INVESTMENT INTELLIGENCE FOR THE FUND PROFESSIONAL

INVESTMENT EUROPE

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TRANSITION TRAVAILS

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360 outlook

Rémi Lambert, deputy CEO and CIO of Architas France, on multi-management

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Spain's new real estate landscape

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5 MARCH 2020
8:20 - 14:00
THE FOUR SEASONS HOTEL

DETAILS

InvestmentEurope is pleased to present the Milan Forum 2020, taking place on the 5 March at The Four Seasons Hotel.

Designed to give a wide-spread view across financial markets the Milan Forum 2020 will provide an efficient way to meet the six leading fund management groups in one concise event.

Places are complimentary for key fund selectors but strictly limited to only 35 delegates.

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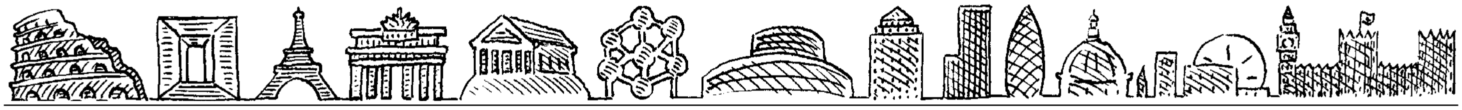

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INVESTMENT EUROPE
An Open Door Media publication

No more black gold

Jonathan Boyd, editorial director of *InvestmentEurope*

The last weeks of 2019 saw a series of seeming contradictions in the behaviour of investors. Even as institutional investors across Europe declared their ambitions in response to climate change risk, alongside the much troubled COP25 event in Madrid, there was, in the end, a very successful IPO of the world's biggest company by market capitalisation and earnings; Saudi Aramco.

The kingdom's oil company saw its shares surge some 10% on listing to give it a market value of around $2trn.

It begs the question: who is right? Is it European and other institutional investors with long term liabilities suggesting it is now time to exclude ownership of solid, liquid or gaseous fossils; or is it those who believe that exposure to the ongoing returns, including income from such sources should be maintained until they are either banned or cease to provide total returns against risk taken?

In 2020, as the institutions of the EU continue their work towards a Green Deal, including broadening the scope to the chemicals, farming and transport sectors, there may be an increasing dispersion of responses by asset managers to the regulatory changes. Currently the Paris Agreement pledges still stand, and there are increasing warnings that changes to both climate and regulations could come far quicker than the pending consensus.

KEY THEMES

InvestmentEurope will continue to keep an eye on key themes within the areas of Diversity, ESG and Fintech through 2020. All offer the promise of exciting new developments, yet all also involve dealing with legacy burdens that need tackling.

The future of London's link to financial services across the Continent is also up for discussion, as following the recent UK general election, it looks certain that Brexit will happen by 31 January. Less certain is what will happen after that in mind of the subsequent deadline of 31 December, when the transition period ends. ■

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UPCOMING EVENTS

London will play host to *InvestmentEurope*'s first event of the year, as it lends support to the Women in Investment Festival, taking place on 3 March in the City, with a programme intended to inform as much as generate a network effect for women working in the industry. Men are welcome too!

This will be followed by the Milan Forum 2020, on 5 March, for locally based fund selectors, with a format focused on boardrooms and a panel.

Also taking place in March is the next Nordic Summit Stockholm, which will provide fund selectors from across the region access to two days of boardroom sessions, a keynote, panel and time for peer-to-peer networking.

Then, there is a return to Paris, for another edition of the Frabelux Forum, hosting fund selectors from France, Belgium and Luxembourg. April will see the Funds To Watch concept come to Geneva.

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

Fund selectors in the news

Selectors offer views on meeting carbon emission objectives and other challenges

www.pramericasgr.it

Name: Francesca Bellini
Title: Quantitative portfolio manager
Company: Pramerica SGR
Base: Milan

What are the challenges you have faced in your role and how have you overcome them?

I joined the industry in 2005 and faced, from the 2008 crisis onwards, years that were not easy. Subsequently, the quantitative investment sector went into crisis and the bulk of products declined. Fortunately, the opportunity came to launch protected structured products, which for me was an opportunity to get closer to another area of the business. Now new themes such as ESG and AI are spreading more and more.

For me, new things are a new stimulus rather than the end of something.

www.enpab.it

Name: Danilo Pone
Title: CIO
Company: ENPAB, Italian pension fund for Biological Sciences
Base: Rome

Which asset classes are you particularly looking at and why?

We are currently looking at illiquid alternative assets (alternative investment funds) and to the so-called megatrends with a focus on sustainability. That is because:

(1) Alternative funds provide us a better risk/return ratio and decorrelation from traditional assets but also enable us to buy investment ideas that come from the strength of single networks capable to reach the right investment news thanks to a non-lineal information source; and

(2) When investing in megatrends, we invest on those themes intercepting future changes on the technological, economic, social and cultural space, which enables us to actively participate on the ongoing changes of society.

www.unicreditgroup.eu

Name: Roberta Rudelli
Title: Head of Fund Selection
Company: Cordusio SIM
Base: Milan

Which renewables exposure are you most interested in, eg, wind, solar or other?

Within renewables, demand has been stronger for solar than wind over the last years since companies have benefitted from a lower cost of production. Anyway, even in a such specific market segment diversification is key: a good mix of different renewables allows investors to balance specific risk, for example, high exposure to southern countries and subsidised dynamics in case of solar compensated by a stable production versus wind power.

www.diversifikator.com

Name: Dirk Söhnholz
Title: Managing director
Company: Diversifikator GmbH
Base: Frankfurt

If oil and gas companies are paying dividends, and you seek to reduce exposure to them to meet carbon emission objectives, what do you replace them with for income purposes?

There are plenty of other stocks which have significant dividend yields. We have a passive rules-based approach, but our rules do not insist that we have to invest in every industry or country. Nevertheless, we achieve well diversified portfolios.

https://en.arcanopartners.com

Name: Ion Zulueta
Title: Head of Manager Selection
Company: Arcano Partners
Base: Madrid

How likely do you think leading indicators such as the inverting of the yield curve will actually be followed by a recession in the US in the coming year?

Making calls on the economic cycle is a bit like market timing, which is something one should try to avoid as the vast majority of us detract value getting in and out of the market.

We instead feel it is more useful to focus on larger economic trends. In the current environment with dovish central banks and an increasing debate on Monetary Policy 3, we have been increasing our exposure to gold.

We also foresee real yields staying low for longer, which should be supportive for private markets, which led us to increase our clients' exposure to them.

www.bankhausbauer.de

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

Are you looking for managers of funds you already hold to provide more insight into how they are dealing with carbon emission reduction targets? Are you looking for hard exclusion of oil and gas in the strategies you are selecting?

At the moment we are continuing to develop our selection process. Fundamentally, in the future sustainability issues will generally play a bigger role.

However, the sustainability understanding of the individual investor of our company is in the foreground with us. For this reason, we are very flexible and take into account that every investor usually has a very individual idea of 'sustainable investing'. With the so-called 'value portfolio', we have been offering investors, for whom sustainable criteria have been important, a very special solution for more than 10 years.

www.finet-am.de

Name: Frank Huttel
Title: Head of portfolio management
Company: FiNet Asset Management AG
Base: Marburg

Are you looking for managers of funds you already hold to provide more insight into how they are dealing with carbon emission reduction targets?

Yes, we definitely are. Our goal is to divest from fossil fuels in our traditional strategies. Therefore, we need to know, who is holding positions in which stocks.

We also want to know, if the managers are engaging with the companies in order to reduce carbon emissions. It is crucial as not every investor can divest as we can.

People moves around the industry

MINE TEZGUL & MATTHEW VAN DE SCHOOTBRUGGE

Columbia Threadneedle names two new managers

Columbia Threadneedle has appointed Mine Tezgul co-manager of the Threadneedle (Lux) Pan European Small Cap Opportunities and Threadneedle European Smaller Companies funds; while Matthew Van de Schootbrugge has been appointed manager of the Threadneedle (Lux) Pan European Equity Dividend fund.

Tezgul will co-manage the fund with Philip Dicken, head of European Equities. She joined the firm in 2018 as an equity analyst on the European equities team. Previous roles as an analyst have been held at Lansdowne Partners, SAC Global Investors, Highbridge Capital Management and Citigroup.

Van de Schootbrugge replaces Dan Ison, who remains deputy fund manager of the fund. He joined Columbia Threadneedle as a graduate in 2011, and joined the European equities team as an analyst in September 2015.

Dicken said the appointments meant Columbia Threadneedle had "…a market-leading developed equities capability with a team-based philosophy, a deep bench of talent at all levels and a track record of developing emerging investors into leading portfolio management roles. I am confident Mine and Matt will continue this successful track record in their new roles."

CLEMENS PIEGER

Societe Generale Private Banking makes Zurich push

Societe Generale Private Banking Switzerland (SGPBS) has appointed Clemens Pieger (pictured right) as head of SGPBS Zurich, with immediate effect.

Pieger has spent his entire career in the banking industry and has more than 34 years of experience in international private banking.

After starting his career in 1985 at Deutsche Bank, Pieger joined Societe Generale Bank & Trust Luxembourg in 2001 in charge of the international sales teams. In 2017 he became chief client officer, responsible for client satisfaction and, in this role, he was also project manager for setting up a representative office in Frankfurt. In his new responsibilities, Pieger' mission is to further develop SGPBS' activities in Zurich, to increase commercial synergies with the Group's other locations and the Corporate and Investment Banking teams.

Franck Bonin, chief executive officer of SGPBS, commented: "I am delighted with the arrival of Pieger as head of our Zurich branch, a strategic location for our private banking activities in Switzerland and particularly in the Financial Intermediaries segment.

"His knowledge of Societe Generale Group and Private Banking are true assets to pursue our commercial development in Zurich."

MATTHEW BEESLEY

Head of investments exits GAM after two years in role

GAM Holding AG has announced that Matthew Beesley has decided to leave the firm. He joined the firm in 2017 and last year he was appointed to GAM Holding AG's Group Management Board.

Due to Beesley's work successfully restructuring the team, his role as group head of investments will not be replaced. His business management duties will be assumed by the respective heads of the two investment groups: Systematic and Solutions (includes Private Client); and Discretionary.

His responsibilities for front office controls and trading will fall under the remit of Steve Rafferty, Group COO. Beesley will continue to work over the coming months to ensure a smooth transition of his responsibilities.

Beesley did not manage any client money at GAM so his departure will not have any impact on the investment management of any of GAM's funds or mandates.

NAHID IQBAL & ANTOINE HUCHER

Jupiter expands equities team with double hire

Jupiter Asset Management has appointed two equity analysts with the aim to support the firm's equity investment strategies with a focus on alternatives and technology respectively.

Nahid Iqbal joins Jupiter from Mediobanca where he worked most recently in equity sales, covering a diversified group of European institutions and hedge funds. At Jupiter, Iqbal will work alongside fund manager Mike Buhl-Nielsen and fellow analyst Tommy Kristoffersen to generate ideas primarily for the £94m Jupiter Europa fund, while also working collaboratively with Jupiter's broader alternatives team.

Antoine Hucher comes from Exane BNP Paribas, where he was a sell side equity research analyst, leading the analysis of large and small cap European software and IT services companies. With over six years' experience researching technology companies, Hucher will draw on his in-depth knowledge of the sector to support the full range of Jupiter's equity funds, providing valuable analysis into global technology firms.

In his new role, Hucher will contribute widely across Jupiter's Global and regional equity product range. In addition, he will have a particular focus on idea generation for the Jupiter Financial Opportunities Fund, the Jupiter International Financials Fund (Unit Trust) and the Jupiter Financial Innovation Fund (SICAV), working with fund manager Guy de Blonay and product specialist Jenna Zegleman.

FRABELUX

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FRABELUX FORUM 2020

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19 MARCH 2020
8:30 - 13:45
HÔTEL RITZ PARIS

DETAILS

InvestmentEurope is pleased to present the Frabelux Forum 2020, taking place on the 19 March at the Hôtel Ritz Paris.

Designed to give a widespread view across the financial markets the forum will provide an efficient way to meet five leading fund management groups in one concise event.

Places are complimentary for key fund selectors but strictly limited to only 30 delegates.

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Register today to secure your free place at this exclusive event.

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Fund watch and product launches

Man GLG unveils global sustainable growth fund

Man GLG, the discretionary investment management business of Man Group, has launched a global sustainable growth strategy.

The Man GLG RI Global Sustainable Growth fund, which is co-managed by Virginia Nordbäck and Rory Powe, aims at generating alpha by identifying the strongest companies globally which, through embracing sustainability, increase shareholder value.

Operating within Man Group's existing Responsible Investment (RI) framework, the fund will focus on businesses run in a sustainable way – in particular those with a purpose-led culture that aligns the interests of all stakeholders ultimately leading to a competitive advantage.

"Companies that think long-term, beyond short-term profit maximisation, and are in a strong position to tackle negative environmental externalities, will be favoured," said the asset manager in a note.

The fund's focus on sustainability is integrated into the investment process: the investment team analyses in detail the competitive advantages of its holdings, including barriers to entry, as well as their revenue traction potential, robustness of profitability, strength of their balance sheets and valuation. The team will consider sustainability at each of these process steps including, but not limited to, how a focus on sustainability can lead to innovation, and how mismanaged environment, social and governance (ESG) risks can impede future growth.

From time to time, the investment team will seek to collaborate with select companies to encourage best practice ESG behaviours and drive change.

Overall, the portfolio will hold 25-35 positions. Available in Ucits format, the long only fund takes an all-cap and global approach to investing in a fundamentally selected, concentrated portfolio of stocks which demonstrate long-term growth and return potential. The fund aims to outperform the MSCI World Index.

www.glgpartners.com

Actiam unveils Sustainable Emerging Markets Debt fund

Actiam Asset Management has launched the Actiam (L) Sustainable Emerging Markets Debt fund.

The fund optimises the financial and social return by looking at the fundamental strength – size and earning capacity – of the different economies (instead of market weights).

When assessing country risk and the long-term economic growth opportunities, a number of socio-ethical issues such as human rights, political freedom, good governance and controversial weapons are taken into account.

The new strategy actively invests in government bonds and bonds from state-owned companies in emerging markets. All investments are given an ESG score. The ESG score of the portfolio will always be higher than the ESG score of the benchmark. The fund also aims to obtain a return that is at least equal to the benchmark. By looking at the fundamental strength of the economy (instead of market weight), a more diversified portfolio is constructed.

The Actiam Sustainable EMD fund is a Ucits fund, which is being managed by Ruben Smit and Pim Burggraeve. They are part of the wider Fixed Income & Multi Asset team, which consists of 18 professionals with an average experience of 17 years and is being headed by Johan Idema. This team works closely together with the Actiam impact investing team; a team of eight professionals with an average experience of over 14 years in investing in emerging and frontier markets.

www.actiam.com

Robeco unveils multi-factor strategy for global fixed income

Robeco has launched its Robeco QI Global Multi-Factor bonds. The strategy builds on the company's long history of factor investing in credits, in combination with its factor investing philosophy in the government bond market.

Aimed at outperforming the Bloomberg Barclays Global Aggregate Index, it represents one of the first factor investing solutions for the broad global fixed income market.

The fund invests in a diversified fixed income portfolio of credits and government bonds with balanced exposure to the low risk, quality, value, momentum and size factors. Robeco claims that due to its highly systematic nature and distinct investment style, investors in the fund can benefit from style diversification with fundamentally managed global fixed income strategies.

The strategy integrates ESG criteria into the investment process, and engagement and exclusions are carried out by Robeco's Active Ownership team. The fund will be managed by Olaf Penninga and Patrick Houweling, who heads Robeco's Quant Credit capability.

Olaf Penninga, portfolio manager of Robeco QI Global Multi-Factor Bonds said: "Academic and empirical evidence has shown that bond portfolios with significant exposure to the low risk, quality, value, momentum and size factors can generate consistently higher returns than the index. This strategy builds on decades of research into factors in fixed income and draws on our pioneering work in the field of factor investing in credits and government bonds."

Robeco QI Global Multi-Factor Bonds is domiciled in Luxembourg and available to institutional and retail investors, as well as wholesale distributors in key markets at the request of investors.

www.robeco.com

● **For the latest fund launch information visit: www.investmenteurope.net.**

€28bn Euro area international trade in goods surplus in October 2019

Transition travails

With the world's eyes recently on climate change discussions in Madrid, even as investors piled into the world's biggest ever IPO – an oil company – it is clear that globally there are still divisions around the question of transitioning away from fossil fuels and towards renewables. Jonathan Boyd, Eugenia Jiménez, Ridhima Sharma and Elisabeth Reyes have looked into the views of fund professionals

Saudi Aramco's listing on 10 December 2019 set a number of records. In raising more than $25bn by selling a small slice of the overall company, the world's most valuable company came to market with a $1.7trn price tag, but investors subsequently pushed the shares up in following days taking the market value to $2trn – which is what the Saudi state had originally wanted.

This, of course, took place against the backdrop of a difficult session in Madrid of some 27,000 participants at the Conference of the Parties (COP25) where despite an extensive session, the world's countries failed to agree a mechanism that could lead to a global price on carbon, and thus speed up the reduction of emissions of greenhouse gasses.

In other words, the transition to a carbon free world is not a straightforward path.

Michel Audeban, managing director of French manager Gemway Assets, for example notes that his firm has not bought into Saudi Aramco, with international investors yet to be convinced.

Yet he also notes that there is "potential interest in the future; the stock being one of the few with a potential to increase volume if needed with its reserve utilisation rate at 40%."

He agrees that there could be a negative impact on relative weightings towards oil and gas in the next five years, should governments become more stringent about carbon emissions, but also sees risk in "excluding the whole sector".

"100% of world needs cannot be covered by green energy tomorrow. The global economy still needs a thermal engine for a while.

"For oil, the risk is a lowered capex generating limited offer which could in the mid-term lag demand.

"Gas is a different story with China's energy mix including 70% coal and 9% gas. Beijing is willing to increase the gas portion in the mix – potentially two-fold on a 10-year time horizon. This is part of the investment case for Novatek."

Audeban says his exposure to renewables is "mainly concentrated in electric car battery providers".

"GemEquity [fund] is invested in two of the three leading providers: 2.3% in Samsung SDI and 0.8% in LG Chem.," he added.

INFLECTION POINTS

Matthew Michael, product director, Emerging Market Debt & Commodities, Schroders, says investors are increasingly interested in the energy transition occurring, because of the calculations that to stop global temperature increases going past 2°C will require $120trn of investments in transition technologies by 2050.

"Significant inflection points in the energy transition have now been reached across the globe and renewable energy generation is starting to reach cost-parity with traditional fuels, without the use of subsidies.

"For two-thirds of the world, renewables are now the cheapest source of electricity, again without subsidies. Energy storage, particularly at the utility and commercial scale, is now becoming cost-effective, and global EV penetration is beginning to show signs of momentum. When added to a favourable policy environment established by the 2015 Paris Climate Agreement, the investment opportunities across clean energy and its associated

value chains are starting to look very attractive.

"The same investment opportunities cannot necessarily be found across the more traditional fossil fuel industries."

Behind this are some very challenging assumptions. Michael notes that meeting the Paris Agreement goals will require a global CO_2 emissions reduction of 33% by 2030 – a decade from now.

Still, policy, consumers and costs are supporting the energy transition.

"The combination of these three themes will result in a global energy system in 2050 that looks very different from that of 2015.

"While overall power consumption is projected to stay relatively flat due to improved energy efficiency, electricity will displace oil as the main type of energy consumed and renewables will become the dominant form of power generation at the expense of coal and gas.

"Portfolios will likely need to shift their allocations to reflect the growing implications of this event, as the energy transition is already happening."

STRETCHED VALUATIONS

Angelo Meda, head of equities and ESG research at Italian asset manager Banor SIM, says that while there has been an increase in exposure to renewables in the past few years, it is based on returns rather than ESG reasons, but at present valuations are looking stretched.

"Currently, valuations are less attractive for the sector, even adjusting the discount rate for a positive ESG factor, leaving them overvalued due to inflows linked to green funds and requests by institutional/retail investors for these kinds of companies. We are thus reducing our exposure, waiting for a better entry point and looking for alternative angles.

"Given the high valuations of pure players, we are looking to turbine manufacturers, software for renewables, smart grids, etc, to have the exposure to the mega trend of renewables but with a better risk/reward ratio."

It is also too early for hard exclusions of oil and gas companies, Meda adds.

"Oil and gas companies are aware of greenhouse emissions and other environmental issues belonging to their activities and the focus of the management on the reduction, or the offset, of CO_2, etc, is much higher compared to the past. Several companies have also linked a part of the bonuses of top management to ESG issues, which we believe is key for reaching environmental targets. We will monitor developments over the next two years before taking any exclusion decisions.

"Dividends are important, but total shareholder return also depends on other factors. We are not screening our investments only looking to dividends in absolute terms, but more on a sustainable dividend policy. The natural substitute would belong in any case to the utilities sector, but carefully selecting companies with a lower environmental impact."

Meda is also among those who would potentially buy exposure to Saudi Aramco. Currently, there is none, but that is for geographical reasons – not having access to the Saudi market – and if an ADR/GDR were launched it would be monitored for potential inclusion in portfolios.

FUNDAMENTALS

Jan Keuppens, head of the Global Equities team and lead portfolio manager of Global Equities at Robeco, suggests the transition comes down to investment fundamentals.

"It is obvious that the investment case for traditional fossil fuel companies is becoming less attractive. The value creation opportunities for them simply decreases materially over time. However, the energy sector itself is quite broad and more diverse than one would think. That means we still see very interesting opportunities in energy companies, but mainly in those that play a leading role in the transition to a low-carbon economy."

COP25

It is widely reported that the Conference of the Parties 25 (COP25) failed to reach all its objectives.

As noted by the Finnish presidency and the European Commission on behalf of the EU in a statement published 15 December in Madrid: "It is disappointing that after years of hard work and especially during the last two weeks that we could not agree on Article 6 providing incentives to reduce emissions now and in the future without undermining environmental integrity."

Article 6 refers to an article in the Paris Agreement, which is intended to encourage cooperation between countries to achieve emissions reductions, but also possibly establish a policy foundation for an emissions trading system that could lead to a global price on carbon

2.6% Rise in hourly labour costs in the euro area in Q3 2019

That said, Keuppens continues: "Over the years, traditional fossil fuel companies have made significant operational and financial improvements. At the same time, the market has given them little credit them for this, which remains a risk of holding onto these companies in portfolios.

"As yet, the oil price is not reflective of a fast energy transition, hence oil and gas companies have actually still been able to generate very healthy financial returns. This is not reflected in the low valuations for the energy sector we observe in the market. Thus, excluding them gives away upside potential in case of a continued market rotation to value stocks."

Robeco also prefers an active dialogue with companies to "…improve their sustainability strategy and help them transition to a low-carbon economy.

Still, if forced to choose a renewables investment, he says the preference is in biofuels and wind energy, as there are companies emerging in both areas that are making good returns on invested capital along with "solid cashflow generation," Keuppens adds.

Jason Ulrich, head Responsible Investments, Investment Services at UBP, also picks up on the need to differentiate between oil and gas companies, rather than treating them all the same.

One critical reason is that "… if a client is benchmark oriented, a decreasing exposure leads to a higher tracking error, which is something that needs to fit into the client's strategy and overall investment philosophy."

Rather, UBP will measure carbon risk for clients that are looking to responsible investment mandates, which could include targets for high ESG scores and lower carbon footprints.

Risks of holding oil and gas companies includes environmental accidents and reputational risk, regulatory risks such as fines or new regulations, and technology making other sources of energy cheaper. Risks of exclusion include the negative impact on the financial performance of portfolios and increased tracking error relative to traditional benchmarks, Ulrich notes.

Colm O'Connor, senior portfolio manager at KBI Global Investors in Dublin is another who reiterates the challenging targets. To limit global temperature gains to 1.5°C will require cuts of greenhouse gas emissions by 7.6% pa over the next 10 years.

Generally, this means that investors tend to underestimate the scale of the pending changes that could be forced on them.

"Investors should not ignore the path ahead laid by UNEP (the United Nations Environment Programme) and cannot ignore the new, legally binding, regulations in many regions – and particularly in the EU. However, most investors still seem to be unaware of the pretty dramatic regulatory changes that are on the way, and the implications that this will have for their investments.

"And, given that global emissions have never fallen before and continue to rise, despite the historic agreement reached four years ago, investors clearly remain sceptical that emissions will turn sharply lower from 2020.

"So, despite the obvious trend towards accelerated decarbonisation, money managers continue to be over-invested in the past and under-invested in the future."

He adds that: "There is a prevalent view among investors that a slow transition to decoupling from fossil fuels will not lead to significant market disruption over the near term. They think that we have time on our side.

"But the UN report of late November highlights the immediacy of climate change and the gravity of taking no action.

"Investors need to question their exposure to fossil fuels. While coal has been an obvious casualty in investors' decisions in the battle over climate change, there are now signs that other industries are at risk."

SELECTOR VIEWS

Roberta Rudelli, head of Fund Selection at the Italian wealth manager Cordusio SIM in Milan says that renewable energy is a "great investment opportunity" in mind of the goal to reduce carbon use.

It can be accessed through both public and private markets, albeit the latter requires "…a very long-term horizon which is suitable only for a few clients.

"Within renewables, demand has been stronger for solar than wind over the last years since companies have benefitted from a lower cost of production. Anyway, even in such a specific market segment diversification is key: a good mix of different renewables allows investors to balance specific risks; for example, high exposure to southern countries and subsidised dynamics in case of solar compensated by a stable production vs wind power."

Rudelli says Cordusio does not apply a blanket hard exclusion of oil and gas to the strategies being selected, but rather advises clients according to their own needs.

"For this reason the best funds are selected according to different ESG approaches. This allows Cordusio to offer a dedicated solution fitting specific client preference and guidelines. Hard exclusion is an option although not suitable for clients who prefer an active role in environmental improvement.

"For stock selection, the dividend is not the only factor to consider: volatility and drawdown are also important, especially if they are higher due to ESG specific risks. In the new market environment, the risk/reward analysis requires to compare dividend yield with the overall risk of each stock, not only the financial one.

"This provides a more sound and

THE WORST POLLUTER

Managers including Storebrand, Oddo BHF, Axa and Lyxor have all committed to excluding or sharply reducing exposure to coal.

However, the International Energy Agency estimates that coal remains a major fuel in global energy systems, accounting for almost 40% of electricity generation and more than 40% of energy-related carbon dioxide emissions.

In its most recent annual review of coal it said that global demand increased by 1.1% in 2018 continuing the rebound that began in 2017 after three years of decline, while production grew by 3.3%.

Four of the world's six largest coalproducing countries increased their output, with three of them – India, Indonesia and the Russian Federation – producing their largest outputs ever, the IEA reported.

stable investment total return over the mid-long term horizon."

In terms of reporting required of managers particularly regarding the transition from carbon, Rudelli adds that given the due diligence process involved when considering ESG funds, no formal qualitative reporting is required by Cordusio.

Madalena Teixeira, fund selector and portfolio manager at BPI Vida e Pensões in Lisbon, says that while ESG cannot be ignored, and while many fund gatekeepers have been adopting sustainable and responsible investment procedures for some time "…it is also important to follow how the 'other half' lives.

"The follow-up of carbon footprint and stance matter, especially if you intend to follow the principles of responsible investment"

Thus, it may not be a question of increasing exposure to renewables *per se*, but replacing some names with others with a lower footprint or a better environmental approach, she says.

More regulation can introduce biases that undermine investment strategy by making it a regulatory issue, but she adds: "As long as we keep track of the investment objective there are plenty of options to go 'green' from green/blue bonds, to mutual funds or equity.

"This area is evolving continuously and presenting us day after day more efficient solutions to preserve this planet.

"Being Portuguese, the sea and the sun are always present when I think about renewables – ones that make sense in this country. The solar exposure advantage of Portugal is already being exploited, but we could profit more from our vast shoreline."

Teixeira asserts: "I do not think exclusion is the strategy to implement. Oil and gas companies will not vanish, at least for the next 100 years. I think the best approach is to engage with these companies and make them more environmentally aware, and give back at least as much as they take."

"We can all remember what happened with BP back in 2010. Almost 10 years after this tragedy with countless consequences, BP's image was almost destroyed – huge fines payed, years in court… but BP became a better company after all this, and regulation is harsher and there will be no excuses not to comply with the rules."

Dirk Söhnholz, managing director, Diversifikator, suggests that there could be more insight provided by active managers on how they are dealing with carbon emission reduction targets.

In contrast: "The ETFs which we select are pretty transparent regarding current carbon emissions. Reduction targets are not important for us since we focus on realised reductions and not plans."

As a selector of passive investments, Söhnholz says he prefers ETFs that fully exclude fossil fuel based energy, as well as nuclear energy. And exclusion can be extended beyond fossil fuels too: Diversifikator is not going to buy into Saudi Aramco, not just because it is an oil company, but also because of human rights and concerns around the rule of law in Saudi Arabia.

Thomas Metzge, head of Asset Management, Bankhaus Bauer, explains that for him sustainability issues will generally play a bigger role in future.

"However, the sustainability understanding of the individual investor of our company is in the foreground with us. For this reason, we are very flexible and take into account that every investor usually has a very individual idea of 'sustainable investing'.

"With the so-called 'value portfolio', we have been offering investors, for whom sustainable criteria have been important, a very special solution for more than 10 years.

"The goal of our approach is to take into account and focus on the investor's understanding of sustainable investing. Together with our customers, we set a very individual list of sustainability criteria, which may also include the topics of reducing emissions and excluding oil and gas companies from the portfolio. Taking this catalog into account, our portfolio management team then takes over the operational management process in both the tactical and strategic areas."

Frank Huttel, head of Portfolio Management, FiNet Asset Management, says he has a clear goal to divest from fossil fuel in traditional strategies.

"Therefore, we need to know who is holding positions in which stocks. We also want to know if the managers are engaging with the companies in order to reduce carbon emissions. It is crucial as not every investor can divest as we can.

"We are already investing in renewables. Unfortunately, it is still a niche market. For us as impact investors we want to help reaching the Paris Agreement and the 17 UN SDGs. Renewables are key for the energy transition."

"Wind and solar are definitely in our focus. However, other sources like biomass will be interesting as well in the future," he concludes. ■

321 Funds have been awarded the French government issued SRI label, as at 2 December 2019

RÉMI LAMBERT

Rémi Lambert, deputy CEO and CIO of Architas France, started his professional career at Thomasn Financial (Primark-DataStream),as an analyst in 1996.

Previously he worked at Credit Agricole AM as an analyst in Financial Engineering and Risk Management; and at Societe Generale AM as head of Marketing for Multi-Asset Portfolio Management, going on to become head of Institutional Multi-Asset Management team in 2005.

In 2008, he moved to AXA Gestion Privée to become deputy CEO and CIO of AXA Private Management which was renamed Architas France in 2015.

60% Companies that entered the list of the top 2,500 spenders on R&D in the 6 years to 2018 based in the US or China

Architas deputy CEO and CIO, Rémi Lambert, draws heavily on the resources of parent group, AXA Private Management. "The main 'game changer' is the expertise of the analysts and fund managers," he tells Elisabeth Reyes

An active approach

Formed in 2008, Architas has grown to have a presence in the UK, France and Belgium, offering investors a way to invest via multi-manager funds. 100% owned by the AXA group, Architas France was renamed in 2015 from AXA Private Management.

Architas provides a range of diversified multi-manager fund of funds, giving advisers greater choice in financial planning for their clients.

Additionally, it aims to make investing accessible to all constituencies, including investors and advisers. The assets under management and advised by Architas France totalled €7.5bn as at the end of August 2019.

Paris-based Rémi Lambert, deputy CEO and CIO, together with his team of six senior portfolio managers, is in charge of tactical asset allocation. Together they manage different types of investment solutions including advisory mandates; discretionary portfolio management; and funds of funds. They have an active approach to asset allocation using mainly active managers and to some extent trackers (ETFs).

Lambert confirms that they do not have one single source to identify potential new funds.

"We interact with all the asset managers located in Paris. We also interact extensively with our colleagues based in London and Dublin. Additionally, we also leverage on the AXA Group. We have client's recommendations; we also detect funds through the press. We screen equally the universe using various databases," says Lambert.

"We do run an 'approved list' of funds which is constantly evolving, given that we regularly remove or add funds on our approved lists. Therefore, we can say that we also seek out funds more on an ad hoc basis to update our list."

"I LIKE FUND MANAGERS TO BE HONEST, CLEAR AND STRAIGHT FORWARD"

What strategies do your clients have greatest appetite for now?
I would not say the greatest but rather the biggest appetite by our client are, at the moment, ESG (Environment, Social and Governance) and thematic funds. For that reason, we are focusing on those strategies as well as in some cases alternative funds.

Could you explain briefly your selection process?
Our investment process is based on financial and non-financial criteria. For the financial criteria, we have a quantitative and qualitative approach. This is nonetheless rather standard in the industry. The main 'game changer' is the expertise of the analysts and fund managers.

For the non-financial criteria, we include in our RFP's ESG questions and we have a quantitative analysis for all internal and external funds done by the AXA Group and namely AXA Investment Managers.

What are the key attributes you like in managers/management groups themselves?
I like fund managers to be honest, clear and straight forward.

During our one-on-one meeting, I always ask the fund manager the following question: "What risks am I taking if I invest in your fund strategy?" You would be surprised to see their reaction!

What are automatic red flags for funds and managers?
Reputation. Our main concern as a multi-asset manager is operational due diligence. We have a counterparty risk and if this risk is materialised it becomes automatically a red flag. It is as simple as that.

Do your clients invest heavily in absolute return funds; and are the funds mainly onshore or offshore?
All our clients look for absolute return funds or investment strategies. Capture as much as possible in up markets and minimise losses in down markets. Sounds familiar? Our clients invest exclusively in onshore funds.

If you could choose between equivalent regulated or unregulated hedge funds, would you prefer regulated?
Regulated, for one simple reason. Architas France works exclusively with AXA Group entities within life insurance wrapper and the norm is regulated funds.

What risk control skills do you seek out in managers?
No specific risk skills, just the adequate and appropriate risk skill set for a given strategy. ■

11 Number of months a row manufacturing activity in the eurozone has contracted

An increase in construction activity and the growing appetite of international investors are driving Spain's residential property market growth. Juan Carlos Calvo, investor relations director at the real estate developer Metrovacesa, tells Eugenia Jiménez how they are looking to benefit

Global institutional investors drive residential property market boom

Global investment in the residential market jumped 9% amounting to €99bn in the first half of 2019, according to the Global Living Report by property agent Savills Aguirre Newman.

When looking just at the Spanish market, the study estimates that investment into built-to-rent property transactions in the country is set to surpass €1.5bn in 2019 alone.

The study also suggests that investment in this type of residential property is growing in the southern European country due to the limited supply of "finished" properties and to a growing interest from institutional investors.

Professional investors are shifting their investment focus towards residential assets in a bid to get higher returns than those provided by more traditional asset classes, with a particular emphasis on student accommodations, elderly properties, and residential to rent. The latter experienced a 13% increase in the first half of the year amounting to €87bn.

The global financial crisis was a turning point for the country's real estate sector that changed home ownership from a symbol of security and stability to one of financial risk.

Structural changes in demand, coupled with new purpose-built supply entering the market, have opened the sector to more investors than ever before creating again opportunities to real estate development companies in the country.

Spain-headquartered real estate development company Metrovacesa is one of those companies tapping into these investment opportunities.

Juan Carlos Calvo, director of investor relations at the Spanish developer, speaks with *InvestmentEurope* about the opportunities presented by the alternative asset class.

Loan funds are becoming more popular because capital is not flowing from banks as it used to do. Where do you get the capital from?
We use bank financing, because the terms offered by banks are more competitive than capital markets currently.

52.4 Eurozone PMI index for services in December

Loan funds have been rather active in the real estate sector in the last few years, mostly financing the purchase of land, where banks are more uncomfortable. But this does not apply to Metrovacesa, since we own a large land bank of 37,000 residential units and a sound balance sheet with low gearing ratios.

What are your views on residential property yields vs commercial property ones?
Residential yields are traditionally lower and more stable than commercial property ones, and this is consistent with its lower risk profile.

We believe that yields will remain low for quite some time, given the monetary policy pursued by the European Central Bank.

What are your views on real estate investments in Spain?
We see a growing appetite from institutional investors to buy residential buildings for rent in Spain, a segment traditionally dominated by individual investors.

A more professional market is starting to emerge in Spain, following trends seen earlier in other European countries.

Metrovacesa's role as a developer is to create attractive homes to meet the demand of institutional buyers and individuals.

Are you listed in the Spanish stock exchange?
Metrovacesa was re-listed on the stock exchange in 2018. We have a long history, starting more than 100 years ago, and we had been listed before between 1941 and 2013.

For us, returning to the stock market was a natural step, given our history and size, as the leading residential developer in Spain.

With money being cheap to borrow these days, what sources do you favour to finance the company?
We have a very good access to bank financing, which is the most competitive source of external financing at this moment in terms of cost and flexibility.

In any case, we have a conservative financial policy and we intend to preserve a sound balance sheet. Therefore, we want to maintain our debt ratios well under control even if the interest cost is low.

How much interest are you seeing from institutional investors in private equity in Spain?
Private equity funds played a fundamental role in 2013 and 2014, providing liquidity and marking an inflection point in the Spanish sector. They continue to be active, particularly with the acquisition of bulk portfolios from banks.

But now that the sector is becoming more stabilised, we think that traditional real estate funds, pension funds and insurance companies may start to have a more preeminent role going forward.

What is the demographic group you are primarily targeting?
We are targeting middle and upper-middle class, with a price range of €200k to €400k per unit in most cases. This is the segment that constitutes the bulk of the housing transactions in Spain.

About 150,000 UK pensioners living in Spain do not have the guarantee that their state pensions will increase for more than three years in the event of a no-deal Brexit, which could force them to leave the country. What will be the impact of this?
It is still unclear how Brexit will impact the British residents in Spain, and the uncertainty may have some impact on UK buyers' demand until the outlook is more certain.

Fortunately, this represent only a small proportion of the foreign buyers in the locations where Metrovacesa is present, while demand from other European countries remains very solid. Therefore, we expect a marginal effect only.

SUSTAINABILITY APPROACH

You claim to build sustainable housing. How sustainable are your houses?
A sustainable house is one that is efficient, in terms of both active and passive measures.

Active measures are seeking a low use of energy and natural resources, through insulation and installations.

Passive measures are mainly adopted in the design phase, seeking cross ventilation and good sun orientation among other things.

Are you taking into account the net-zero carbon emissions target in your building plans?
We abide to our Sustainability Plan, which establishes a precise criteria for selecting suppliers of materials and construction systems.

Although we subcontract the construction process entirely, we can monitor the emissions in CO_2 and the measures taken by the subcontractors to mitigate their effect.

For people investing in real estate as an asset class, to what extend do their views in sustainability impact on the return calculation?
Investors, users and tenants are all paying greater attention to sustainability matters. Therefore, the question is not really about their impact on cost or returns, but rather is becoming a required element to make the product successful.

Is there any 'labelling scheme' you had to sign up in order to claim you build 'sustainable housing'?
Energy certifications (mostly A) are a constant in our developments, both residential and offices. In the case of offices, BREEAM or LEED certificates are used to recognise a quality design and execution, also from the environmental angle. ■

9.5% of GDP Tax rate on personal income in France (OECD)

Dealing in themes

Thematics Asset Management was launched earlier in 2019 as an affiliate of Natixis Investment Managers. Elisabeth Reyes caught up with CEO Mohammed Amor and CIO Karen Kharmandarian to hear the company's plans

Thematics Asset Management is focused on investment opportunities it sees in secular growth drivers linked to themes such as safety, water, and artificial intelligence and robotics.

Such is the pace of growth in these areas, that it has made sense to launch an affiliate of Natixis to tap into these opportunities, explains CEO Mohammed Amor, not least because investors have integrating thematic investments in portfolios for a decade or more for diversification purposes and to tap into return beyond traditional strategies.

ENTREPRENEURIAL ADVENTURE

"We have seen this as a great opportunity and given that we are ambitious and have proven expertise in this space, as well as a strong investment process in place, we naturally wanted to capitalise on that," Amor says.

"We decided to pursue this entrepreneurial adventure and launch Thematics AM, joining the affiliate lineup of Natixis Investment Managers, one of the world's leading multi-affiliate asset managers – which owns 50.1% of Thematics AM.

"Our main objective is to capture the secular growth of the markets by combining freedom and robustness of process, in order to give a sense of purpose to our investments and generate long-term performance."

CIO Karen Kharmandarian continues: "We have an active investment approach and all our strategies are high conviction.

"Our initial consideration in terms of making investments, is whether a business is a natural beneficiary of the 'primary forces' which we believe to be the perennial root causes of global disruption – namely demographics, innovation, globalisation and scarcity. For us, the thematic products that we have launched are long-term beneficiaries of the secular growth drivers that arise from these far-reaching transformative shifts."

"ALL OUR STRATEGIES ARE HIGH CONVICTION"

Karen Kharmandarian, Thematics Asset Management

"OUR MAIN OBJECTIVE IS TO CAPTURE THE SECULAR GROWTH OF THE MARKETS"

Mohammed Amor, Thematics Asset Management

"Today, our range includes four funds launched last December: Thematics Water, Thematics Safety, Thematics AI & Robotics and Thematics Meta (which combines these three themes in one vehicle)."

Kharmandarian adds: "All our funds are global, we invest in all regions including the US, Europe and Asia. We do not do any long/short, we only take long positions. Our portfolios are unconstrained, not only in terms of geography, but also in terms of sector and size. We are benchmark agnostic, breaking away from market cap weighted indices – which give more weight to companies and industries that have won in the past – and focusing instead on the winners of tomorrow.

"Identifying the small/mid cap companies that will grow in the future – rather than the big companies that are already successful like Apple, Amazon, Facebook, etc – is a strategic choice. We consider companies to be small sized when they have a stock market capitalization around \$2bn and medium sized when it is \$2-10bn.

"Such companies are not included in global stock market indexes like MSCI World or MSCI All Country World. There is little value for us in these indices: typically, our strategies have an active share of 95%-100%."

ESG

Approaching thematic investments may require a particular view of ESG, explains Amor.

It is emphasised as part of the investment decision making process, but the approach is not only exclusionary.

For, while, say investing in companies bringing solutions for clean drinking water is considered, it is not the case that Thematics AM is trying to be entirely ESG: "Building 100% ESG portfolios can be difficult when it comes to safety, robotics and AI companies, which tend to be very technology orientated," explains Amor.

"Our approach is rather the following one: ESG is a key feature of our process since we established Thematics AM earlier this year. We are long-term by design in our investment style, we have high conviction portfolios and are in close alignment with our clients' interest and values. We are convinced that integrating ESG and maintaining an active ownership approach are critical to enhancing returns and better managing risk over the long term."

Looking ahead, Kharmandarian notes that a new investment theme will launch in early 2020, similar to the existing ones.

"It will be based on the secular trends transforming our world - not something trendy that could die out in a couple of years. We have finalised all the prep work… we are now only awaiting regulatory approval."

● **To read the full interview of Mohammed Amor and Karen Kharmandarian visit www.investmenteurope.net/news/4007612/thematics-cio-ceo-outline-investment-objectives.**

27,700% Gain in Stockholm stock market since 1980

Focus on sustainability gathered momentum in the Swedish fund market over the past decade, a new survey from the Swedish Investment Fund Association shows. Jonathan Boyd reports on how this and carbon emissions have driven industry response

A snowball effect

Carbon emissions have been in focus of investors for some time (indeed, the cover feature this issue addresses selection challenges related to oil and gas and renewables) but has taken on added impetus as risk modelling improves and regulatory demands increase.

In Sweden, the board of the Swedish Investment Fund Association (*Fondbolagens förening*) recently adopted a pathway for reporting carbon emissions from fund investments, which it is hoped will address the related challenges facing the local fund industry.

The pathway adheres to recommendations issued by the Task Force for Climate-related Financial Disclosures (TCFD), and also makes possible reporting carbon footprints for fixed interest and balanced funds.

In 2016, the Association adopted a pathway for calculating emissions of greenhouse gases from holdings in securities funds. The new pathway also pays heed to changes such as the EU's Non-Financial Reporting Directive, new investor-led climate initiatives, and the EU's plans for sustainable finance. The TCFD framework has, in a short space of time, has been adopted by most climate initiatives, reporting frameworks and the European Commission.

The changes mean that the calculation equation put forward in the pathway is adjusted to show the fund portfolio's exposure to carbon intensive businesses, instead of the fund's ownership portion in companies exhibiting high carbon intensity. Calculations will also be extended from equity to include fixed interest and balanced funds too.

Fredrik Nordström, chief executive at the Association, said: "We see sustainability questions becoming increasingly important for investors. There is a lot of work ongoing in the fund industry to develop sustainable products and meet demand. It is also important that funds can inform as much as possible around the sustainability work. The industry is seeking increased transparency and the ability to make comparisons, and we have now taken an additional step in the development of our pathway where we, among other things, adjust to the TCFD framework.

"It is very positive that more companies are reporting climate data, but I want to flag up that there are still limits to data access, which complicates the calculations of funds and the interpretation of key figures."

40 YEARS OF DEVELOPMENT

The pathway on carbon and reporting comes on the heels of research suggesting a significant shift in attitudes has evolved over the past decade in the Swedish fund market.

In its report on the last 40 years of industry development – *Fondmarknadens utveckling 1979-2019 – Så blev Sverige världsmästare i fondsparande* (https://www.fondbolagen.se/globalassets/faktaindex/studier-o-undersokningar/langtidsstudier/40_ars_studie.pdf) – the Association notes that a third of Swedes surveyed in 2019 stated they invest in funds with sustainability objectives, against 24% in 2018. This reflects a speeding up of changing attitudes.

The findings of the report note that there have long been funds excluding companies with links to weapons, alcohol and tobacco, as well as funds that have worked together with non-profit organisations.

The trend has been towards funds that take account of positive screening during investment decisions, and which work to influence the companies in which they invest to become more sustainable. ■

CARBON TRACKER

Recently, customers of Nordic financial group Nordea's digital banking services were offered access to a facility to track their individual carbon footprints, as part of a broader response to climate change risk.

At launch, Nordea said some 3 million out of 9 million customers could make use of the service. The information is based on the Åland Index developed by the Bank of Åland – based in the autonomous region of Finland. The index calculates an approximate impact from the goods and services bought with a payment card.

47.2% Share of vote gained by the Conservative Party in England


Wikimedia Commons

UK prime minister Boris Johnson

Going boldly

The UK's recent general election ended uncertainty about policy decisions on Brexit, at least in the near term. Jonathan Boyd reports on some of the comments that followed Boris Johnson's victory

As 12 December tipped into Friday 13 December 2019, the UK saw domestic political uncertainty replaced with a clear majority for a Conservative Party government led by prime minister Boris Johnson (pictured above).

The man who walked out of the cabinet of his predecessor, Theresa May, over the handling of the Brexit question – rejecting the withdrawal agreement she had negotiated with the EU – was returned to office with an 80 seat majority in the House of Commons, having managed to seize constituencies that had not voted anything other than Labour – the main UK opposition party – since before the Second World War. It was the Labour Party's worst election since 1935 in terms of seats won.

REACTIONS

Currency markets reacted quickest, overnight following the initial exit polls, sending the pound to an 18-month high against the dollar and its strongest against the euro since the Brexit referendum in 2016.

By the morning of 13 December, the FTSE 250, which is seen as a better proxy for the domestic economy than the FTSE 100, saw strong gains.And then, anecdotally, by 16 December, there were comments from estate agents that big property deals in London had been unfrozen, particularly regarding the top end of the residential market.

Phil Smeaton, chief investment officer at Sanlam UK, said: "Removing the uncertainty around Brexit in the UK will free businesses to unleash a surge in investment, and consumers should once more feel confident enough to spend. Investors in the UK can relax as their taxes remain unchanged, and global investors are likely to feel comfortable enough to commit capital to one of the world's cheaper equity markets."

Adrian Gosden, investment director, UK equities at GAM Investments, said: "We believe this is a positive outcome for key areas of the UK equity market, such as more domestically orientated companies. The utility sector was also exposed to the potential Labour policy of nationalisation – this risk is now off the table. Similarly, banks were exposed to increased bank levy under Labour proposals, so this risk is also off the table for now."

James Clunie, manager of the Jupiter Absolute Return Fund, added: "Another important thing to note is that asset prices moved partly before the result was known, and then instantly once the result was clear. It just was not possible to wait until the uncertainty went away before placing a big trade and getting a good price."

Richard Colwell, head of UK Equities, Columbia Threadneedle Investments, said: "The greater clarity we now have over Brexit and UK politics should not only spur an immediate stock market rally, but also encourage a longer lasting reappraisal of UK-listed companies. Global asset allocators who had fallen out of love with the UK will likely shift money back to the region."

CAUTION

Despite the investor euphoria, there were also some key notes of caution sounded about what the medium to longer term outlook might be.

Andrew Jackson, head of Fixed Income, Hermes Investment Management, said: "Pressing on with an orderly exit from the European Union still poses a level of uncertainty and has the potential to cause a modest drag on business activity over the next year. A hard Brexit could lower possible growth of the UK to a level below its potential as a member of the EU, but the landslide majority win does somewhat limit this risk."

And Karen Ward, chief market strategist for EMEA at JP Morgan Asset Management, added among her points that agreeing a free trade agreement by the end of December 2020 represents a Herculean task because of the expected line-by-line negotiations and the time this may take.

"The most likely scenario in our view is continual extensions to the period of transition as the process of striking FTAs proceeds slowly. Talk of a 'hard Brexit' could continue through 2020." ■

3 Number of years SharingAlpha users have generated track records

@SharingAlpha

In what SharingAlpha CEO Oren Kaplan describes as "a major milestone in our journey" the arrival of three-year track records from fund selectors and asset allocators is being marked by the award of certificates to top performers

Selector certificates awarded on third anniversary

At the beginning of January 2020, SharingAlpha will be handing out certificates to the top-ranked fund selectors and asset allocators based on the track record they achieved on the platform, SharingAlpha's co-founder and CEO Oren Kaplan has announced.

Since SharingAlpha was launch back in 2016, this will be the first opportunity for them to exhibit a full three-year track record.

Kaplan said: "This is definitely a major milestone in our journey.

"We would like to thank all those that joined SharingAlpha early on and are now benefiting from the step they took. We invite those that have yet started building their own proven track record to visit www.SharingAlpha.com and do so today since a long term track record is obviously more meaningful.

"May I remind you that besides the unique opportunity to compete against your peers, SharingAlpha also offers the possibility to view the communities' fund ratings and to conduct fund research in a more 2.0 setting."

LATEST RANKINGS

It has been a quarter since SharingAlpha updated the methodology used to identify top ranked funds, as selected by its platform users.

According to the data available as this issue of *InvestmentEurope* was being put together, the top couple of spots had not changed month-on-month, with the Lindsell Train Global Equity and Valentum FI funds still there, albeit with total average ratings that were fractionally down.


Oren Kaplan, SharingAlpha

The big change was the ascendancy of the Robeco Global Consumer Trends and Oppenheimer Developing Markets funds into the top 10 highest ranked funds, replacing the Jupiter European Growth and azValor Internacional FI funds, which dropped out of this particular list. They may have been scoring well previously, but the methodology now requires a higher number of minimum ratings to be included.

Of the funds that have remained in the list month-on-month, the Baillie Gifford Global Discovery, and Comgest Growth Europe funds have gained places, with the Schroder GAIA Two Sigma Diversified fund slipping. ■

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
Lindsell Train Global Equity Fund	Ireland	4.4946	15
Valentum FI	Spain	4.4032	10
Robeco Global Consumer Trends Equities	Luxembourg	4.3921	10
Baillie Gifford Global Discovery Fund	United Kingdom	4.3912	12
The Prosperity Quest Fund	Cayman Islands	4.3804	10
Schroder GAIA Two Sigma Diversified	Luxembourg	4.3737	20
GAM Star Credit Opportunities (USD)	Ireland	4.3223	17
Comgest Growth Europe	Ireland	4.3182	10
Oppenheimer Developing Markets Fund	United States	4.3132	10
Magallanes European Equity FI	Spain	4.3126	22

As at 19 December 2019. Source www.SharingAlpha.com

15,351 Luxembourg-resident job-seekers registered with the ADEM as of 30 November 2019

Discussing alternative perspectives

The recent Alfi PE & RE Conference took place in context of a rapidly growing alternative funds sector in Luxembourg. Jonathan Boyd reports

One of the fastest growing areas of fund asset gathering in Luxembourg has been taking place in private equity and debt, and real estate, according to data presented at the Association of the Luxembourg Fund Industry PE & RE Conference 2019, which took place in the third week of November.

This pace of change was underlined by the publication of three reports during the Conference. Co-authored by Alfi, they illustrate the pace of change experienced over the past year alone; the *Alfi/Deloitte Private Equity and Venture Capital Investment Fund Survey 2019*, the *Alfi/KPMG Private Debt Fund Survey 2019*, and the *Alfi Reif Survey 2019* have collectively identified that alternative funds – both regulated and unregulated according to the Alternative Investment Fund Managers Directive (AIFMD) – have grown faster than Ucits collective investment vehicles over the past year.

Not only are assets overall growing, but the average size of funds is up sharply also, particularly following establishment of funds in Europe by certain US providers, either setting up new strategies, or those similar to strategies already in play in North America.

Looking to the private equity asset class, the Alfi/Deloitte survey shows that:

- There has been a 19% YoY increase in PE fund AUM in 2019 to €148bn;
- The number of €1bn+ funds has doubled – there are now some 36 funds in excess of €1bn;
- The average fund size now over €200m – which is up 50% since 2018; and
- Total AUM in the PE space as calculated by the survey is €148bn – up 19%.

Key takeways from the private debt survey from Alfi/KPMG include:

- There was a 14.5% increase in AUM to €56bn in 2019, taking the AUM increase to 40% in two years;
- Use of Raif (Reserved Alternative Investment Fund) structures rose from 13% to 20% of all fund structure, and that trend is expected to continue; Specialised Investment Funds (Sifs) and Part II funds were respectively 71% and 9% of the structures;
- Direct lending strategies nearly doubled this past year, now accounting for 32% of the private debt market, up from 18%;
- High yield bond strategies accounted for 22%, and senior loans 22% of investment strategies;
- The private debt market was affected by implementation into Luxembourgish tax law of the EU Anti-Tax Avoidance Directive, Atad 1 & 2, which targets 'aggressive' tax planning; and
- Environmental regulations adopted by the European Parliament in August 2019 bring new obligations for disclosing sustainability risks and impacts of investments; green loan issuance in 2018 was already up 30% on 2017.

Completing the troika of surveys, Alfi's own on 343 structures representing the real estate investment funds (Reifs) sector illustrated a robust expansion in the sector:

- The number of Reifs launched rose by 133% compared to 2018 – defined as Raifs focused on property, up from 27 to 63;
- The number of AIFs rose to 41, and increase of 51.9%, while the number of non regulated AIFs launched reached 28, taking the total of relevant funds to 69, an increase of 155%; and
- Net AUM of Reifs rose 17.7% to

€82.2bn Net AUM of Luxembourg-based Reifs, a rise of 17.7% YoY


€82.2bn – defined as those funds regulated and supervised by the CSSF.

These above findings formed the backdrop for a Conference that over two days used a blend of panels and presentations to share latest thoughts on areas such as how PE can outperform public equity, the role of Luxembourg as a PE hub and how best to use the PE secondaries market.

The future of real estate investment funds (Reifs) and how best to structure them depending on client requirements were debated. Issues of sustainability, ESG and tax and anti-money laundering efforts also featured.

The Conference also included practical insights from steel maker ArcelorMittal into how buildings of the future will need to include not only more recyclable materials – such as steel – rather than high carbon emitters – such as concrete – but also need to be designed from the outset to be more easily dismantled for recycling.

Also highlighting technology developments in real estate was Spacetime, provider of technology to track and digitally record construction as it happens, which means future planners can review building sites and the erection of buildings over time in 3D, rather than relying on 2D blueprints. ■

● **Full details of the Conference speakers can be found at: https://events.alfi.lu/pere-conference/agenda/day-1-pere-conference-2019.**

TOP CONSIDERATIONS OF ALFI

Corinne Lamesch (pictured below) was appointed the chairperson of the Association of the Luxembourg Fund Industry in June 2019. At the Alfi PE & RE Conference, she sat down with *InvestmentEurope* to outline what will be guiding the work of the Association over the coming year.

The overarching objective is its 2025 plan, which is linked to three priorities driven by societal changes: sustainable finance, how to grow pension savings, and successfully managing developments around alternative investments, where there is surging demand.

Lamesch said that sustainable finance is the top societal issue globally.

"Investors don't only want financial return, but that companies in which they invest do good at the social level," she said.

Luxembourg as a domicile claims a third of sustainable funds, around which an ecosystem has sprung up, including the local stock market sustaining 'green' securities and the local labelling scheme LuxFLAG. That ecosystem points to ongoing growth.

On the second priority of pension savings, she noted the shifting dependency ratio predicted to reach 2:1 by 2050. Luxembourg sees an opportunity in the proposed pan-European pension funds regime – Pepp – which apart from facilitating portability between jurisdictions within the EU should also allow switching from pillar 2 to pillar 3 products.

Thirdly, in the area of alternative investments, Lamesch noted the important role alternative funds can play in funding startups, small and mid cap businesses.

With investors seeking to diversify and amid the hunt for yield, it means the sector, and Luxembourg are well positioned, she said.

The government and regulator have developed a varied toolbox of structuring possibilities, including unregulated Luxembourg products that can get to market quicker. This is also being helped by the wider acceptance of the AIFMD, which is enticing providers from other regions globally to consider setting up vehicles in Luxembourg.

BREXIT

On the question of Luxembourg's role as a fund hub, Lamesch said she feels the industry is well prepared, including for a hard Brexit.

There are interim access agreements and regimes in place between the Grand Duchy and the UK. Then there are those who have been preparing more permanently to keep access to the EU market using a passport. There have been relocations from the UK to Luxembourg.

"We want to keep good relationships with the UK after Brexit," she affirmed.

€277.46bn Spanish funds' AUM in November 2019 (VDOS)


Madrid Roundtable 2019: where traditional asset classes met ESG

Some 20 Spain-based fund selector delegates gathered in Madrid on 8 of November to look at the investment trends and hottest topics for the fund selector community. Eugenia Jiménez reports

InvestmentEurope made its annual appearance at the Westin Palace hotel in the Spanish capital to celebrate the Madrid Roundtable 2019.

Fund selector delegates were treated to a batch of investment topics ranging from Nordic equities, to fixed income markets, smart beta ETFs, and sustainable investment.

Presentations came from four leading asset management groups: DNB Asset Management; Janus Henderson Investors; Edmond de Rothschild Asset Management; and State Street Global Advisors which, in a roundtable format outlined their respective investment strategies and areas of expertise.

NORDIC OPPORTUNITIES

The event kicked off with the contribution of Øyvind Fjell, portfolio manager, Nordic equities at DNB Asset Management, who discussed the investment opportunities presented by the Nordic region, where the very low public debt levels, a high educated labour force, and a high score on ESG ratings, are some of the factors lying beneath the attractive returns registered in the northern European countries.

Fjell stressed the great performances of the MSCI Nordic index which, during the last two decades, it has outperformed the MSCI World by 115% and the MSCI Europe by 155%.

He said: "We believe in continued growth in the Nordic region. The economic situation in the Nordic countries is strong, and most of the companies in the Nordic countries are shielded from the effects of trade war and other global 'noise'."

The Nordic equities specialist also shared with the audience insights, facts and figures around such region which, according to him, offers a global investment universe "in miniature" and where each of the Nordic countries specialises in different sectors, providing investors with a broad range of diversification.

SUSTAINABILITY THEME

Tim Brown, senior product specialist at Janus Henderson Investors addressed his company's approach to sustainable investing.

This approach is rooted by the belief that a truly sustainable approach must consider the interconnectivity between key environmental and social megatrends, the low carbon energy transition, and the move towards a circular economy.

To highlight such an approach, Brown presented the Horizon Global Sustainable Equity fund, which invests at least 80% of its net assets in equities of companies worldwide, whose products and services are considered

€2.5bn Increase in AUM of Spanish funds in November 2019 (VDOS)

by Janus Henderson as contributing to positive environmental or social change and thereby have an impact on the development of a sustainable global economy.

The fund, which avoids investing in companies that the company considers to have a negative impact on the development of a sustainable global economy, does not have any constraint in terms of company size. It may also invest in money market instruments and cash.

The strategy targets low carbon investments and incorporates ESG factors into the analysis to construct a portfolio with a favourable risk profile.

FIXED INCOME APPROACHES

Brown's presentation was followed by that of Benjamin Melman, global chief investment officer at Edmond de Rothschild Asset Management, who outlined how best to approach fixed income markets at a time of changing economic conditions.

With persistent questions over interest rate trends and low bond yields, investors are naturally wondering how to manage fixed income allocations. According to Melman, the best solution is to go for a flexible, selective and diversified approach.

He outlined: "With uncertainties around the economic, monetary and political cycles, volatility has hit fixed income markets.

"This uncertainty is driving demand significantly higher for certain fixed income assets. In such an environment, there is an argument to consider active management and diversification."

Melman also presented the Edmond de Rothschild's Fund Bond Allocation, an actively managed and flexible fund across the bond market's various segments, that provides a broad choice of bond asset classes and active management of modified duration by fixed-income experts. The fund, with over €900m in AUM, has broad investment limits on the various segments of the international bond market.

RISK MANAGEMENT

Ryan Reardon, investment strategist at State Street Global Advisors, SPDR ETFs, closed the roundtable sharing his views on how blending smart beta ETFs to long equity positions, has helped reduce drawdown risk and protect core equity holdings.

According to Reardon, European investors are increasingly seeking cost-effective tools to manage risk. Blending smart beta ETFs to long equity positions has helped reduce drawdown risk and protect core equity holdings. Throughout the year, investors have incorporated the well-known SPDR Aristocrats range to secure a sustainable income stream, while minimising portfolio volatility.

Reardon addressed how smart beta ETFs provide investors the opportunity to introduce a defensive position into a portfolio with a single trade – specifically via quality dividend and low volatility strategies. ■

Speakers

Øyvind Fjell joined **DNB Asset Management** in 2018 as a portfolio manager, responsible for Nordic portfolios. He previously was a portfolio manager at Skagen Vekst and Delphi Nordic.

Tim Brown is a senior product specialist at **Janus Henderson Investors**, responsible for a number of global and sector equity products. Prior to joining Janus Henderson in 2018, he spent eight years at Vanguard Asset Management performing a number of roles.

Benjamin Melman joined the **Edmond de Rothschild Group** in 2006 as head of Asset Allocation, Structured and Quantitative Management. In June 2019 he was appointed global CIO Asset Management, responsible for overseeing all Edmond de Rothschild Asset Management's investment teams, also being a member of the Group's Asset Management Executive Committee.

Ryan Reardon is a vice president at **State Street Global Advisors** and a senior strategist on the SPDR ETF Strategy & Research team for EMEA. His primary areas of focus are in Smart Beta and US-domiciled SPDR ETFs. He joined State Street in July 2008.

0.4% Increase in Switzerland's GDP in Q3 of 2019

Innovation in portfolio management innovation, sustainable investing and avoiding the flops were the key highlights of the *Pensionskassenforum* Zurich 2019. Ridhima Sharma reports

Confronting key challenges

This year's *InvestmentEurope Pensionskassenforum* held at the Bar au Lac Hotel in Zurich attracted some 35 delegates discussing key challenges for the Swiss Pension industry.

The event was kicked off by keynote speaker Thorsten Hens, professor of Financial Economics, University of Zürich. He talked about "Gut feeling vs complex models on portfolio management: How to take decisions". During his session he discussed how machines and artificial intelligence are helping private investors and institutional investors in investing process. He posed the question: is there any limit to machine investing?

UNBIASED HIGH YIELD

He was followed by Steven F. Rocco, director of Fixed Income at Lord Abbett, who discussed how to take the bias out of high yield portfolio. He explored how an unbiased approach to high yield investing, which incorporates an uncompromising focus on macroeconomic factors that drive returns in credit markets and lead sector dynamics, can potentially be a significant driver of performance.

Rocco also examined how quantitatively-informed risk limits helps to navigate the lower quality segments of the asset class and mitigate idiosyncratic risk. According to his presentation, high yield spreads have tightened year-to-date and volatility measures have risen. A premium has been placed on larger and higher quality bonds year-to-date, which have outperformed smaller and lower quality bonds. There have been more 20% declines in certain high yield bonds this year than in recent years. Given the asymmetric return profile of high yield, quantitatively-informed risk limits may help to mitigate idiosyncratic risk.

He believes that a disciplined and unbiased approach to high yield, overlaid with disciplined and rigorous risk management, can potentially be a strong driver of performance.

EMERGING DEBT AND RISK DECISIONS

How investors can adequately value emerging debt investments was outlined by Daniel Moreno, head of Emerging

Market Debt at Mirabaud Asset Management. Emerging markets represents more than 60% of the worlds GDP (PPP). The emerging market debt (EMD) universe consists of more than $25trn, which is almost a quarter of global fixed income.

According to Moreno, only 12% of all EMD is represented in benchmarks. As per external debt, EMD has no correlation to US Federal Reserve funds funds. And as per local debt, currency explains only 22% of long term returns. Regular flow of liquidity helps to reinvest in new opportunities. Liquidity management reduces transaction costs and duration and interest rate exposure.

Thorsten Hens, professor of Financial Economics, Universität Zürich; Dominik Locher, Risk Management Expert, founder and director, Theta; Claudia Emele, leiter Anlagen, Avadis; Matthias Weber, leiter Anlageausschuss, Publica took part in the first panel. They discussed on how to deal with risk decisions and share it with the investment committee members.

After the first panel, Matt Murphy, Institutional portfolio manager from EatonVance took over and talked about how to manage a portfolio of EMD investments.

Swiss investors recognise the long-term investment merits of EMD, however they face significant hedging costs that detract from performance while not reducing risk.

Murphy explained that there is a lack of investment opportunity due to the benchmark's exclusion of countries (issuers) and market capitalization (issuers). There is concentration issues within the benchmark that contributes to volatility. Developed market risks contributes to volatility and limit future return potential.

SUSTAINABILITY ISSUES

Murphy was followed by Ulla Enne, head of Responsible Investing & Operations at Nest Sammelstiftung.

Enne stated: "Investments are to be made primarily in those sectors of the economy that contribute to structural change in a sustainable economic and social life."

She discussed the selection process and how sustainable investing in implemented. Also there are different implementations to be considered with liquid vs illiquid investments. Due to rigorous and specific sustainability, an active approach must be pursued. Otherwise, there can be portfolios with uncontrolled risks. Nest uses standard market index as benchmark for risk management and reporting.

Andreas Dankel, head of Credit from Danske Bank Asset Management discussed how active bond management impact our future.

According to Dankel, companies with high or an increasing sustainability awareness generate higher risk-adjusted returns than those with no or low focus on sustainability related factors (ESG) because these companies are likely to have lower image-, funding-, market-, product-and profit related risks

Danske Bank generates alpha through in-depth fundamental ESG and credit analysis, which we use to determine where material improvement in ESG and traditional credit fundamentals will occur, and by engaging with companies to affect positive change.

According to the presentation, among the 59 ESG engagement topics, energy efficiency, environmental regulation and energy transformation are the most commonly discussed.

The session was followed Sabine Döbeli, director, Swiss Sustainable Finance, Zürich, who talked about developments in sustainable investing around the globe.

She noted that, in France, Article 173 of the Climate Change Act, which requires investors to release climate risks, is being extended to biodiversity risks; in the UK, the government pension fund has sent a questionnaire on the integration of ESG factors into portfolio management to verify that fiduciary duties are adhered to and to reward good practice; while the European Insurance and Occupational Pensions Authority has integrated ESG risks into its stress test for pension funds in 2019 and plans to extend this to insurances in 2020 as well.

Döbeli said: "Regulatory changes, revised CO_2 law, improvement of the risk-return profile of the assets and promoting sustainable development/sustainable business practices need to be implemented for sustainable investing." ■

Speakers

Steven F. Rocco is partner & director of Taxable Fixed Income at **Lord Abbett**. He is responsible for oversight of all of Taxable Fixed Income investment activities, including portfolio management, global credit research, and trading. He also serves as the lead portfolio manager for the firm's High Yield and Multi Sector fixed income strategies.

Daniel Moreno is portfolio manager and head of Emerging Market Debt at **Mirabaud Asset Management**. He manages the Mirabaud Global Emerging Market Bond fund as well as the Mirabaud Emerging Market 2024 Fixed Maturity fund. Prior to joining Mirabaud Asset Management in November 2017, Moreno was head of Emerging Market Debt at Rubrics Asset Management.

Matthew Murphy is a vice president of **Eaton Vance Management** and an institutional portfolio manager on Eaton Vance's global income team. He is responsible for covering global economic, political and market research. He joined Eaton Vance in 2011.

Andreas Dankel is chief portfolio manager and head of Credits at **Danske Bank Asset Management**. He leads the credit team with 10 portfolio managers/analysts at Danske Bank Asset Management. Prior to joining Danske Bank Asset Management in 2008, Dankel worked as portfolio manager for BankInvest and senior credit analyst for Nordea Markets.

197 Number of countries which signed the Paris climate agreement, which aims to limit global warming to below 2°C



Milan themes reflect increasing focus on ESG

Over 40 Italy-based fund selectors gathered on 22 November for the first edition of the Thematic Forum Milan to look at investment themes making an impact in social and environmental finance. Eugenia Jiménez reports

Hosted by *InvestmentEurope*, the Thematic Forum Milan 2019 took place at the Four Seasons Hotel in the Italian city, bringing together a batch of sell side professionals from five leading asset management groups speaking across boardroom sessions.

Delegates listened to presentations from Eurizon, Principal Global Investors, Natixis Investment Managers, Mirabaud Asset Management, and Artisan Partners.

The event, which boasted the CFA Society Italy as educational partner, also featured a panel discussion addressing the challenges of selecting and assessing sustainable and responsible investment strategies at a time when this type of investment is on everyone's lips.

REAL ESTATE SECURITIES

Simon Hedger, managing director and global portfolio manager, Property Securities at Principal Global Investors, spoke about real estate investment trusts (Reits) and the valuation opportunities presented within that sector.

Hedger said: "Despite superior liquidity, niche high growth sectors, and access to public market capital, Reits currently trade at a discount to private real estate values.

"Today's 10.7% average discount to their average long term price to net asset value is the widest since the global financial crisis. This has arisen due to fears, late last year, regarding the potential for rising interest rates and declining earnings growth."

He concluded: "More recently, bond market yields instead indicate interest rates are likely to remain lower for an extended period, thus underpinning real estate valuations for most sectors.

"A valuation gap this wide is an opportunity for investors to own Reits at fairly inexpensive relative valuations under current market conditions."

SAFETY AS AN ASSET CLASS

Frédéric Dupraz, co-founder of Natixis Investment Managers' Thematics Asset Management, presented the Safety fund, a strategy co-managed by himself and Nolan Hoffmeyer.

The fund invests primarily in

24 Institutional investors in Italy added in 2019 to those registered with the UN Principles for Responsible Investing

equity securities of companies around the world that have been identified by the manager as being participants in or having an exposure to potential growth relating to the investment theme of global safety.

It is actively managed with an emphasis on companies developing their services and technology in relation to the global safety theme like physical safety and food safety, internet security software, telecommunications and computer hardware security, access and identification security, traffic security and workplace security.

Dupraz pointed out that: "Safety is a fast-growing and resilient market. Technology is rapidly changing our world, creating new risks to the safety of individuals, communities, industries and nation states.

"The ever-growing demand for greater safety in all aspect of our lives – from data protection and secure payment to safe transport – represents an attractive and differentiated investment opportunity."

Thematics Asset Management was set up by several former Pictet fund managers in March of this year. The group, which exists within Natixis IM's multi-boutique set-up, launched with a range of high conviction strategies covering robotics and AI, safety and water.

TAKING A THEMATIC APPROACH

Brian Newman, managing director and business leader for the Artisan Partners Thematic team, outlined the firm's investment approach to thematic idea generation.

He also introduced the Artisan Thematic fund. The team's investment approach is based on thematic idea generation, a systematic framework for analysing companies and proactive risk management.

Utilising this approach, the team seeks to construct a focused portfolio designed to maximize alpha while limiting downside risk over the long term.

Artisan Partners' thematic team investment approach is designed to identify inflections in multi-year trends where the team has differentiated views on industry fundamentals.

Risk management is woven throughout the process, from deep, bottom-up analysis to portfolio construction in an effort to provide attractive risk-adjusted returns, according to the investment firm.

GLOBAL EQUITIES

Mirabaud Asset Management's head of global equities Anu Narula explained his team's multi-thematic approach to global equities.

This approach, applied across all industry sectors, identifies companies that are positioned, or are positioning themselves to capitalise on transformative forces, such as technology, or the millennial consumer, with the aim to create strong demand and deliver revenue that is growing faster than GDP, explained Narula.

The fund manager also talked about his team's approach to ESG, which is directly embedded within the investment process of the Equities Global Focus fund (managed by him) and enacted through both exclusion filtering and positive screening. According to Narula, this ESG approach can and will contribute to alpha creation.

Narula is the lead portfolio manager of both the Global Equity High Income and the Equities Global Focus strategies at Mirabaud. The two funds aim at answering the market's appetite for conviction based global equity thematic ESG investment solutions.

Corrado Gaudenzi and Mariolina Esposito, head of long-term sustainable strategies and equity senior portfolio manager respectively at Eurizon, addressed thematic investments with ESG integration at the event.

Eurizon has three thematic portfolio solutions named Planet, Innovation, and People, whose investment approach combines the identification of securities with significant exposure to themes with a fundamental bottom-up analysis as well as sustainability and ESG integration.

According to the Italian asset manager, future is going to be drastically different from the past and

€449.9bn Generali Investments AUM as of 2019

future winners will be the ones capable of anticipating to those changes while understanding them.

The main changes will be related to climate change, technological breakthroughs, demographics and social dynamic trends, the manager said.

PANEL: 'ESG: ONE SIZE FITS ALL?'

Environmental, social and governance (ESG) factors have become important considerations in the investment policies of all responsible asset owners. Once a niche investment theme, ESG investment has become part of the mainstream.

In 2019, 24 institutional investors registered with the United Nations Principles for Responsible Investing in Italy, bringing the total number in the country to 49.

Within this context, four leading Italian fund selectors provided the event's audience with their thoughts and first-hand experience regarding responsible trends.

Manuela Cedarmas, senior portfolio manager and fund selector, and head of Emerging Strategies and Markets at Tages Capital, was the panel's moderator; while Linda Andreoletti, portfolio manager of Pramerica SGR's Quantitative team, Luca Anzola, head of fund research and due diligence at Fideuram's multimanager division and Angelo Meda, head of equities and ESG research at Banor SIM were the panellists.

They all agreed that the difficulties of assessing and selecting sustainable and responsible investment strategies wast at least in part due to the lack of standardisation around the subject.

Anzola cited culture as part of the problem, while considering communication to be the key to raising awareness within the industry as well as within society as a whole.

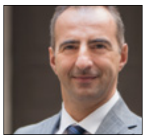
Meda, for his part, said that: "At the beginning, all was based on exclusion; which was mainly imposed by the Catholic Church."

According to him, these exclusionary policies were a bit subjective since clients should also be have their say. Lack of standardisation was also making it difficult for fund professionals, according to Meda.

Regulation and standardisation seem to be key to overcome greenwashing and scepticism, so believes Andreoletti, who stressed the importance of the EU Taxonomy, the draft list of economic activities that is currently being drawn up at European level in order to channel private investments into clean technologies. ■

Speakers and panellists

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



Corrado Gaudenz is head of Long-Term Sustainable Strategies at **Eurizon**, which he joined in 1997. Since 2010, he has managed Eurizon's Fund Azioni Strategia Flessibile among other funds, overseeing €10bn of AUM.

Mariolina Esposito is senior equity portfolio manager at **Eurizon**. She manages Eurizon Funds' Equity People and Equity Innovation. With over 20 years' experience managing equities, she pioneered Eurizon's thematic investment approach.

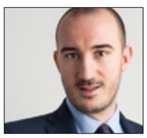
Simon Hedger is a global portfolio manager for Principal Real Estate Investors, the real estate unit of **Principal Global Investors**. He is primarily responsible for the firm's Europe, Middle East, and Africa real estate capability in REITs and listed real estate securities.

Frédéric Dupraz is a founding partner of the **Pictet** Thematics Asset Management fund and co-manager of the Thematics Safety fund. He began his investment career at Pictet in 2004 and was co-manager of the Pictet Security Strategy.

Brian Newman is a managing director of **Artisan Partners** and the business leader for the firm's thematic team. He joined the firm from BlackRock, where he led a sales team within the institutional client business.

Luca Anzola works in the Multimanager division of **Fideuram Investimenti** as head of fund research and due diligence. Previously he was head of fund research and due diligence for Aletti Gestielle.

Manuela Cedarmas is head of Emerging Strategies and Markets at **Tages**. She joined Tages in January 2013, having previously been head of Hedge Fund Investments at Duemme SGR and before that worked at Unifortune SGR.



Angelo Meda is head of Equities and ESG Research at **Banor SIM**. In 2003, he joined Ribofin (former adviser of Banor SIM and Banor SICAV), where he worked as a financial analyst up to 2008.

Linda Andreoletti is the portfolio manager of the Quantitative team at **Pramerica SGR**. She joined Pramerica in 2010, with primary responsibility for the management of multi-manager investments, focusing particularly on the management of fund of funds strategies.

€217.9bn Total exports from euro area in October 2019

InvestmentEurope's colleagues were travelling throughout southern and northern Europe in the last quarter of 2019. Jonathan Boyd reports

Visiting the community

October and November saw *InvestmentEurope* staff head off to Sweden, France, Belgium and Italy ahead of events upcoming through 2020.

Have copy, will travel

As *InvestmentEurope*'s visits to fund selectors and other professionals continues across the region, so too does the photo album of the magazine in situ. Here are examples from recent trips to Brussels and Stockholm..

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

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

Paris

Elisabeth Reyes, French-speaking markets correspondent, and Alexandre Durranseau, Fund Selector relationship executive, visited the French capital on 8-10 October. Meetings included:

- Yohan Kadri-Caillaud – co-founder – SEPIAM;
- Kevin Sorel – FoF manager – ABN AMRO Investment Solutions;
- Jérôme Cognet & David Zylberberg – respectively product specialist and product specialist ESG – UBS;
- Stijn Lock- consultant – INSTI 7;
- Remi Lambert & Vanessa Alibert – respectively CIO and marketing manager – Architas; and
- Anthony Dalvin & Lucas Strojny & François Pascal – respectively diversified fund managers and head of Diversified management – Amilton AM.

Stockholm

Jonathan Boyd, editorial director, and Patrik Engström, head of Fund Selector Relations, Nordic, visited the Swedish capital on 31 October to 1 November. Meetings included:

- Tina Rönnholm – External Mandates, ESG – AP1;
- Anna-Stina Wiklund – ESG specialist and Manager Selection – Ålandsbanken;
- Tomas Rydin – portfolio manager – SEB;
- Christian Lundström -head of Fund Selection – The Swedish Pensions Agency;
- Erik Lundkvist – CIO – Coeli Asset Management; and
- Mats Lilja – head of Portfolio Construction – Swedbank.

Milan

Luisa de Vita, Fund Selector relationship manager, Italy & Ticino, travelled to Italy's commercial capital, where meetings included:

- Emanuele Ottina – executive chairman – Alternative Capital Partners;
- Antonio Midolo – partner – AqA Capital;
- Giulia Brunetti & Van Bonsignore – directors – FactSet;
- Francesca Bellini & Teodor Naoumov – respectively portfolio manager and head of Quantitative Portfolio Management – Pramerica;
- Mattia Corritore – fund selector – Anima; and
- Catia Lippolis – head of Advisory desk – Banca Albertini.

Rome

Also in November, Luisa de Vita visited the Eternal City for meetings, which included:

- Davide Scutti & Mariano Gambaro – respectively fund analyst and portfolio manager, and head of Advisory Business Model – Banca Finnat Euramerica; and
- Claudio Lesca – president – Previndapi.

Brussels

Elisabeth Reyes, French-speaking markets correspondent, and Alexandre Durranseau, Fund Selector relationship executive, visited the Belgian capital on 25-26 November, where meetings included:

- Michael Jungers – partner – FIDE Capital;
- Nicolas Crochet – co-CEO – Funds for Good;
- Wim Antoons – head of portfolio desk & fund selector – Portolani;
- Benoit Ruelle – fund analyst – Degroof Petercam AM;

Benoit Delahaut – executive director & CIO – ALENA; and Marie-Charlotte Vasseur – research analyst – PLDW. ■

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

Approaching events

InvestmentEurope kicks off its events programme for 2020 with visits to Milan and Stockholm, as well as extending its support for a diversity programme to London

NEXT EVENTS

WOMEN IN INVESTMENT FESTIVAL 2020
In partnership with: HSBC Global Asset Management

LONDON, 3 MARCH

Continuing its support for diversity development in the asset management industry (following on from the highly successful Women In Investment Awards Italy 2019, *InvestmentEurope* is proud to lend its support to the Women In Finance Festival, taking place in the City of London at The Brewery on 3 March.

Conducted jointly with sister publications *Investment Week*, *Professional Pensions*, *Professional Adviser* and *Retirement Planner*, the Festival focuses on various facets of diversity, including how women in the financial industry can build both networks and their own careers. Delegates will be treated to a mentoring academy session, and advice on how to tackle the pension gap against men also feature.

Keynote to the event is Henrietta Jowitt, deputy director-general, Commercial – Executive Committee at the Confederation of British Industry.

For further information including how to register as a delegate, contact Orhan Toprakci, head of Delegate Sales at orhan.toprakci@incisive-media.com or telephone +44 (0) 20 7484 9973.

INVESTMENT EUROPE
NORDIC SUMMIT STOCKHOLM 2020

STOCKHOLM, 10-11 MARCH

The *InvestmentEurope* Nordic Summit 2020 takes place 10-11 March at the Grand Hotel in Stockholm.

Targeting some 40 fund selector delegates for two days of networking, a panel, keynote and boardroom sessions, the event will see 10 groups provide insights across asset classes to fund professionals from across the Nordic region – where there is growing interest in the likes of private equity and debt alongside traditional long only approaches to public equity and debt, as well as other alteranatives.

The event keynote will be Thomas Anglero, director of Innovation for IBM Norway with 25 years of technology experience. He will share insight into artificial intelligence and the future of other techonlogies and how these could impact the typical asset management industry as well as and how the typical asset manager can cope with an ever changing technological world.

For further information on the event and to register your interest as a delegate, contact Patrik Engstrom, head of Fund Selector Relations, Nordics at patrik.engstrom@incisive-media.com or telephone +44 (0) 20 3727 9940.

TAKE PART IN THE DISCUSSION

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

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

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

LOOKING AHEAD

INVESTMENT EUROPE MILAN FORUM 2020

MILAN, 5 MARCH

InvestmentEurope's 10th annual Milan Forum will take place on 5 March at the Four Seasons Hotel, Milan.

Targeting some 35 fund selector delegates, the event will feature five asset management groups providing insight into asset classes and strategies, as well as a panel offering predominantly buy side views.

To find out more and register your interest as a delegate, contact Luisa de Vita, Fund Selector relationship manager at luisa.devita@incisivemedia.com or telephone +44 (0) 20 3727 9932.

INVESTMENT EUROPE FUNDS TO WATCH GENEVA 2020

GENEVA, 21-23 APRIL

InvestmentEurope's inaugural Funds to Watch 2020 will take place 21-23 April at the InterContinental Hotel in Geneva. As a multi-day event, this will enable fund selectors to interact with providers across plenary and board-room sessions, as well as hear multiple keynotes addressing fintech, diversity and ESG matters. A panel discussion will feature fund selectors, while both delegates and sponsors can enjoy 'net-working on demand' during free time.

To find out more and register your interest as a delegate, contact Vanessa Orlarey, head of Fund Selector Relationships at vanessa.orlarey@incisivemedia.com or telephone +44 747 393 4144, or Patrik Engstrom, head of Fund Selector Relations, Nordics at patrik.engstrom@incisivemedia.com or telephone +44 (0) 20 3727 9940.

EVENTS CALENDAR 2020

3 March	London	Women in Investment Festival

InvestmentEurope joins its sister publications Investment Week, Professional Adviser, Professional Pensions and Retirement Planner in supporting a full day Festival on all aspects of diversity in the industry.

5 March	Milan	Forum
10-11 March	Stockholm	Summit
19 March	Paris	Forum

InvestmentEurope returns to Paris for an event targeting fund selectors working in France, Belgium and Luxembourg.

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

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

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

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

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

Get to know our Advisory Board Iberia

InvestmentEurope boosts ties with the fund selection community in Spain by creating an independent advisory board in the country

InvestmentEurope's Advisory Board Iberia 2020 is formed by ten leading fund selectors working for the asset management industry in Madrid, whose regular comments and insights will play a key role on the evolution of our digital & printed magazine and events' portfolio.

The launch is the first of many given that other regional and independent advisory boards, corresponding to the different European regions covered by our publication, are set to be announced in the coming months.

If you are a fund selector and want to join this board, the one from your region, or simply want to find out more about the initiative, do not hesitate to contact *InvestmentEurope*'s editorial team. ■

INVESTMENT EUROPE
Advisory Board **Iberia 2020**

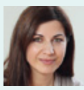
BOARD MEMBERS

Belén Blanco, head of **BBVA Group**'s Quality Funds platform. Madrid-based Belén Blanco is responsible for the selection of third-party funds at BBVA's Quality Funds platform (€43bn AuD), working closely with the bank's networks and investment teams providing them with specialised support in relation with these products. Also a member of BBVA AM & GW Management Committee, Blanco joined the Group in 1995 as an auditor at the bank's Treasury and Capital Markets International department, from where she moved on to become a risk manager at the Private Banking unit. After that, she worked as a fund manager for over 10 years becoming head of the BBVA AM Credit and Fixed Income team. She was later promoted to head of Innovation and Product Development Department.

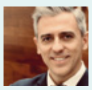
Guendalina Bolis, chairwoman and general director at **Inversis Gestión**. Guendalina Bolis has been the chairwoman and general director of Inversis Gestión since 2014. With two decades' experience in asset management, she previously worked in global firms including CNP and Allfunds bank in Madrid, and Intesa San Paolo in Milan, covering a range of roles from multimanager to fund selection and portfolio management. She is actively involved in gender diversity being a board member of the CFA Society Spain – Women in Finance Commitee. She is also the chairwoman of the International Advisory Board for fund selection.

Marta Campello is partner and fund manager at **Abante Asesores**. Marta Campello joined Madrid-based Abante Asesores in 2002 where she started working as the head of the retail sales department. For the past 13 years, she has been a member of the firm's asset management team combining the roles of absolute return fund selector and portfolio manager. Since 2018, she is also the director of the firm's portfolio advisory division and she has been a partner of the firm since 2009.

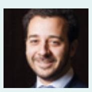
Prior to joining Abante, Campello worked as a training director for the business development department of Morgan Stanley in Spain. She started her career as a financial adviser at Ab Asesores.



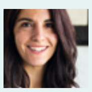
Toni Conde is head of portfolio asset management at **Renta 4 Banco**. Conde has been working for the last 16 years, leading the fund/ETF analysis team and the asset management investment committee for discretional portfolio management.



César Gil is head of multi-manager and absolute return funds at **Bankia Fondos**, which has over €12bn in AuM. At Bankia, he is responsible for selecting and managing a number of funds for the firm, dealing with global bonds, total return, and EM equities while using global macro and long-only strategies, and several different types of options strategies.



Alberto Herranz is currently head of digital investment solutions at **Allfunds**, a company he joined in 2011 and where he is currently in charge of product governance and product development. Prior to joining Allfunds, Herranz held different positions in risk and control roles at BBVA and Renta Markets. He began his professional career at Vega Asset Management.



Patricia Justo, head of fund selection and part of the asset management team at **A&G Banca Privada**, joined the company 14 years ago. In addition to her fund picking role, Justo is responsible for managing several mandates, portfolios, and a fund of funds.

Jacobo Ortega is the European CIO of **Santander Asset Management**. Although he has spent most of his career working for the Santander Group, he was an executive director al Ronit Capital LLP from 2016 to 2018, where he led the equity research for Europe and LatAm.

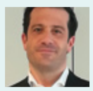
In 2015, when he was managing the Carmosa sicav, he was promoted to the Santander Group's executive chairman office, where he led several projects. He had previously joined Santander's Strategic Investments department in 2008 as co-portfolio manager of the Group's industrial portfolio.

He began his professional career in 2006, working for the high net worth team of Banif, Santander's former private banking arm.

Francisco Javier Velasco is senior portfolio manager and fund selector at **Andbank Wealth Management**.Francisco Javier Velasco has over 15 years' experience in financial markets having started his career as a fund analyst at Inversis Banco in 2004.

He is currently fund selector and portfolio manager at Andbank Wealth Management, a company he joined in 2014.

Some of the areas where he is more experienced include: construction and integration of teams; management and financial advisory for HNWI and institutional clients; portfolio construction; face-to-face client advisory; and support to the bank's commercial teams.



Ion Zulueta is is head of Manager Selection at **Arcano Partners**, a company he joined in 2015. Prior to that, he worked at Crèdit Andorrà Group as a hedge fund analyst, managing a fund of hedge funds.
Zulueta also worked at various companies including the asset management arm of Kutxa Bank and Safei, a pioneer in the Spanish private banking industry.

0.5% Increase in consumer price index in Australia in Q3 2019

Bridging the gap

Through its boutiques, BennBridge offers access to a wide range of investment opportunities across asset classes. Ridhima Sharma reports

Multi-boutique investment company BennBridge strategically partners with select boutique asset management teams, across a range of investment strategies. It is a 100%-owned subsidiary of the Bennelong Funds Management Group, a private Australia-based multi-boutique investment firm providing investment solutions to a variety of investors. Globally, the Group's total assets under management exceed $8.1bn. The Group's 12 boutiques invest in Australian, UK, Asian and global equities; listed global infrastructure and real estate; and global emerging market equities.

The BennBridge team works closely with its boutique asset management partners and provides a platform comprising a full suite of back-end corporate services, including marketing, client services, distribution, product management, compliance, governance, finance, technology, investment operations and administrative support.

Craig Bingham, CEO of Bennelong, says: "Having a clear plan for an organisation and always keeping it front of mind is critical to success. BennBridge's DNA is to partner with boutiques to deliver actively managed funds. We have been – and continue to be – unequivocal in our search for like-minded partners with whom we have both a cultural and operational alignment. Throughout this process, we have also benefitted from leveraging our successful Australian multi-boutique partnership model."

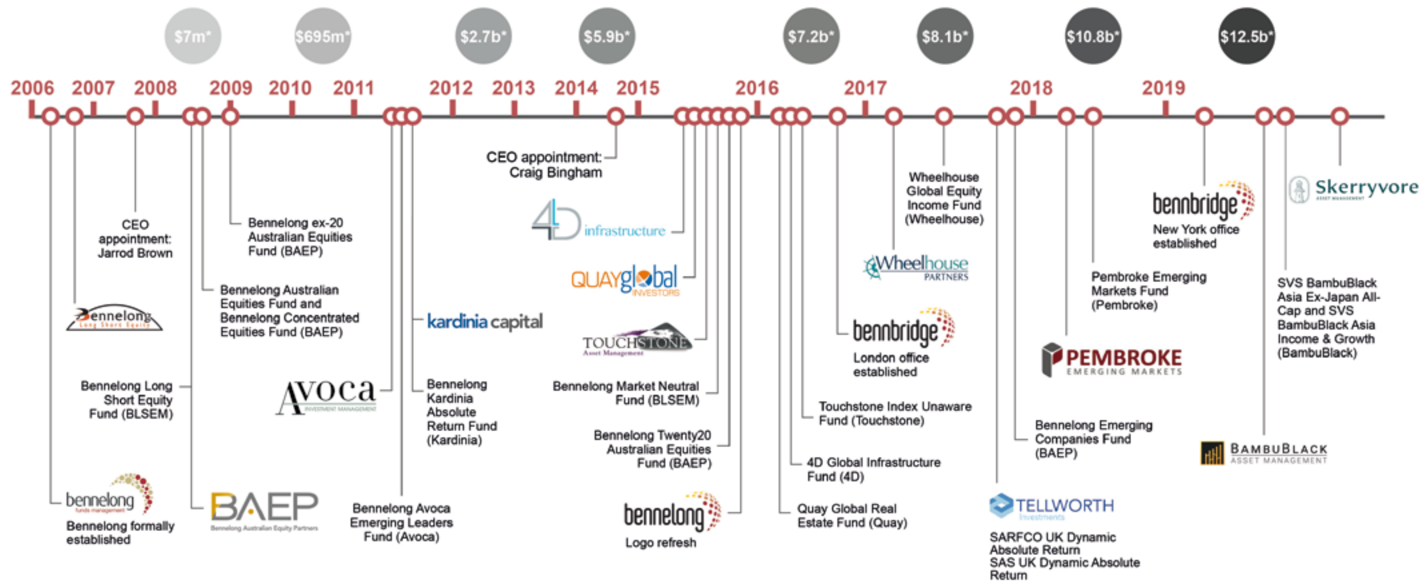
"We wanted to honour BennBridge's existing Australian arm, Bennelong Funds Management, while acknowledging our global expansion plans – 'bridging' Australia and the rest of the world. We have enjoyed significant success in Australia and wanted to extend the geography of our existing offering," he adds.

STRATEGY

BennBridge and Bennelong – together as the BFM Group – have offices in London, Edinburgh, New York and three locations in Australia. The Group's 12 boutiques are all housed within these offices.

Bingham comments: "This is

BENNBRIDGE'S HISTORY



277 People died in road traffic accidents in Germany in September 2019

a deliberate part of our strategy, ensuring commitment to our company values of mutual respect and open communication. The different offices work closely together, while recognising and valuing the individual identity of each region. Meanwhile, the boutiques are all majority owners of their own businesses and drive their own decisions, with our support."

Since the launch in 2017, BennBridge has partnered with four boutique asset management teams. With each partnership, BennBridge is the appointed investment manager.

"We service a broad range of institutional, wholesale and retail investors, who are at the heart of our business. The split between types of investors varies depending on the funds themselves – what remains consistent is our focus on delivering the best possible outcomes for our clients."

2020 FOCUS

Bingham states: "We have a well-established business in Australia. Therefore, our focus for 2020 is very much around nurturing our core business while building BennBridge's profile in the UK, Europe and North America – which are fairly new markets for us. It is exciting to be at the start of what could be a significant growth period for the organisation.

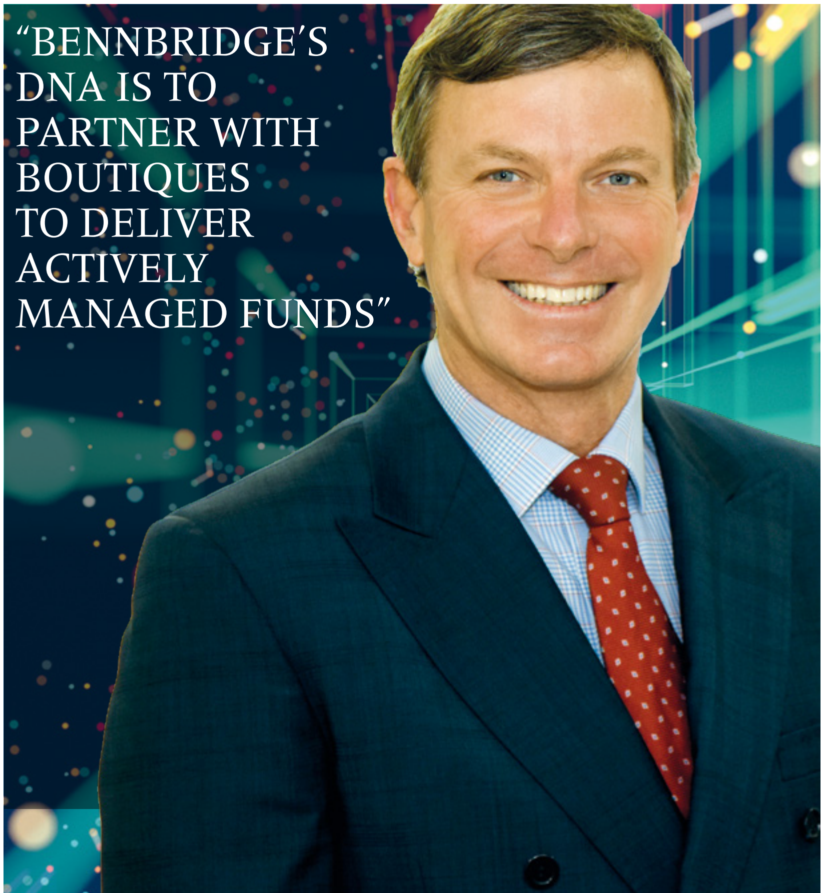
"We have recently been spending time exploring the possibilities of tapping into European markets. We are also looking at frontier markets and how we can help our clients access some of these lesser-known investment opportunities."

GLOBAL EXPANSION

Bennbridge is starting to tap into European and North American markets in earnest, and shaping the business accordingly. Given the offering includes global infrastructure, global real estate and global emerging markets, there is a real opportunity for European investors to access a suite of diverse strategies that are of particular interest to this audience.

Bingham comments: "Our idea was always to eventually get BennBridge to a similar number of boutiques as Bennelong in Australia, so we are always open to discovering new strategic long-term partnerships. We have built our capabilities in the UK to include investments in UK and Asian equities, as well as global emerging markets. It is a testament to the success of our multi-boutique model that we have attracted partners of such high calibre."

Meanwhile, Bennbridge's existing boutiques continue to refine client offerings: "In keeping with our commitment to being 'partners of high performance', we are always looking for ways to improve how we do business and deliver the best possible outcomes for our clients. We are focused on building the BennBridge brand and the unique benefits of our multi-boutique model, to both prospective clients and prospective boutique partners," he adds. ■



CRAIG BINGHAM

Craig Bingham is CEO at Bennelong Funds Management and sits on the governing body at BennBridge. He is a highly regarded financial services executive with extensive experience in Australian and international markets.

He joined Bennelong from Federated Investors Asia Pacific where he was CEO. Prior to this, he was CEO at Portfolio Partners, which later became Aviva Investors Asia Pacific, where he was responsible for establishing and developing licensed asset management businesses in Australia, Singapore and China, and expanding Aviva's presence in Asia and the Middle East.

DATA
AUSTRIA

AUSTRIA ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
WisdomTree Palladium 2x Daily Leveraged in EU	105.55
Xtrackers Physical Rhodium ETC in EU	101.84
WisdomTree Natural Gas 3x Daily Short in EU	50.26
Invesco Physical Palladium ETC in EU	42.57
iShares Physical Palladium ETC USD in EU	42.45
WisdomTree Physical Palladium USD in EU	42.32
Xtrackers Physical Palladium ETC USD in EU	40.79
WisdomTree Nickel 3x Daily Leveraged USD in EU	34.30
WisdomTree EURO STOXX Banks 3x Daily Short in EU	33.44
WisdomTree Short EUR Long GBP 5x Daily in EU	32.55

AUSTRIA BETA 3-YEAR

Fund	Beta over 36 months v. sector
BWisdomTree Short GBP Long EUR 5x Daily in EU	-8.32
WisdomTree Short USD Long EUR 5x Daily in EU	-8.28
WisdomTree BTP 10Y 5x Daily Short in EU	-7.41
WisdomTree Long EUR Short GBP 5x Daily in EU	-6.65
WisdomTree Long EUR Short USD 5x Daily in EU	-6.61
WisdomTree WTI Crude Oil 3x Daily Short in EU	-6.34
WisdomTree Bund 10Y 5x Daily Short in EU	-6.21
WisdomTree Brent Crude Oil 3x Daily Short in EU	-6.07
WisdomTree Nickel 3x Daily Short USD in EU	-5.17
WisdomTree Short GBP Long EUR 3x Daily in EU	-4.99

AUSTRIA CROWN + PERFORMANCE

Fund	Crown rating	36 months
BlackRock GF World Technology A2 USD in EU	x5	100.03
Polar Capital Global Technology USD in EU	x5	89.73
JPM US Technology D Acc NAV USD in EU	x5	89.08
Morg Stnly Asia Opportunity A USD in EU	x5	88.16
Janus Henderson Global Technology A Acc USD in EU	x5	81.46
Franklin Technology A Acc USD in EU	x5	79.20
BCM Vitruvius Greater China Equity B USD in EU	x5	79.08
BNP Paribas Disruptive Tech Classic Cap EUR in EU	x5	76.83
UBS (Lux) Equity China Opportunity (USD) P Acc in EU	x5	75.87
AB International Technology Portfolio B EUR in EU	x5	75.47

AUSTRIA PERF/TER 3-YEAR

Fund	Cumulative	TER
LLB Aktien Global Passiv (USD) I2 in EU	33.23	0.01
LLB Aktien Global Passiv (USD) in EU	32.19	0.02
Invesco Euro Ultra-Short Term Debt A Acc	-1.05	0.03
HSBC Euro Stoxx 50 X NAV GBP TR in EU	21.80	0.05
Invesco EURO STOXX 50 UCITS ETF Acc in EU	25.61	0.05
Invesco MSCI USA UCITS ETF USD in EU	37.99	0.05
Invesco S&P 500 UCITS ETF in EU	38.49	0.05
DWS Institutional Pension Floating Yield IC	-0.78	0.06
UBS (Irl) Select Money Market GBP M TR in EU	1.24	0.06
UBS (Lux) Equity SICAV Global Quantitative	22.93	0.07

AUSTRIA SHARPE 3-YEAR

Fund	Sharpe
Xtrackers Physical Rhodium ETC in EU	1.91
WisdomTree Palladium 2x Daily Leveraged in EU	1.58
iShares Physical Palladium ETC USD in EU	1.46
WisdomTree Physical Palladium USD in EU	1.45
Invesco Physical Palladium ETC in EU	1.44
Xtrackers Physical Palladium ETC USD in EU	1.42
BlackRock GF World Technology A2 USD in EU	1.24
Morg Stnly Global Opportunity A USD in EU	1.22
Cohen & Steers European Real Estate Securities AX in EU	1.20
Lupus alpha Micro Champions in EU	1.19

AUSTRIA INFORMATION RATIO 3-YEAR

Fund	Ratio rel. vs sector
BlackRock ICS Euro Liquidity Admin III Acc T0 EUR in EU	3.83
HSBC Euro Liquidity F in EU**	2.91
Payden & Rygel Euro Liquidity Acc in EU	2.78
GS Euro Liquid Reserves Administration T in EU	2.73
Bantleon Cash IA EUR TR in EU	2.56
Legg Mason Western Asset Structured Opps Premier Acc	2.42
Amundi 12 M I in EU	2.27
LLB Defensive EUR in EU	2.24
DWS Institutional Pension Floating Yield IC in EU	2.19
Schroder ISF EURO Corporate Bond A Acc NAV EUR in EU	2.14

Source for all charts FE Analytics, bid-bid, to 13/12/2019.
All figures in % and are gross return rebased in euros

AUSTRIA PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
WisdomTree Natural Gas 3x Daily Short in EU	-58.25	116.97
WisdomTree Natural Gas 3x Daily Lvgd in EU	-98.03	105.27
WisdomTree Nickel 3x Daily Lvgd USD in EU	-22.18	88.27
WisdomTree Nickel 3x Daily Short USD in EU	-87.45	86.63
WisdomTree WTI Crude Oil 3x Daily Short in EU	-86.25	86.09
WisdomTree WTI Crude Oil 3x Daily Lvgd in EU	-50.81	83.15
WisdomTree Brent Crude Oil 3x Dly Short in EU	-89.74	79.06
WisdomTree Brent Crude Oil 3x Dly Lvged in EU	-10.05	76.37
WisdomTree Sugar 3x Daily Lvgd USD in EU	-91.11	73.54
WisdomTree Natural Gas 2x Dly Lvgd USD in EU	-89.75	70.74

AUSTRIA FIXED INTEREST 3-YEAR

Fund	36 months cumulative
WisdomTree BTP 10Y 3x Daily Leveraged in EU	52.84
WisdomTree Bund 10Y 3x Daily Leveraged in EU	35.06
BlueBay Financial Capital Bond R USD in EU	32.40
ComStage iBoxx € Liquid Sovgns Divsfd 25+ TR UCITS ETF	31.16
WisdomTree Gilts 10Y 3x Daily Leveraged in EU	30.84
Lyxor Ultra Long Durn Euro Gov FTSE MTS 25+Y (DR) UCITS	30.50
Xtrackers II Eurozone Government Bond 25+ UCITS ETF 1C	30.42
Franklin Global Convertible Securities A Acc USD in EU	29.80
Swisscanto (LU) Bond COCO AT USD in EU	29.54
ComStage iBoxx € Liquid Sovereigns Diversified 15+ TR	28.48

Metals deliver alpha

Precious metals that are used in catalytic reactions, such as to reduce emissions from vehicles, have delivered among the highest alpha scores over the period, especially when long positions have been leveraged. However, the beta scores illustrate a challenge when adopting a short position that is leveraged against the market. Betting passively on currency pairs, such as the dollar/euro or sterling/euro looks particularly so in this respect.

Still, those funds seeking exposure to precious metals linked to reducing vehicle emissions are also offering some of the better Sharpe ratios.

For those seeking out actively managed funds, the Crown rating scores point out the portfolio managers that have done consistently well. But they also illustrate the sectors that have done well, such as technology and investments in China and broader Asia.

Returns from eurozone government debt instruments may be particularly interesting to investors based in Austria, and therefore the performance of strategies leveraging returns from bunds and BTPs. The inflation outlook remains benign in the eurozone, but with yields so low, future total returns will presumably be based on betting the next investor will be willing to pay a higher price still for that same instrument. ■

GROSS RETURNS ON FUNDS FOR SALE IN AUSTRIA REBASED IN EUROS

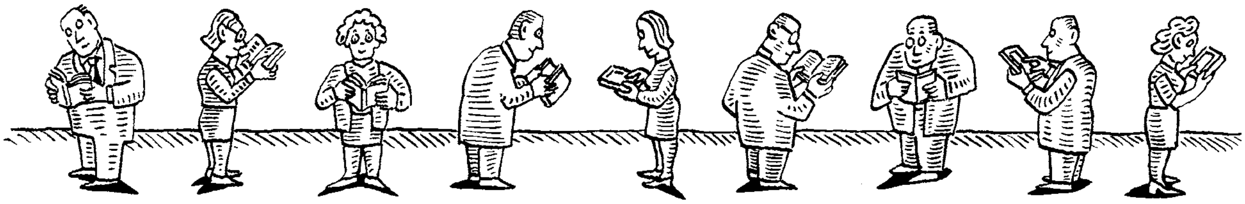
Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Xtrackers Physical Rhodium ETC in EU	10.67	19.96	63.67	121.12	563.97	404.06	
WisdomTree Palladium 2x Daily Leveraged in EU	29.37	41.40	74.49	148.63	471.88	322.02	
WisdomTree NASDAQ 100 3x Daily Leveraged in EU	6.28	20.78	37.43	73.75	238.66	439.87	
iShares Physical Palladium ETC USD in EU	14.18	22.48	38.46	58.50	153.86	164.28	
WisdomTree Physical Palladium USD in EU	14.17	22.46	38.40	58.36	153.17	163.09	579.93
Invesco Physical Palladium ETC in EU	12.40	20.58	36.31	56.05	149.99	160.30	
Xtrackers Physical Palladium ETC USD in EU	10.59	19.24	33.92	55.11	146.76	156.20	
WisdomTree S&P 500 3x Daily Leveraged in EU	6.23	15.39	29.07	60.74	116.96	243.88	
BlackRock GF World Technology A2 USD in EU	4.09	5.40	9.75	34.30	100.03	164.24	396.23
Polar Capital Global Technology USD in EU	1.42	6.80	12.68	28.91	89.73	171.67	498.04
JPM US Technology D Acc NAV USD in EU	2.13	3.01	5.74	30.44	89.08	154.61	423.33
iShares S&P 500 Information Tech Sector UCITS ETF USD in EU	2.11	10.02	18.81	39.46	88.19		
Morg Stnly Asia Opportunity A USD in EU	1.41	7.77	17.73	36.03	88.16		
WisdomTree FTSE MIB 3x Daily Leveraged in EU	-2.49	16.51	42.72	86.96	84.64	28.86	
SSGA SPDR MSCI World Technology UCITS ETF in EU	2.21	9.98	17.75	38.35	81.87	152.79	416.10
Janus Henderson Global Technology A Acc USD in EU	2.77	7.57	14.34	34.54	81.46	153.94	451.60
Xtrackers MSCI World IT UCITS ETF 1C USD in EU	1.58	9.31	17.02	37.50	80.86		
SSGA SPDR S&P US Technology Select Sector UCITS ETF in EU	2.10	10.00	18.76	39.38	80.60		
Invesco Technology S&P US Select UCITS ETF USD in EU	1.63	9.48	18.26	38.85	79.46	160.21	
Franklin Technology A Acc USD in EU	2.53	5.22	9.12	30.45	79.20	152.88	447.58

World 50 funds

In the absence of cold snaps in Europe and North America, and uncertainties regarding relatively healthy supplies, it has paid to bet against gas prices. Certain precious metals and technology have continued to provide returns on a long basis over the past year

NAME	LIPPER GLOBAL SECTOR	% GROWTH 1 YEAR TO 30/11/19	SHARPE RATIO 1 YEAR TO 30/11/19	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. VelocityShares 3x Inverse Natural Gas ETN	Alt Dedicated Short Bias	264.06	0.33	203.99	Credit Suisse AG	USA
2. WisdomTree Natural Gas 3x Daily Short	Alt Dedicated Short Bias	256.21	0.33	7.09	Boost Mgmnt (Jersey) Ltd	Ire
3. ZKB Palladium ETF AA CHF	Alt Dedicated Short Bias	243.39	0.49	16.14	ProShare Advisors LLC	USA
4. Direxion Daily Homebldrs & Supplies Bull	Alt Equity Leveraged	144.52	0.44	56.78	Rafferty Asset Management LLC	USA
5. Direxion Daily Natural Gas Related Bear 3X	Alt Dedicated Short Bias	142.74	0.24	5.18	Rafferty Asset Management LLC	USA
6. 1nvestRhodium ETF	Commodity Precious Metals	132.37	0.49	27.16	Africa ETF	RSA
7. Physical Rhodium ETC USD	Unclassified	130.26	0.59	65.71	Deutsche Bank AG (London)	Jer
8. Albaraka Portfolio Metropol REIT Fund	Real Estate Other	128.95	0.25	48.81	Albaraka Portfoy	Tur
9. BetaPro Canadian Gold Miners 2x Daily Bul	Alt Equity Leveraged	118.64	0.38	82.47	Horizons ETFs	Can
10. Direxion Daily Gold Miners Index Bull 3X Sh	Alt Equity Leveraged	114.84	0.25	1,274.20	Rafferty Asset Management LLC	USA
11. Direxion Semiconductor Bull 3X Shares	Alt Equity Leveraged	113.83	0.23	601.90	Rafferty Asset Management LLC	USA
12. Direxion Daily Jr Gold Miners Idx Bull 3X Sh	Alt Equity Leveraged	100.85	0.21	856.90	Rafferty Asset Management LLC	USA
13. BNP Paribas LDI Sltn Drtion Mthng All Mat	Alt Credit Focus	95.20	0.59	48.12	BNP Paribas AM LU	Lux
14. Direxion Daily Technology Bull 3x Shares	Alt Equity Leveraged	92.14	0.28	787.42	Rafferty Asset Management LLC	USA
15. Tacirler Portfolio Variable Fund	Mixed Asset TRY Flexible	81.43	0.35	15.63	Tacirler Securities Inc	Tur
16. Direxion Daily 20+ Year Treasury Bull 3X Sh	Unclassified	81.25	0.37	163.23	Rafferty Asset Management LLC	USA
17. WisdomTree FTSE MIB 3x Daily Leveraged	Alt Equity Leveraged	78.84	0.35	32.73	Boost Mgmnt (Jersey) Ltd	Ire
18. ProFunds PM UltraSector ProFund;Inv	Alt Equity Leveraged	78.77	0.35	28.53	ProFund Advisors LLC	USA
19. Direxion Daily S&P O&G Exp & Prod Br 3X	Alt Dedicated Short Bias	77.91	0.15	30.28	Rafferty Asset Management LLC	USA
20. BMO Nominal Swap 2051 Euro Fund	Alt Credit Focus	73.70	0.48	146.93	BMO AM Lux	Lux
21. STABILITAS - SILBER+WEISSMETALLE P	Eq Sector Gold&Prec Metals	73.23	0.58	99.52	IPConcept (Lux) S.A.	Lux
22. Mercer Flex LDI GBP Fxd Enh Matchg 3 M2	Alt Currency Strategies	71.68	0.46	972.94	Mercer Gl Invest Mgt Ltd	Ire
23. Mercer Flex LDI GBP Fxd Enh Matchg 4 M2	Alt Currency Strategies	69.74	0.36	57.12	Mercer Gl Invest Mgt Ltd	Irel
24. Direxion Daily Russia Bull 3X Shares	Alt Equity Leveraged	69.17	0.25	62.90	Rafferty Asset Management LLC	USA
25. BMO Equal Weight Global Gold Index ETF	Eq Sector Gold&Prec Metals	66.99	0.42	93.63	BMO Asset Management	Can
26. Mercer Synthetic Eq-Linked Nominal Bd M2	Mxd Asset GBP Flexible	65.75	0.74	175.42	Mercer Gl Invest Mgt Ltd	Ire
27. BMO Nominal Dynamic LDI Fund	Alt Credit Focus	65.01	0.42	2,376.49	BMO AM Lux	Lux
28. IW Alt Commodities & Gold Eqs P EUR Cap	EqSector Gold&Prec Metals	64.56	0.43	25.72	Iw Alt	Lux
29. ProShares Ultra Semiconductors	Alt Equity Leveraged	63.69	0.22	73.27	ProShare Advisors LLC	USA
30. WisdomTree EURO STOXX 50® 3x Dly Lvgd	Alt Equity Leveraged	63.54	0.33	14.83	Boost Mgmnt (Jersey) Ltd	Ire
31. Bennelong Emerging Companies	Eq Australia Sm&Mid Cap	63.09	0.67	14.80	Bennelong Fds Mgt Ltd	Aus
32. Meridian Enhanced Equity Fund;Legacy	Equity US	62.96	0.95	48.77	ArrowMark Colorado Holdings LLC	USA
33. Konwave Gold Equity Fund B (USD)	Eq Sector Gold&Prec Metals	62.88	0.35	47.78	GAM (Lux) SA	Lux
34. Earth Gold Fund UI (EUR R)	Eq Sector Gold&Prec Metals	62.04	0.47	66.45	Universal-Invest GmbH	Ger
35. Mercer Flex LDI £ Fxd Enhncd Matching 2 M	Alt Currency Strategies	61.93	0.46	836.61	Mercer Gl Invest Mgt Ltd	Ire
36. OCM Gold Fund;Investor	Eq Sector Gold&Prec Metals	60.86	0.40	20.38	Orrell Capital Management Inc	USA
37. BMO Junior Gold Index ETF	EqSector Gold&Prec Metals	60.39	0.39	61.41	BMO Asset Management	Can
38. 1nvestPalladium ETF	Commodity Precious Metals	60.06	0.50	244.48	Africa ETF	RSA
39. Arz REIT & Venture Capital Ptflo 1st REIT	Real Estate Other	60.00	0.13	36.48	Arz Gayrimenkul	Tur
40. Gold 2000 CHF	Eq Sector Gold&Prec Metals	59.83	0.42	29.51	Gold 2000	Cay
41. ProShares Ultra Technology	Alt Equity Leveraged	59.72	0.28	366.90	ProShare Advisors LLC	USA
42. ZKB Palladium ETF AA CHF	Commodity Precious Metals	59.44	0.52	147.77	Swisscanto Fonds	Swi
43. Investec Commodity A	Equity Sector Materials	59.27	0.54	40.40	Investec Fund Mgrs SA	RSA
44. BNP Paribas LDI Sltn Drtion Mthng 35-50	Alt Credit Focus	59.27	0.49	108.39	BNP Paribas AM LU	Lux
45. US Global GO GOLD and PM Miners ETF	Eq Sector Gold&Prec Metals	59.02	0.42	33.16	US Global Investors Inc	USA
46. Direxion Daily Aerospace & Defense Bull 3X	Alt Equity Leveraged	59.02	0.19	55.28	Rafferty Asset Management LLC	USA
47. FC Fund-RESIT Real Estate Sec Invest Tr	Unclassified	58.72	0.35	30.05	FC Investment Ltd	Cay
48. VelocityShares 3x Long Gold ETN	Alt Equity Leveraged	58.41	0.32	156.52	Credit Suisse AG	USA
49. Sprott Gold Miners ETF	Eq Sector Gold&Prec Metals	58.14	0.40	161.11	Sprott Asset Management LP	USA
50. EMCORE Precious Metal Dynamic Fd E	Commodity Precious Metals	57.95	0.42	21.18	GAM (Lux) SA	Lux

The ranking of these 50 top performing funds are based on total return percentage growth over one year, in local currency terms, giving the purest measure of fund performance without being impacted by exchange rate fluctuations. The funds are included regardless of domicile, and are drawn from the Lipper Global universe, covering 80 countries. The % figures are based on bid-bid, income reinvested.



Comment les années Draghi ont changé la Banque Centrale Européenne is an attempt to take stock of the transitions the ECB experienced under the presidency of Mario Draghi. Elisabeth Reyes reviews

How the Draghi years changed the EU's central bank

Comment les années Draghi ont changé la Banque Centrale Européenne is published by Bréal. 140pp. Paperback, €11.90 (Amazon). ISBN: 978-2749539324

CPR Asset Management announced in October 2019 the publication of a book dedicated to the 'Draghi Years', co-written by the members of its Strategy team, Laetitia Baldeschi, Juliette Cohen and Bastien Drut. According to the authors of this book, it is clear that the European Central Bank (ECB) has changed dramatically under the presidency of Mario Draghi. His mandate, as well as that of several members of the ECB's executive board ended in 2019.

In addition to the departure of Draghi on 31 October, vice president Vítor Constâncio's mandate expired in May 2018; chief economist Peter Praet left the same month; and others left their posts by the end of 2019. With the surprise resignation of Sabine Lautenschlägern in October 2019, a large part of the team that experienced the eurozone crisis and implemented exceptional measures to face the challenges ultra-low inflation has left the ECB.

"In this book, we tried to take stock of the major changes that the institution experienced from 2011 to 2019 under the presidency of Draghi," explain the authors.

Although a many chapters are devoted to developments in monetary policy, the book also discusses the development of the ECB communications and new prerogatives, in particular with regard to banking supervision and climate change.

This book offers key insights into the actions of central banks on all the above points. According to Valérie Baudson, CEO of CPR AM who supported the writing of this book and signs the foreword: "Central banks have been at the heart of economic news for the last decade, but they will undoubtedly play a key role in the coming decades and will continue to develop new tools."

> "MARIO DRAGHI TOOK OFFICE IN NOVEMBER 2011 AMID ECONOMIC AND FINANCIAL TURMOIL IN EUROPE… AND DOUBTS ABOUT THE SURVIVAL OF THE EUROZONE WERE PERENNIAL"

THE BREAK-UP OF THE EUROZONE?

Mario Draghi took office in November 2011 amid economic and financial turmoil in Europe. The eurozone was in recession, bond market tensions were high with wide Italian and Spanish spreads against German bonds, which had surged and exceeded 350 basis points and doubts about the survival of the eurozone were perennial.

Greece, Ireland and Portugal had already requested aid plans. The interbank market was no longer functioning, banks were highly exposed to their sovereign debt.

In this context of fragmentation of the euro area, Mario Draghi devoted his first major measures to banks by announcing two long-term refinancing operations in late 2011 and early 2012 that helped to relieve fears related to the banking sector. However, these announcements did not dispel fears about some sovereign debt. For that, we had to wait until his famous intervention of July 2012 where he affirmed that the eurozone would be preserved "whatever it takes" and which suggested that the ECB was ready to intervene massively to preserve the euro area.

It was from then on that spreads in the peripheral countries fell in a sustainable manner. Wolfgang Schäuble and Angela Merkel gave their support to these announcements, as they were aware of the need to strongly assert that the euro was irreversible. ■

BENEFICIARIES

The book is available at major booksellers in stores and e-commerce. The copyrights will be donated to two charities whose commitments are dear to the authors and CPR AM: l'Ecole de la 2ème chance (E2C) on the one hand, which promotes the professional and social integration of young people; and Reforest'Action, on the other hand which acts in favour of reforestation in France and globally.

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

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