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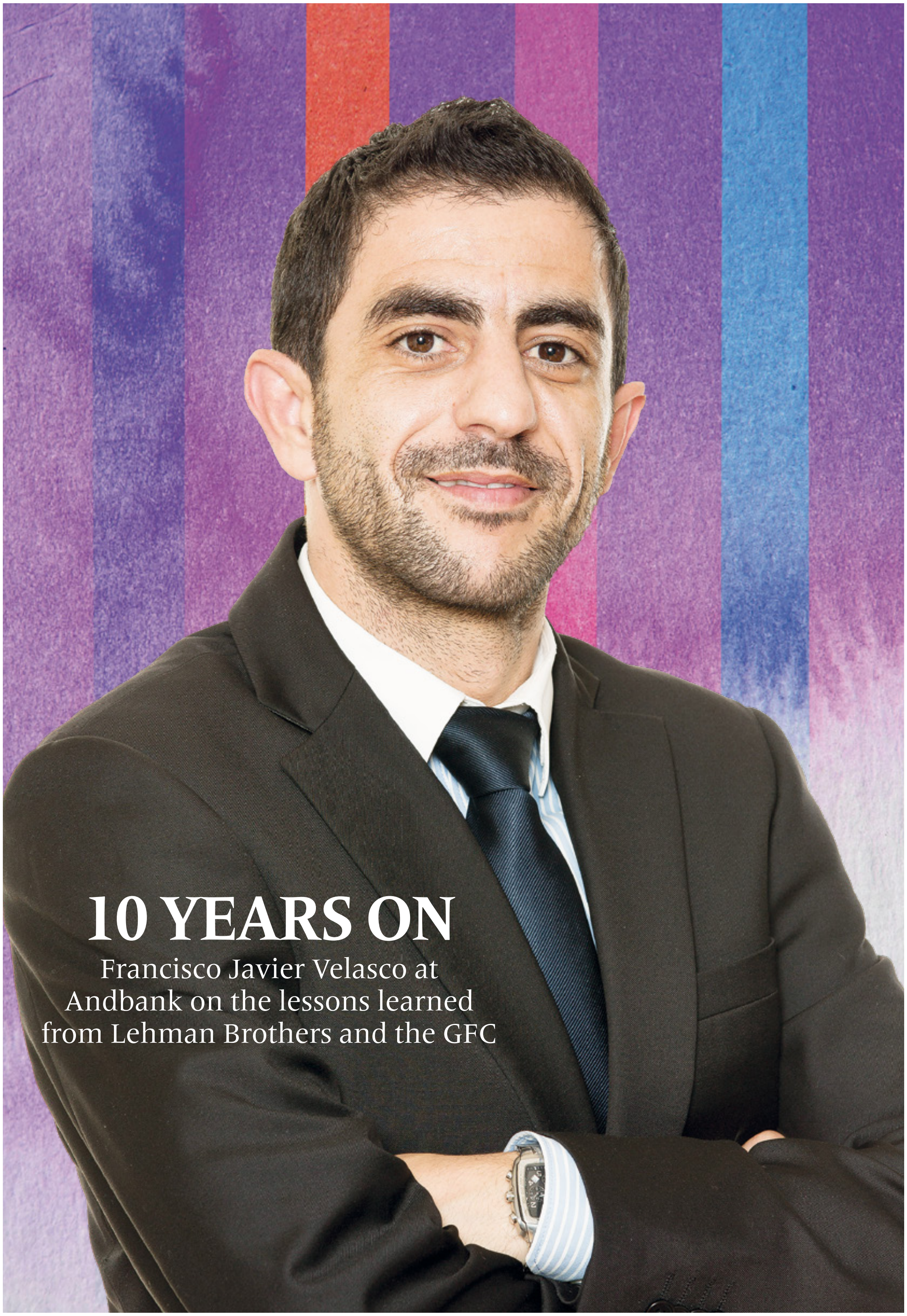

10 YEARS ON

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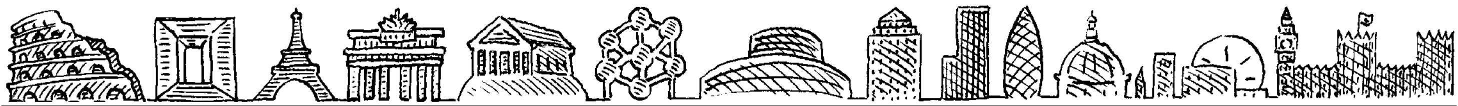

10 *Francisco Javier Velasco*

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Considering the outlook for emerging markets equity and debt, opportunities amid the uncertainty and related events

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INVESTMENT EUROPE
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Not the lost decade

Jonathan Boyd, editorial director of *InvestmentEurope*

A lot has been stated about the spark that ignited the global financial crisis of a decade ago, when US financial institution Lehman Brothers decided to throw up its hands and call in the receivers.

Many years – and even more money – later, the world is a very different place.

The crisis not only precipitated an unprecedented monetary response in the form of quantitative easing, but also a fiscal response, with the G20 countries, facing falling tax revenues during the crisis, agreeing to make it much harder for individuals to hide assets between jurisdictions, among other responses.

So-called 'light touch' regulation was scrapped, and instead in came deeper, broader requirements of people, products and processes.

Arguably, the financial crisis and the financial hurt felt at the individual level set the scene for the rise of populism, in which, particularly European and US voters rejected the usual economic 'playbook' of austerity coupled with more globalisation.

The scale of the shock has also been laid bare by demographic studies; data from the US suggests that in 2016 there were 2.1 million more childless women than expected compared to the pre-crisis trend.

However, it could also be argued that the responses did, in a crucial way, avoid what was feared most: a slipping into a lost decade of the type previously experienced by Japan – and which some argue now has become a lost quarter of a century of flat GDP growth amid periods of deflation.

Instead, the major developed market stock markets have soared, employment has been recovering, and inflation may finally be settling on an upward trajectory.

This is not to belittle the often fraught struggle facing individuals during the past decade. But, hopefully, the lessons have been learned and true systemic risk will no longer be the threat it had posed.

UPCOMING EVENTS

This month, October, sees *InvestmentEurope* host its Pan-European Summit Hamburg. It should be noted for its keynote and presentations on Brexit and gender diversity challenges in the industry as much as for discussion on products and asset classes.

The Madrid Forum 2018 on 25 October and the Copenhagen Roundtable 2018 on 30 October round out this particular month.

November sees *InvestmentEurope* return to Zurich, Milan and Tel Aviv, for a series of Forums. December, meanwhile, sees 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 at any time to express your interest in attending any of these events.

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

Fund selectors in the news

Investors offer views on boutique performances, the Spanish economy and other issues

www.andbank.com

Name: Francisco Javier Velasco
Company: Andbank
Title: Senior portfolio manager and analyst
Base: Madrid

Why do you think that funds from bigger Spanish asset managers are performing worse that those from smaller managers/boutiques?

Smaller fund firms normally provide higher returns than larger investment firms for various reasons. The first, is the alignment of interests that usually exists between boutiques' fund managers and investors, explained by the fact that most of them invest their own money in the funds they manage.

Also, boutiques' fund managers normally take more risks, hence the structure commissions existing in boutiques is more attractive than that of bigger managers. On average, boutiques fund managers' commissions are lower but there is a substantial 'award' for those beating the market. The fund manager gets commissions just if achieves returns.

www.bancobest.pt

Name: Rui Castro
Company: Banco Best
Title: Deputy head of investment
Base: Lisbon

Did the crash help the asset management industry to distinguish itself from other financial fields (like the banking sector) or did it conversely cause the financial industry to be lumped together as a 'single group'?

Both. Some people tried to blame everyone that deals with money, but in some cases people start to understand that some sectors are different from each other and particularly some products (investment vehicles) are different and can offer different levels of protection.

www.santanderassetmanagement.com

Name: Marta Pérez
Company: Santander AM
Title: Lead research analyst Equities
Base: Madrid

What are your views on the Spanish market, do you have any fears of another bubble looming?

Forecasts for GDP growth of the Spanish economy in 2019 continue to be above the eurozone average. Recently some indicators weakened, pointing at a break in private consumption, new employment registration and business confidence, after holding up well for several years.

Nevertheless, the corporate sector is in good shape and continues to churn out steady earnings. The private sector has deleveraged and debt levels relative to GDP are below the average for the eurozone, which takes the edge off concerns on excessive complacency.

www.lombardodier.com

Name: Stéphane Monier
Company: Lombard Odier Private Bank
Title: Chief investment officer
Base: Geneva

As a Swiss fund selector, which challenge(s) do you face the most?

In our view, one of the main difficulties is identifying style drifts and for this, transparency is key. Investors need to know whether managers remain committed to funds' stated strategies, and they need to be able to detect any divergence.

Furthermore, having a diversified client base – with one-third residing in Switzerland, one-third in Europe, and one-third in emerging market countries – means that we have to ensure our fund selection covers a range of regulatory and fiscal requirements specific to each client's domicile.

Tax events that investors incur in case we would like to change a manager represent another important factor. In addition, tracking performance and understanding funds' risk management practices can be hard for both selectors and investors.

www.gygeradvisors.com

Name: Sébastien Gyger
Company: Gyger Advisors
Title: Financial advisor
Base: Switzerland

What is your view on Swiss boutiques?

Highly regulated, high costs of production, hard to find customers: these are the most pressing challenges voiced by Swiss asset managers.

It should have come as no surprise in the current binding regulatory, fiscal and political environment. Overall though, it has to be noted that the industry has been pretty resilient and the top league company table has barely budged.

Does this mean that nothing is happening on the shores of Lake Zürich and Geneva? Under the surface, we observe that asset management boutiques are bubbling when their offering is meeting client requirements for performing, focused and well-priced strategies. To name a few, Bellevue, Decalia, Holinger, Quaero and Sectoral belong to this group of local actors actively shaping the Swiss competitive landscape in the asset management industry.

They have addressed the tough questions of who do they want to serve and with what kind of products and services.

www.ariqon.com

Name: Stefan Ferstl
Company: ARIQON Asset Management
Title: CEO and fund manager
Base: Austria

What sources do you use to find new funds for potential investments?

We use mainly Morningstar to find new funds for potential investments. This is also supported by Bloomberg screenings and regular fund manager meetings which are important for us to get an impression about how the fund management and the risk management of the fund work, what's the investment process and how decisions are made in the portfolio management.

For us it is also essential to remain up to date about the positioning of funds in our portfolio. Therefore, we're in contact with the fund management or the sales representatives on a regular basis.

www.bpdg.ch

Name: Fiorenzo Manganiello
Company: Banque Profil de Gestion
Title: Associate director
Base : Geneva

What are your views on private equity investments?

In the current macroeconomic environment, still characterised by a low interest rates environment, investors are struggling to generate returns within the equity and debt capital markets.

Private equity can provide higher returns than those asset classes as well as lower correlation to the public market. However, investors should carefully analyse the funds 'performance metrics and take into account the illiquidity risk.

Fund watch and product launches

Robeco launches QI Multi Factor Absolute Return fund

Robeco has launched QI Multi Factor Absolute Return fund in August 2018.

The fund harvests a highly diversifying set of factor premiums across a wide set of asset classes, aiming for attractive returns across market scenario's and low long-run correlation to the traditional asset classes.

The fund is managed by an experienced team of quantitative investment specialists in multi asset and factor investing at Robeco, including Guido Baltussen, Pim van Vliet, Shengsheng Zhang, Lodewijk Van Der Linden and Thibault Lair.

It leverages on the expertise of Robeco in exploiting market anomalies in all asset classes by investing in factors such as value, momentum, low risk, quality, carry and flow.

The fund mainly invests in individual equities, bonds, currencies and derivatives. It also relies on Robeco's proven quantitative strategies for factor investing within and across various asset classes.

www.robeco.com

BNY Mellon IM launches mobility innovation fund

BNY Mellon Investment Management has launched BNY Mellon Mobility Innovation fund. The thematic, long-only global equity fund will be available to retail, intermediary and institutional investors.

It is managed by an investment team led by Sean Fitzgibbon at The Boston Company, a brand of BNY Mellon Asset Management North America, and will replicate the successful first iteration of the $3bn strategy, which was launched in Asia at the start of the year. The firm has over 15 years' expertise in thematic research and the investment team has an average 28 years' investment experience.

The fund aims to achieve long-term capital growth by investing in companies across the market cap spectrum that are disrupting and transformational.

It invests across a broad spectrum of companies spanning multiple industries addressing the theme of mobility innovation.

This includes the unprecedented software and data infrastructure capabilities required to support autonomous driving; advanced driver assistance systems (ADAS) for road safety; the rapid increase in demand for electric vehicles as a result of changing clean energy regulation; and the growing use of ride sharing applications.

It is available to investors in Denmark, France, Germany, Italy, Netherlands, Spain, Spain and the United Kingdom, as well as to accredited investors including private banks in Singapore and Hong Kong.

www.bnymellonim.com

Jupiter launches flexible income fund

Jupiter has launched Jupiter Flexible Income fund, a sub-fund of the Jupiter Global fund Sicav.

Managed by head of Strategy, Multi-Asset, Talib Sheikh, the fund will look to harvest a sustainable level of regular income across multiple asset classes on a global basis. Initial yield is estimated to be 4-6% with the prospect of capital growth over the long term (three to five years).

The fund looks to offer clients a comprehensive, transparent and consistent investment solution. With a global remit, it will invest in a variety of income generating assets across the capital structure in both traditional and non-traditional asset classes.

It will be fully unconstrained and high conviction in style. Leveraging the breadth of Jupiter's expertise across asset classes, the portfolio will incorporate the established skills of Jupiter's regional equity specialists and fixed income credit research team to achieve strategic asset allocations.

Integrated into Jupiter's wider investment and risk framework, the multi-asset team (Talib Sheikh, Lee Manzi, Rhys Petheram and Joseph Chapman) will drive all macro views and tactical allocation decisions.

The size of the fund at launch is €55m. Its estimated yield range is between 4% and 6%, based on model portfolio as at 31 August 2018. It does not have a stated benchmark, in line with its stated flexibility.

www.jupiteram.com

Sanlam FOUR unveils real assets fund

Sanlam FOUR has launched the Sanlam Real Assets fund, which targets regular income and capital growth through investments in real asset securities.

The fund, – managed by Mike Pinggera, who is also responsible for the £155m Sanlam FOUR Multi-Strategy fund – has already attracted £55m.

Mike Pinggera, senior fund manager at Sanlam FOUR, said: "Real assets have been a key component of our multi-strategy fund since its launch in 2013. The Sanlam Real Assets Fund has been launched in response to demand from existing investors who wanted additional real asset exposure to supplement their own asset allocation decisions.

"We see real assets as an ideal way to reflect our long held 'pillars of a functioning economy' investment theme and provide access to long-term structural and demographic trends."

Founded in 2006, Sanlam FOUR is part of the Sanlam Group, a global financial services group with a $11bn market value and 100 years of heritage.

www.sanlamfour.com

More industry people moves

Aviva launches European infrastructure debt fund

Aviva Investors has expanded its product offering with the launch of the Aviva Investors European Infrastructure Debt fund.

The fund invests in euro-denominated subordinated infrastructure bonds and is jointly managed by Florent Del Picchia (Paris) and Sarah Wall (London).

It has already received commitments from five European insurance companies in its launch phase. It can invest in different sectors, including electricity and heat, renewable energy, utilities, social infrastructure and transport.

Florent del Picchia, fund manager Infrastructure & Renewable Energy at Aviva Investors, said: "Our fund enables investors to diversify their loan portfolios and to participate in infrastructure bonds in different sectors and countries with an attractive risk-adjusted return. The fund's circulation reflects the continued demand of investors for this asset class. "

It is the second implementation of Aviva Investors' Infrastructure bonding strategy, the first fund of which has already been closed and fully invested with €450m in investor commitments.

www.avivainvestors.com

BlackRock targets ESG with EM debt funds launch

BlackRock has launched a range of four open-ended emerging market debt funds focusing on ESG.

The range of funds, created in partnership with JP Morgan, is actively managed against the JESG EMD indices, an ESG specialist benchmark launched by JP Morgan in collaboration with BlackRock last April.

The four Ucits funds are the BGF ESG Emerging Markets Bond, Emerging Markets Local Currency Bond, Emerging Markets Corporate Bond and Emerging Markets Blended Bond funds.

The range of funds invests in debt issued by governments, public local authorities or corporates in emerging markets.

The indices screen out sectors including thermal coal, tobacco, weapons and any violator of the United Nations Global Compact principles.

www.blackrock.com

CHOM Capital launches fund for European small caps

Frankfurt-based equity investment specialist CHOM Capital has launched a fund for European small caps. CHOM Capital PURE Small Cap Europe UI (PURE) opened to investors on 24 September 2018.

It is the second equity product to be offered by the investment boutique co-founded by Christoph Benner, Oliver Schnatz and Martina Neske. Its market launch comes six months after the soft close of the successful equity fund CHOM Capital Active Return Europe UI (CARE).

CHOM Capital is issuing PURE together with Universal-Investment.

To manage the new PURE product, the portfolio management team at CHOM Capital, recently expanded to include investment expert Paul Althans, who will continue to rely on the same fundamentally driven investment strategy used to run the CARE fund.

The fund's equity experts conduct in-depth fundamental analyses of target companies and their management to pinpoint a limited number of smaller European equities that qualify for the fund.

www.chomcapital.com

Banque SYZ launches equity linked bond

Banque SYZ has launched equity-linked bond issued by the World Bank (IBRD), linked to a basket of developed market stocks that meet Sustainable Development Goals (SDG) criteria.

SYZ is the sole distributor of the note, a bond in Spain that directly connects private investors to SDGs. Returns are linked to the performance of companies advancing the global development priorities set out in the goals, such as tackling climate change, ending poverty, advancing gender equality, improving health and building sustainable infrastructure.

Led by Carole Millet and Manuel Terreault of Banque SYZ's Advisory team, the strategy is targeted at private investors attracted by the combination of a performance-oriented goal and the humanistic spirit of the initiative.

www.syzgroup.com

East Capital launches China A-shares Ucits strategy

Emerging and frontier markets asset manager East Capital has launched Ucits version of China A-Shares strategy, providing investors with easier access to investment opportunities on the Chinese onshore equity markets, facilitated in recent years by capital market reforms and the Stock Connect programme.

The strategy, which aims to deliver long-term capital appreciation by investing in high-quality companies across China and which incorporates ESG considerations within its investment and stock selection process, will be benchmarked against the MSCI China A Index.

Peter Elam Håkansson, chairman and CIO of East Capital, said: "We see this launch as a natural step in the evolution of our China A-Shares strategy and one which builds on the terrific results that the team has been able to deliver to our clients since its inception in 2014. We believe that the Ucits structure offers the best format for our clients."

www.eastcapital.com

People moves around the industry

TANGUY VAN DE WERVE

Efama appoints new director general

The European Fund and Asset Management Association (Efama) has announced the appointment of Tanguy van de Werve as its new director general. Van de Werve will take up his position on 1 January 2019.

Van de Werve will be responsible for the implementation of the Association's strategic agenda, and the leadership and management of the Efama secretariat in Brussels.

He will also be the central spokesperson and representative for the European asset management industry with international policy makers, regulators, and other key industry stakeholders.

With over 25 years' experience, Van de Werve has been instrumental in leading and managing successful advocacy campaigns for several high-profile industry bodies.

Prior to joining Efama, he spent three years as managing director and head of the Brussels office for the Association for Financial Markets in Europe – the trade association representing the banks most active in Europe's wholesale capital markets.

FRANCESCO GENOVESE

Reyl Group names head of AM

Financial group Reyl has announced the appointment of Francesco Genovese in a newly created role, as head of its Asset Management business.

He will be responsible for developing asset management and fund distribution activities at Bank Reyl & Cie, with a particular focus on establishing alternative and unlisted asset strategies for both Swiss and international institutional clients.

Genovese has over 25 years' experience in launching, managing and distributing institutional investment funds.

Before joining Reyl & Cie, he spent over 15 years at Pictet & Cie in various senior positions, including as head of Institutional Sales in Europe and the Middle East.

RICHARD FIETZ

Apobank appoints head of Private Banking

The German Pharmacists and Physicians Bank Apobank has appointed Richard Fietz as head of Private Banking, effective 1 October 2018.

Based in Dusseldorf headquarters, Fietz will be responsible for the nationwide private banking of the Institute and further drive the expansion of the segment. He will report to Andreas Onkelbach, head of Sales Management Private Customers.

Fietz previously worked at Dresdner Bank and Commerzbank for 21 years. Most recently, he led the wealth management team of Commerzbank in Frankfurt with around 40 employees.

ROBERT KOOPDONK

Natixis IM makes Netherlands push

Natixis Investment Managers has appointed Robert Koopdonk as head of the Netherlands. He is responsible for leading the business in the institutional and wholesale markets.

Koopdonk reports to Lucas Crasborn, global head of Institutional Sales. As a managing director, he joins Natixis from Allianz Global Investors (AGI), where he was responsible for sales in the Benelux and Nordic region. He has specific expertise in the area of alternatives, including Infrastructure, private debt, real estate, as well as experience across traditional asset classes.

Prior to joining AGI, Koopdonk worked at Bank of New York Mellon/Alcentra in London and Credit Suisse Asset Management in France, Scandinavia and the Benelux.

ANA FERNÁNDEZ

Santalucía Gestión hires head of Compliance and Risks

Santalucía Gestión has appointed Ana Fernández as the new head of Regulatory Compliance and Risks as part of its strategic development plan.

Fernández will be responsible for designing, implementing and monitoring all the manager's procedures and policies related to regulatory compliance and risk management.

Fernández, who has over 20 years' financial experience, joins Santalucía from Andbank, where since 2014 she has been responsible for the department of regulatory compliance and risks management of the firm's wealth management division, and later for the compliance area of the asset management unit in Luxembourg.

Prior to that, Fernández worked at Espírito Santo Gestión, in charge of regulatory compliance and risks management too. She started her career in Bankinter, where she held various positions during her 11 years working for the banking group.

LAURE PEYRANNE

Invesco boosts Spain ETF with Amundi hire

Invesco has bolstered its ETF business in Iberia and Latin America with the appointment of Laure Peyranne as head of the firm's ETF business in the regions.

Peyranne joins Invesco from Amundi, where she was responsible for the firm's ETF, indexed funds and smart beta strategies in Iberia and LatAm since 2012. From her new role, Peyranne will report to to Íñigo Escudero, Invesco general director for Iberia and LatAm.

Before working for Amundi, Peyranne served at the sales team of Société Generale focusing on clients from Iberia, France and Latin America for more than six years.

158 Years that Lehman Brothers was in operation before bankruptcy

10 years on

In the decade since the collapse of Lehman Brothers, the world experienced the worst financial crash since the 1920s, experimental monetary policy, and new records set on US and other stock markets. Jonathan Boyd, Ridhima Sharma and Eugenia Jiménez have looked at the lessons learned by fund selectors

As famously noted by Queen Elizabeth II: why did nobody see it coming?

A decade ago the global economy was under threat from a systemic meltdown of the global financial system. Much of this was put down to the reaction of markets to the collapse of one of the biggest investment banks, Lehman Brothers. However, it is generally accepted that the global financial crisis was the result of multiple factors, as recently noted by fund manager Liontrust's investment teams.

Jamie Clark, of the Macro-Thematic team, says: "Hindsight bias is seductive. It performs the subtle trick of making each of us believe that we were wise before the event. The reality, however, is that in September 2008, investors were ignorant of what was unfolding. Bank balance sheets were opaque, risk models were dysfunctional and misinformation was rife. An ugly combination that saw interbank funding dry up and share prices implode."

Phil Milburn, of the Global Fixed Income team, adds: "Contrary to popular belief, the GFC was not only caused by US subprime mortgage lending; in fact, subprime was merely the epitome of the crisis and a few decades of increased leverage in the financial system, coupled with economic imbalances, was the real cause."

Peter Michaelis, of the Sustainable Investment team, says the crisis, as far as UK institutions are concerned, boils down to three main issues: "Firstly, banks' opaque accounting. Many were mis-representing risk through bundled loans and blurring of balance sheets between investment, wholesale and retail banking.

"Secondly, banks fostered a culture prioritising growth. Incentives were based on the number of loans sold, typified by the story of Halifax giving cash to the best salesman or woman and a cabbage to the worst each week. There was no consideration of the appropriateness of the loan featured, and pushing ancillary products such as PPI [payment protection insurance] was encouraged with disastrous results. Finally, inadequate scrutiny. Shareholders in UK banks were complicit or at the very least negligent in allowing these practices to continue. In particular, their backing of deals such

as RBS' catastrophic acquisition of ABN Ambro showed an appalling lack of scrutiny."

PREVENTING A REPETITION

Having identified the causes, what then, might be the medicine to avoid another such crisis?

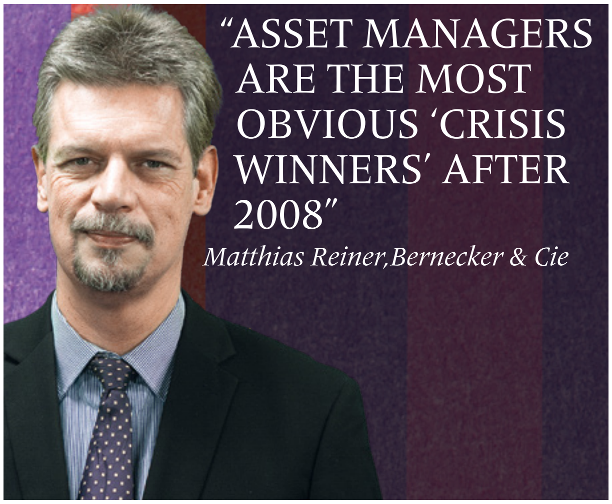
Graham Bishop, Investment Director at Heartwood Investment Management, the asset management arm of Handelsbanken in the UK, suggests it might not be that straightforward, not least because of what has subsequently happened.

"Since the global financial crisis, investors have had to deal with a European debt crisis, a Japanese earthquake, a US/China growth soft patch and, more recently, president Trump's protectionist threats. Were it not for various waves of support from policymakers in the major central banks (and, in the case of China, the government) the world economy could be in an entirely different place today.

"Therein lies a key lesson: policy accommodation must be employed meaningfully and quickly if confidence is to be readily restored. Indeed, delays and half measures proved unhelpful in the wake of the 2008 crisis. The US Federal Reserve may have appeared relatively prompt in its quantitative easing response, but two subsequent rounds of QE suggest that it could have been bolder (and packed more firepower) from the outset. Equally, US government intervention (including housing programmes) were slow to make their way through Congress."

"Elsewhere, while the European Central Bank and Bank of Japan did ultimately step up to the plate, they took their time to enter the fray. A more synchronised and timely response from central banks might have proven more effective in kickstarting the cycle and moving on from the crisis, and could serve the global economy more effectively in future cycles."

Bishop concludes: "What is more, all of the major players in international monetary policy – the heads of the US, UK, European and Japanese central banks – have been replaced at least once since 2008. Precisely how this



new set of policymakers will react to recessionary challenges remains unanswered for the time being."

Another lesson highlighted by Bishop is that fiscal authorities really ought to have been more aggressively preparing for the next downturn amid the recovery. And more should be made of the fact that while households have deleveraged since the crisis, corporate debt has picked up even as US interest rates have been rising – meaning more balance sheet liabilities and higher costs of borrowing.

Fabrizio Quirighetti, co-head of multi-asset at SYZ Asset Management, similarly feels that efforts to tackle the roots of the crisis have been stymied by the "extra-loose policies, either monetary or fiscal, implemented to avoid an economic meltdown".

"And more troubling for the global economy is, over the last ten years, economic growth has grown increasingly dependent on credit, as the key economic growth drivers – work force growth and productivity – have softened."

"Stimulus is able to smooth the cycle but has little effect on the growth trend, which depends on political will to implement reform. The reality is you cannot have your cake and eat it. I see only two possible outcomes to start again: massive defaults on debt, perhaps via helicopter money or severe socio-political tensions, due to unfunded liabilities precipitating a social welfare crisis.

"In the past, a massive debt overhang has always ended in default and/or war. I can only hope history does not repeat and dream of a Japanese-style scenario."

Adds Mark Appleton, global head of multi-asset strategy at Ashburton Investments: "What went wrong? In a nutshell, it was the under-appreciation of risk. Credit was too easy. Extending property loans to unemployed people, who had no hope of ever servicing them, was symptomatic of this.

"What lessons of the crisis should be reinforced today? Firstly, there needs to be a healthy appreciation for risk and to price it accordingly. Secondly, it is important for investors to truly understand what assets are underpinning their investments. Finally, there must be more of an appreciation of how interconnected the world has become."

Vince Childers, manager of the Cohen & Steers Diversified Real Assets Fund, says: "The global financial crisis was a revelation in terms of how quickly and how aggressively risk assets could reprice if the plumbing of the financial system seizes up.

"Students of financial history would understand these types of events were certainly possible, but for most investors it really brought home the need to take a deeper examination of portfolio diversification. It is a good reminder of why most asset allocators have exposure to cash and high-quality duration.

"Many investors are currently stuck in the rear-view mirror and are complacent in relation to inflation risks. Combine this with historically-elevated equity valuations and still-low bond yields and we could be witnessing potentially lethal portfolio positioning. While many forward-looking institutional investors are continuing to increase allocations to real assets, many individuals remain content riding the stock juggernaut."

The value of lessons learned may be especially important for those Lehman alumni who are still in the industry, such as Larry Lau, manager of the Trium Diversified Macro fund.

"As a Lehman alumni, I lived through the before, during and after of the fateful event. While the bank in many ways was a progressive institution and

4,000 Staff who worked at Lehman Brothers in Canary Wharf, London

prided itself of product innovation – excessive over-reaching ultimately led to its downfall.

"The global economy has recovered, but the scars are still there. The aggressive risk-taking by the financial sector has since been tempered, in part by increased regulation, while conservative balance sheet management and tighter legislation are now at work.

"Stricter rules and higher capital hurdles have helped reset an industry that had lost perspective. Loose corporate risk management, particularly in non-core ventures, should not be allowed to put ordinary users of the system in jeopardy."

Notes Lau: "Financial market dynamics have changed. Many participants continually note less-visible depth in even the most active markets. The reduced risk-tolerance of traditional market-makers, particularly banks, was a big factor. This phenomenon was felt most acutely in the balance-sheet intensive world of fixed income, as many banks simply exited. Consequently, flash velocity events – such as recent episodes in sterling FX, US treasuries and natural gas – have become more common and harder to control, even with circuit breakers.

"Positively, the regulator's spotlight on financial institutions deemed 'systemically important' has made it far easier to track and manage known areas of risk. The skill will be to keep on top of potential bubbles that may grow below the radar, particularly as crisis-memory fades and exuberance returns."

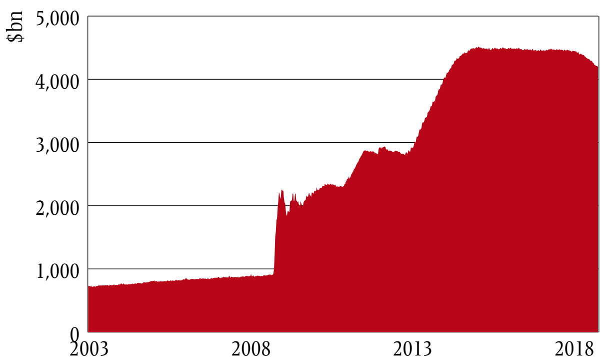
SELECTOR VIEWS

Francisco Javier Velasco, senior portfolio manager and investment analyst at Andbank, Madrid, was working when Lehman Brothers went down.

"I remember the image that went viral: workers exiting their offices at the Lehman Brothers building with cardboard boxes. It was shocking to see how one of the biggest banks in the world fell as a consequence of a financial crisis.

"I still remember that I was managing funds and we tried to select funds with a low exposure to financial sector to include them into the

US FEDERAL RESERVE TOTAL ASSETS



Source St. Louis Fed

portfolios. I will never forget the Lehman bankruptcy."

As a buy side professional he notes that there are particular lessons to learn from what when on that day.

"The main lesson that I have learnt is to monitor and control the risks better than I used to do in the past.

"Before the financial crisis, in 2007, the economy lived for many years with high levels of leverage and when the crisis exploded the effects increased the intensity of it. For that reason, I think that more regulation and transparency with the implementation of the new laws, has been the best lesson that we have learnt."

Rui Castro, deputy head of Investment at Banco Best in Lisbon is another who was working in fund selection at the time.

"When you experience this type of events, I think that, being honest, there is little that you can do. When you have a huge event that breaks the market so rapidly, it is difficult to have any timely reaction.

"We decided to pass some factual information to clients, stating that at least a big part of the loss was already made and we had confidence that markets would recover with time. We cannot forecast the short term, but we have confidence in the mid to long term. The worst thing to do is panic, so, evaluate your investments for the long term and see what investments you feel comfortable with."

"Do not forget that some years later we had the second wave with the European sovereign debt crisis impacting profoundly our country. Once again we produced the same type of guidance."

"Unfortunately, maybe I am a bit pessimistic, but I think that markets did not learn much. Maybe we know now how to minimise the impact of future crisis. But I think that they are inevitable from time to time."

One possible upside, at least regarding the asset management industry, is that the crisis may have helped segregate it from other branches of finance.

"Some people tried to blame all that relates to money, but in some cases people started to understand that some sectors are different and particularly some products (investment vehicles) are different and can offer different levels of protection."

LESSONS

Marta Pérez, lead research analyst Equities at Santander AM in Madrid, was working as a fund of funds manager a decade ago, and remembers the discussions around whether the financial system would survive or not.

"A number of things have changed and regulation is much tighter," she notes.

"Regulation tightened around the banking sector, but market supervisors are also eyeing the volume invested by the asset management industry in case it could pose a systemic risk at a given stage. Protection of the end investor and transparency have increased with Mifid II. In the asset management industry, the financial crisis triggered consolidation and spin-offs of asset management units from investment banks. M&A in the asset management industry is still a trend and there has also been room for smaller players to consolidate."

Matthias Reiner, head of Portfolio Strategy Multi Asset (D /CH), Bernecker & Cie. Portfolio und Trust AG was working on 15 September, 2008, when Lehman Brothers filed for bankruptcy, as head of fund selection at DJE Kapital AG in Pullach, near Munich.

"Short term, the Lehman collapse certainly caused a panic-like 'flight into quality' not only by (less experienced) individual investors, but also even by more professional asset management companies, which tried everything to preserve the performance of their institutional mandates in the best way possible.

"And despite the analytical conviction of most professional asset managers – that after the Lehman collapse the stock markets now headed down in a (backward looking) clear negative exaggeration phase – all those asset managers had to do something to protect their returns in the short term. At DJE Kapital AG at that time, we did not hedge our funds and portfolios through derivative options or futures– which in those distorted stock markets immediately became ridiculously overpriced – but instead built up cash or government or publicly guaranteed bond positions as much as it was allowed by management restrictions."

Reiner continues: "Longer term, after the fog – or better: 'dust' – of the subprime crisis had vanished, most asset management companies certainly – as also DJE Kapital did – tried to establish more efficient risk controls or risk signalling systems, which should aim to prevent or even predict the probability of future stock price crashes in a much better way than those systems working before the subprime crisis.

He adds: "So, in my opinion the longer term effects of the Lehman collapse on asset management techniques basically were twofold.

"Firstly, asset management strategies, especially on the stock side, in general have become more risk adverse since September 2008, which in my opinion also is a reason behind the phenomenon of country- and region-specific indices since then being beaten increasingly rarely.

"Secondly, the 2008 crisis and the corresponding increase in risk aversion marked the most important starting point for a systematic, widespread establishment of computer- or quantitative based fund management methods, which now is an essential – but certainly not always yield enhancing – part of any modern kind of fund management."

Reiner also notes the educational effects of the financial crisis in terms of fund selection. For institutions this has manifested itself in the amount of importance attached to clearly augmented due diligence questionnaires and RFPs, and fund manager interviews.

"The same is true also for the modern selection of funds by technical or quantitative measures. Not only has relevance of the long term performance continuity of a fund management grown a lot since 2008, but also risk criteria, like volatilities, Sharpe ratios, Treynor ratios, past maximum drawdowns and so on, which today are analysed much more thoroughly before deciding to buy a fund, than was the case before 2008."

Reiner is also among those who feel that the crisis helped to distinguish asset management from other branches of finance, such as banking and insurance – noting that insurer AIG also required a bailout.

"In this regard, asset managers are the most obvious 'crisis winners' after 2008 compared to other financial institutions," he says.

Key reasons for this include the ongoing performance track record and profitability of managers, and a generally more professional learning of lessons from the crisis compared to most banks or insurers, Reiner continues. He argues that asset managers have improved their reputation among external investors and clients more than other financial companies, which helps explain the divergence of stock prices of publicly listed asset managers.

However, he also argues that the improvements in terms of education and the disciplining quality effect are felt more on the buy side than in the area of product manufacturing and distribution, where he sees a 'lag'.

"In my opinion, even after the Lehman crisis and as if 'nothing had happened', too many manufacturing companies, supported by their 'internally educated' sales representatives, still aim too much at maximising their short term gains by launching products or formulating sales messages, which through a critical buying analysis are more than questionable or obviously do not intend to primarily optimise the wealth of their clients.

"Of course, on the buying side just as on the selling side there are 'black sheep' and 'white sheep'. But on the selling side I think the share of 'black sheep' is still much too high in relation to the lessons that should have been learned from the crisis of 2008." ■

"THE FINANCIAL CRISIS TRIGGERED CONSOLIDATION AND SPIN-OFFS OF ASSET MANAGEMENT UNITS FROM INVESTMENT BANKS. M&A IN THE ASSET MANAGEMENT INDUSTRY IS STILL A TREND AND THERE HAS ALSO BEEN ROOM FOR SMALLER PLAYERS TO CONSOLIDATE"

Marta Pérez, Santander AM

40% Proportion of GDP attributed to exports from Portugal

RUI CASTRO PACHECO

Rui Castro is the deputy head of Investment and head of Asset Allocation at Banco Best, where he joined in 2004. With over 20 years' experience, he formerly worked as a commercial and product manager at ActivoBank7 for more than nine years.

€580 Portugal's minimum monthly wage as of July 2018

Banco Best's deputy head of investment and asset allocation chief Rui Castro outlines his team's selection process underlying its focus on research amid a challenging environment for investors. Eugenia Jiménez reports

A broad spectrum

Lisbon-headquartered Banco Best is a Portuguese financial institution that was launched in 2001. As a retail bank, it operates in the areas of banking, asset management, and trading and it offers a list of around 3,000 funds from more than 60 different managers worldwide.

Rui Castro, Banco Best's deputy head of Investment and head of Asset Allocation, is responsible for all products and services offered by the bank to its clients, with a particular focus on the development of launches. "We are constantly searching for new ideas. Last year for instance, we were the first bank in Portugal to distribute a fund exclusively managed by artificial intelligence, the Acatis AI Global Equities.

"Our clients can invest in funds and ETFs that cover almost all investment themes, including lithium and autonomous driving, robotics, cyber security, nutrition, water or smart cities, among other."

The bank's selection of passive instruments will be mainly based in the tracking and low-cost capacities of these solutions while the selection of active strategies needs a more exhaustive analysis, since it involves the search of managers who can add alpha and value, in order to at least, cover the extra costs of this kind of investments.

Banco Best usually runs an approved list of funds formed by the top performer funds labelled as the "Fund selector list", which aims at meeting most of clients' investment needs. Nevertheless, the bank may seek out more specific funds if the clients ask for them.

SELECTION PROCESS

Banco Best's selection process starts with a quantitative screening. However, this stage is not purely quantitative, since it also includes some qualitative elements. "The model is built in a way that incorporates judgement that can really penalise some funds that despite having good risk/return metrics, are – for instance – too big or too small for us," says Castro.

He continues: "If we are looking for ETFs, the work is almost done at this stage. Bearing in mind that we work with Ucits and ETFs, we can add to the screening model all the criteria that we need to look at.

"If we are looking for funds, we will need then to make a deep qualitative analysis in order to confirm we like the way managers are getting performance and whether we believe their process is consistent."

According to Castro, clarity of thought and transparency are two key values that managers should have. He favours those managers who know clearly how to look for companies that may outperform and he also likes those whose rules are clear, since that makes him feel confident about their future decisions.

When addressing risk control skills, Castro put the emphasis on the age factor. Although he does not even consider this should be named a skill per se, he generally feels that experienced managers are more reliable, because "there is nothing like real test, which you can have just once you have experienced many different market environments."

"THERE IS NOTHING LIKE A REAL TEST, WHICH YOU HAVE ONCE YOU HAVE EXPERIENCED MANY DIFFERENT MARKET ENVIRONMENTS"

MARKET CHALLENGES

During the past years, investors have particularly struggled when looking for conservative investment solutions given the lack of returns offered by fixed income. "Investors who used to have fixed income products in their portfolios, are the ones struggling more now. As they are not used to have capital at risk, we need to continue looking for solutions that can protect capital from heavy drawdowns while providing some income."

Another challenge arising from the current market environment is the search of strategies that can control volatility risks.

Castro says it is a big concern when selecting funds since the current low-return environment makes difficult to find the balance between those managers able to assume certain risks looking for returns but at the same time trying to keep volatility low.

Referring to incidents such as that experienced by GAM relatively recently, he says: "Although we try to study deeply the funds included in our short list, the key point relies on preventing some issues in those funds using more alternative techniques to gain exposure and reduce risks."

But absolute return funds are in the background for Banco Best clients, who seem to prefer multi-asset strategies – mostly funds with greatest exposure to fixed income and some to equities – than more complex strategies. ■

22.6% Proportion of Italy's population aged 65 or over as of January 2018

Sycomore: Generali's next multi-boutique strategy

Italy's Generali is taking steps towards the construction of a multi-boutique portfolio aimed at increasing its assets under management to €500bn by 2020. Eugenia Jiménez reports

As part of its growth plans, Generali launched Aperture Investors at the beginning of September, an innovative asset manager with a disruptive revenue model led by Peter Kraus, former chairman and CEO of AllianceBernstein (AB) and global co-head of Goldman Sachs' investment management division, who has now partnered with Generali a year after being ousted as head of fund manager AB.

Generali will put €4bn into the new joint venture, which is promising a "unique revenue model" with low initial fees – on a par with those charged for ETFs – that will increase only if the managers beat their benchmarks. According to Generali, managers will start with low initial base salaries with bonuses awarded on the basis of performance rather than on the amount of assets under management.

The Italian group started expanding its asset management business last year, saying that it wanted to increase profits from the business from €84m in 2016 to €300m by 2020, while increasing assets under management by a tenth to €500bn.

It has followed what it calls a multi-boutique strategy, aiming to build a portfolio of asset management businesses rather than a single large one. Aperture Investors will be one of those boutique businesses.

ESG AMBITIONS

In August, Generali announced that it was in talks to buy a majority stake in Sycomore Asset Management, a Paris-based asset manager specialising in environmental, social and governance investments, as well as in socially responsible ones.

Through the acquisition of Sycomore AM, which has over €8.3bn in assets under management, Generali is seeking to strengthen its multi-boutique leading position in Europe as well as its ESG ambitions.

If the two firms make the deal, Generali would own the majority of Sycomore while Sycomore's founders would also remain significant shareholders and its employees would increase their ownership.

The potential agreement builds on the existing business relationship and strategic alignment between Generali and Sycomore AM, and aims to offer substantial potential for revenue synergies, in particular through the acceleration of Sycomore's international expansion and the development of tailored offerings towards retail and institutional clients.

"This announcement is an acceleration of the execution of our money management strategy. By partnering with Sycomore, we will be able to enrich our offer with innovative investment solutions targeted to our insurance and individual clients, and to strengthen our focus and capabilities on sustainability and responsible investments," says Timothy Ryan, Generali's chief investment officer and CEO of asset and wealth management.

Emeric Préaubert, founding partner and chief executive officer of Sycomore Asset Management, adds: "Demand for socially responsible investment solutions is rising as investor awareness and appetite increase.

"Generali's multi-boutique platform will enable us to capitalise on the significant opportunities that this offers, while allowing us to retain the cultural attributes which have supported our success to date."

STRATEGIC MOVE

The move follows a multi-boutique strategy that Generali announced in May 2017, in which the firm echoed its plans to bring its assets to €500bn ($580bn) by 2020 from the current figure of €455bn.

Pending the outcome of negotiations, Sycomore's team will continue to run independently. However, the two firms will form a strategic partnership that would enable them to potentially maximise revenue synergies.

Any future agreement remains subject to the approval of Sycomore's worker council and authorisation of the relevant antitrust and regulatory authorities at the date of writing. ■

Tokio Marine Asset Management

Riding the winds of change

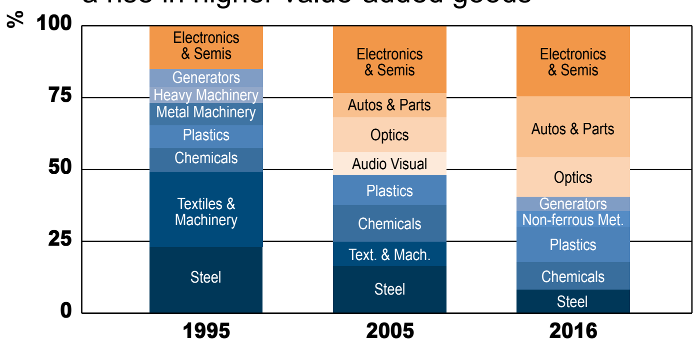
Japanese corporates sail through structural shifts

NOT JUST ABENOMICS

A report* published by the IMF last year concluded that Abenomics has been a success: unemployment is at a multi-decade low, Japan's corporate profitability has dramatically improved and the economy has shown its strongest performance for several years. There are also signs to suggest that the country is finally escaping its deflationary trap following the bubble collapse in the early 1990s.

While there is little doubt that Abenomics has helped push Japan's economy towards stronger growth, there are also other factors at play. One example is the growing sophistication of Japan's major trading partner China. As demand shifted from materials like textiles and steel to end products like autos and electronics, new opportunities opened up for many Japanese firms.

Chart 1. Change in Japan's exports to China – a rise in higher value-added goods



Source: National Tax Agency of Japan

In previous decades, many Japanese exporters came under sustained pricing pressure from Asian competitors and were forced to specialise and move up the value chain in order to survive. It is now these companies that are benefitting from surging demand for higher-end goods..

CHANGE IS OPPORTUNITY

While many pharmaceutical firms globally are struggling under the price pressure from generic drugs, Japanese firms specialising in research-intensive areas such as innovative cancer treatment and gastroenterology, find themselves in a stronger position.

A good case in point is Takeda Pharmaceuticals (4502). While the company has mostly been in the news because of the Shire acquisition megadeal, it has a strong oncology and gastroenterology drugs offering and a robust pipeline of products under development. For instance, sales of Entyvio, a drug used for inflammatory bowel diseases treatment, grew by 33.6%† recently, and as much as 50%‡ in emerging markets including China. Another example is Eisai (4523), which saw its stock price jump as much as 16% after clinical trials results of their BAN2401 Alzheimer's drug were announced in July. Highly specialised areas like these have high barriers to entry, and create steady multi-year revenue streams for the successful products.

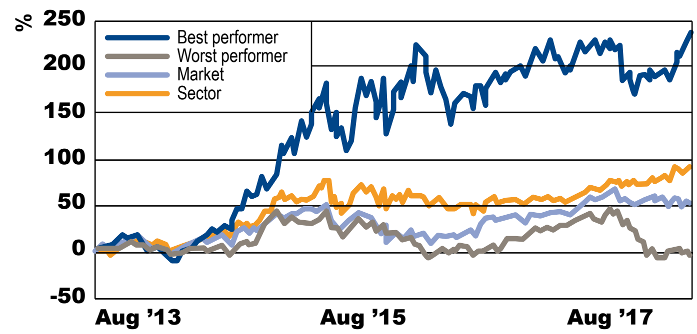
NO ONE SIZE FITS ALL

These examples illustrate how mid-to-long term structural shifts may present attractive investment opportunities.

These shifts are long-term, but the opportunities tend to be shorter in duration, often cyclical, and only outperform the market for a limited period of time. To take full advantage of them, investors need to stay abreast of both industry-wide trends and developments in individual companies.

Particularly in the Japanese market, which is relatively under-researched for its size, we strongly believe that it takes a dedicated and experienced local team to laboriously track and carefully analyse every relevant trend, and enter promising names early in the cycle, where their growth rate is at its highest.

Chart 2. Healthcare performance – name selection matters even in outperforming sectors



Over five years. Source: TMAM based on Bloomberg data

Our investment approach on the Japanese Equity GARP strategy – focusing on Growth at a Reasonable Price or 'GARP' – has consistently been effective in identifying such growth names, while also paying attention to valuations.

This philosophy has paid off over the past two decades that we have managed the strategy, and with plenty of opportunities like those mentioned above, we feel confident about continuing to select interesting ideas for our clients.

*Sources: * www.imf.org/en/News/Articles/2017/06/19/MS061917-Japan-Staff-Concluding-Statement-of-2017-Article-IV-Mission; † FY2018 1st Quarter Data Book, Takeda Pharmaceuticals; ‡ ibid.*

For more information about the issues raised in this article, please contact Business Development at Tokio Marine Asset Management (London) Ltd.
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Website: www.tokiomarineam.co.uk

€42trn ALFI's prediction of Ucits assets by 2048

The performance of funds in Spain is polarised between smaller and independent firms and those funds from larger asset managers, H1 data suggests. Eugenia Jiménez reports

Brains over brawn

azValor, Metagestión and Gesiuris Asset Management achieved the stronger average annual returns from January to June 2018 according to the financial markets data provider VDOS.

azValor took top spot with return averaging 3.42% over the period, according to VDOS. The independent boutique, based in Madrid and characterised by its value investment philosophy, was launched by the former managers of Bestinver Álvaro Guzmán, Fernando Bernad and Beltrán Paragés.

Since the launch of two of its main funds, – the azValor Iberia – an equity fund investing in the Spanish Stock Exchange – and the azValor International, a global equity fund focused on Europe – the independent boutique has beaten the market.

In second place, Metagestión's funds recorded average returns of 2.6% over the first six months of the year. In particular, the firm's Spanish equity fund Metavalor achieved returns of nearly 7% during the same period.

Gesiuris AM returned 2.6% on average, with its its flagship strategy Valentum returning 8.7%, and achieving an annual return of 13.4%. The firm's Japanese equity fund, the Japan Deep Value Fund returned 3% during the first half but above 37% in the previous year.

EDM Gestión recorded average annual returns of 2.32% and its Spanish equity fund, the EDM-Inversión, appreciated 3.5% in the first half and 8.3% annually during the past five years.

Conversely, all funds managed by larger investment houses belonging to banking groups underperformed over the first half of the year. Funds from Fineco, BBVA Asset Management, Gestifonsa and Santander Asset Management returned -0.7% on average.

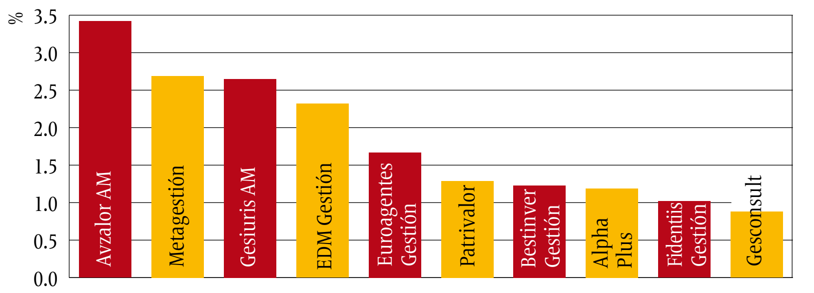
ANALYSIS

According to some within the funds' industry, there are different reasons that could explain this phenomenon. For instance, boutique managers do not have the benchmark constraints that are linked with many institutions.

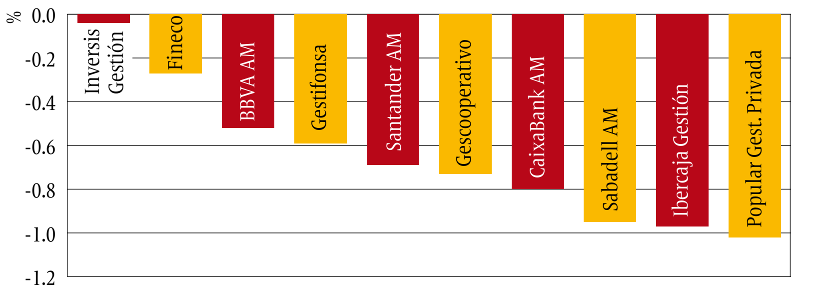
Independent boutiques normally manage a smaller range of funds and, generally, focus on equity funds, which is currently the most profitable asset class. In contrast, funds from larger companies depend on financial institutions and manage funds of all type of asset classes.

Also, larger investment firms tend to focus more on attracting flows into their funds. Eight out of ten euros invested in funds in Spain are poured into larger investment houses associated to banking institutions. This could lead to managers controlling large amounts of money, which could compromise their investment approach.

INDEPENDENT MANAGERS



BANKING ENTITIES



Spanish funds' average annual returns over H1 2018. Source Inverco

ADDING ALPHA

Another important consideration is the alignment of interest that typically exists within boutiques between the fund manager and end-investor.

Javier Velasco, fund manager and fund selector at Spain's Andbank, admits to favouring boutiques' funds as long as they add alpha and value to the management.

"Boutiques or smaller independent fund firms normally provide higher returns than larger investment firms for various reasons. The first, is the alignment of interests that usually exists between boutiques' fund managers and investors. It is explained by the fact that most of them invest their own money in the funds they manage and/or in the shares of the firm." ■

2.5% Increase in the index of nominal earnings in Germany in Q2 2018

Transforming energy through technology

Aquila Capital's Energy Transition Infrastructure fund aims to change energy market dynamics. Ridhima Sharma talks to senior investment manager Christine Brockwell

Aquila Capital, one of Europe's largest renewable energy asset management firms with a transaction track record that includes 1.6GW of wind energy, 840MW of solar PV and 480MW of hydropower, firmly believes that investment in wider energy infrastructure assets, in addition to renewable generation, is necessary for Europe to continue its transition to a low carbon society.

Aquila Capital is one of the largest investors in photovoltaic assets. Energy Transition Infrastructure fund is the new strategy that invests in energy infrastructure assets that are essential to Europe's switch from fossil fuels to renewable energy sources. The company wants Limited Partners to invest in this strategy, which yields an expected net IRR of 8-10% pa.

The Energy Transition Infrastructure fund (ETIF) seeks to participate in the European energy transition through asset-based investments,targeting energy infrastructure assets in renewable generation, energy storage and energy transportation. The target assets are structured with robust contractual arrangements that generate stable cash flows. The ETIF employs a 'buy and hold' strategy with flexibility to buy, build and sell.

TRANSFORMATION

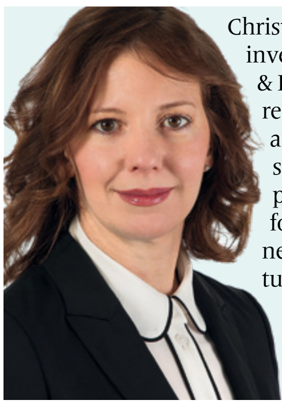
Renewable energy is massively impacting Europe's energy market. In Germany, renewables already provide 38.5% (2017) of electricity supply. And there is more to come as European initiatives seek to reduce greenhouse gas emissions by 80-95% by 2050.

The EU has embarked on a major transformation with a long-term vision of a low-carbon resource-efficient European economy by 2050. All the leading members of EU view renewable energy as a critical component to the energy transition due to its impact on social, economic development, access to energy, energy security and climate change mitigation.

A recently published study conducted by the US National Renewable Energy Laboratory predicted that from 2020 new solar photovoltaic (PV) plants, coupled with storage, would be more cost-effective than PV-only solar power. This is owing to the importance of solar power in meeting the demands of evening energy peaks, when the price in the wholesale market is at its highest and solar generation is low or non-existent.

TECHNOLOGY

The most mature energy storage technology is pumped hydropower. Pumped hydropower is generally utilised for relatively long periods of charge and discharge.



Christine Brockwell is a senior investment manager, Energy & Infrastructure EMEA. She is responsible for the expansion and development of the Group's storage technologies business platform. She is also responsible for sourcing, evaluating and negotiating offshore wind opportunities.

Brockwell has more than 15 years experience and joined Aquila Capital in 2018.

As a proven technology, it represents the vast majority, around 99% of installed storage capacity, according to the International Energy Agency. But it is strongly dependant on local topography, and it has high capex cost and long construction times.

Lithium-ion battery storage is considered the most mature technology within the battery storage segment with a fast response time suitable for frequency regulation services provided to electricity grids and the greatest disruption potential.

Since 2010, lithium-ion battery pack costs have fallen from $1,000/kWh to around $230/kWh. As costs fall, new applications will emerge including power market design and the integration of variable renewable power.

EUROPE

Europe does not have a common regulatory approach to energy storage and infrastructure investors should consider individual market dynamics which are conducive to infrastructure investment criteria.

The principal market presently tendering contracted revenues related to frequency control and capacity reserve is Britain. Ireland is expected to soon follow suit with the introduction of a new regulatory system under which applicants can tender for multiple battery storage service contracts.

In addition to these applications, off-grid islands from the Faeroes (Denmark) to Graciosa (Spain) and Tilos (Greece) have installed batteries to allow higher levels of renewable power penetration through load-shifting. ■

2% YoY increase in retail trade sales volume in Sweden in August 2018

As Henrik Didner and Adam Gerge's equity fund approaches its quarter century, the pair, two of Sweden's best known stockpickers, show no sign of changing an approach that has brought continued returns. Jonathan Boyd reports

Stockpickers not for turning

24 years ago in October, one of Sweden's best known fund management duos and their equity fund launched into the local funds market.

Henrik Didner, co-founder and now chairman of the board, and Adam Gerge, co-founder and deputy CEO, first met at Uppsala University in the Department of Business Studies, where they were PhD candidates and found that they had a common interest in equities.

After chatting for some 4-5 years, and on completion of their studies, they decided to set up a business. This is when the idea of running a fund company came about.

"If one is to do anything well, then you need to be interested. Academia was not it," says Gerge, stressing the interest in equities.

At the time both were in their early 30s, but they had been following equities since they were teenagers, as a long standing hobby.

"It was a real equity interest," stresses Didner, "over time we had developed this interest, into what is happening to companies."

Launched 21 October, 1994, the *Aktiefond* – literally translated as 'Equity fund' – has since been joined by four other funds; Småbolag, Global, Small and Microcap, US Small and Microcap. It still accounts for the largest share of total AUM of some SEK74.3bn (€7.2bn, as of end July).

The performance figures are a likely reason behind the continued ability to draw investors to the fund: the Aktiefond has averaged return of 16.47% annually over the past 10 years to 24 September 2018 including the rebate for those Swedes invested through the PPM platform operated by the Swedish Pensions Agency.

According to *Fondkollen*, the fund comparison service

Henrik Didner (left) Adam Gerge, Didner & Gerge

operated by the Swedish Investment Fund Association, the fund ranks first out of 59 funds over 10 years, in its sector of Swedish equity funds.

Over five years it ranks 40 out of 77, and over three years it is 57 out of 85. The fund is now managed by Adam Nyström and Gustaf Setterblad, as Didner and Gerge have passed on the daily portfolio management responsibilities; whilst also shifting daily executive decisions for the company to Helena Hillström, who took over that role in November 2011.

The duo stopped doing management in 2014, since when their role have changed slightly.

As Didner explains: "We did everything ourselves in the beginning, but hired Helena, who is now CEO."

However, they did start stepping back from back office and other functions within a few years of launching. There has also been ongoing hiring in response to factors such as increasing compliance and other regulatory demands on the industry.

"Compliance was easier then; now we have two people full-time on compliance," explains Didner.

"It was a different world then. If we started today, we would have to hire these people."

Adds Gerge: "We had SEK1m (€96,000) in capital when we launched."

The philosophy of the business has also impacted its development, as Gerge explains: "Many have launched

ADDITIONAL FUNDS

It took some time before Didner and Gerge felt the time was right to add further funds to the range.

"Every time we have launched a fund, it is with the idea that they will be of benefit over the long term. And we have to be willing to invest ourselves," says Gerge.

Adds Didner: "And there are funds that are very complex. We do not want to make things too complex."

"And it is about performance. If you have done well previously you have help on the journey."

0.1% Decrease in annual growth rate of households' loans from MFIs in Sweden in August 2018

hedge funds, because they can earn more if it goes well. But this is a challenge for those targeting average savers."

Didner & Gerge also started by focusing on direct customers, before platforms such as Avanza even existed. When they got to around 27,000 direct customers they then shifted to platforms; some 15-20,000 direct customers still remain. This reflects the decision to start at the retail rather than the institutional end of the industry. Today, four out of the five funds on offer are available via the PPM system, while they are also available via platforms, pension solutions and elsewhere.

PHILOSOPHY

A constant throughout Didner & Gerge's business development has been the commitment to bottom up stock-picking in concentrated portfolios.

The *Aktiefond* could theoretically have as few as 16 holdings, although it has in practice ranged from 25-35 since launch. It has beaten its index by about 4.5% on average annually over 24 years, notes Gerge, but this has come off a firm commitment to taking a long term investment horizon.

"You need to be long term in terms of the companies, to think about long term developments of companies," he says.

"You should not get caught up in share price movements in the market," adds Didner, who also says, "very few macro events influence shares over time. We never read the *Financial Times*. It is about following the companies. It is a good paper but does not help when it comes to investing in equities."

Gerge says that: "For companies that are more cyclical, [macro] may have some effect. But we do not have the ability to predict the economic cycle. When put together a portfolio, then irrespective of up or down cycles, then companies can provide good returns. It is about whether companies should be in the portfolio."

"We do not think about what is happening in the stock market," Didner continues.

"Our rule is to be a minimum 95% invested, but we have tended to be more than this."

Twice in their management career, Didner and Gerge have experienced a halving of the stock market.

When that happens, it is "hard to find the end of the rainbow in terms of timing," notes Didner.

"When the market is down 50% people ask why we held on."

A CONTINUED FOCUS

Didner & Gerge remain focused on equity also in the other strategies offered covering asset classes such as Nordic and US small cap. However, there are no firm decisions about growing the range.

"We have not made any decisions yet," Gerge says of expanding the range

"It has to be a fund that has a place in the market over the long term. And we need to find the right people. Our funds are all managed by two people."

NEW IDEAS CHALLENGE

Having succeeded as boutique entrepreneurs, Didner and Gerge have firm views on the challenge facing potential new entrants in today's climate of compliance.

Launch costs have been driven up sharply since the 1990s becuase of costs associated with staff, and it takes more staff to launch nowadays, they say.

"We started unpaid and on a low rent," says Didner

"There was more opportunity for an independent manager at the time," adds Gerge.

One of the reasons for this was the dominance of the banks in the local fund industry at the time.

"*Finansinspektionen* [the Swedish Financial Supervisory Authority] , had hardly been involved in questions about setting up a fund. It was about being in newspapers as there was no internet. So, we got 'free' ads by being written about. It helped generate noise. There was also a hook in having the academic background and being based in Uppsala," adds Gerge.

"We got good press. It is not the same today; it is a sea of funds."

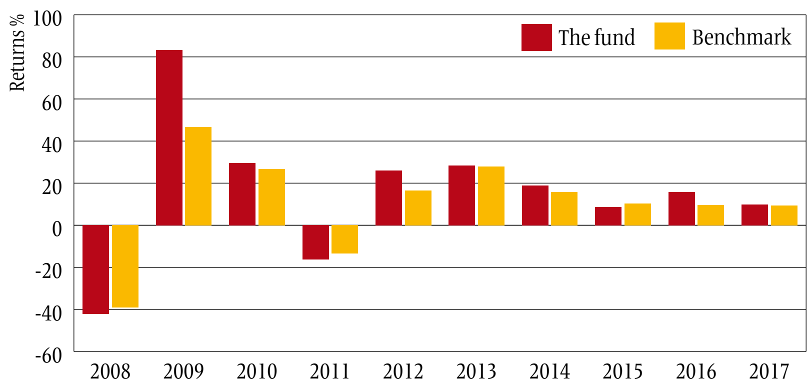
Adds Didner: "It is a heavy burden for an individual manager, especially if the market is going down. So, we feel that two people is the best model. "

As to the focus on equities, Didner says "it is what we know."

"Never say never, but we have never been near anything else. It has been plain, no shorting. It goes back to the establishment of the business. Shorting requires a different way of thinking. But you cannot have too much going on in your mind to do a good job. Our focus is long only and what is going on in companies."

On the succession planning question, both are firm in the view that it should be about evolution rather than revolution. Also, while the portfolio managers may sit in Stockholm, there is no question of moving the company's headquarters from Uppsala, the city where it all began. ■

PERFORMANCE vs BENCHMARK



As at 1 February 2018 Source Didner & Gerge

43% Proportion of Chinese nationals that have used internet dating (YouGov)

Aubrey Capital Management eyes China's booming online dating market as it is in the early stages of development. Eugenia Jiménez investigates

'Chinese Tinder' sparks interest

The internet is reshaping traditional dating and what in the 1990s seemed outlandish to many, has become a reality in continuous growth. As of March 2017, there were about 700 million Chinese internet users. Investors will be well aware of the opportunities generated by China's vast army of online shoppers, gamers and travellers; but the internet is also playing a vital role in the country's 'love industry'.

According to research conducted by YouGov, some 43% of Chinese nationals have used internet dating at some point. Family pressure to marry is high, especially for women, which gives rise to an industry of for-hire boyfriends and, in some cases, to serious relationships.

On average, women in China get married at 25 and men at 27. The one child policy has caused many selective abortions based on gender as Chinese families favour boys over girls.

Stephanie Li, investment analyst at Aubrey Capital Management, has a very personal take on this: "My mum had three or four abortions. I am only here because they thought I would be a boy."

Some 118 boys are born for every 100 girls, against a global average of 96 to 100. Currently, there are 9 million males more than females in China. As a result, men are struggling to find partners. However, it is not just the men facing this challenge: single women above 25 years old are stigmatised and considered 'leftover'.

Chinese parents dedicate themselves much more than their western counterparts to ensuring their daughters get married to 'established men' – jobs and annual income are taken into account more than any other virtues.

THE LOVE INDUSTRY

With this amount of societal and family pressure, it is not perhaps surprising that a growing number of single people in the country are exploring different channels to find the love of their life. According to the National Bureau of Statistics, there are around 300 million single people in China over the age of 15.

The demographics and culture in China give rise to great investment opportunities. Edinburgh-based Aubrey Capital Management is one of those betting on the opportunities arising from the 'modern love industry' in the country.

Recently, Aubrey initiated a position in Momo – a Chinese social media app – which owns the Chinese equivalent of Tinder, TanTan.

Momo acquired TanTan last February for $760m, creating a giant in the country's booming online dating market.

For Stephanie Li, online dating is in the early stages of its development.

"Whilst true love might not be the only motivation of everyone who uses Tinder, comparisons between the US business and TanTan are indicative. TanTan began generating revenue in January this year. From speaking to the management, they are guiding for revenue to increase significantly through H2 2018 as they roll out monetisation features.

"We are expecting TanTan to go from almost nothing this year to contributing 10% of Momo's revenue in two years' time," Li says.

She also cites the case of Tinder to explain its faith in the future of the Chinese dating app: "Tinder started monetising the app in 2017, and doubled subscribers and more than doubled revenue in 2017. Tinder had 3.1 million subscribers and $400m revenue as of end of 2017. It was ranked the second fastest growing app globally in that year.

"Long term growth will be supported by the shift from dating offline to online. The Chinese are incredibly tech savvy, and we expect the adoption of dating apps to prove to be just as successful as was seen in the developed economies. Better to be a 'Tinderella' than a leftover."

As a whole, the firm considers emerging market consumption is clearly undergoing a secular change. Equally obvious for Aubrey is the tendency for emerging market consumers to follow trends already seen in the developed world. There is no reason why the pursuit of love should be any different. ■

1.1% increase in retail turnover in Switzerland in August 2018 YoY

Integration of sustainability into investments of Swiss asset managers is booming. Ridhima Sharma reports

Swiss differentiation

According to a number of metrics, the Swiss market has remained positive through the course of 2018.

There have been shifts noted, such as the increasing weight to defensive sectors in allocation decisions, specifically in the pharma sector. Moreover, the defensive nature of the Swiss market is attractive down the road and a bit more cautious on equities for the medium term.

Swiss boutiques are currently in the process of redefining their business model due to the change in market conditions, both in terms of revenue and cost. The process induces some consolidation that should continue over the medium term. Levels of service remain key to moving forward for Swiss boutiques.

A lot of foreign asset managers are seeking entry to the Swiss market. But they must focus on a few products with a clear strategy and management style. The offer should exhibit a differentiation for the investor as the supply of products is already quite important.

"THE GROWING IMPORTANCE OF ESG/SRI IS RESULTING FROM THE DEMANDS OF CLIENTS... ESG/SRI IS CLEARLY A 'COMPONENT' OF THE MILLENIALS' MENTALITY"

François Savary, Prime Partners

ESG INTEGRATION

The number of Swiss institutions implementing ESG has grown over the years. They are not only buying ESG products, but also actively implementing strategies into investments. Also, the shareholder engagement has widened to include international companies.

Sustainable investment funds represent 8.7% of the Swiss fund market according to SFF report. Not surprisingly, most asset managers have already taken measures to integrate ESG consideration in their investment processes, with more or less significance and intensity. At this stage, what's important to us to assess is who is doing what in this field. The interest for ESG/SRI investments on the rise and not only in Switzerland.

"I do not see any reason why the trend should go into reverse, on the contrary. The growing importance of ESG/SRI is also resulting from the demands of clients. It is very interesting to notice this development among the younger generation, that is, ESG/SRI is clearly a 'component' of the Millenials mentality," says François Savary, CIO, Prime Partners. ■

EU-SWISS RELATIONS

Relations between Switzerland and UK are close and multifaceted. And Brexit will certainly impact the EU-Swiss relation. A new model of cooperation should emerge, but will it work? Nobody knows. What will be the challenges of the UK-EU relations down the road? What will it mean for the future of the EU? Could a working UK strategy induce other members of the EU to go for an exit solution? A lot of questions are open when it comes to the consequences of the Brexit.

All in all, Savary thinks that the tendency will be for the EU to be more stiff when it comes to negotiate with other parties, i.e. a more difficult and less flexible attitude of the EU in the negotiation, at least in the short term.

Recent comments by Mister Juncker concerning the Swiss-EU relations are clear: the EU wants a global agreement with Switzerland, the EU refuses the idea of partial agreements. Is sets the tone for any existing agreement, i.e. the durability of each of them will be dependent on the ability to reach a global agreement between the two parties.

The Swiss National Bank has done a good job in dealing with the risk associated with the Swiss Franc strength. Economic conditions in Switzerland are good and inflation is back in positive territory. Considering the recent rise in uncertainties (trade, EM), the CHF has appreciated over the last few months. Therefore, the current stance of the SNB is appropriate and to err on the cautious side when it comes to a change in monetary stance is the right strategy.

€38bn Italian bonds sold by foreign investors in June

Italy's budget smash

Italian government bond yields rose after the government announced an increase in the country's budget deficit, sparking concerns of a clash with the EU. Eugenia Jiménez reports

In May 2018, original government budget plans suggested an eye-watering deficit of more than 6% of GDP. That is twice the Maastricht limit of 3%. In the event the government has decided on a deficit of 2.4%.

Italy's minister of Economy and Finance Giovanni Tria stated few days after the announcement that despite the government's plans to increase public spending, it will still manage to reduce public debt and to keep the country's GDP on a growth path over the next two years.

However, the statement was not enough to reassure bond market fears, with short-dated bond yields rising more than 15 basis points on 1 October – four days after the announcement – while five-year Italian debt insurance costs hit their highest level in a month.

Some industry commentators suggested that the European Union would consider it unlikely that Italy's fiscal measures would be able to raise growth to 1.6% and 1.7% in 2019 and 2020 respectively, as projected.

Italy's public debt level remains above 130% of GDP, which makes the bond market particularly vulnerable to any signs of fiscal "blunder".

Italy's two-year government bond yield surged as much as 18 basis points before pulling back to 1.07%, still up 3 bps on that day.

Italian five-year yields were up 4 bps, though 10-year bond yields dipped 2 bps to 3.12%, giving up early rises.

While Italian bonds struggled following Italy's budget announcement, the country's stock market was 1.6% higher on the opening of 1 October.

MARKET REACTIONS

In the immediate aftermath of Italy's budget announcement, – which led to weakness in Italian assets on fears that this would put Italy on a collision course with the EU – the yield spread between 10-year Italian and German government bonds rose to their highest level in a month.

BlueBay AM co-head of Developed Markets Mark Dowding, says: "Policy makers from La Lega and the Five Star parties agreed on a budget deficit target of 2.4% for 2019 and subsequent years, which was higher than the target that minister of Economy and Finance Tria had been pushing for. This led to weakness in Italian assets and it is likely that the European Commission will push back on the plans later in October.

"Nevertheless, Italy will continue to maintain a healthy fiscal primary surplus under these plans and although the debt/GDP ratio will not decline as Brussels would like, it seems unlikely to rise either – though ultimately progress on this will probably be more dependent on the growth outcome than the fiscal delivery."

"ITALY WILL CONTINUE TO MAINTAIN A HEALTHY FISCAL PRIMARY SURPLUS"

Mark Dowding, BlueBay AM

Dowding also explains how assessing BTPs value means assessing the probability of an Italexit from the euro, which he sees lacking any substantial support from the public or political parties in Italy.

"We had hoped that following the budget the Italian 10-year spreads would move inside 200bps and although this seems much less likely to be the case, a sustained move wider from current levels would also seem unjustified with a steep yield curve making it an expensive short to maintain."

Adrian Hilton, fixed income fund manager at Columbia Threadneedle Investments, comments: "There's still time to redraft a more conservative budget before it is submitted to the European Council next month, and our baseline is that the present government will stop short of flirting with leaving the eurozone. But this kind of volatility is unhelpful for risk sentiment around Italy, and there remains a risk that ratings downgrades could exacerbate the crisis further. We are content to maintain a neutral position for now.

"The medium-term fiscal outlook is likely to be looser and the sustainability of its high debt will be harder to achieve as a result.

"Our chief concern at present is the worsening economic backdrop as both domestic sentiment and international demand wane: the real risk to Italy may materialise later when, without sufficient structural buffers to lower growth rates, the size of primary surplus required to stabilise the debt ratio may become unachievable." ■

nordic investment managers forum

2 World Cup finals in which Paul Breitner scored

The definition of happiness will be among the topics addressed by keynotes at this year's Nordic Investment Managers Forum (NIMF) event series across the Continent. Jonathan Boyd reports

Happiness is not just a word

Later this month, in October, the first NIMF 'roadshow' of events will take place across Zurich, Munich and Luxembourg.

Under the umbrella of the Nordic approach to asset management, five groups will take part to present their views in areas such as emerging markets equity and debt, Danish mortgage bonds, and returns from the broader Nordic region. The groups taking part include Danske Invest, DNB Asset Management, Skagen, Jyske Bank and Sparinvest.

A key feature of the events will be the three keynote speakers – one for each event:

- **Michael Strobaek**, global CIO and head of Investment Solutions & Products at **Credit Suisse**, is set to deliver the keynote at this year's Nordic Investment Managers Forum in Zurich on 23 October, outlining his thoughts and experiences on a Scandinavian background as it has influenced his career over more than 20 years in Spain.
- **Paul Breitner**, a member of **Germany's World Cup winning squad of 1974**, is set to share his outlook on life and team planning when he delivers the keynote at the Nordic Investment Managers Forum in Munich on 24 October. As one of only four players ever to score in two World Cup finals – the others being Brazilians Pelé and Vavá, and Frenchman Zinedine Zidane – he also was part of the team that won the European Championship in 1972.
- **Meik Wiking**, CEO of **The Happiness Research Institute**, and research associate for Denmark at the World Database of Happiness, will be sharing insights into why Nordic countries tend to score highly on 'happiness' when he provides the keynote at this year's Nordic Investment Managers Forum in Luxembourg on 25 October. Wiking has lectured and authored extensively on the topic of happiness, subjective well-being and quality of life – as well as providing a measure of what exactly happiness means.

Joining the keynote speakers will be presenters from the Nordic asset management groups taking part in the event series, including:

- **Allan Willy Larsen**, head of FX and Mortgage Bonds at **Jyske Capital**.
- David Bakkegaard Karsbøl, who joined **Sparinvest** in 2013 as chief strategist.
- **Tomas Johansson**, portfolio manager of the global equity fund **SKAGEN Insight**.
- **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**. ■

MORE INFORMATION

Now in its fifth year, the NIMF has been extended to Zurich (23 October at the Park Hyatt), Munich (24 October at The Charles), before returning to Luxembourg (25 October at the Cercle cité) – all intended to bring a Nordic perspective to different asset classes and investment approaches.

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

Janus Henderson INVESTORS

Volatility is synonymous with change

Jim Cielinski is Global Head of Fixed Income at Janus Henderson Investors

The recent market turmoil in Turkey and Argentina is symptomatic of what happens when policy change occurs. As the US Federal Reserve (Fed) has tightened US monetary conditions by raising interest rates and unwinding its quantitative easing programme, the impact is being felt in weak points abroad as a more competitive US Treasury yield and stronger dollar reduce the attractiveness of riskier assets. Within Turkey and Argentina the domestic political scene and confused economic policy are additional hurdles. For the moment these two markets are not for the faint hearted although Argentina looks the better of the two from a potential value perspective.

Should we be concerned? While the fallout has unsettled sentiment towards emerging markets, leading to a risk-off atmosphere, the impact more broadly has been constrained. It is hard to see this becoming systemic globally so long as global growth holds up. In fact, the emerging market sell-off may have opened up some buying opportunities among those emerging markets that are less exposed to external forces but which have been caught unfairly in the backdraft.

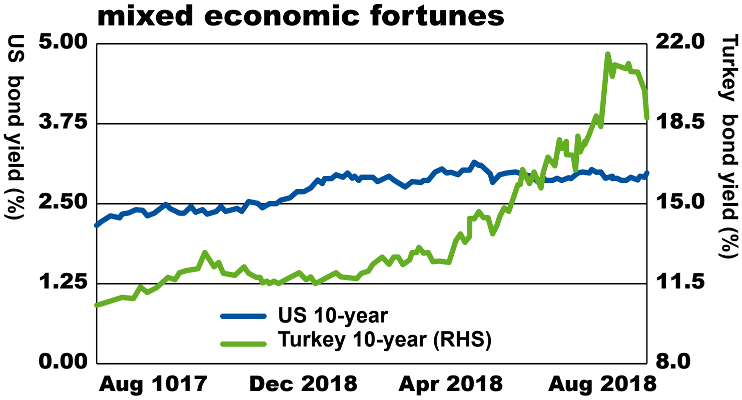
> **"2018 has delivered improved value within yields at the short end of the yield curve. Greater dispersion within markets should also create fresh opportunities for those investors with the flexibility to take advantage of volatility and market inefficiencies"**

One area of the markets that has been beset by calm in recent months is the mid to long end of the US Treasury yield curve. The yield on the 10-year bond has remained range-bound between 2.8% and 3.0% throughout the summer. This offers some comfort that the market believes that the current Fed policy of near-term tightening is consistent with low to moderate inflation in the US. Given robust labour markets but constrained wages the economy should continue to grow without inflationary concerns. Elsewhere, the reading from key leading indicators such as purchasing manager surveys and monetary numbers is that global growth may have peaked but at fairly solid levels. If this reading is correct we should expect some softness in global economic data in coming months but nothing too alarming.

The real test for markets is how trade talks between the US and China play out. So far, the market has been able to absorb the initial jostling and tit-for-tat responses, but any signs of a severe escalation could lead to a reassessment. In recent years, politics has been the leading character in many of the episodes of market volatility. Given an unpredictable US President fond of dramatic announcements and a Chinese leadership keen to assert China's growing status in the world, we must hope that common sense prevails and political posturing does not derail good economics. Throw in the Italian draft budget for 2019, which needs to be reviewed by the European Commission by mid-October, the US mid-term elections in November and the ongoing Brexit discussions, and the market is not short of potential political road bumps.

So far, 2018 has delivered improved value within yields at the short end of the yield curve. Greater dispersion within markets should also create fresh opportunities for those investors with the flexibility to take advantage of volatility and market inefficiencies.

Government bond yields highlight mixed economic fortunes



Source: Thomson Reuters Datastream, 10-year government bond yields, 10 Sep 2017 to 10 Sep 2018. **Yields may vary and are not guaranteed.**

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The information in this article does not qualify as an investment recommendation.

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INVESTMENT EUROPE REYKJAVIK ROUNDTABLE 2018

10% August YoY rise in overnight stays recorded in Iceland

Spreading trends

Fund selectors in Iceland's capital were able to tap into a broad spectrum of manger views across asset classes and strategies at the recent Reykjavik Roundtable 2018. Jonathan Boyd reports

The Roundtable that *InvestmentEurope* hosted on 13 September for fund selectors in Iceland saw four groups present their latest ideas across both equity and fixed income asset classes, both public and private equity, and with a nod to ESG – the latter a theme that has risen up the agenda across pretty much all European markets in response to investor demand and ongoing regulatory machinations.

Peter Lidblom, director for GCG Nordics Region at DWS, put forward the first presentation of the event, which outlined the approach that this management group takes to the ESG issue. He outlined how DWS has developed a proprietary system for scoring ESG factors, and applies these to the investment process to access superior return.

This relies on an 'ESG Engine', combining inputs from ESG data vendors such as ISS-Oekom, MSCI, Sustainalytics, TruCost, Reprisk, SigWatch and other public sources, when are then put through an automated analysis of multiple ESG facets. Subsequently the output is not only integrated at a platform level for application across all investment functions, but can also be tailored to meet particular active and passive needs.

The Engine covers more than 10,000 entities, Lidblom explained. DWS' scoring system produces a 'SynScore' and 'SynRating', which ranks entities according from 'A' to 'F', where A represents "true leaders" in ESG, and F is for "true laggards". SynPoints can be applied to MSCI World GICS sectors, producing sector and index scores, such as for the MSCI World index, which then facilitates, for example, exclusions and the possibility of creating, say, an MSCI World ex controversial weapons portfolio, he noted.

In terms of portfolio impact of the process, Lidblom highlighted, for example, that in DWS' portfolios: 0.18% of tracking error is introduced by excluding controversial weapons; a 0.90% tracking error portfolio moves up an ESG SynRating grade from C to B; a 2.3% tracking error portfolio moves up to a best-in-class A rating.

Shifting from ESG and equities, the next speaker looked to opportunities in emerging markets.

Cornel Bruhin, portfolio manager at MainFirst is responsible for EM fixed income investments, an area of uncertainty, but also of opportunity, he noted.

What is important as an active manger is to have a proper process in place: his involves starting with the country spread, then sector spread, then corporate specific risks, then rating specific risks, then technical such as volatility, liquidity and deal structures. Key questions in this process would include asking how the current country spread looks on a historical basis, or finding reasons why rating agencies would score an instrument differently than their own score. The process is what leads to discovery of relative value.

Thus, while it is true that there has been much discussion of Argentina and Turkey and their country spreads, for the majority of other emerging markets this type of spread has been "pretty resilient", Bruhin said. It is important to recognise that there are considerable differences in spreads, such as between Indonesia and China.

US interest rates are a key factor in any EMD discussion. Bruhin's answer is that this risk can be managed by

0.9% Decrease in producer price index in Iceland between July and August 2018

INVESTMENT EUROPE REYKJAVIK ROUNDTABLE 2018

shortening duration, for example. Meanwhile, at the fundamental level, his view is that corporate balance sheets continue to improve, EM default levels have come off a peak in late 2016, and with growth continuing companies should see cash levels rise and leverage fall.

PRIVATE EQUITY

Shifting the discussion from public markets in equity and debt, Ferdinand Dalhuisen, managing director Oddo BHF Private Equity, outlined the opportunities in the private equity secondaries market.

This market is defined by acquisitions of shares in existing funds from primary investors, which replaces them as limited partners, and typically such investments are only made after the investment period of a fund has ended, he noted.

Crucially, this secondaries market provides liquidity for an illiquid asset class, he added.

What is more challenging is that secondary transactions can be complex and time consuming for reasons including arriving at a valuation of a portfolio with a large number of companies held, or understanding the impact of fund fees on the valuation of a portfolio. However, from the perspective of a secondaries investor, Dalhuisen said the benefit of this complexity meant that there was a limited number of buyers able to systematically approach the asset class.

In terms of the potential size of the market, he noted that while the secondaries market reached volume of $58bn in 2017, it should be remembered that total AUM in private equity is some £2.8trn, which is all potentially available stock for secondary transactions. Dalhuisen expects volumes to grow in future.

Leading the discussion back to public equity, but from the perspective of ETFs was Gregg Guerin, senior product specialist at First Trust Global Portolios – with a particular focus on the outlook for the eurozone.

Guerin outlined the FTGP's AlphaDEX methodology of approaching indices for factors other than market cap weightings such as price/book, price/cashflow and 12 month momentum, to produce scores that are assessed on a regular basis.

Applying such an approach can show demonstrable return improvements against an index such as the EURO Stoxx 50, according to the illustrations put forward – including lower beta and correlation scores and a higher Sharpe ratio. FTGP's approach means that fundamental selection can be pursued in a systematised way at any point in the cycle, Guerin added. ■

Speakers

Cornel Bruhin joined **MainFirst** as a portfolio manager in 2012, responsible for EM investments for the MainFirst Emerging Markets Corporate Bond Fund Balanced and Credit Opportunities Fund. Previously he was at Clariden Leu, Bank Hoffmann and Credit Suisse First Boston.

Peter Lidblom is director for GCG Nordics Region at **DWS**, which he joined in December 2017 as head of passive investments sales Nordics. Previous experience includes heading prime brokerage sales UK for SEB, and roles at Nordea, NSBO and ETF Securities.

Ferdinand Dalhuisen is managing director at **Oddo BHF Private Equity**, which he joined in January 2018. Previously at Deutsche Bank Private Equity for seven years, he has also worked at Golding Capital Partners and Credit Suisse.

Gregg Guerin is a senior product specialist at **First Trust Global Portfolios**, working out of London to support the UK and European markets. Previously based at First Trust in Chicago, he has been working in the ETF industry for over a decade.

66,040,200 UK population estimated through 2017

Visiting the community

In the second of a series of presentations outlining InvestmentEurope's ongoing commitment to visiting members of the fund selector community across the region, Jonathan Boyd mentions visits made during the past month

The first month following the traditional August lull across Europe saw a significant number of visits to buy-side professionals across the region by teams of editorial and other staff from *InvestmentEurope*.

Complementing the presence seen through the multiple events hosted throughout the year, the purposes of these meetings vary, but represent an ongoing opportunity to outline the objectives of *InvestmentEurope* in particular markets while enabling the team to access deeper understanding of the drivers of fund selection and of the impact of ongoing market conditions on the investment decisions being made.

Recent highlights are listed 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:

- 23-25 October – Jonathan Boyd visiting Zurich, Munich and Luxembourg as moderator for the Nordic Investment Managers Forum series;
- 29 October-1 November – Jonathan Boyd visiting Copenhagen;
- 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.

Copenhagen

Jonathan Boyd, editorial director (pictured left), and Patrik Engström, head of Delegate Relations, visited the Danish capital in early-mid September before journeying on to Reykjavik, where InvestmentEurope hosted a Roundtable for local fund selectors (see elsewhere in this issue for the event report). The meetings in Copenhagen included:

- Anders K Bertramsen – head of External Products – Sander Nielsen – director, product manager – Nordea;
- Martin Nørregård – product specialist – Capital Four;
- Niclas Faurby – partner, regional director – Aros Capital Partners;
- Mads Christian Romild – CIO – Accunia;
- Matthias Wiegand – global head of distribution – C Worldwide.

Some of the takeaways from the meetings include:

- ESG is an extremely important facet of supply and demand in Denmark and the broader Nordic region;
- Sub-advisory in the area of fixed income continues to attract attention off investors;
- Collateralised loan obligations are finding traction in the local market;
- From the local sell side perspective, Anglo-Saxon markets are attractive because they offer a consistent investment culture to plug into.

Madrid

Eugenia Jiménez, Iberia correspondent and Vanessa Orlarey (pictured left), head of Fund Selection and Distribution, Southern Europe, visited Madrid in mid-September, where meetings included:

- Marta Pérez Cogollos – lead research analyst – Ana Perona, Tatiana Nogueras -communication officers – Santander Asset Management;
- Enrique Marazuela – CIO – BBVA Private Banking – president – CFA Spain;
- Francisco Javier Velasco – fund selector and qualitative analyst – Andbank;
- Miguel Ángel Rico Bernabé – portfolio manager – Banco Alcalá Wealth Management;

12.9% UK share of total EU population

- Victoria Torre – responsible for content, product and services development – Self Bank;
- Juan Muñoz Urquijo – Servicio de Análisis – Banca-March;
- Rafael López De Novales – Area Gestión – Imantia Capital;
- Pablo García – head of Open Architecture – CaixaBank Asset Management.

Key takeaways from these meetings include:
- This is also a market where ESG is being seen as an important factor;
- There is interest in alternatives – but preferably in liquid, Ucits form;
- Looking for ideas in fixed income.

Rome

Eugenia Jiménez, Iberia correspondent (pictured left), Vanessa Orlarey, head of Fund Selection and Distribution, Southern Europe, and Luisa de Vita, delegate relations manager, visited the Eternal City, where meetings included:
- Francesco Fren – portfolio manager, fund analyst – Eurovita;
- Angelo Mauri – investment director – ENPAP – Ente Nazionale di Previdenza e Assistenza per gli Psicologi;
- Alessandro Ferretti – director – Fondo Pensione Pegaso;
- Claudio Torrisi – vice president – Ente di Previdenza ed Assistenza Pluricategoriale (EPAP);
- Robert N. Rausch, CIO and Giacomo Tancredi, investment manager – Fondazione Enasarco;
- Davide Scutti – finance director – Banca Finnat;
- Diego Ballarin, investment director and Attilio Farano, associate – Fondo Pensione Prevedi;
- Andrea Carboni – investment and advisory director – HCinque;
- Roberto Violi – senior director, head of Risk Management Department – Banca d'Italia.

Key takeaways from these meetings include:
- Another market where ESG is a hot topic; the local fund industry is waiting for the introduction of regulations particular to impact investing;
- Italian law places restrictions on the relative exposure to certain asset classes taken by pension funds;
- Alternatives along with various points on the credit spectrum – government debt, corporate debt – and ensuring liquidity are among key areas of focus of selection activity;
- Passive, ETFs, being looked at for cost reasons. ■

HAVE COPY, WILL TRAVEL

The *InvestmentEurope* magazine is read across the region. We would be happy to publish pictures showing it *in situ*, as these examples from the recent trips to Copenhagen and Rome illustrate.

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

Approaching events

This month sees the latest Pan-European Summit take place in Hamburg, with a Forum in Madrid and Roundtable in Copenhagen following, before heading to Zurich, Milan and Tel Aviv in November

NEXT EVENTS

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 selectively offer more than 70 fund selector from across the region access to latest thoughts and updates on asset classes, strategies and approaches from asset management groups including Candriam Investors Group, Columbia Threadneedle Investments, Danske Invest, Eurizon, First State Stewart Asia, Guinness Asset Management Invesco, Janus Henderson Investors, Odey Asset Management and Tokio Marine Asset Management.

The event will include a keynote from Iain Duncan Smith, former leader of the Conservative Party in the UK, and most recently part of the cabinet as secretary of state for Work and Pensions in 2010-2016. The *Fondsfrauen* network will present on diversity and demographics in asset management. The event also offers opportunities to hear more about the Association of Professional Fun Investors, and the SharingAlpha platform for fund selectors.

Networking opportunities are available through lunches, dinners and an optional walking tour of the city.

To register your 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; Luisa de Vita at luisa.devita@odmpublishing.com or +44 (0) 20 3727 9932.

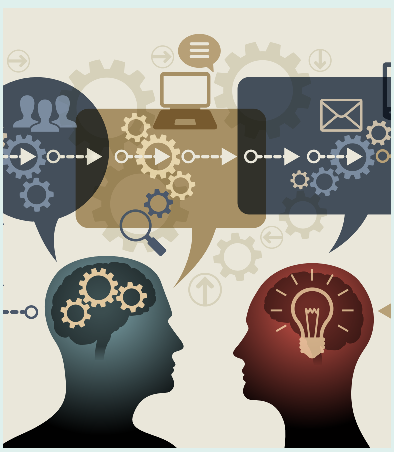
INVESTMENT EUROPE
MADRID
FORUM 2018

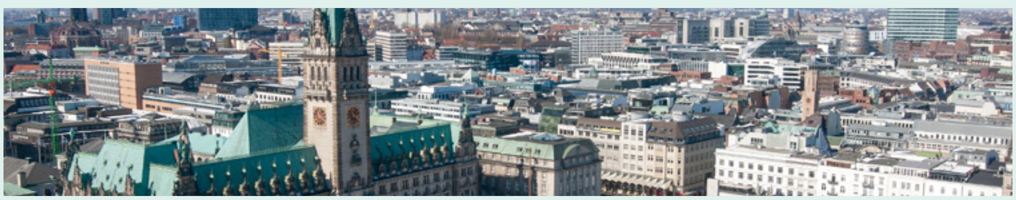
MADRID, 25 OCTOBER

InvestmentEurope's return to Spain for the Madrid Forum 2018 will take place on 25 October at the Westin Palace Hotel – locate in the heart of the country's capital.

Targeting some 25 fund selector delegates, active in the Spanish market the groups participating will include Aviva Investors, Candriam Investors Group and Mirabaud Asset Management.

To register your interest in attending this event, contact Vanessa Orlarey at vanessa.orlarey@odmpublishing.com or phone +44 (0) 74 7393 4144.





TAKE PART IN THE DISCUSSION

Delegates to the Pan-European Summit Hamburg 2018 can connect ahead of the events by tweeting using the hashtags #IESUMMIT. For the Madrid Forum 2018 use the hashtag #IEMADRID.

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

And there are LinkedIn pages dedicated to events and other news. Visit www.linkedin.com/showcase/6403794 for further information.

LOOKING AHEAD

INVESTMENT EUROPE
COPENHAGEN FORUM 2018

InvestmentEurope returns to Denmark for the Copenhagen Forum 2018 on 30 October at the Hotel d'Angleterre.

Targeting some 20 local fund selectors, the time-efficient event will see up to five groups presenting their respective outlooks for different asset classes.

Groups participating include Fisch Fund Services, Jupiter Asset Management, MainFirst and UBS Asset Management.

Collectively, they are set to cover topics including: investing in structural growth, revisiting the argument for convertibles, and the outlook for China om in the context of global equities.

To register your interest in attending this event contact Patrik Engstrom at patrik.engstrom@odm-publishing.com or +44 (0) 20 3727 9940.

INVESTMENT EUROPE
PENSIONSKASSENFORUM ZURICH 2018

INVESTMENT EUROPE
MILAN FORUM 2018

INVESTMENT EUROPE
TEL AVIV FORUM 2018

Next month *InvestmentEurope* will host events in Spain, Italy and Israel respectively for local fund selectors.

Further information on these and other events can be found at www.investmenteurope.net/events.

➤ Full calendar of events overleaf.

EVENTS CALENDAR 2018

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



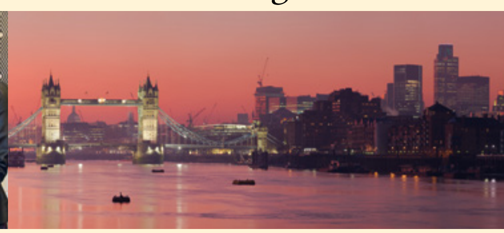
25 October	Madrid	Forum
30 October	Copenhagen	Forum
13 November	Zurich	*Pensionskassenforum*
20 November	Milan	Forum
27 November	Tel Aviv	Forum
4 December	Stockholm	Forum

InvestmentEurope's traditional year-ending event will cater to some 25 local fund selectors for a day of boardroom sessions presented by international mangers



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.

7.9 million Number of overnight stays in Berlin in 2017

InvestmentEurope's inaugural Funds to Watch in 2019 will allow fund selector delegates to mingle with both established and new investment ideas from both larger and smaller boutique houses. Jonathan Boyd previews the event

A showcase for new investment ideas

Amid the constant fee and margin pressure affecting the fund industry across Europe, it is becoming harder for new ideas to obtain funding.

As illustrated by Sweden's Didner & Gerge in this issue (pages 20-21) if they had tried to launch the business today, it would have required a significantly larger sum of capital, just to handle compliance costs.

But Europe's fund selectors deserve access to new ideas to deal with the outcomes of the 'new normal' that has plagued markets for the past decade – in areas such as developed market sovereign debt, where yields have been squeezed to zero or even negative in real terms – as well as position clients to take best advantage of what will hopefully be continued global economic recovery.

Funds to Watch is a series of events providing a platform for sponsors to showcase up and coming or evolving funds and managers.

Set to take place over three days, the event will offer a mix of styles – plenary sessions, rapid fire sessions, boardroom sessions – for speakers to share their outlooks on asset classes and strategies, while the event will maximise the networking opportunities by also allowing for 'Business Hive' meetings. These will enable fund selector delegates and speakers and their groups to continue the dialogue even after the formal sessions are done.

The different styles of space used for presentations has been deliberately designed to offer a tiered solution that facilitates the ability for boutiques to take part. A panel discussion involving a few fund selectors will also form part of the programme to discuss and share views on how best to approach the question of blending boutiques with larger houses during the search for funds.

Taking place at the InterContinental Berlin (which will be known to those who have attending the FundForum event in the past couple of years), the event will of course feature networking lunches, dinners and multiple coffee breaks to support the ability of those attending to connect with professional peers. ■

EVENT DETAILS

The Funds to Watch event takes place 10-12 April, 2019, at the InterContinental Berlin – a regular venue for top-notch investment events in Germany's capital city.

The event will target some 60 fund selector delegates from across Europe, who will be able to interact with up to 18 asset management groups, their speakers and representatives.

Fund selectors interested in attending the event should contact their usual market representative:

- Patrik Engström, head of Delegate Relations, at patrik.engstrom@odmpublishing.com or +44 (0) 20 3727 9940
- Vanessa Orlarey, head of Fund Selection and Distribution - Southern Europe, at vanessa.orlarey@odmpublishing.com or +44 (0) 20 3727 9926
- Arzu Qaderi, DACH Delegate Relations executive, at arzu.qaderi@odmpublishing.com or +44 (0) 20 3727 9936
- Luisa de Vita, Delegate Relations manager, at luisa.devita@odmpublishing.com or +44 (0) 20 3727 9932

This year's edition of the Fund Manager of the Year Awards 2018/19 continues to march towards its event 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 have entered the second stage of the judging process. This entails use of a voting platform provided by SharingAlpha (www.sharingalpha.com), a platform partner that has developed a way for fund selectors to generate their own ratings records.

Using the technology, fund selectors will have been able to log in and give their verdict on the shortlisted funds in the Awards. This has been done anonymously in order to ensure that selectors feel comfortable giving their views without bias influencing their decisions, for example, because they fear that fund providers may query them on why they rated certain funds over others.

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

Additionally, fund selectors have been able to nominate peers for the Personality of the Year Awards, which are handed out on the basis of contribution to raising awareness of the role of fund selectors and helping advance the fund selector community, as well as abilities as a fund selector.

METHODOLOGY REMINDER

Ahead of the qualitative selection of category winners, there is a quantitative filtering to find the shortlists. Done with the assistance of Thomson Reuters Lipper, this starts by looking to funds and fund managers that together must have a three-year track record to 31 May 2016 to measure cumulative return.Performance is assessed over each year discretely, and then weighted in 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 fund 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 toward 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. ■

THE NOMINEES IN FULL

Equities

EUROPE
- IVI Umbrella IVI European
- Dorval Manageurs Europe
- Hermes Europe ex-UK Equity Fund
- CHOM CAPITAL Active Return Europe UI
- BSF European Opportunities Extension Fd
- Comgest Growth Europe Opportunities
- Digital Stars Europe Ex-UK

NORTH AMERICA
- Fideuram Fd Equity USA Advantage
- ABN AMRO Loomis US Equities
- Morgan Stanley INVF US Advantage Fund
- EdR Fund US Growth
- MS INVF US Growth Fund
- EDM Intern. American Growth
- Edgewood L Select US Select Growth

GLOBAL
- Fundsmith Equity Fund Feeder
- LO Funds Generation Global
- Danske Invest Kestävä Arvo Osake
- DSM Capital Partners Funds Global Growth
- MainFirst Global Equities Fund
- Pictet-Digital
- Morgan Stanley INVF Global Opportunity Fund

GLOBAL EMERGING MARKET
- Templeton BRIC Fund
- Schroder ISF Global Emerging Mkt Opports
- HSBC GIF BRIC Markets Equity
- JPM Emerging Markets Equity Fund
- Hermes Global Emerging Mkts
- GemEquity
- UBS Global Emerging Market Opp Fd

FRONTIER
- East Capital Eastern Europe
- Magna New Frontiers Fund
- Charlemagne OAKS Emerging and Frontier Opp Fund
- Coeli Frontier Markets Fund
- NN (L) International Czech Equity
- Schroder ISF Emerging Europe
- SEB Eastern Europe Small Cap Fund

SINGLE COUNTRY
- Raiffeisen-Österreich-Aktien
- 3 Banken Österreich-Fonds
- SEB Russia Fund
- Pictet-Russian Equities
- Parvest Equity Russia Opportunities Fund
- Russian Prosperity Fund (Luxembourg)
- Merian UK Dynamic Equity Fund

ASIA PACIFIC
- Investec GSF Asia Pacific Eq Opps Fund
- Vontobel mtx Sust Asian Ldrs ex Jpn
- Pictet-Asian Equities Ex Japan
- JPM Pacific Equity Fund
- DekaLuxTeam-Aktien Asien
- Hermes Asia ex-Japan Equity Fund
- Schroder ISF Asian Opportunities

JAPAN
- BL-Equities Japan
- Fidelity Japan Advantage Fund
- EdR Japan
- Invesco Japanese Equity Advantage Fund
- Polar Capital Japan Fund
- Russell Inv Japan Equity Fund
- GAM Star Japan Equity

Fixed Income

CORPORATE BONDS
- LUX IM Invesco Financial Credit Bond
- ACATIS IfK Value Renten
- Lemanik SICAV Selected Bond
- Scor Euro Financials
- Danske Invest Kompassi Korko
- EdR Fund Bond Allocation
- Flossback von Storch Bond Opportunities

HIGH YIELD
- Schroder ISF EURO Credit Conviction
- Schroder ISF EURO Corporate Bond
- UniInstitutional German Corporate Bds +
- L&G Euro Corporate Bond Fund
- ABN AMRO Schroder Euro Corporate Bonds
- Deka-CorporateBond Euro
- Allianz Corps-Corent

GLOBAL BONDS
- Evli European High Yield
- Schroder ISF EURO High Yield
- DWS Invest Euro High Yield Corporates
- Algebris Financial Credit Fund
- Barings European High Yield Bond Fund
- Barings Global High Yield Bond Fund
- Nordea 1 - European High Yield Bd Fd II

EMERGING MARKET DEBT
- NN (L) Frontier Markets Debt (Hard Ccy)
- M&G Emerging Markets Bond Fund
- MainFirst EM Credit Opports Fd
- Global Evolution Frontier Mkts
- Danske Invest EM Debt Hard Cur EUR H
- Vontobel Emerging Markets Debt
- EdRF Emerging Credit

CONVERTIBLE BONDS
- BPER Intl SICAV Global Convertible Bond
- Calamos Global Convertible Fund
- Lazard Convertible Global
- UBS (Lux) BS Convert Global (EUR)
- Deka-Wandelanleihen
- Swisscanto (LU) BF COCO
- UBS (Lux) IF Global Convertible Bonds

MONEY MARKET/SHORT TERM BONDS
- UniInstitutional Short Term Credit
- Amundi 3 - 6 M
- Ålandsbanken Cash Manager
- Mediolanum Ch Liquidity Euro Fund
- DWS Flexizins Plus
- AZ Fd1 Cash 12 Mesi
- VP Bank Money Fund EUR

Multi Asset

HEDGE
- Permal MM (LUX) China Strategy
- Pictet Alternative World Equity Hedge
- Mosaic
- Pictet Alternative Mosaic Euro
- Pictet Alternative Pleiad Credit Opps
- Kempen Orange Investment Partnership
- Kempen Non-Directional Partnership

REAL ESTATE
- DPAM INVEST B Real Estate Europe
- SKAGEN m2
- AXA Aedificandi
- Oddo BHF Immobilier
- DPAM INVEST B Real Estate Europe Div
- Atlas Real Estate EMU
- F&C Real Estate Securities Fund

COMMODITY
- KBC Equity Fund Oil
- Parvest Energy Innovators
- Multipartner Konwave Gold Equity Fund
- LBBW Rohstoffe 1
- Mediolanum Ch Energy Equity
- Commodities-Invest
- Deka Commodities

ETFS
- X ATX ETF
- Seligson & Co Finland Index
- Invesco EQQQ NASDAQ-100 ETF
- DWS Technology Typ O ND
- Lyxor Nasdaq-100 ETF
- Lyxor MSCI World Information Tech TR ETF
- iShares TecDAX (DE)

SharingAlpha

SharingAlpha will once again be providing quantitative measures of the qualitative values around funds shortlisted for the *InvestmentEurope* Fund Manager of the Year Awards

Requesting rankings

The shortlist for the latest Fund Manager of the Year Awards have been published by *InvestmentEurope* (online and in the pages of this issue), highlighting once more those portfolio managers and their funds that have managed to consistently provide better risk-adjusted returns to investors.

However, in the two-stage process of identifying category winners, the SharingAlpha platform plays an important role in accessing the views of fund selectors on the funds shortlisted through quantitative measures.

At the Pan-European Summit Hamburg 2018, SharingAlpha CEO and co-founder Oren Kaplan will take part in a session outlining for attending fund selector delegates how they can take part in the judging process to identify Europe's best cross-border funds.

SharingAlpha's data will also be used to identify buy side professionals from a number of key markets across Europe who are in the frame for being awarded for their work as fund selectors.

RATINGS CHANGES

SharingAlpha's latest monthly update of the user-generated list of the top 10 most highly rated funds identified the Schroder GAIA Two Sigma Diversified, Valentum FI and DWS Deutschland funds as key entrants. Other funds advancing on the leaderboard included the Lindsell Train Global Equity and Robeco Global Consumer Trends Equities funds, both of which gained positions, taking them into the top five highest rated funds.

Standing firm in the top three positions were the Liontrust European Income, Oppenheimer Developing Markets, and Cobas Internacional FI 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. ■

● For more information on the *InvestmentEurope* Fund manager of the Year Awards 2018, see pages 36-37.

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	5.00	7	◆
Oppenheimer Developing Markets Fund	US	4.91	5	◆
Cobas Internacional FI	Spain	4.87	5	◆
Lindsell Train Global Equity Fund	Ireland	4.82	9	▲
Robeco Global Consumer Trends Equities	Lux	4.82	5	▲
Schroder GAIA Two Sigma Diversified	Lux	4.81	16	New
Invesco Global Leisure Fund	Lux	4.81	8	◆
Magallanes European Equity FI	Spain	4.80	21	▼
Valentum FI	Spain	4.79	7	New
DWS Deutschland	Germany	4.78	6	New

As at 6 September 2018 Source www.SharingAlpha.com

2.9% Increase in industrial turnover in Italy in July 2018

Innovating around the world

Azimut's Sergio Albarelli outlines how the group creates diversified global portfolios in order to pursue opportunities on international financial markets. Ridhima Sharma reports

Italy-based independent asset manager Azimut, founded in 1989, has today over €52bn in assets under management. The company has more than 200,000 clients and its international network spans the world with a presence in 17 countries.

Azimut's core business has always been focused on management and distribution of financial products and services. As one of the largest independent asset manager in Italy, Azimut offers effective asset management services and solutions. Its business model is based on integration between management and distribution as well as on strong innovation skills.

The company's growth spanned around the world and at the end of 2010 it started a internationalisation process that led Azimut to cover the three macro areas of the world: Americas, Europe and Asia-Pacific.

Sergio Albarelli, managing director and CEO of Azimut Holdings says: "A long-term sustainable business approach could not be limited to the domestic market, and we started exploring business opportunities in countries with a high growth rate, capable of contributing to the group success with local expertise and insights, portfolio managers expertise as well as investment opportunities and products for our clients."

ASSETS UNDER MANAGEMENT (TOTAL €51.6BN)

As at 30 August 2018 Source Azimut

Today over half of the firm's net inflows come from international offices and activities. To ensure the success of the internationalisation process it selects local partners carefully, most of them independent asset managers too.

Azimut's logo is a sextant, a navigation instrument used in the past to calculate a specific position on a map. This map represents today the global markets and its business model. It defines its investment direction and drives the bank to look for investment opportunities for its clients on global markets where most of the Italian players in the sectors are not yet present.

"Our international presence is relevant to us not only in terms of asset under management but also for the development of local expertise achieved with the acquisition of experienced small local businesses with solid skills that allows us to offer our clients new innovative investment products and solutions," continues Albarelli.

INTERNATIONAL PRESENCE

With headquarters in Milan, Azimut has offices located in Luxembourg (AZ Fund Management, its largest asset management company established in 1999 that manages the umbrella funds AZ Fund 1 and AZ Multi Asset), Ireland (AZ Life that offers insurance products in the Unit Linked area), Monaco, Switzerland, China (Hong Kong and Shanghai), Singapore, Brazil, Mexico, Taiwan, Chile, USA, Australia, Turkey and United Arab Emirates.

In order to support them, it has implemented a global team to cover, coordinate and share information amongst portfolio managers around the world.

This allows it to monitor international markets in real time 24 hours a day. The global team counts 90 portfolio managers and analysts mainly based on emerging countries with strong skills and 16-year average experience in local and international markets capable to monitor and cover more than 1,300 companies worldwide.

2.6% Increase in production in the construction sector in Italy in July 2018 YoY

GROWTH

Albarelli says: "Our goal is always to offer value to our clients and put them first. We continue to grow fast, in just six years total AUM has tripled and at end of August was over €52bn 2018 (25% from foreign international sales) and the asset management capabilities are among the key drivers of this growth.

"To support this trend properly we also worked on a full rationalisation of Italian, Irish and Luxembourg products range, merging and renaming some of the funds in order to supply our clients with a more consistent and clearer offer."

The company creates diversified global portfolios – a fundamental exercise to create value for clients – and, thanks to the global team, it can also pursue opportunities in global financial markets.

"In the coming months we are going to launch two new global products, equity and fixed income funds namely AZ Equity New World Opportunities and AZ Bond Income Opportunities. Other products are in pipeline that we expect to launch and present them soon to the market," adds Albarelli.

"We launched tactical and strategic products able to meet our clients' requirements and needs, both Italian and international ones. Innovation is part of our DNA, it is one of our distinctive feature."

International development has allowed Azimut to demonstrate its innovative attitude with new funds: the AZ Fund 1 Renminbi Opportunities fund, the world's largest Ucits IV fund specialising in renminbi offshore; the AZ Fund 1 Cat Bond, which invests in instruments with exposure to catastrophic insurance risks; and the AZ Multi Asset Global Sukuk, a Ucits IV compliant product that allows clients to invest in a new fixed income emerging asset class compliant with Sharia principles.

CHINA

One of the key short term goals is consolidating its presence in the markets where it already operates, but it also remains vigilant in case any business opportunity arises.

For example, in China Azimut has been granted registration as a private fund manager. It is the first Italian and first eurozone-based independent asset manager to have obtained the license.

Only 11 licenses have been granted so far, mainly to US and UK international groups.

"The license will allow Azimut's subsidiary to launch, manage and offer onshore investment products to institutional and high net worth investors in mainland China," notes Albarelli.

"Needless to say we are proud of this significant milestone and that we have been approved amongst a few selected foreign asset managers to participate in the development of what is shaping up to be one of the most important asset management markets in the decades to come."

In China, Azimut is perceived as a solid, skilled group and has become a point of reference for local asset management companies.

"ALTHOUGH THE QUALITY OF OUR PRODUCTS AND SERVICES IS WELL APPRECIATED, WE STILL NEED TO RAISE AND PROPERLY POSITION THEM IN MARKETS SUCH AS FRANCE, GERMANY AND OTHER NORTHERN EUROPEAN COUNTRIES"

SERGIO ALBARELLI

Sergio Albarelli has been managing director and CEO of Azimut Holdings since October 2016. He has over 25 years' financial experience.

After having contributed to the development of Deutsche Asset Management in Italy, he joined Franklin Templeton as head of the Italian office in 2000. His responsibilitywas subsequently expanded to other regions: Spain (2005), France (2008) and Benelux (2010).

Evidence of his standing in the financial services sector, and in particular within the asset management industry, can be found in the form of the senior institutional and membership roles that he has held: vice chairman of Assogestioni;vice chairman of the American Chamber of Commerce in Italy; and member of the Corporate Governance Committee by the Italian Stock Exchange.

Albarelli continues: "As for Europe, we play a relevant role in the Italian market and we also have a significant market share in Switzerland and Monaco.

"Although the quality of our products and services is well appreciated and perceived, we still need to raise and properly position them in markets such as France, Germany and other northern European countries.

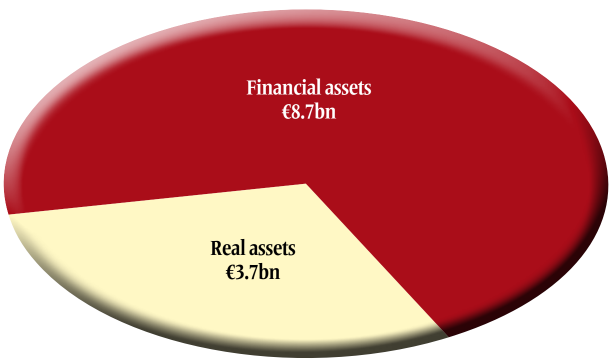
"That said, we will leverage international distribution platforms to start positioning and promoting our products to both institutional and private banking organisations or independent advisors on those European countries," concludes Albarelli. ■

0.4% Increase in prices of goods and services (excluding petroleum products) in Luxembourg in August 2018

Frank Alexander de Boer outlines LRI Group's evolution within the Luxembourg Financial Industry to Ridhima Sharma

Thinking local, going global

AUM (TOTAL €12.4BN)



As at 30 September 2018 Source LRI

LRI Group can trace its history back 30 years to 1988 when it acted as a subsidiary of Landesbank Rheinland Pfalz, under the name of LRI Fund Management Company S.A., devised for the fund business in Luxembourg.

In 1996, it became one of the first private label funds providers and less than a decade later, following the implementation of the European Ucits III Directive in 2003, it received the 'European passport' for cross-border distribution of investment funds.

In 2005, LRI, along with its mother entity, was sold to Landesbank Baden-Württemberg and in 2010 taken over by private equity firm Augur Capital, a transaction viewed as one of the first of its kind in Luxembourg.

The independence achieved through the backing of a private equity firm allowed LRI to be innovative through self-governance.

It was able to set itself apart from competitors as it has evolved from a simple management and administration company to a 'super management company' holding both a Ucits and an alternative investment fund managers licence.

Additional value services such as independent securitisation solutions and a specialised depositary for alternative investment funds followed.

Through its depositary services for certain alternative assets (e.g. private equity, real estate, renewable energy, infrastructure and debt), it offers investors first-class conditions to reduce depositary costs and make work flows within their alternative investment funds more efficient.

LRI Invest S.A. and LRI Depositary S.A. work together closely so they can offer a full range of administrative services for alternative investment funds conveniently from a single provider ('one-stop shop' strategy).

As a specialist depositary for certain alternative investments, LRI Depositary plays a key role in optimising business processes such as: cash monitoring (including cash flows); administration of assets held in custody (including verifying the acquisition of title and performing due diligence checks); monitoring fund unit transactions, calculating the value of units and settlement of transactions; and domiciliation and corporate services (e.g. for holding companies).

The corporate strategy shifted towards growth with a greater focus on expanding internationally in key markets such as the US and UK and to further increase its real assets market share.

LRI today stands for Luxembourg Regulated Investments, a reflection of LRI's experience and expertise in the set-up and management of Luxembourg's array of innovative fund solutions.

Within the last three years, the group experienced over 50% growth in both financial assets and real assets whilst increasing profitability.

It is now in a strong position to tackle the challenges of changing markets through its asset manager focused business model, individual investment solutions and an extensive understanding of the specific requirements of institutional investors.

Operating out of Munsbach, Luxembourg, the company has over €12bn in assets under management (AUM) split between over €8bn in financial assets and nearly €4bn in real assets.

A PROMISING FUTURE WITH APEX

The most recent step in LRI's evolution followed in June 2018 when it was announced that the company was to be acquired by Apex Group Ltd, one of the world's largest global fund administrators.

5.1% Decrease in the number of jobseekers in Luxembourg YoY 2018

The transaction is subject to regulatory approvals and is expected to be completed in the fourth quarter of 2018.

It follows Apex's recent acquisitions of Deutsche Bank's Alternative Fund Service, M.M. Warburg & CO's Asset Management and Servicing business and the European specialist private equity administrator, Ipes.

Apex's global reach and international operating model open up over 35 additional investment jurisdictions around the world to LRI clients, with local expertise available throughout Apex's global network.

LRI and Apex fit together very well as the approach and business models of both companies align perfectly.

Apex was previously not represented in the German speaking market and has gained major German exposure with this transaction.

The successful local operating model, with its strong roots in the German market, established at LRI will be actively preserved and will bolster Apex Group's Luxembourg capabilities further as it is combined with the acquired Warburg, Deutsche Bank and Ipes businesses in the new office in Munsbach.

The new organisation consisting of all entities recently acquired by Apex in Luxembourg will have more than 500 people; 400 of them will be German nationals.

Therefore, it is also a huge commitment to service the German speaking countries, helping both fund initiators from overseas that want to come here and those from German speaking Europe that seek support to access international markets.

Clients will also be able to benefit from Apex's Luxembourg bank services and gain access to further regulated solutions and services.

INCREASED EUROPEAN CAPABILITIES

"Joining the Apex Group enables LRI to achieve its growth strategy and in turn become more attractive to international investors while still providing clients with locally delivered tailored made solutions," says Alexander de Boer.

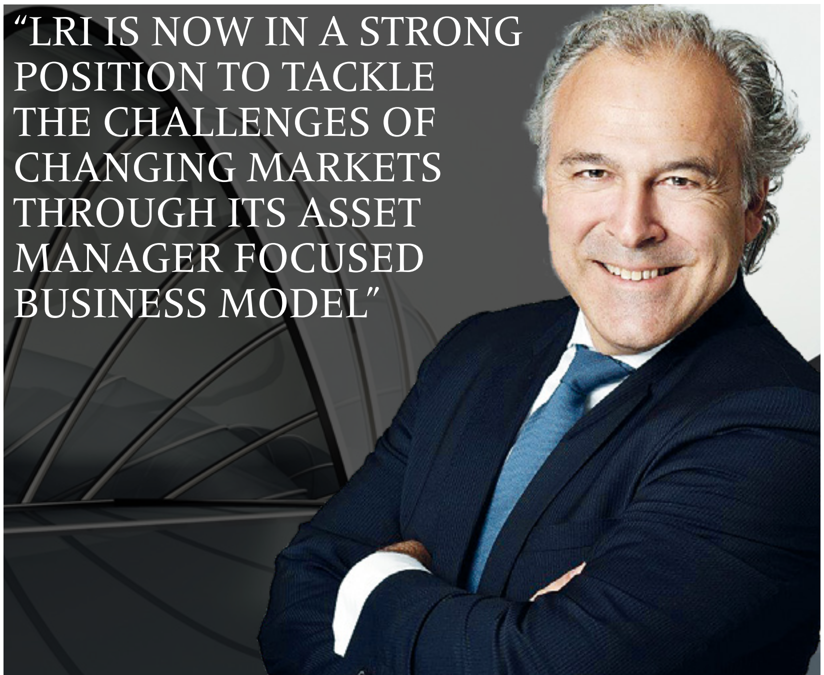
"LRI is now in a strong position to tackle the challenges of changing markets through its asset manager focused business model, individual investment solutions and an extensive understanding of the specific requirements of institutional investors", he adds.

As different markets demand different solutions, maintaining both a global and local presence is a powerful competitive edge in the international fund arena.

Apex's presence worldwide is leveraged to identify market trends at an early stage and structure agile solutions to asset managers across a wide range of jurisdictions.

Now the fifth largest fund administrator in the world, Apex provides its global client base with access to all major global markets with its recent acquisitions further bolstering its European capabilities through Luxembourg fund solutions.

As part of Apex, the existing LRI business will now be available to a far wider demographic of fund managers to offer exceptional expertise and knowledge of the Luxembourg and European market. ■



FRANK ALEXANDER DE BOER

Frank Alexander de Boer has over 25 years of senior management experience in the asset management, banking and insurance industry. At LRI Group he oversees Business Development, Corporate Strategic Development and M&A, Marketing & Corporate Communications, Portfolio Management, Relationship Management, Legal & Compliance, IT & Organisation.

A banker by training, he held senior management positions with ING Bank in the Netherlands and Luxembourg as well as member of ING Investment's Management Team Europe & Emerging Markets.

He was board member of Union Investment and acted as Country Head Germany for Robeco Group as well as CEO of cash.life AG.

InvestmentEurope's Editorial Board members give their views on the impact of US midterm elections, currency volatility and the lessons of Lehman Brothers

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

FILIPPO STEFANINI

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With about a month to go until the US midterm elections, are you taking any particular position(s) on US assets?

GDP growth is strong in part thanks to the tax reform, full employment and benign inflation. The Federal Reserve is normalising interest rates. There is optimism on the US economy. However, there is a strong divergence between the US and the rest of the world both in terms of growth and equity market performances and this cannot last indefinitely. It is like an elastic band that is stretched and could come back.

We remain prudent because we are late in the cycle, and we remain tactical, awaiting the outcome of the elections.

EMMANUEL FERRY

Chief Investment Officer
Banque Pâris Bertrand
Geneva
www.parisbertrand.com

With about a month to go until the US midterm elections, are you taking any particular position(s) on US assets?

There have been two strong regularities around the US midterm elections historically: a clear bias against the incumbent president's party, which typically lost a significant number of seats in the House and the Senate; and a solid S&P 500 rally (+8% in three months). This historical template should remain relevant. The US equity market multiples have fallen back to levels prevailing in November 2016 before Trump's election. Trade escalation has been the largest source of risk for global equities.

The next elections should trigger a year-end relief rally, unlocking value in laggards such as Europe and emerging markets.

BERNARD AYBRAN

CIO Multi Management
Invesco
Paris
www.invesco.com

Currency volatility seems to be en vogue; what attention do you pay it?

As the lack of yield has been a major concern for euro-based investors over the past few years, harvesting 3% on US government bonds is tantalising.

True, this yield is available on several maturities of the sovereign curve. Still, the investor is faced with a tough choice. Whether investing without hedging the dollar against euro, which means accepting an FX volatility twice as high as the volatility of the bonds themselves. Or hedging the dollar back into euros which at the current interest rate differential, more than offsets the yield pickup.

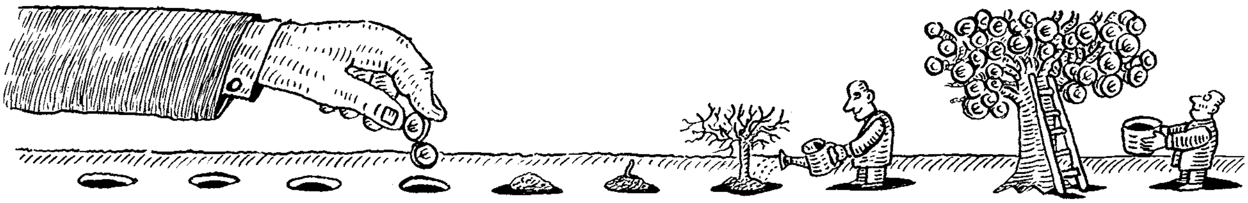
Tough choice indeed, which ends up favouring euro-denominated assets.

JON BECKETT

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

A decade on from the crash of Lehman Brothers, Danske Bank offers a reminder of the cost of mismanaged operational risk; how critical is this type of risk in the list of DDQ/RFP queries you would tend to put to fund houses?

The real danger, post crash, is that a decade of monetary stimulus has skewed all perceptions of risk. Variance tells us nothing about forward risk. This then is a dangerous time for investors as the value of risk management and governance has diminished to be replaced by hubris. Assessing front, middle and back office is where investment and operational due diligence (ODD) merge. Typically, ODD tends to focus on operational risk but I try to be aware and ask related questions, meet risk staff in addition to the portfolio team.



Assessing 'value' the Navarone way

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

The challenge facing the asset management industry on proving its "value" is a bit like the film *The Guns of Navarone*: an intrepid team of commandos overcomes stormy seas, daunting cliffs and internal disagreements to succeed.

Today, the 'commandos' are climbing the steep cliffs of better fund governance. Historically this may be far less significant (or indeed heroic) but for the industry this is an important operation.

Born out of the UK Financial Conduct Authority (FCA) Asset Management Market Study Final Report (MS15/2.3), and follow up remedies (PS18/8) in 2018, the "Assessment of Value" (AoV) is an attempt to improve fund outcomes via improvements in governance by requiring UK Authorised Fund Managers (AFM) to focus on their duties as agents of investors and to ensure fair treatment for all fund investors.

DEFINITION

The FCA has adopted an existing and similar, but slightly wider, approach to that used by the Gartenberg standards for US Mutual Funds which were introduced in 1982 and now form part of the 1940 Investment Company Act.

The core requirement is for the fund board of UK Authorised Funds to produce an AoV based on a number of pre-mandated principles. Fund boards could adopt more, if they wish, in order to evidence investor value in other ways, but in the meantime will have to consider the following:

- The range and quality of service provided to unit-holders;
- The performance of the scheme, after deduction of all payments out of scheme property;
- The cost of providing services;
- Whether the AFM is able to achieve savings and benefits from economies of scale, relating to the direct and indirect costs of managing the scheme property;
- In relation to each service, the market rate for any comparable service provided;
- In relation to each separate charge, the AFM's charges and those of its associates for comparable services provided to clients, including for institutional mandates of a comparable size;
- Whether it is appropriate for unit-holders to hold units in classes subject to higher charges than those applying to other classes of the same scheme with substantially similar rights.

For the first time, in the UK, the very definition of value has a framework to decide if it is being delivered or not. This moves the discussion from the subjective into the objective. Nonetheless this does not necessarily make the AoV easy since an investment fund is complicated and does not have reliable physical factors.

However, another way to look at the AoV is to recognise that cost is the direct opposite of value. To the investor this seems obvious. In doing so we can simply consider that to achieve value is the extent a fund can move against its own frictional costs of the fund (all costs, that is) within agreed risk limits.

With so much regulation already on the plates of fund management firms the regulator has delayed the implementation of the new rules until the 30 September 2019. Fund boards will then have to complete an annual and ongoing AoV to cover each fund share class in issue

> "ANOTHER WAY TO LOOK AT THE AoV IS TO RECOGNISE THAT COST IS THE DIRECT OPPOSITE OF VALUE"

INVESTORS?

Investors need an ongoing consistent AoV reporting framework across all their pooled fund holdings, and not just a subset, to be able to properly engage with the initiative and make rational comparisons and well-informed investment decisions. This is especially pertinent given some AoV principles are quantitative whilst others are qualitative.

Imagine the conundrum an investor faces should they hold the same fund in their workplace pension and as part of their lifetime savings. They could, in theory, face receiving a Fund Annual Report with an Assessment of Value based on one set of principles that states one thing; only to find, for example, that the Independent Governance Committee of their workplace pension has given the same fund another rating based on another set of principles – Value for Money principles, that is. Whether a professional or private fund investor, this certainly won't help in engaging those who struggle most with understanding their pensions and lifetime saving. ■

FULL ANALYSIS

This is a shortened version of the full analysis of the development of AoVs. For the full version visit: www.linkedin.com/pulse/guns-naverone-assessment-value-new-actors-begin-climb-sunil-chadda.

Technology, telecoms, small caps and US equities outperform

Looking at Spanish-domiciled funds sold in Spain, there are a number of expected areas that are reflected in the performances.

Over the past three years funds invested in tech and telecoms, small caps and US equities have done well, according to the data.

Over the three year period, various US equity funds are clustered near the top of the cumulative returns, while certain funds from all three aforementioned areas also exhibit higher Sharpe ratios compared to other funds.

Another trend noted is that among the funds with higher volatility scores, those with exposure to the Spanish stock market have not necessarily matched that relatively high volatility risk with higher levels of return.

Thus, on a geographic basis, there may be other European markets that offer better reward for the volatility experienced.

However, Spain is much like other markets when it comes to fund size; bigger is no guarantee of better. ■

SPAIN ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
Bestinver Hedge in EU	13.31
Gaesco CCR invest 2001 in EU	9.45
EDM Mira De Inversiones in EU	8.17
EDM Batfam Inversiones 2000 in EU	6.86
Foncaixa Seleccion Tendencias FI Estandar in EU	6.39
Consulnor Pepes in EU	6.39
Santander Small Caps Espana in EU	6.38
EDM Sine Quo Num in EU	6.14
Abante Asesores Gestiohna Dinero in EU	5.86

SPAIN CROWN + PERFORMANCE

Fund	Crown rating	36 months
Gaesco CCR invest 2001 in EU	x5	32.15
Consulnor Pepes in EU	x5	28.85
EDM Batfam Inversiones 2000 in EU	x5	22.07
Gescoop Cartera Callejuelas in EU	x5	17.69
EDM Solrac Inversiones 2000 in EU	x5	17.30
Abante Asesores Gestiohna Dinero in EU	x5	16.75
BNP Paribas Inversiones Maryglo in EU	x5	11.46
UBS Gest Corto Plazo in EU	x5	10.72
Ibercaja RF 1 Ano in EU	x5	1.77

SPAIN SHARPE 3-YEAR

Fund	Sharpe
CaixaBank Comunicaciones FI in EU	0.99
Bestinver Hedge in EU	0.85
Santander Small Caps Espana in EU	0.78
EDM Mira De Inversiones in EU	0.68
Foncaixa 53 Bolsa USA in EU	0.61
Consulnor Pepes in EU	0.61
Santander Norteamerica in EU	0.58
Foncaixa Bolsa Seleccion USA Plus in EU	0.56
Gaesco CCR invest 2001 in EU	0.53

SPAIN PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
Foncaixa Bolsa Espana 150 in EU	8.84	26.96
Santander Banif RV Sila in EU	31.80	21.44
Santander Openbank Ibex 35 in EU	10.56	17.99
Foncaixa Bolsa Indice Espana FI in EU	9.53	17.94
CaixaBank Comunicaciones FI in EU	82.06	17.42
Gaesco Set Noranta Nou in EU	24.82	17.36
Unigest Grupo Inversor Falla in EU	28.06	16.82
Foncaixa Bolsa Gestion Euro Plus in EU	21.24	16.46
Gesbankinter Horizon 2029 in EU	-31.73	16.29

SPAIN FIXED INTEREST 3-YEAR

Fund	36 months cumulative
Consulnor Pepes in EU	1.11
Bestinver Hedge in EU	1.09
EDM Mira De Inversiones in EU	0.98
UBS Gest Cauce Inversiones Mobiliarias in EU	0.88
Gaesco CCR invest 2001 in EU	0.87
Imantia Abanca Renta Fija Corto Plazo in EU	0.86
Santander Small Caps Espana in EU	0.85
Bestinver Bestifond in EU	0.82
EDM Sine Quo Num in EU	0.81

SPAIN BETA 3-YEAR

Fund	Beta over 36 months v. sector
Foncaixa Bolsa Espana 150 in EU	1.91
Gaesco Set Noranta Nou in EU	1.91
Foncaixa Seleccion Tendencias FI Estandar in EU	1.54
UBS Gest Dossau De Inversiones in EU	1.43
UBS Gest Rita Investments in EU	1.37
Santander Banif Cartera Emergentes FI in EU	1.37
BNP Paribas Dinamico in EU	1.35
BNP Paribas Base Rioja 2 in EU	1.34
UBS Gest Investment Bochan in EU	1.33

SPAIN PERF/SIZE 3-YEAR

Fund	Cumulative	Fund size (€m)
Santander Rendimento I in EU	-1.09	964.7
Santander Mixto Acciones in EU	5.85	110.4
Santander Small Caps Europa in EU	19.54	101.8
Imantia Abanca Renta Fija Corto Plazo in EU	0.41	58.7
Santander Renta Fija Corto Plazo in EU	0.33	45.2
Santander Small Caps Espana in EU	52.06	43.8
Santander Leaseten III in EU	–	40.9
Santander Openbank Ibex 35 in EU	10.56	15.6
Santander Openbank Euro Indice 50 in EU	20.50	5.0

SPAIN INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
Consulnor Pepes in EU	1.11
Bestinver Hedge in EU	1.09
EDM Mira De Inversiones in EU	0.98
UBS Gest Cauce Inversiones Mobiliarias in EU	0.88
Gaesco CCR invest 2001 in EU	0.87
Imantia Abanca Renta Fija Corto Plazo in EU	0.86
Santander Small Caps Espana in EU	0.85
Bestinver Bestifond in EU	0.82
EDM Sine Quo Num in EU	0.81

Source for all charts FE Analytics, bid-bid, to 28/9/2018.
All figures in % and are gross return rebased in euros

GROSS RETURNS ON FUNDS FOR SALE IN SPAIN REBASED IN EUROS

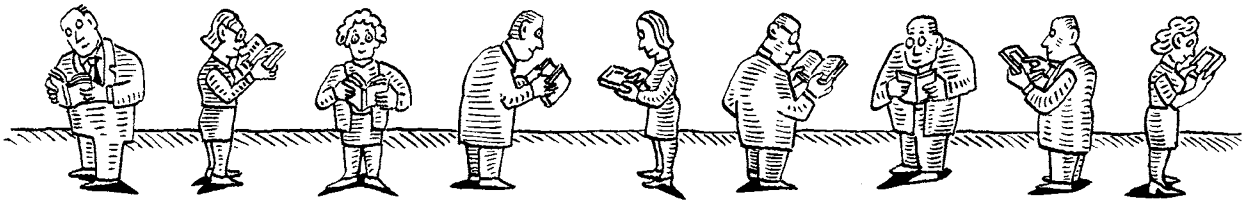
Fund	1m	3m	6m	1yr	3yr	5yr	10yr
CaixaBank Comunicaciones FI in EU	0.33	5.93	21.42	26.52	82.06	135	230.01
Santander Small Caps Espana in EU	-1.54	-0.1	2.4	11.93	52.06	85.64	102.24
Foncaixa 53 Bolsa USA in EU	0.88	6.3	17.56	16.4	46.5	92.64	180.35
Foncaixa Bolsa Seleccion USA Plus in EU	-0.7	4.22	15.21	16.89	41.85	86.84	
Santander Norteamerica in EU	-0.06	5.19	16.14	15.07	40.55	82.62	156.84
Foncaixa 96 Fondos Bolsa USA in EU	-0.75	4.04	14.81	16.09	38.79	80.1	163.02
Bestinver Hedge in EU	-2.69	-2.94	1.48	6.35	37.21	72.4	273.6
EDM Mira De Inversiones in EU	-1.47	0.27	1.41	3.82	36.93	50.06	98.28
EDM Inversion in EU	-2.33	-1.65	1.17	2.58	35.28	42.98	82.41
Bestinver Bolsa in EU	-2.18	-2.7	1.85	3.91	33.55	41.03	94.06
Foncaixa Seleccion Tendencias FI Estandar in EU	-1.02	2.51	8.61	8.29	33.39	56.56	
Gaesco CCR invest 2001 in EU	-0.02	2.62	7.32	8.97	32.15	45.26	
Santander Banif RV Sila in EU	1.91	3.72	-10.65	-10.88	31.8	-5.6	-0.72
Bestinver Bestifond in EU	-1.88	-2.59	1.48	-0.52	31.11	45.4	171.82
Gesiuris Strescb Investments in EU	-1.18	1.29	6.84	6	31.05	47.69	
Bestinver Internacional in EU	-1.76	-2.54	1.52	-1.19	30.69	45.81	201.74
Foncaixa Bolsa Seleccion Asia Plus in EU	-3.46	-4.22	-4.59	-0.85	30.48	41.28	
EDM Sine Quo Num in EU	-1.97	0.17	2.99	1.07	30.13	42.53	
Consulnor Pepes in EU	0.77	1.75	1.97	7.33	28.85	41.11	
Unigest Grupo Inversor Falla in EU	0.47	2.1	3.11	0.74	28.06	18.51	

World 50 funds

Growing concerns around a slowdown in demand for commodities sparked by trade wars suggest prices may fall, but so far the opposite effect seems to be happening to funds offering exposure to oil

NAME	LIPPER GLOBAL SECTOR	% GR 1YR 29/08/14 TO 31/08/15	SHARPE RATIO 1YR 29/08/14 TO 31/08/15	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. iPath Exch Traded Notes Global Carbon A	Commodity Energy	307.18	1.31	9.28	Barclays Bank PLC	USA
2. ETFS Carbon EUR	Unclassified	247.04	1.28	10.85	ETFS Mgt Co (Jy) Ltd	Jer
3. Boost WTI Oil 3x Leverage Daily GBP	Unclassified	207.52	0.63	80.65	Boost Mgmnt (Jer) Ltd	Ire
4. USCF United States 3x Oil Fund	Unclassified	197.85	0.6	9.02	USCF Advisers LLC	USA
5. VelocityShares 3x Lng Crude Oil ETN	Unclassified	194.1	0.58	91.96	Credit Suisse AG	USA
6. VelocityShares 3x Long Crude Oil ETN	Unclassified	193.66	0.58	188.91	Citigroup Global Markets Inc	USA
7. UBS E-TRACS ProShares Dly 3x Long Crude	Unclassified	181.79	0.59	12.29	UBS Asset Management (Americas) Inc	USA
8. ProShares UltraPro 3x Crude Oil ETF	Alternative Other	179.12	0.59	40.82	ProShare Advisors LLC	USA
9. ETFS 3x Daily Long WTI Crude Oil	Unclassified	178.3	0.65	5.48	ETFS Commodities Sec Ltd	Jer
10. Vestas Investment Specialist Prv Real Est 11	Undisclosed	172.48	0.42	22.34	Vestas Investment Mgmt	RoK
11. Horizons Marijuana Life Sciences Index ETF	Equity Sector Healthcare	158.01	0.53	642.72	Horizons ETFs	Can
12. ETFS Leveraged Brent Crude	Unclassified	126.23	0.66	9.79	ETFS Commodities Sec Ltd	Jer
13. Direxion Dly S&P O&G Exp & Prod Bl 3X Sh	Unclassified	124.95	0.34	114.31	Rafferty Asset Management LLC	USA
14. Direxion Daily Retail Bull 3X Shares	Unclassified	116.56	0.45	36.87	Rafferty Asset Management LLC	USA
15. AfricaRhodium ETF	Commodity Precious Metals	113.16	0.72	27.73	Africa ETF Issuer RF Ltd	RSA
16. ProShares Ultra Bloomberg Crude Oil	Commodity Other	112.34	0.64	365.19	ProShare Advisors LLC	USA
17. db Physical Rhodium ETC USD	Commodity Precious Metals	111.24	0.98	39.97	Deutsche Bank AG (London)	Jer
18. ETFS Leveraged WTI Crude Oil	Unclassified	110.31	0.63	51.57	ETFS Commodities Sec Ltd	Jer
19. Direxion Daily Technology Bull 3x Shares	Unclassified	96.81	0.49	682.25	Rafferty Asset Management LLC	USA
20. ETFS Leveraged Petroleum	Unclassified	94.51	0.62	5.81	ETFS Commodities Sec Ltd	Jer
21. ProShares UltraPro QQQ	Unclassified	91.93	0.48	3325.56	ProShare Advisors LLC	USA
22. Direxion Dly Gold Miners Index Bear 3X Sh	Alternative Other	91.61	0.32	130.38	Rafferty Asset Management LLC	USA
23. Boost NASDAQ 100® 3x Leverage Daily	Unclassified	91.48	0.47	22.66	Boost Mgmnt (Jer) Ltd	Ire
24. ProShares UltraPro Russell2000	Unclassified	82.49	0.55	156.51	ProShare Advisors LLC	USA
25. Direxion Daily Small Cap Bull 3x Shares	Unclassified	82.08	0.55	619.25	Rafferty Asset Management LLC	USA
26. iPath Exch Traded Notes S&P GSCI Oil TR A	Commodity Energy	78.96	0.7	341.12	Barclays Bank PLC	USA
27. Granahan US Focused Growth A USD Acc	Equity Global Sm&Mid Cap	76.65	1.02	11.95	Granahan Investment Management Inc	Ire
28. ProFunds Internet UltraSector ProFund	Unclassified	72.94	0.73	265.83	ProFund Advisors LLC	USA
29. Direxion Semiconductor Bull 3X Shares	Unclassified	72.14	0.25	614.09	Rafferty Asset Management LLC	USA
30. Rakuten Japanese Equity 4.3x Bull	Unclassified	72.04	0.29	228.84	Rakuten Investment	Jap
31. ProShares Ultra SmallCap600	Unclassified	70.76	0.68	31.71	ProShare Advisors LLC	USA
32. Direxion Dly Jr Gold Miners Idx Bear 3X Sh	Alternative Other	69.68	0.27	53.29	Rafferty Asset Management LLC	USA
33. ProShares Ultra Technology	Unclassified	68.37	0.51	390.72	ProShare Advisors LLC	USA
34. Invesco S&P SmallCap Health Care ETF	Equity Sector Healthcare	67.97	0.98	995.36	Invesco Capital Management LLC	USA
35. Direxion Dly Aerospace & Def Bull 3X Sh	Unclassified	67.86	0.37	58.87	Rafferty Asset Management LLC	USA
36. Jacob Micro Cap Growth Fund;Institutional	Equity US Sm&Mid Cap	67	0.63	7.82	Jacob Asset Mngment of New York	USA
37. Direxion Daily Transportation Bull 3X Sh	Unclassified	65.02	0.33	6.53	Rafferty Asset Management LLC	USA
38. ProShares Ultra Consumer Services	Unclassified	64.64	0.54	27.85	ProShare Advisors LLC	USA
39. Dynamic Power American Growth Series A	Equity US	64.18	0.79	892.81	1832 Asset Management LP	Can
40. SBI Japan Equity 3.7 Bull	Unclassified	63.85	0.31	81.48	SBI AM	Jap
41. Direxion Daily Regional Banks Bull 3X Sh	Unclassified	63.64	0.37	35.24	Rafferty Asset Management LLC	USA
42. Delaware Small Cap Growth Fund Instl	Equity US Sm&Mid Cap	63.1	0.83	5.93	Delaware Management Company	USA
43. Dynamic Power American Gr Class - Ser A	Equity US	62.81	0.78	444.4	1832 Asset Management LP	Can
44. Mirae Asset TIGER KOSDAQ150 Lvg ETF	Unclassified	62.72	0.2	95.21	Mirae Asset Global Inv	RoK
45. Samsung KODEX KOSDAQ150 Lvg ETF	Unclassified	62.58	0.2	991.45	Samsung AMC	RoK
46. KB KBSTAR F-KOSDAQ150 Leverage ETF	Unclassified	62.53	0.2	192.37	KB AM	RoK
47. VelocityShares Long LIBOR ETN	Unclassified	62.05	0.74	12.89	Citigroup Global Markets Inc	USA
48. ProShares UltraPro Dow30	Unclassified	61.45	0.37	436.44	ProShare Advisors LLC	USA
49. Rydex Monthly Rebalance NASDAQ-100 2x	Unclassified	61.31	0.55	93.51	Guggenheim Investments	USA
50. BetaPro Can Gold Miners 2x Dly Bear ETF	Commodity Other	61.2	0.37	5.53	Horizons ETFs	Can

The ranking of these 50 top performing funds are based on total return percentage growth over one year, in local currency terms, giving the purest measure of fund performance without being impacted by exchange rate fluctuations. The funds are included regardless of domicile, and are drawn from the Lipper Global universe, covering 80 countries. The % figures are based on bid-bid, income reinvested.



Money can change the world; politics affects our daily lives: but what about art? This was the premise of the 34th Turner Prize held under BNPP's patronage at the Tate Britain. Eugenia Jiménez reports

The Turner Prize: The art of politics; the politics of art

The shortlisted Turner Prize exhibits are on show at the Tate Britain until 6 January 2019. Tickets are £11 for adults.
Tate Britain Millbank, Westminster, London SW1P 4RG

This year's exhibition for Britain's best-known art prize represents an indissoluble symbiosis between politics and art, creating a space for the discussion and contemplation of a world in which politics play a more vital role than ever.

The shortlisted contenders present four films addressing issues that include police brutality, human right abuses, migration, failed utopias and queer identity.

Forensic Architecture, which seemed to be the favourite among the guests reunited at the Tate, is formed by a collective of film makers, investigative journalists, lawyers, architects, archaeologists and scientists. Through the use of video, scale models and text, they investigate allegations of state violence.

The artists collective's investigations surround the Bedouin population in the Naqab/Negev region of southern Israel, in particular the events that took place in January last year, when an attempt by police to clear people from an unrecognised village resulted in the deaths of two people.

Charlotte Prodger, another candidate who, with her iPhone, filmed *Bridgit* over the course of a year, exploring the ways identity can change and shift from her autobiographical queer identity. The film includes footage of the Scottish Highlands as well as shots from inside Prodger's home.

Naeem Mohaiemen often centres his work on the place he grew up, Bangladesh. For the Turner Prize, he presents three works: *Two Meetings and a Funeral*, *Volume Eleven (Flaw in the Algorithm of Cosmopolitanism)* and *Tripoli Cancelled*, the artist's first fictional film that follows the routine of a man who spent nine days alone living in an abandoned airport in Athens after losing his passport. It reflects the isolation of modern life, and the way we find hope through the way we tell stories to ourselves and to our loved ones.

The fourth artist, Luke Willis Thompson, presents a trilogy of works on 35mm film: *Cemetery of Uniforms and Liveries*, *Autoportrait* and *Human*. In these three stories, the artist reframes histories of violence enacted against certain bodies.

STATE OF THE ART

The Turner Prize award was launched in 1984 by the Patrons of New Art, a group of mostly art collectors set up in 1982 to encourage public interest in contemporary art and assist the Tate in acquiring new works.

Thirty four years later, the art prize exhibition still needs patronage, and BNP Paribas has provided its support. The French manager, present in the UK since 1867, has supported five major art exhibitions over the last decade and has announced it will be sponsoring the Turner Prize over the next three years. Anne Marie Verstraeten, the group UK country head, said at the event: "BNP Paribas recognises and values the important role the arts play in shaping how we interpret society. The different views of the artists give rise to discussion, often disagreement, and invariably new ideas, essential elements of modern life."

The jury, selected by Tate every year, has been chosen this year by Tate's director Alex Farquharson, who also chaired it. He was accompanied by Oliver Basciano (art critic and international editor at ArtReview), Elena Filipovic (Kunsthalle Basel's director), Lisa Le Feuvre (executive director of Holt-Smithson Foundation) and Tom McCarthy (novelist and writer).

The prize focuses on an exhibition or the presentation of an artist's work from the previous 12 months and is awarded to a British artist – someone working primarily in Britain or who being born in Britain, works globally. Last December, Lubaina Himid won the art prize, becoming the oldest winner in the prize's history at 63 years old.

The £25,000 winner will be named on 4 December at a ceremony broadcast live on the BBC. The other shortlisted artists will receive £5,000. ■

If you'd like to contribute to this page, please email the editor at jonathan.boyd@odmpublishing.com

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