

# \$46B Fixed Income Manager Seeks to Establish Footprint in Europe

By [Lisa Fu](#) September 10, 2021

**Breckinridge Capital Advisors** is partnering with distribution provider **Harrington Cooper** to enter the institutional European market.

The \$46 billion investment-grade fixed income manager sees the persistently low-yield environment in the region as a ripe environment for its strategies and wants to partake in the strong market demand for customized and environmental, social and governance strategies, said the firm's chief investment officer **Ognjen Sosa**.

"We felt that there was an opportunity to broaden our capabilities and raise awareness of the credibility we have in the States, and bring some of the best work that we have to overseas clients as well," Sosa said.

Institutional investors plan to increase their exposure to investment-grade corporates, securitized debt and high-yield corporates as they seek to mitigate the impact of negative interest rates, according to a **Natixis Investment Managers** survey of global asset owners this year. The institutional investors surveyed also showed a strong preference for green bonds, with 48% planning to increase exposure.

Given that Boston-based Breckinridge isn't well-known overseas, the firm decided to outsource distribution and the due diligence that the effort requires, Sosa added.

To break into a new geographic market, asset managers will need a bespoke approach and strategy, even if they are partnering with a big pan-European distributor, said **Neil Pardasani**, leader of the West Coast financial institutional and insurance practices at **Boston Consulting Group**.

“The biggest challenge relative to the U.S. market is the fragmentation that each asset manager needs to think about,” Pardasani said. “There are big language differences. But the main thing is that these intermediaries are different.”

Overcoming the barriers to entry requires significant investment to get the fund structure and mechanics right, to establish distribution relationships, customize products and conduct research to create a presence in the market, he added.

Broad asset classes that are already fairly well understood gain traction quicker, said **Daniel Celeghin**, a managing partner at management consultancy **Indefi**.

“[For example, global equities is] almost the same whether I’m a U.S. institution, Canadian, German,...” Celeghin said. “There’ll be nuances, maybe if I wanted to prioritize my home market, maybe I wanted to hedge my home currency, but the underlying investment strategy could be identical. You don’t have to create a whole new strategy.”

Making sure the strategy is easy to understand, a “turnkey” solution that can fit into a local market without too much trouble, is currently in demand and can show good, compelling performance will be key to landing mandates, Celeghin said.

Many asset managers are interested in international expansion since the North American institutional market has become “entirely saturated,” said **Bernadette Geis**, leader of **PwC’s** U.S. asset and wealth management practice. There are still growth opportunities in Europe, albeit in the single digits, and Asia shows the highest growth prospects, according to PwC research.

Managers may also benefit from a “reverse inquiry component” where they already manage some money for an international client found through an investment consultant, Celeghin said.

Larger asset managers with “deeper pockets” and a longer time horizon might organically grow into international markets, while others may try to cross the barrier

through mergers and acquisitions, joint ventures, lifting out a more established team from another firm or by establishing a distribution partnership, said Pardasani.

A lot of firms recognize that distribution is very different based on geography, and over the last three to five years, clients have ramped up conversations with PwC about using mergers and acquisitions to expand distribution internationally, Geis said. Especially in the institutional space, if the firm's brand is not well-recognized, it takes a much longer period to set up in a new local market, she said. Brand acceptance opens up access to meaningful distribution outlets, consultants and institutional players, Geis said.

"You have to have the local resources and relationships and build your success, through your track record and through your relationships management," she said.

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