ASSET MANAGERS NEED **FULL FLEXIBILITY TO NAVIGATE CURRENT INVESTMENT ENVIRONMENT**

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ABOUT **THE AUTHOR**

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The global asset management landscape continues to evolve at a faster pace than ever before. And while one should avoid reacting to the unrelenting news flow or "noise" in the markets, there are certain macroeconomic events that do call for fleet of foot, with recent events in South Africa being a case in point.

The seemingly relentless pace of political and economic events unfolding in the country currently means that asset managers are required to be significantly more nimble in their decision-making and investment approach. As the risk of a multiple sovereign debt downgrade becomes more likely, the ability of fund managers to act swiftly is even more pertinent.

Against this backdrop, it is crucial that asset managers should be able to adapt in order to navigate financial markets successfully and deliver to client expectations. A multi-boutique structure, allowing for more flexibility than a larger asset manager, enables a fund manager to do this.

In the case of Old Mutual Investment Group's structure, we organise our fund managers into small, focused teams of boutique asset managers, entirely focused on their clients' outcome. The fund managers invest a significant portion of their personal income in the portfolio they manage and benefit from short lines of decision-making within their small, focused teams. This means that they are completely aligned with the client outcome in terms of their own wealth provision.

This lean organisational structure of sensibly sized teams, as well as an appropriate amount of assets under management, also allows for increased focus – something that goes hand in hand with the differentiated and disciplined investment processes employed by boutique funds. It is these unique processes that drive investment autonomy and enable our boutique fund managers to make investment decisions based on independent, original research. In this sense, our boutiques are entirely distinct entities and can take their own view of the market – a level of independence that keeps talented fund managers fully focused on delivering to clients' expectations.

Indeed, if you take our particular structure, which is a pure boutique model, in the sense that the fund managers themselves have direct equity ownership in their own boutique, we are only aware of two other players globally – namely Affiliated Managers Group (AMG) and Legg Mason, both of whom are in the United States – who go as far as we do in terms of the alignment of our fund managers with the end client outcome.

The alignment mechanism is strongest when it comes to delivering performance, client service and business success. This is because the fund managers benefit directly through profit participation in their own boutiques and also through the equity they own in that boutique.

South Africa is a highly competitive environment in terms of asset management, and to succeed asset managers need all the right tools. Given the current economic backdrop and uncertain market outlook, the multi-boutique model offers a remarkable competitive edge through the facilitation of the kind of increased flexibility necessary to navigate this environment. The success of the model is reinforced by investment performance, in that we've been able to demonstrate consistent value added over the 10 years since the launch of the boutique structure.

In short, our investment model aligns us completely to the client, as we do not prosper unless they do. We are, ultimately, as invested as they are.

KEY TAKEOUTS:

- ASSET MANAGERS NEED TO BE MORE NIMBLE IN CURRENT ENVIRONMENT
- A MULTI-BOUTIQUE STRUCTURE ENABLES DECISIVENESS AND INCREASED FLEXIBILITY
- LEAN STRUCTURES AND SENSIBLY SIZED TEAMS ALLOW FOR INCREASED FOCUS
- DIRECT EQUITY OWNERSHIP ALIGNS FUND MANAGERS WITH END-CLIENT OUTCOMES