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FINANCIAL NEWS

European Asset Management Firm of the Year and Quantitative Manager of the Year

Axa Rosenberg's style results in double success

EUROPEAN ASSET MANAGEMENT FIRM OF THE YEAR

	Score	%
Axa Rosenberg	3.4	69.6
BlackRock	3.3	66.2
AllianceBernstein	3.2	65.3

QUANT MANAGER OF THE YEAR

	Score	%
Axa Rosenberg	3.8	76.1
Intech	2.8	56.4
SSgA	2.8	56.4

Axa Rosenberg has ridden the quant wave over the past few years, establishing itself as a specialist manager with a robust, trustworthy process and strong performance in some areas.

Its European equity funds are top-flight performers in the Mercer rankings, coming in 6th and 8th out of 40 similar funds over the three years to June 30.

The firm says its broad European market strategy has outperformed its benchmark in all but one calendar year since 1993.

In terms of returns, the European long-only process has produced 15.1% over the 12 months to September 29, one percentage point above the MSCI Europe, weathering the credit crunch. Its global and Japanese funds performed similarly, while North America produced 5.4 points above its benchmark.

That record has won the firm business from blue-chip institutional clients – it picked up a £345m (£507m) mandate from the Pensions Trust, the £3.2bn UK pension fund network for the charitable, social and voluntary sectors, in June and a €320m brief from AP7, the Swedish national fund, the previous May.

Funds under management from European clients have jumped from £39bn to £48bn in the past year, a



Best in Europe: Axa Rosenberg marketing director Hamish Gowen receives the Firm of the Year award from Gay Collins of Penrose

23% growth rate, and this asset-gathering success is reflected in its win of the Financial News European Asset Management Firm of the Year title.

Established in California in 1985 by Barr Rosenberg, the firm was acquired in 1999 by Axa, the French insurer, and rebranded. It has since grown into a £70bn asset manager with distribution strength around the world.

Its global ex-US strategy picked up a mandate from China's National

Social Security fund at the end of last year, giving the company a valuable foothold in the country's budding institutional market.

In Europe, the business has been led for the past two-and-a-half years by Simon Vanstone, who joined in 2002. A former salesman for State Street, he has brought in a steady stream of mandates. The chief investment officer for Europe is Gideon Smith, a long-serving UK equities fund manager with the group.

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It is problems in UK equities that mar the rosy picture, according to pooled pension fund figures from the Bank of New York Mellon Caps survey. In the most recent report, to the end of June, Axa Rosenberg's pooled UK alpha fund is mid-table over three years, but fell to 85th out of 115 for the first half of this year.

In general, however, performance at Axa Rosenberg has held steady during recent months despite setbacks for many quant funds, according to consultants. One described the manager's summer as "mixed, but no more mixed than any other period". Many quantitative long-only funds took hits but have bounced back.

Global quant equity retail funds run by Crédit Agricole Asset Management, Gartmore and Schroders, for example, lost between 8% and 11% over the four weeks between July 15 and August 15, but have recovered since.

Vanstone said: "We believe the market turmoil in August was the

result of a sudden reassessment of risk and not a change in companies' fundamentals. Like most managers focused on fundamentals, we suffered somewhat in early August, but we maintained our disciplined process throughout. Our portfolios have since recovered and are well positioned; indeed the increased volatility is generally good for us as it creates more and larger mispricing opportunities for our stock selection models to identify."

Another consultant, who has looked at Axa Rosenberg for mandate pitches in the past, said: "It has been hugely successful in picking up a lot of equity assets, especially in its European funds, on the basis of its quant approach. It has taken it a long time to get to where it is today, but it has been steady growth."

He contrasted the manager's record to that of Barclays Global Investors' quant funds, which he described as "never seeming to fire on all cylinders".

One of the firm's acknowledged

strengths is its equity research capability, the Barr Rosenberg Research Center, whose work drives its quant models and is behind its victory as Financial News Quantitative Manager of the Year for the second year running.

The centre employs 28 staff at the company's base in Orinda, California, as well as six in London, to pore over more than 21,000 companies using mathematical and statistical models.

The manager uses proprietary software to predict a company's fair value (allowing investors to identify undervalued stocks) and its future earnings. It also incorporates a risk model that helps with portfolio construction.

The consultant said: "It differentiates itself on its model. Its process is effectively a fundamental analyst's process, but using computer power. It cuts up the balance sheet and divides companies into individual business units, and estimates their valuations. It is very detailed."

The manager has branched out into long/short strategies with a 130/30 product, which allows fund managers to take limited short positions while sticking to a 100% net market exposure.

Axa launched its fund last year, coming relatively late to Europe with the strategy when compared with quant managers State Street Global Advisors or Barclays Global Investors but ahead of later entrants such as Fortis, Scottish Widows Investment Partnership or Threadneedle.

After a sustained period of promotion by fund managers the 130/30 strategy appears to be gaining traction among UK pension funds, with mandate awards made public at the pension schemes of retailer Asda and DIY chain operator Kingfisher.

Axa Rosenberg has done its share of the education, and may well find itself poised to capitalise on that.

Mark Cobley