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## **Dutch asset pool seeks to lure talent**

Holland Financial Centre (HFC), a joint initiative of 75 companies throughout the Dutch financial sector, has launched an asset management seed fund, IMQubator.

Starting with assets of €250m, IMQubator will provide startup capital along with legal and operational support for seasoned investment managers who want to strike out on their own. One condition is that they must run their new funds from the Netherlands.

The Dutch pension and asset management industry is looking for alternative management ideas that could potentially increase returns, says Akkie Lansberg, managing director of HFC. The goal of the initiative is to bring top asset management talent to the Netherlands.

“It can be quite difficult, especially on the institutional side, if you have a new idea for asset management to get capital to bring the idea to life,” Ms Lansberg says. “This is what we’re trying to overcome by starting this asset pool.”

Pension funds will be able to participate in start-up investment funds through IMQubator. APG, which runs the pension fund for the Dutch government and educational sectors, has expressed plans to take part in the initiative. Talks with other pension funds are ongoing.

Dutch pension funds such as APG like to invest in hedge funds, infrastructure funds and other alternative strategies, says Freddy Van Mulligen, Morningstar’s head of fund research in the Netherlands.

Such funds are usually domiciled outside of the Netherlands and have a high cost structure, Mr Van Mulligen says. By promoting the Dutch alternatives sector, the pension funds can potentially profit from lower costs.

“This is not a for-charity initiative,” says Mr Van Mulligen.

The involvement of big Dutch pension players in the initiative suggests that there is a scarcity of alpha, says Ben Poor, director at research firm Cerulli Associates.

“While emerging managers typically can produce alpha, they might lack the immediate capital to grow their business,” Mr Poor says. “Moreover, even when they can increase sales, they might not be able to deliver excellence in service, especially of the type demanded by institutional investors, if they grow too quickly.”

Mr Poor notes that Calpers, the largest state pension fund in the US, launched its own external management development program in 2000.

With pensions in need of alpha and local governments in need of tax revenue, the timing for the IMQubator initiative is good, he adds. On the asset management side, troubled firms could have trouble paying their top talent the bonuses they deserve, but the current market crisis would make it hard for experienced managers to step out on their own without some help.

The financial crisis could also mean Dutch pension funds participating in the asset pool will be investing in start-up asset managers at a time when valuations are low.

“They are buying expertise at a very cheap price,” says Dunny Moonesawmy, Lipper’s head of research for western Europe. Startup managers such as those sought by IMQubator have generally left their companies after a very long track record, he says. BNP Paribas pioneered the concept of incubating startup asset managers, part

icularly hedge funds, in France about three years ago, according to Mr Moonesawmy. BNP pursued a strategy of buying small stakes in niche managers, he says, which enabled the firm to limit its risk while gaining expertise.

More recently, French groups OFI Asset Management and La Banque Postale Asset Management formed a joint venture, AMLab, in September 2007. AMLab, like IMQubator, provides seed capital and support for startup companies.

“They are like private equity investors here,” Mr Moonesawmy says. “It was a way for them to know about the different niche products that were being launched, particularly just before the subprime crisis.”

The launch of IMQubator comes slightly more than a year after the creation of the HFC, which was designed to promote the Dutch financial sector. Participating organisations include banks, insurers, pension funds, trading firms, asset managers, accounting firms, law firms and government regulators.