

## EXECUTIVE INTERVIEW: Mutual friend

As OMAM makes headway in Europe, *Angelique Ruzicka* catches up with its chief executive Peter Baxter, who explains the company's long-term strategy and key objectives



The financial service provider Old Mutual is as recognised in South Africa as the dried meat delicacy biltong and the Springbok logo. However its specialist investment subsidiary in the UK, Old Mutual Asset Managers (OMAM), is much less well-known in Europe. Peter Baxter, chief executive, admits there is still needs to be a lot of work to be done for OMAM to be recognised in Europe, although a lot of headway has been made already in the UK.

“Our brand recognition is now very strong in the domestic UK market. In hedge funds it is growing; we’ve only been in hedge funds for five years,” he says.

“On the institutional side in Europe we are early in the journey. We are committed to this market and to do so you have to be committed with a long-term view and build your reputation in the market.”

Baxter has been chief executive of OMAM for two years but has been at the company longer. He joined OMAM in September 2000 as chief investment officer. He was appointed deputy CEO in 2001 and became CEO in May 2005. Prior to OMAM he worked at Hill Samuel Asset Management for six years, first as head of pension funds, and subsequently as head of the global strategy team with the responsibility for asset allocation across a range of global equity portfolios. Before that, he worked at Schroders, initially as an oil and chemicals analyst and finally as a strategist.

To gain a foothold in Europe, Baxter is trying to ensure that OMAM is well known to global consultants. “We are moving into the institutional market and investment consultants are gaining confidence in us. In Europe we have started pitching in Germany with our global equity quantitative investment capability. We have increased our sales team to focus on the European market and the UK.

“Our key push with consultants has happened over the last 18 months with our institutional team here in the UK. We are always openly looking for opportunities. It is a long-term game and we have the patience to invest in that. The consultants are operating globally but our focus has been on establishing a presence in the UK and looking at the Scandinavian pension fund market.”

## **Eastern expansion**

OMAM has also pushed for more recognition in the Middle East and Far East. Says Baxter: “We have a sales team in the Far East (Japan and China). We have made progress in China with some large institutions.”

OMAM has won some institutional clients in China for its hedge fund range, Baxter adds. “China is a matter of hard work building up relationships on the ground and building opportunities.”

Baxter says he has no intention of expanding OMAM’s product range to a great extent at present. OMAM itself has four key product areas: discretionary equities, discretionary bonds, domestic credit and quantitative strategies.

“We have our quantitative strategies, which started our global long equity product, and we have moved into hedge fund products as well over the last five years. Our multi-strategy product range, which is aimed at the institutional market, has been running for four years.

“Focus is really important to us, we don’t want to be all things to all men. We are only focusing on things that we are good at. So in the institutional world, global equities and our multi-strategy hedge fund are core propositions for us. We have stated our intention to expand into UK equities, as there is high demand in the UK.”

Baxter feels OMAM should instead concentrate on creating tailor-made products for institutional investors with its experience in ‘alternative’ products.

“We have a range of hedge fund products and depending on the country we are selling into it depends on how much they want a single strategy hedge fund, or broader based multi-strategy of fund of funds. So all of our range of products is available. We look at where our core competency is and we listen to what the market is looking for. Different clients want different things.”

He adds: “When we are selling in the Middle East we promote our Sharia product, which is gaining traction in the region with some institutional investors. We only deliver what we think we will be excellent at.”

With 130/30 fever gathering pace, Baxter concedes that OMAM is keeping an eye on this development but is not launching into the market. He says 130/30 can be a valuable tool in a portfolio.

## **Profitability proposition**

“Within the Old Mutual Group, one of our affiliates on the west coast of the US was one of

the first 130/30 managers. It's something we are looking at; we will only do it though if we can see where supply meets demand. We are perfectly capable of supplying it, as long as the demand is there."

Parent company Old Mutual has \$260bn (e189bn) under management, which greatly overshadows OMAM's £6.4bn (e9.5bn) of assets recorded this year in May, but Baxter has ambitions to reach £10bn-plus (e14.9bn) in assets under management.

"We are getting there. If you look at our history our assets under management growth over the last three to four years has been very rapid. We don't want to stop at the £10bn (€14.9bn) target when we get there."

But increasing assets under management is not the only focus. "We don't do asset size per se. What we target is profitability. We want to be focused and sell

the right assets at the right margin. We don't do big commodity products; we focus on high performance and absolute return products, so we tend to have smaller shares of assets, but higher performance. I would expect that next year and the year after, our reputation in Europe will just improve more and more. That's the journey we are on and it's very exciting."

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