EXPERT INVESTOR

'Boutique is the future of asset management'

by KIRSTEN HASTINGS, 28 JULY 2021

Coming from a background of big institutions, Philippe Couvrecelle was adamant that was not what he wanted to replicate when he set up IM Global Partner (IMGP) in 2013. He spent 20 years at Natixis, followed by five at Edmonde de Rothschild before setting out on his own. Describing his time at the French institutions as "fantastic", Couvrecelle says he had a "very strong will to set up something different". It was a year-long process to flesh out what IMGP would ultimately become, before he founded "a company with a singular focus, that would provide more value to investors, employees and partners". The company hit $1.5bn in AUM in December 2015. "Today, we are $26bn and, if the market is not crashing by the end of the year, we should achieve $30bn," Couvrecelle says. "In our industry, that is small; and we don't have the ambition to be a giant. We are in a very specific area of active asset management, and we don't want to go into the passive part of the industry because that's not our culture."

Boutique is best

Couvrecelle believes that the future of active asset management lies with boutiques. Not only because of their size, but more importantly because of their independence. "I've been saying it for 20 years, when you see a merger between two big companies who are struggling, they don't find a better solution. They just add problems. "The solution is not to be huge. The solution is to have a good angle in the market and to deliver performance." He says that European asset management arms of insurance and banking groups are too dependent on captive clients, which means they are unable to be competitive or gain market share. "In the US, which is a more mature market, asset managers have been, for the most part, independent for the past 40 years. If you look at the top 20 players in the industry, the majority are independent. "Look at Blackrock, Wellington, Fidelity, Capital and Vanguard. These companies are huge and are not pure asset managers, but with Blackrock, for example, they diversify by providing financial services – not banking and not insurance. “A lot of financial groups thought, and still think, that it’s nice to have different business lines and provide services from one business to another. They think it increases their profit. But, at the end of the day, that’s not the case because they are a single entity and they are not able to gain market share. “You really don’t have any examples of a single asset management company in Europe, which is a subsidiary of a bank or insurance group, that is really more competitive than an independent one. You have some that are better developed than others, like Amundi – but that is an exception.” These big organisations are home to “a lot of very smart people”, Couvrecelle says. “But as soon as a portfolio manager or financial team is successful and efficient, 90% of the time they set up their own company.” And it is those entrepreneurs that Couvrecelle and IMGP are interested in.

Still want to grow

IMGP has a very specific approach when it comes to adding partners to the network – it will only acquire a minority stake in the business. “It took some time for me to convince my institutional shareholders that it’s a good way to do it. But it’s much better than taking control of a company we want to invest in,” says Couvrecelle. “The idea is to build a network, not a platform. We don’t have affiliates who do what they want, or what we want. They are partners. That’s why we took the minority angle, which is linked with the idea of partnering with asset management boutiques built by entrepreneurs.” It’s also not about taking control of a strong, successful boutique with a 15 to 20-year track record, Couvrecelle explained. “That wouldn’t be great for them and that’s not what we are looking for. We are looking for firms that still want to grow over the coming 10, 15, 20 years; that don’t want a majority shareholder but maybe a partner.”

Latest deal

Following *Expert Investor*’s interview with Couvrecelle, IMGP announced the addition of another partner on 28 July. The firm acquired a 45% non-controlling stake in Richard Bernstein Advisors (RBA), a New York-based asset allocation specialist that was founded in 2009 by Richard Berstein. It manages ETF-based asset allocation separately managed account (SMA) portfolios for wealth management and registered investment advisor platforms; in addition to subadvising several mutual funds, unit trusts and ETFs. IMGP described the deal as a “major milestone” in its US strategic expansion. Bernstein, who is chief executive and chief investment officer of his eponymous firm, described it as the “formation of a very powerful symbiotic relationship”. “IM Global Partner’s proven European institutional distribution and offshore capabilities will expand RAB’s investor base globally, whereas RBA’s broad US visibility will significantly enhance IMGP’s rapidly growing presence in the US,” he said. Couvrecelle added: “RBA is a great addition to our network of partners and their expertise is unanimously recognised in the US. RBA will bring our clients around the world outstanding expertise in asset allocation portfolios with a unique top-down macro approach that has proven its high efficiency in all phases of the market cycle. “The partnership not only demonstrates the scale and vision of our global network, but also underlines our deep commitment to the US market.”