RISKING IT ON BOUTIQUES

Some fund managers are so keen to work for boutiques, they'll take a pay cut. Nick Fitzpatrick talks to Lionel Aeschlimann, chief executive of Mirabaud Asset Management, which hired established names to work on new products.

THE RECRUITMENT DRIVE at Mirabaud Asset Management sounds innovative. Some of the established fund managers who joined Mirabaud in its well publicised string of appointments over the last two years, took pay cuts, reveals Lionel Aeschlimann, the firm's chief executive.

He says these people were prepared to take career risk and sometimes a cut to their remuneration in order to work at Mirabaud because they wanted to be in a boutique environment.

Mirabaud Asset Management is part of Mirabaud & Cie, a banking and asset management group. It has the equivalent of €6.5 billion of assets under management (at December 31, 2013) and has launched new investment products in the past two-and-a-half years as part of a plan to expand internationally in Europe and Latin America.

Aeschlimann has been chief executive and a Mirabaud managing partner since 2010 and the way the firm recruited him was just as innovative as for its fund managers. Mirabaud's partners offered Aeschlimann the job on a plate; no formal interview necessary.

FIT FOR WORK: Lionel Aeschlimann's appointment made sense against the regulatory background of asset management

A LAWYER

Perhaps more notably, Aeschlimann was not even an experienced fund management chief executive. In fact he was not anything particularly central to fund management – not an investment officer, not a fund manager, not a salesman.

For some years before joining Mirabaud, Aeschlimann was a lawyer at Swiss law firm Schellenberg Wittmer. He became a partner at the firm, heading banking and finance, and Mirabaud was a long-term client he looked after.

But the unusual approach by Mirabaud's managing partners of hiring a lawyer makes sublime sense when considering how complexly regulated asset management has become. Asset management is, after all, today a job fit for lawyers. Aeschlimann says the partners knew he had the right regulatory knowledge to support expansion plans, was well versed in business governance, and knew the product framework, including complex structures, having advised them on these issues.

"What I was doing before – advising banks, financial advisers, asset and hedge fund managers – was very close to what I am doing today," says Aeschlimann.

As well as Mirabaud, Aeschlimann advised other Swiss and international banks.

Pictet & Cie is one of the most venerable private banks in Switzerland which has been in the asset management business, running Pictet Asset Management, for over a decade.

"Mirabaud is where Pictet was 15 years ago," says an observer. What does Aeschlimann think to that?

"Fifteen years ago Pictet had an incipient asset management business. I have the greatest admiration for what they have achieved. However, their positioning is not exactly the positioning I am aiming at," Aeschlimann says.

"Many larger asset managers have more than 100 products – passive, active, across most asset classes and regions around the world, as well as products managed by outside managers.

"I rather buy the boutique concept of specialised, focused asset management, which is investment driven."

He says a boutique can reach a size of a larger manager, such as Pictet, but with fewer funds, perhaps 10. A boutique has a longer list of what it does not do than what it does do, he adds.

COUNTING DOWN

It is not yet three years since Mirabaud launched its newer product set aimed at the international market. Three years is a milestone deemed important for many fund buyers to consider investing in a fund.

Where its older business is concerned, Mirabaud has easily cleared this hurdle for Swiss, Spanish and UK equities. A UK equities strategy was launched 15 years ago, for example. Multi-asset mandates carry an eight-year track record and there is also a 40-year track record on Mirabaud's fund of hedge funds offering.

But in its drive to internationalise, several other strategies has been placed prominently in Mirabaud's product offering.

A convertible bonds capability was launched two-and-a-half years ago. Global emerging market equities were added two years ago, and global equities one year ago.

In fixed income there are funds investing in global high yield and in structured bonds, with 16 months and eight months of track record, respectively.

Aeschlimann says the products have seen some inflows from wholesale investors and family offices already. "It is still early days but promising."

Aeschlimann adds that the two-and-a-half-year old global and European convertible bond strategies now have €350 million in them and institutions have been investing in the strategy during the last nine months despite the lack of a three-year track record.

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He says it is the same for global equities and global emerging market equities, too, where the $150 million (€190 million) and $350 million thresh-holds have been crossed.

The global high yield and strategic bond funds – led by Andrew Lake who was hired from Aviva Investors in 2012 – were launched about a year ago and have already exceeded $450 million of assets under management.

Mirabaud's asset management brand is now three years old, says Aeschlimann (he distinguishes between asset management and wealth management, Mirabaud's historic business), and he says it is now beginning to get higher recognition with the firm finding itself competing alongside the likes of Pimco and Fidelity at pension funds.

It is likely the investment Mirabaud has made in hiring senior fund managers – which includes Dan Tubbs from BlackRock as head of global emerging markets – has helped, particularly in compensating for the lack of track record.

BOUTIQUE ATTRACTIONS

But what is it about the boutique culture that attracted managers like those?

"Often in a large organisation talented fund managers become caught up in bureaucracy. Talent cannot be industrialised and this is a crucial point. Large asset managers are incentivised to industrialise everything and the fund manager ends up being a manager of people."

He adds: "Privately owned boutiques like our own may not always have the same ability to finance activities as the larger firms have, but we have one huge privilege, which is time."

Business development plans at Mirabaud involve entering the Italian and the Irish market shortly, though initially on a cross-border basis out of London. Aeschlimann says Mirabaud will seek €300 million in each new market before opening an office in these locations.

The firm has offices currently in Switzerland, the UK, France and also in Spain.

He also says Mirabaud intends to start doing business in Latin America and Aeschlimann reveals the firm is in talks with potential partners in Brazil to set up a local feeder fund that would facilitate investment by Brazilian investors in Ucits funds. fe