Investment Intelligence for the Fund Professional

INVESTMENT EUROPE

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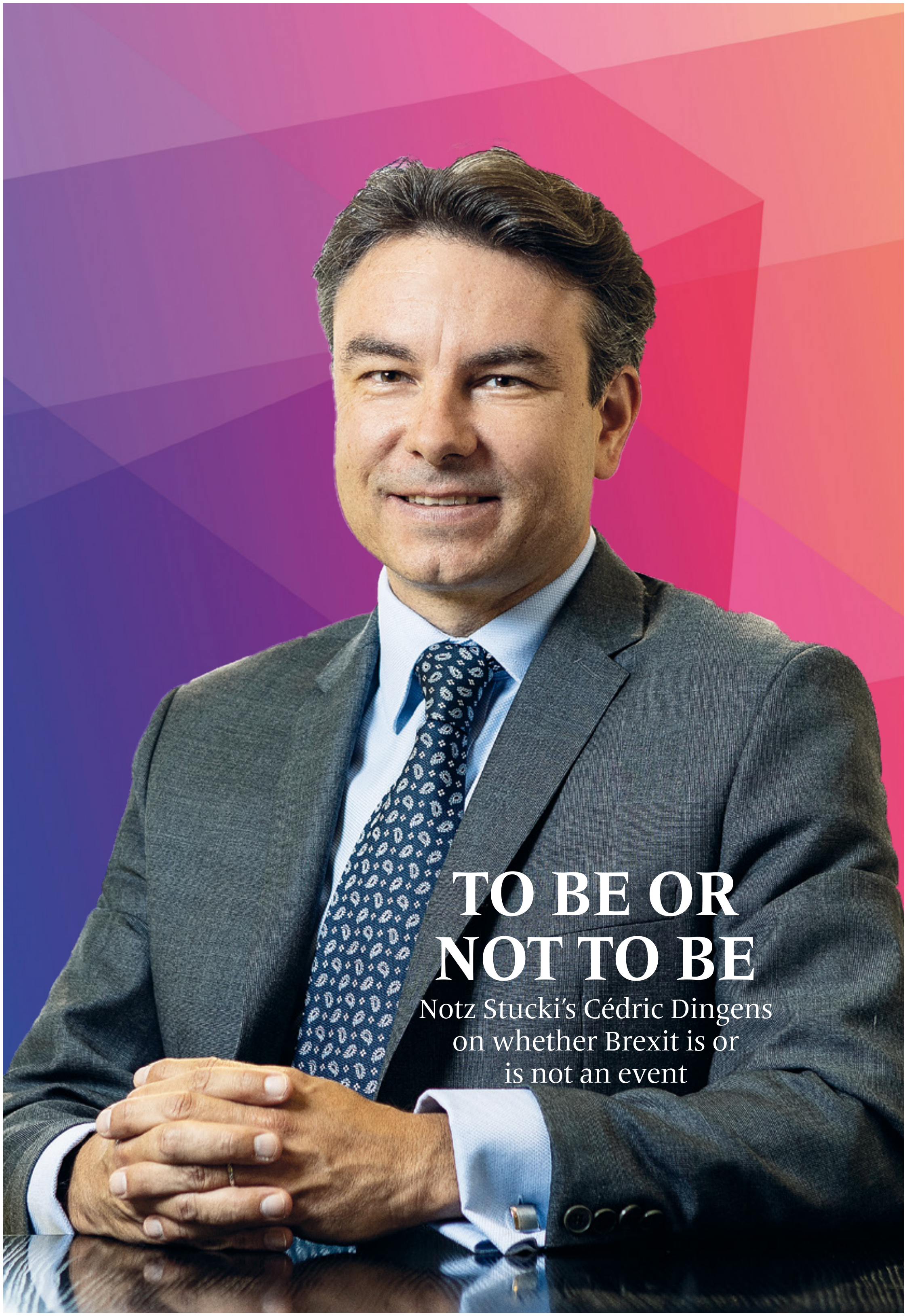

TO BE OR NOT TO BE

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The fun factor

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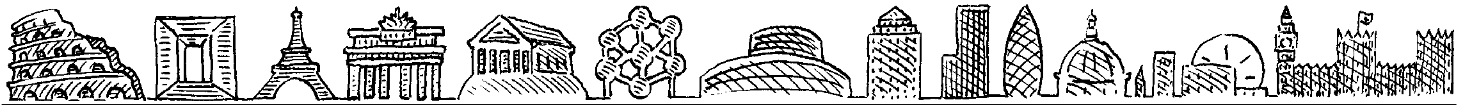

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INVESTMENT EUROPE

An Open Door Media publication

"Events, dear boy, events"

Jonathan Boyd, editorial director of *InvestmentEurope*

Investors taking the long view are not always easily swayed by short-term ding-dongs taking place in houses where laws are made and rejected.

After all, the YouTube clips from legislative chambers such as the one in Taiwan provide entertainment up there with fights filmed on ice hockey rinks. This does not necessarily translate into policy shifts *per se*, so there is every reason to shrug one's shoulders and look to micro level factors instead.

However, the ongoing soap opera that has become British politics in response to Brexit could arguably be put in the bracket of long-term impact. Not only does it reverse the best part of 50 years of government policy with respect to trade and investment; but it also has led, more latterly, to confirming a significant constitutional shift, which could impact the way legislation is enacted by governments henceforth.

This, of course, refers to the prorogation that took place, and which the highest court in the UK decided was unlawful. The clock is ticking on Brexit – something must happen, but nobody knows what.

Regardless of whether the expression noted above was actually uttered by former UK prime minister Harold Macmillan in response to the question "What is most likely to blow a government off course?", it has served a purpose to describe levels of policy uncertainty. And while some investors may thrive on uncertainty leading to volatility in asset pricing and increased market inefficiency, it does not necessarily translate into, say, stronger long term earnings growth should levels of capital expenditure continue to slide.

To quote another phrase, watch this space.

WOMEN IN INVESTMENT AWARDS

As we were going to press, it was just a few days until our inaugural Women In Investment Awards Italy 2019. Celebrating the fantastic capabilities being brought to the fund industry in that country, the Awards form part of *InvestmentEurope*'s ongoing commitment to diversity in the industry. A special supplement will feature in our next issue of the magazine. Watch this space too!

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UPCOMING EVENTS

By the time you read this, our Helsinki Roundtable and Women In Investment Awards Italy will have been and gone, with *InvestmentEurope*'s events programme eye firmly on upcoming venues.

Denmark's capital Copenhagen will get the Roundtable experience at the end of October, offering insight into Asian growth, urbanisation and climate change.

Early November sees a return to Madrid for a Roundtable event that will consider topics such as Nordic equities, fixed income and smart beta.

Zurich hosts another edition of the *Pensionskassenforum*, also in November, for the Swiss institutional market, before a return to Milan for a thematic event and then the Stockholm Roundtable.

The final month of the year, December, sees Tel Aviv hosting for local fund selectors.

Keep an eye out for our calendar of events in 2020. Details of these and other events can be found at: www.investmenteurope.net/events.

Fund selectors in the news

Selectors offer views on diversity, unconstrained funds and, inevitably, Brexit

www.bankia.com

Name: César Gil Cano,
Title: Head of fund of funds
Company: Bankia Asset Management
Base: Madrid

How have you prepared for a no deal Brexit?

This is a very unlikely event, but not impossible. We have become used to seeing the most bizarre events, especially in politics.

In the case of a no deal Brexit the consequences for the economy could be very painful. The market is not pricing this in, therefore, the volatility is trading low. It might be wise to buy some protection and pay a reasonable prime to be protected against this black swan.

www.titus-gmbh.de

Name: Stefan Schrader
Title: Managing director
Company: Titus Gmbh
Base: Munich

How do you measure the performance of unconstrained funds given the fact that they operate independently of benchmark indices?

The analysis for short term performance is definitely a detailed qualitative analyses of the fund managers work. The mid- and long-term analysis is quantitative, and references such as Sharpe ratios give competitive results.

www.amilton.com

Name: Lucas Strojny
Title: Multi-asset portfolio manager
Company: Amilton AM
Base: Paris

Are you asking any particular questions of fund managers, eg, in RFPs in respect of risks around Brexit?

Most of our corporate questions aim to understand if there may be an economic impact at the company level or if the managers have enough career visibility to be fully implicated in the daily management of their funds.

www.dorval-am.com

Name: Louis Abreu
Title: Multi-asset selection fund – product specialist
Company: Dorval AM
Base: Paris

How have you prepared for a no deal Brexit?

In the face of such uncertainty, we have taken the side of not taking any risks in relation to Brexit. So we have little or no exposure to the UK.

In terms of fund selection, we have favoured eurozone equity funds or Europe funds outside the UK. We are also attentive to the composition of these eurozone equity funds, with values or sectors with little exposure in the UK.

In terms of portfolio building, we have tactically reduced exposure to risky assets, focused on diversification and hedging strategies such as gold securities. In a context of great uncertainty (trade war, maturity of the cycle), a 'no deal' would impact all financial markets.

www.notzstucki.com

Name: Cédric Dingens
Title: Head of Investment Solutions & Institutional Clients
Company: Notz Stucki
Base: Geneva

How does Brexit rank among the geopolitical risks you are considering ongoing?

With a presence in London, Switzerland and many EU countries from our Luxembourg office, Brexit is a non-event for the Notz Stucki group.

Brexit is the European-wide uproar of a widespread trend of overhauling cross-border relations. We must remain attentive to it, but the world has never been more multipolar than it is today.

www.olympia-wealth.com

Name: Riccardo Campanini
Title: Head of Institutional Clients
Company: Olympia Wealth Management
Base: Milan

How can we empower next generations of women in the AM industry to strive for senior roles?

With reference to Italy, I think the biggest firms are aware of the diversity issue and include this among management goals, so it seems to be more a matter of time for them. I am not sure whether this is also the case in the smaller organisations, so we should increase debate and awareness in this sector.

Abroad, English speaking countries are more sensitive to this issue, probably for historical reasons.

www.tagescapital.com

Name: Manuela Cedarmas
Title: Senior PM, head of Emerging Strategies and Markets
Company: Tages Capital
Base: Milan

Why are we not seeing more women in senior asset management roles?

Both gender diversity and diversity in a broader sense are global issues and are relevant everywhere in the world.

Some countries, including the Nordic region, have made significant progress but much remains to be done. In the corporate world, we are beginning to see more female board members, but in many industries, top management is male dominated. This is very much obvious in the financial services industry, including asset management. A dialogue and good debate could help identifying the reasons, which are not so obvious and most of the time culturally driven, therefore difficult to eradicate.

People moves around the industry

ANDREAS ARNI

Lombard Odier reinforces Swiss business with former Credit Suisse executive

Lombard Odier has appointed Andreas Arni as head of its Zurich office effective 1 December 2019. He will also assume responsibility as head of the bank's Swiss domestic market, a newly created position.

With experience gained at UBS and Credit Suisse, and as a member of the Executive Committee of the Private Client unit, Arni will be based in Zurich, reporting to Frédéric Rochat, co-head of Private Clients.

With responsibility for the Swiss domestic market, the role includes overseeing teams across offices in Geneva, Zurich, Lausanne, Vevey and Fribourg. In his role, Arni will drive Lombard Odier's growth strategy in the Swiss market and further expansion of its client offering.

SAIDA EGGERSTEDT

Schroders appoints head of sustainable credit

Schroders continues expanding its sustainable investment capabilities with the appointment of Saida Eggerstedt as head of Sustainable Credit.

Eggerstedt will report to Patrick Vogel, head of Credit in Europe at Schroders. She will also assume the role of Sustainable Credit fund manager and work in partnership with Schroders' Sustainability team, led by Jessica Ground, Schroders' global head of Stewardship.

Eggerstedt has more than a decade of experience managing sustainable credit strategies for institutions and intermediaries. Most recently, she was head of Corporates, Financials, at Deka Investment.

Prior to Deka, she managed credit portfolios, including sustainable strategies at Standard Life Investments.

She also held the position of head of High Yield at Union Investment.

Jessica Ground, global head of Stewardship, Schroders, noted: "We have been integrating ESG into our investment processes for 20 years, viewing it as an essential to securing long-term, sustainable returns in a continually changing investment environment for our clients.

"Eggerstedt's arrival will ensure Schroders' ability to deliver the very best in ESG credit investment solutions for clients is further bolstered."

AXEL DRWENSKI

KGAL creates new head of Research post

KGAL Investment Management GmbH & Co. KG has announced that Axel Drwenski will take up the newly created post of head of Research.

He and his team will analyse and evaluate all markets and asset classes – predominantly property, infrastructure and aviation – that are relevant to KGAL.

Drwenski has worked in the property (real estate) sector since 2000, beginning his career in European research at Jones Lang LaSalle in Hamburg and London.

In 2007, he started working for Wiesbaden-based Commerz Grundbesitz Gruppe (now Commerz Real), where he set up and managed the real estate research department until 2019.

MARCO BÜCHLER

Capital appoints Marco Büchler from RobecoSAM

Capital Group has announced the appointment of Marco Büchler as managing director for Financial Intermediaries in Switzerland.

Based in Zurich, and reporting to Grant Leon, managing director for Financial Intermediaries Europe and Asia, he will be responsible for continued expansion in the market.

Büchler joins from RobecoSAM, where he was head of Wholesale and Client Relations in Switzerland, Before that he was at Credit Suisse for seven years.

Leon said: "Switzerland is one of our priority markets in Europe and our existing team has made significant progress in establishing our business. Büchler brings 15 years of industry experience and a strong client focus. His appointment further strengthens our team and is part of our commitment to continue expanding in Switzerland."

RAJ SHANT

Newton head of European equities goes to Jennison

Raj Shant has joined Jennison Associates, an affiliate of PGIM, as a portfolio specialist from his previous role as head of European equities at Newton Investment Management.

The appointment comes as Jennison seeks to grow its European institutional footprint, and Shant will report to Peter Clark, managing director and head of product and strategy at Jennison. Previously, as head of European equities at Newton, he was tasked with achieving business growth around the asset class

TIZIANA TOGNA

Italy's regulator Consob appoints deputy manager

Italy's financial markets regulator Consob has appointed Tiziana Togna as deputy general manager for a five-year term.

In addition to her new role, Togna will remain head of the Intermediaries division at Consob.

She will support general manager Mauro Nori, who was appointed on 9 September.

Consob has also appointed Maria Letizia Ermetes as head of legal advice, a responsibility she will combine with that as deputy of Consob's advocate general.

Fund watch and product launches

ODDO BHF makes Polaris funds available in Spain

ODDO BHF Asset Management has made available to Spanish investors its Polaris range of funds, constituting: ODDO BHF Polaris Flexible, ODDO BHF Polaris Moderate, ODDO BHF TRUST Exklusiv: ODDO BHF Polaris Balanced, and ODDO BHF TRUST Exklusiv: ODDO BHF Polaris Dynamic.

They are managed by a team led by Laurent Denize, the group's co-CIO.

The investment process focuses on risk management and the selection of European and US equities based on fundamental analysis.

The strategies had around €2bn in assets under management as of the end of July 2019.

www.oddo-bhf.com

Vontobel AM makes ESG push with global equity fund

Vontobel Asset Management's Quality Growth boutique has launched the Vontobel fund – Global Equity X, to meet growing demand from investors with ethical considerations.

The fund closely follows the boutique's long-established Global Equity Strategy, but excludes investments in companies engaged in the manufacture of tobacco products, fossil fuel extraction, controversial weapons and adult entertainment.

Sudhir Roc-Sennett, head of Thought Leadership & ESG at the boutique, said: "As long-term investors for almost 30 years, we see the important interdependent links between sustainable businesses and the economy, society and the environment.

"We designed this fund to provide an option better suited for clients requesting an exclusionary ethical stance paired with our solid ESG approach."

https://am.vontobel.com

Pictet AM unveils sustainable emerging debt blend fund

Pictet Asset Management announced the launch of its Sustainable Emerging Debt Blend fund on 16 September 2019.

The fund will invest in hard and local currency bonds from emerging countries. Its aim is to achieve returns of over 2% (gross of fees) above a customised benchmark of 50% JP Morgan ESG GBI-EM Global Diversified index and 50% JP Morgan ESG EMBI Global Diversified index.

It will be managed by Mary-Therese Barton, head of Emerging Debt, and her team of 21 specialists located in London and Singapore. It is the first time the strategy is being offered as a Luxembourg domiciled Ucits. Additional ESG analysis of EM markets will come from a partnership with EMpower, insights of which will be integrated into Pictet AM's processes.

www.am.pictet

Amundi adds to SRI ETF range

Amundi, Europe's largest asset manager by AUM (€1.487trn, of which €297bn is in responsible investment assets), has added the Amundi Index Euro Corporate SRI 0-3Y Ucits ETF to its SRI range.

The fund invests in short-dated euro denominated corporate bonds from issuers with "strong ESG credentials".

Negative screening filters out instruments from companies involved in alcohol, tobacco, military weapons, civilian firearms, gambling, adult entertainment, genetically modified organisms and nuclear power.

The resulting portfolio includes some 690 corporate bonds.

Amundi said the charge of 12bps "makes it the lowest cost SRI-focused fixed income ETF in Europe".

www.amundi.com

Spanish private banking firm Orienta Capital expands fund of funds range

Spanish private banking firm Orienta Capital has expanded its fund of funds range with the launch of

Acurio European Managers – registered with the Spanish National Securities Market Commission (CNMV), and available for distribution from October – which will invest at least half of its assets in other managers provided they meet certain criteria such as independence, high alignment of interests with investors, a stable team, and long-term value generation.

The remaining part of the fund's portfolio will be invested directly or indirectly in private and public fixed income assets (including deposits).

Acurio European Managers will be available in two classes: institutional – aimed at clients of discretionary portfolios, independent advisory and institutional investors – and retail.

www.orientacapital.com

Handelsbanken's UK manager Heartwood launches sustainable multi-asset funds

Heartwood Investment Management, the boutique owned by Sweden's Handelsbanken, has launched four multi-asset funds using sustainability criteria focused on the UN Sustainable Development Goals (SDGs).

The Defensive, Cautious, Balance and Growth Sustainable portfolios rely on negative screening for tobacco, alcohol, weapons, adult entertainment and gambling; apply ESG integration to identify and incentivise companies and governments on their ESG impacts; and seek to impact in areas such as social housing and renewable energy in line with the SDGs.

www.heartwoodgroup.co.uk

TEL AVIV, 4 DECEMBER 2019

BENEFIT FROM THE KNOWLEDGE OF LEADING FUND MANAGERS

InvestmentEurope is pleased to announce the Tel Aviv Forum 2019, taking place on 4th December at the Hilton Hotel.

This exclusive event provides the opportunity for 20 key fund selectors to evaluate the investment opportunities presented and to benefit from the knowledge of leading fund managers.

Up to five leading asset management companies will present their strategies to top investment professionals in the region.

Complimentary attendance for professional investors involved in fund selection.

INVESTMENT EUROPE

TEL AVIV FORUM 2019

EVENT INFORMATION

DATE: 4 December 2019

TIME: 08:20-13:45

LOCATION: The Hilton Hotel

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

For further information visit the event website: investmenteurope.net/events

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78% Remain voters who agree with the UK Supreme Court ruling (YouGov 24 September)

To be or not to be

With questions still over just where Brexit may lead Jonathan Boyd, Eugenia Jiménez, Ridhima Sharma and Elisabeth Reyes report on whether it still matters to investors

Shakespeare was pretty good at weaving together storylines and defining characters. Yet even he might have been bowled over by the goings on in UK politics in recent months.

Most recently, the country's prime minister was found by the highest court in the land to have unlawfully stopped Parliament performing its constitutional function. This had nothing to do with the Brexit process *per se* the judges said. However, the practical implication was that it returned Parliament to its business at the time of the so-called proroguing – a discontinuation without dissolution – which was all about Brexit.

What it has all meant is continued uncertainty for investors, asset managers and the UK fund industry.

For example, the UK Investment Association noted in a report in mid-September that the industry was doing quite well. However, that same report suggested that £1.8trn (€2trn) of assets managed in the UK on behalf of foreign investors came from Europe, which was some 60% of such assets. And the UK industry had continued to incur additional overheads stemming from having to set up more offices and employing more people in domiciliation hubs in the EU27, such as Luxembourg and Dublin.

The UK government's own research into the possible impact of a no deal Brexit on 31 October has suggested that there could be civil unrest derived from shortages of food and medicine. This too is creating uncertainties at least around the short-term impact of a departure from the EU – as voted for in the referendum more than three years ago.

However, similarly, there is uncertainty as to whether the impact over

"BREXIT IS THE EUROPEAN-WIDE UPROAR OF A WIDESPREAD TREND OF OVERHAULING CROSS-BORDER RELATIONS. WE MUST REMAIN ATTENTIVE TO IT, BUT THE WORLD HAS NEVER BEEN MORE MULTIPOLAR THAN IT IS TODAY"

Cédric Dingens, Notz Stucki

57% Leave voters who disagree with the UK Supreme Court ruling (YouGov 24 September)

the longer term will be as significantly negative.

In early September, Mark Dowding, CIO at BlueBay Asset Management, was inclined to suggest the Brexit deadline would need to be moved to the end of 2019, but looking further ahead, he also noted that "a reversal on Brexit could spur growth and make rate hikes more likely in the course of 2020. In this context, BlueBay cannot see the UK joining the negative interest rate club and so prospects for 10-year yields at levels below 0.4% look very much skewed to the upside."

At the same time, Credit Benchmark, the financial analytics firm that assesses credit risk using bank-sourced data, stressed that besides a credit risk for UK retailers having been in "freefall for the last few years… the most recent retail data from KPMG and the British Retail Consortium was horrible and it comes on top of similar data from earlier this summer. All of this aligns with other data on related sectors that are being affected by Brexit (like restaurants and bars).

Around 9 September, Rupert Thompson, head of Research at Kingswood, said that: "In the increasingly surreal world of Brexit, the only certainty seems to be more uncertainty ahead of 31 October.

"The danger of no deal has clearly fallen following Parliament's move to force Boris Johnson to seek an extension until 31 January if MPs (members of Parliament) have not approved a deal or no deal by 19 October, the day after the EU Summit. However, there is much talk of the possible schemes Boris Johnson could hatch to thwart an extension and no deal remains a real possibility – not least because any extension has to be unanimously approved by the EU states.

"A general election is the one event which is now looking all but certain over coming months, even if not as soon as Boris Johnson would like. Although the Conservatives are still polling some 7% ahead of Labour [at the time], the result is almost anyone's guess given the poor forecasting success of polls in recent elections, potential cross-party alliances and tactical voting. The divergence in fiscal policy between the two parties has also narrowed following the significant boost to government spending announced by the chancellor [at the time]. In light of all this, we look to remain underweight the UK until the thick fog surrounding Brexit and general election has shown signs of clearing – which is certainly not yet the case."

THE POUNDS AND PENNIES EFFECT OF BREXIT

Cuckooz, the serviced apartment provider, provided figures in September illustrating the impact that Brexit has had on currency risk levels.

Its figures suggested that the cost in euros of an average hotel room in the UK was down 9.2% compared to the price in June 2016, when the Brexit referendum took place.

In yen terms, the saving was put at 12.6%. In Swiss francs the saving was 10.7%. While in dollars, zloty and UAE dirham the saving is around 10%.

In another measure of the Brexit effect, Springbok Properties, as UK property agent, noted that since the referendum in 2016, there had been a significant drop in transactions across the UK, but particularly in England and, within that, particularly in London.

Using data from Rightmove, Zoopla, Prime Location and OntheMarket – platforms that aggregate properties for sale – it noted the following:

Location/area	Change in sales volume since referendum
Kensington And Chelsea	-42.4%
Islington	-35.4%
City of Westminster	-31.9%
Enfield	-30.2%
Brent	-29.8%
Haringey	-29.5%
Kingston upon Thames	-28.4%
Camden	-28.2%
Lambeth	-28.0%
Watford	-27.5%

Location/area (ex. London)	Change in sales volume since referendum
Watford	-27.5%
Slough	-27.2%
Oxford	-25.9%
Brighton and Hove	-24.5%
Windsor and Maidenhead	-24.2%
Elmbridge	-23.8%
Three Rivers	-23.7%
St Albans	-22.4%
City of Aberdeen	-22.3%
Epsom and Ewell	-22.0%

CHANGING PARTNERS

Alexander Batten, portfolio manager at Columbia Threadneedle Investments in London noted that: "Any form of Brexit, poorly executed or otherwise, represents an economically worse outcome than the status quo.

"Trade gravity means the EU will always be the UK's primary trade partner and applying more friction to trade will be a drag on growth. To a large extent, this long term drag on growth is reflected in government bond pricing, where estimates of neutral rates, terminal rates for central bank activity and forward rates have all fallen. A poorly executed Brexit, where the UK leaves without a deal, is not fully reflected in UK asset prices.

"Any upsides from Brexit would be in the form of free trade agreements with countries outside of those the UK has a member of the EU, namely the US. However, these are still many years from being effected. In reality, a country's trading relationships are primarily determined by distance and common borders. Trade with the European Union will still form the bulk of the UK's trade after Brexit but with more friction than currently so we do not expect material upsides for businesses."

From an operational perspective, a spokesperson from Columbia Threadneedle could have been speaking for many when they

24% Proportion of UK adults who expect civil disorder or riots in a no deal scenario (YouGov 6 September)

added that the manager "…has a comprehensive contingency plan in place to prepare for the potential impacts on our clients and our business in the event of a 'no deal Brexit'. Our aim is to provide certainty and continuity for our clients as quickly as possible.

"We have had an established fund range domiciled in Luxembourg (both Ucits and AIF) for several years, along with a Ucits management company. Following the UK's decision to leave the EU, we have expanded our Luxembourg-based management company to enhance our ability to serve a wide range of European customers. This means clients can choose whether to contract with our EU or UK-based business. We have also now completed a program of pooled fund transfers, moving EU customer assets from our UK-based Oeic range to our established Luxembourg-based Sicav range."

DISTRIBUTION ISSUES

Rémi Leservoisier, chief operating officer at Mandarine Gestion, identifies facets of Brexit that may be quite specific to the European country in which the investor or fund resides.

"The question of when, if and how the UK leaves the EU needs to be treated from various angles. Depending on the specific investment process of our funds, the fund managers have adapted their portfolios carefully to the Brexit risks involved, depending on whether they manage large or smaller companies' funds.

"From a distribution perspective, the Brexit debate has strong implications for the "PEAbility" (favourable tax treatment for French retail investors), but also for regulated institutional investors investing in EU equities only, leading to the exclusion or at least a significant reduction in UK listed stocks in certain portfolios.

"And a third angle is distribution in the UK where apart from regulatory and passporting questions the main question will be to what extent Brexit will influence UK investors' demand for European equities."

Cédric Besson, portfolio manager at Gaspal Gestion, says: "We are not yet sure if Brexit means Brexit…but what we know is that non-European investors have left our continent and are underweight."

"In our balanced portfolio, Gaspal Patrimoine, while we are not prepared to add positions on the FTSE, we think it is time to increase eurozone exposure. The valuation gap with the US is now to wide, around 3 PE points, the dividend yield above 4% gives us some comfort.

"Above all, if Brexit does happen, regardless of the nature of the breakup, most European companies have had enough time to get prepared and the region will not fall in recession."

Gilles Cutaya, deputy CEO of CPR Asset Management notes that from his perspective, the risk is contained.

"We have gone through many crises historically. Uncertainty has become the name of the game. But part of our job as fiduciary manager is to get prepared in case major risks materialize. As we are headquartered in Paris, but with a presence across Europe, we are not impacted by the outcome of Brexit."

"Brexit is the materialisation of a new risk that our society will have to cope with going forward. CPR AM is currently working on this topic, looking to break new ground in this field."

SELECTOR VIEWS

The relatively sanguine outlook from Cutaya is reflected by Cédric Dingens, head of investment solutions & institutional clients at Notz Stucki in Switzerland.

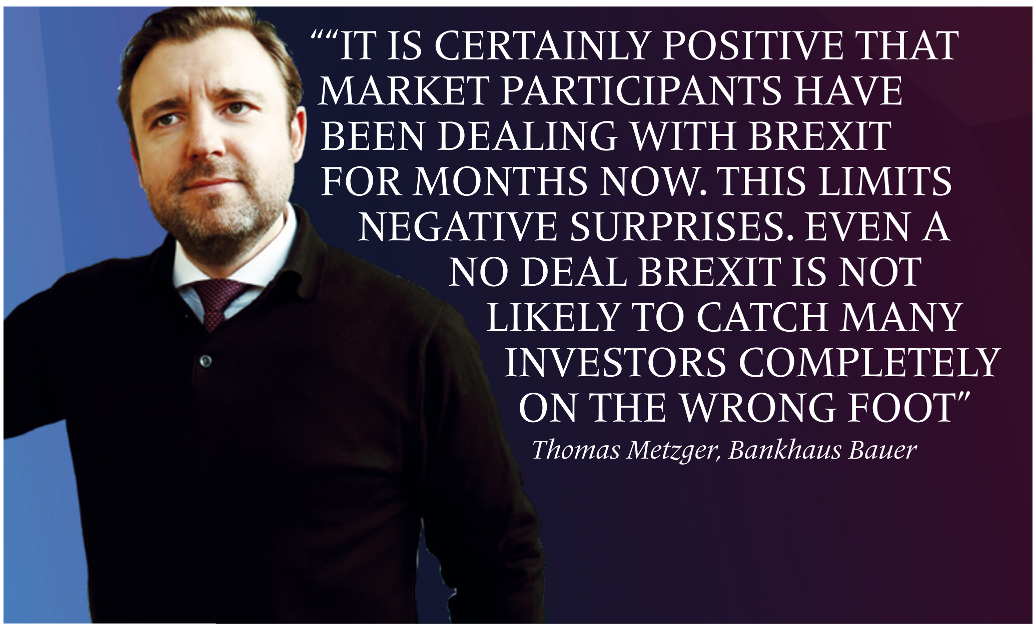
"With a presence in London, Switzerland and many EU countries from our Luxembourg office, Brexit is a non-event for the Notz Stucki group.

"Brexit is the European-wide uproar of a widespread trend of over-

BEYOND PROROGUING

The European Union (Withdrawal) (No. 2) Act 2019 came into effect on 9 September. It requires the UK government to seek an extension to the Brexit withdrawal date of 31 October, if the prime minister is not able to agree a withdrawal agreement with the EU and obtain approval from the House of Commons by 19 October.

Johnson had said earlier, on 5 September, that he would "rather be dead in a ditch" than agree to an extension to Brexit.



""IT IS CERTAINLY POSITIVE THAT MARKET PARTICIPANTS HAVE BEEN DEALING WITH BREXIT FOR MONTHS NOW. THIS LIMITS NEGATIVE SURPRISES. EVEN A NO DEAL BREXIT IS NOT LIKELY TO CATCH MANY INVESTORS COMPLETELY ON THE WRONG FOOT"

Thomas Metzger, Bankhaus Bauer

£1.8trn Assets of European investors managed in UK (Investment Association 12 September)

hauling cross-border relations. We must remain attentive to it, but the world has never been more multipolar than it is today."

As noted elsewhere in this issue (pages 18-19) Dingens views Brexit in context of an international outlook that has been in play at Notz Stucki since the mid-1960s, which has included "the entrustment of money to managers based all over the world and creating investment funds in places like Asia in 1979 and India in 1994."

Speaking more in terms of asset exposure, Lucas Strojny, multi-asset portfolio manager at Amilton AM, notes that the multi-asset funds "… have not hold any direct exposure to the UK for the past few years.

"Uncertainty is part of the game for an asset allocator, but the risk asymmetry which is mostly due to political ambitions impose the need to be humble. As we are not benchmarked, our time allocation is mostly dedicated to less chaotic investment opportunities.

"In terms of fund selection, the UK provides a wide range of specialised and talented managers that we keep selecting. From the discussions that we have with UK asset managers, companies are well prepared for a Brexit, especially concerning the domiciliation of Ucits funds in Ireland or Luxembourg."

He adds: "Most of our corporate questions aim to understand if there may be an economic impact at the company level or if the managers have enough career visibility to be fully implicated in the daily management of their funds.

"Brexit remains one of our top geopolitical concerns due to the potential impact for European economy, political stability or monetary policy. If the subject is explosive, the detonator has always been stopped before the final countdown. The recent development has not brought any more visibility and we believe that we will continue debating about Brexit for a long time."

Thomas Metzger, head of Asset Management, Bankhaus Bauer, sees possible upside for investors depending on the outcome.

"Against the background of possible distortions caused by an unregulated Brexit, UK equities and the British pound are not particularly heavily weighted but see opportunities on the currency side.

"The irritation of leaving the European Union has not left its mark on the exchange rate of the British currency. Should our favoured scenario of a semi-soft Brexit occur or it still be possible to agree on a deal, the pound should benefit.

"So far as we invest in managers outside of our house, we are constantly reviewing their current allocation. The weighting of investment categories that could be affected by a hard Brexit scenario actually plays a role."

He further nores: "Although the risks of unregulated Brexit should not be underestimated, we consider the impact of a further escalating trade dispute between the US and China or the EU even more serious."

As to the question of whether Bankhaus Bauer feels prepared for whatever Brexit may become, he says: "We are currently satisfied with our setup and are well prepared for every scenario.

"It is certainly positive that market participants have been dealing with Brexit for months now. This limits negative surprises. Even a no deal Brexit is not likely to catch many investors completely on the wrong foot in the meantime."

César Gil Cano, head of fund of funds at Bankia Asset Management, is looking to puts as a way to deal with the possible no deal Brexit.

"This is a very unlikely event, but not impossible. We have got used to seeing the most bizarre facts, especially in politics. In the case of a no deal Brexit the consequences for the economy could be very painful. The market is not pricing this in, therefore, the volatility is trading low.

"It might be wise to buy some protection and pay a reasonable prime to be protected against this black swan."

Meantime, the extent to which managers are preparing for Brexit has become a question being asked through RFPs.

"The most important thing is that the majority of these funds which have Brexit implications have opened accounts in Luxembourg (or similar). They do not have to change the investment policy necessarily; we are the ones who have to adapt our portfolios according to the underlying funds we have selected."

However, like Metzger, Cano notes that while Brexit is a significant geopolitical risk, it still ranks lower than the conflict between the US and China. ■

2.2% Decrease in abortions in Germany in Q2 2019 YoY

TILO MAROTZ

Tilo Marotz has been working in the investment industry since 1997.

Currently he leads the fund selection business and is a portfolio manager for Donner & Reuschel AG in Munich.

He started his career at FondsConsult Research AG and also worked in similar roles for Hauck & Aufhäuser Privatbankiers as well as a family office.

Marotz holds an MBE from Steinbeis University and a Bachelor of Arts in Banking and Finance of the HWR in Berlin. He is also a frequent contributor to funds related media and a lecturer at Munich's biggest adult education centre.

0.7% Increase in start-ups of larger businesses in Germany in H1 2019

For Donner & Reuschel's Tilo Marotz, 'people and process' is more about getting the big picture right than ticking every small box. Ridhima Sharma reports

A people's approach

Donner & Reuschel AG has invested close to €700m out of approximately €3bn assets under management in public mutual funds and exchange traded funds. At present, about one third of the managed assets in mutual funds are allocated in exchange traded funds, one third in active strategies and another third in money market funds.

Tilo Marotz, portfolio manager and fund analyst at Donner & Reuschel says that to generate new funds for potential investments, Donner & Reuschel uses two main sources: "For the standard asset classes we mostly apply the first step of our research process, making use of database supported number crunching tailored for the parameters of the search.

"We also rely extensively on our personal network and contacts we established over the last twenty years. Especially when it comes to asset classes and strategies off the beaten path as well as more complex ideas, we are using this way to generate new ideas.

"We run an approved list of mostly active funds for our private banking and asset management divisions. For external consulting clients as well as mandates that are more flexible, ie special funds, we are also able to do searches on a timelier basis."

When selecting funds, the German private bank uses a dual approach of quantitative analysis and qualitative due diligence but with some differences to the classical way in both criteria.

"WE LIKE MANAGERS WHO ARE HAVING FUN AND… DEMONSTRATE INDEPENDENT THINKING"

DUAL APPROACH

On the quantitative side it modifies the number crunching away from the widely uniformly used metrics and time horizons towards a more tailor-made approach. Depending on the search criteria and the allocation purpose it uses different parameters.

Marotz continues: "For example in our selection process for equities we explicitly focus on selecting funds for market up and down environments as we do not believe in an 'all-weather-approach'.

"We are aligning our scoring more towards sensitivity measures than for example volatility. The process is heavily weighted towards qualitative criteria. Taking into account the usual important aspects like people and process it is more about getting the big picture right than ticking every small box. Talking and interacting with the key people of the investment team is crucial.

"We like managers who are having fun and are able to present their case, know their edge and demonstrate independent thinking. We also prefer managers who are really into it and are willing to prove it. When it comes to the more company related attributes, we like clear structures, direct contact to the key people and timely support. A fair and competitive fee structure is also a plus for us. Most of these attributes we often find in boutique-like companies so you will see a good number of these managers on our lists and in the portfolios," adds Marotz.

When it comes to things Marotz does not like, he cites dishonesty as the most common red flag. Applying unsuitable benchmarks and performance fees; and a lack of transparency regarding portfolio positions and their liquidity profile are other points he mentions.

RISK MANAGEMENT

Quizing Marotz on the subject of risk managementelicits some unusual answers answers.

"The first line of risk control skills in a manager is the understanding of the strengths and weaknesses of its own investment process, consistently applying it and have an open mind to possible adaptions. Secondly if the manager's personal risk is aligned with the clients it can also be seen as an inherent risk control."

HNWI CLIENTS

According to Donner & Reuschel, the direct mutual fund business is pretty quiet at the moment and its clients are putting trust in its asset management strategies. It has seen some interest in ESG-related wealth management strategies that are run by one of its external partners.

When it comes to how the HNWI clients of the bank will change their behaviour or their used investment vehicles the fund selector has a clear opinion.

"I do not want to disappoint, but I do not think there will be material changes in how HNWIs will approach their investments, especially in Germany. We will of course see some fluctuations in the asset allocation structure and even more cost sensitivity but no structural differences," concludes Marotz. ■

3.9 billion Tonnes of seaborne goods handled by EU member states in 2017

Flexible and private debt focus

Italian investment bank Equita has recently expanded its asset management operations with the launch of Equita Capital SGR, an investment boutique focused on alternative solutions for institutional investors. Eugenia Jiménez reports

Equita Capital SGR obtained Bank of Italy authorisation to start operating as an asset manager in the country on 23 July, and unlike most new managers, its business kicked off with over €1bn in assets under management.

This came from Equita's discretionary accounts managed on behalf of the Credem Group, two flexible funds, and Equita Private Debt fund which, unveiled in 2016, was one of the first private debt funds launched in the Italian market.

According to Matteo Ghilotti, the firm's chief executive officer (CEO), also responsible for the manager's liquid strategies, this starting point "put Equita Capital SGR above the breakeven point from day one."

The company's business split is 60% in flexible funds, 25% in equities, and 15% in private debt and credit strategies. Ghilotti says: "We do not want to offer plain vanilla equity or fixed income funds where competition is already very fierce.

"We focus instead on flexible and private debt funds."

In the case of flexible funds, Equita Capital offers its clients two strategies: the Euromobiliare Equity Mid Small Cap, whose AUM amount to €392m, and the Euromobiliare Equity Mid Small Cap, with €229m of AUM.

The discretionary accounts managed on behalf of the Italian Credem Group account for around €250m of the manager's total assets while the Private Debt fund manages some €100m.

The remaining €52m is represented by the Blueglen Equita Total Return fund, a credit strategy investing across Europe, managed by the London-based boutique Blueglen Investment Partners; and for which Equita is the exclusive distributor in Italy.

On the firm's commitment to ESG, Ghilotti says that sustainability has been a crucial element in the guidance of the Equita Group's business strategy and activities, and a key aspect in creating long-term value for both the company and its clients.

As part of its efforts towards responsible and sustainable investment, the new manager has partnered with the Graduate School Business and Society of *Università Cattolica del Sacro Cuore* (ALTIS) to conduct research into corporate sustainability focusing on Italian small and medium enterprises (SMEs).

The research's goal is to find out how ESG ratings methodologies can be improved (including methodologies of external rating providers), also to encourage SMEs to improve their own ESG assessments.

"The results of the analysis, presented at the beginning of September this year at the Università Cattolica in Milan, are contributing to the definition of some of the advised ESG practices for SMEs as well as helping investors to better analyse these companies according to ESG criteria," says Ghilotti.

He adds that ESG principles will become increasingly important in the firm's investment decisions, both in its portfolio management and in its private debt and private equity teams.

BUSINESS PLANS

In the short-term, Equita Capital is launching a second private debt fund, set to be officially unveiled and

33.4% Proportion of EU pupils in lower secondary education studying French in 2017

commercially promoted by the end of the current year.

According to the firm, the fund launch could lead the manager to expand its client base abroad. Ghilotti says: "Thanks to the strong track record of our first private debt fund, we are confident enough to expand our investor base and include some of the leading European institutional investors in the asset class."

And continuing with its growth plans in the private sector, the manager has announced it will be promoting some new initiatives within the private equity domain, seeking to take advantage of the favourable legal and economic framework that is being created in Italy lately, which has resulted from the introduction of tax incentives for new investment structures like the European Long-Term Investment Funds (Eltifs).

The new tax incentives decree implies that Eltifs, which mainly invest in Italian assets, should be granted tax exemption following certain prescriptions.

Ghilotti explains: "Banks and asset managers with retail distribution will soon have to drive customers to gradually increase their risk profile to aim for higher returns, which can be achieved by patiently investing in illiquid assets.

"Such a kind of investment should be done only through closed funds to avoid the crisis generated by mixing open funds (exposed to outflows) with assets that have liquidity temporary restrictions. The Eltifs)s are long-term closed funds that have been specifically designed for distribution to retail investors (because of specific protections in terms of portfolio diversification).

"We want to take advantage of such convergence of elements by promoting Eltifs) investing in illiquid or almost illiquid assets (private equity deals and/or small cap and micro-cap). Also, in this case we will serve the banking partners without directly addressing the retail investors. We could start from private equity and small/micro-cap funds to exploit our team's competences and culture. By aggregating external skills we could consider a more articulated and differentiated strategy."

The company also says it would be launching initiatives paying special attention to ESG factors, as well as to yield attractive returns for investors, and positively impacting on the invested companies (helping for instance entrepreneurs to finance their businesses).

In the short-term, Equita Capital rules out an expansion to any new market unless some opportunity to partner with another boutique arises.

With regards to the launch of new investment strategies, the manager leaves the door open and says it would depend on whether they are able "to find the right people, with a specific know-how and possibly with some anchor investors."

In order to deepen its presence in Italy, the firm wants to position itself as the key independent partner for banks to study and offer tailored solutions aimed at satisfying their retail clients' needs with niche products.

FOCUS ON ALTERNATIVES

Equita Capital believes that private debt of Italian SMEs is an extremely attractive area of investment because these companies are very lean, flexible and export-oriented. In its own words, it is a market segment that is less competitive and therefore, has more appealing returns.

With regards to alternative credit assets, Ghilotti says they could help investors to reduce risk as there is less downside and price volatility compared to public credit, which tends to be more crowded "because by definition, it is easier to invest in it. "

He continues: "In private markets, instead, both the investment process and the track record of the team are crucial to make a good capital allocation.

"I think we have both, and the first fund is an evidence of that."

The firm's expertise on the private equity space is not new. It was a pioneer in the sector when it launched its Equita Private Debt fund in 2016, raising €100m from a group of institutional investors including banks, insurance companies and family offices.

Ghilotti says: "Over the past three years, the team in charge of the fund has been able to identify several interesting investment opportunities and, by partnering with top Italian and foreign private equity funds, the company has been able to build a portfolio that as of today [23 September 2019] records gross returns of above 9%, despite its limited risk profile."

Looking at the remainder of the year, the manager also favours private debt when it comes to balancing risk and return.

Ghilotti says: "We favour private debt for sure because we focus on high quality, reasonably leveraged smaller companies where we can get 8-9% gross returns with a manageable risk.

He concludes: "I am also convinced that in equity markets the current situation requires a certain dose of caution and this is the reason why our flexible funds have a conservative asset allocation, which limits the upside but gives us plenty of optionality." ■

INVESTMENT PROCESS

As a manager of discretionary accounts since 2003, the Equita Group has always followed an investment philosophy focused on concentrated portfolios, where bets on sectors and stock picking are based on fundamental analysis and the ongoing dialogue between portfolio companies and analysts of the company's research team.

Ghilotti outlines: "We also embed our bottom up research in the broader contest of the macro analysis, in order to avoid missing the forest for the trees.

"When we have bold investing ideas, we are ready to go against the consensus and give detailed explanations to our investors."

Focus on small and mid-caps is key for the firm as it represents its most significant area in terms of assets under management. Around €130m are invested in or dedicated to small and medium companies that have a strong track record in terms of returns over time (+13.6% average gross annual return over the last ten years).

12,000 Births involving teenage mothers in France in 2018

Even the smallest boutique active in the French fund market cannot escape the question about opportunities internationally. Elisabeth Reyes reports on the outlook

Boutiques eye global prize

"Can an engineer take a wrong turn and end up in finance?" jokes Michel Audeban, who in 2012, after 30 years of experience in large institutions, created his own asset management boutique, Gemway Assets, with his partner Bruno Vanier.

Gemway Assets (€645m AUM), regulated by the Autorité des Marchés Financiers (AMF) is an independent manager specialising in emerging markets.

Audeban explains very simply why internationalisation is key. His firm has been active abroad since they launched. Some 52% of clients are located outside France – including Switzerland, Luxembourg, Israel, Belgium and Austria.

He notes that emerging markets represent 55% of global GDP and 7% of investors' portfolios.

Furthermore, he adds that large and successful peers have reached their capacity limit. He foresees room for growth.

"Our major focus is to invest in companies benefiting from rising purchasing power in emerging countries.

"Our clients are institutional asset managers, private banks and family offices. In each country we focus on a limited number of clients. We commercialise our funds directly in Switzerland, Luxembourg, Belgium and Monaco and with third party managers in other countries. We manage two funds: GemEquity (global emerging market equities); and GemAsia (Asia ex-Japan equities). Mainly focused on stock picking, every month a portfolio manager travels to EM countries in order to visit companies. We meet 400 EM companies a year," he says.

"THE KEY CHALLENGE FOR US IS CLEARLY TO AVOID WASTING TIME ON A TARGET CLIENT WHICH HAS LITTLE CHANCE OF RESPONDING"

Hubert Goyé, Graphene Investments

Gemway is set to create a French Sicav in order to be more efficient when exporting. The current GemEquity and GemAsia funds will move into the Sicav structure by year end.

Audeban has been an active member of AFG (Association Française de la Gestion Financière) for the past 15 years. As a member of the Distribution Committee he has a good overview of AM industry evolution and therefore believes he can anticipate the major business and regulation changes in order to fine-tune his strategy. His next target is Italy.

Similarly, Hubert Goyé started his own investment management company Graphene Investments in 2015 after spending almost two decades managing equity portfolios in one of Europe's largest asset managers BNPP AM.

Being one of the few European-based asset management companies that specialise in the US and Japanese equity markets, Goyé explains: "We are a young company and so far our international sales effort has been limited to approaching a handful of institutions on an opportunistic basis, using electronic communication, including our website and social networks, to circulate information."

However, internationalisation was always in mind.

From the start, all reports and articles have been written both in French and English.

Goyé adds: "Two years later, it is time to change gear, ie, assess where we have the best chance of success given each country's challenges and hire the right people to open the right doors.

"However, given the direct and indirect costs of a sales effort in a foreign country, the key challenge for us is clearly to avoid wasting time on a target client which has little chance of responding. The process of building an image is always long one but, even if your performance is good, it may never lead anywhere if local specificities push investors towards another asset class or another fund structure – in this respect, AFG's 'Export Club' and their partners are very helpful in getting a first sense of what we should expect in each country.

"Having said that, the opportunity is huge. Due to pension and tax systems, there are countries where professional investors control very large assets compared to their French peers. Moreover, we hear that some of them are more flexible with the screening criteria, such as asset size and length of track record, which makes it

102 September 2019 business climate indicator level for French manufacturers

very difficult for asset management start-ups to win their first professional clients in France."

He continues: "Our current fund is a French FCP (Ucits). We chose this structure because it was faster and cheaper to set up at the beginning, but we knew it would not be best suited to our international development. We will certainly opt for a structure based in Luxembourg or Ireland, but the choice and its implementation details are still under review.

"Fortunately, we have little exposure to Brexit-related uncertainties. The UK has never been among our key focus areas for international development and, if we were to launch something there, it would be in association with a local partner."

CAPABILITIES

Founded in 2008, Mandarine Gestion (€3bn AUM), an independent and owner-managed French asset management boutique, has placed the internationalisation of its distribution capabilities at the heart of its primary objectives from the very start. Accordingly, it has offices in Germany and Switzerland.

Rémi Leservoisier, COO of Mandarine Gestion, comments: "Today, our funds are registered in 12 countries. We cannot have offices all over Europe and beyond, and this has led us to work with external partners (third party managers) in several countries and regions (Southern Europe, UK and Austria), and recently in Canada. As of today, approximately 35% of our AUM are held by investors outside of France".

Looking back at some of the challenges over the last few years he adds: "Apart from the classic regulatory issues (registration), which have become easier, it is the tax differences between the various countries we are active in but also more cultural aspects (characteristics of share classes, etc) which are challenging, especially for smaller asset management companies."

Leservoisier, who is an active member of the AFG, recognises the AFG efforts in helping and says "its objective are to further enhance the development of the asset management industry and to subsequently satisfy investors' needs".

LARGER FIRMS

CPR Asset Management (€50bn AUM), founded in 1989, is an entrepreneurial ESG boutique with over €9bn in thematic equity strategies alone.

Gilles Cutaya, deputy CEO and head of international development explains: "Being an independent, wholly-owned subsidiary of Amundi, we have the nimbleness, agility, and innovation of a boutique investment house, while benefiting from being part of Europe's largest asset manager.

"Internationalisation is a strategic priority for CPR AM and had a record year for international inflows (ex-France) in 2018. Our goal is to anticipate major trends in the industry – for example, investment themes, megatrends and ESG – and to understand client needs and specificities in the various regions we operate in, so as to adapt and create appropriate solutions – for example, medtech in Japan.

"With a dedicated and seasoned sales team, we put the emphasis on product and solutions which are very differentiating and / or complementary and that are suited to navigate different economic and market cycles and ultimately will gain traction in the long run. Thematic equities solutions also have significant appeal for investors worldwide because they can make sense of these themes and relate to them ageing, disruption, lifestyle, climate action, education, to name but some."

Cédric Dingens, who is head of investment solutions & institutional clients at Notz Stucki (CHF10bn AUM) joined the Swiss firm in 2002. He confirms that since its creation in 1964, the group has been internationally oriented, pioneering the entrustment of money to managers based all over the world and creating investment funds in places like Asia in 1979 and India in 1994.

The group has been present in important financial centres such as London for over 40 years and Luxembourg for 18 years.

"Opening the Madrid office in the midst of the European crisis in 2012 was proof of a strong desire for international development," he says.

"With eight offices worldwide and a network of partners that has grown over five decades, the Notz Stucki Group continues to evolve and adapt by staying one step ahead."

Asked what the greatest opportunities and difficulties have been up to now, Dingens comments: "Regulation is probably the greatest challenge in providing quality management service to the customer. But that context is also a source of opportunities for outfits that can adapt with critical mass.

"The fund selection methodology has continuously adapted and improved over time in response to changes in financial markets.

"Nevertheless, nothing can replace the knowledge of the people within management companies and this knowledge cannot be acquired by machines. This is why our teams constantly travel to meet other economic and financial players." ■

0.3% Annualised CPI inflation in Spain in August 2019

Iberian ground: ripe for the picking

The Spanish asset management arm of the global investment firm Alantra focuses on Iberia-listed small and medium companies, seeking high quality assets with potential for incremental value. Eugenia Jiménez reports

Lack of arbitrage, weak broker coverage of companies and a profusion of high-quality assets with global exposure make Iberia (Spain and Portugal) one of the most fertile hunting grounds within the European small- and mid-caps universe. So believes the asset management division of Alantra, a global investment banking and asset management firm that focuses on the midmarket.

Headquartered in Spain but with offices across Europe, the US, Latin America and Asia, the company provides independent advice on M&A, debt advisory, financial restructuring, credit portfolio and capital markets transactions.

As an asset manager, Alantra offers its clients access to a broad offering of investment strategies that range from direct investments to fund of funds, co-investments and secondaries. It does so across six asset classes: private equity; active funds; private debt; infrastructure; real estate; and private wealth management.

THE QMC FUNDS RANGE

The QMC range of funds is part of Alantra's asset management division. It is made up of two differentiated strategies and management teams: the pan-European EQMC Fund, an open-end equity strategy that invests in the European midmarket universe; and the Iberian Small & Mid Cap strategy, also an equity fund, currently in the fundraising process of its third version, investing in small and mid-caps too but just from Iberia.

The QMC family focuses on concentrated portfolios, from 10 to 12 holdings, of high quality companies from the midmarket space. Funds from the range actively work with management teams and the companies' shareholders in order to enhance and accelerate value by driving changes constructively through a very ample toolkit of initiatives.

"IBERIA IS THE MOST FERTILE GROUND FOR ACTIVE OWNERSHIP STRATEGY IN SMALL- & MID-CAPS WITHIN EUROPE, DUE TO LACK OF ARBITRAGE AND WEAK BROKER COVERAGE OF COMPANIES"
Julián Cepeda, Alantra

SMALL- AND MID-CAP IBERIAN STRATEGY

QMC III, which is the Iberian Small & Mid Cap fund, is now involved in the fundraising process of its third vehicle and unlike its predecessors but like its sister pan-European fund, is an open-end strategy.

The fund was launched in October 2017 and aims at achieving €300m in assets under management, of which it had reached a third as of 9 July 2019 fed mostly by the re-ups of it preceding vehicle, the QMC II.

Managed by Alantra's partner and QMC portfolio manager Julián Cepeda, the fund had in July 10 holdings in its portfolio.

According to Cepeda, the strategy has been outperforming its reference index (IBEX MC) since day one, as its preceding funds did, while being consistently within the top percentile of return in comparison with its Iberian fund peers.

The fund seeks to maximise returns by managing a concentrated portfolio of 10-12 companies, supporting value creation and promoting a very ample toolkit in the active ownership agenda (strategic and operational focus, financial optimisation, corporate governance and communication improvements).

The fund's management team believes that there is a structural opportunity in Iberia of buying "bullet-proof" high quality assets with potential for incremental value and listed at reasonable multiples.

Cepeda says: "Iberia is the most fertile hunting ground for active ownership strategy in small- and mid-caps within Europe, due to the lack of arbitrage and weak broker coverage of companies and the profusion of high-quality assets with global exposure."

The launch of the QMC III followed the divestment process of the QMC II, the firm's previous version of its Iberian strategy, which reached a net IRR of *ca*16% during its lifetime.

The QMC II, also managed by Cepeda, is likewise invested in a concentrated portfolio of Iberian companies, including some of the top performers of the Iberian Small & Mid Cap universe, such as CIE Automotive, Fluidra and Laboratorios Rovi.

The first version of the QMC Iberian Fund, the QMC I, was launched in 2003 with the idea of applying a private equity approach to the universe of small and medium listed companies in the countries of Spain and Portugal.

INVESTMENT PHILOSOPHY

QMC III retains the same investment philosophy than the whole range of funds of the QMC family, which consists of taking significant minority stakes in small and medium companies with high asset quality, strong management, large growth potential, global leadership in niche markets, and solid financial muscle.

Through a highly disciplined, thorough and well documented investment process, the fund actively works with management teams and shareholders, a strategy to which they refer as active ownership.

The company says it is a unique approach that sets it apart from peers and which aims at enhancing and accelerating value in companies by driving changes constructively through an ample toolkit of initiatives.

By combining its 16 years of experience in identifying local fully-tested "bullet-proof" assets and its know-how in promoting shareholder value creation opportunities, QMC III Fund aims to deliver outstanding long-term real returns, largely de-correlated from indexes.

The active ownership means helping the companies from within. When creating this value, Alantra focuses on five key areas:

- Corporate development: consists on encouraging sector build-up and/or divest non-core activities.
- Financial discipline: QMC III management team likes companies that grow avoiding dilution of ROCE for shareholders.
- Balance optimisation: helping companies to optimise their capital structure along time and to seek access to required funding sources.
- Capital markets: advice on how to improve stockmarket liquidity, help orderly exit of traditional shareholders, improve coverage and investor relation communication.
- Corporate governance: provide shareholding long-term stability to allow CEOs to focus on long-term business strategies, improve ESG, align interest of companies' managers and minority shareholders, etc.

Cepeda explains: "Active ownership is a strategy, not activism. We have a constructive approach in which we enter companies through the front door and leave through the same door.

"We always establish productive relationships with the companies we invest in. We do not have competitors in the Iberian market applying this active ownership strategy.

"Eventually, board of directors representation of holding companies helps to maximise returns and/or to supervise execution risks," he concludes.

When asked about the fund's investor profile, Cepeda says that investors in the QMC III share a long-term view because they understand that the greatest virtue of this strategy is the creation of added value. European and Spanish family offices as well as pension funds, among other institutional clients are the fund's primary investors. ■

A FOCUS ON 'GLOBAL LEADERS'

Before making a 'core' investment in any of the 10 to 12 holdings of its concentrated portfolio, the management team carries out a thorough analysis of each "seed" position for a period of between one year and year and a half. After that time, they select the 'core' holdings on which invest in the long-run, and take a relevant minority stake that normally ranges from 5% up to 25%, depending on the company's size. Although the stake percentage changes on each case, it will never do it getting to situations on which there is need to launch an initial public offering (IPO), explained Cepeda. Companies making up the portfolio normally have a size of between €100m to €3bn.

The firm first analyses the companies' track record looking at their figures after periods of economic crisis. Return on capital employed is a financial ratio they particularly look at when comparing profitability across different businesses.

The average time Alantra stays invested in the companies that form its portfolios is five years and every year, there is a portfolio rotation of approximatively two positions.

The company particularly likes what they call "global leaders", which would be referring to companies listed in Spain and Portugal that have 85% of their business activities abroad.

"When selecting stocks, we just invest in assets of very high quality. We first invest in global leaders acting in specific market niches that are normally undervalued for being listed in Iberian markets," Cepeda explains.

"An example of this takes place in the Portuguese small and mid-cap market, which is the worst covered in Europe, partly due to the limited liquidity of its assets," he adds.

2.5 million Forecast number of electric/hybrid vehicles in Sweden by 2030

The Swedish Investment Fund Association recently held a forum with input from the Swedish Climate Policy Council, to ponder the challenges facing investors as societies seek to adjust to a zero carbon future. Jonathan Boyd reports

Marrying climate and fund objectives

The Paris Agreement has pledged governments to implement policies that are intended to limit global warming in order to stop the worst effects of climate change.

In the case of Sweden, the government has pledged a goal of no net greenhouse gas emissions by 2045.

Tasked with overseeing the degree to which this policy is being successfully implemented is the Swedish Climate Policy Council, an independent, interdisciplinary expert body. The eight members of the Council were selected by the government in December 2017, and they are meant to have "high scientific competence within climate, climate policy, economics and social science".

Karin Bäckstrand, professor in environmental social science, Stockholm University, attended the forum in her capacity as one of the eight members.

"The Council judges the situation as serious," she notes. "Reductions in emissions in Sweden have slowed in recent years. Now the measures must accelerate, and that demands effective measures that make a difference if the climate goal is to be reached by 2045. It is also important to have a just change that encompasses all citizens, if we are to avoid protests, such as those with the Yellow Vests in France."

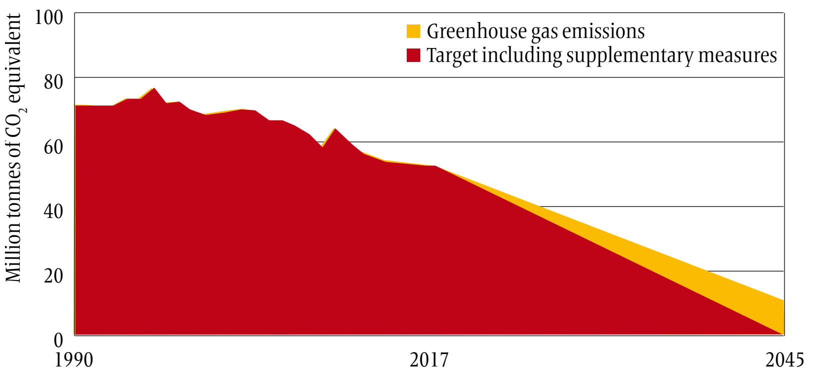
The Council's most recent annual report (https://www.klimatpolitiskaradet.se/wp-content/uploads/2019/09/climatepolicycouncilreport2.pdf) summarises that "progress is too slow" in respect of the emissions target that has been set.

"The rate of emissions reduction has slowed when it needs to accelerate. Neither the overall target of net-zero emissions or the intermediate targets will be achievable without further political action," the report notes.

This has implications for investors, as highlighted during the forum. For example, Bäckstrand noted that the climate objectives must be leveraged into all official inquiries and policy proposals. Government spending accounts for about 50% of GDP in Sweden (OECD).

In terms of sectors, the latest annual report of the Council notes that transport accounts for a third of Swedish emissions. It has recommended a date be adopted from when use of fossil fuels ceases, that road transport be electrified, and that subsidies be ended for car ownership, use and parking.

CO_2 OUTPUT: HISTORICAL AND TARGET MEASURES



Source Swedish Climate Policy Council

PANEL

Following the outlining of the Council's report and its work holding government policy to account, Bäckstrand joined a forum panel that included Mats Andersson, deputy chairman of The Global Challenges Foundation, and formerly involved in an inquiry into green bonds, Lisen Schultz, research fellow, acting deputy science director, Stockholm Resilience Center, Carl Cederschiöld, CEO Handelsbanken Fonder, and chairman of the Swedish Investment Fund Association, along with Association CEO Fredrik Nordström.

Andersson and Schulz both noted the requirement for action by politicians, as well as the opportunity for Sweden to contribute to the international action on emissions.

Cederschiöld notes that, besides a general increase in awareness of the issues and technological solutions being developed, that there is already movement in the area of investments, and that the industry is ready to contribute.

"Today, 25% of investments are linked to assets with high climate risk. When asset managers start pricing the risks, then the capital turns, and it will happen quickly," he added.

Nordström asked whether it may be easier for a single party nation state such as China to introduce quicker climate solutions, as it seems to be doing with solar energy.

Bäckstrand suggested that this may be true of certain technologies, but that China is not an ideal model; pluralism and advocacy are important when dealing with as complex a question as the environment, while the entire modern environmental movement grew up in democracies.

Bäckstrand also put forward the idea of 'the green state', where climate and environment are defined as a central function of ensuring societies work. ■

Different engagement

Danish manager Sparinvest is bringing a particular approach to the question of engagement on fixed income assets, as Jonathan Boyd found out at a recent visit to its headquarters

Located in a suburb of Denmark's capital Copenhagen, Sparinvest was earlier this year subject to an acquisition by Nykredit, Denmark's largest lender that is also active in bond issuance and asset management.

Expectations are that the deal will be finalised by the last quarter of 2019, which would see the manager become a subsidiary. However, it is understood that the approach Sparinvest takes to investing will remain independent. In the area of fixed income investing it has eked out a particular approach to the engagement question which all managers face at a time of increasing commitments to UN PRI and UN Sustainable Development Goals.

Earlier this year, Sparinvest invited Russian oil and gas producer Rosneft to address investors in Denmark at an event that included ESG rating agencies. This was billed as an chance for Rosneft to provide concrete information and examples of how it had handled past ESG issues, and outline how it was handling ESG issues ongoing and into the future. From Sparinvest's view it was a chance to facilitate an exchange of views on ESG risks and issues in the oil and gas sector, involving a producer, institutional investors and ESG rating agencies.

This event plugged into ongoing efforts by Sparinvest's fixed income team to integrate ESG aspects into its work: to highlight what individual companies whose fixed income instruments are owned or being considered can do to meet ESG concerns, but also because of the benefits seen accruing by addressing ESG requirements, such as a lower cost of funding if a company can produce evidence of ESG implementation.

"WE ARE HESITANT TO INVEST IN GREEN BONDS. THERE ARE QUESTIONS OVER HOW PROCEEDS ARE USED"

Thomas Bjørn Jensen (right), Sparinvest; pictured with analyst Antonia Draghici

Thomas Bjørn Jensen, senior portfolio manager, and Antonia Draghici, analyst on the fixed income team, note that their approach is primarily led by client views.

"The fiduciary duty is still foremost to make a return, but we would rather engage to crystallise value," notes Jensen. "Given the size of the debt market, it makes sense for fixed income investors to seek to influence, to reach out in a different way, for example, pointing out that it makes financial sense to the company."

However, engagement is not the same as selecting a fixed income asset class that sets itself up as friendly to ESG or sustainability objectives.

"We are hesitant to invest in green bonds. There are questions over how proceeds are used, and there is a liquidity problem: for many pension funds it is an easy way to improve their sustainable profile, but the involvement of pension funds means it is illiquid because it evokes a buy and hold strategy," Jensen adds.

Back on the Rosneft example, Jensen notes that there was a decision to disinvest a couple of years ago, because it was felt the company was not providing enough information, for example, on pollution issues.

PERCEPTION GAP

Fast forward in time, and the company itself reached out to Sparinvest, on the basis that a gap had opened up between what it is doing and what people think it is doing. This led to the participation in the aforementioned event in Copenhagen.

What has been noted subsequently, Draghici adds, is that the different rating agencies that attended the event drew different conclusions from the discussions that took place, but that the information forthcoming points to a value in hosting similar investor meetings discussing ESG engagement in future.

"We were satisfied that the event raised awareness on how investors can use active ownership to encourage companies to work with ESG issues to improve sustainability. We felt that the gap between perception and reality regarding the challenges faced by producers in the oil industry was smaller by the end of the day." ■

6.3% EU unemployment rate in July 2019

The Association of Professional Fund Investors (APFI) believes in the business benefits of promoting diversity and looks at how to unleash its true potential. Eugenia Jiménez reports

Diversity spotlight: pushing for real and lasting change

We live in a complex and interconnected world where diversity, moulded by globalisation and technologies, forms the fabric of modern societies.

Investment firms, policymakers, regulators and industry body associations have been in recent years trying to create a more inclusive work environment while embracing the idea of diversity as a means to forge a sustainable future.

But, while most organisations claim to desire greater diversity and inclusiveness in their teams, a lot remains to be done to facilitate this objective.

The Association of Professional Fund Investors (APFI) is one of the financial industry bodies looking at how to promote diversity in all its strands by contributing to spread the message through its growing professional network of professional fund investors.

APFI firmly believes in the business benefits of promoting diversity and inclusion. The association supports the idea that teams made up of a diverse mix of employees might lead to greater innovation, growth and even outperformances.

It was co-founded in 2011 during a fund buyer event in Berlin by Mussie Kidane, head of fund selection at Pictet; Carlos Fernández of Inversis; Luca De Biasi of BSI; and Roland Meerdter of Propinquity Advisors (at the time of foundation). It is an all-volunteer, non-profit professional organisation whose members are all professional fund investors from all over the world.

At its first general assembly meeting in May 2012, APFI was presented as "an association created by the fund selection community, for the fund selection community". The idea was, and still is, to put fund selectors' issues and concerns in a broader forum and create a worldwide network of fund selection professionals. In the process, the association could also serve new fund selectors to benefit from engaging with their more experienced peers.

The association has a leadership team made up of nine members of diverse background, nationality, age, gender, education or ethnicity.

Both Riccardo Campanini, fund of funds manager at Olympia Wealth Management, and Manuela Cedarmas, senior portfolio manager and head of Emerging Strategies and Markets at Tages Capital, are part of this team standing respectively as lead and deputy lead for the association in Italy.

As such, they are responsible for promoting APFI's goals in the country, which currently focuses on widening its membership list "in order to become a credible and effective voice for the fund industry" while looking at how to unleash the true potential of diversity for the fund industry.

APFI's efforts to promote diversity took form recently in the support the association gave to the Women In Investment Awards Italy 2019. These industry Awards were hosted by this publication on 2 October 2019 in Milan seeking to recognise some of the achievements made by women working in the Italian asset management industry.

According to Italy's deputy lead at APFI, Manuela Cedarmas, gender diversity is the most immediate form of diversity to address. However, she believes that the ESG focus by institutional investors and professional organisations spans across all forms of diversity including disabilities and ethnic diversity.

FIGURES TELL THE STORY

The World Economic Forum (WEF) published in its *2018 Global Gender Gap Report* that global gender parity was over 200 years away and that no country in the world had achieved gender equality.

149,000 Asylum seekers to EU member states in Q2 2019

When looking specifically at the financial sector, gender parity's figures are even more astonishing. According to the World Economic Forum, only one in four board members and 6% of financial services firms' chief executives are women.

Culture seems to be a key factor behind this gap (old boys club, "motherhood penalty" or opaque bonus criteria, among others) while unconscious biases are probably at play too.

APFI's deputy lead for Italy Manuela Cedarmas says: "In the corporate world, we are beginning to see more female board members, but in many industries, top management is male dominated. This is very much obvious in the financial services industry, including asset management. A dialogue and good debate could help identifying the reasons, which are not so obvious and most of the time culturally driven, therefore difficult to eradicate."

Riccardo Campanini, APFI's Italy lead, thinks things are changing but still at a low pace. "My impression is that nowadays female professionals are slowly but steadily climbing the corporate ladder."

However he fears that smaller investment boutiques in Italy might be those lagging behind with regards to the issue, especially when comparing them to bigger asset management groups.

Campanini outlines: "I think the biggest firms in Italy are aware of the diversity issue and include it among their management goals, so it seems to be more a matter of time for them.

"I am not sure whether this is also the case in smaller organisations, so we should increase debate and awareness in this sector.

"APFI genuinely believes in the importance of having women in senior roles. A prove of that is our leadership team composition. Half of its members are high profile female professionals."

Cedarmas says that involving more actors in the debate and process is key to tackle the issue.

"In the last few years, there has been a very important acceleration in the promotion and integration of ESG factors both at corporate and investment level.

"It is key to further improve better practices and involve more actors in this process. Asset owners and organisations can help a lot in pushing for a real and lasting change," she said.

DIVERSITY AND PERFORMANCE

Does diversity bring better decision-making and outcomes? Cedarmas believes so. She claims that diversity in a fund selection team leads to a wider and more global universe of funds to analyse as sources are also likely to be more diverse.

She adds: "Diversity means a more challenging approval process as any idea would be subject to a broader analysis.

"Diversity in the fund selection team also means a broader network on which to rely for reference checks. It is also key for innovation and unconventional thinking while means better risk management as this would be covered from different angles."

Campanini adds: "I think the key issue here is to consider merit the overriding criteria to make both recruitment and career decisions; there is no reason to discriminate anyone as long as employees and managers effectively carry on the organisations' goals.

"The latter should also note that diversity in teams helps reduce the competitive drive which is often present in our industry."

With regards to cultural, racial or any other form of diversity, Cedarmas believes they are also likely to contribute towards better insights, analysis, debate, decision making and awareness of alternative approaches to solving problems and addressing challenges. She follows: "In a global world, we live with different cultures, religions and traditions around us and isolationism will be an obstacle to success.

"Generational diversity is another form of diversity we should be aware of. The younger generations sometimes express different values and preferences compared to the older generations. It is important to bring these views together. In an organisation, this would mean a real opportunity for both the junior members and working groups to voice their opinions."

Cedarmas recognises that at earlier stages of her career, she suffered somehow that generational barrier. "I believe that, early on, in a few occasions, I perceived more barriers due to my young age.

"I believe that in southern European countries the generational element is a largely dominant factor in valuing a professional, while in the Anglo-Saxon world it is considered as one of the aspects, alongside merit and overall contribution to the team."

Nevertheless, she proudly talks about her first mentor, Alberto Giovannini, an Italian macroeconomist and financial economist whose contributions to monetary policy and financial markets infrastructure in the European Union were particularly relevant. In Cedarmas' own words, Giovannini had an unconfined trust in the ability of young colleagues to challenge his views and was always keen to discuss and teach the financial and ethical principles of their job.

"He was a mentor in the most comprehensive meaning of the word," she concludes. ■

"APFI GENUINELY BELIEVES IN THE IMPORTANCE OF HAVING WOMEN IN SENIOR ROLES. PROOF OF THAT IS OUR LEADERSHIP TEAM – HALF OF ITS MEMBERS ARE FEMALE"

Riccardo Campanini, Olympia Wealth Management

56bn kWh Electricity produced from renewable energy sources and fed into the grid in Germany in Q2 2019

Closing the gap

Investors want more support when investing in ESG strategies. Ridhima Sharma reviews the latest study published by Vontobel AM

There is a knowledge gap when it comes to sustainable investing.

According to a study published by Vontobel Asset Management, many investors do not have the necessary information to invest their savings sustainably, even though increased environmental awareness is already playing a big role in their consumer behaviour. It is the financial industry's responsibility to educate them.

Worldwide, 73% of savers and investors believe that companies should act more ethically. However, only 29% of them have made investments decisions according to ESG principles.

A VITAL ADVISER ROLE

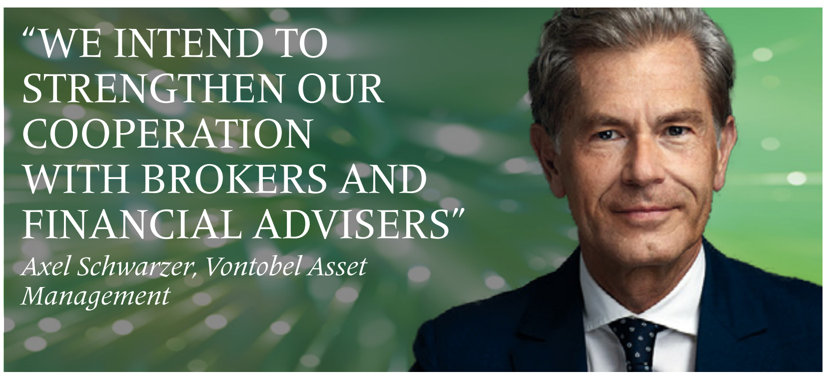
These findings are the result of a study of approximately 4,600 consumers in 14 countries, commissioned by Vontobel Asset Management. The respondents see financial advisers as playing a vital role when it comes to educating the public on the subject of ethical investing.

The study also found that the picture on ESG take-up varies considerably from country to country – and not in a predictable way.

In Norway and the UK, two countries often considered at the vanguard of socially responsible investment, respondents were less likely than anywhere else to say they have invested with an ESG approach in mind.

This is a reflection of awareness. In the UK and Norway, respondents are much more likely to say they know nothing about ESG investment – more than 60% in either country have never heard of it. This number drops to around 40% in Brazil, Italy and the Netherlands, the three countries in which take-up is highest.

Of all respondents, 59% said they were unaware that ESG factors can be taken into account when making investment decisions, although almost half of them (47%) said they would like to have more information on ESG. Only 17% of those surveyed said that they had been given an investment recommendation in line with ESG criteria.



The message of the study is clear: While more and more savers and investors would gladly adopt an ESG approach when making financial decisions, many people are holding back because of a lack of support and advice.

"This is an opportunity for financial service providers to give investors the tools they need to invest in accordance with their personal values and convictions," says Axel Schwarzer, head of Vontobel Asset Management.

"Accordingly, we intend to strengthen our cooperation with brokers and financial advisers, expand our product range, and take targeted action to improve access to sustainable investment approaches," adds Schwarzer.

Globally, ESG investments are now among the strategies with the highest growth rates. Between 2016 and the end of 2018, the assets invested in sustainable investments increased by more than a third to more than $30.5trn.

Vontobel anticipates that demand for sustainable investment solutions will continue to rise, partly as a result of the EU's "Action Plan for Financing Sustainable Growth." The Action Plan will help to ensure that investors focus more on sustainable investing.

GROWING AWARENESS

For now, ESG investment remains a minority activity. Only 29 % of respondents have already allocated part of their savings and investments to ESG approaches. Of those that did, just 31% put their money into sustainable products. The percentage rises to 40 % among the wealthier.

Despite a lack of knowledge of ESG investment – and low take-up – it is clear there are now high levels of concern in society about a broad range of social, political and environmental issues. Three-quarters of respondents (75%) fear their children and grandchildren will live in a world that is more dangerous and hostile than the one they know now; 74 % do not think enough is being done to tackle climate change, while 71% say the same of inequality. The awareness is likely to grow as the participation of today's younger investors increases as they age, Vontobel suggested.

ESG issues already inform their behaviours in fundamental ways – from the cars they drive to the shopping choices they make – but people now need more help to extend this approach into savings and investment. ■

Institutional investors are sitting on the sidelines of investing in digital assets such as cryptocurrency because there has not been a sufficient custody insurance system in place, argues Knøx. Jonathan Boyd finds out more

Protecting ones and zeros

Knøx – pronounced like Fort Knox in the James Bond movie in which Auric Goldfinger seeks to raid the US Bullion Depository – has launched a digital asset custody service for institutions and fiduciaries that offers insurance cover against losses including theft and internal collusion.

Having secured $6.2m of funding from Initialized and iNovia, with participation from Fidelity Investments Canada, F J Labs and Ferst Capital, the company has worked with insurance broker Marsh do develop a service facilitating exposure to digital assets such as bitcoin, which historically have been avoided by investors over custody concerns.

Launching the service, Knøx cited the example of a customer with $100m in digital assets keeping the funds with a custodian holding $1bn and advertising a $100m insurance policy. This in effect is just a 10% insurance cover, meaning that should a loss occur, the customer would only get $10m, enduring a $90m loss. Instead, the new service targets a 100% insurance cover.

Alex Daskalov, co-founder and CEO, thus describes the business as a "risk management firm applicable to digital asserts."

He says Knøx has noted insurance programmes that are not sufficiently robust, and seen misinformation in the market around crypto assets. The company is therefore seeking to be as transparent as possible about what the insurance actually protects; risks of loss and theft – both external and internal. As such it is intended not just to act as a store of digital assets, but facilitate meeting fiduciary duties.

This, he adds, should go a significant way to meeting the concerns of those who see what is happening in the crypto markets, but who are not prepared to risk funds without sufficient custody insurance in place.

"We see money on the sidelines waiting to get exposure to crypto-currencies. But at the same time it is obvious to fund managers that cryptocurrencies are quite rampant," Daskalov says.

Investors currently, in the absence of insurance, face 100% downside risk, with any exposure subject to a total loss scenario, which puts the asset class out of reach from a fiduciary duty perspective, he argues. On the other hand, there is upside risk from exposure.

Thus, ensuring the insurance is the key to unlocking commitments that can gain exposure to the upside, while managing downside risk.

CANADA TO EUROPE

Although Knøx is based in Montreal, Canada, Daskalov notes that he is a frequent traveler to Europe, where he says the company expects many potential customers.

It is also important to recognise the role of regulatory developments as they affect digital assets such as cryptocurrencies, which will also have a bearing on the extent to which potential customers seek out the type of solution being offered.

Daskalov suggests that existing clients view the regulations around levels of safety applied to digital assets "very seriously". However, regulators too are seeking to ensure that safety of assets in custody is maximised. In the UK, the Financial Conduct Authority has been "relatively progressive" in terms of advising the industry on how it views digital assets, including guidance published in July.

As for how digital assets such as cryptocurrencies could become viewed by monetary authorities, Daskalov is relatively sanguine.

Describing it as an asset class that gives investors something they cannot get elsewhere, he sees a technology that "governments do not want to stamp out".

"However, it is something worth monitoring closely. The last thing anyone in the institutional space wants to see is destabilising of the financial system because of this asset class." ■

SYSTEMIC RISK FOCUS

Cryptocurrency took a big step towards legitimacy when social network Facebook proposed its own new digital currency called Libra.

However, chairman of the US Federal Reserve Jerome Powell noted in early September that with its network of more than 1 billion people, such a currency could take on "systemic implications very quickly"

"Libra would have to be held to the highest regulatory standards and expectations."

0.2% Fall in Swiss producer and import price index in August 2019

Delivering real estate returns

Ridhima Sharma reports on how the acquisition of Mayfair Capital has helped Swiss Life develop its Europe-wide real estate strategy

Real estate has increasingly become a mainstream element in diversified investment portfolios, for both institutions and individuals. Swiss Life Asset Managers has significant heritage in this key asset class. Headquartered in Switzerland, the investment arm of Swiss Life, Swiss Life Asset Managers has been operating for more than 160 years, and 120 of those years in real estate.

In the UK, Swiss Life Asset Managers operates its investment business through Mayfair Capital Investment Management, which was acquired by the Swiss Life Asset Managers in 2016 after 15 years as an independent UK real estate investment platform.

Swiss Life's total assets under management amount to €225bn as of 30 June 2019. The vast majority of this is managed on behalf of European investors, including Swiss Life, which often acts as the cornerstone investor for the launch of new products, as well as co-investor alongside third-party capital. The firm's total European real estate portfolio, at over €80bn, is one of the largest in Europe.

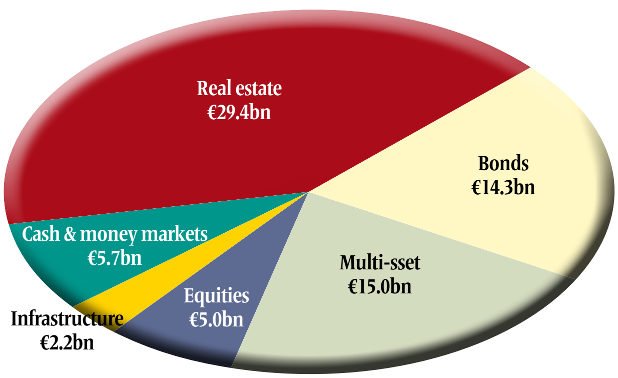
As of 30 June 2019, 41% of total AUM was allocated to real estate sector, with 20% in bonds, 21% in balanced mandates, 7% in equities, 3% in infrastructure and 8% in cash and money-market instruments. The significant allocation to alternatives reflects the Swiss Life approach to balance sheet management. These sectors, when combined with a modest approach to leverage, provide attractive risk-adjusted returns – including a material component of long-term income. Real estate represents approximately 20% of Swiss Life's balance sheet allocation, up from an already impressive 12% a decade ago.

Matt Dimond, managing director, global head of Business Development at Mayfair Capital says: "Since acquisition by Swiss Life Asset Managers in 2016, Mayfair Capital has received significant support from the Swiss Life parent group, through major contributions to several new products managed by the London team and third-party client capital."

James Thornton, CEO of the UK business at Mayfair Capital, also sits on Swiss Life Asset Managers' pan-European real estate leadership committee, alongside his counterparts from Switzerland, France and Germany.

"The London team has also established an expanding global real estate distribution capability for Swiss Life Asset Managers, which I have been leading since May 2018," says Dimond.

ASSETS UNDER MANAGEMENT



As at 30 June 2019 Source Swiss Life

THEMATIC APPROACH

Swiss Life Asset Managers is expanding on the real estate side. Initial portfolio investments have recently been completed by the Swiss Life European Thematic Income & Growth Fund (TIGR) and Swiss Life London Office Club (LOC). Both core strategies are advised by investment managers in the London office at Mayfair Capital, which currently manages approximately £1.5bn of real estate for institutional clients, including Swiss Life. Meanwhile, the new Swiss Life European Hotels strategy is advised by Swiss Life Asset Managers' Paris-based hotels team.

The flagship Swiss Life European Thematic Income & Growth strategy utilises the thematic investment skills of Mayfair Capital investment team in London, which is led by Maureen Mahr von Staszewski, senior pan-European fund manager.

Dimond states: "The thematic approach is designed to deliver superior investment performance compared to that of more vanilla diversified strategies, by focusing on long-term macro trends and sub-trends impacting on the occupancy prospects of real estate. These can be broadly grouped into three areas: technology (telecommunications, internet, security, big data); the impact of changing infrastructure (access/transport, energy, leisure and amenity); and demographics (urbanisation, industrial clustering, ageing populations and evolving social attitudes to the use of space).

"The strategy focuses on offices, as well as industrial property, with smaller allocations to residential segments and retail. Geographically, it concentrates on core Europe, including France and Germany, with longer-term allocations to the UK and other markets. An initial investment has been secured in an attractive office asset in Munich."

The London Office Club strategy, led by Giles King, is positioned to provide an entry point for major institutional investors (UK and global), including Swiss Life, with a positive long-term view of the London market. It follows the successful acquisition of a €1.7bn Paris prime office portfolio from Terreis, a major French REIT, earlier in 2019, by Swiss Life Asset Managers and other international institutional investors.

ALTERNATIVE INVESTMENTS

Given the continued evolution of the alternatives market and client expectations, the business remains alert to new UK or broader European opportunities – whether in equity, debt or more specialised segments, such as healthcare.

Swiss Life Asset Managers has invested broadly in real estate assets for Swiss Life and third-party clients across Europe over many years, not just in the four key platform markets of Switzerland, France, Germany and the UK – but also in Iberia, Italy, Benelux, Ireland, Scandinavia and, selectively, in Central and Eastern Europe. Swiss Life Asset Managers' Infrastructure business is managed from Zurich, but has global strategies, with a principal focus on OECD markets.

"Given the dynamic nature of the real estate and infrastructure markets, Swiss Life Asset Managers looks for growth opportunities within its defined markets where the focus gives an advantage for its clients," continues Dimond.

EUROPEAN PRESENCE

With a strong presence in Europe, Swiss Life provides services to a wide range of institutional and individual clients across multiple investment segments. Mayfair Capital in the UK has wholly institutional clients, including a significant number of charities and foundations, which back Mayfair Capital's PITCH real estate fund – the UK's leading diversified private real estate fund by performance over three, five and ten years. In addition, Swiss Life operates an independent financial advisory (IFA) platform based in the UK, Chase de Vere.

"THE THEMATIC APPROACH IS DESIGNED TO DELIVER SUPERIOR INVESTMENT PERFORMANCE COMPARED TO THAT OF MORE VANILLA DIVERSIFIED STRATEGIES"

MATT DIMOND

Matt Dimond is managing director and global head of Business Development at Mayfair Capital. He joined the company in May 2018 and is responsible for expanding the array of global capital sources investing in European real estate managed by Mayfair Capital and the broader Swiss Life Asset Managers platform – of which Mayfair Capital is a part. He is a member of the real estate funds product committee at Swiss Life Asset Managers.

Prior to joining Mayfair Capital, Dimond worked at InfraRed Capital Partners in London. His earlier career, spanning both Europe and Asia, included ten years in investment banking at UBS Warburg and Macquarie and eight years at GE.

As with all major financial groups, management and reporting occurs both within regulated business units – principally in Switzerland, France, Germany, the UK and Luxembourg – and across the overall group and its divisions.

Swiss Life Asset Managers currently operates from more than 22 offices across Europe. Following the acquisition of key brands, including Livit in Switzerland, Viveris REIM, now part of Swiss Life Asset Managers France, Corpus Sireo and BEOS in Germany, as well as Mayfair Capital in the UK.

Mayfair Capital has been integrated with Swiss Life Asset Managers to provide a seamless cross-border suite of products for international and institutional clients. ■

40.1% Statista estimate of proportion of residents of Spain who listened to a podcast in the past month

InvestmentEurope's podcast channel has taken another step forward and is now available to review via Apple. Jonathan Boyd explains more

Move onto Apple website adds to growing presence

Last month *InvestmentEurope* launched its podcast channel on the SoundCloud platform, which made it available to some 175 million users.

Subsequently, the channel has been approved by Apple Inc., which means that podcasts can also be accessed via the Apple Podcasts Review section of its website.

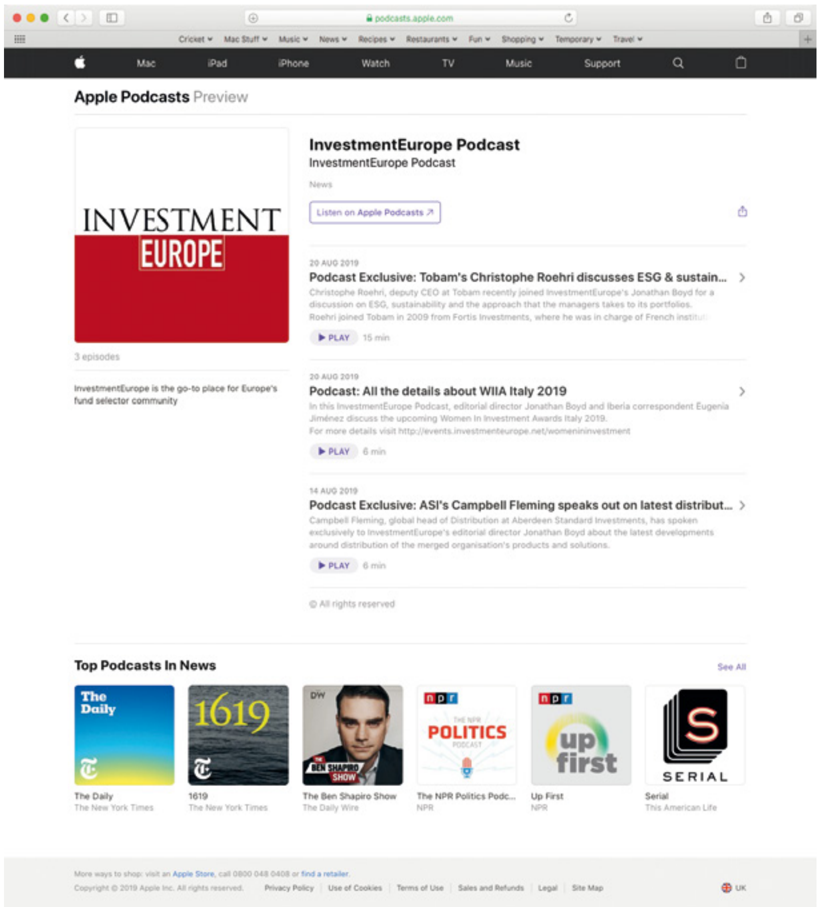
This is another key step forward for the ability to access podcast content and will help ensure that it is available to as many people as often as they would like to listen to the different podcasts listed. It will also facilitate searching out and sharing of the podcasts.

Upcoming podcasts include:

- Vafa Ahmadi, MD and head of Global Thematic Equities of CPR AM – discussing with Jonathan Boyd the themes covered by thematic investing; and
- David Cornell, fund adviser of India Capital Growth Fund plc – in which he touches on factors that speak in favour of exposure to Indian equities.

Existing podcasts include:

- Christophe Roehri discusses ESG & sustainability – in which the deputy CEO at Tobam joins Jonathan Boyd for a discussion on ESG, sustainability and the approach that the manager takes to its portfolios; and
- ASI's Campbell Fleming speaks out on latest distribution objectives – in which the global head of Distribution at Aberdeen Standard Investments speaks to *InvestmentEurope* editorial director Jonathan Boyd about the latest developments around distribution of the merged organisation's products and solutions. ■



WHERE TO LISTEN

Apple: https://podcasts.apple.com/gb/podcast/investmenteurope-podcast/id1479417111.

Soundcloud: https://soundcloud.com/user-233821844.

5.2% Annualised increase in German residential property prices in Q2 2019 YoY

Visiting the community

Late summer into September saw *InvestmentEurope* colleagues travel to Germany, Denmark and Spain for insights from financial professionals on both the buy and sell sides. Jonathan Boyd reports

Recent travel before *InvestmentEurope*'s core autumn events season kicked off saw colleagues visit Frankfurt, Copenhagen and Madrid.

Frankfurt

Ahead of the Frankfurt Roundtable taking place 16 October, Alexandra Laue, Fund Selector relationship manager, DACH & Liechtenstein, visited Frankfurt 21-22 August. Meetings there included:

- Damian Krzizok – senior portfolio manager – StarCapital;
- Luzia Hetjens – senior portfolio manager – Commerzbank;
- Nils Holstein – senior analyst – Deutsche Bank;
- Tanja Krystowiak – fund selector – Bethmann; and
- Thomas Böckelmann – portfolio manager – Euroswitch.

Copenhagen

Jonathan Boyd, editorial director, and Patrik Engström, head of Fund Selector Relationships – Nordics, visited Copenhagen 29-30 August. Meetings there included:

- Erik Skacke – selection manager – Nordea;
- Sebastian Fahlur – senior analyst, Manager Research, Large Corporates & Financial Institutions – SEB;
- Ulla Agesen – head of AIMS, Alternative Investments & Manager Selection – Nykredit; and
- Thomas Bjørn Jensen – senior portfolio manager – Antonia Draghici – analyst – Sparinvest.

Upcoming trips

InvestmentEurope's events programme for the remainder of 2019 can be viewed on p36 of this issue. Staff will be visiting the cities mentioned ahead of these events to highlight to locally based fund selectors the latest information on participating sponsor groups, speakers and topics. Locations set to be visited in October-November include:

- Madrid – 16-18 October, Ángela Oroz & Eugenia Jiménez; including attending SpainSIF conference on sustainability; and
- Zurich & Munich – Late October and November, Alexandra Laue and Ridhima Sharma.

Have copy, will travel

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

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

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

Madrid

Eugenia Jiménez, Iberia correspondent and Ángela Oroz, Fund Selector relationship executive – Iberia, visited Madrid 10-11 September. Meetings there included:

- Javier García – analyst – Ágora Eaf;
- Juan Cocero – Private Banking director – Bankinter;
- Ion Zulueta – head of Manager Selection – Arcano Group;
- Jorge Castresana – CIO – Valorvento Eafi;
- Jorge Escribano Maiz – partner – Greenside Investments, AV;
- Sonia de las Heras – Fund of Funds manager, head of Multimanagement – Allianz Popular;
- Lourdes Romero – Fund of Fund and Management Portfolios – Liberbank;
- Andrea González – Communications and Promotion – SpainSIF;
- María Benito – Communications and Content – Abante Asesores;
- Marta Navarro and Isabel Selas – Communication and PR – CNMV; and
- Sol Hurtado de Mendoza – general manager Spain & Portugal – BNP Paribas Asset Management. ■

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

Approaching events

October will see *InvestmentEurope*'s events programme visit Frankfurt and Copenhagen, before moving on to Madrid and Zurich in November

NEXT EVENTS

INVESTMENT EUROPE
COPENHAGEN ROUNDTABLE 2019

30 OCTOBER

The *InvestmentEurope* Copenhagen Roundtable 2019 will take place at the Hotel d'Angleterre in the Danish capital on 30 October.

Targeting members of the local fund selector community, the groups participating in the event include Legg Mason Asset Management, outlining investment opportunities stemming from economic growth in Asia; Aviva Investors, with a view on how to define the investment universe in light of the climate transition; and Pictet Asset Management, with a view on thematic equities.

The event includes a coffee break to encourage networking, as well as further Q&A opportunity with the speakers present.

To register your interest in attending as a delegate, contact Patrik Engstrom, head of Fund Selector Relations, Nordics at patrik.engstrom@incisive-media.com or telephone +44 (0) 20 3727 9940.

INVESTMENT EUROPE
MADRID ROUNDTABLE 2019

MADRID, 8 NOVEMBER

The *InvestmentEurope* Madrid Roundtable 2019 takes place on 8 November at The Westin Palace, offering a maximum of 20 locally based fund selector delegates access to ideas from groups including Edmond de Rothschild Asset Management, DNB Asset Management, Principal, and State Street Global Advisors.

Topics set to be addressed include Nordic equities – an asset class that has outperformed the MSCI Europe by 155% in the past decade, and where government debt levels are low and ESG ratings are high – weathering fixed income challenges – where investors would do well to look for active investment opportunities spurred on by volatility in an environment of concerns over economic, monetary and political cycles – and how to apply smart beta defensiveness – including insight into how blending smart beta ETFs into long equity positions can help reduce drawdown risk and protect core equity holdings.

For further details or to register, contact Ángela Oroz, Fund Selector Relations executive, Iberia at angela.oroz@incisivemedia.com or telephone +44 (0) 20 3727 9920.

Both events feature Business Green as Sustainability Partner, with ecosphere+ as Carbon Offsetting Partner.

TAKE PART IN THE DISCUSSION

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

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

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

LOOKING AHEAD

INVESTMENT EUROPE PENSIONSKASSENFORUM ZURICH 2019

ZURICH, 14 NOVEMBER

The *InvestmentEurope Pensionskassenforum* takes place in Zurich at the Baur au Lac on 14 November.

Featuring a mix of individual presentations, panel discussions and networking, this latest edition of the annual event will bring delegates insight into latest developments affecting those responsible for buy side decisions in the Swiss pensions market.

Groups participating include Eaton Vance, Danske Bank, Lord Abbett, Mirabaud Asset Management, and T. Rowe Price.

For further information or to register, contact Alexandra Laue, Fund Selector Relationship manager DACH & Liechtenstein at alexandra.laue@incisive-media.com or telephone +44 (0) 20 7484 9768.

INVESTMENT EUROPE THEMATIC FORUM MILAN 2019

This event takes place on 22 November at the Four Seasons in Milan, serving as a platform for ideas sharing around thematically-led investments.

Insights will come from groups including Artisan Partners, Mirabaud Asset Management, Natixis Investment Managers and Principal Global Investors, on themes such as property securities and safety developments in areas such as data protection, secure payments and transportation.

To register your interest contact Luisa de Vita, Fund Selector Relationship Manager, Italy & Ticino at luisa.devita@incisivemedia.com or telephone +44 (0) 20 3727 9932.

EVENTS CALENDAR 2019/20

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
4 December	Tel Aviv	Forum

The Israeli financial centre will again host an event for locally based fund selectors seeking insights in an increasingly open fund market



2020

3 March	Munich	Roundtable
5 March	Milan	Forum
10-11 March	Stockholm	Summit
19 March	Paris	Forum
21-23 April	Geneva	Funds To Watch
21-22 May	Lake Como	Summit
28-29 May	Barcelona	Summit

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.

SharingAlpha's programme offering fund selectors convenient access to professional fund buyers and exposure to fund managers that run interesting investment strategies continues to add webcasts

Meet the Managers webcasts build on success

SharingAlpha's Meet the Managers programme continues to add episodes across topics ranging from sustainability and impact investing at the thematic level, through to insights on specific asset classes such as emerging market debt and US equities.

Among the webcasts already published include:

- Dmitris Soha, manager of the Pinnacle Global Alpha Fund, outlining his strategy;
- Alejandro Arevalo, manager of the Jupiter EM Debt fund discussing trends in the asset class;
- Todd Ahlsten, manager of the AMN Amro Funds Parnassus US Sustainable Equities fund, discussing sustainable US equities;
- Manfred Wiegel, manager of the Green Benefits fund, talking about sustainable investments;
- John William-Olsen, director of Global Equities and fund manager, and Ben Constable-Maxwell, head of Sustainable and Impact Investing, both at M&G, outlining opportunities in sustainable and impact investing; and
- Alexey Krivoshapko, manager of the Russian Prosperity fund, on opportunities in the Russian equity market.

SharingAlpha CEO and co-founder Oren Kaplan says: "SharingAlpha's Meet the Managers program offers our community of professional fund buyers additional insights and exposure to fund managers that run interesting investment strategies."

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 IncFund	Luxembourg	5	5	◆
Belgravia Épsilon FI	Spain	4.92	8	◆
Prosperity Prosperity Cub	Cayman Islands	4.86	7	◆
Magallanes European Equity FI	Spain	4.84	22	◆
azValor Internacional FI	Spain	4.84	16	◆
Sextant PEA	France	4.84	13	◆
Russian Prosperity Fund	Cayman Islands	4.83	8	◆
azValor Iberia FI	Spain	4.83	6	◆
Vanguard US Opportunities Fund	Ireland	4.82	6	◆

As at 31 July 2019 Source www.SharingAlpha.com

▲ Riser; ▼ faller; ◆ same position as last month.

"The webcast recordings can be viewed at the convenience of our members who at the same time also have access to the ratings and commentary provided by their peers regarding the funds presented in the webcast.

"Hence, fund selectors not only get access to the fund manager's pitch but also to the collective view of a large group of professional fund buyers in regards to the offering presented.

"This dimension is totally unique and offers significant added value to our members."

RATINGS CHANGES

The summer period saw the Liontrust European Income, LFPartners ASG Dynamic Income and Belgravia Épsilon FI funds remain as the top three funds most highly rated by SharingAlpha's platform users, with the remainder of the top 10 unchanged.

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

InvestmentEurope's Editorial Board members give their views on Brexit and the possibility – or not – of a Santa Rally in the US this year

Ideas generation

JON BECKETT

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

Brexit – is the asset management industry ready?

Brexit will prove a real test for the UK asset management's relationship with the EU. We have seen many moves to ensure multiple jurisdiction continuity. It is worth remebering that in 2016, by capita, the UK asset management industry was the most concentrated and lucrative asset market in the west.

The UK has found itself in a difficult trajectory pre-Brexit, with Paris, Frankfurt and Madrid all keen to steal away vast pools of 'prop desks', private equity, 'non dom' and foreign investor capital. It risks standing alone, gold-plated. Increasing regulation has been accepted because the world was moving to a greater fiduciary regime, or so we thought. What if other countries U-turn or slow progress?

THOMAS ROMIG

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

Do you expect a 'Santa Rally' in US markets this year?

If history is any guide, December is a good month for US equities: looking at the past 30 years, the last month of the year carried positive returns in circa 75% of cases.

Given the willingness of central banks to flood the markets with liquidity as well as the fiscal green shoots out of Germany, the odds for yet another 'Santa Rally' appear real. Moreover, it is worth noting that the upcoming election in the US could act as an additional catalyst: The average return of the S&P in pre-election years is 11.3%, ie, almost 8% higher than in the post-election year.

EMMANUEL FERRY

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

Do you expect a 'Santa Rally' in US markets this year?

Equity markets should advance into year-end on better technical, supportive seasonals and a high equity risk premium. We identify three market catalysts: the central banks dovish U-turn; shift to a broad based fiscal support; few signs of a trough in global activity.

Equities have more cyclical upside before the next US recession strikes. The White House is considering a new round of tax cuts to boost the economy. Trump is seen as the most market-friendly candidate. We expect a year-end and an election year rally. The next leg up should remain cyclical. The bear market template remains intact: structural peak in January 2018, correction in Q4 2018, bear market rally in Q1 2019, followed by two pullback episodes.

BERNARD AYBRAN

CIO Multi Management
Invesco
Paris
www.invesco.com

Do you expect a 'Santa Rally' in US markets this year?

The year-end rally is often very much expected by equity investors. While relying on past performance to forecast the future is a bad idea, seasonality is a statistical fact.

As always with statistics, you have to pay attention to the average and the standard deviation. The average performance of the year end period is indeed supportive for risky assets. Even the very tough last quarter of 2018 enjoyed a relief rally right after Christmas.

This year, provided the odds of an imminent recession become lower, some kind of a relief rally could be enjoyed, topping up an already strong year.

FILIPPO STEFANINI

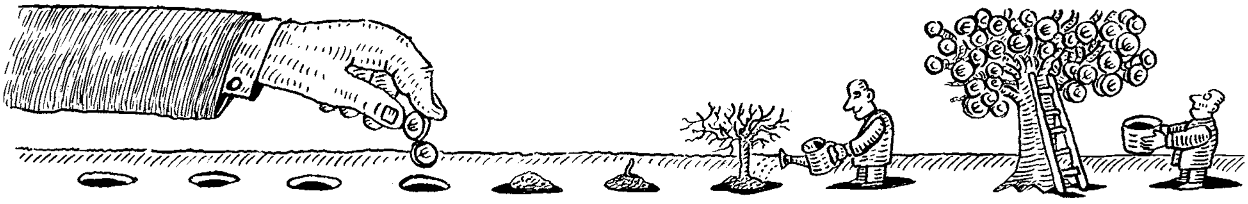
Head of Multimanager Investments & Unit Linked
Eurizon Capital SGR
Milan
www.eurizoncapital.com

With virtually no central bank tightening, how do you approach inflation/interest rate risk?

Over the last three months, central banks all over the world have cut interest rates more than 20 times. Moreover, the Fed has anticipated the end of quantitative tightening and the ECB has started with a new QE.

Inflation expectations are still depressed but, if monetary policy will come along with some form of fiscal expansion, they could rise especially in the US where the labour market is tight.

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**.**



A diamond in the rough

Finding and assessing emerging fund managers is an area that has recently risen up the agenda of the Association of Professional Fund Investors, APFI.

There are a number of reasons for this, such as how to respond to increasing use of passive funds/ETFs for efficient markets in contrast to inefficient markets; increasing consideration of transparency and negotiating power; and increasing consideration of the cost pressures facing the industry, including the impact on costs for accessing alpha.

BENEFITS

There are a number of benefits associated with looking to small/emerging managers, according to the views of APFI's members:

- In inefficient markets, that often match satellite allocation, "performance oriented" managers are preferred to "asset gatherers", who thrive on fixed fees and have no incentive to move too far from the benchmark;
- Seeding emerging managers is rewarding as it is proven that they tend to have higher returns compared to established managers;
- Early investors get better transparency and negotiation power, making the investment easier to monitor and more cost efficient;
- Emerging managers may take a more core role in portfolio allocation mixed with passive strategies that can provide cheaper beta, as access to newer, niche ideas can provide alpha at better value;
- Active equity allocations are best made with high conviction managers who are investing longside their clients, which are disproportionately (though not exclusively) to be found among boutique/emerging managers;
- Emerging managers can generally be sourced at relatively lower fees;
- They are generally capacity conscious unlike larger peers and hence tends to be more disciplined when it comes to closing a strategy especially when size becomes a hindrance to alpha generation;
- With respect to active management it is only emerging managers that are small enough to be able to take significant active share as they are not forced to hold the entire market due to size;
- The new distinguishing source of alpha is now behavioural alpha which investors are more likely to more correctly assess from an independent emerging manager than from a portfolio manager working for a huge corporate whose independence is compromised by huge team dynamics;
- Emerging managers' interest are by far more aligned with those of their investors as they have "skin in the game", are invested alongside their investors and only have good performance to stand on as they can't compete against the huge marketing budgets of large long-established managers; and
- Astute emerging managers have also identified a sincere incorporation of ESG factors into their investment processes as a key source of distinguishing their value proposition from that of large long-established managers.

CHALLENGES

However, in the current environment of ever increasing compliance requirements and other operational challenges facing fund and asset management providers, there are also challenges to consider when looking to emerging managers, APFI's members note.

These may include:

- High operational risk, therefore it is worth considering such managers incorporated into multi-boutique firms, that provide them with solid infrastructure, seed money for new products and capital while leaving them investment authority;
- Awareness of the need for deep operational due diligence in order to mitigate/control risks, liquidity, concentration risk, counterparty risk and general governance processes;
- ESG considerations may not to be a 'day 1' concern;
- Ensuring sufficient analysis of the corporate structure and remuneration schemes;
- Gauging the team dynamic and its effect on performance or sustainability of the fund;
- Recognising that evaluating emerging managers is a more laborious and hands-on process and that allocators with limited or ill-suited human resources will likely struggle to be very successful in allocating to them without more experienced hands to advise them; and
- Understanding that if the inefficiencies an emerging manager targets are arbitraged over time, how they will adapt/evolve for continued alpha generation. ■

ITALY ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
Xtrackers Physical Rhodium ETC in EU	106.27
ETFS Carbon EUR in EU	98.47
ETFS 3x Daily Short Coffee USD in EU	86.24
Boost Palladium 2x Leverage Daily ETP in EU	83.79
ETFS 3x Daily Long Nickel USD in EU	63.84
ETFS 5x Short EUR Long USD in EU	39.00
ETFS 2x Daily Long Nickel USD in EU	38.69
Boost Brent Oil 3x Leverage Daily ETP in EU	37.68
Invesco Physical Palladium ETC in EU	35.55
ETFS Physical Palladium USD in EU	35.35

ITALY CROWN + PERFORMANCE

Fund	Crown rating	36 months
JPM US Technology A Dis USD TR in EU	♕ x5	104.12
Polar Capital Global Technology USD in EU	♕ x5	83.51
DWS Invest Brazilian Equities NC in EU	♕ x5	80.96
BCM Vitruvius Greater China Equity B USD in EU	♕ x5	80.62
Alger Sicav-Alger Small Cap Focus A US in EU	♕ x5	77.36
Wells Fargo Worldwide US Large Cap Gr A USD in EU	♕ x5	74.30
JPM US Growth D Acc NAV USD in EU	♕ x5	70.86
Morg Stnly US Growth I USD in EU	♕ x5	70.08
Brown Advisory US Equity Growth A USD in EU	♕ x5	70.05
Fiera Capital Europe Magna MENA N EUR in EU	♕ x5	70.01

ITALY SHARPE 3-YEAR

Fund	Sharpe
Xtrackers Physical Rhodium ETC in EU	2.08
ETFS Carbon EUR in EU	1.44
Fiera Capital Europe Magna MENA N EUR in EU	1.26
BlackRock GF World Technology A2 USD in EU	1.23
Boost Palladium 2x Leverage Daily ETP in EU	1.20
JPM US Technology A Dis USD TR in EU	1.17
ETFS Physical Palladium USD in EU	1.16
Xtrackers Physical Palladium ETC USD in EU	1.16
Invesco Physical Palladium ETC in EU	1.16
LO Global Prestige MA UH EUR in EU	1.11

ITALY PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
Boost Natural Gas 3x Short Daily ETP in EU	-76.18	117.01
ETFS 3x Daily Short Natural Gas in EU	-71.11	114.76
Boost Natural Gas 3x Leverage Daily ETP in EU	-95.89	108.09
ETFS 3x Daily Long Natural Gas USD in EU	-95.86	106.88
Boost WTI Oil 3x Short Daily ETP in EU	-90.07	89.41
ETFS 3x Daily Short WTI Crude Oil USD in EU	-90.07	89.02
ETFS 3x Daily Long Nickel USD in EU	78.48	87.39
Boost WTI Oil 3x Leverage Daily ETP in EU	-32.11	86.63
ETFS 3x Daily Long WTI Crude Oil USD in EU	-31.37	86.09
ETFS 3x Daily Short Nickel USD in EU	-93.79	85.38

ITALY FIXED INTEREST 3-YEAR

Fund	36 months cumulative
Boost BTP 10Y 3x Leverage Daily ETP in EU	43.60
BlueBay Financial Capital Bond R USD in EU	37.74
Swisscanto (LU) Bond COCO AT USD in EU	33.86
Franklin Global Convertible Securities A Acc USD in EU	33.68
Lyxor UCITS ETF Daily Leveraged BTP EUR in EU	33.47
Boost Bund 10Y 3x Leverage Daily ETP in EU	31.97
Vontobel Emerging Markets Bond I in EU	28.41
AXA World Funds US Dynamic Hi Yld Bd A Cap USD in EU	28.28
Janus Henderson Horizon Gbl Hi Yld Bd A2 Acc USD in EU	27.10
CS (Lux) High Yield USD Bond B USD in EU	25.03

ITALY BETA 3-YEAR

Fund	Beta over 36 months v. sector
Boost BTP 10Y 5x Short Daily ETP in EU	-19.21
Boost BTP 10Y 3x Short Daily ETP in EU	-11.57
ETFS 5x Short USD Long EUR in EU	-8.81
Boost Bund 10Y 5x Short Daily ETP in EU	-8.60
ETFS 5x Short GBP Long EUR in EU	-7.77
Lyxor UCITS ETF Daily Double Short BTP EUR in EU	-7.71
ETFS 5x Long EUR Short USD in EU	-7.04
Boost Short USD Long EUR 4x Daily ETP in EU	-7.01
ETFS 5x Long EUR Short GBP in EU	-6.20
ETFS 3x Daily Short WTI Crude Oil USD in EU	-6.13

ITALY PERF/TER 3-YEAR

Fund	Cumulative	TER
UBS (Lux) Instnl Key Sel Gbl Eqy XA USD	40.57	0.03
iShares Euro Gov Bd Ind (IE) Flex NAV EUR	7.50	0.03
Flossbach von Storch Multi Asset Bal ET	12.24	0.03
Invesco Euro Ultra-Short Term Debt E in EU	-1.16	0.03
Oddo BHF BHF Jour CR EUR in EU	-0.95	0.04
iShares US Index (IE) Flexible in EU	47.91	0.04
Invesco EURO STOXX 50 UCITS ETF Acc in EU	29.33	0.05
Invesco MSCI USA UCITS ETF USD in EU	47.63	0.05
Invesco S&P 500 UCITS ETF in EU	48.67	0.05
HSBC Euro Stoxx 50 X NAV GBP TR in EU	25.36	0.05

ITALY PERF/SIZE 3-YEAR

Fund	Cumulative	Size €m
Xtrackers Physical Rhodium ETC in EU	597.12	39.9
ETFS Carbon EUR in EU	420.08	24.7
Boost Palladium 2x Leverage Daily ETP in EU	361.01	2.9
ETFS 3x Daily Short Coffee USD in EU	206.84	0.3
Boost NASDAQ 100 3x Leverage Daily ETP in EU	199.71	22.1
ETFS Physical Palladium USD in EU	138.16	111.6
Invesco Physical Palladium ETC in EU	137.82	2.5
Xtrackers Physical Palladium ETC USD in EU	135.95	10.4
Boost FTSE MIB 3x Leverage Daily ETP in EU	129.95	38
Boost S&P 500 3x Leverage Daily ETP in EU	126.25	10.7

Source for all charts FE Analytics, bid-bid, to 20/9/2019.
All figures in % and are gross return rebased in euros

GROSS RETURNS ON FUNDS FOR SALE IN ITALY REBASED IN EUROS

Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Xtrackers Physical Rhodium ETC in EU	28.15	66.61	61.72	115.53	597.12	324.91	
ETFS Carbon EUR in EU	2.63	1.48	23.63	11.72	420.08	292.89	35.37
Boost Palladium 2x Leverage Daily ETP in EU	24.97	18.24	11.95	144.87	361.01	213.28	
ETFS 3x Daily Short Coffee USD in EU	-10.87	4.07	-15.99	-3.59	206.84		
Boost NASDAQ 100 3x Leverage Daily ETP in EU	15.30	2.88	16.88	-1.03	199.71	395.09	
ETFS Physical Palladium USD in EU	14.20	13.18	8.75	68.15	138.16	132.38	609.70
Invesco Physical Palladium ETC in EU	13.70	12.70	8.32	67.57	137.82	132.51	
Xtrackers Physical Palladium ETC USD in EU	13.76	11.82	8.61	66.56	135.95	131.29	
Boost FTSE MIB 3x Leverage Daily ETP in EU	25.46	9.19	19.10	7.26	129.95	-21.19	
Boost S&P 500 3x Leverage Daily ETP in EU	16.68	4.86	20.32	2.50	126.25	210.03	
ETFS 3x Daily Long FTSE MIB in EU	22.43	6.45	15.98	4.14	120.76	-25.35	
JPM US Technology A Dis USD TR in EU	-1.74	1.07	6.08	15.62	104.12	173.72	508.56
ETFS 3x Daily Long CAC 40 in EU	17.68	3.84	24.74	7.18	103.67	80.93	
Amundi ETF Leveraged MSCI USA Daily EUR in EU	12.31	8.51	20.12	19.00	102.24	209.84	1311.68
BlackRock GF World Technology A2 USD in EU	-0.66	1.71	8.28	12.89	98.47	162.71	392.10
ETFS 1x Daily Short Sugar USD in EU	3.69	13.82	16.72	8.17	94.25	42.98	30.18
Lyxor FTSE MIB Daily (2x) Leveraged UCITS ETF EUR TR in EU	16.50	6.95	14.37	8.67	92.37	6.42	-32.66
Xtrackers S&P 500 2x Lvgd Daily Swap UCITS ETF 1C USD in EU	11.37	5.24	16.01	8.54	87.82	155.86	
ETFS 2x Daily Long Nickel USD in EU	24.83	110.32	77.78	69.53	87.00	-39.07	-69.42
iShares S&P 500 IT Sector UCITS ETF USD in EU	5.36	5.71	12.94	16.26	86.5		

Challenging volatility

Playing certain leveraged ETFs tracking commodities would have paid off over the period covered for those invested in funds available in Italy. However, making the wrong bet would have resulted in equally significant losses, with levels of volatility high enough to test the stoutest of investors, according to the figures on leveraged ETFs invested in oil and natural gas. More challenging still is the fact that the losses and volatility have come to both long and short leveraged investors.

Still, with the ongoing shift in the global economy towards digitalisation and away from carbon emissions, metals such as rhodium and palladium may remain a longer term play, despite the desire to lock in gains made in the past three years.

For funds not designed as ETFs, the data suggests active managers continue to consistently access alpha in areas such as technology, emerging markets such as Brazil and China, and small- and large-cap US stocks.

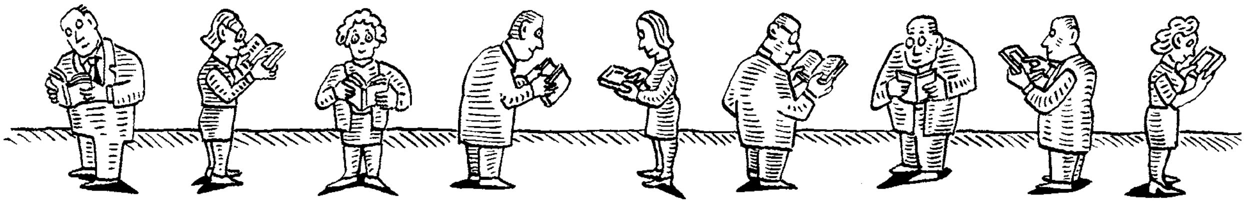
For fixed income investors, developments could be described as a "blessing in disguise": leveraged ETFs are offering access to assets such as BTPs in a different way, but the fact that better returns from such an asset class can only show up in the tables on a leveraged basis suggests that eking out returns has been tough. ■

World 50 funds

Central bank injections of liquidity may be in mind when considering the rebound in emerging market and commodities-based risk assets – including leveraged plays – visible in the data on funds that have performed better over the period

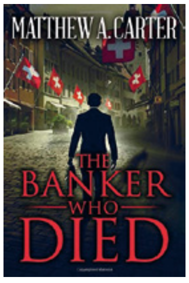
NAME	LIPPER GLOBAL SECTOR	% GROWTH 1 YEAR TO 31/08/19	SHARPE RATIO 1 YEAR TO 31/08/19	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. Albaraka Portfolio Batisehir RE Fund	Real Estate Other	1103.34	0.27	55.64	Albaraka Portfoy	Tky
2. Albaraka Portfolio One Tower RE Fund	Real Estate Other	607.97	0.27	70.40	Albaraka Portfoy	Tky
3. Albaraka Portfolio Dukkan Re Fund	Real Estate Other	581.28	0.26	68.24	Albaraka Portfoy	Tky
4. Direxion Dly Natural Gas Related Bear 3X Sh	AltDedicated Short Bias	340.99	0.41	8.72	Rafferty Asset Management LLC	USA
5. Orient ZhenBao Pure Bond Fund A	Bond CNY	282.29	0.30		Orient Fund Mgmt Co	Chi
6. Direxion Dly S&P O&G Exp & Prod Br 3X Sh	AltDedicated Short Bias	268.40	0.32	37.78	Rafferty Asset Management LLC	USA
7. Direxion Dly Gold Miners Index Bull 3X Sh	AltEquity Leveraged	225.19	0.47	1454.28	Rafferty Asset Management LLC	USA
8. BetaPro Canadian Gold Min 2x Dly Bull ETF	AltEquity Leveraged	177.50	0.61	73.67	Horizons ETFs	Can
9. PNM Puas	Money Market Other	191.30	0.48	0.01	PT PNM Investment Mgmt	Indo
10. Boost Palladium 2x Leverage Dly ETP	Unclassified	152.24	0.45	2.90	Boost Mgmnt (Jer) Ltd	Ire
11. BNP Paribas LDI Sltn Drtion Mthng All Mat	AltCredit Focus	130.68	0.85	78.44	BNP Paribas AM LU	Lux
12. ETFS 3x Dly Long Nickel	Unclassified	126.43	0.25	1.94	ETFS Comm Sec Ltd	Jer
13. Direxion Dly Junior Gold Min Idx Bull 3X Sh	AltEquity Leveraged	138.04	0.30	850.50	Rafferty Asset Management LLC	USA
14. AfricaRhodium ETF	Commodity Prec Met	119.07	0.42	25.01	Africa ETF	RSA
15. BMO Nominal Swap 2051 Euro Fund	AltCredit Focus	113.93	0.83	132.64	BMO AM Lux	Lux
16. db Physical Rhodium ETC USD	Commodity Prec Met	123.30	0.52	64.97	Deutsche Bank AG (London)	Jer
17. Alpha Mercosur D	Eq Emerging Mkts Latin Am	43.68	0.72	0.39	ICBC Inv. Arg. S.A.	Arg
18. Gainvest Crecimiento II B	Bond ARS	37.26	0.73	11.32	INTL Gainvest SA	Arg
19. BMO Nominal Swap 2046 Euro Fund	AltCredit Focus	100.86	0.81	393.36	BMO AM Lux	Lux
20. Compass Crecimiento II B	Eq Emerging Mkts Latin Am	35.84	0.43	0.53	Investis Asset	Arg
21. BetaPro S&P/TSX Capped Energy 2x Dly Br	AltDedicated Short Bias	106.26	0.40	2.52	Horizons ETFs	Can
22. EII Global Sustainable Property Fund	Equity Global	98.72	0.55	0.04	Warburg Invest KAGmbH	Ger
23. ProFunds Prec Met UltraSector ProFund;Inv	AltEquity Leveraged	109.34	0.52	34.51	ProFund Advisors LLC	USA
24. Optimum Total Return B	Mixed Asset Other Flexible	32.89	1.23	0.07	BNP Paribas IP Ar	Arg
25. Boost BTP 10Y 3x Leverage Dly ETP	Unclassified	90.24	0.84	3.37	Boost Mgmnt (Jer) Ltd	Ire
26. ETFS 3x Dly Long Gold	Unclassified	89.67	0.65	9.44	ETFS Comm Sec Ltd	Jer
27. AdCap Renta Plus B	Money Market ARS	28.62	0.69	8.27	AdCap Asset Mana	Arg
28. FBA Bonos Globales B	Bond Global LC	28.00	0.34	2.98	FADISA	Arg
29. FBA Acciones Latinoamericanas B	Eq Emerging Mkts Latin Am	26.95	0.53	1.38	FADISA	Arg
30. BNP Paribas LDI Sltn Drtion Mthng 35-50 Y	AltCredit Focus	85.09	0.80	122.98	BNP Paribas AM LU	Lux
31. DWS Invest Brazilian Equities LC	Equity Brazil	82.79	0.62	61.41	DWS Investment	Lux
32. VelocityShares 3x Long Gold ETN	AltEquity Leveraged	92.32	0.54	166.72	Credit Suisse AG	USA
33. Boost Gold 3x Leverage Dly ETP	Unclassified	90.44	0.53	20.51	Boost Mgmnt (Jer) Ltd	Ire
34. Direxion Dly 20+ Year Treasury Bull 3X Sh	Unclassified	89.51	0.37	211.31	Rafferty Asset Management LLC	USA
35. NN Liability Matching Fund (XL)	Bond EUR Long Term	78.76	0.79	214.74	NN Invst Partners B.V.	Neth
36. Lyxor MSCI ACWI Gold UCITS ETF - C-EUR	Eq Sector Gold&Prec Metals	77.65	0.77	19.56	Lyxor Intl AM	Lux
37. IW AltComm & Gold Eqs P EUR Cap	Eq Sector Gold&Prec Metals	77.42	0.55	31.01	Iw Alternative	Lux
38. ETFS Leveraged Nickel	Unclassified	87.20	0.24	7.61	ETFS Comm Sec Ltd	Jer
39. PNM Dana Sejahtera II	Bond IDR	94.30	0.39	0.74	PT PNM Investment Mgmt	Indo
40. Schroder Renta Global Tres B	Mixed Asset Other Flexible	19.57	0.73	36.78	Schroder SA SGFCI	Arg
41. ETFS 3x Dly Long Silver	Unclassified	74.71	0.32	3.46	ETFS Comm Sec Ltd	Jer
42. Finext RealEstateOpps Budapest C HUF Dis	AltOther	71.53	0.24	18.47	FINEXT Befektetesi	Lux
43. Strategie Indice Or	Eq Sector Gold&Prec Metals	72.82	0.78	9.85	Apicil Asset	Fra
44. Balanz Capital Ahorro B	Money Market ARS	16.21	3.18	10.20	Balanz SGFCI SA	Arg
45. Optimum Global Renta Mixta A	Mixed Asset Other Flexible	16.01	0.31	6.15	BNP Paribas IP Ar	Arg
46. Consultatio Renta Dolares A	Mixed Asset Other Flexible	15.88	0.31	0.27	Consultatio Asset	Arg
47. LF Ruffer Gold O Acc	Eq Sector Gold&Prec Metals	68.35	0.59	1226.28	Link Fund Solutions	UK
48. Arz REIT & Venture Capital Portfolio 1st REIT Fund	Real Estate Other	103.87	0.22	35.64	Arz Gayrimenkul	Tky
49. Toronto Trust Global Capital B	Mixed Asset Other Flexible	15.43	0.45	0.10	BACS Administrad	Arg
50. STABILITAS - PACIFIC GOLD+METALS P	Eq Sector Gold&Prec Metals	69.61	0.66	69.46	IPConcept (Lux) S.A.	Lux

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.



Graphic, dynamic and filled with the high life and high crime, *The Banker Who Died* is a novel that is right on the money. Ridhima Sharma reviews

A bright and breezy account of a murky world



***The Banker Who Died* by Matthew A. Carter is published by Garin Ray Publishing House. 450pp. Paperback, £10.33 (Amazon). ISBN: 978-1-73-305002-9.**

The Banker Who Died is a work of thriller fiction in which an American banker takes a job as a personal banker in Switzerland and his life devolves from there.

Matthew A. Carter's debut novel calls on the author's vast experience as a private banker in both Switzerland and Russia. Mixed into a cocktail of fiction where Russian money and Swiss bankers meet, Carter's creation is claimed as the world's first novel based around the Swiss private banking industry.

Carter has worked in the private banking industry in Switzerland and the UK. He also spent seven years in Russia and is fluent in Russian. He was born and grew up in San Francisco and studied economics at the University of Southern California and now lives in Zurich.

He says: "In today's political climate, one where Russian corruption seems to be grabbing the headlines every week, people have never been more curious about what this nation gets up to. I lived there for seven years and know the country intimately."

The book follows the (mis)adventures of private bank employee Stanley McKnight as he is upgraded to a prestigious position at Laville & Cie, a private bank based in Switzerland that caters only to the richest clientele.

McKnight used to work as a private banker for Goldman Sachs, but after his outstanding work there catches the attention of the heads of a rival bank, he soon joins Laville & Cie.

Doing well at Laville & Cie can lead to big money for the bankers themselves. With great reward and prestige, though, comes great risk. As the bank only works with the ultra-rich, the job can be quite dangerous.

One wrong investment could lose a patron a significant sum of money. This, in turn, could result in the offending employee getting put on a hit-list. It is even speculated that the death of a high-level account manager did not happen by natural circumstances.

Originally only offered the job of senior investment director, McKnight is quickly promoted to the position of one of the bank's account managers for Russian clients. This promotion follows the death of the previously mentioned account manager.

Because of the shady nature of his predecessor's death, he begins working in his new position with a heavy degree of trepidation. He is told that this new position mainly involves working with the bank's existing clients, but he will also be required to bring new money and clients into the bank as well.

Most importantly, though, is the task of handling one of the bank's top clients, Viktor Gagarin.

Right away, McKnight realises that this new job is nothing like his work at Goldman Sachs and will require a completely different type of mindset.

Working with many of his clients seems hard enough, but it is not until he meets Gagarin that McKnight understands just how difficult it will be to accomplish the tasks required of him.

He is soon confronted with some difficult decisions, including the question of just how far he is willing to go to please his clients and complete his job.

"THE FIRST TWO-THIRDS OF THE BOOK WAS NOT QUITE AS ACTION PACKED AS THE HYPE WOULD SUGGEST"

COMPLEX, BUT VERY READABLE

The Banker Who Died is a highly intriguing read. A bit lengthy, but the appropriately complex plot is well summarised by the author.

Stanley McKnight is at the top of his game; a private banker with charm, talent, and more than a bit of luck. The other characters all seemed very well fleshed out. Also, I found it easy to keep all the different main characters separate in my mind, which can sometimes be difficult.

The first two-thirds of the book was not quite as action packed as the hype would suggest; but the last third was perfect. It had tons of action and intrigue and managed to keep me on the edge of my seat.

Even though there were a number of confusing irregularities, these did not have too great a negative impact on the book. In the end, it made for a great read. A brilliant debut. Highly recommended.

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

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