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BUSINESS

Ethical ayatollahs are sucking the life out of the stock market

Daniel Pinto is a Parisian anglophile who can't bear the City's virtue signalling. So why float his £1bn investment firm there?

INTERVIEW
OLIVER SHAH

For a man hoping to float his business on the stock market, Daniel Pinto isn't afraid to sock it to the City. Traditional fund managers who dislike chancellor Rishi Sunak's proposed reforms to listings are "bastions of conservatism" and "partially responsible for having prevented the UK from catching the digital revolution". Environmental, social and governance (ESG) "ayatollahs" are crushing entrepreneurship in public markets with their ideological fervour. Most non-executive directors are there simply to "reduce the power of the CEO". Even reviews into improving competitiveness – a movement Pinto supports – tend to be overseen by "City grandees who are stuck in the past".

The founder of Stanhope Capital, a wealth manager for the discerning of taste and bulging of wallet, agrees with his friend Sir Martin Sorrell that London's blue-chip index has become a "museum". "The S&P 500 [the US equivalent] has trebled in value in the past 20 years, while the FTSE 100 has done nothing," he says. "The US economy is four times the size of the UK economy, yet its stock market is 20 times the size of the UK's. The FTSE 100 has 2 per cent of its components involved in technology; the US has 27 per cent. We have completely missed the digital revolution."

Stanhope's boss decries the UK's "very rigid version of governance – a system where directors see themselves as guardians of the temple instead of partners with the CEO". So why on earth does Pinto – a deracinated Parisian who says that "in spite of everything we might say about the anti-risk attitude here, it is infinitely better than in France" – want to take his baby public?

From a standing start in 2004, Stanhope has grown into a global business with six offices around the world and $30 billion (£22 billion) under management for clients including (reportedly) the Queen. Over a bottle of white burgundy at the exclusive Mayfair club 5 Hertford Street, its founder says he wants to keep expanding. Merging with another private bank would be tricky given that Stanhope styles itself as the "anti-private bank" – "I have a poison pill built into our very model". Taking money from private equity is "condemning you to sell; private equity comes in for five or six years, max, then they want to exit". As the tycoon Sorrell has demonstrated with S4Capital, his digital advertising venture – which counts Stanhope as an early backer – having a stock market quote can be useful for making acquisitions. "We are growing organically very well," Pinto says, "but consolidating the industry is very much part of our objective. When you are buying businesses, it is much easier to do that with … listed stock."

In the UK we have hindered risk-takers and dropped respect for entrepreneurs

Like Sorrell, Pinto is an ardent believer in the recommendations made by Lord (Jonathan) Hill's listings review, endorsed by Sunak. These include allowing companies with dual-class share structures – in effect, golden shares giving the founder more power than ordinary investors – into the hallowed "premium" part of the stock market, qualifying them for entry to the FTSE indices. In March, a revolt led by Aviva Investors over the float of Deliveroo, which has dual-class shares, was interpreted as an expression of unhappiness over this plan to breach the long-held principle of "one share, one vote". The issue has again come to the fore with the collapse in the share price of The Hut Group, the beauty-tech empire whose founder, Matt Moulding, has vowed to relinquish his golden share.

Pinto says that traditionalists who dislike dual-class shares are making a "big mistake". "They are short-term-centric and should absolutely open up their minds to different ways of doing things," he says. "It's a catchy phrase, 'One man, one vote' … except that when you say it, you mean, 'I am absolutely diluting the entrepreneurial drive of founders.'"

This is rejected by UK equities fund managers such as Richard Buxton of Jupiter, who reckons the possible inclusion of companies with dual-class share structures in indices and index-tracking funds is a "future scandal in the making". "If I am giving you my capital, I deserve the right to be able to influence how you spend that capital – rather than in effect be in a powerless lottery," he says.

Slender and softly spoken, his upper-class English seasoned with a Gallic lilt, Pinto comes across as cerebral but uncompromising. He is a board director of Château Margaux ("the owner is a dear friend of mine") and wields the wine list like a surgeon with a scalpel. Pinto orders a bottle of Puligny-Montrachet, then quinoa salad and sea bass. He is disappointed to learn the zucchini fritters are off. "No fries," he laughs, when the waiter offers a substitute. "That's too naughty for me."

Pinto, 55, had an affluent upbringing in Paris, his father a partner in a commodities trader. He was educated at the elite Sciences Po, "which normally trains politicians". "I would have gone into politics like this," Pinto says, snapping his fingers, "but there is a whole generation of people that felt that politics is noise."

He left France after university, aged 22. While studying for an MBA at Harvard Business School, Pinto read a biography of Sir Siegmund Warburg, who co-founded the merchant bank SG Warburg in the late 1940s. The "extraordinary" story inspired him to go into investment banking – and, in 1993, the most exciting destination was London.

Pinto joined SG Warburg, which was swallowed up by Switzerland's UBS. He stayed until 2000, when he left for a private equity-backed venture fund. Four years later, he founded Stanhope, again drawing on Warburg. "When you start a business, you need role models," he says. "I found the story of Siegmund Warburg – building a business from scratch in the 1950s as a German Jew surrounded by the British establishment – inspiring. I'm not saying I did the same, but there are similarities in the sense of arriving in a place that is not waiting for you and succeeding by finding something different." Pinto is scathing about the models of most private banks, which he says have "absolutely prevalent" conflicts of interest. Under the US model, clients are offered investment and savings products designed in-house by the bank, limiting their choice. Under the Swiss model, they are offered a wider range of external products, but the bank often quietly receives commissions from the providers. "If you say, 'I am giving you advice,' but in fact you are selling to me, it's problematic. And the whole model of private banking is predicated on this ambiguity."

Then there are the fees. Pinto claims new clients are often shocked to learn they have been paying a total of 3 per cent a year to their previous private bank in opaque charges. "People are astounded," he says. "They've been with the same wealth manager for 10, 20 years … and they realise that for years they were not told the truth about the real cost of managing their money … When an asset manager is taking 2 or 3 per cent of your wealth on a yearly basis, you're basically shifting your capital to [them]."

Stanhope was founded on core principles. It is "open architecture", meaning it claims to offer the best range of products on the market. It doesn't keep any commissions from product providers, instead passing them on to clients. Its partners have to "eat our own cooking" by investing their money in the same funds as clients. And annual charges total 1 per cent or less.

Pinto says Stanhope's mindset aligns it more closely with entrepreneurial customers. "Other private banks are obsessed with capital preservation, and that's a cop-out for not performing," he says. "There is a cultural divide between an entrepreneur who has made money and your typical private banker who talks about generating inflation plus 3 per cent … Every entrepreneur has two sides to his or her brain. One side is, 'I want to sleep well – give me inflation plus 3 per cent.' The other side is, 'Give me excitement … because I'm willing to take risks.'"

Taking private equity money condemns you to sell in five years

That mindset appears to be paying off. Stanhope, which has 140 staff, now manages money for more than 300 families and 70 institutions. The minimum ticket size is $10 million and the average portfolio holds $75 million. For some reason, Pinto won't disclose Stanhope's consolidated accounts. Last year's accounts for Stanhope Capital LLP in the UK showed a 10 per cent rise in turnover to £24.9 million and a 55 per cent jump in profits to £8.1 million, although Pinto emphasises that this is only a fraction of the wider group's performance.

As Stanhope has grown, so have its founder's connections. Pinto, whose brother-in-law is the US secretary of state Antony Blinken, counts the former BP boss Lord (John) Browne as chairman of his advisory council. Stanhope's board members include Egyptian billionaire Shafik Gabr, private equity pioneer Thomas H Lee and former French minister Fleur Pellerin. Presumably, if Stanhope floats – Pinto reckons it would be a "unicorn" worth at least $1 billion – these non-executives would be among the small minority in the Plc world trying to help their boss rather than rein him in.

Browne, 73, recalls that he first came across Pinto when he was looking for somewhere to park his money. "Daniel has the vision of what he wants to do and the capability to execute on it," he says.

Pinto is thinking of a float in two or three years for Stanhope. Despite being a vigorous remainer, he says London is "the capital of Europe" and this is where he would like to go public. But he makes it clear that reforming listings rules will be "core". "Are we supporting risk-takers or are we punishing risk-takers?" he asks. "Sadly, in the UK, for the past 10 or 20 years we have hindered risk-takers. We have dropped our respect for entrepreneurs and that's really, really an issue."

The ESG ayatollahs should watch out.

TOM STOCKILL FOR THE SUNDAY TIMES

Daniel Pinto dismisses traditionalists who oppose dual-class share structures. "They should open their minds," he says

THE LIFE OF DANIEL PINTO

VITAL STATISTICS
Born: September 11, 1966
Status: married to Alexandra Pisar-Pinto, with two children: Arielle, 25, and David, 19
School: Ecole Yabné in Paris
University: Sciences Po in Paris, Université Paris-Dauphine and Harvard
First job: SG Warburg
Pay: undisclosed
Home: South Kensington
Car: black Mercedes
Favourite book: *Solal*, by Albert Cohen
Drink: Château Margaux
Film: Bertolucci's *1900*
Music: Dire Straits and Simon and Garfunkel
Gadget: "Apple paraphernalia"
Watch: Lange & Söhne Time Zone
Charity: Prince's Trust and Yad Vashem (World Holocaust Remembrance Centre)
Last holiday: Corfu

Holiday spot Corfu; he listens to Simon and Garfunkel

WORKING DAY
The founder of Stanhope Capital drives from his home in South Kensington to the wealth manager's offices on Portman Square, arriving for 8.30am.

Daniel Pinto works long hours, though he sometimes goes for a walk in the park puffing on a Romeo y Julieta Wide Churchill cigar to clear his head.

Pinto leaves at 8pm and has "very little downtime" — he sees clients for dinner two or three times a week.

DOWNTIME
Pinto enjoys reading and writing — he worked "every night and weekend and holiday" on *Capital Wars*, a book about the eastern economies. He is a keen runner and a wine lover, and in 2009 he ran the Médoc marathon through the region's vineyards.