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French boutique denies growing pains

Manager focus

Carmignac's 50% rise in assets has a lot less to do with luck than sound forward planning, reports Sophia Grene

Carmignac Gestion, the French independent fund house, has been raking in the money on the back of an apparent ability to avoid losing it.

In the past six months, investors have entrusted approximately €10bn (£9bn, \$15bn) to the fund manager, pouring a large portion of it into Carmignac Patrimoine, the fund co-managed by Edouard Carmignac himself,

which distinguished itself in 2008 with a 0.01 per cent gain.

The new money represents a 50 per cent jump in assets under management for the company, taking them to €30bn in total.

"Our success is by default," says Mr Carmignac. "It's not so much that we're so clever, it's that other people are not doing what they should."

This attitude is unlikely to assuage the concerns of some observers that the company's success in gathering assets might trigger growing pains as the amount of money it took in exceeded its ability to manage it.

Press speculation to this effect has been rife, particularly after the Spanish bank BBVA stopped selling its funds. Mr Carmignac is dis-

missive of the concerns: "We've tried to plan for this growth at all stages and on all sides." As an example, he says it has "always aimed to hire overqualified people so they would be able to cope with the growth."

While some of Carmignac's funds might suffer from capacity constraints – the emerging markets fund and the European mid-cap fund will be closed when they reach €1bn – the flagship €15bn Patrimoine fund, investing in sovereign bonds, global equities and derivative instruments, should be able to take the strain, he says.

"If this sort of fund cannot grow we should all close up shop," he says, adding capacity constraints are more of a concern for asset management giants with successful funds in nar-

rowly capitalised sectors.

The group has had its sights set on the big time for a while. Two years ago, it set itself the target of reaching \$50bn under management by 2012, which it looks well set to hit. That kind of ambition is not realised without stepping on people's toes.

While Mr Carmignac says the impressive sales figures are due to a combination of consistently strong performance through good and bad times and a well-motivated

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**Edouard Carmignac
Carmignac Gestion**

sales force, other industry participants have talked about the impressive persistence and tenacity of the cross-border sales force.

Carmignac's recent withdrawal from the BVI, the German funds association, provoked comment in the German press, especially since this means Carmignac no longer shares detailed fund flow information about its largest external market.

"We were among the few contributing [detail flow data]," says Mr Carmignac of the BVI membership. "We have got nothing to hide, but we got no feedback, so why should we continue?"

A reported change of auditor turns out to be a question of employing KPMG, which already audited the group's Luxembourg funds, to co-audit its French domiciled funds

alongside Cabinet Vizzavona in order to emphasise the company's international standing.

France now accounts for just 10 per cent of inflows and less than 20 per cent of assets under management, and Mr Carmignac felt it would be useful to have KPMG's name on the auditors' reports in order to placate international clients doing due diligence. "Vizzavona have a high standing in France, but they do not have the international standing."

Another worry, that Carmignac changed custodians without mentioning it to clients, crumbles even more quickly in the light of day. It merely failed to draw attention to the fact that its long-standing custodian, Caceis, had been taken over by Natixis.