

SPK takes external manager openness to the next level

Six months ago, Swedish pension fund **SPK** began publishing the reasons for choosing its external managers, which its chief investment officer **Stefan Ros** says also leads to added benefits in relation to the asset management industry.

Text: **Caroline Liinanki**

Last autumn, Swedish pension fund SPK introduced a new and rather unusual initiative to become even more transparent about its external managers. Instead of just publishing a list of its external managers on its website, the pension fund now also includes a motivation for why each manager was selected.

Stefan Ros, SPK's chief investment officer, explains that part of the aim is to be more open towards its members about how it invests. "In general, we're very much in favour of openness," he says. "As a member-based organisation, we think that we should be transparent towards our members about what we do and how we work rather than keep things secret. We also think that since we spend a lot of time on finding good managers, why shouldn't we in the same spirit say what we like about them?"

He also believes the increased transparency has a positive impact on the pension fund's relationship with its external providers. "It's important with strong and long-term relationships with our external managers and both the buy side and the sell side are interested in that," Stefan Ros says. "That can be expressed in many ways but we think being open and transparent about what we like about our managers encourages strong relationships and also brings clarity to what we expect of them. From our perspective, this also leads to an improved level of service and is visible in the prices that we pay, which our members benefit from."

He also believes that providing more information will automatically screen away potential prospects when they realise that their products are not suitable for the pension fund, which saves time both for SPK and others.

On the other hand, more asset managers have become interested in SPK investing with them. "We've noticed that a lot of asset managers, in particular many larger organisations, have become more eager to become one of our providers. And that's an advantage for us as we then can come with stricter demands," he says.

Stefan Ros doesn't see any downsides with being transparent about who it invests with and why. He recognises that there may be a copy risk coming from other investors but at the same time adds that SPK doesn't just select managers that are good but managers and strategies that suits its portfolio. "We can appreciate something in the



STEFAN ROS, SPK

management style or investment process because it goes well with other strategies in our portfolio but that may be less suited to another pension fund's portfolio," he says.

He adds that the extra transparency has been well-received by its members. "The response from our members has been that they appreciate the information and get a better understanding of what we do, what the different managers bring and why they were selected," he says.

Around the same time as SPK started publishing more information around its external manager selection, it also introduced an online form with some 15 questions for asset managers looking to set up meetings with the pension fund. Stefan Ros explains that all asset managers that want to have a meeting with SPK have to go through this official channel rather than pitching a meeting in an email or through a phone call, with the exception of a few firms that the pension fund has long-standing relationships with.

Stefan Ros isn't worried that this could lead to the pension fund becoming isolated and missing out on interesting opportunities. "I actually think there's a greater chance for an unknown manager to get a meeting this way than by sending an email. And if a manager passes through the screening and we agree to meet them, you know that there's a mutual reason for doing that," he says. ●