

DUNSTAN

New boys in town are European

There's a new generation of bright, young investment pros trawling in Australia, writes **Barrie Dunstan**.

Most retail investors in Australia, when you mention overseas investment managers, automatically think of America rather than Europe. But this wasn't always the case before the 1980s and, in the highly competitive search for added investment returns, it may not be the case in future.

It might just be a slightly different way of looking at investments and markets or it might be a completely different perspective on the world and the potential growth of Russia and Europe that isn't routinely covered by some American groups.

But, whatever the case, the steady stream of US-based investment managers trawling the booming Australian superannuation and managed funds market was recently interrupted by a new European player — a joint venture of WestLB AG, a major German fund manager, and Mellon Financial Corporation, the seventh-largest US-based fund manager (both of which operate their own Australian business).

The new joint venture, WestLB Mellon Asset Management (WMAM), has hired a team of young managers to build a range of multi-manager funds to offer three global funds — a global equity fund, a long/short equity fund and a long/short bond fund (dubbed a target return fund).

WestLB's local marketer, Don Russell, says the funds will concentrate on using high-conviction managers with a total-return mindset. The multi-manager operation is a

specialised niche in the group and provides a natural fit for WestLB, which has good relationships in Europe but lacks a full range of products to make it work.

The WMAM funds will concentrate on high-performance strategies (with performance fees) and will close off funds at conservative levels of funds under management.

The global equity fund is up and running and the other two funds should be seeded with capital soon. All three will be marketed in Australia, initially mainly to institutional investors.

The London-based team is headed by Alan Bartlett, chief investment officer of WMAM multi-manager, and Paul Lavin, director of research. Aged 35 and 36, respectively, they both were educated in Scotland (at the Universities of Stirling and Edinburgh, respectively) and have had a dozen years each in the specialist field of researching investment managers.

Bartlett has had experience researching global managers with MM Asset Management, Aon Investment Consulting and an actuarial consulting firm, while Lavin served time at the same actuarial firm as well as working on research for the Hewitt group and as senior research analyst at Russell Investment group — in both cases working on long-only and hedge fund managers.

The team also includes Ben Fox, a fund manager with nine years' experience in bonds and alternatives, along with three others

— two analysts and a head of risk. Essentially, Bartlett and Lavin are the new generation of bright, young investment professionals who have detailed knowledge of the people who are managing investments, rather than experience in actually running money.

They not only know the style or approach of many boutique-size managers but also can pinpoint the key technical people behind the scenes who help run the technical processes.

They have a punishing schedule of research appointments; in a 10-week period, including their Australian tour, they were scheduled to meet managers in four US and 10 European cities in addition to Asian appointments.

Lavin says outside the main investment centres, they tend to find "different" people managing investments.

Many of them are managers who "have a crack", and some fall into categories such as "arrogant" and "foolhardy".

He says their approach takes into account the emotional side of funds management, which can be a key to performance, and Bartlett says some managers thrive on the intellectual challenge, which is what keeps them going.

He notes that there are a lot of interesting characters among fund managers in Paris, only a three-hour train ride from London, and reforms in legislation elsewhere in Europe mean that good managers are popping up in places such as Madrid, Barcelona and Scandinavia.



While some European managers tend to be inward looking, Bartlett says Paris managers, who five years ago were “very French-oriented”, were now taking a more European and global approach. The practical result is that the WMAM global equity fund consists of six different specialist, boutique managers – ranging from recent start-ups to one more than 200 years old – most of which would be unknown to smaller managed fund investors and possibly to many institutional investors.

The managers include Arnhold and S. Bleichroeder, which was formed in Germany in 1803 and moved to the US in 1937. Its mandate from WMAM is to focus

on US stocks in the undervalued, corporate-change category.

Two managers concentrating on global stocks are Edinburgh Partners, formed in 2003 by a team from Scottish Widow Partnership headed by Sandy Nairn – it is a value, bottom-up stock picker in the John Templeton mode – and Carnegie, a Nordic investment bank that is using a thematic approach to pick global growth stocks.

Metropole Gestion, a Paris-based independent investment manager, specialises in undervalued European and Japanese stocks and is taking a contrarian and behavioural approach for WMAM, along with

Shiozumi Asset Management, formed in 2001 by chief executive Hideo Shiozumi who was a portfolio manager with George Soros’s hedge fund, which is concentrating on domestic and small-cap Japanese stocks.

The final manager is the local Treasury Group via its Treasury Asia Asset Management team headed by Peter Satori. It is looking after Asia ex-Japan stocks, using a growth and bottom-up approach.

The global equity fund has an investment aim of outperforming the MSCI World equity index by 3 per cent a year (net of fees) over rolling five-year periods, and Bartlett and Lavin note that their funds need to do better.