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# Investing in the Future

Mandarine Gestion is growing its business and assets with a dedicated and diversified approach.

Images courtesy of Mandarin Gestion

**A**s an independent fund management company and a specialist in European stock-picking, Mandarin Gestion has evolved with market trends and succeeded in an environment where many financial firms have failed.

Marc Renaud, founder and CEO of Mandarin Gestion, sat down with *The CEO Magazine* to discuss how the company has developed and matured its products and services in the turbulent times of the economic recession and its aftermath.

**The CEO Magazine:** How have you seen Mandarin Gestion evolve over the years and what inspired you to start the company?

**Marc:** I started as a financial analyst in 1984 at what is now

HSBC France. I became a fund manager in 1988. I wasn't born an entrepreneur; I became one. I decided to start my own company in 2008 at the age of 49.

As you can imagine, at the beginning when I was setting up the business in February 2008 it was pretty bad timing with the economic recession. In hindsight, we understood that the timing wasn't very good but thankfully I had created Mandarin Gestion before the recession really hit so it meant that I got capital and seed money to start.

However, it turns out that the timing wasn't that bad because today it would be harder to get so much seed money from minority shareholders. I had a hard time both running the funds and trying to sell them but in terms of the settlement of the company the timing wasn't too bad.

**What changes have you seen in Mandarin Gestion and its industry?**

From the beginning I decided to diversify when creating Mandarin Gestion, which means that I'm the value guy in terms of running the fund. Of course, it started with a 100-per-cent focus on assets in the strategy but I succeeded in having people run the fund with a growth strategy, which means 57 per cent of our assets are on this value strategy and we're ahead. I decided from the beginning to diversify.

We now know this was a good decision. In 2008 and 2011 we had hard times so I'm very happy that we had this growth strategy and a small-cap strategy. I'm not in charge of them and I'm very happy that we diversified because I had very good years in my value strategy in 2009 and for the past >

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- Marc Renaud





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two years, but I had very hard times in 2008 and 2011 as a fund manager. We had really good performances in our growth strategy, especially on the small-cap side. It's been a mix but of course we've been recovering quite strongly over the past two years.

On the asset location side, which is in fact a fund called Mandarine Reflex, what we do is we use stock pickings and we have a team dedicated to making sense of those. As you probably know, French investors are very risk-averse so when you want to sell pure equity product and you're 100-per-cent French it's extremely difficult.

We also decided from the beginning to be diversified in our locations and countries. Today, 30 per cent of our assets are with non-French clients.

### What are your views on the regulatory environment?

We probably have an excess of regulations but that's probably because the financial industry and fund managers in general have made stupid decisions for the past 20 years. Of course, I'm not happy with the regulations that I have to deal with but I understand why they exist.

It makes business far more costly. For example, in France it was possible to run a boutique of a few hundred million euros and fly under the radar. There are 40 agreements awarded by the French authority every year for French boutiques but most of them are unheard of because they only deal with three or four hundred million euros, not making any real sales efforts. This is no longer possible because of the cost of regulations. As a result, you have to invest a lot in human resources. The smaller you are, the more you have to prove that your organisation's risk control is very strong.

*"From its creation in 2008, Mandarine Gestion collaborates with Exoé to ensure a professional and compliant dealing process to its customers. Our common high standards are an everyday challenge for both our teams to achieve a top level execution quality." - Fidel Martin, CEO, Exoé*

"We now have 27 people, which is pretty different from the seven employees we started with. If we grow to 40 or 50 people then I'll have to change the organisation and its structure. It's a different story."

- Marc Renaud



We are very proud that many large companies often tell us that for a small boutique firm we've done a very good job with our compliance. Of course, you have to do that. If you don't, you stay in the pure retail or domestic retail space and you cannot grow.

### Looking ahead, what are your plans for Mandarine Gestion's growth and expansion over the next three to five years?

Well, there are three types of boutiques in Europe. There are the small boutiques that manage a few hundred million euros, who aren't trying to sell. They can have a good life with three or four people. They are managing their own money and the money of a few friends. They're not the people that you hear about.

Then, there are those boutiques that manage around five billion euros and a crisis arises and they go back to two or three billion. A lot of these French boutiques will stay around this two to five billion euro mark.

Mandarine Gestion is here today. Of course, what I'd like to do is be one of these few boutiques that go over the five billion euro mark. To do that, you have to do three things. You have to be diversified in terms of product, to be diversified in terms of countries, which takes time and you really have to do it properly, and to be diversified in your client base. If you're only selling to French

investors then you're not going to exceed five billion.

Going over five billion means that we'll have to grow abroad and grow our offering. We're in a very averse environment but we succeeded in coming out of this crisis with €2.4 billion and frankly I can't tell you whether it'll take two or five years to meet our goal because it partly depends on the market. What we want to do is reach that five billion mark and then try to go further. There are very few boutiques in France that are over that five billion mark but I'd like to be one of them.

I think the main complication for a boutique is to go from a commando team to an organised company. I succeeded in being a fund manager and being the guy who leads 10 people, but would I be able to lead 50 people with five heads of department reporting to me? Of course, I'm going to try but you can never be sure. To go over five billion and be diversified in your countries, you have to be organised and to work as one team.

I'm in this phase at the moment. We now have 27 people, which is pretty different from the seven employees we started with. If we grow to 40 or 50 people then I'll have to change the organisation and its structure. It's a different story. I'll try to succeed but you can never be sure. It'll definitely be a different job and challenge. ●