



# The rise of the boutique

**Mark Tyndall, chief executive at Artemis Fund Managers, considers the rise of the boutique investment house**

## Were there any investment boutiques 12 years ago?

There definitely were, especially in the US, but here as well. It's not a new phenomenon; the owner-managed investment manager is almost the way the whole industry was before the savings industry was distorted by tax breaks and the intervention of the large banks and insurance companies.

## What, for you, defines an investment boutique?

If the people running the money have significant ownership of the business, they are as likely as they can be to make decisions for clients that make sense in the long term. The business strategies that evolve are purely for the requirements of that business; they are not diluted by overlapping business units, operations in other countries and so on. Once you have started to meet those criteria, you are in boutique-land. A number of boutiques might have outside ownership but they still have a business plan that is entirely geared to that business and its client base.

## What are the factors that have enabled boutiques to thrive in the past decade or so?

It's actually the failure of the brand leaders with the big market share, which were bought by banks and life companies. They have had sufficient issues that their clients have become disaffected and advisers have been able to go to their clients and say "these people you have never heard of are offering better products, better performance and better value for money".

## How has this matched up with your own experience?

It reflects our experience entirely. There are an infinite number of people with a longer track record and more marketing resources, but advisers have taken business from them and directed it to us. It's not that different, but we have done it well and with the clarity and focus we get from being the new boy on the block with very little to distract us.

## How important is a clear marketing message to a boutique? Is it enough to assume investors will seek you out because of your performance record?

I think it's very important. The purest fund manager likes to think people will come flooding to its door but the reality is there are some very good track records in boutique-land where businesses don't get a lot of attention in the market. It may be that they like to stay incognito, and that's commendable, but it's difficult to see how those businesses can become more substantial. With a clear message to advisers, when the adviser talks to the client they are well enough informed and the clients have a shadow of recognition. The adviser is taking less of a personal risk on the quality of the recommendation. The larger fund management boutiques have pretty effective and well-resourced marketing strategies, and that has a positive effect in their growth. But a lot of boutiques don't aspire to be that large.

## Can the big financial services companies offer effective "boutique" operations?

Is Gordon Brown convincing when he says he gets up in the morning and listens to the Arctic Monkeys? It's hard to reverse-engineer the boutique culture. It might be possible within a large company ethos, but it would be very difficult.

## Do you still consider Artemis a boutique?

The DNA of the business is still completely that of a boutique. The only difference from five or six years ago is we now have 10 funds instead of six and our six fund managers have grown to 14. Everything that goes into the culture – the desire to compete, to succeed, to run great products and to enjoy ourselves, the integrity and honesty and the desire to give our clients what they want – is wholly the same. Our business plan has never been about acquiring assets; it's about doing the best we can, and if the market wants to give us more money to run, that's fine. If not, that's fine too. Being a boutique is not about resources, but about the ethos of the business and what drives people.

## How have you expressed your boutique ideals in the wider world?

We don't spend time evangelising on the benefits of being a boutique; we spend it on telling people how wonderful Artemis is, because that's what we believe.

## Is there a new generation of boutiques coming through?

I think it's to be encouraged. If clients want active management, it is better for them to have a range of emerging boutiques, as it means they are more likely to find success in their quest. If that's not what they want, they will revert to the more closet-tracking, less actively managed sphere, and that comfort factor will play into the hands of the non-boutiques, who project an image of stability. But if you want to do better than the market average, the boutique is the way to go, and it would be healthy if there were lots of boutiques, not just a few. There are some very good businesses out there that haven't yet got wider recognition, but they will if they continue to do things right.

## How do you see the fund management arena developing in the next few years?

We will see continued market share accretion in the hands of relatively new entrants, and the big integrated houses will continue to struggle. IFAs and advisers – with considerable effort – will improve their knowledge of a more diverse provider base and will be able to give their clients better advice about where to go. In boutique-land, the big will get bigger, there will be more players and they will establish a bigger profile, a better reputation and more market share. The losers will continue to be the big legacy integrated businesses.

## What would you do differently if you were starting out today?

I think ultimately the ambition for any boutique is to be wholly owned by its partners, but that is a question of financial wherewithal. When we started out, we simply didn't have the money to do it all ourselves, so we had outside investors from the word go. That's not bad, as it increases your accountability.

Our core desires and abilities are unchanged: we are, and always have been, active and unconstrained investors. Whether our clients turned out to be retail or institutional was never part of the plan – you start with investment conviction and belief, and you do not subsequently compromise your ability to deliver in order to meet some arbitrary growth targets. We didn't do that, nor would we if we were starting out again today.