

Investment boutiques starting to sprout up

New cycle of startups on financial scene after several decades of consolidation

By MICHAEL TUTTON Monday, October 24, 2005 Page [B7](#) Canadian Press

HALIFAX -- After several decades of small investment advisers being swallowed via mergers, new startups are hanging up their shingles and hustling after multimillion-dollar accounts.

In Halifax, Jonathan Norwood, 33, who with two partners runs **Rudderham Norwood Ellison** says boutique investment counsellors are elbowing their way into a lucrative sector dominated by firms that manage billions of dollars in pensions. "We're bucking a trend."

Started a year ago, shortly after the trio left well-paid positions in established investment houses, the company now manages \$40-million in client assets, including two pension plans.

Jeff Rudderham, 36, came from the private client group with Toronto-based KBSH Capital, while Scott Ellison, 35, was Atlantic vice-president for T.E. Investment Counsel. Mr. Norwood, 33, was a vice-president and senior analyst at Halifax-based Beacon Securities Inc.

"There's a handful of the independent guys that remain in this business," Mr. Rudderham said. "It's up to a new generation of guys to put their names on the door and jump out and tackle it."

Mr. Norwood noted that boutiques have agility and flexibility, and can set themselves apart by pursuing investments in small-capitalization, publicly traded companies that don't have a wide Bay Street following.

"There's a fear factor," Mr. Ellison said. "If this doesn't work out, we don't have anywhere else to go in Halifax. So failure's not an option."

The three certified financial analysts offer a balanced portfolio of Canadian and U.S. stocks. To the end of September, their returns have been matching or slightly exceeding the benchmark S&P/TSX composite index, using portfolios of 30 stocks that represent their unanimous choices.

[Jim Steel](#), a partner in Ottawa-based **Watson Di Primio Steel**, started his investment counselling firm at almost the same time. Like the Halifax firm, Watson was formed by a trio who have exited much larger investment firms or major banks.

Advisers in large companies are calling him and hatching similar business plans, Mr. Steel said. "You have the freedom to do different things. In banks, you're pushed to sell wrap accounts, mutual funds, mutual fund products. There's been a push to get away from that kind of thing. Clients realize mutual funds aren't what they were."

He estimates Ottawa has about six similar-sized firms, while there are dozens in Western Canada and more than 100 in Toronto.

Gwynne Moore, long-time president of the Investment Counsel Association of Canada, says his association has grown to 79 members who handle assets worth from \$30-million up to \$30-billion. "I think there's an ebb and flow in this business over cycles . . . and right now I think there's a growing number of smaller firms," he said.

Investors note that while boutique firms can be vigorous, they have an untested track record.