

Following their boutique achievements Polin hopes to realise Resolution's plans for a village of boutiques

# Polin to build upon success of high alpha boutiques



Jonathan Polin, sales and marketing director, Resolution

**Resolution Asset Management's Jonathan Polin believes the company's long-term ambition of establishing a village of high alpha boutique operations is finally becoming a reality. Over the past two years, Polin and Resolution's Chief Executive, Gavin Stewart have gone about transforming the company into a major player in the UK retail market. Underpinning the strategy is the establishment of a series of specialist, high alpha joint ventures run by 'star' fund managers which run alongside the company's own range of Resolution Investment funds.**

They have already overseen the launch of three hugely successful joint ventures, Argonaut, specialists in European equities, Cartesian, specialists in UK equities and Hexam, specialists in emerging markets. Each of these operations is a 50/50 joint venture with the managers providing the fund management and Resolution providing all compliance, legal, marketing and distribution support. In addition, the adoption of a 'boutique mind set' has seen the company's own Resolution Investment funds produce ever improving performance statistics.

Polin is delighted with the progress made by the first three joint ventures and is looking for up to a further seven by the end of 2009.

"The performance of our boutiques has been superb and we are now looking to build upon this" he says. "Our goal is to launch another couple of joint ventures this year and we're already lining up potential managers."

However, he is remaining tight-lipped about which asset classes are under consideration. "It's a case of looking for managers who can produce great returns and fill the gaps in our existing product range," he explains. "We want individuals with a proven track record in running money combined with the entrepreneurial flair to successfully run their own businesses."

Polin stresses that the roll-out of the boutiques is not coming at the expense of the Resolution Investments funds. In fact, he says, the performance of the funds run by Resolution's boutique teams has significantly improved as a result of managers adopting a boutique mindset.

"The joint venture funds are being launched to supplement our existing range and strengthen our overall proposition," he adds. "Everyone's expectations of what can be achieved in performance terms have been raised and we want that to continue in 2007."

## Why are you launching boutique operations?

The market has been evolving over the past five years. Investors are less keen on balanced portfolios and are looking for specialist, high alpha products. The overall idea is to meet this demand by developing a village of boutiques covering all major asset classes. Our core strategy is to bring a variety of products to the marketplace and diversify our revenue streams across different areas.

## Benefits to investors

In a boutique environment the interests of the investor and the manager are completely aligned. The manager's success or failure is reliant on their results. With regard to our joint venture operations this means they don't have a base salary so their income, and the future of their business, is dependent purely on their performance.

Our joint ventures are set up as small independent units, working in a close environment. The manager's focus is purely on generating outperformance. In the case of Argonaut, Cartesian and Hexam, they manage the money and we do everything else. There are no internal politics and no being drawn away from their research into boring management meetings. They can concentrate on picking stocks, meeting companies and putting together top performing investment portfolios. There's a very significant correlation between that approach and the outperformance that boutiques can deliver. In addition, when people have a good degree of

autonomy and are running their own businesses, their passion tends to be greater.

## Why are there so few boutiques available?

I imagine that some organisations have more concerns about the possible knock-on effects that launching boutique operations will have on their existing funds and managers. In recent months, however, there have been a few houses that have started to follow our lead and this has resulted in the odd team breaking away. In some cases, investment houses are reluctantly being forced to explore the possibility of establishing a joint venture so that they don't lose their top people. We at Resolution, on the other hand, are actively setting them up and that sets us apart.

## What of your existing funds?

In recognising the need to improve the performance of our existing investment products, Gavin Stewart introduced a radical overhaul of the company's investment team. This saw it split into four, each led by a dedicated Chief Investment Officer. Effectively, each asset class adopted a boutique style set-up in all but direct ownership: small, autonomous and accountable teams managing with conviction. There are eight boutique teams in this structure which form Resolution Investments. This revised structure has produced a significant improvement in our overall investment performance.

Over the past year, 10 out of 14 internally managed unit trust funds have outperformed with four of them top quartile – Corporate Bond, UK Smaller Companies, UK Focus and Pacific Growth while the UK Property fund has shown up well.\*

\* Source: Lipper, bid to bid, net income reinvested 1 year to 28/02/07.

## What are the current range of joint ventures?

**Argonaut:** This is a concentrated European high alpha boutique run by Barry Norris and Oliver Russ which is designed to deliver epic performance. Argonaut generated over £500m of cash inflows during 2006 across both its flagship European Alpha Fund and the pioneering European Income Fund.

**Cartesian:** A specialist UK equity boutique run by David Stevenson and Andrew Kelly. They manage the UK Opportunities Fund, one of the undiscovered gems of the UK All Companies sector. Working together for 10 years, Stevenson and Kelly have devised a distinctive and successful approach to fund management.

**Hexam:** Bryan Collings is one of six specialist fund managers who run this emerging markets boutique which covers all areas of the globe. This is our most challenging joint venture to date because its attention is focused on the exciting world of emerging markets.

## How would you rate the funds' performance?

Argonaut has been the most successful joint venture to date. As of March 2007, Argonaut has more than £800m under management and this could reach £1bn by its second birthday in May. I always knew Cartesian would take longer to make real inroads – UK All Companies is one of the most competitive sectors, so you're really fighting to get assets away from existing managers. However, it already has £200m under management and has re-introduced us to the UK institutional market. As a result we have a large mandate from Northern Trust and buy recommendations from most of the major investment consultants.

Hexam, which is our beast to kick start our international business, is the largest and most ambitious bou-

tique that we've launched so far. It's started very well and we have every confidence that this will be a top performing product over the coming months and years.

## How do you select managers?

We continue to search for managers who are going to add value to our overall business and have the ability to work within a boutique structure. For example, we need to be sure their achievements are due to their investment skills and not dependent on having massed ranks of analysts feeding them ideas because they won't have this resource within their new environment. They also need to have real passion and a desire to run their own business. They need to be prepared to do more than their rivals in helping to raise assets and promote themselves in a competitive marketplace.

It's a specialist set of skills and while there are enough people to meet our demands, the industry is certainly not awash with such managers. If there were more around then I think there would be a lot more boutiques up and running.

The managers benefit from being given a leg-up into ownership of their own business and knowing they won't drown in all the associated difficulties, such as dealing with the regulatory issues and finding distribution channels.

For our part, we are getting access to some of the very best fund managers around and giving them the ability to flourish in their own businesses within which we have an equity stake. It truly is a win-win situation for everyone.

## How is the face of Resolution changing?

We have made terrific strides over the past couple of years – this includes everything from the re-branding of the company to launching a range of top performing products.

When I first came here my brief was to shake up the business, help make it more streamlined, ensure the right people were in place and generally raise everyone's expectations of what was possible.

We are achieving this – our sales have increased 10-fold since the end of 2004 and this has primarily been driven by the retail business as we've been able to demonstrate to the market that we are serious about change and have delivered it – both internally and

through our joint venture strategy.

The aim for the coming months will be to continue demonstrating to people that the business has totally changed in the past few years. It's not just a new name. The perception, desire and ability of the company have all changed dramatically.

## What are your investment goals?

Our key client base – which includes those running fund of fund products, discretionary managers and IFAs – all want to produce much better returns for their clients. Our response is to develop and launch more products to meet the demand for specialist, high alpha funds. Along with expanding the range over the next couple of years, we also want to ensure that our existing boutiques continue to deliver top drawer returns so that clients can meet their long-term investment objectives.

## What message do you want to leave readers with?

We are totally committed to developing our joint venture strategy in tandem with improving our Resolution Investment boutique funds. The past couple of years have been great and we're very much looking forward to building on this success over the coming years.

As ever, our message to the investment community is straightforward: watch this space because there's a lot more to come from Resolution.

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