

Taking Aim

AIM Trimark looks to diversify while holding on to traditions and reputation

INTERVIEW BY SCOT BLYTHE AND MARK NOBLE

AIM Trimark has been stung by an exodus of managers. Its response: managers may leave but the discipline stays. At the same time, AIM Trimark president Peter Intaglia and chief investment officer Graham Anderson say they will take advantage of Invesco's global products to round out the Trimark offering in Canada.

Q In light of recent fund manager departures, what have you been telling advisors?

PETER INTAGLIA We're going to be fine and we are on the right track. Things are not off the rails, as some might suggest. By the way, seeing manager departures is nothing new to us. I think it's fair to say it's nothing new to the industry.

We actually dug up some old headlines to look at our past. We found some interesting ones that I'll share with you because I think

it really helps paint the picture for where we are today. We've got one here, "Troubled times at Trimark," the article says, "This has been the mutual fund giant's toughest year since its inception. Industry watchers are wondering when the company can regain its Midas touch."

Here's another, written recently: "These are troubled times indeed for the once mighty Trimark Funds."

The difference between the two articles is that they were written a decade apart. Virtually identical headlines though – one by Shirley Won and one by Gordon Pape.

The one thing that I think differentiates us from our competi-

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Graham Anderson



Graham Anderson (left), Peter Intaglia (right)

tors is that while managers have frequently left the organization, the discipline has not. What separates us from other competitors is our adherence to the discipline.

The conviction to the investment process at Trimark continues despite the fact people leave.

Q Where does Trimark fit in the AIM Trimark equation?

A I joined the company about

nine years ago when the company was called AMEVSCAP. AMEVSCAP's strategy back then was to be in the top five of every market where we had a business. Of course back then we were a small asset management firm with the AIM Group of funds – but we were growing rapidly because of the technology run. For exam-

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ple, in December 1998, we went from approximately \$3.9 billion to approximately \$7 billion in assets in about year. That was good but it wasn't enough to get us into the top five in Canada. Clearly, we wanted to look for emerging opportunities.

If you follow Invesco's history, all of the acquisitions were friendly mergers. In Canada, we quickly identified Trimark as being an outstanding fit for the organization on many levels.

One, it was consistent with the type of acquisitions we had done in the past. Two, the discipline and the business was complementary to what we already had in Canada. By that I mean the investment discipline was what we believed to be counter-cyclical to [AIM's] growth style of investment management.

We are part of something larger, something exciting that we can tap into to the benefit of Canadian investors.

Q Given that approach, how sticky have the assets been?

A When we first merged, the Trimark family of funds had a style that was out of favour. We did the acquisition on the heels of about 20 months of net redemptions. In fact, redemptions continued after the merger. It wasn't until the technology bubble burst and Trimark's investment style was back in favour that we saw increasing flows.

If you look back to 2002, what you would have seen was that we had over 100% of the net sales of the entire industry. We had staggering growth post-merger and that continued right through 2005 and into 2006. [Trimark's] style is back out of favour, similar to what happened during the technology boom. You know we weren't heavily invested in commodities, we weren't hedging in a lot of our portfolios so currencies and commodities were impinging on our relative performance. We went into net redemptions. We have seen redemptions now for about the past six months.

Q What about on the AIM side?

A Remember I talked about the counter-cyclical of the disciplines. What we've found, when you look back at our history, is that we became very focused on the Trimark family of funds and we did not embrace, as an organi-

zation, a multi-discipline approach to business.

When we first did the merger, our thesis was that if you always have a style that is in favour as part of your product shelf, in theory you should see a dampening of the redemptions. The reality is we have not seen that. In fact, even though we have had top-decile performance on the AIM family of funds, which employ a growth discipline, we actually haven't seen money flow in those funds. I think we've seen, over a five-year period, two positive net-flow months in the AIM funds, despite the fact they have had very favourable relative performance in those products.

GRAHAM ANDERSON The AIM side brings different disciplines. If you're talking about Austin-based Clas Olsson and his team, they follow what we call the earnings quality and valuation discipline. The team is managed by group CIO Clas Olsson. In San Francisco, Glen Hilton uses a catalyst approach to unlock the true value of companies.

Q Does it have the same mentoring and grooming approach to managers as Trimark?

A They would probably describe themselves as a larger-team approach. Olsson is the leader of the team and he participates across all the funds. There are a number of very senior portfolio managers that work on the different mandates as well. Austin is one of the main focuses for the AIM Funds. We also have funds managed under the AIM banner over in places like the U.K. as well.

A Just to complete the history and to explain why we see people leave today versus eight years ago when the merger happened: Life really didn't change that much after the merger. We just happened to have a parent company called AMEVSCAP, but the business unit itself pretty much continued to run as a Canadian asset management firm.

Then about two years ago we took a new direction. In looking at our business from the inside out, we said we are very inefficient as we are not providing our clients access to all the markets, we are not allowing them access to everything that is great about this organization.

We're also very inefficiently structured because we had an infrastructure that had a lot of fixed costs embedded in it. When we went through periods of volatility in the markets as an organization

we were impacted significantly. Of course, in our business as assets decline revenue comes down; if you have a lot of fixed cost embedded in the business, then earnings are impacted immediately.

We had, as an example, data centres in Toronto, Houston, Denver, Atlanta, Hong Kong – you get the picture. Why have a data centre in all those locations when you really only need one? Over the last couple of years we have started to integrate our operations. That process has huge benefits for the end investors.

I'll give you an example of how that integration impacts the Canadian investor: We launched an enterprise centre in Charlottetown, Prince Edward Island, so we now have a shared service environment for both U.S. and Canadian clients. We did a systems conversion onto a new platform so we use the same vendor we use in the U.S. Finally, we streamlined our management team across the U.S. and Canada so we were able to eliminate duplicate overhead across the two teams. Those three decisions saved Canadian investors close to \$5 million per year in fund-related expenses.

Having run operations for the group here in Canada, I can tell you those kinds of benefits could not have been achievable without leveraging the capabilities we have globally.

Q How did operational changes affect the organization?

A When we reduce our expenses we are collecting less, so it actually has a downward impact on MERs. In fact, we have the lowest MERs on an asset-weighted basis in our peer group. This is something we continue to strive for because we believe we are in the asset management business, not the administration business. So, we need to be as efficient as possible so that the majority of clients, fees are really geared towards managing money, which is why they are buying our funds.

With all this change, suddenly the company starts to feel different. I should state that while on the operation side of the business there was a lot of change and integration, on the investment side of the business the opposite was true.

We went through a great deal of effort to preserve the investment disciplines across the globe. We have a number of investment centres across the globe, either practising different disciplines or managing different kinds of products. We wanted to make sure when we integrated the businesses globally that we would not impede or

interfere with the investment processes that we were running across the various centres.

In talking about ourselves as a single global asset management firm as opposed to a Canadian-only investment management shop, life started to feel a little bit different – particularly for some investment managers who were here.

Q Some advisors have said EdgePoint looks like they are setting up a new Trimark [EdgePoint partners strongly disagree]. From a branding perspective how do you distinguish?

A We are going to continue to be business people buying businesses. Fund managers buying good companies, with good management teams and strong track records, you know, all of the things that are part of the Trimark discipline. **A** I will be so bold as to say there is only one Trimark and there will only ever be one Trimark, because while certain investment managers can practise the same discipline, it takes a hell of a lot more to become what we are as an organization. It takes 27 years of relationships that have been fostered and built to create a level of trust and respect. You also have an infrastructure that supports our investment management team.

We've built a business that is dedicated to financial advisors. We've got a team that's focused 100% on helping with tax and estate planning services. We've got web services such as In Sync that provide tools and advice for financial advisors. We've got dedicated wholesalers in the field managing relationships with advisors and we've built a world-class client relations team that services the advisor community.

Trimark is an experience that is led by its investment management professionals, but it's more than that. Small shops that are entrepreneurial will continue to manage money but they are missing everything else that makes this organization so special in the Canadian market.

We went through a great deal of effort to preserve the investment disciplines across the globe.

Q What's your relationship to your parent company, Invesco?

A Along the same lines, people have asked if Invesco negatively influenced the Toronto team, to cause people to question whether they want to be there? The answer again is no.

The Trimark discipline is well respected across Invesco. A num-

ber of Trimark funds are available to U.S. investors through the Invesco AIM office. A number of Trimark funds are available in the European offshore range and also in Japan.

A One thing I should point out, is that we talk about Invesco, but actually very little is known about our organization, that is something we are really trying to change. We want people to know that we remain 100% committed to the Trimark discipline and to the brand here in Canada. We also want people to understand that we are part of something larger, something exciting that we can tap into to the benefit of Canadian investors.

I was fortunate enough, during the period of change that began two years ago, to take on global responsibility for the client operations functions. It opened up my eyes to what we [Invesco] have access to around the world. People are not aware that the largest asset manager in the U.K. – with \$90 billion in assets – operates under the Invesco Perpetual brand. We have the single largest joint venture in China – serving more clients than we have in North America. We have the third-largest ETF business in the U.S., PowerShares. And we have a HNW business, Atlantic Trust.

We are examining the entire Invesco lineup. This does not mean that in Canada we'll be launching everything that Invesco offers; it does mean that we'll carefully examine the Canadian market and introduce solutions as appropriate.

Q Are you going to bring Invesco Powershares' ETF products to Canada?

A Plans are underway to look at that business and bring it in. I think I can say we are looking to do it on a fund of fund basis first. We'll package it up with some other kinds of funds that have around the product.

Q Graham, when it comes to bringing new mandates to Canada, do you look at wearing your Trimark cap or wearing your Invesco cap?

A The intention would be to build product niches that we don't have here in Canada. For example, the real estate business Invesco has. That's not something that our Trimark fund managers do, so it was a product niche that we identified a need for in the Canadian marketplace. The idea is not to bring another fundamental bottom-up investor to Canada, we have that in Trimark. We have a top-notch team here in Canada so we want to bring complementary or niche products or filling. **AER**