Waverton's CEO Fleming: The importance of culture and ownership in asset management is fundamentally underestimated

Company now at next stage of development

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Lawrence Gosling speaks to Waverton Investment Management CEO Andrew Fleming about lessons learnt from Gartmore, building the business and what makes an ideal investment manager.

Waverton Investment Management CEO Andrew Fleming has spent well over three decades working in the asset management industry, in an era where accumulation of assets is often at odds with developing and maintaining the right business culture.

However, he has used his experience to help build Waverton into the kind of firm he believes is well placed to provide something different in this challenging environment.

The group was founded in 1986 and was originally called J O Hambro Investment Management (JOHIM). It was then under the ownership of Credit Suisse between 2001 and 2013, and finally sold to the management team and the investor Somers.

CV Andrew Fleming

2015-present
Andrew joined Waverton as CEO with over 30 years of investing and business experience

2005-2013
CEO of Kames Capital (formerly Aegon Asset Management)

1998-2005
CIO and global head of portfolio management at ABN Amro Asset Management

1984-1998
Began his career at Gartmore Investment Management where he held a number of investment and management positions, culminating in the role of head of equities

The name Waverton was chosen as a nod to the Hambro family connection (after their family seat Waverton House) but also to signpost the new firm's independence.

Now with £5.5bn of assets under management, the company is at the next stage of its development, having acquired 2CG Senhouse in March 2016.

Fleming joined the firm the previous summer, after a period at the helm of Kames Capital. Before that, he held a number of roles at Gartmore, where he stayed for 14 years.

It was a time which, he says, taught him a few lessons about the need for stability in the investment management business, in a world where M&A is all too prevalent.

"As I reflect back on my time at Gartmore, it was a great business that lost its way," he says.

"It could have become a fantastic business, in my view. But there were just a small number of things that really made the difference, including it being bought and sold four times while I was there.

"At the time, there were a number of people who rather liked that because they cashed out and passed 'Go'.

"But with hindsight, there is a massive opportunity cost from disruption of ownership because you are focused on things other than looking after clients and running the business."

In Gartmore's case, Fleming suggests the ownership changes were "one of the things that destroyed the firm".

"When I joined, Gartmore had $1bn under management and when I left it had $100bn. The number of people also rose from 80 to 1,000. How do you deal with exponential growth? How do you put in structures? How do you make sure you do not dilute the decision-making process? How do you make sure you service clients without taking your best investment people off their primary jobs?

"All of these things were really important lessons I learnt at Gartmore."

These are also questions to which Fleming hopes Waverton can provide some better answers, as he seeks to develop the business.

Commenting on the growth of the company during his tenure, Fleming says: "I identified that we had some gaps and strengthening our European equity capability was one of them".

After a bit of 'mystery shopping', 2CG emerged as a viable fit. When it was confirmed that it might be up for sale, Fleming says Waverton moved "incredibly quickly" to secure a deal.

Alongside managers Chris Garsten and Charles Glasse and the European Income and Capital Growth funds, Waverton also picked up what Fleming describes as "this funny Southeast Asian fund with $8m in it".

"Now, a completely rational person would have just closed it down," he continues. "But, we thought it was helpful to have people on the ground in Asia. There is so much happening in Asia that has an increasing impact on what is going on in the world.

"We wanted to have a better sense of what is happening in China and ASEAN as well, and it is a great team."

The new arrangement has worked so well that assets under management since the acquisition have grown from the lowly $8m mark to over $100m.

"It is not the biggest fund in the world but that is a sign that we are credible," Fleming says.

A model manager

Meanwhile, during Fleming's 36 years in the investment management business, he says he has never lost his instinct for analysis and inquiry that made him so well suited to the sector in the first place.

"I like picking up the carpet and shining a light underneath," he says. "I have a natural scepticism about things, and I guess a sort of natural curiosity."

He identifies these as traits that can be ascribed to many successful investment managers.

"You can see some common threads," he says. "There is a scepticism, an open-mindedness, an ability to make decisions while not having all the facts and a willingness to challenge your own conventional wisdom when the facts change."

An ideal investment manager needs to be able to look at the landscape from both a top-down and a bottom-up perspective, Fleming contends.

"Individuals are often either big picture people or they are detail people," he says.

"The best investment managers have this ability to sometimes be both; sometimes stand back and be big picture, take the broad view, but also focus relentlessly on the detail that matters."

The love of detail takes a certain personality, he says. "They often tend to be slightly obsessive collectors of things."

Client-facing

Fleming himself continues to wear multiple hats at Waverton. Although chief executive since he joined, he also has the hands-on role of chair of the asset allocation committee.

"The analogy I use comes from outside the investment industry as I think it is very hard to be the senior partner of a law firm if you have never practiced law," he says.

Perhaps surprisingly, Fleming is also very much client-facing and professes that he likes meeting them and their advisers.

"I should not have any clients, but I spend a lot of time seeing clients and their advisers and consultants," he says.

"Our business is becoming more intermediated. It is about relationships and giving them the sense of what we stand for. I like that."

This is a cultural challenge for a company such as Waverton, steeped as Fleming says in old-school 'clubby' associations.

"This has traditionally never been a commercial firm, historically, because sales was slightly vulgar," he adds honestly.

It perhaps helps that, as Fleming points out, these meetings are currently with a set of "very happy" customers.

We may be going through turbulent, not to say worrying, times politically but despite these fears Fleming says the best thing that Waverton has done for its clients is keep them invested in risk assets.

Though he admits there are elements of luck, he says the firm identified in November 2016 - at the time of Donald Trump's election as US President - that there were some good opportunities to demonstrate the thesis that the marriage between bottom-up stockpicking and top-down asset allocation can work well, given clear lines of communication.

"In very big firms, those two tend to be quite divorced but because we have got short lines of communication, we can bring them effectively together," he says.

"We identified from November 2016 that there were the early warning signs of a potential pick-up in economic growth and we had the determination at the asset allocation level that that would be a positive surprise.

"So we increased our equity overweight in November and into early December in anticipation of stronger economic growth."

Taking ownership

Exercising judgement and taking a view are the essence of where small private client investment firms can excel, but the trick is to manage the transition to something a bit bigger.

"Today, we increasingly see ourselves as an investment management company that happens to do a great job for clients, private clients, funds and also platform clients and advisers," says Fleming.

"We have a breadth of offering but at the centre of it all is a very strong and increasingly strong investment capability.

"We are not trying to play the numbers game because we are not going to be able to compete there, but what we can do is have a relatively concentrated number of extremely experienced people with good judgement."

He believes a firm's culture is important, including ownership; an issue which he believes is fundamental to the industry and yet is underestimated.

"There are so many examples of firms that blow up because of ego, ownership, equity, so all the difficult things we have to deal with."

Fleming is hoping that with 40% equity participation on the part of staff and an "incredibly supportive external investor" in Somers Limited, Waverton can avoid some of the industry's mistakes and has stable foundations to build for the future.

Investment Week