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Philippe Couvrecelle: 'We are heading towards an ESG bubble'

The founder of iM Global Partner spoke to Citywire France about how his boutique network functions, his future plans for it and the pitfalls he sees in the asset management industry.

Citywire Selector's sister site *Citywire France* recently met Philippe Couvrecelle, founder of iM Global Partner, to understand how his network of asset managers works.

Couvrecelle discussed his ambitions for the company and his vision for the asset management industry. He was particularly concerned about the lack of diversity in non-financial data providers.

Citywire France: **How do you distinguish yourself from a classic multi-company model?**

Couvrecelle: First of all, we are talking about partners rather than affiliates. The semantics may seem trivial but it is important because it starts from a different philosophy, where each party is free but has mutual commitments. This is only possible through our model.

We take minority shares comprising 20% and 49% of the capital of our partner management companies. Our remuneration is, above all, capital-intensive and our interest is to maximise the growth of our partners. We have no interest in reducing their margin to increase ours.

We provide them with our development expertise and our sales teams, which are very experienced. From these elements comes a network of asset managers whose interests are fully aligned in the long term with iM Global Partner rather than a traditional multi-boutique platform.

How do you select your partners?

We are looking for companies that have proven they are among the best in a specific expertise. We are therefore looking at managers with a track record of at least 10 years – and even 15 or 20 years in most cases – who are in the first two or three deciles. We are very attentive to the stability of their performance. We like very focused management, but not aggressive.

We very much appreciate managers who are focused on the quality of underlying assets and are committed to selection and analysis. We are looking for managers with asymmetric risk profiles who are particularly strong in bear markets. Our philosophy is, therefore, generally quite cautious.

We are very focused on gaining market share. We are not trying to invest in partners that will be fashionable the following year but rather in the ones whose management we trust and who can take up space in their asset class in the coming years. The advantage of our model is particularly to have a fairly large variety of management styles, geographical areas and asset classes, allowing us to navigate serenely whatever the market conditions are.

Is there a risk of commercial conflict of interest between your partners?

No, because we stay at a modest size with eight partner companies for just over 20 senior salespeople. We are very careful not to overlap expertise and geographic areas.

For example, we will never have two growth equities experts in the US. This allows us to weigh up the best options we have available and a client's interest in a market segment. We never exceed the maximum of 12 or 15 partners to avoid this kind of situation.

What expertise would you like to add to your network?

We are looking at several potential partners in different asset classes such as global or European equities or emerging markets in equities and in debt. We are also interested in European debt and want to complement the US investment grade expertise of Dolan McEniry, a partner for us since 2016.

We constantly look at between five and 10 potential partners, but we are patient. Our model is working very well at the moment, so we are in no rush. It is not uncommon for us to speak for two or three years with a management company and then at some stage things accelerate and materialise within a few months.

Are you interested in unlisted companies?

It is not one of our priorities but we are starting to look. It is complementary to the listed ones, which are in our DNA, but since it is not our culture, we are taking this slowly.

So, a new stake in someone is not imminent?

Our model is not limited to the integration of new partners. We also help our current partners to grow. This also involves external growth operations on their part. We help them make acquisitions, as we did with the acquisition of DDJ by Polen Capital last January.

We would like to make another one by the end of 2022, but it's not just up to us. Since our creation in 2013, we have invested €380m in our partners, with the support of our shareholders and particularly Eurazeo, which has actively supported us since our creation. Our plan is to invest as much in the next two or three years.

'We are going to open an office in Singapore in 2023.'

What are your business development priorities?

In terms of distribution, we would like to tackle the Asian market. We are therefore going to open an office in Singapore in 2023. We have also been studying the Australian market closely for quite some time and would like to establish ourselves there.

Of course, we will continue to deepen the markets we already cover and are planning, for example, to open a new office in Northern Europe in the coming months.

In terms of clientele, we want to develop the institutional part. Our objective has always been to start by covering 'wholesale' clients before tackling institutional investors. I think that we are now mature enough to tackle this and that we can convince pension funds and large institutions to use our services.

Finally, we are interested in activities related to management within our industry. This is why we acquired 100% of Litman Gregory Wealth Management and Oyster. We are looking at the possibilities of acquiring distribution platforms or companies specialising in the delegation of management.

What vision do you have of the asset management industry?

I don't have the feeling that we are living in a year of change as some seem to think. For 30 years we have been told that the world of asset management is consolidating. It's wrong. There are companies that are constantly launching. Acquisitions and disappearances have happened for decades. What's more, asset management is constantly growing with the overall increase in wealth.

I am dubious about the so-called superiority of passive management. After 10 years of a bull market, we forgot that no sector was untouchable. I am deeply convinced that passive and active management are intimately linked and can only develop with each other.

'Some fees charged in France are simply shameful.'

What are the challenges ahead for the profession?

The main challenge remains the same: does our model bring value to the industry and are we competitive? This is almost the only thing that matters in our industry, even if some markets like France have slowed progress due to captive networks which strongly limit competition.

It is for this reason that active management is cheaper in the US and often more effective. Some fees charged in France are simply shameful. The Autorité des marchés financiers was forced to ban transaction commissions. Individuals paid for the transactions made by the managers out of their own funds, it was incredible.

The regulatory framework is also important and Europe has done quite a good job in this regard. But beware, there is a danger with ESG.

Why is that?

Today the pressure on ESG comes from all sides. It has become the number one subject for everyone, sometimes to the detriment of good, reasoned, efficient and sustainable management. The problem is that we are in the process of promoting a system which directs all investments towards the few companies which will have succeeded in convincing the three world agencies of extra-financial ratings. We are heading towards an 'ESG bubble' like that experienced with subprime, with vehicles that were rated triple A by everyone. We need a much greater diversity of data providers because currently the vast majority of asset management around the world is based on the same views.

Regulators must quickly address the issue. We are currently in an oligopoly situation which will hurt the industry very badly. There needs to be a biodiversity of ESG data providers.

iM Global Partner key figures at the end of October 2022

Assets under management: €33bn

Employees: 85 at IM Global Partner

Net inflow 2021: €1.3bn

Inflows 2022: The company hopes to exceed the amount of 2021, 'which seems feasible in view of the figures at the end of October 2022', Couvrecelle estimated, without giving exact figures.

Capital: Eurazeo 53%, Amundi 17%, IK Partners 13%, Luxempart 7%, management and employees 10%.