

## Calpers extends fund-manager investment programme with French buy

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**Calpers**, the biggest pension fund in the US, has taken a 17.5% stake in **Tobam**, a French boutique that spun out of **Lehman Brothers'** European asset management operation two-and-a-half years ago, as part of its ongoing programme of investing in small fund managers it believes are set for growth.

Calpers, properly known as the **California Public Employees'** Retirement System, looks after \$234bn of government workers' savings in the western US state. In 2000, it began an unusual investment programme combining traditional fund-management mandates with a more private-equity-style approach; when it found a small fund manager it liked, it would not only **get** them to manage some of its money, **but** would take a stake in the company too.

That first programme came to an end in 2004 and since then it has begun 'Manager Development Programme II', which has also made investments in **Hermes Sourcecap**, a joint-venture with UK fund manager Hermes, and Quotient Investors, another quantitative manager based in the US.

**Yves Choueifaty**, president of Tobam, **said**: "Calpers have invested with us because they are convinced by our strategy. They are really in-depth with their due diligence; they came to visit us in Paris, met with our team; it is a really serious process."

Choueifaty declined to comment on how much Calpers had paid for the 17.5% stake; the rest of the company is owned by its management team and employees.

Since emerging from the wreckage of Lehman in late 2008, Tobam has embarked on a strategy of seeking to **win** big-name public clients over to its unconventional investment approach, and has achieved a healthy degree of success, with appointments to run money on behalf of PK Post, a big Swiss scheme, and ERAPF, the French civil service scheme, amongst others. The investment with Calpers crowns that strategy.

Calpers will also invest \$150m in Tobam's fund, which is a quantitatively-managed process offering an alternative to traditional passive investing. Rather than investing in indexes based on market capitalisation, Tobam's maths specialists analyse stocks according to how they tend to **move** relative to one another, and then builds a portfolio which they say offers the maximum possible diversification. They call the approach "anti-benchmark" investing.

While there is no-one else that does exactly what Tobam does, there are a number of other quantitative managers who offer other alternative approaches to passive investing, such as **PanAgora Asset Management** or **Acadian Asset Management**, which claim their processes offer better returns or less volatility than the widely-used indexes.

Tobam now plans to use the deal as a springboard into North America, where it currently has no clients, other than Calpers. Steve Sapra, a former senior portfolio manager at Los Angeles quant shop **Analytic Investors**, has joined the company and will set up a new US office in the **city**.