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## A European Smart Beta Pioneer Enters the U.S. Mutual Fund Biz

An 11-year-old institutional asset manager in Europe is preparing to enter the U.S. mutual fund business.

Paris, France-based **TOBAM** has filed to launch the *TOBAM Emerging Markets Fund*, which will be TOBAM's first mutual fund for distribution in the U.S. TOBAM (short for "Think Out of the Box Asset Management"), founded and led by founder and chief investment officer **Yves Choueifat**, runs only one strategy, known as the anti-benchmark strategy or "the most diversified portfolio," and then applies that strategy in different investing universes (for example, emerging markets, in the case of TOBAM's planned first U.S. mutual fund).

**Yves Choueifat**TOBAM  
President

"Everybody in this industry talks about diversification, yet it's not a well-defined term," Choueifat tells **MFWire**. "There is no measure for diversification. This is what I have invented and patented across the world."

And striving to maximize that measure of diversification is how Choueifat and his team can "try to build the most diversified portfolio" they can build.

Choueifat says that expanding TOBAM's reach in the U.S. is a key part of TOBAM's growth strategy. TOBAM had \$8.7 billion in AUM as of June 2016, including \$2.5 billion from institutional investors in the Americas. TOBAM's AUM has doubled in three years, from \$4.3 billion in June 2013, when it had just \$300 million in AUM from the Americas.

In terms of mutual funds, TOBAM already offers 10 funds based in Luxembourg, as well as mutual funds (some TOBAM's, some subadvised by TOBAM) in Canada, Japan, and Korea. In Canada, TOBAM teams up with **Mackenzie**, and in Asia and the Middle East **Amundi** helps out with distribution. In the U.S., Chouteifat sees the Taft-Hartley market (i.e. union,

multiemployer benefit plans) as "one of the first segments of client that" the TOBAM team "will be trying to reach" with the U.S. fund.

TOBAM plans to offer A shares, C shares, and I shares of the new fund. **BNY Mellon** will handle custody and transfer agency, **Pepper Hamilton** will provide legal counsel, **Ernst & Young** is the independent accounting firm, and **Foreside** is the distributor.

TOBAM already has five people in North America, one in Toronto and four in [New York](#). TOBAM has 43 people worldwide, up from 30 a year ago, and it has offices in Dublin, Hong Kong, and Zurich (in addition to New York, Paris, and Toronto).

Choueifaty, former CEO of Credit Lyonnais Asset Management, founded TOBAM in 2005. TOBAM became part of Lehman Brothers in 2006 and Choueifaty led quantitative asset management in Europe for Lehman. Yet he bought TOBAM back in 2008, and TOBAM's employees still own 80 percent of the company today. Giant California public pension fund CalPERS, TOBAM's largest client, owns eight percent of the asset manager, and European asset management titan Amundi owns the remaining 12 percent.

From the beginning, Choueifaty says, TOBAM started out focused on serving very large, public institutions, such as sovereign wealth funds, sovereign banks, and public pensions. Then they started developing more retail products and partnerships around the world for smaller institutions and wealth management. The TOBAM team develops and tests new offerings outside the U.S., then brings them here.

"The U.S. business in general is really the most strategic part of our business," with "the strongest growth," Choueifaty says. "We have a pipeline which is extremely strong."

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