

Sitting firmly at the helm of a future giant

Carmignac Gestion

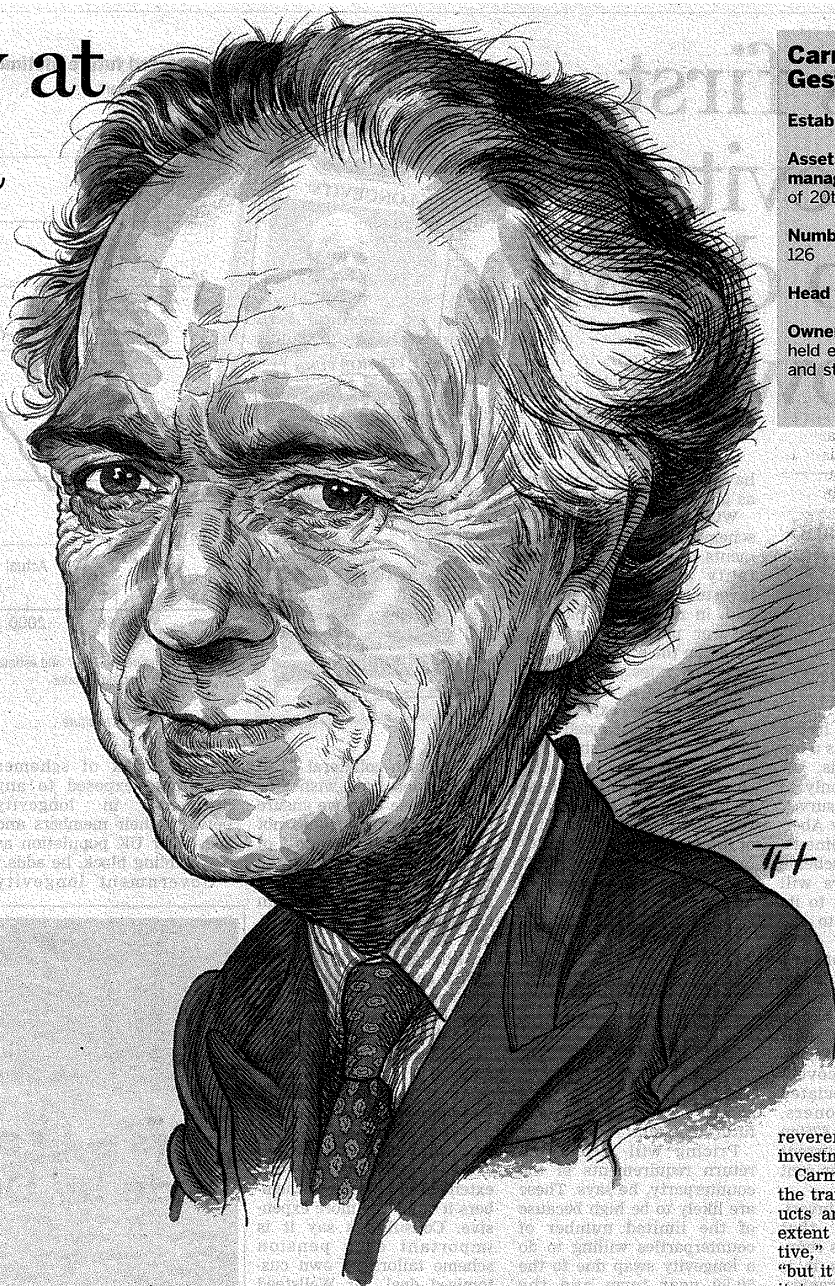
Established: January 1989

Assets under management: €20bn as of 20th May 2009

Number of employees: 126

Head office: Paris

Ownership: The capital is held entirely by managers and staff



reverent audience for his investment ideas.

Carmignac prides itself on the transparency of its products and strategies. "To an extent we had no alternative," says Mr Carmignac, "but it wasn't that - we owe it to our clients." The need for transparency was because, although the funds measure their performance against broad indices, the fund managers are not constrained by these benchmarks, so investors need to understand what kind of performance to expect and where it comes from.

"It's also important for fund managers not to be able to hide from their mistakes." A three-person performance attribution team makes sure this is impossible and a fund manager whose performance slips for unacceptable reasons has a week to make up the mistake.

According to his colleagues, Mr Carmignac's ambition is to create a second Fidelity - a giant, privately held fund manager, built to last beyond the founder. For the moment, though, he seems to be sitting firmly at the helm.

Face to Face

Carmignac Gestion chief Edouard Carmignac tells Sophia Grene it's in times like these the manager can prove its mettle

With €20bn (£148bn, \$28bn) under management, Carmignac Gestion has a way to go to meet its founder's ambition of building a second Fidelity. But the Paris-based manager has at least started to draw attention with its impressive sales figures over the past 18 months.

Its international sales have figured in the top five in Europe recently, according to Lipper FMI, alongside the likes of Barclays Global Investors and Deutsche Asset Management.

"I wouldn't say we relish difficult times, but that's when we show we're good at managing risk," says Edouard Carmignac, chief executive and majority shareholder of Carmignac Gestion.

These have indeed been difficult times for asset managers, and Carmignac Gestion does seem to be profiting from them, if not relishing them.

Most of its recent inflows were into the balanced funds, Carmignac Patrimoine and Europatrimoine. The equity allocation of these funds is to the Carmignac Investissement fund, run by Mr Carmignac himself. The latter fund lost almost 30 per cent last year - not impressive until you remember the MSCI World index lost more than 40 per cent. The Patrimoine fund was virtually unchanged over the year, and has added some 13 per cent this year.

"I was amazed to see inflows at the end of last year when markets were horrible and there was all the Madoff news," says Mr Carmignac.

Carmignac's offering seems wilfully narrow, with just 15 funds, several of them similar products with differing risk levels. At the time of its launch in 1989, the absolute return approach was unfashionable, and the insistence on charging one price to all clients, institutional or retail, is not the most inviting price structure ever. Despite these obstacles,

their asset gathering in the past few years has been spectacular.

Mr Carmignac points out the company has not come from nowhere. It took 10 years to get to €500m, but then in 2000, the assets under management doubled. The following year they remained static, dipping slightly in 2002, only to start climbing seriously in 2003.

The early years of this decade were the first "difficult times" for the company to "show its real leopard spots". Mr Carmignac hopes it can now repeat its performance of accelerating growth in the wake of a bear market.

In 2006, the assets doubled from €5bn to €10bn, adding another €3bn in 2007. The rate of growth may have slowed in the past year, but it has not stopped.

Mr Carmignac is undaunted. "Today, we're getting in, [inflows] in one day, amounts we took six months to garner when we started. But in percentage terms, it's not more sizeable. We've been able to prepare for growth by being ahead of the game."

Those preparations have consisted in "hiring 'over-

'I was amazed to see inflows at the end of last year when markets were horrible'

competent' people" and instilling a sense of the Carmignac culture in them.

As rapidly becomes clear in a visit to its offices in the Place Vendôme in Paris, this is a company very much focused around one individual.

Mr Carmignac founded the asset manager 20 years ago, having been a stockbroker for Hamant-Carmignac previously.

This does not mean Mr Carmignac does everything himself. His general manager Eric Helderlé "has taken under his wing sales, IT and marketing, leaving me free to focus on fund management, not day-to-day issues", he says. As he points out, "a lot of fund managers are good at managing money but poor at running their own business". By delegating this task, Mr Carmignac allocating resources efficiently.

Even with fund management, delegation is important. "We run close to €20bn - I don't have the ambition to be responsible for all of that." Instead, he has given equity in the company to the fund managers, and created a remuneration system that,

he hopes, will balance the rewards of individual success with team-building.

"I would like each fund manager to see himself as running a one-product company," he says. A fixed salary is substantially augmented by a bonus calcu-

lated in part according to individual performance and in part according to a qualitative assessment of the manager's contribution to the success of the team.

The model for the company is inspired by a visit to GMO's offices in the 1980s. At the time, Mr Carmignac remembers, Jeremy Grantham's asset management business was running \$15bn, with just six people in the investment office.

Carmignac is not quite so lean, with some 130 employees, but the core of investment professionals remains small - just 15 people - and very close to Mr Carmignac.

"It's important to have the least ponderous people around," he says. He emphasises the importance of intellectual stimulation, and the morning investment meeting (closed to all but the investment team) is reported to be stormy rather than a

Curriculum Vitae

Edouard Carmignac

Born: 1947, Paris

1969: Paris University, Masters in Economics

1972: Columbia University, New York, MBA

1972: Analyst, Blyth Eastman Dillon, New York

1975: International financial transactions, Paribas

1977: Assistant director, Banque de la Société Financière Européenne

1984: Chairman of Pyramide Gestion, the Hamant et Cie subsidiary

1985: Stockbroker and chief executive officer, Hamant-Carmignac

1989: Founder and chairman of Carmignac Gestion