

Finding an investment niche

William Lowndes of Threadneedle explains the firm's value proposition and its approach to investing, and reveals its objectives in Asia as well as how it aims to achieve them in practice.



Interview

William Lowndes

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Threadneedle is a mid-sized, investment management business, said William Lowndes in an interview. It is also the international investment platform and subsidiary of Ameriprise Financial and, with Columbia, its sister asset management company in the US, manages more than US\$500 billion in assets. Threadneedle itself actively manages roughly US\$100 billion of assets.

In general, it is an active platform covering equities, fixed income, commodities and property, with its equity franchise having been its strongest historically, covering about 55 markets from fund managers based in London.

While the firm is mid-sized manufacturer, however, Lowndes said Threadneedle is essentially a boutique built around its fund managers and the efficiency and quality of the communication between them.

The firm also looks at all aspects of investments and takes a holistic view of an organisation when it is buying equities, for example. While there isn't always a consensus on views, explained Lowndes, this gives a unique perspective of a company, its industry, its competitors and its clients.

The fundamental conviction is to add value, he said, to the third-party research it uses and to the information it gets directly from the markets.

Plans in Asia

According to Lowndes, Threadneedle set up operations in Asia roughly two years ago with a small operation. Its objective in stage one, he revealed, is to build out its distribution and client support capabilities across markets including China, Japan, Korea and South-east Asia.

In stage two, he said the firm will look at building out its investment capabilities in Asia, given that as capital markets deepen, it is likely

the firm will need to broaden its offering on the ground. This might also lead to domestic capabilities.

Key to its plans in Asia, however, is not making promises to clients where it cannot support them and their needs, added Lowndes.

In general, he said, a different approach is required in Asia. For example, there are open and closed markets across the region, meaning it isn't possible to build a domestic distribution operation around the existing international funds to address each individual market.

Instead, it requires making choices – either building domestic funds in individual markets or partnering with local players. This is something the firm will consider doing over time, said Lowndes.

With markets which are open or semi-open – such as Taiwan, Korea, Hong Kong and Singapore – it is easier for the firm to take its manufacturing capabilities and vehicles from Europe and distribute them, he added.

Another issue for the firm to consider as part of its Asian strategy is that its client base is different in different markets. For example, said Lowndes, clients in North Asia are more yield-hungry, meaning Threadneedle has to work harder at delivering fixed income and alternative products which provide these solutions.

Ultimately, he said, the firm doesn't want to sell products which simply reference markets.

A differentiated investment approach

A key and unique aspect of the way that Lowndes said Threadneedle approaches and uses risk is that it doesn't want to just reduce and control it, but also to understand how much risk the firm is taking.

For instance, he explained, a big criticism of active managers is that many of them essentially use indexes to deliver beta at a high price.

At Threadneedle, Lowndes said the firm is focused on taking measured investment decisions – or bets – in respect of stocks and where the index is.

This is different to the increasingly common approach of simply not taking too much risk, rather than ensuring this is balanced with taking the right amount of risk to deliver on promises to clients.

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