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**New investment research highlights existence of 'Boutique Premium'
in the European Fund Management industry**

- ***University study identifies a 'Boutique premium' in European fund industry***
- ***Funds of small fund groups tend to outperform those from large fund groups***
- ***More needs doing by advisers and platforms to promote boutiques***

New academic research suggests that specialist, boutique asset managers outperform their larger counterparts – significantly so in the case of European Mid/Small Cap and Global Emerging Market funds.

In what is believed to be the first academic analysis of the performance of European boutique asset managers versus their larger counterparts, Cass Business School Asset Management Professor Andrew Clare, says that the 'boutique premium' demonstrated by AMG Group in 2015 for US equities, also appears to be evident in the European Fund Management industry. He found that the average outperformance of boutiques in Europe appears to be as great as 0.56% per year and 0.23% per year net of fees (or 0.82% and 0.52% gross of fees) depending on the methodology employed.

Professor Clare looked at 120 large fund groups, identified over 780, long-only 'mega funds' across all equity sectors, and tracked their performance from January 2000 to July 2019. As there is no industry definition of an investment boutique he then asked three leading investment consultancies that advise institutional pension schemes and insurance companies, as well as Members of the Group of Boutique Asset Managers (GBAM), to identify firms they believed to be boutiques in order to make a comparison.

Utilising the Fama and French five factor, as well as an index model (two competing methodologies developed to assess manager skill) to risk-adjust returns collected from Morningstar, Professor Clare identified meaningful boutique outperformance in four equity fund sectors in particular – European large Cap; Europe mid/small cap; Global emerging markets and Global large cap.

The outperformance was particularly significant, with a net-of-fee boutique premium of around 1.00% per year in the European Mid/Small Cap sector and around 0.50% per year in the Global Emerging Markets fund sector.

Professor Clare commented:

"The results provide enough evidence to warrant further analysis of this important part of the asset management industry. Future research should focus on the factors behind the existence of the Boutique Premium, such as the ownership structure of boutique managers and/or their approach to portfolio construction."

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The chairman of the Group of Boutique Asset Managers (GBAM), Tim Warrington said, "

"We see boutiques as smaller, highly motivated, specialist firms which seek to consistently outperform while aligning their interests with that of their clients. It is therefore not surprising that Professor Clare found compelling evidence to suggest a boutique premium among smaller firms. Given the compounding of this premium over time could produce significant additional returns to investors, far more needs to be done by advisers and fund platforms to expose these benefits to long term investors."

Issued on behalf of the Group of Boutique Asset Managers by:

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Notes to Editors:

1. Professor Andrew Clare

Professor Clare is the Professor of Asset Management at Cass Business School and the Associate Dean for Corporate Engagement, where he is responsible for Cass Exec, the business school's executive education arm. Andrew is an independent Non-Executive Director for Legal and General Investment Management's UTM Ltd Board; he is a trustee and Chairman of the Investment Committee of the £3.0bn Magnox Electric Group Pension scheme; he is a pension's advisor to Ferrovial plc; and he is an independent member of Quilter Plc's Investment Oversight Committee. He has published extensively in both academic and practitioner journals on a wide range of economic and financial market issues.

2. The Group of Boutique Asset Managers (GBAM) www.gbammanagers.com

GBAM is a global network of like-minded, independent specialist asset managers who have come together to improve their presence in international marketplaces. GBAM describes boutique firms as having a limited range of products, a close relationship with clients, and a relatively flat organisational structure. GBAM firms tend to be small to medium sized, entrepreneurial, flexible and responsive to changing market conditions. Members tend to focus on the manufacture of investment products rather than mass distribution. Ownership tends to be in the hands of founding partners,

GBAM investment professionals describe themselves as innovative craftsmen who have a creative yet focused approach to fund management with a passion for 'doing the right thing' for their customers. They are given the freedom to manage, are driven by performance cultures and pride themselves on the intellectual rigour they bring to asset management. As a result of the satisfaction they derive from working in a GBAM boutique they tend to stay with their firms for lengthy periods.

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