INVESTMENT INTELLIGENCE FOR THE FUND PROFESSIONAL

INVESTMENT EUROPE

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Pricing cost

Jonathan Boyd, editorial director of *InvestmentEurope*

The Mifid II world is intended to serve up improvements in transparency and costs – read: fees/charges – that would improve outcomes for investors.

Evidence seems to be emerging that there are, however, unintended consequence from this particular piece of legislation that could be having the opposite effect, at least for some investors.

As indicated by comments in our cover feature this issue, the biggest impact is likely felt on the sell side. But that is not to say there will not be any impact on the buy side, and fund selectors may yet find that they have to make decisions on active versus passive, bigger versus smaller fund provider, or even efficient versus inefficient markets in a different way than previously envisaged.

This is because, effectively, in the rush to cut costs in one area, such as research, it may end up costing the investor more in terms of poorer future returns.

Measuring how much poorer returns is the crux of the conundrum; for example, consider how much of a difference this could make to liability driven investors already struggling with historically low yields and increasingly ageing pension scheme members.

For fund manufacturers themselves it could become a make or break issue, especially for those with smaller margin cushions on which to fall back on. This could, then, become even more of a factor in the ongoing asset manager M&A across the region.

And for Brussels itself, failure of Mifid II on its intended objectives could delay deliberations of the next iteration of the Directive.

SPECIAL SUPPLEMENT

This issue also features a special supplement in ESG/SRI investments – reflecting the growing demand among investors for investment solutions that meet criteria not only to do good, but also instil additional risk management that can ultimately benefit the investor.

Among the issues tackled by the supplement include the discussion on definitions and standardisation, and a particular look at green bonds. ■

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UPCOMING EVENTS

November sees *InvestmentEurope* host events in Zurich (13th), Milan (20th) and Tel Aviv(27th). The first of these will cater to the Swiss institutional investors with a focus on requirements of the local pensions industry. The events in Italy and Israel will also host wholesale professional fund investors – both markets continue to grow as markets for international fund providers.

December will see a return to Stockholm, for an event targeting fund selectors there, while London will play host to the latest annual Fund Manager of the Year Awards, taking place in the City at 1 Lombard Street. The Awards will also celebrate top fund selectors across the region.

Then, we look forward to 2019. See page 48 for further details on upcoming events, and as always, feel free to contact our colleagues responsible for registering delegates to these and any of our events.

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

Janus Henderson INVESTORS

The 'haves' and 'have-nots' in the game of disruption

Jenna Barnard, Co-Head of Strategic Fixed Income at Janus Henderson, explains how an uneven geographical divide in technology is melding together with a world of divergent growth and interest rate outlooks

As bond investors looking for opportunities to invest across developed economies, for a number of years our primary perspective has been one of divergence. Global growth has appeared polarised, such that the ability of other central banks to follow the US Federal Reserve in its rate hiking cycle has been severely constrained in many economies.

This in turn has created some of the largest interest rate differences between countries for decades, presenting opportunities for bond investors and highlighting the underlying structural fragility of the global economy. Europe's struggles with deleveraging are well known but smaller, more dynamic economies have also faced their own constraints. For some, such as Australia, it is an overheating housing market and subdued consumer that was the problem; for others, such as the UK, it has been idiosyncratic issues (the overhang of Brexit).

However, over the last year, as bond managers we have also focused on the wider issue of technological disruption, both at a stock level and a macroeconomic level as well.

THE HAVES AND HAVE-NOTS

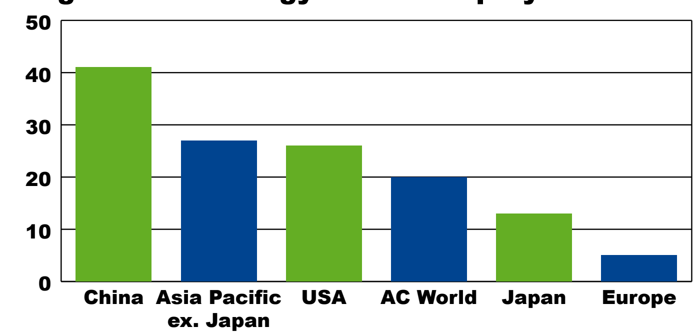
Technology dominates economies, industries and stock markets but not equally, and not everywhere. There is a clear geographic divide where technology companies dominate in the US and China, but form a smaller part of other, particularly developed, markets. A cursory glance at the top 50 entries in a Wikipedia ranking of unicorn start-ups reveals that 28 are Chinese, 15 are American, and none are from Europe. The chart below is a good illustration of this, looking at the weight of information technology in various equity indices.

THE GEOGRAPHIC DIVIDE

In smaller economies like Canada, Australia, and the UK, the weightings of technology are even lower than that of Europe in this chart. The technology sector comprises 2.4% of the Australian ASX 200 Index, 1.3% of the FTSE 100 Index in the UK, and 4.1% of the Canadian Toronto Stock Exchange Composite Index. The stock markets of these three economies look increasingly anachronistic with their composition so heavily dominated by 'legacy' sectors of finance and commodity companies.

In the case of Canada and Australia, this is particularly pertinent, as we have written on a number of occasions of their post-2008 crisis experience of encouraging housing market and consumer indebtedness booms, and positioned our strategic bond funds to reflect the correction that is unfolding as a result. The lack of technology exposure as reflected in their indices serves to highlight how reliant these economies have been on relatively unsustainable sources of growth.

Weight of technology in world equity indices



Source: MSCI, FactSet, Goldman Sachs Investment Research, June 2018
Note: AC World = MSCI All Countries World Index (ACWI)

DISRUPTION IS NOT A NEW PHENOMENON

The modern world, and with it society, has evolved through a constant state of disruption. However, in the last year or so, we have seen an extraordinary amount of disruption on a more micro level in businesses and industries that we always thought of as very dull but relatively safe areas to which to lend money. Today's disruptive forces weighing down on companies are often difficult to predict, as advances in technology have allowed new business models to disrupt traditional marketplaces and put existing companies out of business — at record speeds. While disruptions in businesses such as retail and cable TV are very well known, others (eg, beer in the US, tobacco and advertising), often stable businesses with good cash flows and profit margins, are now hunted by new entrants or shifting economics within these industries.

BOND INVESTING THROUGH A DIFFERENT LENS

Disruption can cause dislocation and upheaval for many businesses and from an investment perspective have a significant impact on portfolios.

In our view, long-term structural forces set the 'climate' for investing in bonds while cyclical ups and downs are more akin to the 'weather'; and yet, tend to generate a disproportionate amount of attention.

The long-term impact of debt super cycles has been a particularly important lens in our understanding of economies such as Japan and the eurozone while much has also been written on the impact of ageing populations in the developed world.

There is no doubt that technology is becoming an increasingly important factor in the bond investing climate on every level. The geographically polarised nature of the global technology titans and the ecosystems in which they thrive has added a new dimension to a world of already divergent growth and interest rate outlooks.

These are the portfolio manager's views at the time of writing and may differ from those of other Janus Henderson portfolio managers. The information should not be construed as investment advice. Past performance is not a guide to future performance. Investments can fall as well as rise.

Fund selectors in the news

Investors give their views on regulation and ESG in Switzerland among other issues

www.piguetgalland.ch

Name: Léonard Dorsaz
Company: Banque Piguet Galland & Cie
Role: Head of External Fund Selection, alternative and long-only funds
Base: Geneva

What has been the impact of new regulation (Lefin, Lsfin, Mifid II) on your fund selection?

New regulations have increased dramatically the complexity of our work. On the fund selection side, some issues have emerged; for instance, regarding share classes. While BlackRock will launch 50 different share classes for each type of client, smaller fund providers, especially focused on niches; will only have three or four share classes to propose. It means that some of our clients cannot access this last fund because of regulation.

If we see an excellent niche fund that can only be invested by some of our clients and a very good one that is opened to a larger audience, we would unfortunately have to pick the latter. If I look at all share classes of the funds we hold on our recommended list, we may reach around 1,000 share classes in total. This is insane.

www.bordier.com

Name: Rafael Anchisi
Company: Bordier & Cie
Role: Head of Fund Research
Base: Geneva

Do you expect Swiss asset managers to do more around ESG/SRI?

At the Bank level, we have always been conscious about sustainability. We consider that it is our responsibility to transmit something positive for the next generations. For instance, our Under The Pole III sponsorship reflects our alignment between values and acts.

On the investment side, ESG/SRI is becoming a strong global trend. Swiss asset managers should stay in the race. However, the main challenge is how to measure the positive impact in relation with all the different concepts or approaches and where to place the cursor when we still face a lot of subjectivity or contradictions.

Even if we have been hearing a lot about social responsible investments for many years now, I feel that we are still in a quite early stage phase as far as the private clients' state of mind is concerned.

www.morabanc.ad

Name: Juan Hernando
Company: Morabanc
Role: Head of Fund Selection
Base: Andorra

Are there distinct differences between the fee compression pressure affecting active fund management versus passive fund management?

In our opinion it could have more effect on active managers because they are suffering a greater fee compression than passives. It has led to some M&A activity (e.g. Amundi-Pioneer or Janus-Henderson) that could continue in order to gain market share. In a different way, some active managers have been acquiring passive managers to gain exposure to a growing business even if this means entering into a lower margin sector.

Passive managers are also affected by reduced fees due to greater competition. In this case they can compensate with higher volumes. Some ETF issuers are expanding their product range so they can distinguish themselves from competitors through smart beta, ESG or factor based indexes, etc.

www.swissfund platform.ch

Name: Urs Keller
Company: Swiss Fund Platform
Role: CEO
Base: Zurich

Do you agree with the 'no gains, no fees' model that has been proposed by certain asset managers?

I fully agree with this new proposed model which would certainly increase the demand for funds and put pressure on the asset managers to deliver a steady positive performance, which would be in the clients benefit.

The question is, how will asset managers be compensated and what if we enter into a bear market with long negative performances? There would probably be a clean-up in the area of asset managers and only the big ones would survive. Whether this is good or not is another question.

www.alkimia-capital.com

Name: Albert Rovira
Company: Alkimia Capital
Role: Financial analyst
Base: Andorra

Paying Mercedes money for a Fiat service is not good; but likewise paying Fiat money for a Mercedes service is not sustainable; where do you think the industry will end up in the debate on costs/management fees: a grey Ford Mondeo?

I think that the industry is breaking into two very different models, and both will be successful.

The first is cheap robo-advisors, these management service companies are growing their AUMs and they will continue to do so. The fees for them will tend to 0 since it is a near commodity service and only the larger players will thrive, it seems a situation of the winner takes it all.

The second one is more nuanced. I think that only active management service companies that can show they can deliver alpha during a long term period will grab the other piece of the pie.

www.inverdif.com

Name: Irene Campos
Company: Inverdif Asesores
Role: General deputy director fine arts investment adviser
Base: Madrid

Do you feel that regulations such as Mifid II are likely to bring an equal focus on transparency of costs on the buy side as the sell side?

From the beginning, Mifid II aimed at bolstering the protection, competition, and transparency of financial services for investors through various mechanisms including the client's classification, the convenience or not of financial advisory services depending on the client, the previous resolution of conflict of interests, etc. Spain, as well as Slovenia, are implementing the new regulation later than its European peers, after several warnings from Brussels.

Although greater regulation may bring more protection to the client, we do not know yet if the client will opt for an independent and professional advisory under the Mifid II umbrella – given the cost increase – or conversely will go for alternative ways of being advised even with less protection.

www.jyskecapital.com

Name: Mikkel Røgild
Company: Jyske Capital
Role: Director, head of Investment Management, CIO
Base: Silkeborg

Denmark is looking to change the tax rules for funds by Q1 2019; how will this affect you?

We hope all equity investments will be considered to be equities. Currently for some of the ETFs and active managers we use there are questions over them not being considered equities vehicles. We are hoping for a level playing field.

Currently we are spending time trying to find the best implementation, which meets the current tax requirements, and we are spending an increasing amount of time on legal when considering new ideas. This takes and extra time that could be spent elsewhere.

Fund watch and product launches

Mapfre and La Financière target Spanish and French investors with ESG fund launch

Spanish largest insurer Mapfre has launched a full range of ESG products in collaboration with La Financière Responsible one year after acquiring a 25% stake in the SRI-focused French manager.

The new fund, Capital Responsible (Responsible Capital), will be managed by the asset management arm of Mapfre. It will benefit from the consultancy services of La Financière Responsible, in a pioneer partnership between the two firms following the acquisition.

The fund, to be domiciled in Luxembourg, will be mainly distributed across Spain and France targeting both retail and institutional investors. The fund is the first of its kind to be launched in Spain and will invest in the shares and fixed income securities of European companies selected on the basis of their ESG attributes, following a strategy that will focus on preservation of capital.

Mapfre's wide range of ESG products is complemented by a pension scheme – Mapfre Renta Largo FP – and a mutual society. The company has recently announced its adherence to the Principles of Responsible Investment, in a move aimed at aligning its investment policy with its commitment to socially responsible investment.

The new Fund follows the launch of the Good Governance fund unveiled at the end of 2016. It is a mutual fund managing €40m in assets that combines the concepts of high-value investment and good corporate governance.

It is invested in the French franchise Carrefour, the Spanish holding Ferrovial and the automotive company Renault, among others stocks.

www.mapfre.com

ODDO BHF AM launches global credit short duration

ODDO BHF Asset Management has expanded its franchise by launching ODDO BHF Global Credit Short Duration fund. Launched on 22 October 2018, the fund has already raised more than €65m.

The new strategy gives access to a globally diversified portfolio of short-dated corporate bonds. Based on a GDP weighted allocation, the fund will invest across the three main regions: Europe, Americas and Asia. Additional value can be generated through flexible allocation across countries and regions.

Short-dated corporate bonds offer an attractive risk-return profile in the current low-interest environment. As the risk of default decreases over time, strategies focusing on shorter maturities benefit from lower default risk while yields are still at an attractive level. At the same time, shorter maturities are less sensitive to interest rate and spread moves.

ODDO BHF Global Credit Short Duration is managed in Düsseldorf by Alexis Renault, global head of High Yield at ODDO BHF AM with the support of Janis Heck and Ivan Romanenko and a team of 13 portfolio managers and analysts. The fund will invest predominantly in high-yield bonds with a rating of at least B3 or B- but can increase the portion of investment-grade securities to up to 100% depending on the credit cycle.

The fund has been registered for distribution in Germany, Austria, France and Spain. It is available in the form of distributing and accumulating share classes for both private and institutional investors.

https://am.oddo-bhf.com

Carmignac unveils Europe-focused multi-asset fund

Carmignac has expanded its product offering with the launch of the European version of its flagship Patrimoine multi-asset fund aimed at long-term investors.

Carmignac Portfolio Patrimoine Europe – to be overseen by Keith Ney, fund manager of the fixed income flagship Carmignac Sécurité, and head of European equities Mark Denham – will invest at least half of its assets in fixed income, while its net equity exposure may vary from 0% to 50%.

Carmignac Portfolio Patrimoine Europe Fund has the ability to be net short duration and benefit from the current rising rates environment thanks to a wide modified duration range from -4 to +10. In addition, non-European currency exposure is limited to 20%.

The fund is underpinned by the same non-benchmarked, flexible, multi-asset investment philosophy that is a hallmark of the Patrimoine offer, which aims to generate long-term performance in a wide variety of investment environments and serve as a useful diversification tool for investors.

www.carmignac.com

LRI Group launches private debt RE fund

LRI Group has partnered with Aggregate Debt Advisory GmbH (Aggregate) to launch its Aggregate Debt fund in the form of a Reserved Alternative Investment fund (RAIF).

LRI Invest will act as the Alternative Investment fund manager (AIFM) while Aggregate will function as the investment adviser.

The focus of the investment strategy lies in building a diversified portfolio of mezzanine loans, with an emphasis on residential real estate development in Germany. It seeks a projected annual return of 6-8% and a term of up to seven years.

The fund is aimed at pension funds, insurance companies and family offices and will initially be registered for distribution in Germany, Austria, Switzerland and Luxembourg.

www.lri-invest.lu

Fund watch and product launches

CPR AM launches education fund

CPR Asset Management, part of Amundi, has added a new strategy to its €7bn actively managed thematic range with a fund focused on education.

CPR AM's thematic equities range which includes ageing, food, lifestyle and disruption. CPR Invest – Education is an actively managed, non-benchmarked global equity fund that will invest across the whole education ecosystem as demographic and social changes as well as technological revolution are transforming the sector.

The fund will be managed by Guillaume Uettwiller, portfolio manager in CPR's Global Thematic Equities team and co-manager of CPR Invest – Megatrends fund.

The strategy's investment universe will cover the entire spectrum of education. The fund will invest in all sectors related to the theme, from early years, through primary and secondary education to lifelong learning.

It is now registered in France and the UK, and will soon be registered in Spain, Italy, the Czech Republic, the Netherlands, Slovakia, Sweden, Austria, Belgium, Finland and Switzerland.

www.cpr-am.fr

BlackRock launches absolute return fund targeting emerging UK companies

BlackRock has launched Strategic Funds UK Emerging Companies Absolute Return fund, a long-short equity strategy focusing on opportunities created by emerging companies.

These include small, mid and large capitalisation companies that are at the early stage of their life cycle and/or expected to experience significant growth.

The strategy also has the remit to invest in international companies, increasing the fund's addressable market.

It expands BlackRock's High Conviction Alpha suite of active equity funds, which provides absolute return exposures to clients seeking pure alpha returns with low correlation to market indexes.

This range forms part of the four suites that comprise BlackRock's Active Equities platform: Systematic Alpha, High Conviction, Specialised Outcomes and Thematics.

The fund is managed by Dan Whitestone, who is supported by portfolio manager Nick Little and the wider UK team. It uses a bottom-up, fundamentally-driven investment process, focused on evaluating companies' real underlying earnings power and identifying emerging structural changes within industries. Ultimately, the managers focus on owning truly differentiated companies that can either disrupt industries and/or are exposed to long-term secular trends, that triumph over macro or economic cycles.

It will also seek to deliver attractive returns with limited correlation to global equity and bond markets.

www.blackrock.com

Schroders launches sustainable multi-factor equity fund

Schroders has launched Sustainable Multi-Factor Equity (SMFE) fund, a global equity strategy that integrates environmental, social and governance (ESG) analysis into a systematic investment approach.

The cost-effective SMFE fund will aim to outperform the MSCI All Country World Index, while savers will also benefit from Schroders' sophisticated approach to investing sustainably. It will particularly appeal to UK defined contribution pension schemes, as it provides a distinctive solution that meets members' growing demand to invest their pension savings more sustainably.

SMFE fund is based on Schroders' Global Multi-Factor Equity fund, which was launched last year. Both strategies harness Schroders' factor investment capabilities to provide exposure to proven return sources: quality, momentum, value and low volatility.

Additionally, it will feature an innovative approach to integrating sustainability into equity investing. At its core is Schroders' new proprietary framework, SustainEx, which measures the positive and negative ESG impacts companies place on society and the environment.

To further meet clients' expectations of sustainable portfolios, it will have less than half the carbon intensity of the index and exclude industries such as tobacco, weapons and gambling companies.

www.schroders.com

Santander AM addresses gender equality with new global equity fund

Santander Asset Management has launched a global equity fund aimed at promoting gender equality.

Santander Equality Acciones, managed by the firm's veteran fund manager Lola Solana and her team, is the first fund in Spain investing in companies that promote gender equality at all levels.

The management of the fund will follow socially responsible investment criteria that also meet gender equality goals, so it will equally assess the sustainable behaviour of the companies and their commitment to gender equality.

Lola Solana, – alongside her team comprised by Gonzalo Sanz, Javier Ruiz and Íñigo Barrera – manages around €1.8bn through mid and small cap funds including Santander Small Caps Spain, Santander Small Caps Europe, Santander AM European Equity Opportunities and Santander Acçoes Portugal, as long as through Santander new sustainable funds range including the Santander Sostenible 1, Santander Sostenible 2, and Santander Sostenible Acciones.

www.santander.com

Industry people moves

ASOKA WOEHRMANN

German asset manager appoints new CEO

Asoka Woehrmann has been appointed chief executive officer of DWS Group with immediate effect. At the same time, the Supervisory Board of Deutsche Bank AG has appointed him as a permanent senior group director for the asset management business.

Woehrmann will be assuming tasks previously performed by Nicolas Moreau, who will cease to be managing director of DWS Group at the end of the year.

Woehrmann spent many years in a variety of global leadership roles at the Frankfurt-based asset manager. Until 2015, he was responsible for the entire fund management business as global chief investment officer. He moved from DWS Group to Deutsche Bank's Private & Commercial Bank (PCB) that year to head the Private Clients business in Germany.

During his time at PCB, he was part of Christian Sewing's and Frank Strauß's senior leadership team responsible for transforming the private clients business as well as integrating Postbank into the bank. Woehrmann has been a member of the Supervisory Board of DWS since the partial IPO of DWS Group. His membership will cease with immediate effect.

NIDHI MAHURKAR

Investec AM makes appointment to Asia

Investec Asset Management has further expanded its emerging market equity capabilities with the appointment of Nidhi Mahurkar as investment director.

With a specific focus on the firm's Asia, China and EM offerings within Investec's established 4Factor Equity investment team, Mahurkar's appointment underlines the firm's commitment to further building capacity in this growing asset class.

She will report to Greg Kuhnert, portfolio manager of the Investec All China and Asian Equity strategies.

Mahurkar brings specialist expertise on emerging market credit developed for over more than a decade. She joins Investec AM from Pictet Asset Management where she worked for 13 years and played an integral role in building assets under management across the firm's flagship Asian and EM equity franchise from \$2bn to \$16bn .

Most recently Mahurkar was co-head of Pictet's Global Emerging Market (GEM) Equities product, alongside managing a number of funds including Asia Ex Japan Absolute Return fund and Asia ex Japan long/short directional strategy. Prior to this, she was a member of the Global Emerging Markets team at Lazard, where she ran the Birla India Investment Trust.

CORINNE MASSUYEAU

BNPP AM names global head of client services

BNP Paribas Asset Management (BNPP AM) has appointed Corinne Massuyeau as global head of Client Services.

Massuyeau will be based in Paris and reporting to the firm's global head of Client Group Sandro Pierri.

In this newly-created position, she is heading an international team of almost 70 professionals responsible for all services provided to BNPP AM clients. Global Client Services is a key element in delivering excellence in the client journey and will include client on-boarding, reporting and management of standard and bespoke requests.

Massuyeau has spent much of her career at Pioneer Investments in various marketing roles. She joined the company in 2001 as senior financial business analyst, before becoming head of Finance in 2003 and then head of International Business Analysis in 2005.

From 2007 to 2010, she was chief of Staff for the Sales and Distribution departments, before becoming senior vice-president and head of Sales Management in 2010. In 2017, the year of the Pioneer-Amundi merger, she was global head of Institutional Client Services.

She began her career in 1996 as a business analyst at American Express Bank.

ERIN BROWNE

Pimco poaches head of Asset Allocation from UBS

Pimco has appointed Erin Browne as managing director and portfolio manager to lead the asset allocation division.

Browne will report to Mihir Worah, managing director and chief investment officer for Asset Allocation and Real Return, based in Newport Beach.

With around 16 years of investment experience, Browne was most recently head of Asset Allocation at UBS Asset Management, where she helped build macro research and established a framework for asset class allocation.

Prior to that, she headed macro investments with UBS O'Connor, the company's multi-asset hedge fund manager.

She also worked at Point72 Asset Management, Citigroup and Moore Capital Management and began her career with Lehman Brothers.

Browne will work closely with senior members of Pimco's asset allocation team, including Geraldine Sundstrom, managing director and portfolio manager, who focuses on developing the company's more tactical multi-asset strategies.

She will also work with other portfolio management staff, such as Wesley Chan, who focuses on quantitative equity strategies, Bill Smith, who focuses on global equities, and Stephen Chang and Amit Agrawal, who specialise in high yield and macro credit strategies.

Industry people moves

MARCO CORSI

Vanguard appoints head of Global ETF Research Centre

Vanguard has appointed Marco Corsi as head of the new Vanguard Global ETF Research Centre. The team sits in London and analyses ETFs as well as the behaviour of ETF investors.

Corsi reports to Axel Lomholt, head of International ETFs. Under his leadership, the team will create ETF research, market assessments and other content for institutional investors, financial intermediaries and self-employed investors.

He joins from BlackRock, where most recently he was iShares director and led EMEA Product Research and Innovation team. Previously he was with Decura, Barclays and Merrill Lynch.

The London team will work closely with the other Vanguard Research teams worldwide. Vanguard has been one of the leading providers of investment and retirement research and commentary for many years. The Vanguard Investment Strategy Group regularly publishes white papers, web content and scientific articles on topics such as portfolio construction, investment strategies, current economic developments and market trends.

PHILIP PHILIPPIDES

Amundi appoints head of third party distribution UK

Amundi has appointed Philip Philippides as head of Third Party Distribution for UK. He will be based in London.

Philippides joined Amundi in January 2014 as head of ETF & Indexing Sales for UK and Ireland.

He started his career in private wealth management at Old Mutual in 1997 before moving to Morgan Stanley where he worked in sales from 2001 to 2007. He then spent 4 years at BlackRock as Head of Institutional iShares sales for UK and Ireland before joining Morgan Stanley again as Executive Director in ETF Sales. Before joining Amundi Philippides worked as a consultant for two years.

ANNE MARION-BOUCHACOURT

Société Générale appoints Swiss country manager

Société Générale has announced the appointment of Anne Marion-Bouchacourt as chief country officer in Switzerland and CEO of SG Zürich, effective 1 October 2018.

SG Zurich comprises of Corporate & Investment Banking (SG CIB), Asset Management (Lyxor AM), Securities Transaction (SGSS) and Global Transaction & Payment Services.

Based in Zurich, Marion-Bouchacourt reports to Thierry d'Argent, head of Customer Relations and Investment Banking. She will remain a member of the group's executive committee. She succeeds Hugues de La Marnierre. He now acts as CEO of Société Générale China Limited, subject to local and regulatory approval.

Marion-Bouchacourt is responsible to further develop the business development of Société Générale in Switzerland.

LARS KUFALL BECK

Saxo Bank appoints global chief financial officer

Saxo Bank has appointed Lars Kufall Beck as global chief financial officer (CFO), effective 1 May 2019.

He will report directly to Steen Blaafalk, head of Group Finance & Risk (GFR) and group CFRO. Kufall Beck will be part of the global management team in GFR and Saxo Group's senior management team.

Kufall Beck will be responsible for all the important functions within Group Finance overseeing regional Finance Operations, Business Planning and Analysis, Facility Management, and Group Procurement.

During his 15+ year career, he has held several finance leadership roles and joins Saxo Bank from ISS Group where he spent almost 10 years in various executive positions. Most recently, he served as the Group's regional CFO for Continental Europe and prior to this, spent more than three years as CFO for ISS Facility Services Sweden, and served as the Group's Regional CFO for the Nordic region.

JON BECKETT

Veteran gatekeeper exits Scottish Widows and Lloyds Banking Group

Veteran fund gatekeeper Jon "JB" Beckett will be leaving Scottish Widows and Lloyds Banking Group at the end of the year, after eight years during which he co-founded the Fund Manager Assessment team with coverage across £180bn of assets.

As a speaker and writer, JB is author and founder of *New Fund Order*, which aims to enable the industry through technology. He is also UK director for the Association of Professional Fund Investors, Advisory Board member and ambassador of the Transparency Task Force, Advisory Board member of the SharingAlpha fund rating platform, and member of the Oversight Committee and Alumni ambassador for the Stirling University Student Managed Investment Fund.

Recently, Scottish Widows announced that BlackRock had been selected to manage £30bn of assets in index strategies, following a review by Scottish Widows and Lloyds Banking Group's Wealth business of their asset management arrangements.

This was followed by the announcement that Schroders had been appointed the active manager of £80bn of Scottish Widows Insurance and Lloyds Wealth assets, following a selection process that was triggered by the merger of Aberdeen with Standard Life – as this effectively led to Scottish Widows being serviced by a competitor, Standard Life.

3.3% YoY increase in Austrian industrial producer prices in September 2018

X-ray vision

Mifid II and other regulations continue to demand a greater focus on transparency of costs and an emphasis on keeping charges as low as possible for investors. Jonathan Boyd, Ridhima Sharma and Eugenia Jiménez find out more about the implications going forward

Regulations are a fact of life for the fund industry. But there are increasingly questions being asked about how much regulation is too much and at what point does regulation stop helping investors and instead act as a barrier to their targets.

Transparency around costs has become a significant topic among other recent changes, particularly as facets of Mifid II have hit the industry. So complex has Mifid II's introduction been that it has taken a number of postponements to deal with technicalities before an official start date could be agreed by lawmakers in Brussels.

But there are warnings that, despite being relatively early days yet, the Directive may be harming investors.

RESEARCH REDUCTION

Keith Hiscock, CEO of Hardman & Co, an equity research provider, says there is clear evidence of a reduction in research coverage and stock trading liquidity since Mifid II came in.

"While the full impact is not yet clear, fund managers need to be aware of how this aspect of Mifid II is affecting their investment universe.

"It is no good uncovering an investment opportunity if the rest of the market is unaware of it, or cannot easily make a sizeable investment.

"The old commission-subsidised, broker outsourced research model is effectively gone for good. That is likely to increase pressure on fund managers to invest in their own

research production, or encourage the corporates they invest in to adopt broadly-distributed commissioned research to maintain levels of sector and company analysis available in the wider market, and support liquidity. Transparency on costs to fund managers' own clients will be an important part of justifying any increased investment."

Neil Scarth, principal at Frost Consulting, echoes the uncertainty, when he notes that the impact of the Directive may actually have been to reduce the very transparency it was meant to encourage, because of the way fund companies have decided to deal with the research costs.

Frost Consulting believes that the impact of reduced spending on research can be measured in the hundreds of bps. The debate on whether a manager spent 8bps versus 5bps on research is therefore missing the point, Scarth suggests.

"What the regulator has missed is that the cost of research is not huge. But when that cost goes onto the P&L of the manager it is its second biggest cost," asserts Scarth.

"So, if the manager has decided to go to P&L, the CIO has to go to the CFO and ask for millions of dollars for research, not previously accounted for. It hits the profitability of mangers immediately."

However, he does not believe that a similar pressure will be brought to bear on the buy side around issues of transparency and cost.

"On the sell side, there is some transparency on the price of research documents – arguably the least valuable part of the value chain. There is little transparency on higher value-added services like analyst access.

"On the buy side, the widespread move to P&L in Europe has vastly reduced asset manager research spending transparency – a key objective of Mifid II. Managers buying research via P&L have zero regulatory requirement to disclose research spending to clients, in contrast to managers using client money who have to get specific research budgets related to the investment product approved by the asset owner.

"Credit Suisse estimates that the average P&L manager has cut research budgets by 50% – because now it is coming directly out of the asset manager's pocket. Research intensive strategies at P&L managers could be starved of the information they have needed to generate the historic returns that likely lead to the purchase of the product in the first place. This lack of transparency, combined with budget cuts has substantially increased risks for asset owners. This was the opposite of Mifid II's intention."

RETURNS IN CONTEXT

What asset owners instead should focus on is returns in the context of fees, and concentrate on costs that are relevant to investment success, Scarth says.

"If a manager cuts custodial costs by 20% it might add a fraction of a basis point in performance. If managers cut research budgets by 50%, a 3bps research saving for the asset owner might result in hundreds of basis points of lost performance.

"The lowest cost of research is not necessarily in the best interest of the asset owner. The quantums of cost versus targeted return should be examined. All investment strategies are not created equal and can take vastly dissimilar levels of risk (return), so costs, viewed in isolation, are a non-sequitur."

Cost pressures and fees also differ between active and passive managers. Competition from passive managers is added to by the deflationary impact of Mifid II, and large active managers seeking to undercut smaller active managers because they can afford to, he notes.

Meanwhile, there is a lack of transparency overall on what should be the best path forward for the industry, Scarth argues.

"Cheap beta and expensive alpha is the right answer. Fiat pricing and horse and buggy returns may be the reality. Really low – or negative – returns at a very low cost for everyone may be the actual outcome which is terrible for most market participants – a demographically aging population – unless the industry, government and regulators realize that looking at costs in isolation, with no reference to returns, is 'The Emperor Has No Clothes'.

"A child could see it, but political orthodoxy in our post-truth society appears preclude a reasonable discussion that links the two.

"To put this in context, think about what you consider to be an 'expensive' equity fund. Equities return on

1.8% Decrease in unemployment rate in Portugal in August 2018 YoY

NO GAINS, NO FEES

Another response from the industry is to consider a different remuneration model altogether. One proposed is to not charge until profits are actually made.

Urs Keller, CEO of Swiss Fund Platform in Zurich, says that he sees some merit in the 'no gains, no fees' model that has been proposed by certain asset managers.

"I fully agree on this new proposed model which would certainly increase the demand for funds and put pressure on the asset managers to deliver a steady positive performance, which would be in the clients benefit.

"The question is, how will asset managers be compensated and what if we enter into a bear market with long negative performances? There would probably be a clean-up in the area of asset managers and only the big ones would survive. Whether this is good or not is another question."

Thomas Metzger, head of Asset Management, Bankhaus Bauer, says the degree to which this model may work depends on the investment approach.

"For absolute return models, it may make sense that the asset manager will only be remunerated if a positive performance is achieved. However, measuring the success of the portfolio manager, for example, in a traditional benchmark, such as stock mandates, a compensation model that uses only positive performance may be the wrong incentive, as the portfolio manager may be too cautious.

"Basically, an asset manager should choose from multiple compensation models that fit the investment approach of each solution. In our house, for example, the customer basically has the choice between a fixed fee and more performance-based cost structures."

Albert Rovira of Alkimia Capital says: "There is no optimal solution regarding this matter. There are fair points made by both arguments. I'd say that it is good to have alignment of interests and having only a performance fee is a good way to achieve it, but it can create some problems. For instance, the pressure to have positive returns every year that may interfere with your best judgement and be short-term oriented or take risky bets.

"Another possible problem may be changes in the aggressiveness of the strategy after good/bad years in order to protect you from future losses or recover from past losses. I'd say that a better approach would be to have a long term view and set these fees on periods of five years or even 10 years, but this seems impractical from a business point of view."

Neil Scarth of Frost Consulting says: "It would appear to create greater alignment – superficially. For the industry as a whole it would lead to huge concentration of large managers that could potentially cross-subsidise from other products. It would reduce competition and consumer choice as it would be far more difficult to launch new funds."

average 700bps per annum and in higher risk/return categories can be much higher than this over time. Is it in society's best interest to invest in bad funds because the fees are low?"

Scarth holds out a warning for those still expecting Mifid II to bring clarity and benefits to investors, particularly if the belief is that it will encourage a continued trend towards lower fees/costs.

"Europeans appear to believe that US regulators and asset managers will slavishly follow Mifid II. I disagree. Despite good intentions – as always – Mifid II may create an unlevel playing field globally, in which European asset managers and asset owners may suffer, turning Europe – and the UK in particular – into an investment backwater both in terms of asset manager capabilities and asset owner outcomes."

Elsewhere, research published by the CFA Institute suggests that up to 78% of buy-side users of investment bank-sourced research may reduce their use of this source of investment ideas in the wake of Mifid II.

And it estimates that some 43% of those buy side professionals may source "relatively more research" from in-house under Mifid II. In its report *Mifid II: A new paradigm for investment research*, the CFA Institute found that most asset managers are looking to absorb the costs of research rather than pass it on to clients.

That objective in turn is seen as posing an existential threat to smaller and mid-sized managers, particularly as the research also found that a fifth, 21%, of those firms surveyed are still unsure how they will cover the research costs.

There is a clear correlation between size of manager and propensity to absorb costs, the report further states: some two-thirds of those with AUM over €250bn said they would do so, versus 41% of those with AUM below €1bn.

SELECTOR VIEWS

Juan Hernando, head of fund selection at Morabanc in Andorra, picks up on the question of whether fee compression is something that will strike active managers harder than passive ones.

"In our opinion it could affect active managers more, because they are suffering a greater fee compression than passives," he says.

"It has led to some M&A activity – such as Amundi-Pioneer or Janus-Henderson – that could continue in order to gain market share. In another way, some active managers have been acquiring passive managers to gain exposure to a growing business even if this means entering into a lower margin sector.

"Passive managers are affected as well by a reducing fee process due to higher competition. In this case they can compensate this effect with higher volumes. Some ETF issuers are expanding their product range so they can differentiate from competitors through smart beta, ESG or factor based indexes, etc."

There is another angle to fee compression; that it could threaten the rate at which new investment ideas are brought to market.

"On the one hand it might be more difficult to launch new ideas taking into account that lower fees/margins would mean higher breakevens in terms of AUMs," Hernando continues.

"But on the other hand if the new projects make sense the AM companies should be open to look for potentially successful opportunities, in terms of performance and assets.

"As usual it will depend on the type of company. There are big companies that privilege the innovation by launching different products. For them, compressed fees are important, but they can solve this issue."

Albert Rovira, financial analyst at Alkimia Capital, believes that the simpler the approach, the better.

"The best solution for the client is to be totally transparent with the fees charged. One of the fairest ways is to have direct fees, either management fees or performance fees, or both if agreed. This is easier when you are starting a relationship with a new client, but it can be done with older ones if you are able to explain the value you are adding. Also focusing on reducing other costs may help clients to see that this model is good for them.

"I think that the industry is breaking into two very different models, and both will be successful. The first is cheap roboadvisers, these management service companies are growing their AUMs and they will continue to do so. The fees for them will tend to 0 since it is a near commodity service and only the larger players will thrive, it seems a situation of the winner takes it all.

"The second one is more nuanced, I think that only active management service companies that can show they can deliver alpha during a long term period will have the other piece of the pie. This means having long periods of underperformance and a base of clients that understand this differentiated approach and the value of having a personalized service. There is a market for both approaches and they complement each other.

Irene Campos, general deputy director fine arts investment adviser at Inverdif Asesores, notes that there is still uncertainty about what end client investors want out of Mifid II themselves.

"Although greater regulation may bring more security to the client, we do not know yet if the client will opt for an independent and professional advisory under the Mifid II umbrella – given the cost increase – or conversely will go for alternative ways of being advised less protected."

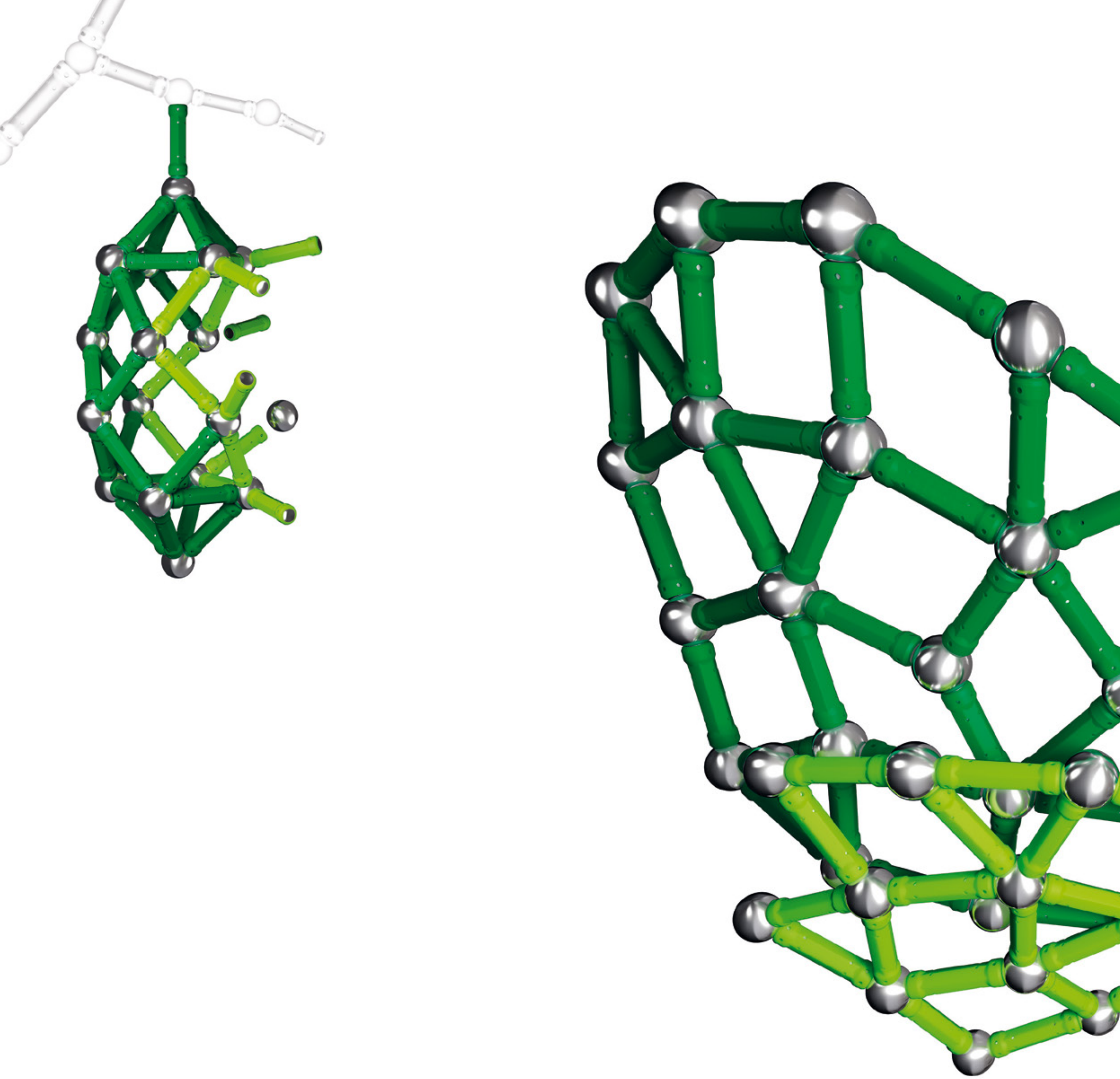
Thomas Metzger, head of Asset Management, Bankhaus Bauer, similarly points to the investor him or herself being a determining factor.

"Whether there is an information gain here, certainly depends on the investor.

"In my opinion, at least private clients in upscale wealth management have been quite well informed about their costs or have compared the fees of the various providers in detail. The form of presentation is now more and more standardized. The information per se, however, should be familiar to most customers, as these are, for example, in the context of beauty contests, etc., in particular, to examine the fee structure and to be informed regularly about their costs when concluding an asset management mandate."

Metzger continues: "More transparency and regulation will not necessarily lead to lower fees. On the contrary; at an investment conference that I recently visited, many asset managers in a survey said that increasing regulation will increase costs. Only more competition and a certain degree of competition will lower prices. Also, a supposedly higher transparency will not necessarily affect prices, simply because most investors already have their costs in view and are very price sensitive.

"I rather think that in the future there will be an even clearer positioning and differentiation of the individual asset managers in terms of core competence, target group and fees. If the offer is convincing, the discussion about Fees does not play the decisive role. Thus, we will probably rather see a reduction of the individual product ranges of the suppliers to the essential elements. ■



2.5% Rise in consumer prices in Germany in October 2018 YoY

PATRICK WITTEK

Patrick Wittek, head of Branch Office and Fund Research, joined Fonds Laden GmbH in 2002. In former times he has worked as a financial advisor at Deutsche Vermögensberatung AG and a couple of years in the leisure sector, for example at Healthland Germany GmbH, a German associated company from the LeisureNet Group, South Africa.

His specific skills are the result of several study paths such as Industrie- und Handelskammer (IHK), Europäische Akademie für Finanzplanung (EAFP) and European Business School (EBS).

45 million Number of people in employment for the first time in Germany in September 2018

Fonds Laden's Patrick Wittek believes that in the long run actively managed funds will outperform passive strategies. Ridhima Sharma reports

The active advocates

Fonds Laden GmbH is a part of Infos AG with around €450m of assets under management. Based in Munich, it advises more than 650 wealthy private investors. Besides the office in Munich, Fonds Laden has branches in four different locations in Germany.

The German boutique exclusively recommends actively managed funds to its clients. Its strategies are for the mid- and long-term. Fonds Laden believes, that in the long run, active management should outperform passive strategies.

Fonds Laden takes fund research seriously.

"In the first instanvce, we analyse the funds quantitatively," says head of Branch Office and Fund Research, Patrick Wittek. "For this, we use the databank from the VWD Group. It is important that equivalent funds are listed there. Often, external fund companies are coming with new products to Germany and forget the product listing by important data providers. Without a listing, the funds are invisible for a lot of fund selectors.

"Based on the track record and regarding risks assumed, we identify an investment fund universe with around 2.000 funds. This is our big watchlist. Here, we are listed also interesting products with a short-term track record from funds, which bring fund managers to us or we see some opportunities in these funds," Wittek explains.

"WE EXPECT FUND MANAGERS TO CONTINUOUSLY CHALLENGE ALL HOLDINGS IN THE PORTFOLIO"

PLAUSIBILITY AND RISK MANAGEMENT

The next step is qualitative fund research. Interviews with fund managers or product specialists are the basis for the selection process.

With the help of questionnaires, presentations and another details, Fonds Laden deconstructs the products in these parts and check the plausibility and the risk management. At the end of the day, there is a clear shortlist with around 150 products, separated in different peer groups.

The shortlist is updated every quarter. On average, every quarter two or three funds come out of the list and new products come in.

"We deallocate funds if we see important changes in the fund management, changings in the strategy, or the assets in the funds are too high or too small. Sometimes, good funds have to leave the list, when we see comparable funds with more potential for the future," adds Wittek.

For individual portfolios and managed accounts, Fonds Laden operates exclusively with the analysed funds from the shortlist.

Investors from Fonds Laden are predominatly aged over 50. Mostly, people have a high capital stock from the working life or they inherit money. The investment target of this group of investors is maintenance of capital; profit maximisation often comes in second place. For this reason, the company has in the past tended to allocate to mixed funds with a focus on bonds and equities.

RED FLAGS

Wiitek says that strategies with a strong bias to the benchmark and a high cost have no part in his investment universe. He adds that illiquid assets in the portfolio are red flags. He does not like to see any conflicting interests in the portfolio.

"We allocate absolute return funds in the portfolios from our clients. In comparison to traditional asset classes, absolute return funds have good characteristics for diversification and correlation and they are good stabiliser.

"We rely on daily or weekly liquid Ucits products. We do not recommend offshore funds. Regulated Ucits products are recommended by us, as they are classified as special assets according to the German Capital Investment Code (Kapitalanlagegesetzbuch -KAGB) and thus offer protection against insolvency of the fund company."

Wittek concludes: "We expect fund managers to continuously challenge all holdings in the portfolio. The manager must control the companies in all company levels.

"Direct contact with the companies and to the company levels is beneficial. In low risk environments, the management should not sell the individual assets over dummy stop loss orders; firstly they should make an extensive stock-check, before the management comes in to action." ■

$1.2928 Sterling's exchange rate on 1 November 2018 , its strongest level for six sessions

An all-weather investment portfolio for any season

Agilis IM head of business strategy Chris Welsh outlines the firm's multi-asset fund designed to perform in all stages of the economic cycle. Eugenia Jiménez reports

Agilis Investment Management is an independent multi-asset fund manager based in London with an investment philosophy that is in part accounted for by the circumstances of its launch.

Agilis' team members had already worked together for some 10 years when the firm opened its doors – firstly at Fauchier Partners and later at Permal. According to Chris Welsh, Agilis' head of business development and distribution, this familiarity among team members made the business launch easier as well as helping to bring in customers.

The British firm runs just one investment fund, Protea Fund – Agilis Ucits, a multi-asset target-return strategy focusing on performance. According to Welsh, this core Ucits strategy is an all-weather investment portfolio designed to perform in all stages of the economic cycle.

Protea Fund – Agilis Ucits' investors are 95% European and primarily institutional with a small proportion of HNWIs clients. Since the fund offers weekly liquidity, it is not targeting retail investors at this stage.

For the remainder of the year, the firm's priorities consist of focusing on the portfolio and the investment process while increasing its assets under management.

"Our focus is on developing this fund and we do not have any current plans to offer a broader range of strategies," Welsh states.

Agilis' head of business development joined the company earlier this year from Mako Group, where he was its CEO for the past 10 years. Mako is a derivatives trading and technology firm based in London.

Welsh works closely with Agilis CIO Clark Fenton on business strategy, and with the client team on distribution and marketing. Most of the business is carried out from the middle office platform which "… is well established and supports the investment team with an integrated bespoke technology solution, covering analytics, risk management and the broad middle office functions. Some key specialist functions including tax or legal advice are outsourced," explains Welsh.

Agilis runs a multi-strategy investment process when managing Protea Fund in order to achieve its defensive-growth objectives. Among them, the firm aims at achieving return above 5% before fees over a rolling five-year period, truncating drawdowns to protect capital and achieving beta to equities of 0.1 to 0.4.

"We start with a portfolio first approach to construct and actively risk manage a resilient all-weather portfolio in synch with the market cycle," says Welsh.

"We seek diversification across factors and styles, but with a manageable number of holdings."

The fund's portfolio includes between 10 and 15 discrete invest-

1.7% Bank of England forecast for annual UK GDP growth over the next three years, given a smooth transition out of the EU

ment strategies, that are a mix of thematic (longer-term) and episodic (shorter-term, tactical) strategies. The final stage of the investment process focuses on trade expression "... which is a source of significant differentiation of the Agilis fund that leverages heavily on the experience of Agilis CIO and head of trading," comments Welsh.

He continues: "In expressing a number of the investment themes, we use listed options for risk mitigation, portfolio protection, and asymmetrical pay-offs."

Agilis believes the market is late on the cycle, a reason that explains why its fund is poisoned accordingly with moderate level of risk. Its exposure to equities is relatively long, long to US government bonds, short to European and US credit, and also long to volatility and commodities.

DEFENSIVE MULTI-ASSET APPROACH

Welsh affirms that Agilis should be a source of return and diversification within investors' portfolios to navigate the current market environment.

"We have several layers of protection embedded in the portfolio construction that should perform if the equity markets drop sharply and we have already seen these contributing to the portfolio, last February and recently in October.

"Conversely, if the market trends upwards we have sources of return that would allow us to participate."

The firm believes that we are now entering a rolling bear market across most global risk assets, caused by a drain in liquidity and peaking growth. According to the manager, some sharp market moves and dislocations might occur through this next stage.

"As we move through the investment cycle, bonds may not be the diversifier they have been historically, becoming a challenge for investors when building balanced portfolios. Holding higher cash balances may help, but given continued low returns in money markets, that can only be a limited part of the solution," Welsh explains.

BUSINESS PLANS

Protea Fund – Agilis Ucits is mainly distributed across the UK, Europe and some parts of Asia.

Agilis is now mainly focusing on bolstering its network of existing investors, by "doing a good job for them".

This means defending well in pull backs and during periods of market turbulences, while being able to capture good opportunities during more benign environments.

So far the firm is not planning to launch any new strategy and it is focusing most of its efforts on performance.

Welsh highlights how Agilis has a good number of long-term client relationships in Spain which he considers "... a dynamic and entrepreneurial financial community with an outward looking global approach to investment."

The fund is available via a number of UK and Spanish Institutional wealth managers, or directly for HNWIs and family offices in permitted jurisdictions.

In Spain, it is registered in the Spanish CNMV and available for Spanish wealth managers through Inversis.

PAST LESSONS

Although Welsh reckons the financial industry has changed substantially since the 2008 crash, he warns it is more important than ever before to look at the market through broad lens, whether it is across asset classes or across geographies, since there is an evident degree of inter-dependence.

"Signs of stress or dislocation in certain area, can quickly affect the market more broadly.

"It is also crucial to take liquidity into account, both in the portfolio construction and in asset pricing."

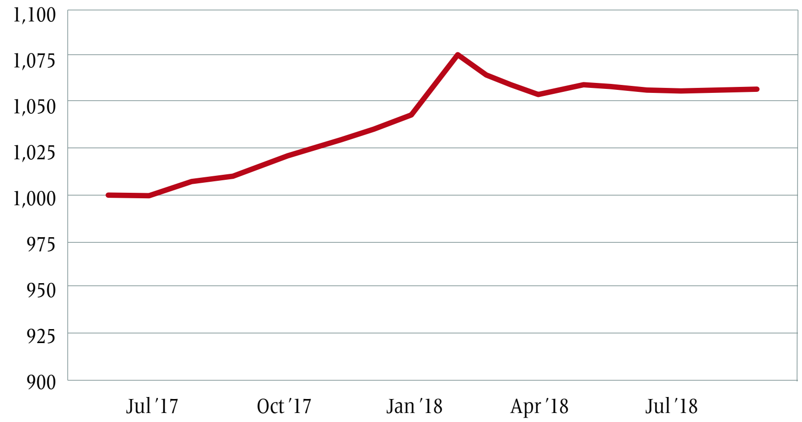
He continues: "Given the breadth of the Agilis mandate and its focus on trade expression, both points are under regular discussion within the firm."

When Lehman Brothers collapsed a decade ago, Welsh was working at a listed derivative trading business, and therefore, very close to the markets' volatility as the turbulence unfolded.

"The warning signs had started in July 2007 when we first saw some huge swings in the US fixed income markets with the 10-year futures moving in a massive range.

"Although the very pronounced market moves had not triggered a market wide reaction at that stage – or even reached the public consciousness – we took note of the obvious stress in the system, adjusted accordingly and proceeded with caution. Thus, we were relatively well positioned when the crisis exploded." ■

STRATEGY PERFORMANCE



The strategy performance is the gross return in US dollars of the Agilis Master Fund ICAV adjusted by the estimated ongoing charge of the Agilis UCITS Fund Class A (0.85%). As at 30 September Source Agilis

Making a positive impact

Lee Qian examines impact investing in listed equities – a new and exciting area for those wishing to contribute their capital to shape a better world

Lee Qian is one of the managers of the Baillie Gifford Positive Change Fund

Lee Qian grew up in China during a period of incredible economic and social progress, when hundreds of millions of people were lifted out of poverty and the standard of living improved for the majority of the population. Witnessing that has influenced Lee deeply about the role of businesses in society. Lee graduated BA (Hons) in Economics and Management from Oxford University in 2012 and joined Baillie Gifford in 2012.

"Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life…"

Nelson Mandela, South Africa's first black African president

Living standards have improved around the world since Mandela's speech in 2005 that coincided with the global 'Make Poverty History' campaign. However, although poverty levels have fallen, there are still over 760 million people in the world living on less than $1.90 a day.

Humanity also faces other significant challenges, not least the problems associated with climate change. The recent evolution of impact investing – which has the dual objectives of achieving positive social and environmental outcomes as well as good financial performance – offers an opportunity to combine successful allocation of capital to areas of social importance without any negative impact on investment returns, so delivering a more sustainable future for all.

Traditionally, impact investing was confined to the private market, with initiatives, such as the Ford Foundation's Program Related Investments in the 1960s, often invested directly in targeted projects in local communities. More recently, it has broadened out and is increasingly being adopted by investors in the public market. The Dutch pension manager PGGM, for example, has committed to investing at least €20bn into companies that have a positive impact on areas such as the climate, environment, water, food and health.

OPPORTUNITIES ABOUND

The World Bank estimated in 2016 that the total market capitalisation of listed companies was US$65trn. The sheer size of that number underlines the extent to which public equity markets offer a large and liquid universe in which to find impact investment opportunities. That is not to say that all listed companies are suitable bedfellows for impact investors. However, many do have the potential to make significant inroads into addressing some of the issues that are of global impact. Among those with businesses set up to meet both objectives are companies such as the electric vehicle manufacturer.

Tesla is driving the adoption of eco-friendly cars that will have a more favourable impact on the environment than traditional combustion engines. Another is Safaricom, a telecoms operator that is bringing mobile banking to the masses across Africa with the stated aim of transforming lives. By investing in the shares of this type of company in the public equity market, investors are increasing the amount of capital that is being made available for projects that help to meet social and environmental challenges. But it is not as simple as finding the 'right' companies to invest in.

Short-term shareholders, who trade regularly in and out of companies in their portfolio, have little claim to making an impact through their investments, even if they are taking holdings in companies that are solving the challenges faced by society, e.g. poverty. It takes the patient mind-set and the capital of the long-term equity investor to give companies the freedom and focus they need to deliver on their long term growth plans and ambitions.

POSITIVE CHANGE

There is a big gap to plug in financing sustainable development. The Brookings Institution – an influential American research group – has estimated that between US$5trn and $7trn of investments are required annually to finance the United Nations Sustainable Development Goals – a set of 17 objectives covering a range of social and economic development issues including issues such as poverty, hunger, health, education and climate change.

As allocators of capital, investment managers have a role to play. They have a role to play in contributing to a more sustainable future by directing capital to those companies that are addressing the challenges our world is facing. By doing so, it is possible to take responsibility and contribute to global progress.

Delivering impact and investment returns can be complementary. This dual objective manifests itself in a desire to generate attractive investment returns and to deliver a positive societal impact.

The key to achieving this is to build it into the investment process, from the initial analysis of a company, particularly with regard to the societal challenge that a company is tackling. It can be difficult to make comparisons between different companies and their potential to deliver impact. Investors should consider positive change in its broadest sense across different investment themes, namely social inclusion and education, environment and resource needs, healthcare and quality of life, and base of the pyramid. Although these labels may differ from those applied by others taking a similar approach to investing, they bring consistency to how we should think about the challenges facing society and assess the impact of companies.

MEASURING OUTPUTS

Analysing the social and environmental impact of listed companies is a challenge. But it is necessary if impact investing in listed equities is to be seen as a credible and socially acceptable way of allocating capital. Although there are many companies providing data on ESG issues, they often capture only part of the picture, especially when it comes to assessing more nuanced areas such as corporate culture and management intent. Reporting companies' impact is also difficult: not all impacts can be quantified and even those that can be are not always disclosed.

In-house fundamental research is crucial when examining a company's impact on society, and should focus on both quantitative and qualitative aspects. Before making an investment, it is important to conduct an impact analysis which looks at management intent, product impact and business practices.

Doing this helps to build a fuller picture of a company's ability to deliver on the dual objectives of achieving positive social and environmental outcomes as well as strong financial performance.

Likewise, having a long-term investment horizon builds rapport with management teams over time, making it easier to engage with them on matters such as impact and disclosures.

A BRIGHTER FUTURE

Impact investing in listed equities is a new and exciting area for those wishing to contribute their capital to shape a better world. Although there are many challenges ahead for this sector of the market, not least measuring impacts, the long-term benefits for companies, investors and society could be significant.

All investment strategies have the potential for profit and loss.

ABOUT BAILLIE GIFFORD

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

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

We now manage over €220bn (as at 30 September 2018) on behalf of a global client base. Like the companies we choose to invest in Baillie Gifford believe the best ideas spring from thinking about future possibilities, not short-term probabilities.

10.4% August YoY rise in nominal new construction orders in Germany

Building strength

A recent survey suggests that more than 70% of German institutional investors are still investing in Germany property. Ridhima Sharma reports

According to the latest survey conducted by Universal Investment on understanding the behaviour of Germany institutional investors in property, the majority continue to regard Germany and the rest of Europe as the main focus of their new investments.

European property prices are seen as expensive but still acceptable, with the survey suggesting that many investors see prices in North America as no longer acceptable.

In terms of the different segments of the European property market, interest in office space is growing, but is weakening regarding retail outlets and hotels.

Of the German investors surveyed, almost three quarters said they intend to rely on a Master KVG for their new investments. The survey results were based on responses from institutional investors with total assets of around €48.8bn, of which property equity made up some €4.45bn.

THE PRIME FOCUS

Just over 70% of these institutional investors have holdings in Germany, up from the previous year's figure of 46.8%.

The rest of Europe remained virtually unchanged at 28.2% (previous year: 30.8%). Only 0.8% (previous year: 18.9%) have intentions of investing in North America in the future. There is a similar picture for the Asia/Pacific region: the share here fell to 0.8% (previous year: 3.5%). Property investors are still reluctant to invest in emerging markets, such as the BRICs.

Of those surveyed 70% rate Europe's property prices as high, yet still acceptable (previous year: 50%). This figure rises to 90% (as in the previous year) for German property.

The situation is different in North America: 66.5% (previous year: approximately 25%) consider the prices unacceptable.

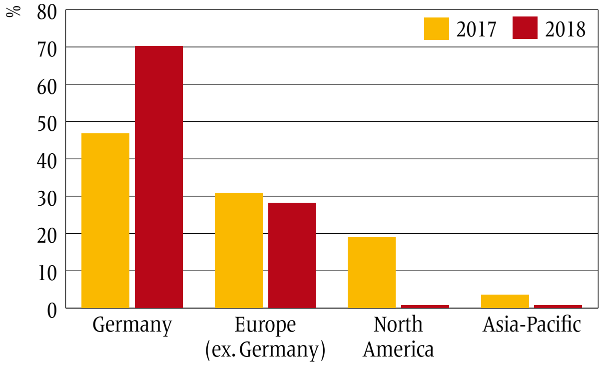
Current political developments are also cited as a reason for declining interest in North America (33.3%); the same applies for the British property market.

OFFICE SPACE DEMAND

Among investors surveyed 52.3% are looking to invest in office space (previous year: 30.4%). Their interest in residential and logistics property remained virtually unchanged: 14.1% (previous year: 14.5%) of new investment is expected to be made in residential and 10.9% in logistics (unchanged from the previous year).

Only 12.3% (previous year: 21%) said they are looking to invest in retail property. The hotel sector has also fallen out of favour, down to 7.7% (previous year: 14.5%). A significant minority, 36.4%, said they expect a hotel property bubble in the next 12 months.

GEOGRAPHIC LOCATION OF PLANNED NEW INVESTMENT



Source Universal Investment

The share of both the retail and residential segments was 27.3%. However, 80% see no risk of a bubble in office and logistics property. Niche segments still enjoy little popularity with investors. The proportion of planned new developments fell from 8.7 to 2.7%.

YIELD EXPECTATIONS

The expected return on current cash flow continues to decline and now stands at 3.96% (previous year: 4%). This was the main focus of returns for 72.7% of the respondents. They are expecting a total return of 5.25% (previous year: 4.72%). The expected unrealised total return remained almost unchanged, averaging at 4.66%. In the previous year, investors expected 4.57%. With regard to risk diversification, 69.8% said they rely on 'core' and 27.1% on 'core+'. Value-added property, on the other hand, plays a negligible role (3.1%).

With regards to new investments, all respondents declared an interest in the open ended special property funds under German law (KAGB), followed by open ended property funds under Luxembourg law (63%) and the Luxembourg SCS and SCSp fund regimes (33.3%). Among respondents, 66.8% have already invested in German property special funds and 9.7% in its Luxembourg counterparts. The share for real estate investment trusts is 11.1%, with 22.2% for KAGB-Investment-KGs.

Last year, around 50% declared their intention to use a Master KVG for new investment in the coming twelve months; this figure rose to 72.7% in 2018. All the investors surveyed said they value good reporting and the structuring capability of such service vehicles. ■

2.8% August YoY increase in production index in Austria

Equity turnover on the Vienna Stock Exchange went up over the first three quarters of 2018, despite a generally sideways market. Ridhima Sharma reports

Turnover on Wiener Börse defies becalmed index

Equity turnover on the Vienna Stock Exchange has continued to increase through 2018, bringing up a near doubling since 2012, despite the generally sideways movement this year in the benchmark ATX index of Austrian stocks.

Between January and September 2018, the ATX went from around 3,688 to 3,344. Total market capitalisation of domestic companies listed on the Vienna Stock Exchange was some €127.8bn as of 28 September.

That said, the trading volume in Q3 2018 amounted to €15.06bn, up 5.9% on the previous year (Q3 2017, €14.23bn). In a year-on-year comparison, total trading turnover was up 4.3% (Q1-3 2017, €49.95bn; Q1-3 2018, €52.12bn).

Share turnover has almost doubled since 2012. The average monthly turnover at the end of September was €5.79bn. The Austrian stocks with the highest turnover included Erste Group Bank (€9.85bn), followed by OMV (€6.76bn) and Voestalpine (€5.44bn). Raiffeisen Bank International (€5.29bn) and Andritz (€3.01bn) ranked fourth and fifth respectively.

Christoph Boschan, CEO of Wiener Börse and its holding company, says: "The turnover developments show that we are the clear market leader when it comes to trading in Austrian equities. Our partners appreciate the execution quality and state-of-the-art technology of the Vienna Stock Exchange, as well as the cost-effectiveness we offer. For Austrian investors we are continuously expanding our international offering, most recently with a new Asia orientation in our global market segment."

Ludwig Nießen, COO & CTO of the Vienna Stock Exchange, adds that apart from the exchanges ongoing work in areas such as cybersecurity "in the run-up to Brexit, the trading members affected by it are also offered intensive on-site support."

GLOBAL MARKET SEGMENT

The global market segment referenced by Boschan has seen some 33 additional Asian blue chips added, meaning that the Vienna Stock Exchange currently offers Austrian investors around 570 securities from 24 countries. Turnover is rising, making the international segment the second strongest stock market segment after the dominant prime market, according to the Exchange's figures.

"WE ARE THE CLEAR MARKET LEADER WHEN IT COMES TO TRADING IN AUSTRIAN EQUITIES"
Christoph Boschan, Wiener Börse

A total of 762 equity securities (shares or ETFs) are currently tradable in Vienna. RHI Magnesita was the most traded share in the global market in Q1-Q3 2018 (€309.36m). In the ETF segment, the LYXOR ETF EURO STOXX 50 (€12.86m) was the security with the highest turnover.

BOND HUB

Another key development noted is the Exchange's emerging role as a European bond listing hub.

Some 261 corporate bonds with a volume of €41.4bn are traded there, of which the majority are international bonds.

Around 2,400 bonds from the stock exchange are tradable in Vienna, and the proportion of international issuers is increasing.

Green and social bonds are a strong trend among new issues. For example, BKS Bank and WEB Windenergie, saw the volume of listed green and social bonds increase to €1.62bn. The 1.375% Voestalpine bond with a term of 2017-2024 was the most frequently traded corporate bond (€7.61m).

International exchange members accounted for 85 % of turnover on the Vienna Stock Exchange in Q3 2018.

In the third quarter, Morgan Stanley was the top trading participant with a 13.49% share of turnover, ahead of Merrill Lynch (8.2%) and J.P. Morgan (7.9%). Fourth and fifth respectively were Tower Research Capital (7.11%) and Société Générale (6.78%). ■

$300 Average monthly salary in Ukraine in September 2018

Eastern promise

Accelerating reforms and growth in new sectors will make Ukraine an attractive destination for investors. Ridhima Sharma reports

At present Ukraine's core assets are under the control of the state. Developing a local investor base in Ukraine is quite important and creating attractive conditions for domestic banks and individuals in the local bond market could bring significant amount of money to private industry and the government.

This year, National Bank of Ukraine's key rate hikes caused yields to rise, which increased demand for government bonds. But to further strengthen the investor base, both corporate and government domestic bond markets should improve liquidity, support the secondary market, and ensure transparency and credibility, says Makar Paseniuk, managing partner at ICU in Ukraine.

Ukraine needs to focus on changes that will lead to stable money inflows from foreign direct investment. Moreover, the government should take a more proactive role in creating investment assets, apart from being more decisive about existing privatisations.

The introduction of a land market is important, which alone could bring in at least $15-20bn of proceeds from the sale of state owned land. Reforms are also needed in the energy sector. Creating a predictable and transparent regulatory regime, developing a liquid stock market, and continuing pension reform were also named as key drivers that could deliver huge amounts of capital to the country, according to Paseniuk.

"UKRAINE'S TECHNICAL UNIVERSITIES PRODUCE OVER 150,000 ENGINEERING AND IT GRADUATES EVERY YEAR"
Makar Paseniuk, ICU

VENTURE CAPITAL OPPORTUNITY

Ukraine's venture capital industry offers great opportunities to investors, Paseniuk continues.

"Ukraine's technical universities produce over 150,000 engineering and IT graduates every year, and we have a tremendous outsourced software development industry that now ranks third worldwide after India and China.

"More and more, we see young Ukrainians becoming entrepreneurs and starting their own tech companies. In 2017, the value of tech deals in Ukraine hit $260m, which is more than three times the amount in 2016.

"The opportunities are particularly attractive in cybersecurity, blockchain infrastructure solutions and agritech, where Ukraine benefits from the scale of its massive agricultural industry."

However, despite the progress achieved to date, Ukraine still needs to offer more large scale opportunities to investors, he adds.

"The role of Ukraine's government in creating these opportunities is more important than ever – and more important than it is in other countries. The private sector, with its heavy debt and high fragmentation, cannot secure the level of investment sufficient to drive beyond average growth for the next 2-3 years," he says.

Paseniuk feels that the government should take a more proactive role in creating investment assets, because at the moment, it is hard to name a viable economic project where a private investor can invest $1bn. The best example is the agriculture sector, which accounts for 15% of GDP. Lifting the moratorium on trading farm land may bring to market 10 million hectares of state-owned land alone. In just three years, this could attract $15-20bn of investment, an amount comparable with the IMF's latest extended funding facility programme for Ukraine.

"The investment assets for strategic investors as well as private equity investors remain quite limited, preventing them from deploying more significant amounts of capital. The central government as well as local authorities should play a more proactive role in creating investment assets in sectors such as infrastructure, recycling, exploration and production, etc. This will attract meaningful amounts of foreign direct investment", Paseniuk adds.

Energy is also important sector in Ukraine, with its 8% share in GDP and critical impact on the trade deficit of Ukraine. Ukraine's natural gas reserves of 600bcm are third largest in Europe. In order for Ukraine to become self-sufficient in natural gas, the country needs approximately $3bn of direct investments into gas exploration and production.

As a result, Ukraine will save $2.5-3bn of import costs, which will dramatically reduce the current account deficit, most recently estimated at $3.5bn per year. ■

0.3% Q2 2018 real increase in European household per capital consumption

Suggestions of a deal on financial services between London and Brussels emerged recently as the UK proposed a Budget that promised a 'windfall' if negotiations are successful. Pedro Gonçalves reports

Deal for City touted as 'Brexit Budget' proposed

UK prime minister Theresa May was reported on 1 November to have struck a "tentative deal" with Brussels that would give the UK's financial services sector continued access to European markets after Brexit.

However, at the time, both Downing Street and Brussels refused to be drawn on more detail, saying only that "good progress" was being made.

If true, such a deal would give the United Kingdom the same level of access to the EU as major US and Japanese firms, while however tying it to many EU finance rules for years to come, the *Times* reported citing anonymous government sources.

British and EU negotiators agreed on all aspects of their future relationship on services and the exchange of data, according to the paper.

"Under the services deal, the EU would guarantee UK companies access to European markets as long as British financial regulation remained broadly aligned with that of Europe," according to the *Times*.

UK Brexit secretary Dominic Raab (left) with the European Commission's Michel Barnier

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"Neither side would unilaterally deny market access without first going through independent arbitration and providing a notice period significantly longer than the current 30 days," it added.

May was also reportedly urging over 130 City executives to lobby MPs to back the government's Brexit deal if and when an agreement is reached.

The newspaper also quoted "a senior figure in the City" suggesting that "when it comes to it, countries like France are going to do everything it can to make life hard for the City. It is one thing to have warm words in a political declaration that is not binding and tying it down in a legal document."

POSSIBLE REJECTION

The early November news came some months after Brussels rejected a UK suggestion on the future of financial services made in July. Currently, as an EU member, banks and insurers in Britain enjoy unfettered access to customers across the bloc in all financial activities. Equivalence, however, covers a more limited range of business and excludes major activities such as commercial bank lending.

UK financial services leader at EY Omar Ali says that while the possibility of a deal in principle are "welcome news", we "should not get too carried away".

"Any proposals based on current EU equivalence frameworks would not provide the access that firms currently get through EU passport, so the depth, breadth and enforcement mechanisms of any new arrangements will be critical.

"What is more, any agreement on future arrangements will still be dependent on the UK and EU first reaching an exit agreement before 29 March.

"In the meantime, firms are primarily concerned that there will be no deal and continue preparing for that scenario.

"In the event of no deal, there remains significant concerns in such circumstances around cross border data, contract continuity, access to other market infrastructure and access to talent that the industry will be focused on."

Still, the UK lead negotiator Dominic Raab, secretary of State for Exiting the EU, predicted that a deal on the divorce would be finalised by 21 November.

UK BUDGET WINDFALL DEPENDS ON BREXIT NEGOTIATIONS

The state of Brexit negotiations may yet put a big stick in the wheel of UK economic growth going forward.

For UK chancellor of the Exchequer Philip Hammond, there is still the possibility of a "double deal dividend" on Brexit – a view expressed during his final Budget before the UK leaves the EU in March next year.

In his speech to Parliament outlining the Budget on 29 October, Hammond said that Britain could benefit from both a positive Brexit deal with the EU and the unlocking of funding he had also looked to set aside additional funding in case of adverse Brexit effects. For example, he noted increased funding to central government departments for Brexit preparations, to £2bn from £1.5bn.

Secondly, he will maintain so-called headroom to his fiscal rules, retaining "firepower" to intervene if needed in coming months.

Thirdly, if the economic or fiscal outlook changes materially he will act, if necessary upgrading the Spring Statement to a full Budget.

This would take the total amount set aside for Brexit planning to £4.2bn. He did not provide further details of how the extra £500m will be spent next year.

DEAL OR NO DEAL

Britain's economy could benefit from "a boost from the end of uncertainty and a boost from releasing some of the fiscal headroom that I am holding in reserve, at the moment" Hammond said.

"When our EU negotiations arrive at a deal, as I expect they will, that will provide a dividend for the spending review," he said.

However, he also warned if there is no Brexit deal, next year's Spring Statement would become a Budget.

"We are confident that we will secure a deal that delivers that dividend," he said. "Confident, but not complacent."

Philip Hammond said a no-deal Brexit would require a "different response", with "fiscal buffers" being maintained to provide support for the economy.

He revealed the Treasury had built up a "reserve of borrowing power" that would enable him to intervene. But he warned: "The economy will change – it will have to restructure itself over a period of time and that will be a fairly major transition."

Pressed on whether the government would be able to end austerity without a Brexit deal, Hammond said: "If we were to leave the European Union without any deal – and I think that's an extremely unlikely situation but of course we have to prepare and plan for all eventualities, as any prudent government would – if we were to find ourselves in that situation then we would need to take a different approach to the future of Britain's economy.

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"We would need to look at a different strategy and, frankly, we would need to have a new budget that set out a different strategy for the future."

INDUSTRY REACTION

The lack of detail about a possible deal on financial services, along with the warnings that the latest Budget could be scrapped in the event of a no deal situation has left mixed feelings among investors.

"This Budget could be entirely defunct in a matter of weeks depending on what happens in the Brexit negotiations," Mark Brownridge, director general of the UK's Enterprise Investment Scheme Association, warned.

"Therefore, this could potentially leave investors in small and medium-sized enterprises in the dark, particularly in the short term."

"With the uncertainty of Brexit looming larger than ever over the public purse, it is unsurprising that today's budget has proven to be a damp squib from a private wealth and capital taxes perspective," John Annetts, partner & head of Administration of Estates, Howard Kennedy added.

Richard Stone, chief executive of The Share Centre, summed it up like this: "The chancellor delivered the longest Budget speech in a decade but had little to say for personal savers and investors." ■

6.9% Fall in the S&P 500 in October (State Street's ICI)

Voting rights

With just a few weeks to go until the Fund Manager of the Year Awards 2018/19 take place, voting by Europe's fund selector community is well under way. Jonathan Boyd reports

InvestmentEurope's Fund Manager of the Year Awards 2018/19 have been gathering the votes of fund selectors from across the region in order to identify the funds deemed worthy of becoming category winners.

Voting has been taking place online, with the assistance of SharingAlpha, the platform partner to the Awards, which has developed and evolved a service that enables fund selectors to generate their own rankings against peers and a record of rating funds that they can use in their professional careers.

Fund selectors have been able to log into a voting portal anonymously to ensure they can give their views on the shortlisted funds without the bias that might develop if they felt their voting records were being tracked by fund providers. They are giving their views on funds on the basis of three key parameters; People, Price and Portfolio, giving a score out of five stars on each, thereby generating an average score for each fund rated. The ratings are aggregated to identify the final category winners.

These winners will be announced at the Awards event taking place in London at 1 Lombard Street on 6 December.

Also being handed out are the annual *InvestmentEurope* Personality of the Year Awards. These recognise professional fund investors – fund selectors – across all key markets and regions covered by *InvestmentEurope*: Nordics, Germany, Benelux, France, Switzerland, Italy, Iberia and the UK. One fund selector from each of these markets will be recognised for their work and how it sets standards for the industry. One of these winners will also take home the overall Personality of the Year Award. ■

For further details visit: www.investmenteurope.net/event/fmya.

METHODOLOGY

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

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

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

Asset manager AQA Capital is stepping up its efforts to spread across Europe launching an office in Prague shortly after disembarking in Italy. Eugenia Jiménez reports

AQA Capital: the Maltese expansion

After three years offering asset management services to clients from Malta, AQA Capital expanded beyond its boundaries opening a branch in Milan.

The Maltese independent asset manager, which provides investment management services and distribution for Ucits and AIF funds, was born in 2015 with a business split into three main roots: asset, wealth management and compliance and regulation. Now, AQA Capital has a team of 12 people in Malta and seven in Milan, including Christian Manicaro as general director, Gabriele Rosi as head of asset management, and Alessandro Beggio in charge of the firm's wealth management division.

AQUARIAN GOALS

AQA Capital's logo includes the colour Klein blue – created by the French artist Yves Klein – which uses aquamarine as a base for its form. AQA's Alessandro Beggio says that the selection of this colour is intended to reflect not only the serene waters surrounding the island of Malta, but also the era its name comes from: the 'Age of Aquarius'. It is an astrological term denoting either the current or forthcoming astrological age, depending on the method of calculation.

"Categorised by modernity, innovation and independence, the Age of Aquarius echoes our goals: to uphold transparency with our clients, to adapt constantly to the ever-changing market and to bring new and unique management strategies to our growing repertoire of investors," explains Beggio.

The company expects to reach €500m in assets under management by the end of the year, split between its asset and wealth management divisions.

Alessandro Beggio says: "The initial phase of the company's growth was related to traditional asset classes like bonds, credit and equity, while recent funds' launches and investments are more associated to alternatives, both liquid and illiquid (real estate and private equity for instance)."

In order to boost the Milan office, AQA wants to expand its network of bankers in the country, giving them innovative solutions as well as an open platform to attract more clients. "By enlarging the network of bankers in the wealth management unit, AQA pursues the innovative business model in which clients are deposited in their banks and AQA has the discretionary portfolio management."

Beggio attributes the firm's growth (from one employee in 2015 to 19 now between Malta and Milan) to the improvement of the team's skills across all the different divisions. AQA is now trying to expand its operations in Malta and its distribution in Italy.

The firm's range of products and strategies is mainly characterised for being flexible and uncorrelated.

"Now we are focusing on the development of alternative and innovative products, in order to build up and expand our Ucits and alternatives platform to become more attractive for new bankers, institutional clients and family offices."

CZECH LAUNCH

AQA has announced it is opening a new office in Prague in the coming weeks (at the time of reporting) while also considering further launches in other European markets.

Currently, AQA is dedicating many of its efforts to alternatives which, according the firm, can help investors to obtain decorrelated returns in this current market environment. AQA's pipeline has some real estate and private equity initiatives in the alternative segment.

ITALY LANDING

Just a few months ago, the Maltese manager disembarked in Italy counting on the authorisation of Banca d'Italia. The Milan office is located in San Babila and has a seven-member team dedicated to promote AQA's services and products across the region.

"Italy is a great opportunity, with lot of business served by banks: with Mifid II, independent players like us may attract family offices and private clients with innovative investment ideas and solutions.

"We also want to attract bankers in the country, with a business model in which private clients are deposited in their banks and discretionally managed by AQA, hence splitting their risks among different players and not concentrating everything with only one intermediary and one investment house," underlines Beggio. ■

70% Estimated Cornish GDP relative to EU average

Boutique focus

Leveraging some 25 years of portfolio management experience of its co-founders, Ardevora Asset Management maintains a boutique focus, as Jonathan Boyd reports

Ardevora Asset Management was founded in 2010 by portfolio managers Jeremy Lang and William Pattisson, after many years of working together across different asset management businesses.

Lang's first steps into the industry came when he joined James Capel Fund Managers in 1986, where he managed North American and UK equities together with Pattisson.

Lang left the manager in 1991 to take up full time long-distance sailing, subsequently joining Liontrust Asset Management in 1995, and then renewing his professional partnership with Pattisson in 1999, where they were responsible for management of UK equity portfolios.

Pattisson's path after James Capel was somewhat different, when in 1994 he moved to Fleming Investment Management and became head of the UK Equity Specialist team and then head of UK equities.

After he reacquainted himself with Lang at Liontrust in 1999, the two decided to leave in April 2009, before founding Ardevora in January 2010.

"Ardevora's founders capitalised the business themselves, seeding the funds and providing working capital with their own resources," explains Hugh Rittner, partner, head of institutional clients at Ardevora

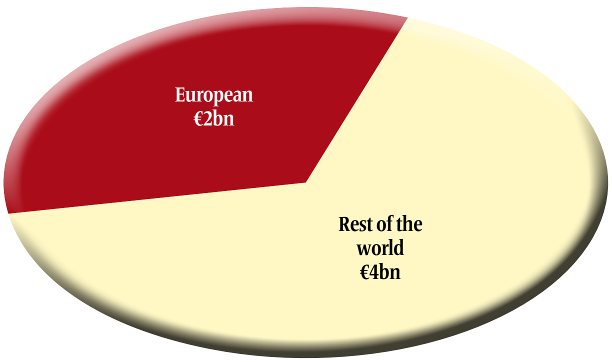
"This financial independence means the business can grow at its own pace, without the need to satisfy the demands of external shareholders. Our institutional relationships began in Europe, and we have leveraged these to build a global business.

"Our ambitions are modest, and growth has come through old fashioned relationship building rather than corporate activity."

Being a UK business, there is a particularly UK background to the name.

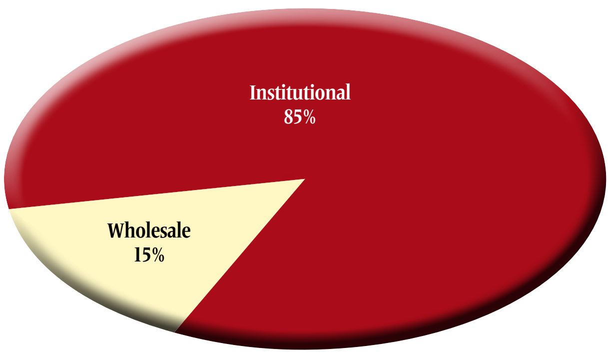
Ardevora has origins in the ancient Celtic language of the English county of Cornwall, and means a clearing in the woods by a river, Rittner says. It was also the name of the boat that Lang sailed around the world on. That in turn was named after a Cornish fishing village on the south coast of England. And that was a part of the world where Pattisson spent family holidays in his own childhood.

AUM SPLIT (€BN)



As at October 2018. Source Ardevora

BUSINESS SPLIT (%)



As at October 2018. Source Ardevora

EQUITIES HOUSE

Ardevora runs approximately €6bn across six strategies, with roughly €2bn coming from European investors. It is an equities house, with 100% of AUM in the asset class, and a heavy weighting to institutional clients (see chart, left). There is currently a single office, based in London.

Says Rittner: "Our business plans extend beyond the year, and we tend to think about things longer term. We believe it is important to focus on generating returns for our current clients, and providing them with the level of client service they need.

"A business like ours does need to grow over time, and this growth needs to be controlled and carefully planned. Right now, we are working on our relationships with UK and European private banks and wealth managers, where we see demand for our differentiated approach to global equities."

In the Continental context, Rittner says there is "increased interest from Switzerland and Germany in particular". This is in addition to a presence across a number of markets globally, including the UK.

However, this does not indicate that there will be growth in the number of products or offices.

"At present, we have no plans to

2 Number of co-founders of Ardevora Asset Management

HUGH RITTNER

Hugh Rittner leads Ardevora's client and distribution efforts. With over 10 years' experience in asset management, Hugh's entire career has been spent working with clients and their advisers. Prior to joining Ardevora, he worked at Fidelity, Principal Global Investors and Old Mutual Asset Management. Hugh joined Ardevora in October 2014 as head of Institutional Clients and has a degree in Philosophy from the University of Manchester.

develop any new products or strategies," Rittner stresses.

"We want to remain a boutique investment manager, and there are no plans to add additional office locations at present.

"We believe we are sensibly staffed as a business at the moment. We continue to analyse how to improve the efficiency of the infrastructure we have, and in due course that may mean additional focus on the various teams within the firm.

"Historically we have minimised the amount of work that is outsourced as we prefer to manage the business internally as much as possible." ■

STRATEGY EXPLAINED

Jeremy Lang, partner and co-founder of Ardevora, says that the manager's approach to investing is to apply fundamental stockpicking.

"We look at many of the same things as other fundamental investors, but we think we do it in a slightly different way.

"Like most investors we aim to invest in well managed, low risk businesses. But, unlike most, we think the best way to do this is to take the results of academic research from cognitive psychology, on errors and biases, and apply them to financial markets. We believe successful stock picking requires an understanding of how three groups of people interact: company managers, financial analysts and investors. Each group is potentially subject to bias, and the biases affecting each group are different.

"To get a sense of whether a company is being run in a sensible way we look at how fast the company is growing, how much cash is being generated by the business and what management are saying about their business and the industry conditions they face. All this helps us make a judgement on management's attitude to risk. If we think a company is straining too hard for growth or in denial about how difficult conditions are becoming, we will not buy the stock. Instead of meeting with management, we prefer to keep a safe distance, judging them instead by observable facts."

1.0% Portuguese CPI annual rate in October 2018

Brexit, fintech and the 30th anniversary of Ucits were highlights of the recent Alfi Global Distribution Conference. Jonathan Boyd reports

Three decades of cross-border success, but challenges remain

Distribution questions including the status of fund providers in the wake of Brexit were front and centre at the most recent Association of the Luxembourg Fund Industry (Alfi) Global Distribution Conference, which took place in the Grand Duchy.

Another notable development highlighted by the event was that it celebrated three decades of cross-border funds distribution; reflecting the role of Alfi over that period in the emergence of Luxembourg as a key destination for domiciliation of funds targeting investors across Europe – including the growth of assets in Ucits vehicles that has been witnesses since that regulatory regime's implementation deadline came into effect in 1988.

Jacques Santer, minister of Finance in Luxembourg between 1979 and 1989, and later President of the European Commission from 1995 to 1999, opened the event through a question and answer session, which outlined the process of developing relevant legislation in the jurisdiction at the time in order to implement the Directive – and the resultant anecdotes of how the Ministry dealt with what was a completely new set of policy demands.

The Ucits story was picked up by the opening keynote, David Wright, chairman of Eurofil, who noted the challenge that Brexit presents to those product providers wishing to continue offering Ucits after March 2019, but who as of the time of the conference were faced with uncertainties because of the lack of a transition agreement between the UK and the EU27.

Capital Markets Union remains a key objective of the EU, and the conference also saw a panel address the state of CMU development, including Paulina Dejmek-Hack, member of the Cabinet of the President, financial advisor European Commission, Erich Gerth, partner and CEO Bluebay Asset Management, Adam Lessing, head of Central & Eastern Europe, Fidelity International, and Martin Parkes managing director, Global Public Policy, BlackRock

REGULATOR WARNINGS

Fund provider firms were also subject to a renewed warning from the representatives of regulators who also took to the stage to discuss latest developments in terms of preparing for Brexit and the ongoing commitments to CMU – as well as a view from further afield on how regulators view the pending ruption between the UK and EU27.

The panel in this discussion included Christina Choi, executive director, Investment Products at the Securities and Futures Commission (SFC) in Hong Kong, Kian Navid, policy officer – Investment Management, European Securities and Markets Authority (Esma), Nick Miller, head

42% The cost of housing represented as a proportion of the disposable income of modest households in Luxembourg

of Asset Management, Supervision, Financial Conduct Authority (FCA), and Marco Zwick, director, Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

Nick Miller of the FCA particularly warned that just because there was yet to be an agreement put in place, it did not absolve regulated fund providers from making sure to put in place plans to deal with any scenario. Doing nothing was not an option from the regulator's point of view, he stressed.

Kian Navid alluded to the ongoing review of the powers that Esma – and the other European Supervisory Authorities – are seeking going forward, when he noted that Esma did not make the rules, which mean that while it could focus on ensuring the industry was prepared for Brexit, it could not provide more specific guidance on exactly how to prepare.

From Hong Kong, the view is that whatever happens, there is a hope that there will be no significant disruption to Europe's fund industry, suggested Christina Choi.

OTHER REGIONS

As a Global Distribution Conference, the event also included views on developments in Latin America and Asia – both regions where Alfi itself has had an ongoing presence to spread the message about Ucits and Luxembourg's position as a domiciliation hub.

The message from Latin America was that Ucits continue to be attractive to local investors, and that the opportunities for foreign fund providers to enter local institutional and other fund markets continue to grow.

Asia too is seeing regulatory and investor demand developments that encourage savings into collective investments. However, the conference heard more specifically from Southeast Asia, with panellists from Indonesia, Thailand and Singapore, which offer significantly different environments in terms of levels of market concentration, market penetration by foreign fund providers, and the relative maturity of local fund markets.

TOOLS & ESG

The Conference was not just about regulatory and geopolitical developments. Fintech was a staple of the second day of the event, with a keynote from Frederik Gregaard, head of Digital Transformation, PwC that looked at the reasons why tech giants such as Amazon may stop short of fully entering the fund market.

Fintech for anti-money laundering purposes had an airing. So too did roboadvice in context of requirements demanded by Mifid II and Priips.

A key topic discussed was ESG, not only in terms of current demands, but also looking ahead to what this means for manufacturers, distributors and buyers of funds.

A key challenge to overcome will be deciding standards to facilitate comparisons of funds on ESG factors. The European Commission's work on developing a taxonomy in this regard was discussed, but in areas such as ethical requirements attached to investments, it remains unclear whether a single standard can be achieved, the Conference heard. ■

AWARDS

For the second year running the Conference also hosted the Broadridge Distribution Achievement Awards.

Handed out by Diana Mackay, managing director, Global Distribution Solutions, Broadridge Financial Solutions, the winners included:

Brand – BlackRock (Rising star: Natixis Investment Managers);

Sales Services – JP Morgan Asset Management (Rising star: BNP Paribas Asset Management);

Marketing and Communications – Black/Rock (Rising star: Sycomore Asset Management);

ESG/Socially Responsible Investment – Robeco (Rising star: Hermes Investment Management).

EURIZON
ASSET MANAGEMENT

SPONSORED STATEMENT

Diversification, sustainable dividend and contrarian strategy to create value

Corrado Gaudenzi examines the strategy of Eurizon Fund Azioni Strategia Flessibile aiming to generate equity-like real returns with a lower level of volatility

Corrado Gaudenzi is Head of Long Term Sustainable Strategies at Eurizon

Ten years after Lehman, investors aren't used yet on the volatility that has been a market feature since the financial crisis. Eurizon Fund Azioni Strategia Flessibile offers a potential solution to generate the performance investors need, with less worrying. It invests in the European and US equity markets with the aim of obtaining returns typical of those markets, but with lower volatility, on a seven-year time horizon. To do this Corrado Gaudenzi, Head of Long Term Sustainable Strategies at Eurizon, has created a disciplined strategy taking benefits from inefficiency of the financial markets on the bases of the research on financial behaviour of Nobel prize-winning economists Robert Shiller and Richard Thaler.

What are the criteria your strategy follows replying to odd investment decisions?

We believe that a sound and disciplined fundamental analysis is a key driver to achieve higher return and lower volatility. Our quant-based global equity strategy is built on three pillars: diversification, selection and flexibility. Diversification comes from the strategy's active allocations between around 120 equally weighted stocks from the MSCI Europe and S&P 500 universes. We don't have top picks. We consider extreme events of single companies very hard to predict and to minimise the negative consequences of these un-predictable events so we equal weight all the companies in our portfolio. With a broad selection of names, the strategy can reduce idiosyncratic risks and have a good diversification between countries and sectors.

"A sound and disciplined fundamental analysis is a key driver to achieve higher return and lower volatility. Our quant-based global equity strategy is built on three pillars: diversification, selection and flexibility"

What is the best way to approach equity market in your opinion?

Historically, shares expected returns are inversely proportional to the level of multiple valuation and to the level of shares prices volatility. I think the best way to achieve equity-like returns while lowering the level of volatility is to adopt a contrarian flexible strategy that invest only 50% in an equity diversified portfolio when long term expected return is at historical low and reach 100% only when long term expected return are greater than the historical average. It takes advantage of market volatility to increase exposure as a result of corrections and reduces it after long hikes.

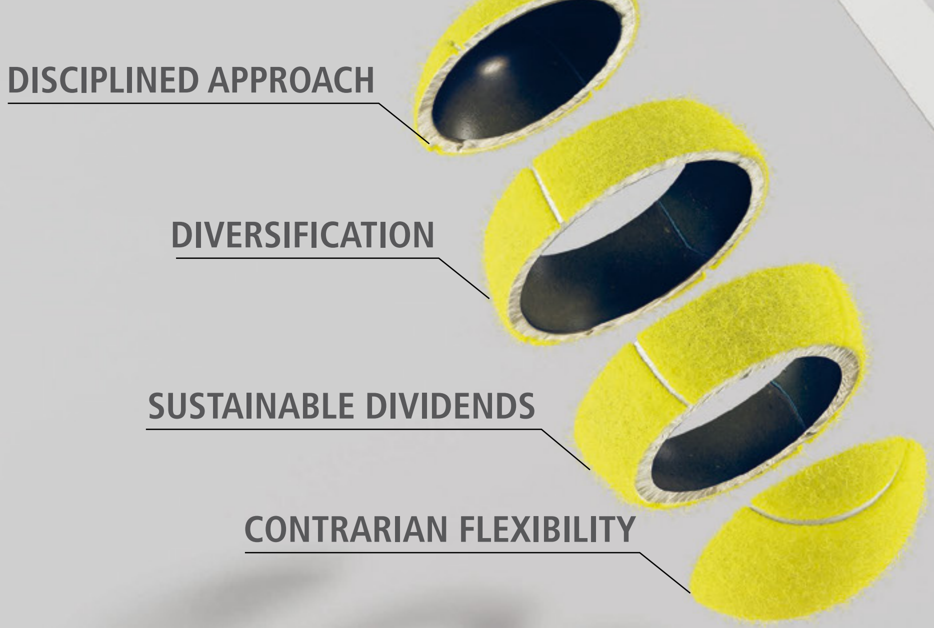
In the last 7 years our sub-fund Eurizon Fund Azioni Strategia Flessibile adopting this strategy on European and Us markets allowed to achieve 61% total return with just 7% of annualised volatility.

May you have an example of such a flexibility?

Every month we analyse the full accounting dataset relative to the largest companies. In the selection process we first avoid companies with weak fundamentals and high volatility and then we focus on those that exhibit the dividend distribution policy that is either most attractive relative to their share price and also most sustainable. Our final portfolio is made up of the best 60 names, according to our analysis, in each of the region that we cover. In the last seven years the selection of Sustainable Dividend companies allowed our sub-fund to improve its overall return by about 16% respect to an index replication passive strategy.

So do you use a successful strategy in every market condition?

Well, I'd like to point out that our equity portfolio works relatively better in a bear market, while in a bull market our performances are basically lower than equity indices. There ain't no such thing as a free lunch in the markets.
But history demonstrates that our strategy can still generate positive alpha when markets rise, as it did in last years.



EVERY PERFORMANCE IS THE RESULT OF OUR VALUES.

EURIZON FUND AZIONI STRATEGIA FLESSIBILE Z (LU0497418391)

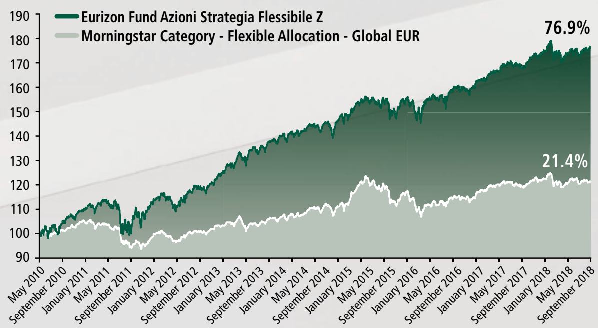
This compelling flexible equity strategy offers a dynamic equity exposure (45-100%) to high quality and attractive stocks with significantly lower volatility than the market.

- **DIVERSIFIED & DISTINCTIVE PORTFOLIO** of 120 US & European equities with healthy balance sheets and high free-cash flow yields, resulting in sustainable dividends over time;
- **CONTRARIAN APPROACH** with a strict buy/sell discipline increasing the equity exposure when equity valuations are low and vice-versa;
- **PROVEN INVESTMENT APPROACH** designed and implemented by the investment Team for the last 10 years. The leading portfolio manager has 20 years of investment experience in Eurizon.

This fund is suitable for those investors seeking equity-like returns with a lower volatility on a 7-year time horizon.

AZIONI STRATEGIA FLESSIBILE is a sub-fund of the Eurizon Fund Luxembourg umbrella fund issued by Eurizon Capital S.A. and managed by Eurizon Capital SGR S.p.A..

Performance 20th May 2010 to 30th September 2018 and comparison with Morningstar Category.



	1 year	2015	2016	2017
Azioni Strategia Flessibile Z	2.60%	3.70%	5.83%	7.46%

Source: Morningstar data. Performance as at 30th September 2018, gross of applicable taxes. Past return on investment is not indicative of future performance.

Company of INTESA SANPAOLO

www.eurizoncapital.lu

EURIZON ASSET MANAGEMENT

€175m Spanish funds net redemptions in October 2018

Beyond Luxembourg

This year's Nordic Investment Managers Forum expanded its presence beyond Luxembourg to include Zurich and Munich. Jonathan Boyd moderated the roadshow, and reports on highlights

For the fifth year in a row, a group of Nordic asset management groups came together to present their views on asset classes and markets from a Nordic perspective.

Known as the Nordic Investment Managers Forum, the event series this year expanded to a roadshow format, which saw the groups hop between Zurich, Munich and Luxembourg respectively across three days (23-25 October), while presenting to audiences of professional fund investors.

This year, the participating groups included DNB Asset Management, Jyske Bank, Sparinvest, Skagen and Danske Bank. The three events respectively saw different keynotes (see box on next page).

DRIVING RETURNS

Kjell Morten Hjørnevik, who joined DNB Asset Management in 1999 as a portfolio manager, responsible for the DNB SAA/TAA and in 2008 became portfolio manager for DNB Nordic Equities, outlined the factors driving strong returns from Nordic equity markets over time.

He noted that local stock markets have performed significantly better over time than other major benchmark, such as the S&P500. This, he suggested, is down to a complex interaction of factors, such as highly educated workforces, encouragement of entrepreneurial activities, and stable fiscal policies.

For an investor seeking diversification, then this can be found across the Nordic region; from oil services and fish production in Norway, to industrials in Sweden, to paper and pulp in Finland and healthcare specialists in Denmark – it is possible to construct a pan-Nordic equity portfolio that offers long term, stable returns.

FIXED INCOME

Switching the discussion to fixed income, Allan Willy Larsen, head of FX and Mortgage Bonds at Jyske Capital, outlined the Danish mortgage bond market, and its stability over time. No mortgage bonds have defaulted in that market since it was established at the end of the 18th Century – as compared to government bonds issued across the Continent since then that have defaulted, including some of Denmark's own.

But a principle of 'balance' between those seeking money to buy a residential property and those willing to lend means that there is now a new national 'sport' that consists of reading the latest published figures on yields on specific issues, to gauge when is the best time to refinance mortgage loans, he said. Denmark's covered bonds market is close to €400bn in size and the biggest in Europe.

Bringing thoughts on equities and fixed income together was David Bakkegaard Karsbøl, who joined Sparinvest in 2013 as chief strategist, and who is also head of Strategic Asset Allocation.

His presentation focused on seven 'rules' recommended to maximise the benefits of adjusting allocations. These include applying diversification, recognising that the efficient frontier is 'fantasy' in terms of practical implementation, taking a strategic approach but also knowing when to deviate when allocating risk budgets, applying and diversifying factor tilts, and minimising unre-

51.1 UK's IHS Markit manufacturing purchasing managers' index in October

warded risk. Applying such rules can lead to improved return against lower standard deviations.

BEYOND NORDICS

Two asset classes beyond the Nordics were tackled at the event series: global equity and EMD hard currency.

Tomas Johansson, portfolio manager of the global equity fund SKAGEN Insight, outlined an approach to global equity termed 'shadow activism'. This is a strategy he has developed in which the fund effectively piggy-backs on the work of activist investors.

However, rather than seeking to, say, take positions on company boards, the strategy relies on spotting the activities of such investors, and then deciding whether to take stakes in companies that are likely to be significantly affected by the actions of the activist investors.

Thus, it is possible to enter ownership of equity 'under the radar', and similarly, exit without risking hits to returns that well known activist investors face when they seek to exit well known holdings in companies.

Regarding EMD hard currency, Thomas Haugaard, who is a senior economist in the Emerging Markets Debt Hard Currency (EMD HC) team at Danske Bank Asset Management, said that global trends in emerging markets towards decreasing poverty, rising life expectancy, and improving access to information are combining to improve the actual level of risk associated with EM investing versus the perceived risk. And with over 70 EM markets to choose from in respect of both local and hard currency debt this remains an area in which alpha can be found because of poor research leading to market inefficiencies.

MACRO OVERVIEW

Also presenting views was Magnus Ehlin, CIO at DNB Luxembourg, who outlined the macro level factors facing investors interested in Nordic assets.

Rate hikes are expected to come through in 2019, albeit Sweden and Norway's central banks respectively face the prospect of local housing markets slowing, along with softer GDP growth through 2019.

The global oil price is of course beneficial to Norway, hence Ehlin's note that his firm has been overweight Norwegian equity since September 2017. Somewhat tempering the outlook was the ongoing struggle to form a government in Sweden, which as of the events taking place was described as an attempt by Swedish politicians to break Belgium's record of being without a government for some 589 days. ■

KEYNOTES

The event series this year featured three keynote speakers for each of the three locations visited. In order of the events they were:

Zurich
Michael Strobaek, global CIO and head of Investment Solutions & Products at **Credit Suisse**, outlined his thoughts and experiences on a Scandinavian background as it has influenced his career over more than 20 years in Switzerland.

Munich
Paul Breitner, a member of **Germany's World Cup winning squad of 1974**, took to the floor for the event in Munich, to outline his approach to life and team planning. As one of only four players ever to score in two World Cup finals – the others being Brazilians Pelé and Vavá, and Frenchman Zinedine Zidane. He also was part of the team that won the European Championship in 1972.

Luxembourg
Meik Wiking, CEO of **The Happiness Research Institute**, and research associate for Denmark at the **World Database of Happiness**, shared his insights into why Nordic countries such as Denmark score so highly when compared internationally against 'happiness' indices.

£642m UK retail funds net inflows in September

The many faces of Hamburg

Political and market events, along with industry changes, marked a number of discussions at the Pan-European Summit Hamburg 2018. Jonathan Boyd, Ridhima Sharma and Eugenia Jiménez report

This year's Pan-European Summit hosted by *InvestmentEurope* in Hamburg put forward a multi-faceted event, which included boardroom and plenary sessions, networking opportunities and the chance to partake of local culture via a guided walkabout of the city.

The boardroom sessions put forward by asset management groups included presentations on areas such as ESG within the European corporate bonds space; global income at a time of continued historically low interest rates; emerging market debt and the relevancy of local currency exposure; and reasons why Japanese equities retain attractive qualities. Groups participating included Candriam Investors Group, Columbia Threadneedle Investments, Danske Invest, Eurizon, Guinness Asset Management, Invesco, Janus Henderson Investors, Odey Asset Management, Stewart Investors (First State Investments) and Tokio Marine Asset Management.

The Plenary sessions covered topics such as diversity in the industry, developments in fund ratings and fund selector ratings, a keynote on Brexit, with an update on efforts to create an industry association representing fund selectors (see boxout on page 40).

ESG & SUSTAINABILITY

Addressing an area of much interest among investors nowadays, Rob Harley and Chris McGoldrick, both senior investment analyst from Stewart Investors discussed why sustainable investing makes sense.

Since the launch of Stewart Investors first product in 1988, sustainable investment has been an integral part of the team's investment philosophy and stock-picking process. At the heart of this philosophy is the principle of stewardship, they explained.

The Sustainable Funds Group at Stewart Investors focuses on long-term sustainable development as a key driver of investment performance; the approach suggests that, by analysing the sustainable development performance and positioning of companies, they can better measure less tangible elements of quality and identify less obvious risks.

Sustainable credit was the focus of Andreas Dankel's presentation at the Summit. The head of Credits, co-head of European Corporate Sustainable Bonds & Nordic Corporate Bonds at Danske Bank Asset Management, outlined four building blocks to his approach: ESG integration, active ownership, screening, reporting and disclosure.

The impact this approach has is illustrated by data showing how portfolios may have a higher weighting to green bonds, and less carbon exposure than benchmark indices. For any portfolio manager investing this way there are certain challenges, such as needing to beware greenwashing. For screening, Danske Invest restricts investments into controversial weapons, tar sands and thermal coal, although different customers may have other, specific restrictions they want applied, such as on alcohol and tobacco.

72.7 million Hectolitres of beer sold in Germany in the first nine months of 2018

INVESTMENT EUROPE PAN-EUROPEAN SUMMIT HAMBURG 2018



GLOBAL EQUITY

Janus Henderson Investors' fund manager Steve Johnstone addressed the firm's approach to equity investment, explaining the benefits of blending fundamental stock picking with systematic portfolio construction, and how a mix of different investment styles can help smooth investor returns.

Noting the Global Equity Market Neutral Sicav fund managed by himself, Johnstone said he was looking to "diversify a global portfolio, uncorrelated with the market". In the case of his approach, it is done on the basis of a multi-manager strategy; the investment process starts with manager selection, followed by pair trade selection, portfolio construction, risk oversight and ongoing analysis.

US

Taking a country specific approach, Columbia Threadneedle Investments' Nicolas Janvier outlined the US Smaller Companies fund he manages.

A key point to note, he said, is that the US definition of small cap in most other regions would be stretching into the area of mid caps. But it is a broad universe from which to choose in the US equity markets available.

The idea is to own companies through the steepest part of their growth curve, where most alpha is typically generated. This approach results in strong and consistent returns over the medium-to-long term, he argued.

ASIA

The Summit heard two distinct angles on investing in Asia.

Mark Hammonds, co-manager of the Guinness Asian Equity Income fund, outlined some of the investment opportunities offered by investing in Asian equity, focusing on undervalued shares in stable robust cash-generative businesses.

"We have a focus on high quality companies that have a sustainable competitive advantage; whether they produce innovative products, or have purchasing power.

"We identify them by looking at their high return on capital. Asia is a region where we can find that combination of quality and attractive valuations," Hammonds said.

And because Guinness' funds are not benchmark constrained, they can select stocks beyond the influence of index weightings, and look to portfolio construction with high concentrations that can strike a balance between the benefits of diversification and the risk of diluting investment returns, he added.

"We feel there is good long-term opportunities in

KEYNOTE

Iain Duncan-Smith (pictured below), the former secretary of State for Work and Pensions in the UK government from 2010-16, and former leader of the Conservative Party in 2001-3, outlined his vision of how Brexit ought to come about, and the UK's position relative to Europe going forward.

Known as a Brexiteer among the heavyweights of his party, Duncan-Smith acknowledged his own personal links to Hamburg itself, having been based nearby when an officer in the UK Army in the 1970s.

For the UK today, however, he suggested that negotiators had failed to achieve a good bargaining position, in particular because of the so-called Chequers deal put forward by prime minister Theresa May in regards to the Irish border question. Instead, the UK ought to have been more resolute in its approach to the negotiations, he suggested.

For its part, Europe – by which Duncan-Smith meant negotiators in Brussels – had failed to understand the UK psyche in the full Brexit debate, he also suggested. The country would not allow itself to be hemmed in at a time when future global growth is expected to come from emerging markets and regions such as Asia – rather than an ageing Europe. And even Washington would, despite the seeming reservations on trade expressed by the current administration, see the benefits of trade with the UK.

44.8 million Employees in Germany in Q2 2018

PLENARY SESSIONS

The Summit this year featured three plenary sessions for the full delegate audience, touching on three key developments affecting professional fund investors: diversity, ESG ratings, and ratings of fund selectors themselves.

Manuela Froehlich, global head of Business Development at LRI Group and co-founder of Fondsfrauen, the women's network that has predominantly been seen in the DACH markets, put forward evidence of the ongoing gender gap in areas such as wages and representation at the most senior level of financial services companies. This, she noted, would lead to challenges facing the industry and investors in future if not addressed. Commenting on diversity, or rather the lack of it in the industry, could lead to different ways of appreciating risk, which could benefit investors. Companies would potentially be able to access a better pool of new staff, thereby helping stave off the effects of Europe's demographics. It could also simply help attract more young people into the industry, who in future would become fund selectors – amid research from markets such as Germany suggesting that young people already do not tend to prefer looking for jobs in finance.

Ali Masarwah, director, Editorial Research EMEA, Morningstar Europe, based in Frankfurt, took part in a 'fireside chat' discussion with Jonathan Boyd, editorial director, Open Door Media Publishing, about developments in rating funds according to ESG factors.

Masarwah noted that Morningstar has already put a lot of work into developing methodologies to be able to facilitate comparisons between funds on the basis of factors such as carbon emissions associated with underlying holdings, but also noted that there is still much to be done. The industry awaits the final taxonomy being proposed by the European Commission in regards to sustainability, while it remains the case that there is more work to be done in asset classes such as fixed income to be able to facilitate comparisons between bond funds on ESG, and beyond that in the area of alternative investments.

Also discussing ratings was Oren Kaplan, CEO and co-founder of SharingAlpha, the platform that enables fund selectors to develop ratings of their own selection activities against peers. He told the story of how this platform came about, and its ongoing development and addition of new facilities, such as one that can allow platform members to share views on particular funds, for example, where one fund selector is thinking about investing, but would like to hear from another fund selector who already has made an investment.

investing in Asia. Regarding Chinese companies, we invest in those that are listed offshore. We find good opportunities particularly in the consumer space."

Tokio Marine Asset Management was another group presenting ideas on Asia, although in its case focused on Japanese equity, at a time when there are questions about the residual impact of prime minster Shinzo Abe's so-called 'arrows', and to what extent local stocks are subject to cyclical or structural changes.

Oleg Kapinos, product specialist, noted that the Abe government is expected to continue, as he won a leadership contest recently in his own party. Other key macroeconomic shifts being seen include more value added exports to China, and an increasing number of foreign investors in Japanese companies. And more Japanese themselves are increasing their purchase of risk assets.

2.2% France's YoY consumer prices increased in October 2018

INVESTMENT EUROPE
PAN-EUROPEAN SUMMIT
HAMBURG 2018

0.4% Rise in French GDP rose in Q3 2018

Speakers

Johan Van Der Biest is a senior fund manager at **Candriam Investors Group**, leading the Candriam Robotics and Innovative Technologies fund. He has co-managed the Global Demography fund since 2012. He joined one of Candriam's predecessors in 1992.

Oleg Kapinos is a product specialist at **Tokio Marine Asset Management**. Based in London, he joined the team in February 2017. Focused on building relationships with UK/European investors, he previously spent 10 years in Tokyo holding different roles, including that of product specialist for Liquid Alternatives at Neuberger Berman.

Andreas Dankel is head of Credits, co-head of European Corporate Sustainable Bonds & Nordic Corporate Bonds for **Danske Bank Asset Management**. He also heads the European Credit and Nordic Corporate Bond teams. Previous roles were held at BankInvest, Nordea Markets and Unibank Markets.

Lewis Aubrey-Johnson is head of Fixed Income Products at **Invesco**, based in Henley-on-Thames. He started at the Investment Communication team in 2000, before transferring to the Global Equities team as product manager in 2002, and then onto his current role with the Fixed Interest team in 2003.

Yasmine Ravai is senior portfolio manager at **Eurizon**, having worked for many years in Paris across Global/EM Fixed Income, FX Markets and Multi-Asset Class and Multi Strategy funds. She spent many years at Amundi, in the position of head of Global Fixed Income/Emerging Markets funds.

Steve Johnstone, fund manager at **Janus Henderson Investors**, is responsible for the top-down overlay and quantitative risk control of the strategies he manages. He previously spent 11 years at Gartmore as a quants risk analyst, until its acquisition by Henderson. Other roles were at Merrill Lynch, Panmure Gordon, Industrial Bank of Japan, and Baring Asset Management.

Rob Harley has been a senior investment analyst at **Stewart Investors** since October 2015, responsible for generating investment ideas for the Stewart Investors Sustainable funds group across all sectors in emerging and developed markets. Previous experience includes eight years in the not-for-profit sustainable development sector.

Chris McGoldrick is a senior analyst in the Sustainable Funds Group at **Stewart Investors**. He joined the team in September 2013. He has been covering Asian companies for over 19 years as an analyst, portfolio manager and Asian research sales specialist. He joined the industry in 1997 as an analyst with Edinburgh Fund Managers.

Geoff Marson is fund manager of the **Odey Opportunity Fund**, which he has run since May 2008. He has over 23 years' experience managing multi-asset portfolios. He is managing director at Odey Wealth Management (CI), of which he was a founder director. Previously he was director and head of portfolio management at Credit Suisse (Guernsey).

Nicolas Janvier is a portfolio manager at **Columbia Threadneedle Investments**, where has been responsible for the Threadneedle American Smaller Companies fund since 2015. Previously, he was a portfolio analyst in the US Equities team. Before that, he spent eight years with Columbia Management, and before that was at the private bank of Bank of America.

Mark Hammonds joined **Guinness Asset Management** in 2012, and is co-manager of the Guinness Asian Equity Income Fund. Prior to joining Guinness, he worked at Ernst & Young, where he qualified as a Chartered Accountant.

50% Proportion of Norway's exports accounted for by crude oil and natural gas

INVESTMENT EUROPE PAN-EUROPEAN SUMMIT HAMBURG 2018

APFI

The Association of Professional Fund Investors put forward an optional briefing for delegates, outlining the ongoing work that the Association is doing to create a member-driven organisation that can provide standards to the industry.

Jauri Häkkä, Widhaby Advisors' managing director and board member of the Association, and Ricardo Campanini, head of investment at Olympia Wealth Management, who recently joined the Leadership Team of the Association , jointly presented.

The APFI has, besides adding to its Leadership Team, appointed members to an advisory board. These steps have been taken to broaden the capabilities of the Association in ramping up its membership, but also pushing for a recognised standards certification programme (see p53; Observations).

From the perspective of a Garp (growth at a reasonable price) investor, Tokio Marine thus sees opportunities in companies that are focused on R&D to add value, such as in the pharmaceutical sector and in companies looking to tap into China's environmental objectives.

EMD

Yasmine Ravai, senior portfolio manager at Eurizon SLJ Capital, addressed emerging market debt, which effectively meant addressing two asset classes; debt and emerging markets.

EMD has taken on a particular slant following a significant departure of investors from local currency bond markets in the wake of fears over a trade war. But, she argued, the approach of Eurizon SLJ's Emerging Market Bond Local Currency fund, is that it focuses on risk rather than asset allocation, and has been able to ride out the ongoing storm on a relative basis.

The fund uses a top-down macro approach relying on macroeconomics, policies and markets to understanding persistent effects and biases across global markets. This is augmented with a bottom-up process using factors such as valuation, momentum, yields, positioning, technical charts and risk analysis to capture the market alpha.

MULTI-ASSET

The multi-asset approach was represented at the Summit by Geoff Marson, fund manager at Odey Asset Management, who outlined advantages of multi-asset investing through a dynamic asset allocation.

By way of example, Marson noted that the fixed income allocation for 2018 has focussed on tactical duration, a blend of linkers and other government bonds, credit ETFs and duration hedges; this compares with the previous year, when there was more focus on linkers and government bonds and direct holdings. Shifting the focus of holdings through active allocation is an important part of the active manager's role ongoing.

Another multi-asset angle was introduced by Invesco's head of fixed income products Lewis Aubrey-Johnson, who noted the Invesco Global Income fund, a €1bn strategy (in August 2018) investing in a broad range of fixed income and equity securities aimed at generating income. He noted that income funds may not have felt familiar to some investors across Europe to begin with, but they have had to come around given the reality of interest rates being below inflation.

Flexibility is a key word in this context. Aubrey-Johnson noted that investments have include some in Argentina: "Where there has been some repricing, we are prepared to take risk and generate the income".

THEMES OF THE FUTURE

Johan Van Der Biest, senior fund manager at Candriam Investors Group spoke about robotics and innovative technology and how investing in 'tomorrow's future' can benefit investors.

In his particular approach, it is important to adopt a disciplined bottom-up investment process, which focuses on companies with above average revenue growth, strong competitive positioning and innovative technologies, he said.

The continuously accelerating technological evolution is impacting every sector, every company and various aspects of everybody's daily lives.

For example, he said robotics cannot be isolated from the technology sector as machine learning and advanced robot tasks need sophisticated data centres. ■

WALKABOUT

The Summit this year provided an opportunity for delegates to take part in a city walk. Led by a guide, it offered a fascinating insight into the history and architecture of the city, with its roots in the Hanseatic League period of the Middle Ages, and latterly 19th and 20th Century role as a key port city of Germany.

1.6% Italian consumer price index rise YoY in October 2018

Visiting the community

Visits conducted by *InvestmentEurope* with the fund selector community across the region have continued over the past month, as Jonathan Boyd reports

The past six weeks have been a busy period for *InvestmentEurope*'s staff involved in supporting the publication's own event series in locations such as Copenhagen, Madrid, and Hamburg. All presented an opportunity to mingle with locally based fund selectors.

However, this did not stop other visits from going ahead across the Continent to deepen understanding of the drivers of fund selection activities.

Recent highlights are listed below.

Upcoming trips

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

These include:

- 5-6 November – Jonathan Boyd & Patrik Engström visiting Stockholm;
- 14-16 November – Eugenia Jiménez and Angela Oroz visiting Madrid.

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

2019

InvestmentEurope's events programme for 2019 is being rolled out currently (see page 48).

This includes a number of additional locations, where events have not previously been held, or locations to which *InvestmentEurope* is returning. Examples include:

- Pan-European Sub-Advisory Summit London 2019, on 27 & 28 February;
- Funds To Watch Berlin, 10-12 April;
- Italian Summit Rome 2019, on 6 & 7 June;
- Helsinki Roundtable 2019, on 24 September;
- Funds To Watch Geneva 2019, on 9-11 October.

Staff will be doing visits to these cities ahead of these events, to ensure that locally based fund selectors have all the latest information required to ensure the most efficient use of their time when attending.

Keep an eye out for further information on these and other visits.

Munich

Ridhima Sharma (pictured above), DACH correspondent visited Munich in late September, where meetings included:

- Patrick Wittek – Fonds Laden Munich;
- Martin Hofberger – managing director – Barius Capital Management;
- Holger Bachmann – fund selector – BMW Bank AG;
- Ingolf T Hegner – managing director – Jungferasee Invest;
- Jamie Noguchi – head of AM – Mahrberg;
- Gregor Goerlich – investment manager – Auctus Capital Partners;
- Marcel Mueller-Marbach – head of Equity Investments, Legal Service of the European Investment Fund (EIF);
- Lutz Welge – head of PM – Julius Baer Europe.

- ESG is a big topic among asset managers in Germany and Switzerland.
- Emerging market debt and real estate funds are in demand when it comes to the German market.

Milan & Turin

Luisa de Vita (pictured below) delegate relations manager and Eugenia Jiménez, Iberia correspondent, travelled to Italy for visits, where meetings included:

- Roberto Bianchi – head of Funds Investments and portfolio manager – Banor Sim;
- Donato Fornuto – co-founder and partner – Family Advisory Sim, Sella & Partners;

116.6 Italy's consumer confidence index in October 2018

- Diego Bossio – portfolio manager – Banca Reale;
- Giorgio Bensa – head of Multimanagement – Ersel Sim
- Felice La Fortezza – head of Advisory Italy – Pictet;
- Clementina Bonaduce & Federica Maccaferri – investment associates – Fondo Italiano d'Investimento;
- Riccardo Secchia – fund selector – UNICA Sim;
- Daniela Vitti – senior portfolio manager – CA Indosuez Wealth;
- Fabio Catalano – head of Multimanager – Acomea SGR;
- Andrea Daffara – manager – Sella Gestioni;
- Giorgio Mastropietro – Fof selector – Aziumt.

- Interest was expressed in ESG, thematic funds and the impact of Mifid II.

HAVE COPY, WILL TRAVEL

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

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

Approaching events

The coming month sees events hosted in Zurich, Milan and Tel Aviv before heading to Stockholm in December

NEXT EVENTS

ZURICH, 13 NOVEMBER

INVESTMENT EUROPE
PENSIONSKASSENFORUM
ZURICH 2018

InvestmentEurope will once again host an event for the Swiss institutional market with the *Pensionskassenforum* Zurich 2018 taking place 13 November at the Baur au Lac in the Swiss city.

Targeting some 40 fund selectors, the event will feature presentations and insight from Candriam, Danske Bank Asset Management, Eaton Vance, J O Hambro Capital Management, Mercer Investments, RWC Partners and T. Rowe Price.

Key topics covered include opportunities in senior secured loans, broader developments in bond markets, stock-picking in the Trump era, and alpha opportunities in European equities.

However, with its focus on the allocation decision made by Swiss pension funds across various cantonal environments, the event also features panel discussions on topics such as on the outlook for portfolio management in the context of the Swiss pension market, and the impact of social policy on investment decisions.

To register your interest in attending this event contact Arzu Qaderi at arzu.qaderi@odmpublishing.com or phone +44 (0) 20 3727 9936.

INVESTMENT EUROPE
MILAN FORUM 2018

MILAN, 20 NOVEMBER

InvestmentEurope's return to Italy for the Milan Forum 2018 takes place 20 November at the Four Seasons Hotel.

Targeting some 40 fund selector delegates, the event will feature presentations from Amiral Gestion, Artisan Partners, Aviva Investors, Candriam, Eurizon, Principal Global Investors and Wellington Management.

Collectively, they will put forward ideas in areas including identifying sustainable quality and growth opportunities in emerging market equities; taking a total return approach to emerging market debt, seeking out quality growth in global markets; using a systematised approach to thematic ides generation; and developments in China's RMB bond market.

The event includes both a coffee break and lunch to facilitate further networking opportunities between delegates and portfolio managers taking part.

To register your interest in attending this event, contact Luisa de Vita at luisa.devita@odmpublishing.com or phone +44 (0) 20 3727 9932.

TAKE PART IN THE DISCUSSION

Delegates to the *Pensionskassenforum* Zurich 2018 are encouraged to connect ahead of the events by tweeting using the hashtag #PFFZURICH . For the Milan Forum 2018 use the hashtag #IEMILAN.

InvestmentEurope's website now offers the opportunity to learn about both past (www.investmenteurope.net/past-events) and future (www.investmenteurope.net/events) events. And there are LinkedIn pages dedicated to events and other news at: www.linkedin.com/showcase/6403794.

LOOKING AHEAD

INVESTMENT EUROPE
TEL AVIV FORUM 2018

TEL AVIV, 27 NOVEMBER

InvestmentEurope returns to Israel for the Tel Aviv Forum 2018, taking place 27 November at the Hilton Tel Aviv.

Targeting some 25 locally based selector delegates, the event is set to include the participation of groups such as Artisan Partners, Columbia Threadneedle Investments and Schroders, which collectively will tackle ideas in areas such as investing in growth and multi-asset strategies.

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

INVESTMENT EUROPE
STOCKHOLM FORUM 2018

STOCKHOLM, 4 DECEMBER

Next month *InvestmentEurope* returns to Sweden's capital for the Stockholm Forum 2018.

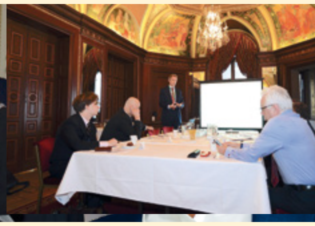
The event will host up to 25 locally based fund selectors for insight from groups including Artisan Partners, Aviva Investors, J O Hambro Capital Management, Jupiter Asset Management and Mirae Asset Global Investments. Investment topics being discussed include Asian equities at a time of uncertainty, and finding growth opportunities among strong franchises.

For further information, contact Patrik Engstrom at patrik.engstrom@odmpublishing.com or +44 (0) 20 3727 9940.

EVENTS CALENDAR 2018

13 November	Zurich	*Pensionskassenforum*
20 November	Milan	Forum
27 November	Tel Aviv	Forum
4 December	Stockholm	Forum

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


6 December	London	Fund Manager of the Year Awards

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



2019

21 February	Frankfurt	Roundtable
27-28 February	London	Sub-Advisory Summit
8 March	Milan	Forum
12-13 March	Stockholm	Nordic Summit
20 March	Paris	Forum

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

1,700 Vetted members of the SharingAlpha community of professional fund buyers

@SharingAlpha

SharingAlpha has continued to build new features over the past month to bring to its platform members across Europe and beyond

SharingAlpha adds new features

The SharingAlpha platform has continued to grow the facilities offered to members, according to Oren Kaplan, CEO and co-founder.

- **New Ranking.** "Our members are able to rate the quality of commentary left by other members and those who received the highest ratings reach our Top Ranked Commentators list."
- **Country Rankings.** "Members can know view the top ranked fund selectors in different individual countries."
- **Request Insight.** "Our members are able to ask for insights from fellow members and fund managers regarding funds they select."

Oren Kaplan, SharingAlpha

HIGHLY RATED FUNDS

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

Fund name	Domicile	Average rating	Raters	Move from prev
Liontrust European Income Fund	UK	5	8	◆
Oppenheimer Developing Markets Fund	US	4.91	5	◆
Valentum FI	Spain	4.84	9	▲
Lindsell Train Global Equity Fund	Ireland	4.82	9	◆
Robeco Global Consumer Trends Equities	Lux	4.82	5	◆
Cobas Selección FI	Spain	4.81	8	▲
Invesco Global Leisure Fund	Lux	4.81	8	◆
Sextant PEA	France	4.8	15	New
Magallanes European Equity FI	Spain	4.8	23	▼
Schroder GAIA Two Sigma Diversified	Lux	4.79	16	▼

As at October 2018 Source www.SharingAlpha.com

These new rankings and insights build on the existing facilities that enable fund selectors to build rankings of their own selection capabilities.

RATINGS CHANGES

The Sextant PEA fund recently joined the list of 10 funds most highly rated by SharingAlpha's platform users, constituting professional fund selectors across Europe and beyond.

Other funds making gains among the top 10 included the Valentum FI, and Cobas Selección FI funds, which edged into the top six rated funds.

The Valentum FI funds has made it into the top three, alongside the Liontrust European Income and Oppenheimer Developing Markets funds.

These and the other highest rated funds stand out on the key factors of people, price and portfolio.

The scores represent the 'wisdom of the crowd', as they are based more on qualitatively derived expectations of fund selectors rather than backward looking quantitative filtering. ■

10.1% Italy's unemployment rate in September 2018 (Istat)

Tailored strategies

Eurizon's Massimo Mazzini outlines the firm's global expansion with an upcoming launch in Spain highlighting the importance of having local presence. Eugenia Jiménez reports

Eurizon is the asset management division of the Italian Group Intesa Sanpaolo. Fifteen years since launch, it achieved €311bn in assets under management as of the end of June 2018, up 4% compared to the same date a year earlier. The figure goes up to €391bn when the alliance with Chinese asset manager Penghua is included.

With a business split 46% retail, 52% institutional and 2% wholesale, Eurizon's results over the last three years "confirmed the company's capability to compete across Europe," according to Eurizon's head of Marketing and Business Development Massimo Mazzini.

Tthe firm was ranked second in Europe in terms of total inflows to mutual funds in 2015, and gained first position one year later.

Eurizon offers a broad range of tailored products to meet specific client needs wrapped in funds, managed accounts and dedicated segregated accounts for institutional clients. It has a diversified investment approach with abilities on Euro Fixed Income, Multi-Asset and Quantitative Management.

According to Mazzini, the manager has grown largely thanks to the development of its main client: Intesa Sanpaolo's Banca dei Territori division.

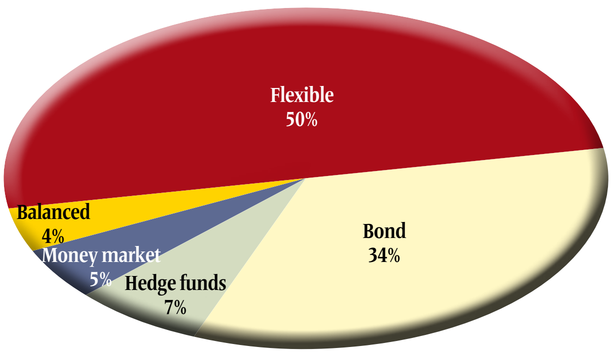
"By listening to our clients throughout the network, and using our competence on the markets while constantly keeping up to date with regulatory changes, we have been able to develop a range of products that evolve in step with the needs of our clients."

With regards to Eurizon's global business, Mazzini points at a fundamental strategic principle: being present with dedicated teams in key markets such as China, the UK, Luxembourg, Germany, France, Switzerland, Hong Kong and Eastern Europe, and now Spain, is key for expanding and succeeding abroad.

"The company's extraordinary expansion in both the domestic and international markets has been led and inspired by the leadership of Tommaso Corcos, who in addition to supporting the organisation in gaining ever more awareness of its strengths, has chosen to invest in top-notch teams, playing a crucial role in establishing Eurizon SLJ in London, as well as the alternative debt business, while at the same time boosting the European and Asian markets," underlines Mazzini.

The firm recently expanded in Continental Europe, opening new branches in Germany, France and Switzerland, considered key markets for Eurizon.

MUTUAL FUNDS BY ASSET CLASS



As at the end of June 2018 Source Eurizon

"We are tailoring different strategies to specific regional needs. For instance, Germany's main challenge is that the market is dominated by a few large players, so differentiation from competitors is crucial. Conversely, in France we are more focused on local boutique clients and a bit more on the institutional segment.

"In other areas we adopted different approaches, with partnership agreements including that with Chinese asset manager Penghua, or that in London – where we set up Eurizon SLJ Capital, an asset manager providing investment and advisory services with a particular focus on currency management and macroeconomic research."

INVESTMENT PROCESS

Eurizon's investment process is divided into three stages:

- Strategic management process. The board of directors, on the basis of the investment committee's analysis, provides the general investment strategies having the purpose of guiding the management activities.
- Management process. Carried out by the chief executive officer, the chief investment officer and the portfolio management team in line with the guidelines defined in the strategic management process.
- Control process. Compliance, risk management and the rest of levels of the investment area verify the consistency of portfolios with respect to the decisions taken under the investment process.

Starting in 2017, Eurizon integrated ESG and SRI principles into its invest-

49.6% Proportion of the Italian population aged 6 and over who went to the cinema at least once in 2017

ment process, adopting specific methodologies to select and monitor those financial instruments to include in the firm's investment choices.

BUSINESS PLANS

Apart from further developing its business in the countries already present (gaining more clients and assets), Eurizon aims to expand across other European regions and LatAm.

With regards to "known" markets, Mazzini says: "We are tailoring different strategies to specific regional needs. In terms of products, considering that Italian retail investors are usually conservative, we are developing multi asset solutions focusing on managing the drawdown risk.

"Beyond Italy, we are focusing on wholesale and institutional investors, trying to enhance the level of penetration through niche solutions such as the Eurizon Fund Bond High Yield and the Epsilon Fund Emerging Bond Total Return."

Looking ahead, Eurizon wants to focus on sustainable finances. In 1996, it became the first Italian asset manager to offer ethical funds, which lay out clear and articulated criteria for the selection of securities, a Sustainability Committee, and the devolvement of earnings. "We thought we could be more engaged on this area so we decided to integrate the ESG criteria within our investment policy.

"We would like to be a player with responsibility on corporate governance issues, sustainability, etc," underlines Mazzini.

With this in mind, Eurizon recently launched the Eurizon Fund Absolute Green Bond and the Eurizon Fund Sustainable Global Equity.

SPANISH LAUNCH

Eurizon is opening a commercial branch in Madrid once it obtains regulatory approval.

Mazzini says: "On the Spanish market, distribution mostly takes place through large retail banks, which control the market and use third-party asset managers within their funds. These are the clients we aim to target."

MASSIMO MAZZINI

Massimo Mazzini has worked as director of Marketing and Business Development at Eurizon Capital SGR since 2015. He joined Eurizon Capital SA in 2010 as managing director, a position he held for five years. He was previously at Epsilon SGR CEO. Before that he worked as CIO of the investment solutions team of Eurizon Capital SGR, having joined Intesa Sanpaolo Group as Eurizon AI SGR CEO in 2007.

Mazzini has also worked at Crédit Agricole Group's two alternative hedge fund management companies based in Milan and for Arthur Andersen MBA for five years, where he started his career in 1996.

Although the manager has been present in Spain for a few years, it wants to create a local team to speed up its expansion on a market "experiencing strong asset management growth.

"Some of our funds investing in EM including the Epsilon Fund Emerging Bond Total Return and Eurizon Fund Emerging Market Local Currency, could be as popular in Spain as in other regions, considering the interest Spanish investors are showing in searching for return while diversifying from European investments," Mazzini adds.

MARKETS VIEWS

Eurizon is keeping a moderately bullish exposure to risk assets – to stocks in particular – given the ongoing expansionary global economic cycle.

"We consider the current stock market downswing a correction, and will read any accommodative signal sent by the Fed or by Trump as an opportunity to increase our exposure to equity," says Mazzini.

"We now prefer US and Japanese stocks to European.

"Our approach to the bonds market is neutral. At current yields, US government bonds are starting to hold appeal, and we favour them over German Bunds."

The firm's positioning to currencies is bullish other than the euro. The yen and the pound should help buffer any further volatility triggered by political risks in the eurozone, concludes Mazzini. ■

InvestmentEurope's Editorial Board members give their views on fee compression, equities volatility and the the 'no gains, no fees' model

Ideas generation

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

BERNARD AYBRAN

CIO Multi Management
Invesco
Paris
www.invesco.com

If management fees are compressed further, could this threaten the rate at which new investment ideas are brought to market in the form of collective investments (funds)?

As of now, there is no indication that the pressure on fees is coming to an end. Still, asset management remains a highly profitable industry with bright people coming up with new bright ideas on an ongoing basis. Their ideas might be implemented through other formats than just funds.

The whole idea of 'solutions' is getting traction with asset managers and investors and it is way more than just a buzzword. It is about finding the way to deliver the best investment experience to the client, through any appropriate tool. Asset management is not just about funds any longer.

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EMMANUEL FERRY

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

Are you expecting prices of listed equity to become more volatile globally through 2019?

We are on the verge of a new volatility regime following a decade of risk compression. The price of risk is about to rise for several reasons. The Fed is hiking rates versus either lowering or keeping them at zero. The Fed is shrinking rather than expanding its balance sheet. More broadly, speaking, global central bank interventions have begun to taper versus expansion. The current administration is insisting on a trade war, which is clouding global economic outlook. The US economic cycle is mature rather than recovering. There are record levels of debt at risk of rising rates versus a re-leveraging cycle with ultra-low rates. Lastly, the triple peak (earnings, equity valuation, and liquidity) should coincide with a bottom of volatility.

JON BECKETT

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

Do you agree with the 'no gains, no fees' model that has been proposed by certain asset managers?

In principle. yes; if it drives better outcomes. We are all familiar with the statistical evidence and lack of cost transparency. We should always consider the economic incentives of any business model and how it effects fund manager behaviour. We know the AMC1.0 model incentivises asset gathering over asset performance. I have been a supporter of innovative fee models and one that caught my eye was the 'symmetrical AMC' proposed by Andrew Clare at CASS business school, as adopted by Orbis. Asset managers that adopt flat and performance fees pose extra challenges for the buyer; the fulcrum, hurdle and whether they encourage good behaviour. I want to see these models also linked to long term incentives and ESG.

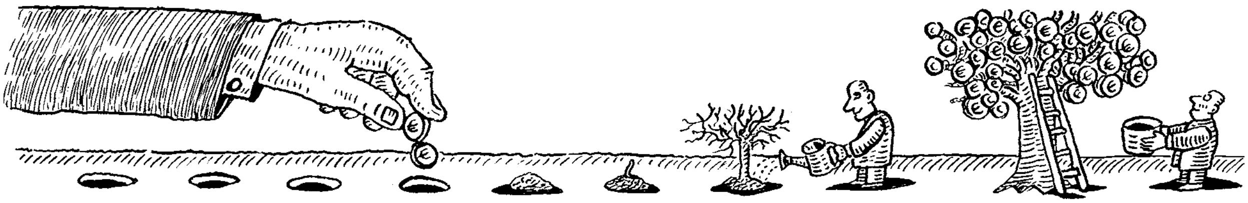
FILIPPO STEFANINI

Head of Multimanager Investments & Unit Linked
Eurizon
Milan
www.eurizoncapital.com

Are you expecting prices of listed equity to become more volatile globally through 2019

Over the past decade, investors have relied on Quantitative Easing and on extraordinary monetary accommodation from all major central banks. A consequence has been that selling volatility has been a profitable investment strategy that has become more widespread, not only with the few funds or ETFs that explicitly sell volatility, but with the many procyclical strategies that implicitly sell volatility.

The normalisation of monetary policy of major central banks and a slowdown in the share buyback activity, will determine a progressive unwinding of short volatility strategies, and could cause more equity volatility.



Setting standards for fund selectors globally

The Association of Professional Fund Investors (APFI) is a registered Swiss non-profit, all-volunteer organisation exclusively composed of and led by professional fund investors. Founded in 2011, it serves members on six continents.

For more information visit www.profundinvestors.com.

The Association of Professional Fund Investors (APFI) has announced the launch of the first ever global certification program exclusively for professional fund investors and investment manager due diligence professionals.

The APFI will offer two levels of certification: Accredited Professional Fund Investor (APFI) and the more advanced Fellow of the APFI (FAPFI). Both will be classified as post-graduate level professional training programmes.

The two-level certification programme is structured to train new, and upskill seasoned, professional fund investors. The programme modules encompass ethics and standards, quantitative and qualitative techniques, and computer-based predictive and optimisation models.

Jon "JB" Beckett, APFI director and board member, says: "Professional fund investing lacks global cohesion as to what best practice should look like. This is what the APFI was created to address – namely to share best practices to meet the rising challenges of our profession.

"Over two decades, as a professional fund investor, I have observed the very best and the worst examples of fund investing. Little has changed on the surface; yet funds, markets and technologies have become even more complex, more difficult to assess and the probability of making poor fund decisions more likely."

Gandy Gandidzanwa, APFI deputy lead for Africa adds: "This expertise is expected to be even more crucial as we step into a future dominated by artificial intelligence and machine learning.

"As asset owners need to be more and more diligent on their decision-making processes on who selects investment manager products on their behalf. The APFI Accreditation and Fellowship programmes have been developed with the complexities of today's asset allocation and manager selection environment in mind."

Bella Caridade-Ferreira, CEO of Fundscape and APFI advisory board member, says: "By joining the APFI, our members publicly demonstrate their commitment to upholding the highest standards of the profession. Now, by pursuing accreditation specific to the profession, our members will be able to have a material demonstration of their knowledge and competency in selecting and monitoring external investment managers across all appropriate vehicles."

THE APFI'S GLOBAL GROWTH

The launch of these certifications comes quickly on the heels of the APFI's significant expansion in leadership in 2017-18.

The leadership team now includes fourteen outstanding investment professionals dedicated to the betterment of the industry. The leadership team is organised largely across geographic lines with coverage of most of the major European markets (UK, Nordics, Switzerland, Iberia, and Italy) as well several other key global markets (US, India, Africa, and Israel). The Association continues to seek out likeminded and highly committed professionals that are willing and able to serve as ambassadors and coordinators for the mission of the APFI in their home markets.

Adam Choppin, APFI lead for North America, says: "We want to serve and connect all fund selectors, manager due diligence professionals, gatekeepers, and end investors from all over the globe who share our dedication to the profession.

"We are also very excited about the addition of an Advisory Board of eight of the world's pre-eminent practitioners, scholars, and advocates in and around the investment management industry. These veteran voices of our industry help provide guidance, counsel, and insights as the APFI persistently endeavours to promote the highest standards of professionalism and integrity in our profession." ■

GETTING CERTIFIED/ BECOMING A MEMBER

Current APFI members meeting the qualifications for the Accredited Professional Fund Investor (APFI) certifications should contact their respective country representative (firstname.lastname@profundinvestors.com) to have their relevant experience vetted and to confirm they meet the APFI qualifications. The FAPFI certification will be available in certain jurisdictions following the launch of the APFI Fellowship Exam starting next year. Global rollout will follow. Qualified professional fund investors are currently able to join the APFI without charge. Annual dues of approximately $100 per member will be required starting in 2019.

To become an APFI Member, an individual fund investor or manager due diligence professional can sign-up online at www.profundinvestors.com. All APFI member candidates must:

- Sign and adopt the APFI Charter (renewed annually); *and*
- Have their employment status as a fund investor or manager due diligence professional confirmed by a member of the APFI Leadership Team or their designee; *and*
- Pay their annual membership subscription (waived for 2018).

SWITZERLAND ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
LLB Precious Capital Global Mng & Metals 1 CHF GTR in EU	25.41
H2O Allegro H R C USD in EU	24.86
Dolefin Rare Earth Elements CHF in EU	20.20
Granahan US Focused Growth A Acc USD in EU	17.84
ZKB Palladium ETF AA CHF in EU	17.80
HSBC GIF Brazil Bond AD NAV USD TR in EU	17.50
Xtrackers Physical Palladium ETC USD in EU	17.37
Invesco Physical Palladium in EU	17.15
UBS ETF (CH) Palladium (USD) A Dis in EU	17.12

SWITZERLAND BETA 3-YEAR

Fund	Beta over 36 months v. sector
ComStage Commerzbank Bund-Future Double Short TR	-2.54
Lyxor UCITS ETF DAILY SHORTDAX X2 C EUR in EU	-2.19
Amundi ETF Short Govt Bd EuroMTS Broad Inv Grade 10-15	-2.00
Lyxor UCITS ETF Daily Double Short SMI C CHF in EU	-1.91
Amundi ETF Short Govt Bond EuroMTS Broad Inv Grade Dly	-1.30
Xtrackers II Eurozone Govt Bond Sh Dly Swap UCITS ETF 1C	-1.28
ComStage Commerzbank Bund-Future Short TR UCITS ETF	-1.27
Xtrackers ShortDAX Daily Swap UCITS ETF 1C EUR in EU	-1.09
Xtrackers EURO Stoxx 50 Short Daily Swap UCITS ETF 1C	-1.07

SWITZERLAND CROWN + PERFORMANCE

Fund	Crown rating	36 months
LLB Precious Capital Gbl Mng & Metals 1 CHF GTR in EU	x5	73.95
Polar Capital Global Technology USD in EU	x5	69.36
BlackRock GF World Technology A2 USD in EU	x5	61.86
Morg Stnly US Growth I USD in EU	x5	56.07
Templeton Thailand A Acc USD in EU	x5	53.28
SEB 2 Eastern Europe Small Cap C EUR in EU	x5	52.21
CIM Dividend Income B Ordinary Shares in EU	x5	51.76
Janus Henderson Global Technology A Acc USD in EU	x5	50.87
BB Adamant Medtech & Services B EUR in EU	x5	50.39

SWITZERLAND PERF/TER 3-YEAR

Fund	Cumulative	TER
IFM Ind Fund Mgmnt AG Cat Gryphon	9.63	6.45
Man AHL Trend Alternative DNY Acc	-0.33	6.07
BlackRock SF Eur Div Eq Absolute Return E2	-24.31	5.86
IFM Ind Fund Mgmt AG Steadfast Inv	8.52	5.75
BlackRock SF Eur Opps Extension A2	23.66	5.67
Swisscanto (CH) Alternative Diversified B	-7.58	5.61
Pharus Sicav Biotech A EUR Cap	-18.18	4.64
BlackRock SF Americas Div Eq AR A2 U	2.02	4.56
BHF Screener Tactical Equity GTR i	7.56	4.54

SWITZERLAND SHARPE 3-YEAR

Fund	Sharpe
Granahan US Focused Growth A Acc USD in EU	1.02
Templeton Thailand A Acc USD in EU	0.89
LFIS Vision Premia Opportunities IS in EU	0.84
DNB Technology A EUR in EU	0.83
Polar Capital Global Technology USD in EU	0.81
Carmignac Long-Short European Eq A EUR Acc in EU	0.81
HSBC GIF Brazil Bond AD NAV USD TR in EU	0.79
Sarasin SaraSelect P Dist CHF GTR in EU	0.78
SSGA SPDR S&P US Tech Select Sector UCITS ETF in EU	0.76

SWITZERLAND INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
TT Asia Pacific Equity H GBP TR in EU	1.84
Fidelity Institutional Eur High Yield Inst Acc EUR in EU	1.81
Merian UK Smaller Companies Focus A Inc GBP TR in EU	1.65
Barings European High Yield Bond Tranche E Acc EUR in EU	1.63
LFIS Vision Premia Opportunities IS in EU	1.56
Granahan US Focused Growth A Acc USD in EU	1.51
BlackRock SF Emerging Markets Equity Strategies A2 in EU	1.39
AXA World Funds US DynHigh Yield Bds A Cap USD in EU	1.36
Pictet TR Mandarin P USD in EU	1.32

Source for all charts FE Analytics, bid-bid, to 26/10/2018.
All figures in % and are gross return rebased in euros

SWITZERLAND PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
Fidelity FAST Europe E Acc	-2.15	39.07
ETFS Swiss Franc Daily Hdgd Natural Gas	-41.06	36.95
LLB Precious Capital Global Mining & Metals 1	73.32	36.47
Multipartner SICAV Konwave Gold Eq B	23.66	35.46
VanEck Vectors Jr Gold Miners UCITS ETF A	36.53	35.32
Universal Inv Earth Gold UI R EUR TR	31.25	34.42
ComStage NYSE Arca Gold BUGS UCITS ETF TR	10.57	34.23
UBS (Irl) ETF Solactive Gbl Oil Eq= UCITS ETF	3.91	34.06
LO World Gold Expertise (EUR) P A in EU	10.79	33.86

SWITZERLAND FIXED INTEREST 3-YEAR

Fund	36 months cumulative
HSBC GIF Brazil Bond AD NAV USD TR in EU	60.71
Aberdeen Global Brazil Bond A Acc USD in EU	44.20
Santander Brazilian Short Duration A USD in EU	43.28
Santander AM Brazilian Fixed Income A in EU	42.80
Edmond de Rothschild EDRF Emerging Credit A USD in EU	24.75
CPR Credixx Global High Yield P EUR in EU	23.19
AXA World Funds US Dyn High Yield Bds A Cap USD in EU	23.16
Aberdeen Global Frontier Markets Bd X Acc USD TR in EU	21.42
BlueBay Financial Capital Bond R USD in EU	21.15

Metals top returns

Data for funds available in the Swiss fund market suggest investor have done well from investments in rare earth and precious metals, perhaps reflecting requirements of technology device manufacturers and for the proliferation of batteries used in transportation as vehicles go electric. However, mining and metals funds are also among the those exhibiting most volatility alongside generating returns – likely also reflecting currency volatility as the returns have been rebased in euros.

Meanwhile, from a strategy point of view, betting that eurozone government bonds would fall over the period covered has been a challenging one according to the beta scores recorded.

Still, the Crown ratings noted in the data suggest that consistently performing active managers can be found across sectors and asset classes, including technology, emerging markets, European small cap and mining.

Quite of the moment is the performance of ETFs offering exposure to Brazil; while some six months ago they reflected uncertainty, the market reaction to the expected outcome from the recent elections is illustrated across a plethora of both equity and bond funds. Brazil is on a path to reforms, but it could be a rocky road for investors. ■

GROSS RETURNS ON FUNDS FOR SALE IN SWITZERLAND REBASED IN EUROS

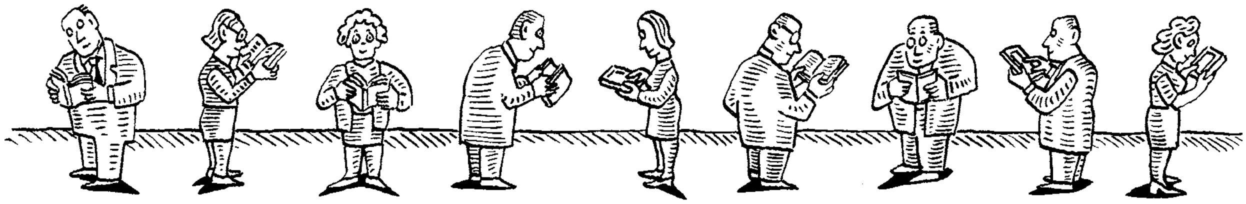
Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Granahan US Focused Growth A Acc USD in EU	-11.89	-0.68	21.10	38.72	106.61		
DWS Invest Brazilian Equities NC in EU	28.05	17.98	10.31	11.53	99.90	13.69	
BNY Mellon Brazil Equity A USD in EU	22.67	11.39	2.88	7.16	86.91	16.70	101.36
Amundi MSCI Brazil UCITS ETF C in EU	18.75	10.70	-0.66	2.38	85.80	9.30	
HSBC MSCI Brazil USD TR in EU	18.80	10.60	-0.74	2.03	85.11	8.85	
iShares MSCI Brazil UCITS ETF Acc USD in EU	18.72	10.58	-0.76	2.16	84.66	8.75	
Xtrackers MSCI Brazil UCITS ETF 1C USD in EU	16.56	9.02	-1.67	2.03	80.68	7.05	60.66
Lyxor Brazil (Ibovespa) UCITS ETF Acc EUR in EU	17.18	8.78	-2.36	0.57	80.14	5.91	41.91
iShares MSCI Brazil UCITS ETF Inc USD TR in EU	16.46	8.86	-1.91	0.11	79.05	6.37	60.29
LLB Precious Capital Global Mining & Metals 1 CHF GTR in EU	5.39	-7.00	-4.76	-5.91	73.95	71.60	90.35
Polar Capital Global Technology USD in EU	-10.93	-4.46	5.20	9.72	69.36	158.19	503.47
HSBC GIF Brazil Equity AC USD in EU	19.71	10.70	-0.80	1.33	66.55	-12.91	53.13
Dolefin Rare Earth Elements CHF in EU	-5.98	-8.50	-16.14	-18.29	66.00	10.15	
JPM US Technology A Dis USD TR in EU	-12.55	-5.07	4.93	11.40	62.92	149.83	449.46
BlackRock GF World Technology A2 USD in EU	-13.45	-8.07	2.55	9.45	61.86	138.03	358.31
HSBC GIF Brazil Bond AD NAV USD TR in EU	14.81	6.75	2.61	-1.90	60.71	23.04	40.49
Santander AM Brazilian Equity A USD in EU	14.74	6.50	-5.18	-3.15	60.47	-2.05	71.58
Parvest Equity Brazil Classic Cap USD in EU	18.86	6.43	-4.12	-3.17	60.06	-5.70	43.04
JPM Brazil Equity D Acc NAV USD in EU	21.10	11.28	-0.77	-1.23	58.99	-9.36	45.34
JSS Responsible Equity Brazil P Acc USD in EU	28.48	12.29	-4.02	-11.16	58.92		

World 50 funds

The rise in oil prices is reflected in the better performing funds, but so too is the performance of marijuana, which has recently been made legal in Canada, in addition to US States where this has become de facto already

NAME	LIPPER GLOBAL SECTOR	% GR 1YR 30/09/17 TO 30/09/18	SHARPE RATIO 1YR 30/09/17 TO 30/09/18	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. iPath Exchange Traded Notes Global Carbon;A	Commodity Energy	234.28	1.11	9.3	Barclays Bank PLC	USA
2. Boost Brent Oil 3x Leverage Daily ETP	Unclassified	206.38	0.61	2.21	Boost Mgmnt (Jer) Ltd	Ire
3. ETFS Carbon EUR	Unclassified	193.26	1.09	12.97	ETFS Mgt Co (Jy) Ltd	Jer
4. Boost WTI Oil 3x Leverage Daily GBP	Unclassified	183.14	0.6	70.94	Boost Mgmnt (Jer) Ltd	Ire
5. Ultraserfinco AIC Ecopetrol	Equity Sector Energy	182.05	0.86	3.61	Ultraserfinco	Col
6. USCF United States 3x Oil Fund	Unclassified	173.24	0.57	10.42	USCF Advisers LLC	USA
7. VelocityShares 3x Lng Crude Oil ETN	Unclassified	170.02	0.55	96.51	Credit Suisse AG	USA
8. VelocityShares 3x Long Crude Oil ETN	Unclassified	169.61	0.55	140.93	Citigroup Global Markets Inc	USA
9. Vestas Inv Spec Prv Real Estate 11	Undisclosed	167.39	0.4	21.89	Vestas Investment Mgmt	RoK
10. Horizons Marijuana Life Sciences Index ETF	Equity Sector Healthcare	166.75	0.55	707.18	Horizons ETFs	Can
11. UBS E-TRACS ProShares Dly 3x Lg Crude ETN	Unclassified	164.83	0.57	14.29	UBS Asset Mmgmnt (Americas) Inc	USA
12. ProShares UltraPro 3x Crude Oil ETF	Alternative Other	162.34	0.57	30.82	ProShare Advisors LLC	USA
13. ETFS 3x Daily Long WTI Crude Oil	Unclassified	161.72	0.63	5.15	ETFS Commodities Sec Ltd	Jer
14. AfricaRhodium ETF	Commodity Precious Metals	120.33	0.69	28.73	Africa ETF Issuer RF Ltd	RSA
15. Boost WTI Oil 2x Leverage Daily ETP	Unclassified	113.81	0.66	0.35	Boost Mgmnt (Jer) Ltd	Ire
16. ETFS 3x Daily Short Coffee	Unclassified	110.59	0.55	0.35	ETFS Commodities Sec Ltd	Jer
17. Ninepoint-UIT Alternative Health Series A	Equity Sector Healthcare	107.97	0.72		NinePoint	Can
18. Equity Privilege Fund	Alternative Other	106.43	0.3		IFM Independ. Fd Mgt AG	Lie
19. ProShares Ultra Bloomberg Crude Oil	Commodity Other	103.38	0.62	342.13	ProShare Advisors LLC	USA
20. Yuanta S&P GSCI Cr Oil 2X Lvgd ER Futs ETF	Unclassified	102.82	0.64		Yuanta Sec Inv Trust	Tai
21. ETFS Leveraged WTI Crude Oil	Unclassified	101.48	0.61	52.59	ETFS Commodities Sec Ltd	Jer
22. ETFS Leveraged Petroleum	Unclassified	94.41	0.62	6.36	ETFS Commodities Sec Ltd	Jer
23. Direxion Daily Technology Bull 3x Shares	Unclassified	90.51	0.46	683.93	Rafferty Asset Management LLC	USA
24. ProShares UltraPro QQQ	Unclassified	89.75	0.47	3542.83	ProShare Advisors LLC	USA
25. Boost NASDAQ 100® 3x Leverage Daily	Unclassified	89.32	0.47	25	Boost Mgmnt (Jer) Ltd	Ire
26. Rakuten Japese Equity 4.3x Bull	Unclassified	86.77	0.32	241.6	Rakuten Investment	Jap
27. DB Multi Chance Prv Plc Derivatives 1178	Undisclosed	85.91	0.41	2.95	DB Asset Management	RoK
28. UBS Hana IBK-Samsung Heavy Ind Derivs 1	Alternative Other	84.24	0.21	0.05	UBS Hana AMC	RoK
29. SBI Jap Equity 3.7 Bull	Unclassified	75.56	0.34	78.17	SBI AM	Jap
30. ETFS 3x Daily Short Sugar	Unclassified	72.34	0.23	0.46	ETFS Commodities Sec Ltd	Jer
31. iPath Exch Traded Notes S&P GSCI Oil TR A	Commodity Energy	69.88	0.67	342.22	Barclays Bank PLC	USA
32. Mirae Asset TIGER KOSDAQ150 Lvge ETF	Unclassified	69.51	0.22	99.81	Mirae Asset Global Inv	RoK
33. Samsung KODEX KOSDAQ150 Lvge ETF	Unclassified	69.05	0.21	998.46	Samsung AMC	RoK
34. Direxion Daily Aerosp & Def Bull 3X Sha	Unclassified	67.97	0.37	61.82	Rafferty Asset Management LLC	USA
35. Direxion Daily Retail Bull 3X Shares	Unclassified	67.78	0.3	35.04	Rafferty Asset Management LLC	USA
36. KB KBSTAR F-KOSDAQ150 Leverage ETF	Unclassified	67.32	0.21	215.94	KB AM	RoK
37. Samsung KODEX BIO ETF	Equity Korea	66.93	0.34	10.05	Samsung AMC	RoK
38. Granahan US Focused Growth A USD Acc	Equity US Sm&Mid Cap	66.64	0.84	11.91	Granahan Investment Mgmnt Inc	Ire
39. ETFS Leveraged Heating Oil	Unclassified	65.93	0.43	0.35	ETFS Commodities Sec Ltd	Jer
40. Direxion Dly S&P Oil & Gas E&P Bl 3X Shs	Unclassified	65.73	0.23	104.26	Rafferty Asset Management LLC	USA
41. ProShares Ultra Consumer Services	Unclassified	64.95	0.54	28.41	ProShare Advisors LLC	USA
42. ProShares Ultra Technology	Unclassified	63.92	0.48	384.32	ProShare Advisors LLC	USA
43. Mirae Asset Korea Health Care Eq 1 Class A	Equity Korea	63.62	0.37	20.98	Mirae Asset Global Inv	RoK
44. SAMSUNG KODEX Healthcare ETF	Equity Korea	63.3	0.35	10.53	Samsung AMC	RoK
45. Dynamic Power American Growth Series A	Equity US	63.28	0.77	911.36	1832 Asset Management LP	Can
46. Rakuten Jap Equity Triple Bull	Unclassified	62.82	0.37	108.94	Rakuten Investment	Jap
47. Tempered Global Value Series A	Equity Global	62.34	0.64		Tempered Investm	Can
48. Nysa Fund	Equity US Sm&Mid Cap	62.21	0.68	2.75	Pinnacle Advisors LLC	USA
49. Dynamic Power American Gr Class - Ser A	Equity US	61.86	0.75	447.91	1832 Asset Management LP	Can
50. Delaware Small Cap Gr Fd;Institutional	Equity US Sm&Mid Cap	61.54	0.81	6.46	Delaware Management Company	USA

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.



A new gallery at London's Royal Academy of Arts brings together highlights from its own collection. Ridhima Sharma attended the opening

The making of an artist: exploring tradition

***The Making of an Artist: The Great Tradition* is part of the Royal Academy's permanent collection and free to visit. The Collection Gallery is closed from 11 December 2018 to 12 January 2019.**

The Royal Academy of Arts, Burlington House, Piccadilly, London, W1J 0BD

Art plays a vital role in building strong, vibrant communities and developing the minds of tomorrow. The Royal Academy of Arts on London's Piccadilly has a great tradition in this respect.

Recently renovated to mark the 250th anniversary and designed by Sir David Chipperfield, the Royal Academy of Arts opened a £56m redevelopment to the public on 19 May 2018.

This redevelopment has the enabled Royal Academy to open up and reveal parts of the building and some of its historic treasures from its collection.

With 70% more public space available than that in the original layout, galleries dedicated to architecture, site-specific installations, free displays and the work of Royal Academy students have been created.

It has also created a link between Burlington House and Burlington Gardens, which unites the buildings.

EXPLORING TRADITION

One of the highlights of the redevelopment is the creation of a new Royal Academy Collection Gallery which presents *The Making of an Artist: The Great Tradition*. The new gallery has been supported by BNY Mellon Investments, a partner of the the Royal Academy since 2007.

Matt Oomen, head of Global Distribution at BNY Mellon Investment Management (IM), recently welcomed guests with a speech in which he also introduced his team at BNY Mellon IM, as well as his colleagues from BNY Mellon IM's investment specialists Alcentra, Insight Investment and Newton Investment Management.

The magnificent Collection Gallery embraces work of J.M.W. Turner, John Constable and Michelangelo.

The Royal Academy has always had an art school. The display at Collections Gallery illustrates how art has been taught here over the past 250 years and gives a glimpse of what happens now.

The gallery includes many of the Royal Academy's exemplars of earlier art, including an almost full-size 16th-century copy of Leonardo's *Last Supper*, casts of key classical sculptures – most notably the Belvedere Torso – and Michelangelo's *Taddei Tondo*, the only marble sculpture by Michelangelo in Great Britain.

It also shows the results of Constable's determination to work from nature, including several of his cloud studies, and Turner's *Dolbadern Castle*, a work presented to the Royal Academy on his election as a Royal Academician.

The exhibition is curated by RA president Christopher Le Brun, a painter, sculptor and printmaker. ■

Photo: James Harris

Leonardo da Vinci's *Last Supper* (*ca* 1495-98) in the refectory of Santa Maria delle Grazie in Milan, was commissioned by his patrons Duke Ludovico Sforza and Beatrice d'Este. The painting represents a scene from the Gospel of John, chapter 13, verse 21, when Jesus announces that one of his apostles will betray him.

The *Last Supper* was executed not in traditional fresco, but in tempera and oil paint on a dry wall. The original has deteriorated very badly as a result of this experimental technique and the dampness of the wall on which it is painted.

Giampietrino's early copy, possibly painted around 1520, is almost the same size as the original but lacks the top third of Leonardo's composition. It does however shows details that are not now visible in the original, such as the salt-cellar overturned by the right arm of Judas and the feet of Jesus which were lost when another door was inserted in the refectory wall.

The Royal Academy bought this copy for six hundred guineas from an H. Fraville in 1821. The earlier provenance of the painting is not known apart from the fact that by the 17th century it was in the Refectory at the Certosa in Pavia.

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