CAPITAL MARKETS

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Satisfying the small investors

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Graham Skellern

Nearly five years after buying Macquarie Private Wealth New Zealand and renaming it Hobson Wealth, Warren Couillault has doubled the size of his business. It coincided with a surge of renewed interest in the sharemarket.

Hobson Wealth runs four offices and a team of more than 80 staff in New Zealand, up from 54 people in 2016, and handles more than $3 billion assets under management for about 2000 clients.

"The growth has accelerated over the past 12 to 18 months, and we've built a nice boutique private wealth advisory firm," says chair and chief executive Couillault, who previously spent nearly six years at Fisher Funds as an analyst and chief investment officer.

"I've no aspiration to broaden out in the market. I just want to stay focused on private wealth and look after the Mum and Dad investors and KiwiSaver savings. That's what I like.

"A lot of money needs advice, and financial advice is valuable and hard to get for people with smaller balances. We work closely with all our clients and make sure they are looked after — whether they have $200,000 or $2 million to invest."

Hobson Wealth clients' worth range from $100,000 to $50m — with an average of $1.5m to $2m of assets — and their wealth goes into individually-structured portfolios of shares and bonds based on their investment needs and risk profile.

The firm charges a fee of up to 1.5 per cent a year for advising, reporting and managing clients' assets.

Hobson Wealth constructs portfolios based on long-term modelling and data showing risk-adjusted returns on different asset classes. If a client is looking for a higher growth investment, for example, the portfolio would have a bigger allocation of international equities than New Zealand bonds. On the other hand, a client wanting more safety and reassurance would have a stronger investment in bonds complemented with equities.

"We don't chase the hot things, such as bitcoin — though some clients are interested in it — and we favour asset diversification so the portfolio is not vulnerable to any particular trend at the time," says Couillault.

"What I've found is that slow but steady wins and compounding returns lead the race over time.

"You need to keep a steady hand on the tiller and not be flighty with investments by switching from one place to another, but also take the opportunities when they arise."

Couillault says investing is tricky. "There's lots of information and moving parts, and that's why professional advice to filter the information is very valuable.

"Look at the amount of KiwiSaver money that was switched from growth to conservative schemes during the Covid lockdown, I think it was $1.5 billion — they did this in the absence of solid advice. The market bounced back quickly and it will take years for them to catch up returns-wise.

"That was a serious amount of money and they are long term savers.

"I'm an 'old' guy who has seen big sell-offs before and know they recover over time. In the midst of the equity sell-off in March/April last year, I thought the financial markets would stay subdued for at least a year. I didn't expect the market to fully recover and more within four to five months. Sometimes it's good to be wrong.

"The best thing for clients is to stay in touch with the adviser who can work out what the best strategy is for them."

Couillault says the low interest rates prompted and spurted the interest in equity markets. "Anyone with a term deposit at the bank will be lucky to get 1 per cent, and that's not much on your hard-earned savings. You have to look around and find something better."

He doesn't believe inflation will spike and stay high, and interest rates may (eventually) move within one per cent or so from the current low base. "It won't be like the old days when interest rates were 7, 8 per cent and into the 10s. The low rates will keep driving interest in other types of assets."

Hobson Wealth is moving into funds management by introducing the Navigator series, and it has established the Koura KiwiSaver scheme with online advice and tools. Koura charges a 0.63 per cent fee for its scheme, with a $30 annual membership for customers over 18.

The Navigator series has three funds — New Zealand Equity, International Growth and New Zealand Fixed Interest — and Hobson combines percentages of each fund to suit investors' requirements.

There are five levels of risk or investment models: conservative (7.46 per cent return for year ending December), moderate (8.49 per cent), balanced (9.36 per cent), growth (10.15 per cent), and high growth (10.27 per cent). A moderate allocation, for instance, would be 22 per cent in each of the NZ Equity and International Growth funds and 56 per cent in NZ Fixed Interest.

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>
> Warren Couillault, chair and chief executive of Hobson Wealth

The funds cater for the Mum and Dad investors. "If you have $200,000 to invest, it's hard to get 50 securities in New Zealand and around the world. The cost of doing that and administering it is too hard," Couillault says.

"But if you can put that money into a fund with other people, then you get cost efficiency, scale and a diversified portfolio. Our funds management is still in its infancy and is a very small part of the $3b assets. It's been going 18 months and will take three years to get up and running properly," he says.

And where does he find investment opportunities? "The technology sector has been a big theme over the past few years — and for the years to come. So much happens so quickly in that sector and it can also get to the market quicker. It just seems to keep on going."

Couillault also likes the healthcare/medical devices, and retirement village sectors. "New Zealand has good retirement village companies with strong management, and there is still excess demand for new villages. They are also a property play, it's a niche sector and it's close to home."

One of the things he finds interesting with equity markets is that investors often fall out of favour with certain sectors, even rashly. "Take retail — people said bricks and mortar strip shopping was dead because of the disruptive online buying. There hasn't been a wholesale collapse, businesses have adapted to the delivery changes and retail has bounced back, providing future investment opportunities," says Couillault.