Aberdeen Snaps Up Alts Shop to Grow U.S. Presence

By Danielle Walker August 5, 2015

Aberdeen Asset Management has entered into an agreement to buy Arden Asset Management in a deal that catapults Aberdeen's alternatives platform to over $30 billion in assets under management, when valued alongside another recent acquisition by the company.

The move, which is expected to be completed in the fourth quarter, is part of Aberdeen's plan to bolster its presence in the U.S. alternatives market, a release from the manager said. Terms of the deal were not disclosed.

Specifically, Aberdeen was impressed with the way Arden developed its institutional offerings using a customized portfolio approach, says **Andrew McCaffery**, global head of hedge funds at Aberdeen.

"When we started the conversation with Arden, we found that our views [were similar about] how the investor demand was developing, as institutional investors were considering what to invest in hedge funds," McCaffery says. "There was an alignment in our thought process to have much more of a solutions-based approach to meet the specific needs of the investor," he continues.

Arden, which has offices in New York and London, stands as Aberdeen's second acquisition in recent months meant to grow its U.S. alternatives foothold. In late May, the manager announced that it would acquire **FLAG Capital Management**, as reported, which managed $6.3 billion in assets.

"Aberdeen's alternatives platform, overseen by Andrew McCaffery … will have total assets under management of over $30 billion following completion of both transactions [with FLAG and Arden]," the Tuesday release from Aberdeen explains. As of June 30, Aberdeen managed $480 billion in assets overall for both institutional and private investors.

“These acquisitions take [the] assets that we have managed from a U.S. base significantly higher,” McCaffery tells *FundFire*.

As for potential organizational changes brought on by the deal, McCaffery says that there are no current plans to eliminate Arden investment positions in the transition, but that he “can’t forecast the realities,” of such steps being taken. Aberdeen plans to “fully integrate” Arden’s hedge fund solutions team with its own, according to a press release.

Last summer, after acquiring **Scottish Widows Investment Partnership** (SWIP), Aberdeen terminated the firm’s active equities team, on the heels of moving SWIP’s actively run equity funds into its platform, as reported by *FundFire* sister publication *Ignites Europe*. In total, about 150 jobs were axed. Also, when Aberdeen acquired Artio Global Investors in 2013, the manager decided to take on Artio’s fixed income teams but not its equity division, as reported by *FundFire*.

Just last month, Arden lost a $522 million pension mandate it managed for the New Jersey Division of Investment, as reported. The New Jersey fund cited “concerns about the stability of Arden going forward,” after the firm “experienced a high level of turnover among its investment professionals.” Specifically, two managing directors – **Shakil Riaz** and **Anthony Marzigliano** – departed the company three months prior.

In addition to Arden being a brand name that is “well respected,” the buyout follows Aberdeen’s plan to build out in alternatives, says **Steven Levitt**, managing director and co-founder of investment bank Park Sutton Advisors.

Instead of building out their own operations, firms looking to expand their footprint in a new asset class or market often go the acquisition route like Aberdeen has done, Levitt adds. One reason for doing so is buying another firm allows a manager to go to market more quickly with a new product.

“The thing about building [is] it’s a bit of a long shot. It’s expensive for the organization and you don’t really know what you will come away with in coming years,” Levitt says, explaining later that managers need the economy and market to be in their favor, and to build a strong investment track record.

“It’s hard to make all of those things happen at once, and it can be risky when you are looking to build [and not] buy,” he explains.

“It makes sense that a large global player like Aberdeen, in building out its alternatives [footprint], would be looking at a name brand like Arden,” Levitt says.