
Fitch Affirms Groupama AM's Asset Manager Rating at 'M2'

Fitch Ratings-Paris/London-23 April 2010: Fitch Ratings has today affirmed Groupama Asset Management's Asset Manager Rating at 'M2'. The rating covers all the company's asset management activities based in Paris, except Groupama Fund Pickers' traditional and alternative multi-management activities.

The rating affirmation reflects the support of Groupama Asset Management's shareholder, Groupama SA, and its long history in asset management, as well as a business model that has proved particularly resilient in recent years through the global financial downturn. The rating further factors in the quality of investment processes supported by sound research capabilities. Ongoing challenges notably include the completion of a fully integrated operational platform, and the development of new growth opportunities in terms of portfolio management with the launch of absolute return products. A further challenge is represented by client base expansion with the creation of a Luxembourg based SICAV to reach external distribution networks.

Groupama AM ended 2009 with EUR87.9bn assets under management (AuM), marking a 9% increase on a year on year basis (excluding Groupama Fund Pickers) with net inflows stemming from institutional clients, notably in southern Europe. The asset manager benefits from its shareholder support, which provides a solid asset base (as high as 80% of AuM), although it is in the process of reducing its equity allocation, where management fees are higher. Despite the departure of the CIO in the course of 2009 and the reorganisation of management teams, staff turnover remains low. Following the employment of a new head of IT, Fitch will monitor the continuation in the upgrade on the company's IT platform.

The firm has a well-established risk management culture, particularly with respect to investment risk management through the use of APT on equities and UBS Delta, being implemented on fixed income, that provide numerous and relevant risk metrics, on top of other analytics from risk management and/or financial engineering. Nevertheless, although first-level risk controls continue to be efficiently performed, Fitch sees room for improvement in the second level controls based on Sophis Value and with the implementation of a fully-fledged compliance tool.

Portfolio management teams were streamlined in 2009, showing the company's willingness to build on the capabilities in asset-liability management for its parent, and to develop an absolute return offering in addition to the traditional product range. Fitch notes that the absolute return management has focused, to date, on low risk relative value strategies, and the use of top down research, identified as a key strength of Groupama AM, remains limited. Fitch further notes the recent establishment of a trading desk that will provide greater efficiency and scalability to the overall order management process.

Fitch additionally notes the potential for a further rationalisation of the IT architecture around the Sophis Value and Omega FA tools, which remains a major challenge as to the optimisation of the straight through processing.

In accordance with applicable criteria, 'Reviewing and Rating Asset Managers', dated 18 June 2009, Groupama AM's 'M2' rating is based on the following category scores, which represent a scale from 1 to 5, with 1 as the highest possible score:

Company & Staffing: 2.25
Risk Management & Controls: 2.50
Portfolio Management: 2.50
Investment Administration: 2.50
Technology: 3.00

Groupama AM is the asset management affiliate of Groupama S.A. (IFS 'A'/IDR 'A-'/Outlook Stable) first mutual insurance company in France.- It manages EUR87.9bn, mainly on behalf of its parent, and is ranked sixth in France's asset management industry in terms of AuM. The product range includes European equities, investment-grade fixed income and cash management, as well as Asian and US equities. The external client base consists mostly of corporates and pension schemes in France and across Europe.

An updated Groupama AM rating report will soon be available on the agency's website, www.fitchratings.com.

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