

Distribution Platform Strikes First Deal with \$7.5B Manager

By Richard Henderson January 22, 2016

A new business development and distribution platform targeting U.S. asset managers has struck its first deal with an American firm, \$7.5 billion Florida growth equity manager Polen Capital **Management**.

The platform, **iM Square**, launched last year, led by **Phillipe Couvrecelle**, former chairman of **Edmond de Rothschild** Asset Management. It is backed by \$1 trillion French manager **Amundi** and seeks to link U.S. managers with European clients. The platform's structure will in part mimic that of Affiliated Managers Group (AMG), although targeting smaller firms and opting for minority stakes.

The platform has taken a 20% stake in Polen Capital Management for an undisclosed sum from its roughly \$280 million cash pot for such investments, according to Couvrecelle.

He expects to seal up to three more such deals in 2016 and has a 40-strong pipeline of prospects for future deals. In total, iM Square is looking at a broader set of 120 firms globally as potential targets, the vast majority of which are U.S. firms, he says, with a goal of tying down partnerships with as many as 10 firms within four years.

"I think around 80% of our investments will be made with U.S. asset management companies. Polen Capital is exactly the target we are looking for," he says.

The firm is explicitly scanning for managers with \$1 billion to \$15 billion in assets and says its open architecture approach and strategy to link up with managers by taking strategic equity stakes will attract firms looking to grow.

"It's a very long-term commitment. It's a capital investment, not a commercial partnership – we know we're here for a long time and that's why we worked for a long time [with Polen Capital Management] before partnering," he says, adding the firms initially began talks in 2014.

Polen has grown assets in recent years, jumping to \$7.5 billion in assets under advisement and management today from \$2.3 billion in 2012, according to the firm. It has \$2.9 billion in institutional assets under management and institutional clients include public and corporate pensions across the U.S. The firm has roughly 10 separate account mandates in excess of \$200 million, according to **Stan Moss**, CEO of Polen Capital Management.

He says one major driver behind the partnership is the ability to tap European investors, potentially directly through Amundi's distribution capabilities across the continent.

"There are no guarantees that Amundi will choose our product set but we believe the product stands on its own and there's a high probability we will be distributed through Amundi. If that happens we'll probably raise assets through that in the near term," Moss says. This would help diversify Polen's client base, which is heavily weighted towards the U.S, he adds.

Other drivers behind the iM Square deal included the ability for Polen to increase its employee ownership of the firm – which now stands at 60% after the deal, from 51%. The platform's decision to take minority stakes also means the partnership's impact on Polen will be muted.

"With other models like AMG, there's an element of taking control of the firm you invest in from a voting standpoint or technical standpoint... there's an element of control the boutique has to give up. But the iM Square arrangement [lets us continue with] standard operating procedure with a partner that will help with distribution and we found that extremely attractive compared to other models," Moss says.

Also, Polen is not required to add any staff to assist with the iM Square relationship, and all non-U.S. distribution efforts will be undertaken by the platform's staff with minimal impact on its investment team, Moss adds.

The ability to tap broader distribution capabilities is a major driver behind these arrangements that can fuel asset gathering growth, says **Jillian Rudman**, president and CEO of strategic consultant J Rudman & Associates.

"The platform will likely offer global reach provide distribution and support capabilities and allow the managers to operate independently and with autonomy," she says. "We such structures, incentives are aligned, succession issues addressed, cultures preserved and the managers can leverage the economies of scale that the platform affords."

Asides from Amundi, other iM Square backers include European asset managers **Eurozeo** and **La Maison**.

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