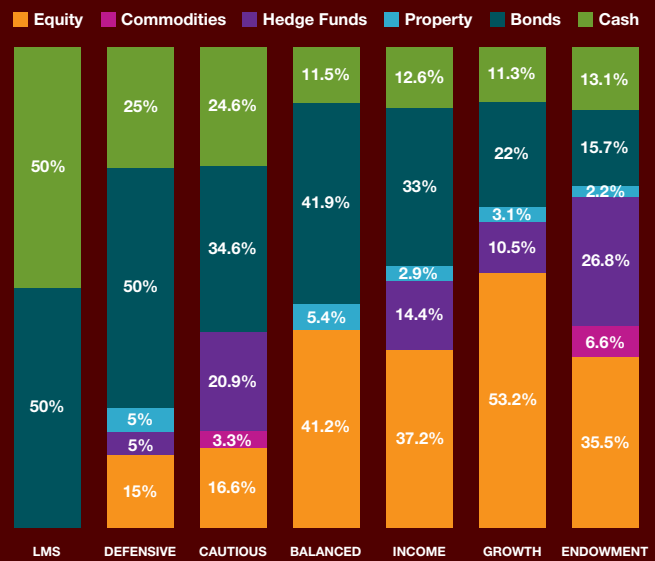
**Growth:** Achieve capital appreciation from a diversified equity orientated portfolio with possible full participation in falls in the equity markets.

**Income:** Following the Defensive/Cautious/Balanced or Growth strategy, generate a higher and growing income accepting that this may impact on capital performance.

**Endowment:** Achieve substantial appreciation over at least a 10 year time frame by investing in a diversified portfolio of risky assets, being willing to accept bold asset allocation decisions and being prepared to invest in illiquid and complex securities.

### ASSET ALLOCATION

(AS AT 28/02/09)



SOURCE: Heartwood