



DETERMINATION OF MERGER NOTIFICATION M/15/012 MAN GROUP / NEWSMITH

Section 21 of the Competition Act 2002

Proposed acquisition by Man Group plc, through Man Group Holdings Limited, of certain assets of NewSmith Asset Management LLP and NewSmith Japan Limited

Dated 21 April 2015

Introduction

1. On 10 March 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Man Group plc (“Man Group”), through a wholly-owned subsidiary, Man Group Holdings Limited (“MGH”), would acquire certain assets of NewSmith Asset Management LLP (“NSAM”) and the entire issued share capital and thus sole control of NewSmith Japan Limited (“NSJ”). NSAM and NSJ are both subsidiaries of NewSmith LLP (“NewSmith”, the Vendor).

The Transaction

2. The proposed transaction is pursuant to a sale and purchase agreement entered into between MGH, Man Strategic Holdings Limited and the Vendor on 19 February 2015 (the “Agreement”).
3. As part of the proposed transaction, Man Group, through MGH, is to acquire the asset management business of NewSmith, which includes a number of asset management contracts of NSAM, intellectual property rights and the entire issued share capital of NSJ.

The Undertakings Involved

The Acquirer – Man Group

4. MGH is a company incorporated in England, with registered offices at Riverbank House, 2 Swan Lane, London and a wholly owned subsidiary of Man Group.
5. Man Group is a UK based independent alternative investment manager and is the world’s largest publicly traded hedge fund. It provides a range of funds for institutional

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.



and private investors globally through four business divisions, being Man GLG, Man FRM, Man AHL and Man Numeric.²

6. Man GLG is the relevant business division for the purposes of the proposed transaction. An Irish incorporated subsidiary of Man Group, GLG Partners Asset Management Limited³ (“GLG”), provides asset management services to funds domiciled in the State and registered in Dublin.
7. For the financial year ending 31 December 2014, Man Group had a worldwide turnover of approximately €865 million⁴, of which €[...] was generated in the State.

The Targets – Target Assets & NSJ

8. The proposed transaction involves the acquisition by Man Group from NewSmith of certain assets of NSAM (the “Target Assets”). The Target Assets to be acquired by Man Group consist of a number of Investment Management/Advisory Agreements of NSAM⁵, including:
 - a. An Amended and Restated Investment Management Agreement between NewSmith Investment Funds plc and NSAM dated 27 July 2010 (“Irish UCITS Agreement”). The Irish UCITS Agreement will be novated to GLG Partners LP pursuant to the terms of the Agreement;
 - b. A Management Agreement between NewSmith Japan New Horizons Fund, NewSmith Japan New Horizons Master Fund (together the “Cayman Funds”) and NewSmith Capital (Cayman) Limited (“NS Cayman”) effective as of 22 July 2014 (“First Cayman Agreement”). The First Cayman Agreement will be terminated pursuant to the terms of the Agreement and a new management agreement will be entered into between the Cayman Funds and GLG Partners (Cayman) Limited;
 - c. An Investment Management Agreement between the Cayman Funds, NS Cayman and NSAM effective as of 22 July 2014 (“Second Cayman Agreement”). The Second Cayman Agreement will be terminated pursuant to the terms of the Agreement and a new investment management agreement will be entered into between GLG Partners (Cayman) Ltd and GLG Partners LP;
 - d. An Investment Advisory Agreement between the Cayman Funds, NSAM and NewSmith Japan Limited dated 22 July 2014 (“Third Cayman Agreement”). The Third Cayman Agreement will be terminated pursuant to the terms of the Agreement and a new investment advisory agreement will be entered into between NewSmith Japan Limited and GLG Partners LP;
 - e. A Collaborative Fund Agreement between NSAM and Sumitomo Mitsui Trust Bank, Limited (“SMTB”) dated 12 March 2013 and restated 17 June 2014 (“SMTB Agreement”). The SMTB Agreement will be terminated pursuant to the terms of the Agreement and replaced by an investment advisory agreement to be entered into between SMTB and a Man entity;

² <https://www.man.com/IE/investment-management>

³ With registered office at 70 Sir John Rogerson’s Quay, Dublin 2.

⁴ <https://www.man.com/IE/investor-relations>; original figures in US dollar and the exchange rate is based on a Euro / USD of €1 = \$1.329 for 2014, as published by the ECB in the Economic Bulletin dated January 2015.

⁵ NSAM itself is not being acquired as part of the proposed transaction [...].



- f. A Research Agreement between NSAM and SMTB dated 17 December 2012 and restated 1 April 2014 (“SMTB Research Agreement”). The SMTB Research Agreement will be terminated pursuant to the terms of the Agreement and replaced by an investment advisory agreement to be entered into between SMTB and a Man entity.
9. For the financial year ending 31 March 2014, the Target Assets generated worldwide turnover of approximately €[...] of which approximately €[...] was generated in the State⁶.
10. The proposed transaction also involves the acquisition by Man Group from NewSmith of the entire issued share capital and thus sole control of NSJ. NSJ is an entity incorporated in Japan and it acts as an investment advisor to the Cayman Funds and also markets the various NewSmith Funds in Japan. NSJ has no operations in the State. The Cayman Funds are not marketed in the State and have no Irish investors. Consequently, neither NSJ nor the Cayman Funds have any turnover in the State.

The Vendor - NewSmith

11. Both NSAM and NSJ are subsidiaries of NewSmith, a limited partnership incorporated in England and whose registered office is at Lansdowne House, 57 Berkeley Square, London.
12. NewSmith operates as an equity investment manager, with offices in London and Tokyo and it has \$1.2 billion of funds under management, investing in UK, European, Japanese and global equities.

Rationale for the Proposed Acquisition

13. The notification states:

“Man [Group]’s strategic rationale for the Proposed Transaction includes:

- Further expansion of Man GLG’s [...] equities business, adding a complementary business and a pool of investment professionals with knowledge and experience of running strategies that fit within Man GLG’s offering;*
- Adding a high calibre, Tokyo based Japan Long Short Equity Strategy to Man GLG’s product line, enhancing Man GLG’s presence in a key market;*
- Continued strengthening of Man’s growing long-only platform; and*
- Providing further opportunity to manage funds for SMTB, a key client of Man.”*

Third Party Submissions

14. No submission was received.

⁶ Original figures in UK Sterling and the exchange rate is based on a Euro / UK£ of €1 = £0.806 for 2014, as published by the ECB in the Economic Bulletin dated January 2015.



Competitive Analysis

15. There is a global horizontal overlap in the activities of the undertakings involved in the proposed transaction to the extent that they all provide asset management services in various countries internationally, including Europe⁷.
16. As far as the proposed acquisition of NSJ is concerned, however, there is no horizontal overlap between the activities of the parties in the State, given that NSJ has no operations in the State.
17. There is a minor horizontal overlap between NSAM and Man Group in the market for the provision of asset management services to funds domiciled in the State and registered in Dublin.
18. NSAM provides asset management services to a single Irish UCITS fund, NewSmith Investment Funds plc (“Irish NSAM Fund”⁸), with respect to the Irish UCITS Agreement mentioned in paragraph 8 above. The investors in the Irish NSAM Fund are predominantly based in Japan (at present, approximately [...]). NSAM generated turnover of approximately €[...] from the Irish NSAM Fund in NSAM’s most recent financial year. In January 2015, there were approximately 5,848 funds domiciled in Ireland. The market accretion resulting from the proposed transaction will be minimal with NSAM providing asset management services to only one single Irish domiciled fund i.e. Irish NSAM Fund.
19. Man Group provides asset management services to a number of funds domiciled in the State. Through GLG, Man Group markets investment funds under its management through a number of third parties to underlying investors and also uses third party service providers to administer funds of which it is appointed as manager. Agreements with such third parties are on market standard terms and typical for investment funds. The total value of assets under management (AUM) by investment funds domiciled in the State, as of December 2014, was €1,661 billion⁹, of which €[...], or approximately [...], was under management by Man Group. Less than [...]% of Man Group’s turnover for the year ended 31 December 2014 was generated from funds domiciled in the State.
20. There is a significant level of competition in the asset management industry, with a vast number of international providers offering asset management services, including established financial institutions, asset managers and hedge funds. There were approximately 3,200 asset management companies operating in Europe in 2012¹⁰, of which 431 were in Ireland, making Ireland home to the second highest number of asset management companies in Europe.

⁷ The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. The parties to the proposed transaction, argue that the geographic market for the supply of asset management services is likely to be worldwide, or at a minimum likely to be EEA-wide. But for the reasons indicated in this Determination, it is not necessary for the Commission to define precise relevant markets in this case.

⁸ The Irish NSAM Fund is domiciled in the State and it is registered at Custom House Plaza, Block 6, International Financial Services Centre, Dublin 1. The Irish NSAM Fund is an umbrella fund with segregated liability between its sub-funds incorporated in Ireland.

⁹ Irish Funds Industry Association (IFIA), Monthly Statistical Factsheet December 2014. <http://www.irishfunds.ie/statistics/31-irish-domiciled-funds-as-at-end-of-january-2015/>

¹⁰ ‘Asset management in Europe, Facts and Figures’, 7th Annual Review, June 2014, European Fund and Asset Management Association (EFAMA), which is available at: <http://www.efama.org/statistics/SitePages/Asset%20Management%20Report.aspx>.



21. In addition, there are a number of large international asset managers active in the State, amongst them companies ranked in the top 500 ranking managers for 2013¹¹, such as BlackRock, Vanguard, Allianz, State Street, Aviva, AXA and Irish Life Investment Managers.
22. The proposed transaction does not raise any vertical competition concerns.
23. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

24. No ancillary restraints were notified.

¹¹ 'The World's 500 Largest Asset Managers', 2013, Towers Watson, which is available at:
<http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2014/11/The-worlds-500-largest-asset-managers-year-end-2013>.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Man Group plc, through a wholly-owned subsidiary, Man Group Holdings Limited, would acquire certain assets of NewSmith Asset Management LLP and the entire issued share capital and thus sole control of NewSmith Japan Limited, will not be to substantially lessen competition in any market for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Gerald FitzGerald
Member
Competition and Consumer Protection Commission