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## PhillyDeals: Why a Scots asset manager chose Philadelphia

By Joseph N. DiStefano

In his spare time, Martin Gilbert is chairman of FirstGroup P.L.C., the British company that owns the flagship bus line Greyhound Lines Inc. and its nonunion rival Bolt Bus, plus U.S. public school bus operators and British rail lines, which shows that mass transit can be profitable, if there's enough government subsidy involved.

But Gilbert's day job is running Aberdeen Asset Management P.L.C., a \$250-billion-asset money manager founded in and named for Scotland's North Sea oil center, whose U.S. headquarters is upstairs at 1735 Market St.

"Philadelphia, I think, is an ideal choice," Gilbert told me yesterday on one of his every-other-month visits to Center City. "It's an hour away from New York City, by Amtrak. But we don't want to be in New York, which is more hedge funds and proprietary trading. We prefer our asset managers to be slightly away from the noise." New York, like London, is a pump-and-dump traders' town; Philadelphia, like Boston, is a buy-and-hold, long-term asset managers' center, "which is the business we're in," he said.

He also likes that two of his favorite U.S. golf courses, Merion and Pine Valley, are nearby.

Aberdeen bought its way into Philadelphia with its 2005 purchase of part of Deutsche Bank's fixed-income business, including a group of Philadelphia-based bond buyers, and its deal two years later to acquire insurer Nationwide Mutual Insurance Co.'s U.S. stock-fund business, which had been assembled by veteran fund executive Paul Hondros, the former Philadelphia police sergeant who now heads the Alpha One investment group.

Who needs Aberdeen, when there's

so many investment companies? "We are a global asset manager" - with teams of stock- and bond-pickers based in Europe, Asia, and the Americas - "and there are really very few of those. In America, there's Capital Research, Fidelity, Templeton, that we compete against on a global basis. Apart from them, there aren't that many."

Gilbert's been running Aberdeen since 1983, when it was a three-man, \$100-million-asset firm. Now it manages a quarter of a trillion dollars of other people's money, with more than 1,850 employees, including 179 in Philadelphia, led by Aberdeen executive Gary Marshall, a Scotland native, who moved two months ago with his wife and three daughters to the Main Line.

The firm focuses on institutional investors and retail investment sales companies - it partners with Credit Suisse in Europe, Coutts in Britain, Mitsubishi in Japan.

Aberdeen cut back its retail-investment sales after British regulators nailed the company for steering investors into "split shares," based on risky collateralized debt obligations - CDOs - in 2002. "We ran into a regulatory nightmare we were lucky to survive," Gilbert told me. That kept Aberdeen's bond managers wary of CDOs, which ended up losing massive value in the 2007 credit crisis. The firm's limited exposure enabled it to keep buying firms as markets shrank, Gilbert says.

At a time when President Obama is pushing higher bank taxes, I asked Gilbert if the United Kingdom's own proposals for confiscating bank bonuses was driving any financial firms from London. "We have an election that's going to happen in May," he told me. "At the moment, it's extremely



Martin Gilbert (left), CEO of Aberdeen Asset Management, whose U.S. headquarters is on Market Street in Philadelphia. At right is Gary Marshall, Aberdeen's chief in Philadelphia.

popular with 99 percent of the population to whack the bankers' bonuses and to raise the taxes on the wealthy to 50 percent. But it's quite clear that the Labor Party is only going to do it for one year."

I also asked about last year's rumor that Aberdeen would buy Delaware Investments, on the other side of Market Street; instead, it was picked up by Macquarie Group Ltd., an Australian investment company with its own global aspirations. "It's a very good business, but the timing was not great for us," coming just after the Credit Suisse deal, Gilbert told me.

Next, Aberdeen is looking for U.S. partners to retail its investment funds. "What we're seeing at the moment is enormous interest from the U.S. market in global equities," Gilbert told me. Aberdeen wants to help move U.S. money overseas, where the action is.

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