



## ADVISER PROFILE: Josh Matthews of MASECO Private Wealth

By Tim Cooper  
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(Edited version)



Josh Matthews, managing partner of London-based Maseco Private Wealth, has grown an impressive \$1.8 billion under advice and over £10 million revenue at the firm in the 11 years since launch. But rather than talk about how he did this, or plans to accumulate the next billion, he prefers to emphasise how the company is working to benefit society by charitable giving and achieving benefit corporation (B Corp) status. Canadian-born Matthews comes across as urbane and smooth-talking, but his voice unexpectedly fills with emotion when describing Maseco's wide-ranging charity work. This varies from vaccination against river blindness in Africa to helping feed orphans.

'I'm not sure why I'm becoming teary,' he says. 'My desire to do good comes from my background. My family has always been charitable, and it's always been important for me. But I also travelled when I was younger, through Africa and Asia [and saw the need for myself].'

### Greater purpose

London-based Maseco was one of the first B Corps in the UK and the first financial services firm to achieve B Corp status here when it passed the certification in 2013. The B Corp movement started in the US, driven by companies such as Ben & Jerry's who wanted to widen the purpose of corporations from only shareholder value towards societal goals. B Corp certification involves meeting comprehensive standards in social, environmental, accountability and transparency standards.

'The B Corp process looks at the entire company and its impact on its workforce, suppliers, community and the environment,' says Matthews. 'This is reflected in everything from where it buys the bottled water in its boardroom to where it invests – ethical portfolios are available – and how the firm treats its employees'.

'There's much good and bad to running a business so it's about trying to make a positive impact and galvanise other employees and the rest of the world to do the same'.

Matthews' passion for charity has helped him become well-connected in the field and Maseco has done a lot of research on the most impactful causes it can support, he says.

'Every time we open a new client account, we give enough money to feed an orphan for three months; or we buy five malaria nets for the Against Malaria Foundation,' he says. 'For 50p you can vaccinate someone in Western Africa from river blindness so we can have a huge impact there'.

### Finding a niche

Maseco has become much bigger than Matthews envisaged last time he featured as a New Model Adviser® cover star interviewee in 2010, alongside fellow managing partner James Sellon, and Kris Heck who subsequently left to set up London based Tanager Wealth Management.

Matthews says the rapid growth came from a single-minded focus on advising the US expat community in Britain. He calls this the firm's 'hedgehog concept', inspired by the book Good to Great by Jim Collins, who stated: 'The fox knows many things. The hedgehog knows one, big thing.' Matthews says putting Collins' concept into practice created a formula for expansion.

'You must figure out early on what your hedgehog concept is – what you are good at; what you are passionate about; and what you do profitably,' says Matthews. 'Our hedgehog concept is giving great financial advice and providing tax efficient investment solutions to Americans living abroad, implemented via a great investment proposition'.

'We use net promoter score (NPS) which asks, on a scale of one to 10, how likely clients are to refer us to friends, family or colleagues and why. Feedback from this helped us improve our service and improved our NPS from around 55% to 94%. Now we can explain all this to the tax advisers and IFAs that refer business to us. Then we can back it up with our clients' scores and testimonies.



'As the NPS scores go up, we receive referrals from our clients, leading to new clients and the need to recruit and train more staff,' says Matthews. 'The business grows by simply repeating this process again and again. Now we have 65 staff'.

Matthews says the NPS process is crucial. If someone gives a low rating, they are a detractor, probably not a good fit and who will take up too much of your time and mental energy. Maseco stopped taking on poor fitting clients and now carefully avoids them in preliminary meetings, he says. The result is much better alignment with clients and more referrals.

#### **2023 vision**

Maseco currently takes on circa 80 new clients a year, mostly through word-of-mouth and client referrals. But the firm also has good relationships with several tax advisers. And IFAs also refer their US expat clients, many of whom it channels through Maseco Institutional, a discretionary fund manager, which offers a shared relationship and a share of revenue.

'We make the investments, arrange custody, give them tax efficient investment solutions and make sure the investment fits their dual tax reporting requirements. But the original IFA can continue to advise them on retirement planning, for example,' explains Matthews.

He believes there is no shortage of wealthy US expats in Europe – a situation mostly unaffected by Brexit. So, by continuing to repeat the Collins/NPS process, he aims to reach \$3 billion under advice by 2023, with around 100 team members and 1,000 clients.

'Costs have gone up so much, I doubt you could be profitable providing this kind of specialist advice with £500 million under advice,' he says. 'We find that every four years or so we have to invest and take one step back to take two forward. I've focused much of my time on training people and building the company. For example, we've had two new advisers who came in as graduates and they've worked their way up to become wealth managers'.

Matthews says the firm's aim of offering high-quality financial planning comes from adapting US trends and models. 'Most of what we do is based on what's happening in the US, from using evidence-based funds from Dimensional Fund Advisors to cashflow planning software Voyant,' he says. 'The US and Australia are ahead of the UK and Europe because people there have had to manage their own retirement accounts for a longer time compared with Europeans. We are also about to launch InvestCloud, a California-based client portal'.

Maseco's majority shareholders are Matthews and Sellon. Two of the firm's other advisers own a smaller amount. Staff are remunerated via salary plus bonus with a profit-sharing scheme. The firm's 14 advisers also receive a percentage of revenue. The owners receive a management salary plus a percentage of profits as dividends.

#### **Independence days**

Matthews says he does not stop to reflect on big financial milestones such as topping £10 million revenue (as is projected for this year). 'I focus more on the daily problems,' he says. 'I just look at how we can be better. That's my personality. I'm organised, good at communicating and executing ideas'.

He has no immediate plans to sell. 'If the right company offered the right price and it was a good fit for our clients and employees, perhaps I would sell to remove the pressure and the stresses I feel as a managing partner,' he says. 'But I'm only 47 so there's no particular plans for selling right now'.

The biggest challenge is work-life balance, which is never where he would like it to be. However, Matthews still finds time to play ice hockey with Canadian and other expats and coach his daughter's softball team. His two sons also play baseball and softball at London Sports, and Maseco has become a main sponsor of the league. Matthews is also very enthusiastic about the softball match Maseco organises on 4 July, US Independence Day, which is expected to raise around £10,000 for the London Sports charity.



It is never long before Matthews returns to his favourite theme of charity. But under Matthews' leadership, it has also developed a more thoughtful way to use wealth for positive impact compared with most financial services firms. As social responsibility become an increasing part of the new model, Maseco offers an admirable template for the future.

### The fee bit...

Maseco charges no initial fees. Its ongoing fees are on a sliding scale of percentages. A typical client with £2.5 million to invest pays around £20,000 a year.

For the ongoing fee, clients typically receive two meetings a year, investment advice, tax efficient investment planning, advanced financial planning, tax and performance reporting and liaising with third parties such as trustees and lawyers.

Matthews says the typical fee of £20,000 is justified by the investment tax savings, investment performance and financial planning.

'The financial planning side is complicated and making it tax efficient from a US and European perspective tends to attract the higher-net worth among American expats,' he says. 'But providing this specialist advice means Maseco's costs are much higher compared with a typical European IFA as we have to comply with two sets of regulators in Europe and the US. We also benchmark our fees annually'.

### Maseco offers clients a range of options via in-house portfolios

Maseco's investment committee meets monthly and comprises Matthews; Sellon; chief investment officer Helge Kostka; chief operating officer Nick Tissot, Mark Scher of Maseco Asia; and Tim Hale of external consultant Albion. Maseco runs in-house model portfolios, mostly populated by funds from Dimensional Fund Advisors.

'We're evidence-based, factor-based investors,' says Matthews. 'Markets are generally efficient, except in small-cap companies, value stocks and those with superior profitability, so we overweight our allocations in these factors. We have benefited from the small cap and profitability factors in the past 10 years.'

'The value factor has worked in developed markets excluding the US, but not in the US itself and not in emerging markets. We are still overweight in profitability small and value, which leads us to overweight emerging markets equities and, on the fixed income side, we're overweight global bonds and alternative credit'.

Maseco portfolios also hold global bonds, real estate and commodities plus alternative credit.

Source of data: Internal, 10th June 2019

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