

News

CalPERS deal is first toehold in US, says France's TOBAM

28 Apr 2011

GLOBAL – Yves Choueifaty, president of Paris-based asset manager TOBAM, has told IPE that an investment in his business by the California Public Employees' Retirement System (CalPERS) in a joint venture with Strategic Investment Group, as well as a large global equities mandate from the plan, will be the "seal of approval and quality" with which to launch its development among US institutional investors.

TOBAM, founded in 2006 and spun-out from Lehman Brothers Asset Management in 2009, creates portfolios that aim for maximum diversification – and the avoidance of concentration risk found in market cap-weighted benchmarks – using its proprietary 'Anti-Benchmark' model.

The company has been awarded a \$150m (€101m) global equities mandate by CalPERS, to be managed according to this process.

TOBAM has also been selected for the \$230bn plan's highly competitive Manager Development Program, set up by CalPERS and specialist asset manager Strategic Investment Group in 2000 to provide new opportunities for emerging asset managers running \$2bn or less.

According to CalPERS' website, a second programme (MDP II) was approved in 2004 that has awarded mandates to three US managers (Piedmont Investment Advisors, Quotient Investors and Redwood Investments) and two Europeans (Hermes-Sourcecap International and now TOBAM).

Hilda Ochoa-Brillembourg, founding partner, president and chief executive at Strategic Investment Group, said: "We are delighted to welcome TOBAM to our Manager Development Program, in recognition of their position as an innovator in quantitative investing, with a research-driven culture and global reach."

Joseph Dear, CalPERS' chief investment officer, said: "These emerging managers will play an important role in our effort to nurture potential diverse major players in the financial markets."

Choueifaty said: "We are very proud to have been chosen by CalPERS and Strategic for this highly selective program. This mandate is a sign of their confidence in our investment approach and confirms their belief in the Anti-Benchmark concept as an innovative solution for the world's leading institutional investors."

He added: "We approached CalPERS about 18 months ago, and lengthy and thorough due diligence they confirmed an interest. They are convinced about the investment philosophy, the implementation and the team – the due diligence was really focused on those three points.

"We see ourselves as neutral, which requires us to be active; on the other hand, the cap-weighted benchmarks, being passive, will fail to be neutral in terms of risk allocation.

We also see our process as a core strategy because it generates very well-diversified portfolios.

"CalPERS has a good understanding of our philosophy and process. The fact that it has awarded us this mandate suggests it agrees with that characterisation."

In addition to the investment mandate, CalPERS and Strategic Investment Group have

also agreed to buy a 17.5% equity stake in TOBAM's parent company. The company remains 82.5% owned by employees.

The CalPERS mandate is TOBAM's first from a US pension plan, but Choueifaty sees the investment in the company as vindication of his its growth strategy for that market.

"Their investment in the TOBAM business suggests they believe there is a good case for growth," he said. "We are confident this is the seal of approval and quality that will enable us to grow in the US, focusing on very large allocators.

"That was why we contacted CalPERS – we wanted the largest US investor to be our first client in the US, following our practice in European markets – and also why we have opened our new office in Los Angeles headed by Steve Sapra."

The new office adds more North American presence to TOBAM's partnership with Investeam in Canada

TOBAM currently manages \$2bn (€1.35bn), more than 90% of which is pension fund money.

Author: [Martin Steward](#)