

Independent minded chief steers Pioneer to Asia and US

'Keeping the business and investing in it would be a better value outcome'

Face to face

Roger Yates tells Ruth Sullivan he will focus on growing in markets outside Europe

Roger Yates admits to being "very suspicious" of captive fund managers like Pioneer Investments, the asset management arm of Italian bank Unicredit, which he heads up.

He ran Henderson Global Investors both before and after it was owned by AMP, the Australian insurer, and found life "a lot easier outside than inside".

He will be staying inside with Pioneer, after last year's decision to develop the business organically rather than sell it. He is comfortable with that, he says, as he has sufficient autonomy to do the things he wants to do without arguing the toss each time, and the governance structure is also supportive of independence.

Today he unveils how he plans to develop the business over the next five years, based on the review carried out to determine whether to sell or not – a decision he is adamant had nothing to do with the price on offer from potential buyers.

"We thought together

with our shareholders, that keeping the business and investing in it would be a better value outcome in the end," says Mr Yates.

Unsurprisingly, the focus for future development is on markets outside Europe, and on building up third party business, rather than looking to the banking parent for business. Domestic Italian business accounts for €90bn of the €162bn Pioneer has under management, and around half of the total comes via the bank, but both those sources are under pressure.

Italian investors made net withdrawals of more than €8bn from bank and asset management products in November, according to [Assogestioni](#), Italy's trade body, and the trend is ongoing, as banks build up their deposit base rather than sell funds. "We have a 13-14 per cent market share in Italy, so we are going to get hit," says Mr Yates. Markets like Italy "may remain difficult", he adds, so Pioneer is refocusing on areas where he sees scope for growth.

The restructuring announcement comes hard on the heels of Unicredit's recent €7.5bn rights issue, which saw the bank's shares plummet in a jittery market in the past two weeks before recovering some of the losses.

Such volatility raises the question of a worst case scenario. What would happen to Pioneer Investments if Unicredit were to go bust?

Milan-based Mr Yates, who joined Pioneer at the beginning of 2010, says

there is "no chance" of such an event. At worst, "which realistically would be nationalisation, I guess we would be an asset to be assessed like all others. However, since we are cash generative and consume negligible capital, I think we would be something to keep."

His future plans for generating more cash include building up Pioneer's existing €35bn US business, by expanding the mutual fund range to offer international equity and fixed income products, and by pushing into the institutional market. The business, which Unicredit acquired in 2000, boasts the third oldest mutual fund in the US, and is a "potential jewel in the crown" for Pioneer, says Mr Yates.

"One of the things that many of my opposite numbers around London lack is a substantial US business. It is really hard to grow. How many people have been successful from outside North America in entering the US?"

Over the next five years he expects the US business could grow to a total of about €60bn.

He also has plans to expand in Asia, noting: "We do not have anything like enough presence in Asia." Pioneer has a joint venture in India with Bank of Baroda, which is 51 per cent owned by the asset manager, and offices in Singapore, Japan and Taiwan. Net sales in Taiwan in 2011 (to the end of November) were more than €700m, mostly in US fixed income funds.

Mr Yates is currently eyeing the Korean market

which he believes is "a bit like Taiwan. It is bigger but it [also] has that US dollar fixed income orientation which plays well for us." The first task of the new head of Asian business, Jack Lin, will be to build the Korean business.

As part of the restructuring, Mr Yates is keen to simplify the overall business, which has become too complex over the years with "too many legal entities". He has made a start. Pioneer – which has its headquarters in Milan – recently brought together its fragmented emerging markets business, launching an equity and fixed income hub in London, moving in overseas staff and hiring new people to run €7bn of EM assets under management.

He also wants to simplify the product range. "Like many asset managers, we have too many products, and I think it confuses the clients. The classic CEO view is, if you have enough horses in the race, one of them ought to win, but it's no way to run [a business]. You want to decide what your strong suits are and play to those."

Pioneer's strong suits are US and European fixed income, where there is a good offering in terms of product range and perform-



ance results, says Mr Yates. European equities are also strong, but there are too many products, and the same applies to the US equity range.

Another ambition is to standardise the operational infrastructure, in order to reduce IT costs and make the business more scalable. The first step, creating a common investment platform, is under way and Pioneer is "in the latter stages of reaching agreement with a provider".

The final bit of the jigsaw is the roll-out of a long-term equity-based incentive plan "to make sure Pioneer people have a stake in the business", so they have a "sense of participation".

Pioneer has the necessary wherewithal to pursue these plans, says Mr Yates, boasting a healthy balance sheet with hundreds of millions of euros of surplus capital.

Pioneer's revenues in the third quarter of 2011 were just over €600m, with pre-tax profits of €252m and expectations of end of year figures being similar to 2010 (revenues €834m with pre-tax profit €330m).

Pioneer Investments

Established

In 1928 as the Pioneer Fund. In 2000 UniCredit acquired the Pioneer Group of Boston. UniCredit also merged its various global investment groups together under the holding company, Pioneer Global Asset Management

AUM

€162bn as at end Dec 2011

No of employees

2,000

Offices

In 27 countries including Italy, Germany, US, Austria, Poland, Czech Republic, UK, France, Spain, Latam, Asia, India, Switzerland and The Netherlands

Ownership

Pioneer Investments is 100% owned by UniCredit

Curriculum Vitae

Roger Yates

Born: 1957

Education

1978
Worcester College, Oxford, BA Hons. modern history

1979
University of Bath, post graduate certificate in education

1980-81
University of Reading, post graduate studies in modern history

Career

1981

UK and international

investments manager, GT Management

1988

Chief investment officer, Morgan Grenfell Investment Management

1994

CIO, LGT/Invesco Global

1999

CEO, Henderson Global Investors

2008

Non-executive directorships, IG Group, JP Morgan Elect Investment. Trust India Investment Partners and F&C Asset Management (until 2010)

2010

CEO, Pioneer Investments