

TOBAM seeks institutional investors for new anti-autocracy strategy

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Yves Chouiefaty

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Lugging his suitcase in one hand and a sales pitch in the other across North America, Yves Chouiefaty, the Paris-based chief investment officer of [TOBAM](#), wants institutions to understand that investing in autocracy does not work.

That is Chouiefaty's hope as he meets with investors to get commitments to LBRTY, the France-based asset management firm's new strategy that limits the risk of exposure to countries with autocratic risks.

But he still faces the hurdle of convincing institutions that this is a sound way of investing.

"There is nothing that makes less sense than investing in a country in which reigns arbitrary and economic irrationality," Chouiefaty said. "It simply doesn't make sense to invest in such an environment, and I think it's really based on common sense. It's not rocket science."

Chouiefaty, who founded [TOBAM](#) in 2005, said 60% of the firm's clients are public pension funds. The firm manages \$7 billion in assets.

He presents LBRTY as a clear-cut solution at a time when institutions are [re-evaluating](#) where they're putting their money, especially in countries that limit civil liberties and political freedoms. While it has been liquidating its Russian ETF, [BlackRock](#) saw the performance of its China ETF fall nearly 10% since the start of 2023 amid a congressional [probe](#) into Chinese companies.

The methodology for LBRTY comes from third-party research centers such as the V-Dem project, which monitors and publishes data on political developments and civil liberties in countries back to 1789.

Using this data, TOBAM ranks every country on a scale between zero and 10, with Chouiefaty describing one as being "next to North Korea" and 10 being "very close to paradise." TOBAM considers countries above six to be democracies, while those below — including China, Russia, Saudi Arabia and Turkey — are tyrannies.

From there, the firm reviews every stock listed in the world and assesses how exposed they are to autocracy. While some strategies may exclude select autocratic countries, Chouiefaty noted that investors do not have to own stocks domiciled in an autocratic government to be exposed to this risk.

LBRTY is available through three Luxembourg-domiciled UCITS, including a global fund, a global ex-U.S. fund and an emerging markets fund. The annual management fees range between 0.5% and 1.5% depending on the share class, and there are no withdrawal lockups. U.S. investors may purchase shares through U.S.-based fund managers.

He cited [research](#) by [Yale University](#) that said "there were more than 1,000 companies listed outside of Russia that had to close their business" in the country last year in response to the invasion of Ukraine. He then pointed at an [article](#) from India-based analysis platform TFIGlobal that highlights a study by the Moscow-based Center for Strategic Research, which reported that the withdrawal resulted in \$240 billion in losses for those companies.

"You don't need to own Russian stocks in order to be exposed to Russia," Chouiefaty said. "You don't need to buy Chinese stocks in order to be exposed to China. What matters the most is indirect exposure."

As for whether the strategy works, the performance speak for itself. In a presentation for investors shown to *Pensions & Investments*, TOBAM highlighted LBRTY's backtested annualized gross return of 6.1% excluding fees for the period between August 2008 and March 2023. Chouiefaty contrasted the performance with the [Bloomberg Emerging Market ETF](#), up 3.7%, and its [Emerging Markets ex-China ETF](#), up 3.5%.