Link to Article on website

The Art & Science Behind Navigating the New Investment Reality in 2023

Hubbis and our exclusive partner for the lunchtime discussion event, iM Global Partner, held a behind-closed-doors gathering at the Tower Club in Singapore on March 16 to drill down into opportunities for private clients in Asia to diversify their portfolios in the face of the new investment realities now dawning around the globe.

The guests were all CIOs, private bank/EAM gatekeepers, family office representatives and other decision-makers from the wealth industry. Jamie Hammond, Deputy CEO and Head of International, alongside Julien Froger, Managing Director for International Distribution represented the innovative boutique investment firm iM Global Partner and spoke about their business model, their growing portfolio of international asset management partners and strategies that could be of interest to private clients in these somewhat uncertain times we all face.

Exclusive Partner

iM Global Partner

GET IN TOUCH

View Jamie Hammond's LinkedIn Profile

View Julien Froger's LinkedIn Profile

Find out more about iM Global Partner

Jamie Hammond & Julien Froger
iM Global Partner

The discussion was both detailed and informative, from which Hubbis has distilled a selection of the views and questions from the guest in this short review. All comments are presented as off-the-record.

Vacillations amongst uncertainty are par for the course

The CIO and Head of Portfolio Management at a leading private bank in Asia told guests how in 2022 they had been defensive, thankfully, then became bolder earlier this year, and are now defensive again.

"Our clients keep asking when we are all going to get out of this, and we reply hang on," he said. "The key difficulty we face is slowly convincing clients to rotate out of some of the high-risk assets into more income focused investments. Meanwhile, there is so much noise around rates and how those will be affecting earnings. We are seeing a lot of interesting value in the East, but we are very interested in what strategies from the West are still relevant to add to a diversified and more resilient portfolio. We're not looking for super homeruns at this stage, but build resilience and to focus on inflation beating income and stability."

The Asian private client looks shorter-term and has been moving to semi-liquid and private assets

The head of products and services for a leading European private bank observed that private clients in Asia tend to generally look and trade shorter-term, performing incredibly well in up markets and going silent in weak markets. "We saw much more activity in the first two months of this year, with sentiment much better, and activity levels really quite high," he said.

But come March and a spate of bad news, especially around the bank sector, has again killed off activity. "We now see these clients looking at things on a day-to-day basis," he reported.

He added that their bank had managed to increase their fund penetration across all funds to around 17% in recent years, from a considerably lower level a few years ago, when private clients were focusing much more on trading individual stocks. He said clients were also starting to get more interested in semi-liquid investments, to side-step the fluctuations of volatility.

Private assets have great appeal now valuations have deflated from 2021 peaks

Another guest picked up on the theme of public versus private, remarking that their family office clients were increasingly migrating to private markets, especially as valuations are markedly below levels of 2021 and the few years before that. He explained that aim to access those private assets

directly. He said he expects valuations to fall further as a new reality sets in during the coming six months or so.

Downside to public market equity exposures can be mitigated by careful selection of hedge funds

On the public side, this same guest said that half their portfolios are in listed assets, but through hedge funds that have done good jobs of mitigating the downside. He said they were thinking of adjusting toward more long-only exposures. Meanwhile, commercial real estate and their agriculture assets have been stable.

The bubble has burst in the major western markets and Asia has significantly more appeal for many wealth managers, especially from within the region

The CIO of a roughly USD3 billion EAM added that equities had been in bubble territory for some time – he uses Nike as a bellwether and had fair value of USD100 roughly when it was trading at USD180 – and believes 2023 will continue to be challenging for equities, aside from China, one of their key preferred markets today.

The head of a MFO with some USD2.3 billion of AUM explained that their clients have between 60% and 70% exposure to equities, with a lot in Asia and especially China, some in the US and Europe and the remainder in risk-free/sovereign fixed income and corporate credit. He said they have minimal exposure to hedge funds, and not much exposure to private assets, as their clients prefer liquidity.

Another CIO concurred, adding that their own inclination is now more towards Asia as the engine of future global growth.

Being brave and picking the right opportunities at times of fear and negativity

An expert from a leading European asset manager agreed that 2023 will continue to be challenging but that they are mining out opportunities from what he called the mini banking crisis currently, looking at the bigger names in the US, Europe, Singapore, and other major centres. "We are already starting to collect bank sector names, the bigger players," he stated. ■

Insights into iM Global Partner and its Proposition

iM Global Partner (iMGP) was founded in 2013 with the mission to connect high-quality investment firms with institutional investors, wealth managers and financial intermediaries globally.

The firm takes minority stakes in high-quality investment management firms and then leverages their reach by connecting them with financial institutions, wealth managers and investors globally to deliver a wide range of high-quality investment strategies and opportunities. There are currently nine such firms in which iMGP has significant minority stakes of up to 45%. They are currently mostly in the US, and iMGP's combined AUM at the end of January was USD37 billion.

iMGP's international thrust

Jamie Hammond reports that their diversified multi-boutique model is designed to combine entrepreneurial spirit and diversity of investment talent, in order to deliver investors sustainable alpha. He is now intently focused on spearheading what he sees as the firm's exciting and probably very rewarding thrust into Asia, with two key missions – to seek out buy-side clients and also potential asset management partners.

Jamie told guests at the March 16 discussion how before he joined iM Global Partner in the middle of 2021, he had been working for the previous five years as the regional CEO for AllianceBernstein in Europe and was at Franklin Templeton for 15 years before that, including as the regional CEO in Europe responsible for their distribution.

Backing innovation and quality

iMGP, he said, was formed around 10 years ago with the specific objective of identifying via their in-house research team best in class boutique asset management firms in which to invest. Typically, he explained, such firms would be extremely good at investing, but not well resourced on the sales and marketing sides.

Accordingly, founder Philippe Couvrecelle, former Chairman of Edmond de Rothschild Asset Management, had created iMGP to take minority stakes of up to 45% and partner with them to grow their businesses.

Nine...and counting

Their first partner dating back to 2015 was Polen Capital, and there are nine partners today – eight in the US and one in Europe - covering different asset classes such as quality value, a hedge fund replication liquid alternatives business, fixed income, and others. He explained they now have 10 in their distribution team on the ground in Europe, 15 in the US, and Asia is a blank slate they plan to expand apace.

Julien Froger told delegates how he had joined iMGP some six years ago as the sixth employee and the firm now has 86 people worldwide, some USD37 billion of AUM, and with their HQ in Paris.

Empowering creativity

"We take significant minority stakes, so we have a complete alignment of interest, but we stay as minority holders so that these firms retain their sense of independence, participation and entrepreneurial drive," he reported. "Most of them are well-established, with perhaps 10 to sometimes 30 years of track record, and our mission is to work with them to help them grow."

As to the firm's clients, Jamie explained that they are typically wealth managers, private banks, funds of funds, portfolio allocators, and a variety of institutions.

"As an example of what we can do, we recently won a major global value equity mandate (USD400million +) from a European pension fund for one of our partners, the USD4 billion California based Scharf Investments. I believe over 65 firms responded to the pension fund's RFP, so we were delighted that Scharf was selected" he reported. "Our initial focus is mainly on institutional clients and fund selectors, wealth managers, asset allocators etc. Developing the retail advisory channel will follow in time".

FOR FURTHER INSIGHTS INTO IMGP ITS PARTNERS, SEE THIS HUBBIS FEATURE ARTICLE FROM A RECENT INTERVIEW WITH JAMIE HAMMOND:
iM Global Partner's UK CEO and Head of International Eyes New Partnerships and Rapid Growth in Asia