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GAM in rebrand push, seeks China partner

By John Sedgwick

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Under the reins of **Alex Friedman**, who joined **GAM** as its London-based CEO in September last year, the Swiss asset manager is looking to make a bigger splash in Asia as part of a wider company effort to raise brand awareness globally. In China, the company is seeking a mutually beneficial relationship with a local distribution partner to help it take its first steps into a market that it believes is ripe for multi-asset, absolute return and income-oriented strategies.

GAM opened its first Asia office in Hong Kong in 1985, followed by Tokyo and Singapore, with a focus on institutional, wholesale and private investors, but the company has been flying somewhat undetected in the region.

Alex Friedman, GAM

"The business has been, I would say, not just below the radar screen but well below the radar screen for a while," says Friedman, who was previously chief investment officer at UBS Wealth Management and Wealth Management Americas.

One reason for its lower profile may be that GAM only recently became an independent pure play asset management group after changing hands between some of Switzerland's largest banks. In 1999, GAM was acquired by UBS, 16 years after it was founded. It was then acquired by Julius Baer in 2005 before the bank split its private banking and fund management businesses, GAM and Julius Baer Asset Management, into separate listed companies in 2009.

After this, GAM's previous CEO, David Solo, chose to run the business in a more private way rather than emerge as a public company that people recognised, but Friedman says the company now needs to take a step forward.

The objective is not to transform GAM into a traditional retail shop but to broaden awareness of the company with investors outside its professional client base, institutions and wholesale channels.

"For us, it's about making the jump from being where the chefs go to eat to where everyone else realises they can eat, too," says Friedman.

Last week, GAM launched a refreshed brand logo, website and advertising campaign. It also shed its additional Swiss and Global Asset Management brand name earlier this year and is outsourcing integrated back- and middle-office functions to save costs and trimming overlapping fund strategies. But Friedman is hesitant about the effectiveness of some of the more traditional avenues investment management firms often use to raise awareness of their brand.

"Advertising tends to be discounted significantly in this industry," he says. "I think people are so used to advertising from financial services firms that they just maybe ignore it."

Instead, Friedman believes one of the best ways to raise GAM's profile is through content marketing, appearing on Bloomberg TV and CNBC, and being featured in opinion editorials in newspapers, where decision makers go to test their views. This is a strategy that has been growing over the last six to nine months and a road it will continue on.

Before working for GAM and UBS, Friedman was the chief financial officer of the Bill and Melinda Gates Foundation. Working alongside Gates, whom he describes as a “very hands-on guy”, and Warren Buffett, who is a co-trustee of the foundation, taught Friedman that leaders need to “walk the walk” and their “sleeves have to be rolled up”.

Friedman is trying to maintain the same culture at GAM. He says bureaucracy is reduced by having every portfolio manager report directly to him while he spends as much time as he can alongside the investment teams to be able to understand and explain details of all GAM’s investment strategies.

China distribution partnership

GAM conducts a large amount of its business in Europe, but Friedman identifies Asia and the U.S. as where the company’s new organic growth will take place. The company has also ramped up acquisitions ever since Friedman took the helm. “We hadn’t really been focused on growth so much, but we are now,” he says.

At the end of 2014, GAM acquired a Swiss-based quantitative investment team from Alternative Beta Partners. Last year in June it bought Singleterry Mansley Asset Management, a U.S.-based specialist in mortgage and asset-backed securities, and acquired the real estate finance business of London-based independent asset management firm Renshaw Bay.

GAM’s Asia-Pacific business is led by Hong Kong-based Henry Choon. And while GAM will continue to pursue larger deals and potentially transformational acquisitions as a wider global strategy, Friedman says Asia is a heterogeneous market in terms of acquisition opportunities and the company has a different approach to the Chinese market.

“In China, certainly we are looking much more for a partner, the right partner to help us grow,” he says. “The kind of relationship we are looking for would be a distribution-type partnership with the right group in mainland China where we can leverage off one another.”

It probably makes less sense to be one of a number of partners with a single Chinese group, so it would have to be more of a deeper, one-on-one partnership with an asset manager, bank or financial group, says Friedman who declined to comment on how close GAM is to securing a partnership deal.

Currently, GAM sells a range of equities, fixed income and alternative strategies to, and has some advisory business with institutional investors in China run out of its Hong Kong office. Its Undertakings for Collective Investment in Transferable Securities (Ucits) fund range is sold predominately via wholesale channels in regional markets outside of China, however.

Friedman references the new wholly foreign-owned enterprise (WFOE) licences in China granted in September to Aberdeen Asset Management and Fidelity Worldwide Investmentas a possible way to build a business in China but adds it is not something it is actively considering at this point. With a large range of alternative funds, GAM may also consider joining the qualified domestic limited partner (QDLP) scheme in the future.

“These schemes are still evolving and still at a very early stage in their development. Generally, we currently see better opportunities in accessing local distribution networks from offshore,” he says.

Culturally, China is much more of an equities-oriented culture than fixed-income, but this will change as the population gets older. And with the lack of a social security system, savings will need to act as a larger safety net. The volatility in the equities market will help develop more of a balanced investing culture, as in Europe and the U.S., says Friedman. With this transition, he sees increasing opportunities for GAM in offering income-oriented and absolute return multi-asset portfolios to increasingly wealthy Chinese investors.

GAM already manages about US$18 billion in multi-asset solutions for individuals, pension funds and other institutions globally. Friedman says the company is now in the process of revamping and bolstering a new set of multi-asset offerings for this purpose which will be available in Asia.