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## Most Firms Do Not Fully Exploit Active Asset Allocation - Quartet Founder

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The vast majority of wealth managers are not taking full advantage of active asset allocation and are instead “playing at the fringes”, Colin McInnes, the founder of new UK start-up [Quartet Capital Partners](#), told *WealthBriefing* in a recent interview.

Quartet Capital is a new Surrey-based discretionary wealth manager which was launched in response to what Mr McInnes saw as a significant gap in the market for firms offering active asset allocation. According to Mr McInnes, studies show that 90 per cent of a portfolio’s return is derived from asset allocation, yet despite this most firms in the market tend to be quite static with their client asset allocations, instead tending to focus on simply changing underlying holdings.

The reason for this, Mr McInnes said, is that chief investment officers tend to have backgrounds as either fund managers or fund selectors, meaning that many firms “simply don’t have the skillset to offer active asset allocation.” In contrast to this focus on micro considerations, Quartet has adopted a “top-down” approach which aims to make use of industry leading research on macro trends.

Quartet is a joint venture with Absolute Return Partners, a London-based alternative investment manager and asset allocation consultancy, and so has access to asset allocation advice from luminaries such as Niels Clemen Jensen, the former head of CIBC Oppenheimer’s private banking business in Europe, along with other prominent economists.

In addition to giving Quartet the benefit of such research, the partnership with ARP also means the firms share staff resources. This, Mr McInnes said, “means Quartet is effectively a start-up with a pretty large infrastructure.”

Further to his firm’s emphasis on active asset allocation – which employs a mixture of passive instruments, active managers and “special situations” such as structured products – Mr McInnes also highlighted the fact that his personal and family funds are invested in exactly the same way as Quartet’s clients. “This is a firm where the principal’s money is run in exactly the same way as the clients... I’m the biggest client and so I’m incentivised in the same way as other clients,” he said, adding that clients are “amazed” that this isn’t necessarily the norm at other firms.

Despite having only been given regulatory approval in the fourth quarter of last year, Mr McInnes said that Quartet is already gathering significant momentum, with clients coming on board from a variety of sources. While initially family and friends, along with word of mouth recommendations played a significant part in building the firm’s client base, now interest from intermediaries and other advisors to high net worth individuals is increasing, he said.

Quartet is also keen to build out its team, although quality of staff is the watchword, as the firm is “under no pressure” to hire, said Mr McInnes. Nigel Olliff, who specialises in running private client portfolios as well as researching and analysing structured products, will join the firm from Berry Asset Management in April. Peter Butcher, who was also previously an investment manager at Berry, came aboard when the firm was launched.

Periods following severe market turmoil are said by many to be an opportune time to launch a new proposition, allowing smaller firms to take advantage of disillusionment with the larger players. As readers will know, there has been a steady stream of new start-ups in recent months, but only time will tell which will succeed in the long term. It would seem however that Mr McInnes and ARP are determined for Quartet to be around long haul as the business was capitalised with over \$1 million – not bad for a new start up in leafy Richmond.