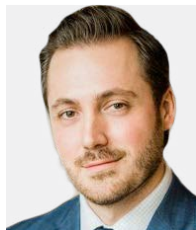


GENERATING ALPHA THROUGH INVESTMENT VEHICLES STRUCTURATION AND OPERATIONALISATION

JONATHAN PLANTÉ, MANAGER BUSINESS DEVELOPMENT AND INVESTOR RELATIONS AT INNOCAP SPEAKS TO *HFMWEEK* ABOUT THE ADDED VALUE GENERATED BY THE COMPANY THANKS TO ITS MANAGED ACCOUNT PLATFORM'S UNPARALLELED FLEXIBILITY



Jonathan Planté has held various positions in the alternative investment industry since 2007, in both Europe and North America. His qualifications include a graduate diploma in Finance from HEC Montréal, a master degree in international business development from ESC Saint Etienne as well as the CAIA designation.

HFM: What have been the most significant developments to Innocap over the past 12 months?

Jonathan Planté (JP): Continuing on previous years' momentum, we successfully grew assets under management (AuM) by approximately 41% in the past 12 months, hence surpassing the \$5bn milestone as of 30 June 2016.

There have been two main areas of growth that have allowed us to realise this tremendous advancement. Firstly, structuring and operating Irish liquid alternatives have been a huge source of growth for us. We currently have more than \$3bn across four platforms within this jurisdiction, in both Ucits and Qiaif formats. Secondly, we successfully launched an emerging manager programme which aimed at enabling several asset managers the opportunity to receive their first large institutional allocation. Beyond simply increasing our AuM, this project demonstrated our capacity to partner with a third-party in charge of the portfolios' construction.

In both cases, our flexibility and focus on providing customised investment vehicles for which most of the work is done internally – notably risk management, legal, operations, compliance and IT – have been of significant interest for institutional investors.

HFM: What kind of added value does Innocap's managed account platform offer?

JP: If we look at the alternative investment space, most investors are focusing on manager selection to add value to their programme. And they should. Many white papers in the past decade have provided evidence that, on average, top quartile managers substantially outperform their median peers.

Somewhat counterintuitively, Innocap does not provide

sourcing services. We believe that large institutions are typically well staffed and wisely advised by consultants, and as such we have limited value to add to this investment alpha.

That being said, we feel that there is little conversation about structural alpha. This is where our strength resides, in generating added value through the structuration and the operationalisation of dedicated managed accounts.

HFM: How does Innocap generate this added value?

JP: Our philosophy is to be solution-driven. During the structuration process, our in-house attorneys concentrate on the customisation of the investment vehicle by providing the client with the choice of the jurisdiction, the vehicle type and the ability to have a seat on the board of directors of its own funds while also negotiating the trading documentation with the counterparties in order to obtain, for instance, better liquidity terms.

Another crucial aspect of our approach is our capacity to retain the appropriate service providers

for the strategy selected by the client. In this process, we never try to sell the services of our shareholders. That is why we have currently five administrators on the platform and deal with nearly 70 counterparties. Being able to team up with various specialists emphasises how flexible our offering is. Considering the growing sophistication of asset owners, there is a need to adapt to their specific requirements, which is why we continue to partner with different service providers in order to evolve and subsequently flourish.

In addition to the flexibility of our structuration approach, is the quality of the operationalisation. This set of processes entails the supervision of daily operations, the

“ I BELIEVE THAT THE CHANGING FACE OF REGULATION WILL BE A TREMENDOUS GROWTH FACTOR FOR INNOCAP ”



conduct of risk management and due diligence as well as ensuring compliance and independent fund oversight.

How do we do it differently? Beyond the granularity of our services, we strive to capitalise on our various cross competencies. For instance, due to the synergies between our risk management, IT and marketing teams, Innocap has demonstrated to large asset owners its capacity to aggregate, simplify and display complex investment data in a user friendly format, via a web-based dashboard solution.

Another great example is our independent fund oversight process. In order to ensure that clients' funds are properly managed on a daily basis, our teams work together to continuously assess and monitor regulatory changes, monitor and escalate potential investment guidelines breaches and perform multi-disciplinary reviews of asset managers.

HFM: Who can benefit from this added value?

JP: Our core business model is to support asset owners in structuring and operating their investment programmes. On top of all the benefits previously discussed with regards to our platform's flexibility and efficiency, asset owners value our solution for the enhanced control and independent governance over their assets.

Asset managers have also been attracted by our capabilities. Investment management firms who decide to use one of our established Irish investment vehicles, with pre-existing passporting registrations across various European countries, can considerably shorten their time-to-market. In addition, this solution allows them to focus on their strategy and its distribution, leaving the non-portfolio management activities to Innocap's managed account specialists.

HFM: How can Innocap team up with consultants?

JP: Consultants are a natural partner for Innocap. While structuring and operating customised dedicated

investment vehicles, we do not recommend asset managers to our clients or construct portfolios on their behalf. Hence, since there is little to no overlap between our services and that of consultants, our offerings are complementary.

Recently, we have experienced this kind of relationship. For the launch of our emerging manager programme, we collaborated with a third-party who handled the portfolio construction. With each group focused on their respective strengths, we believe that the resulting synergy proved to be in the best interest of the clients.

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HFM: What key industry trends will impact Innocap over the next four to five years?

JP: I believe that the changing face of regulation will be a tremendous growth factor for Innocap. The increasing search for transparency in an ever-changing regulatory landscape has resulted in clients requiring a partner with strong reporting development abilities. For instance, regulatory reports such as Solvency II can be a nightmare for smaller asset managers to produce. However, Innocap's IT infrastructure has been designed to handle large amounts of data in order to provide customised reporting. Thus, we provide a solution which aims at reducing the burden of regulatory management for both asset owners and managers.

Going forward, we are also expecting to see a growing appetite for emerging managers. The fact that these managers may offer more competitive fee arrangements in order to receive their first institutional allocation, combined with their tendency to outperform their largest peers, has generated an increasing interest in the field. That being said, it is difficult for large allocators to invest with emerging managers as they will often have trouble meeting institutional governance and infrastructure standards. These investors require a controlled environment to deploy capital and Innocap is well positioned to create this stable ecosystem. ■