IGNITES EUROPE April 21, 2016 2:14 pm

Tobam prepares smart beta bond push

By Anna Devine

Ignites Europe, a Financial Times publication, provides news and analysis of the European fund industry.
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French asset manager Tobam says it has a pipeline of smart beta fixed income funds ready to be launched across Europe in response to demand from private banks.

The equity specialist is in the process of finalising agreements with several private banks to distribute fixed income funds, as well as equity products.

“From a product perspective fixed income for us is the next big step,” says Christophe Roehri, managing director at Tobam.

“We are fully ready to launch fixed income anti-benchmark funds. The pipeline of the launches will be determined on a case-by-case basis.”

In particular Tobam is planning to use its fixed income capabilities to appeal to French retail investors.

The firm has already had some success with several French life insurance platforms that have registered or are in the process of signing up Tobam’s smart beta funds.

Some of these platforms are cherry-picking the strategies that “complement” their existing offers but “most are approving the whole fund range”, says Mr Roehri.

Tobam says it will also use a fixed income strategy launched two years ago as part of its smart beta push.

Since launch Tobam's "anti-benchmark" US credit strategy has attracted over $200m in inflows from retail investors, "notably in the UK".

According to Mr Roehri, private banks are interested in the strategy as they see it as "a good fit for their clients, especially in this low rate environment".

"We believe that the fixed income strategy has now reached a good 'marketability point', with two years of compelling track record," he says.

"[We] are also expecting more flows from [the retail market] segment in Europe by the summer."

Fixed income represents only 2 per cent of the smart beta exchange traded fund market, according to Morningstar.

Although European fixed income ETF funds as a whole had their best month on record in March with €5.7bn ($6.5bn) of net inflows, smart beta strategies had net inflows of €78m.

Jose Garcia-Zarate, a senior fund analyst at Morningstar, attributes the low pickup in fixed income smart beta ETFs to "no easily identifiable factors other than interest rate risk and credit risk", which can prove "tricky" to capture in a "coherent manner".

In equity there are "plenty of factors", a consolidated exchange with transparent pricing sources and "more importantly there is only one stock per company".

A lot of research is going into smart beta, however, as "everybody can see the shortcomings of market-cap weighted fixed income benchmarks", says Mr Garcia-Zarate.

Justina Deveikyte, senior analyst at research firm Cerulli Associates, says she expects "more developments" in fixed income and commodities smart beta.

"My sense is that the fixed income market would be primarily France, the Netherlands and maybe the UK," she says.

Most of the demand for smart beta products so far has come from the institutional market, but there are "more requests from private banks", adds Ms Deveikyte.

Mr Garcia-Zarate says private banks and retail investors in Europe have been slow to adopt smart beta products, but "[ETF] providers are now trying to address this by upping their marketing efforts with these segments of the investor community".

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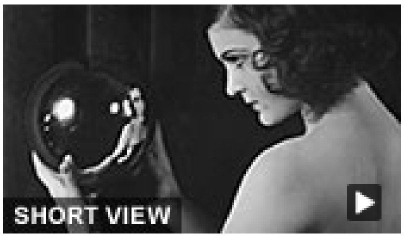

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