

## James Hambro & Partners LLP DFM

### Introduction

November 2023

Founded in 2009, James Hambro & Partners (JH&P) is a limited liability partnership which is majority owned (c.88%) by its Executive Partners and no single partner controls more than 25% of the partnership.

The business has grown steadily since inception and as of 31/09/23 AUM stood at £5.6bn. The business is headquartered in London with regional offices in Edinburgh and Leeds and Bristol.

The partnership remains profitable, accounts for the year ending April 2022 show revenue of £34.2m (2021: 30.7) and a pre-tax profit of £14.4m (2021: 13.9m). Each year one third of distributable profits are reinvested into the capital of the partnership to support future growth.

The business is well capitalised and easily meets its regulatory capital requirements.

### AKG DFM Financial Strength Rating B

AKG Financial Analytics Ltd has undertaken a review of the firm and views it as a 'satisfactory' firm graded B- in its ratings.



### Range of Services

	Summary	Investments	Minimum Investment
<b>JH&amp;P Bespoke Portfolio Service</b>	Portfolio construction is guided by JH&P's four core strategies, however in order to tailor portfolios to meet individual client needs and preferences portfolio managers have some latitude to deviate from the central framework at both the tactical asset allocation and the security selection level.	The portfolios can be invested in direct equities, collectives, fixed interest both directly, and via funds, and alternative assets. They do not use derivatives or employ any form of leverage directly within portfolios.	£500,000 (approx.)
<b>JH&amp;P Platform Managed Portfolio Service</b>	A segregated discretionary service available on a number of third party platforms. The service is designed to help advisers who use third party risk profiling and strategic asset allocation tools by building portfolios to match the adviser's risk and asset allocation requirements. The service consists of a range of four models derived from JH&P's core strategies.	Portfolios will be predominantly constructed from collective investment vehicles but dependent on platform, may also use direct equity and bond holdings.	Minimum investment subject to platform minimums.

## Charges

	Initial	AMC + VAT	Dealing	Admin (Research Fee)	ISA + VAT	OCF (Underlying Portfolio)
<b>JH&amp;P Cautious</b>						
JH&P Bespoke Service	N/A	0.8%	N/A	0.03%	N/A	0.29%
JH&P Platform MPS	N/A	0.265% No VAT	N/A	N/A	N/A	0.45%
<b>JH&amp;P Balanced</b>						
JH&P Bespoke Service	N/A	0.8%	N/A	0.03%	N/A	0.25%
JH&P Platform MPS	N/A	0.265% No VAT	N/A	N/A	N/A	0.49%
<b>JH&amp;P Steady Growth</b>						
JH&P Bespoke Service	N/A	0.8%	N/A	0.03%	N/A	0.21%
JH&P Platform MPS	N/A	0.265% No VAT	N/A	N/A	N/A	0.54%
<b>JH&amp;P Adventurous</b>						
JH&P Bespoke Service	N/A	0.8%	N/A	0.03%	N/A	0.19%
JH&P Platform MPS	N/A	0.265% No VAT	N/A	N/A	N/A	0.61%

## Investment Process

JH&P believe the most important objective in investment management is the maintenance of the real value of clients' assets over a prolonged period of time.

There is a centralised process in place with all investment professionals involved in all parts of the investment process. Responsibility for asset allocation decisions is divided into two parts, overseen by two separate committees.

- Investment Oversight Committee**

The committee has overall responsibility for JH&P's investment process and sets and reviews the strategic asset allocation frameworks and benchmarks. The committee is chaired by James Beck, Head of Investments.

- Asset allocation Committee**

The asset allocation committee controls tactical asset allocation across all strategies including geographic and sector allocations and currency exposure. The committee is chaired by a Non-Executive Partnership Adviser who is an external industry professional at CIO level. Overall executive responsibility rests with Head of Investments, James Beck.

The investment team is formed into three Asset Class Research Groups – Global Equities, Fixed Income and Funds and Alternatives. Each Asset Group is responsible for the identification, research and communication of new ideas as well as the monitoring of existing positions for any changes in circumstances. Each Asset Class Research Group is chaired by an Asset Class Head, with meetings held weekly or as required. These Asset Class Research Groups report into the investment committee where investment ideas are presented and debated by the entire investment team.

JH&P work from four differentiated portfolio strategies which are produced using independent analysis by Bitá Risk Consultants. These strategies provide the framework on which to base the most appropriate approach for each client.

Equities are at the centre of the investment approach as the team believe they provide compelling opportunities for wealth creation over the long term. They are seeking companies that provide exposure to attractive sustainable growth characteristics supported by structural trends that will drive demand for their products or services over the long term and focus on businesses that are typically the foremost players in their fields globally. They prefer companies with leading market share and identifiable defensive moats, often providing a providing a high degree of recurring revenues, with scope to drive organic growth over the long term. Their operating models are profitable, cashflow generative and are incrementally improved by high-quality management. Typically, these companies pay attractive and rising dividends.

Direct equity investments are combined with specialist independent funds that can deliver uncorrelated returns, relative to the individual companies they own. The aim is to select managers that complement JH&P's top down strategic or thematic views. The research process takes account of manager history, fund characteristics, style, liquidity, the overall investment house, ownership structure, along with manager incentives and fees.

Alongside the core equity allocation, diversifying assets are held with the aim of reducing overall portfolio volatility. There are two broad groups of these diversifying assets.

**Safe haven protective assets** - such as gold, US and UK government bonds.

**Growth investments** - that can contribute to the longer term real return but have a low correlation to the equity market such as property, infrastructure, absolute return vehicles and some asset backed securities.

JH&P do not operate a separate research team, instead, the entire team work together on both research and investment, therefore portfolio managers responsible for managing client assets are also responsible for the research and analysis and, through their involvement in the Investment Committee, the selection of underlying securities. The firm operates a generalist model so analysts are not siloed by geography or sector as they believe this generalist approach develops a broader understanding of the investment universe and builds a level of context that is of higher value to the investment process. Where specialist analysis is required, they rely on dedicated external research resources from a broad range of providers including investment banks and research houses.

JH&P do not have branded ESG portfolios, however sustainability and ESG considerations are embedded in the overall research process. The firm operates a five-point sustainability framework which draws on the UN's 17 sustainable development goals. The framework includes decarbonisation, transition to a circular economy, protection and restoration of biodiversity and ecosystems, equitable healthy and safe society, and strong governance and accountability. The framework forms an integral part for the investment process and all companies are classified according to their sustainable credentials. The framework is applied to all asset classes and they seek to ensure that third party fund managers share JH&P's commitment to investing responsibly.

## Risk Management

Risk management is overseen by the Risk Committee which meets on a monthly basis and is chaired by the Head of Business Control/Risk Management. Also sitting on the committee is the Head of Operations and various other departmental heads. For each of the four core strategies there is a clearly defined strategic and tactical asset allocation which forms a base and level of risk against which individual portfolios are assessed. For each asset class there is maximum and minimum strategic range, for example the equity exposure is capped at +/-15% of the strategic weighting across all mandates.

At the security level there is a list of approved investments. Within discretionary and advisory strategies portfolio managers are not permitted to invest in or advise on securities that are not on the list. For individual equity holdings there is a maximum position size of 5% and they would not hold a position of less than 1%. Deviations of asset class and geographical weightings are also governed within set limits.

JH&P use the Bitu Risk monitoring tool to generate automated daily analysis of portfolios to ensure parameters are adhered to. The reports cover volatility, concentration, sector positioning, asset class/geographical positioning, maximum hold weight and conformity with buy list. In addition to ongoing monitoring of risk, asset allocation and stock selection through Bitu Monitor, they carry out quarterly and annual portfolio performance reviews of all client portfolios thereby ensuring strict adherence to the agreed parameters.

Any potential outliers are flagged using a traffic-light system to warn if a portfolio is either close to or breaching limits in any of these areas, highlighting where action may need to be taken by the portfolio manager. Liquidity is a key consideration and a core pillar of the firm's investment philosophy. Liquidity of approved securities is monitored daily by the Head of Dealing and Head of Investments on a monthly basis. The aim is that under normal market conditions 90% of portfolio value could be realised within 10 working days.

## Opinion

With over £5bn in AUM, JH&P are one of the smaller DFMs that have national reach, however they have all the structures in place that would be expected of a national DFM and the business continues to grow in a steady controlled fashion. The business remains profitable, and the firm adequately meets its regulatory capital requirements.

There is a large degree of management and employee ownership within the business, with 88% of the firm owned by those currently working in the partnership.

JH&P have assembled an experienced investment team and there is a very collaborative feel about the whole research and portfolio management function, with all portfolio managers being involved in the research process and many sitting on the various investment committees. A clearly defined and straightforward investment process has delivered good risk adjusted returns over a variety of timeframes and drawdowns have been particularly well contained.

We believe JH&P offers a clearly defined quality proposition for advisers and their clients.



### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

Rayner Spencer Mills Research Limited is a limited company registered in England and Wales under Company. Registration Number 5227656. Registered Office: Number 20, Ryefield Business Park, Belton Road, Silsden, BD20 0EE. RSMR is a registered trademark.

Information compiled November 2023