

The Big Interview: Lionel Aeschlimann, Mirabaud Asset Management

'We are a start-up with deep roots' – Mirabaud makes its mark in the UK

Lionel Aeschlimann tells Hannah Smith about his long-term plans for Mirabaud's asset management arm following a raft of high-profile fund manager hires

It has been a busy couple of years for Mirabaud as the group seeks to attract some of the best fund management talent in the industry to help grow its business in the UK.

BlackRock's head of emerging markets, Dan Tubbs, kicked off a number of high profile hires when he joined to launch a new fund in summer 2012. Aviva Investors' head of high yield Andrew Lake joined at the start of the year, and F&C's Fatima Luis became the latest addition to the fixed income team in the summer. Anu Narula from AXA IM also came on board in June to run a new global equity fund.

These were all established managers at leading fund houses, running significant pools of client money in their old jobs. How was Mirabaud able to entice them to take a chance on a lesser known but growing business?

Lionel Aeschlimann took over responsibility for Mirabaud's £7bn asset management arm when he joined three years ago. He said the firm's status as a private company, not run for the benefit of shareholders, means it has a longer investment horizon, and this is something which appeals to fund managers.

"I have spoken to several fantastic managers over the last two or three years who were running £1.5bn or £2bn where they were, but they decided to join Mirabaud to launch a new product with seed money of just £50m. They accepted short-term significant career risk because we were offering a long-term beautiful story," he said.

"This is not a critique of larger, listed firms, but when you are listed, you are subject to other kind of incentives because you have to publish quarterly statements and AUM figures to keep the share price up. We are not subject to these pressures so it allows us to have a longer-term view, which is really what clients are looking for."

Did it feel like quite a coup to poach a raft of such well-known and respected managers from leading fund houses? Aeschlimann rejects the suggestion. "I do not like the word 'poaching', it is a bit aggressive and does not correspond to our state of mind. But it is true that I meet people, people call me all the time.

"When you are a talented fund manager, what do you want? You want to be able to manage in an unconstrained manner, and to work in a collaborative environment. People produce better results when they are happy, and work much better in an intelligent environment. Too often in listed

firms people are subject to short-term constraints."

Products

In the last couple of years, the group launched the obvious products to match the investing skills of the managers they have hired – most recently a global strategic bond fund for Lake and Luis. Joint sales and marketing directors Paul Boughton and Andrew Blair are responsible for promoting these funds to a wider audience. Aeschlimann said Mirabaud does not intend to become "a product factory" and is more interested in a specialised offering than a broad fund range.

Rather than rolling out several new funds in different asset classes, Aeschlimann said the group will probably look to develop concentrated, higher alpha versions of existing products, such as in global emerging markets or fixed income.

"At this stage we have no intention to hire further teams, we now want to consolidate the teams we have brought in. We might work on one or two strategies we have internally to reinforce them, but we do not want to force products upon our clients. We listen and try to anticipate their needs."

Talking to the market

As a group widely recognised on the Continent but not well known in the UK, listening to what customers want has been crucial for Mirabaud as it tries to carve out a niche for itself in this market.

The Swiss group – which not only has an asset management arm but also a brokerage and private client business – has a long and distinguished history of managing money in Europe, with operations spanning 200 years. However, as the firm has put down roots in the UK funds space, it has had to adapt to the particular needs of a sophisticated client base.

Tasked with building up the business outside its home market, Aeschlimann opted to launch the group's UK equity fund into the UK, alongside a few other choice picks.

"On the asset management side, we had a few gems such as our UK equities offering [run by Philip Watson and David Kneale]. I decided we should structure an international business around those funds, focusing on the UK, as it is one of the most important investment management centres in Europe," he said.

"The idea was to build a performance house with a broader offering of asset classes and products, while keeping a boutique approach focusing on active



CV Lionel Aeschlimann

2010-present

Managing partner of Mirabaud & Cie and member of group executive committee.

Head of asset management division.

Member of Swiss Takeover Board and asset management commission of the Swiss Funds and Asset Management Association.

2000-2010

Partner at Swiss law firm Schellenberg Wittmer.



management and high conviction.”

While he was shaping the future direction of the business, Aeschlimann went out to talk to the key players in the UK funds market to hear their views and get a sense of their investment needs. One of the things he observed from these initial meetings was how much trust had been lost because of the financial crisis.

“I realised that after the crisis of 2008, the world had changed in many respects – interconnectivity, globalisation, and broken promises had changed the landscape completely. Therefore the positioning of Mirabaud as a pure player with a high conviction approach was something that would gain traction over the years.”

Brand recognition

However, trying to build a reputation and grow assets when you are a new face among established players is no mean feat. Aeschlimann said he wanted to find out

how much store fund buyers set by the strength of a brand when choosing with whom to do business. In the UK, several big fund houses dominate the landscape and take the lion’s share of assets under management.

Trying to compete with the likes of Invesco Perpetual, BlackRock, and M&G looked like a major challenge. “People were telling me that brand was everything, and inflows would only go to large names, but my experience with our institutional business is that brand is not as important as performance,” he said.

“In Continental Europe, we have an outstanding reputation in wealth management. In the UK, we have a very good reputation in the brokerage and hedge fund world. On the asset management side, we are essentially a start-up – but we are not like Steve Jobs starting up in a garage, it is a start-up with deep roots.

“When we meet clients who do not know the name Mirabaud, we usually get a warm reception because they are interested in our reputation, our history, and the approach we have to asset management.”

Another thing Aeschlimann noticed in his conversations with UK fund buyers was the growing influence of passive investment houses and how they have caused price competition to intensify over the last few years.

“In a low yield environment, passive investments were becoming increasingly important. Many active managers saw that as a threat, but we saw it as more of an opportunity because it would allow truly active managers to position themselves in a clear way, and would empty the market of semi-passive managers,” Aeschlimann said.

“If a client asked us to run a passive portfolio of £5bn, we would turn it down, although in AUM terms it looks very nice. It is of no interest to us. We want to run things which are higher margin and profitable, so that we can pay our teams so they are happy and have a long-term commitment to the business.”

International presence

As well as taking steps to get a foothold in the UK market, Mirabaud is starting to make headway in other markets, targeting Latin American customers through Spain, and building on its presence in Scandinavia and the Netherlands. It may also move into the Middle East as it evolves into a global business.

Aeschlimann said: “In five years’ time, we want to be a key player in the asset management world, we want to be recognised as an alpha generating performance house of high quality. Will we be global in five years? I don’t know. Will we have grown our international presence? Yes.”

As it sheds the mantle of being “essentially a start-up” in the eyes of UK investors, Mirabaud looks set to carve out a place for itself among better known brands in the fund management industry, and could be a truly global player in the coming years.

Timeline of events

1819

Mirabaud & Cie, banquiers privés, founded in Geneva

1857

Founder member of Switzerland’s first securities exchange

1974

Moves into alternatives space with US multi-manager fund

1990

Develops UK presence with majority stake in London-based Mirabaud Pereire Holdings

1997

Hong Kong office opens

1998

Zurich branch opens

2003

Paris office and brokerage firm in Hong Kong open

2006

Mirabaud becomes single brand

2007

Dubai office opens

2010

Moves into Spain

2011

Fund management is concentrated in Luxembourg