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## Fidelity Inst'l Unit Grows Even in Shaky Year

by Scott Johnson

In his first year on the job, Pyramis Global Advisors president and CEO Kevin Uebelein has mostly sustained his firm's ambitious growth agenda, in spite of fierce headwinds. Uebelein, who arrived from Prudential Financial just as markets began to slide last June, has gone ahead with product development and global expansion – though cautiously – in a period that stripped the Fidelity Investments institutional unit of roughly 30% of its assets under management.

He is part of a class of new asset management chief executives – including Legg Mason's Mark Fetting, State Street Global Advisors's Scott Powers, Putnam Investments's Robert Reynolds and Goldman Sachs Asset Management's Tim O'Neill and Marc Spilker – who were appointed in the prelude to the economic meltdown. Most have had to pivot their focus in the last year from expansion and strategic restructuring to survival and repositioning in a low-revenue environment.



Uebelein, in particular, faces the difficult task of leading a young division that is still establishing its brand with institutional investors. Like most managers, Pyramis has had to cut staff to reduce costs. At the same time, the firm has built out a new headquarters in Smithfield, R.I. – some 50 miles away from Fidelity's home base in Boston – and is bolstering its on-the-ground presence in overseas markets.

Observers applaud Uebelein's efforts so far, often in the same breath as they praise CIO Young Chin, who has been with the organization since 2006. "For the two of them to be able to create that kind of productive partnership as quickly as they have and push forward with [their] initiatives... and to have the whole thing survive intact, both from a people point of view and a performance point of view, the last nine months, is a testament to [Uebelein's] skill set and strategic vision," says George Wilbanks, a managing director with executive search firm Russell Reynolds Associates.

Uebelein's first year has been defined by trying to strike a balance between short-term imperatives and long-term strategy. In fact, he says his smartest move since last June has been the decision to hold off on taking "bold steps" early on.

"I decided I was going to wait three to six months to really understand the lay of the land and the people I had," he says. "If I had pulled the trigger then, and put some new people in some of the chairs, then it would have made weathering the storm a little harder."

Uebelein says he's "proud" of how his team has responded to the market turmoil. "When you're new to an organization, you have this mandate for change, and you want to take bold steps," he adds. "But you can be just as bold after six months as after six weeks."

Fidelity carved out Pyramis as an institutional specialist in July 2005 under then-president Peter Smail, whose retirement last year made way for Uebelein. In four years, the unit's assets have nearly doubled to about \$113 billion, as of March 31, even with the downturn. Still, it has taken some time for Pyramis to develop its distinct identity.

Under Smail, major investments in top talent and infrastructure helped that process along. Pyramis recruited CIO Chin away from Gartmore in March 2006 and quickly poached several senior investment executives from its competitors. Some senior distribution hires followed, including David Picher, whom Pyramis hired from MFS Investments to be its global head of consultant relations in June 2007.

But 2008 ushered in a few challenges, even before the markets imploded. Long-time distribution chief Drew Lawton departed in February 2008, later joining startup Fridson Investment Advisors. He was replaced by former Principal Global Investors executive Patrick Mc Nellis in April of that year. The move to Smithfield, completed under Uebelein in September, elicited some grumbling from inside and outside the firm, especially from recruiters, who say it's tougher to place candidates in Smithfield than in Boston. And in November, BNY Mellon hired away Jeff Saef as its director of multi-strategy solutions; Saef had helped establish the Pyramis institutional product line.

The firm says the Smithfield move has gone well, however, with very few defectors. And this year, Pyramis was one of the first managers to announce new hires, winning praise from consultants for its willingness to distill opportunity from the turmoil. In January, it began building a client-facing team in London, hiring a pair of distribution professionals in the first four months of the year. The firm is also on track to build similar teams in Hong Kong, where it is currently evaluating candidates for sales positions, and in Tokyo.

Uebelein's mark on those plans, mapped out by his predecessor, has been subtle. The firm had anticipated completing all three offices this year; now, the plans for Tokyo will spill into 2010. "We view that [expansion] still as very important, but we also think in light of what's going on in the marketplace that stretching that out to 18 months from 12 months is the right thing to do," says Uebelein.

Pyramis's deep product development efforts also predated his tenure. But he has overseen the launch of a global market neutral strategy and an extension of the firm's "select" equity lineup. This week, Pyramis will fund a new long corporate credit strategy that it expects to fit well into a liability-driven investing framework.

The firm has 40 active strategies overall and 20 more in various stages of incubation, many of them in alternative investments. But the way it positions those strategies with clients seems to reflect industry trends that have taken shape somewhat recently.

Pyramis is trying not to be a "product-pusher," says Uebelein, echoing a battery of consultant research that has urged managers to be more client-centric. Instead, the firm is focusing on high-touch customized strategies, ranging from "tweaks" of existing products to an internal fund of funds, still in development, that will allocate among sector-specific long/short strategies. At the far extreme, Pyramis is also in the process of signing strategic partnerships with large clients, which would entail large mandates with greater manager discretion.

Uebelein declines to provide detail on that last point except to say that the firm is engaged in more than one discussion. "For a firm like Pyramis, I don't think we would want to do dozens of these [partnerships]," he says. "It really does create a special relationship that you can't do over and over."

But between "pushing products" and strategic partnerships, he adds, there's a "vast continuum" of ways to customize products for clients.

Prior to joining Pyramis last June, Uebelein was CIO of Prudential Financial's international businesses from 2001 through May 2008.