

Schroders expands in GCC

■ Regional

Schroders, one of the oldest names in world banking, is fine-tuning its approach to Middle East customers. This entails applying a fresh strategy that has emerged since the bank completed the sale of its worldwide investment-banking business to Salomon Smith Barney in 2000.

The sale was a turning point for the London-based international bank which celebrates its bicentenary jubilee the year after next. Schroders now focuses on asset management and related businesses where it brings to bear established capabilities and a strong market position. The bank has more than \$170,000 million under management and a presence in 25 countries. It services the high-net-worth sector through **Schroder & Company**, a specialised entity.

The focused approach seems to be delivering results. **Merrill Lynch** on 11 January upgraded its profit forecast for 2002 by 58 per cent to £94 million (\$135.6 million).

Philip Winder, the Schroders Investment Management director responsible for Middle East activities, surveys his customers with satisfaction, but argues more can be done. "Our business in the region is very institutionally oriented," he says. "We have worked for most of the governments and investment authorities in the region. Now, we are offering the same kind of service to a broader sector of the market, in particular other financial institutions."

The approach echoes the themes of Schroders' global strategy. The bank is emphasising Europe, but it is on the

ground throughout North America and selectively in South America. It is one of the biggest operators in Asia and has formed a joint venture with the largest Chinese securities firm.

The approach to the Middle East, and particularly to the Gulf, reflects the special characteristics of the market. The region represents, despite the recent oil price downturn, one of the world's most important sources of liquid institutional finance.

"We are concentrating on the top tier, the largest financial players in the Gulf," says Winder, who first came to the region in 1974 as a US Federal Reserve economist. "We are taking advantage of our brand name and working with those institutions to access sectors of the market where we don't have penetration, like retail and smaller financial institutions." The appointment of Michael Dobson, previously the main board director of **Deutsche Bank** whose responsibilities included the Middle East, as Schroders' chief executive in 2001 reaffirms the regional commitment.

Winder says Schroders has several competitive advantages. It can offer a unique service in alternative investment, which encompasses real estate, hedge funds and private equity. "We have our own hedge and private equity funds," Winder says. "We use that expertise to create fund of funds vehicles in hedge fund and private equity sectors. Investors welcome this approach because there is a lack of transparency in the hedge fund sector." Schroders offers an oil price hedge and



Philip Winder of Schroders

advises a major local bank on a global Islamic equity strategy. It manages about \$500 million in Islamically orientated funds.

Winder is positive about the outlook. "The oil price fall is a concern in 2002, but most of our relationships are very long-term and will continue," he says. "The impact will be on the amount of new business, but the long-term prospects for the region remain attractive. And we are keeping an eye on local stock markets as a longer-term investment opportunity."

Winder says that Schroders' approach is to stay with customers through the cycle, to be a trusted financial adviser rather than a simple supplier of investment products. "We are not seeking aggressively to extract the last penny from the market," he says. "We want to work with clients to help provide solutions."

Philip Winder will be speaking at MEED's Asset Management conference at Le Royal Meridien Hotel, Manama, on 29-30 January