GATEKEEPER

Profile: the new wealth gatekeeper with £100m ambitions

With almost three decades at Coutts between them and senior positions at two major private banks Samik Mukherjee and David McLellan decided to take a chance on going solo

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With a collective total of almost three decades service at Coutts between them and senior positions at two of private banking's biggest names, you may not have put your money on Samik Mukherjee and David McLellan deciding to bowl a googly as their careers entered peak earnings.

But the duo, who left senior posts at Kleinwort and Deutsche Wealth respectively this summer to launch private client wealth advisory Keystone Capital, say that the desire to do something different from the immediate, bonus-driven norms of the industry provided a significant part of their drive.

'One of the key motivations for launching was we had been working in wealth management for several years and we have seen a lot of changes,' says Mukherjee.

'Wealth management businesses previously prided themselves on bespoke solutions and long standing personal relationships, but these claims are getting very hard to meet these days for a number of reasons, such as regulation, standardisation and cost pressures. In that pecking order, the client has gone further down the chain.'

Keystone will focus on wealth advice and outsourced investment management to external discretionary fund managers. While the two have had conversations with others potentially interested in coming aboard, for the time being it remains a two-man band.

Longstanding colleagues at Coutts, where Mukherjee worked for more than 13 years and McLellan for 15, with both rising to director level before exiting in 2012 and 2015 respectively, they have remained solid friends in the years since.

Mukherjee (below left) served as a senior private banker at Kleinwort Hambros, while McLellan, following a sabbatical, had taken a job as member of the ultra-high net worth team at Deutsche Bank.

They began to get serious about their plans in January. McLellan says: 'While we had always had these conversations [about setting up a business] they were just in social settings. So around this time we actually decided to sit down and seriously talk about it and we haven't looked back since.'

Mukherjee said there was no single factor pushing either to jump, other than a feeling that as their career aspirations got bigger, so the horizons of the organisations they were working for began to feel distinctly smaller.

'The intention [in wealth management] has always been to do better, but I think circumstances have led to a lot of changes in the industry and it has spiralled in the sense that everything is very focused on the short term now,' he said. 'Every firm is trying to grow and be big. It would be nice if everyone was racing to deliver the best outcomes for the client.'

Though the pair are taking a clear risk, having entirely self-funded the launch of the business out of their own pockets, it should be noted that they are hardly operating on a wish and a dream out of a proverbial back bedroom.

While they face the immediate expense of an office in Mayfair, the cost of this has to be contextualised in a reasonable expectation that they could be advising on client assets of around £100 million in three years.

'Not everyone is in position to take advantage of this,' says Mukherjee. 'From a personal point of view there is a lot at stake to leave a secure job and start something new. I think a lot of people would jump at it if it was easier.

'It is a big jump for us but from a financial perspective, it was never a main consideration. We want to build something that will be highly regarded in the industry, that is more important to us than the pounds and pence bottom line.'

McLellan adds: 'We recognise that £100 million AUA [assets under advice] is a very ambitious target but what is more important to us is that we build a solid reputation as a trusted adviser in the industry.'

So where is this £100 million going to come from? The pair have been keen to leverage off their existing client books, with some relationships going back decades, and anticipate raising £30 million to £40 million in the first 12 months.

This is founded on expectations that around 15 clients will commit to come onboard within the first year, with the same number in the following year. Encouragingly some clients have already followed them to Keystone and a few referrals for new client business have already been made.

'People can make their own decisions,' says Mukherjee, revealing that he and McLellan put the feelers out with their most long-standing client relationships before making the final decision to set up the boutique.

The company is aiming for clients with investable assets from £500,000 to £10 million in size, estimating a percentage advisory fee starting at 0.75% with clear, tripartite terms agree between themselves, clients and discretionary businesses.

Based off client on-boarding expectations, the pair are hoping for revenue of circa £250,000 and – with a focus on minimal up-front costs – they want to ensure as much of this is kept for reinvestment and to help build long standing relationships.

'There are a bunch of very good asset managers willing to work closely with us to really try and provide more bespoke solutions than we were able to offer when we were at the banks,' says Mukherjee. 'Like most industries, small means nimbleness and greater flexibility.

'They can carry on managing the money, we are taking the responsibility of the advice for clients on an ongoing basis. There is a clear demarcation of duty. We are far more competitive against the private banks we are pitching against.'

McLellan adds: 'You don't see continuity these days. You can get great bankers but they move around a lot. Clients value people who are there for a long time and we've both done long stretches. We have no external shareholders so there are no biases, allowing us to offer a highly personalised service.'

Despite sitting on top of some of the world's most expensive real estate, other costs have been tightly managed, with all office functions outsourced and plans to hire support staff next year contingent on growth.

While they are confident in their core areas of fee-earning competence, picking up other elements of business management they were previously able to leave to the specialists has meant they have not got complacent.

'One of the most exciting parts of launching a business is starting from scratch and knowing what goes well and goes wrong,' says McLellan. 'It has been a real opportunity to bring all our learning to the forefront.'

'It's still very early days,' adds Mukherjee. 'It has been six months but we have had to learn a lot of things. From simple stuff like IT and back office stuff to website and branding. It has been very interesting to do all this.'

'From a personal point of view, we have strong experience to pull this off. But at the same time we're not easing into retirement and we still have quite a long time ahead of us! We've never had an opportunity to shape the offering like we have now.'