

Talisman Global Asset Management: Investing with one of the UK's richest families

Ian Orton
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Joint ventures with other property developers and investors have played a significant role in the strategy of the Pears family, one of the UK's richest families which owns property and investment worth around £6 billion, since it entered the property and real estate sector in 1952. And it looks as if the same outlook is set to influence the outlook for its non-property-related activities. For it has decided to open Talisman Global Asset Management, its in-house private investment office, to outside investors with a minimum of \$5 million to invest.

Indeed it seems to have geared-up for this outcome for some time. As an institution that catered for one just one family client Talisman would not have required an authorisation from the Financial Services Authority (FSA), the UK's regulator, to provide investment management services. Nonetheless, the family took the decision to get such an authorisation in 2004.

"Given that the Pears family was Talisman's only client an FSA authorisation was not strictly necessary," Julian Sinclair, Talisman's chief investment officer, told thewealthnet. "But it decided from a very early stage that Talisman should adopt the best institutional practices whenever possible

and adopt the same protocols and compliance procedures as other firms. Establishing institutional best practices has opened the way to similar minded investors co-investing alongside Talisman."

When it comes to investment returns Talisman also appears to have adopted best practice. Its multi-asset class investment strategy has generated a compound return of 9.7 percent over the past 10 years with annual volatility of 6.51 percent, a Sharpe ratio of 1.46 percent and a Sortino ratio of 2.54 percent. During 2010 it generated a return of 8.34 percent.

"These returns, which equate to a total 10-year return of 152 percent, coupled with additional capital infusions from our family client, mean that Talisman has grown total assets under management from around £250 million in 2001 to more than £1.6 billion," continued Mr Sinclair.

Talisman can trace its inception back to the decision of the Pears family to seed an in-house private investment office with £50 million of investment capital garnered from the proceeds of a parcel of real estate sales in 1994.

"The family had previously placed money with private banks and other investment management firms," said Mr Sinclair. "But to achieve a much better alignment of interests and control it decided to establish its own in-house facility. It incorporated Talisman in 1998 and we assumed our current structure in

2001 before acquiring an FSA authorisation in 2004."

The Talisman investment proposition would be suitable for a wide client base suggests Mr Sinclair. "This could include charities, foundations, other family offices and perhaps some of the smaller sovereign wealth funds as well as very rich private clients," he noted. "We think that our proposition would be particularly appealing to family offices that currently lack an investment management facility. We have the mindset of a family office coupled with the skill set and experience of a successful hedge fund."

Talisman's global investment universe consists of fixed income, equities, foreign exchange, hedge funds, private equity and commodities. Its investment process incorporates both top-down asset allocation and bottom-up investment origination. This enables it to invest on an opportunistic basis, albeit within a tightly controlled risk-management environment with an explicit capital preservation emphasis.

During 2010 Talisman increased its equity exposure from 18.35 percent of total assets under management to 23.40 percent "funded" by the total sale of an 11.45 percent allocation to private equity. It also increased its allocation to cash and hedging from 20.28 percent to 22.14 percent.

Going forward Talisman is increasingly bullish on US equities. With the real estate bottoming out and the banking

sector recapitalised the US looks an increasingly proposition, especially given Talisman's value orientation.

"We are basically value investors," continued Mr Sinclair. "Value is beginning to look very scarce in some markets, such as Asia. But it is still very plentiful in the US."


Like a number of other investors Asia has lost its attraction. "Inflation is set becoming more problematic in Asia, and not just in China. The current situation is not sustainable, at least not in the short-term and we are shorting some

markets," he said.

Talisman also sold its gold positions in December, reinvesting the proceeds in oil on better relative value grounds.

Perhaps not surprisingly given its ownership Talisman is very well resourced. Mr Sinclair currently heads a nine-man investment team, many of whom have extensive institutional and hedge fund experience backed by a three-man operations team and a two-man trading team. It has recently hired an investment relations specialist and is in the process of recruiting a business

development team.

Mr Sinclair commenced his investment management career at Gartmore before going on to Altima Partners LLP, a London-based hedge fund management firm where he was a partner and co-manager of its special situations fund. Following a brief sojourn at BlueBay Asset Management, the big \$40 billion credit and fixed income specialist recently acquired by Royal Bank of Canada (RBC), where he moved to establish an equities platform, he joined Talisman in January 2009. 

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