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## FINANCIAL

### Press Clipping

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#### **Structured products 'expensive and inefficient', says Gore Browne's Simon James**

07:53 GMT , Hester Plumridge

Simon James, founding partner of Gore Browne Investment Management, is enjoying life outside big City institutions, and is not afraid to speak out against current market trends.

James, formerly responsible for F&C's global retail business, co-founded Gore Browne IM in 2004 with three Cazenove and ANZ Banking Group alumni. Since that time, the business has grown to an as-yet modest £80 million under management, added two partners and opened a second office in Harrogate, expanding from its Salisbury base.

Moreover, Gore Browne's Growth and Balanced client portfolios have achieved aggregate returns of 18.58 percent and 19.73 percent respectively since inception, outperforming the 0.81 and 4.27 percent achieved by the APCIMS benchmarks.

James chairs Gore Browne's Investment Advisory Board and oversees the firm's investment strategy. He remains unconvinced by the value of 'in vogue' investment vehicles such as ETFs and structured products.

As well as pointing out that most structured products generate no income during their lifetime, and that their OTC derivative components make them virtually impossible to sell on a secondary market before maturity, James has underlying concerns with unwary investors believing their 'too good to be true' headline terms.

"To achieve an attractive headline rate of return, the product provider is likely to include a range of conditions under which that return cannot be achieved, but which are unlikely to appear in the headline. Those conditions may also appear to the unsophisticated investor to be unlikely to come to pass. But there's no such thing as a free lunch."

He adds that fee structuring, too, can present problems. "The payment to the product provider is opaque, and is often not fully disclosed when the structured product is being promoted. Such payments will be over and above the transparent fees they receive from the products. Needless to say they're hugely profitable for both the banks and the distributors."

James believes the combination of a simplified headline target with an attractive commission allows scope for mis-selling, since many purchasers will not have fully appraised the possibilities of not achieving the headline return.

James believes in active management strategies above ETFs; "we are trying to make good investments for people, not to buy them an index," he says. Asset allocation at Gore Browne is decided among the six partners, and with the input of an external advisory committee, with expertise from the investment

trust, hedge fund and fund of funds, commercial property and private equity spheres.

Although Gore Browne performs direct dealing itself - its partners boast strong experience in this area - James insists the firm will never launch its own funds, preferring to pick active managers by their styles and past performance, to which they often add their personal knowledge of the fund managers in question. Gore Browne's first hedge fund investment was with Crispin Odey, known to members of the company for many years.

"We're careful to always pick managers who have performed well in a range of market environments in the past," James insists. "But when there are several front-runners, due diligence is certainly easier when it's someone you know and trust. As a result we often use boutique firms, rather than brand names."

The firm has been increasing its exposure to EM equities, and within the interest-bearing sphere, actively managed bond funds, as well as infrastructure vehicles.

"A big theme with us is looking at areas of supply constraint - to help get the long-term investment strategy right, when future demand growth in developed economies will remain anaemic for years. And here we're looking at water, agriculture and oil, and innovative ways to access those themes."

James says Gore Browne would be happy to grow with the addition of the 'right' partners, who could help it open other regional offices, but is in no rush to grow. "And we can't meet the salary expectations of many of the unsettled managers in the bigger London firms," he adds. "That's not what Gore Browne is about."

The firm is entirely employee-owned, and all the partners look after client money. Fees are charged on a sliding scale of assets under management, and the firm receives no commissions. It now manages about a third more money than it did a year ago.

And while still small, Gore Browne's client base is seemingly satisfied. "The majority of our new business is through personal referral," James says, calling the conversion rate "absurdly high."