

## Sovereign wealth funds

# Norwegian oil fund dumps Pimco and BTG Pactual

World's largest sovereign wealth fund also ditches BTG Pactual in overhaul



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MARCH 13, 2016 1:29 AM

by: **Madison Marriage**

Norway's \$830bn oil fund has severed ties with Pimco, the bond house, and BTG Pactual, the Brazilian bank, as part of an overhaul of how the world's largest sovereign wealth fund is run.

The [oil fund \(http://next.ft.com/content/6941c558-e5f6-11e5-ac45-5c039e797d1c\)](http://next.ft.com/content/6941c558-e5f6-11e5-ac45-5c039e797d1c), which is considered one of the world's most prestigious investors and which has become a prized client for big asset management companies, has invested with Pimco since at least 2013.

The sovereign fund pulled its money from the Californian bond house last year after widespread investor fears took hold about underperformance at some of Pimco's largest fixed income funds and the acrimonious departure of its founder, Bill Gross, in late 2014.

The divestment is a further blow for the Newport Beach-based asset manager, which suffered €125bn of outflows from investors last year. The level of money from external clients fell 6 per cent last year, to €987bn. Pimco declined to

comment on the oil fund's departure.

The withdrawal could prompt other sovereign funds to reassess whether to hold money with [Pimco \(http://next.ft.com/content/c8d1e800-e6d1-11e5-a09b-1f8bd268c39\)](http://next.ft.com/content/c8d1e800-e6d1-11e5-a09b-1f8bd268c39).

Amin Rajan, chief executive of Create Research, the asset management consultancy, said: "Losing a mandate from an iconic investor like the Norwegian oil fund is like losing the main feather in your cap. It will raise many eyebrows among other sovereign wealth funds."

The sovereign fund also dropped BTG Pactual during the course of last year. The bank suffered heavy redemptions in 2016 after it became embroiled in a vast [corruption scandal at Petrobras \(http://next.ft.com/content/0074dda0-e775-11e5-bc31-138df2ae9ee6\)](http://next.ft.com/content/0074dda0-e775-11e5-bc31-138df2ae9ee6), the Brazilian oil group.

Its mutual fund assets [nearly halved last year \(http://next.ft.com/content/50515b06-c118-11e5-9fdb-87b8d15baec2\)](http://next.ft.com/content/50515b06-c118-11e5-9fdb-87b8d15baec2), to \$14bn, after the bank's chief executive was arrested for allegedly conspiring to interfere in a police investigation into corruption at the oil company.

André Esteves has denied any wrongdoing and was released in December after spending a month in jail. BTG Pactual declined to comment.

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Alexandre Yamashiro, an analyst at Fitch, the rating agency, said: "Whether warranted or not, investors decided to reduce their exposure to BTG Pactual as there are concerns [about the] implications for the group [from the Petrobras] investigation."

Norges Bank Investment Management, which oversees the oil fund, would not specify the size of individual external investment mandates but it had Kr297bn (\$35bn) invested with external managers at the end of 2015.

This included three fixed income managers: Ashmore and Franklin Templeton, which have been in place

Conviction highlights the huge scale of the alleged wrongdoing at oil group

since 2014; and Investec Asset Management, which was added last year.

Mr Rajan said that being struck off NBIM's list of external managers (<http://www.nbim.no/en/investments/external-mandates/external-managers/>) "could

be quite damaging as investment consultants will put them on their 'watch' lists immediately", putting them at increased risk of losing money from other institutional investors.

The oil fund took business away from eight investment houses last year.

This included Thames River, the UK-based hedge fund company that lost several senior staff members, including its chief executive, after being acquired by F&C in 2010. F&C was in turn bought by Canada's Bank of Montreal in 2014.

Black River, the US hedge fund company that was partly spun off from its parent company last year following the closure of several products, was also cut, as well as Sweden's Lancelot Asset Management, Chilean group MBI AGF, and Korea's Truston Asset Management.

The Norwegian oil fund added a number of new investment companies to its roster last year, including Mirabaud, the Swiss asset manager, Brummer & Partners, the Stockholm-based hedge fund outfit, and Sri Lanka-based Lynear Wealth Management.

Michael Maduell, president of the Sovereign Wealth Fund Institute, a US-based consultancy, said: "Norway's sovereign fund hires all types of managers, large, medium and emerging. For smaller managers, it is a great opportunity to land larger mandates with other asset owners."

The Norwegian oil fund declined to comment on the changes to its roster of asset managers.

## NORWAY'S OIL FUND: WINNERS AND LOSERS OF ITS EXTERNAL MANAGER OVERHAUL

### Asset managers added

Investec Asset Management

Laurium Capital

Brummer & Partners

### Asset managers culled

Pimco

BTG Pactual Asset Management

BTG Pactual Chile

Financiere Arbevel	Lancelot Asset Management
Ion Value Management	MBI AGF
Lynear Wealth Management	Thames River Capital
Paamco	Truston Asset Management
Mirabaud Asset Management	Black River Asset Management
Nabo Capital	
Steyn Capital Management	
VIP Research & Management	

*Source: Norges Bank Investment Management*

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