

# An investment proposition to bring European diversity

*Bruno de Pampelonne of Tikehau Investment Management (IM) explains where and how Asian investors can benefit from getting greater access to private debt, real estate and private equity opportunities further afield than they typically look.*

Signalling its ambitions in Asia, Tikehau IM has penned a strategy that will see the European asset manager concentrate on direct investment activity along with co-investing with local partners.

This approach, according to Bruno de Pampelonne, the firm's chairman, not only expands investment activity for its clients in Europe; it also offers Asian investors its European expertise.

In this way, it can serve as a bridge between the two regions for various asset classes, from private equity and private debt to real estate, as well as liquid equity and bond funds. "We need to diversify both our investment base and investor base. I believe there are strong opportunities for us [to achieve this]," says Pampelonne.

## **MULTI-PRONGED STRATEGY**

Tikehau IM's foray into Asia has a trio of objectives. The first of these is to increase its investment in the region by

looking for opportunities both for its Paris-based holding companies, Tikehau Capital and Salvepar, as well as its own funds. The second goal is to offer European opportunities to Asian investors, to expand and diversify their business. And the third, over the longer term, is to forge strategic partnerships with Asian financial firms.

In addition to institutional clients such as insurance companies and pension funds, private wealth is a key focus.

More specifically, using its Capital Markets Services (CMS) licence, the firm is looking to manage Asian funds from Singapore, where the group opened an office in 2014.

In particular, and building on its credit expertise in Europe, Tikehau IM will spearhead a range of income funds in Asia, in addition to equity and special situations products, says Pampelonne. "We want to be perceived as income



**BRUNO DE PAMPELONNE**  
Tikehau Investment Management

fund managers, where all of our funds are driven to generate income – whether our liquid bond funds, private debt, special situations or real estate.

We always try to identify good sources of income and also an efficient risk-return type of profile.”

Elaborating further on the firm’s investment strategy in Asia, Pampelonne reveals that Tikehau will start with lending to Asian corporates.

The idea here, he explains, is to be a one-stop shop financing solutions, and a reliable partner for the corporate sector when it comes to private debt.

It plans to offer long-term, tailor-made loans, for instance, of four to six years in tenure, which Pampelonne says the banks normally avoid.

Yet despite being a private equity-type lender in the region, the firm’s style is not to try to take control of these companies, unlike many traditional private equity investors. “We don’t do distressed lending,” says Pampelonne.

Instead, Tikehau IM will look to invest in companies where it believes it can turn their fortunes around, with strong economics. “We are conviction-led asset managers with a flexible management style, which makes us slightly different,” he explains. “When we buy stressed assets we do not think they will become distressed; we believe they represent real opportunities,” he adds.

Already the firm has a series of Tikehau opportunistic funds in Europe which essentially invest in stressed assets. The plan is to launch another fund in 2016 for Europe and Asia.

### EUROPE’S GROWING APPEAL

Meanwhile, being able to offer something new by way of European access is also key to Tikehau IM’s strategy.

Already out of Europe, the firm manages open-ended credit and equity funds, managed accounts, as well as private debt and real estate vehicles for institutional and private investors.

Total group AUM across asset management and principal investments is around USD7.5 billion.

Pampelonne expects demand from Asia based on a growing willingness by local investors to look beyond their domestic and regional borders. The recent volatility is now nudging them to diversify in this way, he says.

In his view, there are a lot of attractive opportunities in Europe across asset classes, such as corporate debt (public and private), as well as commercial and industrial real estate for example in France and Italy.

Added to this, Pampelonne says Europe looks cheap at the moment, both at a currency level and for real assets.

“We are a value, opportunistic and unconstrained fund manager with a total alignment of interest with our investors.”

European default rates for leveraged/senior loans have been low over the last few years, at around 2% on average.

So Tikehau IM’s private debt historical default rate of 0.80% remains well below industry standard.

“Corporates like us because we are not a bank,” he explains.

“Through difficult times, we have displayed a collaborative approach with our clients/borrowers in order to walk through any issues.” ■

## Investment process

*This process was designed to incorporate the firm’s philosophy into action in its portfolios:*

- *Research – targets are defined according to fund performance objectives and liquidity criteria. The firm leverages contacts with sell-side analysts, company management, brokers, traders and banks, to create an edge in sourcing and implementation of investment ideas*
- *Credit and equities analysis – a bottom-up approach to analyse investment opportunities across a range of European issuers. Performance derives from (i) efficient name-picking when building portfolios, and (ii) potential arbitrage on a case-by-case basis*
- *Decision – other than opportunistic investments, decisions mostly emerge from weekly meetings to discuss trends and assess portfolio orientations*
- *Execution – size and timing of investments are optimised in line with goals and constraints of funds*
- *Follow-up – fund managers follow information and market flows on a daily basis. A quarterly financial analysis of the results, alongside operational performance of existing holdings, enables better optimisation and potential arbitrage in portfolios*