



iMGP's Couvrecelle and Seeley comment on ETF expansion plans worldwide

By Beverly Chandler, 25 August 2021

Recent news revealed that iM Global Partner had taken a minority stake in Richard Bernstein Advisors, a US investment management firm with a sizeable ETF portfolio.

iMGP's deputy CEO, US chief operating officer & head of US distribution, Jeffrey Seeley, explains that the firm's business model is very straightforward. The firm was founded by Philippe Couvrecelle in 2013 and now has USD35 billion under management through a series of high-profile asset managers in whom they have taken a minority stake.

Couvrecelle says: "I have been working in the asset management industry since 1988 and spent nearly 20 years with Natixis and five years with Edmond de Rothschild. In 2013 iM Global Partner was founded as I had the strong conviction it was time to set up my own business. The idea was to think about a new model bringing the best of the two worlds, independent boutiques and the distribution power of the biggest asset management companies. By taking minority participations, iM Global Partner proposes to connect highly talented boutiques with international distribution channels with fully aligned interest. This philosophy to be an active but not controlling shareholder is very differentiating in our industry. We want to bring together the best fund managers and boutiques from a wide range of asset classes under one roof. It is central that these boutiques achieve alpha and generate added value for investors."

"We are an asset management network," Seeley says. "We are taking minority stakes in asset management boutiques around the world - we like to partner with entrepreneurial firms."

Within the US, the firm has minority stakes in Polen Capital, Dolan McEniry, Scharf Investments and Litman Gregory, as well as the new arrangement with RBA. Offices are in 16 locations around the world, featuring Paris, Los Angeles, Miami and London.

"The boutiques in which we participate retain 100 percent of their independence," Couvrecelle says. "Our partners all have outstanding track records. We are happy to act as a sparring partner for them and provide our expertise. As a minority shareholder, we provide long-term financial and operational resources to our Partners, but we don't try to control them. We believe that when you try to control an entrepreneurial organization you start to destroy its DNA that generates value for clients. If we were to take a majority stake in a company, we believe we would lose their talent - sooner or later the fund manager would say goodbye."

"Inside the US, we have been building out our distribution platforms of 40 Act products such as mutual funds and ETFs to provide to partners who want to have those types of vehicles for their client base," Seeley says.

“Currently we have about USD2.2 billion in assets on our iMGP mutual fund and ETF platform, mostly in mutual funds, and we have two ETFs which were launched in 2019 with Dynamic Beta Investments.”

iM Global Partner and Dynamic Beta investments launch Managed Futures Strategy ETF

iMGP prefers to be in the active space. “We like to be in areas where our partners have unique capabilities in the active ETF space,” Seeley says: “We will likely launch some more ETFs going forward and RBA is a unique asset allocation firm and one that we have admired for over two years.”

Future ETF launches could include single use ETFs and model series. “In the US, demand for ETFs is strong and we see continued interest particularly in active ETFs and asset allocation models that utilise ETFs as an efficient solution for advisors and clients,” Couvrecelle says. “In Europe, transparency has been the big issue for active managers and European regulators are not keen on non-transparent ETFs which have had some success in the US. If they were to be approved, I think demand would rise in the region but some markets would be more open than others as ETFs do not typically pay rebates. This would make an active ETF less attractive than its equivalent active mutual fund in many countries.”

In terms of building the ETF part of the business, Couvrecelle says: “In the US we launched two active ETFs with our partner Dynamic Beta - iM DBI Managed Futures (DBMF) and iM DBi Hedge Strategy (DBEH). Having the ability to launch ETFs for current or future partners in an efficient manner is part of our US platform. In Europe, passive ETFs have mainly been used as low-cost building blocks in portfolio construction and we have no plans to take on BlackRock in this space. If active ETFs were allowed, we could consider them for countries or channels such as discretionary portfolio management, robo advisors, trading platforms, etc where rebates were not important eg UK and platforms allowed access to buy. Not all trading platforms allow direct equities to be held. There are outstanding entrepreneurial independent managers who have succeeded internationally launching innovative active strategies through ETFs in the last few years, most visible examples include ARK, Global X etc.”

“I think that most firms are definitely interested in having ETFs,” Seeley says. “We are not going to be a broad-based competitor with iShares or something like that as we will offer more active management in unique areas of interest.”

Seeley observes that demand for ETFs is coming through client demand with the wealth manager, financial adviser and RIA audience desiring more model based portfolio ETF solutions, with a full range of capabilities.

New launches are not likely to be in the thematic space as iMGP prefers to have longer range solutions. “Our core business model is making minority partnerships with unique asset management firms around the world - we don’t aspire to have three or four different firms in the same asset class, we like to have the best,” Seeley says.

“We pride ourselves on research and people and culture is very important to us. We are partnering with these firms and people for a long period of time and our partnerships normally evolve after a long period of discussion.”