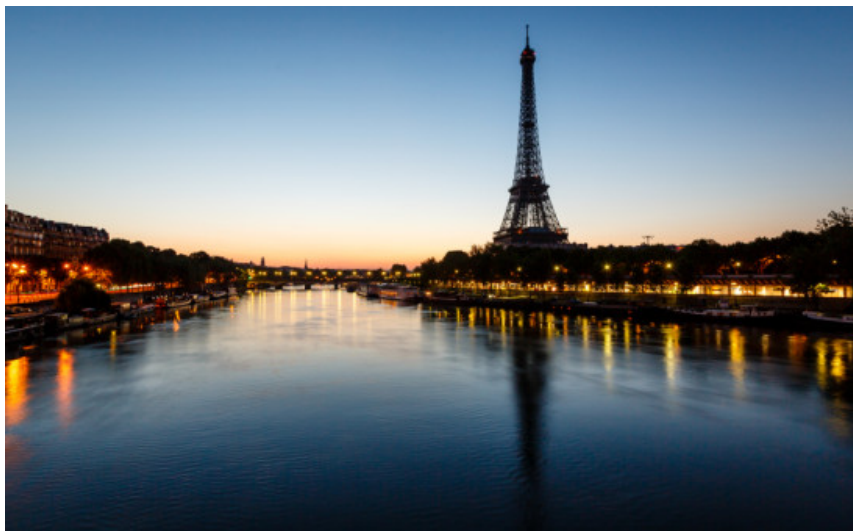


Emergence : trends and seeds

By: Adrien Paredes-Vanheule | 02 Dec 2015

French seeding fund Emergence, advised by NewAlpha Asset Management, recently made its second move to quantitative smart beta by investing €35m in a European equities quantitatively driven fund managed by Fideas Capital.



Fideas Capital is a Paris based boutique whose strategy relies on total diversification. It became the fifth manager seeded in the sub-fund of Emergence dedicated to long-only European equities strategies, which is now closed to subscriptions.

Emergence's chairman Alain Leclair tells *InvestmentEurope* French boutiques are performing well in smart beta strategies. He recalls smart beta currently reward higher yield than traditional bond and equity funds and reduces volatility as smart beta relies on extreme diversification.

Philippe Paquet, managing director of NewAlpha AM, highlights Fideas Capital's innovative strategy as one driver that has pushed Emergence to pick it in its sub-fund.

"Fideas does not proceed to individual stock picking like most smart beta managers, it invests its portfolio on equity indices. The universe of Fideas quantitative model relies on 21 equity indices. Ten of them are sectorial, nine focus on geographical areas and two are thematic," he argues.

Paquet adds Fideas Capital was a "pertinent case" as its European equity fund has had over two years of track record and its assets under management could reach the €100m threshold through Emergence's

seeding. Also Paquet assumes the proposed merger of Fideas Capital with Rivage Gestion will allow the firm to furthermore speed up its development.

That move towards smart beta strategies highlights a will of the French Sicav to make investments in line with markets trends at a time the economic landscape tends to foster alternative strategies.

Fintechs is another trend Emergence scrutinises. Leclair says the seeder is monitoring “smaller companies which are not entirely asset managers like the fintechs (crowdlending, disintermediation,...).” Emergence’s adviser NewAlpha AM positioned itself on the segment, having recently launched a venture capital fund dedicated to fintechs.

Commenting the tech wave, Leclair assesses “big data is another new contribution to consider in the industry.”

“As the digitalisation of the asset management industry goes on, we must also care about the plans of tech giants such as Google and Amazon,” he adds.

Accelerator

Since its launch early 2012, Emergence has seeded 10 companies including Fideas through its European equities and absolute return sub-funds. Leclair underlines that around 60% of the assets managed by companies Emergence has already seeded come from outside France.

He says assets come mostly from Switzerland, Belgium and Southern Europe, and more recently from Northern Europe and North American institutional investors.

Leclair also shows satisfaction in view of the current French asset management industry shape. “An increasing number of French entrepreneurs run their boutiques alongside big players like Amundi,

Natixis or BNP Paribas. The launch of those new emerging asset managers enriches the industry. This French Tech dynamic creates new opportunities," he explains.

Emergence's chairman adds : "Five to seven years ago, French boutiques were only forming 5% of the local asset management industry. Nowadays the gross figure has tripled. This boutique trend has been led by pioneers such as Carmignac, Financière de l'Echiquier or Moneta, which became real entrepreneurial success stories. It is the purpose of Emergence to contribute. "

Emergence and NewAlpha AM have analysed 77 applications from asset managers on the equity side and 130 on the absolute return segment.

"The environment is favourable for equities. However, some equity boutiques are convinced they can develop themselves without being seeded. On the absolute return side, we spot a huge diversity of strategies and managers," stresses NewAlpha AM's managing director Paquet.

Emergence has allocated €175m for seedings in the European equities sub-fund and it is understood another €25m will be further allocated to a sixth equity fund.

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