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Norway fund halves its exposure to external fund managers

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The Norwegian Government Pension Fund, Europe's biggest pool of sovereign wealth, has halved its exposure to external fund managers in the past year from about €37.5bn to about €19bn, terminating eight firms in the process, as it transferred money to internal staff and allocated to small specialist external boutiques.



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During 2011, the fund said, it terminated 18 external investment-management contracts and began eight new ones, all for equity management, targeting specific sectors or countries.

Consequently, the amount of money the fund pays in fees to external firms also fell, from Nkr1.43bn in 2010, or about €191m, to Nkr917m, or €122m.

The €438bn fund, which lost 2.5% in 2011 thanks mainly to the European debt crisis, now employs external firms to look after just 4.4% of its portfolio, down from 9.2% 12 months earlier.

But despite the drop in externally-managed assets, the number of external firms remained the same at 45. As well as terminating eight firms, it hired another eight new ones.

The terminations included the \$47bn property manager AEW Capital Management; Ayudhya Fund Management, which is a joint-venture between the Thai Bank of Ayudhya and JPMorgan; and HSBC Hellas AEDAK, a Greek manager owned by HSBC.

During 2011 the Norway fund also parted company with Scottish manager Martin Currie; Singaporean firm Pheim Asset Management; Malaysian manager RHB Investment Management; Canadian value-equities specialist Scheer, Rowlett & Associates; and US passive and quantitative giant State Street Global Advisors.

The Norway fund does not disclose its reasons behind terminating any one individual firm, and a spokesperson did not respond to a request for comment by press deadline this morning.

Potential reasons for terminations include good investment returns as well as bad ones; if a profit-target is hit on a particular investment, Norges Bank may prefer to take its money away and put it elsewhere.

Norway's eight new fund managers include several European firms, such as DNB Asset Management, which is the funds division of the country's largest commercial bank and manages €61bn across equities and fixed income, and Financiere de l'Echiquier, a French employee-owned boutique that manages €4.2bn.

The sovereign wealth fund, which does not disclose how much it invests with each individual firm, also said it had hired FPM Frankfurt Performance Management, a German equities specialist with €600m under management; [Selectum Vermogensbeheer, a Belgian asset manager that invests in Belgian, Dutch and German equities](#); and Virginia-based manager Landmark Asset Management.

But the Norwegian fund has also been hiring equities boutiques in emerging markets. During 2011 it added Malaysian fund manager Kenanga Investors, Thai firm Krungsri Asset Management, and Neuberger Berman Asia, a Hong Kong-based subsidiary of the US fund manager.

The fund is primarily managed internally by Norges Bank Investment Management, the fund-management division of the country's central bank, which has been building its internal staff in recent years.

The new mandates tally with its policy of only hiring external firms in areas where it is "not expedient" to recruit its own people. The fund said: "This particularly applies to small and medium-sized companies and emerging markets."

In fixed income, the sovereign wealth fund has reduced its already-depleted roster of external mandates from three to one; BlackRock manages US asset-backed securities for the fund.

Big losses on similar mandates in 2008 were the trigger for the Norway fund to dramatically pare back its use of external firms in fixed income; before that year it employed over 20 of them.

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<http://www.efinancialnews.com/story/2012-03-16/norway-fund-managers-cull?mod=sectionheadlines-IB-AM>