David Gallagher’s article detailing the results of a survey of 808 investment managers from 28 active investment management organisations provides some interesting insights as to the type of person who invests other people’s money.

Cliché stereotypes as depicted in Hollywood movies suggests investment managers are young, reckless screen jockeys who are ruthless in their pursuit of obtaining their numbers.

The reality is far more mundane. According to the survey, investment managers are indeed young but they are also highly educated with either an Honours or Masters degree. More than 20% of all managers have a graduate diploma from the Securities Institute and this is the most widely held industry qualification.

What is worrying is the brief length of time particular managers stay with any one organisation. The survey shows that there is considerable turnover of managers and this is because of either poor performance (and they are asked to leave) or excellent performance (in which case they are head-hunted).

Either way, the effect on the organisation is that investors may view the coming and going of managers negatively.

The survey doesn’t hold many surprises in terms of what motivates investment managers. The investment strategies adopted are well-recognised and accepted in terms of portfolio management of equities and bonds.

The survey, however, does raise a number of important points in the current investment climate. In a boom market such as we have had for much of the 1990s investors are far more accepting of investment management companies if the end result is better profits.

The sales pitch to prospective investors in a boom market is simple. Charts and graphs are trotted out showing how successful the firm’s investment strategies have been in producing profits.

Investor relations are relegated to an afterthought activity that may involve an occasional newsletter trumpeting the success of particular strategies in specific sectors. The message is don’t worry we will make you profits.

But what happens when the economy goes into recession, the stock market starts heading south and making profits from equities or bonds becomes far more difficult? How long can an investment management firm rely on its past performance to attract new investors?

What the survey doesn’t address but is implicit in the findings is that investment managers themselves are a valuable asset but it also shows that this asset can’t exist without an organisation and a team.

Yet how many firms actively promote themselves as quiet achievers with experienced managers operating with a dedicated and loyal staff? It is called brand building.

It becomes very difficult to build an investment company brand if the industry and the investing public are constantly reminded that one of the main criteria of success is the particular company’s position on the quarterly ‘pop’ charts.

Making money in a boom market is relatively easy but it doesn’t build a company’s brand. Investors, especially in bull markets or a recession, want the security and knowledge that they are investing their money with a company that is steady and stable in both good and bad times, and not necessarily a slave to investment fashion.

The competition for the investment dollar is fierce and will get tougher. The survey as outlined in David Gallagher’s article is a valuable first step in looking beyond portfolio performance and to the managers, their characteristics and strategies.

It may also be a first step in creating investment company brands that have inherent long-term value rather than relying on short-term performance criteria. While there are certainly investment management firms that attempt to achieve this, the investment industry as a whole is all too often slated for its short-term objectives.

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