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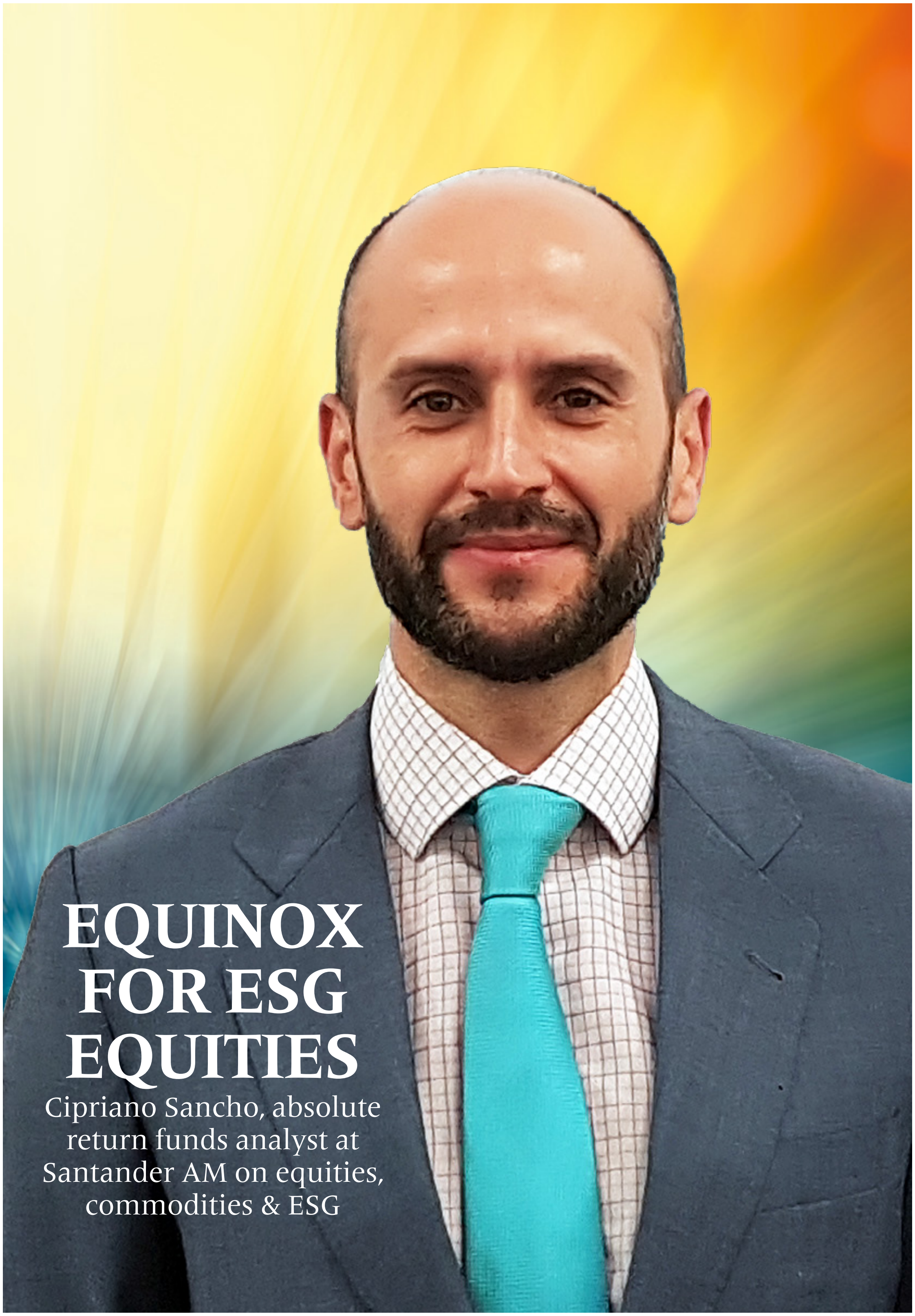

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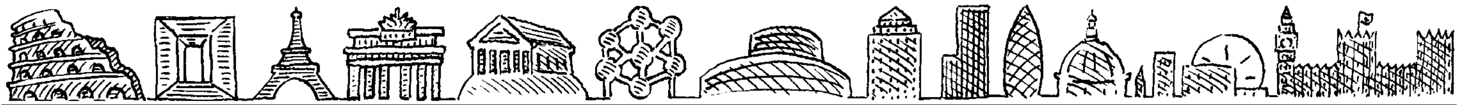

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INVESTMENT EUROPE
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Gunning for ESG

Jonathan Boyd, editorial director of *InvestmentEurope*

Coming off *InvestmentEurope*'s own ESG Summit event and others such as the FundForum International event in Copenhagen at the end of June, it is clear that a key battleground facing the industry currently is not regulation, but how it reacts to sustainability and ESG demands henceforth.

However, it is also fair to say that the tilt being experienced is raising further questions, not just solutions.

Consider, for example, where this battleground may next move in respect of the industry value chain.

From the current focus on portfolio managers and screening/engagement decisions, it is likely to shift to the services providers. Try asking one how ESG-friendly their transfer agency or custody *et al.* actually is and there is a good chance of drawing a blank.

Some are touting the use of cloud-based solutions as a way to both cut costs and facilitate ESG due diligence at the portfolio level. Putting aside the question on whether the electricity used to power servers in data centres comes from fossil fuels, using the cloud means relying on cloud infrastructure providers such as Amazon Web Services to deliver. Amazon's chief owner has not been shy about how he supports the US military… which still lists cluster munitions in its arsenal. AWS and Microsoft have been in the running for a $10bn US Department of Defense contract for cloud services, after Oracle and IBM stumbled. Meanwhile, Alibaba Cloud's parent's marketplace allows users to search for munitions directly.

So, is ESG just about securities held, or is it about looking through the full value chain of everything that a manager promises to do for clients?

WOMEN IN INVESTMENT AWARDS

Keep an eye out online for the shortlist of women active in the Italian fund and asset management industry who have been nominated for certain categories in the inaugural *InvestmentEurope* Women in Investment Awards Italy 2019. These were imminent as we were going to press. ■

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UPCOMING EVENTS

Following a slew of Summits in Barcelona, Rome and Zurich in the run-up to summer, *InvestmentEurope* now turns its attention to the second half of the year and the blend of Roundtables, Forums and Awards on offer.

The programme starts in Helsinki on 24 September, before moving on to Reykjavik and then the first of a number of events in October, with the Women In Investment Awards Italy 2019 taking place in Milan on the 2nd of that month.

Lisbon, Frankfurt and Copenhagen are other Roundtables planned for October.

November sees the return of the *Pensionskassenforum*, taking place mid-month in Zurich, before a return to Milan for a thematic event and then Stockholm.

Our Fund Manager of the Year Awards 2019/20 round out the November events, with Tel Aviv hosting in the first week of December.

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

Fund selectors in the news

Investors give their views on regulatory developments, sustainability and other issues

www.morabanc.ad

Name: Gorka Apodaca
Title: Portfolio manager and fund selector
Company: MoraBanc
Base: Andorra

Will certain existing equity and/or commodity funds face headwinds in future depending on regulatory developments?

The regulatory environment is evolving every year. Now we can see how some tech companies are in trouble given the enormous amounts of information they collect and the power they are accumulating, which is forcing governments to set up additional regulation to limit their use.

Also, the industry and commodities companies will be affected, in a world where there is a more conscious mindset about the environment, which could lead governments to apply more restrictive laws to these types of companies, in order to pursue and reach sustainability goals.

www.santander assetmanagement.es

Name: Cipriano Sancho
Title: Fund selector
Company: Santander Asset Management
Base: Madrid

Do you see an opening for new types of equity and/or commodity funds to meet new investor demand for, say, carbon neutral funds, or funds that promote solutions to the UN Sustainable Development Goals?

In the equity space we already have a range of options to invest in companies aligned with SDG goals and fighting climate change. Our Santander Sostenible range can invest in such strategies. In the case of commodities, the issue is trickier.

Exploiting natural resources is an activity with a lot of complex angles that add difficulty to accomplish ESG criteria. Nowadays, miners are doing their best to improve sustainability factors, especially those with stronger balance sheets, and the market will likely reward those who succeed in doing this.

www.enpab.it

Name: Danilo Pone
Title: Chief investment officer
Company: ENPAB (Italian pension fund for Biological Sciences)
Base: Rome

Is it easier to launch new bond funds that incorporate ESG factors embedded in the investment process, rather than change the investment process of existing bond funds? – if so, what does this suggest about selection of bond funds?

This depends on many factors, for example size of AUM and market presence. 'Easier to launch' new bond funds is a misnomer. I think a new fund may prefer vehicles that incorporate ESG, but let us not forget that there are already many trillions of dollars under management and these will need to be re-packaged and re-structured over time.

We have already seen some major European sovereign wealth and pension funds rolled to ESG friendly assets over a period of multiple years. It is a process and will certainly change selection preference but little in terms of methods.

www.eurizoncapital.it

Name: Filippo Stefanini
Title: Head Multimanager Investments & Unit Linked
Company: Eurizon Capital SGR
Base: Milan

What elements are driving you at this stage in your selection? Are you implementing any key strategies?

We recently took advantage of the re-opening of some very interesting investment funds that for a long time have been closed to new investors.

At an advanced stage of the economic cycle we prefer funds with liquid, simple and low leverage investment strategies.

www.bankhausbauer.de

Name: Thomas Metzger
Title: Head of Asset Management
Company: Bankhaus Bauer
Base: Stuttgart

Will certain existing ETFs face headwinds in future depending on shifts in investor demand, say, decarbonisation/climate change responses?

We see investors increasingly interested in asset management solutions that incorporate social, ethical and environmental criteria into their investment policies. In this respect, the volume in corresponding products is likely to increase continuously.

In future, it will certainly also be about shifts from approaches that work without a sustainable filter. Overall, the volumes are still manageable. I think that the share of sustainable investment funds in Germany does not even make up 5% of the total market.

The trend, however, to extend the magic triangle of investment consisting of return, risk and liquidity by the sustainability aspect, is clear. Institutional investors, in part, are transforming their entire investment process and worrying about how sustainable investing in different asset classes can work.

www.xaia.com

Name: Jochen Felsenheimer
Title: Managing director
Company: XAIA Investment
Base: Frankfurt

Where are you seeing opportunity in the short/long term?

Increasing volatility in the global financial markets will provide new opportunities as the 30-year yield downward trend seems to be coming to an end.

This development will be the basis for the implementation of market neutral strategies, which are benefitting from market disruptions and high levels of volatility.

www.fonds-laden.de

Name: Patrick Wittek
Title: Consultant
Company: Fonds Laden
Base: Munich

Do you ask questions around portfolio managers' holidays/absences during due diligence?

If fund managers are key people in companies or some tactical short-term positions are in portfolios, it is important for us to know who is assuming responsibility during the portfolio managers' holidays.

People moves around the industry

CAROLE CROZAT

BlackRock appoints head of thematic research

BlackRock has appointed Carole Crozat as head of Thematic Research at BlackRock Sustainable Investing (BSI).

Based in Paris, Crozat will report to unit chief Andre Bertolotti. She will develop a research platform that focuses specifically on important thematic insights, including for BlackRock's sustainable investment products and to further integrate sustainability insights into the entire BlackRock investment platform.

Crozat will work with Meaghan Muldoon, head of EMEA for BSI, to develop BlackRock's European operations.

Previously, she worked at Exane as head of Sustainability Research, and before that as an ESG research analyst at Société Generale.

DENISE VOSS

LuxFLAG appoints Denise Voss as chairwoman

Denise Voss (pictured right) has been named chairwoman of the Luxembourg labelling agency LuxFLAG, taking over after Thomas Seale.

The appointment comes following the end of Voss' term as chair of Alfi, the Association of the Luxembourg Fund Industry (Alfi's new chair is Corinne Lamesch).

This marks the second key appointment following the earlier announcement that Sachin Vankalas has taken over from Mario Mantrisi as general manager of LuxFLAG.

The agency has reported a 30% rise in the number of labels issued in 2018, with labelled assets under management increasing by some 50%. Its Associate Member network grew by some 70% through the year.

JUSTIN KEW

Carmignac bolsters sustainability team

Carmignac has announced the appointment of Justin Kew as sustainability manager, whose newly created role will include developing solutions that meet clients' long-term goals in mind of ESG objectives.

Based in London, and reporting to Sandra Crowl, stewardship manager and member of the Investment Committee, Kew is responsible for advancing the ESG investment process and framework, carrying out thematic research and designing investment solutions, including impact investment.

He will also support Carmignac's current active engagement and industry initiatives.

Kew joins from Fidelity International, where he was a senior ESG analyst, responsible for integrating ESG data in the investment analysis and portfolio management process while designing investment processes for clients.

Prior to that, he held a role in sustainable investment and product management for JP Morgan Asset Management.

ALAIN PITOUS

OFI AM names new head of SRI

French Asset Manager OFI Asset Management has re-created the position of head of Corporate Responsible Investment (SRI) and has appointed Alain Pitous, effective May 2019.

Pitous will integrate best practices across OFI's entire internal value chain. This includes the areas of analysis, fund and risk management, reporting, databases and regulation. He reports to Jean-Marie Mercadal, deputy CEO and chief investment officer.

Prior to joining OFI, Pitous was associate managing director of Talence Gestion, a French investment boutique.

MARIA SIMON

eVestment names Copenhagen office VP

eVestment, the data and analytics provider, has named Maria Simon as vice president of client success for the Nordic region, Germany and Austria.

Based at eVestment's Copenhagen office, she will be responsible for business development, client relationship management and data collection in the northern European region – which previously was led out of eVestment's London office.

The business is looking to expand its local institutional network in each of the relevant markets.

Previously, Simon led global marketing for eVestment's asset manager and investor segments, and was project lead on the company's ESG data collection and reporting project. Before eVestment, Simon held positions at LocalTapiola Asset Management and Altfest Personal Wealth Management.

RENÉ MORGENTHALER

Premium Assets appoints new chief investment officer

Geneva based independent asset manager Premium Assets has appointed René Morgenthaler as chief investment officer, effective May 2019.

A financial specialist with over 30 years' experience in investments and wealth management, Morgenthaler has held several management positions.

He has worked as chief investment officer at the Royal Bank of Canada in Geneva, head of Trading and Advisory at Hyposwiss Private Bank in Geneva and head of Stock Exchange at Merrill Lynch Bank Suisse SA in Geneva.

GILLES DAUPHINÉ

Amundi appoints head of Euro Alpha Fixed Income

French asset manager Amundi has announced the appointment of Gilles Dauphiné as head of Euro Alpha Fixed Income.

Prior to joining Amundi, Dauphiné was global head of Buy & Maintain at AXA, responsible for non AXA clients. Previously, he was head of Fixed Income for AXA portfolios since 2014, after spending 13 years in various roles at AXA Investment Management

Fund watch and product launches

Spanish manager MAPFRE focuses on disabled employees' inclusion through new fund

Spanish financial group MAPFRE is launching a fund investing in European companies that promote the inclusion of people with disabilities showing its commitments to impact and social investing.

MAPFRE Inclusión Responsable (MAPFRE Responsible Inclusion) will combine the search for financial profitability with social impact by investing primarily in companies which actively seek to include disabled people within their workforce.

The fund's methodology, based on a questionnaire of 40 questions, has been developed by MAPFRE AM in collaboration with the French manager La Financiere Responsable, of which the Spanish firm owns a 25% stake.

The strategy, which has found so far 150 companies meeting the established requirements, has been available only to French investors thus far, but will be distributed more broadly across Europe by the end of 2019.

There are currently 902 employees with disabilities working for the MAPFRE Group, representing 2.5% of the total global workforce.

The company has publicly committed to a minimum 3% of the global workforce being people of disability by 2021.

The fund has raised to three the number of ESG strategies the Spanish firm has, which includes MAPFRE Capital Responsable and MAPFRE Good Governance.

The firm recently joined SpainSIF – the platform that promotes responsible investment in Spain – and it is a signatory to the Principles of Responsible Investment.
www.mapfre.com

Fidelity launches proprietary sustainability ratings

Fidelity International has enhanced its global research capabilities with the launch of its proprietary sustainability ratings.

Comprised of Fidelity's equities and fixed income coverage universe of over 3,000 issuers, the sustainable ratings will leverage the manager's research capabilities and ongoing engagement with management teams to provide a forward-looking evaluations of companies' focus and trajectory on ESG-related issues.

The ratings framework divides this investment universe into 99 subsectors, each with industry-specific criteria against which the issuer is assessed relative to its peers, using an A to E rating.

Fidelity's proprietary sustainability ratings will draw upon the assessments of more than 180 equities and fixed income analysts who take part in more than 16,000 company meetings a year. The ratings will be updated annually or following a change of policy or an exceptional event at the company.

The proprietary ratings have been fully integrated into Fidelity's investment process and will be available to all of Fidelity's investment teams as an additional source of insight and to support investment decisions across Fidelity's client portfolios.
www.fidelity.co.uk

Ecofi Investments launches Ecofi IA Responsible

Ecofi Investments has launched Ecofi IA Responsible, a fund that uses artificial intelligence (AI) to extract performance from ESG data.

Focused on eurozone equities, the portfolio uses AI to crunch large amounts of financial and non-financial data. Ecofi Investments has been working in partnership for more than five years with Advestis, which was awarded the Fintech Innovative Finance Innovation in 2016 for its development of intelligence techniques. Its approach uses the application of mathematical algorithms combining ESG performance, market data and fundamentals of the values that make up the EuroStoxx index.
www.ecofi.fr

Wellington unveils global impact bond fund

Wellington Management has unveiled the Global Impact Bond fund. This Ucits-compliant global fixed income fund seeks to have a measurable, positive impact on some of the world's major social and environmental challenges while delivering attractive long-term total returns for investors.

The fund, which is diversified across sectors, invests predominantly in investment-grade global fixed income securities whose issuers are helping to address these challenges.

It complements the firm's existing impact equity product, the Wellington Global Impact fund, and benefits from Wellington's extensive global, cross-discipline research resources, which help to drive ideas generation.

The strategy aims to provide a return profile that is similar to the global fixed income universe, making it suitable as a core holding, and has the potential to outperform the Bloomberg Barclays Global Aggregate Hedged to USD Index.

The fund manager is Campe Goodman, a member of Wellington's Broad Markets team who manages multi-sector fixed income portfolios. Goodman has 20 years' industry experience in asset allocation across the major fixed income sectors and is also the lead manager on Wellington's Multi-Sector Credit fund. Outside of the firm, he chairs the board of a non-profit organisation that provides career skills development and job search support for disadvantaged individuals.

Wellington recently launched two other sustainable funds, both in the equity space. The Wellington Climate Strategy fund is a Ucits version of its long-running climate investing approach; while the Wellington Global Stewards fund is focused on companies displaying exemplary accountability to stakeholders for every aspect of sustainable growth.
www.wellington.com

52.7 million Tonnes CO_2 equivalent units of emissions from Sweden in 2017

Equinox for ESG equities

With increasing evidence that ESG is going mainstream, Jonathan Boyd, Ridhima Sharma, Eugenia Jiménez and Elisabeth Reyes have sought out industry views on what this means for equity and commodity investments going forward

Following on from the recent ESG Summit Zurich 2019, hosted in the Swiss city in mid-June (see page 34 of this issue), *InvestmentEurope* has canvassed further industry views on the outlook for equity and commodity based investments made through funds. Among other questions, this has sought to elicit insight into how responsible investment criteria can be maintained and how to deal with existing funds depending on regulatory developments linked to sustainability objectives.

Jerry Thomas, head of global equities, Sarasin & Partners references the first step as defining what 'responsible' means: for his firm it is consideration of both ESG factors and more traditional ethical concerns – steered by the status of being a charity manager. This then leads to considerations of the impact of regulation on existing equity funds.

"It is important to distinguish between fund-specific regulation and regulations that may affect investment returns.

"EXPLOITING NATURAL RESOURCES IS AN ACTIVITY WITH A LOT OF COMPLEX ANGLES THAT ADD DIFFICULTY TO ACCOMPLISH ESG CRITERIA. NOWADAYS MINERS ARE DOING THEIR BEST TO IMPROVE SUSTAINABILITY FACTORS AND THE MARKET WILL LIKELY REWARD THOSE WHO SUCCEED IN DOING THIS"

Cipriano Sancho, Santander Asset Management

"There is a vast swathe of new ESG-related regulation coming from the UK government's Department for Work and Pensions, the UK's Financial Conduct Authority, the EU, EC and the European Securities and Markets Authority, as well as national laws and guidelines and principles from the UN and OECD. To the extent that fund managers need to become aware of these and manage the consequences, there may be headwinds. However, the essence is to encourage awareness of potential investment risks rather than to constrain.

"On the other hand, regulations to limit climate change, plastic pollution, biodiversity loss etc, will have a material impact on the profits currently generated by many companies that do not take account of such negative externalities. Certain existing funds that aren't aware of these regulatory threats may face headwinds or indeed losses."

INVESTMENT PROCESS

Bård Bringedal chief investment officer – Equities at Storebrand, highlights sustainability as part of the investment process for more than 25 years at the Norwegian financial group.

"We apply an extensive exclusion list to all products specifying which companies we do not invest in, based on their business practices, or the products or services they provide. We have developed an in-house ESG rating for all companies within our investment universe and the data provides valuable insight to the PMs on, for example, how we view a company's contribution to solving the UN's Sustainable Development Goals (SDGs). Finally, we use our aggregate ownership across all investment products to influence companies in ways we consider to be in the best interest of both shareholders and other stakeholders.

"We do not currently manage commodity funds, but we would treat them like we treat any other fund, independent of asset class. Both our private equity and real estate products adhere to the same strict sustainability policies as the more liquid assets we manage; we will abstain from certain investments as well as allocate to sustainable companies or projects."

Looking ahead, he sees an increased awareness of climate change as well as the need to direct capital towards climate solutions.

"In the Nordics, we have seen growing interest in ESG-enhanced investment products, such as fossil-free or low-carbon funds, or those focused on investing in companies providing solutions to the SDGs through the products or services they provide.

"As investors increasingly embed these investment principles into their investment objectives, some products will not be eligible and will therefore face headwinds from lack of demand," he adds.

Corrado Gaudenzi, head of Long Term Sustainable Strategies, Eurizon, echoes Bringedal, noting that "we already see a shift in investor preferences for products that explicitly deal with climate change risk management".

Raphael Pitoun, portfolio manager, CQS New City Equity, cites particular parameters in determining investments.

"First, ESG needs to be part of the investment process. Second, there needs to be internal knowledge and expertise. Third, there must be an impact on the portfolio, meaning the implementation of the process is effective in making the portfolio responsible.

"That being said, there are different ways to implement this process. Our own objective is purely financial, utilising a disciplined approach to look at the long-term risks and opportunities posed by ESG factors."

A RAPID ADVANCE

Masja Zandbergen, head of ESG integration, Robeco says there is no one-size-fits-all approach to sustainability. The manager uses "internationally accepted codes and principles to guide our own policies".

"The UN Global Compact Principles, the Paris Climate accord, the Principles for Responsible Investment and the UN Sustainable Development Goals are important guidelines for us.

"Regulation and demand for sustainability investing are both increasing at a rapid pace. Asset managers that have not kept track with these developments need to catch up. Flows to sustainable funds have been larger than flows to regular funds and flows to sustainable index solutions have grown even faster. This trend has already been going on for some years. Further regulatory development will increase that trend, I believe."

"Currently the industry is reading through the 400 page report from the Technical Expert Group of the EU. Good that there is a green taxonomy. Now it remains to be seen how it will be used and of course if it can be expanded to include social issues as well. This could be an important determinant of the fate of (sustainable) investment funds in Europe."

In the meantime, Zandbergen does see many new funds developing, including their own that are aligned with the SDGs, in both equity and credit.

Hendrik-Jan Boer, head of Sustainable Equity Investments at NN Investment Partners, is another who sees opportunity in launching new equity funds – versus changing the investment process of existing such funds.

"At NN Investment Partners we are performing both. As standards on ESG aspects have been substantially increased through the years, processes and methodologies continue to be enhanced in existing funds, while we also want to show leadership by introducing additional innovations and extensions of our offerings.

"Our experience is that success in both very much goes hand in hand. It is not that one is easier than the other but rather that drivers for both are complementary."

David García Rubio, head of ESG at Santander Asset Management outlines his company's approach, noting that it "analyses the ESG performance of around 3,000 companies through the study of more than 80 indicators in the three areas of sustainability (environmental, social and corporate governance)".

"This rating is the basis for identifying companies that are committed and have a good performance in their ESG responsibilities, and companies with businesses that have a positive impact on the environment and/or society."

In the area of commodities, it is also careful not to engage in commodity futures that are based on food commodities, to help avoid speculative transactions contributing to price inflation in food commodities.

Like other commentators, Rubio sees related regulatory developments

1.6% YoY fall in Swiss retail trade turnover in May 2019

ahead, which in the case of the EU is linked to the Action Plan on Sustainable Finance.

"It is expected that the consideration of ESG criteria in investment decision-making processes will increase as an element of risk management and as a response to an increase in demand for this type of products and a decrease in the demand of traditional ones. The consideration of ESG criteria in equity funds presents some difficulties such as the availability of quality data about companies' ESG practices and the lack of standardization and transparency in ESG reporting and scoring."

Kasper Elmgreen, head of equities at Amundi, says: "Investors are increasingly embracing ESG. This is clear speaking with investors, and it is also evident looking at flows in Europe. I believe this shift in demand toward ESG is structural in nature. Clearly as new areas are embraced, there could be a trend against areas that are not sustainable from an ESG perspective."

Elmgreen adds that there is evidence of an increasing number of equity funds addressing facets of ESG, tackling "explicit ESG integration/engagement/impact angles, as well as equity funds seeking to address some or all of the SGDs.

"These areas will only grow in my view."

Sandra Crowl, head of stewardship at Carmignac, notes that: "The EU strongly supports the transition to a low-carbon and sustainable economy and the European Commission in particular has launched an ambitious drive to request all asset manager groups to show they are integrating sustainability risks in their investment process and if not, why not.

"The EU Commission has proposed amendments to Mifid 2 to include ESG considerations into the information that all investment advisors need to obtain from clients. If you market your fund with either Environmental or Social characteristics then it has to be in your prospectus.

"Fund management companies therefore will face headwinds if they do not believe in the benefits of ESG due diligence for the simple reason that they will have to implement them."

Regulation is one of three main drivers of investor demand in favour of ESG, Crowl continues, but there are others, such as owners and managers of assets sending strong signals to corporates that if they don't behave sustainably, they will be punished financially.

Another driver has to do with changing perceptions amongst customers and retail investors, for example, Millennials inheriting wealth from Baby Boomers and expressing strong ethical investment preferences."

Crowl too sees growth in the number of equity and/or commodity funds, seekig to address the demand.

Jean-Louis Scandella, CIO equities, Ostrum AM, notes that while many claim to be sensitive to ESG, there is still great dispersion in the practical implementation.

"Our clients invest in equity funds in order to save for their pension funds or their children's education. We do not put their savings at risks just for the sake of ticking ESG boxes.

"Of course, our clients want good returns without polluting the planet and want no connection to companies taking liberties with the environment. We are following PRI texts not just to be present in the market but above all on a moral basis; our aim is to increase performance via calculated risks and getting to know the companies we work with better."

SELECTOR VIEWS

Cipriano Sancho, absolute return funds analyst at Santander Asset Management, says that climate change concerns and the transition to a carbon-free economy are going to provide support to equities that are aligned with these goals.

"Increased volume of ESG driven investments will drive capital to such stocks, and those companies that are detrimental to these goals will have fewer opportunities to access capital.

"In the commodity space there are similar considerations to take into account. The level of production and liquidity are taken into account to build commodity future indexes. Not only is the level off production important to determine index weightings: trading volume has an influence as well.

"Having said that, the most important drivers in commodities are supply/demand factors, which are directly linked to the economic trends and environment, among others. Social and environmental measures could prompt a strong shift in supply/demand channels without any doubt. Indeed, you have a good example in industrial metals like platinum and palladium, the former presenting a demand totally dented due to the catalytic converters scandal in diesel vehicles, and the latter benefiting from the increase in demand for gasoline engines."

On the question of new funds meeting new investor demand in this space, he suggests that in the equity space there is already a range of options for investing in companies aligned with the SDG goals and fighting climate change.

1.7% MoM increase in number of unemployed in Portugal in May 2019

"Our Santander Sostenible range can invest in such strategies. In the case of commodities, the issue is trickier. Exploiting natural resources is an activity with a lot of complex angles that add difficulty to accomplish ESG criteria. Nowadays miners are doing their best to improve sustainability factors, especially those with stronger balance sheets, and the market will likely reward those who succeed in doing this."

On commodities, he says: "The nature of commodity markets has always placed challenges in terms of regulatory requirements. Investors can access to this market through index funds, commodity funds or commodity futures. Risks associated with the asset class have been a constant source of worries for regulators in order to protect the final investor. Minimum diversification requirements or the ban of physical delivery in the Ucits space have forced investment managers to implement strategies through swaps. There have previously been intentions to review the adequacy of these kind of practices in the industry, and maybe this will be revisited to increase client protection."

Gorka Apodaca, portfolio manager and fund selector at MoraBanc, agrees that "the regulatory environment is evolving, for example, as governments react to the power of tech companies to collect information".

"And where there is a more conscious mindset about then environment, this could lead governments to apply more restrictive laws on companies, such as commodities companies, to pursue and reach sustainability goals.

"New regulation could increase capital cost, but that said, companies capable of adapting their models will have an opportunity to be on the radar of funds that focus on sustainable and eco-friendly companies.

There is increasing demand for the likes of carbon neutral funds, or those promoting solutions to the SDGs, Apodaca agrees.

"In northern Europe, the implementation of this type of investment is at an advanced stage compared to that of southern European countries. However, given the regulations will be more restrictive with the implementation of ESG and SRI criteria, the interest for the launch of this type of funds adhering sustainable and socially responsible principles will increase too. Everyone wants a piece of the pie."

Dirk Söhnholz, CEO, Diversifikator, notes that because his firm only uses passive investment funds and direct equities, the selection process starts with the relevant index.

"The stricter the responsible index, the better. Therefore, we prefer concentrated indices and funds. Unfortunately, even the strictest responsible indices for which investment funds are available, often tolerate sales in 'excluded' market segments and do not use separate ratings for E, S and G.

"Thus, good governance can compensate bad ecological or social ratings."

For commodities funds, he looks to commodity-stock indices rather than commodity derivative-indices.

"We expect funds in general, including commodity funds, to focus more on 'responsible' components in the future. Future regulation will hopefully bring more transparency and thus increase the pressure on funds to become more 'responsible', howsoever defined."

In future, he adds, where two commodity funds are otherwise similar, the more responsible one will have a much higher likelihood of being selected. Although, for now, he remains sceptical about equity or commodity funds trying to focus on impact or SDGs.

"Public equities focus on profits first. Current public equity offerings with the labels 'impact' or 'SDG' often include stocks which no serious investors would classify as classical impact investments. The MSCI Impact Index for example includes Danone and Procter and Gamble. Greenwashing attempts are a serious issue.

"I see many opportunities for equity funds applying strict responsibility criteria across any investment universe. In Germany, investors can chose from almost 2,000 ETFs – less than 100 can be considered as 'responsible'.

"As soon as investors understand that responsible investing does not require compromising performance, they should invest only in responsible ETFs or low-cost portfolios. That would lead to a surge in new responsible investments. In addition, we expect direct ESG indexing offers as alternatives to ETFs and active funds." ■

"REGULATION AND DEMAND FOR SUSTAINABILITY INVESTING ARE BOTH INCREASING AT A RAPID PACE. ASSET MANAGERS THAT HAVE NOT KEPT TRACK WITH THESE DEVELOPMENTS NEED TO CATCH UP"

Masja Zandbergen, Robeco

5% Increase in prices of residential property in Germany in Q1 2019 YoY

Background image: iStockPhoto

FRANK HUTTEL

Frank Huttel joined FiNet in September 2009 where he is head of portfolio management responsible for research, fund selection and fund management.

Prior to that he was responsible for a CTA and has experience in trading derivatives. He is a Climate Reality Leader (Berlin 2018) and an SRI-Advisor (EBS).

He has 25 years' experience in the investment management industry.

25.9 million Number of pigs kept in Germany on reference day 3 May 2019

With a network of independent German IFAs, FiNet differentiates between discretionary portfolio management and pooling for their IFAs. Ridhima Sharma talks to head of Portfolio Management, Frank Huttel

Casting a wide net in search of ideas

Sustainability is playing an increasingly important role in asset management. It is gradually being integrated into the 'classic' asset management mandates.

FiNet Asset Management AG has been active in offering sustainable strategies to their customers. In 2018, it also singed the UN PRI. The focus of its investment strategy is on 'impact investing' and the 17 UN SDGs. It prefers theme funds that try to solve current problems.

Frank Huttel, head of Portfolio Management says: "In addition to the megatrends of sustainability, we see the need for digitisation. In 2018, we created the first fully sustainable and fully digital Robo-Advisor. It uses only active and sustainable funds. It unites man and machine and every customer has a personal contact."

FiNet offers a flexible and modular product portfolio -– from funds, to shares, bonds, certificates, investments and asset management strategies – depending on which option you choose. Currently, the asset manager has assets under management of roughly €50m in nine different portfolio strategies, overall it is overseeing €500m.

With a network of independent German IFAs, FiNet differentiates between discretionary portfolio management and pooling for their IFAs.

When seeking out funds, an approved list for IFAs is always considered. In discretionary portfolio management, Huttel uses this list not only for selection, but also for solutions in order to solve problems.

He says: "Clients give the mandate to chose the right products. But in day to day business of IFAs, the feedback is still the same. Clients have greatest appetite for multi-asset and to certain extent bond funds too. Germany clients are risk averse and only a few like pure equities or equities funds, unfortunately."

ALTERNATIVE IS THE KEY

When seeking new managers, Huttel is always looking for real "alternatives" like global macro, CTAs or volatility strategies. He believes in true diversification and risk management.

Huttel explains: "When selecting, we follow both quantitative and qualitative process. We are more an macro investor.

"After coming up with an idea, I run a database search and use my network. I meet a lot of fund houses in our office or on conferences and I source my ideas out of this universe. Let us call it 'guided freestyle'. We have the advantage of working with everybody and we love our independence.

"WE HAVE THE ADVANTAGE OF WORKING WITH EVERYBODY AND WE LOVE OUR INDEPENDENCE"

"I like boutiques and their managers that have a clear focus, skill, experience, humbleness and a proven process. But I also try and invest in funds from big international names. They often have valuable sources and a huge network."

Big funds and stellar performance raises flags. Sometimes it brings a change in the management. However, there is no hard "coded" rule.

Huttel comments: "I use 'absolute return funds' for my portfolios. They are all regulated (Ucits) and on-shore. I would also go for regulated, even if some off-shore funds have a better performance and are more free in their investment style."

Even when all fund houses have expensive and well known and proven risk management systems, nobody can predict the future. Even AI cannot do it. Trump and his like are not predictable. Skill, humbleness and experience counts. Huttel wants to see protection skills when needed.

FUTURE FOCUS

"I think passive funds will dominate in five years and drive down costs of active funds," Huttel says.

"Some of them 'have' to disappear and this is OK. However this gives opportunities to real active managers. I think HNMW should focus on that. Most of our clients are 'normal' clients. The 'private' banks have a better insight into this client base." ■

17% Drivers of four-wheeled vehicles tested positive for alcohol in 2015-18 in Luxembourg

The new face of French fund management

AFG, the French Asset Management Association, is doing its bit to ensure France is positioned as *the* place on the Continent to do funds business. Elisabeth Reyes met its recently appointed vice president Matthieu Duncan

On 4 June 2019, members of the board of directors of the French Asset Management Association (AFG) reappointed Eric Pinon, senior advisor at Financière de l'Echiquier (LFDE), as chairman for a three-year term.

He will work closely with Philippe Setbon,directeur général of Groupama AM, whose term as vice president has also been renewed, together with newly appointed vice president Matthieu Duncan who will be spearheading the AFG's actions in Europe and internationally.

Duncan, as CEO of Ostrum Asset Management, the affiliate of Natixis Investment Managers, is set to bring an international dimension to AFG, with a focus on the objective of boosting recognition of the French asset management industry and its position in Europe and globally.

"The AFG is keen to increase its presence, its visibility and its influence internationally – notably, on everything which touches European and international regulations. The idea is to act more upstream," says Duncan.

"France benefits from a very large, vibrant and healthy AM industry. It is the largest in continental Europe. And in a post-Brexit world, the importance for the French AM industry to be more present and more visible is much greater. My aim will be to help and support French asset managers to better export."

BRUSSELS PRESENCE

Part of Duncan's new role is to represent the French AM industry in

1.2% Increase in consumer prices in France in June 2019 YoY

AFG'S PRIORITIES

The new term voted in by AFG's board recently will allow the association to continue extending its actions around three priorities:

- Investor education, ie, making investors aware of the importance of long term management, which AFG advocates, especially with retirement savings and salary savings.
- Seizing new opportunities offered by European initiatives related to sustainable finance, fintech and innovative solutions in financial services as well as the Pepp (Pan-European personal pension product)
- Positioning France as a major player in international asset management; this includes ensuring the EU regulatory framework's competitiveness on the global scene should become a key goal of the Capital Markets Union project.

Brussels. AFG's existing permanent presence there may be reinforced as appropriate in future, depending on the regulatory pipeline.

It is also an active member of the European Fund and Asset Management Association (Efama) and PensionsEurope, working closely with European sister industry associations.

"Another key focus for the association is to better connect with key European players, influencers, regulators, parliamentarians in order to be at the forefront of decision making. We are also holding at least one of our executive committee meetings in Brussels, on an annual basis.

"This was already done in the past couple years and we will continue to do so." "We are looking at other things we can do to better connect with the key players that are relevant to the association. The aim is to raise the profile and connectivity of the association with key players that are relevant to AFG in Brussels."

Duncan continues: "One of the objectives is to try to catch topics, debates, things that eventually shape regulations and legislation further upstream. That is a very important theme of what the AFG is looking to achieve.

"We have created a club within the association, 'AFG export club', over which I preside, for interested members who are looking at exporting their investment abilities to market outside France. They are about 650-ish asset managers in France. There are big ones, which are savvy and well known internationally, but they are a lot of medium sized ones with great capabilities and the ability to generate alpha is a highly exportable skill.

"This club will help our members in their quest to better understand the issues as they try to export themselves. Our first transversal topic was cross-border taxation issues. That is something concrete that we are doing."

BREXIT

With regards to Brexit, Duncan says this is a topic keenly followed and discussed since the beginning of 2016.

"It is something that the AFG needs to watch even if it is getting a bit clearer but too early to judge. It is looking at the various scenarios but nothing has been decided yet. It is work in progress."

Looking at various post-Brexit outcomes, Duncan stresses the importance of pushing and reinforcing the European Capital Markets Union (CMU), which is particularly necessary to avoid the risks of fragmentation in a multi-polar Europe; where no financial centre will be dominant, even though Paris is expected to play a leading role, especially in the asset management sector.

He concludes: "The world is a pretty scary place at the moment and Brexit is a worry but not the only one: trade wars, geopolitical tensions, the rise of populism are not good, and Brexit and its potential consequences are not good either.

"Our members are worried about Brexit; but this is not the only topic of concern." ■

PONDERING CHALLENGES AFTER EUROPEAN ELECTIONS

Responding to the bounce in the turnout at the European elections that took place at the end of May this year, AFG organised in a panel discussion of financial and political experts to identify what impact the outcome of the elections could have on French financial markets.

The experts that took part included Marcel Grignard, chairman of the think tank Confrontations Europe; Stéphane Janin, head of Global Regulatory Development, AXA Investment Managers and chairman of the AFG's European and International Regulation Commission; and Wolf Klinz, German Liberal Democrat Party MEP.

Considering the fragmented and delicately-balanced European political landscape that has come out of the elections, they noted that the EU faces a plethora of challenges, such as uncertainty around Brexit; the offensive strategy of the US in relation to international organisations and agreements; competition from Asian market players; and the global challenges of climate change and the digital revolution.

The European regulatory development process applied to financial services needs rethinking, the experts suggested, because it is no longer suited to the system designed in the 2000s ("Lamfalussy process"). In particular, the tangle and instability of legislation is currently creating uncertainties and difficulties for businesses and confuses investors.

The European Union needs to see the financial sector as a "financial weapon", that is, a strategic and sovereign instrument in the service of the European economy, the experts argued.

In terms of the priorities that the new European Commission will set for itself, these will define its approach in the key areas of concern to the fund industry: revision of the AIFM, Mifid 2, Priips and Ucits directives, implementation of the Pepp, development of sustainable finance, a suitable regulatory structure for data providers – on which an increasing number of economic players (including asset managers) are dependent, while the majority of them originate from outside the European Union and are under- or even unregulated. The European Union should also be on the offensive with regard to cybersecurity and the digital economy, they concluded.

Finally, they concluded by stating that the EU needs to set out a shared vision of long-term investment. Regarding these major challenges, they added that capital markets in Paris will need to further strengthen efforts to promote French and European interests in a post-Brexit context.

3% Motorcycle riders tested positive for alcohol in 2015-18 in Luxembourg

Cutting carbon, boosting opportunity

The French government is seeking to make the country a carbon neutral one. Elisabeth Reyes looks to what this means in practice for investors

At the end of April this year, the French government put forward proposals to make the country a carbon neutral one (https://bit.ly/2JiILGJ).

The proposal is part of the ongoing response to climate change targets set out in the Paris Agreement, and is intended to institute change in the country's energy sector.

Responding to the proposal, Guillaume Di Pizio, CIO, Dauphine Asset Management, says the idea would need to be done consistently with other countries.

"Electricity output is generated 72% by nuclear power and 17% by alternatives, and as a result France is in the top five OECD countries, emitting the lowest amount of electricity greenhouse gases. In Europe, 54% of carbon dioxide emissions are produced by coal-fired power plants located in Germany and Poland.

"In order to reduce electricity-related pollution it is essential to shut down fossil fuel plants for good, but government measures should also aim to reduce energy requirements by improving building insulation."

"Contrary to popular belief, the French government's idea of delaying the timetable for the closure of nuclear plants, actually results in the reduction of carbon emissions. Building new gas plants to reduce nuclear power's share to 50%, goes against pre-set climate targets; but replacing nuclear with solar would paradoxically increase our emissions because photovoltaic panels emit about three times more CO_2 than nuclear."

He adds: "In addition, renewable energy is sporadic because it cannot be produced on demand or continuously; daytime only for solar energy and windy days only for wind turbines. This also means creating new infrastructure for electricity storage as well as modifying the network for essential changes which, once again, contributes to increasing CO_2 emissions. Technology is not quite ready yet for the mass deployment of renewable energy.

"Governments are aggressively imposing the rejection of diesel and promoting a transfer to electric vehicles and plan to have households and car manufacturers foot the bill. But if the electricity produced to recharge the batteries is not decarbonised, the efficiency of these measures is limited. At present, France has four coal-fired power plants that produce 1.8% of the country's electricity requirements against 2,700 coal-fired power plants across Europe. There is still a long way to go."

INCREASING AWARENESS

Pierre Valentin, chairman, Ecofi Investissements, says the targets outlined "...will surely increase the awareness of investors and companies about the urgency of taking action on climate change."

" IN EUROPE, 54% OF CARBON DIOXIDE EMISSIONS ARE PRODUCED BY PLANTS IN GERMANY AND POLAND"

Guillaume Di Pizio, Dauphine AM

The targets outlined are, however, something that Ecofi's own funds already take account of, he adds.

"Our company's SRI selection process, which is applied to 100% of our open-ended mutual funds, excludes companies involved in coal-based electricity generation and in coal extraction.

"Our ESG evaluation model allows us to select companies which have integrated climate change risks – for example, physical risk and regulation risk – in their risk management system. Indeed our ESG evaluation model analyses the relevant climate change strategies of companies and their commitment, in terms of management of energy consumption and atmospheric emissions."

Valentin continues: "Moreover we manage several thematic-based funds, which invest directly in companies which have developed specific solutions with a positive environmental impact.

"Specifically, 'Ecofi Enjeux Futurs' is an SRI international equity fund that invests in six themes linked to social and environmental impact, such as renewable energies, energy efficiency, health and education... Another mutual fund, named 'Ecofi Agir pour le Climat', is focused to energy and ecological transition and it has obtained the French TEEC label.

"Concerning our projects planned for 2019 and 2020 around energy and climate strategy, we would like to develop an internal methodology which could evaluate the 2°C alignment of our portfolios." ■

1.2% Increase in real earnings in Germany in Q1 2019 YoY

LRI's acquisition by Apex means greater focus on German speaking clients, while leveraging value in this market. Ridhima Sharma reports

Opening the world to German clients

With a strong presence in German speaking markets due to its history, clients and investor base, LRI Group along with Apex Group, European depositary bank, wants to further strengthens its collective value in this region.

Frank Alexander de Boer, managing director, LRI Group says: "We want to enhance our position in Germany through gaining further market share and delivering those additional value services aforementioned to our existing German client base. Apex's international reach gives further weight to our offering and opens the global market to our German clients."

Earlier this year, fund administrator Apex Group acquired Luxembourg based LRI Group, which brought together two third party management companies under the LRI Group brand. Both companies are individually growing faster with growth predominantly coming from the client and investor network in German speaking countries.

As one of the first licensed AIFMs, LRI Group has been able to profit from the ongoing growth in real asset projects, as it has built up significant expertise in global real estate and private equity reals.

De Boer says: "The consolidation in the market over the past year has enhanced our focus on ensuring we are a real partner to our clients, able to provide a holistic service delivered by experienced professionals.

"LRI's acquisition by Apex and the subsequent merging of the LRI brand with another Apex acquisition, Warburg Invest means we have become the second largest third-party management company in Luxembourg. In the current landscape with ever increasing regulatory requirements for both us and our clients, this scale is necessary to be able to provide excellent client service and be able to invest in the necessary infrastructure.

"It also means that our clients have access to additional services through the wider Apex Group, such as middle office solutions, custody and depositary and comprehensive corporate services."

GLOBAL PRESENCE

David Rhydderch, president, Apex says: "We have over 40 offices and 3,000 employees worldwide, which give access to all international centres for investment funds. Through this network, we receive referrals of new clients for Luxembourg structures and we can also support clients looking to set up outside of Luxembourg within the group.

"In addition, we bring together fund managers and investors through our global distribution network covering all key distribution markets in Asia, Australia, Europe, Latin America and the US. This growing network consists of carefully selected placement agents and third party marketers located all over the world offering distribution opportunities for our fund managers and their investment strategies. In practice, this means that we provide our fund initiators with a pre-selection of suitable partners and help them develop and tailor their distribution approach in a smart and cost-efficient manner.

"ONE OF OUR TOP PRIORITIES WILL BE TO ROLL OUT NEW SOLUTIONS TO OUR EXISTING CLIENTS AND DELIVERING THIS AS SEAMLESSLY AS POSSIBLE"

David Rhydderch, Apex

"We are not planning to open any additional branch offices for LRI Group specifically as we are focusing on integrating the Warburg Invest business and really evolving our capabilities in our existing locations."

Rhydderch adds: "One of our top priorities will be to roll out these new solutions to our existing clients and our project teams are busy delivering this as seamlessly as possible. Another priority will be the integration of our teams and processes both within LRI Group and within the Apex Group. This means that we will identify and take forward best practices from all legacy entities to establish a market-leading service provider."

ESG

Rhydderch continues: "ESG is of central importance to us and our clients. ESG is not just a trend but becoming a central part of the investment funds industry. Furthermore, Apex was the first fund administrator to launch an ESG reporting solution and is heavily investing in building out ESG processes across the Group.

"We want to be at the forefront of industry developments in this space and position ourselves as a leader, supporting our clients in developing their own ESG evolution." ■

3.8% Increase in agricultural prices in France in May 2019 YoY

VINCENT BATAILLER

Vincent Batailler is a managing partner at Iodda Advisors, which he founded in early 2016 after having headed the funds of hedge funds business at Natixis for seven years.

Prior to Natixis, he has held different senior positions in the fixed income, FX and equity derivatives fields at Lloyds TSB, Société Générale and CA-CIB.

Background image: iStockPhoto

0.7% Increase in prices of second-hand dwellings in France in Q1 2019 YoY

Vincent Batailler, founder and managing partner at Iodda Advisors, outlines the importance of a qualitative approach and using subjectivity in fund selection. Elisabeth Reyes reports

Relationships between teams the key focus

Batailler founded Iodda Advisors, a fund selection company in 2016, targeting private banks and single-family offices in Europe and Asia.

Its expertise, which relies heavily on a rigorous screening process and in-depth due diligence, covers the full range of investment strategies, from traditional long-only to alternatives, addressing both investment and operational issues. While the business has some $500m under advisory, it does not pursue discretionary management or manage buy or short lists.

"The backbone of our fund selection process is deliberately qualitative, even if the very first step relies on a thorough quantitative analysis," says Batailler.

"We filter the funds universe to comply with specific research requests. At this stage, we include qualitative features such as investment style biases or more operational topics on governance."

"THE BACKBONE OF OUR FUND SELECTION PROCESS IS DELIBERATELY QUALITATIVE, EVEN IF THE VERY FIRST STEP RELIES ON A THOROUGH QUANTITATIVE ANALYSIS"

AN EMPHASIS ON MEETING PEOPLE

Iodda Advisors manages its own database, which has upward of 3,000 funds. Mainstream databases are not reliable enough in terms of key information, Batailler argues, adding that the most accurate information comes from meetings with investment firms, notably at seminars and conferences organised by media players or brokers' capital introduction teams.

Over the twelve months to June they had more than 200 meetings or calls with investment firms, traveling to 10 different countries across Europe, the Americas and Asia.

Batailler continues: "I firmly believe that introducing subjectivity in the analysis is essential"

"As well as going through all the materials provided by the firm, we always visit the candidate funds *in situ* and meet the people in charge of investment and operations."

The focus is on the relationship within and between the teams – in particular between risk and investment – as well as on governance and compliance.

"As an example, some roles need to be undertaken by people senior enough to stand up to the fund manager or the CIO if need be." he adds.

"If you see a PM being served a cup of coffee by his risk manager just with a nod and no further attention, then stay away. That is something difficult to notice by simply reading bios".

RED FLAGS

Red flags can come from early stage paperwork – fund manager's background, no independent director on the board, custodian and/or administrator linked to the firm – but Batailler has raised very important flags from visits. Notably, some documents are available as read-only, ie, only through a visit.

"KYM, Know Your Manager, is as important to investors as KYC is to investment firms".

Clients use both passive and active funds, investing equal amounts in liquid and illiquid strategies, regulated by traditional and more exotic authorities.

Beyond understanding the investment process, Batailler explains how crucial it is that the liquidity terms provided by the investment vehicle match market liquidity and the PM's trade instruments.

"Regulation is incidental or not necessarily the very first thing to check. With all due respect to our regulators, daily liquidity is not automatically favorable to investors. We recently studied structured credit, trade finance and other private debt strategies as well as absolute return ones. Besides, our investors are increasingly focused on SRI and impact investing.

"This is obviously good news but it does mean investment firms have to investigate further than simply looking out for an ESG or PRI compliant logo." ■

2 million UK tourists visiting Spain in May 2019

Thinking outside the box

Peter Smith, managing partner and CIO of the newly-created value investment house Palm Harbour Capital, outlines the firm's key pillars based on the hunt for undervalued stocks globally. Eugenia Jiménez reports

Palm Harbour Capital was co-founded by well-known Spanish investor Francisco García Paramés and Peter Smith in 2018 in London.

Cobas Asset Management, which is the Spanish value investment boutique owned by Paramés, took a majority stake in Palm Harbour last year through its parent company, Santa Comba. The move was considered by many as an attempt by Paramés to promote and spread the investment principles of the US-born style.

Smith says: "Paco clearly believes in the value investing philosophy and he set up the value school to teach value in Spain, and to give options to Spanish investors and to educate them.

"Spain has a very low holding of equities compared to the US or the UK. And Paco has a very strong feeling that holding companies is the best way to protect your money against inflation and against other things that happen in the world."

Paramés, who is behind the rise of value investing in Spain, began his career at Bestinver in the 1990s and, following the investment philosophy of the great US value investors, such as Warren Buffet and Peter Lynch, achieved returns of around 15% annualised over 25 years.

After serving a two-year non-compete clause following his departure from Bestinver in 2014, he launched Cobas Asset Management in 2017.

To further understand the partnership that led to the launch of the UK boutique, it is necessary to go back to the beginning of the relationship between its two co-founders.

Peter Smith, from Texas in the US, was always interested in Europe. His passion for the old continent as well as for the financial world dates back to high school, when the value investor was taking classes in European History and Economics.

That first academic approach led him to major in International Business and minor in German at the Texas Tech University, which also explains his later entry in Commerzbank in Frankfurt, where he worked focusing on equities. During that time, he started reading about value investing and felt it made sense.

"While in Commerzbank, I wanted to move to the "buy side" but after the financial crisis, this move was difficult. So I went to the London Business School and its Value Investing Class looking to make that shift.

"It was at that time when I started reading about Paramés. I felt I wanted to have my own creation but at the same time I was looking for a job in value investing. I could not find a value investor in London that I really connected with from a philosophical and process point of view. I was lucky when a colleague from university introduced me to Paramés and I was able to pitch him stock ideas as well as my idea for a UK boutique manager."

After some two years of sharing ideas, Smith started working as an external analyst at Cobas AM in 2016 but was not until last year that the two value investors teamed up for the manager's creation.

Palm Harbour Capital is led by Smith, who holds the positions of managing partner and chief investment officer at the firm. The firm counts on the support of Paramés as the firm's non-executive partner and also Thomas Livesey as a research analyst, who has been working alongside Smith pitching ideas to Paramés and its boutique Cobas since March 2017.

Palm Harbour is a research-driven, fundamental, long-term value investment house that aims to provide superior long-term investment returns.

This research-driven process means that the firm will normally challenge the conventional wisdom and status quo while confronting assumptions and finding the facts through intense due diligence. Those involved spend significant time speaking to industry insiders, attending trade fairs and understanding industry dynamics.

VALUE INVESTING VERSUS SPECULATION

When explaining the firm's investment approach, Smith emphasises the difference between investing and speculation. He says: "While the majority of the market buys securities hoping someone else will buy them at a higher price, value investors like us do it by buying at a significant discount to intrinsic value, in other words with a margin of safety, an intrinsic characteristic of the value investment philosophy."

The firm's long-time horizon, allowing compounding to work in its favour, versus the mentality of greed or "getting rich quick" is another factor making their investment style unique compared to that commonly used by the rest of the market.

FUND OFFERING

For the time being, it has launched just one investment strategy, the Cobas Lux Sicav – Palm Harbour Global Value Fund, managed by Smith and unveiled on 4 April this year.

Palm Harbour Global Value Fund invests primarily in global equities with an emphasis on small and mid–sized European companies, with a

8 million Total number of foreign visitors to Spain in May 2019

typical market capitalisation between €100m to €5bn.

The strategy, which focuses on equities but may also invest in credit and derivatives, is built on two complementary pillars: long-term core investments, which they label at the firm as compounders, and investments in special situations.

Smith follows: "We look for situations in which sellers may be motivated by reasons unconnected to the underlying economics, allowing us to purchase the security at a discount."

Some examples of these special situations might be the spin-off of a business unit that is too small for most institutional investors, some overlooked companies emerging from bankruptcy, or hybrid securities issued from corporate actions.

The fund, which currently holds 20 stocks, presents a relatively concentrated portfolio with the aim of investing in companies the firm knows well. It won't normally hold more than 30 positions, accounting each of them for 0.5% to 10% of the total exposure, with average around 4%.

Although the fund invests in undervalued stocks globally, it focuses on European companies. According to Smith, around 80% of the fund's portfolio is invested in Europe while the remaining stake is invested in the US. Despite being an unconstrained strategy with regards to sectors, it will rarely invest in finance, technology or bio-tech industries.

Westinghouse Air Brakes Technologies Corp is one position of the fund. Smith and his team feel there is an opportunity to buy a niche rail brake manufacturer trading at a low multiple to future cash flows despite its high-quality business.

"The opportunity to invest arrived due to General Electrics' divestment of its train locomotive division to the company through unusual spin-merger. This has led to a share overhang due to a set time line of GE selling and likely, GE shareholders selling," says Smith.

INVESTMENT PHILOSOPHY

Palm Harbour Capital is driven by a value investing philosophy, which is defined by the firm as the strategy of investing in securities that are trading at an appreciable discount to the underlying intrinsic value of the business.

According to the manager, this investing philosophy is based on the following principles:

- Owner's perspective of the business, focusing on the long-term development;
- The market provides a price, which is not necessarily the value of the underlying business or cash flows;
- Focus on downside risk and demand a considerable margin of safety;
- Absolute return focus; and
- Market price volatility is not risk but rather a source of opportunity.

The company believes that sometimes bargains might be found, especially after market or company-specific panics. Its definition of high-quality companies relate to those with high returns on tangible capital, strong margins, large, and stable market shares, and identifiable sustainable competitive advantages.

When searching for investment opportunities, the manager seeks strong management teams that operate as owners and invest for the long-term as they do. The research part of the process starts by using primary sources like financial filings to establish the nature of the business and to assess whether there might exist an opportunity.

Smith explains: "We analyse competitive advantages, financials, management, capital allocation, history, predictability of future cash flows and ultimately come to a range of valuations and their probabilities. The majority of situations analysed will ultimately be rejected."

When asked on how he finds the right stocks, the fund manager says: "Is a lot of work and there is no magic. I spend most of my day reading or talking to people in the industries.

"I just read all the day long and then I start making connections. Something you read reminds you to what happened eight years ago and you see kind of patterns. If you read in the *FT* that everybody loves whatever, just look into the opposite direction.

"Sounds like common sense, but this isn't how most market participants think…" ■

€139 Cost of a French TV licence in 2019

Background image: iStockPhoto

SANDRINE VINCELOT-GUIET

Sandrine Vincelot-Guiet began her career in 1993 at VEGA Finance as a market rate trader. In 1994, she became manager of bond Ucits and index shares before being appointed head of the Multi-management team in 1996, responsible for the creation of the first fund of funds.

From 2003 to 2005, she was director of Collective management at Vega Multimanager. She joined the teams of VEGA investment Managers (formerly 1818 Management) in 2005 as director of Collective Management, then director of Multi-management and selection of Ucits.

69% Proportion of British citizens living in the EU in 2017 resident in Spain, France or Germany

Management philosophy at heart of selection criteria

With 20 years of experience at VEGA Investment Managers, Sandrine Vincelot-Guiet, director of OPC Selection and ESG manager, talks open architecture, quant and qual criteria and setting up the ESG Club. Elisabeth Reyes reports

Sandrine Vincelot-Guiet created and managed her first VEGA fund back in October 1996. Now on the Senior Management team, she has seen the selection process evolve to a 15-strong management team, with whom she has built strong relationships.

The team also now manages portfolios for VEGA UM, Natixis Wealth and some BPCE group teams.

VEGA Investment Managers' fund selection is based on an open architecture, monitoring approximately 85 external management companies and sporting a 280-strong selected fund list.

Annually, they meet a significant number of managers – some 325 in 2018 – and only add funds that pass the due diligence.

Their selection process is subject to a continuous process of improvement to the combination of quantitative and qualitative approaches.

"Our organisation is efficient: all asset classes are divided into 13 broad categories, each supported by two or three analysts, producing biannual studies on the relevant asset class and funds in question," says Vincelot-Guiet.

"In order to decide on inputs and outputs of short-listed funds, a weekly committee brings together all analysts to present case-studies and share information.

"The main criteria for outputs or an intermediate negative view are a significant management team resignation, a sharp decrease in the fund size, a change of process or performance degradation."

To validate inputs, analysts present positive monitoring data. On the 2018 shortlist, 43 funds were selected, and 20 were de-selected.

Quantitative criteria include creation date, number of years with the current manager, fund size and evolution, performance over calendar years and slippery periods. A comparison is also made with the benchmark and average of the category and ranking evolution.

> "WE HAVE REAL KNOW-HOW IN SRI AND THEMATIC MANAGEMENT. SUSTAINABLE DEVELOPMENT WILL BE INCREASINGLY IMPORTANT"

"Several mathematical ratios are applied which deliver interesting interpretations on volatility, Sharpe ratio, Max drawdown, beta, alpha, tracking error, correlation and Sortino ratio," adds Vincelot-Guiet.

VEGA IM's qualitative criteria include management philosophy, style, fidelity and methodology, with particular attention paid to managers' approach, experience, organisation and behaviour. They look for detailed process explanations and how they control risk management. Once a selection is made, the fund is subject to ongoing monitoring.

ESG

Over the course of 2018, VEGA IM developed its range of products and management mandates towards an SRI approach using ESG practices. And here, the open architecture has helped, says Vincelot-Guiet.

"I created the ESG Club whose main task is to decide whether to integrate a fund into the SRI/ESG environment of the VEGA IM short list. Additionally, the ESG Club constantly monitors the SRI market, looking at regulatory developments, academic research, management methodology and processes analysis."

The Club team is comprised of five analysts/managers, a risk manager and Vincelot-Guiet herself. In April this year 25 analyses were carried out. The club rejected 15 funds and validated 10 into the SRI/ESG environment, which comprises 17 SRI label funds and 2 LuxFLAG label funds.

Vincelot-Guiet concludes: "We therefore have real know-how in SRI and thematic management. I believe that sustainable development will be increasingly important." ■

€163 Average daily expenditure per tourist in Spain in May

Picking a way through a slowing cycle

Around 50 fund selector delegates from Spain, Portugal, and Andorra gathered in Barcelona to hear investment insight from 15 speakers across asset classes and topics. Eugenia Jiménez reports

The Sofia Hotel in the Mediterranean city played host to the Iberian Summit on 30 and 31 of May, which offered delegates two days of boardroom and plenary sessions.

Asset management groups presenting included Artisan Partners, BMO Global AM, Eurizon Capital SGR, Gabelli Funds, Gesiuris Asset Management, Mirabaud Asset Management, Polar Capital, State Street Global Advisors and WisdomTree.

Also present were both the CFA Society Spain and Portugal branches as educational partners, a keynote speaker on venture capital, a panel discussion on alternative investments and a plenary session on gender parity.

Group networking activities also played their part in facilitating the exchange of information between those present.

ETFS – COMMODITIES AND FIXED INCOME

Nitesh Shah, research director at WisdomTree, presented an overview on commodities and looked at how enhanced broad commodity strategies can be used as a strategic alternative to traditional front-month commodity benchmarks and active commodity strategies.

WisdomTree Enhanced Commodity Ucits ETF tracks the Optimised Roll Commodity Total Return index and is built upon the Bloomberg Commodity Index (BCOM) weights and the S&P GSCI Dynamic Rolling methodology.

The underlying index offers diversified commodity exposure, using futures to track the performance of a basket of 23 commodities, covering four different sectors including agriculture, energy, industrial metals and precious metals.

Antoine Lesné, head of SPDR ETF Strategy & Research EMEA at State Street Global Advisors, SPDR ETFs, shared his views on the fixed income ETF market, whose assets surpassed $1trn in April 2019.

Lesné addressed some of the facts versus fiction of the asset class, including the fact that fixed income ETFs represent just 1.5% of the total investable fixed income universe versus the myth that this market has become so large that it distorts the bond market.

$5,000 Seed capital used to set up Huawei in 1987

THEMATIC

Anu Narula leads the Global Equities team of Mirabaud Asset Management, which uses themes to identify areas where industries are growing faster than GDP on a sustainable basis.

An example of this is Mirabaud's Service Economy theme, introduced earlier this year, which references data suggesting services represent more than 50% of mainland Chinese GDP.

Narula is also the lead portfolio manager of the Mirabaud Equities Global Focus and Global Equity High Income funds.

The Mirabaud Equities Global Focus Fund has exposure to eight themes, providing companies with a secular growth tailwind. Narula said: "We identify global leaders that are exposed to these themes and can capitalise on the opportunity this presents."

Steve Butler is a senior product specialist at Artisan Partners. He is responsible for institutional marketing of the strategies managed by the firm's Growth team, including the Artisan Global Opportunities and the Global Discovery strategies.

The Artisan Partners Growth team seeks high-quality franchises trading at a reasonable discount to their value as a private company and utilise a unique approach to confidence weighting the portfolios.

The Artisan Global Opportunities fund invests in 11 different sectors. Information technology and healthcare represented 22.7% and 20.7% respectively of the portfolio as of the end of March 2019.

GLOBAL EQUITIES

Corrado Gaudenzi, head of Long-term Sustainable Strategies at Italy's Eurizon Capital SGR, outlined his team's investment approach, based on a

EXPLORING ALTERNATIVE OPPORTUNITIES

As alternative investments move more into the mainstream, a trio of professional investors joined a panel discussion on the drive towards this complex and broad asset class.

Credit Suisse Spain's Íñigo Iturriaga moderated the session while Inversis Gestión senior analyst Alejandro Allona, Caixabank AM head of alternative investments Fernando Sánchez, and Caixagest head of fund selection Guilherme Onofre were the panellists.

The discussion ranged from an overview on the asset class to the suitability of liquid or illiquid alternatives depending on investor goals and the prevailing investment environment.

Investors are seen to have turned to the alternatives space looking for different (and uncorrelated) sources of return following several years of bull markets in both fixed income and equities. However, recent performances of alternatives have been worse than expected, something that the panellists delved into.

Regarding liquid alternatives, they shared their views on Newcits vehicles and on the strategies they prefer within the hedge fund universe. They also looked at real assets - namely real estate, private debt, and private equity - which traditionally have been kept apart from other areas due to liquidity concerns.

2.1% YoY fall in Spain's non-hotel tourist accommodation occupancy in May

disciplined flexible equity allocation and the selection of sustainable high dividend stocks, which are the key elements of the Eurizon Fund Azioni Strategia Flessibile.

The fund aims to achieve a return aligned with the historical long-term performance of Western countries' equity indices on a time horizon of at least seven years, but cutting the tails of the standard equity returns distribution.

By investing directly or through derivatives in European and US equities (between 50% and 100% of the portfolio) and money-market instruments, the strategy has 120 European and US stocks and aims at seizing the risk-adjusted opportunities offered by core equity markets.

JAPAN

Barcelona-based asset manager Gesiuris Asset Management, with €1bn in assets under management, explained what drove them towards the investment universe of highly undervalued Japanese small and micro cap companies.

Marc Garrigasait, fund manager of the firm's Japan Deep Value fund, said that different factors explain that undervaluation, including a lack of information, the big universe of Japanese companies trading in the national stock exchange, and the impact of the 1980s financial bubble.

The fund, launched in August 2016, is a mutual fund with an equity exposure of at least 75%.

EUROPEAN VENTURE CAPITAL: AN EMERGING MARKET ASSET CLASS

Javier Santiso (pictured below) is CEO and managing partner of Mundi Ventures, a European venture capital fund with offices in London, Madrid and Barcelona that focuses on technology-based companies.

Santiso believes that venture capital is becoming a major trend of investment globally with around $100bn invested both in the US and China in 2018. Although the figure in Europe is still lagging behind with $25bn invested, the continent's tech market is booming.

"European successful start-ups are now emerging from all over the continent including Farfetch from Porto, Adyen from Amsterdam, and Spotify from Stockolm."

Mundi Ventures' fund, which looks for entrepreneurs with differentiated technology solutions seeking to disrupt existing business models, is invested in deep tech, AI, industrial internet and fintech/insurtech. Nnaisense in Lugano, Submer in Barcelona or Sherpa in Bilbao are part of the fund's portfolio.

CONVERTIBLE BONDS

David Sugarman, who leads the credit and convertible bond research team for the Global Convertible fund at UK-based fund house Polar Capital, presented two of the strategies managed by the group's global convertibles team.

The objective of the Polar Capital Global Convertible Bond fund is to generate both income and long term capital growth by investing in a diversified portfolio of securities - primarily in the global convertibles market.

The Polar Capital Global Absolute Return fund is a long/ short absolute return strategy that mostly invests in convertible securities, with the flexibility to invest also in corporate debt and equities.

MULTI-ASSETS

Lars Nielsen, senior product specialist at BMO Global Asset Management presented the Pyrford Global Absolute Return fund, which combines a top-down allocation process with bottom-up stock selection. The only building blocks needed are global equities, high quality sovereign bonds and cash.

He explained that the Fund seeks to achieve real total returns, by investing in equities and investment grade sovereign debt securities that, at time of purchase, have a minimum stock market capitalisation of $500m and that are listed, traded or dealt on a regulated market.

50% Drop in the price of Spotify shares over the course of 2018

INVESTMENT EUROPE
IBERIAN SUMMIT
BARCELONA 2019

ALTERNATIVES

Anthony Lombardi, Gabelli Funds research analyst who works for the firm's merger arbitrage investment team, addressed the opportunities of merger investing. He presented the GAMCO Merger Arbitrage fund, which aims to achieve long-term capital growth by investing primarily in announced equity merger and acquisition transactions while maintaining a diversified portfolio.

Gabelli Funds is a subsidiary of GAMCO Investors that has been managing dedicated merger arbitrage portfolios since 1985, as an extension of its Private Market Value with a catalyst approach to value investing. ■

ESG, DIVERSITY, AND GENDER PARITY: PROGRESS MADE AND BATTLES AHEAD

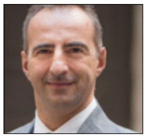
Madalena Teixeira is a senior portfolio manager at Lisbon-based ASK WM and is also the Iberia representative for the Association of Professional Fund Investors (APFI).

Although Teixeira thinks there has not been a real push in the sector to increase the share of women, she does not believe in quotas. "Companies need to continue hiring the best. The key is that male or female have the same opportunities to progress."

Speakers

Steve Butler is senior product specialist and director at **Artisan Partners**. He is responsible for institutional marketing of the strategies managed by the firm's Growth team, including the Artisan Global Opportunities and Global Discovery strategies.

Mark Garrigasait is a fund manager at **Gesiuris Asset Management**. Investment manager of Gesiuris AM's Japan Deep Value Fund since 2016, Garrigasait is also president and investment manager of the Koala Capital Sicav and the Panda Agriculture & Water fund.



Corrado Gaudenzi is head of Long-Term Sustainable Strategies, **Eurizon Capital SGR**. Having joined Eurizon in 1997, Gaudenzi has gone on to manage Eurizon Fund Azioni Strategia Flessibile and other funds since 2010, overseeing over €10bn of AUM.

Antoine Lesné is head of SPDR ETF Strategy & Research EMEA, SSGA, SPDR ETFs at **State Street**. Lesné joined State Street in 2006. He is responsible for developing a strategy framework for the SPDR ETF range to align it with financial market developments and longer term economic outlooks.

Anu Narula heads up the **Mirabaud Asset Management** Global Equities team and is lead portfolio manager of Mirabaud Equities Global Focus and Mirabaud Global Equity High Income funds. He joined Mirabaud in 2013 from AXA Framlington.

Lars Nielsen is senior product specialist at **BMO Global Asset Management**. Before joining BMO subsidiary Pyrford International in 2008, Nielsen worked for a number of firms, including Dalton Strategic Partnership, TT International and Alliance Capital. He started his career in various roles at Barra, one of the world's leading investment analytics companies.

Nitesh Shah is director of Research at **WisdomTree**. Prior to the acquisition of ETF Securities in April 2018, he was a commodities strategist for the company.

David Sugarman is head of Convertible and Credit Research at **Polar Capital**. Sugarman joined Polar Capital in 2011 and leads the credit and convertible bond research for the Global Convertible fund. He began his career at Barclays Capital where he set up their US convertible bond proprietary trading book.

Anthony Lombardi is a research analyst at **Gabelli Funds**. Lombardi is a member of Gabelli's merger arbitrage investment team. His research focuses on the analysis of complex M&A transactions and special situations. He has extensive experience across alternative investments.

$11bn Total value of components and services Huawei bought from US suppliers in 2018

The Eternal City played host to *InvestmentEurope*'s first Summit for the Italian fund selector community. Eugenia Jiménez reports on the speakers and topics covered at the event

Rome was not built in a day

Italy's institutional market, in contrast to wholesale and retail, has a tilt towards Rome. This is not unexpected, given the link between policymakers and rules around pensions. Hence it was that a number of fund selectors in the institutional space attended *InvestmentEurope*'s Italian Summit Rome 2019, which was held at the Aldrovandi Villa Borghese Hotel on 6-7 June.

Around 50 fund selector delegates gathered in the Italian city to hear the views of some 15 local and international speakers from both the buy and sell sides scattered across boardroom and plenary sessions.

Together with the CFA Society Italy as an educational partner, the event also included a wine tasting session as a further boost to networking opportunities.

Asset management groups taking part included UBS Asset Management (UBS AM); Legal & General Investment Management (LGIM); RWC Partners; La Financière de L'Echiquier (LFDE); Edmond de Rothschild Asset Management (EdRAM); Principal Global Investors; Carmignac; Sycomore Asset Management; and 1167 Capital.

FIXED INCOME UNIVERSE

Benjamin Melman, EdRAM's head of asset allocation and sovereign debt, highlighted the firm's focus on active investing as the cement holding together a diversified bond portfolio.

Melman manages EdRAM's Bond Allocation fund, which takes an active and flexible approach to investing in all bond market segments including government bonds, inflation-indexed bonds, investment grade credit, high yield credit, emerging zone bonds, financial debt, convertible bonds and money markets. The investment team deploys various strategies on these asset classes such as carry, duration, yield curve or relative value, which helps the fund benefit from both market segment and strategy diversification.

Damien Buchet, CIO Total Return at Finisterre Capital, offered an outlook on emerging market debt while presenting the Finisterre EMD Total Return strategy, a

160,000 Number of UK Conservative Party members who will choose the next UK prime minister

fund that builds performance from a combination of income, potential capital gains from market timing on liquid "momentum" assets, and "value opportunities" from bottom-up credit and relative value strategies.

Finisterre Capital is the EMD specialist boutique majority-owned by Principal Global Investors.

Felix Martin, fund manager and partner of 1167 Capital also addressed emerging markets bonds, which he pointed as an efficient way to solve the challenge of the current low interest rate era.

Martin, a former World Bank economist, manages 1167 Capital's Global High Income Bond fund, which pursues a highly concentrated mandate. He said he was bullish on a weaker dollar but cautious in the short term due to US-China trade tensions.

Also on the opportunities presented by EMD, Uday Patnaik, responsible for developing LGIM's emerging market capabilities within the Global Fixed Income team, introduced the firm's Emerging Markets Short Duration Bond fund. This is aimed at generating capital growth and income by investing in emerging market government and corporate bonds while capturing attractive themes and opportunities as they emerge in the asset class.

Federico Verdirrame, client relationship manager at UBS AM, shared an overview of the firm's fixed income platform, which includes the UBS Global Dynamic

FINDING 'SAFE' ASSETS

Moderated by Sky Tg24's TV news anchor Vittorio Eboli, the Summit panel session addressed some of the hottest topics for Italy's fund industry currently, ranging from the current regulatory changes on the institutional space to the challenge of finding alternatives at a time when yields on "safe assets" such as government bonds is among the foremost areas of discussion.

Taking part in the discussion were panellists Filippo Stefanini, head Multimanager Investments & Unit Linked at Eurizon Capital SGR; Stefania Luzi, head of Economics and Finance area in Mefop; Roberto Violi, senior director of the Bank of Italy's Financial Markets and Payment Systems Department; and Orazio Di Miscia, head of asset allocation and portfolio management of liquid asset classes at Poste Vita.

Panelists agreed that regulatory evolution has been recently the major driver of change to the industry.

For reference, the European Commission noted in July 2018 that the then recent change in government was "likely to substantially change the pension agenda", following the May 2018 agreement between the League and the Five Stars Movement, which proposed amendments to the law that would enable all workers to retire when they accrue either 41 contribution years or 100 years as the sum of age + contribution years.

By January 2019, the Italian government announced it has approved a 'citizens' income' and reform of the pensions scheme, which effectively reduced the pension age from 67 down to 62 (age + 38 years of contributions to meet the 'quota 100' rule).

What remains unknown, however, is to what extent Italy's public finances can afford the new rules.

16.6% Weight of new dwellings in the Italian housing market Q1 2019

Bond fund, managed by Kevin Zhao, head of the Global Sovereign and Currency team.

The fund is a global total return strategy designed to generate returns in different market environments through a well-diversified portfolio of government, corporate and convertible bonds with an average investment grade rating.

SUSTAINABILITY

Sonia Fasolo, fund manager of the Echiquier Positive Impact and Echiquier Major SRI Growth Europe funds at La Financière de L'Echiquier, presented the firm's study on ESG and performance. The French manager started the process of integrating ESG screening across all its funds earlier this year. As part of the integration plan, all investment holdings within portfolios receive an ESG rating in a process led by Fasolo and her team.

Justin Craib-Cox, co-manager of the RWC Defensive Convertibles fund, outlined the firm's sustainable approach to convertible bonds.

RWC Defensive Convertibles Fund invests primarily

Speakers

Damien Buchet is CIO Total Return Strategy at **Finisterre Capital**. Buchet joined Finisterre in September 2015 from AXA Investment Managers, where he was global head of EM Fixed Income. Prior to that, he was head of EM Proprietary Trading and Structuring for French-Belgian Bank Dexia.

Sonia Fasolo is Echiquier Positive Impact & Echiquier Major SRI Growth Europe at fund manager **La Financière de L'Echiquier**. Fasolo joined La Financière de l'Echiquier as a financial analyst in 2010. She began her career as a small & mid cap financial analyst at Euroland Finance in 2003.

Felix Martin is fund manager and partner at **1167 Capital**. Martin began his career as an economist at the World Bank in Washington DC in 1998, focusing on sovereign lending programmes and debt restructuring in Eastern Europe. He also worked at Thames River Capital and Liontrust Asset Management.

Emeric Préaubert is founding partner & co-head of portfolio management at **Sycomore Asset Management**. Préaubert, co-head of investments and co-manager of the Sycomore Partners' fund, co-founded the firm in 2001. After working within the LBO department of BNP Paribas in New York, he spent over seven years at Banque du Louvre.

Pierre Verlé is head of Credit and fund manager at **Carmignac**. Before joining Carmignac, Verlé co-managed the distressed debt fund at Butler Investment Managers in London and before was in charge of special situations investments for France and Benelux at Morgan Stanley.

in convertible bonds, and may also invest in other fixed income securities (including corporate and government bonds), equities and derivative securities (including futures and options).

CREDIT MARKETS

Carmignac's head of credit Pierre Verlé expounded on the Carmignac Portfolio Unconstrained Credit fund, a global fixed income vehicle investing across the entire credit spectrum. Fund co-managers Verlé and fixed income manager Alexandre Deneuville are supported by the firm's wider 12-strong fixed income team.

EQUITIES

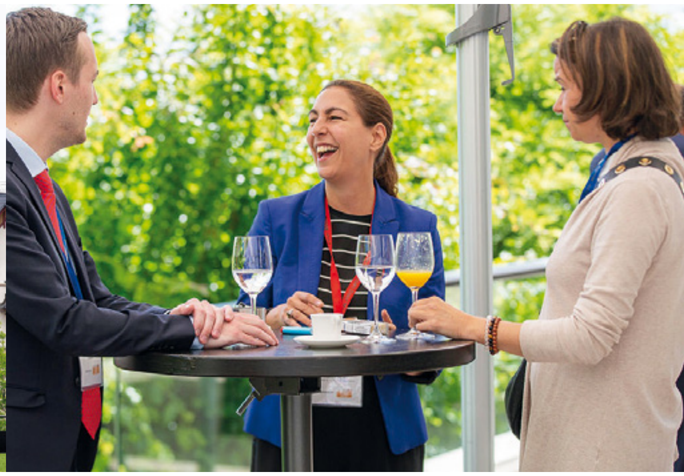
Sycomore AM's founding partner & co-head of portfolio management Emeric Préaubert, explained the firm's investment approach to equities, in which the quality of the company's fundamentals, the discount in the value of its share price compared to its intrinsic value, and its momentum are the key factors behind the firm's investment decisions. ■

Benjamin Melman is head of Asset Allocation and Sovereign Debt at **Edmond de Rothschild Asset Management**. Melman joined EdRAM in 2006 as head of asset allocation, structured and quantitative management. Later positions include that of director of the absolute performance, head of the asset allocation and sovereign debt team and CIO Asset Allocation & Sovereign Debt.

Federico Verdirrame is client relationship manager at **UBS Asset Management**. Verdirrame joined UBS AM in 2017 as a client relationship manager from GAM where he worked in the sales team since 2015. He started his career at Morgan Stanley in 2014 in the real estate buy side team.

Uday Patnaik is head of Emerging Market Debt, Active Fixed Income at **Legal & General Investment Management**. Patnaik, who is currently responsible for developing LGIM's active emerging market capabilities, joined LGIM in 2014 from Gulf International Bank (UK) where he was the CIO. Prior to that, he set up the Bear Stearns' Eastern European sovereign trading desk in London.

Justin Craib-Cox is co-manager of the RWC Defensive Convertibles fund at **RWC Partners**. Craib-Cox joined RWC Partners as a senior member of the convertible bonds team and co-manager of the RWC Defensive Convertibles fund in 2018. He formerly was a senior fund manager to the Global Convertible Bond Portfolio of Aviva Investments.



Putting information to work on ESG factors

InvestmentEurope's first dedicated ESG Summit took place in Zurich, and proved a hit for its ability to impart information from product providers, auditor, impact association, data analysis and research houses and practitioners. Jonathan Boyd reports

Hosted at the Dolder Grand on 13-14 June, the ESG Summit Zurich 2019 was built on increasing demands for information about how to analyse ESG factors and apply them to investment processes in pursuit of sustainability objectives.

This has been a growing area of interest for both fund providers and fund buyers over the past few years, not least because the growth in relevant data is making it increasingly hard to, for example, debunk the link between carbon emissions and global warming.

Investors have continued to sign up to the UN Principles for Responsible Investing (PRI) and seek out ways to support the UN Sustainable Development Goals through particular strategies, without losing sight of the fiduciary duty as it has historically been defined.

This event therefore brought together not only portfolio managers and others to discuss their ESG portfolios; but also added a significant layer of analysis of the state of ESG investing through presentations from data and data analysis providers and its evolvement through both passive and active strategies

There were views from the quantitative investment community, and on how the accounting community views its role in supporting implementation of ESG investing, something that has become increasingly important in mind of reporting requirements set to be placed on the industry on factors such as carbon intensity.

Leading off the event was a panel discussion, which elicited responses from fund selector panelists about their experiences making the shift towards ESG (see boxout on next page).

This was followed by a presentation illustrating the practical challenges overcome in becoming a signatory to UN PRI.

Thierry Feltgen, head of Product Management & Client Services, BLI – Banque de Luxembourg Investments, outlined how the provider set up its ESC concept, implemented a voting policy, and developed an ESG approach in fixed income.

Following this introduction to the real world implementation of UN PRI, the delegates heard from Michael Fraikin, global head of

50% International Maritime Organisation's 2050 target for reduction in greenhouse gas emissions from shipping

Research, Invesco Quantitative Strategies at Invesco, who explained the research done so far into whether ESG as a factor can work as well as, and alongside traditional factors in quantitative investing, such as quality, momentum or value.

His conclusion was that on the basis of current research, the answer has to be no. Indeed, he concluded that in respect of existing "off-the-shelf" ESG factors, "forcing portfolios to be positively exposed to ESG hurts performance".

However, this is not the whole story. Fraikin noted that quantitative managers, in his view, remain at the forefront of ESG investing, and that there is increasing academic interest in this field of investing. The availability of data and insights are "mushrooming". He concluded that holistic integration of key aspects is the way to go.

BIG DATA

Following on from the quants story, Asha Mehta, senior vice president, portfolio manager, director of Responsible Investing at Acadian Asset Management, outlined the manager's approach to ESG, including use of big data and materiality can make a difference to the performance of a portfolio. Active ownership is important when engaging, she noted.

Mehta was joined on stage by Nicolas Crochet, co-CEO, Funds for Good, who outlined how his organ-

PANEL DISCUSSIONS

The first panel of the event highlighted the shift to ESG as experienced by buy side professionals. Panelists included Luiz Gonzaléz, fund selector, BBVA Quality Funds; Patrick Lenhard, director, Multi Manager Solutions, Vontobel; and Tanja Wennonen-Kärnä, senior portfolio manager, Evli Bank.

Key questions addressed included asking about the context of both their personal and company journeys towards ESG; their views on the reality of ESG versus the 'noise' in the industry; understanding which vehicle types and asset classes could benefit from the shift to ESG; and their views on where the industry heads next in respect of ESG implementation.

Leading of the second day of the Summit was a panel including Mussie Kidane, head of Fund and Manager Selection, Banque Pictet & Cie, and Sven Rump, CIO, Schweizerische Mobiliar Asset Management. This brought together a key Swiss view of ESG, from fund buyers working in very different spheres – one serving investment needs (Pictet), the other very domestic insurance needs (Schweizerische Mobiliar).

Again, the panellists were asked about their own and their businesses' journeys to ESG, but they provided different insight, driven by the different backgrounds of the businesses. They were also asked for views on ESG data and fiduciary responsibilities, with Rump in particular noting that his organisation had developed a broader definition of fiduciary responsibility than that normally required of investment professionals.

Both panellists acknowledged the danger that the industry more broadly would use ESG related developments to maintain fee levels advantageous to providers, but which would be difficult as increasing ESG reporting requirements are brought into being.

Both panels were moderated by Jonathan Boyd, editorial director, *InvestmentEurope*.

$47bn Global green bond issuance in Q1 2019 - Moody's

isation has been bringing together investors with entrepreneurs setting up and running micro businesses.

DATA SCIENCE

Shifting the discussion into the realm of data science, Philipp Aeby, CEO, RepRisk discussed how machine learning can combine with human analysis to meet investor needs. In the field of ESG, this is increasingly required to identify particular data sets of use to investors. But with the ever rapid growth in the volume of data globally, using tools to automate analysis of data is becoming increasingly important.

Also touching on data, albeit of a slightly different nature, was Hortense Bioy, director, Passive Strategies and Sustainability Research, Morningstar, who discussed the arguments based on data sets of pursuing ESG investing via passive funds rather than active ones.

THURSDAY

The second day of the conference started with another panel session (see boxout on preceeding page) before delegates were treated to an update on the latest research conducted by FNG – Forum Nachhaltige Geldanlagen, which is effectively the SIF, Sustainability Investment Forum, covering German speaking markets.

Angela McClellan noted that the 14th study of investment markets in Germany, Austria and Switzerland, found that in Germany, sustainable investments increased by almost a third from 2017 to 2018. In Austria sustainable investment funds and mandates have a 12.8% market share, with the Swiss market share at 18.3%.

JAPAN

Turning the focus to another part of the world, Yu Shimizu, lead portfolio manager, SPARX Group explained his approach to sustainability in context of ongoing regulatory support for governance standards, and the 'sustainability' challenge of Japan's demographics.

Artificial intelligence in ESG data and portfolio construction was addressed by Thomas Kuh, head of Index, Truvalue Labs, before Phil Davis, assistant director, Sustainability & Climate Change, PwC, addressed the expectations he has developed in respect of Europe's ESG initiatives, including the Taxonomy that has been delivered by the European Commission's Technical Expert Group on Sustainable Finance, as well as the Task Force on Climate-related Financial Disclosures. ■

WALKING THE TALK

Incisive Media and *InvestmentEurope* are committed to events becoming more sustainable, which is why they are using the guidelines set out by the Sustainable Event Alliance and aim to meet the International Standard ISO20121.

The goal is to reduce paper consumption across events and improve recycling rates, curb food waste and alter menus with an aim to include locally sourced, organic produce. It also means commitment to offsetting carbon related to events wherever possible, and to provide delegates with accessible venues.

Ongoing evaluation means each event will be considered for improvements in the areas of energy, transport, water usage, recycling, economic and local environment/community.

Incisive Media, parent group and publisher of *InvestmentEurope*, has partnered with Ecosphere+ to ensure all remaining greenhouse gas emissions are offset.

This involves calculating emissions from all events, including event operations, venues and delegates, to then purchase carbon offset credits. These credits are supporting protection of rainforest in Peru.

For further information about the project visit: https://ecosphere.plus/cordillera-azul-2.

37th Placement of the world's top pension fund GPIF in a 2018 global survey of funds' attitudes towards ESG issues

Speakers

Philipp Aeby is CEO of **RepRisk**. He joined RepRisk in 2006, holding positions of COO and managing partner before becoming CEO. Previous experience at Amgen, a biopharmaceutical group, and Boston Consulting Group. He is a member of the Global Advisory Council of Cornerstone Capital Inc and of the Business Advisory Board of the Swiss Peace Foundation.

Hortense Bioy is director, Passive Strategies and Sustainability Research at **Morningstar**. Based in London, she joined Morningstar as an equity ETF analyst in 2010 from Bloomberg. She leads a team that provides independent research on ETFs and index funds. Since 2017, responsibilities have expanded to include sustainability research in Europe. She leads Morningstar's ESG thought-leadership agenda in the region. Her career started as an M&A analyst at Société Générale in Hong Kong.

Nicolas Crochet is co-CEO of **Funds for Good**. He started his career as a private banker at Banque Belgolaise and then Prudential Securities. He joined State Street Global Advisors in 2006 as head of funds distribution for Benelux and Nordic regions. Created Funds for Good in 2011 to combine concrete social impact with good financial return.

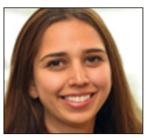
Phil Davis is assistant director, Sustainability & Climate Change at **PwC**. He joined PwC in 2008 following work at AMEC Earth and Environmental as a technical environmental consultant. Had central role in developing PwC's ESG due diligence and portfolio review service. Involved in identification of ESG related opportunities an validation through cost benefit analysis of potential ESG initiatives across sectors. Has developed ESG investment procedures and online platforms for banks and private equity clients, and Excel based toolkits for investment teams to screen for ESG risks.

Thierry Feltgen is head of Product Management & Client Services at **Banque de Luxembourg Investments**. He joined Banque de Luxembourg in 1999. In 2000, he specialised as a fund analyst focusing on bond funds selection and covered bond investments in multi-management portfolios. In 2007, he joined BLI's fixed income team as a fund manager. In 2010, he took over responsibility for investment communication activity on BLI's fund range and to act as a product specialist in support of sales team.

Michael Fraikin is Global Head of Research at **Invesco** Quantitative Strategies. He joined Invesco in 1997 as portfolio manager for European equities. Since the formation of the global quantitative investment team in 2003, has been a director of portfolio management. Appointed head of Research in 2015, he also serves as a member of IQS' management team responsible for strategic planning and direction. Started his career at Commerzbank in 1991 as a buy side analyst of European equities.

Thomas Kuh is head of Index at **Truvalue Labs**. He leads Truvalue Index, creating benchmarks for implementing ESG investment strategies and licensing indices for ETFs, mutual funds and institutional accounts. Previously, he was founder and president of Benchmark ESG Consulting LLC, and before that Executive Director, Head of ESG Indexes at MSCI. Spent 16 years at KLD Research & Analytics, and service on the boards of SIRI Company (now Sustainalytics) and the US SIF.

Angela McClellan is executive director at **Forum Nachhaltige Geldanlagen** (FNG). McClellan represents 190 members of the sustainable finance industry advocating for transparency, quality and growth of sustainable investments. Before joining FNG in 2018, she led global advocacy and communication of Transparency International's Business Integrity team. Before that she worked for InWEnt Capacity Building International (now part of the German Association for International Cooperation).



Asha Mehtais is senior vice president, portfolio manager, director of Responsible Investing at **Acadian Asset Management**. She joined Acadian in 2007. Responsible for building Acadian's ESG principles by leading ESG research and subsequent integration of ESG factors throughout the manager's investment process and serves chair of the Responsible Investment Committee.

Yu Shimizu is the lead portfolio manager of the Japan Sustainable Equity strategy at **SPARX Asset Management** in Tokyo, a role he has held since 2012. Before joining SPARX in 2005, he was working as an analyst at UFJ Partners Asset Management (currently Mitsubishi UFJ Asset Management) and prior to that as an analyst at Yasuda Capital Management (currently Yasuda Asset Management).

$5,745m Australia's trade surplus in May 2019

The failures of previous Australian entrants to the European funds market weighs heavily on the business development decisions being made by multi-boutique Pinnacle IM. Jonathan Boyd reports

Crafting a presence

"We have seen Australian groups enter Europe and get it wrong."

"We want to be a respected player here."

"It is early days."

The above three statements succinctly sum up the mindset of Pinnacle Investment Management CEO and founding managing director, Ian Macoun, as he looks to expand the multi-boutique group's footprint in the European fund market.

With a long background leading both private and public sector corporations, he is in no doubt about what is required to succeed – namely the right people, products and operational processes.

This starts with building recognition of the brand, or in Pinnacle's case, multiple brands. Currently this includes Antipodes, Firetrail Investments, Hyperion Asset Management, Longwave Capital, Metrics, Omega Global Investors, Palisade, Plato Investment Management, Resolution Capital, Riparian Capital Partners, Solaris Investment Management, Spheria Asset Management and Two Trees Investment Management.

FULLY FOCUSED

Each manager in the multi-affiliate model is independent, with the investment professionals retaining majority ownership of the business. The model is designed to ensure the investment talent can fully focus on investing, rather than becoming distracted by questions such as operations and distribution.

Macoun says this model has been designed out of his own experiences running institutional managers, such as QIC and Westpac's fund management business. Enabling investment managers to self-select into the environment in which they perform best is crucial, with many investors preferring to preserve a 'boutique environment'.

"Pinnacle itself offers all the services other than investing," Macoun continues.

"For example; the infrastructure, being the responsible entity in Australia, organising Ucits in Europe and administering middle and back office services. We also undertake all distribution activities that an affiliated manager may need.

"However, the affiliates have the right, but not the obligation, to use any or all of the services we offer.

"If they do exercise that right, we ask them to pay for those services, although on a non-profit basis, as we work as an enabler. We take a minority equity interest in the managers. We make money if the affiliates make money."

The affiliates represent a range of asset classes, but the criteria Pinnacle applies in selecting partners is similar. It is looking for 'truly excellent' investment talent – which takes into account areas such as track records, as well a deep dive into the manager's process and background.

"We do a lot of homework before partnering with investors. We also want to know if they are the sort of character we want to partner with. If the answer is yes, and the addressable market is attractive, then we will look to work together."

EXIT STRATEGY

While adhering to key criteria is important when building partnerships, Macoun also stresses the model is strict when it comes to managing the exit of key investment personnel.

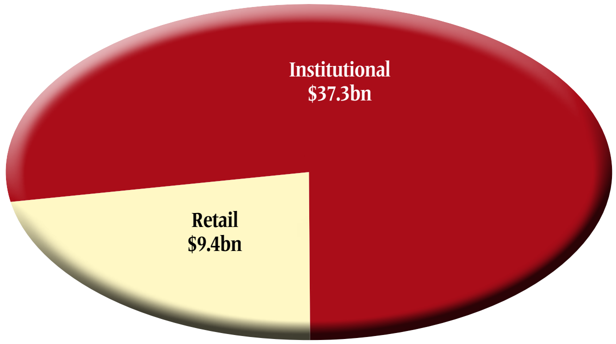
"People participating in the value they create is very powerful," he says.

"Therefore, we expect them to sell their equity stakes if they leave. We do not like people sitting on equity but not participating in the business. Therefore, there is a focus on succession and the recycling of equity."

This in turn means there is ongoing work for Pinnacle on offering business advice and mentoring.

"We have had retirement of three affiliate leaders and their equity has been recycled to emerging talent coming through. We see it as a great misfortune when quality people retire and the business essentially dissipates. We planned

FUNDS UNDER MANAGEMENT



As at 31 December 2018 Source Pinnacle Investment Management from day one for the recycling of equity and have provisions for that."

This model is seen as applicable everywhere. Pinnacle may have been founded in Australia, but it is with global assets and a global outlook in mind, Macoun says. The model also, he argues, deals with the fact industry developments have made it increasingly important for talented investment professionals to get support if and when, they decide they want to set up their own shop. Standalone boutiques can be fragile in respect of demands in areas other than investing.

"We do not want investment people having to spend time and energy thinking about matters such as regulators and distribution – those are specialist areas also, just like investments. We cannot expect individuals to produce excellent investment returns and deal with all the other stuff. Superman could not do that, so why do we expect people to be able to do it? That's why we feel our model is working."

Another reason for Pinnacle's growth is its focus on active management, with restrictions on funds' capacities, in order to keep producing investment performance. This is particularly linked to the focus on boutiques, Macoun says, and reflects his own experiences working in larger institutions, where the focus was on growing assets "come what may".

Meanwhile, the focus on quality over quantity means that Pinnacle does not proceed with about 19 out of 20 people it has discussions with in respect of establishing a new affiliate.

"WE DO NOT LIKE PEOPLE SITTING ON EQUITY BUT NOT PARTICIPATING IN THE BUSINESS, THEREFORE, THERE IS A FOCUS ON SUCCESSION"

IAN MACOUN

Ian Macoun is the CEO and founding managing director of Australian based Pinnacle Investment Management. He is also chairman of Plato Investment Management and a director of Resolution Capital, Hyperion Asset Management, Palisade Investment Partners, Solaris Investment Management, Antipodes Partners Limited and Metrics Credit Partners Limited.

He has some 30 years of investment and business experience, including; establishing Australia's first multi-boutique fund manager Perennial Investment Partners; overseeing the Queensland Investment Corporation as inaugural chief executive and overseeing the reconstruction of Westpac Investment Management as managing director.

EUROPE

Macoun is firmly of the belief that the model applies in the UK and Europe.

The focus initially is on distributing existing capabilities, although, in time, there is an expectation that the business may include one or more European affiliates.

The focus on global asset classes by some existing affiliates means that Pinnacle can already claim to have investment professionals based in Europe and New York. But, equally, it is clear that it does not feel that just because something works in Australia that it will also work in Europe.

"We have been doing our homework for a long time," Macoun notes. "We feel the time is right to start introducing additional strategies over here."

The plural reference is important, he continues. There is advantage in scale and bringing just one affiliate with one strategy to Europe could prove too much of a hurdle. It is easier to bring multiple strategies, which makes it easier to discuss different capabilities with potential clients.

That said, the objective would be to only bring the relevant strategies, which means that Pinnacle is "putting enormous effort" into understanding what different markets across Europe want in terms of areas such as global market neutral equities or global real estate.

In terms of client types, there is ongoing work to further understand client needs within the European wealth and institutional markets. There is work ongoing to build the Pinnacle brand in the UK, but there are existing connections to Swiss and German clients as well as some Spanish investors. The UK and Switzerland are likely to be the key initial hubs for Pinnacle in Europe, Macoun says, but it is also keen to leverage any existing client base of its affiliates to open doors. Some AU$2bn out of total AUM of AU$52bn is held already by investors outside Australia across various affiliates, he notes.

"London remains the only place in Europe where we have people on the ground and is likely to remain so for the time being," Macoun says

He adds that Pinnacle's focus remains active management, as it does not see any competitive advantage in trying to build a passive capability within its business.

He breaks down future developments into three key areas:

Firstly, there is the opportunity in continuing to build the size of existing strategies. Here, he currently sees up to AU$150bn of capacity across the current affiliates and, being some way off this with a current total AUM of AU$52bn, there is opportunity for organic growth. This enables business development to proceed at "the right pace", he adds.

Secondly, there is the question of what to do next. Pinnacle has the ability to invest off its P&L, for example; to consider additional offshore distribution or direct-to-retail in Australia, as well as incubating new affiliates and backing an investment team from scratch.

Thirdly, Pinnacle could consider acquisitions within Australia or offshore; for example with a firm considering a succession need, or a manager seeking distribution in Australia. And while Pinnacle does not have any debt currently, it has banks offering this to the business. With a market capitalisation of around AU$1bn, taking on AU$50m of debt to assist an acquisition "would not bother anyone", Macoun says. ■

Approaching events

The third quarter of 2019 will see *InvestmentEurope*'s events programme hit Helsinki, Milan, Frankfurt and Copenhagen, among others

NEXT EVENTS

INVESTMENT EUROPE
HELSINKI ROUNDTABLE 2019

HELSINKI, 24 SEPTEMBER

InvestmentEurope will host its first event in Helsinki on 24 September at the Hotel Kämp, for local selectors seeking insight from international managers such as Legg Mason Global Asset Management, Pictet Asset Management and Majedie Asset Management.

Topics set to be covered include US, global and Asia Pacific equity, tapping into near term considerations of the impact of the US-China trade war and concerns over slowing global economic growth.

As a Roundtable, the event will target some 20 locally based fund selectors with both sessions led by portfolio managers as well as networking through the coffee break.

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

INVESTMENT EUROPE
WOMEN IN INVESTMENT AWARDS 2019 ITALY

MILAN, 2 OCTOBER

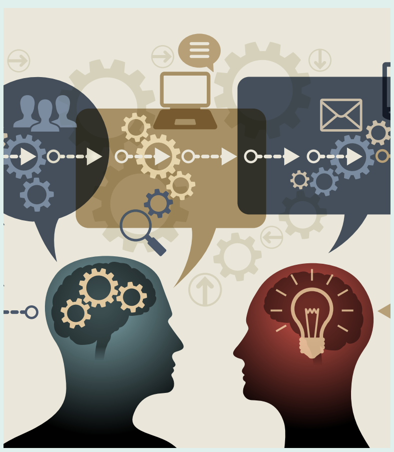
The Women in Investment Awards 2019 Italy sets out to recognise leading women in finance in the Italian market, including fund selectors, but also portfolio managers and others such as analysts, mentors, role models, team leaders, inspiring returners to the industry and unsung heroes.

Taking place for the first time this year on 2 October at the Palazzo Parigi in Milan, this evening event will celebrate the many and varied backgrounds of inspirational women who work across both the foreground and background of the industry, and whose skills are increasingly indispensable for the future of the industry overall.

Featuring a drinks reception and dinner, the event offers ample networking time for financial professionals, with a sit-down dinner followed by the award presentation.

Associate sponsors for this event are Aviva Investors and Natixis Global Asset Management, with support from the Association of Professional Fund Investors and *Investment Week*, with a sustainability partner in the form of Business Green and carbon offsetting provided by Ecosphere+.

To find out more about the event visit: https://events.investmenteurope.net/womenininvestment/static/home (or in Italian: https://events.investmenteurope.net/womenininvestment_italian).



TAKE PART IN THE DISCUSSION

Delegates to the Helsinki Roundtable are encouraged to connect ahead of the event by tweeting using the hashtag #IEROUNDTABLE.

For those attending the Women in Investment Awards Italy 2019, use the hashtag #WIIAITALY.

InvestmentEurope's website offers additional opportunity to learn about upcoming events, including https://events.investmenteurope.net/madrid and https://events.investmenteurope.net/pffzurich.

And there are LinkedIn pages dedicated to events at www.linkedin.com/showcase/6403794.

LOOKING AHEAD

INVESTMENT EUROPE
FRANKFURT ROUNDTABLE 2019

FRANKFURT, 16 OCTOBER

Germany's financial capital, Frankfurt will host a Roundtable on 16 October at the Steigenberger Frankfurterhof.

Targeting some 20 locally based fund selector delegates from Frankfurt and surrounding areas, the event will offer dedicated sessions for interacting with portfolio managers from fund management companies such as Artisan Partners and Freedom Asset Management.

To register your interest in attending, contact Alexandra Laue at alexandra.laue@incisivemedia.com or telephone +44 (0) 20 7484 9768.

INVESTMENT EUROPE
COPENHAGEN ROUNDTABLE 2019

INVESTMENT EUROPE
MADRID ROUNDTABLE 2019

INVESTMENT EUROPE
PENSIONSKASSENFORUM ZURICH 2019

Other cities set to be visited by *InvestmentEurope*'s events programme through October and November include these three financial centres. Madrid and Copenhagen will offer the Roundtable format for locally based fund selectors. Zurich will host the latest edition of the Pensionskassenforum, for those working in the Swiss pension fund area.

EVENTS CALENDAR 2019

24 September	Helsinki	Roundtable
25 September	Reykjavik	Roundtable
2 October	Milan	Women In Investment Awards

After the successful launch of the Women in Investment Awards by our sister title, Investment Week, InvestmentEurope is delighted to launch the Women in Investment Awards Italy taking place on 2 October 2019


8 October	Lisbon	Roundtable
16 October	Frankfurt	Roundtable

InvestmentEurope returns to the city that hosts the heart of the eurozone (ECB) for an event that considers various investment themes and asset classes



30 October	Copenhagen	Roundtable
8 November	Madrid	Roundtable
14 November	Zurich	*Pensionskassenforum*

InvestmentEurope returns to host this special event for Switzerland's pension community, addressing regulatory and sustainability issues



22 November	Milan	Thematic Forum
27 November	Stockholm	Forum

***InvestmentEurope*'s calendar of events for 2019 is available in an electronic format here: https://opendoormedia.turtl.co/story/iecalendar2019.**

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

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

8 Categories in the Wisdom of the Selectors Awards

SharingAlpha

SharingAlpha has teamed with the organisers of FundForum to create a new set of awards designed to shape the discussion around how to improve investment performance whilst considering important ESG factors

Wisdom of the Selectors ESG fund awards

Amid considerable ongoing attention on how to gauge funds from an ESG perspective, SharingAlpha has partnered with the organisers of FundForum to launch the 'Wisdom of the Selectors Awards' – named thus because of the decision to use SharingAlpha's methodology of gathering views from a large group of professional fund buyers, who will be asked to rate the nominated funds in terms of their future chances of generating alpha while also taking into account ESG factors.

Category winners will be the funds that receive the highest average rating, with an additional award handed to the fund management group that receives the highest overall average rating.

Hence, their awards not only highlight funds that have received the highest rating in terms of their future chances of generating alpha, but they also help shape the discussion around how to improve investment performance whilst considering important ESG factors.

Once the list of nominated funds are published professional fund buyers will be invited to take part in the ratings of the funds.

The awards will be announced during FundForum's ESG event taking place in Amsterdam in November.

The first 10 nominated funds in each category will enter the list of nominated funds, and in any case, nomination closes by 15 August.

To nominate a fund visit: https://sharingalpha.com/award/nominate/funds/FundForum/topFundInCategory/2019.

The Amsterdam Marriott Hotel, location of November's FundForum ESG event at which the 'Wisdom of the Selectors Awards' will be announced

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	United Kingdom	5	7	▲
LFPartners ASG Dynamic Inc Fd	Luxembourg	5	5	▼
Belgravia Épsilon FI	Spain	4.92	8	New
Prosperity Prosperity Cub	Cayman Islands	4.86	7	▼
Sextant PEA	France	4.85	14	▼
Magallanes European Equity FI	Spain	4.83	22	▲
azValor Iberia FI	Spain	4.83	6	▼
Russian Prosperity Fund	Cayman Islands	4.83	8	▼
Vanguard US Opportunities Fund	Ireland	4.82	6	◆
Cobas Selección FI	Spain	4.81	8	New

As at 31 May 2019 Source www.SharingAlpha.com

RATINGS CHANGES

In the list of funds ranked most highly by users of SharingAlpha, there were a couple of new additions as well as a return to the top spot by the Liontrust European Income fund.

The Belgravia Épsilon and Cobas Selección entered the top 10, with the Magallanes European Equity advancing upwards in the ranking.

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

InvestmentEurope's Editorial Board members give their views on interest rates, greenwashing and IPO valuations

Ideas generation

Would you like to join *Investment-Europe*'s Editorial Board and share your views as a professional fund buyer/ investor? For further details, contact: jonathan.boyd@ incisivemedia.com

BERNARD AYBRAN

CIO Multi Management
Invesco
Paris
www.invesco.com

Are you planning for/ expecting interest rates to remain low in Europe, US, Japan for the next 12 months?

The secular decrease of interest rates worldwide is most likely the oldest market trend around, which, at times, triggers calls from strategists about a forthcoming end to the trend.

Whereas all trends end, there is no point for an investor trying to forecast an event that might occur over too long a horizon.

Still, investors should pay extra attention to the distorted risk/reward balance offered, with increasing durations coming with very low yields offering a very limited cushion in case of rates increases, even limited rates increases. Thus, carry is very useful, when available, and getting more useful as it's getting scarcer.

EMMANUEL FERRY

Chief investment officer
Banque Pâris Bertrand
Geneva
www.parisbertrand.com

Are you planning for/ expecting interest rates to remain low in Europe, US, Japan for the next 12 months?

The Fed's radical shift in course has driven other major central banks into a dovish bias, thus suggesting a new global monetary easing cycle.

The Fed has realised that its to-date monetary tightening – +225bps in Fed Funds hikes and the equivalent of +300pbs from the QE inversion – has gone well beyond monetary neutrality.

This new round of global easing is a strong signal for 'lower rates for longer', which can be translated into the search for safety and income at any price, eg negative government bond yields, tighter credit spreads, expensive quality/defensive growth equities. This confirms the *Hotel California* syndrome for central banks: "You can check out any time you like, but you can never leave."

JON BECKETT

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

Is 'greenwashing' a real or perceived problem?

Absolutely a problem and I have observed many instances of it.

Some problems arise from 're-narration'; changing historical events to convey longer green credentials/more proactive stance. Another is repackaging the core ESG process already adopted across the main product line, into an ESG badged product to which a premium is charged. Other issues include function silo, lack of integration, use of halo stories, CEO platitudes, poor escalation lines and misleading stewardship approaches.

The 'engage over divest' is another difficult area but I see 'spin' being used to explain inaction. Gradualism is itself a form of greenwashing; and the materiality debate around performance returns is just one example.

THOMAS ROMIG

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

What do recent IPO valuations suggest about market valuations generally?

In theory, investors balance two contrary arguments: lower liquidity and less reporting requirements of private versus public companies on the one hand; elevated business case risk on the other.

Two structural trends have distorted this equilibrium lately.

Firstly, liquidity from the perspective of funding access has skyrocketed post-2012: private equity firms are drastically 'over-funded', with their cash holdings at all-time highs.

Secondly, the US 2012 JOBS Act allows companies to stay private for longer, ie take the time to mature their business model. Overall, this and recent IPOs suggest that private equity now trades at a premium to public equity.

21.4% Public debt to GDP in Luxembourg

Visiting the community

InvestmentEurope's colleagues have travelled not only to see fund selectors directly in situ, but also indirectly via catching up at an industry event in Copenhagen. Jonathan Boyd reports

May into June saw *InvestmentEurope* staff head off on research trips to Luxembourg and Denmark, to inform about upcoming events, but also to gain insight into key investment topics of ongoing interest. On the latter point, there was significant insight into trends at the annual FundForum International event, a report on which will follow in the next issue of the magazine.

Luxembourg

Alexandre Durranseau Fund Selector relationship executive, France, Romandie & Belux, visited the Grand Duchy on 22-23 May.

Meetings included:

- Jan Lecluyse – portfolio manager – Fuchs Group;
- Francois-Xavier Seleck – CIO – European Invest
- Petra Besson Fencikova – portfolio manager – S ociete General;
- Clarisse Leduc – portfolio manager – Societe General Private Wealth Management;
- Marco Caldana – director – Apcal Farad Group;
- Tanguy Besrest – head of Portfolio Management – Nevastar Finance;
- Jannik Haskamp – Mutual Fund specialist – Deutsche Bank Wealth Management;
- Onelio Piccenelli – director – Banque J. Safra Sarasin; and
- Cédric Araud – portfolio management – Credit Suisse Luxembourg.

Upcoming trips

InvestmentEurope's events programme for the remainder of 2019 can be viewed on page 42 of this issue.

Staff will be visiting the cities mentioned ahead of these events to highlight to locally based fund selectors the latest information on participating sponsor groups, speakers and topics.

A full calendar of events for 2019 is available at: https://opendoormedia.turtl.co/story/iecalendar2019.

Helsinki

Jonathan Boyd, editorial director, and Patrik Engström, head of Fund Selector Relations, Nordic, visited the Finnish capital on 5 June.

Meetings included:

- Tiina Smolander – portfolio manager, Endowment Capital – Sitra;
- Claes Siegrieds – vice president, Investment Solutions – Mandatum Life;
- Jani Laitenen – head of Investment Management – JAM Advisors; and
- Pekka Larkomaa – head of Portfolio Solutions and Advisory, Large Corporates & Financial Institutions – SEB. ■

Have copy, will travel

As *InvestmentEurope*'s visit to fund selectors and other financial professionals continues across the region, so too does the photo album of the magazine *in situ*. Here are some examples of recent trips to Helsinki and Luxembourg.

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

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

GERMANY ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
DNB Renewable Energy A EUR in EU	14.92
Polar Capital UK Absolute Equity R GBP in EU	14.59
Lupus alpha Micro Champions in EU	14.53
Multipartner SICAV RobecoSAM Smart Energy B EUR in EU	14.06
BCM Vitruvius Greater China Equity B USD in EU	12.56
Templeton Thailand A Acc USD in EU	11.45
Morg Stnly Global Opportunity A USD in EU	11.11
DWS Invest Brazilian Equities NC in EU	11.10
Aberdeen Standard SICAV I China A Sh Eq A Acc USD in EU	10.98
SSGA SPDR MSCI Europe Energy UCITS ETF in EU	10.73

GERMANY CROWN + PERFORMANCE

Fund	Crown rating	36 months
Polar Capital Global Technology USD in EU	x5	104
Morg Stnly US Growth I USD in EU	x5	97.02
Janus Henderson Global Technology A Acc USD in EU	x5	96.49
DWS Invest Brazilian Equities NC in EU	x5	95.54
Banco Ny Teknik TR in EU	x5	93.52
Von der Heydt Invest SA Comm Capital Global Mining	x5	90.51
Lupus alpha Micro Champions in EU	x5	87.52
Fidelity Global Technology A EUR in EU	x5	84.61
LO Global Prestige PA UH USD in EU	x5	81.51
DNB Technology A EUR in EU	x5	79.87

GERMANY SHARPE 3-YEAR

Fund	Sharpe
VP Fund Solutions (Liechtenstein) AG Bank Money Fund	3.58
BNP Paribas Flexi III Signature EUR Privilege Cap in EU	3.39
Payden & Rygel Euro Liquidity Acc in EU	3.33
Deutsche Institutional Cash Plus IC in EU	2.63
DWS DB Portfolio Euro Liquidity in EU	2.45
Allianz Treasury Short Term Plus Euro A NAV EUR TR in EU	2.34
Amundi Cash Corporate in EU	2.19
Allianz Macquarie SR Plus T TR in EU	2.02
DWS Rendite Optima TR in EU	1.93
Morg Stnly Euro Strategic Bond I EUR in EU	1.89

GERMANY PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
Boost Natural Gas 3x Short Daily ETP in EU	-71.28	116.88
ETFS 3x Daily Short Natural Gas in EU	-64.27	114.37
Boost Natural Gas 3x Leverage Daily ETP in EU	-97.11	108.37
ETFS 3x Daily Long Natural Gas USD in EU	-97.14	106.46
Boost WTI Oil 3x Short Daily ETP in EU	-85.58	92.01
Boost WTI Oil 3x Leverage Daily ETP in EU	-50.45	89.98
Boost Brent Oil 3x Short Daily ETP in EU	-90	85.57
Boost Brent Oil 3x Leverage Daily ETP in EU	-7.2	83.64
ETFS 3x Daily Short Nickel USD in EU	-88.94	82.55
ETFS 3x Daily Long Nickel USD in EU	-2.96	82.05

GERMANY FIXED INTEREST 3-YEAR

Fund	36 months cumulative
Franklin Global Convertible Securities A Acc USD in EU	37.33
Vontobel Emerging Markets Bond I in EU	36.61
BlueBay Financial Capital Bond R USD in EU	33.67
H&A Switzerland Invest Fixed Income High Yield HAIG B	33.23
Swisscanto (LU) Bond COCO AT USD in EU	32.89
Absalon Global High Yield R EUR TR in EU	29.6
Rivertree Essential Portfolio Selection Global Emerging F	28.01
AXA World Funds US Dynamic High Yield Bonds A Cap	27.81
Edmond de Rothschild EDRF Emerging Credit A USD in EU	26.79
Barings Emerging Markets Sovereign Debt Tranche A Acc	26.39

GERMANY BETA 3-YEAR

Fund	Beta over 36 months v. sector
Odey Odyssey I EUR in EU	-2.39
ETFS 1x Daily Short WTI Crude Oil USD in EU	-1.88
ETFS 1x Daily Short WTI Crude Oil in EU	-1.88
Lyxor UCITS ETF Euro stoxx 50 Daily Short EUR in EU	-1.21
Boost TOPIX 1x Short Daily ETP in EU	-1.17
ETFS 1x Daily Short All Commodities USD in EU	-0.67
ETFS 3x Daily Short Gold in EU	-0.47
Xtrackers FTSE 100 Short Dly Swap UCITS ETF 1C GBP in EU	-0.44
Insight Total Return Bond C Inc EUR in EU	-0.39
ETFS 1x Daily Short Agriculture USD in EU	-0.28

GERMANY PERF/TER 3-YEAR

Fund	Cumulative	TER
Axxion Vantik P in EU	-6.06	6.49
Man AHL Trend Alternative DNY Acc USD	20.19	6.07
Von der Heydt Invest SA Structured Solutions	-26.52	5.9
BlackRock SF European Opportunities Ext	44.21	5.67
DWS DB Advisors InvAG mit TGV DeAM UA	-11.87	5.21
ERSTE True Rock T TR in EU	4.00	5.07
VP Fund Solutions (Lux) SA Black Ferryman	5.45	5.01
Timberland SICAV Timberland Top Dividende	12.86	4.93
IFM Ind Fund Mgmt AG MCVM China Brands	15.24	4.86
H&A Lacuna Asia Pacific Health P in EU	3.56	4.83

GERMANY INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
Granahan US Focused Growth A Acc USD in EU	2.33
Raiffeisen Swiss Money A TR in EU	2.15
Vontobel Emerging Markets Bond I in EU	1.96
CS (Lux) High Yield USD Bond B USD in EU	1.91
Vontobel Swiss Money B in EU	1.85
AXA World Funds US Dynamic High Yield Bonds A Cap	1.66
BlackRock GF World Technology A2 USD in EU	1.59
Polar Capital Global Technology USD in EU	1.55
iShares MSCI France UCITS ETF EUR in EU	1.53
UBS (CH) Institutional Equities EM Global I-X TR in EU	1.52

Source for all charts FE Analytics, bid-bid, to 28/6/2019.
All figures in % and are gross return rebased in euros

GROSS RETURNS ON FUNDS FOR SALE IN GERMANY REBASED IN EUROS

Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Boost Palladium 2x Leverage Daily ETP in EU	29.72	33.96	65.14	166.05	501.49	172.21	
ETFS Carbon EUR in EU	5.36	20.24	6.65	71.82	424.72	300.11	40.79
Xtrackers Physical Rhodium ETC in EU	18.51	11.49	39.32	53.42	299.52	224.42	
Boost NASDAQ 100 3x Leverage Daily ETP in EU	13.07	9.68	70.34	10.35	298.35	473.69	
Xtrackers Physical Palladium ETC USD in EU	13.20	14.52	22.64	66.77	162.17	115.93	
Invesco Physical Palladium in EU	12.10	11.80	21.02	64.35	158.95	114.71	
ETFS Physical Palladium USD in EU	12.09	11.77	20.96	64.19	158.18	113.64	632.06
iShares Physical Palladium ETC USD in EU	11.39	11.10	20.25	63.30	157.25	113.25	
ETFS 3x Daily Long CAC 40 in EU	11.81	16.07	66.57	13.24	149.58	59.70	
Boost S&P 500 3x Leverage Daily ETP in EU	11.16	9.08	58.22	16.12	146.20	210.87	
Boost FTSE MIB 3x Leverage Daily ETP in EU	13.18	5.53	59.08	-4.88	131.19	-40.91	
ETFS 3x Daily Long FTSE MIB in EU	13.12	5.41	58.65	-5.40	127.18	-42.61	
JPM US Technology A Dis USD TR in EU	1.63	4.30	32.93	21.76	124.14	185.00	559.54
BlackRock GF World Technology A2 USD in EU	2.24	5.60	31.24	15.32	118.37	173.44	431.22
Boost EURO STOXX 50 3x Leverage Daily ETP in EU	8.97	16.53	59.92	10.43	114.39	10.81	
ETFS 3x Daily Long Euro STOXX 50 in EU	8.86	16.17	58.95	9.09	106.66	4.80	
ETFS 3x Daily Long Euro STOXX 50 EUR in EU	8.86	16.17	58.95	9.09	106.66	4.80	
Polar Capital Global Technology USD in EU	2.76	2.81	23.67	14.03	104.00	171.35	516.48
Alger Sicav-Alger Small Cap Focus A US in EU	2.85	6.54	31.30	18.37	101.30		
Amundi ETF Leveraged MSCI USA Daily EUR in EU	5.39	5.78	41.73	20.51	100.70	220.03	1427.86

Technology consistent

Energy, both in the form of the 'old world' of oil and gas, and the 'new world' in the form of renewables are visible in the data on funds standing out at the sharper ends of alpha and beta ratios.

Clearly, with the price of renewables generated electricity falling sharply, and amid fractured policy approaches to distributed versus centralised energy production and storage, there is scope for fund managers to utilise an information edge. Likewise, however, there is an opportunity to take a different path to the broader market – as evidenced by the ETFs shorting at a time of rising oil prices amid geopolitical uncertainties.

For consistent performance, as measured by Crown Ratings over the period covered by the data, then technology has been a sector offering good rewards. Interestingly, Brazilian equity is another.

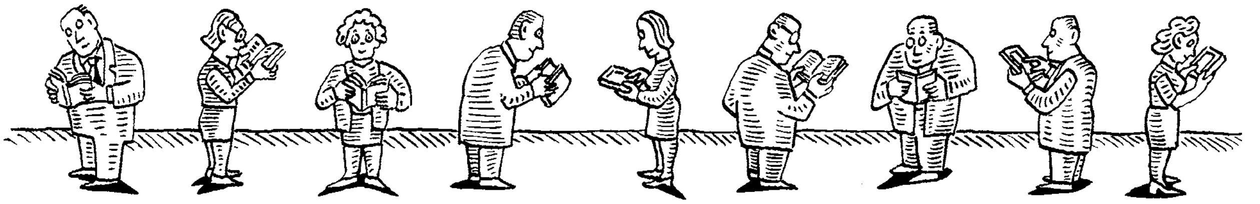
Leveraged ETFs in areas such as precious metals were the place to seek outright performance, but over longer periods it is clear that there are far fewer such products than may have been available in the year following the collapse of Lehman Brothers. This suggests that investors should consider just how much these vehicles have been reliant on markets propped up by central bank largesse. ■

World 50 funds

Volatility in the oil price linked to geopolitical concerns has sent it higher, although there is also a focus on carbon in contrast to hydrocarbons amid pledges by most G20 members to stick to the Paris Agreement and its targets

NAME	LIPPER GLOBAL SECTOR	% GROWTH 1 YEAR TO 31/05/19	SHARPE RATIO 1 YEAR TO 31/05/19	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. Direxion Dly S&P Oil & Gas Exp & Prod Br	Alt Dedicated Short Bias	146.47	0.23	42.71	Rafferty Asset Management LLC	USA
2. iPath Exchange Traded Notes Gbl Carbon;A	Commodity Energy	74.51	0.26	9.33	Barclays Bank PLC	USA
3. Direxion Daily Energy Bear 3x Shares	Alt Dedicated Short Bias	71.73	0.19	27.73	Rafferty Asset Management LLC	USA
4. Finext RealEstateOpportunities Budapest C	Alternative Other	64.4	0.2	14.03	FINEXT Befektetesi	Lux
5. Purpose Marijuana Opportunities Series A	Equity Sector Healthcare	64.19	0.26	10.37	Purpose Investments Inc	Can
6. Mandiri Investa Equity Movement	Equity Indonesia	61.59	0.26	41.9	PT Mandiri Manajemen Inv	Ins
7. Evolve Marijuana ETF	Equity Sector Healthcare	59.91	0.25	8.55	Evolve Funds Grp	Can
8. ETFS Carbon EUR	Unclassified	57.23	0.25	18.04	ETFS Mgt Co (Jy) Ltd	Jer
9. ProShares UltraShort Oil & Gas	Alt Dedicated Short Bias	56.21	0.22	17.23	ProShare Advisors LLC	USA
10. Direxion Daily Utilities Bull 3X Shares	Alternative Equity Leveraged	52.7	0.41	6.19	Rafferty Asset Management LLC	USA
11. BNP Paribas LDI Sltn Drtion Mthng All Mat	Alternative Credit Focus	50.53	0.5	16.43	BNP Paribas AM LU	Lux
12. DWS Invest Brazilian Equities LC	Equity Brazil	48.74	0.37	49.37	DWS Investment	Lux
13. AfricaPalladium ETF	Commodity Precious Metals	46.5	0.4	156.1	Africa ETF	RSA
14. Japan Physical Palladium ETF	Commodity Precious Metals	46.23	0.4	5.28	Mitsubishi UFJ TB	Jap
15. UBS ETF (CH) - Palladium (USD) A-dis	Commodity Precious Metals	45.03	0.36	9.2	UBS Fund Mgt (CH) AG	Swi
16. iShares Physical Palladium ETC	Commodity Precious Metals	44.96	0.36	5.66	BlackRock Adv (UK)	Ire
17. db Physical Palladium ETC	Commodity Precious Metals	44.89	0.36	10.42	Deutsche Bank AG (London)	Jer
18. ETFS Physical Palladium	Unclassified	44.83	0.36	107.24	ETFS Fund Mngt Comp Ltd	Jer
19. GAM Precious Metals - Physical Pd-USD A	Commodity Precious Metals	44.69	0.36	9.12	GAM Inv Man Switz AG	Swi
20. Aberdeen Standard Physical Pd Shares ETF	Commodity Precious Metals	44.67	0.36	171.4	ETF Securities USA LLC	USA
21. VelocityShares 3x Inverse Silver ETN	Alt Dedicated Short Bias	42.33	0.19	28.9	Credit Suisse AG	USA
22. ZKB Palladium ETF AA CHF	Commodity Precious Metals	40.01	0.37	107.5	Swisscanto Fonds	Swi
23. BMO Nominal Swap 2046 Euro Fund	Alternative Credit Focus	38.55	0.51	315.31	BMO AM Lux	Lux
24. Biggeorge 4. Ingatlanfejleszto Ingatlanbef	Real Estate European	38.2	0.54	27.31	Biggeorge's-NV Ingatlan	Hun
25. KBC Instl Investors Const Dur 25-35YR EUR	Bond EUR	37.93	0.53	15.42	KBC Asset Management NV	Bel
26. Global 10 Large Cap Index	Equity Kuwait	37.86	0.62	166.11	Global Investment House	Kuw
27. H2O Multibonds R(C)	Alternative Multi Strategies	37.83	0.55	2622.28	H2O AM Europe	Fra
28. BMO Nominal Swap 2051 Euro Fund	Alternative Credit Focus	37.35	0.54	81.45	BMO AM Lux	Lux
29. Direxion Daily MSCI Real Estate Bull 3x Sh	Alt Equity Leveraged	37.21	0.14	40.11	Rafferty Asset Management LLC	USA
30. ProFunds Comm Svcs UltrSect ProFnd;Inv	Alt Equity Leveraged	35.95	0.32	12.74	ProFund Advisors LLC	USA
31. Direxion Daily 20+ Year Treasury Bull 3X Sh	Unclassified	35.9	0.2	149.41	Rafferty Asset Management LLC	USA
32. ProShares Ultra Utilities	Alt Equity Leveraged	35.51	0.41	15.26	ProShare Advisors LLC	USA
33. ProShares UltraShort Silver	Commodity Other	35.33	0.26	17.77	ProShare Advisors LLC	USA
34. Granahan US Focused Growth A USD Acc	Equity US Sm&Mid Cap	33.47	0.21	22.92	Granahan Investment Management	Ire
35. First Trust Brazil AlphaDEX Fund	Eq Emerging Mkts Latin Am	33.24	0.21	121.06	First Trust Advisors LP	USA
36. JSS Responsible Equity - Brazil P USD acc	Equity Brazil	32.88	0.17	13.49	JSS Fd Mgmt (Lux) SA	Lux
37. Heungkuk EU High Class Spec Prv ReEst	Undisclosed	32.35	0.44	12.17	Heungkuk ITMC	RoK
38. Bradesco Global Fds-Brazilian Eq USD I	Equity Brazil	32.27	0.2	13.57	MDO Management	Lux
39. Al-Wasm	Equity Kuwait	31.67	0.61	9	Kuwait Finance & Inv	Kuw
40. IBI (E) Sal Israel Commercial Real Est (4A)	Eq Sector Real Est Other	31.57	0.59	34.02	IBI Mutual Funds Mgt	Israel
41. HSBC Saudi Fin Inst Equity Fund	Equity Sector Financials	31.41	0.26	27.16	HSBC Saudi Arabia ltd	KSA
42. ProShares Ultra Real Estate	Alt Equity Leveraged	30.74	0.18	123.57	ProShare Advisors LLC	USA
43. KB PG Energy Infra Prv Plc Special Asset Eq	Undisclosed	30.44	0.61	103.05	KB AM	RoK
44. JPM Brazil Equity A Acc USD	Equity Brazil	30.31	0.19	122.28	JPMorgan AM Eu	Lux
45. Fidelity Advisor Series Growth Opps Fund	Equity US	30.25	0.26	555.21	Fidelity Management & Research Co	USA
46. Lime Smart KOSDAQ Venture Spec Priv 1 A	Undisclosed	30.13	0.36	18.18	Lime Asset	RoK
47. ProShares UltraShort Basic Materials	Alt Dedicated Short Bias	30.13	0.15	5.03	ProShare Advisors LLC	USA
48. AfricaRhodium ETF	Commodity Precious Metals	30.13	0.26	23.14	Africa ETF	RSA
49. Sberbank-Prirodnye resursy OPIFA	Equity Sector Energy	30.09	0.52	84.33	Sberbank UA AO	Rus
50. Mirae Asset Brazil Sector Leading Equity 1	Equity Brazil	29.92	0.24	13.41	Mirae Asset Global Inv	RoK

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.



Ridhima Sharma reviews the M&G Garden at this year's Royal Horticultural Society Chelsea Flower Show, the UK's most prestigious event of its kind

Not a garden with a sculpture, more a sculpture itself

The RHS Chelsea Flower Show took place on 21-25 May 2019 in the grounds of the Royal Hospital Chelsea, London

Celebrating the beauty of nature, M&G Garden in 2019 was a vibrantly green and lush environment. Designer Andy Sturgeon and contractor Crocus created the garden for M&G at the Chelsea Flower Show 2019. Sturgeon was awarded the gold medal for his creation.

The garden was inspired by stratified rock formations, with huge burnt timber sculptures on a dramatic geological scale slicing through woodland planting. First and foremost, this was not just a garden but also a sculpture in its own right that celebrated the ability and power of plants to colonise habitats in what is known as 'ecological succession'.

The garden featured a biodiverse range of pioneering plant species from around the world, all of which are able to grow and thrive in the British climate. Sturgeon wanted to show the power of plants to change landscapes. These 'pioneering plants' are often the first to generate new life when landscapes evolve. Great examples of these are equisetum, ferns and restios.

Among young trees and ferns, jewel-like flowers brought colour to this woodland garden, shining through the greenery in rich tones of blue, orange, white and deep purple.

The contrasting textures of the diverse planting was enhanced by massive sculptures representing ancient rock formations, fashioned from 15 tonnes of sustainable burnt-oak timber by the British craftsman Johnny Woodford.

The huge oak sculptures were intended to show off

the incredible plants and made a dramatic backdrop to every leaf and flower. Together with the English ironstone sourced from the Cotswolds, they framed vistas slicing through the garden and defined paths and places to sit.

The regenerative theme of new life and growth was carried through with a series of small pools and clear streams trickling through the garden alongside a staircase of vast English ironstone platforms, ending in a tranquil pool.

For the past decade, M&G Investments has sponsored the RHS Chelsea Flower Show with the aim of providing inspiration to gardeners and investors alike. Through their partnership with the RHS, they inspire growth in the nation's gardens and support the RHS' vision to make the UK a greener and more beautiful place.

This year's 2019 show hosted 11 cutting-edge gardens along with 17 other smaller gardens, and in its 106th year, the Duchess of Cambridge worked to design one of the landscapes.

Her *Back to Nature* garden was co-designed with architects, Andree Davis and Adam White. The garden beamed family adventure and features a stream, treehouse, swing seat and campfire.

Kate Middleton and the rest of the royal family were spotted playing in her garden for the grand launch on 19 May 2019. ■

ANDY STURGEON

Since 1988 Andy Sturgeon (pictured below), landscape and garden designer, has been dedicated to creating dynamic external spaces for private, commercial, and international clients. Based in Sussex, he works across London, the UK, Hong Kong and overseas.

Twice voted one of the top 10 garden designers in the UK and winner of numerous awards including eight Gold Medals and three Best in Show at the RHS Chelsea Flower Show, Sturgeon blends strong design, natural materials and innovative planting to create bold, architectural and timeless landscapes.

He lectures around the world. He is a published author, journalist and broadcaster and an active commentator in the international garden design sector.

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

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