Boutique manager Lipman Burgon warns on adviser exodus

James Thomson *Columnist*

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Consumers flocking to boutique wealth management firms in the wake of revelations from the royal commission should be wary of ending up with the very advisers they are trying to avoid.

That's the message from Paul Burgon, the managing director of Lipman Burgon & Partners, a boutique Sydney-based firm advising 175 high net worth clients with $1 billion in funds under advice. The firm came out of Investec's private bank in 2011.

Mr Burgon said an exodus of advisers from bank-owned wealth firms to boutiques will not provide a quick solution to the ethical problems uncovered by the royal commission.

Lipman Burgon & Partners, a Sydney boutique, was spun out of Investec's private bank in 2011. **Quentin Jones**

"They are effectively just moving shop to a boutique, but they are still carrying over 20 years' experience of bad behaviour," he said.

While Lipman Burgon has seen an increase in inquiries from clients, and is seeing rival firms hire former bank advisers "because they bring a book of clients with them", it will not hire staff who had worked in commission-based environments.

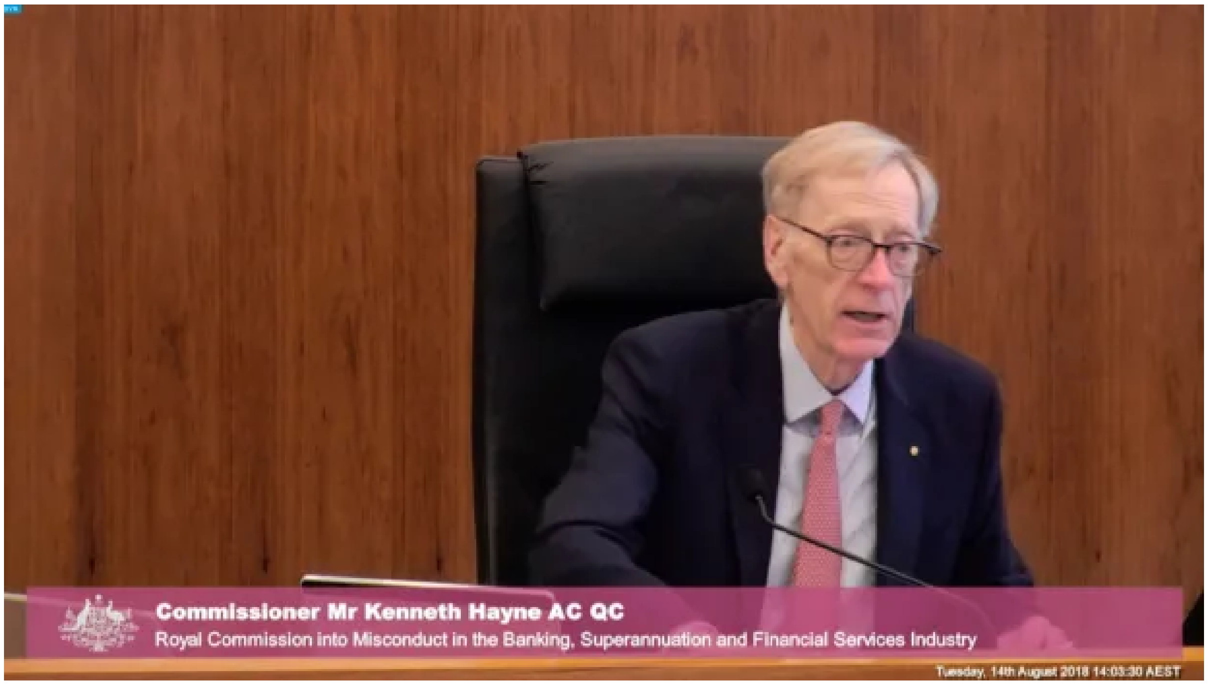
The boutique has a fee-for-service model and Mr Burgon sees ethics and values as becoming increasingly important for clients.

"We could potentially be growing a lot faster with the transfer of so-called talent out of these institutions, but I would much rather hire someone that I feel has very strong ethical values ... and train them in finance and provide them with the support of a dedicated centre of excellence."

Conservative mindset

Lipman Burgon's latest hire is Alex Pikoulas, who will join the firm in the newly created role of portfolio manager. His resume includes eight years as equity analyst in funds management and broking, and 12 years in equity sales at JP Morgan, Merrill Lynch and Deutsche Bank.

Mr Burgon said wealthy clients were increasingly looking for access to unique investment opportunities, including funds that did not have research ratings. Many of these "alternative" funds closed quickly, he said, and Lipman Burgon had an advantage in that it can quickly commit substantial capital to the right opportunities.



The Hayne royal commission has prompted an exodus of advisers to leave bank-owned wealth firms to join boutiques.

In comparison, bank-owned wealth managers find it "incredibly difficult ... to get sign-off on anything that doesn't have a research rating behind it".

Mr Burgon said given the maturity of the bull market, and his clients' bias towards capital preservation, Lipman Burgon has a cautious view of markets. It is neutral equities, overweight alternatives and slightly underweight fixed interest equities, overweight alternatives and slightly underweight fixed interest.

"I think it's making everybody nervous at the current time. There are number of signals out there that elicit caution."

Mr Burgon said many clients still bore the scars of the GFC, and Lipman Burgon said saw its job as ensuring clients did not make mistakes in the event of another correction.

For clients close to retirement, for example, the firm has advised building up cash equivalent to three years of living expenses.

James Thomson is a Chanticleer columnist based in Melbourne. He was the Companies editor and editor of BRW Magazine. *Connect with James on Twitter. Email James at j.thomson@afr.com*

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