Santander AM's straight-talking CEO targets industry shake up

By Chris Sloley / 13 Feb, 2020

Mariano Belinky is a man in high demand. Santander Asset Management's chief executive officer has oversight for operations for 10 markets stretching from Latin America, across Europe and into Asia. A truly global brief for the Argentinian native.

From his corner office in Santander's sprawling high rise offices in central London – Facebook occupying the floors below and the holding company for Manchester City's owners sitting above – Belinky has an advantageous position to look out over the world.

Belinky dropped into the top job in 2018, having replaced Juan Manuel San Román, having previously worked in the Madrid-headquartered bank's fintech operations before taking over on the asset management side. With the speed of change currently at play in the industry, has Belinky had time to enact any meaningful change in such a short period?

'For the first 12-to-18 months were focused towards just transforming the company and the last 12 months we started looking at our growth strategy. We asked, what we wanted Santander Asset Management to stand for in the asset management industry, being fully aware of our size and our capabilities. What were the two or three things that could differentiate us?'

Belinky, who operates with a quiet intense and periodic bouts of hearty laughter – landed on three core pillars: Latin America, illiquid assets and solutions. Upon assuming his role, Belinky was struck by the prominence of Santander as a bank in Latin America but is relatively lower position when it came to rankings of asset managers dominating the region.

'We are the preeminent Latin American bank but not the preeminent Latin American asset manager, you have the likes of Itaú or BTG Pactual taking a large part of that market, you also have Investec, Henderson and even Aberdeen, where it should naturally be us.

'We have a much larger local footprint and know the local investor base well, we know the industries well and so one of our ambitions is to become a much more significant Latin American one-stop shop. So, when you have investors thinking about their allocation, their global allocation, whatever they allocate to LatAm, the first name that comes up should be Santander.'

Bridging the gap

Part of his plans to bridge this gap lie in the second two priorities. With clients increasingly seeking new and meaningful ways to produce returns, illiquid assets have gained traction globally. He has added to the headcount in this area, while there are plans afoot for regional-specific launches to leverage the investment banking operations in local markets as well.

'We started pushing a number of local initiatives,' he said. 'This included four funds covering real estate and infrastructure in Brazil, we launched a private debt fund in Chile and we are very, very close to launching our first global infrastructure fund out of the UK team but it will be our first full global foray into the asset class. We are planning on expanding into two or three more asset classes, where again the bank has distinctive origination capabilities that we can leverage.'

With the third area, Belinky adopts a knowing tone. 'We are looking at "solutions" – everyone talks about "solutions" as it is the flavour of the day – to us it means leveraging the pretty good understanding we have of our client needs and developing specific solutions to those markets.

'So, in Europe that clearly means liquidity and target-date solutions and in LatAm it means volatility-control solutions, so things that take the political risk out or allow a smoother return or better diversification from local assets,' he added.

Part of the way Belinky has engineered these changes has been people-driven. He reunited with former Bridgewater Associates colleague Kent Peterson, who was brought on board to lead the multi-asset solutions business, while also upscaling in data-focused areas in its QIS (Quantitative Investment Solutions) unit.

'I don't want to turn Santander AM into Bridgewater because that would be a bit of fantasy but for me that means bringing that discipline, formal approach of fundamental thinking and systematic testing into things that are solutions for our customers.

'I don't want to build the next pure alpha or all-weather fund, I think that would be a little futile, it would be using what we learned there to develop things to take the volatility out of the situation for a client.

'We call the concept 'zero or better' in Europe, given that the opportunity cost of a deposit seems to be minus 50 or 60 basis points in Europe for the foreseeable future, so what types of products or vehicles that are liquid can we create to help those people for saving money in their account and suddenly they see that there is not a solution for them anymore, right? Philosophically, we think a systematic approach is more stable and easier to explain than the traditional purely fundamental stock-picking approach, we are keeping a healthy mix.'

Santander AM: expansion or consolidation?

The addition of new faces prompts a question about media reports of Santander AM pulling back from the UK to focus on its Latin America and Spanish operations. Belinky is highly critical of these reports, citing that it was a legal nuance to simplify a structure that saw Santander AM part-owned by two private equity firms.

'That legal structure was very costly to us,' he said. 'So, my CFO was working to simplify that structure to something much, much simpler which was one top-co and subsidiaries. We removed two legal entities out of that spaghetti and simplified it. It is a bit annoying. I am hiring more people here as we are not going anywhere, we have a significantly large bank here and around 100 people in asset management here.'

The repositioning of Santander AM legally also prompted interest as it comes amid a period of takeovers and investments, with the likes of Generali and Natixis expanding their respective multi-boutique structures, while others, notably Janus Capital and Henderson Global Investors, have merged to achieve optimal scale.

Santander AM had been heavily linked to a merger with Pioneer Investments but this was scrapped in the wake of senior changes at Pioneer's parent company UniCredit before Amundi eventually struck a deal for the Italian group. While this all happened prior to Belinky's tenure, could there be scope for similar expansion?

Belinky does not discount it but is more focused on other efforts. In his short time in the hot seat, he developed Santander GO, a mandate-driven process which saw the company hand strategies to power players such as Pimco, JPM Asset Management and, intriguingly, even Amundi. This was designed to allow Santander to broaden its product suite while also not over-stretching into areas where Belinky believed there was not enough internal expertise to launch a fund.

‘These all sit within our vehicles, so I have total control over who manages them, we have given our clients first-quartile funds, which compares to something we couldn't even manage on our own. We have really good economics for our clients and for us, it is an attractive fund, it is not like fund of funds with layers of fees.

‘If it comes to a day where the manager is not performing and we want to switch them for someone else, given that it sits in our own vehicles, I can just say: "You know what, it's been great, but I am going to look for another manager for this asset class". From that perspective we thought it was the best to way to scratch that itch.’

Staying relevant by reinventing

Belinky said there is scope to expand this range but he must be conscious of what his investors really want – ‘Do Brazilian clients really want Japanese equities?’ – and the sustainability of funds in the Santander AM range in general. He has introduced tighter rules for when they liquidate a fund, which he acknowledges is part of an industry trend to improve cost and time efficiency.

This has expanded to the company’s fund names. For example, a lot of balanced funds we have in Spain still have the stocks/bonds range embedded in the name, so 30/60 and I don't like that, I don't think that is how you should manage money today, particularly when one of those has negative carry.

‘Conceptually, it just doesn't work for me anymore, I want to move to managing everything via understanding client risk appetite, what is their risk tolerance and work on a volatility basis - what is the outcome you want? How much are you willing to lose? How long are you investing? And trying to manage your money with 3% volatility and manage funds on volatility and not stocks/bonds bands which don't mean anything anymore.’

> “
> ***Maybe I need a cup of humbleness, I think what we are doing here is disruptive***
> ”

So, looking ahead, does Belinky have concerns about a major external player coming into the market – the likes of Amazon eating up the passives market as was touted at a Citywire CEO Tapes, for example? Belinky laughed off the potential for the online retail giant to come in and said that remaining relevant is achieved through reflection and being willing to rethink what you are doing.

‘It depends what you define as disruption, to me, and maybe I need a cup of humbleness, I think what we are doing here is disruptive,’ he said. Whether I am disruptive or not, I cannot say. I think a lot of what we see outside doesn't necessarily apply to us as we are in 10 countries with very different realities, we try to take those things that mean something and disregard those trends that don't mean a lot to us.

‘We get to fail and fail fast, we can try stuff in different countries, so we tend to learn a lot from ourselves. To be able to try things in 10 different countries is a good way to learn what works and what doesn't.’