



QUILTER CHEVIOT
INVESTMENT MANAGEMENT

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An interview with Nick Holmes, Managing Director at Quilter Cheviot Ltd

➤ "We see BITA Wealth as a critical part of our technology stack."

AUM

£25.9 BILLION (as at June 2023)

FIRM TYPE

WEALTH MANAGER

CORFINANCIAL SOLUTION

BITA WEALTH

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'WE'RE NOT ABOUT TO RUN OUT OF INNOVATIONS WE WANT TO PURSUE WITH BITA RISK'

Leading wealth managers are having to innovate in numerous directions simultaneously to maintain compelling value propositions today, making it vital that their technology providers can both respond to and help drive this evolution. Here, Nick Holmes, Managing Director at Quilter Cheviot Ltd, explains how BITA Risk's technology empowers his firm to keep coming up with different ways to look at clients' portfolios and how a spirit of truly collaborative innovation is set to sustain the relationship over many more years.

When Nick Holmes joined Quilter Cheviot as Managing Director, Investment Management in 2019, after 20 years at Brooks Macdonald, one point of continuity was BITA Wealth: Quilter Cheviot had already implemented BITA Wealth back in 2017, a system which Holmes' predecessor firm had been using since 2014. He confirms that seeing a system he had already seen work so well certainly was a comfort and that C-suite executives have been thinking – and talking – about wealth tech far more in recent years, particularly in the context of the potential pull factors which might draw one to a new firm. 'Any senior executive would want to know all about the technology stack they would be stepping into and the quality of the risk controls the business has in place,' says Holmes.

'A firm having risk management capabilities like those of BITA Wealth is certainly a very positive mark in that regard.'

- BITA Wealth implemented in 2017
- ~36,000 private clients representing Assets under Management and Administration of £25.9 billion (as at June 2023)

Quilter Cheviot had wanted to upgrade its risk monitoring and management capabilities so that its investment managers could still continue to enjoy a significant degree of flexibility in how they built clients' portfolios and to accommodate commonplace preferences such as treasured holdings alongside ethical and other constraints (of which more later). Notwithstanding numerous customisations to accommodate the firm's chosen risk proxies and bands – and all the academic deep work which that implies – Quilter Cheviot was able to go live with BITA Wealth in just six months, and by the time Holmes joined the tool was already very well-liked by its investment managers.

This continues to very much be the case. 'We see BITA Wealth as a critical part of our technology stack, and amidst all the systemic change Discretionary Fund Managers (DFMs) are wanting to make, BITA Wealth is core to our thinking,' he says. But while there may be no plans to migrate away from BITA Wealth, Quilter Cheviot is, however, very keen to continue innovating in the ways that the tool is used.

FOSTERING OUTPERFORMANCE THROUGH STYLE ANALYTICS

Although compliance concerns are very often a prime driver of technological investment, Holmes notes that with the right solution firms can look to achieve far broader business benefits which can significantly enhance value delivery to clients. Moreover, that enhanced value can indeed be of the monetary kind. He has really seen the potential for risk monitoring and portfolio analytics to boost performance as well as for ensuring that investment decisions are correctly documented for regulatory purposes. To offer investment managers a helicopter view of what is driving market performance, Holmes is interested in tracking equity style analytics to identify trends like a tilt towards value from growth, for instance.

He explains: 'One portfolio could have just the same amount of equity content as another, they could both be well within capacity, but if one has more of a growth focus then that could either outperform or underperform. It may be quite easy to pick those nuances up at a fund level, but not if you are running hundreds of portfolios.'

'BITA Wealth is going to give us playback capabilities to see how one fund in particular has under or outperformed, which could be because of a growth to value tilting, as an example. Eventually I want to develop equity style analytics content which can go into investment managers' management packs every week.'

RAISING RED FLAGS AND EVIDENCING INVESTMENT RATIONALE

The solution is simultaneously allowing Quilter Cheviot to become increasingly sophisticated on the compliance front, he notes. The firm is also planning to use BITA Wealth to examine more closely the constituents of clients' portfolios – or indeed particular funds or stocks – to determine whether they really are delivering the requisite growth to warrant their place, as well as value to the end-client. In particular will be the enhanced evidencing of strict oversight for any red-rated funds which are identified (funds which may not be providing optimal value are given greater focus under the new Consumer Duty regime).

'We need to know exactly who is holding red-rated funds and have a documented reason for why they hold it,' says Holmes. 'It isn't necessarily the case that you have to sell it as there could be any number of reasons why you hold a red-rated fund: you may have only bought it yesterday, it may be a cherished holding, it could be that they've already done something about it and changed the manager, or they could have cut the fee. But you need to have a documented rationale. The question BITA Wealth will allow me to answer is, "How many have red-rated funds have we got across the whole firm, and why?"'

As Holmes observes, the need to be able to generate really deep portfolio insights and to play back investment decisions instantaneously are why his firm and a rapidly growing band of its peers have turned to BITA Risk's specialist wealth technology. 'Those capabilities are going to be very powerful, but that isn't something any of the core systems that we have can currently do,' he says. 'Only by feeding into our monitoring tool will we be able to have that.'

This may however be congruent with how technology is typically used at Quilter Cheviot, as Holmes reports that BITA Wealth is already the primary lens through which much of his workforce prefers to view their clients' portfolios. 'Many of our investment managers are actually using BITA Wealth as their *main* system all the time. Rather than go into the core book of records, they look to BITA Wealth to tell them what's going on in their portfolios,' he notes. 'Every morning they log in and see if there are any amber or red flags which they need to take a closer look at. Their to-do list is there on the dashboard: they may always not need to do anything, but they've had the prompt and they can document the decision.'

THE 'IF ASKED' PART

Thanks to BITA Wealth, Quilter Cheviot's investment managers have long been able to evidence precisely where risk profiling, monitoring and investment decisions have had a positive impact on financial outcomes, and Holmes agrees his firms and others in this cohort are at a distinct advantage when it comes to meeting the FCA's new Consumer Duty requirements – particularly when we consider the broad freedoms the regulator is granting the industry.

As Holmes points out, it is right for the regulator not to be overly prescriptive in how it wants firms to meet their Consumer Duty evidencing duties as this would inevitably act to homogenise the industry. 'They want variation,

they want competition, but they set the boundaries,' he says. This does however mean that firms themselves are having to do a lot of their own thinking when it comes to what the new regime means for them and how they can operationalise next-level compliance.

'Consumer Duty is challenging firms to really show that – "if asked" - they really can *prove* good customer outcomes and value,' he explains. 'That is where BITA Wealth comes in, with the "if asked" part, because it *does* allow us to prove ourselves very robustly - that we have carried out accurate risk profiling, that we've carefully constructed and monitored portfolios. Of course, that's something that historically we've always done as an industry, but not necessarily at the level that Consumer Duty is asking everyone to do now.'

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FAR MORE ROAD TO RUN

Like many of its competitors, Quilter Cheviot is simultaneously exploring numerous paths to get even more out of BITA Wealth. And, like many of his peers, Holmes emphasises how a big part of BITA Wealth's stickiness is how amenable the technology – and the team – are to helping institutions truly innovate. In an increasingly competitive environment, he observes that leading firms are thinking beyond merely what they must do in terms of regulatory compliance to focus on what they *want* to do to differentiate their offerings through their risk management and investment due diligence capabilities.

'We are keen to take a lead role in ethical wealth, for instance, and BITA Wealth is going to play a key part in how we align with clients' evolving ESG preferences in a distinctive way,' says Holmes. 'Other things we might like to explore could include commonality and how close portfolios are to the models, and also portfolio efficiency ratings, which could be another strand of the value piece.'

As is frequently the case, it seems that the more you look, the more you can see, says Holmes. 'You would think you'd come to know everything you wanted to know about your portfolios, but we keep coming up with even more we can do with them,' he concludes. 'We're not about to run out of innovations we want to pursue with BITA Risk.'

For more information or to discuss how BITA Wealth can truly benefit your business, please contact bitarisk@corfinancialgroup.com

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EXECUTIVE TAKEAWAY

With BITA Wealth, Quilter Cheviot not only gained an incredibly powerful lens through which to view portfolio risk and immaculate compliance documentation; it has also found a long-term partner in innovations spanning style analytics, ethical wealth and more.





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ABOUT CORFINANCIAL

corfinancial provides software solutions and advisory services to banking and financial services organisations worldwide. The firm has offices in London, New York, and Boston.

There are five key problem areas corfinancial looks to solve through its primary software and service offerings:

BITA Risk provides Investor Profiling, Portfolio Analytics, ESG Management and Portfolio Monitoring solutions to wealth managers through the BITA Wealth application. Available as individual modules or as an end-to-end solution.

SureVu empowers buy- and sell-side firms to efficiently monitor and track security trades throughout the settlement lifecycle, enabling users to proactively manage and oversee settlement exposure.

salerio is a post-trade processing solution that enables asset managers, hedge fund managers and securities/fund services firms to automate the flow of securities and treasury trades from matching through settlement.

costars is an investment administration platform for third party administrators, fund supermarkets and wealth management companies.

paragon is a comprehensive front-to-back office fixed income portfolio accounting, processing, and reporting solution for banks.

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paragon.

Fixed-income accounting hub delivers front to back-office portfolio accounting and processing solutions.

SureVu.

Tracks security trades throughout the settlement lifecycle to manage settlement exposure.

salerio.


Automates the flow of securities and treasury trades from matching through to settlement.

costars.

Retail fund/transfer agency solution providing end-to-end administration for collective investments.

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