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Nikko's Shibata: Goal of becoming global asset manager in sight

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Takumi Shibata

A number of industry observers see Tokyo-based Nikko Asset Management as the region's leading example of a firm making big strides in moving beyond its home market in recent years.

Despite Asia's status now as the dynamo of the world economy, the region has yet to produce an “indigenous manager who could be termed global,” David Collins, Nikko's Tokyo-based spokesman, said last month.

Takumi Shibata, who took the helm at Nikko Asset Management a year ago, is looking for Nikko to fill that gap — and soon. A number of asset management heavyweights in their respective markets in Asia should become “regional or world champions” over the coming decade or two, but Nikko Asset Management already is “close to being there,” said Mr. Shibata in a Dec. 19 interview.

“We are one of the very few players located in this time zone with very good ingredients for success,” said Mr. Shibata.

In the past year or so, Nikko Asset Management acquired some of those ingredients through team lift-outs, taking advantage of what Mr. Shibata called “a really neat moment in the history of the asset management industry,” in which higher regulatory, compliance and information technology costs have made it harder for small players to remain viable.

In August, Nikko announced it had hired a six-member global equities portfolio management team, led by William Low, in Edinburgh from Scottish Widows Investment Partnership. Ten months earlier, Nikko acquired an eight-member Asian equity team, split between Singapore and Sydney, which had previously operated as Treasury Asia Asset Management Ltd.

Together with acquisitions made by Nikko under his predecessors since 2011, bringing the firm strategies and investment teams in Australia, New Zealand, Singapore and Malaysia, Nikko “is almost there on equity products,” said Mr. Shibata.

Nikko reported assets under management of ¥17.5 trillion ($159.89 billion) as of Sept. 30, up from ¥12 trillion at year-end 2011.

He noted that concentrated strategies in global, Asian, Australian and Japanese equities offered by Nikko's teams — with, typically, fewer than 50 holdings in their portfolios — reflect the firm's goal of being a source of “true alpha” for institutional investors pursuing “barbell” strategies, buying cheap beta through exchange-traded funds and index strategies at one end and high-conviction alpha strategies at the other. Nikko wants to give clients “concentrated OJ,” rather than diluted, index-like returns, he added.

It's likewise important to have a real team of investment professionals, he said. “We don't believe in one genius being right all the time, so it has to be a team, with a philosophy and a very good process, tried and tested over the years.” As a rule of thumb, he said Nikko's teams should prove resilient if the team leader were “to be hit by a truck one day.”

Other recent moves include reshuffling the company's investment professionals in August to put together an 18-member multiasset class investment team in Singapore under Al Clark, global head of multiasset, who was hired away from Schroders Investment Management to lead the unit.

That multiasset class effort should add “another layer of value” for Nikko clients as a 30-year bull market in bonds, which helped firms such as Pacific Investment Management Co. and BlackRock Inc. become global giants, is reaching an end.

Mr. Shibata said it remains unclear whether the long climb in fixed-income valuations will now give way to a sharp decline — what he termed a Mount Fuji-like shape — or bounce around current levels for a period of time before falling, tracing out a long, flat top like Africa's Mount Kilimanjaro.

In the second scenario, providing active selection of asset classes in an approach tailored to the specific needs of investors will prove key to helping institutional investors through a difficult period, said Mr. Shibata.

Regarding changes he made upon becoming CEO a year ago, Mr. Shibata said the first was to push the firm in the direction of acting more like an integrated global company — dropping a prior “multilocal” approach that had left too many potential synergies among Nikko's research and investment teams on the table.

In addition, he said he decided that an initial public offering — which Nikko executives had previously held out as a goal — should not be rushed, allowing time for the results of Nikko's push to expand beyond Japan to become clearer.

Amid the ongoing efforts to reshape Nikko, Mr. Shibata said he has a “good feeling” regarding the firm's profitability, but “I didn't like this approach of IPO first” and worry about the quality of the business later. “I'm reasonably satisfied with where we are,” but investors should be able to have considerable confidence in the company's prospects, he said.

Asked if he's ready to declare “mission accomplished,” Mr. Shibata demurred, noting that holes remain in the product lineup, including global credit and emerging markets. “I'm very optimistic ... but give me another nine months ... we're almost there,” he said.

Whether Nikko will be seen, a decade from now, as a global asset manager based in Asia or an Asian manager with some global capabilities, Mr. Shibata said Asia “is where we live and also where we have been anchored.”

Nikko will “continue being Asian,” which should prove largely beneficial amid the region's powerful economic advance, said Mr. Shibata. “Having said that, we all live in a global environment, and the name of the game in fund management is global mandates.”

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