

In search of talent

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When you ask Damon Williams, co-chief executive officer of RBC Global Asset Management, what sets his company apart from other asset managers, he identifies four elements. First, its culture: “We really believe in ethics and transparency. We believe good guys finish first and we act accordingly,” says Williams.

Second, he says, is “an unrelenting focus on our clients”. Third, the company’s environment, which is one where talent can thrive thanks to the support and tools on offer, according to Williams. Fourth, is the strong partnership with the Royal Bank of Canada, the asset manager’s parent company, which is acknowledged as one of the safest global financial institutions, and provides seed capital for new investment strategies and acquisitions.

While these answers may sound familiar, these principles may have contributed to RBC GAM’s successful journey over the past eight years. The company has built a strong institutional business almost from scratch. Prior to the crisis, RBC’s asset management business was mostly retail-focused.

RBC GAM achieved its expansion by focusing on a sound acquisition strategy, finding and hiring good-quality investment teams and meeting the needs of global institutional clients. RBC GAM managed CAN\$389bn (€273bn) at the end of August last year, having recorded cumulative growth of 25% in worldwide AUM since the end of 2012.

Williams co-leads RBC GAM together with Alex Khein, who is also CEO of BlueBay Asset Management, the UK fixed income-focused manager acquired by RBC GAM in 2010. The pair were named co-CEOs at the end of 2014, replacing John Montalbano, who had led the company for the previous six years.

BlueBay was the last high-profile acquisition target, which allowed RBC GAM to build a firmer footing in the UK and European institutional markets. BlueBay’s AUM has more than doubled since the acquisition, reaching almost €53bn as of November last year.

RBC GAM itself was born in 2008, with the acquisition of Phillips, Hager & North Investment Management, the largest Canadian institutional manager at the time, by the then retail-focused asset management business of RBC.

The recent history of the firm is one of growth, both organic and through acquisitions. From a European client perspective, the firm could almost be seen as a partnership between RBC GAM, an established North American business building its presence in Europe, and BlueBay, a well-known institutional fixed-income brand in the UK and Europe. The two firms operate separately, but there is a common distribution effort.

Williams says: “Prior to BlueBay joining, the business was mostly North American, so BlueBay brought a strong European presence and a strong set of capabilities, particularly corporate fixed income. It was a very complementary fit in terms of geographic distribution of clients and



DAMON WILLIAMS, CO-CEO, GAM (left)
 ➔ Head of global institutional business, RBC GAM / President, Phillips, Hager and North Investment Management (2008-14)
 ➔ Fixed income institutional portfolio manager, Phillips, Hager & North Investment management (2005-08)

ALEX KHEIN, CO-CEO, GAM AND CEO, BLUEBAY ASSET MANAGEMENT (right)
 ➔ COO, BlueBay Asset Management (2005-14)
 ➔ Head of structured products, partner, director, BlueBay Asset Management (2004-05)

RBC GAM
 ➔ AUM: CAN\$389bn (€273bn) at 31 August 2015
 ➔ Capabilities in global equities, emerging market equities, global fixed income

BlueBay Asset Management
 ➔ AUM: €52bn at 30 November 2015
 ➔ Active fixed income specialist focused on absolute returns

investment capabilities.”

Until three years ago, Williams says, RBC GAM’s UK presence consisted of an office housing 15 staff, primarily engaged in managing a European equities team for Canadian clients. Today the London office has more than 50 staff, which comprises a global equity team, an emerging markets team, members of the global fixed income team, and operations and distribution professionals. The global equity team was bolstered in early 2014, with the appointment of a 10-strong team, led by Habib Subjally, which joined from First State.

During the same period, adds Williams, BlueBay has grown its capabilities utilising resources from RBC GAM, including seed capital. “Our growth philosophy is to seek high-calibre investment teams that complement the ones we have, and that enable us to serve our clients better. Clients, particularly institutional ones, are increasingly interested in globalising their portfolios, so we will focus partly on global developed and emerging market specialists.”

At the backbone of RBC GAM’s investment

philosophy is active management, so the new teams and capabilities will have active skills. “We are looking for areas in which we believe there are sustainable opportunities to add value through active management,” adds Williams.

Increasingly, active management becomes intertwined with ‘outcome-oriented investing’. BlueBay has championed this paradigm, building on its core relative-return fixed-income management capabilities.

Alex Khein, who leads BlueBay, having spent almost 10 years as the firm’s chief operating officer, says: “The acquisition of BlueBay by RBC GAM was, on one hand, a specialist acquisition, but it was also a pragmatic and a forward-looking one, in the sense that the business is diversified across the way in which we manage fixed income, from relative return, to outcome-oriented absolute return and total-return strategies.”

Khein says the firm strives to apply all techniques across the different fixed-income sub-asset classes. “Fixed income is a global asset class that has matured beyond the metrics of duration and spread. The question is whether you can achieve the breadth of management styles, by attracting talent that will manage fixed income in a modern way,” he adds.

In recent years, BlueBay has built capacity to manage most fixed-income sub-asset classes. Khein says that four years ago the company launched a private lending strategy that has grown to over €4bn of commitments. “We see an ongoing expansion in the divide between public and private credit assets. A good manager manages both,” adds Khein.

In the past five years, growth has also come from multi-asset strategies, which account for about 10% of AUM, or almost €6bn. The company has also added capacity in global convertible bonds. “That is a meaningful growth business for us, servicing investors that want to balance the equity upside with a firm bond floor,” Khein says. The overall philosophy has paid off, he explains, as shown by the fact that some 40% of BlueBay’s AUM is in strategies that were launched over the past five years.

Across RBC GAM and BlueBay, the focus in the immediate future will be to prove the case for active management. Khein says: “As we approach the end of a 35-year bull market in stocks and bonds there’s an opportunity for active managers to, once again, start proving themselves. We are just passing through the inflection point. There will be asset allocations to make that are value-additive to clients’ portfolios.”

Williams concurs, and expresses his concerns about the commonly held view that passive management is significantly cheaper than active. He says: “I welcome the regulatory trend towards more transparency, which will vindicate active management. In comparing active and passive funds, there is a tendency to compare apples and oranges. In reality, the fees that an institutional investor would have to pay if they tried to apply a similar strategy passively are actually only modestly lower compared to the active fees.” That, he concludes, makes RBC GAM’s value proposition particularly compelling.