VALENTINE THOMAS

& PARTNERS

Distribution, Market Overview

April 2021

Distribution, Market Overview

Please find below our first quarterly newsletter focusing on the current trends we are seeing in the client facing business

> "Given the changes in the industry, the client facing business is evolving than ever before"
>
> *Global Head of Sales*

2019 has seen **strong activity** as it relates to distribution hiring. Investment managers continue to face well documented challenges which in turn puts ever more pressure on the client facing business. A number of firms have **changed their sales leadership** in the past year, this in turn has led to upskilling in the underlying sales-force. We observe firms in hiring mode looking for individuals who have agility to flex across channel/ geography, understand the changing dynamic of the industry and can embrace technology in particular.

Solutions Orientation

- There is a great deal of conversation around solutions in the sales function. What it means and **how it is implemented** varies greatly from firm to firm.
- Direct sales, consultant relations and client relationship management functions has historically been **selling products and relationship management services vs solutions approach.**
- Leadership searches in distribution have a real focus on candidates who have ability to manage a distribution team through **significant change** and can set them up for future success in a **competitive product & fee environment**, where **retention** of existing clients will become more important then ever.
- Firms in hiring mode are looking for leaders/producers that can have a **deeper, solutions orientated dialogue with clients**. An ability to engage and work in closer partnership with an investment team/s to deliver on these solutions is increasingly needed in the function.
- Up and coming talent is in demand more broadly across the sector, especially in distribution. Individuals who understand a more solutions based dialogue with clients and have ability to work with clients across a wider range of topics is imperative.

Alternatives

- Many alternatives firms, both liquid and illiquid, have enjoyed strong flows this year. This is particularly true across firms offering real assets investment strategies where firms can offer genuine differentiation and yield. Many expect this trend to continue in a low interest rate environment and with this the demand for technical sales specialists.
- Individuals who can act as quasi product specialists / sales specialists are in demand, these individuals are able to delve deep into complex products, in turn freeing up what is often limited investment resource internally.
- Coverage models are often more fluid in alternative firms, potentially an overhang from their more entrepreneurial origins. Candidates who can cover more than one country/channel are highly desirable.
- For many years now alternatives firms have poached from traditional asset managers as they have looked to institutionalise/ professionalise sales. This has now gone full circle - traditional asset managers are hiring alternative specialists to help them diversify their business across both investment and distribution.
- We know of boutiques and teams across who run a variety of alternative strategies who are in discussions with traditional asset managers as they look to gain access to this area quickly and ideally with AuM.
- One of the biggest challenges we see for traditional asset managers is onboarding talent that resides in alternatives firms. Many individuals in alternatives are paid in line with their investment cycles and this is the same with many distribution professionals who command a premium, both total compensation and carry. Most traditional asset managers are unable to be competitive in their current structures.
- Firms focused on alternatives tend to be smaller, have less politics and have leaner structures to maximise profits. From a talent perspective it is not always easy to find synergies with larger, at times more bureaucratic, asset managers where alternatives is a satellite focus.

Wealth

- As Wealth Managers have **professionalised** and **upgraded** their manager research and selection teams, firms are hiring more technical or solutions orientated sales professionals to match the increasing sophistication of the allocators in this channel.
- Continued **institutionalisation** of the wholesale channel for both traditional and alternative firms. We observe firms either **building or upgrading** in this channel.
- A number of firms are move towards segmentation in this channel, an example being dedicated coverage of family offices in EMEA.
- Firms in hiring mode open to looking at fund sales and individuals residing in private banks and family offices to unlock this channel.
- A number of individuals who have grown up in institutional space are **'retooling'** to gain coverage of this channel, seeing it as a **more interesting space** to develop next stage of career.

Insurance

- Talent is **highly sought** in this space as firms grow or refocus efforts on winning insurance assets. Few have successfully executed on this strategy to date.
- Firms in hiring mode ideally want a blend of actuarial experience and an ability to win new business – rarely do the two meet.
- A firm's **product** offering **is key** – if not relevant for the insurance client, success will be limited in this channel, not matter how good a sales leader/team is.
- **Limited talent pool** of talent to genuinely lead and grow this channel. Step up candidates in demand and firms in hiring mode open to look across investment management, sell-side and investment consultants.

Diversity

- Continued focus on hiring diverse talent in its **broadest sense** into the senior ranks of distribution.
- Depth of **bench strength** in distribution, especially female diversity, which allows firms to cast net far and wide when hiring into senior roles.
- Compared to investment roles, firms now looking at **broader solutions** to fill client facing roles. An example being increased focus on the '**returner community**' or individuals from outside of sector.

> I want to hire individuals who have an ability

Europe

- We have seen a slow-down in US firms with no footprint in Europe looking to open here compared with last 2 years.
- Brexit still causing **uncertainty** as it relates to London based talent and ability to passport funds into Europe. This is especially true with international firms.
- That said, many firms are now well into 'contingency' planning. Most firms now have a Lux or Dublin presence with **significant headcount and authority**.
- Many UK based managers have been **opening local offices** in key markets, both to serve clients better and as a way to tackle potential post Brexit issues.
- **Busy hiring** markets in Europe are: Germany, The Nordics, Luxembourg and France.

Compensation

- Move to genuine performance based pay continues (and a continued move to discretionary over formulaic models)
- 2019 will be flat for many distribution professionals.
- Hot spots in comp – alternatives, solutions and insurance asset management

The Team

Richard Valentine

Chairman

1 Cornhill | London, EC3V 3ND
tel: +44 (0) 7979 645520
rgv@valentinethomas.com

Richard Valentine became Chairman of Valentine Thomas & Partners in 2021, having co-founded the firm in 2004 with Basil Reid Thomas. Richard is a well-known figure in the asset and wealth markets and has advised many firms on board and leadership appointments. Richard initially trained as a lawyer before spending twelve years in the futures market, latterly as Sales & Marketing Director of a derivatives fund management company, before working in corporate finance with Singer & Friedlander.

He moved into executive search in 1993, joining Tyzack & Partners. Following the merger of Tyzack with The Whitney Group in 1999, he led the firms combined European Asset Management practice group. Richard specialises across asset management, private banking and alternative investments.

Basil Reid Thomas

Partner, Investment Management & Co-Head of ESG

1 Cornhill | London, EC3V 3ND
+44 (0) 7970 940397
brt@valentinethomas.com

Basil co-founded Valentine Thomas & Partners in 2004 with Richard Valentine. Prior to this he spent six years with The Whitney Group, building their European fund management operations. He started his career with Standard Life in Edinburgh.

Basil specialises in senior level leadership, investment and distribution searches for many of the leading Global and European asset managers, asset owners and alternative investment firms. In recent years, his focus has broadened to incorporate specialist ESG and sustainable hiring and advisory services for clients.

Basil holds an M.A. from Glasgow University.

David Harms

Partner, Investment Management & Co-Head of ESG

1 Cornhill | London, EC3V 3ND
+44 (0) 7973 924767
dharms@valentinethomas.com

David joined Valentine Thomas in 2019 as a Partner specialising in senior searches for investment management firms across the globe, with a focus on the markets in London, Europe and the US. He has extensive experience searching for individuals and teams and executing cross-jurisdictional mandates that include CEO, CSO, COO, CIO & CTO.

David now co-leads the growing ESG practice at Valentine Thomas where his works includes hiring talent in the areas of sustainability, impact and SRI.

Before joining Valentine Thomas, David spent 9 years at Heidrick & Struggles in their financial services practice, most recently as a Consultant, where he advised a number of leading investment managers, Fintech firms and private equity backed businesses on their human capital needs. He began his career with a search boutique based in London.

David holds a BA Hons in Business Management from the University of Bristol, West of England.

Alex Diffey

Partner, Head of Wealth Management

1 Cornhill | London, EC3V 3ND
tel: +44 (0) 7939 227783
adiffey@valentinethomas.com

Alex Diffey joined Valentine Thomas in 2019. He has over 18 years' experience within Executive Search specialising in both the domestic and international Private Banking and Investment Management industries.

Alex has run search practices across the globe, notably in London, Geneva and Singapore. With a market leading track record of placing sought after professionals from Senior Relationship Managers to Heads of Private Banking, as well as Investment Managers and Family Office CEO's, Alex has earned a reputation as one of London's top search professionals within his field. During his career, Alex has overseen and completed numerous team moves and C-Level placements as well as being mandated on various bespoke consulting projects on behalf of his clients.

Alex holds a BA degree in Marketing and French and completed a portion of his higher education at the University of Lyon, France. Alex speaks conversational French and conversational German.

Celia Cortijo

Consultant, Investment Management

1 Cornhill | London, EC3V 3ND
tel: +44 (0) 7930 443875
ccortijo@valentinethomas.com

Celia Cortijo joined Valentine Thomas & Partners in April 2021 as a Consultant specialising in asset management roles primarily within the UK, Continental Europe and the Middle East. Celia has over a decade of experience in executive search, almost exclusively across leadership roles within the investment management industry. Celia is also leads the diversity & inclusion effort for the business.

Before joining Valentine Thomas & Partners, Celia worked as a freelance executive search consultant, focusing on Distribution and Investment roles across asset classes. Prior to that, she worked for The Buy Side Club, an executive search firm specialising in asset management, where she completed senior assignments within Distribution, Investments, Operations.

Celia has a Bachelor's degree in Law from the University of Seville, Spain. Celia is a native Spanish speaker and fluent in English.

Georgia Hill

Asset Management Analyst

1 Cornhill | London, EC3V 3ND
+44 (0) 7415 728719
ghill@valentinethomas.com

Georgia Hill joined us in July 2020 as a Research Analyst on her industrial placement year.

Georgia is a crucial part of our research effort where she is responsible for capturing and analysing market news and maintaining our information database.

She is studying for a BA (Hons) Accounting and Finance at Bournemouth University. After her year with us, Georgia will go back to Bournemouth to complete her third year studies and graduate in 2022.

VALENTINE THOMAS
& PARTNERS

Valentine Thomas & Partners is a leading investment and wealth management executive search firm covering the EMEA markets.