

Metis Global Partners Brings Diversity To Passive Management

Metis Global Partners has launched “guided beta” strategies for institutional investors, offering a new option to a passive management space with limited diverse manager options.

The San Diego-based manager has built its firm on offering a variety of active global, non-U.S. and emerging markets equity strategies using a systematic process but has been providing custom beta strategies to clients upon request.

“This has actually been an organic process. We’ve had conversations over several years with both allocators and consultants and we’ve actually been doing this work on demand for existing clients,” President and CIO Machel Allen said.

While the firm has been providing these services when requested, in stepping into the passive space intentionally over the past few months, the firm has seen significant initial interest.

“We have had several consultants step in and take us through the due diligence process very quickly, in particular Cambridge Associates. This has resulted in Cambridge seeding several of our passive strategies. We’ll actually be onboarding their first clients in the coming weeks and first quarter of [2021],” Allen said in a December interview.

“Through this process it became clear to us that there is really a vacuum in the market for a truly diverse, in this case, woman- and minority-owned provider in the global passive and beta equity space,” she said.

Allen sees the firm’s deep knowledge of global data sets, its existing systematic investment approach and the trading and operational infrastructure provided by strategic partner Brandes Investment Partners as key differentiators in the space.

“Our experience and our expertise is really in the area of global data, analytics, indices, tools, trading and all of those core competencies are just perfectly aligned with the requirements for passive management,” Allen said. “I think that mix of core competencies has really just made this a very natural evolution in the firm.”

Allen said the firm will be leveraging its relationships with large, tier one bulge bracket firms as well as “what we consider to be some of the best diverse trading floors in the country” for trading and operationally will leverage Brandes’ infrastructure.

“When you’ve got a thousand stock US or international index and corporate actions on a thousand stocks flowing through every day, that can’t be done operationally in a little shop. That needs a big infrastructure to really do that. Further, when you start to get into the more esoteric areas of beta including emerging markets, things like effective proxy voting, corporate actions and fair value pricing are much more difficult. This is historically why big shops have owned this space. They have very high quality global operational capabilities, which allows them to hit those marks in terms of little to no tracking error to this benchmarks through time. This is our goal as well,” she said.

Metis has also brought on Patricia Hunter as director of institutional client development. Hunter most recently was a director of institutional client business at BlackRock for over

10 years and prior to that was a partner at Seneca Capital Management and also spent time in investment manager research at Watson Wyatt Investment Consulting and Callan.

“All of this just serendipitously came together at the same time and obviously with her background at BlackRock and such an extensive amount of experience utilizing beta strategies across any conceivable product client need, she’s been hugely instrumental and helpful in us thinking through all the details and dotting the i’s and crossing the t’s. I think the speed to market is a real testament to Trish joining us and being very effective quickly in the space,” Allen said.

Hunter sees the firm’s robust resources as a key to providing an alternative to the large scale index providers and a differentiator within the diverse manager space.

“Within the pure passive beta space, the way that you differentiate yourself is by replicating the benchmark as closely as possible, and when you are differentiating yourself versus other providers, it’s inches, it’s very, very small differences. So I would expect, based on the process, systems approach that we have here at Metis, that we are going to be right there with the top providers of beta strategies and the real differentiator in this area is that we are a diverse, minority-, women-owned firm. We are a boutique, very client focused. So I think if you’re just talking straight passive, that’s our real differentiator,” Hunter said.

In a space with relatively few diverse manager options, Allen believes Metis can gain traction quickly.

I do think the low hanging fruit is with the plans who have existing service providers and are looking to expand the service providers they are using, either because they don’t want so much concentration with a single large provider ... or they want to increase exposure to diverse service providers and this is a way to do that in the passive part of their portfolio,” Allen said.

Allen also sees the expansion into beta management as creating the opportunity for hybrid strategies that incorporate both active and passive aspects of the firm’s toolset.

“The beta strategies by Metis will provide a simple and low cost way for allocators to access us in the traditional space, but in addition to that, we’re going to be rolling out what we refer to as guided beta strategies in the coming months, which are really a hybrid of Metis’ alpha and beta investing capabilities. So what you will see is us harnessing beta exposure and then applying overlays that speak to our core capabilities of global valuation, data management, and factor development,” she said.



Machel Allen