

# Our top investment adviser? That'll be an algorithm

**Kate Palmer reports on how the world of wealth management is being shaken up by online 'robo-advice'**

**T**he private banker sitting in his leather-bound chair and dark teak office is getting a wake-up call. A new generation of wealthy clients are choosing to go online rather than have a chinwag over a glass of port, before getting down to the business of money.

So-called "robo-advice", which uses algorithms to make investment decisions rather than human beings, has already taken the US wealth management industry by storm and is on its way to London.

Gerard Lyons, the pro-Brexit economist and writer, is throwing his weight behind the latest new service to launch in the UK. Called Netwealth, it is aimed at rich fortysomethings with little time to stalk the stock market.

However, clients won't speak to the former Boris adviser. Instead, a computer system quizzes investors on their spending habits and financial

goals before building a custom-made portfolio.

Founded by Charlotte Ransom, a former Goldman Sachs banker, the start-up hopes to challenge traditional wealth managers and private bankers with a low-cost, automated investing service. With a minimum investment of £50,000, it charges a tiered 0.65pc fee, dropping to 0.35pc for those who put in more than £500,000, around a third of the cost of actively managed portfolios.

Lyons has swapped City Hall to join the fledgling "robo-advice" market, having left his job as Boris Johnson's economic adviser earlier this month. "I was approached last year and did my homework," said the former Standard Chartered chief economist. "I had a few coffees in the City and found out that fees are high, there's a lack of transparency, and that this product has the potential to make a big impact," he said.

Mr Lyons said he will be "very hands on" in assessing macro-economic risks, such as Brexit and the US presidential election, as well as writing commentary to investors and winning and dining potential new clients.

He said: "To get someone like me giving advice, you'd need to go to the private banks, but I'm providing that input to all our customers."

At its heart, the service uses a set of computer models to do the work of building portfolios, which are made up



Tall order: the Science Museum's Ben Russell with Cygan, built in 1957; below, Honda's Asimo

of a mix of tracker funds, exchange-traded funds and investment trusts.

The idea that a machine can design and manage your portfolio rather than a seasoned fund manager has already attracted \$19bn (£13bn) in assets in the US, according to Deloitte's survey of the 11 biggest robo-adviser firms.

But Britain has so far failed to reflect the popularity across the water, with start-ups such as Betterment and Wealthfront have gained traction significantly undercutting traditional wealth managers.

where computers do the initial work," he said. "But there comes a point when life gets more complicated, maybe surrounding tax affairs, and you need to speak to somebody."

Schroders, one of the oldest firms in the Square Mile, recently backed Nutmeg, an investing website that offers a range of tracker funds but stops short of offering financial advice.

And while Netwealth's minimum payment may be beyond the reach of most millennials, a flurry of financial start-ups are aiming to capitalise on cheap alternatives to the traditional investment houses.

Two new platforms, including app Moneybox and website eVestor, are planning to launch services this summer with no minimum investment sum, claiming that they will offer management costs below 0.5pc.

Rumbling under the surface is a deep dissatisfaction with traditional wealth managers, claims Netwealth's Ransom. She said: "We feel that our target investors – bankers, management consultants, dentists and doctors – are reluctant to hand their money over to someone else with little idea of how it's performing."

Meanwhile "deep disengagement" among younger generations presents an opportunity for online investing platforms, she said.

In a world where algorithms are taking over all aspects of life, whether dating websites that use computer programmes to provide a perfect "match" or search engines that tailor the adverts browsers see, the investment industry is no different.

However, this isn't simply a battle of old versus new. A delve into the financial backers behind this new breed of services reveals some of the

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City's most established names.

Jupiter vice-chairman Edward Bonham Carter, EFG founder Michael Hartweg and Harvey McGrath, the philanthropist and former Prudential chairman, are among 28 angel investors who have provided £6.5m backing for Netwealth.

But don't rule out the gilded offices of private banks yet, Lyons said. "Some people are obviously happy to speak to their banker once a year. But we're bringing old-fashioned expertise into the 21st century."