

Profile: the entrepreneurial drive behind the Private Investment Office

By Selin Bucak / 01 Apr, 2016



Stefano Del Federico and Tim O'Connor launched their new venture, the Private Investment Office, in January for a client segment they believe has been underserved by traditional wealth managers.

They describe their business as an entrepreneurs' office, set up to cater to clients who need a peer to help them through challenges in both their personal and professional lives.

'We found a really interesting segment of the market which isn't being served that well,' says Del Federico. 'People have said to us "you've taken the space of a traditional merchant bank".'

Del Federico was formerly head of UK financial intermediaries at Société Générale Private Banking Hambros and managing director of Aspinalls Family Office. He partnered with O'Connor, who he has known since their days together at Abbey National almost 20 years ago.

O'Connor was most recently head of strategy and proposition at Barclays Wealth. He explains their respective journeys in financial services laid the ground for their current venture.

'We've been management committee members for big banks, we've been heads of divisions and we had all of the responsibilities in teams, business channels and governance. The last 20 years have been our apprenticeship.



'We have done so many different things but we are now at that point in our lives when it's all come to a head, and we are now able to draw on those great experiences,' he says.

'We've been highlighting these boutique businesses for the better part of 20 years. You are seeing more and more boutiques setting up. We have been commentators on this for such a long time we are now saying, it's our turn now. We've jumped over to do this for ourselves.'

They highlight that the Private Investment Office does not just offer investment management, but also provides wealth planning, bespoke investment management and private banking services.

'We get privileged insight. The appeal of the boutique business is if you get longevity from that relationship and that trust, it is other subtle things like convenience, like proactivity, knowing the family and the children,' says Del Federico.

'In any event that happens with the family, if you're the first person they call, then you know you've made it. That's what a private office should be aiming to do.'

The firm targets clients who own small and medium-sized enterprises with between £5-£50 million of assets.



The plans they create for clients – which they describe as a 'dynamic roadmap' – include strategies for both their personal wealth and business. O'Connor says: 'What an entrepreneur office does is change the pivot. We will give intergenerational advice as a family office typically does, but there is the appreciation that a family's net worth in their personal affairs might be relatively modest.'

'They are at a point where they're accumulating a lot of wealth in their business with different risks and challenges.'

This is not the first business O'Connor has set up. Last year, he partnered with former Brewin Dolphin managers David Pegler and Ewen Emmerson to set up Brighton Capital Management. Both men will also be providing investment management for Private Investment Office's clients.

'Because we built quite a sophisticated investment solution for Brighton, we didn't want to double up the cost,' O'Connor explains. 'We have two highly qualified portfolio managers and we have a rigorous investment process. We have a sophisticated end-to-end investment capability, so what we've done for the Private Investment Office is effectively insource that but clone and repeat the core infrastructure and know-how.'



'Because I'm a common owner in both businesses, we are completely aligned and some of the technology we put in, we are doing concurrently.'

The company holds permissions to act for clients beneath Raymond James's regulatory umbrella, providing it with Financial Conduct Authority (FCA)

authorisation, back office functions and compliance. It uses the Royal Bank of Canada in the Channel Islands for custody.

The duo is targeting 20 clients each. Currently, they look after around £150 million for clients, while the firm is retained by more than 10 clients.

Del Federico says they are fundamentally looking at business owners and high net worth individuals and sometimes international clients. 'We are harnessing our own connections and then we'll take the next stage of our evolution, which will be to run teams, distilled with what we do and know,' he adds.

O'Connor is adamant the business is for the long term and will never be up for sale. 'What we will do in time is look to draft in successors. People who can pick up relationships with some of those clients,' he says.

'But we are a boutique. We have a scalable and quite sophisticated bureau service and technology that gives us a lot of infrastructure, but day-to-day it is just the two of us.'



O'Connor suggests that the business may end up running between £250 and £500 million in client assets in the long term. He points out, however, that some clients

who they advise already have that wealth. In the medium term, he says there is the potential to help other start-ups get off the ground as well.

'We know that there are other ambitious people who would like to get to this space,' he says. 'What we are not ruling out is the potential for us to replicate what we have done for the Private Investment Office with other businesses. But they will be different businesses, different brands with different propositions and a different focus.'

'What the Private Investment Office does is very clear and it is very finite. It is a bespoke service and you can't do that for hundreds of people. There will be other things that follow for us. We are quite entrepreneurial and we like doing those things but right now we are really enjoying the client work.'

While many large firms are also looking to set up private offices to address the specific needs of high net worth business owners, the duo believe the big institutions may struggle to replicate the value of the traditional model.



'For some of the groups, they will really use their resources to bring some specialist services. But I think one of the big overarching questions will be how close can the employees of the bank get to acting for a family objectively,' says O'Connor. 'I think

wherever you go the messages from the regulators, from politicians even from the media has highlighted the conflict for big financial institutions and the way they can act for clients.

'Whether it is for a man on the street or an ultra [high net worth], how conflicted are you between your targets and commercial objectives for the firm, and genuine best interests of the clients? Mifid II, RDR and other regulations are attempting to expose that.

'But I think as long as there is a plc with quarterly reporting and shareholders, it is really hard to walk the walk and deliver things that are necessarily best for the client, because at some point objectives have to be met, and that is not the right priority.'