

French asset management boutiques

A success story



After having accelerated its development overseas over a period of two years, Oddo Asset Management is now starting to reap the benefits of its international development strategy. The French independent management company, which recently opened offices in Italy, Switzerland, Germany and Singapore, reported net asset inflows of €600 million in 2013, representing a 50% increase compared to the previous year. 65% of net inflows come from foreign investors and 55% from institutional investors. While the firm is seeing the positive outcome of its international expansion with distribution networks, especially in Italy, discretionary mandates have been won in Asia and the Middle-East. With the objective of pursuing its international strategy, ODDO AM has been certified as GIPS compliant, enabling it to serve a highly discerning international institutional clientele.

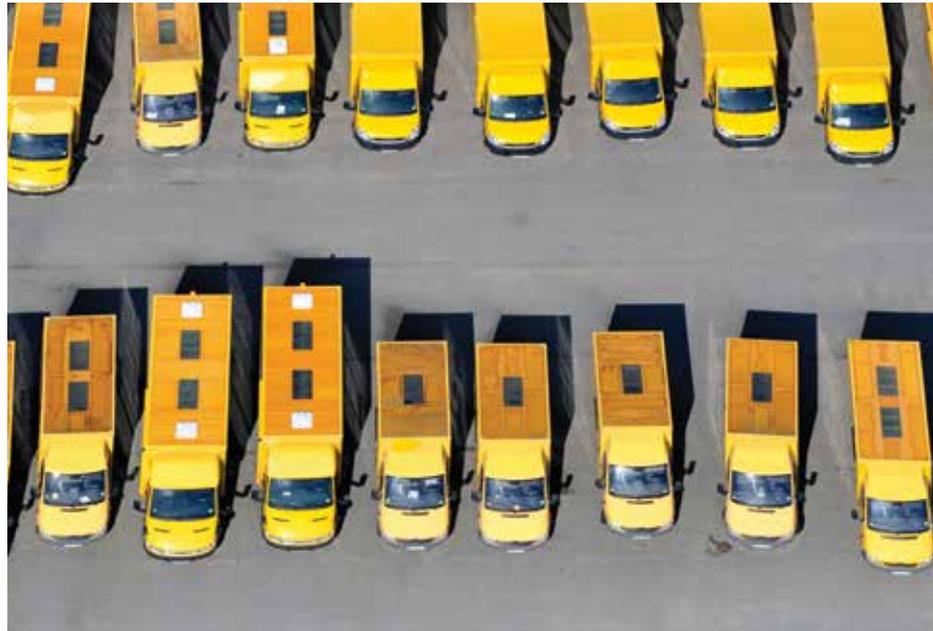
Reflecting on his experience, **Nicolas Chaput**, **Oddo AM's Managing Director**, gives us the do's and don'ts of going global.

Deloitte: Can you briefly describe your international development strategy?

Nicolas Chaput: If I had to summarise our strategy in just a few words, I would say that it is structured around three key directions: our geographical presence, our products and our targeted clients. The way we implement it is then directed by a core value, deeply rooted in our DNA, which is pragmatism. What I mean by that is the flexibility we can demonstrate and the objective vision that we have of our strengths and weaknesses. Our international expansion is intricately linked to this approach based on the experience we drew from our deployment outside of France and our ability to identify opportunities from our office in Paris. We make it a matter of principle not to get ahead of ourselves. Given our size we could not do it any other way. For example, the opening of our office in Milan in 2012 only came after extensive contacts were made by our salespeople in Paris. It was the match between the products we had to offer and potential clients in Italy that justified the provision of additional resources and the local presence.

Deloitte: How did you come up with the idea of going international?

Nicolas Chaput: Our international development strategy started from a simple observation: Oddo Asset Management was very well established in France, its domestic market. Although France accounts for 15 to 20% of the European Asset Management market, its growth potential remains weak. In this context, the eurozone, with its single currency and its intense movement of goods and services, appeared to be an obvious choice for us. By leaving our comfort zone, we also wanted to diversify our client portfolio, enter international competition and upgrade our level of professionalism. We also took this



step because we were certain that our business model could be exported. Oddo is a group with a long history; it has real capital independence and a structure based on partnership, associating the company's main stakeholders. These are principles and values that a great number of investors around the world can relate to.

Deloitte: What were the main aspects of your international development strategy?

Nicolas Chaput: Going back to the three main directions that I mentioned previously, I would say that we strived to measure the attractiveness of our products on the markets that we targeted from our practice in Paris. Regarding the client focus, we were guided by the principle that we should definitely avoid covering a client range as wide as the one we have in France.

We first analysed what our strengths were and how we could meet the demands of clients. Drawing on this analysis, we then allocated resources accordingly. The same goes for the product focus since not every financial product in the French range was necessarily suited for international clients. This naturally implies making choices on what we can provide and what is left to do. The creation of a Luxembourg-registered SICAV is good example of this effort. Regarding the geographical aspect, this depends heavily on the need to establish a close relationship with our clients. Clients, cultures, opportunities and regulations will determine whether a local presence is necessary.

Deloitte: Beyond these aspects, how did you structure the implementation of your strategy?

Nicolas Chaput: Our approach was structured according to the analysis of our main strengths. It is very important to realise that Oddo AM was almost unknown outside

of France. When you are knocking on the door of someone who does not know you, you better have strong arguments and what I call legitimacy. As an asset manager, this means a pretty solid track record, a stable team, a significant volume of AUM and consistent performance over a long period of time. Since it fulfilled all of these conditions, we first pushed our European mid-cap range. We then continued with our range of convertible bonds.

The second aspect of our strategy is inherent to the need for higher levels of professionalism. It means being able to offer all our skills in the local language, regulatory environment and currency where applicable. The more you can make clear what and who you are, the more it helps when no one knows you. The GIPS certification is an integral part of this process, as it means being able to tell a client that they can verify your current asset volumes and performance on a certified basis. It is of course a serious commitment and an additional way of making your practice stand out.

Deloitte: You mentioned the identification of products likely to appeal to targeted markets, what made you sure those products could meet foreign demand?

Nicolas Chaput: Initially, our salespeople based in Paris started to test markets in a defined number of countries in which the addressable AM market was deemed to be of sufficient size. In order to gain more credibility with potential institutional clients, we sometimes had to use global and local consultants. We worked on the global clients segment as we would with clients (rating of our investment strategies by the global consultants, beauty contests, etc.).

Deloitte: What were the obstacles to implementing your strategy?

Nicolas Chaput: The first challenge that we had – and which is, in my view, often overlooked – is the uncomfortable truth that you may be completely unknown to foreign clients. International development is in that sense a tremendously humbling experience. When you embark on this incredible adventure for the first time, you have to face the reality that no-one may know you. And what this means is that you have to prove your worth once again. It also means being able to take an objective look in the mirror.

On top of all this, going international requires a lot of patience. This is really something you will need. No one really understands how much time is needed when you plan on having a fund registered abroad. Another issue is that of technical constraints. For instance, it is totally inconceivable to think for one second that a fund can be traded in euros in the Middle East or in Asia. Structures created under French law are clearly losing favor compared to entities incorporated in Luxembourg when it comes to selling abroad. The success of the operation is not based solely on the asset manager; it is a value chain with the valuation agent and the custodian being other essential links. You need those people to have a significant experience abroad; otherwise you run the risk of things going wrong.

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Deloitte: Did all this require some cultural adaptation in-house? How did you address it?

Nicolas Chaput: I will give you an example that illustrates the situation quite well. Five years ago, French investors accounted for 90% of our annual asset inflows. Today, 65% of our net asset inflows come from abroad. There are two key ideas to keep in mind: the first is that even if you are convinced that going international is the right path, it takes some serious convincing when only a small fraction of your total asset inflows come from abroad. Believe me, you need nerves of steel to do that. The second is that you must first reassure management that you are not abandoning your domestic market – because it still is important to you – but that you are starting to allocate additional resources to your activities abroad because that is where the company needs to look to find new growth drivers.

This organisational renewal requires hiring profiles that make it both possible for you to go global and that somehow act as catalysts for change. This means having salespeople who can speak several foreign languages – or at least English – fluently, and that have good knowledge of the cultural contexts in your target countries. But the commercial division is not the only department to be affected by this process.

Going abroad dramatically changes the way the risk and compliance department operates. Whereas it was only focused on ensuring compliance with French laws and regulation, it has now to take applicable foreign laws into account. Going international will impact the company as a whole, including client service, which guarantees the quality and the sustainability of the relationship with your clients. As you are going to enter new territories, you will need either local salespeople or people that have the skills to speak local languages and understand cultural differences.

Another adaptation we had to face was the need for wider diversification of the geographical profiles of our managers to enhance our credibility among international clients.

Deloitte: What kind of measures have you taken to assert your position in countries in which you were not established before? How did you raise awareness of your brand, your expertise and your product offering?

Nicolas Chaput: Operational marketing and press relations are an integral part of the chain I mentioned above. We are currently focusing our efforts on three main areas: press relations, events and our website. Through our PR activities we are trying to raise awareness of our expertise in the local media. The organisation of local events is also very important when it comes to bringing our services closer to clients. A close relationship with our clients is a fundamental aspect of our strategy.

Deloitte: Looking at where you stand today and drawing on your experience, what would be your advice to those willing to expand into international markets? Are there any necessary steps and pitfalls to be avoided?

Nicolas Chaput: Probably the best advice I could give to someone is to avoid attempting to deliver everything, everywhere. It is absolutely necessary to take the time to step back, look at all your options and analyse your strengths and weaknesses. Do not seek to replicate your domestic business model. Humility is probably the best quality you can have.

I would also say that you need to have your product offering ready. Nothing is more disastrous than talking about your investment products to a client and not being able to offer them locally. From the appropriate legal structure to local registration of your fund and the choice of currency, everything must be ready to hit the ground running. And you better not disappoint on all of those key elements.

Some strategic markets turn out to be less accessible. For this reason it is useful to be able to serve markets that are closer to you and for which you are almost certain to benefit from rapid returns on investment. These markets will allow you to finance markets that are both geographically and culturally more distant but are also more promising.

