



## **DETERMINATION OF MERGER NOTIFICATION M/07/011 – GREAT-WEST LIFECO/PUTNAM**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by Great-West Lifeco Inc. of Putnam Investments Trust**

**Dated 16/03/07**

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#### **Introduction**

1. On 28 February 2007, the Competition Authority (“the Authority”), in accordance with section 18(1)(a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposed acquisition by Great-West Lifeco Inc. (“Great-West Lifeco”) of Putnam Investments Trust (“Putnam”) from Marsh & McLennan Companies Inc.
2. In addition The Great-West Life Assurance Company, a subsidiary of Great-West Lifeco will acquire Putnam’s stake in T.H. Lee Partners.

#### **The Undertakings Involved**

3. Great-West Lifeco, the acquirer, is a Canadian holding company with interests in the insurance sector. Great-West Lifeco is controlled by Power Financial Corporation, a holding company with interests in various sectors. Power Financial Corporation is in turn controlled by Power Corporation of Canada, a diversified international management and holding company with interests in financial services, communications and other business sectors.
4. Great-West Lifeco is primarily active in the life and health insurance, retirement savings, and reinsurance sectors through its direct and indirect subsidiaries: Great-West Life & Annuity Company; The Great-West Life Assurance Company; London Life Insurance Company; and, The Canada Life Assurance Company.
5. Power Financial Corporation is active in insurance, through Great-West Lifeco, as well as financial services through a controlling interest in IGM Financial Inc. (“IGM”) which in turn has interests in: Investors Group Inc.; Mackenzie Financial Corporation; Cundhill Group of Companies; and, Investment Planning Council Inc. IGM’s investment management subsidiary I.G. International Management United is located in Dublin. Power Financial Corporation also has an interest in Paragesa Holding S.A., a European based holding company with interests in a number of large European companies.
6. The Power Corporation of Canada group of companies are active in the State in insurance through Canada Life and in asset management through Canada Life’s wholly-owned subsidiary Setanta Asset Management (“Setanta”). Power Corporation of Canada’s consolidated turnover in the State in the financial year ended 31 December 2005 was approximately €[.].

7. Putnam, the target, is a US investment firm headquartered in Boston, Massachusetts and is currently owned by Marsh & McLennan Companies Inc. Putnam is active in the provision of asset management services to individual and institutional investors. More than 80% of Putnam's managed assets relate to US retail and institutional investors. The remainder focuses on international retail and institutional clients, approximately half of which are managed for European investors.
8. In the State, Putnam has [.]. The remaining revenues are derived from retail clients ranging from individuals to pension schemes that have invested in one Putnam's three retail funds. Putnam has a wholly owned subsidiary in the State, Putnam Investment Limited ("PIL").
9. Putnam had consolidated worldwide turnover in the financial year ended 31 December 2005 of approximately €[.] with approximately €[.] was generated in the State.

### **Analysis**

10. The undertakings involved activities overlap horizontally in the provision of asset management services. Great-West Lifeco is active in asset management in the State through Setanta. Putnam provides asset management services through PIL and Putnam Investment Limited (UK).
11. Setanta provide asset management services to other companies in the Great-West Lifeco group of companies, both in the State and overseas, and to third parties. However Setanta's largest customers are [.]. For instance four of Setanta's five largest customers registered in Ireland (in order of size) are [.]. In addition its five largest worldwide customers are [.]. Setanta estimates that its share in the State in the sale of asset management services is less than [.]
12. In the State, Putnam provides investment services to [.] through Putnam investments Limited (UK) which accounts for [.] of the total revenue generated by Putnam. The remaining revenue is generated from individual clients who invest in retail mutual funds. Putnam estimates that it has less than [.] share in the sale of asset management services.
13. Putnam does not have an established distribution system in the State. It has [.] which is a direct relationship between Putnam and [.] In respect of the services provided by Putnam to its Irish retail customers, its services are typically recommended by brokers to their clients who contact Putnam and enter into contractual relationships with them for the provision of services.
14. There are low switching costs in respect of Putnam's Irish customers. [.] may terminate the agreement at any time upon the provision of a written notice. In respect of the funds managed by Putnam there are no switching costs for a customer to switch to another service provider within the Putnam group. Where a customer wants to switch from a Putnam fund to a fund managed by another service provider the customer may incur some administrative costs. However the Authority does not view these as being of a magnitude to prevent switching.
15. There are no sources of available data on the shares of the parties competitors in the State. The parties submit that the Irish market is

fragmented and characterised by the presence of a large number of significant international banking and financial groups.

16. However, market share data is available on asset management in the EU where more than 200 asset managers provide services. According to the January 2007 fund market monitor of the market research firm, FERI<sup>1</sup> the top ten European asset managers controlled less than 25% of the market with no one firm holding more than a 5% share. Furthermore, it is not necessary for a European asset management company to have a presence in a country to provide services to a client in that country.
17. Due to the limited activities the parties have in asset management in the State, the fragmented nature of the market, the presence in Ireland and the EU of large banks and other financial institutions active in the provision of asset management services, and low customer switching costs the Authority does not believe that the proposed transaction will lead to competition concerns.

### **Determination**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Great-West Lifeco Inc. of Putnam Investments Trust will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

### **For the Competition Authority**

**Dr. Paul K. Gorecki**  
**Member of the Competition Authority**

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<sup>1</sup> FERI Fund Market Information provides data and analysis on Europe's mutual fund markets.