

## Cap funds to protect performance

Boutique fund managers are under pressure to respond rapidly to markets and protect investor capital, according to a fund manager.

Prime Value Asset Management head of distribution Jake Ireland said boutique managers must differentiate as investors demand greater flexibility after the GFC.

“This has led to more interest in unique funds that show a high degree of adaptability and capital protection,” said Mr Ireland.

Boutique managers are best placed to cater for the growing interest in ‘value-added’ strategies due to their “idiosyncratic approaches that are difficult to replicate”, he said.

“Boutique managers are more nimble by nature and provide the best structure for outperformance. But it’s now more important that boutiques structure funds to protect that performance,” said Mr Ireland.

The best way to protect performance is generally to cap the funds under management of the fund in question, he added.

“It’s often acknowledged that boutique funds deliver their best performance in the initial few years of the fund,” said Mr Ireland.

“But this just reflects that too many boutique funds grew too big and became compromised. It’s not that the managers had any less skill, just that the funds became too cumbersome.

“This can be avoided by having a cap that ensures the fund is not compromised.”