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FIS Expands Into Direct Management With Piedmont Acquisition

Emerging manager-of-managers FIS Group is moving into direct management with the acquisition of Piedmont Investment Advisors, creating a minority-owned firm with more than \$10 billion in assets under management with an eye toward further growth.

FIS Group currently manages \$5.6 billion and specializes in non-U.S. equity, emerging markets and frontier markets manager-of-managers strategies and Piedmont manages \$4.7 billion, specializing in active, passive and structured beta equity strategies and core fixed-income.

The two firms are “highly complementary and provide lots of strategy diversification,” said Tina Byles Williams, ceo and cio of Philadelphia-based FIS Group.

“It also allows us to expand our investment offerings across multi-asset strategies and offer clients investment solutions that can be informed of that expertise across the global asset spectrum,” she said. “Part of our strategy was to become a more complete solutions provider. In that vein, we have always been looking for strategic opportunities to get there.”

Williams noted that her relationship with Piedmont CEO and CIO Isaac Green dates back to the early 1990s, when he was a portfolio manager at NCM Capital Management and she was cio of the Philadelphia Board of Pensions and Retirement. FIS Group was the second investor in Piedmont when the firm launched in the early 2000s, she said.

The Piedmont investment team will remain intact and continue to operate out of its Durham, N.C.-based offices, becoming a wholly-owned subsidiary of FIS Group.

Financial terms of the deal, which is expected to close in the third quarter, were not disclosed; however, Williams said the deal is structured so that key employees and executives will participate in the upside of the subsidiary over time.

Green, who will remain as president and cio of Piedmont, said the deal provides the firm with an opportunity to be part of a larger enterprise with more scale and a bigger opportunity set to offer clients.

“Passive is definitely a scale business. We’ve had growth and achieved scale but our vision for passive is to drive greater growth beyond what we have already been fortunate to accomplish,” Green said. He also believes the combined firm will attract larger client commitments, adding that one of the first priorities will be to launch a passive international equity strategy.

The new firm will also leverage FIS Group’s efforts in the defined contribution and Collective Investment Trust space.

“We have now a growing CIT platform and one of the rationales for developing CIT strategies or products is to be able to more seamlessly enter into the defined contribution space and as you think about it, the most popular product for DC platforms are target-date or target-risk funds,” Williams said, noting that Piedmont’s strategies are more complementary to target-date and target-risk funds due to their lower costs and performance.

The CIT business includes an emerging markets equity allocation from the \$51.8 billion Maryland State Retirement & Pension System that was funded earlier this year.

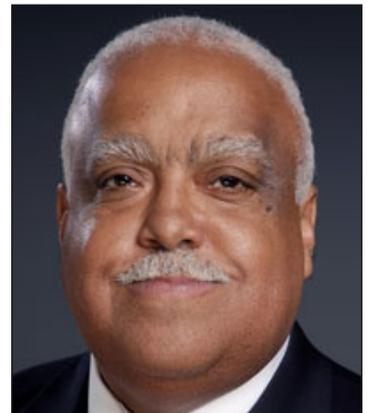
Piedmont is also aware that its manager-of-managers clients—which up until now were FIS Group’s competitors—will also need to decide if they will stick it out with the firm. The firm currently manages assets for Attucks Asset Management, Capital Prospects and Progress Investment Management Company, according to data compiled by EMM.

Attucks and Capital Prospects declined to comment on the impact the deal may have on the relationship.

“Our job at this juncture is really to make sure we stick to our knitting and continue to produce good results and offer good service, giving them a reason to continue to work with us,” Green said. “It is our intention to do anything that is within our power to address any concerns that any of our current or future manager-of-managers clients may have.”



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