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Managers size up the Emerging Markets staffing challenge

By: David Walker 19 Apr 2012
Mid-sized asset managers enjoy advantages of investment flexibility and quick decision making. But they often face hurdles of cost and logistics when placing staff in emerging markets (EMs).

They agree that one key to success in those regions is a local knowledge of the idiosyncracies of markets, the business customs and cultures. Some mid-tier managers are thinking laterally to achieve that.

Joint ventures, secondments, using relationships with external professionals, and even a 'nomadic office' programme at one manager, are the results. Whatever the route taken, having EM products as part of a palette is important to satisfy both European and EM clients wanting exposure to "markets that are regarded as able to create wealth, not just preserve it," according to Francois Reyl, chief executive officer of €5bn private bank and asset manager Reyl & Cie.

But to be credible in offering EM conviction-based products, it is important staff have first-hand experience there, says Reyl. "Who is truly credible, sitting at his desk in Geneva, selling Asian alternative strategies to a client?"

But before even selling an EM product, managers agree they must first master the markets – involving 2,700 equities, up from 1,300 in 2002.

Jai Jacob, portfolio manager at Lazard Asset Management, says: "This expansion reinforces the need to have and develop the depth and breadth of resources, such as Lazard's, to adequately cover the asset class."

LAM has more than 40 dedicated EM investment professionals. Jacob lists understanding stability of equity and debt structures, regulatory changes and governmental policy, and corporate governance climates as among their the firm's key tasks.

Going the extra step

Stephane Toullieux, chief executive of €4.7bn French manager Financière de l'Echiquier, says: "You can wait in London until brokers give you an idea (and most funds will do that).

"Alternatively, you can travel with those brokers and attend their due diligence meetings, where you get to 20 companies in two days. But then, you are not the master of your agenda because it is their agenda. Or you can do research yourself."

Reyl & Cie employs eight people in its Singapore private office unit to serve local HNWIs and expatriates seeking Swiss family office expertise alongside a joint venture with Hong Kong financier Samena Asia Managers, to seed aspiring hedge funds.

Reyl brings European distribution and risk controls from a tightly regulated culture to the venture, while Samena offers "local investment expertise, an attractive shareholder base and network capabilities".

He adds: "That is important for us because as we were new to Asia, we needed to find a suitable partner. You need local managers who know their way around, and we did not think you could simply transplant a Swiss or European culture into Asia.

"Expanding to EMs can be a double-edged sword. One should not think there are limitless opportunities because you are quickly hit by reality and find the distribution side requires local products and local strategies."