

# Investment Management Services



# Notice

**Fund Manager** GE Asset Management Inc. (GEAM)

**Date** March 2016

## Notice

On March 30, 2016, General Electric Company ('GE') announced that, following an extensive potential buyer evaluation process, it has selected State Street Corporation to acquire GE Asset Management for US\$485 million in a deal that is expected to close in the third quarter of 2016. The sale will bring GEAM's capabilities to State Street Global Advisors ('SSGA'), including active management, as well as in alternative assets and Outsourced Chief Investment Officer ('OCIO') mandates.

This follows an earlier announcement in September 2015 in which GE announced its plans to explore opportunities to sell GEAM to another leading investment management firm.

## Products Affected

GEAM US Equity Fund (GBRS)

## Impact

### Organization & People

GE has announced that the existing GEAM team is expected to join SSGA as part of this transaction (with the exception of a small number of GEAM employees who will stay with GE to provide investment oversight of GE's primary benefit plans). To provide a smooth transition for clients, the core investment and relationship management teams serving GE's benefit plans and other clients will continue their roles with SSGA following the closing.

## Investment Team

The GEAM US Equity Fund is managed by three long-time Portfolio Managers who manage three sub-portfolios independently and is supported by the Equity Research Team that is comprised of 31 sector analysts with an average of 25 years of industry experience and 10 years of tenure within GEAM.

The strategy is overseen by David Carlson, CIO of U.S. Equities and Portfolio Manager of the growth sleeve of the portfolio. Mr. Carlson has been with GEAM for 33 years. SSGA has stated that they are planning on retaining GEAM's investment personnel and there should be no immediate changes as a result of this transaction.

## Investment Process and Philosophy

The blended US equity strategy is a 40/30/30 roll-up of three underlying portfolios that are managed separately with different styles (Core, Value and Growth). The underlying research is carried out by the deeply resourced Equity Research team that consists of 31 global sector analysts, with 8 exclusively focused on the US market. The final portfolio is a diversified portfolio of 85-125 names.

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## Closing Remarks

Following this announcement, IMS has interacted with both GEAM and SSGA in order to evaluate if there will be any immediate impact on the management of the Fund.

Since the initial announcement of a potential firm sale in September 2015, GEAM has launched a retention program that covers all investment professionals and key client servicing personnel and expands into the time horizon of one year following the closing of the transaction. Over the last six months, there has not been any significant turnover within the management team at GEAM.

The US Equity Investment team has been extremely stable, with all three PMs being career GEAM managers averaging 30 years of investment experience. As reiterated on the conference call, GEAM has focused on sustaining team continuity during the transition phase as well as during the buyer evaluation process. In selecting State Street as the buyer, cultural fit and complementary investment capabilities ranked among the key considerations. As well, State Street has indicated that it will maintain the lease to allow GEAM's investment personnel to remain at their Stamford, Connecticut office location.

Considering GEAM's focus on team continuity and the historical longevity of the US Equity team, we do not have immediate concerns with the team stability and the consistency of the investment process. Both GEAM and SSGA have placed an emphasis on their goal to maintain the investment teams, investment processes and philosophies at GEAM going forward.

There are no immediate significant concerns as a result of this news. However, IMS will continue monitoring the transaction closely and will communicate should further concerns arise.

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