Investment Intelligence for the Fund Professional

INVESTMENT EUROPE

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DECEMBER DASH

With Brexit a reality, Florian Groeschl of Absolute Return Consulting and other selectors share views on the transition and beyond

Open minds

Alexander Weckerlein of Do Investment on avoiding dogma

M&A fever

Jupiter, Merian, Franklin, Legg Mason, Intesa Sanpaolo, UBI

Sustainability surge

Sweden's SPP on the theme driving its business

Multi-asset response

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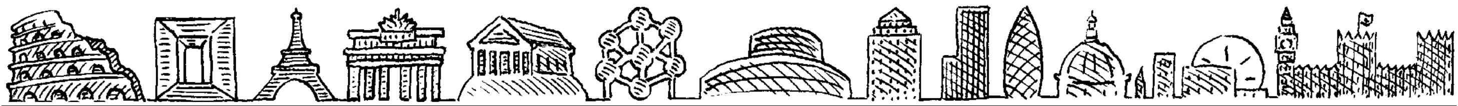

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INSIDE THIS ISSUE

Seeking specific investment themes within ESG; how index providers are improving benchmarks; analysis of ethical equity and labelled bond funds; and related InvestmentEurope events

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INVESTMENT EUROPE

An Open Door Media publication

Of all the gin joints in all the towns in all the world…

Jonathan Boyd, editorial director of *InvestmentEurope*

Although Brexit happened at the end of January, subsequent developments in February may have left investors across Europe reaching for the bottle in the same way as Rick Blaine in *Casablanca*, possibly the best film ever, when deciding between two evils: losing Ilsa Lund or losing his morals.

The UK and EU set out their respective positions before negotiations commenced in March. The European Council's instructions to the European Commission and its negotiating team led by Michel Barnier were pretty clear, especially regarding financial services: equivalency remains the EU's to determine alone. Thus, whatever the state of negotiations on other matters, for financial services the level of uncertainty may continue beyond even an agreement in principle by the end of the year.

To take just one example, The EU has not shirked previously from hitting US-related territories regarding the Fourth and Fifth Anti-Money Laundering Directives (American Samoa, Guam, Puerto Rico, US Virgin Islands). So, what would stop the EU from pondering the status of the Isle of Man, Guernsey, Jersey and Gibraltar henceforth in regards to UK relations – irrespective, say, of the history of the so-called Protocol 3 applied during the UK's Accession to the then EEC in the early 1970s?

Maybe there is an easy answer; or maybe investors will need to bypass the alcohol and go straight for the defibrillator.

Unlike Rick, it is currently difficult to see the beginning of a beautiful friendship.

CORONAVIRUS

InvestmentEurope is dedicated to the European fund selector community. As of writing, a few have been asked to not attend meetings or go to their offices because of ongoing attempts to limit a pandemic. Thus, even more reason to reach out to your peers for both professional and personal reasons. We are of course here to help in any way we can and will, circumstances permitting, continue to give access to top-notch events across the region. Stay safe. ■

UPCOMING EVENTS

Summit events are very much at the core of *InvestmentEurope*'s spring/early summer programme of events. Offering multi-day immersion in investment ideas across asset classes, alongside keynotes and panel discussions, they are a great way for fund selectors to network with peers as well as sell side professionals alike.

The Funds to Watch Geneva 2020 event takes place 21-23 April, followed by the Italian Summit Lake Como 2020 on 21-22 May, with the Iberian Summit Barcelona 2020 visiting the shores of the Mediterranean on 28-29 May. The Pan-European ESG Summit Vienna 2020 takes place on 18-19 June, for updates on all the latest thinking around how to integrate environmental, social and governance factors into investing.

Subsequently rounding out the first half of the year will be smaller events in the form of the Oslo Roundtable 2020 on 4 June, and the Fund Selector Breakfast Dublin 2020 on 18 June.

Details of these and other events can be found at: www.investmenteurope.net/events.

Fund selectors in the news

Selectors offer views on Brexit, M&A activity in the banking sector and gold

www.morabanc.ad

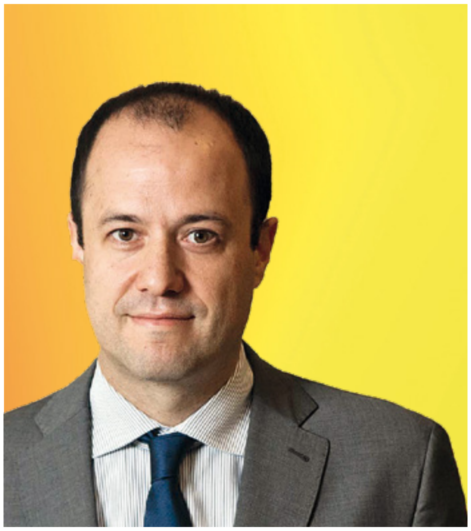
Name: Juan Hernando
Role: Head of fund selection
Company: MoraBanc
Location: Andorra

Do you think the investors on whose behalf you select have any particular views on upsides or downsides associated with Brexit?

We have had managers who have been changing their investments in the UK on a limited basis, ie, by increasing their exposure to exporters that benefit from a weaker pound. Others, on the contrary, decided to stay away to avoid volatility.

From the fixed income universe, inflation-linked bonds have a commonplace for fixed income and multi-asset managers.

In general, there has not been a single point of view on how to make profits from Brexit.



www.creditandorragroup.com

Name: David Macià
Role: CIO
Company: Crèdit Andorrà Asset Management
Location: Andorra

Now that Brexit is actually happening, have you positioned your asset allocation or fund selections in any particular way?

Not particularly. As we previously said, the securities in our portfolios are not affected that much by Brexit. Nevertheless, we do always pay attention to the investment opportunities presented in the UK market (pound assets) but always as a complement for our global portfolios, and never as a key part of them.

We seek to have always a well diversified portfolio, therefore we try to limit our exposure to specific risks, named Brexit or any other.

www.bankia.com

Name: César Gil Cano
Role: Head of fund of funds
Company: Bankia
Location: Madrid

Do you see any more M&A deals happening in the Italian banking industry in the coming years? And in the European one?

Regulatory environment will be the key for seeing more M&A deals. In Greece a distress environment has driven to a consolidated banking sector. We have seen this partially in Italy, but it is not the main factor.

I think that cost synergies will help to boost profitability meanwhile we are set in a low interest rate situation.

www.ariqon.com

Name: Stefan Ferstl
Role: Managing director, fund manager
Company: Ariqon Asset Management
Location: Vienna

Does Brexit matter to investors? If so, why?

For our customers, who are primarily retail investors, Brexit is not an essential event. The investments consist primarily of Ucits investment funds, with the number of British Oeics playing a very minor role.

Most of our customers also invest globally; we rarely see investments in British stocks or bonds.

www.assenagon.com

Name: Thomas Romig
Role: Head of Asset Management
Company: Assenagon
Location: Frankfurt

Do you think the UK's Brexit transition period will actually end this year, or do you think it will be extended?

We believe that the transition period will last longer than currently expected. In general, this assessment is based on the various delayed past political decision processes in different areas. In particular, it is based on the slow progress of the Brexit negotiations in the past years that already were subject to extensions of deadlines.

We would not be surprised if media coverage of Brexit in coming month would have attributes of a dramatic spectacle. However, we do not expect an overall negative outcome of the transition period but believe that slow and incremental progress will be made by muddling through politics.

www.ofi-am.fr

Name: Benjamin Louvet
Role: Commodities manager and fund manager
Company: OFI Asset Management
Location: Paris

How do investors access gold and other hedges on an ESG basis?

Gold is not easy to analyse, from an ESG point of view. Even if gold is used in the medical sector (especially for arthrosis treatments) and as a catalyst for carbon capture, extracting gold is polluting.

However, as some research papers showed, having gold or precious metals in a diversified portfolio could be a way to reduce its carbon footprint. Indeed, even if one counts the full emissions due to a metal extraction, as this metal will be extracted just once, while stocks and bonds will be linked to companies that will permanently emit CO_2, keeping gold or precious metals in a portfolio on a long time horizon could reduce its carbon footprint.

www.inversisgestion.com

Name: Guendalina Bolis
Role: managing director and head of fund selection
Company: Inversis Gestión
Location: Madrid

Do you see any more M&A deals happening in the Italian banking industry in the coming years? And in the European one?

It is a trend that I expect to continue for the following months. Due to the fact that margins have been squeezed and that banks and asset management companies incur high fixed costs, financial companies have to compensate this reduction on margins with an increase in volume in order to obtain the same benefit.

People moves around the industry

DIEGO CAVERO

Pictet WM expands Spanish team with new senior private banker

The asset and wealth management division of Pictet in Spain has appointed Diego Cavero as a senior private banker to its team in Madrid.

With over 20 years' experience in investment consultancy for high net worth individuals, Cavero joins the Swiss group from Schroders, where he was head of the firm's private banking business in Spain.

More specifically, he was responsible for private banking at Schroders & Co Bank AG in the country since July 2003. Prior to that, he was an associate director at Chase Manhattan Bank for more than 13 years.

Cavero started his financial career as a risk analyst at Banco Central Hispano in 1997 in New York, where he served for over two years.

Luis Sánchez de Lamadrid, general director of Pictet WM Spain, told Spanish financial media that Cavero's appointment reinforces the firm's commitment to attracting talent, "in a bid to establish responsible relationships with clients in order to protect and grow their wealth."

TIDJANE THIAM

Credit Suisse CEO Tidjane Thiam quits

Tidjane Thiam (pictured right) has resigned from the position of CEO of Credit Suisse Group AG, effective 14 February 2020. The company's board of directors has unanimously accepted his resignation and appointed Thomas Gottstein as the new CEO.

Thiam will step down following the presentation of the fourth quarter and full-year results 2019.

Urs Rohner, chairman of the Board of Directors, stated: "Under Thiam's leadership, Credit Suisse simultaneously repurposed our strategy, restored our capital, reduced our costs, de-risked our business, promoted diversity and engendered an exceptional level of co-operation between various divisions. Credit Suisse is in good health and we have a deep bench of talent which can build on his achievements.

"Thiam has made an enormous contribution to Credit Suisse since he joined us in 2015. It is to his credit that Credit Suisse is standing on a very solid foundation and has returned successfully to profit."

Gottstein, the newly appointed Group CEO, has more than 30 years of experience in the banking industry, including more than 20 years with Credit Suisse. He has been responsible for the Swiss-market since 2015. During his tenure, the Swiss business increased its contribution to group income to CHF2.1bn.

André Helfenstein will succeed Gottstein as the CEO of Credit Suisse (Switzerland) Ltd, effective 14 February 2020. He is currently responsible for institutional clients business in Switzerland, and is a member of the executive board of Credit Suisse (Switzerland) Ltd and the Swiss Universal Bank Management Committee.

MATTHEW BEESLEY

Artemis appoints ex-GAM head of investments as CIO

Artemis Investment Management has poached former GAM head of investments Matthew Beesley as chief investment officer (CIO).

Beesley, who will be joining the firm on 20 April 2020, will be replacing Peter Saacke, who is stepping back to focus on the management of the firm's range of three global equity funds.

Artemis's new CIO comes from GAM, where from 2017 he was head of investments. He was also a member of the Group Management Board, chief executive (CF3) and a board member of GAM's three largest UK subsidiaries.

At GAM, he was responsible for the management and oversight of the equities, fixed income, global investment solutions, real estate debt and systematic investment teams based in London, Zurich, Cambridge, New York, Lugano and Hong Kong.

Prior to his time working at GAM, Beesley held roles including that of head of global equities and portfolio manager at Henderson Global Investors, partner and portfolio manager at Trinity Street Asset Management, senior portfolio manager and vice-president at JP Morgan Asset Management, and aportfolio manager at Mercury/Merrill Lynch Asset Management.

REINHOLD DIRSCHL

Carmignac makes German push with new business development director

Carmignac has announced the appointment of Reinhold Dirschl as business development director.

He joined the Carmignac Business Development team in January 2020 under the direction of Nils Hemmer, country head for Germany and Austria.

Based in Frankfurt, he will focus on regional banks with fund of funds and discretionary portfolio offerings across Germany. He will work with Frank Rüttenauer, head of Retail Business Development and Ingo Boxleitner, business development director on expanding Carmignac's reach in the German market by covering retail clients in the southern part of Germany and Austria.

His appointment follows the hires of Luis Caceres and Markus Kopp for wholesale and semi-institutional clients, respectively in 2018 and 2019. With these hires, Carmignac is underlining the importance of the German market and reinforcing its position there.

Dirschl has more than eighteen years of experience in finance sales. He worked from 2012 to 2018 at Pioneer Investments. As senior sales director he was responsible for the coverage of savings banks and cooperative banks. Most recently he was sales director at TBF Sales and Marketing GmbH focusing on savings banks, cooperative banks, wealth management and regional private banks.

Fund watch and product launches

CaixaBank AM launches short duration bonds fund

CaixaBank AM has expanded its Smart Money funds range with the launch of a short duration fixed income strategy.

CaixaBank Smart Fixed Income Public Debt 1-3 fund will invest at least 80% in public debt of issuers of the euro area, with the rest invested in fixed income assets, public or private, of issuers from both the euro area and other OECD countries.

As indicated in its name, the duration of the portfolio will range between one and three years.

According to the fund's prospectus, it may also invest up to a maximum of 45% in other financial IICs that are suitable assets, harmonised or not, including those of the CaixaBank group, with a maximum of 20% invested in the same IIC.

This product has a management fee of 0.20%.

With regards to the liquidity of the issues, minimum required criteria is not established, although adequate diversification by issuers will be maintained at all times, reads the fund's literature.

www.caixabankassetmanagement.com

UBS partners with BlackRock to launch development bank debt ETF

UBS has partnered with BlackRock on the launch of a new exchange traded fund (ETF) investing in multilateral development bank (MDB) debt.

The ETF will be included in certain UBS Global Wealth Management (GWM) mandates and offered on GWM platforms as an alternative to traditional high-quality fixed income investments such as government bonds. MDB debt offers strong – often AAA – credit ratings, high liquidity, and a higher yield than US Treasuries. The funds raised by MDB debt are also focused on advancing the UN Sustainable Development Goals.

The iShares USD Development Bank Bonds Ucits ETF tracks the FTSE World Broad Investment-Grade USD MDB Bond Capped index. Supported by initial UBS seed capital, the ETF currently has assets of over $120m. In total, UBS now oversees more than $1bn of client assets in development bank debt.

The launch is UBS GWM's first collaboration with an external fund manager on a development bank bond ETF. Mark Haefele, chief investment officer at UBS Global Wealth Management, said: "Our clients see development bank debt as an attractive means of diversifying their portfolios and focusing them on the United Nations Sustainable Development Goals. ETs will continue to represent an important route for clients to access this growing asset class."

The fund will be distributed in Austria, Belgium, Denmark, Finland, France, Germany, Ire, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK.

www.ubs.com

GSAM unveils environmental impact equity fund

Goldman Sachs Asset Management (GSAM) has launched the Global Environmental Impact Equity fund, which seeks to generate long-term capital appreciation by providing investors exposure to global companies aligned to key environmental themes.

The fund will focus on companies that the team believes can support greater environmental sustainability and are well positioned to benefit from long-term demand tailwinds. This includes companies aligned to and driving five key environmental themes, clean energy, resource efficiency, sustainable consumption & production, circular economy and water sustainability.

It will be managed by GSAM's Global Equity team, led by Alexis Deladerrière, using a time-tested, bottom-up investment approach that integrates material ESG and impact related factors into the decision-making process. The team will leverage GSAM's 80-strong Fundamental Equity team and 40-person ESG & Impact investing and strategy teams.

The strategy is a new sub-fund of the Ucits-qualifying Luxembourg-domiciled Goldman Sachs Funds Sicav. The Portfolio is offered to both institutional and retail clients and is registered for sale across a range of European countries.

www.gsam.com

Thematics AM launches subscription economy fund

Thematics Asset Management (Thematics AM), an affiliate of Natixis Investment Managers has launched a fund focused on a theme shaping the future of consumption across the world: the subscription economy.

The fund Thematics Subscription Economy invests in this attractive and growing market.

This new fund is managed by Nolan Hoffmeyer, one of the founders of Thematics AM, and adds to the existing high conviction and active global thematic strategies offered by Thematics AM: Water, Safety and Artificial Intelligence & Robotics. Thematics Subscription Economy is available to both retail and institutional investors.

Thematics AM's investment philosophy relies on four pillars: identifying secular growth opportunities; being focused in terms of defining investment themes and universes; being unconstrained in terms of sector, geography or size ; and bringing a responsible investment approach.

The team focuses on identifying, developing and managing multi-decade investment themes fueled by four global primary forces that are transforming our world: demographic changes, globalisation, innovation and scarcity. Subscription Economy is an innovative and sustainable theme, supported by these secular growth drivers.

www.thematics-am.com

€23.1bn December 2019 euro area international trade surplus in goods

December dash

With Brexit a reality and negotiations getting underway in March with a deadline of the end of December 2020, levels of uncertainty in respect of asset allocation and fund selection may remain high. Jonathan Boyd, Ridhima Sharma and Eugenia Jiménez report

The battle lines have been drawn.

The European Union's (EU) General Affairs Council, which is responsible for preparing and following up meetings of the European Council, announced on 25 February that it has formally nominated the European Commission (EC) as EU negotiator ahead of the pending talks with the UK on the future relationship.

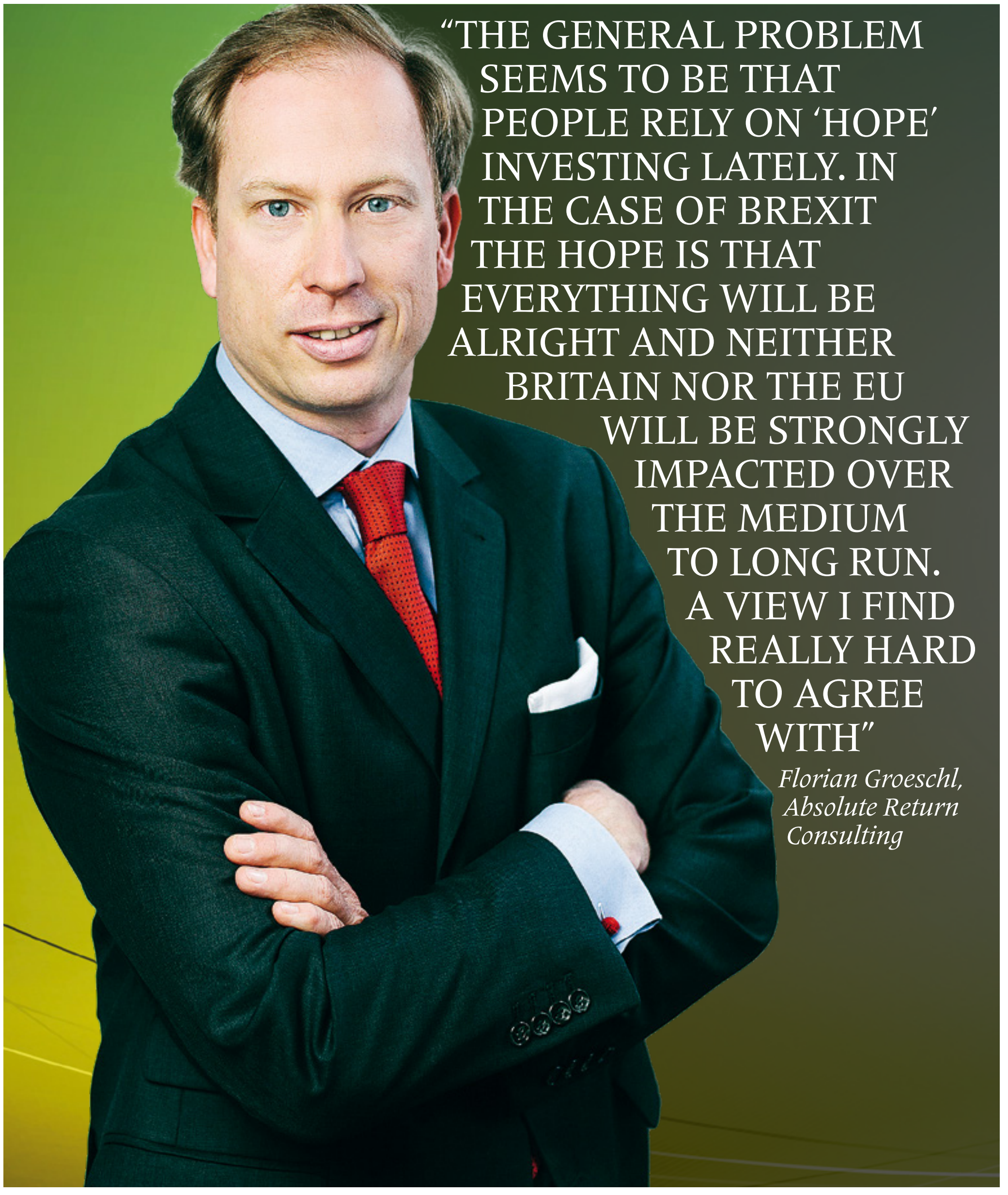
Key words stuck out in its press release on the matter: "economic partnership"; "level playing field"; "free trade agreement"; "fisheries"; "security partnership"; and "governance framework".

What stood out in the actual list of directives passed by the Council to the Commission indicates potentially significant hurdles to any final agreement. That document (https://www.consilium.europa.eu/media/42736/st05870-ad01re03-en20.pdf) outlines in more detail the EU's position across all sorts of matters.

From the perspective of financial services, the most important might be in Section 4, "Cooperation on Financial Services", which in article 46 notes the crucial phrase: "Equivalence mechanisms and decisions remain defined and implemented on a unilateral basis by the European Union."

This is likely to be a key sticking point.

In a statement delivered to Parliament on 3 February, the UK government set out a statement on its intended approach to the negotiations, including the point on trade in financial services: "Given the depth of the relationship in this area, there should also be enhanced provision for regulatory



1.2% 2019 estimated annual growth in the euro area

and supervisory cooperation arrangements with the EU, and for the structured withdrawal of equivalence findings."

The EU has proven before that it is apt to take a hardline approach on equivalence (see this issue's Leader comment on page 2), which suggests it will peruse proposals from the UK side with eagle eyes.

INVESTOR PRESPECTIVE

Beyond the transition period of 2020, however, the questions remain for investors as to how to approach the issue.

From a top-down perspective, Tristian Perrier, senior economist at Amundi, says: "In the long-term, we expect Brexit to slightly impair British growth through less vigorous labour market and productivity dynamics – something investors need to keep an eye on. Nonetheless, Britain's potential growth will remain slightly stronger than that of the EU, due to demographic trends and also the fact that the UK remains an economy that is generally friendlier to competition and innovation.

"One of the main obstacles regarding Brexit is the negotiation of a permanent trade deal to avoid a 'Brexit cliff edge' at the end of this year. In the absence of a trade deal (and an extension past 1 January 2021), the UK will lose access to the EU single market. This would cause a significant trade shock, with tariffs and border checks for goods and ensuing disruption for the investment community."

In terms of the performance of the UK economy in the near term, Perrier expects uncertainty to weigh on UK growth, requiring the UK government to announce a sizeable fiscal stimulus of "over 0.5% of GDP" in its budget being delivered in March.

The 10-year gilt remains expensive, Perrier adds, although he sees the UK market as being cheap compared to its fundamentals.

Marc Franklin, head of Flexible Multi-Asset at NN Investment Partners, says bluntly that Brexit is much less important than the US and China, their relationship, and policy decisions by major central banks. However, from a regional European perspective, he notes that: "Brexit might provide an ongoing headwind for the eurozone manufacturing sector and, therefore, the eurozone economy as a whole."

And further, he adds: "From the UK perspective, how the UK government manages Brexit is critical in both the near-term and longer-term. Does Brexit lead to a prolonged period of erosion of the UK's core strengths via, firstly, financial services and London losing share of global capital markets activity, and secondly, large overseas investors, for example, automotive, industrial, directing investment away from the UK and towards other European bases? Or does the UK government seize the opportunity to inject dynamism and greater balance into the UK economy via tax breaks, infrastructure investment and investing in education and research.

"Either outcome is possible but it is clear that there is still a period of uncertainty to come this year as trade talks will prove a tough nut to crack."

What this all means is that Franklin has not adjusted his global asset allocation perspective on the basis of Brexit, but certainly his view of UK assets.

"In terms of UK equities, we expect over the next 12 months overall ongoing underperformance relative to global equities, but punctured by short periods of outperformance.

"We are minded to think that the Bank of England will need to lower interest rates at some point this year given the sluggish inflation and growth dynamics. That keeps us long gilts but with low conviction because we do anticipate some sizeable fiscal stimulus in 2020 from the UK government which will pressure the supply technicals for gilts."

Georgina Taylor, fund manager at Invesco, says Brexit matters because of the uncertainty it unleashes.

"Brexit does matter to investors because of the uncertainty currently involved in taking a view on the outlook for the UK economy, and ultimately asset prices. This uncertainty has been reflected in the weakening of sterling as investor confidence declined. Meanwhile, overseas investors have stayed on the sidelines, awaiting further clarity on the outlook for UK growth that is yet to be determined by future trade negotiations.

"We can avoid areas we deem to be 'high risk', as the Brexit process continues. Sterling has become highly volatile and responds to Brexit headlines. Given this short-term volatility risk, we have not held an active sterling currency view in our portfolio. In our view, avoiding such investments is as important as protecting the portfolio directly from ongoing Brexit uncertainty."

"One area we believe is interesting is UK inflation. Markets are pricing in a sustained pick-up in inflation, and we believe this is unlikely to persist, given low inflation globally and the growth pressures on the UK economy. In our view, selling UK inflation is a good way to generate return for our portfolio. By doing this, we could potentially benefit from the ongoing Brexit uncertainty."

SELECTOR VIEWS

Florian Groeschl, managing partner, Absolute Return Consulting, agrees that Brexit matters.

"Sure it does. If nothing else it adds to the current level of uncertainty. The general problem seems to be that people rely on 'hope' investing lately. In the case of Brexit the hope is that everything will be alright and neither Britain nor the EU will be strongly impacted over the medium to long run. A view I find really hard to agree with.

"Given that it took the UK more than three years to get Brexit finally

BURNING A HOLE

Another context of the negotiations between the UK and EU is the EU's internal debate on its own budget.

The UK was a large contributor to the overall EU budget as a member. It is estimated that the remaining member states will have to raise up to €60-75bn that otherwise would have come from the UK for the next budget period, 2021-27, if it is to maintain spending commitments.

Austria, Denmark, the Netherlands and Sweden are seen to want to keep any budget increase over the period to 1%. This is below 1.11%, or nominal €1.135trn of commitments, that has been proposed by the European Commission, and below 1.3% proposed by the European Parliament.

1.4% 2019 estimated GDP growth in the EU27

done, it seems very unlikely that all the divorce procedures will be agreed upon in less than a year's time."

Groeschl generally applies a market neutral approach, so has not moved to position asset allocation or fund selection in any particular way.

As to what investors on whose behalf he does selection and their views on Brexit he adds: "I am quite sure they have their views and they take their bets, however they pay me not to."

Thomas Romig, head of Asset Management, Assenagon, says Brexit matters for a number of reasons.

"First of all, the long-lasting Brexit discussion caused a significant underweight of global investor's UK positioning. This certainly has to be considered besides the potential downside risk that comes with the Brexit transition period when assessing potential investments in the UK.

"We also believe that the supply chains – that already adjusted sufficiently over the past few years – do not need significant further adaptions that could negatively affect the economy. In addition to this, there is also some upside potential for the UK and investments in this region given possible fiscal stimulus like tax cuts. One of the main concerns of the other European states – the potential emergence of the UK as a low-tax country – could be quite beneficial for the UK itself."

"We believe that it is important to observe the actions of the UK government very carefully on a daily basis and adjust the portfolio positions accordingly. The major portion of the damage that could be caused by the Brexit has already taken effect during the Brexit negotiations or is at least already anticipated by the capital markets. In addition to this, there is some upside potential for the future as the economic growth in the UK was suppressed by the negative impact of the Brexit discussion in the recent past."

Romig adds: "It is up to the government to steer the UK back on track via beneficial negotiation outcomes or adjustments of fiscal policy. In such an environment, we think it is key to success to act with high flexibility regarding the asset allocation. This can be achieved for example by extending investments in funds by highly flexible and liquid derivatives."

As to the transition period? Here Romig is in agreement with Groeschl in finding it hard to believe that a full deal will be struck by the end of 2020.

"We believe that the transition period will last longer than currently expected. In general, this assessment is based on the various delayed past political decision processes in different areas. In particular, it is based on the slow progress of the Brexit negotiations in the past few years that already were subject to extensions of deadlines.

"We would not be surprised if media coverage of Brexit in coming months would have attributes of a dramatic spectacle. However, we do not expect an overall negative outcome of the transition period but believe that slow and incremental progress will be made by muddling through politics."

Juan Hernando, head of fund selection, Morabanc, Andorra, sees reasons both why Brexit matters, but potentially also matters less.

Uncertainty during the past few years around negotiations certainly impacted, but ultimate change to the status quo "will generate both opportunities and risks".

"And during this process there will be uncertainty, something that financial markets usually do not like.

"On the other hand, there could be a positive effect when an agreement is reached leading some investors – who have been out of the UK – to potentially generate positive inflows.

"We have had managers who have been changing their investments in the UK on a limited basis, that is, by increasing their exposure to exporters that benefit from a weaker pound. Others, on the contrary, decided to stay away to avoid volatility. From the fixed income universe, inflation-linked bonds have been a commonplace for fixed income and multi-asset managers."

He concludes: "In general, there has not been a single point of view on how to make profits from Brexit."

On the matter of the transition deadline being missed, Hernando says that his central scenario remains that some kind of solution will be reached.

PERHAPS NOT SUCH A BIG ISSUE...

Dirk Söhnholz, managing director, Diversifikator, is among those who feels that Brexit does not matter that much, in his case because of the fact that the UK has always been treated separately from most other European

"NEGOTIATIONS BETWEEN THE EU AND THE UK ARE STILL GOING TO BE VERY INTENSE AND THAT THERE IS VERY LITTLE TIME TO FIND A MUTUALLY SATISFACTORY SOLUTION. WE THEREFORE THINK THAT THE PROSPECT OF A 'HARD BREXIT' WILL DEFINITELY UNSETTLE THE MARKETS IN THE SECOND HALF OF THE YEAR"

Stefan Ferstl, Ariqon Asset Management

countries because of its different currency.

Söhnholz adds that while he avoids use of forecasts in determining allocation, he also feels that most end investors he serves think the UK will suffer significant short-term costs associated with Brexit, but he himself holds no particular view as to whether the transition period will be extended beyond the end of this year.

David Macià, investments director, Crèdit Andorrà Asset Management similarly points to end client portfolios being global in nature, as a reason why Brexit will mostly be an issue of impacts at local level. Thus, for holdings in global businesses, "Brexit has very limited consequences".

Macià does not expect any particular repositioning of asset allocation or fund selection.

"As we previously said, the securities in our portfolios are not affected that much by Brexit. Nevertheless, we do always pay attention to the investment opportunities presented in the UK market (pound assets) but always as a complement for our global portfolios, and never as a key part of them. We seek to have always a well diversified portfolio, therefore we try to limit our exposure to specific risks, whether named Brexit or any other."

" THE SECURITIES IN OUR PORTFOLIOS ARE NOT AFFECTED THAT MUCH BY BREXIT. NEVERTHELESS, WE DO ALWAYS PAY ATTENTION TO THE INVESTMENT OPPORTUNITIES PRESENTED IN THE UK MARKET"

David Macià, Crèdit Andorrà Asset Management

Stefan Ferstl, managing director and fund manager, Ariqon Asset Management, stresses that for his customers, who are primarily retail investors, Brexit is not an essential event.

"The investments consist primarily of Ucits investment funds, with the number of British Oeics playing a very minor role. Most of our customers also invest globally; we rarely see investments in British stocks or bonds.

"As a fund of funds manager, our asset allocation is very global, with around half of our portfolio investing in global funds with a certain style bias, the other half in investment ideas, from undervalued countries to current topics of the future. In the portfolio composition there are currently no adjustments due to Brexit. Last year we replaced some UK Oeics with Luxembourgish or Irish Ucits alternatives. The UK does not currently appear in our models as a separate investment case."

As to the transition period, Ferstl says: "Our assessment is that the negotiations between the EU and the UK are still going to be very intense and that there is very little time to find a mutually satisfactory solution. We therefore think that the prospect of a 'hard Brexit' will definitely unsettle the markets in the second half of the year."

THE LONG GAME

That theme of keeping an eye on the second half of 2020 is picked up also by Thomas Metzger, head of Asset Management, Bankhaus Bauer.

"Since there is definitely still time until the end of the year, investors should focus on the problem in the second half of the year. In the medium term there will always be disruptions that depend on the progress of the negotiations," he says.

"Since the situation has eased due to the latest developments or an unregulated Brexit has been averted and we are also optimistic that at the end of the negotiations - not necessarily until December 31, 2020 - solutions will be found as to how the new trade relationships can look , we currently refrain from hedging measures on the stock side regarding the Brexit issue.

"The Bank of England recently waived an interest rate cut that was previously expected with a 50% probability on the market. Against this backdrop, the pound gained momentarily. In the meantime, however, the price gains have been consumed again."

Noting that sterling remains a political currency that reacts less to macro events than to political events, he adds: "We will probably move sideways to the euro until it becomes clearer what future EU and UK relations will look like. However, if it becomes apparent that trade agreements are on the home stretch or are making good progress, the pound could benefit more.

"UK prime minister Boris Johnson had legally enshrined that the new relationship with the EU must be clarified by the end of the year. Negotiations for such complex trade agreements usually take years. In this respect, the transition phase will probably have to be extended or only partial agreements reached.

"Somehow, there will be agreement again to avoid a 'downstream' unregulated Brexit. Both sides have an interest in creating fair competition rules and adopting a close European-British relationship in order to avoid long-term damage" ■

0.5% November 2019 YoY fall in turnover in core construction in Germany

ALEXANDER WECKERLEIN

Alexander Weckerlein is a fund analyst/portfolio manager at Do Investment, a family office-based, independent asset manager based in Munich. He specialises in the selection of innovative investment solutions for the company's asset management mandates and fund portfolios.

Weckerlein started working as a trainee for Berlin & Co. (today Heydt & Co.), an asset manager in Frankfurt, and later became a junior portfolio manager. Most recently, he was responsible as a portfolio manager for two equity funds (Listed Private Equity and Dividend Opportunities) of HQ Trust in Bad Homburg, one of the oldest and largest independent multi-family offices in Germany.

30.9 million Overnight stays in Germany in December 2019

Do Investment aims to achieve long-term added value through the risk-adjusted management of the assets entrusted. Ridhima Sharma reports

Avoiding dogma for dogma's sake

Facing increasingly complex international financial markets as well as a period of increased uncertainty, Do Investment has looked to a mix of minds, styles and strategies. By combining different management approaches from international portfolio managers, investments for the future are to be bundled in consistent portfolios.

Alexander Weckerlein, portfolio manager at Do Investment, based in Munich, says: "For our strategic investments, especially global long only managers, we harvest long-term alpha opportunities. Whereas tracker funds are used when we see a sectoral or regional short to mid-term opportunity where beta drives the return.

"For example, after the election of Donald Trump as president of the United States we bought an index tracker on US financials and sold it around three weeks after positioning opening. If we had made the decision to capture the sector by an active manager, we would have had to go through the whole due diligence process for active managers which usually lasts two to four weeks.

"Furthermore, we prefer tracker funds in steep upmarkets, as active managers are usually a bit more conservatively positioned and are not able to keep up with the pace of the market."

" WE ARE ALWAYS OPEN-MINDED FOR NEW CONCEPTS, EMERGING MANAGERS OR EVOLVING STRATEGIES"

FLEXIBILITY KEY TO SUCCESS

To find new funds for potential investments, Do Investment team uses Morningstar Direct, attends conferences and performs 250+ manager meetings per year.

Weckerlein states: "We think that all of these three sources have their own advantages and that the combination of them enables us to pick the best-in-class managers."

An approved list to seek out funds depends on circumstance. Broadly speaking, watchlists are maintained for the global long-only managers in the equity and fixed income space. However, on an ad hoc basis, the Munich based asset manager occasionally has an extra research process, when it wants to address specific topics or would like to use other opportunities due to changed market conditions.

"All in all, we believe that flexibility is the key for long term success. Giving that we avoid dogmatic attachment to 'only approved' funds, we are therefore always open-minded for new concepts, emerging managers or evolving strategies," adds Weckerlein.

Do Investment applies a broad range of parameters in the selection of suitable financial instruments. The investment committee discusses and evaluates the results of its analyses on a weekly basis. This results in the strategic alignment of the mandates.

Depending on the current market assessment, adjustments to the tactical allocation are also made in order to take advantage of opportunities, Weckerlein explains.

"When seeking new managers, we look into different strategies. Firstly, the emerging market debt blend; we have already been investing in this asset class for several years and have experienced that the very heterogeneous market needs an even more diversified manager approach to cover the asset call appropriately.

"Secondly, we are carefully considering equity value concepts. We all know the decade long underperformance of value versus growth as a factor. And although we do not know at the moment when it will turn or how long it will go even lower, we want to be prepared in case of an investment opportunity.

"Due to the historic high significance of value managers, the range of available concepts is huge. We learned that value concepts can be extremely different in their approach, beginning with systematic factor concepts over to deep bottom-up only managers."

SELECTION PROCESS

The selection process is both quantitative and qualitative, with numbers analysed in absolute and relative terms through the manager's platform.

"By relative we mean the measurements of risk and return factors against a beta benchmark. For a global equity long-only manager, for example, this could be the MSCI World, and the alpha benchmark is usually the peer group. Subsequently, we pick a set of three to six managers and continue the due diligence process through questionnaires, presentations, etc. In the final loop of the due diligence we challenge the managers with a view on philosophy, process and people in a dialogue," adds Weckerlein.

"Independence is one of the important key attributes. We prefer teams/managers driven by their ideas and not by an opinion of the long-term CIO. Boutiques especially, or teams with a tenure way above market average, focusing since inception on one dedicated strategy or theme." ■

0.2% Governor of the Bank of Italy's estimate of the Coronavirus' negative impact on Italian GDP in 2020

Looking for big gains with small caps

Banca Finnat targets SMEs trading on Italy's junior bourse through its Millennium Sicav AIM Italy fund, designed to boost the country's real economy. Eugenia Jiménez reports

Italian banking group Banca Finnat has always eyed the universe of small and medium size companies in Italy with great interest. In particular, it has eyed the AIM Italia market, the junior bourse of the Italian Stock Exchange (Borsa Italiana) devoted to Italian small enterprises with high growth potential.

The Italian bank itself has helped some 132 of the firms presently listed on the AIM Italia market to go public, taking different responsibilities throughout their floatation process such as acting as a nominated advisor (Nomad), carrying out some coverage, or acting as global coordinator for the IPO.

Currently, the bank is a market leader in the role of specialist (appointed intermediary) with the highest number of mandates conferred by listed companies.

The bank's launch in Italy dates back to 1898, when Pietro Nattino set it up as a brokerage firm. More or less a century later, the company started operating as a banking group.

Today, the Italian investment bank, chaired and managed by the fifth generation of the founder's family, offers clients a broad range of financial services including private banking, advisory and corporate finance, trusteeship, family office, real estate and property funds, banking services, institutional investor services, consultancy, services to issuers, and equity research.

The bank's investment management and consultancy department is led by investment director Emanuele Bonabello, who joined the banking group in 2001.

Within the department, there is a specific unit dedicated to fund selection. Led by Davide Scutti, working alongside Mariano Gambaro, the unit manages over €1bn in assets.

BOOSTING THE REAL ECONOMY: THE FUND

As proof of the bank's interest in Italian small caps and their impact on the real economy, the firm launched at the end of 2017 the New Millennium Sif-Sicav-AIM Sistema Italia – PIR, an open-end alternative fund investing in listed or to be listed companies on the AIM Italia market.

Managed by Bonabello's team, the Luxembourg-domiciled AIFMD strategy is aimed exclusively at institutional or professional investors.

Investment targets are the top 100 SMEs listed on the AIM Italy market ex SPAC. Such firms are offered the opportunity to access investors focused on small-caps "in an efficient manner."

AIM Italia offers an IPO process tailored on SMEs structure, and built on the figure of a supporting the company during the admission period and during its stay on the market.

Bonabello says: "One of our top priorities now is to promote and stimulate investments in listed SMEs (both from the primary and secondary markets), highlighting the importance of this asset class to the Italian real economy."

OPEN ARCHITECTURE

In recent years, Banca Finnat has been working on the creation of a proprietary methodology for the selection of funds as the task of grouping and defining common criteria for the evaluation of peer groups has become increasingly challenging for fund selector professionals.

The bank makes use of an open multimanager platform containing a wide range of investment strategies, provided they pass the firm's due diligence process.

The fund selection process is led by Davide Scutti, who explains that third party funds are mostly taken to cover those asset classes "less close to them".

Scutti is referring to those asset classes outside their European expertise, plus other areas they consider to require higher levels of expertise such as emerging markets, convertible bonds, high yield, or thematic investing. Convertible bonds and high yield predominate in the bank's portfolios.

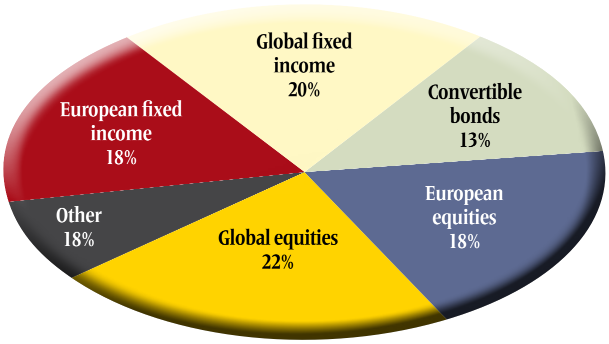
The selection process is divided in three phases: clustering; quantitative; and qualitative analysis.

The first of these involves classifying and grouping the funds according to their risk, management strategy and asset class types.

The second is based on the analysis of the consistency of the track record, while the third refers to a thorough due diligence process applied to the fund.

"This phase is based on the engagement with asset managers to understand the validity and consistency of their investment process," explains Bonabello.

DYNAMIC BALANCE PORTFOLIO ASSET ALLOCATION



Source Banca Finnat

He adds that they work consistently on the improvement of the process by monitoring and analysing the "meaning" and consistency of the results achieved. "In addition, the process was recently implemented by adding criteria to the qualitative assessment parameters that reward the reduction of risk due to ESG factors."

With regards to the use of passive investment solutions, Bonabello says these represent but a minority of the bank's total capital invested in funds. Banca Finnat would generally use passive strategies just for those markets that are quite efficient where, therefore, it is more difficult to generate alpha.

FAVOURITE SPOTS

Bonabello is one of those veteran investors who believe that many emerging economies may be able to draw on longer-term advantages such as demographics, which makes both emerging market debt and equity attractive investment areas. However, he fears in the short to medium term that the challenges for some could be overwhelming. He particularly cites the Coronavirus outbreak in China, whose economic and market implications for emerging economies and beyond are still uncertain.

US equities and Italian small and mid-caps are two other areas that Bonabello eyes with interest. With regards to the latest, he says that the ground for growth might result from the abundant liquidity present in the market and from the flows that the new PIR regulation for SMEs should generate.

He also points to what he considers "high potential industry themes" related to cybersecurity, e-commerce and climate change, areas Bonabello and his team are focusing on currently.

In relation to the hedges used by Bonabello's team to protect the portfolios against risks such as market uncertainty and increased volatility, he says that gold and alternative strategies like long/short are among their favourite safe havens.

ENTRANCE TO THE ICE FUTURES MARKET

In January this year, Banca Finnat joined the ICE Futures Europe market, one of the main global exchanges trading in derivatives with a focus on energy assets, becoming the third Italian bank admitted to the exchange.

The admission meant the Italian bank had been enabled for trading and "direct clearing" services, within the ICE Clear Europe clearing system.

Bonabello outlines that the admission not only bolstered the bank's intermediary role in the principal markets but also constitutes another significant step forward in its ongoing innovation process "…with a focus on the emission allowance trading scheme [EU ETS – Emissions Trading System], which is the key tool adopted by the European Union to implement the Kyoto Protocol for reducing greenhouse gas emissions in energy-intensive sectors."

According to Bonabello, being part of the ICE market will also allow Banca Finnat to broaden the range of services it can provide to both business clients and other intermediaries, which are entitled to collect orders but then may need a third party negotiator (like themselves) admitted to the ICE market to enable execution. ■

60.4 million Resident population of Italy 1 January 2019 – Istat

Quest for efficiencies drives M&A fever

Big M&A moves between Anglo-Saxon managers, as well as Italian banks, have put the spotlight on industry consolidation at time of continued cost pressures. Jonathan Boyd and Eugenia Jiménez report

Shares in Jupiter Fund Management soared some 8% on the morning of 17 February on its proposed £390m deal to acquire Merian Global Investors.

The two UK fund managers joined would see AUM of some £65bn, making it the UK's second largest retail fund management house.

The fine print of the deal see it consist of an upfront equity consideration of £370m, paid through the issue of new Jupiter shares paid to Merian shareholders. An additional deferred earn-out of up to £20m is subject to key Merian shareholders growing and retaining revenues in their investment strategies.

Regulatory approval and Jupiter shareholder approval required means the completion of the deal is not expected before the second half of 2020. It is, of course, not a merger of equals: Merian shareholders are expected to hold some 17% of the enlarged share capital of Jupiter.

Reacting to the deal, Jonathan Miller, director, Manager Research Ratings, UK, at Morningstar, said: "It is somewhat surprising that after Merian's own change of direction backed by private equity around 18 months ago, they're set to be acquired.

"Jupiter CEO Andrew Formica made a number of acquisitions while chief executive of Henderson and he has already put this strategy to work after less than a year as CEO of Jupiter.

"In terms of investment teams there is little overlap so this is fairly complementary from that point of view. Still, the deal is symptomatic of the pressure active managers are finding themselves under. Merian was valued just shy of £600m in June 2018, but Jupiter is set to pay £370m for the acquisition, with £29m in net debt and Merian shareholders becoming a 17% shareholder of the enlarged entity."

Adrian Lowcock, head of personal investing at Willis Owen, an investment platform in the UK said: "Since Andrew Formica took over at Jupiter there has been the possibility they would look to strengthen the business through acquisition, and investors holding Merian funds will be questioning what the deal means.

"While there is always uncertainty in such events, Jupiter has a strong philosophy to allow fund managers the freedom to express their views, even if they differ from each other, and this should help ease any concerns investors might have.

"Ultimately, Jupiter is unlikely to do anything to disrupt the successful Merian teams, particularly the renowned UK equities offering. Whilst the acquisition strengthens Jupiter's offering, it also means that Merian fund managers have access to the resources of a larger group, so this looks to be a good pairing."

This was not the only key M&A story recently – among others – there was also Franklin Resources' 18 February bid for Legg Mason and its affiliates, to create a $1.5trn player in the industry. Franklin Resources is the parent company of Franklin Templeton.

The deal was all cash, some $4.5bn of it, which would also see Franklin Resources take on some $2bn of Legg Mason's outstanding debt.

According to the latest annual review of cross-border fund distribution in Europe done by PwC in Luxembourg, Franklin Templeton and Legg Mason were ranked 1 and 22 respectively out of the top 100 groups measured on this basis (https://www.pwc.lu/en/fund-distribution/docs/pwc-publ-gfd-march-2019.pdf)

Bulgaria, Croatia, Greenland, Iceland, Monaco, San Marino and Slovenia were the only European jurisdictions of those tracked by PwC's annual report in which Franklin Templeton did not have a presence. The key question for investors going forward will be what level

A FRAGMENTED BANKING SYSTEM

Bank	Gross loans (€bn)	O/w performance	Market share (%)
Intesa	373	337	19.4
Unicreedit	299	270	15.6
BBPM	1019	98	5.6
BMPS	97	80	5.6
UBI	93	84	4.9
BNL (BNP)	72	63	3.6
BPER	51	44	3.0
Canparma (CA)	48	45	2.6
Credem	28	27	1.5
Carige	16	13	0.7
Sondo	24	20	1.1
Creval	23	21	1.2
Bari	8	6	0.3
Top banks	*1,241*	*1,106*	*64*

As at 31 December 2018 Source Company data, Goldman Sachs Investment Research

66.4 million Estimated population of UK mid 2018 – ONS

of product overlap will need to be adjusted.

ITALY

Further south in Europe, questions remain around resilience of banks and credit institutions and to what extent the European Banking Authority is truly happy with the status quo following stress tests of systemically important businesses in recent years. This is important because of the often long standing links between banks, fund manufacturing and fund distribution businesses.

It is into this context that Italian bank Intesa Sanpaolo announced on 17 February a €4.6bn takeover bid for rival UBI Banca, thus reopening the debate on banking consolidation in Europe as an efficient way to reduce competition, cut costs and boost persistent low profitability.

The bid is the first – among the largest banks – to represent a decisive act in response to supervisors' consolidation advocacy for Italy's fragmented banking system.

Intesa Sanpaolo, Italy's biggest bank, said it would offer 17 new shares for every 10 UBI Banca shares tendered, corresponding to a value of €4.25 per share in UBI Banca, or a 27.6% premium to UBI's share price in mid-February.

If fulfilled, the merger would create the seventh-largest bank in the eurozone with €1.1trn in assets and combined revenues around €21bn. It would also give Intesa three million retail, small business and private clients.


Andrew Formica, Jupiter

By the time of the announcement, Intesa said in a statement: "Our industry, at a European level, has entered a phase that requires greater scale, increased investment capacity and a focus on socially sustainable finance in order to excel.

"Thanks to this operation, the bank that will emerge from the integration of Intesa Sanpaolo and UBI will be one of the leaders of the new banking system.

"Together, loans to customers will total around €460bn. The savings entrusted by Italians to the new Bank will exceed €1.1trn. And combined revenues will reach €21bn. These numbers show the full strength of the Italian economy, the capacity of our businesses, and the solidity of our household savings."

César Gil Cano, head of fund of funds at Spain's state-owned bank Bankia, embraced the news, which he considered not just positive for Italy but also for the whole European banking sector.

Gil Cano added: "Andrea Enria, [chair of the Supervisory Board of the ECB], has reacted positively to a consolidation process. This could now help UCG to bid on BAMI instead of on UBI. Still, it is too soon to know if the Intesa Sanpaolo's bid will be enough for UBI or if the Italian lender will be forced to improve the offer. Either way, it will be a good deal for shareholders of both banks, which is being already reflected in the market."

The Spanish fund selector believes that the European banking sector needs a consolidation wave given its current fragmentation.

He continued: "Where in the US there is an efficient market with ongoing consolidation, in Europe there is still lot of work to do.

"In Italy, France but above all, in Germany, the market share of the top five banks is below 50%, when the average is 65% for the EU. In terms of the number of financial institutions, the figure in Germany is overwhelming – more than 1,500. In Italy there are around 500. This leads to an inefficient market."

Guendalina Bolis, managing director and head of fund selection at Spanish manager Inversis Gestión, said: "The Intesa Sanpaolo acquisition is only the first one we are going to see in the Italian market and in the rest of the world."

"In the last three days, three different mergers/acquisitions have been announced in the financial industry: in Italy, the UK, and the US.

"It is a trend that I expect to continue for the following months. Due to the fact that margins have been squeezed and that banks and asset management companies incur high fixed costs, financial companies have to compensate this reduction on margins with an increase in volume in order to obtain the same benefit." ■

159,700 GWh Total electricity production in Sweden in 2018

Sustainability surge

Sweden's SPP Funds took roughly 1 of every 6.6 new krona invested in the Swedish fund market last year. Jonathan Boyd explores the drivers behind this

SPP Funds, the Swedish fund provider that is part of Norwegian group Storebrand's multi-boutique model, recently reported that AUM increased 33% in 2019 compared to the previous year, as its inflows accounted for some 15% of total net inflows to the Swedish investment fund industry.

Total AUM was up some SEK19bn (€1.8bn) through the past year, taking AUM to SEK246bn (€23.2bn) by the year's end.

InvestmentEurope recently caught up with Åsa Wallenberg, CEO of SPP Funds and head of Funds at Storebrand Asset Management, to find out more about the objectives of the manager both in its home market but possibly also across Europe as part of its parent group's targets.

What happened last year in Sweden, ie, why did SPP Funds take such a large share of all new inflows among fund companies in the Swedish market?

As a group, we have worked with sustainability for nearly 25 years, and have integrated this into our asset management. However, what we did 25 years ago only partly reflects what we do today. Significant developments have occurred, eg, in terms of data and competencies. There is a believability/credibility that we have worked with this systematically and at scale for a long time.

The trend has really been our friend and we have really taken a stand. Sustainability being more important than ever has meant that we could take a large share of savings this past year.

"SUSTAINABILITY BEING MORE IMPORTANT THAN EVER HAS MEANT THAT WE COULD TAKE A LARGE SHARE OF SAVINGS"

Åsa Wallenberg, SPP Funds

Institutional customers also have sustainability in their mandates, in terms of what they can invest into, thus their demand for sustainability has increased.

Also, looking at the retail side, we see that, historically, perhaps there has been an overweighting towards female clients. But the customer base overall is now recognising that sustainability is about more than taking a stand. It is about return. And perhaps they are seeing that there are fund providers offering solutions to the global challenges.

What are your expectations for this year, ie, can SPP Funds take a similar or even bigger share of new investments, both in retail and institutional markets?

2019 was a good year for us, but we want to continue the growth. We need to continue sticking with our knitting.

Next steps include thinking about what can we do with our existing range, but also listening to customers what they need and want and see what we can offer. It's a combination of improving what we have as well as being innovative if necessary.

We are an index aware fund provider – we cannot call ourselves an index provider since we remove companies and integrate sustainability. We will be careful in terms of doing things other than what we are good at. We have been very clear about what we are going to deliver, and very clear about where we are active – the Nordic market.

Regarding the international market, that is where Storebrand's funds are to be offered. There, we are on the way; we have a platform in Luxembourg, and three Storebrand funds in European markets. It is a long-term processes, but we are hopeful for our most sustainable funds; the demand for those will take off there. ■

This article forms part of a longer interview, first published at: www.investmenteurope.net/news/4011278/sustainability-surge-sweden-spp-funds-growing-business.

ESG SUMMIT

ESG and sustainable investing will be addressed at the upcoming *InvestmentEurope* Pan-European ESG Summit Vienna 2020. Details can be found at: https://event.investmenteurope.net/esgsummit/en/page/home.

Labelling agency LuxFLAG has positioned itself to grow its business footprint, and not just as a labeller of funds. Jonathan Boyd reports

Broader opportunities

Since 2015, the number of funds labelled by LuxFLAG has grown from 43 to 183 to December 2019.

The assets under management within the labelled funds has reached some €73bn, with the labelled products stemming from seven jurisdictions, managed by 81 asset managers located in 14 countries.

In 2019, the Luxembourg based labelling agency, appointed a new chairwoman – Denise Voss, previously chair of the Association of the Luxembourg Fund Industry – and elevated Sachin Vankalas to general manager, as well as announcing or planning other appointments.

Vankalas, who has led operations and sustainability processes at LuxFLAG since 2011, recently caught up with *InvestmentEurope* to outline the forward objectives of his organisation.

LABELLING

The core focus of LuxFLAG remains, of course, labelling. Yet here there is a growing international case for the organisation, as the labels are becoming recognised in other markets and are in demand, Vankalas says.

2019 alone saw 78% growth in the number of labelled products, with a 122% rise in ESG labelled products in just a few months. The first quarter of 2020 is seeing some 20 funds seeking labels.

Supporting the international case is the certifications that LuxFLAG has received itself. In January 2020, it received ISAE3000 Type II certification for its label issuance process and controls. This made it the first sustainable finance labelling agency in Europe to receive such an external assurance certification.

"This is big news for us," Vankalas explains.

"This puts the quality stamp on the way we issue the label. There are a number of label issuers in Europe, with different standards around methodologies and levels of transparency. So, it is important that somebody externally looks at it and recognises how they do it according to international standards.

"We will continue this every year. We will issue labels across all four quarters, and in the last quarter will ask the auditor to come in and check the compliance, process and controls make sense."

The past year, 2019, also saw the launch of the first LuxFLAG Sustainable Investment Week, constituting 16 events across three locations and some 475 participants. This will continue in 2020 (see box, above).

Encouraging membership in LuxFLAG is another branch of the community building around labelling. LuxFLAG has some 94 members currently – a separate issue from labelling itself – and it is creating networking and business opportunities. Membership is expected to continue increasing, Vankalas suggests.

Growth in activities also means a search for more people to ensure the work of LuxFLAG progresses. The organisation is expected to announce more hires, as well as consider how to access more office space.

Going forward, the organisation will be focused on three pillars: labelling; membership; and ensuring the expertise it contains is put at the disposal of the financial sector.

BRUSSELS

No mention of labelling and standards would be complete without reference to developments in Brussels, the heart of the EU project.

Vankalas says LuxFLAG is closely monitoring what is coming out of Brussels, such as the Taxonomy. He will travel to the city in March 2020 for discussions on an 'Ecolabel' – the European Commission's (EC) proposals on this have previously been criticised by the industry, as per the second Technical Report published just before Christmas.

Elsewise, it is a case of watching and waiting; if the EC decides to force updates of criteria in labelling documents, this will certainly have an impact, Vankalas notes. ■

LUXFLAG CONFIRMS SUSTAINABLE INVESTMENT WEEK 2020

LuxFLAG will host its second Sustainable Investment Week on 13-15 October 2020. The #LSIW20 will cover topics including climate finance, ESG, impact investing and the UN Sustainable Development Goals, which will be tackled across a number of standalone events held in various locations around Luxembourg.

For further information visit www.luxflag.org.

"THIS PUTS THE QUALITY STAMP ON THE WAY WE ISSUE THE LABEL"
Sachin Vankalas, LuxFLAG

€620bn AUM managed by financial advisers in Italy as at the end of December 2019 – Assoreti

Building bridges on quicksand

The introduction of Mifid II two years ago, aimed at bringing greater transparency and competition to Europe's financial markets, has boosted the role of financial advisers by placing clients in the spotlight. BNL BNP Paribas' Enrico Scandurra shares his views with Eugenia Jiménez

For Enrico Scandurra di Epiro, head of investment solutions desk at BNL BNP Paribas, regulation, alongside tech revolution, and the enhancement of customer experience, are the three key elements driving the growth of advisory services in Italy.

Investment advisory seems to be an increasingly important financial service for the Italian market, why is that? Is regulation playing a key role on this growth?
The financial consultancy market in Italy has significantly grown in recent years, thanks above all, to the increasingly central role that the customer has assumed in the industry.

Regulatory, technological evolution, and emphasis on the customer experience represent the fundamental elements at the basis of the development of investment advisory in a constantly changing market.

The introduction of the Mifid II directive has further strengthened the central role of the client. In addition, the regulator's increased attention to cost transparency has stimulated the competition between intermediaries committed to increase the quality/price ratio, through value-added services.

What does BNL BNP Paribas' Investment Solutions desk specifically do?
The unit, led by myself, is part of the International Financial Services global division of BNPP's Group that includes among others BNP Paribas Cardif, BNP Paribas Asset Management, and BNP Paribas Real Estate. In addition our department has also an active collaboration with CIB Global Market.

Our mission is to provide innovative investment services to BNL's bank branches with reference to the Italian retail market. In particular, our team is made up of 35 investment specialists who interact with BNL's financial advisers, to define and share asset allocation proposals, risk/reward optimisation, and market scenarios in line with the strategic view of BNP Paribas and to final clients by

"ITALY STILL HAS AMPLE ROOM FOR GROWTH AND IMPROVEMENT IN DIGITAL TRANSFORMATION"
Enrico Scandurra di Epiro, BNL BNP Paribas

€4.2bn Net inflows for financial advisers in Italy as at the end of December 2019 – Assoreti

remote advisory via personalised web conference.

In addition we are continuously committed to train our financial advisers on investments and products in order to provide the best professionals available for our customers.

What are your main responsibilities as head of the unit?
As head of the department, my main responsibility is to lead and motivate a performing team of investment specialists with the ethos to provide high level and innovative investment services in an increasingly complex banking industry.

Motivation combined with a clear vision of the goals set, represent the key drivers when striving for excellence.

Excellence requires that the resources, committed to achieving their respective objectives, are put in a position to fully express their capabilities without any limitation and this requires an efficient delegation process.

Delegation is one of the most important skills for a manager's success and for the motivation of the collaborators: it allows you to free up a part of the time that can be used to deal with strategic issues and to develop the potential of collaborators.

You say your function is to provide "innovative investment services", are you referring to new digital tools or new methodologies?
The innovative investment services available to our customers concern both the use of digital tools and the use of new advisory methodologies thanks to the expertise and the presence of BNP Paribas Group in 72 locations.

With reference to digital tools, we have introduced the possibility for the client to interact via webcam with both the financial adviser and the investment specialist for an in-depth analysis of his/her investments and the evolution of financial markets. The customers can interact with us and analyse their investments, not only by coming to the bank branches, but also from the comfort of their home or from anywhere in the world.

Does your team advise on specific products? If that is the case, do you have an open architecture system or do you conversely advise on the firm's own products?
BNL is part of the BNP Paribas Group which internally includes the best excellence in terms of "product factories" (*métiers* in French), in particular the Investment Financial Services Division includes among others BNP Paribas Cardif, BNP Paribas Asset Management, BNP Paribas Real Estate, in addition to CIB Global Market.

With reference to the retail Italian market our goal is to offer our clients the best investment solutions of our *métiers* with the aim of maximising the risk-return ratio of our customers' portfolios, without focusing the attention on a specific product but rather on the entire portfolio efficiently.

How does your team interaction with the group's financial advisers differ from that with ultimate clients?
Our investment specialists indiscriminately interact with the financial advisers and with the customers via web conference, considering that they are highly trained specialists and able to interact with any interlocutor in the investment sector.

With regards to the financial advisers, the interaction has the aim of analysing the client's investment portfolio from a more technical point of view and proposing the best investment solutions.

With reference to the final client, the aim is to offer a service with greater added value enabling clients to interact directly with investment specialists to help them better understand their portfolio composition with regards to the market context, geopolitical risks, and the alignment with BNP Paribas's strategic views.

Would you say that Italian investors have a higher degree of financial education than European peers when it comes to understanding the potential value of financial advisory?
Although international research often places Italy below the average compared to other European countries with regards to financial education, financial culture in Italy is improving.

Italy is confirmed as a country of great savers and the accumulation of savings leads to growing investment needs. Thanks also to the good performance of the financial markets, of equity in particular, coupled with the increasingly low returns of traditional instruments like government bonds, Italian savers are also exploring other forms of investment, more diversified.

In this context, Italian investors need to rely on advanced investment services with greater added value.

The industry is rapidly evolving, partly due to the tech revolution, how do you see it in 10 years' time?
Technological innovation is creating value to the investment industry supporting the digital-oriented transformations and the use of new tools.

Technology will bring new levels of services allowing the increase of agility, efficiency and value to meet the expectations of today's customers and above all, tomorrow's ones.

The asset management sector will continue to experience an increase in regulatory supervision, in particular in relation to systemic risk and investor's protection.

Increasing attention is expected from regulatory authorities, governments and investors to non-financial issues, such as the promotion of diversity within management boards, the rising demand of sustainability measures disclosure, and the impacts of digital innovation on the sector.

Italy still has ample room for growth and improvement in digital transformation and tech innovation to stimulate the development of opportunities in the European and international context.

Digitalisation represents an unstoppable process for all. ■

1.4% Fall in output of commercial slaughterhouses in Germany in 2019

Multi-asset response to multi-faceted needs

Justin Onuekwusi outlines Legal & General Investment Management's multi-asset offering. Interview by Ridhima Sharma

Legal & General Investment Management (LGIM) manages over €50bn in multi-asset funds. The asset allocation team comprises over 30 investment professionals. The multi-asset funds range from those that adopt strategic asset allocation, to others such as multi-index funds incorporating additional dynamic asset allocation, and some pursuing a high level of active management.

The multi-index EUR funds constitute a range of three dynamic multi-asset funds that target different volatility bands over time. More risk averse clients typically invest in multi-index EUR III, whilst those with a higher risk tolerance may choose to invest in IV and V.

Justin Onuekwusi, head of Retail Multi-Asset Funds at LGIM, says: "The team is broadly split into three specialisms: economists, strategists and fund managers.

"As a fund manager, and head of Retail Multi-Asset Funds, my role is to decide on how best to implement these asset class views within the funds, taking into account things such as the risk level of the funds, implementation approach, and timing that implementation based on market conditions."

BIOGRAPHY

Justin Onuekwusi is a fund manager within the Multi-Asset Funds team, leading on the management of the team's retail and risk-profiled multi-asset funds.

Prior to joining LGIM in August 2013, he was a fund manager with Aviva Investors' multi-asset team combining both strategic and dynamic asset allocation with manager selection in the construction of multi-asset portfolios. He was lead fund manager on a range of risk-targeting multi-asset funds and co-lead fund manager on a number of unit-linked Life and Pension funds, as well as manager of manager offerings.

Onuekwusi previously worked as a fund research analyst at Merrill Lynch and an investment consultant for Aon Consulting.

POSITING ACROSS ASSET CLASS

One of the asset allocation team's key beliefs, and a key pillar of the multi-index funds, is the importance of diversification.

Onuekwusi states: "We believe that spreading risk across different regions, asset classes and currencies benefits investors in the long term, so therefore always seek opportunities in a diversified way.

"We also continually look for additional diversifiers; new asset classes that will increase that diversification even further. It is for this reason that we like exposure to alternatives such as listed infrastructure and that we have recently added 'frontier markets' into the funds."

In terms of positioning, Onuekwusi says that: "We became more cautious towards the latter half of 2019 as we felt that geopolitical tensions may increase, particularly the US-China trade discussions.

"We believed this could provide a headwind for risk assets over the

9.1% January 2020 decline in new passenger car registrations in Austria

medium term. As such, we began taking profits on our equity positions by selling into strength.

"We also tilted our portfolios towards dollar denominated emerging market debt, mainly due to it offering attractive valuations relative to other fixed income asset classes historically."

LATE CYCLE ENVIRONMENT

Onuekwusi believes that markets broadly have moved into a late cycle.

"There is a chance, although not a certainty, that volatility will spike, which will see diversification play an even more vital role.

"If volatility does increase, we anticipate being increasingly nimble with our asset allocation to ensure we can protect on the downside, as well as take advantage of opportunities that may arise as asset prices become dislocated.

"Historically in late cycles, credit has sold off before the equity market, therefore it is no surprise that we have been reducing our allocation to corporate bonds within the Multi-Index funds."

INVESTMENT OUTLOOK FOR EUROPE

Onuekwusi says LGIM expects growth in Europe through 2020, albeit sluggish, with a higher than normal probability of recession.

Should that sluggish growth occur, then there are low expectations of the ECB changing its policy on interest rates.

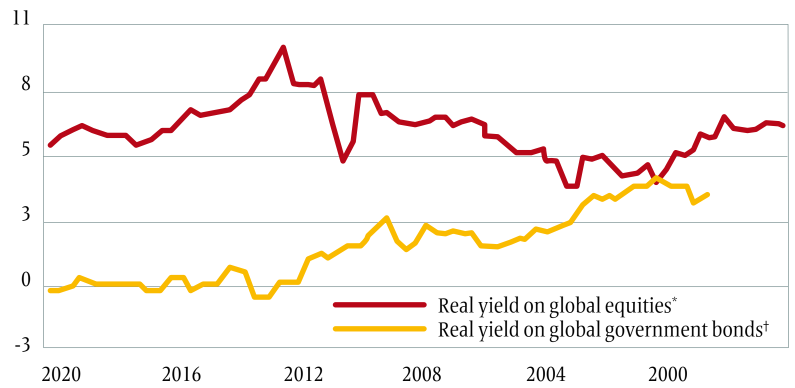
However, a recession scenario would lead to a different story, he says. The expectations around a recession event mean LGIM has reduced its allocation to European equities relative to other developed markets.

INVESTMENT PROCESS

LGIM's multi-index EUR funds start with a long-term (5-10 year time horizon) asset allocation as a base, which then tilts the portfolio using medium-term views (1-5 year time horizon).

By taking a medium-term view,

GLOBAL REAL YIELDS



* MSCI World: earnings before interest and taxes/enterprise value; † GDP-weighted average of G7 10 year inflation-linked sovereign bond yields for global. As at 31 December 2019 Source LGIM/Bloomberg

LGIM does not do tactical asset allocation in its purest sense. To implement its asset allocation view, the multi-index funds invest predominantly in LGIM index funds, which allows the range to be cost-effective, Onuekwusi explains.

"There are two steps in forming the long-term asset allocation. The first is a quantitative stage that uses proprietary tools to produce different portfolios based on six core asset classes, using sophisticated techniques to filter out undesirable portfolio combinations.

"The team examines the risk profiles of all the potential portfolios, rejecting those that produce excessive risk relative to the fund's risk tolerance as well as those that they believe will fare worse in particularly stressed conditions and finally selecting those with the best risk–return trade-off."

Then there is a qualitative process.

"The team believes a purely quantitative process cannot take into account all the factors you need to consider when designing a long-term investment strategy. We use our experience and ongoing research to consider things such as increased diversification, inflation protection and currency exposure," Onuekwusi continues.

"Once we have that long-term base allocation, we will tilt that portfolio using our medium-term views and themes. Our overall view of medium-term risk is driven by views on the economic cycle, valuations and systemic risk."

BENEFITS OF MULTI-ASSET APPROACH

"As we have already discussed, in the event of higher volatility diversification can be fruitful.

"For investors to see the full benefit however this must be achieved in a cost-effective way. This is why cost-effectiveness is a key pillar of our Multi-Index funds and we aim for total costs of less than 0.4% right across the entire range.

"After all, whilst we are proud that our active asset allocation approach has benefitted investors since the launch of the Multi-Index funds, nobody can guarantee success every year. The only guarantee we have as investors is that every year fees will detract from returns year after year, therefore it important whatever type of investment is owned to ensure value for money is achieved," adds Onuekwusi.

"At present, IFAs and retail investors keep asking 'When will the bull market end?' and 'When will interest rates rise from historic lows?'

"On the former, there is a decent chance there is more to go. Remember bull markets do not die of old age! On the second question, one of our medium-term themes is 'lower for longer', which means even if interest rates rise, real rates – when adjusted for inflation – will remain around 0%." ■

0.2% Decrease in the prices of frequently purchased goods in hyper and supermarkets in France in January 2020

NICOLAS CROCHET

After a BA in Applied Economics at the Louvain School of Management, Nicolas Crochet started his career in the BNP group and then Prudential Securities. In 2006, he joined State Street Global Advisors as head of funds distribution for the Benelux and Nordics regions.

Crochet joined forces with Patrick Somerhausen and created Funds For Good in 2011.

Funds For Good aims to make a real difference in the world. Co-founder and CEO Nicolas Crochet reveals how to Elisabeth Reyes

Rational capitalism

Nicolas Crochet and co-founder Patrick Somerhausen launched Funds For Good (FFG) in 2011, aiming to combine tangible social impact with good financial returns.

Today FFG, with offices in Brussels and Luxembourg, has some €300m actively managed AUM; it donates 50% of its own profits, with a minimum of 10% of its revenues, to FFG Philanthropy, its foundation. The proceeds are lent, at 0% interest rate, guarantee free, to unemployed people willing to start entrepreneurial projects, within the zones where FFG is active. FFG also provides free coaching and advice to those entrepreneurs.

As part of the process, FFG sets up and distributes SRI investment funds.

"To source new funds and potential investments, we use websites, professional financial software, and hold meetings with fund managers," explains Crochet.

"We also attend seminars and have discussions with local people. We don't run an approved list – we prefer to work on an ad hoc basis."

The greatest appetite among clients is for SRI and impact investment solutions, coupled with multi-asset or equity strategies, Crochet says.

"The specificity of our clients is their conviction for what we do, ie, the tangible social impact we generate with our investment funds. FFG has developed a Luxembourg Ucits Sicav, where every compartment is a mandate we have awarded to an outstanding external manager."

For example, FFG's Global Flexible Sustainable is managed by Guy Wagner, CIO of Banque de Luxembourg Investments.

"Our European Equity Sustainable fund is managed by Acadian Asset Management, whose European equity funds have ranked among the very best in the category, for years. The awarded mandates propose an SRI version of the original fund, where the fund manager adapts their flagship strategy in order to integrate our SRI policy.

"Then, as a firm distributing the funds available into the Sicav, we have taken the decision, as founders of FFG, to donate close to half of our own revenues – FFG revenues, not the returns from the funds – to a social organisation called Funds For Good Philanthropy, which we also run."

FFG Philanthropy offers a 0% interest rate, guarantees free loans, and provides mentoring and coaching, to unemployed people living in the countries where their investors and clients live.

Crochet explains: "For example, we have so far distributed our funds mainly in Belgium, with France and Luxembourg starting soon. Close to 220 entrepreneurs have so far been financed, which has created 250 jobs. We are keeping an eye on Switzerland, Germany and Spain, where there seems to be demand for what we have to offer."

Investors do not only invest; FFG has over 100 clients, or professional investors, helping with business plan analysis, entrepreneur coaching, or simply by using the services or buying the products proposed by those entrepreneurs.

"We are proposing a new way to look at investment funds, which links the financial industry with the real economy. Importantly, our funds do not have higher fees than the original strategy."

"WE PROPOSE A NEW WAY TO LOOK AT INVESTMENT FUNDS, WHICH LINKS THE FINANCIAL INDUSTRY WITH THE REAL ECONOMY"

SEARCH

Explaining the search in areas such as global equities and sustainable real estate, Crochet notes quantitative and qualitative processes, in regards to what managers have delivered in the past for a specific strategy in the asset class they are screening.

"Then, we hold specific discussions in order to assess how managers have the capacity to incorporate our ESG guidelines in the mandate, while maintaining their investment style and their returns as attractive as per their original strategy."

Crochet and his team are also looking for those categorised as 'genuine'; who can refuse a mandate if it is not feasible. They are looking or passion and a real interest in ESG.

High team turnover and overly complex investment processes are red flags.

"We very closely track all the positions in the funds, and make sure they comply with the mandate and our strict ESG rules. The fund managers are made aware immediately, should a flag be raised. Our clients are mainly onshore investors and prefer regulated (hedge) funds." ■

256 Flood warnings and alerts in effect in UK on 25 February 2020

Information gap warning

The pace of the shift towards ESG in the UK institutional space faces a hurdle in the form of an information gap affecting trustees. Ridhima Sharma and Jonathan Boyd report

Caceis, which oversees €3.9trn of custody and €2.1trn assets under administration, recently highlighted a key blind spot in the UK institutional market, when it reported a survey that found 43% of UK based trustees and pension managers "…do not feel properly equipped to monitor and report on their pension schemes' ESG policy to a high standard."

Some 73% of respondents said they were "unfamiliar" with climate change-related risks. Some 26% said that getting access to pertinent information was "challenging". Together, such responses point to a significant challenge in respect of new reporting requirements on trustees in the UK pension system.

"Trustees will want to validate the fact their funds have implemented sustainable or ESG principles. Gaining access to the right data will be key to do this," Caceis stated.

INVESTMENT EUROPE
PAN-EUROPEAN ESG SUMMIT VIENNA 2020

The *InvestmentEurope* Pan-European ESG Summit Vienna 2020 takes place 18-19 June at the SO/Hotel Vienna.

Designed for up to 40 fund selector delegates, the event features a programme focused on multiple aspects of ESG investing, including:

- Sustainable investing in the climate change age; a keynote from Günther Schiendl, member of the Executive Board, CIO, VBV Pensionskasse
- Regulatory initiatives and the impact of a green taxonomy; an update from Sachin Vankalas, general manager, LuxFLAG
- Panel discussion on how ESG influences manager selection
- Best practice corporate ESG responses
- Preparing portfolios for climate change & measuring impact at the port
- Fintech such as machine learning and the drive to create value in ESG portfolio construction

Further details of the event can be found at: https://event.investmenteurope.net/esgsummit/en/page/home.

However, despite the information gap, a majority, 55% of those surveyed believe that exposure to ESG related investments will increase significantly in the next three years. Some 58% feel that better ESG integration aligns with the values of their scheme members.

Pat Sharman, managing director, UK at Caceis, said: "While 2019 saw ESG, and with it the improved standards of governance, creep higher on the corporate agenda; now is the year ESG becomes front and centre for UK pension schemes.

"From a corporate citizenship perspective, as well as fiduciary requirement, implementing climate change and good ESG principles will be important for pension schemes of all shapes and sizes to help manage longer term risks for the benefit of members.

"As a trustee myself, I fully understand the complexities involved – as a result, we are working with the PLSA for the second year running as an education partner and we will focus on helping trustees navigate this challenging landscape."

Caceis' report has come in context of legislation that since 1 October 2019 requires UK pension trustees to outline how they approach factors – including ESG and climate change – that are material to investment decision making.

The legislation is a step forward towards ensuring trustees have a plan of action when embedding ESG risks into trustee governance and strategic plans for schemes.

Caceis noted: "It can be very difficult, for example, to assess the ESG characteristics of a company – and sometimes analysts may disagree on their findings.

"This creates a governance challenge for trustees, especially as they balance the demands of pension scheme members with the new ESG and climate change requirements." ■

6.5% Fall in Italian stocks in the fourth week of February

InvestmentEurope ramps up its engagement in diversity-related issues by hosting a series of events throughout 2020. Eugenia Jiménez reports

Contributing to the debate on gender and diversity

WOMEN IN INVESTMENT FESTIVAL 2020

In partnership with:

HSBC Global Asset Management

Ahead of International Women's Day on 8 of March, *InvestmentEurope*, along with its sister publications *Investment Week*, *Professional Adviser*, *Professional Pensions* and *Retirement Planner*, have teamed up to launch the Women In Investment Festival 2020.

Taking place on 3 March, with the objective of finding answers to questions such as what is/not working regarding recruitment, promotion and retention of top talent, what does an 'inclusive' work culture look like, and how can the financial industry shift thinking around diversity and inclusion from being just another business case to becoming a strategic imperative.

Designed to offer multiple streams covering Next Generation, Inspirational Leaders and Industry Innovation, the event seeks to highlight the benefits that flow from diversity, not just by highlighting the opportunities for women, but to identify examples of best practice that involve both genders.

The event programme aims at fostering a network effect of exchanging such knowledge, with participating investment firms sharing insight into their successes challenging the status quo.

Delegates can also tap into insights on personal wellbeing (nutrition, yoga) and mentoring as tools to help advance their professional goals, in addition to plugging into the network effect that the Festival is seeking to engender among those (women) attending.

DATE REVEALED FOR THE WOMEN IN INVESTMENT AWARDS SPAIN 2020

Building on last year's Italy Awards and designed along similar lines, *InvestmentEurope* is launching this year the Women In Investment Awards Spain set to take place on the 12 of November at the Westin Palace Hotel in Madrid.

Taking place at The Brewery in the City, the event has been developed in partnership with HSBC Global Asset Management, with event partners the CFA Society United Kingdom, and PIMFA, and sustainability partners Business Green and Ecosphere+.

INVESTMENT EUROPE
WOMEN IN INVESTMENT AWARDS ITALY 2020

Nominations for the second edition of the Women In Invesment Awards Italy 2020 is now open until 27 March.

Following a successful inaugural event in 2019, the Awards are returning to the Palazzo Parigi hotel in Milan on 15 October, to once again highlight the achievements of female financial professionals working in the Italian market.

With the ethos to recognise those great achievements, *InvestmentEurope* launched the Women In Investment Awards Italy 2019, boosted by the conviction that they could play a valuable role in drawing attention to the issue while demonstrating that real change is happening.

The Awards aim primarily to recognise and honour the inspiring achievements of women working for the investment industry in the region, they also seek to reward the organisations and mentors supporting them. But they have also been designed to prompt debate, as well as helping to shape the discussion around gender, and other strands of diversity, in the financial sector.

The awards are open to firms operating in Italy's investment industry. Nominees can be involved in roles including but not limited to fund management, wealth management, investment research, financial advice, investment analysis, institutional investments, marketing, sales, human resources, compliance, middle, front or back office within the investment sector. The nominees must work in Italy or can show that the majority of their work is done in the Italian region.

Individuals can nominate themselves or be nominated by another person at the Women In Investment Awards Italy 2020 website (https://event.investmenteurope.net/wiiaitaly2020/en/page/nominate-1), where further information on the criteria and the nomination process can be found. ■

124.4 million Passengers departing from German airports in 2019

Creating sustainable change

Sustainability is more than just climate protection, a former German chancellor told the 19th *Fondsprofessionell Kongress* in his opening speech. Ridhima Sharma reports

The 19 edition of *Fondsprofessionell Kongress 2020* took place on 29-30 January at the Congress Centre Rosengarten, Mannheim. More than 6,000 visitors gathered to attend the two day event, which is organised by the German publication *Fonds professionell*, aimed at institutional investors, financial advisers and independent financial service providers.

The event offered the opportunity to meet asset managers, prominent fund managers and financial advisers from home and abroad under one roof.

Former German chancellor Gerhard Schröder's opening speech addressed the term sustainability and how it is currently often narrowed to ecological topics only . A reasonable sustainability policy must also include social and economic aspects, argued Schröder.

"The topic of sustainability is rightly gaining importance for wealth management. But even if the fight against the consequences of climate change is undoubtedly a very important task and is currently a determining topic, it is wrong to limit the term sustainability to ecology alone.

"Doing business in the future means that we want to leave our children and grandchildren in an ecologically, socially and economically intact world."

With the adoption of the United Nations' 2030 Agenda for Sustainable Development, all member states have fortunately committed to the 17 visionary goals of the program. "But we currently live in a world in which multilateral decisions are increasingly being circumvented or undermined," warned Schröder.

He added that a forward-looking sustainability policy should also pay attention to socially acceptable solutions that do not endanger business locations worldwide, do not lead to mass unemployment and crises.

THE MARKETS

A panel debate featuring four industry names – Ariel Bezalel (Jupiter); Bruno Crastes (H2O); Klaus Kaldemorgen (DWS); and Olgerd Eichler (Mainfirst) – discussed the prospects for the markets with Eckhard Sauren. The consensus was that the upward trend on the stock markets driven by the loose monetary policy of the central banks will continue for the time being.

"I am not afraid of the valuations for stocks," said DWS manager Kaldemorgen. "What makes me nervous is the discrepancy between the high and the moderately rated titles."

Eichler expected a turn from growth to value. "There is a big difference in valuation between the two styles. Some growth stocks are listed at twice the price of value," said Mainfirst manager.

A DOMINANT TREND

Many funds are marketed as sustainable, although in fact they can hardly be considered green or ethical. At the event, wealth manager Bert Flossbach discussed the blossoms of the ESG boom.

Flossbach criticised how parts of the asset management industry want to take advantage of the sustainability trend.

If fund providers "slap an ESG seal on every product", the industry could "negotiate their own diesel scandal", said the founder of the Cologne asset manager Flossbach von Storch during his presentation. His fear: If investors notice that their fund has only been marketed as sustainable, without really being so, the industry is at least at risk of losing its reputation.

For Flossbach, there is no question that sustainability is a dominant trend: "What applies to Davos also applies to Mannheim," he asserted.

He emphasised how sustainability is about doing business for all investors, not just those who attach great importance to this aspect, because a bad ESG profile would affect the valuation of a company.

For Flossbach it is crucial to really integrate ESG aspects into the investment process, a holistic approach is also important: " 'E' alone is not enough, you also need 'G'."

THE EUROPEAN ROLE

At a time when political and economic power relationships are being reorganised worldwide, Europe must take an active position.

The European Union must leave its state of "routine perplexity" and concentrate economically on modern technologies and industries. Otherwise the international community would become a game ball between the USA and China, CDU politician Friedrich Merz emphasised during his session. ■

$2.29trn Value of business to be created by AI augmentation by 2021 – Gartner

Some of the most pressing issues currently faced by the asset management industry, including the future of consumer behaviour, the rise of China, tech disruption, or the understanding of investment bias, were recently addressed at Nedgroup Investments' annual summit in London. Eugenia Jiménez and Ridhima Sharma report

Key challenges and opportunities in the asset management arena

Big, stable, dividend-paying companies, that have been around for a while and have competitive advantages seem to be common candidates for the spotlight of equity investors.

Andrew Headley, veteran fund manager and head of global at UK investment house Veritas Asset Management, takes an analytical approach when picking stocks.

After looking at a universe of 4000 companies narrowed down to a list of 250, Headley and his team make a selection of just 25-40 stocks at any one time. The average time they hold a company in their portfolios is five years.

When looking at consumer companies, two key aspects to take into account are durability and profitability.

Headley does not particularly hold back on companies like Amazon or Nokia, since they make you pose the following questions: will they be around in 20-30 years' time? Will people continue to love them?

Headley foresees a challenging future for them since both are subject to the fast-moving nature of the technology sector, therefore might suffer disruptions.

He said: "Back in the 1990s and early 2000s everybody wanted a Nokia phone. They were coolest phones around and had a 30% market share in mobiles… but times have changed".

In contrast, he does have a taste for Unilever, the global consumer goods powerhouse with more than 400 individual brands spread across beauty products, personal care, home care, food and refreshment markets, distributed in developed and emerging markets.

Nearly 60% of its sales currently come from emerging economies.

Headley believes that Unilever's success lies in its investment in marketing, deep distribution, accessibility, and greater relative market share.

"I believe that Unilever will be around in 20 years. but I am not sure about Apple," he said.

THEORY OF EXTINCTION

Roger Portnoy, ex UBS prop trader, strategic adviser at Beacon AI discussed the opportunities, challenges and changes faced by the industry over the next decade.. He also talked about the theory of extinction. According to Portnoy there are three reasons for extinction, the most common reason being invasive species.

He argued that a robo adviser or a digital asset management platform could be regarded as an attempt to build an 'invasive species'. And even though in his view, such 'species' failed in most cases, they have, nevertheless, had an impact on how asset management is thought about and investment management services are delivered to everyone.

The number two reason for extinction is habitat loss. Portnoy advanced the view that the advisory ecosystem and the financial services ecosystem is changing dramatically and very, very quickly. That does not mean that change itself happens quickly, it just means the possibility of change happens quickly and starts to permeate into the way that human beings operate in the course of their careers.

The third influence is something that you hardly see. By this, he meant climate change and pollution.

ESG themes have been around for nine to 10 years now, but, insisted Portnoy, it has only been in the last two years that the noise has resonated so loudly that even if an adviser cannot talk about sustainability, does not understand the technology, has not even heard of corporate responsibility, he or she is still considering it as key criteria. ■

0.5% Increase in Italian consumer price index for the whole nation (NIC) in January 2020 YoY

Visiting the community

InvestmentEurope's colleagues were travelling throughout Europe in the first couple of months of 2020. Jonathan Boyd reports

Recent travel before *InvestmentEurope*'s spring events season kicks off saw colleagues visit Rome, Milan, Madrid and Oslo.

Rome

Luisa de Vita, Fund Selector relationship manager, Italy & Ticino, visited the eternal city for meetings, which included:
- Giorgio Fano and Aldo Gentile, Finance, EUROFER;
- Nadia Giuliani, investment manager, INARCASSA;
- Daniele Cappellini, CFA Society Italy; and
- Simone Rosti, head of Italy, Vanguard.

Madrid

Eugenia Jiménez, Iberia correspondent and Ángela Oroz, Fund Selector relationship executive, Iberia, visited the capital city of Spain at the end of Janaury, where meetings included:
- Ana Parra, Projects &Events manager, British Chamber of Commerce in Spain;
- Olatz Aurrekoetxea, executive director at CFA Society Spain;
- Sila Piñeiro, head of multimanager and alternative investments at Credit Suisse and member of the Women In Finance Committee at CFA Society Spain;
- Fernando Luque, editor at Morningstar Spain;
- José Tailhan, Marketing and Communications director at ASEAFI ;
- Advisory Board Iberia meeting – César Gil, head of Fund of Funds at Bankia AM; Marta Campello, partner and fund manager at Abante Asesores; Patricia Justo, head of Fund Selection at A&G Banca Privada; Jacobo Ortega, CIO at Santander AM; Belén Blanco, head of Quality Funds at BBVA; Ion Zulueta, head of Manager Selection at Arcano Partners; Francisco Javier Velasco, funds analyst at Andbank WM;
- Mónica Morado, international relations officer at FEDEPE;
- Pilar Barrios, partner at Grupo AFI
- Elisa Ricón, general director at Inverco; and
- Montse Casasempere, community engagement manager at Womenalia.

Upcoming trips

InvestmentEurope's events programme for the remainder of 2019 can be viewed on page 36 of this issue.

Staff will be visiting the cities mentioned ahead of these events to highlight to locally based fund selectors the latest information on participating sponsor groups, speakers and topics. Locations set to be visited in April-June include:

April
Spain/Portugal; Oslo; Milan; Vienna

May
Stockholm

June
Helsinki

Milan

Also in January, Luisa de Vita travelled to Italy's commercial capital, where meetings included:
- Federico Invernizzi, CIO, MDOTM;
- Monica Lira, Chapter Relations & Marketing EMEA, CAIA Association;
- Luigi Sottile, Director, head of Discretionary Portfolio Management, Deutsche Bank Wealth Management;
- Michele Cicoria, Business Development Service director, Head of Retail & Wholesale Italy, FENTHUM;
- Paolo Bucci, sales manager, MFEX Mutual Funds Exchange AB;
- Giorgia Pozzoli, CFA, head of Marketing and Investor Relations EMEA at Amber Capital;
- Patrizia Bussoli, Team Asset Allocation Research, Pramerica SGR; and
- Camilla Silvani, portfolio manager, Pramerica SGR.

Oslo

Jonathan Boyd, editorial director and Patrik Engström, head of Fund

2.9% Increase in overnight stays in hotel establishments in Spain in January 2020 YoY

Selector Relations, Nordics visited Oslo in the first week of February, where meetings included:

- Petter Slyngstadli, chief investment officer, Griff Kapital;
- Hans Kristian Hals, head of Investment strategy, Norway, SEB;
- Trine Aulie, head of Private banking, DNB;
- Kjetil Gregersen, senior portfolio manager, Finansco;
- Frode Veiby, senior portfolio manager/External Equity fund selector, Privat AFP og Sluttvederlag;
- Kjetil Aga, portfolio manager, DNB Asset Management; and
- Kjetil Korshavn, Pension Fund manager, Telenor Pensjonskasse. ■

For further information on all of *InvestmentEurope*'s events, visit: www.investmenteurope.net/events.

Have copy, will travel

As *InvestmentEurope*'s visit to fund selectors and other financial professionals continues across the region, so too does the photo album of the magazine *in situ*, such as these examples from Madrid and Oslo.

We would be happy to publish your pictures of the magazine visiting other places.

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

Approaching events

InvestmentEurope's events programme shifts its attention to Geneva and Lake Como through the month of April, with Barcelona beyond that

NEXT EVENTS

INVESTMENT EUROPE
FUNDS TO WATCH GENEVA 2020

GENEVA, 21-23 APRIL

The inaugural *InvestmentEurope* Funds To Watch Geneva 2020 event takes place on the shores of Lake Geneva on 21-23 April, offering a diverse range of boardroom and plenary sessions for some 50 selectively invited fund selectors from across the region.

With up to eight fund groups of all sizes in attendance, the programme will also see keynotes as well as insight from the likes of the Association of the Luxembourg Fund Industry.

Katia Coudray, CEO, Asteria IM; Angela Maragkopoulou, senior VP Business Solution Operations Deutsche Telekom; and Anne Sophie Tourette, founder & CEO, AdvisorOne will respectively tackle the areas of ESG, Fintech and Diversity in the industry.

Ideas will also be sparked by a panel featuring fund selectors from across Europe. Ample networking opportunities between those presenting and those listening are available through coffee breaks, lunches and dinners.

To register your interest, contact: Vanessa Orlarey, head of Fund Selector Relationships at vanessa.orlarey@incisivemedia.com or telephone +44 747 393 4144; or Patrik Engstrom, head of Fund Selector Relations, Nordics at patrik.engstrom@incisivemedia.com or telephone +44 (0) 203 727 9940.

INVESTMENT EUROPE
ITALIAN SUMMIT LAKE COMO 2020

LAKE COMO, 21-22 MAY

Taking place 21-22 May, the *InvestmentEurope* Italian Summit Lake Como 2020 provides a splendid backdrop for 40 key fund selectors being addressed by up to eight fund managers across intimate boardroom sessions as well as a plenary panel discussion.

The sessions, involving groups such as MainFirst, Sycomore, and Tokio Marine Asset Management, take place across both days, while networking is enhanced across a drinks reception, business dinner and two lunches, as well as coffee breaks.

As with all of *InvestmentEurope*'s events, this Summit will meet strict sustainability criteria, including no use of printed programmes, and use of a hotel that meets multiple ISO certification criteria.

The venue is the Hilton Lake Como.

To register your interest as a delegate, contact Luisa de Vita, Fund Selector relationship manager at luisa.devita@incisivemedia.com or telephone +44 (0) 203 727 9932.

TAKE PART IN THE DISCUSSION

Delegates to the various Roundtable events are encouraged to connect ahead of the event by tweeting using the hashtag #IEROUNDTABLE. For Summits use #IESUMMIT, and Forums #IEFORUM.

InvestmentEurope's website offers additional opportunity to learn about upcoming events, including www.womenininvestmentfestival.com/live.

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

LOOKING AHEAD

INVESTMENT EUROPE IBERIAN SUMMIT BARCELONA 2020

BARCELONA, 28-29 MAY

InvestmentEurope's Iberian Summit Barcelona 2020 takes place 28-29 May at the Fairmont Barcelona, offering 40 fund selectors in the region access to up to eight fund managers through boardroom sessions, with numerous networking opportunities across the event.

Delegates will be treated to a drinks reception, business dinner and two lunches, all intended to foster sharing of ideas.

A keynote and panel session also feature on the programme.

To see video highlights of last year's Iberian Summit, visit https://youtu.be/1f8LMgrWLyI.

To register your interest as a delegate contact Angela Oroz, Fund Selector relationship executive Iberia at angela.oroz@incisivemedia.com or telephone +44 (0) 20 3727 9920.

INVESTMENT EUROPE WOMEN IN INVESTMENT AWARDS ITALY 2020

MILAN, 15 OCTOBER

The annual Women in Investment Awards Italy 2020, will be hosted by *InvestmentEurope* on 15 October at the Palazzo Parigi in Milan.

Featuring associate sponsors Generali Investments, Lazard Asset Management and MFS, and supported by the Forum per la Finanza Sostenible and the British Chamber of Commerce for Italy, the 2020 events builds on last year's inaugural success, which highlighted the contribution of women in the Italian financial industry.

To find out more visit https://event.investmenteurope.net/wii-aitaly2020/en/page/home.

EVENTS CALENDAR 2020

10-11 March	Stockholm	Summit

InvestmentEurope returns to the Swedish capital to provide fund selectors from the Nordic region with access to best ideas across boardroom sessions, keynotes and a panel.

21-23 April	Geneva	Funds To Watch
21-22 May	Lake Como	Summit
28-29 May	Barcelona	Summit

This event will provide boardroom sessions, keynote and a panel discussion focused on the key developments of importance for locally based fund professionals.

4 June	Oslo	Roundtable
18 June	Dublin	Roundtable
18-19 June	Vienna	Summit

Based on a programme tackling various aspects of ESG investing, this event is hosted throughout in a plenary style for attending delegates.

23 September	Helsinki	Roundtable
1 October	Dublin	Roundtable
6 October	Rome	Roundtable

Remember to check the website for regular updates at www.investmenteurope.net/events.

For further information on sponsoring these events, please contact Eliot Morton at: eliot.morton@incisivemedia.com.

86.1% End of Q3 2019 average government debt to GDP ratio in the euro area

SharingAlpha

SharingAlpha and the Sustainability and Impact Investor Forum invite professional fund buyers to cast their vote and help determine who will be awarded the prestigious ESG fund awards at July's FundForum International in Monaco

Harvesting selector votes supporting ESG awards

Understanding environmental, social and governance (ESG) factors is increasingly becoming part of the skillset demanded of fund selectors across Europe and elsewhere – if only to avoid falling into greenwashing traps.

SharingAlpha itself has partnered with the Sustainability and Impact Investor Forum to launch Wisdom of the Selector Awards 2020, which will involve asking fund buyers to rate nominated funds per their future chances of generating alpha, taking into account the nominated funds' ESG policies.

The nominations close 13 March, after which SharingAlpha's community members will be invited to rate the shortlist at https://sharingalpha.com/award/nominate/funds/IMPower-Forum/topFundInCategory/2020.

Oren Kaplan, co-founder and CEO of SharingAlpha said: "These are the only ESG fund awards that are determined by a large group of professional fund buyers which makes winning them even more meaningful.

"We invite professional fund buyers to cast their vote and influence the list of funds that win these prestigious awards."

Categories being judged include:

- Equities – global, single country, European, Emerging Markets;
- Bonds – global, European, Emerging Markets;
- Multi Asset; and
- Thematic.

HIGHLY RATED FUNDS – REGIONAL

Ratings are based on the preferences expressed by users of its platform across the Europe region, 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
Jupiter European Growth	Luxembourg	4.5923	15
Lindsell Train Global Equity Fund	Ireland	4.5486	16
Janus Henderson China Opportunities Fund	United Kingdom	4.5160	18
DNB Fund Technology	Luxembourg	4.4293	39
Hermes Global Emerging Mkts	Ireland	4.3843	42
Fidelity European Dynamic Growth Fund	Luxembourg	4.2778	19
Comgest Growth Emerging Markets	Ireland	4.1958	11
E.I. Sturdza Strategic Europe Quality Fd	Ireland	4.1700	18
Hermes Asia ex-Japan Equity Fund	Ireland	4.0495	28
Carmignac Pf Unconstrained Global Bond	Luxembourg	4.0123	32

As at 31 January 2020 Source www.SharingAlpha.com

The winners in each category will be the funds that receive the highest average rating and additional awards will be handed to both the highest overall rated International Fund Management Group and Boutique Fund Management Group.

Winners will be announced on 1 July during the FundForum International, which this year takes place in Monaco.

LATEST RANKINGS

The most recent monthly rankings data from SharingAlpha served up a regionally focused data set, which threw up some new names among the 10 highest rated funds as well as among the highest rated providers.

Of the providers, Norwegian manager DNB Asset Management came top, with Baillie Gifford and RWC ranked second and third respectively. Comgest, Polar, American Funds, Robeco, M&G, First State and Lemanik rounded out the providers.

As for funds, Jupiter's European Growth came top, although Hermes featured two funds in the top 10. DNB AM was also present through its DNB Fund Technology. ■

DATA
ITALY

ITALY ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
Xtrackers Physical Rhodium ETC in EU	154.05
WisdomTree Palladium 2x Daily Leveraged in EU	138.70
WisdomTree Carbon EUR in EU	78.10
Invesco Physical Palladium ETC in EU	54.47
Xtrackers Physical Palladium ETC USD in EU	53.72
WisdomTree Physical Palladium USD in EU	53.55
LSE ETFs Invesco Physical Markets PLC Palladium ETC GBP	46.68
WisdomTree NASDAQ 100 3x Daily Leveraged in EU	25.84
WisdomTree Cocoa 2x Daily Leveraged USD in EU	22.41
WisdomTree Cocoa 2x Daily Leveraged USD in EU	22.40

ITALY CROWN + PERFORMANCE

Fund	Crown rating	36 months
Polar Capital Global Technology USD in EU	x5	96.97
Janus Henderson Global Technology A Acc USD in EU	x5	87.59
Morg Stnly US Growth I USD in EU	x5	84.99
Brown Advisory US Equity Growth A USD in EU	x5	81.80
Wells Fargo Worldwide US Large Cap Growth A USD	x5	80.46
BCM Vitruvius Greater China Equity B USD in EU	x5	78.00
JPM US Growth D Acc NAV USD in EU	x5	77.57
UBS (Lux) Equity China Opportunity (USD) P Acc in EU	x5	74.76
GAM Star Disruptive Growth C USD in EU	x5	74.42
LO PrivilEdge Sands US Growth (USD) P A in EU	x5	74.21

ITALY SHARPE 3-YEAR

Fund	Sharpe
Xtrackers Physical Rhodium ETC in EU	2.81
WisdomTree Palladium 2x Daily Leveraged in EU	2.16
LSE ETFs Invesco Physical Markets PLC Palladium ETC GBP	1.82
Xtrackers Physical Palladium ETC USD in EU	1.82
WisdomTree Physical Palladium USD in EU	1.74
Invesco Physical Palladium ETC in EU	1.73
BlackRock GF World Technology A2 USD in EU	1.39
WisdomTree Carbon EUR in EU	1.39
LO PrivilEdge H2O High Conviction Bonds (EUR) PA in EU	1.38
DPAM INVEST B Real Estate Europe Dividend B in EU	1.34

ITALY PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
WisdomTree Cocoa 2x Daily Lvgd USD in EU	24.68	50.80
WisdomTree Cocoa 2x Daily Lvgd USD in EU	24.70	50.80
WisdomTree Palladium 2x Daily Lvgd in EU	825.59	49.97
WisdomTree NASDAQ 100 3x Daily Lvgd in EU	294.18	47.75
WisdomTree FTSE MIB 3x Daily Lvgd in EU	120.95	47.22
Xtrackers Physical Rhodium ETC in EU	1140.76	45.52
WisdomTree Carbon EUR in EU	362.62	42.94
WisdomTree EURO STOXX 50 3x Dly Lvgd in EU	65.80	39.37
WisdomTree S&P 500 3x Daily Lvgd in EU	134.88	38.62
WisdomTree Natural Gas 1x Daily Short USD	36.21	37.29

ITALY FIXED INTEREST 3-YEAR

Fund	36 months cumulative
WisdomTree BTP 10Y 3x Daily Leveraged in EU	81.62
LO PrivilEdge H2O High Conviction Bonds (EUR) PA in EU	71.60
Lyxor BTP Daily (2x) Leveraged UCITS ETF EUR in EU	56.37
Lyxor Euro Govt Bond 25+Y (DR) UCITS ETF Acc in EU	45.38
DWS Vorsorge Rentenfonds XL Duration in EU	44.91
Xtrackers II Eurozone Gov Bd 25+ UCITS ETF 1C EUR in EU	44.76
BlueBay Financial Capital Bond R USD in EU	38.60
Vanguard 20+ Year Euro Treasury Index EUR in EU	36.61
Baring Emerging Markets Sovereign Debt Tranche A Acc	36.00
WisdomTree Bund 10Y 3x Daily Leveraged in EU	35.91

ITALY BETA 3-YEAR

Fund	Beta over 36 months v. sector
WisdomTree Natural Gas 1x Daily Short USD in EU	-0.75
WisdomTree Natural Gas 1x Daily Short USD in EU	-0.75
LSE ETFs Invesco Physical Gold ETC GBP in EU	0.15
Carmignac Portfolio Long-Short European Equities E EUR	0.26
WisdomTree Carbon EUR in EU	0.31
Multilabel SICAV LYRA B EUR in EU	0.31
Controlfida 21st Century D1 Retail Plus in EU	0.35
HSBC GIF Global High Yield Securitised Credit Bond IC USD	0.35
Fiera Capital Europe Magna MENA N EUR in EU	0.36
RBC (Lux) U.S. Investment Grade Corporate Bond O in EU	0.38

ITALY PERF/TER 3-YEAR

Fund	Cumulative	TER
BlackRock SF Eur Opps Ext E2 EUR in EU	36.75	8.38
Man AHL Trend Alt DNY Acc USD in EU	26.26	6.07
Zenit Pianeta Italia R in EU	26.25	6.01
ERSTE Stock Europe-Property VT EUR in EU	36.13	4.83
SEB 2 Listed Private Equity C EUR in EU	37.13	3.42
GS Emerging Markets Eq Portfolio B TR in EU	24.00	3.30
Lemanik World Daytona Ret Cap in EU	59.45	3.29
Man GLG Alpha Select Alt DL GBP in EU	28.19	3.26
Allianz Multi90 in EU	22.12	3.22
Lumyna York Asian Event Driven Ucits C	34.69	3.205

ITALY FIXED INTEREST 3-YEAR

Fund	36 months cumulative
WisdomTree BTP 10Y 3x Daily Leveraged in EU	81.62
LO PrivilEdge H2O High Conviction Bonds (EUR) PA in EU	71.60
Lyxor BTP Daily (2x) Leveraged UCITS ETF EUR in EU	56.37
Lyxor Euro Govt Bond 25+Y (DR) UCITS ETF Acc in EU	45.38
DWS Vorsorge Rentenfonds XL Duration in EU	44.91
Xtrackers II Eurozone Government Bond 25+ UCITS ETF 1C	44.76
BlueBay Financial Capital Bond R USD in EU	38.60
Vanguard 20+ Year Euro Treasury Index EUR in EU	36.61
Baring Emerging Markets Sovereign Debt Tranche A Acc	36.00
WisdomTree Bund 10Y 3x Daily Leveraged in EU	35.91

Source for all charts FE Analytics, bid-bid, to 21/2/20.
All figures in % and are gross return rebased in euros

Questionable trends

Notable trends stand out in the Italian funds market, filtered for products that returned at least 20% over the three-year period.

One is the prevalence of ETFs, which do relatively well on Alpha, Beta, Information Ratio and Sharpe Ratio scores. And on a leveraged basis a number have made triple digit or even quadruple digit returns over the period.

However, within this performance, it is a narrow set of asset classes that account for the headline grabbing numbers, such as palladium – which itself is linked to changes in transportation driven by regulatory focus on emissions reduction from internal combustion engines. Also, such returns do not come without volatility risk, which may be more than some investors are prepared to stomach.

Another key trend to note is the focus of those funds and managers that have achieved top Crown Ratings over the period. Intended to measure consistent ability to add value by managers, the data suggests that technology, and US and China equities are areas that have delivered. That may be the case, but will it continue to do so as the period under review rolls forward. For example, 2020 has thrown up significant challenges to Chinese growth in the wake of that country's response to Coronavirus. ■

GROSS RETURNS ON FUNDS FOR SALE IN ITALY REBASED IN EUROS

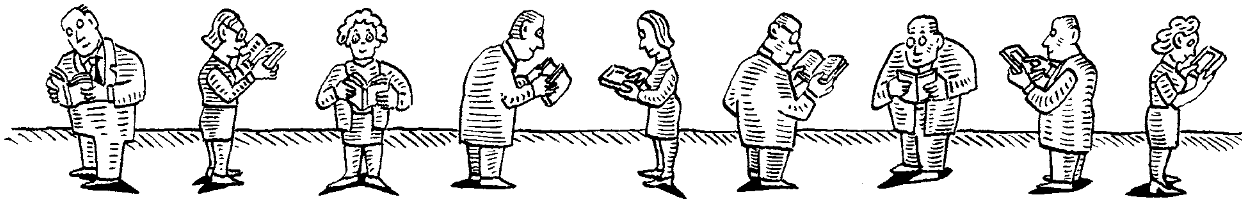
Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Xtrackers Physical Rhodium ETC in EU	33.52	122.51	208.88	357.83	1140.76	888.06	
WisdomTree Palladium 2x Daily Leveraged in EU	34.06	120.14	203.66	205.91	825.59	675.22	
WisdomTree Carbon EUR in EU	2.59	5.84	-3.24	32.66	362.62	202.08	45.15
WisdomTree NASDAQ 100 3x Daily Leveraged in EU	18.05	58.92	89.66	141.88	294.18	528.07	
Invesco Physical Palladium ETC in EU	14.91	57.23	86.13	91.31	240.33	256.89	
WisdomTree Physical Palladium USD in EU	13.63	55.45	83.97	89.00	235.54	251.17	624.97
LSE ETFs Invesco Physical Markets PLC Pd ETC GBP in EU	16.24	55.20	87.37	90.78	232.84	254.89	
Xtrackers Physical Palladium ETC USD in EU	15.91	55.14	86.67	90.70	231.71	252.29	
WisdomTree S&P 500 3x Daily Leveraged in EU	7.21	30.42	53.96	77.78	134.88	228.32	
WisdomTree FTSE MIB 3x Daily Leveraged in EU	14.97	23.44	70.62	93.40	120.95	1.64	
BlackRock GF World Technology A2 USD in EU	5.61	20.63	21.87	43.74	111.04	169.31	440.03
Amundi ETF Leveraged MSCI USA Daily EUR in EU	9.59	25.49	42.20	66.32	99.80	186.32	1344.81
JPM US Technology D Acc NAV USD in EU	5.54	17.79	18.40	35.77	99.13	154.59	468.71
iShares S&P 500 Information Tech Sector UCITS ETF USD in EU	4.74	17.41	27.82	50.85	97.03		
Polar Capital Global Technology USD in EU	5.64	18.72	25.09	38.49	96.97	172.28	527.09
Invesco Technology S&P US Select Sector UCITS ETF USD in EU	7.61	20.64	31.33	55.00	95.80	163.12	548.14
Xtrackers MSCI World IT UCITS ETF 1C USD in EU	6.61	18.80	29.23	49.89	92.75		
Lyxor MSCI World ITy TR UCITS ETF C EUR in EU	6.57	18.74	29.08	49.48	91.84	151.75	
SSGA SPDR S&P US Technology Select Sector UCITS ETF in EU	4.74	17.38	27.76	50.74	90.66		
Xtrackers S&P 500 2x Lvgd Dly Swap UCITS ETF 1C USD in EU	5.98	21.09	36.37	53.73	90.46	158.19	

World 50 funds

Leveraging the market performance of certain asset classes, such as precious metals or energy commodities such as natural gas or the tech sector, lies behind a number of the best performing funds over the period covered to early 2020

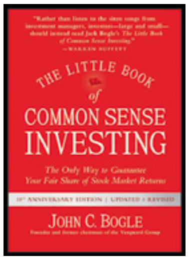
NAME	LIPPER GLOBAL SECTOR	% GROWTH 1 YEAR TO 31/01/20	SHARPE RATIO 1 YEAR TO 31/01/20	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. 1nvestRhodium ETF	Commodity Precious Metals	305.81	0.59	48.12	Africa ETF	RSA
2. db Physical Rhodium ETC USD	Unclassified	325.41	0.69	106.61	Deutsche Bank AG (London)	Jer
3. VelocityShares 3x Inverse Natural Gas ETN	Alt Dedicated Short Bias	208.29	0.48	91.26	Credit Suisse AG	USA
4. WisdomTree Palladium 2x Daily Leveraged	Unclassified	183.52	0.51	8.16	Boost Mgmnt (Jersey) Ltd	Ire
5. 3iQ Bitcoin Trust Class A	Alternative Other	175.87	0.35	8.78	3iQ	Can
6. Direxion Daily Technology Bull 3x Shares	Alternative Equity Leveraged	176.43	0.56	1127.05	Rafferty Asset Management LLC	USA
7. Schroder Renta Global Tres B	Mixed Asset Other Flexible	65.12	0.52	8.45	Schroder SA SGFCI	Arg
8. ProShares UltraShort Bloomberg Nat Gas	Alternative Dedicated Short Bias	167.05	0.65	15.18	ProShare Advisors LLC	USA
9. Direxion Daily Natural Gas Rel Bear 3X Sh	Alternative Dedicated Short Bias	159.83	0.22	16.17	Rafferty Asset Management LLC	USA
10. Optimum Global Renta Mixta A	Mixed Asset Other Flexible	56.03	0.57	8.46	BNP Paribas IP Ar	Arg
11. Optimum Global Investment Grade	Mixed Asset Other Flexible	53.62	0.57	50.45	BNP Paribas IP Ar	Arg
12. Albaraka Portfolio Metropol REIT Fund	Real Estate Other	111.21	0.22	46.73	Albaraka Portfoy	Tur
13. Direxion Dly Homebldrs & Supp Bull 3X Sh	Alternative Equity Leveraged	143.75	0.66	66.98	Rafferty Asset Management LLC	USA
14. Consultatio Retorno Absoluto B	Mixed Asset Other Flexible	49.41	0.50	10.49	Consultatio Asset	Arg
15. Direxion Semiconductor Bull 3X Shares	Alternative Equity Leveraged	138.60	0.28	748.08	Rafferty Asset Management LLC	USA
16. Quinquela Desarrollo Argentino Infr B	Mixed Asset Other Flexible	44.61	0.65	33.14	QM Asset Management	Arg
17. Schroder Retorno Absoluto FCI B	Bond ARS	42.49	0.61	120.48	Schroder SA SGFCI	Arg
18. Tacirler Portfolio Variable Fund	Mixed Asset TRY Flexible	97.18	0.47	49.63	Tacirler Securities Inc	Tur
19. SBS Renta Capital B	Bond ARS	36.04	0.70	7.01	SBS Asset Management SA	Arg
20. Quinquela Balanceado B	Mixed Asset Other Balanced	33.35	0.66	8.77	QM Asset Management	Arg
21. Direxion Daily Utilities Bull 3X Shares	Alternative Equity Leveraged	106.84	0.70	12.37	Rafferty Asset Management LLC	USA
22. ProShares UltraPro QQQ	Alternative Equity Leveraged	106.27	0.44	4268.36	ProShare Advisors LLC	USA
23. WisdomTree NASDAQ 100 3x Dly Lvged	Alternative Equity Leveraged	105.42	0.43	29.73	Boost Mgmnt (Jersey) Ltd	Ire
24. Compass Renta Fija IV B	Bond ARS	25.31	0.38	13.94	Investis Asset	Arg
25. Argenfunds Renta Total B	Bond ARS	24.17	0.49	45.74	ARGENFUNDS S.A.	Arg
26. Galileo Premium A	Bond ARS	23.94	0.63	5.42	Galileo Arg S.A	Arg
27. MicroSectors FANG+ Index 3X Leveraged ETN	Unclassified	101.04	0.26	214.67	BMO Asset Management Corp	USA
28. Desarrollo Argentino II Infraestructura B	Mixed Asset Other Flexible	22.36	0.69	16.21	Investis Asset	Arg
29. Schroder Infraestructura B	Mixed Asset Other Flexible	21.57	0.51	96.15	Schroder SA SGFCI	Arg
30. Consultatio Renta Balanceada C	Bond ARS Short Term	20.54	0.23	29.67	Consultatio Asset	Arg
31. Baron USA Partners Fund	Equity US	95.94	0.68	34.88	BCM	BVI
32. Direxion Dly S&P O&G Exp & Prod Br 3X Sh	Alt Dedicated Short Bias	95.84	0.16	41.86	Rafferty Asset Management LLC	USA
33. Is Portfolio Limited TechIndex Equity Fund	Equity Tur	69.16	0.21	24.88	Is Portfoy Yonetimi A.	Tur
34. Regal Australian Small Companies	AltLong/Short Eq Australia	77.98	0.89	173.15	Regal Funds Management	Aus
35. 1nvestPalladium ETF	Commodity Precious Metals	70.42	0.53	221.12	Africa ETF	RSA
36. Delta Gestion II	Mixed Asset Other Flexible	17.97	0.54	19.52	Delta Asset	Arg
37. ProShares Ultra Technology	Alternative Equity Leveraged	91.61	0.51	429.09	ProShare Advisors LLC	USA
38. BNP Paribas LDI Sltn Drtion Mthng All Mat	Alternative Credit Focus	84.29	0.41	53.79	BNP Paribas AM LU	Lux
39. Southern Trust Estrategico B	Mixed Asset Other Flexible	16.98	0.59	58.30	Southern Trust	Arg
40. Megainver Diversificado B	Mixed Asset Other Flexible	16.35	0.54	6.96	Megainver S.G.F.C.I.S.A.	Arg
41. Bennelong Emerging Companies	Equity Australia Sm&Mid Cap	70.45	0.95	15.49	Bennelong Fds Mgt Ltd	Aus
42. ProShares Ultra Semiconductors	Alternative Equity Leveraged	84.65	0.30	84.74	ProShare Advisors LLC	USA
43. Consultatio Balance Fund B	Mixed Asset Other Flexible	13.17	0.48	11.22	Consultatio Asset	Arg
44. Marmara C Portfolio Equity Fund	Equity Tur	59.27	0.23	18.68	Marmara Capital	Tur
45. BetaPro CanGold Miners 2x Dly Bull ETF	Alternative Equity Leveraged	82.69	0.30	95.08	Horizons ETFs	Can
46. Biggeorge 4. Ingatlanfejleszto Ingatlanbef	Real Estate European	65.69	0.67	41.00	Biggeorge's-NV Ingatlan	Hun
47. Galileo Ahorro A	Bond ARS Short Term	10.90	0.76	5.25	Galileo Arg S.A	Arg
48. Japan Physical Palladium ETF	Commodity Precious Metals	78.91	0.52	8.76	Mitsubishi UFJ TB	Jap
49. Optimum FAE	Bond ARS Short Term	9.27	0.46	19.54	BNP Paribas IP Ar	Arg
50. Tacirler Portfolio Equity Fund	Equity Tur	53.23	0.23	22.76	Tacirler Portfoy	Tur

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.



If you prefer active funds or prefer to hold individual stocks, read this book to get a different point of view. Ridhima Sharma reviews

An investment philosophy for the real world



The Little Book of Common Sense Investing by John C. Bogle is published by John Wiley & Sons. 204pp. Hardback, RRP £16.99. ISBN: 978-1119404507.

The Little Book of Common Sense Investing is the classic guide to get smart about your money. Mutual fund expert John C. Bogle decribes his way of getting more out of investing: low-cost index funds. The idea of the book is simple: you should only invest in low-cost, no-load, mutual funds that replicate the entire market and you should buy and hold these funds for as long as you do not need the underlying money.

While the stock market has tumbled and then soared since the first edition of *The Little Book of Common Sense Investing* was published in April 2007, Bogle's investment principles have served investors well. This 10th anniversary edition includes updated data and new information, but maintains the same long-term perspective as its predecessor.

Most of the chapters in this book illustrate, backed with inarguable facts, that most active funds cannot beat the market. According to the book, index funds are better of indexing, since over a long time, your returns will be the same as those of the market. The costs of passive index funds are generally lower than active funds. The costs of the funds are actually one of the few things you have control over, therefore you should always reduce them.

> "MOST OF THE CHAPTERS IN THIS BOOK ILLUSTRATE, BACKED WITH INARGUABLE FACTS, THAT MOST ACTIVE FUNDS CANNOT BEAT THE MARKET"

The book looks at periods of lower returns, mostly because it is widely believed that we are heading into such an era. In such a period, the real returns of a managed mutual fund will reach 0% far quicker than an index fund will, meaning that you are much more likely to have periods over the long haul where you lose money in a managed fund than you will with an index fund.

TAX ISSUES

Yet another challenge to the equity investor which is addressed in the book is that of taxes. In a nutshell, actively managed mutual funds are terrible from a tax perspective, the book argues, because of the legal obligation on such investment vehicles to pay distributions (depending on the jurisdiction), which increases exposure to tax on capital gains and dividend income.

Bogle also recommends mutual funds over exchange traded funds (ETFs). However, he also states that ETFs are a good alternative as long-term as long as you do not trade them but buy and hold them. The author has also added two new chapters designed to provide further guidance to investors: one on asset allocation, the other on retirement investing.

SOUND BASIS

The Little Book of Common Sense Investing is a good book with a sound basis. The book is quite well written, and well supported by evidence with graph and plots.

The message of the book is clear – index investing is key. And you can see that over the entire book. Bogle was a fan of investing in broad-based index funds with tiny fees, but he also suggests having a small amount of your portfolio (5% or so) in 'funny money' that you can play with. That money should go into things like individual stocks, actively managed funds, ETFs, and commodities like gold. This way, most of your portfolio can float with the market, but you do have the ability to speculate a bit.

Though the main flaw of this book for me is repetition. Almost every chapter is simply showing that index investing beats active investing. But if you are interested in having the basics of a real-world investment philosophy spelled out smoothly enough for the average person, buy this book. ■

ABOUT THE AUTHOR

John C. Bogle was founder of The Vanguard Group and president of the Bogle Financial Markets Research Centre. He created Vanguard in 1974 and served as chairman and chief executive officer until 1996 and senior chairman until 2000. He had been associated with a predecessor company since 1951, immediately following his graduation from Princeton University, magna cum laude in Economics. In 2004, TIME magazine named Bogle as one of the world's 100 most powerful and influential people.

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