

Broader Solutions For Clients: TD Asset Management And TD Greystone's Ultimate Goal



On July 10, The Toronto-Dominion Bank (TD) set the wheels in motion to make the asset management businesses within TD the largest in Canada.

For a net purchase price of \$792 million, it acquired Greystone Capital Management and its subsidiary Greystone Managed Investments Inc., an institutional asset manager headquartered in Regina, SK. Founded in 1988, Greystone has nearly 200 employees and a proven track record of strong investment performance. Providing multi-asset class investment capabilities, it integrates traditional and alternative investment solutions, with a specialty in real estate, mortgages, and infrastructure investments.

For TD, it meant adding Greystone's approximately \$36 billion in assets under management to its existing \$357 billion under management, bringing the total to approximately \$393 billion assets under management.

With the completion of the transaction on November 1, Greystone started serving clients under the name TD Greystone Asset Management (TD Greystone) while continuing to operate out of Regina.

Benefits and Pensions Monitor Associate Publisher and Executive Editor Joe Hornyak was invited to discuss the acquisition with Bruce Cooper, CEO and CIO of TD Asset Management (TDAM), and Robert Vanderhooft, CEO and CIO of TD Greystone Asset Management.

How did TDAM and TD Greystone come together?

Bruce Cooper (BC): We've spent the last few years assessing our capabilities with an understanding of what our clients need because, in the end, that's what it's all about – what we should be delivering to our clients.

We realized we did some things exceptionally well, but we also had some gaps. When we thought about those gaps and the best way to address them, being familiar with TD Greystone and the terrific business it has built over 30 years, we saw a fit as the TD Greystone organization really addressed

a lot of those opportunities.

However, there was another great fit – the customer lens. Both organizations are all about building solutions for their clients.

This acquisition gives both of us all the tools we need to build tremendous solutions for our respective clients.

Robert Vanderhooft (RV): From our side, we've always been open to a strategic relationship to help us to leverage growth.

In this business, you grow or you shrink. As clients' needs continue to evolve, you need to grow, change and adapt, and be able to offer a broader product line.

We've always kept an eye out for an opportunity to obtain a strategic affiliation, both domestically and internationally, that may fit well with what we do. TD was at the top of our list and when they approached us, it was a conversation that we wanted to have.

The combination of being able to offer a broader product line and access to additional channels of distribution available through TD was both very interesting and compelling.



Robert Vanderhooft,
CEO & CIO of
TD Greystone Asset
Management

How would you describe TD Greystone Asset Management's current business?

RV: We distribute institutionally primarily; however, we do lack a presence in the retail, high net worth, and individual areas. The combination of additional institutional clients that TD has was also very much of interest to us.

It really is from day one about leveraging growth.

So, in doing this, what/how did you identify some of the complementary strategic opportunities for both sides?

BC: From our side, the distribution is a really important factor and we knew that TD Greystone had tremendous success in the institutional side of the business, as Rob just pointed out.

However, it didn't really have an avenue to grow into the high net worth or retail side of business.

We have a big high net worth business and I think there are a lot of similarities between an institutional business and a high net worth business in terms of the products and solutions you want to bring to clients. This is happening more and more, so we think one of the big synergies, if you will, is that we can take these great capabilities and products that TD Greystone has and deliver them into a high net worth channel. We're looking forward to doing that in 2019 as that year unfolds.

The most obvious area for that is the alternative business that TD Greystone has, but I also like the full-scale capabilities they have.

So taking advantage of the complementary areas was identified as a key focus?

RV: Our offerings are very complementary in terms of product lines. There is very little overlap with respect to what they do and what we do – again a great fit.

And just as important from a cultural perspective, both firms are very much aligned and that was always quite important to us as well.

BC: I echo what Rob says on this point – the culture is so important. He and I talked so much about it as we went through this process. We both put the client right at the centre of everything we do, with a long-term perspective. It's not a star culture, but instead, a collaborative team-based approach,



Bruce Cooper,
CEO & CIO of
TD Asset Management

with all of the things that are very important elements of a good culture.

One of the reasons behind this transaction is TD Greystone's track record with alternatives. Can you tell me more about that?

RV: We've been in the private investment space since 1988 and since the inception of the firm, alternatives have always been a part of what we do.

Does TD have its own alternative capabilities?

BC: We have a private debt capability that we started two or three years ago. We hired a team of seven people from a variety of different places so, in that respect, we entered that element of the alternative space organically. We felt

we could do that because, in that case, we had a very strong fixed income franchise and we thought of it as an extension of our existing capabilities.

But for real estate, infrastructure, and mortgages, we didn't think we could do that organically.

TD Greystone has built a tremendous track record. They have very large teams and are leaders in the Canadian market in that space. I actually think it will fit very, very well. It's quite complementary to what TD Greystone's team is doing.

From my personal perspective, this move makes TD a leader in the alternative business space in Canada overnight, which is very exciting for us.

TD Greystone started in the alternative space in 1988; what was the tipping point?

RV: Given our start 30 years ago, we have definitely exceeded expectations. It was certainly challenging in the early years. It was a bit of a struggle to gain assets and to market the company. At that time, it wasn't something that clients were really looking for. So it did take a lot of time to gain traction, certainly in the real asset space.

The tipping point was institutional clients becoming a little bit more sophisticated in terms of their requirements in looking to diversify their assets further in order to reduce the volatility that they were taking in their pension plans. That combination of looking for different sources of returns and different correlations really led to the interest in real assets.

When do you think we will stop calling them alternatives?

RV: I don't know. We're still calling real estate and mortgages alternatives when they really are quite mainstream.

How does this acquisition help TD stay one step ahead?

BC: It starts with our clients. We're here to build solutions for our clients.

On the institutional side of the business, it really makes us a full service provider. Think about things like liability driven investment (LDI)



It's the next tier we expect that pension plans will begin to look at and invest in.

BC: It should also be recognized that while TD Greystone is a Canadian-based company, it has people on the ground in Hong Kong which is helpful.

What has been the reaction from clients so far to the transaction?

RV: I made roughly a hundred calls to clients and consultants on the day of the announcement, July 10. Universally, their response was quite positive. Very few clients were neutral and said, 'we'll see,' but this wasn't unexpected.

Where clients also had TD Asset Management as an asset manager, the reaction was very positive, which to me was a pretty good indication that we were doing the right thing.

BC: I'd start off with the reaction of our TD people. People are really excited that this outstanding organization is joining TD. Our relationship managers and salespeople want to be able to bring the best solutions we can to our clients and that is why internally there is just so much excitement.

From our client-facing people, including on the high net worth side, we've had tremendous feedback and people are really excited about the alternatives we're going to be able to bring to that market. So we've seen a very strong, positive reaction throughout the organization.

The acquisition closed November 1. How close were you to where you wanted to be that day?

BC: We've spent a great deal of time together and I think our goals are clear, but there's still work to do.

RV: Conceptually, we've outlined the plan. There's a bit of adjustment as we get to know each other's businesses a little bit more and how we look at other products, other channels, and product development as well.

For all the obvious components, we've looked at how we will bring those to the various channels.

Will we see TD solutions that are leveraging TD Greystone's expertise and vice versa?

BC: We talked about global real estate when we first announced the acquisition, so that's a product we're exploring.

RV: We were in the process of launching a global real estate product at the time of the acquisition. Now that we have joined TD, we believe this will enable us to launch and scale it more quickly, which is quite important when you're dealing with large-size assets. That was also one of the significant benefits.

Is TDAM active south of the border and elsewhere?

BC: We have our affiliate in the U.S. – Epoch Investment Partners, Inc. which is an institutional manager in the U.S.

RV: These are all quite complementary to what Epoch does in the U.S. It is more on the value side and we're more of a growth manager, so it's a very complementary product line.

BC: This could potentially give us more scale and a forward toolkit within the U.S. market.

What about the cultural fit between the two organizations?

BC: In a word, I'd say it is phenomenal. TD Asset Management has been primarily about organic growth. So this was a new experience for me, but we've had phenomenal interactions between our teams.

It started with a handful of senior people from both sides. However, in the last couple months, it's really spread

You can do well by doing good and that's our goal. We test everything that we do against 'does it add value for clients?' If we do that, then we also do well. We see that same approach at TD.

One component that doesn't get a lot of attention is the social community aspect – giving back to the community which is fundamental to TD and it has been one of our values. That's quite important.

So what does this ultimately mean for clients?

BC: It means the potential for better and broader solutions and for institutional investors, a greater ability to match their liabilities. These are the key things for me.

RV: It's a broader array of products that we can use in order to build the



right portfolios for clients – to be able to use multi-asset class portfolios to achieve those objectives for clients, whether they be in the institutional space or in the high net worth space. Being able to have more tools in the toolbox really allows you to construct better outcomes for clients.

It is fully owned by TD and has assets under management of about \$50 billion with full distribution in the U.S. TDAM also has a smaller business in the United States as well through TDAM USA Inc., but between TDAM, TD Greystone, and Epoch – looking out over the next two to 10 years – clearly TD Greystone's capabilities set us up better to penetrate the U.S. market because it brings with it a variety of quite distinctive, differentiated product offerings.

What are some of those differentiated product offerings?

BC: There is global real estate, global infrastructure, Chinese equities, and international equities.

throughout both organizations. I know that whenever my team comes back from interacting with Rob's team, they have wonderful things to say.

There are very nice people on both sides, which certainly helps. But it's really about the fact that both organizations put the client at the centre, so people can really orient themselves around what we are trying to accomplish for clients. We're not trying to hit the ball out of the park tomorrow, we're trying to develop something that will be effective for a very long period of time.

RV: Having a good cultural fit was very important for us. Our real purpose has been adding value for clients which very much aligns with TD.

Any final thoughts?

RV: What resonated well with our employees, our shareholders, and our clients was really that this is very much a winning combination which was important when we began to have discussions, that we can create the right combination for stakeholders – clients, employees, and shareholders.

TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. TD Greystone Asset Management represents Greystone Managed Investments Inc., a wholly-owned subsidiary of Greystone Capital Management Inc. (GCM). All entities are affiliates and wholly-owned subsidiaries of The Toronto-Dominion Bank.