Investment Intelligence for the Fund Professional

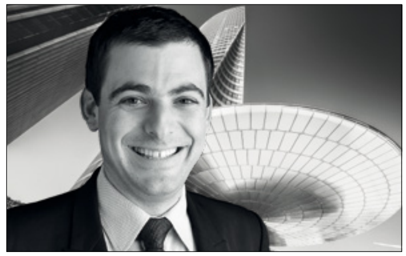
INVESTMENT EUROPE

March 2019 ISSUE 99 Annual subscription €450 www.investmenteurope.net

FED FEEDING EM

Ilaria D'Ascenzio of BNL BNP Paribas Private Banking and other selectors ponder the Fed's stance and impact on EM

See fund, think company



Vincent Morel of Financière Arbevel on selection

Stockpicking for SDGs

SPP Fonder's approach

Labelling the future

Myria AM on its white labelling developments

Digitalisation in Germany

Local industry demands regulatory reforms

Diversity in focus

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Universal offering

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Travel diary

Oslo, Helsinki, Paris, Bilbao, Barcelona

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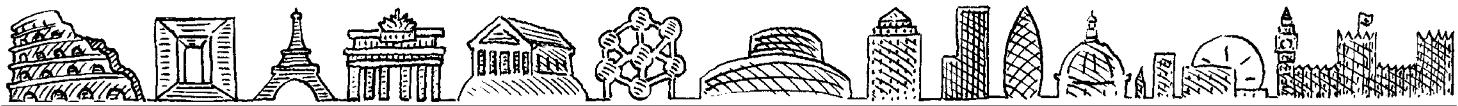

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INVESTMENT EUROPE

An Open Door Media publication

On Stranger Tides

Jonathan Boyd, editorial director of *InvestmentEurope*

Readers of fantasy/science fiction novels may recognise the title about pirates. But it is apt at a time when the world has been mulling the latest face-to-face meeting of the leader of the most developed economy with the leader of one of the least developed (Trump/Kim). Perhaps the only thing that could trump (pardon the pun) a successful outcome from these US/DPRK meetings would be for the two individuals involved to be awarded the Nobel Peace Prize.

This is, of course, not the only interface between the US and emerging, frontier or non-indexed markets. Another key area of discussion is the impact of decisions made by the US Federal Reserve on interest rates, and how this impacts on emerging market assets in particular.

This discussion has been flagged up in this issue because of the strong showing, thus far, of emerging markets (EM) in the wake of the backtracking by the Fed on its previously envisaged series of rate hikes through 2019.

EMs were caned pretty hard last year, shedding significant value from investors' capital, amid concerns about trade wars, an economic slowdown in China, and geopolitical volatility around places such as Turkey.

But, to paraphrase the adage: what goes down can go up again. Having become cheaper relatively speaking for international investors, there are likely to be more opportunities to invest in EM, particularly in light of uncertainty around developed market regions. European assets demand a premium in light of the uncertainty around Brexit and Italian government debt, for example.

And there are ongoing tariff frictions between the EU and US that may have fallen below the radar but which are causing both macro and micro uncertainties. In that context, investing in bonds of countries with much lower levels of national debt than seen in the West, or buying equity in companies that have become global brands may be quite logical. ■

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UPCOMING EVENTS

March sees a return to Italy for the Milan Forum 2019 (8th), before the Nordic Summit Stockholm 2019 (12th-13th) in the Swedish capital.

Also taking place in March is the Frabelux Forum 2019 (20th) in Paris – see our Travel Diary on pages 32-33 for updates around recent visits the *InvestmentEurope* team made to Oslo, Helsinki and Paris in relation to these events.

Later in the spring we will host fund selectors at the Iberia Summit Barcelona 2019, taking place 30-31 May, for fund selectors operating in both Spain and Portugal.

Here too, there was a recent visit to Bilbao with another planned for Madrid in March to meet fund selectors interested in attending the event.

Then in June, we return to Oslo for a Roundtable event before heading to Rome for the Italian Summit and Zurich for a Pan-European ESG Summit.

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

Goldman Sachs Asset Management

Time to partner for success

The sub-advised funds market has taken off in Europe. Fewer funds are managing more of the asset pool. We expect this growth story to continue in the future with outsourced assets forecast to surpass €1trn by 2023[1]. Here we explore some of the important points

POPULARITY IS GROWING

Sub-advisory has been around for a while but it's only in recent years that its popularity has really taken off. In the 12 months to September 2018, there was a 9.4% YoY increase in sub-advsied assets across Europe to over €550bn. We expect fewer funds to run even more money going forward.

Outsourced assets are set to grow by 16% in 2019 and 13% in 2020[2]. Over a five-year period, €300bn of new outsourced assets could be raised, or between 15% and 25% of total expected active fund inflows across the region[3].

WHERE'S DEMAND COMING FROM?

We have found that businesses that don't consider asset management a core competency are driving demand. With increased pressure to bring down costs, while generating higher returns, many insurers have sold, or are looking to sell, their asset management units and outsource these responsibilities. Global banks are deciding to focus on their core capabilities and lean into specialists to generate better investment performance. Regional banks, faced with increasing local demand but unable to meet supply for high quality investment solutions, are also following this trend.

European interest is high. The UK is the largest market in Europe and we see interesting opportunities there. We have seen impressive growth across the continent as well. Spain had a standout year in 2018 with a 25% increase in outsourced assets year-on-year (YoY). The UK, Ireland and Switzerland followed with year-on-year growth of 17%, 16.5% and 10%, respectively[4]. Other countries where we see potential opportunities include France, Denmark, Sweden and the Netherlands, as they have sizeable sub-advisory markets and we have been working with clients in these regions for some time.

CATALYSTS FOR CHANGE

We see three key catalysts: a changing regulatory backdrop, broader economic factors and the macro environment. The Markets in Financial Instruments Directive (MiFID II) is playing a leading role. MiFID II includes the banning of inducements on advice and portfolio management; higher standards on disclosure and product suitability; and better aligning portfolio management solutions to clients' needs. With it come higher costs of implementation. Getting the implementation wrong also risks reputational damage and even regulatory enforcement. As a result, businesses have been coming to us for cost-effective alternatives that could mitigate the risks of reputational and regulatory repercussions.

Economic and market dynamics are providing additional tailwinds for sub-advisory growth. Increasingly, banks, wealth managers and investment platforms are looking at their business models and asking us: "How can we get better products to clients and have the best fund managers by consolidating them?"

We believe that businesses are re-evaluating their value proposition and turning to strategic partnerships with asset managers like GSAM to meet client demand for a broader selection of solutions that have performed well and at a reasonable price.

PARTNERING FOR SUCCESS

We identify three important factors to consider as businesses look to get the most out of sub-advisory:

Focus on the business. Is the partner committed for the long-term? Are their goals aligned with yours? Client service plays a critical role in raising assets. Your partner should appreciate the importance of the client experience and support your wholesaling and marketing efforts with training and conferences. In the European market, it is important that your partner has dedicated client relationship managers with the ability to support your efforts in local languages.

Understand their offering. Markets are unpredictable. You should feel at ease with your partner's ability to generate returns and manage risk. Performance is an important selection criterion, but we are seeing more and more businesses look beyond that and assess philosophy, process and risk management frameworks to find the right fit. Consider what particular expertise you are looking for and whether your partner has the infrastructure, expertise and experience to meet your needs.

Compliance is critical. Understand that where the product being sub-advised is a fund in the business' name, the business retains responsibility as if they were managing the fund themselves. Complete a thorough risk assessment so you can rest assured your firm has a well-resourced compliance team; processes to ensure mandates are being adhered to; and policies for managing operational risk. And finally, make sure your partner's legal and compliance teams understand the regulations relevant to the product and market.

GSAM has been partnering with businesses through sub-advisory agreements since 1999 and manages over $75bn in outsourced assets[5]. Contact us at: gsam-subadv-emea@gs.com for more information.

Sources: 1. instiHub, as of January 2019; 2. instiHub, as of January 2019; 3. Impactvesting, as of September 2017; 4. instiHub, as of September 2018; 5. GSAM, as of September, 2018.

Fund selectors in the news

Selectors offer views on their competition, EM assets and other issues

www.ask.pt

Name: Madalena Teixeira
Title: Senior portfolio manager
Company: ASK Wealth Management
Location: Lisbon

Who are the competitors you most admire?

It is difficult to name my most admired competitors, but I really like the work done at some investment houses, especially for their different market approaches in a given area.

I quite like Sycomore AM, Meridian, Capital Group or DNCA Finance because usually these investment houses do not rely on a single "star manager", but they gather different people with different backgrounds to manage together, which in my opinion is added value.

https://bnl.it/it

Name: Ilaria D'Ascenzio
Title: Head of Fund Research
Company: BNL BNP Paribas Private Banking
Location: Milan

If the Fed rate rises in 2019, will it benefit EM assets?

EM suffered a lot in the last years and the rising uncertainty has penalised those markets a lot. I think that the interest in EM is growing and I don't expect outflows from this asset class this year. I expect a lot of volatility due to the uncertainties regarding the Fed decision, the commercial war and global growth.

I do not have large exposure in EM, both debt and equities but I think that I can increase it, especially on the EM debt side.

www.corestone.ch

Name: Cord Hinrichs
Title: Head of Asset Allocation
Company: Corestone Investment Managers
Location: Zug

Do you see a large difference in structures that HNWIs use?

We do see a trend towards more customisation requests on the one hand and less and less desire by for example private banks to tailor investment solutions for the lower end of the HNWI spectrum.

Hence, we will likely see a move of those HNWIs towards providers and into structures which offer a tailored approach to fit their needs within a sophisticated setup.

www.bancapassadore.it

Name: Giorgio Castiglioni
Title: CIO – head of Advisory
Company: Banca Passadore & C.
Location: Milan

Are you looking to increase/reduce exposure to EM assets through 2019?

Although we already have exposure to both equities and bonds in emerging markets, we might increase our positions through the current year.

I think that, in the short term, it is a little bit of a crowded trade that has received a lot of inflows recently, but in the medium term, the potential is significant.

https://union-investment.com

Name: Christian Wildmann,
Title: Head of Rates Emerging Markets
Company: Union Investment
Location: Frankfurt

What changes to EM hard/local currency debt exposure are you looking to?

We have approximately €7bn in dedicated EM debt funds and more than €14bn in total holdings in EMs at Union Investment, which are strategically invested for the medium to long term.

Furthermore, we do see inflows into the asset class year-to-date.

www.ofi-am

Name: Pierre Molinero
Title: Portfolio manager-analyst
Company: Ofi Asset Management
Location: Paris

Can investors rely on the forward guidance being given by central banks such as the Fed?

Maybe it is no longer a safe assumption and investors will have to accept a lack of clarity on officials' intentions.

Monetary policy would be more flexible and quickly adjusted following change in data. In that case, the move from the Fed in January should not be seen as a U-turn but more as a pause in a turbulent environment.

www.haussmann-patrimoine.fr

Name: François Gazier
Title: Financial adviser – responsible for active allocation and fund selection
Company: Haussmann Patrimoine
Location: Paris

Does the Fed's turn on policy benefit EM?

The return to a very 'Dovish' stance on the part of the Fed provides a breath of fresh air to emerging markets.

The government's support measures, contributing to the Chinese component, continue to provide very attractive valuations, and a probable increase in the weighting of A shares in the MSCI Emerging Market Index.

Subject to a positive outcome of the Sino-US negotiations, emerging markets offer advantageous entry points and attractive opportunities.

People moves around the industry

HARALD WALKATE

Natixis IM appoints head of CSR & ESG

Natixis Investment Managers has appointed Harald Walkate as head of corporate social responsibility (CSR) and ESG.

In this newly created role, Walkate will be responsible for driving Natixis Investment Managers' CSR globally and ESG commitments across its distribution network, its affiliate managers and as part of industry-wide initiatives. He will be based in Paris.

Prior to this, Walkate worked at Aegon Asset Management (AAM), the Netherlands, where he was a senior vice-president and global head of responsible investment where he focused on ESG integration, engagement and impact investment across both Aegon Group and AAM.

Since 2018, Walkate has also worked as an adviser to the Impact Management Project on secondment from Aegon. He will continue this advisory role when he moves to Natixis Investment Managers.

STEFAN ZAYER

German private bank expands leadership

Bankhaus Lampe has extended its wealth and asset management division with two new appointments. This includes strengthening institutional sales and bundling product expertise.

Stefan Zayer (picture right) has been appointed as head of Institutional Sales of Asset Management liquid and illiquid products, effective 1 March 2019.

Zayer has many years of experience in this segment. Most recently, he was responsible for institutional sales at Edmond de Rothschild Asset Management. Previously, he has worked in this same position at Lazard Asset Management.

Bernd Scherer will join Dirk Franz and Erwin Lochten as managing director of Lampe Asset Management, a subsidiary of Bankhaus Lampe, with effect from 1 March 2019 – subject to regulatory approval by BaFin.

Scherer has worked for Bankhaus Lampe since February 2017 – initially as head of Product Development Asset Management and then as head of Wealth Solutions.

He will be responsible for the conception, development and management of the systematically oriented investment approaches, including the concepts of multi asset and total return.

He has more than 20 years of portfolio management experience at various banks, investment companies and international fund boutiques.

GEORG WUNDERLIN

Schroders appoints global head of Private Assets

Schroders has appointed a private assets specialist to oversee the continued growth and development of its business on a global scale.

Georg Wunderlin, most recently chief executive officer of HQ Capital, will assume the newly-created role of global head of Private Assets in May.

His focus in this new post will be on developing and executing Schroders' private assets growth strategy across these specialist asset classes on a global scale and enabling the business to better deliver private assets-focused investment solutions for clients.

He will report to group chief executive Peter Harrison.

Wunderlin has 19 years of experience in investment finance, having held a number of senior roles.

He joined Auda International in 2012 as chief operating officer, a role he retained after Auda, Real Estate Capital Partners and Equita were combined in 2015 to form HQ Capital. He has led HQ Capital since 2016.

ALEXANDRE ZELLER

Lombard Odier names managing partner

Lombard Odier Group has appointed Alexandre Zeller as managing partner, effective 1 March 2019.

Zeller will assume the functional responsibility for the Technology and Operations Unit at Group level. In this capacity, he will be in charge of innovation and new technologies at the service of customers, as well as for digitalisation projects. He will be based in Geneva.

A member of the Board of Credit Suisse Group SA and chairman of the Board of Directors of Credit Suisse (Schweiz) AG since 2016, Zeller has pursued a distinguished career in a number of Swiss and international banking and financial institutions.

Before joining Credit Suisse, Zeller was chairman of the SIX Group from 2013 to 2016 and was, from 2008 until 2012, CEO of HSBC Private Bank for Switzerland, Europe and the Middle East based in Geneva.

He was previously CEO of the Banque Cantonale Vaudoise in Lausanne from 2002 to 2008, following a successful career at Credit Suisse, where he was notably CEO Private Banking Switzerland.

XAVIER LATTAIGNANT

AXA IM appoints convertible bond head

AXA Investment Managers has named Xavier Lattaignant as its convertible bond strategy manager.

As of 4 March 2019, Lattaignant, who has over 20 years of investment experience, will manage the AXA WF Framlington Global Convertibles fund with Alexandre Fade.

The new appointment follows Marc Basselier's departure to Union Bancaire Privé.

Lattaignant is based in Paris and will report to Matthew Lovatt, global head of Framlington Equities.

In his 20 years in the investment industry, Lattaignant has served as both an analyst and fund manager for convertibles, as well as alternative investments and hedge fund strategies.

He joins AXA IM from SCOR Investment Partners.

Fund watch and product launches

Union Investment launches municipal fund

Union Investment has launched an institutional mutual fund for municipal investors. *UniInstitutional Kommunalfonds Nachhaltig* is a mixed fund geared to the needs of municipalities, which takes account of sustainability criteria and invests predominantly in a safety-oriented manner.

The concept of the fund has been developed in close cooperation with municipal practitioners in order to meet the requirements of the municipal household regulations regarding the investment of municipal funds. On the basis of experts' assessments from several federal states, the aim was to achieve the broadest possible consensus on a framework for investments in municipal assets.

The actively managed mixed fund supports the more safety-oriented investment criteria for public money, with a focus on high-quality bonds. In the current low interest rate environment, the fund seeks to leverage additional revenue opportunities by adding emerging market and high yield bonds. Up to 30% of the fund's assets can be invested in selected shares, currency risks are hedged as far as possible.

https://union-investment.com

Nordea AM expands European covered bond range

Nordea Asset Management has expanded its suite of strategies with the launch of Nordea 1 – European Covered Bond Opportunities fund.

European covered bonds, often an under-appreciated asset class, offer an interesting alternative to investors in search of 'safe' yet higher yielding assets.

The new strategy is designed for investors searching for compelling risk-adjusted returns in the fixed income space. European covered bonds have a strong track record, with the asset class witnessing no defaults in more than 200 years.

Henrik Stille, manager of the fund says: "Covered bonds have a much lower volatility than credit bonds and government bonds. They are very attractive if you want to reduce the volatility in a portfolio without losing expected return."

The fund keeps the same low interest rate risk as its predecessor, but expands the credit exposure using limited leverage.

www.nordea.com

Spanish alts manager Altamar unveils second infrastructure fund

Altamar Capital Partners has launched its second infrastructure fund following the success of its predecessor.

Altamar Infrastructure Income II FCR is a fund of funds that enables Altamar clients to invest in the best infrastructure funds worldwide as well as investing directly in protected assets, explains Altamar.

The strategy is the second fund that Altamar has launched in this asset class, after having invested almost 90% of the predecessor fund, the Altamar Infrastructure Income FCR. It closed after reaching €356m while the target size of the new fund is between €300m and €400m.

The fund's investment philosophy is based on the preservation of capital, focusing mainly on assets in operation, OECD geographies (mainly Europe and North America) and with an operational focus as the main value creation lever. Its portfolio combines investment in primary funds (minimum of 60% of the fund's size), co-investment and secondary deals (up to a maximum of 40% of the fund's size), during an investment period of 3-4 years, targeting a final portfolio comprised of 160-180 underlying investments.

www.altamarcapital.com

AXA IM offers fintech exposure

AXA Investment Managers is offering fintech exposure with the launch of a cross-border fund. Managed by Vincent Vinatier, the Luxembourg-domiciled fund has been launched on the back of successful fundraising in Japan where the strategy has seen inflows of nearly $1bn.

This follows the rebrand and shift in investment focus of the existing UK-domiciled AXA Framlington Financials fund, which was renamed AXA Framlington FinTech fund.

The fund aims to invest globally in a concentrated portfolio of 40-60 companies expected to have high growth potential across three key themes which offer opportunities across the entire fintech value chain:

- Cashless society – people around the world are increasingly making payments digitally, taking us towards a cashless society;
- Innovative leaders – many established financial companies are disrupting the financial services industry, by using technology to serve their large, existing client base;
- Technology enablers – 'enablers' provide the crucial technology to support and develop fintech companies' digital presence via various channels and devices e.g. cyber security and regulatory technology (RegTech).

The fund forms part of the Evolving Economy fund range which is comprised of five key themes – automation, the connected consumer, ageing and lifestyle, cleantech, and transitioning societies – which AXA IM believes will shape the way companies operate in future.

It is registered and available to professional investors in the UK, Austria, Germany, France, the Netherlands, Belgium, Denmark, Finland, Italy, Sweden, Norway, Spain, Portugal, and Liechtenstein.

www.axa-im.com

2.25%-2.5% Target range of Fed fund rates

Emerging from the shade

As the Fed seems to have halted planned rate hikes, investors must ask themselves what this means for emerging markets. Jonathan Boyd, Ridhima Sharma, Eugenia Jiménez and Elisabeth Reyes report

Investors in emerging markets have been on a roller-coaster ride over the past couple of years.

In 2018, the ubiquitous MSCI EM index slipped continuously from January through October, before bottoming out, and then rebounding since the start of 2019.

One of the factors cited over the past year for the trend was signals from the US Federal Reserve ('Fed') that it would move to tighten rates. Indeed, as recently as December 2018, the US central bank raised its key funds rate to while offering up an outlook of further raises through 2019.

However, a month later, in January 2019, the Fed's bet that the US economy can withstand further rate hikes was brought to an abrupt halt when it issued a statement suggesting that it would retain flexibility in regards to reducing its balance sheet, and suggesting that rate rises would be on hold pending further data to support monetary policy tightening.

It is, then, perhaps not surprising that emerging markets equities, along with other risk assets should have rebounded on the basis of policy 'doves' taking the lead at the Fed.

CONTRASTING VIEWS

For emerging market investors, the direction of Fed rates is much more than an exercise in response to strong growth in the US; a rate rise implies a stronger dollar, which is good if being paid in the currency, but less so if owing debt in dollars.

But how certain are financial professionals that the Fed's most recent signals are correct, and therefore a boon for emerging market assets?

Christian Wildmann, head of Rates Emerging Markets at Union Investment, is among those who are not totally convinced by the latest noises.

"Our economists still see up to two Fed hikes for this year, so our current assessment is that markets might get a little bit ahead of themselves in pricing out the Fed completely for 2019. However, the central bank has become increasingly dovish in the past weeks. One dovish signal the Fed could deliver in the next month (March) would be to reduce the speed of balance sheet normalisation.

"The Fed's patient approach definitely helps to moderate the concerns investors had in 2018, which were mostly driven by US dollar tightening and slower global growth in EM, but also in developed markets. To further stimulate interest and generate positive performance in EMs, we would also need to see global growth

1.6% US annualised inflation rate in January 2019

stabilising, not only in EM, also in Europe for example."

Wildmann notes that Union Investment has some €7bn in EM debt funds and more than €14bn in total holdings in EM.

In contrast, Daniel Tubbs, head of Global Emerging Market Equities at Mirabaud Asset Management sees the US economy experiencing some gradual deceleration later in 2019, and does not believe rates will rise.

"We may even see a reduction towards the end of 2019. If this scenario materialises, we believe the dollar should weaken, which will be supportive for EM equities. Furthermore, a potential resolution of the China-US trade war will be positive for EM. Both nations need a face-saving compromise in order to avoid further pain being inflicted on their economies and political backlash."

There are other reasons to consider EM, he adds. US equities look expensive on a relative basis after a decade of strong performance, while on Europe, investor are turning cautious because of political risk in both peripheral markets, but also because of Brexit.

"In our concentrated portfolios, we are overweight countries such as China, Peru, the Philippines and Egypt. We are underweight markets such as India and Brazil, both of which have heightened political risk. Other large underweights include South Korea and Malaysia," Tubbs says.

"THE MACROECONOMIC SLOWDOWN AND CONTROLLED INFLATION IN THE UNITED STATES AND DEVELOPED COUNTRIES SUGGEST THAT THE RISK OF RATES RISES IS LOW, AT LEAST IN THE FIRST HALF OF THE YEAR"

François Pascal, Amilton AM

THE WRONG QUESTION?

Maria Negrete-Gruson, portfolio manager, Artisan Partners EM team, argues that the macro question of US Fed rates may be the wrong place to seek answers to the outlook for EM investments.

"The developed world rate outlook has prompted periodic bouts of EM volatility over the last several years with a prospective rise in developed word rates leading many to conclude outflows from EM are likely.

"However, to believe that outcome is the likely one, one has to believe the preceding years of EM inflows were similarly predicated largely on developed world monetary policy – a conclusion which I do not find particularly compelling.

"Rather than taking such a top-down approach, I believe investors are better served by considering individual companies as such. In a world of overall rising rates, some EM companies will no doubt benefit, while others will be negatively impacted. I believe there remain ample compelling investing opportunities in EM."

MARKET NIRVANA

Kevin Hebner, global strategist at Epoch Investment Partners, notes that the consensus on US growth suggests unemployment reaching a rate not seen since Richard Nixon was president.

"And yet, the Fed will see no reason to hike again.

"This scenario represents a market-nirvana, but is only plausible under two very brave assumptions: that wage growth fails to respond to the tightening labour market, and the credit cycle has much further to run. A range of macro and market indicators suggest there is good reason to be skeptical on both counts.

"Since the calamitous mid-December presser, the Fed has pulled a 180-degree turn and jettisoned its 'autopilot' stance. [Fed chairman] Jay Powell stumbled at first, but then quickly learnt just how much he can tighten policy without precipitating a collapse in mortgage applications and auto loans. Regarding the latter, a record seven million Americans are already behind on their car loans, in spite of the boom in jobs. A decade of QE has resulted in almost all sectors of the economy being inundated with debt and highly vulnerable to rising rates."

Hebner continues: "Emerging markets are especially sensitive to tighter dollar liquidity, which explained much of their underperformance in the first three quarters of 2018. With the dovish turn recently taken by the Fed, as well as most other major central banks, EMs have received a gratifying reprieve.

"However, we believe this respite will be relatively short-lived, as either wage growth will force the Fed's hand or the credit cycle will finally rollover. Regardless of which way the chips fall, over the medium-term neither of these scenarios augurs well for EMs."

RATES OUTLOOK

Anthony Kettle, senior portfolio manager, EM Credit, BlueBay Asset Management is among those who believe the Fed could hike its rates again, even if it is later this year or next year.

"Overall, we continue to see the backdrop as largely supportive of EM assets. Inflows have returned to the asset class and for now we are in a virtuous cycle where positive performance is attracting inflows, which are leading to further gains.

"Trade negotiations remain a threat, although even here Trump seems to have decided that the even-

1.7% China annualised CPI rate in January 2019

tual outcome needs to look like a win for both him and the stock market, which bodes well for risk assets. Furthermore, the importance of the Fed's dovish tilt should not be underestimated and we believe this sets the scene for a continued period of outperformance for emerging markets."

Luc D'Hooge managing director and head of EMD at Vontobel, agrees that further rate hikes are possible, albeit at a slower pace – with all that that implies for EM assets.

"It is worthwhile to note that not all EM debt segments reacted in a similar fashion. The pause in the rate hike cycle (and the prospects for a slower pace of a balance sheet unwind) was clearly one of the main factors driving the rally of EM local currency debt since early September.

"This occurred almost four months earlier than the rally in EM external debt, which tells us a lot about how sensitive EM local currency debt currently trades to global macro themes. EM local currency debt is therefore a powerful way to express a tactical view on those macro themes.

"If the Fed does not hike in 2019, and if we see a confirmation of the falling likelihood in serious adjustments in the dot plots, demand for EM debt will most likely increase. Marginal demand will probably be more concentrated on local debt than external debt."

François Pascal, head of Funds of Funds (Asset Allocation and Multimanagement) at Amilton AM, points to data suggesting no rate increases by the Fed this year.

"Looking at futures prices, we notice that even the bond market anticipates complete stability of American short rates in 2019 ahead of a possible decrease in rates in 2020."

"The macroeconomic slowdown and controlled inflation in the United States and developed countries suggest that the risk of rates rises is low, at least in the first half of the year.

"Flows [to EM] since the beginning of the year show that investors have been very fond of emerging markets and we believe that this trend should continue but in more limited proportions."

"INVESTORS WILL HAVE TO ACCEPT A LACK OF CLARITY ON OFFICIALS' INTENTIONS"
Pierre Molinero, Ofi Asset Management

Jérôme Cognet director – investment specialist at UBS Wealth Management takes a slightly different tack on reading what Fed chairman Jay Powell has meant by recent statements.

"Jay Powell's comments suggest that the quantitative tightening program was on 'autopilot' and the explanation that the Fed was raising rates while inflation remained below the target, was misleading. This led the markets to the conclusion that the Fed's priority of 'policy standardisation' took precedence over actual data.

"Since the December meeting, Jay Powell has reassured the markets. He reiterated that the Fed is ready to be 'patient and flexible', and that it 'would not hesitate' to reduce the pace at which it decreases its balance sheet according to the next macroeconomic data.

"Markets are now expecting a low probability of a rate rise for the remainder of the year. Inflation appears low enough to justify maintaining rates at their current level and we expect a single increase in 2019. It should be noted, however, that real interest rates are still in the lower part of the 'neutral' zone, financial conditions are more accommodating than usual, and that pressure continues to increase in the labour market. A slight improvement in economic data would be sufficient for the Fed to contemplate raising rates."

Cognet adds: "The more accommodating US Federal Reserve narrative now supports emerging currencies (having had a negative impact on them in 2018). However, after the strong performance this year, and given our expectations for sideways trading spreads, we have closed our overweight on EM sovereign bonds in dollars.

"On the equity side, following a strong start to the year for emerging market equities, we believe the rally could continue to be driven by further dollar weakness relative to Asian currencies and more positive developments in the US-China trade standoff."

KEY DRIVERS

Paulo Salazar, senior equity analyst-Emerging Markets at Candriam, says that key drivers for EM asset performance remain the dollar, the Fed and China.

"Last year, the decoupling of US versus rest of the world growth resulted in a stronger dollar and a hawkish Fed. No major asset class returned more than inflation in 2018 (worse than 2008). This year, in turn, EM assets recovered losses largely due to growth convergence (meaning lower US growth and stabilisation in EM growth), which normally translates into a weak dollar and a dovish Fed (eg, 'patience' in rate hikes and balance sheet 'flexibility'). The dovish Fed substantially reduces the pressure on EM central banks to accelerate rate normalisation.

"Candriam expects the Fed to continue to cautiously hike rates in 2019 as sentiment remains mixed around some weak US economic data, soft Chinese growth and ongoing US-China trade talks.

"The current scenario is a sweet spot for EMs as long as the global slowdown does not accelerate further."

SELECTOR VIEWS

Ilaria D'Ascenzio, head of Fund Research, BNL BNP Paribas Private Banking, is among the fund buyers who believe that while there is a high risk of the Fed stopping rate hikes, there is also a likelihood it may raise rates ones this year.

$12trn Size of China's bond market

Thus, there are implications for EM investments, she notes.

"EM suffered a lot in the last years and the rising uncertainty has penalised those markets a lot. I think that interest in EM is growing and I do not expect outflows from this asset class this year. I expect a lot of volatility due to the uncertainties regarding the Fed decision, the commercial war and global growth.

"I do not have large exposure in EM, both debt and equities but I think that I can increase it, especially on the EM debt side."

However, D'Ascenzio warns that the volatility mentioned means "it will be difficult to find the right entry point".

Pierre Molinero, portfolio manager-analyst at Ofi Asset Management notes that in regards to central banks generally, since the global financial crisis markets have gotten used to forward guidance.

However, the most recent flip-flop involving the Fed means he suggests that "maybe it is no longer a safe assumption and investors will have to accept a lack of clarity on officials' intentions".

"Monetary policy would be more flexible and quickly adjusted following change in data. In that case, the move from the Fed in January should not be seen as a U-turn but more as a pause in a turbulent environment.

"When we look at economic data, the US economy is still running hot. The unemployment rate is at a 60 year low. Wage growth is close to 4 % according to the Atlanta FED indicator. Headline inflation has recently decreased to 1.6% with the drop in oil prices, but core inflation remains higher that the Fed's target at 2.2 %. If, according to our view, the current economic slowdown does not turn into a recession, the lack of spare capacity could push inflation higher in the second part of the year. The Fed would probably react with a more hawkish view.

"In the short term, it will stimulate demand for EM equities and debt. The positive relationship between a lower dollar and positive performance of EM has remained strong. With a more dovish Fed and a widening twin deficit in the United States – expected to be 7% of GDP next year – we think the dollar is more likely to go down than up for the next six months. We favor local currency emerging debt which offers attractive yield. The JP Morgan Emerging Markets Currency Index has lost 40 % since 2010 and the cheap valuation of emerging currencies now provides a margin of safety. We are also positive on EM equities, including Chinese equities whose valuation looks massively cheap."

François Gazier, financial adviser – responsible for active allocation and fund selection at Haussmann Patrimoine also picks up on the point of wages in the US, noting that the idea the Fed will stay further rate hikes depends on there being no slippage on wages. For EM, the return of a 'Dovish' stance by the Fed "provides a breath of fresh air to emerging markets".

"The government's support measures, contributing to the Chinese component, continue to provide very attractive valuations, and a probable increase in the weighting of A shares in the MSCI Emerging Market Index.

"Subject to a positive outcome of the Sino-US negotiations, emerging markets offer advantageous entry points and attractive opportunities."

Gazier adds that: "We are preparing to raise [EM exposure] significantly, mainly on the Asian side."

Vincent Morel, in charge of fund selection at Financière Arbevel, and manager of the fund of funds Pluvalca MultiManagers, says his firm is still expecting rate rises this year by the Fed.

"After a freeze in the first part of the year our bond management team anticipates at least one rate increase in the second half."

For emerging markets, this builds on the story of EM assets, particularly in Asia, being relatively attractive so far in 2019.

"Given the microeconomic fundamentals that remain solid coupled with reasonable valuations, we therefore believe that the flows could return to the emerging markets in 2019, provided that trade tensions are appeased in the coming months."

"We strengthened our exposure to emerging assets in September 2018, mainly on Asian equities, given the strong market correction in the first half of 2018. We are currently maintaining our investments in that area, which account for 15% of our Pluvalca MultiManagers funds (diversified funds), of which 10% are in shares."

Giorgio Castiglioni, CIO – head of Advisory at Banca Passadore & C., brings a relatively similar view.

"I think the consensus is now over complacent about the Fed which, even being more dovish than previously expected, could still hike rates one or two times by the end of the year. Of course they are data dependent.

"I think that a more supportive Fed (which is our core scenario) is good news for emerging markets, especially if coupled with a weaker dollar." ■

"SUBJECT TO A POSITIVE OUTCOME OF THE SINO-US NEGOTIATIONS, EMERGING MARKETS OFFER ADVANTAGEOUS ENTRY POINTS AND ATTRACTIVE OPPORTUNITIES"

François Gazier, Haussmann Patrimoine

1.3% Q4 2018 YoY increase in total employment in Switzerland

CORD HINRICHS

Cord Hinrichs joined Corestone in 2016 to head up the Asset Allocation team and to manage and further develop client specific multi-asset class portfolios for the company. Prior to that, he worked for Suva, the Swiss National Accident Insurance Institution in various functions over time, as lead economist, portfolio manager for the Systematic TAA and portfolio manager for external manager selection for traditional asset classes.

Hinrichs has more than 15 years of experience in researching and modelling financial markets and held several positions as a senior economist at Feri, a renowned macro and fund research institute.

2.5% Q4 2018 YoY decrease in construction output in Switzerland

Open architecture is the foundation of Swiss manager Corestone's approach to multi-manager portfolio implementation. Ridhima Sharma finds out more

Passive before active

Corestone Investment Managers is an independent, employee-owned, asset management company, managing multi-asset, multi-manager portfolios for a wide range of institutional clients such as pension funds, insurance companies, private banks, endowments and family offices.

Founded in 2007, it is based in Zug, Switzerland, with invested assets under management and advice totalling over CHF36bn (€31.7bn) as of September 2018.

Cord Hinrichs, head Asset Allocation says: "In discussion with our clients, we deploy a mix of active and passive solutions depending on the asset class, its alpha drivers, its characteristics and the clients' risk profile. For us, passive is always the starting point and only if we have a high conviction of adding value in an asset class with active management do we go for an active implementation. Our clients' interests are fully aligned with ours and as a result the most cost and performance efficient solution for the overall portfolio will be used.

"Corestone has been in business for over a decade and our investment team has on average over 15 years of experience. Hence, besides regular database screenings with the traditional providers, it uses personal networks of funds and fund managers to keep its opportunity pipeline up to date and source possible new fund alternatives."

All funds go through an analysis process to determine how their underlying characteristics can best serve not only the individual asset class but also the overall portfolio performance goal over a cycle, Hinrichs further explains.

"Hence, we do have a list of 'buy'-rated funds which have passed this process and which can be deployed. This includes also backup asset managers in case a divestment of an implemented manager becomes necessary. We always implement managers in the context of the total portfolio, even if we only manage or advise on parts of the client's portfolio, so that they mix and match well with other strategies already in place, which can result in initiating new searches for managers."

SELECTION

"Besides an in-depth understanding of the asset class and also the preferred benchmark, we use our proprietary analytical platform to dissect and analyse each fund's performance to get thorough insights into its behaviour over a cycle. This deep understanding of all three components, asset class, benchmark and fund allows us to build portfolios better," says Hinrichs.

"Every fund we deploy to a client portfolio via our portfolio construction mechanism is there not only to play a crucial role when it comes to absolute performance, but more importantly to balance overall portfolio performance over a cycle and is always seen in relation to all other funds in the portfolio and their characteristics and styles as well."

A critical factor in the approach is recognising the level of experience in the business, which also contributes to being able to stick to the investment process and repeat performance patterns, Hinrichs adds.

KEY MAN RISK

A red flag for funds could be the exit of the single most important portfolio manager to a fund, even though key man risk is addressed during the selection process in order to minimise it Hinrichs says.

Equally, a high team turnover is a significant minus as past investment decisions cannot be used to analyse the current team and form expectations about future fund portfolio developments.

"Deviations from historical investment patterns which cannot be explained by the manager are usually a red flag for us and question the suitability of the fund in a client portfolio. Every fund has its role in the overall portfolio in terms of investment style and most likely performance pattern. If the continuation of the basis for this role is put in question, we divest.

> "DEVIATIONS FROM HISTORICAL INVESTMENT PATTERNS WHICH CANNOT BE EXPLAINED BY THE MANAGER ARE USUALLY A RED FLAG FOR US"

"The vast majority of our client base is institutional and the appetite for absolute returns funds is limited. The appetite for hedge funds from our clients is also limited. If we would have to choose, we would prefer 'regulated'," he states.

Regarding risk, he says: "For us, a suitable manager should not only be able to cope with the underlying investment risks and assess those properly, but should also have a framework in place to address a much broader range of possible investment and business risks to fit our needs." ■

0.23 years 2018 rise in average age in Norway to 40.28

How SDG funds grapple with moving goalposts

As schoolchildren across the world continue to go on 'strike' over climate change, Jonathan Boyd hears from SPP Fonder how the UN Social Development Goals provide a framework for stock selection that can generate returns

Philip Ripman is manager of the SPP Fonder SPP Global Solutions fund, a Ucits compatible equity fund that targets companies contributing solutions to environmental and social objectives as defined by the United Nations.

Investments made by the SEK5bn (€472m) strategy (including the Storebrand Global Solutions fund) also follow the sustainability objectives of SPP and its parent Storebrand Asset Management. This includes includes avoiding companies that are deemed to be in breach of human rights, employment and civil rights, or engaged in corruption, serious climate and environmental damage, munitions such as antipersonnel and nuclear weapons, or tobacco.

Companies are also avoided where they derive more than 5% of revenues from production or distribution of fossil fuels, weapons, alcohol, gambling or pornography.

Running such an approach is not straightforward and hidden issues need to be understood from a risk management perspective, Ripman suggests.

For example, in Japan there is an issue around coal power plants and financing. This points to hidden exposure to coal in Japan's banking system.

It is also the case that 'sustainability' in 2019 is not the same as deemed in 2012 when the strategy was first made available.

"The context was different, the market different and the data different to today," Ripman says.

"The fund has evolved around the discussion on sustainability."

COMMON LANGUAGE

Today, the UN SDGs provide a preliminary framework, which not only sets out a 'common language' and understanding of where sustainability is headed and the challenges faced, but also represents capital flows needed to deal with these challenges.

There are four specific themes addressed by the fund: climate, responsible production, empowerment, and sustainable cities. Each of these themes can cross multiple SDGs. And there are three sub-themes to each: are they complementary, are they necessary – anchored in SDGs – and are they supported by regulation.

An example of how the themes play out is in the area of climate change and renewables. This is not just about companies such as Vestas making wind turbines or solar operators, but also a company such as TPI Composites.

"If you believe wind power is growing globally or regionally, then TPI Composites supplies the majority of blades that go into wind turbines. Companies can benefit from capital flows to these areas," notes Ripman.

In terms of empowerment, which is more of the 'S' in ESG, there are three factors required to achieve greater levels of empowerment globally, which includes: access to digital services, access to financial services and access to health services – less than half the world's population has access to basic healthcare services, Ripman notes.

Again, this is anchored in the SDGs, where, for example, neonatal and maternal health is targeted.

TRENDS

Discussing longer term trends, Ripman points out that there is "not going to be less solar power in five years".

And in wind power, Japan is looking at offshore wind because of the energy crisis linked to the Fukushima nuclear power plant disaster, which has seen higher electricity prices transferred to the consumer. There is a need to find solutions.

"Regardless of the way the world develops, to a certain extent these are long term trends not being greatly affected in short term," says Ripman.

"There will be months when we perform badly, but on the overall objective, these are long term trends and there are companies positioned for them."

BIAS TILT

Although the fund uses the MSCI All Country World Index as its benchmark, there is a small cap tilt in the fund, Ripman notes. This is seen as the result of looking to more pure play oriented companies that are more impactful in the totality of their operation.

That said, for a fund to function there also has to be a certain level of liquidity, and hence need for some balance between the market cap sizes, Ripman adds.

"I agree with idea that large caps have the potential for more change through their R&D budgets. Some companies on the digital side have the capacity to build out things quickly with the muscle that their big cap positions has."

But it still means looking for large cap with anchors in the SDGs, and the themes Ripman is looking to address in the fund.

GICS

Reference to SDGs is also having an impact on diversification between Global Industry Classification Standard (GICS) sectors.

As a 'fossil free' fund, there is an implication for SPP Global Solutions in regards to GICS sector 10, Ripman says. This 'Energy' sector includes oil and gas exploration, refining and transportation, as well as coal.

And it means that, for example, parts of GICS sector 55 – Utilities – may need to be taken out as well.

However, it also needs to be remembered that companies are in a transition period that could happen slowly amid regulatory and political quagmire. There are some restrictions on the industrials the fund might consider. And then it depends on where the solutions companies come in.

The fund is overweight industrials, because of the solutions companies derived from that sector. It is slightly overweight telecoms, and utilities – where it is picking green energy companies.

There are no active restrictions on GICS sectors, but they may be less interesting from the point of view of the main themes of the fund – it is hard to fit oil and gas into those themes, although that is not to say that ESG themes are not relevant to oil and gas *per se*.

Ripman also points to what he describes as the elephant in the room: overproduction of oil relative to the Paris Agreement, which may be an issue in regards to Social Development Goal 13, which refers to Climate Action.

"I want to have a fund anchored in the SDGs and companies providing the relevant goods and services," Ripman says.

He expects evolving focus on what to do about the challenges.

He suggests that ESG has traditionally been focused on, for example, reducing emissions year on year, or water intensity, or things that companies can measure on a year on year basis. But what is missing, he feels, are the actual products and services, and the actual impact those products and services have on society at large.

There are a lot of companies coming through that understand their impact on the world around them. The data is coming through.

And in the European context, the taxonomy on sustainable finance is coming through from the European Commission.

"This will force companies to talk and think about their impact in a different way than they did previously," Ripman says.

"There are many small companies much more concerned about the 'why' of their existence – as time goes by, we will see more of those companies come on through." ■

DRIVEN BY DEMAND

There are likely to be ongoing changes to both the investment themes covered by funds targeting SDGs, as well as reflecting changes in investor demand.

Philip Ripman suggests that education, especially education of girls, is one of the themes he would like to look more closely at, but is not yet mature enough as an investment theme to engage with; there are few companies that enable exposure to the topic in a way that makes sense, he says.

But themes such as these will mature over time, he argues.

In terms of investors, the experience he has in the Nordics suggests that Sweden as a market has come furthest in terms of specific demands. Norway is "a bit behind" but moving in the same direction. Denmark is moving along the sustainability curve albeit being a bit behind Sweden and Norway, he feels.

Meanwhile, the UK, another market that Ripman has experience of, is finally getting past the discussion of fiduciary duty, with, for example, requirements to show how long term savings are being dealt with from a climate perspective.

Similarly, municipalities throughout Europe are being forced to show how they are dealing with climate change.

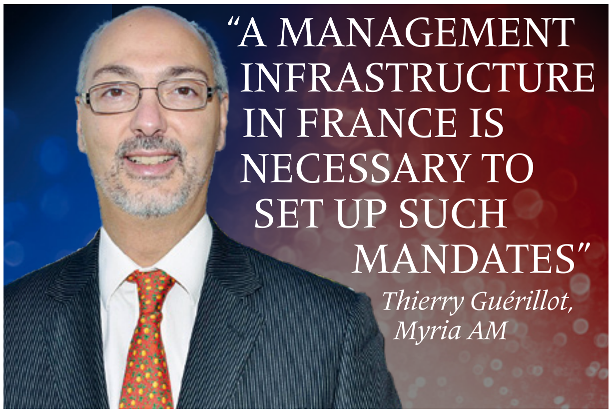
0.1% Increase in price of frequently purchased goods in hyper & supermarkets in France in January 2019

Labelling the future

Thierry Guérillot, vice managing director at Myria AM has outlined key facets of the manager's white labelling service. Elisabeth Reyes reports

White labelling of funds is not a new phenomenon *per se*, but a market such as France brings with it particular requirements when engaging in such practices.

That is part of the explanation put forward by Thierry Guérillot, vice managing director at Myria AM – part of the Group UFF (Union Financière de France) – who has outlined for *InvestmentEurope* the path being taken.



"A MANAGEMENT INFRASTRUCTURE IN FRANCE IS NECESSARY TO SET UP SUCH MANDATES"
Thierry Guérillot, Myria AM

Can you tell us more about your new white label hosting service?
French institutions sometimes insist that their tender invitations have a mandate in France. A management infrastructure in France is therefore necessary to set up such mandates.

We offer this management infrastructure as a service to foreign management companies allowing them to respond to these tenders. In practice, we are a financial management delegation which is part of a group management company. These mandates are based on our partnerships with Caceis.

Where does the idea come from?
This idea is not new. The practice of hosting has existed for many years. The UFF, our parent company, is a pioneer in the field, building its range of funds in this way since the end of the 1980s.

At Myria, this hosting service is part of our main activity which is to build a whole range of French funds under the financial management delegation.

This is done on behalf of the UFF and its exclusive network of advisors in wealth management. Today, our assets under management in this framework exceed €2bn.

How long would it take to set up a new fund for this type of clients?
On average our implementation time is estimated to be between two and three months. To be more precise, we take into account deadlines that we do not directly control such as a custodian validation of a new consideration, amongst other matters.

What types of funds are the most suited?
All types of funds can be considered as long as they are in a Ucits format, on condition that the management does not involve too complex a product.

We have already build a global diversified equity approach – French, European, international – as well as a dedicated EM diversified equity approach. Since the end of 2017 we have already bid for three separate tenders, the first on a European equity fund on behalf of a Swiss law-based management company, the second on a US equity fund on behalf of an English law-based management company, and more recently for a Japanese equity fund on behalf of a Japanese management company.

Is this a direct procedure?
We closely monitor major public institution bids in asset management and we are in direct contact with some consultants for smaller institutional mandates.

For a given tender, first we use a "push" process: we contact the asset management companies with whom we already work within the framework of our multi-management activity, and suggest a combined response. But, we are also open to "pull" approaches by foreign management companies who are familiar with our management hosting service.

How many customers/prospects have you obtained so far?
On behalf of the UFF, we host 10 asset management companies.

Is this white label hosting service available in other countries? Do you have any examples of other AM companies already doing it?
I am not aware of this hosting practice in other countries, but I doubt it is just a French service.

Is there a minimum/maximum investment required to set up these funds?
Considering the costs inherent in our hosting service, the retention of assets and the valuation of the fund, I would say that it would make sense to consider at least €10m.

How are you commercialising the service?
We do not have a dedicated sales department in this area. We promote this service to the AM companies that we either already have a business relationship with or have met as part of our multi-management business. ■

214 million Passengers passing through Paris Gare du Nord every year

Taking advantage of the disruptors amidst the key global trends ongoing, such as the ageing population, is at the heart of thinking about so-called megatrends. Elisabeth Reyes has discussed developments with Guillaume Di Pizio of Dauphine Asset Management

Buying trends

Roughly a year ago saw the launch of the Dauphine MegaTrends fund by the Paris boutique Dauphine Asset Management.

This followed the approval of a licence by AMF, the French regulator, for the asset management activities of the firm, which previously focused on wealth management and advisory services.

Previously, Guillaume Di Pizio was appointed chief investment officer as part of the preparations for the launch of the fund, and he has commented on its first year.

What has happened in the first year of the fund ?

Despite a very complex and volatile year, the Dauphine MegaTrends fund has met our expectations on its ability to weather market rise phases whilst also being more resilient during the corrective movements.

Indeed, this asymmetric performance is the result of a single management process, allowing our equity fund to display volatility close to 12% as compared to 15%+ for most of the funds and indices in the international equities category.

2018 clearly illustrated the need to adopt a new management approach in order to avoid locking itself into certain styles of funds (growth, value, small caps...), or into a geographical area (USA, Europe, EM) or into passive management (index, ETF). On the contrary, better to combine these approaches in order to have several performance engines. Our approach is resolutely multi-thematic, focusing on the value created by ecosystems shaping tomorrow's world.

Did you make any specific adjustments to the strategy during the past year?

We have identified four major growth trends, permanently present in the fund: The demographic challenge in the lengthening of lifespan; the ecological challenge dealing with the depletion of natural resources and the carbon footprint; the societal challenge, as populations gather more in cities rather than in rural areas; and the technological challenge, with the digitalisation of all sectors. But the weight of each of these megatrends can vary between 10% and 40% within these themes.

The launch date of the fund coincided with the start of the Trade War, so the trends in natural resources and globalisation were overshadowed by profits in digitalisation and health.

Over the course of the year, we have gradually stepped up our security exposure, which has become paramount in the fund. This ranges from hacking to infrastructure monitoring, through to food and personal security, thanks a thematic fund and a tracker on cybersecurity.

A liquidity buffer was created in September by taking profits on certain technological themes such as blockchain or fintech.

At the end of the year, the uncertainties about Chinese growth seemed exaggerated, so we reverted to household consumption in Southeast Asia to reinforce the 'New Consumption Methods' theme.

What are the new trends in thematic funds to follow and why?

The new trends in thematic funds sit on two main axes.

First, technology 'sub-themes' such as fintech, blockchain, Industry 4.0, etc.

The second major area is surfing the ESG wave and SRI. Some funds in search of performance 'at any cost' get labelled. The idea that investments have an impact on companies in the finance world, helps them to decarbonise their production or to evolve it according to the 17 objectives of sustainable development defined by the UN.

Are you planning any more product launches?

Among the themes that we consider to be promising and perennial, we are particularly interested in the organic farming market. We are afraid that while consumers are unanimous in the refusal to continue to ingest more pesticides, few governments are taking any action in this area. Yet the organic market is estimated to be over $100bn in 2018 and could reach more than $320bn in 2025, ie 17% growth per year." ■

"DESPITE A VERY COMPLEX AND VOLATILE YEAR, THE DAUPHINE MEGATRENDS FUND HAS MET OUR EXPECTATIONS"

Guillaume Di Pizio,Dauphine Asset Management

€199.3bn Value of goods traded between Germany and China in 2018

Big data, algorithms and artificial intelligence to bring changes to portfolio management. Ridhima Sharma reports

Fund industry prepares for digital transformation

According to a survey performed by the German Investment Funds Association, BVI, the investment funds sector is facing huge challenges from technologies such as blockchain, big data, artificial intelligence and cloud computing.

The survey of the senior management of all BVI member companies was conducted in December 2018. Altogether, 345 decision-makers took part in the survey, representing around €3trn in fund assets.

The results revealed that the main focus with regard to technology is on the digitalisation of processes (72%) and the updating of IT systems (63%). 40% of companies cite protection against cyber-attacks as the main focus of their investment. Robo-advice is not given as much consideration: only a quarter of those surveyed plan to invest in automated asset management.

Investment companies believe the impact of disruptive technologies will be felt most strongly in the area of administration (56%), while portfolio management (37%) and sales and distribution (36%) will be less affected. Of particular relevance, apart from the automation of processes, is the removal of intermediaries from the value chain.

Blockchain, or distributed ledger technologies – the subject of much discussion in recent years – and digital transformation are not seen as drivers of growth in the sector per se, but the rationalisation of processes is expected to result in considerable improvements in efficiency and cost savings within the sector, for instance in dealing with increased compliance and reporting requirements.

Survey participants expect the greatest change in portfolio management from the use of big data (54%), algorithms (53%) and artificial intelligence (51%).

EU HARMONISATION NEEDED

Thomas Richter, chief executive officer of BVI, comments: "The investment funds sector will see radical change as a result of digital transformation.

"The use of blockchain, big data, artificial intelligence and cloud computing is currently impeded by regulatory and practical constraints. For instance, in order to issue negotiable instruments via blockchain, Germany would have to adapt its company law and do away with paper certificates."

For digital issuing of securities by way of token securitisation, securities legislation would have to be harmonised at European Union level. It is currently too fragmented.

Also, there are no standards or rules for the safe custody of digital securities. To enable such securities to be held by custodians, the issuing of digital identification numbers is necessary.

To prevent fraud and theft, token trading, all stakeholders and trading and settlement platforms would also have to be subject to relevant regulations, such as Mifid II and the European Union's Market Abuse Regulation and Central Securities Depositories Regulation. BVI is therefore calling for a stable legal framework to ensure that the sector will be able to issue, buy and settle digital securities legally in the future.

To achieve this, high-capacity, state-of-the-art IT infrastructure is essential.

The survey found that the investment funds sector is accordingly investing large amounts into its IT systems. In 2018, 84% of survey participants were planning to increase investments in their IT infrastructure. In 2019 again 73% plan to do so. This expansion also means an increase in the need for qualified staff. Of those surveyed, 37% expect an increase in the number of IT-related jobs in the sector in 2019. ■

-0.6% Q3 to Q4 2018 fall in foreign cross-border commuters in Switzerland

Speaking out

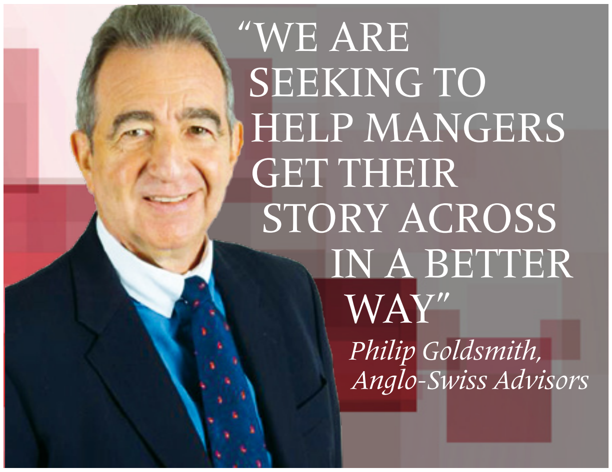
Anglo-Swiss Advisors the distributor and consultant, recently inked a deal with Incisive Business Media to provide services to groups looking to improve the chances of their managers closing deals with buyers. Jonathan Boyd caught up with one of the founding partners to find out

Anglo-Swiss Advisors, based in Aubonne, Switzerland, was founded by three industry veterans from both the sell and buy sides.

They include: Philip Goldsmith, managing partner – previously head of Sales, Global Private Banks at Standard Life Investments, Ignis Asset Management, and New Star Asset Management, and who helped establish the Association of International Life Offices (AILO) while working as Sales and Marketing director at Old Mutual International – Laurent Auchlin, managing partner – who most recently was in charge of a new service for UHNWIs at Credit Suisse, and for 15 years to 2015, launched and headed the Open Architecture Department at Lombard Odier – and Jean-Marc Bianchi, partner – who previously established and managed a Swiss equity fund at Gonet & Cie, for La Française AM Lux, and held various positions at Lombard Odier Bank, including management of multiasset portfolios for Swiss and European Institutions.

In September last year the business obtained a distribution licence from the Swiss Financial Market Supervisory Authority (Finma), allowing it to distribute collective investment schemes, both domestic and foreign, to investors in Switzerland.

Also offered are consultancy services to private banks and family offices with outsourced manager or fund selection criteria – reflecting an industry trend in the face of increasing cost pressures. And then there is the service to looking to improve the chances of their managers closing deals with buyers – who are attending events hosted by Incisive Business Media and related publications such as *InvestmentEurope* – by analysing the people and processes involved in presentations in order to put forward suggestions to make those presentations more effective.



The ability to consult is based on the more than a century combined of financial industry work performed by the three partners; which includes more than two decade of selecting funds and attending over 5,000 fund manager presentations over that period.

"We are seeking to help mangers get their story across in a better way," notes Goldsmith, adding that the combined experience of the partners means they know what managers ought to say "to get better traction, as well as what not to say".

MANAGER'S SPEECH

Regarding this latter part of the consultancy business, the approach is to collect and analyse all data on a particular strategy before meeting the responsible teams, then pursue workshop meetings at a manager's own office, to generate constructive outcomes that obtain buy-in from investment, marketing and sales teams.

This process leads to production of a summary that can be used to improve the efficacy of presentations to other financial professionals, such as fund selectors.

The deal with Incisive Business Media (owner of Open Door Media Publishing, the publisher of InvestmentEurope) comes off having had some two decades of prior knowledge of the firm, explains Goldsmith.

"We believe that our workshops will help fund managers get the most out of Incisive Business Media's excellent investment forums by helping them position their funds in a way that will best appeal to the fund buyers who attend.

"In our workshops, with our team's many years' experience as fund buyers we can help the fund manager understand what is really needed in order to raise assets for their fund."

It is relatively early days yet, but should the various business lines – distribution and consultancy – grow, then there would be a need to bring more people on board, acknowledges Goldsmith.

However, he adds that given the sorts of discussions ongoing to gauge interest with those that may have significant industry experience, this may also include those who may be looking for a role on a semi-retired basis. ■

1,920 Number of Sicavs registered in Spain out of a total of 2,735 with between 100 and 150 shareholders

Tax reforms lead industry to fear for the future of Spanish Sicavs

Spanish government proposals to transfer the supervision of Sicavs back to the Treasury are causing a stir in the local fund industry. Eugenia Jiménez reports

The Spanish executive recently announced plans to return the control of Sicavs to the Ministry of the Treasury, 14 years after this was granted in exclusivity to the National Securities Market Commission (CNMV).

The measure was included in the government's budget for 2019 which was defeated in Parliament on 14 January, forcing the Spanish prime minister Pedro Sánchez to call a snap election for 28 April.

Should the proposal finally be approved, the CNMV would lose its current tax scrutiny powers. However, it would continue to have the power to decide whether any action is to be taken on irregularities after receiving reports from the Treasury.

It is the assumption that the tests Sicavs would need to pass in order to qualify for such status and consequently to apply for their "special" tax regime will become harder to pass in the hands of the Treasury that has caused concern within the industry.

If an increasing number of Sicavs fail to meet the requirements supervised by the Treasury, the survival of this investment vehicle could be in question.

THE CURRENT REGIME

Under current Spanish tax legislation, investors using Sicavs or investment funds pay 1% tax on capital gains as long as they hold their investment, and provided that certain requirements are met.

However, when they sell their holding – whether in a Sicav or fund – they pay the same progressive tax rate of 19% (€0-€6,001), 21% (€6,000-€50,000) or 23% (over €50,000).

The minimum capital threshold for Sicavs in Spain is €2.4m, and in order to qualify for the tax regime already mentioned, a Sicav needs to have at least 100 shareholders. However, there is no maximum percentage a single shareholder can own, which means this supposedly collective investment vehicle can be therefore controlled by a single family or wealthy individual by naming a series of surrogate investors, known as "mariachis".

The requirement to have at least 100 shareholders in order to be considered a collective investment institution is exclusive to Spain and Portugal across Europe. In France it is required that they have a minimum of two.

According to the latest data from the CNMV, covering the third quarter of 2018, over 70% of Sicavs in Spain would have to pass the tax examination, as they meet the 100 shareholders' requirement narrowly.

Specifically, of the 2,735 Sicavs registered in the CNMV, almost 2,000 have between one and 150 shareholders.

These figures call into question the legitimacy of the shareholders' status as registered Sicav participants, a key nuance which has lead the industry to fear a potential "witch hunt" by the Treasury.

INVERCO REACTIONS

The Spanish investment and fund association Inverco has warned the sector could shrink 12% this year if the government's proposal is approved, with Sicav AUM dropping to €25bn by December 2019. This would be its lowest level since 2013, when AUM was €27.33bn.

Inverco's president Ángel Martínez Aldama has urged the government to equalise Spanish Sicav requirements with those of the rest of Europe in order to avoid a potential capital flight.

According to law firm Ashurst, Spanish Sicavs are planning to move to other jurisdictions, not just because of the greater tax pressures in Spain but also with the aim of finding more legal certainty.

"Luxembourg has been chosen as the best destination, because its tax regime is advantageous. Luxembourg Specialised Investment Funds (SIFs) are taxed at a 0.01% CIT rate on net assets," points out a report from the firm.

With regards to the government's proposal Martínez Aldama says: "The recent defeat of the budget plans for 2019 in Parliament has given us some peace. And although the fall could be lower, uncertainty remains." ■

SPANISH SICAVS

Sicav distribution 2017

Shareholders	No. of Sicavs
Over 10,000	0
5,001-10,000	2
3,001-5,000	2
1,001-3,000	6
501-1,000	14
401-500	8
301-400	86
201-300	263
151-200	395
100-150	1,920
50-99	17
0-49	22
Total	2,735

Evolution over the last decade

Year	No. of Sicavs
2008	3,330
2009	3,220
2010	3,113
2011	3,045
2012	2,967
2013	3,029
2014	3,226
2015	3,368
2016	3,190
2017	2,887
2018	2,735

As at 30 September 2018 Source CNMV, data as to Q3 of 2018

With parliamentarians actually leaving the UK's mainstream political parties over their Brexit stance, it has looked increasingly likely that a no deal exit will happen, unless an extension can be agreed

Negotiations go down to the wire

The past month saw a number of politicians leave both the Conservative and Labour parties in the UK to sit as independent members of Parliament (MPs), citing the failure to deal with Brexit – among other issues – as a key reason for their collective action.

The establishment of the Independent Group by these MPs among other things meant that the working majority of the minority Conservative government was cut further. As of writing it was uncertain if other MPs would join, but there were warnings that the Cabinet would fracture further should prime minister Theresa May continue to allow a no deal exit as an outcome. A "meaningful vote" has been promised UK MPs for 12 March, while a proposal put forward on 26 February suggested if Parliament rejected the withdrawal agreement, there would be additional votes on delaying Brexit or ruling out a no deal Brexit.

The uncertainty led ratings agency Fitch to put the UK's AA rating on negative watch, citing "substantial disruption to UK economic and trade prospects" should a no deal event take place. It also warned that it did not believe there was scope for any fundamental renegotiation of the withdrawal agreement – which was rejected by UK parliamentarians in January.

Another piece of evidence that the financial industry has now decided that there is little hope of a deal being done in time for the Brexit deadline came via Aviva, the UK insurer, which received regulatory approval in February to shift €9bn of assets to Dublin – on top of earlier approval to shift some £1bn worth of assets to Ireland.

According to the judge who approved the shift: "The evidence of [the transferor] is that the uncertainty over the Brexit negotiations means that if it delayed further and did nothing, there is a real risk that substantial numbers of policyholders would be materially prejudiced in event of a 'hard' ['no-deal'] Brexit by the loss of [the transferor's] EU passporting rights."

SHARE TRADING ROADBLOCK

Another challenge to investors has been flagged by Nick Tye, regulatory solicitor and Marco Boldini, head of financial services regulatory – legal, at PwC. They note the fear

"THERE IS REPORTEDLY POLITICAL PRESSURE FROM WITHIN THE EU TO RESIST GRANTING LONDON-LISTED SHARES EQUAL STATUS

Marco Boldini, PwC

that investors, investment firms and asset managers based on the Continent could face difficulty buying London listed shares of major companies if there is a no deal outcome.

This fear is based on an interpretation of Article 23 of EU Regulation of 15 May 2014 on Markets in Financial Instruments (Mifir), which requires investment firms to ensure trades take place on a regulated market, multilateral trading facility or systematic internaliser, or a third-country trading venue assessed as 'equivalent'.

If share trading in London is not granted equivalence, then they could face a ban on executing trades on London traded dual listed securities, that is, those securities that are also traded on other EEA trading venues.

"There is reportedly political pressure from within the EU to resist granting London-listed shares equal status in the event of a no deal Brexit in March," Tye and Boldini noted, adding that the example of Switzerland does not hold out significant hopes for an easy deal for London.

An equivalency deal there was time limited to the end of 2018; it has since been extended for another six months, but the challenge is it has been linked to ongoing discussions on the Institutional Framework Agreement between the EU and Switzerland, which covers bilateral arrangements on matters such as free movement, industry standards, agriculture, air and land transport.

"As the possibility of a no deal Brexit approaches we will hopefully see some movement from the EU Commission. At this stage, however, this looks unlikely to extend to granting UK exchanges with full equivalence." ■

-0.4% ECB deposit facility rate

Having been out of favour among global asset allocators for some time, the threat of recession and economic crisis could renew the possibility of selective value in eurozone bond markets. Cherry Reynard reports

Cautious and selective approach needed

For some time, eurozone debt has held little interest for global asset allocators, and with good reason. Yields were dismally low and investment only really made sense if investors feared an imminent recession or some type of geopolitical crisis.

However, today, both recession and crisis look possible in the region. Is there selective value in the eurozone bond markets?

At first glance, there appears little absolute value. The German 10-year Bund recently offered a yield of just 0.1% – well behind annual inflation of 1.4% and also behind the yield on the equivalent bonds for its peers. US Treasuries sat at 2.7%, while the 10-year Gilt was at 1.2%.

This seems a poor return for the privilege of lending money to the German government and condemns investors to a negative return.

THE 'GREATER FOOL' ARGUMENT

David Jane, manager of the Miton multi-asset range, says: "There is no absolute value there and investors are being offered nil return. The only reason that they would take the risk is that they believe the currency will appreciate relative to their own.

"Alternatively, there is the 'greater fool' argument, where people take the risk because they believe someone will buy it from them."

The problem is that quantitative easing has recently come to an end in Europe, and with it the support structure that has kept yields low. The problem has been obscured by a particular investor attitude to risk in recent months: whether the Bund yield – to which all other eurozone sovereigns are benchmarked – can remain low largely depends on an investor's view of the outlook for Europe.

Nicola Mai, portfolio manager and sovereign credit analyst at Pimco, says: "Bund yields are likely to remain anchored by weak growth and persistent political risk and volatility. The Bund curve is steep, which helps carry.

"We think value is decent in Bunds despite the low absolute level of yields."

In other words, as long as the outlook for Europe remains weak, Bunds have a role in a portfolio.

BEYOND BUNDS

Elsewhere among eurozone sovereign bonds, investors are being selective.

Jane, for example, has made some short-term profit by trading Italian government bonds, which have been volatile in the face of political unrest. However, he does not own any today.

Mai agrees, saying he is cautious given the weak macroeconomic data and significant political risk. Italy's anti-establishment coalition government continues to draw the ire of EU officials for its stance on migrants and its fiscal policy.

Few believe that the plans to increase spending will kickstart the Italian economy after years of stagnation. Mai believes that while Spain is stronger than Italy, it is not immune to Italian risk and he is therefore avoiding that area as well.

Nevertheless, peripheral European bonds do find some supporters.

Richard Hodges, manager of the Nomura Global Dynamic Bond Fund, argues that they will be supported

0.25% ECB marginal lending rate

by continued accommodative policy from the ECB, and by the lower absolute level of German government debt yields.

Until recently France looked like the bright spot of Continental Europe, boasting a charismatic new president with reforming zeal. But problems have been heaping up.

The economy has failed to ignite and president Macron has struggled to push his policies through amid the rise of the infamous *gilets jaunes* (yellow vests) movement.

Mai says: "France also looks tight versus Bunds – a 45bps spread on 10-year – given relatively weak fundamentals. We view France as a cheap eurozone risk hedge."

Mai says they are generally light on illiquid eurozone sovereigns given medium term risk, preferring liquid investments across the group's portfolios.

Meanwhile, key factors remain in play: investors continue to hold the asset class because they either have to or believe there will be a deterioration in economic conditions; the withdrawal of quantitative easing may be occurring even as expectations remain that eurozone rates to remain low for some time; populism and discontent with living standards are set to meet European elections in May, which may prompt more promises of spending.

In the French case, this comes on top of Macron's response to the yellow vests protests, in the form of a pledge to cut taxes for pensioners and minimum wage increases, which could cost an additional €8-10bn.

CORPORATE BONDS

The corporate bond market appears to offer more value: spreads over government bonds are materially wider than there were a year ago.

However, Jane points out that Santander's recent missed call on a co-co repayment said something about the nature of eurozone bond markets today.

"Santander didn't need to buy it. It shows that issuers recognise that this is the cheapest money they are ever going to get."

This is not good news for those investors who are on the other side of the trade. He compares it to the equity return, saying the bonds have the same downside risk, but with less return.

Royal London Asset management also believes the eurozone credit market is expensive; the distortion of quantitative easing has made credit generally 'rich' compared to other markets.

It points out that at the end of December, the Bank of America Merrill Lynch Corporate Euro Index had a credit spread over government bonds of 1.47%; this compared with an equivalent sterling index spread of 1.76% (the rating structure of the two relevant indices is similar).

Nevertheless, while the market has few champions M&G's investment specialist Carlo Putti says it may be more resilient than people believe should there be a downturn.

"BUND YIELDS ARE LIKELY TO REMAIN ANCHORED BY WEAK GROWTH AND PERSISTENT POLITICAL RISK"

Nicola Mai, Pimco

On the group's *Bond Vigilantes* blog he writes that: "Only time will tell whether the eurozone goes into recession, but if we do have a recession in Europe, while European credit will likely underperform, the magnitude of this underperformance probably will not be as extreme as that which we saw in the sovereign debt crisis of 2011-12.

"This is not only because the ECB remains a significant investor in the market (through its QE investments), but also because the composition of the market has changed drastically over time, making the European corporate bond index more diversified."

The European investment grade index has changed in two major ways since 2010: the financials exposure within the index has decreased considerably, from 53% in 2010 to 35% today.

A VULNERABLE SECTOR

The financial sector remains among the most vulnerable during a downturn, particularly the eurozone banking sector, which still has legacy problems from the global financial crisis.

The regional concentration of the index has decreased, from 85% Europe in 2010 to 76% today. This exposure has been taken up mainly by the US and emerging markets, making the index more geographically diversified and, implied, more resilient to shocks.

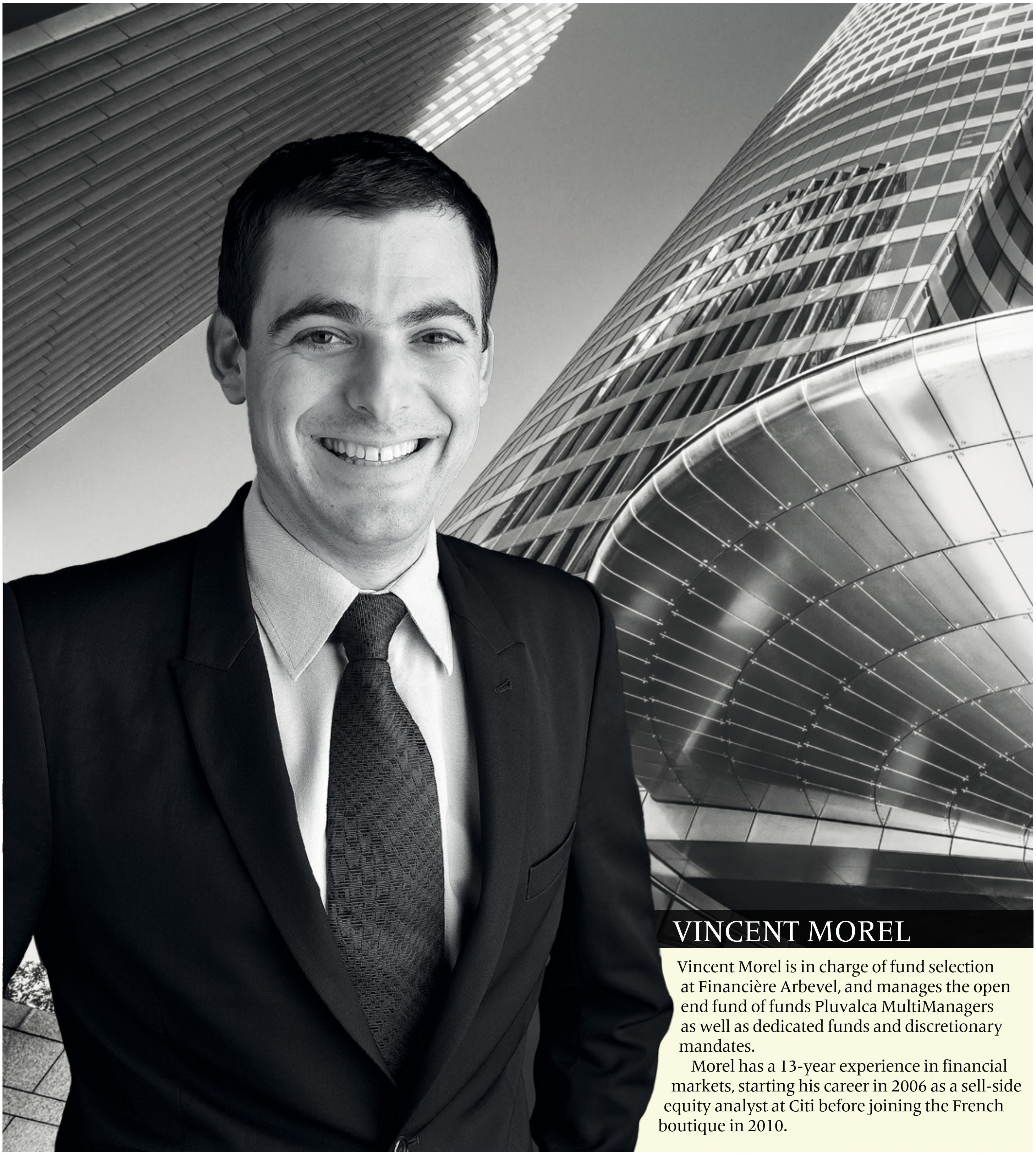
Only one fund in the UK Investment Association's European Corporate Bond sector is in positive territory for the year to date and only six funds (out of 58) over one year.

Sovereign bond funds have fared even worse, with the top performing fund (Amundi Bond Euro Government) down 1.4% for the year to date and the majority of funds down more than 2%.

These are difficult times for European bond markets. The best that can be said is that valuations are more compelling than they were a year ago after a weak period for the asset class.

However, there are many risks ahead and it is not clear that there is sufficient compensation for investors. It is a market that needs to be approached with caution and selectivity. ■

103.01 Consumer Price Index CPI in France in January 2019



VINCENT MOREL

Vincent Morel is in charge of fund selection at Financière Arbevel, and manages the open end fund of funds Pluvalca MultiManagers as well as dedicated funds and discretionary mandates.

Morel has a 13-year experience in financial markets, starting his career in 2006 as a sell-side equity analyst at Citi before joining the French boutique in 2010.

551,000 sq km Area of France, the largest of any EU member state

See fund, think company

Vincent Morel at Financière Arbevel explains how thinking about funds as companies helps in the selection process. Elisabeth Reyes reports

Financière Arbevel was created in 1997 and acquired by its current managers Jean-Baptiste Delabare (president) and Sébastien Lalevée (director general) in 2008, with asset management services being relaunched by March 2009. Assets were some €25m held in two funds, with the business comprising four staff.

The business was positioned as a stock picking specialist, based on fundamental analysis, with additional analysis of the quality of management at the heart of the asset management philosophy. It has been focused on the small and mid cap area, where it is felt there is an information edge available because of lack of research coverage.

Expertise has extended into areas such as European small caps, and management of bond assets and cross-asset capabilities.

The result is that the firm now counts some 15 investment professionals, with €1.6bn of assets under management, as of the end of December 2018.

QUALITATIVE ANALYSIS

Vincent Morel, private wealth manager, works with fund selection at the firm, in a team of three, as he explains.

"The selection of funds is done totally independently by a team of three people: myself and two other private wealth managers; Frédéric Bost and Jean Raoul-Duval.

"First we put together a quantitative analysis of the manager's track record and of the make-up of the portfolio.

"However, the qualitative analysis is the most important criteria in our selection process. We treat a fund as if it was a company and we insist on meeting the managers in order to identify those that share Financière Arbevel's approach. We then ensure that their investment decisions are based on a comprehensive analysis focused on companies."

He adds: "We look to assess future potential performance by questioning managers on their positioning and strong convictions."

DELIVERING DIVERSIFICATION

Boutiques are another area of particular interest, adds Morel.

"Many family offices have pointed out to us that, when consolidating their clients' credit notes, the portfolios of which are managed by different companies and/or banks, they usually find that the same funds are selected, which therefore does not deliver any expected diversification.

> "WE TREAT A FUND AS IF IT WAS A COMPANY AND WE INSIST ON MEETING THE MANAGERS"

"We concentrate our research efforts on management companies with a similar profile to Financière Arbevel: entrepreneurial, independent, and businesses that are owned and managed by their directors and employees.

"We specifically look for foreign management companies as we believe being based locally provides better access to companies and information. Furthermore, geographical diversity allows management companies to express different points of view, thus allowing them to run portfolios more efficiently."

Morel adds: "Lastly, we are not constrained by the length of track records or minimum outstanding.

"We do not hesitate to incubate new funds, because we believe that a manager has the ability to generate more alpha when the size of the fund remains limited."

In terms of the 'red flags' that Morel and his colleagues look for, it is very much focused on the risk management skills ongoing.

"On a daily basis we monitor the performance of the selected funds and each manager's main convictions.

"We always ask for explanations when we see any abnormal underperformance, but also in cases of surprising overperformance. We look to understand the risk taken by each manager and the skills they use to run their investments."

HNW ATTITUDES

Looking forward, Morel says that one trend he anticipates is the shift in attitudes of high net worth individuals, as they continue to react to experiences a decade ago during the global financial crisis.

"Many investors have been hit by the 2018 market correction, particularly by the size of the movements, which were amplified by technical factors.

"We believe that these investors are now trying to get closer to the real economy as well as the business world, so that their investments make more sense.

"Therefore over the next few years we will see an increase in the share of non-quoted investments in HNWI portfolios," he concludes. ■

200 years World Economic Forum estimate of time before global gender parity

Current figures on global gender parity including the latest UK pay gap data prove how much remains to be done to tackle the inequality women experience in the workplace, including in the financial sector. Eugenia Jiménez reports on steps being taken to redress the balance

Breaking the glass ceiling

The World Economic Forum's latest Global Gender Gap Report suggests that gender parity is more than 200 years away, and that no country in the world has yet achieved this target.

When looking specifically at the financial sector, gender parity figures are even more skewed. The WEF data suggests 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, with the 'old boys club', the 'motherhood penalty' and opaque bonus criteria cited among others, while unconscious biases are probably at play too.

Figures produced last year in response to legislation found that in the UK's financial industry median pay gaps were 41% at Bank of America and 36% at Citigroup for their UK operations.

For its part, the Bank of England reported median pay disparity actually increased from 24.2% to 24.6% – that is the average higher pay of male staff over female staff. The gap in bonuses also increased, from 25.6% to 26.4%.

Kate Webber, managing director and head of product development at Calastone, which provides a global transaction network for the asset management industry, says: "The private sector has a habit of keeping individual pay private, including at grades. Women do not tend to ask for the pay rise months in advance and prepare their case on why they are worthy of the rise and their value to the firm.

"Organisations pay what they can get away with. This makes good business sense, but at some point, organisations also need to take responsibility for reviewing the pay journeys of men and women and ensuring that they are comfortable with the differences, if indeed they exist, simply because they are the only ones who know the relative pay levels."

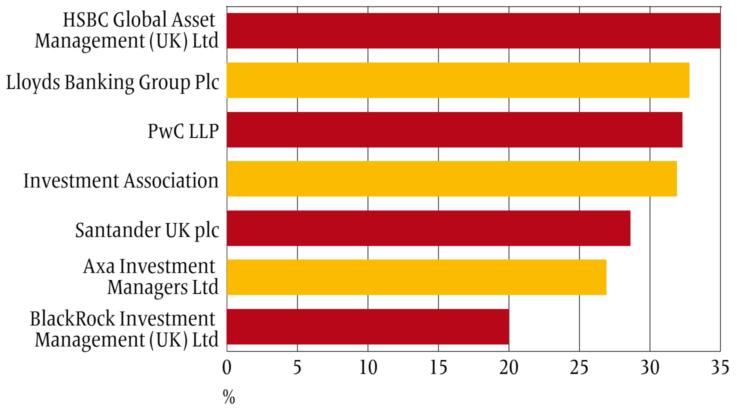
WiAS LAUNCH

Webber was involved in the launch of the Women in Asset Servicing (WiAS) network in October last year.

This initiative targets women working in asset servicing and aims to foster collaboration across companies to enable greater female representation in senior positions.

"Asset servicing is the point at which the industry meets the customer, the investor," Webber says.

GAP IN UK MEDIAN PAY IN FAVOUR OF MEN



Source BBC

"The customer base is changing fast, including positively more women than ever before taking control of their own finances. I do not think that many women would ask their partners or their fathers to manage their investments on their behalf these days. The Victorian era is long since gone."

The WiAS network actually targets both women and men of all levels, to help build a more inclusive industry.

Webber comments that although more women on boards is imperative, it is also important to help them gain enough confidence to take the next immediate steps, to challenge themselves and widen their comfort zone, to ask for what they want, and to take actions to achieve their goals.

She continues: "In this way, through a huge number of small but important steps by lots of talented people, we will get a significant enough cohort to choose from for the senior positions."

Webber also outlines how Julien Hammerson and Hannah Coulson, Calastone's CEO and chief HR officer backed and encouraged her to launch the WiAS network, while sponsoring events and provided advice and feedback since the beginning.

"The network is taking off fast because there is a clear

24.6% Average male salary advantage over female at the Bank of England

need, we are addressing a gap in asset servicing and there are huge levels of enthusiasm to get involved from women and men," Webber concludes.

CORE ISSUES

Webber says that the elevation of more women into senior roles in the industry depends on getting them through the "mushy" middle management, which is impossible without the learning and the experience.

"There is an argument which says that women today are over-mentored and under-sponsored. Identifying talent and helping them to progress through the management levels is key," she states.

Webber believes that while most organisations want greater diversity and inclusiveness in their teams, a lot remains to be done to facilitate this objective.

"Top-down, command centric diversity programmes are not always gaining the results that they want, neither is mentoring alone. I think that organisations need to tackle the core issues as well as the periphery ones.

"The core issues are confidence and self-belief, ensuring that women properly self-recognise their talents and thirdly, helping them to network both within and outside of their organisation. Networking not just for one's own gain, but as a give back exercise.

"The enabling factors such as flexible working, maternity and paternity leave, etc., should be termed as family issues not just female issues. Our changing economy means that more women will need to work in the future. Millennials are more open to a wider set of values than simply making money. It is possible that by addressing women in the workforce today, asset servicing organisations are future proofing themselves to attract, retain and nurture talent with engaged, positive staff well into the future."

DEMONSTRATE COLLABORATION

Webber also criticises how some organisations justify their gender imbalance by saying that women are simply not applying. In her view, this is a bit of a cop-out and pushes the responsibility back to women.

What firms should do instead, according to Webber, is to look at the window on their culture, their website.

"The words in the job spec are also crucial in demonstrating collaboration, not just target culture. Also pushing their recruiters harder to find the potential candidates, not from just within financial services. Diversity of thought is more than gender after all.

"But it is also about identifying the talent early on within an organisation and helping them to progress. Women do need to be braver for sure, but organisations also need to nurture that bravery and steadily extend comfort zones.

"Internal candidates are often effective more quickly and cost effective than having to go externally. It also creates a great buzz in an organisation. Even women at senior levels do not always think of themselves when the next role comes up, sometimes this needs to be pointed out," Webber concludes. ■

THE DATA

Since 2017, any organisation in the UK that has 250 or more employees must publish and report specific figures about their median gender pay gap.

However, analysis by the BBC of the most recent data suggests that 40% of private companies have reported wider gaps than a year ago, throwing up questions as to the efficacy of the law.

While it has long been illegal to pay women less than men for doing the same work, the media pay gap being identified in the figures measure whether or not women are holding as many higher paying jobs as men. Narrowing the median pay gap means putting more women in leadership.

The BBC report suggests that the hourly median gender gap of the 1,146 companies that reported their latest figures (to the date of writing) was 8.4%, a slight improvement compared to the 9.7% of a year earlier.

Kate Webber is managing director and head of product development at Calastone, a company she joined in 2014. Prior to that, she worked at DST (then IFDS) and BNY Mellon leading product and strategy for two big TA groups.

She previously worked at the investment management consultancy team of PwC, working on high profile launches, supplier selections and remediation programmes.

She started her career at Fidelity Investments, where she held a variety of roles.

" I DO NOT THINK THAT MANY WOMEN WOULD ASK THEIR PARTNERS OR THEIR FATHERS TO MANAGE THEIR INVESTMENTS ON THEIR BEHALF THESE DAYS. THE VICTORIAN ERA IS LONG SINCE GONE"

Kate Webber, Calastone

2.5% Yoy increase in employment in German manufacturing to December 2018

A universal offering

Universal Investment is one widespread platform, through which institutional investors and fund initiators can conveniently invest in all asset classes. Ridhima Sharma explains

Universal Investment was founded in 1968 as a joint venture by private banks to provide an independent B2B service platform for institutional investors and asset managers.

Bernd Vorbeck, CEO of Universal Investment says: "As the inventor of the German master KVG idea, we continuously invested in the knowhow of our people and digitisation.

"As a neutral platform we enable institutional investors to bundle all asset classes and all kind of investment vehicles on one single platform.

"Asset managers using our platform for launching their investment strategies as institutional or retail funds also appreciate that we do not have an own active asset management.

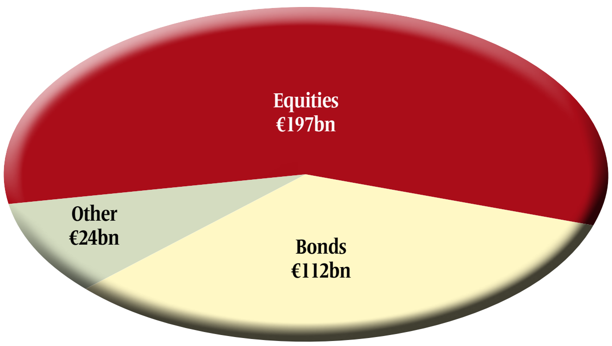
"Now, M&A is an additional option for fuelling further growth. Based on our highly scalable platform, we will be an active player in consolidating the market," he continues.

OPEN ARCHITECTURE

The Universal Investment brand name reflects the open architecture that they are offering to clients: one universal platform, through which institutional investors and fund initiators can conveniently invest in all asset classes.

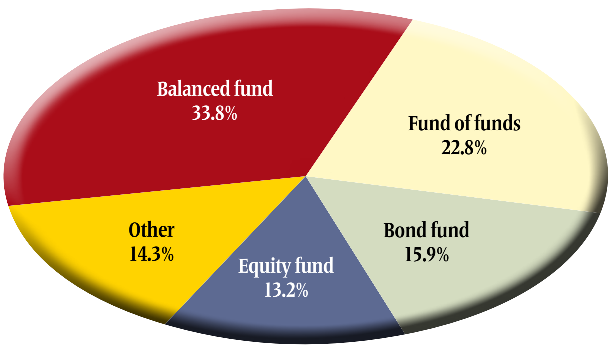
Vorbeck states: "Looking at the future, we strive to establish this brand awareness and image in other European markets as well and want to become the leading European fund service platform for all asset classes."

AUM BY ASSET CLASS



As at 31 December 2018 Source Universal Investment

AUM BY FUND TYPE



As at 31 December 2018 Source Universal Investment

Global Assets amount to €411bn as of December 2018. Approximately €36bn thereof is also managed by their own portfolio management team, focused on risk management solutions as overlay management or rule-based investment solutions. Almost the entire volume is from European investors.

Assets from institutional investors account for approximately 89%, while retail makes up approx. 11% of the business.

INTERNATIONALISATION

Universal Investment group is headquartered in Frankfurt and has subsidiaries and branches in Luxemburg and Cracow, Poland. The latter offices are part of a functional organisation model, led by the respective management on site, but which of course work closely with their colleagues in Frankfurt and ultimately report back to headquarters.

"A top priority for us is further internationalising our business, i.e. increasing the share of international clients. We are looking for opportunities and potential presences in markets outside of our home turf; and our Luxembourg platform will be key for our service offering," adds Vorbeck.

"According to PwC we are already the biggest AIFM and third-party ManCo in Luxembourg. However, we are confident that there is still a lot of room for further growth."

66% Increase in blueberry cultivation in Germany during 2018

DIGITILISATION

The digitilisation of the open platform is another milestone for this year.

Universal Investment wants a fully digital, scalable platform providing a state-of-the-art interface for clients. This will be a key driver when it comes to time-to-market and quality. They are investing significantly in robotic process automation and data analytics, for instance.

Finally, they will launch a new reporting standard for alternative and real estate investments this year.

According to Vorbeck: "We consistently enhance our product portfolio. One example are so-called pooling vehicles for alternative investments. Instead of setting up independent platforms, several investors share an investment structure via sub-funds, thereby lowering both operating expenses and investment thresholds.

"This makes it easier for smaller and medium-sized investors to enter alternative investments, which requires more expertise and efforts than traditional securities investments."

ESG INTEGRATION

The trend towards ESG investments is now establishing itself in practice, says Vorbeck.

"We reacted early by developing an award-winning ESG reporting that will be enhanced with additional features during the course of the year.

"Investors can therefore quickly identify at which points their portfolio is sustainable and where it is not. And we also offer ESG investment solutions both index based and enhanced beta.

"Moreover," Vorbeck continues, "we expect digital assets to be one of the most important game changers in our business over the next years. We currently explore all options to be an early mover in this development."

Universal Investment is evaluating several options, including representative offices for example in the UK, Ireland or Switzerland. Asia, especially China, is also an option, because the company sees rising demand from its clients for investing in this region in alternatives and property.

"WE EXPECT DIGITAL ASSETS TO BE ONE OF THE MOST IMPORTANT GAME CHANGERS IN OUR BUSINESS. WE CURRENTLY EXPLORE ALL OPTIONS TO BE AN EARLY MOVER IN THIS DEVELOPMENT"

BERND VORBECK

Bernd Vorbeck joined Universal Investment in 1989 and was appointed managing director of Universal Investment GmbH in 1999. As chief executive officer, he is responsible for corporate strategy, Sales & Relationship Management and product units Securities (Master KVGs/Private Label Funds), Alternatives and Risk Solutions/Asset Management.

Vorbeck is president of the Administrative Board of Universal-Investment-Luxemburg S.A. and has been a member of the Management Board of German Investment Funds Association BVI since 2007.

GEOGRAPHICALLY ACTIVE

The two office locations in Frankfurt and Luxembourg, supported by the Cracow branch, will continue to offer domestic fund services for all asset classes in all investment vehicles. Right now, they are expanding their product offering in Luxembourg also to pure ManCo services. They have already been active in the Nordics and continue to see opportunities there as these markets are becoming increasingly interesting.

Vorbeck says: "As mentioned, our Luxembourg branch is of utmost importance for our international expansion plans. In Frankfurt, however, we strive to extend our business with institutional investors, particularly insurers.

"Since we strive to significantly expand our international business, particularly with fund initiators and alternative investments, we also expect our Luxembourg office to grow as our platform there will be leveraged for this.

"Innovation and growth are key for our business, so we are looking for people who drive our capabilities in these areas. Since a majority of our business is dependent on our open platform, we invest a significant portion of our budget in IT and further developing it.

Vorbeck adds: "The German labour market, especially in the Frankfurt area, proved to be difficult regarding hiring talents in this field. We expect this situation to worsen due to Brexit.

"Among other reasons, this is also why we opened the office in Cracow, where, for example, robotic experts or data specialists can be attracted more easily." ■

Visiting the community

Visits conducted by *InvestmentEurope* with the fund selector community across the region continued over the past month in both northern and southern countries, as Jonathan Boyd reports

January into February saw *InvestmentEurope*'s staff battle with snowstorms in the Nordic region, with others heading to the warmer climes of Iberia.

Recent highlights are listed below:

Oslo & Helsinki

Jonathan Boyd, editorial director, and Patrik Engström, head of Fund Selector Relationships, Nordics, visited the capitals of Norway and Finland on 30 January-1 February, braving temperatures as low as -14C and significant snowfall to meet locally based fund selectors.

Meetings included:

- Bjørnar Engevik – analyst – Griff Kapital;
- Fredrik Wilander – head of Allocation & Selection – DBN;
- Davide de Picciotto – founder & managing director – Nettuno Capital;
- Steinar Eikeland – CIO – Industrifinans;
- Vesa Engdahl – CEO – Front Asset Management;
- Lauri Ehanti – portfolio manager – Aalto University; and
- Tuomas Saramäki – director – Korkia.

Upcoming trips

InvestmentEurope's events programme for 2019 is visible on p36 of this issue. It includes a number of additional locations, where events have not previously been held, or locations to which *InvestmentEurope* is returning. Examples include:

- Italian Summit Rome 2019, on 6 & 7 June ;
- Helsinki Roundtable 2019, on 24 September.

Staff will be doing visits to these cities ahead of these events, to ensure that locally based fund selectors have all the latest information required to ensure the most efficient use of their time when attending. Keep an eye out for further information on these and other visits.

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

Paris

Vanessa Orlarey (pictured above), head of Fund Selector Relationships, Alexandre Duransseau, Fund Selector relationship executive, France, Romandie & Benelux, and Elisabeth Reyes, French-speaking markets correspondent visited Paris on 7-8 February, ahead of the Frabelux Forum, taking place 20 March in the French capital.

Meetings included:

- Oliver Buquicchio – head of Sales – ERAAM;
- François Gazier – head of Fund Selection – Haussmann Patrimoine;
- Thierry Guerillot – head of Fund Selection – Myria AM;
- Claudia Raoul – fund manager – Invesco;
- Guillaume Di Pizio – head of Management (FS & FM) – Dauphine AM; and
- Vincent Morel and Frederic Bost, private wealth managers – Financière Arbevel.

Bilbao

On 13-14 February, Eugenia Jiménez, Iberia correspondent, and Angela Oroz, Fund Selector relationship executive, Iberia visited Bilbao, the financial capital of the Basque Country for meetings with fund selectors ahead of the Iberian Summit event, set to take place 30 May in Barcelona.

Meetings included:

- Inigo Arrese – financial adviser – Nervion Agencia de Valores;
- Urko Atutxa Rodríguez – deputy director – Popular Banca Privada, Santander;
- Gabriel Crespo – head of Wealth Management – Indosuez;
- Angel Ochoa Crespo – director – Angel Ochoa Crespo EAFI;
- Miriam Lazpita – equity fund manager – Elkarkidetza;
- Juan Pedro del Romero Guerrero – director – AndBank;
- Miguel Roqueiro Ferruelo – director general/director of investments – Acacia Inversion;
- German Gevara – chief Financial Planning – Bissan Wealth Management; and
- José Miguel Abajo Soler – private banker – Banca Patrimonial Bizkaia, BanKoa.

Barcelona

On 25-27 February, Eugenia Jiménez, Iberia correspondent, and Angela Oroz, Fund Selector relationship executive, Iberia visited Barcelona, also to identify trends ongoing in the Spanish fund market and raise awareness of the Iberian Summit event, set to take place 30 May in the capital of Catalonia.

Meetings included:

- Joan Antoni Fernández García – technical director of Savings – Mutual Ingenieros;
- Ramón Cirach Boet – portfolio manager – Arquia Gestion;
- Joan Prat Puig – financial adviser – and Albert Enguix Martínez – portfolio and fund manager – GVC Gaesco Beka;
- Ignacio Viayna – director Catalonia and Balearics – Banco Alcalá Wealth Management;
- David Bosch Beltran – portfolio manager – Andbank Wealth Management;
- Pol Tusquets – analyst, Fund of Funds – Trea AM;
- Eduardo Polo – senior associate – MDF Family Partners;
- Joan Antoni Fernández García – director Savings – Mutua Ingenieros;
- Gabriel Colominas Bigorra – Buy-Side analyst – Gesiuris;
- Juan Ramón Casanovas Biosca – head of Private Portfolio Management – Degroof Petercam;
- Ricardo de Manuel Rocamora – partner – Collins Patromonios EAFI;
- Rodrigo Viceira Maria Angeles – senior private banker – Grupo Santander; and
- Pilar Cañabate Concha – portfolio manager – Georgina Sierra – investment director – Bernat Raventós Ruiz – portfolio manager – Solventis. ■

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

HAVE COPY, WILL TRAVEL

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

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

Approaching events

InvestmentEurope's Spring programme of events moves through Milan, Paris and Stockholm before heading on to Barcelona and Oslo

NEXT EVENTS

INVESTMENT EUROPE
NORDIC SUMMIT STOCKHOLM 2019

STOCKHOLM, 12-13 MARCH

The Nordic Summit Stockholm 2019 takes place at the Grand Hotel on 12-13 March and will bring together some 40 fund selector delegates to hear latest ideas from groups such as Comgest, Eric Sturdza Investment Funds, Fiera Capital, GAM Investments, J O Hambro Asset Management, Kempen Capital Management, Lazard Asset Management, Macquarie Asset Management, MainFirst Asset Management, Ossiam, RAM Active Investments and Tokio Marine Asset Management.

Topics covered are set to include systematic investment strategies, the path forward for global equity, and opportunities for stockpickers in Japan.

This year's event will feature an after dinner speech by entrepreneur Johan Eriksson, who boasts many years within the world's biggest company, Procter & Gamble, and today leads the organisation for innovation and branding within Google.

To register your interest in attending the Nordic Summit Stockholm 2019, please contact Patrik Engström at patrik.engstrom@odmpublishing.com or phone +44 (0) 20 3727 9940.

INVESTMENT EUROPE
FRABELUX FORUM 2019

PARIS, 20 MARCH

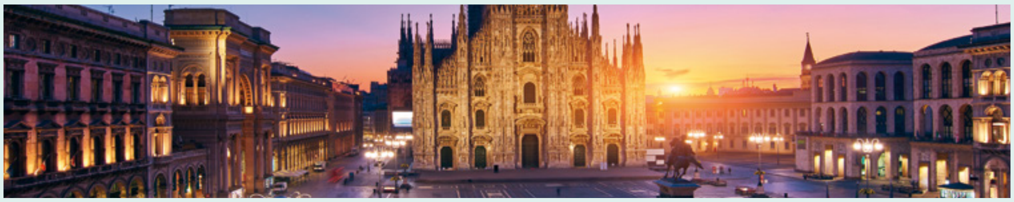
Now in its second year, this event takes place on 20 March at The Ritz Hotel in Paris, and brings together fund selectors from France, Belgium and Luxembourg, with a limit of 30 such delegates.

On the sell side, groups participating include BLI – Banque de Luxembourg Investments, Capital Group, Generali Investments and Principal Global Investors.

Collectively, they are set to cover topics such as property securities; how to adhere to ESG and social impact objectives without compromising on performance; how to leverage the trend of ageing into an investment opportunity; and understanding the impact of millennials and the companies that are benefitting from the changes they are pushing through.

The programme includes both boardroom sessions is in plenary style with networking time during breakfast, coffee break and lunch.

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



TAKE PART IN THE DISCUSSION

Delegates to the Nordic Summit Stockholm 2019 use the hashtag #IESUMMIT. For the Frabelux Forum 2019 use the hashtag #IEFORUM.

InvestmentEurope's website offers additional opportunity to learn about upcoming events, including https://events.investmenteurope.net/nordicsummit and http://events.investmenteurope.net/frabeluxforum. And there are LinkedIn pages dedicated to events and other news. Visit https://www.linkedin.com/showcase/6403794 for further information.

LOOKING AHEAD

INVESTMENT EUROPE
IBERIAN SUMMIT BARCELONA 2019

BARCELONA, 30-31 MAY

InvestmentEurope is targeting the launch of its inaugural Iberia Summit Barcelona 2019 on 30-31 May, at the Hotel Sofia.

This event is for Spanish and Portuguese fund selectors and will feature a mixed format of interactive panel discussion as well as dedicated workshops/boardroom sessions for the 40 targeted selector delegates and 10 participating asset management groups.

To register interest in attending the Iberian Summit 2019, contact Angela Oroz at angela.oroz@odmpublishing.com or +44 (0) 20 3727 9920.

Further information on this event and other events is available at: www.investmenteurope.net/events.

INVESTMENT EUROPE
OSLO ROUNDTABLE 2019

OSLO, 5 JUNE

Marking a return to Norway's capital, the Oslo Roundtable taking place on 5 June will encompass some 20 locally based fund selectors, with a format that includes quickfire presentations by participating groups as well as a networking opportunity both with peers and speakers present.

For further information on this and other events visit www.investmenteurope.net/events.

➤ The calendar of *InvestmentEurope*'s 2019 events up until September is presented overleaf. For information on sponsoring any of these events, please contact Eliot Morton on +44 (0) 203 727 9945 or e-mail eliot.morton@odmpublishing.com.

EVENTS CALENDAR 2019

12-13 March	Stockholm	Nordic Summit

Sweden's capital city once again hosts a two-day event for some 40 fund selectors based across the Nordic region, with boardroom sessions, networking and a keynote

20 March	Paris	Frabelux Forum
30-31 May	Barcelona	Iberian Summit
5 June	Oslo	Roundtable
6-7 June	Rome	Italian Summit
13-14 June	Zurich	Pan-European ESG Summit

Building on last year's successful ESG Roundtable, InvestmentEurope is offering a content-led event with a programme that speaks to the myriad of issues and challenges facing fund buyers on this theme

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

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

8 October	Lisbon	Roundtable

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

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

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

72 Countries in which users of SharingAlpha are based

SharingAlpha

SharingAlpha CEO and co-founder Oren Kaplan highlights one of the most recent additions to the platform

Meet the managers

Taking the interactivity of the SharingAlpha platform up another notch, the service has recently made access to fund managers via webcasts available to its user-base.

This builds on the peer-to-peer connectivity that has previously been added to the platform, through which fund selectors can share information and views on the funds that they have rated.

The latest facility added means fund selectors can put questions directly to managers as well as peers.

"We started to offer fund managers a chance to present their fund to our community using a webcast format," Kaplan says.

"We are using a unique setup in which we also invite a member of our community to ask questions so for the audience it offers a chance to view a fund manager meeting with an experienced fund selector.

Oren Kaplan, SharingAlpha

HIGHLY RATED FUNDS

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

Fund name	Domicile	Average rating	Raters	Move from prev
Liontrust European Income Fund	UK	5	8	◆
Prosperity Cub	Cayman Islands	4.86	7	New
H2O Adagio	France	4.83	6	New
azValor Iberia FI	Spain	4.83	6	▼
Magallanes European Equity FI	Spain	4.83	22	▲
Russian Prosperity Fund	Cayman Islands	4.83	8	New
LF Odey Absolute Return Fund	United Kingdom	4.82	5	▼
DWS Deutschland	Germany	4.81	5	New
Cartesio X FI	Spain	4.8	5	▲
Schroder GAIA Two Sigma Divsfd	Luxembourg	4.8	17	▼

As at January2019 Source www.SharingAlpha.com

"We currently have two webcasts already scheduled, one with Danske and the other with M&G.

"We also invite the audience to rate the funds presented turning this to a great opportunity to gather ratings that could be used later in marketing the fund to a larger number of potential investors."

RATINGS CHANGES

In the most recent monthly update, Prosperity Cub, H2O Adagio, Russian Prosperity and DWS Deutschland funds moved up to join the list of the 10 funds most highly rated by users of the SharingAlpha platform.

Other funds advancing on the leaderboard include the Magallanes European Equity and Cartesio X funds.

Funds in the top 10 that have slipped down the rankings include the azValor Iberia, LF Odey Absolute Return, and Schroder GAIA Two Sigma Diversified funds.

The Liontrust European Income fund retained the strongest rating, according to the key factors of people, price and portfolio.

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

To view the interactive fund manager webcasts, go to: www.sharingalpha.com. The Danske web cast will take place on 12 March and the M&G on 19 March.

InvestmentEurope's Editorial Board members give their views on Mifid II one year on and whether exposure to Asia should be greater

Ideas generation

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

BERNARD AYBRAN

CIO Multi Management
Invesco
Paris
www.invesco.com

After a year of Mifid II, on balance has the fund industry benefitted/ struggled with this regime?

Mifid II has meant one of the most comprehensive reforms of the Ucits framework in quite a while, with meaningful consequences for many parts of the industry.

The margin compression has been one of the most obvious consequences, both for asset managers and the sell side whose research prices have been cut dramatically.

The increased training obligations for investment professionals do bring value added as they help the staff keep up to speed with what is going on in the industry.

Whether costs have been reduced for the end retail clients remains a major question for which no hard evidence is available yet.

JON BECKETT

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

After a year of Mifid II, on balance has the fund industry benefitted/ struggled with this regime?

The reality is that Mifid II has been implemented poorly by asset managers. That is also the fault of the poor Level 3 guidance, at local level, and the complexity of the regulation itself.

However it is clear that many EU countries have failed to apply the regime correctly (if at all) and many are trying to undermine transparency in Switzerland, Spain and Italy.

This makes countries like the UK less competitive, more costly – if on paper better protected.

Meanwhile, in the UK, we have seen poor compliance in Mifid II investor disclosures and again it points to a forest of regulation that the industry is lost within.

The real losers are investors.

Cost transparency in Ucits may need to wait for the belated Priips in 2021 before real progress is made.

THOMAS ROMIG

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

Should European investors be significantly increasing their weighting to faster growing Asian economies?

European Investors can profit from investments in faster growing Asian economies, but should also be aware of the risks they are facing in this region.

The US/China trade tensions are the major source of uncertainty at the moment. On the other hand, the latest slowdown of the Chinese economy could be handled well by a quite flexible central bank and stimulus from the government.

In addition to this, an investor should also pay attention to the risks arising from demographic changes in Asia and potential perils regarding corporate governance.

Keeping these risks in mind, Asian economies offer attractive investment opportunities.

FRANCE ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
Xtrackers Physical Rhodium in EU	57.16
ETFS 3x Daily Short Coffee USD in EU	40.92
Invesco Physical Palladium in EU	40.38
Xtrackers Physical Palladium ETC USD in EU	40.20
ETFS Physical Palladium JPY in EU	40.17
ETFS 2x Daily Long Brent Crude USD in EU	39.61
ETFS 2x Daily Long Heating Oil USD in EU	38.65
ETFS 2x Daily Long Zinc USD in EU	31.27
ETFS 3x Daily Long Nickel USD in EU	31.13

FRANCE CROWN + PERFORMANCE

Fund	Crown rating	36 months
DWS Invest Brazilian Equities NC in EU	x5	160.46
BNY Mellon Brazil Equity A USD in EU	x5	143.65
Polar Capital Global Technology USD in EU	x5	139.41
Parvest Equity China A-Shares Classic Cap EUR in EU	x5	116.83
H2O Multibonds R EUR in EU	x5	109.89
Morg Stnly US Growth I USD in EU	x5	109.76
HSBC GIF BRIC Equity M1C USD in EU	x5	106.45
HSBC GIF BRIC Markets Equity AC NAV USD in EU	x5	103.86
Fidelity Global Technology A EUR in EU	x5	98.42

FRANCE PERF/TER 3-YEAR

Fund	36 months	TER
Xtrackers Physical Rhodium in EU	241.24	0.95
Xtrackers Physical Palladium ETC USD in EU	172.97	0.45
Invesco Physical Palladium in EU	165.62	0.39
ETFS Physical Palladium JPY in EU	164.82	0.49
DWS Invest Brazilian Equities NC in EU	160.46	2.72
JPM US Technology A Dis USD TR in EU	153.42	1.78
BNY Mellon Brazil Equity A USD in EU	143.65	2.42
Polar Capital Global Technology USD in EU	139.41	1.69
HSBC GIF Brazil Equity AC USD in EU	128.58	2.15

FRANCE PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
BETFS 3x Daily Short Natural Gas in EU	-89.84	117.07
ETFS 3x Daily Long Natural Gas USD in EU	-92.26	111.75
ETFS 3x Daily Long Nickel USD in EU	35.36	87.20
ETFS 3x Daily Short Nickel USD in EU	-93.71	86.11
ETFS 2x Daily Long Natural Gas USD in EU	-69.21	75.26
ETFS 3x Daily Short Coffee USD in EU	20.58	69.47
ETFS 3x Daily Long Coffee USD in EU	-87.08	68.34
ETFS 3x Daily Long Copper USD in EU	35.36	64.22
ETFS 3x Daily Short Silver USD in EU	-41.90	64.12

FRANCE FIXED INTEREST 3-YEAR

Fund	36 months cumulative
H2O Multibonds R EUR in EU	109.89
HSBC GIF Brazil Bond AD NAV USD TR in EU	71.10
Edmond de Rothschild EDRF Emerging Credit A USD in EU	45.60
AXA World Fds US Dyn High Yield Bonds A Cap USD in EU	45.10
Franklin Global Convertible Securities A Acc USD in EU	45.05
Lazard Convertible Global R in EU	43.47
Natixis Loomis Sayles High Income R EUR in EU	42.10
Edmond de Rothschild EDRF Emerging Credit A USD in EU	40.95
Rivertree Ess Portfolio Selection Gbl Em F Cap USD in EU	39.78

FRANCE BETA 3-YEAR

Fund	Beta over 36 months v. sector
ETFS 5x Short GBP Long EUR in EU	-6.56
ETFS 5x Long EUR Short GBP in EU	-5.16
ETFS 5x Short USD Long EUR in EU	-4.34
ETFS 5x Short CAD Long EUR in EU	-4.19
ETFS 3x Short GBP Long EUR in EU	-4.00
ETFS 3x Daily Short Nickel USD in EU	-3.99
ETFS 5x Short AUD Long EUR in EU	-3.79
ETFS 3x Daily Short Euro STOXX 50 EUR in EU	-3.70
ETFS 3x Daily Short DAX 30 EUR in EU	-3.57

FRANCE PERF/SIZE 3-YEAR

Fund	Cumulative	Size (€m)
Xtrackers Physical Rhodium in EU	241.24	39.3
Xtrackers Physical Palladium ETC USD in EU	172.97	6.5
Invesco Physical Palladium in EU	165.62	2.1
ETFS Physical Palladium JPY in EU	164.82	94.1
DWS Invest Brazilian Equities NC in EU	160.46	61.4
JPM US Technology A Dis USD TR in EU	153.42	878.6
BNY Mellon Brazil Equity A USD in EU	143.65	107.6
Polar Capital Global Technology USD in EU	139.41	2498.5
HSBC GIF Brazil Equity AC USD in EU	128.58	270.2

FRANCE INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
VJPM Korea Equity A Acc NAV USD in EU	2.19
Polar Capital Global Technology USD in EU	1.70
AXA World Fds US Dyn High Yield Bonds A Cap USD in EU	1.64
Xtrackers Physical Palladium ETC USD in EU	1.61
ETFS Physical Palladium JPY in EU	1.59
Invesco Physical Palladium in EU	1.57
MAM Taux Variables C in EU	1.50
JPM US Technology A Dis USD TR in EU	1.50
LO Asia High Conviction (USD) MA in EU	1.48

Source for all charts FE Analytics, bid-bid, to 18/2/2019.
All figures in % and are gross return rebased in euros

Small is beautiful

There is no escaping the presence of ETFs from the international fund universe that are available in France, and which have provided both access to returns as well as diversification away from market movements.

Among these, commodities and currencies are the asset classes providing most relevant action. Leveraged plays on the relative fates of sterling and the euro have provided an interesting path for investors to follow.

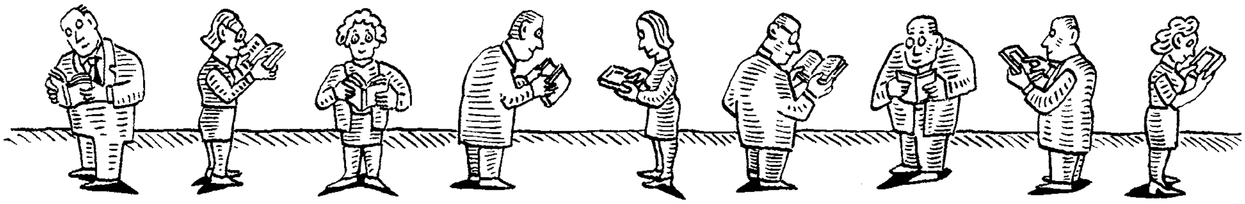
Among actively managed funds with a Crown rating, Brazil, China, and technology have been key for those chasing consistent risk adjusted returns from equity investments. However, Brazil and emerging markets are also visible among the better performing fixed interest funds over the period measured. Some of these funds are also notable for their relative competitiveness on a TER basis.

Ditto, small is beautiful according to the relationship between performance and fund size, the data suggests.

This feeds into the debate on the cost of establishing new funds, with increasing expressions of concern from the buy side community about how to find the next new funds worth investing in away from 'supertankers'. ■

GROSS RETURNS ON FUNDS FOR SALE IN FRANCE REBASED IN EUROS

Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Xtrackers Physical Rhodium in EU	9.98	3.82	15.43	74.95	241.24	159.23	
Xtrackers Physical Palladium ETC USD in EU	9.45	24.17	70.30	55.39	172.97	129.11	
Invesco Physical Palladium in EU	7.09	24.52	65.48	52.10	165.62	125.68	
ETFS Physical Palladium JPY in EU	7.08	24.49	65.40	51.95	164.82	124.55	618.01
DWS Invest Brazilian Equities NC in EU	3.22	19.58	37.46	26.14	160.46	57.89	
JPM US Technology A Dis USD TR in EU	14.84	17.19	4.53	28.45	153.42	162.25	579.99
BNY Mellon Brazil Equity A USD in EU	3.71	14.78	31.24	17.96	143.65	62.40	119.22
Polar Capital Global Technology USD in EU	10.01	8.05	1.23	20.91	139.41	159.05	617.98
HSBC GIF Brazil Equity AC USD in EU	4.10	18.04	30.85	12.46	128.58	23.91	89.25
Alger Sicav-Alger Small Cap Focus A US in EU	14.17	9.10	2.02	41.22	124.94		
Parvest Equity Brazil Classic Cap USD in EU	4.43	14.11	27.21	8.98	124.87	31.89	62.35
BlackRock GF World Technology A2 USD in EU	9.83	11.41	-2.80	19.01	118.67	154.55	455.31
Parvest Equity China A-Shares Classic Cap EUR in EU	11.40	10.01	3.73	-9.79	116.83	217.89	159.58
JPM US Small Cap Growth A Dis USD TR in EU	13.24	11.07	-2.95	19.86	115.91	87.40	396.99
Janus Henderson Global Technology A Acc USD in EU	11.00	8.39	0.36	18.50	115.35	138.85	490.38
Aberdeen Standard SICAV I Brazil Equity S Acc USD in EU	3.41	15.04	27.98	1.71	114.58	41.85	
Franklin Technology A Acc USD in EU	12.81	11.81	3.52	23.21	114.12	151.25	526.70
H2O Multibonds R EUR in EU	5.01	13.29	18.62	41.01	109.89	186.98	
Morg Stnly US Growth I USD in EU	9.34	11.60	1.49	24.21	109.76	138.48	605.02
HSBC GIF BRIC Equity M1C USD in EU	2.54	6.87	8.39	2.39	106.45	79.44	188.44



Saving Capitalism is a documentary focused on the growing income gap between rich and poor in America. Ridhima Sharma has watched it

A crash course in American differences

To watch **Saving Capitalism**, *go to* ***www.netflix.com***

Saving Capitalism, a movie released on Netflix, depicts the current history of the rise of consumerism and the collusion between large corporations and government.

The film follows former US secretary of Labor and professor, Robert Reich, as he takes his book and his views to the heart of conservative America to speak about the current economic system.

A provocative film that inspires viewers to become activists for socioeconomic justice, *Saving Capitalism* is about a roadmap on how to rebuild the middle class and fix a rigged economy that has been propped up by a corrupt campaign finance system.

Reich presents a paradigm-shifting, clear-eyed examination of a political and economic status quo that no longer serves the people.

Reich meets with farm families in rural Missouri, successful Republican businessmen and lobbyists in Kansas City, and a McDonald's employee struggling to make ends meet on minimum wage to get a better understanding of the rage.

He talks to ordinary citizens when one of them characterises capitalism as "immoral to its core" and asks Reich how he can defend it. Reich replies that economic systems are neither moral nor immoral but succeed or fail based on how they are organised. This is repeated again and again throughout the movie.

> THE MOVIE SHOWS HOW, STARTING IN THE 1970S, BIG BUSINESS INTERESTS BEGAN TO ASSERT MORE AND MORE OF THEIR POWER OVER GOVERNMENT, USING THEIR MONEY TO ENSURE THE LAWS THAT ARE PASSED SERVE THEIR INTERESTS MORE THAN THE PUBLIC AT LARGE

Reich also talks with a different group of citizens at a posh dinner setting and see him comfort the bruised egos of whining activists.

He insists that there should not be any victims and no one is evil, but that all need to agree that there is a serious problem.

THE POWER OF COLLUSION

The movie also shows how, starting in the 1970s, big business interests began to assert more and more of their power over government, using their money to ensure the laws that are passed serve their interests more than the public at large, and the growth in the number of senators and representatives who become high-paid activists after serving their terms in Congress.

Then there is the scene in which Reich interviews far right Republican representative David Brat and allows him to depict himself as being as much of an advocate of economic fairness as his progressive counterparts.

He also compares the Tea Party with Occupy Wall Street and Donald Trump supporters with Bernie Sanders supporters.

ACTIVISM ADVOCATE

Unrealistic and serious, *Saving Capitalism* enlightens the path toward restoring America's fundamental promise of opportunity and advancement.

He explains the rising inequality and poor economic performance.

Reich's book *Saving Capitalism: For the Many, Not the Few* is a more detailed version than the movie when it comes to recommending improved policies.

Producers and Reich have done an excellent job of showing the widening gap between the haves and the have-nots, the shrinking middle class, how we got here, and what can be done about it.

Despite the general air of pessimism expressed in the movie, the documentary does end on a positive note, encouraging citizens to engage more actively in the political process, together with some very practical advice on how to keep hope and optimism alive while fighting for change. ■

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