INVESTMENT INTELLIGENCE FOR THE FUND PROFESSIONAL

INVESTMENT EUROPE

September 2018 ISSUE 94 Annual subscription €450 www.investmenteurope.net

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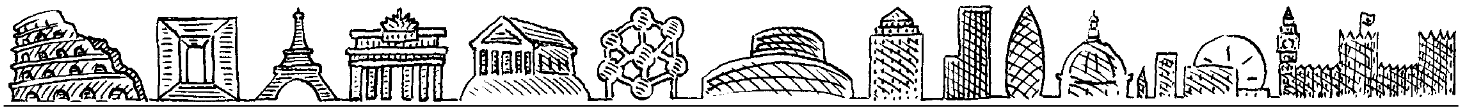

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Putting it on credit

Jonathan Boyd, editorial director of *InvestmentEurope*

According to Eurostat, the UK has the highest ratio of payment cards issued per capita in the EU. Estimates from other research suggests there are some 164 million payment cards in circulation in the UK, of which an estimated 59 million are credit cards.

Suddenly, such numbers matter: the UK government's guidance notes to sectors of the economy that could be hit by a no deal Brexit include the admission that leaving the EU will see higher fees applied to card payments made by Britons visiting the EU27 in future.

More directly challenging for the fund industry is the fact the UK government note on "Money and tax" effectively re-iterated the European Commission's note from February when it said that "all collective investment undertakings registered or authorised in the United Kingdom will be non-EU alternative investment funds (non-EU AIFs)" following Brexit.

The UK's note reads: "… funds and managers authorised under the relevant EU legislation, there are requirements for cooperation between the supervisory authorities in the relevant EU member state and the non-EU country concerned… Unless the EU confirms it does not intend to put such arrangements in place, asset management firms can continue to plan on the basis that the delegation model will continue."

In other words, even if there is a deal, costs for EU27 investors to access UK funds will go up, and vice versa. Hardly a ringing endorsement for improving the efficiency of what is the world's second biggest fund market after the US.

SUB-ADVISORY – ANOTHER QUARTER OF GROWTH

With about a month to go until *InvestmentEurope*'s Pan-European Sub-Advisory Summit 2018 takes place 4-5 October in Milan, it is worth noting the figures that have come out from data analytics firm instiHub, which says the second quarter was another record period for mandates awarded across Europe.

Ongoing updates and information around this event are available at: www.investmenteurope.net/event/pan-european-sub-advisory-summit-milan-2018. ■

APPROACHING EVENTS

InvestmentEurope's events programme will be turning its attention towards two Summits in October.

Firstly, the Pan-European Sub-Advisory Summit in Milan on 4-5 October, then the Pan-European Summit Hamburg 2018 on 17-19 October. Both will offer far more than just presentations, and should be noted in calendars as key networking opportunities. Later that month will see the Madrid Forum 2018 on 25 October and the Copenhagen Roundtable 2018 on 30 October.

Zurich, Milan and Tel Aviv respectively host Forum events in November. The final month of 2018 will see selectors targeted with an event in Stockholm, ahead of London hosting the latest round of the *InvestmentEurope* Fund Manager of the Year Awards – to which both sell side and buy side are invited to celebrate the best of cross-border funds and selection.

Feel free to contact our delegate colleagues to express your interest in attending any of these events.

Full details of all events are available at www.investmenteurope.net/events.

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Fund selectors in the news

Investors give their views on zero-fee index funds, geopolitics and other issues

https://fr.linkedin.com/in/vincent-batailler-2b771222

Name: Vincent Batailler
Title: Founder, managing partner
Company: Iodda Advisors
Base: Paris

Which type of liquid alternatives do you recommend currently?

In this uncertain market environment, rather than favouring some strategies, I limit my exposure to some liquidity premia and carry trades. Their risk/reward profiles are very negatively skewed but still very popular and thus potentially doubly painful.

If you have investments in alternative risk/style premia funds, make sure that their good and regular performances are not explained by a bunch of repo and basis trades. In another vein, avoid the managers running risk arbitrage strategies in a pure carry mode, with no real edge, relying only on the fact that 95% of the deals should eventually complete.

Finally, if you are keen on equity market neutral managers, ensure that the basis risks between the long and the short books are under control.

www.xaia.com

Name: Jochen Felsenheimer
Role: Managing Director
Company: XAIA Investment
Base: Frankfurt

How do you view the current geopolitical climate?

The geopolitical risks are much higher than currently reflected in the market from our point of view.

The rise of a populist government in Italy, the US withdrawal from the Iran deal and the (politically accelerated) weakness of the Turkish lira, which may well have some second round effects on other EM assets, are all developments which may unfold their negative effects, if only with some delay. Not to mention the danger of rising tariffs which, if they were implemented, would have a severely negative effect on all risky asset classes.

www.lyxor.com

Name: Moez Bousarsar
Role: Deputy head of Hedge Fund Selection
Company: Lyxor Asset Management
Base: Paris

Will AI, big data and machine learning be a differentiator in the hedge fund industry?

This theme is trending and big fund houses have already picked up on it.

We already see the implementation of AI and big data in the present hedge fund offering. It is not an approach all managers can ride on. Some have invested very early in terms of infrastructures and research to keep a gap between them and their peers. AI and big data trends also match a certain investor demand. A number of investors want access to alternative strategies with low pricing. Competition to draw PHDs within hedge funds teams is heating even if most of them have never been involved in finance.

The challenge of quant strategies remains their ability to overcome market inflection points with usually elevated levels of volatility and violent sector and/or style rotations like the ones we saw in spring 2014 and October 2015.

www. millenniumbcp.pt

Name: Ines Correia
Role: Head of Fund Selection
Company: Millennium BCP – Wealth Management unit
Base: Lisbon

What do you think about zero-fee index funds?

MIFID II's philosophy of transparency was the big trigger for cost compression in investment fund's management fees.

The end of the 'rebates' era and the imposition of transparency by the new market regulation (MIFID II) across the asset management industry has been the big trigger for 'fee reduction', which is very positive for end investors.

I think that it is very positive that instruments that do not require any active management do not charge management fees. Nevertheless, investors should do some homework and not just base the investment decisions in the 'zero cost fees' headlines.

Management fees are not the only fees that the index mutual funds and ETFs charge. Transactional and operating costs should be closely monitored and analysed, alongside with the way NAV are calculated.

www.haussmann-patrimoine.fr

Name: François Gazier
Role: Head of Asset Allocation and Fund Selection
Company: Haussmann Patrimoine
Base: Paris

Which liquid alternative funds do you hold in portfolios?

Finding adequate liquid alts is a delicate exercise as the difficulty dwells in the identification of real fund convictions in that space. A number of them have struggled to generate positive returns.

On the long/short side, we hold Moneta Long/Short and a market neutral strategy with Phileas L/S Europe. Regarding risk premia strategies, performance is more than negative.

We fully trimmed our position in Eraam Premia before summer.

www.group.pictet

Name: Mussie Kidane
Role: Global head of Fund and Manager Selection
Company: Pictet Wealth Management
Base: Geneva

Where are we now in the action against so-called closet-tracker funds in Europe?

The pressure on closet-indexers is mounting both from investors abandoning such strategies to the benefit of mostly passive strategies and from the regulator especially in the UK forcing some asset managers to reimburse investors for misspelling their products as active funds.

In continental Europe, the fund industry is still not efficient enough in putting the required pressure on such funds to either live up to expectation or die. However, I do feel that closet-indexer funds are faced with existential threat although the threat may take some time to materialise.

www.baluarte-sci.com

Name: Rita González
Role: CIO
Company: Baluarte SCI
Base: Lisbon

What is the best way to play gold and/or oil, eg, physical bullion, ETFs (whether physical or synthetic), or through actively manged funds?

The longevity of the current economic cycle, partly supported by central bank activity, coupled with the widespread belief that financial assets are expensive, promotes a renewed appreciation for the value of active management.

Actively managed funds dominate our preferences.

People moves around the industry

AGUSTÍN GALBIS

Spanish alternative manager hires investment analyst

Alternative investment manager Net de Gerrers appointed Agustín Galbis as an investment analyst.

Net de Gerrers is based in Valencia and focuses on cross-border investments in real assets, investing US & EMEA capital in the Spanish-speaking world.

Prior to this, Galbis worked as a risk analyst at Gedesco Services Spain for four months. Founded in Valencia in 2001, Gedesco is a financial services company that facilitates cash flow to SMEs and self-employees.

It has 26 branches and 480 commercial delegates distributed across Spain.

Before his time working at Gedesco, Galbis served as an investment adviser at the Spanish eafi ética for almost one year.

Ética is an independent financial adviser specialised in wealth management, market analysis, corporate finance and corporate social responsibility.

Galbis also worked as an intern at QualitySearch and at The Spanish Exchange Operator Bolsas y Mercados Españoles (BME).

FRANÇOIS MEUNIER

LOIM appoints equity portfolio manager

Lombard Odier Investment Managers (LOIM) has appointed François Meunier (pictured above) as equity portfolio manager, based in London.

In this newly created role, Meunier will focus on finding global investment opportunities centred on disruption and innovation broadly across sectors, up and down the value chain. He will report to Didier Rabattu, head of Equities.

Meunier joins from Morgan Stanley, where he had been head of Technology Equity research since 2010. As part of this role, he was also a strategic adviser to the UK prime minister's Downing Street Office and France's Ministry of Economy.

At Morgan Stanley he established a franchise around digitalisation and automation, the internet of things, artificial intelligence and quantum computing.

JEAN-PAUL NICOLAÏ

French boutique CEO exits

Jean-Paul Nicolaï relinquished his role of chief executive officer at Paris-based boutique WiseAM after a dispute with shareholders.

He has now set himself up as an independent consultant, still in the French capital.

Nicolaï worked at WiseAM for more than two and half years, having also served within the management team of its multi-family office branch.

Previously, he served as head of Economy and Finance Department at France Stratégie – a governmental agency offering expertise and analysis focused on social and economic thematics in France and run under the French prime minister's authority.

Former roles include being CEO of OTC Conseil, CIO of LGIM's former branch in France, and CIO of Ecureuil Gestion.

TIM HAYWOOD

GAM suspends absolute return bond strategy head

GAM has suspended Tim Haywood (pictured right), investment director business unit head for the unconstrained/absolute return bond strategy (ARBF), following an internal investigation around issues of risk management procedures and record keeping.

The investigation has not raised concerns regarding his honesty. The relevant regulators are being kept informed of the matter.

At the time of the announcement GAM said it had not established any material client detriment to date as a result of the issues investigated, although this remained under review.

Jack Flaherty and Alex McKnight, investment directors, had assumed joint responsibility for the ARBF and other associated portfolios.

On 10 August, GAM announced that it was placing the ARBF funds into liquidation.

The firm explained it was working on establishing alternative structures for fund shareholders who want to remain invested with the ARBF team.

LOUIS PORRINI

LFDE poaches analyst from BlackRock for €1bn fund

La Financière de l'Echiquier (LFDE) has hired Louis Porrini as an equity analyst.

Porrini has been assigned to the €1bn Echiquier Agressor fund, a flagship strategy of the Parisian boutique invested in European equities, where he will work alongside fund manager Guillaume Dalibot.

He previously spent four years working at BlackRock as an associate equity portfolio manager.

LFDE completed the integration of teams and funds of Stamina AM and AltaRocca AM in March following the deal reached with Primonial last November.

In June, Primonial's chief executive officer Stéphane Vidal, discussed the merger and further expansion plans with *InvestmentEurope* (https://bit.ly/2PBPxtM).

Also, on 3 August 2018, three funds were rebranded: Echiquier Agenor became Echiquier Agenor Mid Cap Europe; while Echiquier Value was renamed Echiquier Value Euro; and Echiquier Oblig as Echiquier Credit Europe.

The investment policies of these funds remain unchanged and the rebranding aims to better reflect the philosophy and the investment universe of the concerned funds.

Fund watch and product launches

RWC unveils forthcoming UK equity income fund

London-based boutique RWC Partners has announced the forthcoming launch of a high conviction UK equity income fund by October.

The fund will be managed by equity value veteran managers Nick Purves and Ian Lance.

It will seek to exploit valuation opportunities arising from market overreactions and over-emphasis on short-term company and macro considerations.

Relying on a high conviction intrinsic value strategy, the fund will hold 25 to 45 UK stocks and targets a 4% yield.

A minimum of 80% of the fund's net assets will be invested in UK stocks while overseas equity investments are capped to 20%.

www.rwcpartners.com

BlackRock bond chief handed global bond fund

BlackRock has launched the BlackRock Global Funds (BGF) Global Bond Income fund, that will be managed by Rick Rieder, CIO global fixed income.

The fund will be invested across the full global fixed income spectrum, including high yield and investment grade credit, higher quality corporate bonds, securitised assets and emerging market debt,

BlackRock said typical duration of the fund will be two years and more with duration ranging from 0 to 10 years for interest risk rate management purposes.

www.blackrock.com

Blue Sky launches investable diamond fund

Blue Sky Alternatives has launched the first investable vehicle for physical diamonds.

The fund is managed by a team constituting members of the Belgian, Israeli and Indian diamond exchanges, under the oversight of Michael Bonke, CEO and founder of Blue Sky Alternatives.

The investment vehicle is approved by the Financial Market Authority (FMA) in Liechtenstein and BaFin, the Federal Financial Supervisory Authority in Germany. The fund is made possible by the digitalisation of the diamond inventories of the largest manufacturers, which means pricing is available electronically on the basis of carat, cut, colour and clarity factors.

The management team selects, inspects and negotiates prices at the related exchanges, while marketing of the diamonds is done out of Liechtenstein, Hong Kong and Belgium.

Cited advantages of the asset class include diversification and protection against inflation.

With declining inventories and demand rising, diamonds are forecast to experience price gains.

www.blueskyfunds.com.au

French boutique launches small-mid cap equity fund

Haas Gestion launched the Haas Actions Entrepreneurs fund on 11 July 2018, *InvestmentEurope* has learned.

The France-domiciled fund, primarily invested in French listed small and mid-cap companies, seeks to outperform the CAC Small Net Dividends Reinvested index over a rolling period of five years and is eligible to the PEA-PME scheme.

The Paris boutique's new strategy relies on the manager's conviction that a stock's long-term performance depends on its economic value generation and of the undervaluation of its intrinsic market value.

Stock picking is not constraint in terms of sectors, market capitalisation or geography.

Last February, Haas Gestion was combined with insurance life and private wealth management platforms Nortia and Nortia Invest within a single group, DLPK.

www.haasgestion.com

Mediobanca expands open-ended funds range

Italian manager Mediobanca SGR recently launched three open-ended funds available to investors through the group's 230-strong advisory network or through the parent bank's 107 branches.

Mediobanca Global Multiasset, launched in April, invests in all asset classes globally. The fund applies the manager's Multi Asset Active Portfolio Strategy (Maaps).

Mediobanca Long Short Sector Rotation applies a market-neutral approach, also based on Maaps.

Mediobanca Defensive Portfolio invests in assets including bonds and cash instruments, with the portfolio composition dependent on the macroeconomic environment and interest rate expectations. It can also invest in bank deposits and derivatives.

www.mediobancasgr.com

Aberdeen Standard unveils global equity AI fund

Aberdeen Standard Investments has launched the Aberdeen Global Artificial Intelligence Global Equity Sicav, a global equity AI fund that uses machine learning to identify sources of potential return.

Launched in Luxembourg, the fund stems from collaboration between Aberdeen Standard Investments' Quantitative Investment Strategies team and Mitsubishi UFJ Trust Investment Technology Institute and the Trust Bank in Tokyo – a centre of excellence in robotics, artificial intelligence and financial technology.

The fund uses a variety of quantitative techniques to time its investments – based on factors including value, quality, momentum, size, and volatility that can provide investors with persistent risk-adjusted excess returns.

www.aberdeenstandard.com

BAILLIE GIFFORD

Does anyone remember what 'investing' actually means?

Stuart Dunbar urges the industry to return to basics if it is to convince clients it is adding value

Stuart Dunbar, Partner, Baillie Gifford

Stuart Dunbar graduated BA in Finance and Business Law from the University of Strathclyde in 1993. He joined Baillie Gifford in 2003 having previously worked with Dresdner RCM in Hong Kong and Aberdeen Asset Management in the UK. Dunbar is a Partner in the firm, overseeing relationships with financial institutions as well as contributing to consultant relationships, marketing and client servicing activities in Europe and Asia.

At the end of last year I attended a two-day institutional investor conference in Singapore. It was well organised and had the added amusement of using 'Slido', an app allowing participants to pose live, anonymous questions to the speakers.

There was talk about what the election of US President Donald Trump might mean for asset allocation and whether we should be over or underweight equities, bonds and alternatives. We heard that 'bond proxies' might be expensive and cyclical equities cheap, or vice versa. We listened to how demographics might impact on future investment returns, and what the likely path of interest rates might (or might not) be. We learned about smart beta strategies in which mathematicians, armed with mountains of data, construct portfolios with specific characteristics that have historically outperformed, and we saw how passive funds and ETFs are a cost effective means of accessing specific slices of the market and moving assets around easily and efficiently. A fund-of-hedge-funds provider explained how through dynamic allocation we can aspire to double-digit returns at low volatility (and at 2%+ p.a. fees – really?).

Here's the thing: for two days, no-one actually said a word about investing. Everything, and I mean everything, was about how to outsmart other investors by reacting when the average valuation for one asset class or another diverged from its historic norm, or through bigger, better and faster processing of market information. As the event wore on I found myself torn between sadness at what our industry has become, and a sort of anxious optimism that here is a great opportunity for those of us who still believe that investment means something altogether different.

OUR MISSION

Let's remind ourselves what we are for: the investment industry exists to help providers of capital allocate it to those who wish to put it to good use. This generally means businesses and entrepreneurs who have good investment ideas but lack the funds to put them into action, or governments who, at least in part, invest it to facilitate the progression of the economy for which they are responsible. New technologies and business models are created which improve upon and displace the old; bridges, roads, railways and other social infrastructure is created to improve economic efficiency. Risks are involved – some ideas and projects are successful and some aren't. Through the wonders of creative destruction and innovation, economic progress is made, living standards rise and 'returns' are generated for investors. Generally, investors want to be able to exit these projects at some stage and enjoy the wealth created by their risk-taking, or redeploy the funds into new ideas. Thus a secondary market for investments is born which makes it possible for capital to be 'invested' without any real thought as to what it's being used for. The fundamental problem is that with this possibility has come widespread amnesia as to what the investment industry is actually supposed to be doing: it is still our basic purpose to allocate capital to actual (sensible) investment ideas. If we don't, there will be fewer and fewer investment returns available for my conference-attending colleagues to squabble over. I fear

"[There is] widespread amnesia as to what the investment industry is actually supposed to be doing: it is still our basic purpose to allocate capital to actual (sensible) investment ideas. If we don't, there will be fewer and fewer investment returns"

ABOUT BAILLIE GIFFORD

Baillie Gifford is an independent investment management firm founded in 1908. It is a private partnership, wholly owned by 44 partners who are responsible for all areas of the firm.

We are long-term investors, focused on growth, with a distinctive fundamental approach. All of our investment teams are based in Edinburgh, from where we manage specialist regional, global/ international equity, fixed income and multi-asset strategies for our clients.

We now manage over €218bn (as at 30 June 2018) on behalf of a global client base. Like the companies we choose to invest in Baillie Gifford believe the best ideas spring from thinking about future possibilities, not short-term probabilities.

BAILLIE GIFFORD

that we are far down this path of foregone returns already. The great debate about passive versus active investment completely misses the point: real investors are now few and far between. To repeat the core point: in a two-day investment conference in which we heard from over 30 speakers, no-one said a single word about actual, returns-generating investment opportunities.

THE EMPEROR'S-NEW-CLOTHES

On the long flight home, I found myself wondering what the owners of capital – our industry's clients – actually think we do for them. Given how much our industry gets paid collectively, this seems a pretty basic question. Are we paid to outsmart other market participants, or are we paid to find positive, returns-generating investment ideas and put clients' money to work in them? I sincerely hope it's the latter, because if it's the former then our industry has no real social purpose and we're really just working in our own interests. Of course, it's not in reality an either/or question, but given the fixation that both we and our clients have for benchmarks, peer groups and all manner of market data mining and number crunching, it seems clear that the 'outsmart' goal gets by far the more attention.

"With share buybacks prevalent, pressure to pay steady dividends, and technology-enabled businesses able to grow to huge size with little or no outside capital, is there really much of an investment element to stock markets at all?"

This has profound emperor's-new-clothes implications and it should come as no surprise to anyone that the current result is an avalanche of regulatory pressure and industry criticism. We have created our own monster by forgetting what we are for. We and our clients focus on the wrong things – we measure ourselves on benchmark-relative performance and relative to each other instead of by reference to actual investment returns and meeting client needs; we have a huge surfeit of phony analysis which is nothing but a complicated version of history (but with the useful quality for our industry of making the straightforward inaccessible); and we have allowed far too many links to be created between the ultimate owners of capital and those who 'invest' their money, so that there is virtually no hope of proper alignment of interests.

"We and our clients focus on the wrong things – we measure ourselves on benchmark-relative performance and relative to each other instead of by reference to actual investment returns and meeting client needs"

Try this: find someone you know well, who knows enough to understand that their pension is invested somewhere, but who works somewhere far outside the investment industry. Ask them what they think we do with their money, and actually listen to their answer. Then think about what really drives our industry's day-to-day decisions and come to your own conclusion about whether we're doing what's asked of us.

There is another fly in our industry's ointment: these days, who needs capital anyway? With share buybacks prevalent, pressure on mature companies to pay steady dividends, and technology-enabled businesses able to grow to huge size with little or no outside capital, is there really much of an investment element to stock markets at all? The answer to this is yes, but not in the way that most of us seem to understand it. The weight of assets in the savings system is such that the vast majority of it has to be invested in secondary markets where companies have already grown big enough to be accessible for the bulk of investors. So, the idea of investing client assets in specific projects is unrealistic, though not impossible. However, our task remains: returns are generated by backing sensible investment projects. If we can't do that individually, we should be engaging pro-actively and in a spirit of co-operation with those who are making individual decisions on our behalf, i.e. the management of the companies we invest in.

FORGET THE 'OUTSMART' GAME

We do clients an injustice by frequently buying and selling shares to each other – playing the 'outsmart' game. We would do our clients a great service by helping companies deploy their capital in returns-generating projects, encouraging management to implement well, exercise patience, and act in the long term. Surely this is what the current 'engagement' zeitgeist should really be about, rather than (or as well as) the industry's tick-box obsession with executive pay and share structures? Please, let's get back to thinking what 'investing' actually means. Maybe then active management will be seen for the value adding activity it so surely should be.

87,000 Net migration from EU to UK in Q1 2018

Reality bites

Any financial professional returning to work after the summer break faces a key risk moment ahead, with the deadline for agreeing a Brexit deal just weeks away, if there is to be enough time to obtain ratification at the parliamentary level in both the EU and UK. Jonathan Boyd, Adrien Paredes-Vanheule, Ridhima Sharma and Eugenia Jiménez report

As this article was being written, the UK government put out a series of notes outlining the potential impact across different sectors of the economy should there be a no deal Brexit.

Published by the Department for Exiting the European Union, the collection of documents titled *How to prepare if the UK leaves the EU with no deal*, set out guidance in areas including: Applying for EU-funded programmes, Civil nuclear and nuclear research, Farming, Importing and exporting, Labelling products and making them safe, Money and tax, Regulating medicines and medical equipment, State aid, Studying in the UK or EU, and Workplace rights.

None make for pleasant reading. And in some areas the continued lack of information really does touch on life and death issues: "Further guidance on the future regulatory framework for medicines, including biological medicines, IT systems requirements, manufacturing and import licensing will be published later this year," is just one example statement in the guidance that does not engender supreme confidence.

Also, less than positive is the statement in the guidance published on 23 August that "The majority of the UK's financial services legislation currently derives from EU law."

Indeed, among the financial professionals who use www.investmenteurope.net, the most recent poll on Brexit outcomes suggests that there has been a marked shift in confidence

over the past six months to mid-August (see chart on page 12).

Increasing numbers of requests are being made to law firms to help in cases of relocating business to Paris (www.investmenteurope.net/regions/uk/brexit-law-firm-reports-real-acceleration-in-british-am-decisions-to-relocate), while UK citizens who have retired abroad face significant cuts to their income (www.investmenteurope.net/regions/uk/no-deal-brexit-could-cut-british-expats-pensions-by-20) if not an outright inability to access their income – something flagged up in the Money and tax guidance note.

MOVING OUT

Gavin Rochussen, chief executive of Polar Capital, recently outlined to *InvestmentEurope* the reasons why his firm has moved to open a Paris office.

"Following talks of a hard Brexit we wanted to be sure we were in a position to increase our client-servicing presence in European markets. Therefore, we made the decision to open an office in Paris, basing certain key functions there.

"As Paris was the European location where Polar Capital already maintained an existing oversight capability, and no non-UK European location had any existing fund management capability, the most cost effective and least disruptive option for us was to open an AMF-regulated oversight office in Paris."

Rochussen is open about the impact uncertainty around Brexit has had on the decision making; Paris is a backup plan to ensure continued passporting/distribution of funds into Europe, he says.

That said, in this particular case Paris, rather than Dublin or Frankfurt, was chosen because of existing oversight residing in the French capital. Beyond risk oversight, the Paris office will be a base for the manager's European sales team.

"Uncertainty is destabilising," he continues, "so it is natural to be concerned when there is no clarity or certainty as to how Brexit will be managed.

"The UK has many positive factors and features that have in the past, and right now, made it a location of choice for the global financial services sector. But it is complacent to believe the position is an entitlement that is set in stone and cannot change. It has to be earned. If the UK does not adapt to its new environment it will jeopardise its hard-earned position.

"After March 2019 Polar Capital will continue to base itself in the UK and be regulated by the Financial Conduct Authority."

The weighting of staffing levels toward the UK is not expected to change, but Rochussen still sees more risks than opportunities in Brexit.

CONTINUITY

Dan Mannix, CEO of RWC Partners, also points to matters being "in a period of heightened negotiation".

"It is hard to believe what we read. What matters for us is continuity for our investors wherever they are based.

"Our investors are not really concerned about us in the context of Brexit. We will all navigate the new environment and having three offices, one in the UK, one in the US and a third in Asia, we want to remain a multicultural, diverse business which has an ability to recruit staff from over the world. That puts us in a strong position today.

"Among all financial sectors, asset management will be the financial sector that will probably suffer the least of Brexit because of our ability to sub-advise.

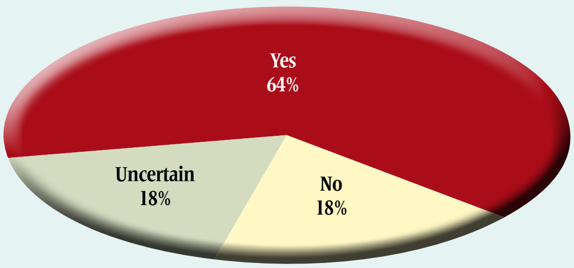
Mannix continues: "Many British firms have invested heavily in their European infrastructures and we are one of those. We made the commitment 12 years ago when we launched our first mutual fund in Luxembourg and I see no credible reason as to why British investors would not be able to continue using our Luxembourg fund range. If we had a UK-domiciled fund to market sold into Europe, that would have been a concern.

"The place you choose for the domiciliation of your funds in Europe is a significant decision. We have good and mature counterpart relationships in Luxembourg. We have grown our business steadily with our funds being based there so I do not see a reason to move our funds to another domicile such as Dublin."

Bertrand Gibeau, partner and head of Business Development at Reinhold & Partners – involved in Brexit asset management moves – says: "The eventuality of a no-deal Brexit has clearly raised awareness among UK-based asset managers to the point that I have had to organise an emergency round trip with French regulator AMF and the banking and

9,000 Additional UK civil servants hired to deal with Brexit

DO YOU FEEL A 'NO DEAL' BREXIT HAS BECOME MORE LIKELY COMPARED TO SIX MONTHS AGO?



Source InvestmentEurope poll, August 2018

insurance supervisor ACPR at the demand of a London-based boutique that is starting to stress.

"In addition, it seems UK-based managers are trying to deal with the most urgent needs – ie, post-Brexit fund marketing – before strengthening their means on the management side. This also fosters the competition between regulators – those which act fast and the others.

"When we conduct our due diligence for investors, we ask UK-based managers about their plans around Brexit and how they will cope with its impacts. Not answering this question or being vague is becoming a red flag. It is a sensitive question and real explanations are needed.

He adds: "The wait-and-see attitude is not an option at all for UK managers. Finding the ideal setup for UK boutiques with €5bn to €10bn of assets under management remains complicated because the staff is restricted to a few people and moving to Continental Europe, whether that'd be in Paris or elsewhere, is often not part of their plans, especially when their families are well established in the UK."

"Having a Sicav or an Icav range for UK managers may be fine but how will they be able to market them across Europe? They will not be allowed to approach Europe-based clients with a portfolio manager if they are not moving any staff to Continental Europe. Addressing the European distribution issue is key."

"I do not know what migration policy will be implemented post-Brexit by the UK. Will a French, German or Polish portfolio manager be able to set up in the UK? No one knows yet. The way work permits will be delivered in the future may play a role there."

That said, he concludes: "I think London will remain a large asset management centre, and therefore I believe European managers will still consider working in the UK. The problem will not be the willingness but the ability to move to the UK."

Yves Perrier, CEO of Amundi, was quoted in French business newspaper *Les Echos* in June, suggesting that there was not going to be an impact on the number of people from its overall organisation based in London.

"In France, there were a few relocation announcements, in particular from HSBC and Bank of America, but no significant move yet. There must be no ambiguity: London will remain a strong financial place," Perrier said.

"However, investment and corporate banking entities as well as asset managers will strengthen their forces in continental Europe to get closer to their clients.

"The international force of the City results from a coherent strategy that has been deployed methodologically since Margaret Thatcher, in which all private and public sectors' players are aligned. Luxembourg also runs this strategy. Recent initiatives taken to reinforce Paris' financial place, which has some important edges, are going in the right way.

"A coherent strategy will be needed over time to gain competitivity though. Prime and social costs remain too high, for instance."

UK WEIGHTING

For portfolio managers considering Brexit the question may be one of allocations within a pan-European portfolio.

Maya Bhandari, multi-asset portfolio manager at Columbia Threadneedle Investments, answers thus in respect of the question of adjusting UK exposure:

"From an asset allocation standpoint, we remain neutrally allocated towards UK equities, as we have been since July 2016, following the UK referendum on European Union membership.

"Broad neutrality stacks the positives highlighted by our UK equity colleagues – positive free cash flow, rewarding yields – the highest amongst regions and well-covered – attractive valuation on some gauges and defensive characteristics of the market – against the large overhanging uncertainties around Brexit and the opportunities available to us elsewhere, like Japanese equities for example."

It is notable that some 75% of revenues for the FTSE 100 come

"THE UK REMAINS AN UNLOVED MARKET AMONG GLOBAL ASSET ALLOCATORS, BUT IT REMAINS ATTRACTIVE FOR ACTIVE MANAGERS TO GENERATE STRONG RISK-ADJUSTED RETURNS"

Chris Kinder, Threadneedle (Lux)

784,900 British citizens living in European Union countries as at April 2018 – ONS

from abroad. This has an impact as short-term Brexit-related sentiment has been boosting the value of those earnings.

Active managers may also find opportunities in the valuations of UK companies, as the Brexit uncertainty may already be priced in.

"The UK remains an unloved market among global asset allocators, but we believe it remains attractive for active managers to generate strong risk-adjusted returns," adds Chris Kinder, portfolio manager of the Threadneedle (Lux) UK Equities fund.

"Should we see a greater rotation in global markets back into defensives, then the balance of the UK market, between defensives and more aggressive cyclical stocks, should make it more resilient than its global competition."

Still, the uncertainty persists.

Ketan Patel, co-manager of the Amity UK fund at EdenTree Investment Management, says: "Protracted Brexit negotiations have left UK investors facing a highly uncertain landscape where mixed economic data and ever-escalating geo-political tensions continue to dominate.

"The prospect of a hard or no deal Brexit increases the potential of a rotation into large cap exporters, which happened in the immediate aftermath of the vote to leave in June 2016. This will leave plenty of opportunities for long-term investors in the small and mid-cap arena, where mispricing will manifest, more so if there is a dramatic fall in sterling versus the dollar."

THE SELECTOR VIEW

Moez Bousarsar, deputy head of Hedge Fund Selection at Lyxor, is among those weighing up the risks and opportunities among the funds he watches.

"We have a few partnerships with UK hedge funds and we are listening to their plans around Brexit. Some of them are considering opening offices in Paris to cope with it.

"Brexit could give Lyxor the opportunity to explore new partnerships. British hedge funds may be tempted to get backed by European partners for the distribution of their Ucits products in continental Europe."

Thomas Metzger, head of Asset Management, Bankhaus Bauer Privatbank, is further concerned.

"The clock for the planned Brexit in March 2019 is ticking and the scenario of a disorderly exit from the EU floats like a sword of Damocles, especially over the British currency.

"Negotiations with the EU and a change of government have so far failed to reach an agreement on the exit clauses. Basically, Brexit is in a dead end. Our main scenario, however, remains a semi-soft Brexit. Britain and the EU could agree on a free trade agreement for goods, not services. However, this scenario presupposes some EU co-operation, which is uncertain given the difficult political situation in Europe, especially in Italy.

"At the moment, we remain cautious in light of the uncertain outcome of the Brexit negotiations. Basically, we have been cautious about UK stocks and the pound for some time now."

On the subject of currency, he notes: "The irritation of leaving the European Union has not left its mark on the sterling exchange rate. A level of £0.90 per euro was briefly exceeded. Should our favoured scenario of a semi-soft Brexit occur or if the British prime minister succeeds in agreeing on a deal at the EU summit in December at the latest, the pound should nevertheless benefit."

Metzger notes that the UK has not plunged into recession following the referendum, against certain expectations. Yet this may mask other problems, for example the UK's inability to compete on growth compared to a number of industrialised countries in recent years.

"The weakness of the pound against the dollar has boosted international companies in the UK. For example, the outperformance of those UK companies that generate their profits outside of the UK, compared to the companies that focus on their UK home country profits, is at the highest level of recent years.

"In addition to the weaker pound, strong global growth contributed to this. Since the beginning of June, the pound has again depreciated against the dollar and the euro. Accordingly, the FTSE100 was able to hold up well.

"The currency devaluation took place despite a rate hike by the British central bank from 0.5% to 0.75%. The value of the pound against the euro is seen as a good barometer for the ongoing Brexit negotiations.

Metzger concludes: "With the UK government continuing to paint an unfortunate picture, the signs of 'hard Brexit' have risen slightly. Thus, the FTSE100 could even benefit from an increase in Brexit uncertainty and a temporarily weak pound." ■

27 billion H1 2018 plays on music streaming platforms in France (Snep)

FRANÇOIS GAZIER

François Gazier is the head of Asset Allocation and Fund Selection at Haussmann Patrimoine in Paris.

Prior to joining in 2012, he spent 20 years at Robeco France. He was responsible for the development of the product offering at Banque Robeco that involved open architecture and also held product management roles for the offering of Robeco Gestions, a former French branch of Robeco.

He joined Robeco France as a financial adviser in 1989.

12% French job seekers not looking actively for a job (Pôle emploi)

François Gazier, head of Asset Allocation and Fund Selection, explains Haussmann Patrimoine's penchant for asset allocation and thematic equity funds to Adrien Paredes-Vanheule

Buying themes and asset allocation

Niched in Paris' first *arrondissement* where it neighbours La Comédie Française and the Louvre, Haussmann Patrimoine serves 7,000 clients.

Open architecture at the boutique co-founded in 2004 and led by Emmanuel Narrat is used in various departments including advisory, financial engineering, mandate management and customised wealth management.

Heading the asset allocation and fund selection at Haussmann Patrimoine is François Gazier, who joined in 2012.

"Being a boutique, we cannot be as reactive as asset managers are hence our core focus in our open-architecture process remains the selection of asset allocation funds. We seek asset allocation partners. Fund picking of equity and long/short equity strategies is more satellite," says Gazier.

"We favour long-only thematic equity funds, especially those invested in the digital and robotics trends. There is more resilience and more visibility in thematic funds as to perspectives and earnings. Some fund houses like Pictet, RobecoSAM or BNPP AM are really ahead of the trend."

Haussmann Patrimoine counts about a hundred funds on its buy-list. It does not invest in ETFs directly even though it has started to consider passives, and one or two asset allocation funds it holds may use some.

Gazier sees Fidelity's recent launch of zero-fee index funds as another vector in the development of passive management alongside ETFs that is challenging even more active managers, including those of Fidelity.

MANAGER-GUIDED FUNDS

Over the past 18 months, Haussmann Patrimoine has made a push on the concept of *gestion pilotée* (manager-guided funds) to address a more important volume of clients and increase reactivity.

"We have selected two multimanagement teams, Haas Gestion with whom we exchange views on portfolio construction and fund picking in quarterly committees, and Financière de l'Arc. We have had some demands for dollar-denominated mandates therefore we have chosen Raymond James Asset Management International to address these needs," Gazier says.

He adds the firm's reactivity was stepped up last April through the partnership agreed with Rothschild Asset Management and the launch of the Haussmann Patrimoine Convictions fund.

This flexible and diversified fund of funds dedicated to French investors is run by Thomas Ayache and Mathieu Six, portfolio managers within the Rothschild AM open architecture long-only asset allocation unit.

An investment advisory committee of Haussmann Patrimoine advises Rothschild AM on the construction of the Fof's asset allocation strategy by issuing recommendations on investments and asset allocation.

The Fof's equity and fixed income exposures can each vary from 20% to 80% of the fund's net assets.

ALLOCATION BETS

In May, the Haussmann Patrimoine Convictions fund carried a strong view on European equities. Exposure to European large cap funds was reduced as small and mid-caps seem less sensitive to movements in flows, explains Gazier.

> "WE FAVOUR LONG-ONLY THEMATIC EQUITY FUNDS, ESPECIALLY THOSE INVESTED IN THE DIGITAL AND ROBOTICS TRENDS"

"We also have a very tight portion of US equities, for instance, we were positioned on the US tech momentum via a fund from Edgewood," he says, adding that a position has been initiated in Comgest Japan, unhedged against the yen after the firm avoided Japanese equities for some time.

For Haussmann Patrimoine's fund selection head, a fund needs a six to 12-month cycle to demonstrate its ability to generate alpha returns.

"Cutting a fund position in the portfolio too fast because of a drop in performance may not be the best solution except if warnings multiply. Pragmatism is a key word in fund selection. The fund size, the track record and the declination of the strategy in other funds stand among other factors we take into account," underlines Gazier.

He highlights that on the debt side, segments played at first were emerging markets debt in local currency through a JP Morgan fund, as well as subordinated debt and global convertibles through funds of Lazard Frères Gestion.

"We cut the two first at the end of May, emerging currencies being on the downside with a strengthening dollar and subordinated debt being at risk from the Italian political issue.

"We kept convertibles which make sense at this time of the cycle. We do not hold high yield assets and do not have strong convictions on the fixed income universe." ■

0.7% Increase in number of people in employment in Switzerland in Q2 2018

Declining dynamics

Weaker turnover in ETFs on the SIX Swiss Exchange was due primarily to equity ETFs in Q2 2018. Ridhima Sharma reports

For Western stock exchanges the second quarter of 2018 was like a roller coaster ride. Overall, they were able to maintain their level. The situation on the stock markets in several emerging markets was completely different. Due to the strength of the dollar they lost significant ground.

The Swiss Market Index SMI closed in the first half of the year at 8,609.30 points, down 1.51% as of the end of March. Growth in ETFs continued. Following the listing of 106 ETFs on SIX Swiss Exchange in the first quarter, the number of tradable ETFs surged by 73 in the second quarter. In the first half of 2018, 179 new ETFs found their way into trading on the Swiss stock exchange, setting a new record.

In Q2 2018, demand on the Swiss ETF market eased. As a result, trading turnover fell to CHF25.4bn compared to the previous quarter. Following a very strong Q1, investors were more cautious, in particular with equity ETFs. This was also reflected in the significantly lower number of trades. As a result, 253,605 ETF tickets were generated in Q2 2018, representing a decrease of 67,957 on the record Q1 level. However, compared to the same period of the previous year, the number of ETFs trades has increased by more than 6%. The increase in lower value trades indicates increased interest on the part of private investors.

ETF TURNOVER AND NUMBER OF TRADES

Weaker turnover in ETFs on the SIX Swiss Exchange was due primarily to equity ETFs in the second quarter. They recorded a decline of 21.28% but remained the most important asset class by far with CHF22bn in trading turnover. As against the same period last year, equity ETFs developed in an almost identical fashion. Turnover in bond ETFs held up comparatively well, down by 4.06% in the first quarter. Among other factors, they also benefited from numerous new listings. Turnover in commodity ETFs fell by 12.44% to CHF 2bn, the lowest quarterly level in the last seven quarters.

In Q2 2018, three UBS ETFs on the MSCI ACWI Index took pole position on the list of the top 20 most-traded ETFs, albeit with significantly lower volumes compared to Q1. In fourth place was the UBS ETF EGUSAS on the MSCI Emerging Markets, which was the only one of the seven highest ranked that achieved higher turnover. Both Lyxor's ETF MSE on the Euro Stoxx 50 took eighth place and iShares's ETF CSNDX on the Nasdaq 100 was ranked tenth. The two ETFs focus on developed stock markets.

TURNOVER BY PRODUCT PROVIDER

UBS defended its top position in turnover with a share of 39.75% (Q1: 42.88%), followed again by iShares, whose share increased by 0.24% to 32.88% in Q2. For the second time in a row, Lyxor was ranked in third (13.74% vs. 11.09%) and PowerShares in fourth position (4.24% vs. 3.78%) and both achieved significant gains in market share quarter-on-quarter.

JP Morgan is a new entry to the list, which launched four ETFs on the SIX Swiss Exchange on 18 April 2018. Two out of the four ETFs from JP Morgan are active ETFs. A portfolio manager actively checks and optimizes the composition of the fund by buying or selling selected stocks or other securities. Thus, they can respond more quickly to market trends.

EUROPEAN MARKET

Again there have been net new assets in ETFs at the European level over the last few months, especially in the bond asset class. Net new assets of $5.8bn in total were invested there in the first half of 2018 alone. In June, the greatest net outflows were seen in the biggest asset class, equity ETFs. Overall, only the alternative, bond, leveraged and commodities asset classes attracted new assets in the last trading month. However, investors took assets out of the other asset classes.

"A common misconception is that ETFs are passive/index tracking tools. ETFs are much more than that. Leveraging on the deep investment engines and expertise of JPM AM, we think ETFs can bring innovative solutions to clients. We have already shown that we can leverage passive, strategic and active capabilities across fixed income and alternatives and will continue to build out an innovative ETF range across all asset classes for our clients across the board, fitting private banks or institutional needs," says Ivan Durdevic, executive director, and head of ETF Distribution Switzerland at JP Morgan Asset Management. ■

TOP 10 ETFS: BEST AND WORST RETURNS (%)

Best		Worst	
UBS ETF Sol Gbl Oil Eq	+33.64	Lyxor Brazil IPOVESPA	-26.69
UBS ETF Sol Gbl Oil Eq	+31.62	X MSCI Brazil 1C	-25.68
iShares Oil & Gas Ex & Pr	+20.50	iShares MSCI Brazil Acc	-25.24
SPDR S&P US En Sel	+19.85	Amundi MSCI Brazil	-24.95
Lyxor MSCI Wld En TR	+18.70	HSBC MSCI Brazil Ucits	-24.70
iShares S&P 500 Energy	+18.52	iShares MSCI Brazil	-23.31
Invesco US Energy S&P	+18.27	iShares MSCI Turkey	-23.03
X MSCI USA Energy	+16.70	HSBC MSCI Turkey Ucits	-22.65
SPDR World Energy	+16.70	Lyxor DJ Turkey Titans 20	-22.59
UBS ETF CMCI Oil USD	+16.61	HSBC MSCI EM Lat Am U	-17.71

Source Bloomberg

2.6% YoY increase in number of people employed in manufacturing in Germany in June 2018

As the attractiveness of crowdfunding to institutional and semi-professional investors grows, it is changing both investment behaviour and the face of the crowd. Ridhima Sharma reports

A funding revolution

Crowdfunding has established itself surprisingly quickly in Germany with both small and professional investors. However, institutional investors such as insurance companies and pension funds are still exercising caution.

"The cost and conditions for raising capital are similar to those for conventional financing as far as most investors and project developers are concerned. One out of four investors and project developers surveyed are already planning a crowd-funding programme", says Paul von Drygalski, executive director, EY Real Estate Germany.

Von Drygalski continues: "In the interests of investors protection, the equity share of the real estate project developer should be as high as possible. It would also be in the interests of investors if the platforms themselves were included in the investment – as a commitment to the services they offer and as an additional incentive for investors.

"Platforms and providers are beginning to find common ground. Market participants may soon have to adapt to new players, however. Foreign competitors could be added for real estate crowdfunding, and many local platforms also expect consolidation in the medium term."

EY Real Estate Germany manager Benedikt Huber adds: "Crowd capital often accounts for less than a quarter of the total equity that the respective real estate companies have to provide for their projects. Thus, apart from crowdfunding, the asset managers of wealthy families (family offices) often come into play as additional investors."

It is understandable that the platforms tend to reject the idea of own capital participation. Owing to the large number of projects in some cases, the platforms themselves may need financing.

GROWTH OF CROWDFUNDING

In the first half of 2017, real estate crowdfunding volume in Germany was already well above that of the previous year at just under €46m. Although small compared to France or the USA, the increasing acceptance by developers and investors alike indicates further growth.

"We believe that digital investment platforms like iFunded will be the standard in three to five years. The megatrend of digitalisation is unstoppable," says Michael Stephan, founder and managing director, iFunded.

"Project developers have the opportunity to enter the institutional market and efficiently obtain equity for development – provided that the project meets the respective framework criteria and is carefully reviewed by the platform operators. This positive effect is amplified further when the respective developments are partly financed by the swarm, i.e. by classic B2C crowd investing, and partly by the form of the collateralised securities," adds Stephan.

BANKS VS PLATFORMS

Digital platforms do not operate as investment advisers, as they are not permitted to do so. They can only act as an intermediary. Nevertheless, it is of great importance that suppliers create sufficient confidence in the product they sell. The careful selection of the respective project developer is therefore vital.

"Whether a crowd investment project is actually successful does not primarily depend on whether the financing threshold has been reached. The results are only visible at the time of repayment. Although the platforms take on the function of investment brokers, they should still oversee the project beyond the funding phase," comments Stephan.

"This means that they include precise reporting obligations in their contracts with developers in order to be able to identify possible negative results or even insolvency earlier. On this basis, the platforms are also able to seek a dialogue with developers and investors at an early stage."

Christoph Flügel, chief executive officer, Arbireo Capital adds: "When we talk about digitisation and standardisation and the resulting upheavals, we mean precisely a model like crowd investing.

"In the longer term, this is a distribution channel of the future – a distribution channel that is open to both institutional and private investors alike." ■

0.6% MoM Drop in French businesses creation in June 2018

'Context is similar to that before the 2000 Dotcom bubble'

Amundi's deputy chief investment officer Vincent Mortier discusses H2 2018 and Pioneer's integration with Adrien Paredes-Vanheule

In a context of rate hikes and cycles and QE ending, do markets find themselves at a crossroads?
We have reached a turning point that may last for some time. On a short-term view, things will not change dramatically given macro-economic figures and company earnings remain robust. Also central banks act cautiously. That said we start to see contrarian signals. Prevention is better than cure hence we refocus on quality assets whether that is in equities or bonds markets.

The US cycle is ending, we do not buy the goldilocks scenario that resembles to the market environment we faced in the end of the nineties when referential were forgotten and we were being told growth potential would regenerate perpetually.

Looking at today's context, the cycle has been slightly regenerated through the fiscal measures implemented by the Trump administration. We are convinced that the cycle will end, although we are not seeing a recession yet (likelihood of 20%). As for Europe, the region has still potential but limited.

What is your stance on the outcomes of the China-US trade war?
The trade war between China and the US is a liar's poker game. Trump underestimates the resilience and the reactivity of the Chinese government. China has a different time horizon set whereas Trump will rather think mid-term elections.

China awaits new sanctions as a catalyst to pursue its major economic reforms. It forms an historical occasion for them to speed up the shift from a world led by the US to one led by China.

2.5 million Estimated number of private swimming pools in France (FFP)

Additionally, a trade war carries imported inflation. Thinking that tomorrow the US will be able to offset and produce all goods and services China used to imply pressures on salaries given the US currently face a situation of full employment. Thus we estimate that this will remove 0.3% of the US GDP.

Is it a reason why you are also cautious on your emerging market equity allocation?
If we look at the broader picture, the current environment is not favourable to emerging markets. In addition to the trade war, oil prices go down the curve. We still believe being invested in EM equities is fundamental. The rally might be over until Autumn but there may be more interesting entry points by November. If EM economies have much improved, certain questions remain at a country level, around Brazil or Turkey for instance.

Another big headline remains Brexit. Will Brexit-linked risks be limited for Europe?
Brexit is asymmetric. The United Kingdom cannot survive without a trade relationship with the European Union whereas Europe can do without it. All scenarios remain on table from hard to soft Brexit or even no Brexit.

In the end, I believe a Brexit-EU agreement will be reached on the basis of the Norwegian model. The pressure will be on UK rates and the sterling. However the contagion effect across Europe will remain extremely low.

In which asset classes are you willing to take risk for H2 2018?
Currently there are very few markets in which we believe risk will reward. As a matter of fact, being simply long is not a good idea. Actual correlations between bonds and equities are such they render more complex diversified fund management.

Risk is heading towards the same direction in the equities and bonds markets. You can navigate this environment by applying a long/short approach and hedging your management to optimise risk reward.

Low volatility lingers globally but within indices, volatility has increased significantly. It is a sign that markets change their structure. These signs should start to worry investors. Quant and index management represent two thirds of the US market. And by definition, the market is driven mechanically. Rise calls rise, fall calls fall.

The momentum factor is very powerful and the trend tends to self-feed. Value sectors are put aside, investors buy everything as soon as it is growth but valuations are not justified.

Looking at growth and value levels, we find ourselves in a context similar to that before the 2000 Dotcom bubble. This is not reassuring.

What are your views on the fixed income side?
In Europe, the ECB is credible with its "whatever it takes" speech and its framework set for the end of its QE. In the US, we do not think rates will climb high. The rates curve has been flattening for the last four years and this is a source of concern. On a short term basis, tensions can emerge temporarily. Caution is much needed.

Are you still short duration?
We need to be more subtle and think about countries and maturity. We keep long duration on 10-year US treasuries whereas we are more cautious on short term bonds. Another conviction is being underweight German bunds. We are positive on Italian BTPs despite uncertainty around Italy. As for emerging markets, it depends on our currency views.

Subordinated debt has been an investor favourite over the last two to three years. Will you review your investments in this segment?
We split the asset class in two blocks. On the one hand, the debt of systemically important financial institutions (SIFI) and on the other hand, the non-SIFI debt. The likelihood of a default from a SIFI remains very low and the way financial regulation in Europe has evolved gives us comfort.

European SIFI are too big to fail. On the contrary, the US has relaxed its laws for financials. We will need to monitor whether other countries will follow. As for the non-SIFI category, we adopt a more cautious approach.

The integration of Pioneer Investments into Amundi has led to some departures. Where are we now?
The 200 key managers have been appointed in September 2017 and organigrams have been finalised at the end of last year.

During the announcement of the acquisition of Pioneer in December 2016, Amundi announced €150m of cost synergies, much of which will to be achieved through a staff reduction of around 10% of total headcount. It concerns both ex Amundi's entities and ex Pioneer entities. More than 50% of this workforce reduction has already completed. Neither did the departures of Mauro Ratto (head of Emerging Markets replaced by Yerlan Syzdykov) and Diego Franzin (head of Equities) impact the investment processes of their respective teams.

Investors wonder if Pioneer's teams have taken over Amundi's.
When we revamped our organisation, our choices have not been based on a single person but on a process and on a team. For each asset class, we have mapped performances and profiles in the two houses to select the best performing team that would take the lead. There was no intention to shut down the other team nevertheless.

It is true that in a number of cases, Pioneer's teams were outperforming Amundi's regarding performance, experience, management seniority. That has removed all ambiguity around leaderships in all teams.

Where are you at in the process of streamlining Amundi Pioneer's fund range?
The streamlining of our fund range is ongoing. We are defining targeted processes and ranges in coordination with our sales and marketing teams who share investors' feedback. We will end up with a Luxembourg Sicav sheltering a reduced range of sub-funds. We rather merge funds than liquidate them. These fund mergers will be phased in until 2019. ■

2.5% UK inflation in July 2018, after holding steady at 2.4% in the previous three months

Recent research conducted be consultancy MHP has found that just one fifth of women have an investment portfolio, compared with 33% of men. Ridhima Sharma examines key findings

Women investing: What are the hurdles?

MHP's panel (L to R): Anne Boden, Starling Bank; Charlotte Oates, Moneybox; Jess Exton, ING; Indre Butkeviciute, Lily Advisory

MHP's organised the first female-focused event that saw women and their attitudes to finances. Although gender topics including pension gap, gender pay gap or differences between men's and women's spending habits have been keenly addressed in the media, there have been just a few solutions when it comes to encourage women to better engage with their finances.

MHP's panel discussion featured Anne Boden from Starling Bank, Charlotte Oates from Moneybox, Jess Exton from ING and Indre Butkeviciute from Lily Advisory.

Each panellist had a different approach towards investing – including looking at innate gender differences, the role of language used in the financial industry and the importance of technology in changing behaviour.

MHP's research found that just one fifth of women have an investment portfolio, compared with 33% of men. Another survey by MHP found that men's pension pots are typically double the size of women's. The gender pay gap is well-documented, and perhaps this accounts for a portion of the difference; yet it seems that women's attitude to investing is a world away from their male counterparts.

It does not make for pleasant reading: over half of women (54%) say that their personal finances leave them feeling vulnerable (compared with just 35% of men), which is perhaps not surprising given that 52% of women say they could not live off their savings for more than one month.

When it comes to investing, women are overwhelmingly more risk averse than their male counterparts – only 17% of women see themselves as moderate to high risk takers, compared with 41% of men. When asked why they invest, 55% of women said it was to keep their money safe or for a 'rainy day', whereas 45% of men choose to invest simply in order to get a good return. For women, low savings are being further compounded by low returns.

"Women may be more cautious when it comes to investing, but could outperform men if they took the plunge. Behavioural science suggests women may fare well within the investment game," said Jessica Exton, ING.

CHANGING PERCEPTIONS

Financial education seemed to be the most important tool – teaching those at school, college and beyond about how to make their money work for them and educating the industry itself. For years, the investment industry has been dominated by men and so, unsurprisingly, investment advice and the language used have been tailored towards the male consumer.

"The general public see investing as confusing, elitist, male and risky, with stock markets being the ultimate casino. This perception is what we need to change in order to get more women and young girls interested in investing for themselves as well as a career," said Bev Shah, City Hive.

There is also a huge role for technology. Using technology to make it easy to invest and to better manage your money is a key way to engage the next generation.

And finally, we need to stop making money such a taboo topic. Women do not talk about their finances – how much they earn, spend or save – and as such this topic is clouded in mystery and, often, confusion. In order to really get women involved in investing and their finances more generally, we need to open up the conversation. Starting these discussions may not be easy, but in the long term, they could help a whole generation of women to prosper.

"As women, we risk falling into a glaring 'investment gap', by leaving our money in cash and steering clear of the stock market,"commented Maike Currie, Fidelity International.

Indre Butkeviciute, Lily Advisor added: "Transparency is a key priority for wealthy women and especially important in evaluating investment performance and fees."

Women feel less competent when it comes to financial matters but readily admit their lack of expertise. They are open to learning and therefore an educational approach is an absolute necessity. Combining it with clarity of investment views and transparency on performance and fees can be a winning formula. ■

1.5% July YoY rise in Italy CPI

Filling the gap in Italy

Gamma Capital disembarked in Italy last May after nearly a decade serving European investors from Malta. Eugenia Jimenez reports

It has been some twenty years since a group of partners planned to launch Gamma Capital Markets in light of the opportunities that trading online and managed accounts were offering to professional investors. But it was not until 2010 when the firm launched in Malta at a time when the asset management industry was becoming more complex and sophisticated.

Gamma Capital Markets' name combines two of the definitions of the word gamma. In Greek, it refers to a letter commonly used to analyse options and, in Italian, it means wide array. So, both the academic definition and the firm's ethos of covering a wide range of assets and services are reflected on the firm's name.

The manager offers a wide range of services to clients: from asset management to financial advisory, to services relating to any of the financial activities carried out by the firm. It also provides a separate advisory service for institutional clients.

Tallying around €1bn in assets under management from European clients only, Gamma's business is 70% institutional and 30% retail. Asset class exposure in clients' portfolios ranges from some 70% to alternatives, 15% to equity and 15% to fixed income.

ITALY BOUND

Gamma Capital Markets entered Italy last May opening offices in Milan and Turin, aiming to fill a gap seen in the market, explains Vito Ferito, Italy's branch sales director; Sandra Soldà, leads the branch; Carlo de Luca is responsible for the asset management division; and head of advisory is Giovanni Cuniberti.

"We decided to launch in Italy last year and every day we are more convinced we made the right decision," says Ferito.

"Most of the money in this country [Italy] is invested in short-term fixed income products without fair financial planning. And although we believe these bond investments will underperform in the coming months, we see a move towards more risk-rewarding products still very low.

"Banks' clients cannot rely on a genuine financial consultancy. We came to fill this gap, welcoming passionate financial consultants."

The branch investment process can be defined as "global macro discretionary dynamic" according to De Luca.

It starts with a macro top down model to select asset classes, followed by a bottom-up model for the selection of listed companies and bonds and of funds/ETFs through a quantitative analysis, by a portfolio correlation analysis, and by a technical analysis to obtain the right market timing.

De Luca adds: "Portfolio strategy weighs around 80% – consisting normally of three to four different strategies – and opportunistic tactical with a short-medium term weighs 20%. It is a low-rotation portfolio – about 20% quarterly, when we get companies 'results.

"Our investment goal is to generate performance, checking risk as much as possible. We seek those funds proving efficiency over difficult periods, hence we use ratios linked to risk more than to performance like Sortino, Ulcer Index or Recovery.

"We focus on thematic investments like megatrends rather than on sectors, particularly on those related to demographic growth and emerging markets' middle-class developments: urbanisation trends, smart cities, millennials, ageing population issues, security infrastructure, cybersecurity and consumer loans. We closely follow robotics, AI, IOT and biotech."

Currently, Gamma is working on a new product in the robotics, AI and new technologies sector which, according CEO Alex Vella, are the real drivers of recent economic growth.

While consolidating its business in alternatives investments in Malta and aiming to expanding its Italian branch, Gamma is also planning to launch across Eastern Europe, Vella notes. ■

From left to right: Carlo de Luca, Vito Ferito, Enzo Filippini, Sandra Soldà and Eros Lombardo

10,171,542 End June 2018 population of Sweden

Recent polling ahead of Sweden's 9 September general election suggest that the populist party Sweden Democrats could become the biggest in Parliament, reflecting changes in other European countries such as Hungary and Italy, with implications for investors. Jonathan Boyd reports

Seeking consensus on Sweden

Sweden has continued its reversion to the mean of global politics in recent months as polls show the Sweden Democrats party trading places several times with the Social Democratic Party as the one that will poll most votes in the country's upcoming general election.

This reflects gains made at local and regional elections over the past few years, as well as increasing gains in the share of the Parliamentary vote in the past two cycles of voting.

The Sweden Democrats party has only been kept out of government hitherto by an agreement between the other key parliamentary parties. This is because SD's politics have been seen as sufficiently anti-immigrant and nationalistic to put it beyond the centre right, and thus beyond the typical parliamentary consensus building. However, this stance may be increasingly difficult to maintain. Recently there have been overtures from the Sweden Democrats party to members of the Moderate party, which for decades has formed the backbone of the right of centre vote in the country. Unsurprisingly, the leadership of the Moderate party has rejected the approach.

MARKET IMPACT

The question for investors, then, is does any of this matter? Well, on the basis of how Swedish stocks have performed historically, the answer is clearly yes.

FE data suggests the Nasdaq OMX 30 gross total return rebased in euros was over 190% in the 20 years to 17 August. That compares with around 137% for the DAX 30, about 109% for the CAC 40, and 83% for the FTSE 100.

The importance of Swedish equities to local investors is clear in the proportion of total investment fund industry assets that are held in Sweden equity funds – some SEK659bn (€62.7bn) out of total equity exposure of SEK2.562trn (€243.7bn) and in regard to total industry assets of SEK4.301trn (€409bn) – according to July figures from the Swedish Investment Fund Association.

However, add on Nordic funds – SEK90.5bn – Sweden & Global funds – SEK244.3bn – and Europe funds – SEK110.7bn – as of the latest figures, and it is clear there could be yet higher exposure to the country's key sectors and companies through equity holdings.

Sifa does not break down its headline figures for fixed income exposure by geography, but here too there is a local twist to such exposure. Swedish and Nordic bond funds from local fund providers offer exposure often to non-rated paper. This is because the companies are locally known, with immediate portfolio manager insight, meaning they are comfortable with the idea of investing via the secondary market in company debt.

Overall, then, the local stock market performs better than others over time – in some cases significantly better – and local investors have significant exposure through their investment funds. That of course is before attempting to calculate the exposure to local assets obtained through mandated pension savings. Sweden's population is ageing as elsewhere in Europe, which means exposure to domestic assets should be increasing as part of risk profiling implemented as savers near retirement.

PORTFOLIO MANAGERS VIEWS

Two of Sweden's best known Sweden equity managers have given their views on the potential impact of the pending elections.

Simon Blecher manages some SEK20.2bn (€1.92bn) in the Carnegie Sverigefond and Sverige Select – both active Sweden equity funds offered by Stockholm-based Carnegie Fonder. Commenting exclusively to *InvestmentEurope*, Blecher says his best guess would be for an election leading to a weak minority government, led either by the Social Democratic Party or the Moderate party. However, there is a slim chance of a minority government under the Centre

51,282 Population increase in Sweden in six months to end June

Party, or even failure to form a government and another election.

"Market concern could come about in respect of it not being clear on election day who will lead the country, and that several parties will claim victory, although it will be highly uncertain who will govern before negotiations actually start," he says.

"Certainly, one can compare with several other European countries in respect of a fairly new party of dissatisfaction likely to do well in the election and formation of government becoming complicated. But one should not forget that Sweden's situation is completely different to most of Europe.

"We have very low government debt, a balanced budget that in recent years has shown a surplus, and additionally our own currency. One should also not forget that the power sits with Parliament and not the government.

"Finally, it should be pointed out that large sections of the parties are more similar than they are different and therefore many important questions in recent years have been solved across the blocs, for example, in the agreement over refugees, in questions around defence, energy and pensions."

Blecher is sanguine about the possible effects on the local stock market. There could be a couple of days of volatility in connection with the election, and interest rates and the krona could be affected – possibly weakening the krona. But, he adds, there have already been significant shifts this year, which suggests that the uncertainty is already priced into the market.

Additionally, a weak krona would benefit exporters, which constitute a significant share of the Stockholm Stock Exchange.

GLOBAL FACTORS

Blecher is more concerned by other, more global, factors affecting such companies.

"Given our own currency and large export industry, then of course a global trade war would not be good for Swedish equities. Chaos on credit markets, which could occur when central banks pull back on stimulus at the same time that rates go up, would constitute a financial crisis and general concern, and in such situations the Swedish stock market does worse. A collapse in the property market is another cause for concern, but that is partly priced in and will not spill over into the export industry."

Companies such as Atlas Copco, ABB, Sandvik and Volvo not only offer investors access to extremely strong balance sheets, but as has already been seen in the case of the splitting of the first name on the list into Atlas Copco and Epiroc, further shareholder value could be released by these businesses being split up in coming years, Blecher says.

Similarly, Skanska could be split into an American and a European part, while a re-rating could push up Essity, which is a business split off from forestry group SCA.

SMEs have been doing better than large cap Swedish equity for some time, but Blecher feels they could pause if the market starts to look to enterprise value rather than price/earnings.

Also commenting has been Peter Lagerlöf, portfolio manager on the Lannebo Komplett, Mixfond, Mixfond Offensiv and Nordic Equities funds.

Lagerlöf has worked at the investment banking business of Carnegie, but also Swedbank, the Ministry of Finance and the Riksbank, the country's central bank.

He too points to how complex negotiations may be this time round to form a government.

In previous times this would have constituted a big worry for the market, but he does not feel that elections are any longer as much of a driving force in market performance.

"Since the 1990s crisis, when Sweden really was in trouble, every government has prioritised strong public sector finances. Thanks to that and thanks to the change to the decision making process for the Budget in Parliament made in the 1990s, public sector finance has improved measurably.

"The result is that not only has the market pretty much shrugged off recent elections, but for a relatively small country with an open economy, with a stock market that is dominated by big international industrials, it is the international economy, trade conflicts, etc, that are much more important thatn what Swedish politicians decide," he says.

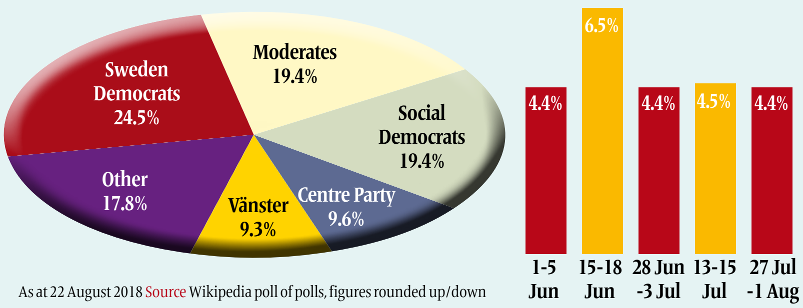
"Differences between the different political blocs in Sweden is in reality quite small. I believe the will to compromise to find solutions across the blocs will of necessity be high in the coming mandate period."

However, there are still some dangers lurking for investors in particular sectors, Lagerlöf adds.

He points to the companies active in the welfare sector. With a clear majority supporting the idea that private companies should be allowed, and Parliament rejecting the idea of a ceiling on profits, this could change should the Social Democratic and Left parties do well.

Another is the housing sector, which needs structural changes to deal with an imbalance of supply and demand. There is scope for subsidies or other support being put forward after the election, he suggests. ■

POLLING DATA



As at 22 August 2018 Source Wikipedia poll of polls, figures rounded up/down

Left hand graph summarises voter intentions at time of going to press; right hand graph shows Sweden Democrats lead in various individual polls conducted since the beginning of June. This replicates a pattern seen in the summer months of 2017, when it led polls on four occasions in the June-August period.

The party had a poll lead on six occasions in the Feb-April period 2017.

6% Increase in volume of absolute return and alternative Ucits funds approved for distribution in Germany in H1 2018

Economic shift spells trouble for absolute return

Managers of absolute return equity funds are about to be tested in a way that they have been able to avoid in recent, benign times. Cherry Reynard reports

Since the start of the year, markets have been derailed by the shift in monetary policy and threats of a global trade war. Although markets remain up for the year to date, there is a sense that economic momentum may be waning and there may be more treacherous times ahead. For absolute return equity managers this is a time to make hay as volatility creates mispricing and dispersion between stock returns increases. Will they prove their worth in more difficult conditions?

A recent report by research group Square Mile on the absolute return sector pointed out that very few of them have been tested in a proper bear market. Less than half the funds in the onshore sector existed at the beginning of 2011, which was the last year in which equity markets posted a calendar year loss (and even then, not a particularly significant one).

The offshore sector funds show more longevity, but even then, only nine funds (out of 92) have a 10 year track record.

That means only a handful of funds were around at the time of the global financial crisis, the last time there was a prolonged and significant bear market. For the most part, these funds have never been tested in a proper bear market, which is when they are supposed to come into their own. It has been relatively easy to deliver on their stated objective of a positive return in all market conditions.

Charles Hovenden, portfolio manager at Square Mile says: "Investors need to judge the performance of these funds during down months and there simply aren't a lot of data points."

Instead the group looked at the funds' performance during shorter-term bear markets, such as those seen in 2011, 2015 and 2016.

On these results, the report was not optimistic about the capacity of these funds to deliver in a more enduring bear market: "Of the 86 funds in our screen, two of them have subjected their investors to a 12-month loss of more than 20% and another 12 have posted 12-month losses of 10% or more.

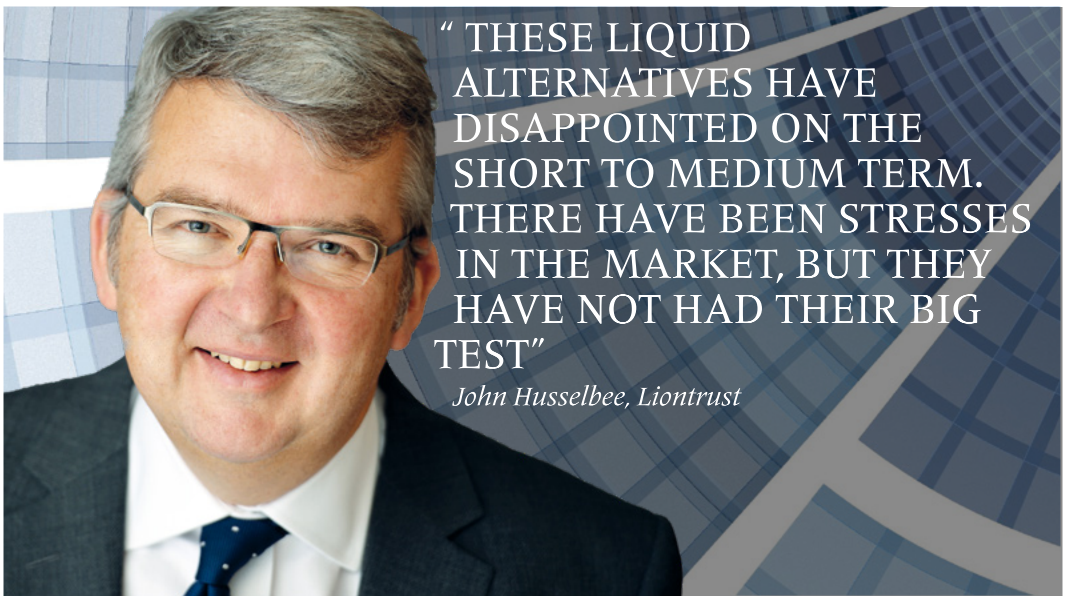
"Amazingly, just four funds have never sustained a loss over any 12-month period since the beginning of 2015. Remember, we do not even regard the stock market turbulence since the beginning of 2015 as particularly severe and it is nowhere near that experienced in 2011 or 2008."

However, to be more generous to the sector, it is possible to argue that these market downturns were merely corrections in an otherwise uninterrupted bull market.

John Husselbee, head of multi-asset at Liontrust, believes that the big test for these funds lies ahead: "In general, these liquid alternatives have disappointed on the short to medium term. There have been stresses in the market, but they have not had their big test."

The performance of the funds in the offshore sector since the start of this year, may give more grounds to be hopeful.

Of the 92 funds in the sector, only



26 (28%) have given a negative return for the year to date, suggesting many have defended capital through the recent volatility. The more uncomfortable statistic is that this still a higher percentage of the overall sector than for the international equity sector (long-only), where only around 10% of funds have given a negative return.

Again, from these performance statistics, it is difficult to draw conclusions about the likely performance of absolute return funds in more difficult market conditions.

THE TEST TO COME

The problem in separating the good and bad funds is that the benign market conditions have made it difficult to see where skill lies. Gary Potter, co-head of the BMO Multi-Asset Management team, says: "The genuine test is yet to come and you cannot judge the sector until that shake-out has happened."

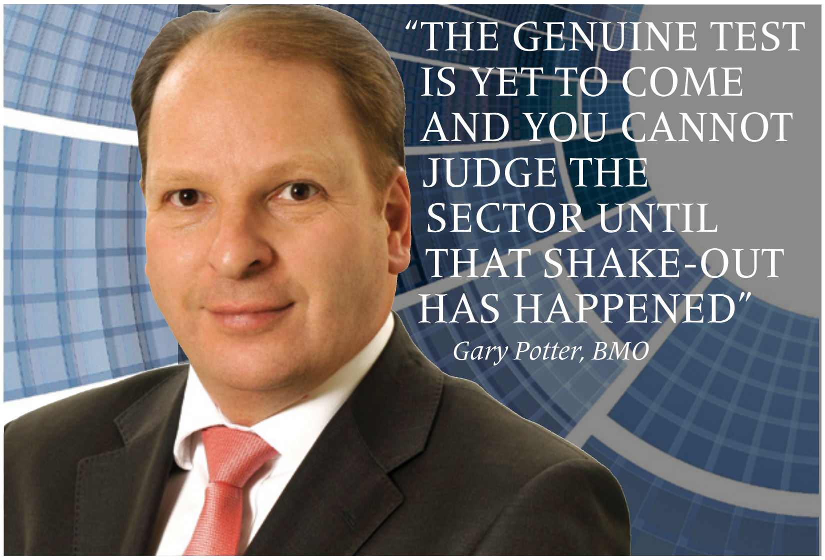
That said, Charles Hovenden says that if the market sells off investors are more likely to preserve capital in an equity long short fund than a global macro fund, as long as they have low net market exposure.

"If a fund has net market exposure of 0-20% these funds won't capture the beta of the market and should miss out on market beta. In multi-asset funds, by contrast, there is a lot of directional exposure that could move in either direction. It may protect you in a bear market, but equally, it may not."

The amount of net market exposure is a key variance between individual absolute return funds.

Potter says: "Some funds are almost long-only – they might run with a net long position of 70% long. In the recent bull market they have done well, but often they simply run extended versions of their long-only books. The second group is those funds that strive to be genuinely market neutral. They have very limited net long positions – possibly 0-20%."

This latter category includes Jack Barrat's GLG UK Absolute Value fund, Tim Service's Old Mutual Absolute



"THE GENUINE TEST IS YET TO COME AND YOU CANNOT JUDGE THE SECTOR UNTIL THAT SHAKE-OUT HAS HAPPENED"
Gary Potter, BMO

Equity fund and the Majedie Tortoise fund. Potter says these funds have all done as they have promised, delivering the type of diversifying returns that investors expect from an absolute return fund.

He adds that in absolute return, more than any other sector, manager skill is vitally important: "You have to separate the wheat from the chaff in this sector, and there is a lot of chaff."

Equity absolute return strategies are as diverse as conventional strategies. Some will have a value bias, such as the GLG team, while others will be growth or momentum. However, Potter says this style bias shouldn't undermine their basic purpose, which is to deliver year in year out returns

SEARCHING FOR ALPHA

Managers will use different strategies to achieve their overall market positioning. Hovenden says that some will simply short index futures to get their overall exposure down.

The problem with doing this is that there is no way to add alpha. He adds: "The holy grail for absolute return funds is to add alpha on both the long and short sides. In a rising market, the best absolute return fund managers will make more on their longs than they lose on their shorts. In a falling market, your shorts need to fall more than your longs."

He says that the starting position for a lot of European long/short funds is a 50% net long position: "The problem with this is that investors can end up paying performance fees for what is really just beta." If an investor is really going to protect themselves in a bear market, he says, they need a fund that has an implied short bias.

This would be funds such as the Jupiter Absolute Return fund run by James Clunie or the Artemis US Absolute Return fund run by Stephen Moore.

He adds: "For those looking for a fund that will protect them, they need to find a manager with low net market exposure and a proven record of adding alpha on the long and short side. In this sector, there are only a handful of class acts."

Husselbee agrees that when the bear market comes investors will have to be selective in the funds they pick to ensure they provide downside protection.

Market neutral long short equity funds should prove protective against a significant downturn in markets. However, the sector has not been tested; investors need to look to those managers that have proved themselves capable of adding alpha on both the long and short sides to deliver consistent returns in this new environment. ■

3.7 million Population of Berlin

The last FundForum International to be held in Berlin before moving to Copenhagen next year outlined key trends across fund buying, fund business operations, the future of finance and ESG. Jonathan Boyd reports

Trends highlighted

June past once again saw the fund industry gather in Berlin to share ideas on the key trends affecting and set to affect all parties in the value chain – from fund manufacturer, through distributor to the end selector or buyer.

The event was split into several key streams of presentations and workships reflecting the key themes facing practitioners: Business Leaders Forum, Fund Buyer Solutions, Ops, Future Finance 2.0, ESG.

Each of these streams in turn put forward a raft of ideas for delegates to consider, across both plenary and boardroom sessions.

BUSINESS LEADERS FORUM

Those heading asset management firms need to stay abreast of developments that impact their businesses.

Themes that arose in this stream included:

- The rise of thematic investing;
- How to communicate with Millennials as the next bit group of asset owners;
- Developments in global fund distribution;
- Dealing with macroeconomic uncertainty;
- Developments in robo-advisory;
- Developments in sub-advisory;
- Maintaining relevancy of active management in an age of cheap ETFs;
- Maintaining brand amid digital disruption;
- Responsibility, values and diversity in asset management;
- The customer perspective on what constitutes value for money;
- Changing regulations and their impact on the industry.

COPENHAGEN NEXT YEAR

The FundForum International event series is leaving Berlin in 2019 to take up residence at the Bella Center on 24-27 June.

Further details are available at: https://finance.knect365.com/fundforum-international.

FUND BUYER SOLUTIONS

The impact of change was also a key drive of discussions in this stream, which saw a number of fund selectors, businesses, and organisations known to readers of InvestmentEurope take part.

For example, the Association of Professional Fund Investors had a presence through directors Jon Beckett and Jauri Häkkä, while the SharingAlpha platform was visible in the form of CEO and co-founder Oren Kaplan in the 'Academy Bootcamp' sessions.

The stream further considered ideas via sessions on, for example:

- Prospects for the US, US and eurozone, and where to find growth;
- Multi-asset solutions;

€124.6bn GDP of Berlin

- Insight into German institutional management of short and long-term liabilities;
- The emergence of a fund ecosystem that is adjusting to and embracing ETFs, including how to blend passive and active approaches within portfolios;
- Understanding how traditional fund buyers analyse risk;
- The continued evolution of multi-factor ETFs;
- How to manage cross-asset class risk and liquidity;
- New solutions for alternative risk premia;
- New bonds and bond proxies;
- Emerging and frontier market solutions and whether to allocate to these asset classes.

OPS

Unsurprisingly, digital was also a key area of discussion in the Ops stream, with discussions around, for example, how digitally based transformation may drive business growth and increase cost efficiency.

Related discussions in this stream included:

- How are COOs dealing with transformation involving multiple technologies and businesses;
- Robotics and changes to back office processes;
- How demands from regulation such as Mifid II were met, and what may be next;
- Dealing with regulatory overhaul and the effects on distribution after Mifid II implementation;
- How to integrate new fintech solutions into existing business;
- The effect of blockchain technology;
- Responding to demands for bespoke solutions;
- How to take advantage of the growth the European ETF market.

FUTURE FINANCE 2.0

The future of finance, especially from a technology point of view was addressed in both plenary and boardroom sessions, for example, via the presentations on the future of quantum computing and how to best make use of the increasing amounts of data surrounding the industry.

Particular presentations also addressed issues such as:

- Why wealth and asset management needs AI;
- Data analytics for client suitability and behavioural profiling;
- Innovations in quant and AI strategies;
- Mining social media for risk mitigation and alpha generation purposes;
- The role of digital in customer engagement;
- What the fund industry can learn from Millennials
- Cryptocurrencies and payments.

ESG

The final key stream saw a plethora of ideas put about, reflecting the significant rise of ESG on the investor agenda globally over the past few years, but particularly in the past couple of years.

Here the presentations and discussions covered:

- Best practice in climate bonds and green infrastructure finance;
- Innovation in green finance products;
- Use of private markets to fill ESG gaps;
- Best practice in defining SRI product strategy;
- How to integrate ESG in the portfolio;
- New metrics and standards in ESG fund selection, asset allocation and performance attribution;
- Getting fund managers to run tailored ESG strategies;
- Nordic fund selector views on ESG;
- Global trends in demand for impact investments;
- Use of blockchain and the development of transparent metrics around impact investing;
- The view of family offices and HNWIs of liquid and illiquid ESG strategies. ■

AGENDA & VIDEO HIGHLIGHTS

To see the 2018 event agenda online, visit: https://finance.knect365.com/fundforum-international/agenda/1.

For video highlights see https://youtu.be/VT2u0ABi2zg.

0.4% YoY increase in number of cross-border commuters working in Switzerland in Q2 2018

Alpha in bear territory

Switzerland's capital Bern hosted *InvestmentEurope*'s first Swiss Summit recently, when eight asset managers presented across various asset classes. Adrien Paredes-Vanheule and Ridhima Sharma report

Bears may be the symbol of the city of Bern, where the *InvestmentEurope* Swiss Summit took place on 7-8 June, but the animal also illustrates defensive times in markets. However, the outlooks presented at the Summit were anything but bearish.

For example, although US mortgage-backed securities may still give investors goose bumps for their role in sparking the global financial crisis in 2007/8, those listening to the relevant presentation at the Hotel Bellevue Palace heard of the recovery in the asset class and entry into portfolios for investors starved of returns in a low-rate environment.

This was the message from AllianceBernstein's senior fixed income portfolio manager Markus Peters, who exposed opportunities in the asset class.

Peters highlighted the robustness of the US economy: nearing full employment it is supporting the local housing market, with housing prices stable or even rising, he said.

Thus, as distinct from the speculative demand driving US MBS a decade ago, the primary driver currently is the low supply of houses, which is unlikely to revert, he suggested. The quality of US MBS puts it between investment grade and high yield, he added. Another point raised concerns the quality of borrowers for US residential mortgages as lending reaches historic highs.

Looking across the spectrum of US MBS instruments, the manager's preference is for agency MBS – bonds issued by the US Federal Reserve, guaranteed by the US Treasury – and agency credit risk transfer, which are seen as an attractive alternative to bank loan exposure.

FROM AB TO AI

Artificial intelligence as a sole investment theme was the proposition of Smith & Williamson whose partner and portfolio manager Chris Ford outlined secular growth opportunities carried by the topic.

Smith & Williamson's AI fund holds some 35 positions, of which about half are outside the US, the other half related to technology.

In Ford's words, AI has the potential to double economic growth rates over the next 20 years. As an example, he highlighted that AI could bring some €6.72bn per year in economic benefits to the European utility sector.

Ford noted that seven out of the 10 biggest organisations globally by market capitalisation are already engaged with AI. Smith & Williamson itself relies on an AI-enabled investment process which acts as a filter by reading thousands of company documents about stocks.

"As history has shown, few companies can embed themselves in such a way for the long term, and the future winners in 50 years' time may look very different to those we have now. But what is clear is that businesses are using AI to consolidate what are already strong positions within their existing markets, and these are unlikely to be overtaken any time soon," Ford said, commenting on Apple

3.6% YoY increase in the price level of the whole range of domestic and imported products in Switzerland in July 2018

INVESTMENT EUROPE SWISS SUMMIT 2018

becoming first $1trn worldwide listed company.

JAPAN

Why invest in Japan? Because it is still a cheap value market according to Chris Taylor, investment director and head of Research at Neptune Investment Management.

Reasons for considering Japan a sweet spot include that it has not been re-rated since 2012 and corporates now pay back shareholders through dividends or buybacks and do not hold cash as they previously did.

Additionally, Japanese companies earnings growth remains underestimated despite upheavals and a strong yen, Taylor pinpointed. Japanese listed firms are experiencing rising profits and diversification that offsets the effects of persistent domestic government deficits.

Therefore, Taylor's fund, which has between 30 and 50 holdings, invests in sectors dominated by Japanese firms, such as advanced materials (carbon fibre, paints), engineering (vehicles, power plant), electronics and government spending-related (defence, construction).

However, consumer demand-driven sectors like retailing, food, clothing and utilities are avoided. Regarding the Topix index, Taylor noted that foreigners selling out over the past year has left Japanese buyers supporting the market. He also pointed out that over 40% of the market's positions are short.

EMERGING MARKETS

Overshadowing the EM sector recently have been US president Donald Trump's comments on trade with China and Turkey. But in the view of Danske Invest's Sorin Pirău, portfolio manager and economist emerging markets debt hard currency, risk triggers are common in the space. When some dissipate, new ones appear.

EM fundamentals are proving resilient, Pirău said, noting broad-based recovery across emerging markets, which he characterised as being in its early stages.

Moreover, he expects a widening of the alpha growth between EM and DM that should be supportive of the EM debt asset class in the medium-term.

Pirău stressed a turning point in credit quality in EMD. After credit fundamentals were badly hit in 2017, improvement is being driven by growth recovery, fiscal adjustment and stabilised debt.

EUROZONE

According to First Trust Global Portfolios, investing in eurozone has been a hot topic of discussion. The manager's

WATCH THE THIRD-PARTY RISK!

Ethical hacker and social engineer 'FC', also known as 'FreakyClown' provided the Summit with a keynote based on insights from his 25-year experience of breaching security on behalf of clients.

FC has broken into hundreds of banks, offices and government facilities. He said businesses he has worked with have failed to understand that good business security is a balance between digital security, physical security and human nature.

"One bank we worked with had issues with people getting into their facilities. They bought the most expensive security door for £60,000 and asked me to test it and make sure it was secure. I watched the door for three or four hours and on the day after, I walked to the door and it randomly opened without any need to hack it. There was an engineering mode that every 15 minutes does a revolution to ensure the door is working. All I did was get that timing precise.

"The door was not the issue. People trusted the wrong people as they thought engineers would have correctly installed the door and engineers assumed that people running the door would use it correctly. The management had never thought of this risk," FC told the Summit audience.

He added that the amount of security does not matter: a very determined attacker will find a way to break into the building or business.

A co-founder and head of Ethical Hacking at Redacted Firm, FC told another story about a US company from which 30 million credit cards details and some $470m were robbed through air conditioning devices in 2014. Hackers targeted the air conditioning company as a third-party in their plans to break into the business.

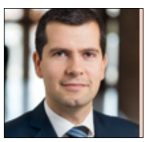
"There is a third-party risk. You cannot fully trust a third-party and perhaps you may be the third-party of someone else for other plans," he said.

0.7% YoY increase in number of employed persons in Switzerland in Q2 2018

Speakers

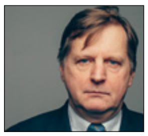
Chris Ford is partner and portfolio manager of the **Smith & Williamson** Artificial Intelligence fund. He joined the company in 2015, having previously held roles of global and US equities portfolio manager at Pictet AM and Schroders.

AllianceBernstein's fixed income senior portfolio manager **Markus Peters** joined the firm in 2014, representing market views and investment strategies of AB's fixed income portfolio management team. He previously served in a similar position within M&G's fixed income team.



Sorin Pirău is a portfolio manager and economist in the emerging market debt hard currency team at **Danske Invest**. He is responsible for overall macro research and the development of quantitative models

WisdomTree's head of Research for Europe **Christopher Gannatti** joined the firm at the end of 2010 as research analyst. He is responsible for all WisdomTree research within the European market as well as supporting the Ucits platform globally.



Chris Taylor is head of Research and Japanese Equities at **Neptune Investment Management** since June 2004. Prior to that, he worked at Fuji Investment Management for 15 years, where he was a managing director.

Garland Hansmann is a co-portfolio manager of the **Investec** Global Total Return Credit fund at Investec AM, Previous roles were with Intermediate Capital Group and Credit Suisse Asset Management where he focused on high yield credit.

Gregg Guerin is senior product specialist at **First Trust** Global Portfolios. Prior to working in London, Guerin was a member of the First Trust Institutional Team. He has been working in the ETF industry for over 10 years.

Mark Peden, investment manager at **Kames Capital**, joined the firm in 1992, focusing mainly on European equities. He has built and manages the Kames Global Equity Income strategy since inception in 2011.

AlphaDEX methodology scours European markets looking for the best value and growth stocks, which FTGP highlighted through detailed review of the performance and attribution of European stock market returns year to date.

Sticking with the ETF trend, Christopher Gannatti, head of Research Europe at WisdomTree presented two ETFs, one focusing on contingent convertible (CoCo) bonds and the other on S&P 500 put options.

He also gave an overview of the strategies that he considered interesting in the current market environment. These include looking for quality dividend growth opportunities in the US, eurozone and global equities asset classes.

Kames Capital outlined the importance of dividend income and dividend growth as key drivers of long-term total returns for equity investors. Mark Peden, investment manager, explained why detailed analysis of companies is important to avoid damaging dividend cuts and identifying potential positive dividend surprises.

Investec Asset Management shared its views on a flexible and dynamic approach to global credit investing. Garland Hansmann, portfolio manager, talked about how Investec applies a multi-asset approach to investing across the credit spectrum.

He also discussed the manager's Global Total Return Credit fund and how it seeks to create a high yielding yet comparatively defensive global credit portfolio built from the bottom up. ■

1.1% Increase in total import price index in Italy in June 2018 compared to May 2018

Latest research by instiHub points to a sub-advisory market continuing to pick up significant AUM through the second quarter this year. Jonathan Boyd outlines developments ahead of the upcoming Sub-Advisory Summit

Sub-advisory trend in EMEA sees assets grow again in Q2

InvestmentEurope's Pan-European Sub-Advisory Summit will take place 4-5 October at the Palazzo Parigi in Milan. It comes as figures published by data analytics firm instiHub point to yet another quarter of strong growth in the EMEA region.

Six sub-advisory mandates of over €1bn each were awarded through the period, helping the region to its best ever quarter. Two sub-advisers received €6.2bn (€3.1bn each) whilst another picked up a further €1.6bn – all in multi-assets. Elsewhere, €1.3bn was awarded in European large cap equity and €1.1bn of UK flex cap equity.

instiHub says that what was "formerly a niche market is now well into a break-out phase" with total AUM up €9bn (+1.7%) to €550bn – also a new record.

InstiHub is Knowledge partner at the Summit event, where it will be taking part in discussions, alongside Headline partner Goldman Sachs Asset Management, and Associate partners Columbia Threadneedle Investments, Invesco, Janus Henderson Investors, PGIM Investments | Jennison Associates, Lord Abbett, Natixis, Pictet Asset Management, Pimco and Wellington Management.

In terms of asset allocation, equities share of AUM increased by €11bn (+4.5%) to about 47%, led by US equities (+9%), UK equities (+8%), thematic sectors (+ 8%) and global equities (+ 6%).

Fixed income (about 33% of AUM) shrank by €3bn or -1.7% overall with Euro fixed income (-7%) and EM debt (-5%) suffering the most. Meanwhile, multi asset funds share of the total (about 20%) remained relatively unchanged and grew in step with the whole market (+1.7%).

Andreas Pfunder, CEO of instiHub, says: "This Q2 bifurcation trend of positive asset growth for equities while fixed income turned negative for the first time in many quarters reflects the late phase in this long expansionary business cycle. We expect this to continue for the remainder of 2018."

Currently, instiHub estimates that assets in the sector are held by a pool of some 142 sponsors across 15 EMEA buyer markets.

Competition is increasing among the estimated 540 sub-advisers, Pfunder adds. This is a result of sub-advisory being seen as a less capital intensive way to grow asset management businesses.

"Boutiques with good investment strategies will naturally seek growth in the sub-advisory space as one of the few channels still accessible after Mifid II implementation." ■

Event details are available at www.investmenteurope.net/event/pan-european-sub-advisory-summit-milan-2018.

To register for the event, which is free to attend for qualifying delegates, contact Vanessa Orlarey at +44 (0) 74 7393 4144, or email vanessa.orlarey@odmpublishing.com.

VIDEO EXCLUSIVE: AN INTRODUCTION TO SUB-ADVISORY

InvestmentEurope recently spent time with Nick Phillips, head of International Retail Client Business, GSAM to talk about these issues and his view on why sub-advisory is one of the most interesting growth markets, making people sit-up and rethink their strategies.

To view the video visit https://vimeo.com/279889610.

5 Years that the NIMF has been going in 2018

Tripling the presence

This year's Nordic Investment Managers Forum is branching out from its base in Luxembourg to also incorporate events in Zurich and Munich. Jonathan Boyd will be moderating the events

Starting on 23 October 2018, the Nordic Investment Managers Forum will visit Zurich, then Munich before returning to Luxembourg for the fifth time.

Five leading asset managers from Scandinavia – Danske Invest, DNB Asset Management, Skagen, Jyske Bank and Sparinvest – will unite to discuss important market trends and investment topics with professional investors.

Speakers set to take part include:

- Allan Willy Larsen, head of FX and Mortgage Bonds at Jyske Capital;
- David Bakkegaard Karsbøl, who joined Sparinvest in 2013 as chief strategist, having specialised in investment strategies, active allocation and economics;
- Fredrik Bjelland, who has been portfolio manager of the emerging markets equity fund Skagen Kon-Tiki since August 2017;
- Kjell Morten Hjørnevik, who joined DNB Asset Management in 1999 as a portfolio manager, responsible for the DNB SAA/TAA and in 2008 became portfolio manager for DNB Nordic Equities;
- Thomas Haugaard, who is a senior economist in the Emerging Markets Debt Hard Currency (EMD HC) team at Danske Bank Asset Management.

Topics set to be covered include:

- Rethinking emerging market – adding value through an unconstrained approach;
- Allocation funds – more than a decade not timing the market;
- Danish mortgage bonds – still attractive?
- All that glitters is not gold – uncovering alpha in EMD HC;
- The Nordic region – attractive returns in a sound economic environment.

Each event will feature a keynote speaker outlining individual views and insights.

Over the past half a decade, the NIMF event series has outlined how manager from the Nordic region have proven robust and stable partners to investors, while also setting standards on customer orientation, transparency and sustainability – values subscribed to by the Forum.

The format will facilitate direct access to the speakers present and allow for an open exchange of opinion with the managers. ■

MORE INFORMATION

Further details can be found at www.nimf.lu, as well as on LinkedIn at www.linkedin.com/company/nordic-investment-managers-forum.

This year's edition of the Fund Manager of the Year Awards 2018/19 is set to take place in London on 6 December, when winners will be revealed. Jonathan Boyd reports

Awards approach

InvestmentEurope's Fund Manager of the Year Awards 2018/19 are set to enter the second stage of the judging process by September.

This entails use of a voting platform provided by SharingAlpha (www.sharingalpha.com), a platform partner that offers fund selectors the ability to rate funds and generate their own rankings among their peers in the community.

Using the platform's technology, fund selectors will be able to log in and give their verdicts on the shortlisted funds. Ratings will be gathered anonymously to ensure that selectors feel comfortable given their views without bias influencing their decisions, for example, because of concerns fund providers may query them on why they rated certain funds over others.

The platform will capture views across three key parameters: People, Price and Portfolio. By giving a score out of five stars on each of these parameters, selectors are able to generate an average score for each fund rated. The ratings will be aggregated to produce the final category winners.

METHODOLOGY

Ahead of the qualitative selection of category winners, there is a quantitative filtering to establish the shortlists, which has been performed with the Awards' other partner Thomson Reuters Lipper. This starts by looking to funds and fund managers that together must have a three-year track record to 31 May 2018, to measure cumulative return.

Performance is assessed over each year discretely, and then weighted the following way:

- 30% weighted to performance in the last 12 months (Year 3);
- 40% weighted to performance in Year 2;
- 20% weighted to performance in Year 1
- 10% weighted according to the three-year Sortino Ratio.

The funds must be for sale in at least two of *InvestmentEurope*'s core markets: France, Germany, Iberia (Spain and Portugal), Italy, Nordics (Norway, Sweden, Denmark, Finland) and Switzerland, and be a minimum size of €100m. The higher weighting in Year 2 takes into account the mean reversion risk as more money tends to come into funds as they pass into a three-year-plus track record.

For full ongoing details, including updates on categories and shortlists, visit www.investmenteurope.net/events. ■

Approaching events

Early October will see *InvestmentEurope* host its inaugural Sub-Advisory Summit in Milan, followed by the Pan-European Summit in Hamburg

NEXT EVENTS

INVESTMENT EUROPE PAN-EUROPEAN SUB-ADVISORY SUMMIT MILAN 2018

MILAN, 4-5 OCTOBER

InvestmentEurope's inaugural Pan-European Sub-Advisory Summit Milan 2018 takes place 4-5 October at the majestic Palazzo Parigi, and is set to be *the* must-attend event of its kind this year.

Estimates suggest that some €200bn of net flows could migrate to sub-advised funds over the coming five years, with key markets in the region including the UK, Italy, Ireland and France.

The Headline partner for this event is Goldman Sachs Asset Management, with instiHub as the event's Knowledge partner, and Associate partners in the form of Columbia Threadneedle Investments, Invesco, Janus Henderson Investors, PGIM Investments | Jennison Associates, Lord Abbett, Natixis, Pictet Asset Management, Pimco and Wellington Management.

Spread over two days, the event includes sessions on the growth of sub-advisory worldwide, key trends in the European sub-advisory market, understanding what makes for successful sub-advisory partnerships, designing sub-advisory solutions, oversight of related multi-asset developments, and what the future might hold for the sub-advised market over the next five years and beyond.

There are plenty of opportunities to discuss industry developments with peers, including lunches, a networking dinner and coffee breaks.

To register your interest in attending, contact Vanessa Orlarey at vanessa.orlarey@odmpublishing.com or +44 (0) 7473 934 144.

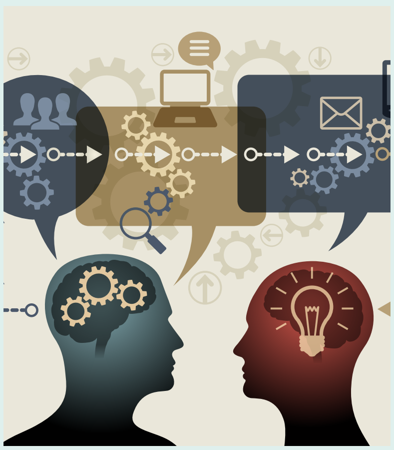
INVESTMENT EUROPE PAN-EUROPEAN SUMMIT HAMBURG 2018

HAMBURG, 17-19 OCTOBER

InvestmentEurope will host the Autumn Pan-European Summit Hamburg 2018 on 17-19 October at the Hotel Sofitel Hamburg Alter Wall.

The event will offer more than 70 fund selectors from across the region access to latest thoughts and updates on asset classes, strategies and approaches from asset management groups including Candriam Investors Group, Danske Invest, Eurizon, First State Stewart Asia, Invesco, Janus Henderson Investors and Tokio Marine Asset Management.

To register your interest contact Patrik Engstrom at patrik.engstrom@odmpublishing.com or +44 (0) 20 3727 9940.



TAKE PART IN THE DISCUSSION

Delegates to the Pan-European Sub-Advisory Summit Milan 2018 and the Pan-European Summit Hamburg 2018 are encouraged to connect ahead of the events by tweeting using the hashtags #SASUMMIT and #IESUMMIT respectively.

InvestmentEurope's website now offers the opportunity to learn about both past (www.investmenteurope.net/past-events) and future (www.investmenteurope.net/events) events.

HAMBURG KEYNOTE

This year's Hamburg keynote speaker is the Rt. Hon. Iain Duncan-Smith MP (pictured above), the former secretary of state for Work and Pensions in the UK in 2010-16.

During this time he instituted reform of the benefit and pension systems, and of employment services and support in the UK. Chief among these were the introduction of Universal Credit, the Work Programme, and the Single Tier Pension.

Duncan-Smith was first elected to Parliament in 1992. Re-elected in 1997, he entered the Shadow Cabinet as secretary of state for Social Security, before moving to become shadow secretary of state for Defence in 1999. He was elected leader of the Conservative Party in 1999. In 2003 he stepped down from the leadership and established the Centre for Social Justice think tank.

Also presenting on diversity will be the Fondsfrauen network on diversity in asset management. The event also offers opportunities to hear more about the Association of Professional Fund Investors, and the SharingAlpha platform for fund selectors.

To register you interest in attending, contact Patrik Engstrom at patrik.engstrom@odmpublishing.com or +44 (0) 20 3727 9940; Arzu Qaderi at arzu.qaderi@odmpublishing.com or +44 (0) 20 3727 9936; or Luisa de Vita at luisa.devita@odmpublishing.com or +44 (0) 20 3727 9932.

➤ Full calendar of events overleaf.

EVENTS CALENDAR 2018

4-5 October — Milan — **Pan-European Sub-Advisory Summit**

InvestmentEurope's inaugural Sub-Advisory Summit will bring together financial professionals from across the region for a key update on latest trends



17-19 October — Hamburg — **Pan-European Summit**

The twin-sister event to the Lausanne Summit earlier in the year, this event also caters to 72 fund selectors from across the region with a bias towards Northern Europeans



25 October	Madrid	Forum
30 October	Copenhagen	Roundtable
13 November	Zurich	*Pensionskassenforum*
20 November	Milan	Forum
27 November	Tel Aviv	Forum
4 December	Stockholm	Forum
6 December	London	Fund Manager of the Year Awards

The last event of 2018 will see InvestmentEurope play host to portfolio managers and fund selectors alike as the latest annual awards are handed out, recognising talent on both the sell and buy sides



For further information on sponsoring these events, please contact: eliot.morton@odmpublishing.com.

65 Countries where SharingAlpha members are present

SharingAlpha

The volume of user-driven data generation on SharingAlpha means the platform is looking to add country-based rankings of fund selectors

Staying global, going local

SharingAlpha, the platform for fund selectors to rate funds and build up their own track record and ranking continues to develop more services for the financial professionals in its user community.

The continued growth in numbers of users of the SharingAlpha platform is also facilitating the rollout of additional services that can be used by fund selectors who may be keen to generate a rating of their own as financial professionals.

So far, the platform counts some 1,681 vetted fund professionals from 65 different countries as users.

"As our community has grown we are now working on adding specific country rankings rather than just the single international rankings," explains Oren Kaplan, CEO and co-founder.

"That is, at the beginning of 2019 we will announce the list of top ranked fund selectors and asset allocators in countries in which we have gathered a large number of members. This obviously increases the chances of being highly ranked and we expect will add more interest in the rankings."

"We also plan on publishing the list of funds that received the highest number of ratings in each country."

RATINGS CHANGES

One of the key facets of the platform is that as more users provide more ratings of more funds, it is able to reflect the collective wisdom of the fund selector community in the form of updated tables of high rated funds & providers, most popular funds & categories, funds rated by categories and highly rated hedge funds.

The latest monthly update of top 10 most highly rated funds saw the Robeco Global Consumer Trends Equities and Lindsell Train Global Equity funds become the top new entrants, while the Cobas Internacional and Magallanes European Equity funds consolidated their position amongst the five highest rated funds.

These and the other highest rated funds stand out on the key factors of people, price and portfolio. The scores represent the 'wisdom of the crowd', as they are based more on qualitatively derived expectations of fund selectors rather than backward looking quantitative filtering. ■

HIGHLY RATED FUNDS

Ratings are based on the preferences expressed by users of its platform, on the factors of people, price and portfolio, and are rated on a maximum score of '5'. Start your own rating. Visit www.sharingalpha.com for more information.

Fund name	Domicile	Average rating	Raters	Move from prev
Liontrust European Income Fund	UK	5	7	◆
Oppenheimer Developing Markets Fund	US	4.9	5	◆
Cobas Internacional FI	Spain	4.87	5	▲
Magallanes European Equity FI	Spain	4.83	20	▲
Robeco Global Consumer Trends Equities	Lux	4.82	5	New
Sextant PEA	France	4.82	15	◆
Invesco Global Leisure Fund	Lux	4.81	8	▼
Lindsell Train Global Equity Fund	Ireland	4.8	7	New
Cobas Selección FI	Spain	4.8	8	▼
Vanguard US Opportunities Fund	Ireland	4.8	6	▼

As at 23 August 2018 Source www.SharingAlpha.com

0.7% Rise in retail margins in Australia in Q2 2018

Affiliation projection

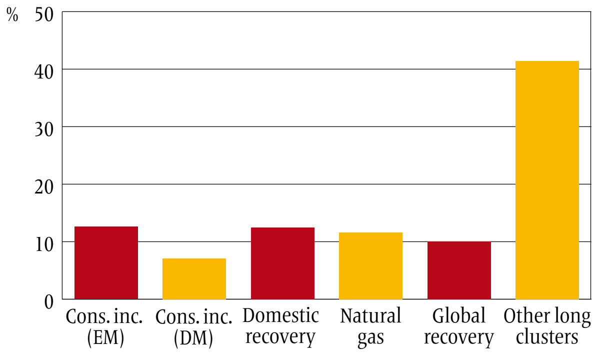
Sydney based Antipodes Partners is using a particular multi-affiliate model to achieve distribution in Europe. Jonathan Boyd caught up with its CIO and founder in London recently

Sydney, Australia, is known more for its beaches than as an investment hub, but the success of Antipodes Partners, led by CIO Jacob Mitchell, is starting to change this. Antipodes is a global fundamental equities manager with a modernised, more streetwise approach to value investing – the concept of 'pragmatic value'.

Mitchell founded the asset manager in 2015, following 14 years at Platinum Asset Management.

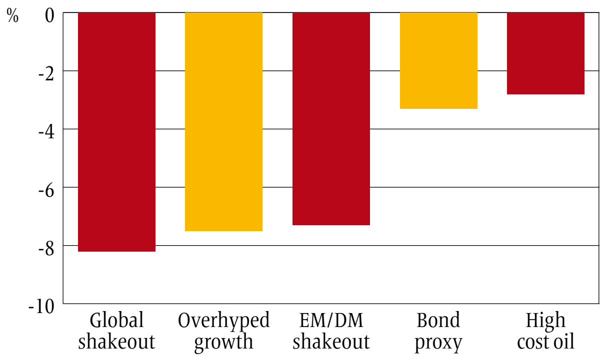
Since inception, Antipodes' AUM has increased from $180m to around $5.5bn as of the end of March 2018. The group has also established a London office over the past year, coinciding with the launch of its first Ucits strategy, the Antipodes Global Fund – UCITS, a long-short equity vehicle. The group has since launched a long-only global equity strategy within Ucits. In addition to this, Antipodes also has a range of Cayman, Australian and New Zealand-domiciled strategies.

MAJOR CLUSTERS – LONG



As at 31 March 2018 Source Antipodes Global Investment Partners

MAJOR CLUSTERS – SHORT



As at 31 March 2018 Source Antipodes Global Investment Partners

Mitchell explains the Antipodes name carries multiple layers of symbolism. While the word Antipodes means diametrically opposed, this does not mean the manager simply employs a contrarian stance – it simply seeks to think independently of the crowd.

Secondly, people from Australia and New Zealand are generically known as Antipodes, thus reflecting the origins of the firm geographically.

Finally, finding of the Antipodes was the result of a series of discoveries, implying a collaborative approach is required.

One of the keys of Antipodes' success since its launch was the decision to partner with Australian-headquartered Pinnacle Investment Management. Pinnacle, which has also established a presence in the UK, is a multi-affiliate manager, charged with supporting specialist investors such as Antipodes. While Antipodes focuses on the day-to-day investment managements, Pinnacle supports business operations, distribution, client services and legal/compliance matters.

It is through the Pinnacle Icav, a Dublin-based Ucits umbrella, that Antipodes launched the Ucits versions of its global equity strategies.

Mitchell says the separation of specialisms between management and distribution has enabled scaling quite quickly without distraction to the investment team.

In terms of AUM growth in the local market., it has largely been split 50/50 between retail and institutional investors.

VALUE

Mitchell spent his formative years immersed in understanding the value approach to investing, so it is not surprising this is core to Antipodes philosophy. He describes the concept as 'pragmatic value'.

"At Antipodes Partners, our investment approach looks to take advantage of the market's tendency for irrational extrapolation around change. At the core of our philosophy, we seek in our long investments both attractively priced businesses offering a margin of safety, as well as investment resilience characterised by multiple ways of winning. The reverse is true in the case of our shorts," Mitchell explains.

"While the investment case will always be predicated on idiosyncratic stock factors such as competitive dynamics, product cycles, management and regulatory outcomes, we seek to amplify the investment case by taking advantage of style biases and macroeconomic risks and opportunities."

Antipodes' investment approach seeks to identify 'clusters' of stocks being mispriced by the market. Mitchell says this requires analysts with deep sector knowledge, alongside the use of quants to provide additional 'peripheral vision'. In the long-short portfolio, there are about 60 stocks across 10 clusters in the long book and 30 stocks across five clusters on the short side.

One long cluster Antipodes currently finds compelling is within the technology sector. However, far from the FAANGs, Mitchell and the team sees value in tech incumbents.

"While the FAANG stocks, as well as the theme of disruption, continues to attract most of the investor attention, it is important to recognise the opportunities within the diverse tech sector run far deeper," Mitchell explains.

"In fact, the fervour to be on the right side of the change during this disruption age has distorted the valuations of many stocks within the tech space – with valuations of the perceived winners driven to excessive levels, at the expense of many fundamentally sound businesses.

"We have witnessed numerous examples of this in recent times and have taken the opportunity to buy into many high-quality businesses – such as Qualcomm, Netapp and Cisco – trading cheaply relative to any reasonable assessment of medium term prospects."

As for quant, Mitchell says it is as a vital tool to integrate into a fundamental investment process at all stages, through idea generation, portfolio construction and risk management.

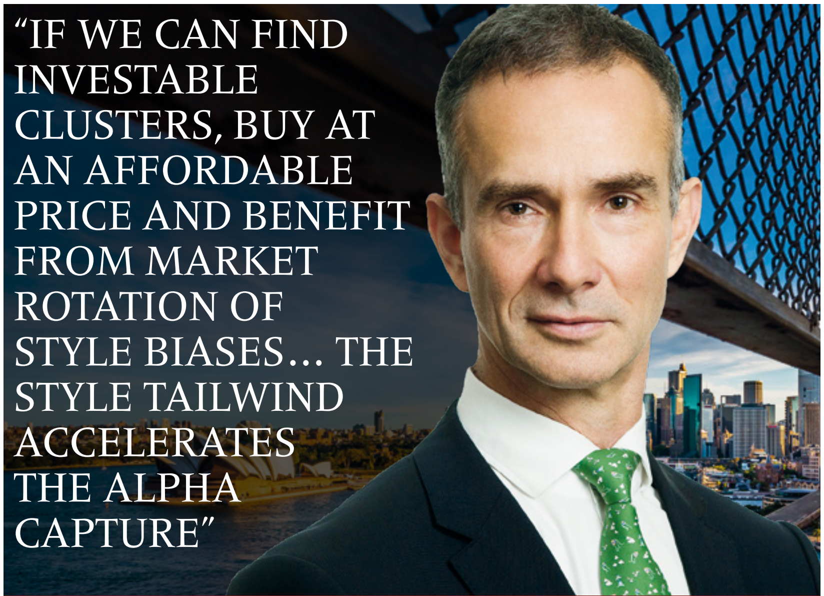
What Antipodes seeks to avoid is any over-reliance on the 'genius of the stockpicker'. Quants can help backtest the qualitative view and be useful in testing correlations between clusters. Antipodes is not simply a rigid bottom-up or top-down manger, because, as Mitchell explains: "You can't be just bottom up or just top down if you are searching for multiple sources of alpha."

DIFFERENTIATION

While there are many global equity offerings in the market, Antipodes brings a different approach, which is refined by the experience of Australian investors towards the asset class.

Mitchell argues Antipodes takes a pure global approach, avoiding the home market biases inherent in many US or European 'global' portfolios. For example, while Antipodes' weighting to Asia could be considered high relative to peers, Mitchell says this is simply a consequence of where the team is finding the most compelling opportunities.

Finally, Mitchell says a lot of thought went into the structure of the organisation, which is continually being refined. For example, incentive structures are carefully weighted between individual, team and firm success – encouraging individual motivation and also a collaborative approach. Mitchell is a believer that organisational design is a key driver of alpha over the long term. ■



JACOB MITCHELL

Jacob Mitchell is managing director and CIO of Antipodes Partners, the firm he founded in 2015. Prior to this, Mitchell spent 14 years at Platinum Asset Management, where he was most recently deputy CIO and portfolio manager of the flagship Platinum International fund. He had direct portfolio management responsibility for more than A$3.5bn in AUM and was responsible, together with the CIO, for the firm-wide (A$25bn in AUM) implementation of the investment process. From 1996 to 2000, he was head of Technology and Emerging Industrials Research at UBS Warburg Australia. He commenced his investment career in 1994 as a trainee investment analyst at Tyndall Australia, the high conviction, value-oriented Australian equities manager.

EUROPEAN EXPANSION

While an Antipodes sector team has been based in London since 2017, Mitchell expects the UK team to grow further due to its three attractive characteristics: the high level of corporate access, favourable time zone and larger investment talent pool.

Pinnacle Investment Management, which is responsible for the distribution of Antipodes' funds, also has European expansion plans. Pinnacle currently has two distribution directors based in London, with approval from Pinnacle's board to further build out the European business. The decision to launch the Ucits platform initially with Antipodes was based on research that the European wealth management market was particularly keen on equity strategies focused on strong upside capture, as well as downside protection. There is also a level of investor sophistication in the European investment hubs beyond London, such as in Switzerland, Madrid, Milan.

$20,402,500bn US GDP in Q2 2018

Colin Fitzgerald, head of Invesco's institutional business in the EMEA region, touches on digitalisation, ecosystems and PRI among the factors underpinning Invesco's approach to further development. Jonathan Boyd reports

Putting client centricity at the core

In an ever more complex environment for fund providers, one of the ways to maintain growth is to adapt to client centricity and the expectations that clients have.

It is an environment of disruption, which requires organisations to determine strategies to engage with clients and deliver a superior investment experience. This means, for example, that physical location is becoming less important and co-location more important.

So notes Colin Fitzgerald, who leads Invesco's institutional business in the Europe, Middle East and Africa (EMEA) region.

This is part of Invesco's global presence, constituting some 1,400 people across 20 offices in EMEA, which are backed up by a global critical mass from the broader organisation.

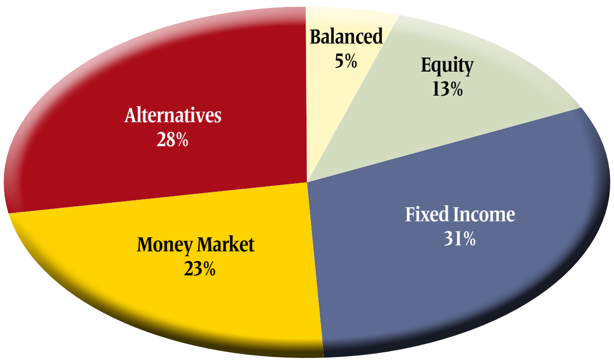
This already well-established physical presence helps explain why investors should not necessarily expect more physical local expansion, but co-location and the prospect of digital partnerships, he suggests.

SIZE MATTERS... SORT OF

Amid such challenges, it is not the size of fund or organisation that matters, he continues, but rather the sales channels, and what investors are seeking out funds for – the fulfilment of goals.

Fitzgerald looks to institutional channels, defined benefit, defined contribution, insurance and sovereign wealth funds.

INVESCO GLOBAL INSTITUTIONAL AUM ($328BN)



As at 30 June 2018 Source Invesco

"Whether an insurer in Iceland or the UK or Germany, they'll tend to have similar behavioural traits, for example, thinking about liabilities, so will have similar needs to find investments to match liabilities," he says.

Regulation is a key driver of the environmental changes, but in the main it should be welcomed, he suggests. A certain amount of regulation is needed and appropriate.

"Regulators have generally done a decent job implementing regulations," he says, adding that Invesco feels it is well placed to deal with regulation given its mass and resources to implement responses, and deliver to clients, including delivering a positive experience.

Regulatory changes also provide opportunity. For example, Solvency II was in the pipeline for many years. That has unlocked great opportunity for standalone and third-party mangers to a degree that did not exist before, he argues.

Other changes that Fitzgerald notes include the dissipating gap between retail and institutional: retail buyers are becoming more like institutional buyers in how they act and use investments, he says.

AUTOMATION

Digital developments – and that means much more than just blockchain, Fitzgerald stresses – are impacting areas such as accessing clients, presentations, competition, winning contracts, implementing mandates, data and reporting, and relationship management through the onboarding process.

"Looking at the lifecycle in the past, it was all manual. Today it is a hybrid of manual and digital".

But it is becoming ever more digital. There will still be room for manual, but the amount of room for that as well as providing the highest quality experience is ever diminishing, he says.

Automation provides and often superior experience, he continues. Client facing platforms are becoming largely digital.

What this means at the level of staff is that for example what made people successful sales or relationship managers 20 years ago is not the same today. But the same can be said for portfolio managers or analysts.

There is increasing demand for digital skill sets across the board.

ECOSYSTEMS

Beyond digital developments, the ecosystem around managers is important, Fitzgerald continues. In the region for which he is responsible there is a growing question mark of the future of London.

"An asset manager doesn't stand alone. There is an ecosystem of legal and accounting firms, etc, that leads to efficiency. London has the ecosystem, so will continue to be a viable centre going forward," he says.

That said, he also notes that the Invesco funds available via Luxembourg and Ireland provide some buffer to the Brexit challenge.

Invesco has also been engaging in corporate action in the past couple of years, which has positioned it to take advantage in other ways, he continues.

This includes Invesco's purchase of Intelliflo – the technology supplier to financial advisers – Guggenheim, the US ETF business, and Source, the European ETF business in the past year.

"These will give insight into where we are heading from a strategic perspective," Fitzgerald says, explaining that it means the manager can deliver active, passive and alternative investments to clients.

"At Invesco, it is not a conversation of active versus passive. It is active, and passive and alts in the portfolio. We are one of the few firms that can have that conversation. That makes clients happy because they can have a holistic portfolio conversation and a holistic goals conversation."

Having mentioned the impact of digital developments on the industry, and noting the Intelliflo deal, Fitzgerald nonetheless suggests this does not mean Invesco – or indeed other managers – are becoming technology firms.

That view would be exaggerating developments, he suggests: Invesco is an asset manager supported and driven by technology, which is becoming adept at technology. There may be a point in future when an asset manager becomes a technology firm, but "the jury is out on that", he adds.

On acquiring ETF capabilities, he says that while there is a discussion generally as to whether ETFs constitute a 'wrapper' – a debate he says is very US-centric in relation to discussions on tax – for the EMEA region it is more about providing a balanced set of investors – retail and institutional – access to indices that Invesco itself can develop.

PROACTIVE ENGAGEMENT

Another development that Fitzgerald is keeping an eye on is how the complexity of the aforementioned ecosystems mean even institutional clients are lacking the ability to maintain oversight of what, say, regulatory developments mean for their own customers in turn.

This opens up opportunities for Invesco to place itself as a strategic partner, willing to pursue proactive engagement, and position itself as the one that a client will turn to when they want to come up with an idea.

"That's when the client and Invesco as a firm are happiest," he says

"I think that's the future. We want to be partners with the clients. Research suggests the industry needs to continue improving the client experience.

"That is what [Invesco's] research set out to do 13 months ago; aiming to become a standard bearer for the client experience. We are working hard to implement this."

The final area of change noted by Fitzgerald involves ESG. Here, society is pushing for changes. The asset management industry is responding, for example, by improving PRI scores, in mind of how principles for responsible investing have moved beyond being a box-ticking exercise, he says.

Invesco see itself leading on this shift in areas such as fixed income, he suggests.

"ESG has been part of the equity investing ecosystem for a while, but it is only more recently that it has figured for fixed income investors." ■

"AN ASSET MANAGER DOESN'T STAND ALONE. THERE IS AN ECOSYSTEM OF LEGAL AND ACCOUNTING FIRMS, ETC, THAT LEADS TO EFFICIENCY. LONDON HAS THE ECOSYSTEM, SO WILL CONTINUE TO BE A VIABLE CENTRE GOING FORWARD"

COLIN FITZGERALD

Colin Fitzgerald leads Invesco's institutional business in the Europe, Middle East and Africa (EMEA) region.

With more than 20 years' business development experience, he most recently led Fidelity's institutional business based in the UK. Prior to that, he served as head of International Institutional Distribution for Pyramis, a Fidelity Investments company, with responsibility for all non-North American business. He previously served as global head of Key Accounts & Consultants at Robeco Group from 2003-2012, most recently with responsibility for Robeco's global distribution partnership business.

Prior to his role at Robeco, he worked at several asset managers in the US and Asia Pacific.

2.5% July unemployment rate in Iceland

Visiting the community

In the first of a series of presentations outlining *InvestmentEurope*'s ongoing commitment to visiting members of the fund selector community across the region, Jonathan Boyd outlines some of the visits made over the summer months

Teams of editorial and other staff have been busy over the recent summer months visiting fund selectors and other financial professionals across various destinations in the region. These visits form part of *InvestmentEurope*'s commitment to the fund selector community, and complement the presence derived from the events hosted throughout the year.

Purposes for meetings may vary, but each represents an opportunity to explain what InvestmentEurope is doing in particular markets, understand approaches to selection, and share ideas around ongoing market conditions and asset classes.

Some of the recent highlights are detailed below.

UPCOMING TRIPS

The *InvestmentEurope* editorial and delegate recruitment team will continue a series of research trips to different markets across Europe through the autumn.

These include:

- 11-12 September – Jonathan Boyd & Patrik Engström visiting Copenhagen;
- 24-26 September – Ridhima Sharma visiting Munich;
- 25-26 September – Jonathan Boyd & Nicholas Rapley (chairman of Open Door Media Publishing) visiting the Association of the Luxembourg Fund Industry Global Distribution Conference;
- 18-20 September – Eugenia Jiménez & Louisa de Vita visiting Rome;
- 1-2 October – Ridhima Sharma & Arzu Qaderi visiting Zurich;
- 23-25 October – Jonathan Boyd visiting Zurich, Munich and Luxembourg as moderator for the Nordic Investment Managers Forum series;
- 5-6 November – Jonathan Boyd & Patrik Engström visiting Stockholm.

If you would like to meet any of InvestmentEurope's colleagues during these visits, please contact them by email or telephone. Details are available at www.investmenteurope.net/contacts.

June

Adrien Paredes-Vanheule, deputy editor (pictured above, left), French-speaking Europe correspondent and Vanessa Orlarey, head of Fund Selection and Distribution (pictured above, right), Southern Europe visited Paris, where meetings included:

- François Gazier – fund selector & Mandy Couderc, marketing & communication manager – Haussmann Patrimoine;
- David Tissandier – fund manager & Debbie Marty – head of Press Relations & International Events – La Française;
- Bernard Aybran – deputy CEO – Invesco;
- Claire Bruhin – portfolio manager – Athymis Gestion;
- Sébastien Legoff – managing director – Delubac;
- Vincent Mortier – deputy CIO – Amundi;
- Lorenzo Avico – head of Wholesales Distribution Luxembourg – BNP;
- Veronica Veira – country head France Benelux– Cobas;
- Richard Pandevant – head of Marketing & Communication, Marco Prete – Sales Italy & Ticino & Vincent Peyrafitte – sales manager Southern Europe;
- Patricia Kaveh – head of Distribution – Banque de Luxembourg Investments;
- Virginie Dubois – VP, senior marketing manager – Allianz;
- Constance Charrier & Arnaud Mauvilieu – Marketing & Communication – Ossiam;
- Florence Jolin – head of Marketing – Sycomore.

July

Vanessa Orlarey, head of Fund Selection and Distribution, Southern Europe, and Luisa de Vita, delegate relations manager, (pictured left) visited Milan, where meetings included:

- Alberto Moioli – Portfolio Modelling & Advisory Specialist Investment Services, Private Banking Division – FinecoBank (UniCredit Group);
- Giorgio Castiglioni – CIO, head of Advisory at Banca Passadore & Co;

6.9% EU28 unemployment rate in July

- Carlo de Luca – head of Asset Management – Gamma Capital;
- Matteo Cassiani – senior PM – Fideuram Investimenti SGR SpA ;
- Carlo Mogni – senior fund manager, fund selector, Investitori SGR (Gruppo Allianz);
- Matteo Dattilo – fund analyst and Giovanni Fulci, head of Alternative Investments – Monte dei Paschi di Siena ;
- Gianluca Piacenti – head of Fund of Funds Solutions – Amundi ;
- Luca Rescigno – analyst at Marzotto SIM;
- Giuseppe Patara – portfolio manager, director – Credit Suisse;
- Stefania Taschini – portfolio manager – multimanager – ANIMA SGR Nicola Tommasini – head of research and due diligence – Aletti Gestielle (Gruppo Anima).


Eugenia Jiménez (pictured above, left), Iberia correspondent and Borja Díaz (pictured above, right), delegate relations executive, visited Lisbon, where meetings included:
- Rui Castro Pacheco – investment department associate director and head of Asset Allocation – Banco Best;
- Andre Santos – portfolio manager – BPI Asset Management;
- Paulo Monteiro, director and head of Asset Management and Derivatives – Banco Invest;
- Bernardo Silveira, head of Capital Markets – Banco Privado Atlantico Europa;
- Ricardo Duarte, fund selector and product development & strategy – Crédito Agrícola;
- José Artur Barreiros and Marta Martins, fund manager and fund selector – GNB Gestão de Ativos;
- Paulo Sá Luis – product and assets manager – Santander Private Banking;
- Isabel Soares – product specialist AM – Banco de Investimento Global;
- Duarte Francisco and Francisco Amorim – fund selectors at the Wealth Management unit of Millenium BCP;
- Manuel Gonçalves and Jorge Silveira, managing director and CIO – BBVA Asset Management Portugal.

Vanessa Orlarey, head of Fund Selection and Distribution, Southern Europe, and Borja Díaz, delegate relations executive visited Madrid, where meetings included:
- José Manuel Lopez – CIO – Kefren Capital;
- Antonio Banda – CEO – Feel Capital;
- Jaime Iceta – director – Iceta Private Wealth Solutions EAFI;
- Victor De la Morena, Ismael Miled & Ghezlane El Khourouj – Amundi;
- Daniel Sancho – investment manager – Mapfre Géstion Patrimonial;
- Jonás González – Asset Allocation – Mutuactivos;
- Sonia de las Heras & Carlos de Andrés – investment manager, FoF – Allianz Popular;
- Pablo García, head of Open Arquitecture – CaixaBank Asset Management;
- Almudena Cansado – investment manager at Unigest.

August

Arzu Qaderi, DACH delegate relations executive (pictured left), visited Frankfurt where meetings included:
- Manuela Thies – managing director – Allianz Global Investors;
- Lars Kolbe – Research Fonds/ Fondsmanagment – Aqualutum;
- Ralf Mielke – deputy leader/portfolio management – Bank Julius Bär Europe.

Jonathan Boyd, editorial director and Patrik Engström (both pictured below) visited Reykjavik where meetings included:
- Loftur Olafsson – Asset Management – Birta Pension Fund;
- Gudrun Ingolfsdottir – deputy CIO – Gildi Pension Fund;
- Gretar Axelsson – portfolio manager – Almenni Pension Fund;
- Gylfi Jonasson -CIO – Festa Pension;
- Jonas Dalberg – managing director – Joklar Verdbref;
- Egill Brynjolfsson – fund manager – Landsbref;
- Valgard Briem – fund manager- Landsbref;
- Arnar Einarsson – fund manager – Lifsverk Insurance. ■

HAVE COPY, WILL TRAVEL

The *InvestmentEurope* magazine is read across the region. We would be happy to publish pictures showing it *in situ*, as this example of editorial director Jonathan Boyd (right) and head of Delegate Relations Patrik Engström (left) from the recent Reykjavik trip illustrate.

Send your photographs to: jonathan.boyd@odmpublishing.com.

InvestmentEurope's Editorial Board members give their views on absolute return funds and volatility around EM funds over the summer months

Ideas generation

If you would like to be considered for inclusion in *Investment-Europe*'s Editorial Board, please email the editor at: jonathan.boyd@odmpublishing.com

JON BECKETT

Author of *New Fund Order*
London
http://jbbeckett.simpl.com/get_the_book.html

Absolute return strategies have been under the spotlight recently; has this made you re-evaluate use of AR funds?

It is right that fund investors continually revaluate their fund decisions but in context of AR funds: lost opportunity cost against beta is not one of them.

These funds sold strongly when we thought markets were in collapse; monetary policy actually produced the opposite. However, that uncertainty premium carried all the way through to about 2013.

Should allocators simply forget drawdowns, portfolio insurance or diversification from beta? No. Where stability of returns is needed then that would be pure folly.

Instead fund buyers need to better understand their AR strategies; expected risk budget, investment horizon and behaviour in different markets. Good from mediocrity. Better due diligence is needed.

THOMAS ROMIG

Managing Director
Head of Multi Asset Portfolio Management
Assenagon
Frankfurt
www.assenagon.com

Absolute return strategies have been under the spotlight recently; has this made you re-evaluate use of AR funds?

The returns of absolute return strategies definitely were below the desired levels in the recent past. Nevertheless, we were able to select and combine AR funds, which performed quite well compared to their competitors.

Even if AR strategies are overall disappointing at the moment, we are convinced that they are still an important part of a diversified asset allocation in the future and offer returns that are quite independent of the equity and bond markets. Though not every AR fund offers the same opportunities and there are various differences between the diverse strategies.

EMMANUEL FERRY

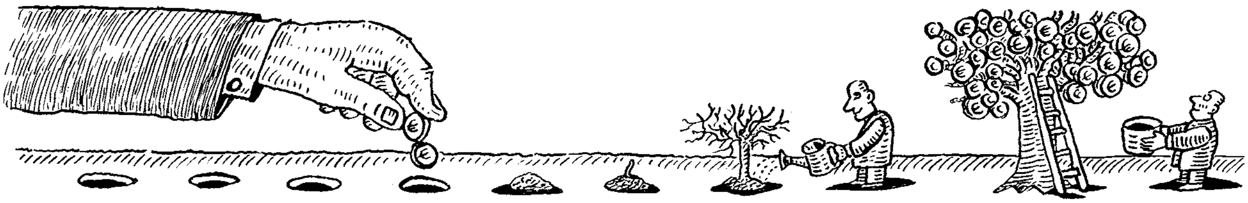
Chief Investment Officer
Banque Pâris Bertrand Sturdza
Geneva
www.bkpbs.com

Does the volatility around EM over the summer, eg, Turkey, mean you see opportunity or does it vindicate a view you may have held that investors should stay away from EM?

The summer EM sell-off is the canary in the coalmine. When the global monetary base contracts, troubles soon follow. Basically, Turkey's problems are quite idiosyncratic and should be relatively well-contained outside of the obvious short-term risk-off unless there's a major investor retrenchment from EM generally.

There are four main key takeaways: 1. America First will continue to prevail at the expense of the rest of the world; 2. Geopolitics will remain complicated with a lot of uncertainties in the EM space; 3. Turkey's problems may add to the accumulating negative sentiment towards emerging markets; 4. China slowdown is another headwind facing EMs.

The situation in EMs is emblematic of potential risks going forward as major central banks withdraw their extraordinary policy accommodation of recent years.



Investment costs in Europe: 'Game of Thrones'

Jon Beckett is author of *New Fund Order* and UK director for the Association of Professional Fund Investors

Sunil Chadda, Advisory Board member, Association of Professional Fund Investors

Transparency should be the great equaliser of the mutual fund industry. With it fund investors make informed decisions, to compare funds (and products) and identify value for money. However, there are many vested interests within this industry, and the transparency movement, that coalesce and contrive to frustrate that outcome.

Whether it is intellectual pride, professional competition, material interest or less benign collusion; something has occurred to distract and dissuade fund investors from cost-analysing mutual funds accurately, reliably or universally.

Consequently, instead of cost transparency being an easy question; it is far from it. This creates added work for the fund investor when time would be better spent on less certain variables like people, process, portfolio and performance.

THE GREAT GAME

Not the Great Game of 19th Century fame, but the new Great Game, which is all about transparency – related to the true initial and true ongoing costs inherent in financial products which, for some reason, remain unknown to us at the time of purchase. This modern Great Game is being played out at both a macro and a micro level on European soil and globally.

> "EUROPE'S FINANCIAL CENTRES ARE FAST BECOMING COMPLIANCE IMPLEMENTATION CENTRES"

At the macro level, the actors include the European Union (EU), EU sovereign states, EU and local regulators and asset management groups, industry bodies, other industry players and, last but not least, investors.

Meanwhile "B" – Brexit simply adds another layer of complexity to the Game.

At the micro level, the actors are the various cost transparency initiatives, whether regulatory or industry body-led, which promise to capture *all* investment costs but, for one reason or another, struggle to achieve their intended goals.

In the Game these actors, whether macro or micro, are, at times, acting independently of each other and on other occasions are acting together, sometimes visibly and sometimes not.

The end result is a dramatic increase in asymmetry and complexity for investors and the governance bodies that represent them. Many of these governance bodies will have regulatory obligations around understanding transaction cost and investment cost levels and/or Value for Money (VfM).

A declaration of VfM cannot be made until such a time when all costs and other incomplete factors have been fully and accurately bottomed out.

Furthermore, what happens should a governance body track only a small subset of the available cost metrics – tracking them all properly is nigh on impossible – and be blind-sided when an angry pension fund member takes legal action based on another cost metric or set of cost metrics?

STRANGULATORY REGULATION

Since the credit crunch of 2008, European financial markets have experienced 10 years of prescriptive regulation – with no roll-back. It disintermediated the capital on the balance sheets of banks onto the balance sheets of asset managers.

The UK's approach of principles-based regulation has all but disappeared; replaced by prescriptive rules designed by bureaucrats who are keen to make a point – and make it badly – not realising that over-zealous regulation is damaging the European economy, industry and adversely impacting the economic and social outcomes of hundreds of millions of people with it.

It seems odd then that whilst this ongoing slew of regulation has targeted financial services, the real risks have largely remained. Surely issues such as poorly capitalised eurozone banks, Europe's sovereign debt levels and debt trajectories, ongoing excessive trade surpluses, "relaxed" bank stress tests and the continual side-lining of the euro's 'Golden Rules' are going to lead to far greater downsides for investors at some point, much greater than any impact from hidden costs and charges? Is the right problem being fixed?

Europe's financial centres are fast becoming compliance implementation centres. There has been little or no innovation since 2008 as management time and resources are spent on the implementation of regulation – and Brexit. Firms now seem to have a resigned acceptance that they must spend these billions on new regulation, compliance and the remediation of previous non-compliance.

For investors looking at investment cost transparency from a financial centre perspective, it appears that that all are running at different speeds and in different directions. This gives rise to regulatory arbitrage for investors and asset managers. The UK, with Brexit fast-approaching, may be about to adopt the highest transparency regime in the world. ■

GERMANY ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
iShares STOXX Europe 600 Basic Res Ucits ETF (DE) TR in EU	17.71
Universal Investment Acatis Datini Valueflex B TR in EU	16.26
Universal Investment Earth Exploration UI R EUR TR in EU	16.05
Universal Investment Earth Gold UI R EUR TR in EU	15.48
Deka STOXX® Europe Strong Growth 20 UCITS ETF TR in EU	15.38
Universal Investment GR Dynamik TR in EU	14.55
iShares STOXX Europe 600 Oil & Gas Ucits ETF (DE) TR in EU	13.30
Universal Investment GR Noah TR in EU	13.03
Allianz Rohstofffonds A NAV EUR TR in EU	12.57

GERMANY CROWN + PERFORMANCE

Fund	Crown rating	36 months
Universal Investment catis Datini Valueflex B TR in EU	x5	54.8
Siemens SKAG Global Growth in EU	x5	46.63
HANSAINVEST Hanseatische Inv Apus Cap Reval R TR	x5	46.5
Ampega Loys Global MH B (t) TR in EU	x5	44.45
Lazard European MicroCap in EU	x5	43.2
Paladin ONE in EU	x5	42.12
BNY Postbank Megatrend in EU	x5	42.07
HANSAINVEST Hanseatische Inv 4Q-VALUE R TR in EU	x5	38.86
Lupus alpha Dividend Champions A TR in EU	x5	38.62

GERMANY SHARPE 3-YEAR

Fund	Sharpe
Pioneer Investments Germany Nordinternet in EU	1.12
Universal Inv Acatis Datini Valueflex B TR in EU	1.03
Deka Technologie CF in EU	1.02
INKA WHC Global Discovery TR in EU	1.00
iShares TecDAX UCITS ETF (DE) in EU	0.99
iShares NASDAQ-100 UCITS ETF (DE) TR in EU	0.98
Deka Technologie TF in EU	0.97
Ampega Loys Global MH B (t) TR in EU	0.97
DWS Technology Typ O ND TR in EU	0.95

GERMANY PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
INKA Antecedo Independent Invest A TR	-61.85	40.30
SEB Global Property TR in EU	-79.37	37.75
Universal Investment GmbH Earth Gold UI R	33.55	36.26
iShares STOXX Europe 600 Basic Res UCITS ETF	40.44	31.62
Universal Investment GmbH GR Noah TR	30.23	30.91
Allianz Rohstofffonds A NAV EUR TR in EU	31.19	30.65
Universal Inv GR Dynamik TR in EU	32.84	30.00
DWS Biotech LC in EU	-11.29	29.10
Universal InvPro Aurum Value Flex in EU	8.73	28.86

GERMANY FIXED INTEREST 3-YEAR

Fund	36 months cumulative
BayernInvest Renten Europa TR in EU	16.31
BayernInvest Subordinated Bond TR in EU	14.08
Deka RentenNachrang TR in EU	13.29
HI Renten Emerging Markets TR in EU	12.73
Deka EuroRent-EM-INVEST TR in EU	12.55
BayernInvest Arena Bond EUR-Hedged TR in EU	11.95
Universal Inv Goyer & Göppel Zins-Inv alpha Univsl A TR	11.91
Ampega Zantke Euro High Yield AMI P (a) TR in EU	11.57
Deutsche Global Hybrid Bond LD TR in EU	11.08

GERMANY BETA 3-YEAR

Fund	Beta over 36 months v. sector
INKA Antecedo Independent Invest A TR in EU	4.88
Allianz Strategie 2031 Plus NAV EUR in EU	4.25
HANSAINVEST Hanseatische Inv Gbl Mkts Gr in EU	3.91
Warburg Invest KAG Degussa Bank Portfolio Privat Aktiv TR	3.86
SG FSI Accuminvest Absolute Return Mandat VV in EU	2.70
HANSAINVEST Hanseatische Inv Gbl Mkts Gr P TR in EU	2.66
Wells Fargo Renten International NOK TR in EU	2.61
BNY Vermoegensverwaltung Global Dynamic in EU	2.41
Warburg Invest KAG mbH AE&S Struktur Selekt in EU	2.40

GERMANY PERF/TER 3-YEAR

Fund	Cumulative	TER
DWS DB Advisors InvAG mit TGV DeAM UA	-10.99	5.21
Metzler Argentum Performance Navigator	12.08	5.11
AVANA IndexTrend Europa Dynamic H in EU	-11.08	4.25
Monega Invest in Visions Microfinance AI TR	3.85	3.94
Ampega Kapitalaufbau Plus AMI TR in EU	5.63	3.90
Ampega Kapital Total Return AMI TR in EU	2.16	3.79
Metzler United Invest Multi Asset Dynamic	7.21	3.75
Ampega CT Welt Portfolio AMI PT (a) TR	9.78	3.43
FT R1 Value Portfolio TR in EU	18.25	3.42

GERMANY INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
INKA WHC Global Discovery TR in EU	1.63
INKA SPS Value Selection A TR in EU	1.55
Universal Investment GmbH BKP Dachfonds TR in EU	1.54
HANSAINVEST Hanseatische Inv 4Q-INCOME R TR in EU	1.47
Universal InvAcatis Datini Valueflex B TR in EU	1.43
Ampega Loys Global MH B (t) TR in EU	1.40
Deka Liquidität EURO TF TR in EU	1.31
HANSAINVEST Hanseatische Inv 4Q-SPECIAL INCOME R	1.31
Deka STOXX® Europe Strong Growth 20 UCITS ETF TR in EU	1.29

Source for all charts FE Analytics, bid-bid, to 17/8/2018.
All figures in % and are gross return rebased in euros

Tech dominant

An initial glance at a number of the best performing Germany domiciled funds within the German mutual fund universe, over the three years to mid-August, suggests that allocation to technology in Europe and North America, small caps in European, and global growth generally have led to investments providing stronger returns – at least in terms of equity exposure. Some of the portfolios have continued to provide decent risk-adjusted returns, as identified by the Crown Ratings received while Sharpe ratios suggest that technology has been providing some of the best return per unit of risk.

From a fixed income point of view, the spread of opportunities have come from a rather different set of areas: emerging markets, subordinated debt and high yield – evidence, perhaps, of why investors really ought to look beyond the ubiquitous German government debt. (The trend for German investors to favour Bunds was identified in the recent *Country Report: Germany* published by *InvestmentEurope* https://opendoormedia.turtl.co/story/iegermanycr2018#!/page/6/1)

Funds investing in commodities are meanwhile visible when considering the relationship between performance and volatility. Some measure relatively high in terms of volatility, but then the returns are positive. ■

GROSS RETURNS ON FUNDS FOR SALE IN GERMANY REBASED IN EUROS

Fund	1m	3m	6m	1yr	3yr	5yr	10yr
UBS (D) Vermögensstrategie II TR in EU	-0.94	1.05	20.01	140.42	92.62	66.88	68.85
Pioneer Investments Germany Nordinternet in EU	-1.28	8.52	22.03	41.84	79.15	189.32	424.25
Deka Technologie CF in EU	1.49	5.33	13.56	25.88	63.36	151.92	235.37
iShares TecDAX UCITS ETF (DE) in EU	1.00	2.58	11.52	26.34	61.08	171.35	246.63
Deka Technologie TF in EU	1.44	5.13	13.18	25.08	60.62	145.20	213.59
DWS Technology Typ O ND TR in EU	1.95	7.00	16.34	24.43	60.26	154.14	238.03
iShares NASDAQ-100 UCITS ETF (DE) TR in EU	2.21	10.69	19.27	31.69	59.46	185.42	399.90
Universal Investment GmbH Acatis Datini Valueflex B TR in EU	-0.34	-0.16	2.00	17.84	54.80	120.43	
Deka STOXX® Europe Strong Growth 20 UCITS ETF TR in EU	0.77	4.94	13.83	22.27	54.61	85.20	120.66
HANSAINVEST Hanseatische Inv 4Q-GROWTH R in EU	0.93	3.76	17.83	23.76	51.03	147.26	230.07
UBS (D) Vermögensstrategie I TR in EU	-1.17	2.28	18.28	87.82	50.90	30.31	24.50
iShares Dow Jones Industrial Average UCITS ETF (DE) TR in EU	4.50	7.32	11.32	22.40	46.85	107.52	219.02
Siemens SKAG Global Growth in EU	0.93	0.93	6.54	15.19	46.63	114.00	291.20
HANSAINVEST Hanseatische Inv Apus Cap Reval R TR in EU	-2.74	-7.82	-6.83	2.38	46.50	118.06	
iShares STOXX Europe 600 Technology UCITS ETF (DE) TR in EU	-2.66	-0.81	6.87	12.67	46.28	88.99	118.62
Ampega Loys Global MH B (t) TR in EU	0.41	-2.94	-0.26	3.35	44.45	73.09	
Universal Investment GmbH Earth Explortn UI R EUR TR in EU	-9.93	-12.12	-3.13	0.09	43.61	20.48	-45.75
iShares ATX UCITS ETF (DE) TR in EU	-0.56	-5.43	-1.13	4.67	43.61	42.94	15.66
Lazard European MicroCap in EU		-1.20	2.58	13.13	43.20	105.20	
Paladin ONE in EU	-0.70	-0.28	-0.73	7.20	42.12	51.22	

ITALY ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
Symphonia Azionario Small Cap Italia in EU	13.07
Arca Economia Reale Equity Italia P in EU	12.27
Eurizon Azioni Energia e Materie Prime in EU	11.21
Eurizon Azioni PMI Italia in EU	7.92
Azimut Trend in EU	6.92
Sai Euromonetario A2 in EU	6.69
8a+ Matterhorn in EU	6.62
IGM Bilanciato Az A in EU	5.92
Amundi Eureka Sviluppo Russia 2018 in EU	5.07

ITALY CROWN + PERFORMANCE

Fund	Crown rating	36 months
Symphonia Azionario Small Cap Italia in EU	x5	36.67
Anima Geo America A in EU	x5	32.12
Azimut Trend in EU	x5	28.08
Eurizon Azioni PMI Italia in EU	x5	19.61
Anima Cedola Alto Potenziale 2022 I TR in EU	x5	12.05
UBI Pramerica Obbligazioni Globali Alto Rendi in EU	x5	11.04
Anima Etica Bilanciato R in EU	x5	10.73
Pioneer Obb Paesi Emergenti Dist A TR in EU	x5	9.55
Euromobiliare Flessibile Azionario A in EU	x5	9.17

ITALY SHARPE 3-YEAR

Fund	Sharpe
Arca Economia Reale Equity Italia P in EU	0.82
Symphonia Azionario Small Cap Italia in EU	0.72
Anima Geo America A in EU	0.66
Investitori America in EU	0.62
Alleanza Alto America Azionario in EU	0.57
Azimut Trend in EU	0.54
Arca Azioni America in EU	0.54
Symphonia Azionario USA in EU	0.54
Pioneer Azionario America A in EU	0.52

ITALY PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
UBI Banca in EU	-57.15	44.76
Azimut Trend Italia in EU	-11.36	21.15
Sai Italia A2 in EU	-7.03	20.21
Gestielle Cina A in EU	17.50	18.90
Gestielle Italia A in EU	4.49	18.80
Agora Equity in EU	28.42	18.64
Allianz Azioni Italia All Stars in EU	-9.00	17.66
Arca Azioni Italia in EU	-1.46	17.39
Pioneer Azionario Paesi Emergenti A in EU	13.49	17.26

ITALY FIXED INTEREST 3-YEAR

Fund	36 months cumulative
Anima Fix High Yield A in EU	12.76
Anima Obbligazionario High Yield A in EU	12.62
UBI Pramerica Obbligazioni Globali Alto Rendimento in EU	11.04
Pioneer Obb Paesi Emergenti Dist A TR in EU	9.55
Gestielle Obbligazionario Corporate Bond A in EU	8.26
Gestielle Emerging Markets Bond A in EU	8.08
Pioneer Obbligazionario Globale High Yield a distrib A TR	7.4
Eurizon Focus Obbligazioni Euro High Yield in EU	6.43
Anima Fix Imprese A in EU	6.04

ITALY BETA 3-YEAR

Fund	Beta over 36 months v. sector
Sai Euromonetario A2 in EU	12.79
Consultinvest Breve Termine in EU	4.79
UBI Banca in EU	3.55
Gestielle Cash Euro A in EU	3.05
Symphonia Fortissimo in EU	2.61
Sai Fondo ETF Attivo A2 in EU	2.48
Mediolanum Risparmio Dinamico I in EU	2.47
Symphonia Asia Flessibile in EU	2.47
Consultinvest Alto Dividendo in EU	2.35

ITALY PERF/TER 3-YEAR

Fund	Cumulative	TER
Allianz Multi90 in EU	15.06	3.16
Anima Fondo Trading A in EU	10.54	3.06
Sella Star Collection Bilanciato Paesi Em A	5.40	3.06
Sella Star Collection Azionario IntA in EU	5.85	3.04
Anima Obbligazionario Corporate A in EU	5.54	2.74
Sella Star Collection MA Globale A in EU	-3.54	2.69
Allianz Multi50 in EU	8.57	2.64
Anima Geo Italia A in EU	2.02	2.51
Anima Geo America A in EU	32.12	2.51

ITALY INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
Symphonia Azionario Small Cap Italia in EU	1.19
Azimut Formula 1 Target 2017 Equity Option in EU	1.19
Arca Economia Reale Equity Italia P in EU	1.17
Anima Forza Moderato A in EU	1.16
Eurizon Azioni Energia e Materie Prime in EU	1.07
Amundi Accumulazione Attiva in EU	0.88
Sai Liquidita A2 in EU	0.87
Azimut Trend in EU	0.86
IGM Bilanciato Az A in EU	0.85

Source for all charts FE Analytics, bid-bid, to 17/8/2018.
All figures in % and are gross return rebased in euros

North America provides source of positive returns

A number of locally domiciled funds investing in North America have provided positive returns not only over the three-year period considered, but also across both shorter and longer term periods.

Without precise attribution data, it is unclear where the returns came from, but one guess would be the rise and rise of US technology companies – while the currency risk may have provided upside in light of the progression of interest rates in the US relative to the eurozone.

Portfolios focused on local small caps and equities more broadly may have also provided succour.

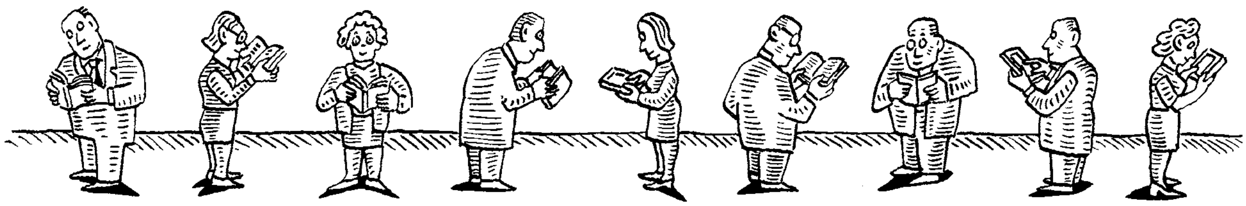
High yield has been the place to be when it comes to local fixed income portfolios, yet the returns over the three year period are hardly hugely impressive when put against the best equity performances.

And the data once more suggests that there is little connection between size and performance – at least when it comes to funds of up to €0.5bn.

As for volatile funds, China and emerging markets may well be, but they are among the few to also have provided positive returns over the period. ■

GROSS RETURNS ON FUNDS FOR SALE IN ITALY REBASED IN EUROS

Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Arca Economia Reale Equity Italia P in EU	-0.27	-3.11	0.03	7.08	39.01		
Symphonia Azionario Small Cap Italia in EU	-1.94	-3.42	-2.61	1.02	36.67	99.53	
Anima Geo America A in EU	1.95	9.47	15.64	23.33	32.12	99.10	162.10
Agora Equity in EU	-5.01	-9.75	-6.21	-1.54	28.42	51.14	27.95
Investitori America in EU	3.16	6.18	12.35	17.86	28.24		
Azimut Trend in EU	-0.02	-0.81	2.78	3.40	28.08	63.67	107.82
Alleanza Alto America Azionario in EU	3.16	6.79	13.00	18.57	27.66	81.39	158.67
IGM Flessibile A in EU			15.77	31.16	27.51	37.63	
Symphonia Azionario USA in EU	1.85	2.84	4.49	12.94	27.16	76.85	161.36
Pioneer Azionario America A in EU	3.49	7.49	13.03	19.71	26.08	93.29	134.88
Arca Azioni America in EU	4.24	7.43	12.90	20.12	25.22	82.07	154.92
Allianz Azioni America L in EU	3.32	5.94	10.85	15.44	23.88	79.63	128.38
Sai America A2 in EU	0.14	2.11	8.06	19.94	23.61	48.05	
Eurizon Focus Azioni America in EU	3.36	6.16	11.18	18.59	21.98	84.84	158.06
Eurizon Azioni Energia e Materie Prime in EU	-0.22	-4.83	9.52	19.08	21.83	26.60	30.43
Sai Paesi Emergenti A2 in EU	-4.27	-9.38	-7.66	-4.48	21.36	24.44	
Fideuram Equity USA in EU	3.25	6.59	11.69	16.82	21.31	80.88	142.48
Anima Selezione Globale A in EU	0.90	1.12	7.03	9.87	20.96	61.81	133.46
UBI Pramerica Azioni Globali in EU	2.09	2.36	8.03	13.07	20.30	72.71	119.26
Eurizon Azioni PMI Italia in EU	-2.66	-4.06	-3.03	0.23	19.61	86.31	



Stewart Cowley, who has headed bond teams at Invesco, Newton and Old Mutual, aims to provide readers with information needed to understand bonds. Ridhima Sharma peruses the book

The world of bond mathematics made simpler

Paperback: 160 pages
RRP: £14.99
Harriman House, Petersfield
ISBN-10: 0857196359
ISBN-13: 978-0857196354

Bonds are both universal and among the least visible things in the world. Everyone owns bonds, or have some exposure to them, but very few people know how they work. Bond markets can sometimes be a confusing place.

Bonds In A Day by Stewart Cowley is a book that provides you with everything you need to know about bond markets while mastering the mathematics that drives them. It highlights the basics that investors need to know to understand bonds.

Cowley has been working in the financial markets since 1987. He is one of a handful of people to have held a triple-A rating by Standard & Poor's and was awarded the prestigious Gold Medal for long-term investment performance by FE Trustnet.

With 30 years of experience in the bond industry, he worked as head of Fixed Income at Invesco, Hill Samuel Asset Management, Newton Investment Management and Old Mutual Global. His journey in the fund management industry has been a rollercoaster ride worth a book of its own.

He knows the subject very well and he introduces you to the world of bond mathematics in a much simpler way. He provides everything from an insight into the history of bonds, the relationship between the yield curve and economic cycle, and classification of different bonds and their risks.

The book tackles various bond topics from compound interest to yield calculations, how the bond markets work and how to make the most out of it; using worked examples and spreadsheets so that you can play with the numbers just to get a feel for how the whole thing operates.

REAL WORLD EXAMPLES… AND BANANAS

All the examples mentioned in the book are combined with a wealth of experience to help you work through real-world examples of bond management.

Cowley does not deny that there are systems that will do the mathematics for you, but this book will show you how things work behind the scenes – and to do that you have to go back to basics.

Whether you are a lay person, a student of finance or a professional who missed the bond module during your training programme 20 years ago, this 140 page book will lift the veil from the bond markets in the simplest possible ways.

A wide range of strange and unusual similarities have been used to make the subject lighter and easily understandable – for example, his comparison of how a monkey eats a banana can provide you with a guide to calculating how much interest a bond or loan has earned.

Those rare individuals who have the slightest inkling of their internal workings are rightfully called 'bondmeisters'. According to Cowley, bonds are all around us, like the nitrogen in the air we breathe. All borrowed money is debt – and bonds are only one form of it. Our relationship with debt is complex and it offers limitless possibility for both good and evil.

BONDS ARE ALL AROUND US, LIKE THE NITROGEN IN THE AIR WE BREATHE. ALL BORROWED MONEY IS DEBT – AND BONDS ARE ONLY ONE FORM OF IT, COWLEY SAYS

A LIGHT TOUCH WITH SERIOUS INTENT

This book is written with as much humour as can be mustered for a musty subject and uses, by and large, the kind of mathematics your average 16-year-old possesses these days. But you should not mistake a light touch for a lack of serious intent.

Bond markets are important in pricing of all asset classes and if you manage or advise on any investments for clients you need to have a good knowledge of the asset class, which this book provides in every aspect.

It does not cover everything about bonds, but treat this book as your diving board for the leap into a much bigger subject.

If you follow the stepwise process outlined here, this time tomorrow you could be bragging about being able to perform multi-variable total return analysis to your co-workers at the watercooler. ■

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