

London & Capital: Reassuring Clients in a Volatile Marketplace

London & Capital

Company Overview

London & Capital was founded in 1986 as a small international investment boutique, and has grown to currently report on \$1 billion across several specialized portfolio management divisions. Throughout its history, London & Capital has remained focused on achieving consistent returns, providing first-class service, and preserving their clients' wealth. "Our investment philosophy is more 'stay rich quick', as opposed to 'get rich quick'," said William Dalziel, a London & Capital Partner and the head of the Institutional division. "Clients are looking to us to exercise good stewardship over their assets, with the level of care they would use themselves."

London & Capital's good stewardship approach especially influences their reporting and compliance strategies. "Investment reporting is absolutely central to our relationship with insurance companies," said Dalziel. "For the companies we deal with, the portfolios are a very significant—if not the most significant—part of their business in terms of resources." With almost 30 years of experience in managing clients' wealth, London

& Capital knows the importance of adapting business tools to meet both their clients' and the financial markets' evolving needs.

So, when the late 2000s drastically altered insurance investments' regulatory framework, London & Capital recognized it was going to be a time of transformation. "In 2008, the banks all blew themselves up, and now insurance companies have to be more regulated. Whether we like it or not, we are going through a period of regulatory recalibration," said Dalziel. "We need to be able to provide historic data that supports our expert opinion on what forward-looking volatility and returns projections look like, and we are getting increasingly more requests to provide aggregate portfolio reporting across everything."

London & Capital has always focused on how to best protect their clients' investments against an unpredictable future. But complicated global regulations and increased investment volatility had led to unprecedented reporting difficulties. London & Capital worked to get their clients the same high-level of service even against these new challenges, but their

INDUSTRY

- Specializes in insurance companies, captive clients, corporations, private wealth, and other institutional investors

AUM

- \$1 billion +

BUSINESS ISSUES

- Incomplete view of portfolios
- Inefficient client reporting processes
- Keeping up with regulatory changes
- Lack of scalability
- Communication and currency issues for multinational clients

portfolio managers were hindered by the labor-intensive reporting. "There was a lot of manual work to get the numbers to add up and be accurate, and that was at the cost of working on compliance and focusing on optimal investment decisions," said Dalziel. "Invariably, it was down to the portfolio managers to make sure that everything was put together."

“Our process for investment reporting relied on add-on systems to link in the trading with the portfolio management. We supplemented that with client-by-client Excel spreadsheets to break down the asset base and provide the information in the form required by each individual client. We were trying to build a system around the client needs and be responsive to what they are looking for. We had to try and complete fields that were not in the system, because when it was developed no one thought they were needed.”

William Dalziel
Partner, London & Capital

London & Capital needed to keep their portfolio managers free to manage portfolios and serve their clients, instead of struggling to manipulate add-on systems and spreadsheets. They needed a better solution—one that could scale to meet regulatory compliance changes and meet the challenges of working in an international landscape—and a solution provider they could trust to treat their clients’ data with the professionalism and high standards that London & Capital’s reputation is built upon.

Investment Benefits with Administration Headaches

London & Capital customizes their investment approach to each individual client’s needs. So, working with a reporting system that was not customizable caused big problems. “Our process for investment reporting relied on add-on systems to link in the trading with the portfolio management. We supplemented that with client-by-client Excel spreadsheets to break down the asset base and provide the information in the

form required by each individual client,” said Dalziel. “We were trying to build a system around the client needs and be responsive to what they are looking for. We had a core data system in place, but we had to supplement that with analytics on things like amortizing the price of a bond or providing supplemental information on NAIC ratings. We had to try and complete fields that were not in the system, because when it was developed, no one thought they were needed.”

The rigid systems were not only unadaptable to individual client needs, they also could not be fine-tuned for new regulatory changes. Since London & Capital wasn’t willing to give clients the inadequate reports produced by these systems, their portfolio managers had to spend a lot of time forcing the customizations, double-checking all data for each client, and modifying the reports to make them as clear as possible.

London & Capital recognized an administrative gap in how they processed segregated funds of

KEY BENEFITS

- **Transparency and Accessibility:** clients have 24/7 access to independently-verified accounting, compliance, performance, and risk reports, for complete transparency into investment portfolios
- **Global Integration:** smooth incorporation of multiple custodians and varying currencies, across several countries
- **Regulatory Scalability:** easy adaptation to the new regulatory expectations of Solvency II and any other upcoming regulations
- **Client-Focused Support:** helping London & Capital focus on their guiding principles of ensuring client needs are driving all investment decisions
- **Segregated Portfolio Administration:** making segregated portfolios available to smaller captives without compromising quality
- **Time Saving:** no more double-checking data or manual reconciliation work

all sizes. This was particularly challenging for London & Capital’s captive clients, many of whom are in the Caribbean with parent companies in Europe, the United States, and Canada, and who have portfolios as large as \$800

million. London & Capital had tailored investment management strategies for these captives, but they were noticing a trend towards smaller investments spread out among the captive portfolios. While this helped their clients, it also added new complexities. London & Capital realized that, in addition to updating their reporting systems and general investment solutions, they needed specific tools for managing the details of many small investments, instead of one or two large ones.

“Captives are increasingly getting smaller in portfolio size, but larger in number,” said Dalziel. “The real solution is almost invariably a segregated portfolio. The problem is, we have to deal with the administration that goes behind it. If you come up with the right solution but the operation of that solution is a nightmare, you’re adding cost and complexity, which might offset any benefit you get from the investments. So, it was very important that we had a solution that would integrate to the insurance managers and get them the data they need in a timely manner.”

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William Dalziel
Partner, London & Capital

“For many clients, there is a tremendous amount of comfort in the fact that the person making the investment decisions is not the one telling you what the portfolio is worth. Nothing is hidden; everything is available, and the client can look at any level of detail they want to at any given time. I don’t see how you can achieve that absent the service Clearwater provides.”

William Dalziel
Partner, London & Capital

In order to make segregated funds beneficial to their many captive clients, London & Capital needed to improve their integrated reporting. “Our custody systems were not designed with the particular needs of captives in mind,” said Dalziel. “So we explored other routes, and we were introduced to Clearwater.”

Captives and Beyond

“Many people just come to the conclusion that they have to compromise on the quality of the solution,” said Dalziel. “Accuracy, timeliness, reporting, granularity are necessary, even if it is a small portfolio.”

With Clearwater, London & Capital is able to meet those challenges without compromise. “It’s not only about the benefits to our company, but it really lines up with the benefits of a captive: being able to

offer small, wholly-owned insurers to smaller companies. In the past there have been some costs, which meant you had to be a bigger player before you were able to take part in a captive. Now with Clearwater, captives are available to smaller entities without compromising the quality of what they’re buying.”

London & Capital also discovered that, in addition to making a segregated portfolio strategy more accessible for captives than ever before, Clearwater was able to improve overall processes by smoothly integrating multiple custodians, easily adapting to the new regulatory expectations of Solvency II (and any other upcoming regulations), providing unparalleled report transparency and system access, and delivering superior customer service. “We have links to multiple custodians, and the fact that Clearwater supports that and allows us to make a cost-free decision, since we don’t have to make separate links to separate custodians, is tremendously helpful and totally aligned with our philosophy,” said Dalziel. “With Clearwater, portfolio managers can focus on strategy

and not on reconciling numbers. Clearwater lets us focus on what we really want to focus on, which is making sure the client is in the driver's seat and making sure that we give the client what they need."

Security in Transparency

In addition to benefitting London & Capital as asset managers, Dalziel believes that Clearwater provides direct benefits to their clients. "For many clients, there is a tremendous amount of comfort in the fact that the person making the investment decisions is not the one telling you what the portfolio is worth," said Dalziel. "It gives our clients a level of independent governance over the affairs of the investment portfolio. Nothing is hidden; everything is available, and the client can look at any level of detail they want to at any given time. I don't see how you can achieve that absent the service Clearwater provides."

This transparency and accessibility is especially important for London & Capital when working with multi-national clients. In the past, managing operations across different time zones often slowed communication and increased frustration on both ends. The reliability and availability of

Clearwater has allowed London & Capital to juggle these complications with unprecedented ease. "We work with clients across many different time zones, and the availability of the system, at their convenience, is a great benefit. The fact that clients don't have to be frustrated that we're not in the office or that we've been fast asleep for hours because of the time difference is very helpful," said Dalziel. "Additionally, we travel extensively to see our clients, and one of the last things we want to do is leave a briefcase on the plane full of client papers. With Clearwater we don't have to risk that anymore; it's all available online."

Similarly, Clearwater's seamless integration has enabled London & Capital to simplify their reporting across any currency or country. "We have a global investment approach, and it is very, very helpful to have the multiple investment currency system that Clearwater provides. We have clients who need their reporting currency in euros, U.S. dollars, or Canadian dollars, and we don't need a different system for each currency, which is great."

London & Capital was hoping to increase the viability of segregated

portfolios for captives, while not compromising on the quality of their reports and reconciliations. They can now do that, and so much more. The benefits have been substantial. "With Clearwater, we have managed to develop a solution for cell captives that has attracted \$135 million of assets from 116 different entities," said Dalziel. "That generates meaningful income for our firm, and it allows us to diversify away from the dependence on a small number of very large clients. Clearwater allows us to think of every single individual client as a complete, separate portfolio, which, of course, it is."

London & Capital takes the time to get to know their clients and works to align each clients' portfolio across their specific needs. Bringing Clearwater on helped London & Capital continue to ensure that the investment portfolios they managed met both clients' and regulators' expectations. "We can't speak highly enough about Clearwater," said Dalziel. "Clearwater enables us to empower the client in a way that hasn't happened before, and it enables us to be the best institutional manager we can be."

About Clearwater Analytics

Clearwater Analytics® is the leading provider of web-based investment portfolio accounting, reporting, and reconciliation services for investment managers, corporate treasuries, and insurance companies. Clearwater aggregates, reconciles, and reports on more than \$1.4 trillion in assets across thousands of accounts daily. For more than a decade, Clearwater best-in-class technology and client services have enabled firms to capitalize on new opportunities, strengthen their existing client relationships, and streamline their internal processes. Clearwater is committed to continuous improvement and encourages asset managers to rethink how they approach their investment accounting and reporting operational challenges.

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