Franklin Templeton is known for its active investment strategies in emerging markets. With changing demand from its clients, the U.S. funds business is now adjusting its offering – and Switzerland is a show-case.

Franklin Templeton launched its new range of passive products on Monday with a «Bell Ringing Event» at the Swiss stock exchange. The bid didn’t come with undue haste.

The asset manager at the end of November 2015 poached Patrick O’Connor from index fund giant Blackrock, an addition of expertise that was key for its new product launch as it had nothing to do with passive investments so far.

Ishares Expert

O’Connor had been with Blackrock for more than 16 years, working in various management positions at Ishares, the exchange traded funds division at Blackrock. Now, he wants to emulate his success at Franklin Templeton and develop a global world-class ETF platform, as he pronounced on Monday.

In Switzerland, the company started out with a series of five smart beta ETFs: one for emerging market equities, on for U.S. stocks, one for ecological and sustainable investments and two for dividend returns.

Customer Demand

With this range of products, Franklin Templeton wants to help investors achieve high returns with relatively speaking low volatility and protection from downside risks. Patrick Lutz (pictured), the head of Franklin Templeton in Switzerland, told finews.com that the entry into the passive investment market came due to customer demand.
In asset management, the old sharp distinction between active and passive investment has been rendered obsolete. Customers are using combined alpha- and beta-strategies in their portfolios in a bid to both match the benchmarks and achieve higher returns through targeted, risky investments.

A Tough Business

Franklin Templeton, whose brand is strongly associated with emerging market guru Mark Mobius, has reacted to this trend. Before the Swiss launch, the firm had listed ETF products on the London stock exchange, in Germany and in Milan.

Lutz is aware of the fact the Franklin Templeton is entering a hotly contested business. Blackrock, Vanguard and State Street are dominating the market globally and UBS is the strong player in Switzerland and in Europe.

Strong Brand
ETFs are all about economies of scale. The established brand of Franklin Templeton, the strong retail position and a globally established distribution platform are a good start, Lutz is convinced.

Since the launch in the U.S., Franklin Templeton has invested some $1.5 billion in ETFs for its clients with strong growth coming through, according to the company.

In Switzerland, Lutz has three people in distribution for the German-speaking part of the country and one person in Geneva. A further colleague will be taken onboard later this year to do business with institutional clients.