

AIMA CANADA FOUNDER INTERVIEWS

AIMA

David Picton

President & CEO

Picton Mahoney Asset Management



- **Year launched firm:** 2004
- **Number of employees at launch:** 6
- **Number of employees today:** 137
- **Number of funds at launch:** There were two alternative strategies at launch – we prefer to call them ‘strategies,’ rather than funds. The two strategies were 1) market neutral and 2) long short equity, both of which launched in 2005.
- **Number of funds today:** 23 funds
- **Strategies managed:** alternative and core income, long short equities, merger arbitrage and multi-asset solutions

1 Why did you decide to launch your business?

I was fortunate to be part of an earlier start-up that was reasonably successful, and it gave me a taste of entrepreneurship. I also like to try to think creatively when it comes to new investment ideas, and I saw a lot of opportunities in our industry for differentiated products that could help fortify portfolios. We firmly believed there were ways to improve traditional portfolios that were not being taken advantage of in Canada, and we have always tried to design everything we do around this opportunity.

Originally, Picton Mahoney Asset Management was formed as a sub-advisor to CI Financial. As we gathered other institutional clients, that gave us the resources to be able to explore different investment ideas we felt were underrepresented in Canada. Our long-only products were always quite differentiated, but the opportunities in hedge funds/alts were even greater, given that they've had so little representation in Canadian portfolios even to this day.

2 Tell us about your growth story. Any particular early-day struggles or success stories that stand out in your mind?

Back then, there were a number of roadblocks to getting alternatives into portfolios. There were some unfortunate blowups in the industry. There were compliance-related constraints on the products. Finally, there was very little awareness or education about ‘alts.’ The struggle was getting people to trust that we knew what we were talking about, and that we would do what we said we were going to do within these products. In 2008, we were able to demonstrate through our market neutral fund that you could generate a positive return in a difficult market environment while also helping to improve the overall characteristics of a portfolio. That became a proof of concept for a lot of advisors and really helped launch our business.

Of course, the more time you spend in our business, the more likely it is you will have mistakes or periods of soft performance that help develop some necessary scar tissue. There was one particular period when we were not happy with our results and had to tear things down, in a sense, and rebuild. We knew we had a really good investment process, but there was something getting in the way of it performing. What we learned coming out of that period was that, as a firm, you need proper accountability and alignment. Once we got everyone aligned, that really helped improve outcomes for our investors.

We've been on a pretty good run since then. Now, if something's not working or if we get a little misaligned, we've learned to fix it fast. I'm quite proud of our firm for learning from our mistakes and working to get better each and every day as a result.

3 How do you think about innovation at your firm?

We've made innovation part of our core values. We believe that in today's environment, you have to disrupt or risk being disrupted. The rate of change in business is faster than it's ever been. There's no chance to sit back on your laurels in the modern world. You have to keep looking for different ways to be better, faster and stronger, while also building scale to ride out the inevitable downturns we face in our industry.

4 What are you most proud of looking back at your entrepreneurial journey?

Aside from learning from our mistakes, the thing I'm most proud of is the reputation our firm has earned by holding ourselves to high standards of integrity, by trying to be as transparent as possible, and by having a team that works its butt off to deliver on the expectations of our clients. The success we've enjoyed is kind of secondary; it's the journey we've had that's really important to me.

I'd also like to think we've made at least a modest impact on the consciousness of the Canadian investment advisor as it relates to thinking about alternative ways to improve portfolios for their end clients. I think we've done more missionary work on alternative investments in Canada than any other firm out there. After all, we've been consistently championing alts in Canada for almost 20 years.

5 What wisdom do you have now that you wish you knew at launch?

You have to ensure your team is fully aligned with your investment process, and that your incentive systems are aligned with the outcomes your clients are seeking.

It also takes courage to go against status-quo norms and to trust your process when it's out of favour.

Finally, there are significant opportunities to be had in times of crisis, whether the crisis is market-related or industry-related due to some sort of disruption that's underway. Our firm has come out of these kinds of crises much stronger and better positioned over time.

Somewhere along the way, there's also this idea of dealing with failure. You shouldn't be afraid of failure, because failure leads to learning. If you can teach yourself to learn from your mistakes, you'll be better for it in the long run. Related to this is the notion of "fast failing" ideas. Don't let small mistakes become large ones. Make the necessary changes quickly, free up energy, and move on.

6 What sort of talent are you looking for in your team?

We look for people who are open-minded but willing to take a stance when they make a decision. We want them to be aligned with our plans and our culture.

We think the Canadian investment industry especially is ripe for some disruption. We are focusing a lot of our recent hiring in areas that enhance our digital capabilities and create more user-friendly digital journeys for our customers. We consider ourselves lucky to have attracted some phenomenal talent to fuel these pursuits.