

PROFILE: GIUSEPPE CAMPANELLA

ULTRA RICH PICKINGS

State Street's Italian private equity head is set to use ultra high net worth products as a first step to unlocking institutional bounty. Yuri Bender reports

Giuseppe Campanella, the head of State Street's Italian private equity arm, was sipping a cup of Italian espresso, accompanied by a traditionally prepared almond cake at his favourite pastry shop in a corner of Milan's Duomo square when he ran into a fellow Sicilian.

"I told him I was reviewing my options," recounts Mr Campanella with a glint in his eye. "He said that a friend of a friend had heard about a rumour of a property that just might be changing hands. By co-incidence it was right above the pastry shop. The new landlord would probably need a reliable tenant prepared to clean up the property and move in quick. Might I know anybody who was interested?"

Within weeks, the owner was traced, the lease had been signed, and Mr Campanella had secured one of Milan's most attractive addresses, overlooking the historic Cathedral, the financial capital's only real landmark. And of course, with easy access to his beloved Sicilian pastries.

The move to the new office co-incided with a change in reporting responsibilities for Mr Campanella. Previously, he was chief investment officer for private equity in a joint venture between State Street, and leading Italian financial services player Mediolanum.

Mediolanum was set up in 1981 by Silvio Berlusconi, then a controversial businessman about to become an even more controversial politician, and Enio Doris, a colourful insurance salesman from the Veneto villages who eventually became Italy's most successful mass-market financial services operator.

State Street Global Advisors (SSgA) continues to sub-advise vast swathes of assets for Mediolanum's clients, seen in Italy, as "Mr Rossi" or the man in the street. But the private equity joint venture has been bought out by State Street for €2.6m, allowing Mr Campanella to move out of the soul-less



Campanella: cynical view of open architecture in Italy

suburb of Milano 3, and into the desirable and cost-effective new premises.

Now that he reports to Nigel Wightman, European boss at SSgA in London, the always energetic Mr Campanella clearly has an extra spring to his step. His track record is an impressive one. He secured €165m in long-term mandates from a number of Italian pension funds and major regional foundations Cariplo and Cariverona five years ago.

Managing money for Cariplo is no easy matter, as it involved convincing the foundation's meticulous consultant, Francesco Lorenzetti, who pioneered the outsourcing of mandates to external managers in Italy, about the robustness of the selection and investment process. This typically involves vetting and investing in smaller Italian private equity vehicles on a fund of funds basis.

QUICK PROFITS

The 10 clients who have exited Mr Campanella's funds since 2000 have been furnished with 2.5 times their original invested capital, whereas a typical private equity investor would typically wait five years just to clear a profit.

"Our mission is to develop products in the alternatives field for the Italian institutional market," says Mr Campanella. "But this strategy will require, in my opinion, an intermediate step: the development of products for ultra high net individuals."

Because State Street is still perceived as a new entrant to this market in Italy, he feels it will be three or four years before he can attract new institutional

money, thus necessitating a search for new asset gathering channels.

Direct distribution of private equity products is preferred by Mr Campanella rather than the use of private banks. "Agreement with a distribution network is a possibility," he says. "But I am very dubious of this, and not very optimistic, as each network will want to sell its own funds," says Mr Campanella, stating his slightly cynical view of open architecture in Italy.

He expects to secure just 10 private investors per fund, with investments totalling around €2m, with an extra €8m underwritten by the promoters. "Every time we fund a deal, we will give pre-emption rights to the investors, who are in a position to choose which deal to invest into and how much to invest," says Mr Campanella, adding that commission will be based on invested, not committed capital, marking a change from the typical structuring of such funds. "This is a new tool with a more appealing fee structure."

He expects to raise €60m-€70m in a combination of private equity and real estate-based vehicles.

So why did Mr Campanella agree to his enterprise being moved from a company with a strong reputation, albeit a colourful one, in the Italian market, to a global player with less local recognition?

"We had a brand then, at Mediolanum," says Mr Campanella, leaning in over steaming plates of thick pasta and bean soup. "We had a card or sticker to exchange in the market. But this was not a core business for Mediolanum. They wanted to retreat from it and devote themselves to investing assets for the average Italian family."

Mediolanum does have its own private client unit, Banca Esperia, which has marketed hedge funds and real estate products to wealthy individuals. Ironically, they could now be a potential distribution partner.

But Mr Campanella plays down the possibility. "We do not want to get married with anyone specifically. I like Esperia, they are growing a lot, but they are the same as Unicredito. Everybody declares that they are looking for the best product for their client, but the end of the story is always that the best products are their own."