INVESTMENT INTELLIGENCE FOR THE FUND PROFESSIONAL

INVESTMENT EUROPE

November 2019 ISSUE 106 Annual subscription €450 www.investmenteurope.net

ELECTION EXPECTATIONS

Patricia Justo of A&G Banca Privada on US stocks in an election year

The seeker of open minds

Selection by Sepiam's Yohan Kadri-Caillaux

Taking flight

German investors seek aviation funds

Pucks to algos

Italy's MDOTM on AI and quants

Assessing impact

RobecoSAM on growing reporting requirements

Must do better

Financial companies lag in Equileap gender equality report

Over here

PGIM's Europe plans

Travel diary

Frankfurt, Zurich, Paris, Madrid

EVENT REPORTS

- HELSINKI ROUNDTABLE
- INVEST WEEK PARIS
- PATRIMONIA LYON
- SPAINSIF MADRID

incisivemedia

Upcoming events: Zurich, Milan, Tel Aviv, London, Munich, Milan, Stockholm, Paris, Geneva

To register your interest visit www.investmenteurope.net/events

MILAN,
22 NOVEMBER 2019

BENEFIT FROM THE KNOWLEDGE OF LEADING FUND MANAGERS

InvestmentEurope is pleased to announce the Thematic Forum Milan 2019, taking place on 22nd November at the Four Seasons Hotel.

This exclusive event provides the opportunity for 35 key fund selectors to evaluate the investment opportunities presented and to benefit from the knowledge of leading fund managers.

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

Complimentary attendance for professional investors involved in fund selection.

INVESTMENT EUROPE
THEMATIC FORUM MILAN 2019

EVENT INFORMATION

DATE: 22 November 2019
TIME: 08:20-14:30
LOCATION: Four Seasons Hotel, Milan

To register your interest in attending this exclusive event please contact Luisa de Vita: luisa.devita@incisivemedia.com or +44 (0)203 727 9932

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

Sponsored by: Artisan Partners, Mirabaud Asset Management, Natixis Investment Managers, Principal

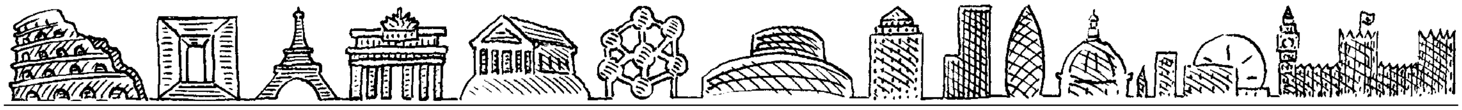
Educational partner: CFA Society Italy

Carbon Offset Partner: ecosphere+

Sustainability partner: BusinessGreen

Brought to you by: incisivemedia

CONTENTS



10 *Patricia Justo*

WITH THIS ISSUE
Highlighting the Women In Investment Awards Italy 2019 – inspiring achievements of and by women across the industry

Digital editions of *InvestmentEurope* are available for your desktop, laptop, tablet and smartphone. Visit www.investmenteurope.net to download.

Follow us on Twitter
@inveurope

6,832 followers and growing!

INVESTMENT EUROPE
An Open Door Media publication

Great expectations

Jonathan Boyd, editorial director of *InvestmentEurope*

Closer to Europe, in the UK, the election elixir has proved too potent to resist by politicians unable to make up their minds about how to complete – or not – the Brexit process. Thus the concerns over sterling volatility and UK mid and small caps will continue a little bit longer until certainty is brought to bear on the issue via a more concerted mandate to take action – or not.

Thankfully, there is a much bigger political event set to kick off in November, which will draw attention away from most other uncertainties: the US presidential elections.

Actually a series of elections, if one considers the primaries beforehand, and the voting that takes place after the popular vote in the form of the Electoral College, this promises to be a real humdinger.

It is hard to know sometimes who incumbent president Trump dislikes more; combative Democratic Party candidates who could yet come to run against him, or possible fifth columnists from within the Republican ranks.

For investors who have become used to a particular set of fiscal and monetary responses lending support to Wall Street, this is likely to be seen as a particularly important election in terms of the quite different fiscal policy proposals being touted by Democrat candidates.

However, as our main feature this issue illustrates, there is also a feeling among investors that there are factors beyond the control of the US that could, ultimately, impact on the performance and valuations of US assets.

SPECIAL SUPPLEMENT

October's Women In Investment Awards Italy 2019 was an unabashed success. We would like to share that with a wider audience, so with this issue you will find a supplement outlining all the winners across their respective categories. Next year will see another edition of the Awards in Milan; but also one in Madrid. Keep an eye on our events updates into 2020 for further details. ■

Editorial
Editorial director: Jonathan Boyd
Tel +44 (0) 20 3727 9922
Iberia correspondent:
Eugenia Jiménez
Tel +44 (0) 20 3727 9930
DACH correspondent:
Ridhima Sharma
Tel +44 (0) 20 3892 7911
French-speaking markets correspondent:
Elisabeth Reyes
Tel +44 (0) 20 7484 9720

Production
Phil Turton

Commercial
Managing director: Louise Hanna
Tel +44 (0) 20 3727 9929
Head of sales: Eliot Morton
Tel +44 (0) 20 3727 9945

Business development manager:
Erica Geddes
Tel +44 (0)2 0 7484 9700
Events
Head of events: Alex Whiteley
Tel +44 (0) 20 3727 9923
Event manager: Lucy Wilson
Tel +44 (0) 20 37 27 9948

Marketing
Head of marketing: Vanessa Jagessar
Tel +44 (0) 20 3727 9924
Digital marketing executive:
Catalina Butnariu
Tel +44 (0) 20 3727 9927

Fund selector relations
Head of fund selector relations:
Vanessa Orlarey
Tel +44 (0) 74 7393 4144
Head of fund selector relations, Nordics: Patrik Engström
Tel +44 (0) 20 3727 9940

Fund selector relationship manager, Italy & Ticino: Luisa de Vita
Tel +44 (0) 3727 9932
Fund selector relationship executive, Iberia: Angela Oroz
Tel +44 (0) 20 3727 9920
Fund selector relationship manager, DACH: Alexandra Laue
Tel +44 (0) 20 7484 9768
Fund selector relationship executive, France, Romandie & Belux: Alexandre Duransseau
Tel +44 (0) 20 7484 9784

HR manager
Maria Margariti
Tel +44 (0) 20 3727 9925

Chairman
Nicholas Rapley
Tel +44 (0) 20 3727 9939

Email: firstname.surname@incisivemedia.com

UPCOMING EVENTS

The middle of November sees *InvestmentEurope* return to Zurich for another edition of the *Pensionskassenforum*, which serves the Swiss institutional market with a curated programme of presentations and discussions relevant to local developments.

Milan then awaits with a Thematic Forum, before a visit to Tel Aviv hosting for local fund selectors.

However, the eye is already cast towards 2020 and a first event taking place in early March in London that will further address diversity issues in the industry through the Women In Investment Festival. It will be a busy month with events also planned for Munich, Stockholm and Paris.

April will see the Funds To Watch concept come to Geneva; ahead of May Summits at Lake Como, Italy, and in Barcelona. Oslo, Vienna and Dublin will round out the first half of the year with events taking place in June.

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

ZURICH,
14 NOVEMBER 2019

BENEFIT FROM THE KNOWLEDGE OF LEADING FUND MANAGERS

InvestmentEurope is pleased to present the Pensionskassenforum 2019, taking place on 14th November at the Baur au Lac in Zurich.

This event is specifically designed for executives of pension funds and investment foundations in Switzerland. Delegates will benefit from the knowledge and key insights of industry experts and leading fund managers active in the institutional arena. This is your opportunity to access insight into pensions regulatory challenges and the impact of ESG/sustainability on investment decisions. The event also offers a highly effective platform for networking with peers.

INVESTMENT EUROPE
PENSIONSKASSENFORUM
ZURICH 2019

EVENT INFORMATION

DATE: 14th November 2019
START TIME: 08:00
END TIME: 15:35
LOCATION: Baur Au Lac, Zurich

Register today to secure your free place at this exclusive event.
RSVP: alexandra.laue@odmpublishing.com or +44 (0)20 7484 9768

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

Sponsored by:

Danske Bank
Eaton Vance
LORD ABBETT
MIRABAUD 1819 Asset Management
T.RowePrice

Brought to you by:

incisivemedia

Fund selectors in the news

Selectors offer views on the outlook for the US as an election year looms

www.ayg.es/banca-privada

Name: Patricia Justo
Title: Head of fund selection
Company: A&G Banca Privada
Based: Madrid

How likely is it that leading indicators such as the inverting of the yield curve will actually be followed by a recession in the US in the coming year?

We obviously tend to look at the past looking for similar scenarios to the current one, in order to assess and predict what may follow in the cycle.

We have seen that the inverted yield curve has been a great indicator for recession in the US, but with a lag of 12-18 months, so we may be still far from a recession. Besides, we have to bear in mind that bond markets are pricing a recession; but equity markets and real economy in the US are not.

www.arcanopartners.com

Name: Ion Zulueta
Title: Head of fund manager selection
Company: Arcano Partners
Based: Madrid

How likely do you think that US stocks will perform well over the coming election year?

We do not invest on a one year horizon for our clients in the multi-family office. Making markets predictions on such a short period of time is quite worthless and risky.

Having said this, I can say we remain cautious on the US equity market and are mainly invested through a great manager investing in high quality companies at cheap valuations. When the end of the bull markets comes to an end, if past track record serves as a guide, they should deliver a large amount of excess return.

www.decaliagroup.com

Name: Fabrizio Quirighetti
Title: CIO and head of multi-asset
Company: Decalia Asset Management SA
Based: Geneva

Are you re-assessing your US/ North America exposure? If so, why?

For the time being we continue to be neutral to slightly overweight in the US and clearly underweight in eurozone. However, we are constantly re-assessing this positioning in the context of our global macro scenario. Indeed, we believe that the outperformance of the US equity markets over the last few years is closely related to the low growth, low rates environment we have experienced.

In other words, it is due to the structural growth bias of US markets vs. the more value tilt of eurozone.

As a result, in case of an improvement in the global macro backdrop and more specifically a rebound in global manufacturing activity, there could be a reversal of equity leadership, with Europe outperforming. Not in a sustained way. but sharp and significant enough to adjust at least temporarily our geographical and style bias exposure.

www.architas.com

Name: Didier Boublil
Title: Fund selector
Company: Architas
Based: Paris

How likely is it that leading indicators such as the inverting of the yield curve will actually be followed by a recession in the US in the coming year?

Some leading indicators such as the inverted US yield curve have indeed worried the financial markets. However, the hard economic data, although declining, remain quite solid with particularly strong consumption and job data. In addition, the US economy can rely on the support of the Fed Reserve which has already lowered its rates twice and is committed to support the US economy in case of a pronounced slowdown.

Our central scenario, excluding potential exogenous shock, is the US economy should avoid a recession next year.

www.degroofpetercam.com

Name: Benoît Ruelle
Title: Senior portfolio manager & Head of Third Party Fund Selection
Company: Degroof Petercam AM
Based: Brussels

How likely do you think that US stocks will perform well over the coming election year?

Our base scenario for the US economy remains a slowing economic momentum but no recession in the year to come.

In our view, the current overall valuation of US equities remains fair and should therefore limit the impact of a potential economic downturn. As the asset class could potentially come under pressure if corporate profits are adjusted downwards, we keep a close eye on them.

www.invesco.fr

Name: Claudia Raoul
Title: Fund manager – analyst
Company: Invesco
Based: Paris

Are you re-assessing your US/North America exposure? If so, why?

In the long run, we still have a preference for US stocks when compared to other geographic regions. Nevertheless, over the short/medium term we believe that European markets could offer some interesting investment opportunities.

While most investors seem to be underweight European equities, the new QE plan of the ECB and/or a positive macroeconomic surprise could trigger a market rally.

www.donner-reuschel.de

Name: Tilo Marotz
Title: Portfolio manager
Company: Donner & Reuschel AG
Based: Munich

What sources do you use to find new funds for potential investments?

It depends on the asset class and the intended purpose.

For the standard asset classes we mostly apply the first step of our research process, making use of database supported number crunching tailored for the parameters of the search.

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

People moves around the industry

PATRICK MANG

Trium Capital appoints COO in expansion push

The alternative asset manager Trium Capital has continued its recent business expansion with the appointment of Patrick Mang to the newly created role of chief operating officer (COO).

Mang joins from HSBC, where he most recently was head of innovation for global markets. In this role, he oversaw fintech partnerships, sponsored internal projects applying AI, Big Data, Cloud and Distributed Ledger Technology to the trading floor, and led HSBC's venture capital investment in the New York based blockchain company Axoni. Prior to that, he had held various positions at the firm, having joined more than a decade ago as an equity derivatives trader.

The author of papers on the future of banking and the impact of fintech disruption, Mang has consulted on regulatory responses for bodies such as the UK Open Banking Working Group, the Financial Conduct Authority, the British Bankers Association and the Monetary Authority of Singapore. He began his career at Deutsche Bank in 2004.

SASJA BESLIK

J. Safra Sarasin bolsters sustainable investment offerings with new head

Bank J. Safra Sarasin has announced the appointment of Sasja Beslik as head of Sustainable Finance Development to further strengthen the value proposition of the Bank's Asset Management sustainable investment offerings.

Beslik will further enhance core investment solutions at Bank J. Safra Sarasin, the pioneer of and thought leader in sustainable investments for 30 years. With his global network of contacts, particularly in the Nordic countries, he will expand Bank J. Safra Sarasin's footprint and develop its asset management business in that region.

An internationally renowned ESG financial expert, Beslik joins Bank J. Safra Sarasin from Nordea Asset Management where he had been head of Group Sustainable Finance for Nordea since 2017. He joined Nordea in 2009 as head of Responsible Investments and Identity and was promoted to chief executive officer at Nordea Investment Funds in 2011, when he was also a consultant to the World Bank. Beslik was deputy CEO and head Stewardship & Engagement at Banco Funds & ABN AMRO Asset Management in Sweden from 2004 to 2009.

MONICA DEFEND

Amundi aannounces new global head of Research

Amundi has announced the appointment of Monica Defend (pictured right) as global head of Research, taking over from Philippe Ithurbide, who has become senior economic advisor to the General Management of Amundi.

Defend was previously deputy head of Group Research and member of the Global Investment Committee of Amundi since 2017. In that role she contributed to the definition of Amundi's investment strategy on financial markets. Prior to that, she was global head of Asset Allocation Research and previously, head of Quantitative Research at Pioneer Investments.

Defend entered the investment industry in 1997 following a role as university assistant for the Advanced Econometrics department in Bocconi University.

ALOK WADHAWAN

Aviation expert flies in to Muzinich & Co

Muzinich & Co has appointed Alok Wadhawan (pictured right) to head up its new Aviation Finance business, which will be part of the provider's suite of offerings in the alternative investments and private debt space.

Wadhawan said: "Aviation Finance seeks to offer investors the opportunity to access cash-yielding, fixed-income-type returns on a risk-adjusted basis with low volatility. It is our view that the asset class has shown resilience through market cycles and may be ideal for clients seeking capital preservation with low levels of correlation to other asset classes."

George Muzinich, chairman and CEO, added: "With over 20 years of experience and in-depth knowledge, Alok will play an important role in implementing the firm's strategy to extend and expand its private markets platform."

PATRICE RASSOU

Ashburton confirms CIO for new role launching early 2020

Asbhurton Investments has appointed Patrice Rassou as chief investment officer, in a new role that comes into effect from April 2020.

This will see Rassou coordinate investment management acivities of FirstRand group – of which Ashburton Investments is a part – following a review of the asset management business and steps necessary to achieve scalability.

Rassou joins from Sanlam Investment Managers, where he was head of equities.

Before Sanlam, he worked at Thesele Group, Old Mutual Asset Management and PwC.

The appointment comes on the heels of the recently announced new CEO of Ashburton Investments, Sizwe Nxedlana.

People moves around the industry

ANDREAS FRUSCHKI

AllianzGI expands thematic equity team

Allianz Global Investors has appointed Andreas Fruschki as head of a newly created Thematic Equity team.

The new Thematic Equity team, made up of five experts in thematic investing, will focus on deepening and expanding AllianzGI's thematic investing capabilities as well as producing in-depth research.

The team's focus on providing stronger thematic research will benefit AllianzGI's clients as well as supporting AllianzGI's other investment professionals.

Since joining AllianzGI in 2005, Fruschki has served as research analyst, director of Research Europe and portfolio manager of various funds. His background and experience in constructing thematic portfolios provides ideal experience for his new role.

As head of Thematic Equity, Fruschki will report to Steve Berexa, CIO Global Equity at AllianzGI. Ralf Stromeyer will take on Fruschki's former role as director of Research, Europe Equity.

BARRY GILL

UBS AM appoints head of Investments

UBS Asset Management (UBS AM) has appointed Barry Gill as head of Investments, effective 1 November 2019.

He will oversee approximately $710bn in assets under management across both traditional and alternative asset classes and be responsible for over 450 investment employees.

Gill succeeds Suni Harford, following her recent appointment as president of UBS AM and a member of the Group Executive Board of UBS. He will become a member of the UBS AM Executive Committee, reporting to Harford, and continue to be based in New York.

During his 25-year career at the firm, Gill has worked in both the Investment Bank's Equities business and in UBS AM's O'Connor hedge fund before being appointed head of Active Equities for UBS AM in early 2016.

Gill is succeeded as head of Active Equities by Ian McIntosh, who has been deputy head of the business since 2016. McIntosh brings a strong investment background, with over 20 years in the industry. He is based in Chicago and will report to Gill.

SUSANNE HAURY VON SIEBENTHAL

Pictet Asset Management names non-executive director to board of directors

Pictet Asset Management has appointed Susanne Haury von Siebenthal as a non-executive director to the board of Pictet Asset Management Holding SA, the Swiss holding company that controls all the asset management entities in the Pictet Group.

Haury von Siebenthal, whose appointment will be made effective in January 2020, has over 30 years' experience in the asset management industry. She has held various senior positions with Credit Suisse and UBS as well as heading institutional asset management at Bank Leu. From 2004 to 2013 she was head of Asset Management and Deputy CEO at the Swiss Federal Pension Fund PUBLICA, which is Switzerland's largest pension fund.

She currently holds several board and investment committee positions at Swiss foundations and pension funds. Most recently she was a non-executive director at BlackRock Asset Management Switzerland AG.

Following her appointment, Pictet Asset Management board will made up of eight members: Renaud de Planta, Chairman of Pictet Asset Management; Laurent Ramsey, CEO of Pictet Asset Management; Xavier Barde, CRO of the Pictet Group; and non-executive directors Massimo Tosato, Richard Heelis, Rolf Banz, Nobel Gulati and Susanne Haury von Siebenthal.

RAJESH MAHADEVAN

Deutsche Bank WM appoints EMs head of global products

The wealth management business of Deutsche Bank has appointed Rajesh Mahadevan as head of global products & solutions (GPS) for emerging markets.

Mahadevan, who in his new role will report to global head of GPS Lavanya Chari, will be responsible for running the advisory business in the region as well as for capital markets, group, and wealth planning.

He is currently Global South Asia (GSA) group head of Middle East for Deutsche Bank Wealth Management and will relocate to Singapore for his new role, which he will officially taking on in January 2020.

ILGA HAUBELT

BNY Mellon IM names head of Equity Opportunities for Newton

Newton Investment Management (Newton), a BNY Mellon Investment Management company, has appointed Ilga Haubelt (pictured above) as head of Equity Opportunities, effective 4 November 2019.

Haubelt will report from London to Curt Custard, Newton's chief investment officer.

The appointment follows the formal split of Newton's 16-person Active Equity team into two key areas: Equity Income and Equity Opportunities. In her new position, Haubelt will manage and manage a ten-member team responsible for all of Newton's actively managed equity strategies that are not managed on the basis of current income, such as dividends. This includes the specialised strategies for global equities and equities from Asia, the US, emerging markets, the UK and continental Europe.

Haubelt previously served as Deka Investments' head of Global Equities, overseeing a team of 23 people and over $15bn in assets. At Deka, she was also responsible for managing the company's largest equity fund and generating large net inflows into Deka Investments' global equity funds.

Fund watch and product launches

Cape Capital and Universal Investment combine to launch fixed income fund

Swiss asset manager Cape Capital and German fund service company Universal Investment have joined forces to launch a new fixed income fund with its core investment universe being European investment grade credit.

The new UI Cape Credit fund uses a strategy which Cape Capital has been running successfully for over ten years in Switzerland and is now available to investors across Europe. It has been launched as a sub-fund in Luxembourg.

The fund originated in the belief that a new approach was needed to deliver steady returns over the long run in a world of nearly inexistent yields. With inflation trending low and negative yields across the fixed income universe, the markets remain challenging and are causing a loss of purchasing power for traditional investment grade investors.

In this setting, the objective of the UI Cape Credit fund is to offer what traditional bond funds will have a hard time to do after 30 years of falling nominal and real yields: to preserve purchasing power while eliminating pure interest rate risk and FX risks.

The approach is to invest in high-quality issuers while going down the capital structure to increase the carry while keeping default risk at a very low level.

The strategy utilises a comprehensive set of Investment Grade credit products – across the market and across the different structures – focusing on structural analyses of issuers and bonds, while exploiting technical and fundamental dislocations in the market.

The fund generically reduces the pure interest rate exposure to a corridor of 1-2 years, leaving the fund less dependent on the future path of interest rates, while collecting the carry of investment grade credit risk. Any FX exposure is fully hedged.

The UI Cape Credit fund implements its underlying credit risk using both single names within the liquid large cap credit segment as well as synthetic credit indices. Given the high-quality nature of the available universe, low default rates can be expected over time while ESG criteria play a major role as well.

The investment approach of the fund is suitable for those who wish to avoid adverse impacts from interest rate risk but nevertheless seek an attractive current return through credit risk from Investment Grade issuers.

As a long-only strategy within the bond universe, the fund aims to achieve a stable carry of three-month Euribor +200bps over a credit cycle and offers good diversification opportunities within a bond portfolio without a niche character.

www.capecapital.com
www.universal-investment.com

Vanguard AM launches active UK equity fund

Vanguard Asset Management has launched the Vanguard Active UK Equity fund. It is designed for investors seeking exposure to UK companies at a low cost.

The new fund will employ the approaches of two external fund managers focused on identifying growing UK companies, in a fund designed to be held for the long term.

The Vanguard Active UK Equity fund is sub-advised by Marathon Asset Management (50%) and Baillie Gifford (50%). Marathon Asset Management look to identify UK companies that benefit from the flow of investments in and out of UK industries. Baillie Gifford's investment methodology is aimed at finding companies with growth potential, through in-depth research.

It embodies the three elements Vanguard believes are crucial to giving investors the best chance of investment success: top investment talent, with a long-term approach, delivered at a low-cost.

The launch follows Vanguard reducing the fees across its UK domiciled active equity fund range in 2018. Since the launch of the active equity range in 2016, Vanguard's funds have all outperformed their Morningstar peer group averages, with Vanguard Global Balanced fund and Vanguard Global Emerging Markets fund outperforming at least 90% of their peers.

www.vanguardinvestor.co.uk

HSBC GAM launches passive fixed income fund

HSBC Global Asset Management (HSBC GAM) has launched the HSBC Global Emerging Market Government Bond Index fund. The fund offers investors a cost-efficient way to invest in diversified emerging market government debt denominated in US dollars.

The fund aims to replicate the performance of the JPMorgan EMBI Global Diversified Total Return Index. It will be domiciled in Ireland under HSBC's ICAV platform which facilitates access to funds globally.

It will be managed by HSBC Global Asset Management's passive fixed income team, led by head of Passive Fixed Income, Sebastien Faucher. The team currently manages around $6.9bn of assets in different strategies.

The team's investment approach is based on 'intelligent indexation', which focuses on close index tracking and minimising transaction costs.

Both objectives are achieved by leveraging the expertise of HSBC Global Asset Management's active fixed income teams – including credit screening, managing credit events, participation in new issues and the execution provided by dedicated global fixed income traders.

www.global.assetmanagement.hsbc.com

Fund watch and product launches

Sycomore AM launches Next Generation fund

Sycomore Asset Management, the €8bn French manager, has launched a balanced fund focused on companies with business models deemed compatible with sustainable growth objectives.

The fund adds to the existing suite of products that already hold the French government-supported SRI label: Sycomore Sélection Responsable, Sycomore Sélection Crédit, Sycomore Happy@Work, Sycomore Eco Solutions and Sycomore Shared Growth.

The latest strategy is fuelled by what the manager sees is a need to respond to a shortage of natural resources and their over-consumption, among other challenges.

Alexandre Taïeb, co-manager of the fund, added that other changes being wrought included new production methods leading to new consumption patterns, and the rethinking of recruitment processes due to robotics.

Taïeb, along with co-manager Stanislas de Bailliencourt, are looking to companies able to “contribute positively to the well-being of future generations: businesses that improve living standards (Better Life), players operating in green energy, climate or biodiversity-related industries (Better Environment), and companies that pay particular attention to their workers’ happiness (Better Workplace).”

The strategy is capable of running 0-50% equity and 0-100% bonds.

Sycomore has set up a proprietary methodology for rating quantitative and qualitative criteria, where “ESG considerations play a dominant role”.

Emmanuel de Sinety, co-manager of the fund, said: “Consistent with our transparency code, we have committed to excluding the 32 countries that are not members of the United Nations Global Compact are automatically excluded. The fund will also refuse to invest in countries displaying an overall rating that is not higher than 2/5, based on 5 key pillars: 1/sustainable development, 2/governance/political system, 3/economic health, 4/corruption & human rights and 5/ social inclusion/equality.”

The fund will also prioritise equity and corporate debt holdings according to how underlying companies are aligning their products and services with the United Nations Sustainable Development Goals (SDGs) and with long-term ESG indicators.

https://en.sycomore-am.com

Quaero Capital launches ESG US value equities fund

Quaero Capital has partnered with Cullen Capital Management for the management of the Quaero Capital Funds (Lux) – Cullen ESG US Value. The fund is managed by a team of 3 fund managers with longstanding experience in the US equity market and supported by a team of 10 analysts.

The investment philosophy is driven by a unique combination of quantitative and fundamental research for both value and ESG analysis, from the initial screen of the investment universe to the monitoring of the final portfolio. The fund will be actively managed and concentrated on around 25 to 30 names.

Quaero Capital has partnered with Cullen Capital Management for the management of the Quaero Capital Funds (Lux) – Cullen ESG US Value. The fund is managed by a team of 3 fund managers with longstanding experience in the US equity market and supported by a team of 10 analysts.

The investment philosophy is driven by a unique combination of quantitative and fundamental research for both value and ESG analysis, from the initial screen of the investment universe to the monitoring of the final portfolio. The fund will be actively managed and concentrated on around 25 to 30 names.

www.quaerocapital.com

Amundi expands ETF thematic range

Amundi has launched two new thematic ETFs: the Amundi Smart City Ucits ETF and the Amundi Smart Factory Ucits ETF.

Smart Cities are fast emerging as a response to rapid urbanisation, which will see two-thirds of the global population living in urban areas by 2050. New ‘Smart’ technologies will help cities address the challenges of urbanisation by increasing efficiency, productivity, and sustainability.

To help investors tap into the potential offered by these cities of the future, nearly 208 stocks from six key sectors were identified to underpin the Smart City ETF: public infrastructure, smart homes, e-commerce, healthcare, entertainment, and technology.

Innovative and disruptive technologies have also given rise to a new type of Smart Factory that is revolutionising manufacturing. Again, five key sectors were identified to help investors benefit from this trend, creating a portfolio of 2522 stocks from companies involved in: Advanced Robotics, Cloud Computing & Big Data, Cyber Security, Augmented Reality & 3D printing and the Internet of Things.

Recognising the importance of diversification, Amundi’s new ETFs cover both developed and emerging markets and use a multi-sector approach that combines several thematic exposures. Both ETFs track indices from Solactive. The new ETFs were listed on Euronext Paris and Euronext Amsterdam with the same competitive ongoing charges of 0.35%.

www.amundi.com

1.9% Annualised US GDP growth rate in Q3

Election expectations

With a year to go until the next US presidential elections, and historic US stock market patterns tied to such years, Jonathan Boyd, Eugenia Jiménez, Ridhima Sharma and Elisabeth Reyes have asked investors what their expectations are for the coming year

US stock market performance data suggests that since 1928, in 23 election years, just four have been negative.

This is worth keeping in mind given that the US government is committed to trillion-dollar-plus deficit spending, while the Federal Reserve has cut interest rates for the third time in 2019 on 30 October, in response to concerns over the strength of the economy.

For investors the coming 12 months may, then, be bring particular challenges or opportunities in US stocks.

Alberto Matellán, chief economist at Mapfre AM, agrees that historically, most election years are positive to stocks. However, he adds that he is "not convinced" that the current US administration is actually able to control the outcome of financial markets.

That said, fundamental economic figures around liquidity, activity data and relative prices point to a relatively positive development in 2020, he adds.

"The probability of a recession is still low. The yield curve is just one indicator among many and its statistical power has been significantly weakened in recent years due to monetary policy actions. Decades ago, investors in bonds may have bought an excess of longer term bonds if they expected rates to be much lower in the future.

"That is the main mechanism through which the inversion of the curve acts as a leading indicator of recession. But nowadays, rates are much lower than the historical average, the Fed balance sheet is much higher, and the Fed reaction function has changed a lot, so the information content of such indicator is lower than in the past. Other data, like activity figures or surveys point towards a slowdown, but not a recession."

John Praveen, portfolio manager Global Multi-Asset Solutions Team of QMA, the sub-delegated investment manager of Pramerica SGR, distinguishes between possible outcomes in the immediate short term and outcomes throughout 2020.

"In the near-term, US stocks are likely to post further gains with a US-China trade deal likely, UK avoiding a hard Brexit, better-than-expected Q3 earnings reports, and rate cuts by the Fed, the ECB and over 40 developed and emerging central banks. However, as we get closer to the 2020 elections, markets are likely to be volatile due to uncertainty about the outcome of the presidential election. How the US market will perform in 2020 will depend on the Democratic Party candidate to run against president Trump, and whether that candidate is likely to win. Some of the Democrat candidates are proposing polices that the Market is perceiving as radical and market-unfriendly. If one of them gets nominated and is likely to win, markets are likely to have a negative reaction."

And like Matellán, he too does not believe that the yield curve has the same ability to act as a precursor to any recession, because of the curve inversion taking place in a different environment.

The bottom line for market watchers, however, remains: "The Trump administration is likely to do whatever it can to keep the stock market rising and prevent a recession," Praveen says.

Reassessing exposure to the US may depend more on what happens elsewhere, such as an improved earnings outlook in Europe, Japan and emerging markets, in which case he might consider reducing exposure to the US.

OUTPERFORMANCE PROSPECTS

Stefan Schrader, managing director, Titus Gesellschaft für Finanzdienstleistungen, sees outperformance by US equity and bond markets, but that this comes with high risk of overvaluation.

"Having a reasonable draw down or even a crash scenario, the investors will prefer US equity and sell EM, Europe and Japan even more than they already have done so far. It is the same for the USD in relation to other currencies. And driven by the relative high yields and the push towards USD, US Treasuries would be more popular as well in a worse or crash market scenario. Equity would definitely lose money for investors in absolute figures, but US equity would outperform relatively."

"The story is almost the same for the scenario, that the markets stay volatile and the circumstances insecure but without a crash. The only difference I see in this scenario is that USD will lose relative to most other currencies. The deficit, the instability in the political US leadership and the incredible amount of debt will prove the US to be less credible. There is a lot of pressure in interbanking liquidity right now, that not very many people and investors are concerned about. But we are.

"Trump is going to play all his economic possibilities he has in the election year. There is a good chance of another successful year in the equity market in connection with politics."

Schrader notes that his exposure to the US has been "quite small for some time already" because of opportunities elsewhere at lower valuations.

"THE ABSOLUTE RETURN FOR THE MARKET BROADLY IS LIKELY LESS THAN WE HAVE EXPERIENCED OVER THE LAST SEVERAL YEARS BUT SIGNIFICANT VALUATION DISPERSION WITHIN THE US MARKET PRESENTS AN OPPORTUNITY FOR EXCESS RETURNS FROM VALUE STOCKS"

John Bailer, Mellon

That valuation challenge is picked up by David Holohan, senior equity investment strategist at Mediolanum International Funds (MIFL).

"Given current stock market levels and limited scope for further valuation multiple expansion, it will be challenging for US stocks to outperform over the coming election year. Given the diverging impact and regulatory focus that the different presidential candidates will have on important sectors such as technology, healthcare and financials, the outcome of the election could have a significant impact on the largest stocks that make up the stock market."

And another who is concerned about valuations is Sunil Krishnan, head of multi-asset funds at Aviva Investors, who sees a mixed outlook for equities globally, including in the US.

"We have a broadly neutral equity position in asset allocation. The risk of recession should be seen in the context of historically high valuations and margins which could amplify economic disappointments. On the more positive side, final demand has remained resilient, central bank easing has supported asset valuations, and investor sentiment seems cautious rather than euphoric.

"Typically election years work well for stocks because the incumbent government wants to show a strong market, while neither side wants to make difficult promises. The Trump administration appears to watch the stock market closely, and often cites market strength as a sign of policy success. But this time the equation seems more finely balanced. One of Trump's strongest policy platforms is economic conflict with China, and this is a difficult battle to end in a market-friendly way.

"Having expected US equities to outperform the broader market, we now believe this case is weaker. We expect US firms to continue to offer higher returns on equity than other markets; but valuations and expectations are high. Corporate leverage has also risen markedly in the US. To see material US underperformance, though, would probably require a deep equity market decline as we saw in 2000-03, where economic conditions seriously threaten US company business models in the technology sector."

Eddie Perkin, chief equity investment officer at Eaton Vance, is another who sees the possibility of US stocks performing well over the coming election year, but with the added possibility that they could do even better elsewhere.

"It is notoriously difficult to predict equity returns over time periods as

4.6% US personal consumption expenditure annualised rise in Q2

short as one year. Having said that, sentiment around US stocks is fairly cautious even after a strong performance year so far in 2019. It is not difficult to envision a scenario where trade tensions ease, fiscal and monetary stimulus kicks in, and the US and global economy avoid recession. Under that scenario, US stocks should do well, but non-US stocks will likely do even better.

"In our global equity portfolios, we like many stocks in the US but we are increasingly finding opportunities elsewhere in the world. There has been considerable debate in the market in recent months about a potential rotation into cyclical value stocks. If this happens, US stocks should do well, but European equities would likely lead the global market."

That relative performance point is picked up by André Barahona, founder of Mount-invest, who says that a global slowdown cannot be stopped by the Fed alone, and that his firm still believes in a US recession taking place in the next 12 months.

John Bailer senior portfolio manager of the BNY Mellon US Equity Income fund notes the importance of the level of dispersion in returns from US stocks ongoing.

"The absolute return for the market broadly is likely less than we have experienced over the last several years but significant valuation dispersion within the US market presents an opportunity for compelling excess returns from value stocks. We believe value stocks, particularly in the more cyclical sectors such as Materials, Energy and Financials, will generate attractive returns as investors discover the earnings and capital return potential of this underappreciated segment of the market.

"We believe that the Trump administration is keenly focused on the state of the US economy and the performance of the stock market as we enter 2020 and that the administration's policies will be increasingly geared towards generating growth and optimism as the year progresses. With that in mind, we believe that we will see more constructive dialogue regarding trade and a limited trade deal that should reduce the headwinds restraining global growth and confidence over the last two years."

Kevin Thozet, member of the Investment Committee of Carmignac sees both valuations and volatility swinging around even more during an election year.

Debates over fiscal policy during the election campaign could adjust market expectations, "yet more than next year's election, the main factors for US stocks to outperform in the coming year are how rapid and steep the US slowdown will be and how much easing will be conducted by the Federal Reserve.

"More than buoying stock markets, the Trump administration needs to keep the US economy in growth territory. This could explain the lesser hawkish positioning in trade negotiations with tensions and uncertainty weighing on confidence and the US economy; as well as the pressure the American president is putting on the Federal Reserve to cut interest rates and weaken the USD.

"Our expectations on US growth are rather bleak. The slowdown in capital expenditure along with weak corporate margins could be pased to the consumer with the ensuing slowdown in hiring and wages negatively impacting personal consumption."

FUND SELECTOR VIEWS

Patricia Justo, head of fund selection at A&G Banca Privada says she expects measures to keep US markets buoyant in an election year.

"If we compare the size of US financial assets with US GDP, we can see that the first one is 6x the size of the second. Wall Street has become more important that main street for the US economy, and both the US administration and the Fed have realised that. Even if it is not part of the Fed's mandate, we can expect that it will continue to apply measures to support the markets, whether it is election year or not."

However, support for US markets should not be confused with the question of whether assets are worth buying, Justo adds.

"Being a European investor, we have tended to overweight Europe rather than the US for the past few years, compared with a global index. This has been proved wrong, as the US has continued to outperform almost any other market. We are now more neutral in terms of geographical exposure, and do not sense it is the time to increase US exposure for valuation reasons."

Ion Zulueta, head of fund manager selection at Arcano Partners notes that the much discussed yield curve inversion and its history of predicting a US recession is not necessarily one to use alone.

"Making calls on the economic cycle

128,000 Number of jobs added by US employers in October (Bureau of Labour Statistics)

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 this regard, in an environment where central banks are so dovish and there is increasing chatter in the market about 'Monetary Policy 3', we have recently been increasing our exposure to gold. At the same time, linked to the described environment, we see real yields staying low for longer, which should be supportive for private markets. This idea has led us to increase our clients´ portfolios´ exposure to these markets to the detriment of public markets."

Support for US markets by policymakers could suggest it is worth looking to passive vehicles, but here again, Zulueta adds a note of caution.

"It seems there is more appetite among investors for passive strategies, but I think this is mainly due to them looking at the rear view mirror. If supply follows demand, I guess there will be more launches in the passive than in the active space. However, this will change at some point. Moreover, the active management industry is slowly adapting to the new circumstances.," he says.

"We are maintaining the exposure to US equities through a manager that tends to outperform greatly in downward markets. This said, we have a clear preference for cheaper markets like Europe and emerging markets.

"Two areas where we may gain some more exposure to the US include structured credit and technological companies."

"Regarding the latter, we think investing in venture capital funds is a cleverer way to capture the growth in that sector. With regards to structured credit, we are working on due diligence of a liquid alternative manager who is investing heavily in legacy non-agency RMBS. It is a low risk strategy, with an attractive prospective return and exposed to the US housing market and the US consumer that seem to be in good shape and not so advanced in the cycle like the corporate credit market."

Didier Boublil, fund selector at Architas, estimates that 52% of Americans hold US stocks.

"We are confident that the American administration is sufficiently aware, with the election of the next US president next year, will do everything it can to keep local stock market buoyant or at least avoid a shock to the markets.

"In this context, we believe that the president will have to tone down in the trade war against China and will also act to limit the geopolitical risks. Unfortunately, his administration does not control the decisions taken by the US central bank which are closely scrutinised by investors, does not control the potential exogenous shocks - rising oil prices for example - and does not control the trajectory of [potential Democrat presidential nominee] Elisabeth Warren's polls, whose program is feared by financial markets. The Trump administration's willingness to keep stock market buoyant may not be enough if one of these elements doesn't go where stock markets are expecting them to go."

Benoît Ruelle, senior portfolio manager and head of Third Party Fund Selection at Degroof Petercam, notes some ongoing reassessment of US exposure.

"Concerning our third party funds selection, we are nevertheless gradually reallocating some capital from growth-oriented strategies into more value-driven ones, as we believe that the current valuation gap between both styles offers an attractive entry point.

In the small cap universe as well, we have increased our exposure to more defensive, less leveraged stocks as we have identified rising rates as one of the main risk there.

"Finally we remain positive on US fixed income overall, as it is one of the last positive yielding risk-free assets."

Claudia Raoul, fund manager – analyst at Invesco in Paris, notes the length of the current US cycle, and the implications that has for deciding whether US stocks will continue to perform.

"We are experiencing the longest US market cycle ever and one of the strongest in terms of returns - previous cycle peaks for the S&P 500 have been around 1,500, [as of commenting] the index stands at 2,966 – ie, a 12.8% return per annum over the last 10 years.

"A dovish Fed and the implementation of the QE, as a 'new' monetary policy experience, has been the main driver of this cycle's length. Besides, equity buybacks and dividend policy, as well as corporate tax, later on, have been the main drivers of the US stock market returns. We expect most of these drivers to stay in place in the coming year, and expect the US equity markets to grow in line with EPS growth.

"From an earnings growth perspective, we would expect a more challenging year, as we consider the present 10% EPS growth consensus for 2020 optimistic when compared to fading global economic growth." ■

340 Number of banks in the French banking industry as of January 2019

YOHAN KADRI-CAILLAUX

Yohan Kadri-Caillaux is the managing director and co founder of Sepiam. There, he is responsible for asset allocation and securities analysis, and is a portfolio manager on the stock picking strategies, which includes the Sepiam Europe small caps and listed real estate strategies.

Prior to creating the firm in October 2017, Kadri-Cailloux spent two years as an analyst-portfolio manager for Raymond James AM, where he was in charge of mandates, absolute return strategy and fund selection. Prior to that, he worked at Convictions AM as an analyst-portfolio manager covering multi-asset diversified funds and mandates.

8.5% Q3 2019 expected unemployment rate in France

Sepiam co-founder Yohan Kadri-Caillaux tells Elisabeth Reyes that curiosity can be a key differentiator in today's crowded financial universe

A seeker of open minds

Yohan Kadri-Caillaux co-founded Sepiam in October 2017 with Damien Grulier and Sébastien Lippens, who today manage €65m across four open ended funds and various private and wealth management dedicated mandates.

Expertise is focused on flexible asset allocation, European small and mid caps and European listed real estate funds. All accounts are actively managed and seek to deliver alpha in line with an optimised risk adjusted return profile.

The selection process relies on both internally developed tools and external platforms. For example, Sepiam uses a proprietary big data screening tool. But it also uses the likes of Morningstar, Quantalys, and so on. Awareness of the limits of external platforms means they are only used a "raw material or a first filter," says Kadri-Caillaux.

Public information, whether via investment and financial press or Sepiam's own network are used to challenge internal views and identify market trends, he adds.

From the tools, Sepiam divides the investable universe into core allocation funds and tactical ideas; while also considering contrarian trends and thematic investments.

"It is difficult to draw a clear market trend or vogue in the current context" states Kadri-Caillaux. "Nonetheless, considering interest rates levels and historically low yields, we continue to see appetite for riskier assets such as listed real estate investments, equity long short or flexible multi asset strategies".

> "IN ORDER TO MAKE A DIFFERENCE WE WILL PRIMARILY LOOK FOR HIGHLY SKILLED, OUT OF THE BOX THINKERS"

New ideas being considered include listed infrastructure equity, market neutral equity strategies, risk premia strategies and credit long short funds. But others could come depending on the dynamic fund selection lists.

PROCESS

Sepiam's investment process starts with a macroeconomic committee analysing trends against short, medium and long term horizons. This partly defines the macroeconomic thematics, but also risk appetite and allocation 'bricks', says Kadri-Cailloux.

Thus, asset classes and/or sectors are selected, as well as defining return expectations.

Subsequently, a security selection committee discusses investment ideas, including European or US equities that are covered internally and managed actively, and ideas around actively managed external funds.

The building blocks are intended to ensure multi-asset exposure globally, ETF selection and listed derivatives.

Model portfolio construction follows, with nods to volatility, cVaR, correlation, decorrelation and other risk metrics.

"Our risk analysis is very strong," Kadri-Cailloux says.

Finally, attention is paid to portfolio managers' leeway to implement flexibility on a daily basis. The flexibility depends on respect for the risk budget.

"Most importantly the portfolio manager should take into account the fund's specific guidelines and the risk adjusted return profile."

"In today's crowded financial universe, investment processes unfortunately translate into look-alike preformatted investment styles and therefore returns. Therefore, in order to make a difference we will primarily look for highly skilled, out of the box thinkers, with a curious and open-minded outlook, sophisticated technological resources, transparency and proactivity in terms of communication; especially in periods of destressed markets or risk events; and finally, the capacity of the portfolio manager to recognise and explain investment mistakes.

"As a principle, we do not like portfolio managers who "sit" on their stocks for a very long time. We do not like low turnover portfolios. We believe that low turnover portfolios suffer what we call an opportunity cost and therefore miss on the ongoing rotation of investment themes, trends or macroeconomic events etc. We prefer to look at funds with a strict risk process that oversees into details ex ante and ex post risk ratios, volatility, drawdowns and time to recovery both at the fund and security level. We also pay attention to the tools that are used to implement risk policies and controls".

LOOKING AHEAD

"We do not see a revolutionary change in the market offering in five years' time but rather an extension of what has already started and is currently happening.

"With regards to the overall asset management universe we believe that the current company consolidation will continue with more mergers in order to obtain jumbo asset managers that will favour AUM volumes, low fees but also low alpha strategies. Active strategies will still exist, but will have to further adapt to new market conditions." ■

2.3% Eurozone (EA 19) job vacancy rate, Q2 2019

Exploiting inefficiencies through AI and quantitative finance

MDOTM, the Italian subadvisor that develops AI-driven strategies and quantitative models for institutional investors, is eyeing an international scale-up after a first funding round raised €2m. Eugenia Jiménez reports

MDOTM was born in 2015, when childhood friends Tommaso Migliore and Federico Mazzorin graduated in finance and physics respectively, and co-founded the fintech start-up in London after two years working on the creation of their first quantitative model.

In 2013, Migliore, at that time professional ice hockey player, was attending a university lecture on the use of statistics and quantitative models to invest in the markets. That same day he called Mazzorin, a physicist with strong coding and statistical skills, who embraced the idea of setting up their own start-up.

They then started developing what would be the first quantitative model of MDOTM, an equity strategy investing in developed markets.

Migliore says: "Our first algorithm was an equity strategy investing in developed markets. We did it with our money.

"After creating it and studying how it would have performed in the past, we started investing on the market with our savings with great results."

"WHAT MAKES US DIFFERENT IS OUR SCIENTIFIC APPROACH AND THE FLEXIBILITY AND ADAPTABILITY OF OUR PROPRIETARY TECHNOLOGY"

Tommaso Migliore, MDOTM (right, pictured with co-founder Federico Mazzorin)

INTERNATIONAL EXPANSION

In 2015, after some years of hard work and perseverance, MDOTM opened an office in London and then found its first client – an institutional investor based in London with offices in Switzerland. That client wanted to try MDOTM's model and invested €1m in the firm.

"During those two years, we started getting some revenues and at the end of 2017, we were selected by Google to join their Google for Entrepreneurs programme, a worldwide acceleration scheme for start-ups," says Migliore.

From a start-up struggling to reach out institutional investors, MDOTM has evolved into the fully

2.1% July 2019 unemployment rate in the Czech Republic, the lowest since the split from Slovakia in 1993

regulated investment advisory firm it is now. It offers AI-driven investment strategies to banks, asset managers, insurance companies and family offices worldwide.

MDOTM's team is made up of around twenty people, who are scattered across London, Milan and Zurich. Reflecting the firm's approach, which is rooted in science, the team is primarily composed of researchers and analysts with backgrounds ranging from finance and statistics, to computer science and structure of matter physics.

Ten more people from the MDOTM Lab support the team from outside.

INSIDE THE LABORATORY

The MDOTM Lab is an open space for PhD students and researchers studying a set of unique topics in quantitative investing, artificial intelligence and behavioural finance.

It was launched at the beginning of October resulting from various partnerships between the fintech company and different universities, including the Faculty of Banking, Finance and Insurance at the Catholic University of Milan.

According to Migliore, this lab aims at helping the company to identify talented researchers in these specific fields while enabling researchers to work on a real business proposition.

MDOTM'S APPROACH

Today's investment world is becoming increasingly complex and competitive, so firmly believes MDOTM's CEO. He adds that to stay competitive in such complex market while responding to the new market regulations, banks and asset managers are seeking help from specialists (like them) for their financial products.

He says: "All the institutional investors are focusing on private investors' experience leaving aside the growing complexity of financial markets."

The company's research team starts by finding and studying market anomalies – which are often explained by behavioural finance – and then develops deep neural networks and decision-making algorithms to model and exploit these inefficiencies.

Artificial intelligence algorithms analyse different asset classes with specific models for single-stock equity investing and multi-asset class allocation.

"We believe that today the world of investments has become a tech challenge, the internet has democratised access to traditional information and levelled out the asymmetries among the market players," continues Migliore.

"The scientific method and state-of-the-art technology are the only way to extract significant information signals from the background noise of the markets – our algorithms analyse tens of millions of data points every month."

MDOTM collects and cleans what it calls the huge volume of noisy market data produced every day.

Then, by using artificial intelligence, machine learning and advanced statistical techniques, it analyses these large datasets, trains their algorithms and develops actionable investment strategies that exploit known market inefficiencies.

Thus far MDOTM has developed four investment methodologies, also known as quantitative solutions or engines.

"Each of them can be customised to the specific requirement of a client," explains Migliore.

In order to decide the most efficient portfolio for each institutional investor, the subadvisor works closely with its clients, providing them with their systematic models that support them in specific investment areas on which technology can play a key role.

Migliore says: "We do customised work for institutional investors so depending on the company's goals, the risk profile and other characteristics might change.

"Our models analyse the market scenario and then based on the forecasts, we periodically provide optimal portfolios to our institutional clients.

"What makes us different is our scientific approach and the flexibility and adaptability of our proprietary technology."

CLIENTS' PROFILE

Institutional investors of all types use MDOTM's models in their investment decision process within their financial product offering, for proprietary trading, or for managed accounts.

Although the Italian subadvisor mostly targets banks, wealth and asset managers, is now expanding its boundaries towards the insurance sector.

According to Migliore, insurance companies are increasingly becoming attractive clients for them given these firms are upgrading their investment products and segregated mandates.

Each type of investor will have a customised portfolio according to its investment needs and goals. MDOTM currently offers AI-driven investment solutions to 15 clients from the UK, Switzerland, Italy and Luxembourg.

The firm's CEO unveiled that 20 more institutional clients are in the pipeline.

LOOKING AHEAD

The company announced at the beginning of October it had raised €2m from the closure of its first funding round from a combination of institutional and private investors to finance its international scale-up.

"Last year we raised €2m to allow us to be seen by companies as a solid and stable partner to grow with," says Migliore.

While expanding its clients network is the primary goal of the company, its ultimate objective is to further scale-up internationally.

Spain, Germany and the US are some of the countries that Migliore eyes with interest. ■

0.1% Decrease in index of producer prices for industrial products in Germany in September 2019 YoY

Aviation fund investment boasts sound fundamentals

The global aircraft market is set to grow strongly over the next 20 years and investors can benefit from the stable cash flows from leasing agreements. Ridhima Sharma reports

Aviation fund investment is getting more and more attractive for German investors; but it is also a global story. KGAL has been operating in the aircraft fund business for more than 40 years.

During that time it has always worked to provide investments for German insurance companies and pension schemes, as well as for international investors – but right now the interest from international institutions is especially strong.

Jochen Hörger, managing director, Asset Class Aviation at KGAL says: "KGAL has set up more than 140 aircraft funds over the last four decades, including three dedicated institutional aircraft funds, with a total investment volume of $9bn.

"These funds, particularly our three institutional aircraft funds, have taken a core strategy aimed at generating stable income.

"Technical expertise is vital too. For all of KGAL's funds, we use GOAL, our in-house technical asset manager, which is our operating leasing joint venture with Lufthansa."

EXPANSION

The aviation asset class represents an aspect of the global economy that reaches far beyond Germany, or any part of Europe. Aircraft are truly global assets, so the business of investing in aircraft is international and we invest in aircraft with airlines that operate all over the world.

Globally, the market for aircraft investment is expected to grow strongly for at least the next 20 years. This is mainly due to the fact that global air traffic will do the same.

Using the industry standard of dollars revenue per passenger kilometre (RPK), annual air traffic is expected to increase by an average of 4.4% annually – from the 2017 level of around 8 trillion RPK through to nearly 20 trillion RPK in 2037.

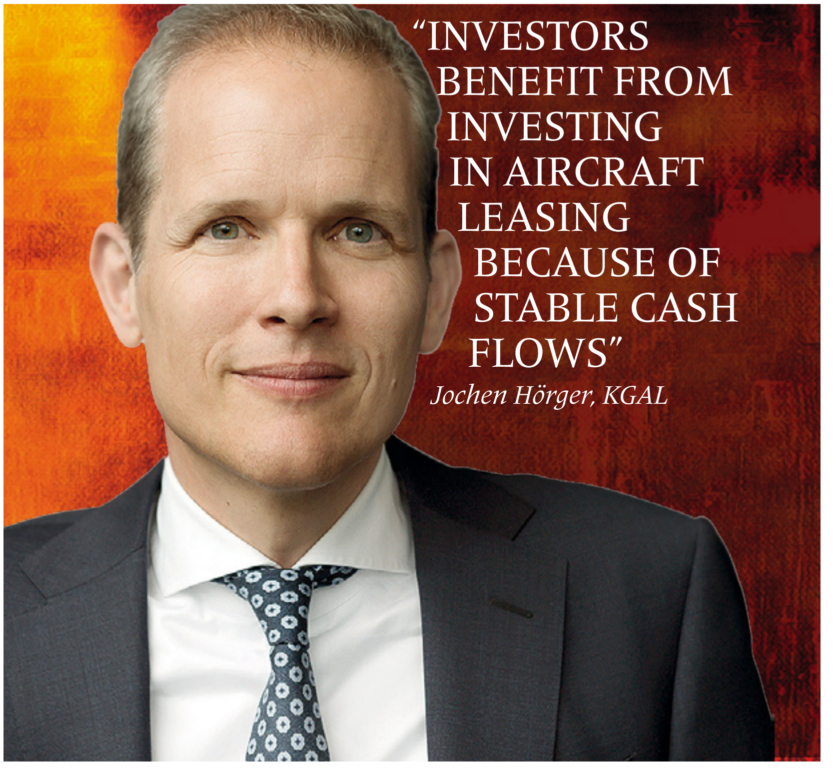
This growth in passenger travel is the fundamental driver behind the demand for aircraft and their financing.

During the next 20 years, Airbus forecasts an increase of the global aircraft fleet from 21,450 commercial airplanes at the beginning of 2018 to 47,990 in 2037.

Taking into account replacements, as well as that doubling in the total number of aircraft needed at any one time, this would translate into an investment volume of $5.8trn.

There are some risks to that future growth. First may be the ongoing trade war risks between the US, China and Europe; while the second chief risk would be the potential for greater regulation and related potential for consolidation in the sector.

These factors could negatively impact the above



"INVESTORS BENEFIT FROM INVESTING IN AIRCRAFT LEASING BECAUSE OF STABLE CASH FLOWS"
Jochen Hörger, KGAL

2.5% Decrease in Germany's index of import prices in September 2019 YoY

mentioned growth rates – but may follow a similar pattern of past resilience, as mentioned above.

The aviation industry is very much linked to worldwide economic development.

The sector is a long-term and stable growth market with the average growth rate averaging around 5% each year over the last 15 years, measured by the number of air passengers.

Even further back, there have only been a few, very short periods over the last half-century when air traffic has declined. It is remarkable how quickly air traffic has recovered from dips in the past, and returned to its growth path.

These dips have often coincided with slowdowns in the global economy, for example in 2009, which demonstrates the link to global growth. Yet the clearest distinction with global GDP is the speed of recovery from such blips. This is connected to the location and nature of air traffic growth – from the world's highest growth economies.

INVESTMENT

Investors benefit from investing in aircraft leasing because of stable cash flows from medium-to long-term leasing agreements. As long as airlines perform, investors are not directly affected by weaker market periods during the lease term because the airlines bear all operational risks," adds Hörger.

Due to the duopoly in the aircraft manufacturer market – Boeing and Airbus – there are high barriers to market entry for new players. A comparable oversupplyto that seen in the shipping industry is not possible due to that market structure.

Aircraft leasing, particularly in the core space, i.e. with new and young aircraft, is well suited to generate secure long-term income flows. This is similar to a bond with ongoing distributions originating from the monthly lease payments, which are fixed for the period of the lease, typically many years. This lease length is key to generating a stable income stream, and helps protect investors against any short-term fluctuations in the market.

To a considerable extent, risks are limited by the heavily-regulated nature of this global industry. Such regulation results in all 'operating' activities, and therefore operating risks, being borne by the airlines and not the investors.

Investors (represented by their asset manager) do need to monitor their aircraft on an on-going basis to ensure compliance with regulations, and maintain the value of their assets – but it is the responsibility of airlines (including costs) to run the aircraft in terms of fuel, crew wages, landing costs, on-going maintenance and overhaul.

The main risks for aircraft investors are residual aircraft value and leasing rates and related airline creditworthiness.

Commercial aircraft are usually operated over a cycle of up to 25 years, and we use this typical timeframe to categorise and understand risks.

Hörger continues: "KGAL classifies aircraft in four categories: new-to-young aircraft, mid-life aircraft, mature-life aircraft and end-of-life aircraft. The global and specialised aircraft leasing industry places investments alongside this life-cycle."

During the life cycle, aircraft investments can be placed according to the investors' risk appetite. When investing in aircraft, one has always look at the asset and the lessee, which is to say the airline. For example a new-to-young aircraft, such as the Airbus A320neo, with a good airline represents core investments for risk averse investors.

By contrast, a mature-life standard aircraft leased to an airline of average credit rating is considered a core-plus investment with according risk-adjusted returns.

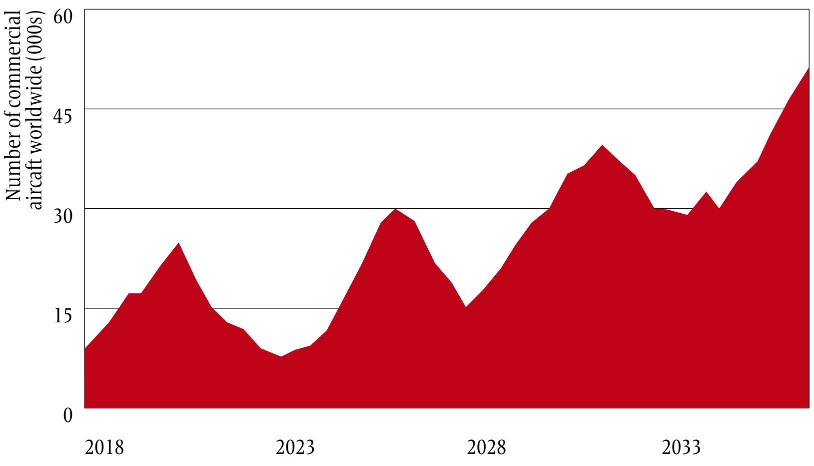
ESG

ESG and especially the climate challenge is a major issue for the aviation industry and therefore the industry sets itself very ambitious goals. One example is the global climate program CORSIA, where the global airline industry wants to grow CO_2 neutral as of 2020.

Hörger says: "For our fund investments we are very aware of ESG issues, for example the fuel consumption of our fund's aircraft, and the more granular ESG activities of our lessees. We provide our investors with reporting and data on our ESG impact.

"In our existing funds we have a modern fleet of very young and fuel-efficient aircraft, and we believe that by supporting a strong global aviation industry we can contribute to global development and help to improve the economics of scientific innovation." ■

PROJECTED DEMAND FOR COMMERCIAL AND FREIGHTER AIRCRAFT 2018-2037



Source Flight Global

RWC

Why sustainability in convertibles cannot be a 'one-size-fits-all' approach

RWC Partners' Justin Craib-Cox, portfolio manager on the firm's Convertible Bonds Team, explains why sustainability is at the core of what they do

Convertible bonds are an inherently defensive asset class, sought after during periods of market stress due to their asymmetric risk profile. While aiming to capture as much of the upside of equities as possible, convertibles also aim to limit the downside risk of the investment.

As such, the investment process lends itself well to the application of sustainability metrics, according to RWC's Justin Craib-Cox, CFA who joined the Convertible Bonds Team in 2018 and is now rebranding the RWC Defensive Convertibles Fund to a sustainable mandate (RWC Sustainable Convertibles Fund).

In a world where sustainability has risen to the top of many investors' agendas, having a sustainable offering is becoming more and more important. Recent Morningstar figures have found that more than £50bn* has been invested in ESG funds marketed to UK investors over the past 18 months to the end of June, and these inflows are likely to continue.

Justin Craib-Cox is portfolio manager of RWC Partners' Convertible Bonds Team

SEIZING THE OPPORTUNITY

Until now, RWC's convertibles offerings counted a global fund (RWC Global Convertibles Bond Fund), a regional fund investing in Asia (RWC Asia Convertibles Bond Fund), and the defensive fund. Convertible bonds aim to produce a return capturing more than half the upside of global equities, but with half of the downside. The Asian fund is primarily a regional offering for investors wanting to gain exposure to the region with lower volatility than equities, while the defensive fund aimed to take on less risk than the global vehicle.

However, Craib-Cox saw an opportunity to achieve something new with the defensive fund, whose investment style made it the most suitable vehicle for a re-focus on sustainability†. In fact, he said the team didn't really have to change its investment process: "By its nature, for this fund you would look more deeply at the ESG profiles as a check on credit strength than one might for a much more equity-sensitive convertible bond, that we would hold in the global portfolio."

However, the aim was not to "jump on the bandwagon" by creating a "one-size-fits-all" approach or a strictly thematic fund. Rather, Justin looked to create a bottom up view, using data on companies' ESG profiles from Sustainalytics, and other sources, to gain a deep understanding of what is owned within the portfolio.

"Most investors imagine that ESG is about using constraints and eliminating names from the universe," Craib-Cox said. "But what we found was that ESG awareness could be an interesting tool not just for avoiding risks, but also for seeking out returns. It can be an integral part of a fundamental review of a company."

Knowing what you own means both less risk of default on the bonds as well as potentially higher returns on the equity side, which would allow the team to have a more concentrated portfolio while keeping risks low. However, the small size of the convertible bond universe meant an exclusionary approach to ESG – where certain sectors are completely cut out from the portfolio - was not suitable for this fund.

"Simply by cutting down that universe we didn't think we were going to give end investors something useful," Craib-Cox said. "But if we could offer them a much deeper, more integrated view into every name they held, we would be able to show them that we know what we own."

PLANNING AHEAD

This deep understanding is achieved by applying a forward-looking approach with ESG analysis, rather than just being reactionary or backward-looking. As a result, the team is better placed to predict the direction in which a company is going and avoid future risks, while also keeping its investment universe wide.

"On the one hand, you don't want names that are going to present a lot of risk or impair credit, so that's a good first pass," Craib-Cox said. "Then, as a second pass, what if you could find names that have the chance for a catalyst, something that could move higher?"

An example of applying this approach is the team's decision last year to sell out of Tesla from its main convertibles fund. (Tesla was not a holding at the time for its defensive convertibles fund.) At first glance, the company could be a perfect fit for a sustainable portfolio, with its leading electric car technology focused on reducing carbon emissions. However, it was let down by governance concerns around its CEO Elon Musk, which eventually led to a drop in the stock price this year.

Craib-Cox said: "You have a very engaging, charismatic leader who has this bad habit of getting on his phone late at night and sending out tweets that the SEC fines you for. So it needs to improve its governance before we can think of this as a true, sustainable investment."

He wants the re-branded sustainable fund to be a "conversation starter" for investors, primarily because ESG investing is a relatively new field, especially when it comes to convertibles, meaning there is no uniform approach. "ESG, socially responsible investing, all these things, they're not one-size-fits-all right now, they mean many different things to many different people," he said.

He firmly believes finding the right approach to sustainability in convertibles can not only protect investors' assets by avoiding risk, but also create opportunities to seek out consistently strong returns.

** Source: Morningstar as at 5 August 2019.*

† Effective 30 October 2019 RWC Defensive Convertibles Fund's name has changed to RWC Sustainable Convertibles Fund as well as its investment objective. Please see the RWC Funds prospectus for full details.

To find out more, visit:
www.rwcpartners.com

0.3% Increase in French GDP in Q3 2019

AFG, the French Asset Management Association, puts ESG at the heart of its participation in the Invest Week Paris. Elisabeth Reyes reports

ESG front and centre

At a morning event hosted by AFG, investors from both buy and sell sides gathered in early October in the French capital to discuss and share ideas on the impact that ESG is having on the French investment industry.

Eric Pinon, AFG chairman, opening, noted: "Environmental, societal and governance issues are at the heart of our society's priorities, as well as those of every company. It is no longer just a question of meeting additional evaluation criteria, but of taking concrete action as relevant contributors."

The morning revolved around two major axes: 'E' for the environmental, and 'S-G' for the social and governance aspects. Featured also were panels of financial experts who sought to broaden the debate and outline expectations for future developments.

Moderators for the day included René Kassis, AFG's chairman of the Infrastructure Committee, who oversaw the discussion on "2°C infrastructure alignment: What short and medium term prospects for the financial sector?" and Marie-Pierre Peillon, director of Research in Economic, Financial and Extra-Financial Analysis at Groupama AM, who oversaw the panel discussing "The gender mix: Vector for competitiveness".

For its part, AFG noted that it is responding to ESG challenges by launching "Diversity, vector for competitiveness" working group.

PANELS

Discussing the challenge of the 2°C target for limiting global warming, as per the Paris Climate Agreement, the first panel considered a new methodology that has been initated by Carbone 4 and its sponsors – AFD, La Banque Postale AM and Meridiam.

This intends to measure infrastructure alignment in respect of the 2°C trajectory and associated climate risks. Achieving the Paris Climate Agreement goal requires redirecting funds to infrastructure that will enable the low-carbon transition.

Sylvain Borie and Alexandre Joly from Carbone 4 presented their research to date, and the methodology used to score assets according to the underlying carbon performance for each end use.

Borie and Joly explained: "Our methodology aims to assess whether a portfolio is aligned with a specific climate scenario trajectory: portfolio building and monitoring. Eighty types of assets are covered by the methodology, from categories such as energy, mobility, water, tertiary, waste, agriculture, forestry and IT. We apply the final scoring to the portfolio composition to work out if there is scenario alignment."

The key objective is to use the methodology and tools to build portfolios that are 2°C compatible, check alignment of existing portfolios, take action and close the gap for misaligned portfolios.

Panelists debating the climate targets included Bérénice Arbona, Infrastructure Debt manager, LBPAM, Nicolas Blanc, director of Strategy Department, Prospective, Institutional Relations, AFD, Juliette Decq, manager, Carbone 4, Thanh-Tâm Lê, director, Climate-KIC France, Julien Touati, partner, development director, Meridiam.

The second panel on gender diversity and how it can improve governance and performance was started by Elyès Jouini, professor of Economics at the University of Paris Dauphine who said: "There is an under-representation of women in scientific fields – often more prestigious and more profitable. This largely explains gender asymmetries in professional life and in the spheres of governance. This phenomenon is misunderstood and mismanaged."

Panellists and attendees agreed that while studies show that the presence of women in leadership positions significantly boosts growth, they are still largely under-represented on executive committees.

Building a better culture of gender equality in society is a priority. In companies, gender diversity enhances performance and increases the commitment and development of employees. However, the benefits of putting this in place are not so obvious in some organisations, especially in the smaller ones, according to the debate, which, apart from Jouini involved Valerie Derambure, MD at Ostrum Asset Management, Anne de Passemar, partner at Keyman Consulting, and Dominique de Préneuf, MD at AFG. ■

8.5% Unemployment rate in France in Q2 2019

Still going strong

One of the French asset management industry's key gatherings recently celebrated its 25th anniversary. Elisabeth Reyes highlights some of the key moments of Patrimonia Lyon 2019

Patrimonia is an annual event that brings wealth managers and investment product suppliers to the French city of Lyon.

It is an opportunity for the former to discover new investment solutions for their clients; and for the latter to establish or consolidate new valuable relationships.

This year Patrimonia celebrated its 25th anniversary, since the Patrimonia Convention was signed back in 1994.

Founded by Michel Girardet, it has established itself as an essential event for the French-speaking market. This year saw some 7,000 visitors and 342 exhibitors blend with myriad presentations on stage. The event opened with a video message from French economy minister Bruno Le Maire.

CRISIS AHEAD?

Among the key sessions was onetitled "2020: Heading for a new financial crisis?", which was moderated by Capucine Graby, journalist and presenter specialist in economics.

Joining Graby to ponder the question, were Patrick Artus, chief economist at Natixis,

Christophe Barraud, chief economist at Market Securities and Pierre Verluise, founder of Diploweb.com. Collectively they considered key market and geopolitical challenges, such as US protectionist politics, trade wards, and central bank policies.

Moderated by Guillaume-Olivier Doré, CEO and founder of Mieuxplacer.com, the session included focus on newly wealthy clients, such as wealth millennials, as well as clients living longer than expected amid societal changes. With digital tools offering new ways of communicating and maintaining relationships, wealth managers have again to ponder how they best respond to clients and their inheritance concerns.

Joining the debate around wealth and changing client needs and demands were Claire Castanet, Relation épargnants at AMF (the French markets regulator), Catherine Orlhac, president of Aurep (the French provider of education and diplomas for asset management professionals), and Rémi Oudghiri, sociologist and managing director of Sociovision.

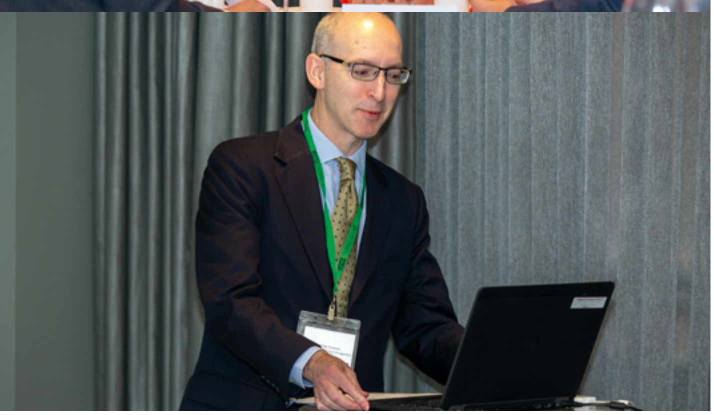
The second day of the latest edition of Patrimonie saw discussions focus on blockchain and other technologies, and considerations of French savers' concerns around pension law.

In a session titled "BIM, crowdfunding, blockchain: The new bricks of real estate", moderator Guy Marty, founder of Pierrepapier.fr, was joined by Vincent Barué, associate director of La Foncière Numérique, Arthur Cazalet, associate notary of Screeb Notaires, Céline Mahinc, founding manager of Eden Finances and Mickael Sigda, president of Olarchy to ponder latest innovation in property as well as the broader economy. The discussion also pondered whether, say, artificial intelligence and blockchain may spread faster than the internet did.

On the issue of changes to the law and pensions savings linked to salaries, Jean-Charles Naïmi, journalist, moderated a panel session including Xavier Collot, director of savings at Amundi, Lionel Corre, deputy director Insurance at DG Trésor, and Jérôme Dedeyan, associate founder, Eres.

The session was particularly pertinent in context of wealth management as the panellists noted that recent polls suggest about three-quarters of French people believe they will not have enough to live off in retirement. The so-called PACTE law is intended to address these fears by stimulating long term savings, but it is yet unclear whether it will really reshape the way people save in the country. ■

84.3 Average life expectancy of girls born in Finland in 2018



Asia, the US and ESG figured prominently at *InvestmentEurope*'s recent event for Finnish fund selectors. Jonathan Boyd reports

Key themes highlighted

InvestmentEurope's inaugural Roundtable event for Helsinki-based fund selectors brought out a healthy number off buy side professionals to hear insights into Asian and US equities, along with facets of ESG and sustainability.

The groups participating with speakers included Legg Mason Global Asset Management, Majedie Asset Management and Pictet Asset Management.

First up to present was Andrew Graham, portfolio manager, head of Asia at Legg Mason, who outlined the arguments for an unconstrained approach to Asian equities.

At a time of continued concern about the fallout of the US/China trade war, Graham noted that the 20-year annualised nominal Asia ex-Japan growth to the end of 2018 was estimated at 10.7%, against the 3.3% of the G7.

The size of the Asia Pacific "middle class" is expected to be around 3.5 billion people by 2030, while infrastructure spend in the 2016-2030 period is estimated at around $29.5trn across Asia, with some $14.2trn of that in China, and $15.2trn in the rest of Asia.

Thus, there are indicators supporting the argument that long-term unconstrained investments in the region will provide returns that are favourable on a risk adjusted basis, Graham suggested.

ESG

Bringing a particular ESG focus to the event was Sandy Wolf, ESG specialist Thematic Equities at Pictet.

She brought a raft of statistics outlining how the world's natural resources are being increasingly used by humans, which has resulted in instabilities that are now bringing a

SUSTAINABILITY

As with other *InvestmentEurope* events ongoing, the Helsinki Roundtable 2019 featured no printed programmes and no single use roll-up banners.

There was heavy reliance on locally sourced foods, including fruits, as well as using an event venue that has a recycling scheme in place and uses 100% renewable energy.

cost. Carbon has become a primary focus of that cost.

However, there are others, and Pictet looks to the so-called Planetary Boundaries Framework, evolved by the Stockholm Resilience Center in 2009, to identify nine critical environmental challenges.

These include overuse of nitrogen and phosphorus leading to 'dead zones' in the world's oceans; chemical pollution, which is leading to microplastics in the food chain; ozone depletion in the atmosphere.

Wolf highlighted one German study, showing 97% of children to have microplastics in their blood samples.

Pictet uses a lifecycle assessment to identify companies producing goods and services that can operate within the so-called 'safe zone' of the Framework. This leads to a universe of companies within sectors, which can be compared to existing benchmark indices, and therefore possible improved future returns – as companies which are in benchmarks, but which cannot provide relevant solutions, may act as a drag on overall market performance.

US EQUITIES

The third major theme to be addressed in Helsinki was US equities (also the focus of this edition's cover feature, with a year to go until the next US presidential elections).

Adrian Brass, fund manager at Majedie, delved into whether investors should consider the US economy "half full or half empty" and the extent to which this should impact their outlook on local companies.

While it may be true that the inverted yield curve has a good track record in predicting recessions, and while it is certainly late in the economic cycle, at the individual stock level there is greater dispersion, which suggests it is not all gloom.

Brass noted that the US stock market seems to contain elements both of bulls – focused on 'new economy' growth stocks – and bears – focused on 'old economy' cyclicals. This is also having an effect in terms of the way different sectors perform. ■

Speakers

Andrew Graham joined **Martin Currie** in May 2010 and heads the Asia team. He is co-manager of the Martin Currie Asia Pacific and Asia Long-Term Unconstrained strategies alongside the Martin Currie Asia Unconstrained Trust.

Sandy Wolf initially joined **Pictet** in 2010, and worked in the Product Management and Development team before joining the Thematic Equities team in 2018, focusing on impact investing and ESG integration across all the manager's Thematic strategies.

Adrian Brass joined **Majedie** in 2014, where he is responsible for lead managing the US Equity fund and co-managing both the Global Equity and Global Focus funds. Previously, he was a fund manager at Fidelity, managing US equity funds, including the America fund for six years.

£124m Average amount invested each week in UK ESG funds in 2019 (Morningstar)

Spain's SRI market set to receive regulatory boost

The European Union's draft regulatory taxonomy on green finance could help the Spanish responsible investment industry to become mainstream. Eugenia Jiménez reports from the 10th Spanish Sustainable Investment Forum

The overall value of assets managed in accordance with socially responsible investment principles in Spain amounted to €210.64bn at the end of 2018, a figure that represents a 13.5% year-on-year increase.

This data comes from the 2019 annual report on SRI investing in Spain, carried out by the Spanish Sustainable Investment Forum (Spainsif), which was presented at the Forum's 10th annual meeting in Madrid last month.

The Spainsif study also found that of that €210.64bn of assets, €191.28bn was looked after by national asset management firms while €19.36bn was held by global managers operating in the country.

Another finding of the report is that despite retail SRI investing growing from 7% in December 2017 to 15% one year later, it still represents just 15% of total value. And according to Spainsif, this annual increase could also be partly explained by the addition of global asset managers to the survey, a novelty incorporated in this year's study.

The report gathered responses from asset management firms – both national and global ones operating in the country – collectively managing €378.22bn in assets, which represents 67% of the total volume of assets managed in the country.

It was elaborated following the same methodology used by the European Sustainable Investment Forum (Eurosif) and the Global Sustainable Investment Allianz (GSIA) in the collection and analysis of SRI data.

Speaking at the event, which was attended by some 300 professionals from the financial world, Spainsif's president Joaquín Garralda, said: "SRI and ESG investing continues growing globally and in Spain, due to the firm bet of financial markets on sustainability, which has been driven by the Paris Agreement's environmental and social commitments; the EU 2030 Agenda; and the ongoing development of the European Commission's Action Plan on Sustainable Finance."

A UNIVERSAL AND COMMON DEFINITION

Regulation and standardisation seem to be key to overcome 'greenwashing' and scepticism, so believes Helena Viñes, deputy global head of sustainability & head of research and policy at BNP Paribas Asset Management, who is also a member of the European Commission's Technical Expert

Spainsif's president Joaquín Garralda

2,500% Increase in inflows into ESG products between 2014 and 2019 in the UK

Group on Sustainable Finance (TEG) working actively on the ongoing European Union Taxonomy.

The wide variety of classifications and interpretations of what is green, both in the public and private spheres, provokes many, particularly in the retail market, to remain sceptical about what lies beneath financial products with a green label.

The EU Taxonomy is a draft list of economic activities that is currently being drawn up at the European level in order to channel private investments into clean technologies.

Annual investments in the range of €175-290bn a year will be needed to move to a zero-carbon economy by 2050, according to the EU's Technical Expert Group on Sustainable Finance, appointed by the European Commission last year to produce a first draft of the Taxonomy.

The EU Taxonomy aims to define and set up a common understanding of which are the economic activities that can be genuinely considered environmentally sustainable in order to channel more capital into sustainable businesses and prevent greenwashing.

For an activity to be eligible, it needs to prove it makes a substantial contribution to one of the EU's six environmental objectives but without having a detrimental impact on any of the other five. The six environmental objectives or Sustainable Development Goals (SDGs) of the EU are: climate change mitigation; climate change adaptation; water and marine resources; circular economy; waste prevention and recycling; and pollution and healthy ecosystems.

The TEG takes guidance from existing EU legislation, policies and goals. It bases the development of the Taxonomy on the NACE codes, which is the industry classification system. The TEG defines thresholds for the eligibility of activities according to metrics such as carbon intensity (gCO_2/kWh) based on the best science available, with reference to existing recognised

Helena Viñes, deputy global head of sustainability & head of research and policy at BNPP AM

standards, balancing this against practical needs.

Helena Viñes, said: "The Taxonomy also aims to help investors to make informed decisions but also because the climate change and environmental emergency we are facing.

"The Taxonomy does not evaluate companies, it just identifies which economic activities can be considered green and under which circumstances.

"The Taxonomy is at its starting point and now the team working on it leaves its mandate in December. There will be a team taking on this responsibility. The goal is not just to finish this alphabet, it is also to make it more interactive."

Steffen Hörter, globally responsible for ESG at Allianz Global Investors and also member of the TEG, who also spoke at the event, added: "The job of the EU's Technical Expert Group on Sustainable Finance (TEG) cannot be overlooked and the financial community is called to provide a constructive response on how to implement the new regulation in the most efficient way."

ASSET MANAGERS AND REGULATION

Gonzalo Rengifo, general director of Pictet AM in Iberia and Latin America said that with regards to SRI and ESG investing, the asset management industry is well ahead of regulation. He added: "While the European Union continues in talks about principles and goals to mitigate climate change risks, global asset managers have already made some progress on sustainability."

Rengifo also explained how Pictet makes its investment decision taking into account ESG and SRI principles when looking at an investment universe of 40,000 companies.

"There are already good practices taking place in the market, so we do ask the regulators to make us feel overwhelmed with regulation.

"We need legislation to adapt to the industry and not the other way around."

Rengifo concluded by outlining his company's rejection of sustainable indexes, based on the belief that these normally define a sub-universe whose companies are not necessarily the most sustainable ones.

Jose Carlos Vizárraga, general director at Ibercaja Pensión EGFP focused on the sustainable investing approach taken by pension funds providers in the country. According to him, the Spanish pension industry has been taking into account SRI principles for a while now due to demands from trade unions.

Vizárraga said: "Although sustainable finances are increasingly becoming mainstream in the sector, we still need to work a lot on them. But we see them as a clear opportunity." ■

3.7% Increase in Luxembourg GDP during the Q2 2019 YoY

Assessing impact

Rainer Baumann explains to Ridhima Sharma why investors are increasingly interested in having the impact of their investments measured

The asset management industry is well on its way to accepting that there is financial, societal and environmental value in investing sustainably.

RobecoSAM was one of the first asset managers focused exclusively on sustainable investing (SI). Over the years, as critical sustainability challenges have worsened and the investment community became increasingly aware of the fact that their investments do have an impact on these challenges, SI has become mainstream.

Realising that investors cannot only measure the impact of their investments but also make a conscious decision about steering that impact is the next step. Investors are not only demanding more sustainability, but more accountability and more transparency from asset managers regarding their investment decisions. They want the confidence that comes with linking invested assets with demonstrated impact.

Investors therefore increasingly require firm measurable evidence that their investment decisions are making a positive impact.

THE RIGHT TOOLS FOR THE JOB

Rainer Baumann, head of Investments, RobecoSAM, says: "At RobecoSAM we have developed an analytical reporting tool to help investors monitor the impact of their portfolio.

"This tool is based on the UN Sustainable Development Goals (SDGs) which described a broad set of objectives and targets that need to be achieved to bring future economic growth on a sustainable and resilient path.

"They address global sustainability challenges, including those related to poverty, inequality, climate change, environmental degradation, prosperity, peace and justice."

The RobecoSAM SDG Impact Investing Framework systematically maps and measures companies' SDG contributions via a clear, consistent, and comprehensive three-step process – what products do companies produce; how do they produce these products and services; and lastly do these products need any compliance.

The outcome of this three-step analysis is quantified using SDG rating methodology – all companies receive an SDG score based on the quality of their SDG contributions.

Baumann continues: "This information can be used to develop a customised impact investing strategy with measurable targets, and adjust portfolio company weights to maximise the positive impacts, or limit the negative environmental and social impacts of their investment portfolios."

Investing in listed companies whose products and services generate positive impact, increases the capital allocated to companies with the expertise, scale, technology and commitment to move the needle significantly towards a more sustainable global economy.

"In addition, investors can use this information to enhance the positive impact of their investments by entering into dialogue with selected companies that have demonstrated areas of weakness on one or more of the environmental measures," he adds.

ESSENTIAL COMPONENT

Reporting is an essential component of impact investing. Without results reporting, impact cannot be demonstrated or substantiated. Moreover, it allows clients the ability to visualise how their investments are aligning with their values.

Furthermore, there is an increased amount of regulatory activity surrounding the integration of sustainability into investment products. Asset managers who can claim commitment to sustainability and can also objectively demonstrate impact in reporting will be well positioned when regulators tighten restrictions defining sustainable investment products.

Investors' appetite for SI is reaching fever pitch. In just a year, according to the Global Impact Investing Network investments aimed at impact more than doubled to $502bn.

Baumann adds: "We believe that this growth can be attributed to the fact that investing sustainably allows investors to fulfil their social and economic goals while also generating attractive returns.

"The RobecoSAM Global SDG Equities strategy invests along the UN SDGs and provides investors with an opportunity to instigate positive, measurable impact while generating competitive returns." ■

0 Number of Italian companies ranked in the top 100 for gender equality by Equileap

English-speaking countries dominate the list of domiciles of companies that are scoring highly on Equileap's latest global ranking. Jonathan Boyd reports

Language barrier?

Europe as a region has struggled in the latest annual ranking of leading businesses, based on gender equality criteria assessed by data and index provider Equileap.

In its *Gender Equality Global Report & Ranking* report, it is notable that Norway's DNB is the only European financial company to rank in the top 10, which otherwise lists three Australian financial companies and one US.

There are seven Australian financial companies in the top 20, with Sweden's Castellum in 21st place the next European company after DNB, which is ranked 8th.

As the report notes: "Although some of the best performers in gender equality globally come from the financial sector, these represent the exception rather than the rule."

The remaining European financial companies in the ranking by placement include: Gjensidige (27), BNP Paribas (33), Societe Generale (34), Standard Chartered (44), Storebrand (46), Schroders (65), Swedbank (66), AXA (71), Cofinimmo (75), British Land (76) and Convivio Hotels (79).

By contrast, financial companies based in Australia take eight out of the top 50 rankings.

The results were based on research into 3,519 companies in 23 developed economies, representing 98 million employees. They were ranked based on 19 gender equality criteria. The companies are publicly listed with a market capitalisation of more than $2bn. (Further information on the methodology is available here: https://info.equileap.org/2019genderequalityglobalreportandranking.)

DIFFERENCES EXPLAINED

The report noted that laws that require mandatory reporting on efforts to achieve gender equality at the company level may be effecting the rankings over time.

"I AM VERY GLAD THAT WE ARE INCLUDED IN THIS RANKING... BUT WE STILL HAVE A LOT OF WORK TO DO TO IMPROVE OUR WORKPLACE"
Tove Selnes, Storebrand

Lise Eide Risanger/Storebrand

"The legislative cases of Australia and the UK are indicative. Australian companies have consistently climbed in the Equileap rankings over the past few years, and are now taking half of the top 10 spots. This can be credited to mandatory annual reporting on corporate gender equality and thorough gender audits facilitated by the Australian Government. In the UK, following the 2017 Equality Act, companies are leading the way in terms of transparency by reporting their gender pay gaps."

According to the report findings, Australia, France and the Nordics, led by Sweden, remain the leaders.

Tove Selnes, chief people officer, Storebrand (pictured), commented on her company's ranking: "Equality, diversity and inclusion in the workplace are core values for Storebrand. I am therefore very glad that we are included in this ranking of the 100 most gender equal companies globally, but we still have a lot of work to do to improve our workplace."

COALITION OF THE WILLING

The Equileap rankings come as some 66 investors, representing more than €4trn in assets under management have increased their call on companies to strengthen commitments to concrete action towards gender equality in the work place, marketplace and communities where they do business.

The Women's Empowerment Principles (WEP) have received the support of UN Women and the UN Global Compact, notes Natixis Investment Managers affiliate Mirova, which has been a lead player in the coalition.

Philippe Zaouati, Mirova's CEO, said: "The under-representation of women in top-level management positions in the private sector is an urgent challenge. We believe a company that takes decisive and concrete actions towards gender equality is a company that will create value not only for its investors, but for all of the stakeholders."

The broader context for the set of seven principles outlined in the WEP is UN Sustainable Development Goal 5, which seeks to "achieve gender equality and empower all women and girls".

Phumzile Mlambo-Ngcuka, under-secretary-general of the United Nations, and executive director of UN Women, said: "The WEPs strategic framework is a smart way to incentivise the investment community to take action on gender equality. It is a triple win, with better investments for investors; impact-driven change by investees; and decent work, opportunities and decision-making that empower women and girls." ■

38% YoY increase in Italians staying overnight in Finland in September

Out of the shadows

Sometimes referred to as the 'biggest manager you have never heard of', Jonathan Boyd has caught up with PGIM for insight into its Europe region developments as part of global expansion

The adage of being a larger asset manager that is, perhaps, less well known is one that is being left by the wayside as PGIM, the asset manager of life insurer Prudential Financial, seeks to build its presence globally – including across Europe.

Part of the context of this growth is the name itself. Adopted in 2016, the PGIM name replaced Prudential Investment Management and Pramerica, the latter being used in markets where UK insurer Prudential – a different company to Jersey, US based Prudential Financial – had kept naming rights.

With some $1.3trn of AUM, PGIM ranks as a top 10 manager globally, albeit with a business weighting towards its home market; with some 7% of that total AUM originating from Europe, the Middle East and Africa, the firm has been beefing up its presence in the EMEA space.

As evidence of this, Kimberly LaPointe, the head of PGIM Investments International, relocated to the UK in the summer of 2019.

PGIM Investments is the global manufacturer and fund distributor in PGIM's multi-affiliate structure alongside several asset management divisions including PGIM Fixed Income, Jennison Associates, QMA, PGIM Private Capital, PGIM Real Estate, PGIM Real Estate Finance and PGIM Global Partners.

PGIM Investments' AUM is some $116bn,of which Ucits AUM currently stands around $4.6bn.

"The individual affiliates have the autonomy to run their own businesses, and are accountable for their investment performance," explains LaPointe.

"To signify our strength, we needed a single name and felt PGIM was most suitable. It also came out of wanting to expand globally where most growth has historically been in the US."

The strategy also reflects what PGIM feels is shifting ground in the intermediary space. There it sees demand to do business with fewer, larger players, especially among private banks seeking to serve a global client base; such banks are looking for partners able to offer global asset management services, including support on the ground.

This globalisation has become what LaPointe describes as a natural evolution of the existing US intermediary business.

Institutionally, PGIM ranks seventh largest, claiming 159 of the top 300 global pension funds and 21 of the top 25 US corporate pension plans as clients.

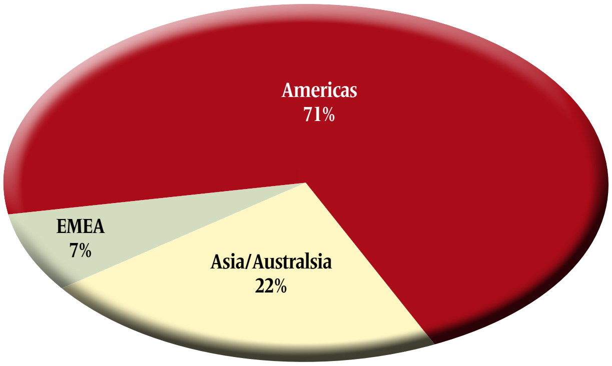
"As our client base globalises, we need to globalise the business to serve them," LaPointe says.

METHOD

Growing internationally requires a methodical approach, LaPointe continues.

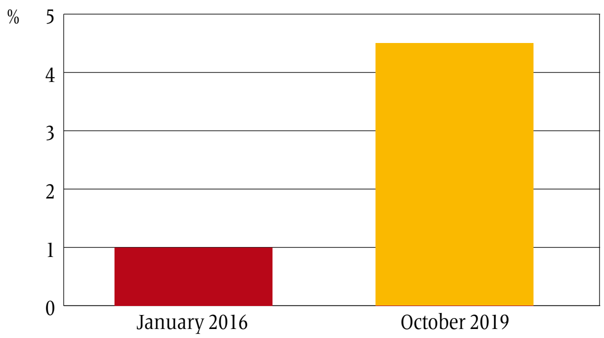
PGIM has seen a number of competitors overinvest too quickly

PGIM AUM BY GEOGRAPHY



As at September 2019 Source PGIM

PGIM INVESTMENTS UCITS AUM ($BN)



As at September 2019 Source PGIM

to achieve this, hence there is still reliance on the home office in the US together with adding local talent.

Currently, there are offices in 29 cities across 15 countries, with the London office of over 250 staff being the largest outside the US. Continued net positive inflows from the third party business over some 16 years has also helped support the evolvement of local presence, LaPointe adds.

Along with London, the European presence currently consists of Amsterdam, Luxembourg, Dublin, Frankfurt, Munich, Zurich and Paris.

Additional offices are yet to be confirmed, but the relocation of LaPointe herself points to the underlying desire of PGIM and PGIM Investments International to commit to the European cross border market and insights into demands of local fund selectors, she suggests.

TRENDS

There are three key trends being seen among clients, LaPointe notes.

The first is the search for yield and income; another is finding growth opportunities amidst a slowing global economy; and, lastly, dealing with increased market volatility.

Each of these is playing out globally, and for each there are different ways to approach investments through the multi-affiliate model that PGIM offers. At the product level this can take the form of high yield, global equity opportunities or liquid alternative strategies, such as Global Macro.

"The multi-affiliate model means we can provide different solutions to different clients, and helps distinguish ourselves. We also have private capabilities, for example in the area of private real estate," LaPointe notes.

"We are an active house. We do not see it as active versus passive; it is active and passive. But, if offering active, you need to deliver consistent performance at the right price."

"We see a world of high active share sitting comfortably alongside passive, but it will shine a light on managers' ability to deliver alpha. We are confident it is an environment in which we can perform well."

KIMBERLY LAPOINTE

Kimberly LaPointe is the head of PGIM Investments International, responsible for business strategy, governance, operations, and distribution of the firm's asset management capabilities through financial intermediaries throughout EMEA, APAC, Latin America, and US private banks.

Based in London, LaPointe joined the firm in October 2005, having spent the previous 10 years as a senior member of the team that developed JP Morgan Asset Management's third party distribution business. She began her career as a global fixed income analyst at Dean Witter.

Overall, she has more than 25 years' experience in the financial services industry, and holds US Finra Series 7, 63 and 26 licences.

CROSS BORDER

PGIM Investments International has opted to develop a suite of Irish domiciled Ucits funds, and it feels prepared for whatever the Brexit uncertainty may cast up in terms of challenges to Europe's cross border funds universe.

"We have invested in compliance, lawyers and so on, to prepare. We have opened a Netherlands office and feel we have enough contingency options," says LaPointe.

"We continue to think about where to add offices and local expertise. We have a joint venture in Italy already, so we are more focused on northern Europe.

"If you think about the growth of European and Global Private Banks; the growth is coming out of Asia. So, we are thinking long and hard about Asia and how important it is to the European Private Banks, and how that affects product development and support.

"This is on our clients' minds, so it is on our minds."

LaPointe's remit is to cover all of Europe geographically, but the focus is on what could be thought of as the traditional core fund markets. The idea is to build scale then figure out the expansion.

"We need to be sensitive to serving the footprint of our clients, which is to focus on core Europe then evaluate the next steps. We are currently in 13 European countries from a registration perspective." ■

90 million Number of monthly podcast listeners in the US

InvestmentEurope's podcast channel is adding jointly produced content together with partners. Jonathan Boyd explains more

A word in your ear from industry leaders

The *InvestmentEurope* podcast channel available on the SoundCloud platform is set to expand its offering by ensuring content produced through partnerships is also available.

Currently, a series of exclusive podcasts hosted by Jake Moeller, head of Lipper UK and Ireland Research at Refinitiv, have been featuring on the *InvestmentEurope* website.

These will be coming to the SoundCloud channel also, to further facilitate access to interviews with portfolio managers, CIOs, CEOs, and co-founders of asset management businesses about the current and future asset classes and business developments that are shaping the industry.

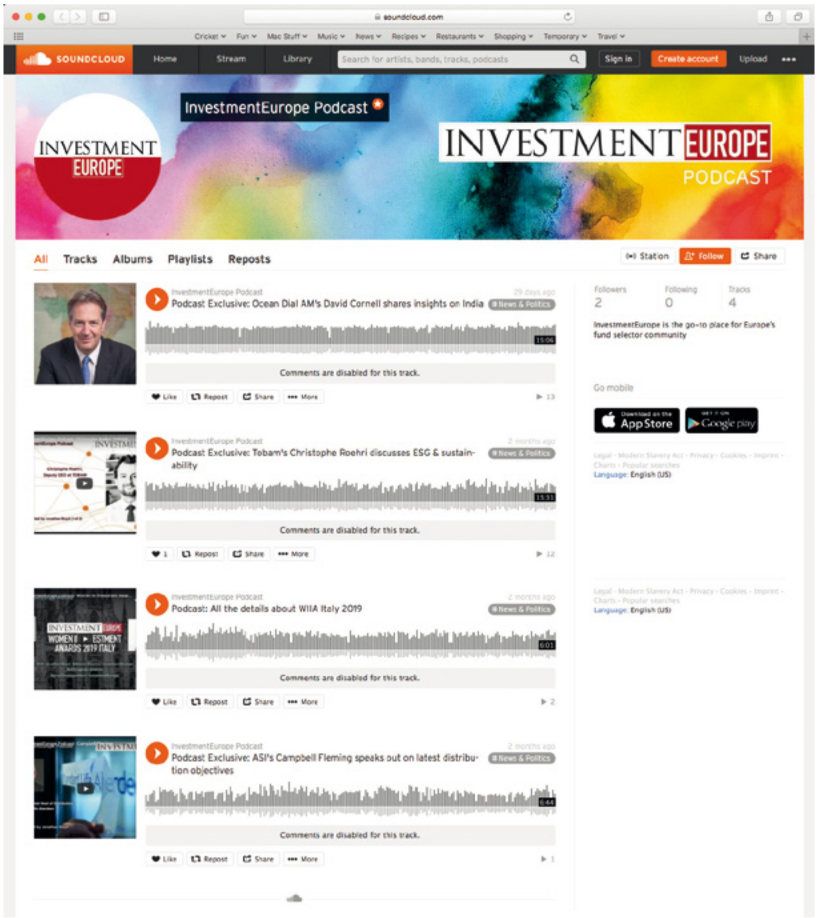
With the approval of Apple Inc., the podcast can also be accessed via the Apple Podcasts Review section of its website.

Upcoming podcasts include:

- Selections of comments from winners of the Women In Investment Awards Italy 2019 (in Italian);
- Editorial panel discussion on ESG developments across Europe; and
- Vafa Ahmadi, MD and head of Global Thematic Equities of CPR AM – discussing with Jonathan Boyd the themes covered by thematic investing.

Existing podcasts include:

- David Cornell, fund adviser of India Capital Growth Fund plc – in which he touches on factors that speak in favour of exposure to Indian equities;
- Christophe Roehri discusses ESG & sustainability – in which the deputy CEO at Tobam joins Jonathan Boyd for a discussion on ESG, sustainability and the approach that the manager takes to its portfolios; and
- ASI's Campbell Fleming speaks out on latest distribution objectives – in which the global head of Distribution at Aberdeen Standard Investments speaks to Jonathan Boyd about the latest developments around distribution of the merged organisation's products and solutions. ■



WHERE TO LISTEN

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

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

0.7% October YoY rate of CPI in France

Visiting the community

InvestmentEurope travelled to France, Spain, Germany and Switzerland in recent weeks to garner insights from financial professionals on both the buy and sell sides. Jonathan Boyd reports

Recent travel during the course of *InvestmentEurope*'s core autumn events season saw colleagues visit Paris, Madrid, Frankfurt and Zurich.

Paris

Alexandre Duransseau, Fund selector relationship executive, France, Romandie & Belux; and Elisabeth Reyes, French-speaking markets correspondent visited Paris on 7 and 8 October. Meetings there included:

- Mohammed Amor – director general – Thematics AM;
- Karen Kharmandarian – director of investments – Thematics AM;
- Yohan Kadri-Caillaud – CIO/CEO – Sepiam;
- Kevin Sorel – Fund of Funds/ Mandates manager – ABN AMRO;
- Jerome Cognet – director, Investment Specialist – UBS;
- Benoit Boru – director general – Insti 7;
- Remi Lambert – deputy chief executive officer – Architas;
- David Zylberberg – director – fund specialist (Mutual Funds, Hedge Funds and SRI) – UBS;
- Gabriel Garcin – director – portfolio specialist Alternative & Traditional Investments – UBS; and
- Anthony Dalvin – manager – Amilton AM.

Madrid

Ahead of the Madrid Roundtable 2019, Angela Oroz, Fund Selector relationship executive – Iberia and Eugenia Jiménez, Iberia correspondent visited Madrid on the 17 and 18 October. Meetings there included:

- Joaquín Garralda – president – Spainsif;
- Patricia Justo – head of fund selection – A&G;
- Miguel Uceda – investments director – Welzia Management;
- Iker Barrón – managing partner – Portocolom Asesores;
- Mar Barrero – analysis director – Arquia-Profim;
- Gerardo Lorenzo – associate – GBS Finance Wealth Management;
- Almudena Cansado – fund of funds manager – Unigest;
- Rafael Ciruelos and Emilio Andreu – founding partner and partner – Diaphanum; and
- Romain Ribello – investment consultant and director of the Madrid office – Cedrus & Partners.

Frankfurt

Alexandra Laue, Fund Selector relationship manager, DACH & Liechtenstein, visited Frankfurt 16 October. Meetings there included:

- Andreas Rossa – Analyst – Deka;
- Helmut Kaiser – managing director and global chief investment strategist – Deutsche Bank;
- Edmund Keferstein – portfolio manager – Union Investment;
- Jens Reinhard – portfolio manager – Commerzbank; and
- Marcus Stahlhacke – head of Retail Active Allocation Multi Asset Europe – Allianz GI.

Zurich

Ahead of the *Pensionskassen* place on 14 November, Alexandra Laue, Fund Selector relationship manager, DACH & Liechtenstein, visited Zurich 22-23 October. Meetings there included:

- Christian Grossi – managing director pension fund – Tamedia AG;
- Ulf Klebeck – general counsel – Montana Capital Partners; and
- Stephan Sola – head client relationships – Veraison Capitalt. ■

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

Have copy, will travel

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

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

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

Approaching events

November sees *InvestmentEurope*'s events programme visit Zurich and Milan ahead of a return to Tel Aviv in December

NEXT EVENTS

INVESTMENT EUROPE
PENSIONSKASSENFORUM ZURICH 2019

ZURICH, 14 NOVEMBER

The *InvestmentEurope Pensionskassenforum* Zurich 2019 takes place on 14 November at the Baur au Lac.

Targeting fund selectors working in the Swiss institutional market, the event's content-led programme provides opportunities to hear portfolio managers but also heads of credit, economists and risk analysts. Ideas are shared both by individual presentations but also panel discussions on portfolio management and its role in the Swiss pensions market.

Sustainability is a key theme at this year's event, with multiple insights into how long term savers can meet sustainability objectives while still hitting investment targets.

Groups providing speakers include Eaton Vance, Danske Bank Asset Management, Lord Abbett, Mirabaud Asset Management, while T. Rowe Price is present as an exhibitor. Carbon offset partner is ecosphere+; sustainability partner Business Green.

This Forum provides ample networking opportunity including registration, coffee breaks and lunch.

For further information and to register your interest as a delegate, contact Alexandra Laue, Fund Selector relationship manager DACH & Liechtenstein at alexandra.laue@incisivemedia.com or telephone +44 (0) 20 7484 9768.

INVESTMENT EUROPE
THEMATIC FORUM MILAN 2019

MILAN, 22 NOVEMBER

The *InvestmentEurope* Thematic Forum Milan 2019 takes place 22 November at the Four Seasons hotel in the Italian city. Targeting 35 fund selector delegates, this event features the CFA Society Italy as an education partner.

Asset management groups taking part include Artisan Partners, Mirabaud Asset Management, Natixis Investment Managers and Principal Global Investors.

Carbon offset partner is ecosphere+; Business Green is sustainability partner.

Themes set to be addressed in the Forum sessions include the case for real estate securities; investing in safety in areas such as data protection, secure payments and safer transport; how to identify alpha opportunities in thematic investing; and how to identify multiple thematic opportunities while committing to ESG objectives.

The Forum will also feature a panel discussion on thematic investing.

For further details and to register your interest as a fund selector delegate, contact Luisa de Vita, Fund Selector relationship manager at luisa.devita@incisivemedia.com or telephone +44 (0) 20 3727 9932.

TAKE PART IN THE DISCUSSION

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

InvestmentEurope's website offers additional opportunity to learn about upcoming events, including https://events.investmenteurope.net/telaviv and 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 TEL AVIV FORUM 2019

TEL AVIV, 4 DECEMBER

The *InvestmentEurope* Tel Aviv Forum in association with Natixis Investment Managers takes place on 4 December at the Hilton Tel Aviv, for locally based fund selectors.

Featuring Natixis Investment Managers affiliate MV Credit, the private credit specialist, the Forum will outline opportunities in the European private debt markets.

Delegates will have the opportunity to engage in an interactive session with MV Credit specialists on the outlook for the asset class at a time when many investors are seeking a broader set of credit opportunities beyond traditional corporate bonds.

For further information or to register your interest in attending the Forum, contact Patrik Engstrom, head of Fund Selector Relations, Nordics at patrik.engstrom@incisivemedia.com or telephone +44 (0) 20 3727 9940.

➤ The calendar of *InvestmentEurope*'s 2019 events through to March 2020 is presented overleaf.

EVENTS CALENDAR 2019/20

14 November	Zurich	*Pensionskassenforum*

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

22 November	Milan	Thematic Forum
4 December	Tel Aviv	Forum In association with Natixis Investment Managers

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

2020

3 March	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

3 March	Munich	Roundtable
5 March	Milan	Forum
10-11 March	Stockholm	Nordic 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.

74 Countries from which vetted professionals are SharingAlpha users

SharingAlpha

Ongoing strong growth in membership has enabled SharingAlpha to update its approach to ranking top-rated funds, doubling the minimum of ratings a fund needs to qualify

A more robust approach to ratings

The SharingAlpha platform has recently changed the way it calculates the most highly-ranked funds, based on the ratings provide by its users, who constitute financial professionals.

What the change means is that the minimum number of ratings that a fund must have to make the list has been doubled. This change has come about following demands from the user base, explains Oren Kaplan, CEO and co-founder.

"Due to the strong growth in membership that SharingAlpha has experienced, we decided to increase the threshold in terms of the number of ratings a fund needs to receive before it has a chance of entering the list of top rated funds," he explains.

"The initial number of fund analysts needed was five and we decided to raise the bar to 10 ratings.

"The professional fund buyers that use SharingAlpha for fund research activities can now examine a list of funds that have been highly rated by a greater number of allocators which in turn increases the robustness of the fund ratings."

Oren Kaplan, SharingAlpha

HIGHLY RATED FUNDS

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

Fund name	Domicile	Average rating	Raters
Lindsell Train Global Equity Fund	Ireland	4.5	15
Valentum FI	Spain	4.4	10
Schroder GAIA Two Sigma Diversified	Luxembourg	4.4	19
Baillie Gifford Global Discovery Fund	United Kingdom	4.4	11
The Prosperity Quest Fund	Cayman Islands	4.38	10
GAM Star Credit Opportunities (USD)	Ireland	4.36	17
Magallanes European Equity FI	Spain	4.36	22
Jupiter European Growth	Luxembourg	4.34	13
azValor Internacional FI	Spain	4.34	16
Comgest Growth Europe	Ireland	4.34	10

As at 30 September 2019. Source www.SharingAlpha.com

NEW RANKINGS

As this represents the first set of data under the new rule requiring a greater number of minimum ratings in order to rank most highly among the rated funds, there is no direct comparison available to gauge whether any of the funds have risen or fallen in the rankings.

However, there are two funds that are carried over into the top 10 rankings list from the previous set, as they already had garnered more than the minimum 10 ratings. These are the Magallanes European Equity FI and azValor Internacional FI funds.

Elsewise, there has been a significant shift in the most highly-rated funds, with the Lindsell Train Global Equity fund rating highest.

What has not changed, though, is the overall approach to rating funds on the platform.

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

SWITZERLAND ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
Invesco Physical Palladium ETC in EU	42.11
UBS ETF (CH) Palladium (USD) A Dis in EU	42.10
Xtrackers Physical Palladium ETC USD in EU	41.76
GAM Precious Metals Physical Palladium A USD in EU	41.74
ZKB Palladium ETF AA CHF in EU	41.27
H2O Allegro H R C USD in EU	35.04
Granahan US Focused Growth A Acc USD in EU	18.32
UBS (Lux) Investment SICAV China A Opp P Acc in EU	17.71
Fiera Capital Europe Magna MENA N EUR in EU	15.83
Lyxor UCITS ETF NEW ENERGY D EUR GTR in EU	14.65

SWITZERLAND CROWN + PERFORMANCE

Fund	Crown rating	36 months
Granahan US Focused Growth A Acc USD in EU	x5	125.5
UBS (Lux) Investment SICAV China A Opp P Acc in EU	x5	95.75
BlackRock GF World Technology A2 USD in EU	x5	93.78
JPM US Technology D Acc NAV USD in EU	x5	89.06
Polar Capital Global Technology USD in EU	x5	84.65
Alger Sicav-Alger Small Cap Focus A US in EU	x5	77.99
Janus Henderson Global Technology A Acc USD in EU	x5	77.86
Morg Stnly Asia Opportunity A USD in EU	x5	77.20
BCM Vitruvius Greater China Equity B USD in EU	x5	76.52
Wells Fargo Worldwide US Large Cap Gr A USD in EU	x5	73.88

SWITZERLAND SHARPE 3-YEAR

Fund	Sharpe
Xtrackers Physical Palladium ETC USD in EU	1.52
UBS ETF (CH) Palladium (USD) A Dis in EU	1.50
Invesco Physical Palladium ETC in EU	1.48
GAM Precious Metals Physical Palladium A USD in EU	1.48
ZKB Palladium ETF AA CHF in EU	1.45
H2O Allegro H R C USD in EU	1.28
Granahan US Focused Growth A Acc USD in EU	1.28
Fiera Capital Europe Magna MENA N EUR in EU	1.17
BlackRock GF World Technology A2 USD in EU	1.12
UBS (Lux) Investment SICAV China A Opp P Acc in EU	1.09

SWITZERLAND PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
Lyxor Daily LevDAX UCITS ETF in EU	32.38	29.14
Xtrackers LevDAX Daily Swap UCITS ETF 1C	34.74	29.14
Amundi ETF Leveraged MSCI USA Daily	103.52	28.76
Fidelity FAST Europe E Acc EUR in EU	45.60	28.54
JSS Responsible Equity Brazil P Acc USD in EU	22.73	27.61
ComStage EURO STOXX 50 Dly Lvg UCITS ETF	58.73	26.97
DWS Invest Brazilian Equities NC in EU	72.02	26.97
Amundi ETF Leveraged Euro Stoxx 50 Dly in	57.75	26.71
Lyxor EURO STOXX 50 Dly (2x)Lvgd UCITS ETF	57.18	26.64
Pictet RH & Partner Global Life Sci A Cap USD	30.96	26.21

SWITZERLAND FIXED INTEREST 3-YEAR

Fund	36 months cumulative
BlueBay Financial Capital Bond R USD in EU	34.96
Franklin Global Convertible Securities A Acc USD in EU	31.18
Swisscanto (LU) Bond COCO AT USD in EU	30.48
Man GLG Strategic Bond I GBP in EU**	28.93
Barings EM Sovereign Debt Tranche A Acc USD in EU	27.65
Pimco GIS UK Long Term Corporate Bond Inst Acc in EU	26.01
Investec Africa Fixed Income Opportunities S Acc USD in EU	25.59
NB High Yield Bond P Acc USD TR in EU**	24.46
CPR Credixx Global High Yield P EUR in EU	24.10
Vontobel Emerging Markets Bond I in EU	23.12

SWITZERLAND BETA 3-YEAR

Fund	Beta over 36 months v. sector
Tweedy Browne Global High Dividend Value D Acc in EU	0.19
Tweedy Browne Value in EU	0.23
Pictet Capacity Instit1 Actions Etrangeres PIB C GTR in EU	0.26
Value Partners Health Care A Unhedged USD in EU	0.38
Templeton Thailand A Acc USD in EU	0.44
Lazard Mena A Acc USD in EU	0.45
Allianz Thailand Equity A NAV USD TR in EU	0.45
HSBC GIF Thai Equity AC NAV USD in EU	0.45
Fidelity Thailand A Inc USD TR in EU	0.46
Fiera Capital Europe Magna MENA N EUR in EU	0.47

SWITZERLAND INFORMATION RATIO 3-YEAR

Fund	Ratio
iShares MSCI France UCITS ETF EUR in EU	2.03
Barings EM Sovereign Debt Tranche A Acc USD in EU	1.79
Xtrackers Physical Palladium ETC USD in EU	1.74
UBS ETF (CH) Palladium (USD) A Dis in EU	1.72
Invesco Physical Palladium ETC in EU	1.69
GAM Precious Metals Physical Palladium A USD in EU	1.69
Man AHL TargetRisk D USD in EU	1.69
Amundi CAC 40 UCITS ETF DR C Acc EUR in EU	1.69
UBS ETF MSCI EMU Socially Resp UCITS ETF	1.68
ZKB Palladium ETF AA CHF in EU	1.67

SWITZERLAND PERF/SIZE 3-YEAR

Fund	Cumulative	Size €m
UBS ETF (CH) Palladium (USD) A Dis in EU	184.9	11.0
Invesco Physical Palladium ETC in EU	184.58	3.90
Xtrackers Physical Palladium ETC USD in EU	183.4	8.20
GAM Precious Metals Physical Pd A USD in EU	182.55	31.6
ZKB Palladium ETF AA CHF in EU	182.34	144.2
H2O Allegro H R C USD in EU	132.06	1252
Granahan US Focused Growth A Acc USD in EU	125.5	209.2
Amundi ETF Lvgd MSCI USA Dly EUR in EU	103.52	105.0
UBS (Lux) InvSICAV China A Opp P Acc in EU	95.75	1326.2
BlackRock GF World Technology A2 USD in EU	93.78	1625.6

Source for all charts FE Analytics, bid-bid, to 25/10/2019.
All figures in % and are gross return rebased in euros

Palladium surge boosts metal tracking funds

As the price of palladium tripled from 2016 to 2019, it is not surprising, perhaps, to find funds that track the metal having made some of the best returns of any over the past three years cover by the data.

Even on the very near term, it has continued to generate upside returns for investors in, primarily, physical ETFs. And, meanwhile, the information ratio and Sharpe ratio figures suggest it is no fluke.

Understanding the performance drivers should be on the to-do list of investors; to find out if supply/demand factors suggest there could be price weakness ahead.

Adjusting for indicated value added by the portfolio manager, as represented by Crown Ratings from FE, it is however quite different areas that have provided consistent risk adjusted returns; Asia, technology, small cap – areas where arguably the pricing efficiencies of markets are somewhat different to tracking the daily spot price of a metal.

For fixed income investors, there are some interesting differences to consider, as the data suggests performance has come from a different asset classes as convertibles, contingents and African instruments. ■

GROSS RETURNS ON FUNDS FOR SALE IN SWITZERLAND REBASED IN EUROS

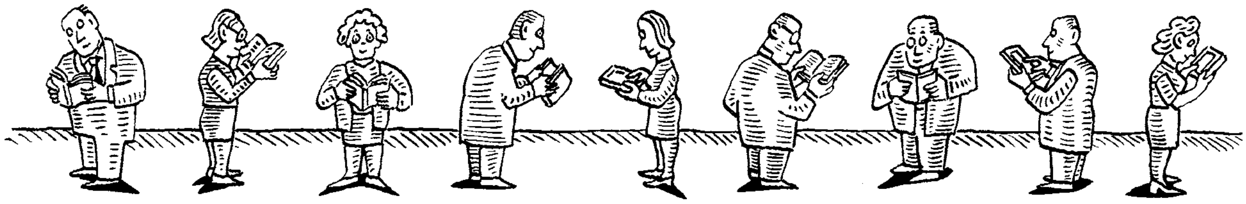
Fund	1m	3m	6m	1yr	3yr	5yr	10yr
UBS ETF (CH) Palladium (USD) A Dis in EU	4.66	16.65	31.65	67.73	184.9	152.4	
Xtrackers Physical Palladium ETC USD in EU	5.96	19.03	31.39	71.04	183.59	155.67	
GAM Precious Metals Physical Palladium A USD in EU	4.61	16.52	31.38	67.17	182.55	149.05	
Invesco Physical Palladium ETC in EU	4.26	15.2	31.12	67.53	180.8	152.82	
ZKB Palladium ETF AA CHF in EU	4.28	17.67	28.98	68.18	178.06	152.90	604.56
H2O Allegro H R C USD in EU	2.22	18.64	25.81	52.49	132.06	237.94	
Granahan US Focused Growth A Acc USD in EU	1.01	-10.12	0.83	27.96	126.71	179.16	
Amundi ETF Leveraged MSCI USA Daily EUR in EU	0.19	1.62	8.23	34.78	101.28	199.00	1394.87
UBS (Lux) Investment SICAV China A Opportunity P Acc in EU	3.73	6.79	4.76	50.49	95.75	225.02	
BlackRock GF World Technology A2 USD in EU	1.75	-4.19	1.1	24.30	95.07	150.02	402.83
JPM US Technology D Acc NAV USD in EU	0.64	-6.68	-1.63	23.76	91.06	144.89	452.19
iShares S&P 500 IT Sector UCITS ETF USD in EU	1.92	4.03	7.73	24.55	86.69		
Polar Capital Global Technology USD in EU	1.69	0.54	1.31	21.27	84.65	157.91	520.04
ComStage Dow Jones Russia GDR TRN UCITS ETF TR in EU	7.00	7.41	23.42	42.28	82.01	92.79	104.11
Invesco Technology S&P US Select UCITS ETF USD in EU	1.92	4.00	7.74	24.91	79.51	146.32	
SSGA SPDR S&P US Technology Select Sector UCITS ETF in EU	1.36	1.98	7.12	27.18	78.83		
Lyxor MSCI World IT TR UCITS ETF C NAV GBP in EU	1.89	3.37	6.4	23.11	78.6		
Xtrackers MSCI World ITUCITS ETF 1C USD in EU	1.45	1.74	6.09	26.58	78.16		
SSGA SPDR MSCI World Technology UCITS ETF in EU	1.46	1.76	6.11	26.60	78.1	145.41	412.96
Alger Sicav-Alger Small Cap Focus A US in EU	-1.9	-10.18	-0.91	10.70	77.99		

World 50 funds

Leveraged gold, and other precious metals and commodities have been providing some of the better returns over the period covered. However, property and alternative credit have also been noted as offering a route to returns beyond traditional assets

NAME	LIPPER GLOBAL SECTOR	% GROWTH 1 YEAR TO 30/09/19	SHARPE RATIO 1 YEAR TO 30/09/19	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. Direxion Dly S&P O&G E&P Br 3X Sh	Alt Dedicated Short Bias	211.75	0.27	36.51	Rafferty Asset Management LLC	USA
2. Direxion Dly Gold Miners Index Bull 3X Sh	Alt Equity Leveraged	130.99	0.26	1171.99	Rafferty Asset Management LLC	USA
3. BetaPro Can Gold Miners 2x Daily Bull ETF	Alt Equity Leveraged	129.69	0.40	65.39	Horizons ETFs	Can
4. BNP Paribas LDI Sltn Drtion Mthng All Mat	Alt Credit Focus	128.87	0.83	87.72	BNP Paribas AM LU	Lux
5. USCF United States 3x Short Oil Fund	Alt Dedicated Short Bias	120.71	0.15	6.51	USCF Advisers LLC	USA
6. db Physical Rhodium ETC USD	Commodity Precious Metals	114.31	0.48	65.48	Deutsche Bank AG (London)	Jer
7. AfricaRhodium ETF	Commodity Precious Metals	114.06	0.42	26.47	Africa ETF	RSA
8. BMO Nominal Swap 2051 Euro Fund	Alt Credit Focus	104.06	0.72	123.54	BMO AM Lux	Lux
9. Tacirler Portfolio Variable Fund	Mixed Asset TRY Flexible	100.03	0.40	6.12	Tacirler Securities Inc	Turk
10. Direxion Daily Utilities Bull 3X Shares	Alt Equity Leveraged	92.80	0.59	13.03	Rafferty Asset Management LLC	USA
11. Arz REIT & Venture Capital Ptflo 1st REIT Fd	Real Estate Other	92.80	0.19	37.45	Arz Gayrimenkul	Turk
12. Direxion Daily 20+ Year Treasury Bull 3X Sh	Unclassified	90.85	0.37	257.39	Rafferty Asset Management LLC	USA
13. BMO Nominal Swap 2046 Euro Fund	Alt Credit Focus	90.76	0.68	361.79	BMO AM Lux	Lux
14. Mercer Flex LDI GBP Fxd Enh Mtchg 4 M2	Alt Currency Strategies	81.90	0.46	64.04	Mercer Gl Invest Mgt Ltd	Ire
15. BNP Paribas LDI Sltn Drtion Mthng 35-50	Alt Credit Focus	81.32	0.74	117.01	BNP Paribas AM LU	Lux
16. ProFunds Prec Metals UltraSector ProFd	Alt Equity Leveraged	81.22	0.34	26.78	ProFund Advisors LLC	USA
17. VelocityShares 3x Long Gold ETN	Alt Equity Leveraged	76.89	0.41	155.48	Credit Suisse AG	USA
18. WisdomTree Gold 3x Daily Leveraged	Unclassified	75.19	0.40	15.59	Boost Mgmnt (Jersey) Ltd	Ire
19. DWS Invest Brazilian Equities LC	Equity Brazil	73.61	0.56	60.31	DWS Investment	Lux
20. BMO Nominal Dynamic LDI Fund	Alt Credit Focus	73.57	0.52	2340.81	BMO AM Lux	Lux
21. NN Liability Matching Fund (XL)	Bond EUR Long Term	73.25	0.70	202.24	NN Invst Partners B.V.	Neth
22. VelocityShares Short LIBOR ETN	Alt Dedicated Short Bias	69.58	0.45	5.14	Citigroup Global Markets Inc	USA
23. Mandiri Investa Equity Movement	Equity Indonesia	68.23	0.22	41.64	PT Mandiri Manajemen Inv	Indo
24. Mercer Flexible LDI GBP Fxd Enh Mtchg 3	Alt Currency Strategies	67.60	0.45	903.18	Mercer Gl Invest Mgt Ltd	Ire
25. Japan Physical Palladium ETF	Commodity Precious Metals	67.36	0.42	9.92	Mitsubishi UFJ TB	Jap
26. Mercer Flex LDI £ Fxd Enhncd Mtchg 2	Alt Currency Strategies	66.68	0.54	855.19	Mercer Gl Invest Mgt Ltd	Ire
27. BMO Short Profile Nominal Dyn LDI Fd	Alt Credit Focus	65.45	0.56	333.43	BMO AM Lux	Lux
28. ZKB Palladium ETF AA CHF	Commodity Precious Metals	65.03	0.54	136.00	Swisscanto Fonds	Swi
29. Direxion Dly Jr Gold Miners Idx Bull 3X Sh	Alt Equity Leveraged	64.67	0.13	641.08	Rafferty Asset Management LLC	USA
30. STABILITAS - PACIFIC GOLD+METALS P	Eq Sector Gold&Prec Metals	63.80	0.59	66.42	IPConcept (Lux) S.A.	Lux
31. BMO Short Profile Real Dynamic LDI Fund	Alt Credit Focus	63.60	0.49	1076.31	BMO AM Lux	Lux
32. iShares MSCI Global Gold Miners ETF	Eq Sector Gold&Prec Metals	63.30	0.42	283.89	BlackRock Fund Advisors	USA
33. AfricaPalladium ETF	Commodity Precious Metals	62.91	0.50	209.41	Africa ETF	RSA
34. Direxion Dly Homeblders & Supp Bull 3X	Alt Equity Leveraged	62.89	0.16	50.54	Rafferty Asset Management LLC	USA
35. Lyxor MSCI ACWI Gold UCITS ETF - C-EUR	Eq Sector Gold&Prec Metals	62.72	0.56	19.2	Lyxor Intl AM	Lux
36. Bakersteel Gbl Sicav Prec Metals Fd A2 EUR	Eq Sector Gold&Prec Metals	62.62	0.51	59.19	IPConcept (Lux) S.A.	Lux
37. IW Alt Commodities & Gold Eqs P EUR Cap	EqSector Gold&Prec Metals	62.55	0.41	27.17	Iw Alt	Lux
38. UBS ETF (CH) - Palladium (USD) A-dis	Commodity Precious Metals	62.45	0.50	11.11	UBS Fund Mgt (CH) AG	Swi
39. STABILITAS - SILBER+WEISSMETALLE P	Eq Sector Gold&Prec Metals	62.39	0.49	94.14	IPConcept (Lux) S.A.	Lux
40. Bond TRY	–	62.39	0.31	15.67	MitsubishiUFJ Kokusai AM	Jap
41. iShares Physical Palladium ETC	Commodity Precious Metals	62.37	0.50	8.04	BlackRock Adv (UK)	Ire
42. db Physical Palladium ETC	Commodity Precious Metals	62.29	0.50	8.41	Deutsche Bank AG (London)	Jer
43. WisdomTree Physical Palladium	Unclassified	62.23	0.49	120.82	ETFS Fund Mngt Comp Ltd	Jer
44. Aberdeen Standard Physical Pd Shares ETF	Commodity Precious Metals	62.05	0.5	217.21	ETF Securities USA LLC	USA
45. Swisscanto ETF Pr Metal Physical Pd USD A	Commodity Precious Metals	61.93	0.49	11.93	GAM Inv Man Switz AG	Swi
46. Strategie Indice Or	Eq Sector Gold&Prec Metals	61.89	0.61	9.54	Apicil Asset	Fra
47. UBS (Irl) ETF SolactiveGlPureGoldMiners	Eq Sector Gold&Prec Metals	61.65	0.37	51.13	UBS Fund Management SA	Ire
48. Direxion Daily Energy Bear 3x Shares	Alt Dedicated Short Bias	61.53	0.14	26.88	Rafferty Asset Management LLC	USA
49. HSBC Saudi Construction & Cement Cos Eq	Equity Saudi Arabia	60.92	0.71	19.48	HSBC Saudi Arabia ltd	KSA
50. Schroder ISF Global Gold A Acc USD	Eq Sector Gold&Prec Metals	60.73	0.44	330.57	Schroder Invest	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.



The latest edition of the Frieze Art Fairs took place in October this year. Jonathan Boyd has checked out some of the impressive statistics around this, now global, event for appreciating and buying contemporary art

A world of modern art in one London park

Frieze London 2019 took place 3-6 October in Regent's Park; Frieze Los Angeles will take place on14-16 February 2020 at Paramount Pictures Studio 5 , Hollywood, CA

Taking place 3-6 October in Regent's Park in the UK capital, the Frieze London 2019 brought together more than 160 galleries from 35 countries; making this 17th iteration the most international one to date.

In addition to major UK institutions, organisers estimated that more than 200 international museums and other arts groups attended the fair, including trustees and patrons from the Baltimore Museum of Art, Centre Pompidou, Dallas Museum of Art (DMA), Dia Art Foundation, Fondation Cartier, Hirshhorn Museum and Sculpture Garden, KW Institute of Contemporary Art, New Museum, Palais de Tokyo, Perez Miami Art Museum (PAMM) and Solomon R. Guggenheim Museum.

Supported for the 16th consecutive year by Deutsche Bank as Global Lead Partner of the Frieze Art Fairs, the London event coincided with the Frieze Masters, but also a return of two art initiatives – the Frieze Tate Fund, supported by Endeavour, and the Contemporary Art Society's Arts Centre Emerging Artist Prize at Frieze. Other partners to the event included BMW, Bombay Sapphire, Arto LIFEWTR, MATCHESFASHION, Richard Mille, Ruinart Champagne, Hotel Café Royal, The Standard, The Contemporary Art Society, Camden Arts Centre, *The Financial Times* and National Saturday Club.

UK broadcaster the BBC was also present through its BBC Radio 3 channel, providing a keynote and instigating debate around the role of museums.

Themes addressed included a new section titled 'Woven' which explored indigenous traditions and colonial legacies; 'LIVE' which showcased performance based art; 'Focus' which looks to support galleries that are less than 15 years old; and 'Frieze Talks', which looked to the Bauhaus and the role of art in society.

SALES

A key aspect of the Frieze is the sales of art that also go on during the event. Pices attained ranged from $5,000 to $5m, with artworks snapped up by both private collections and international institutions.

The Lisson Gallery placed all its works within the first two hours of the fair – the same amount of time it took the Tiwani Contemporary to sell out its booth by Joy Labinjo.

The Gagosian Gallery placed all its paintings by Sterling Ruby, priced at $325,000, in the opening hours of the fair.

And Galeria Nara Roesler sold out of its works by Raul Mourão on the first day of the fair.

Galerie Sultana sold out its works by Paul Maheke and Jean Claracq.

Particular artists generated significant interest. A work by Philip Guston went for some $5m. Another by Turner Prize nominee Oscar Murillo went for $400,000, while one by Kerry James Marshall went for $3.5m.

The Contemporary Art Society acquired 11 works constituting a photographic archive that will be exhibited at the Nottingham Castle Museum & Art Gallery, when that UK venue re-opens in 2021 following a £30m redevelopment.

PRIZES

Two Frieze related prizes were handed out in recognition of the galleries participating

The Frieze Stand Prize went to the Stephen Friedman Gallery of London for presentations of solo projects by Swedish artist Mamma Andersson and Brazilian artist Tonico Lemos Auad.

The Focus Stand Prize went to Proyectos Ultravioleta from Guatemala City for a presentation of Hellen Ascoli in the Focus section for galleries that have been operating for 15 years or less.

The Frieze series now includes fairs in Los Angeles and New York in addition to Frieze London and the Frieze Masters. ■

Pictured: Viviane Sassen, Secret Letter/Blue from the series 'Venus & Mercury', 2019, Photograph © the artist and courtesy Stevenson, Cape Town and Johannesburg.

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

RECOGNISING THE INSPIRING ACHIEVEMENTS OF WOMEN IN THE INVESTMENT INDUSTRY

SAVE THE DATE

InvestmentEurope is delighted to announce the second edition of the Women in Investment Awards Italy 2020 and introduce the inaugural Women in Investment Awards Spain 2020!

INVESTMENT EUROPE
WOMEN IN INVESTMENT AWARDS 2020 ITALY

15th OCTOBER 2020
Palazzo Parigi, Milan

For more info, please contact:
Luisa.deVita@incisivemedia.com

INVESTMENT EUROPE
WOMEN IN INVESTMENT AWARDS 2020 SPAIN

26th NOVEMBER 2020
Madrid

For more info, please contact:
Angela.Oroz@incisivemedia.com

These awards not only honour the inspiring achievements of women across all parts of the investment industry, they also help shape the discussion around how we can improve diversity within the sector as we highlight some of the most forward-thinking initiatives in this area.

To find out more details as soon as they become available please contact Luisa de Vita and Angela Oroz or visit www.investmenteurope.net/events

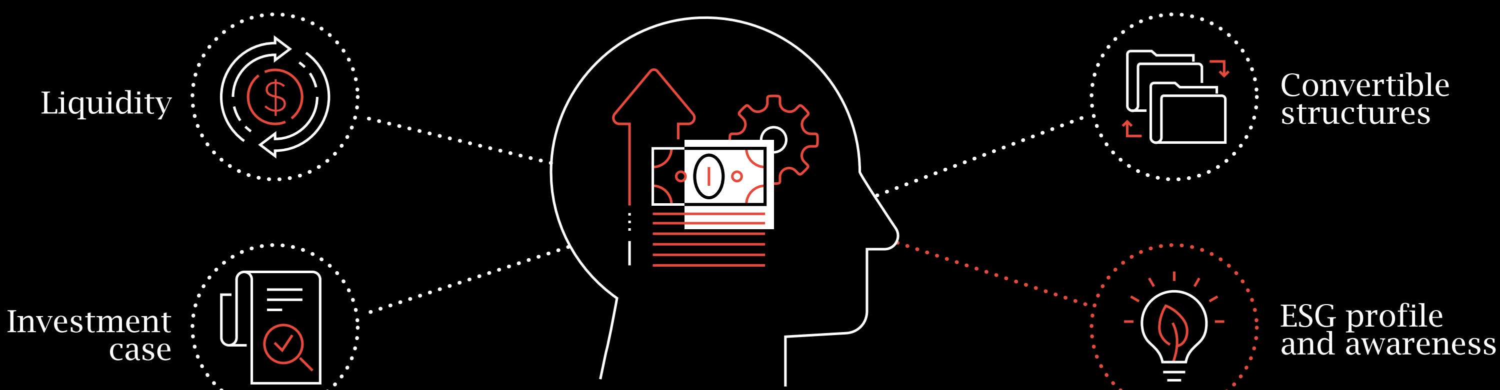


Align your values with your investments
Sustainable convertible Bonds at RWC

With more than *$15 trillion* in government bonds now trading with negative yields and credit spreads at historically tight levels, risk-conscious investors may feel that they have few areas of opportunity that do not come at the expense of materially adding risk. Yet we believe that a lower-volatility convertible strategy can help investors to preserve capital while still seeking returns and offering diversification benefits. In fact, our *RWC Sustainable Convertible Bond* fund is built with a quality bias and ESG awareness; by emphasizing convertible bonds with moderate equity sensitivity and controlling for risk, we have generated a long-term track record with a high Sharpe ratio.

Source: Bloomberg, 30th September 2019

Product and positioning *philosophy*



Know what you own!

Risk avoidance:
Quality bias; moderate delta stance

Return seeking:
Active management; conviction portfolio

How have we managed this portfolio over time to create this record of consistent returns with low realised volatility? First, while targeting a moderate level of equity sensitivity, the natural convexity of convertibles allows for strong upside capture potential along with excellent capital preservation features. We actively screen for convertible bonds that offer structurally greater upside participation versus downside exposure. We follow a similar process within the team by targeting a consistent range of delta, or equity sensitivity, which we keep at a more moderate level compared with our other convertible bond strategies. This leaves the portfolio positioned closer to the bond floor, but because we can earn returns from the embedded option to convert, compared with other bond markets we do not need to reach for yield in terms of credit risk or from illiquid securities. We believe our long-term approach seeks to maximise the asymmetric return potential from convertibles and avoids large-scale bets at the top-down level.

No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment.