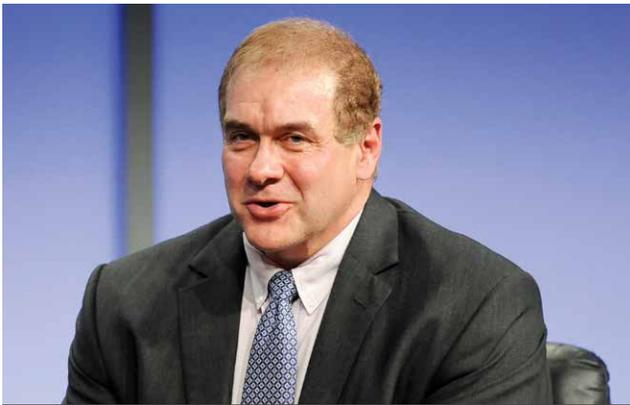




# Insight: Guggenheim Partners wins bond investors, looks to Europe next

January 6, 2014



Scott Miner, Global Chief Investment Officer at Guggenheim Partners, takes part in a panel discussion titled "Global Overview" at the Milken Institute Global Conference in Beverly Hills, California April 29, 2013. Credit: Reuters/Gus Ruelas

NEW YORK (Reuters) — Financial services firm Guggenheim Partners has attracted attention recently for its involvement in high profile deals: it led a group of investors in buying the Los Angeles Dodgers baseball team and helped engineer Verizon's \$130 billion acquisition of Verizon Wireless.

But it is the firm's lower-profile asset management division that has been winning investors' interest of late. The division has quietly quadrupled its assets under management from \$40 billion at the end of 2008 to \$164 billion at the end of September and now represents the lion's share of its parent's \$190 billion in assets under management.

Notably, investors poured more than \$4.6 billion into Guggenheim's signature bond funds and exchange-traded funds in 2013 — the same period when they were draining more than \$44 billion out of bond funds from Pacific Investment Management Co (PIMCO), the firm known for its fixed income expertise, according to Morningstar data.

Now Guggenheim Partners is looking to Europe to continue fueling its growth, which may result in additional products for asset management clients looking to diversify outside of U.S. fixed income as interest rates are expected to rise.

Guggenheim Partners this month opened a London office focused on real estate investing and plans to expand its direct lending to middle market companies in Europe. While both efforts stem from opportunities the parent company sees to grow outside of asset management, it could result in products

for fund investors looking for alternatives outside of the U.S., consultants said.

Ultimately, Guggenheim wants to boost its profile with retail investors, which makes up about 25 percent of its business.

"We used to joke that we were the best kept secret in the investment management business," Scott Miner, chief investment officer of the firm, told Reuters in an interview. "That is what we are trying to change."

## ATYPICAL BOND FUNDS

Guggenheim, with a fixed-income specialty, has won investors in a challenging bond environment because it specializes in funds that invest in either niches of the market, like bank loans, or have the ability to invest across several fixed income sectors. These funds are believed to better withstand the rising interest environment the Federal Reserve is expected to usher in than core fixed income funds.

U.S. investors are expected to move \$1 trillion away from core fixed income strategies into areas like floating-rate instruments and multi-currency portfolios, according to Casey Quirk & Associates, a Darien, Connecticut-based consultant to investment managers.

Guggenheim's most popular bond fund, the Guggenheim Floating Rate Strategies Fund, attracted \$864 million in the first 11 months of 2013.

Miner recognizes that Guggenheim shares the challenge that many fixed income fund managers face today in that the booming equity markets have grabbed investors' attention.

Though the Guggenheim name might have resonance — the firm started as a private office managing the fortune of the famous family that endowed the New York art museum — it doesn't have the brand power that PIMCO does, nor does it have a talking head with the star power of PIMCO's co-chief investment officer, Bill Gross. That could hold the company back.

"Guggenheim has really made a good name for itself on obscure, off the run sectors," said one former employee who wished to remain anonymous. "(But) it's hard to commercialize and in this business you really need a signature product."

Miner said that the firm's jump in assets under management is proof, however, that investors are aware of its funds' performance.

## EUROPEAN OPPORTUNITIES

While Guggenheim's ambitions in Europe go beyond asset management, the firm's added capabilities may help that business grow.

Because Guggenheim has its hand in so many different businesses, ranging from asset management to private equity, it can build products around these two new businesses as it sees fit, said Todd Boehly, president of Guggenheim Partners.

So, for example, if there is an opportunity to create a fund leveraging its real estate investing expertise out of London, the firm can do so, but it can also bring an investment opportunity to its private equity clients, he said.

Guggenheim also plans to buy at least some of its growth in Europe, both in asset management as well as other areas.

So far, the firm has been daunted on at least two deals: It lost an October bid for Lloyds Bank's fund management arm Scottish Widows, according to people familiar with the deal. Aberdeen Asset Management ended up winning that business for 660 million pounds (\$1.1 billion). The firm also saw a 2012 deal to buy Deutsche Bank's AG's asset management business for 1.4 billion euros (\$1.81 billion) fall apart.

And the European asset management space is becoming increasingly crowded as more U.S. firms look to grow there, particularly in the fixed income space, said Yariv Itah, a partner at Casey Quirk.

But Guggenheim remains undeterred. "I think that a number of the banks in Europe are going to be under capital pressure and will be looking to potentially sell their asset management businesses and I think we will look at them," Miner said.

(Reporting by Jessica Toonkel; Editing by Linda Stern and Chris Reese)

(#79914) Adapted with permission from Reuters. Copyright 2014 Thomson Reuters.  
For more information about reprints from Reuters, visit PARS International Corp. at [www.reutersreprints.com](http://www.reutersreprints.com).

# GUGGENHEIM

This reprint has been provided by Guggenheim Investments and certain affiliated entities, including Guggenheim Distributors, LLC and Guggenheim Funds Distributors, LLC. Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Guggenheim Partners Europe Limited, GS GAMMA Advisors, LLC, Guggenheim Aviation, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Partners India Management, Guggenheim Real Estate, LLC, Security Investors, LLC and Transparent Value Advisors, LLC.

The article referenced herein is for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. The article should not be considered research nor is the article intended to provide a sufficient basis on which to make an investment decision. Any opinions contained herein are not necessarily those of Guggenheim Partners, LLC or its subsidiaries and are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and nonproprietary research and other sources. **Investing involves risk, including the possible loss of principal.**

**Read a fund's prospectus and summary prospectus (if available) carefully before investing. It contains the fund's investment objectives, risks, charges, expenses and other information, which should be considered carefully before investing. To obtain a prospectus and summary prospectus (if available) for the fund(s) referenced within this article, please visit [www.guggenheiminvestments.com](http://www.guggenheiminvestments.com).**

Guggenheim Partners, LLC's assets under management are as of 9.30.2013 and include consulting services for clients whose assets are valued at approximately \$39 billion.

Guggenheim Investments total asset figure of \$164 billion is as of 9.30.2013 and includes \$11.852B of leverage for Assets Under Management and \$0.331B of leverage for Serviced Assets. Total assets include assets from Security Investors, LLC, Guggenheim Partners Investment Management, LLC, Guggenheim Funds and its affiliated entities, and some business units including Guggenheim Real Estate, LLC, Guggenheim Aviation, GS GAMMA Advisors, LLC, Guggenheim Partners Europe Limited, Transparent Value Advisors, LLC, and Guggenheim Partners India Management. Values from some funds are based upon prior periods.

REUTERS-RPT