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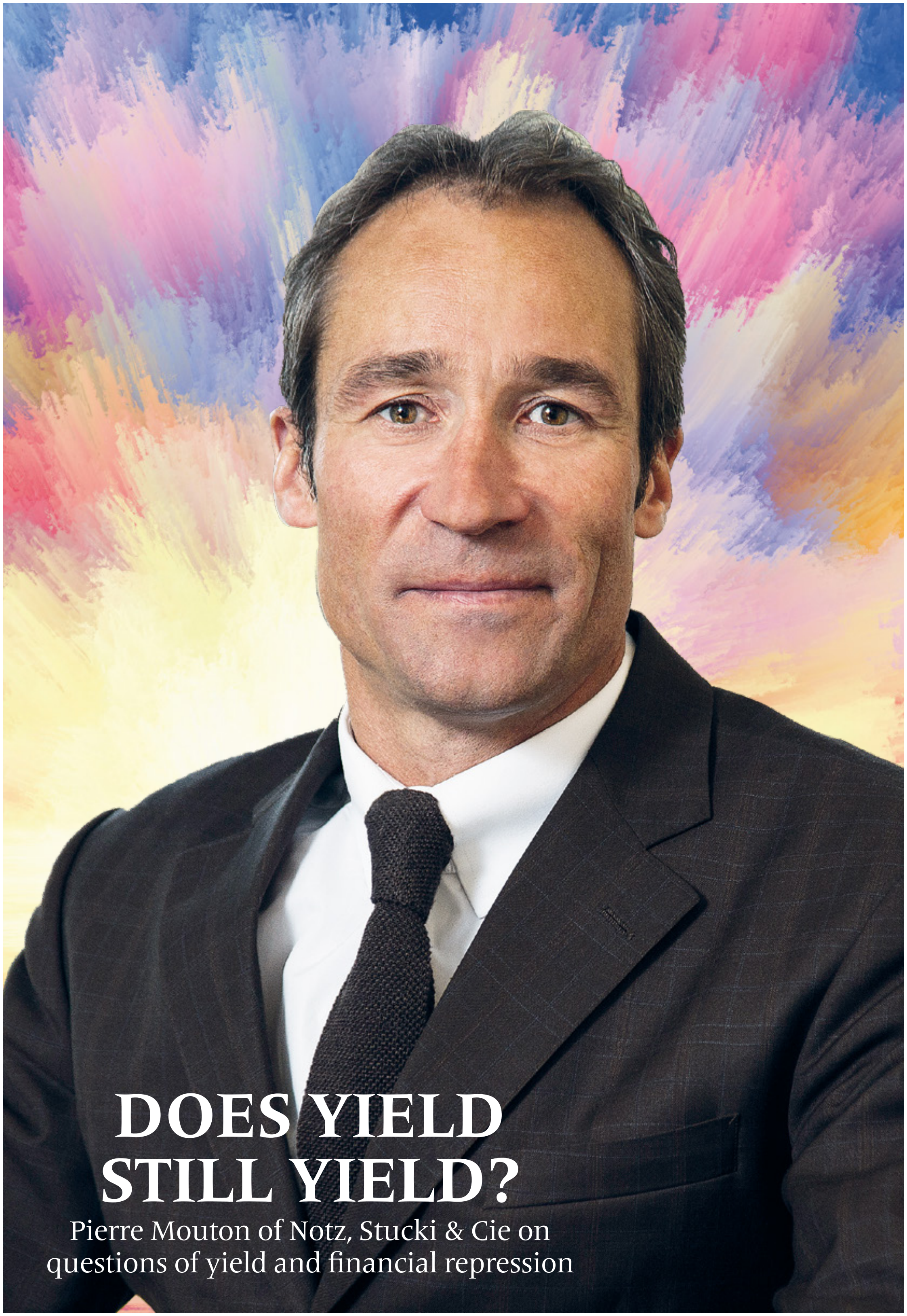

# DOES YIELD STILL YIELD?

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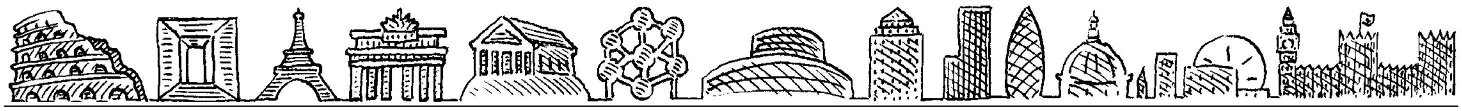



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INVESTMENT EUROPE
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# Stand and deliver!

**Jonathan Boyd, editorial director of *InvestmentEurope***

One risk, among many, in the 18th Century was that a highwayman would relieve travellers of their 100 pounds, thalers, francs and so on.

This was called highway robbery.

Fast forward to the aftermath of the global financial crisis including the credit crunch and eurozone sovereign debt crisis, and it could be argued that Europe's long term savers and pensioners experienced a similar hit to the yield on their deposits.

Rather than call it highway robbery it has been termed 'financial repression', and is the result of deliberate policy decisions by central banks. Thus, to avoid the robbery investors have been encouraged by monetary policymakers to look to place money into assets other than cash.

Meanwhile, governments have taken advantage of long term depressed interest rates to issue more debt. Indeed, so fearful of highwaymen have investors been, that they are willing to pay for the privilege of owning government debt; annualised eurozone inflation was around 1.4% in March, while 10 year bunds offered yield around the 0% mark in early April as investors grew concerned about Germany's economic output.

In real terms, then, investors were prepared to pay a price for perceived safety.

Now, central banks seek to pull back from quantitative easing measures and mark a return to normality. But Inflation remains stubbornly low across most developed markets against their own long term targets. The ECB and Sweden's Riksbank were among those maintaining negative deposit or repo rates in April. And amid this scenario, dividend yields on equities are pushing higher.

All of which leaves a question over fixed income: with indications that the yield curve on certain US government bonds may have inverted – typically a signal of pending recession – there is now debate over the extent to which yield as a measure is still working in a way that benefits investors, or whether they need to review their assumptions of what yield can deliver. ■

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## UPCOMING EVENTS

*InvestmentEurope* launches its first Summit for fund selectors in Iberia at the end of May (30-31). A number of visits have taken place beforehand to meet those interested in attending as delegates (see our Travel Diary section in this and last month's issue).

Thereafter, in June the events programme moves to Oslo for a Roundtable event on 5 June, and a Summit event in Rome on 6-7 June. The Italian event will particularly target fund selectors working in the institutional market.

ESG as a topic will be addressed by the Pan-European ESG Summit taking place in Zurich on 13-14 June. This will include a structured event programme designed to address key questions such as how to gauge/measure ESG factors including their impact on portfolio performance over time and how to integrate sustainability into the investment process.

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

# Fund selectors in the news

Selectors offer views on emerging markets, ESG, the definition of yield and other issues

**www.credit-suisse.com**

Name: Giuseppe Patara
Role: Portfolio manager-director, fund selector
Company: Credit Suisse Investment Management
Location: Milan

### Do you have exposure to EM equities/debt yourself, and if so, are you looking to increase/reduce exposure through 2019?

EM assets are right now the cornerstones of our portfolio allocation. Recent weakness in global economic data triggered a reaction by policymakers, which started the year on a more dovish note. We now expect the Federal Reserve to pause the rate hikes at least for the first half of the year. This has already been very supportive for emerging markets assets, and in particular in the EMarkets currencies, which still show a substantial fundamental undervaluation.

While recognising near-term macro risks related to trade tensions, we also like EM equities on a global level: growth differential with developed markets is still relevant and should support them.

**www.novobanco.pt**

Name: Elisabete Pereira
Role: Deputy executive director
Company: Novo Banco
Location: Lisbon

### How do you believe ESG could be better put in place by asset management companies and by the industry as a whole? Should the industry possibly follow ESG criteria internally too, for instance, when recruting their teams?

The main benefits and opportunities that we identify with the incorporation of "ESG" factors in the products and services offered to clients is the additional qualitative criterion, which has the potential to identify companies with a certain type of unique characteristic, that allows them to increase their competitiveness.

In that sense, its correct identification will be another determining factor for an active, bottom up investment style, based on a high degree of conviction regarding the selected individual titles and will increasingly be a factor criteria in every fund selector's model.

**www.ofi-am.fr**

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

### Are there any fiscal policy reasons emerging that would cause you to review particular asset classes?

Fiscal policies are evolving in some developed countries and are becoming more expansionary.

In the United States, the "Trump effect" is without precedent: the fiscal deficit is growing massively (5% of GDP) as the economy is booming and unemployment is close to all time low. Even in Europe, governments are slowly loosening fiscal policies (including France, under pressure from the Yellow Vest movement).

With the economy showing signs of recovery and accommodative monetary policies, we think it should be positive for inflation. Inflation breakeven remains weak, showing that investors do not expect an uptrend in inflation. So we think that funds dedicated to inflation are now attractive.

**www.orientacapital.com**

Name: Pablo Valdés
Role: Partner and investments analyst
Company: Orienta Capital
Location: Madrid

## Do you feel the generally accepted definition of yield is still valid? Does the focus on yield – financial repression – by macro policymakers (central banks) need to be changed? If so, why?

History shows that every time the market has been manipulated, the economy and financial markets have faced periods of turbulence sooner or later.

It seems that today's monetary policies will keep rates the same for longer than previously expected. So, when normalisation comes, the adjustment will probably be proportional to the magnitude of the stimulus implemented.

A return to normal is required, but the process of doing so is crucial.

**www.lobnek.com**

Name: Gianpiero Sturzo
Role: Partner & chief operating officer
Company: Lobnek Wealth Management
Location: Geneva

## Are you expecting volatility levels to rise, eg, as measured by the VIX index, and if so how would you respond?

I guess that like most of the market, we are surprised by the current strength of the equity market.

We have recently started purchasing put options against some of our US equity exposure as a protection. The fixed income market has already priced a global slowdown while equity markets maintain a full power speed.

We do expect volatility to rise in the second and third quarter but would still like to participate in rising markets in case our view proves to be wrong.

**www.invesco.com**

Name: Claudia Raoul
Role: Fund manager-analyst
Company: Invesco
Location: Paris

## Are you expecting volatility levels to rise, eg, as measured by the VIX index, and if so how would you respond?

After the very strong first quarter of the year, volatility is again close to an all-time low. Equities are up by two digits and stocks have rerated compared to the last quarter of 2018.

Macroeconomic indicators and global GDP are pointing towards a growth deceleration and geopolitics continue to be uncertain. But central banks continue to support the markets.

Given this context and the coming earnings session, we could expect volatility to pick up, but probably less at an index level and more at a sector and stock level. Cyclical stocks will potentially be under pressure. In our portfolios, we stay tactically active on sector allocation.

**www.banquehavilland.com**

Name: Stefano Torti
Role: Group head of Asset Management & Advisory
Company: Banque Havilland
Location: Luxembourg

## Are you noticing any trends in the requests from your European based clients?

Due to the combination of a structurally low yield environment and the most recent volatility in equity markets, clients are continuing to turn their heads toward alternative investments, with a particular preference for asset classes such as private debt, private equity, and real estate.

However as some investors are relative 'newcomers' in the field, it is important to us as a wealth manager to highlight the not so obvious and more hidden risks that investing in less transparent and less liquid asset classes involves.

It is therefore essential to maintain the focus on a solid portfolio construction framework and not be carried away with temporary market trends.

# People moves around the industry

FRANCISCO ARISTEGUIETA

## State Street appoints head of international business

State Street Corporation has appointed Francisco Aristeguieta as chief executive officer for its international business.

Aristeguieta, who will join the company in July, will report to State Street president and CEO, Ron O'Hanley and become a member of the management committee.

Initially based in Hong Kong, Aristeguieta will be responsible for all of State Street's business activities outside of the US including driving strategy, stewarding client engagement, developing talent, pursuing growth opportunities and increasing market share as well as deepening relationships with local government officials and regulators.

He will work in partnership with State Street's global business partners to deliver solutions, expertise and insights to clients worldwide.

He joins State Street from Citigroup where he most recently served as CEO of its Asia business, overseeing 60,000 people and a third of the company's earnings.

JAVIER MARTÍN

## Gala Capital announces new head of equity investments

Madrid-headquartered private investment management team Gala Capital has appointed Javier Martín as head of equity investments, as the Spanish financial website *RankiaPro* reported.

Martín joins Gala Capital from Metagestión, where he worked as an equity analyst.

Previously, he held various roles including senior equity analyst at BlueMar Capital Management, and financial analyst at A&G Funds. He started his career at the Spanish law firm Cuatrecasas, first in the firm's banking and insurance department and later in its M&A unit.

MARK HESLOP

## Jupiter appoints European equity manager

Jupiter Asset Management has appointed Mark Heslop as a European equity manager and small company specialist.

Subject to regulatory approval, Jupiter plans to launch European smaller companies fund in September 2019, following Heslop's arrival.

Heslop joins from Columbia Threadneedle, where he managed European smaller companies strategy for almost a decade, reaching assets of some £2.7bn (€3.11bn), as well as global smaller companies equities strategy of some £514m (€593m).

JEAN-CHARLES BERTRAND & JOE LITTLE

## HSBC GAM appoints co-CIOs for multi-asset

HSBC Global Asset Management (HSBC GAM) has appointed Jean-Charles Bertrand and Joe Little as global co-chief investment officers of multi-asset.

As co-CIOs, Bertrand and Little will continue to work together to further develop HSBC's Global AM's multi-asset investment capability, ensuring that it tailors its investment strategies to meet the varying needs of a wide range of clients across geographies, in a consistent and coherent way.

Little will focus mainly on the investment process, including economic and asset allocation research and investment strategy; Bertrand will focus mainly on risk budgeting, portfolio construction and fulfilment.

Both of them will report to Chris Cheetham, global CIO at HSBC GAM. Bertrand will be based in Paris; Little in London.

They will retain their current roles respectively as head of multi-asset France, and head of investment strategy.

STEWART BENNETT

## BMO GAM creates new global aternatives role

BMO Global Asset Management has appointed Stewart Bennett to a newly created role of global head of Alternatives – for a business line including private equity, real estate and real estate securities.

Bennett, who was expected to join in May, has been charged with developing and executing the manager's alternative investments global growth strategy.

He reports to Kristi Mitchem, CEO of BMO Global Asset Management.

Bennett has 25 years of experience in investment banking and private equity, including 10 years as a partner and head of the Financial Institutions Group at Ondra Partners, the London based independent investment banking firm.

MATTHIEU DAVID

## Candriam appoints global head of Financial Institutions and Partnerships

Candriam has appointed Matthieu David (pictured right) as global head of Financial Institutions and Partnerships, in addition to his current role as head of Candriam's Italian branch – effective 1 April.

The newly created role is to coordinate the development of distribution activities for Global Financial Institutions (GFI) in all countries in which Candriam operates – from Europe to North-America and Asia – in order to increase Candriam's partnerships with global banks, insurance and distribution companies that have a strong international footprint.

David will continue to be responsible for Candriam's business development in Italy, which in the last five years has seen AUM grow by over 207%, exceeding the €7bn mark.

Prior to being appointed head of Candriam's Italian office in 2015, David was head of External Distribution Italy at BNP Paribas Investment Partners. Previous roles were held at Fortis, La Compagnie Financière Edmond de Rothschild and AXA.


The Pan-European ESG Summit is designed to speak to the practical issues and challenges facing fund buyers as they look to build ESG portfolios that deliver positive impact and enhanced financial performance. As well as providing premium content across two days, this Pan-European summit will facilitate high-level engagement with asset owners, allocators and leading asset managers with committed track records in sustainable and responsible investing.

**Places at the event are complimentary for key fund selectors and limited to only 40 delegates - apply for your place today at:**

**events.investmenteurope.net/esgsummit**

## EVENT INFORMATION

**DATE:**
13th - 14th June 2019

**LOCATION:**
The Dolder Grand, Zurich

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# Fund watch and product launches

### Groupama AM reshapes money market fund

Groupama Asset Management has renamed its money market fund – Groupama Cash Equivalent – as Groupama Ultra Short Term Bond fund, in line with a change of strategy.

It has been reshaped into an ultra-short term bond fund, which continues to be eligible as a cash equivalent – requiring investments into short-term, liquid, easily convertible assets that a relatively insensitive to variation risk.

The €1.27bn strategy looks to investment grade fixed income and money market instruments, denominated in euros.

www.groupama-am.com

### Wells Fargo AM unveils two Ucits equity funds

Wells Fargo Asset Management (WFAM) has launched Global Multi-Asset Income and Global Factor Enhanced Equity fund as sub-funds to the Wells Fargo (Lux) Worldwide fund.

Both are Ucits compliant and available to institutional and retail investors.

The Global Multi-Asset Income fund – available in Austria, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom – represents the WFAM Multi-Asset Solutions team's first international fund, managed by WFAM portfolio managers Kandarp Acharya, and Petros Bocray, among others.

The Global Factor Enhanced Equity fund – available in Austria, Finland, France, Germany, Ireland, Italy (institutional only), Luxembourg, the Netherlands, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom – is managed by Harin de Silva, Dennis Bein, and Monisha Jayakumar, who all are part of WFAM's Analytic Investors team. It is the fourth international fund offered by Analytic Investors.

www.wellsfargoassetmanagement.com

### BrickVest launches first active-strategy fund

London-based online real estate investment platform BrickVest has launched an active strategy fund series, Harvest Active funds.

The first fund of the series, Harvest Active 1 is currently open for acquiring a minority stake in a core asset portfolio located in Slovakia and the Czech Republic. This has been done in partnership with HB Reavis, a real estate developer with a strong presence in CEE, Germany and the UK.

After this initial investment, the fund has a mandate to actively source and trade shares in the underlying investment on the secondary market. This strategy aims to generate enhanced returns by acquiring shares below net asset value, while providing liquidity to the shareholders.

www. brickvest.com

### Actis AM launches fund to combat climate change

Actis Asset Management has launched Impact Carbon Long/Short Equity fund, investing in firms which aim to reduce greenhouse gas emissions per euro of sales.

It will be run by managers David Letellier, Alexandre Ferci and Christophe Gautier, and aims for net exposure to equities of between -20% and +20%. The long book will comprise stocks selected according to three criteria: greehouse gas emissions per euro of sales, financial analysis and technical analysis. The short book will comprise futures contracts.

www.actis-am.fr

### Falcon AM and Universal Investment launch mixed fund

Frankfurt-based Falcon Vermögensverwaltung and Universal Investment have launched Falcon Stability fund, offering private and institutional investors access to a derivatives arbitrage strategy. This aims to eke out profits by exploiting price differentials between financial derivatives in all market phases, while maintaining non-correlation with other asset classes.

Authorised for distribution in Germany and Switzerland, the fund aims for a return of at least 4% by cost, with target volatility at a maximum 5%. An annual income distribution is planned.

www.falconinvestment.de

### Man GLG launches credit multi-strategy alternative fund

Man Group's discretionary investment management business Man GLG has launched Credit Multi-Strategy Alternative – a global multi-strategy long/short credit Ucits fund offering access to a credit strategy established some two decades ago.

The fund aims to generate an absolute return over rolling three-year periods with a low correlation to equity, credit and interest rates. It runs 10 distinct underlying credit strategies investing across Asia, Europe and the US, focused on convertible arbitrage, long/short credit and capital structure arbitrage.

Managed by Chris Huggins, the fund allocates capital between strategies based on qualitative and quantitative factors, including macro-economic, fundamental and market information considerations. Huggins is supported by a team of 24 dedicated investment professionals with deep asset class and region specific expertise, and asset managers based on the ground in their respective investment regions.

www.glgpartners.com


Join us at the new Iberian Summit Barcelona 2019 where you will have the chance to meet up to 9 leading fund managers including **Artisan Partners, Gesiuris Asset Management, Eurizon, MIRABAUD Asset Management, WisdomTree, Polar Capital, State Street Global Advisors** and **BMO Global Asset Management.** In addition delegates will have the chance to listen to a panel discussion moderated by **Credit Suisse** with speakers from **Inversis Gestión** and **Caixabank Asset Management**. Also, don't miss our exclusive keynote speaker **Javier Santiso** – CEO & Founder of Mundi Ventures. With so much on offer you don't want to miss it!

## EVENT INFORMATION

**DATE:**
30th & 31st May 2019

**LOCATION:**
Hotel SOFIA

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1.1% March 2019 annualised rate of inflation in France

# Does yield still yield?

Amid signs of inverse yield curves, there is a debate over the validity of yield as a measure for fixed income investors in particular. Jonathan Boyd, Ridhima Sharma, Eugenia Jiménez and Elisabeth Reyes report

Recently, shareholders in Royal Dutch Shell have enjoyed a dividend yield of 5.8-5.9% depending on whether they own securities in Amsterdam, London or New York.

For the pensioners of Europe, this may be particularly helpful given, for example, the negative rate of -0.4% on deposits offered by the European Central Bank or -0.25% on its repo rate by Sweden's Riksbank.

So, if there is such a gap between interest paid on deposits and dividend yields of some of Europe's biggest and most cash generative companies, where does that leave fixed income instruments?

The challenge is illustrated in the charts for US government debt (see page opposite) which show national debt rising since the sharp drop in yield in the last quarter of 2008.

## DIFFERENT FORMS OF RISK

Steve Bleiberg, portfolio manager at Epoch Investment Partners, says: "If you take the view that the return that equities generate is simply the return on bonds plus a nebulous 'equity risk premium' then yes, lower bond yields would imply lower equity returns.

"Our view is that this kind of additive approach to forecasting equity returns is incorrect, because it assumes that bond risk and equity risk can be measured in the same single dimension (price volatility).

"We believe equity risk and bond risk are different forms of risk, and that equity returns come from the ability of companies to earn a return on invested capital that is higher than their cost of capital. Changes in government bond yields may have an indirect effect on this dynamic, but equities do not necessarily have to generate lower returns simply because government bond yields are low– see, for example, the 1950s."

Brian Singer, head of Dynamic Allocation Strategies, William Blair, also points to an element of "confusion in the industry about interest rates and income, with 'yield' being the nexus".

"The meaning of 'yield' has shifted from the internal rate of return (IRR) or return on an asset (ROA), to various measures of cash flow comprising assets and non-assets. Central banks' suppression of market interest rates have made investors talk – and think – about yield as a result of central bank policy—to include any purported

"YIELD IS STILL VERY MUCH VALID, BUT IT IS MORE ACCURATE WHEN APPLIED TO POSITIVE YIELDING INSTRUMENTS"

*Pierre Mouton. Notz, Stucki & Cie*

**€52.4bn** Annual interest payments on German national debt (Federal & State)

source of cash flow. Only when central banks' manipulation ends might market participants return to more traditional definitions."

"We are unconvinced about the central banks' abilities to raise rates to what we see as long-term sustainable levels. This makes us less negative on bonds in countries with very low rates. These yields may look unsustainable, but central banks do not see low real rates as harmful and, therefore, perceive little incentive to raise rates," Singer adds.

## INTERPRETING THE YIELD CURVE

One of the challenges stemming, then from this untraditional era of monetary policy is how to interpret what the yield curve suggests.

Erick Muller, head of Product and Investment Strategy at Muzinich & Co. notes that historically the curve has been considered a good indicator of economic cycles, with inversion often associated with high probability of recession, but that there are reasons to challenge conventional wisdom.

"We believe an inversion of the yield curve provides very incomplete information. For instance, the lag between the inversion itself and a recession occurring is far from stable and therefore provides little information on the timing of any recession.

"In addition, we believe it does not provide any insight regarding the nature of the recession: is it the financial sphere that is driving the macro cycle or is the origin of the recession rooted in macro imbalances?

"It does not inform on the severity of the crisis. A mild and temporary recession will not have the same consequence on asset allocation decisions, but the yield curve inversion is unable to measure the intensity of a possible recession in our opinion."

Kim Lubbers, senior portfolio manager at Kempen Capital Management, points out that in response to a dovish Fed and poor economic data in the eurozone, the US 10 year to 3 month yield curve inverted on 22 March. Investors noted that all of the last nine US recessions were preceded by an inversion of the 3M10Y and 2Y10Y curve, Lubbers adds.

That said: "…inversion needs to continue for a longer period according to history and the 2Y10Y curve hasn't inverted yet. Furthermore, the question arises whether these lessons apply in the current situation.

"The difference now with history is that the 10 year yield is kept artificially lower by zero or negative yields outside the US and QE activity. Bond purchases by the Fed, the ECB and the BoJ pushed yields down, making the curve more prone to inversion. The large yield differential between Germany and Japan on one side and the US on the other side keeps a lid on any yields increases in the US. But I do not think 'this time is different'.

"An inverted yield curve should still be an indication of a recession. Furthermore, if investors believe an inverted yield curve is a predictor of a recession, it could become a self-fulfilling prophecy."

Mark Benstead, head of Active Credit Solutions at Legal & General Investment Management, says: "With negative yielding government debt recently rising back to its historical high levels of circa $8.5trn and 15% of the euro corporate market also yielding negatively you could easily be forgiven for thinking that the generally accepted definition of yield, ie, a positive income return is no longer valid. Indeed yields are regularly cited as being much too low and therefore they must rise causing capital losses for investors.

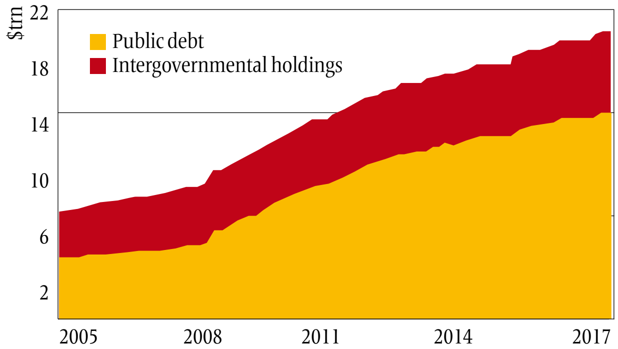
"We do not ascribe to that view. Yields are low for a multitude of reasons, not just central bank buying of bonds which after all, with the notable exception of Japan, has ceased (for the time being). Yields will remain low in our view due to an excess of debt in the system whether personal, corporate or government. As a result, we are hard wired into that environment where normalisation could easily be a catalyst for recession. "

## INFLATION RISK

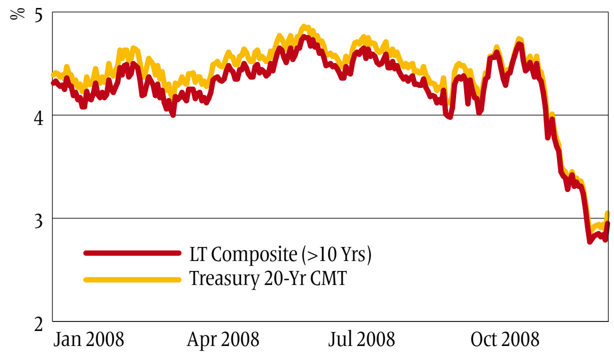
April LaRusse, head of Fixed Income Product Management at Insight Investment, part of BNY Mellon IM, still sees 'yield' as a useful and relevant indicator of expected future returns on bonds, but also of other risks.

"The natural worry is that if fiscal policy stimulus is eventually pushed to its limits, we could be at risk of an inflationary crisis several years down the line. Making use of inflation hedging instruments where cheap today may therefore be worth considering."

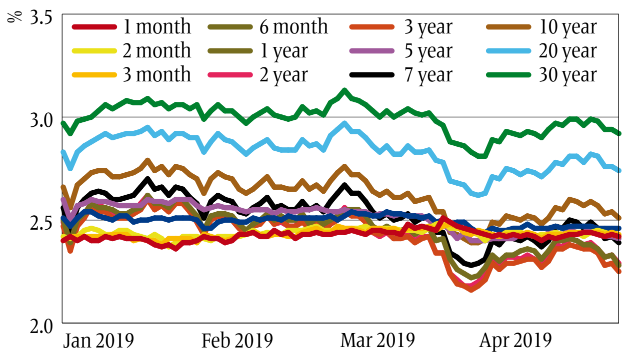
**US NATIONAL DEBT**




**US GOVERNMENT DEBT YIELD 2008**




**US GOVERNMENT DEBT YIELD 2019**




Source US Treasury

15% Certificates of deposit rate paid by Danish central bank in 1992

Yann Lepape, senior portfolio manager Flexible Bonds at Vontobel, suggests that the practical challenge is the absolute low level of yields combined with the historically low level of volatility. In this context, it means putting more weight to 'relativity'.

"Our methodology did not change in itself, but we put more weight to relativity. It changed the sources of performances of our funds: less duration oriented, and more relative value."

Robert Tipp, head of global bonds and chief investment strategist at PGIM Fixed Income, says: "Central banks have backed out of the markets to varying degrees and yet the yields remain low. So there is a good chance that the 'financial repression is keeping yields low' story is a red herring. That may be keeping investors from accepting the real drivers of low yields: presumably these are globalisation, demographics, high debt levels, inequality, etc. — and these are not going away."

"As a global multi-sector investor we have to analyse bonds taking into account all factors: yield and credit spread, likely yield changes, including roll down and spread changes, hedging costs, etc. The new environment of low yields still includes bouts of volatility. So the opportunity for adding value through active management is as high as ever. But expectations for yield levels given the macro backdrop have to be 're-benchmarked', marked to market. There's no way around that."

Bastien Drut, senior strategist at CPR AM, says: "First, I think it is important to underline that central banks are nowadays terrified by the idea of breaking the business cycle. We are in a kind of permanent risk management mode where central banks give up any will to tighten the monetary policy as soon as there is a risk.

"One of the consequences is that the relationship between the yield curve and recession might be broken. In the previous cycle, the Fed did not hesitate to hike the fed funds four times after the first yield curve inversion and by doing so to precipitate a recession in the US. Nowadays, the Fed has already said that it would not hike this year, without any serious sign of economic slowdown. As a consequence, yields will remain what constitutes a challenge for asset managers."

"CENTRAL BANKS ARE NOWADAYS TERRIFIED BY THE IDEA OF BREAKING THE BUSINESS CYCLE"

*Bastien Drut, CPR AM*

## SELECTOR COMMENTS

Pierre Mouton, who heads the Long Only Strategies at Notz, Stucki & Cie, feels that the generally accepted definition of yield is still valid.

"We live in an unprecedented era of negative yielding assets in fixed-income investments which must not make us forget that yield is paramount when measuring the profitability of an investment.

"You could feel very smart having doubled your money on an investment made 25 years ago but this capital gain equals to a 2.8% annualised yield over the period. You would have done much better by holding a long term government bond.

"The funny thing today is that normally yield has a positive connotation, so when you buy today a negative yielding instrument like a German 5 year BOBL, it is difficult to define the notion of yield associated to it. So, let us say that, yes, the notion of yield is still very much valid, but it is more accurate when applied to positive yielding instruments."

Like portfolio managers themselves, Mouton also feels that there is a discussion to be had as to the monetary objectives that have given rise the question of yields.

"Financial repression finally aims at conducting money to the real economy by killing the rentier and pushing all investors to 'put their money at work'; the problem is that in an ageing western world, objectives clearly diverge: governments need to issue debt to finance the welfare state, and at the same time retirees need safe returns on their investments to finance their improved life expectancy.

"Ideally, governments would issue debt at low or zero yields and retirees invest in acceptably yielding securities. This mismatch, especially in countries or economic zones where the banking system is not rock solid, could have been anticipated by observing what has happened in Japan during the last 25 years: lower and lower yields, ageing population, more and more savings chasing 'safe' assets yielding less and less.

"Maybe this conundrum could have been avoided, or at least postponed, if the global financial crisis had not happened. Too much debt by governments which need to spend more and more can only be supported if yields are at zero or super low, so if the developed markets policy makers really started to spend less, hence issue less debt, this financial repression could be changed and monetary conditions come back to normality."

Mouton adds: "It is extremely difficult to see this happening in the near future, especially in the eurozone and in Japan. But ideally this financial repression should be changed so that the price of money gets back to normal levels. In our view it is completely absurd to lend money to a government and accept paying for it; how could the future be more certain than the present?"

Mouton comments that it would be a "betrayal" of clients to put their money into negatively yielding assets, but adds that there are pockets of value still in the fixed income space worth considering, such as AT1 securities in Europe.

"Otherwise, still looking at fixed income investments, we are forced to accept lower returns on good quality instruments – but not negative returns – like everybody else. So if we have to buy a single-A rated bond with a 0.5% yield to maturity, which we wouldn't have done some years ago, we do buy it."

Mouton agrees that there is an

-0.65% Certificates of deposit rate paid by Danish central bank in 2019

important question in the debate on what constitutes a 'correct' yield on certain assets in terms of the implications for considering other asset classes.

"This is an important point as the universal discounting factor, although not the only one, is the US 10 year T-Bill; the lower it goes in terms of yield, the higher valuations can go on 'long duration' equities which are generally to be found in 'quality' and 'growth' sectors.

"The strong outperformance of growth versus value observed during the last few years should not come as a surprise then. There are some equity valuation metrics that can be directly compared to government bonds or fixed income yields: dividend yield, earnings yield, free cash flow yield, just to cite a few.

"There again, when comparing an equity dividend yield to a government bond yield, you can place your preference between good yield with equity risk or bad yield with government risk.

He cites an example from Switzerland: "Do you prefer to hold Nestlé, which is a very safe company, expensive by many measures, but paying you 2.5% in dividend annually; or the Swiss 10 Year government bond 'giving' you a negative 0.32% yield? In our opinion, the choice is easy.

"The impact of lower yields in fixed income cannot be ignored, and we definitely accept paying higher prices for good equities consequently, especially as in our opinion, low yields are set to last for a while, especially in Europe."

Rita Cabaço, Wealth Management strategist, Millennium bcp, agrees with the point that central banks are helping governments pay less interest on their debt, ditto companies or individuals with mortgages or other forms of debt. But it has come at a cost.

"Although the measures implemented in the height of the financial or sovereign crises were important to stabilise financial conditions, the magnitude and time length of the measures is highly controversial. For example, is it really critical – let alone beneficial in the long run – to charge banks – and then their clients – on their deposits with the central bank and push some bond yields into negative territory?"

Raul Póvoa, fund selector at Banco Invest, still believes the generally accepted definition of yield is valid, and that the yield curve is a reliable leading indicator of economic activity. But he too picks out the policies of central banks, of seeking to stabilise financial markets and foster economic growth, as having come at a cost.

"In this environment of low yields, stocks tend to be cheap relative to bonds, mostly because of the bond overvaluation. But in absolute basis, stocks are still not cheap. So we tend to focus more on profit and global growth expectations rather than central bank liquidity conditions going forward.

"We still favor a cautious, patient position in high quality defensive growth and reduced exposure to cyclical beta."

Luís Andrade, fund selector and macroeconomist, IM Gestão de Ativos, sees a secular downward trend in yields since the 1990s, which "do not necessarily compromise the validity of the yield concept", yet which have left markets expecting lower rates.

"The nature and length of the 2008 financial crisis entrenched expectations of low real interest rates. It is now widely acknowledged by investors that policy rates are to remain lower in the current cycle, when compared with previous cycles."

The danger now, however, is that while rules of thumb such as as "don't fight the Fed" or "don't fight the ECB" remain appealing to investors, central banks' policy toolboxes seem void, Andrade says, increasing investors' anxiety in the wake of a sharp economic slowdown or even a recession.

"The exhaustion of monetary policy may require political compromises and proactive fiscal policies, which could be of difficult implementation."

Pablo Valdés, partner and investments analyst at Orienta Capital in Madrid, notes the success historically of the yield curve inversion indicating a recession and warns against thinking that "this time is different".

"If you join the 'hunting for yield' environment, you must be conscious that you might be increasing your risk profile and buying riskier assets when they are yielding the least in historical terms. So, falling prisoner to market conditions and looking for higher yields implies a huge risk for investors. Nevertheless, following a barbell strategy may be a good choice."

Dirk Söhnholz, managing director, Diversifikator, suggests that on the assumption the generally accepted definition of yield is still valid, and that the focus of macro policymakers on yield can hardly be changed in practice, the debate on what constitutes 'correct yield' is irrelevant.

"Relevant is only the expected yield. And the expected yield on most fixed income investments is too low to include them in a portfolio at all, since even low return fixed income has a significant risk of loss. ■

"ALTHOUGH THE MEASURES IMPLEMENTED IN THE HEIGHT OF THE FINANCIAL OR SOVEREIGN CRISES WERE IMPORTANT TO STABILISE FINANCIAL CONDITIONS, THE MAGNITUDE AND TIME LENGTH OF THE MEASURES IS HIGHLY CONTROVERSIAL"
*Rita Cabaço, Millennium bcp*

A longer version of this article features on www.investmenteurope.net.

10.6% Q1 2019 YoY rise in German cigarette tax revenue

# THOMAS ROMIG

Thomas Romig joined Assenagon Asset Management in March 2015 having been head of multi-asset management at Union Investment based in Germany since 2009. Previously, he worked at Allianz Global Investors from 1997.

Romig graduated from the University of Nuremberg where he gained a masters in Business Administration and is a certified european financial analyst.

Romig is a member of the *InvestmentEurope* Editorial Board.

3.3% February 2019 YoY rise in turnover of accommodation and food service activities in Germany



Assenagon takes a particular approach to high-performance risk management, giving safety, not return, priority. Ridhima Sharma reports

# No risk, no gain

Assenagon, an active asset manager for institutional investors, specialises in proactive management of capital market risks.

It offers complete fund-based risk management for clients to achieve their target returns even within a defined risk budget. It has offices in four locations: Luxembourg, Munich, Frankfurt am Main and Zurich.

Assenagon's multi-asset team oversees some €2.5bn of asset under management, split across several fund vehicles. In addition to active strategies, the business manages portfolios targeting money market-like returns.

The client base derives from across the institutional spectrum, including family offices to insurance companies and pension funds to large investment banks. It offers a varied range of services and sector specific knowledge of requirements and regulatory conditions, which help in meeting the needs of investors from any segment.

## TRI-SOURCE SELECTION

During the selection process, Assenagon identifies funds from three sources, notes Thomas Romig, managing director and head of Multi Asset Portfolio Management.

"First, we regularly run performance screenings using databases like Morningstar or Bloomberg. This is to find the hidden gems potentially missed by the markets.

"In addition to identification, we entertain long-standing relationships with dozens of asset management companies around the world, which keep us up-to-date on their product pipeline/range.

"This can take place in the form of strategic one-on-one meetings or specific pitch meetings in broader settings. In this context, we are also inspired by attending industry conferences, workshops or seminars."

While every fund the team is considering runs through a rigorous approval process, they are typically looked at in respect of a continuously expanded watchlist.

Usually, the best place to start the process is an asymmetric return profile, ie, limited downside in conjunction with unlimited upside potential, explains Romig.

This kind of profile can be generated in various ways, asset classes and geographic areas. Thus, Assenagon is generally not too focused on specific segments of the markets.

"WE HAVE BEEN EXPECTING MARKETS TO GET MORE VOLATILE, MORE DISPERSED, FOR A COUPLE OF YEARS NOW"

Romig adds: "To illustrate our current thinking, however, we have been expecting markets to get more volatile, more dispersed, for a couple of years now. Skilled long/short equity managers tend to perform well in this kind of environment, which is why we currently run active positions in this segment."

## CIRCULAR METHOD

In order to judge a manager's skill, Assenagon follows a circular approach, permanently going back and forth between qualitative and quantitative analysis.

Frequent questions asked in the qualitative space include which edge the manager might be equipped with, which exogenous factors he /she is exposed to and how his process works. On the quantitative end, there is interest in the desired risk/return profile and how that might match the manager's track record.

When setting up a conservative fund, Assenagon also looks at the magnitude and timing of drawdowns. Are these phases to be expected given the manager's exposure to certain risk factors or do they occur out-of-sync?

"Referring to our desire for asymmetric return profiles expressed earlier, we generally appreciate strategies which feature larger upside than downside betas, potentially even negative downside betas. Ultimately, this is also to judge whether the manager adheres to his investing principles in stressed markets or whether he typically gets out of his position and potentially misses the recovery rally," states Romig.

## RESPONSIBLE INVESTING

When it comes to sustainability, social responsibility and transparency, Assenagon acts exclusively in the interests of the investors. In this context, attractive returns are not the sole consideration, but risk management and liquidity are also of great importance.

It acts with a view to the future, taking into account sustainability risks and integrating environmental, social and governance (ESG) criteria in its investment process, in particular to ensure long-term investment success, Romig says. ■

11% Rise in the Russell 3000 Value Index over the three months to April

# Good things come in small packages

**Magallanes' Iván Martín outlines the value boutique's investment principles which, with a long-term horizon, favour quality over size when it comes to performances. Eugenia Jiménez reports**


At the end of 2014, Spanish value investing outfit Magallanes Value Investors was co-founded by Iván Martín and Blanca Hernández, whose shared passion for value investing and common interests led them to the launch.

Blanca Hernández, Magallanes' CEO, spotted Martín as she was looking for fund managers who were following a value investing philosophy when she was managing her family office Ebro Foods – a leading company in the Spanish food processing sector.

She currently combines that job with her role at Magallanes.

## 'PASSION FOR VALUE'

Hernández saw in Martín a unique profile – a great stock picker with the right temperament, business and long-term mind.

"His passion for value as well as his conservative and business-oriented approach convinced me to set up Magallanes," Hernández says.

The Spanish firm's CIO Iván Martín was by that time working as head of equities at Santander AM, a job he quit to partner Hernández in the foundation of Magallanes, in 2014.

Both co-founders describe the firm as an independent boutique, created and controlled by them, which gives them the freedom required in asset management to generate strong long-term returns, without any conflict of interest.

Martín stresses: "We co-invest with our clients and we are committed to quality over size, with a long-term vision, integrity, and independent thinking. Such long-term investment horizon differentiates us significantly from retails banks, which often focus on short-term results."

With such a time horizon, they look for a low double-digit annualised compound rate, which they believe can only be provided by companies.

## HISTORIC ANTECEDENTS

Magallanes, whose assets under management stand at around €2bn

12.6% Annual returns from US value stocks, January 1927 to December 2018 according to Gernstein Fisher

now, is partly named after the historical figure Fernando de Magallanes, the Portuguese explorer who arranged the Spanish expedition to the East Indies in 1519 resulting in the first circumnavigation of the globe.

Its name also pays tribute to the prestigious Magellan Fidelity Fund, a strategy managed by the legendary value investor Peter Lynch that achieved an annualised return of nearly 30% during the 13 years in which it was at the helm.

Based in Madrid, 60% of the firm's clients are family offices, 15% are retail clients, and the remaining are institutional clients.

The firm focuses on European equities, long-only, through three different strategies: Iberian Equity fund, European Equity fund, and European Micro-caps Equity fund.

"A big part of our success comes from being loyal to our circle of competence, it means we tend to find our best investment ideas within the European equity arena," states Magallanes' CIO.

As chief investment officer, Martín is responsible for managing and monitoring the funds' portfolios, counting on the support of two analysts and an assistant portfolio manager & trader. He spends most of the time researching companies with the aim to understand their business models and to calculate their fundamental value.

## CONCENTRATED PORTFOLIO

Magallanes' strategy in Spain is committed through the Iberian Equity fund "which invests in companies that trade just in Spain and Portugal, which forms an investment universe of 180 companies roughly".

The fund has a concentrated portfolio of around 20-30 stocks with a low level of rotation (below 15% per year) in which Spanish stocks account for over 70% of the fund's exposure. Top 10 holdings of the strategy represent 40-50% of the portfolio. Siemens Gamesa, Inditex, Gestamp, and Repsol are the Spanish listed stocks with greater exposure as of the end of March 2019.

The Iberian strategy returned 38.7% over the last three years while the European equity fund achieved a 33.5% return over the same period.

Investors can access Magallanes' funds directly through the firm's website as well as by the main banking institutions and investment platforms in Spain.

The firm also has Luxembourg-domiciled Ucits-funds, which are registered for sale in Luxemburg, Belgium, Spain, Switzerland, Germany, France, and the UK. While Magallanes is the investment manager of them, their administration and distribution is made through different banking institutions and Pictet.

## DOES SIZE REALLY MATTER?

When asked by the firm's business plans, Martín says their main commitment is to offer always the best equity investment option to clients. He continues: "We are not a fund supermarket nor an asset management gatherer, it is not what we want for our company. We prefer to offer our clients those products we would invest in.

"We think that size is enemy of quality when it comes to performances, which is the reason behind our commitment to close our funds when size becomes a problem in managing portfolios."

The firm seeks to achieve the double goal of preserving capital while obtaining long-term attractive returns, which they consider as periods of more than seven years.

As an independent boutique, it aims at growing at a pace that allows it to manage its investments in a profitable way. In this respect, Martín explains: "We believe an excessive growth may affect performance, and we prioritise quality management over size. If necessary, such commitment could translate into soft or hard close of the fund.

"In this respect, we soft-closed our Iberian fund (at €500m) and our Micro-caps strategy (at €100m) in June 2018. Both are now open due to the volatility in market cap."

Martín admits to having embraced the volatility seen in the market in 2018, which he took as a source of opportunities that led him to increase the firm's levels of investment. He believes the firm's portfolios are offering the highest upsides ever. In mid-April, Magallanes' investment levels standed at around 97% against 85% on the first quarter of 2018.

## INVESTMENT PRINCIPLES

As an independent value investor, Magallanes seeks to buy cheap companies, whose market price are below their intrinsic value.

This investment approach requires remaining focused on the long-term prospects of companies, rather than on the short-term trends or market patterns.

Ideas generation comes from three main sources: market observation, companies whose price is in decline (which involves an agnostic market position, many times betting against it), and analysis.

These ideas are then passed on to the firm's analysts, who are responsible for the companies' research. Thereafter, Martín takes the final investment decisions.

Since Magallanes is a pure bottom-up investor, it does not seek to invest in any specific country, sector, size, or theme. Martín outlines: "Companies within our portfolio are there due to their own merits. We have no restrictions except those we impose following a deep analysis of companies."

Martín describes Magallanes' approach as highly conservative. "We buy with wide margins of safety aimed at protecting us from the possibility of making mistakes. We do not buy expectations nor businesses we do not understand," he concludes.

Inditex and Gestamp are among his favourite stocks listed in Spain. At a European level, car makers Porsche and Renault stand as his preferred stocks. ■

8.7 billion Litres of beer produced in Germany in 2018

# Seeking healthy profits

Healthcare megatrends involve complex global changes that influence economies, societies and policies. Ridhima Sharma reports on the investment opportunities

The healthcare sector has put forward a strong case for stable and long term growth independent of economic cycles or crises. The World Health Organisation and financial analysts alike expect this trend to continue in coming decades, even as the sector as a whole continues to evolve into something much bigger than it is today.

Diversification means it is much more than just 'big pharma', but includes biotech pioneers, medical supply specialists, insurance and other financial services, trade and logistics, hospital chains, infrastructure companies, software providers and disposal companies for medical waste – to name just a few.

Even in uncertain market phases, healthcare profits keep growing. Among the reasons for this include insurance-based cost coverage and the high value placed on health under any personal financial circumstances. Car purchases are more likely to be postponed than important therapies.

## INVESTMENT UNIVERSE

According to Kai Brüning, senior portfolio manager and Hendrik Lofruthe, portfolio manager Healthcare at apoAsset: "Our healthcare investment universe is not constrained to any benchmark and hence as broad and expanding as the healthcare megatrend, ranging from small to large caps across the globe, but only including listed companies.

"The merger of health and IT will in part create completely new competitors, business models and markets. Therefore, we are also looking beyond the traditional healthcare industry."

"The portfolio of our flagship equity fund apo Medical Opportunities that invests in all healthcare sectors, such as pharma, biotechnology, medical supply or services, is in particular broad based and diversified," says Brüning.


"In contrast, our equity fund apo Digital Health sharply concentrates on digital health. It was the first mutual fund globally with this focus. Our balanced fund apo Medical Balance is the first and only fund that mixes stocks and bonds of healthcare companies.

"The equity fund MEDICAL BioHealth, managed by our affiliate, Medical Strategy, focuses on biopharma and medical technology."

## SELECTION PROCESS

"We are active bottom-up stock pickers and independent of benchmarks," states Lofruthe.

"We try to early identify companies that can set new therapy standards with innovative approaches and technologies. Innovations have the best chances to evade the cost pressure in the healthcare system.

"In emerging markets, however, we focus more on companies that improve the healthcare infrastructure, for example, hospital chains, logistics and technology companies."

A key part in fundamental selection is the analysis of classical financial ratios such as cashflow development, leverage or sales/earnings growth, the managers note.

"Valuation metrics such as price/earnings or EV/Ebitda play a distinct role as well, as great companies can be poor stocks if the valuation is not exaggerated."

Lofruthe continues: "Beside the quantitative work, we deep dive into any company's business model and competitive environment – in both good and difficult phases. Furthermore, we seek direct contact with management before we come up with an investment decision.

"Our high level scientific advisory board consists of renowned medical professors and doctors, who are actively supporting us with their network."

Remaining selective is important. For example, Lofruthe and Brüning note that the 'digital health' market is relatively new and complex.

Not every new healthcare app is based on a healthy business model and not every digital startup that enters the healthcare sector can cope with the regulatory challenges.

## INVESTMENT HORIZON

Brüning says: "We recommend our fund investors a long horizon of at least five years, ideally 10 or more years. This is the best way to balance short-term volatility against long-term rewards and fully use the potential.

"Innovations need time to ripen, especially in the digital health and biotechnology industry." ■

1.5% March 2019 YoY increase in construction cost index in Austria

A significant share of the Vienna Stock Exchange turnover derives from UK clients. Ridhima Sharma reports on the impact this is having

# Accounting for the Brexit effect

The Vienna Stock Exchange experienced an eventful first quarter of 2019, which was marked by a 16.3% decline in turnover to some €16bn (€19.13bn in Q1 2018).

However, this still stacked up relatively well against a number of other European exchanges, where turnovers declined 20-40% in January-February. And at over €5.34bn, the average monthly trading volume has remained stable above the five year average of €5bn.

The international segment almost doubled its trading volume on the same period a year ago; the SME segment "direct market plus" started with eight companies, including four new listings, while February saw Europe's first IPO of the year – Marinomed Biotech AG – float in Vienna's prime market segment.

Still, there are some clouds on the horizon for those seeking exposure to Austrian listed assets.

As Christoph Boschan, CEO of the Vienna Stock Exchange, explains: "Brexit is currently dampening trading volumes throughout Europe."

"In the run up to Brexit, we have ensured that our customers from Great Britain can continue to trade smoothly on the Vienna Stock Exchange. Politically, the former 'hard currency countries' among the EU27 will lack UK's market-oriented voice."

In 2018, around 60% of the equity turnover in Vienna came from UK trading participants. This share is shifting already. British exchange members will be able to trade from continental European offices in Amsterdam, Frankfurt, Dublin, Madrid and Paris.

## FOCUS ON TRADING QUALITY

The Exchange has responded. In the first quarter, it completed the upgrade of its trading system to Xetra T7. Bonds, warrants and certificates can now be traded on what is claimed to be Europe's technologically most advanced platform.

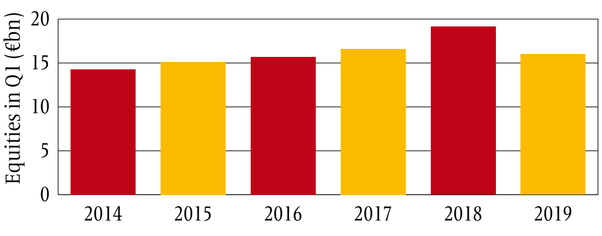
In the coming quarter, further innovations are planned to increase system availability and trading quality. In order to take account of the rising trading volume in closing auctions, the closing auction in ATX stocks will be extended by two minutes from 2 May onwards.

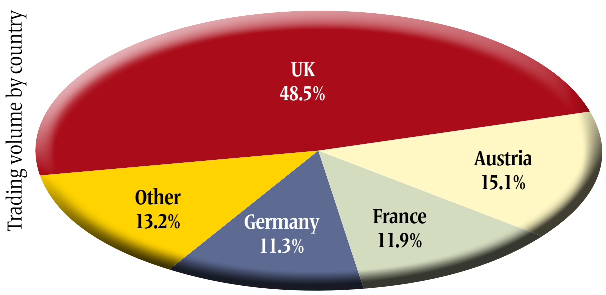
On 30 May, trading on the Vienna Stock Exchange will also be possible for the first time on an Austrian public holiday.

"Our technical infrastructure is cutting edge. More service and more availability are the credo of Vienna Stock Exchange. Our framework and technology meet the highest international standards. Around 90 market participants rely on our highest trading quality," says Ludwig Nießen, COO & CTO of Vienna Stock Exchange.

According to the Morningstar.at website, there are some 14 locally available Austrian equity funds with 4- or 5-star ratings. The one 5-Star rated fund, 3 Banken Österreich-Fonds R A, has key holdings including OMV, Erste Group Bank, Vienna Insurance Group, and Raiffeisen Bank International among key holdings. ■

## TRADING ON THE VIENNA STOCK EXCHANGE




To end of Q1 2019 Source Wiener Börse

## ACTIVE STOCKS

Since the beginning of the year to 29 March, the ATX gained 10.50% (+10.77% including dividends). The Austrian benchmark index then stood at 3,034.04 points (year high on 21 March 2019 of 3,080.52, year low on 2 January of 2,770.85 points).

The most active Austrian stocks in the first quarter were Erste Group Bank with a turnover of €3.44bn, ahead of OMV (€1.93bn) and voestalpine (€1.92bn). Raiffeisen Bank International (€1.66bn) and Verbund (€1.27bn) ranked fourth and fifth.

With a gain of 30.52% since the beginning of the year, Semperit was the top performer on the prime market, followed by Schoeller-Bleckmann (+29.03%) and OMV (+26.46%). The market capitalisation of all domestic companies listed on the Vienna Stock Exchange was €112.18bn as of 29 March 2019.

INVESTMENT EUROPE
WOMEN IN INVESTMENT AWARDS 2019 ITALY

47% Increased likelihood of women suffering severe injuries in car crashes because safety features are designed for men, 2011 study University of Virginia

# Women In Investment Awards Italy 2019: *Alea iacta est*

After months of nominations seeking to honour the achievements of women working for the Italian investment industry, the voting period for the Awards is over and the die is cast. Eugenia Jiménez reports

Entries have now closed for the Women In Investment Awards Italy. Finalists in each category will be advised in mid-July but before, the nominated women will be contacted by *InvestmentEurope* and asked to complete a questionnaire, which will then be reviewed by our panel of judges who will be deciding the shortlist.

The awards ceremony will take place on 2 October at the Palazzo Parigi Hotel in Milan.

Nominees can be involved in roles including, but not limited to: fund management; wealth management; investment research; financial advice; investment analysis; marketing; sales; human resources; compliance; and middle-, front- or back-office roles within the investment sector.

There are 12 categories, ranging from Investment Analyst of the Year to Unsung Hero Award or Rising Star Award. This last category aims at rewarding a woman working for the industry who has made a strong impact in a short space or time and who is likely to progress further.

Unsung Hero Award is open to women, including those in back office and non-consumer facing roles, who have gone above and beyond to contribute to their business, support a team or encourage diversity in the workplace.

| THE CATEGORIES |
|---|
| Fund Analyst of the Year |
| Fund Manager of the Year |
| Fund Selector of the Year |
| Investment Analyst of the Year |
| Investment Woman of the Year |
| Mentor of the Year |
| Most Inspiring Returner |
| Rising Star Award |
| Role Model of the Year |
| Team Leader of the Year |
| Unsung Hero Award |
| Young Investment Woman of the Year Award |

## EMBRACING THE INITIATIVE

Capital Group's managing director Vlasta Gregis, one of the Awards' judges, says: "For a woman, achieving acclaim in the world of finance entails the defiance of deep-seated preconceptions that can only be overcome by those with real character and expertise. This requires a great deal of dedication, determination, and above all else, passion.

"The Women In Investment Awards represent one of those rare occasions when women, who are often unaccustomed to celebrating their own successes, have the chance to enjoy the visibility they deserve and showcase their value and accomplishments.

"I am proud to be a part of this team of professionals who have been called upon not to judge, but rather to identify those of our colleagues who, because of their experiences, can serve as sources of inspiration for all women who wish to take on the challenges of the world of finance."

Sara Silano, managing editor at Morningstar Italy, and also a member of the judging panel, comments: "I am delighted to be a judge at these Awards. It is a great opportunity to stress the value of gender-diverse team and encourage company to be more gender diversified.

"Many studies show what it means in term of diversity of opinions and quality of corporate leadership. Gender diversity doesn't begin and end in the corporate board: companies must be actively supporting women throughout their careers, so they can advance into senior roles.

"Showing best cases can give a new perspective to an 'old issue', so I encourage women to participate or nominate their peers."

Matteo Cassiani, senior portfolio manager, Asset Allocation, Fideuram Investimenti, says: "I am truly honored to be invited among the components of the judging panel. These kind of events give the right evidence to the importance of a wider women representation in our industry, in particular in front-office desks, where asset allocation, security selection and risk management decisions are taken.

"From my experience, as a portfolio manager and educator, I strongly believe that a greater women engagement, as well as in general a larger inclusion of diversities and cultures, creates the landscape for a greater value creation." ■

For full details visit the Awards website at: http://events.investmenteurope.net/womenininvestment/static/home.

**150** Times per day the average millennial checks their mobile phone

Demographics is a powerful investment theme, perhaps nowhere more so than amongst the millennial generation. Jonathan Boyd finds out more

# After the baby boomers

For some time, the story of demographics was focused on the baby boomers, the post war generation that has now moved into retirement.

And while this generation still constitutes among the wealthier end of the population spectrum, there is, however, is a new generation sparking the interest of investors: Millennials.

Martyn Hole, investment director at Capital Group, has recently outlined to *InvestmentEurope* his views on why this generation of young people born, roughly, between 1981-96, is of such interest.

One key reason is, simply, that there are so many of them; it is estimated some 1.8 billion globally. And, aged 22-37, they have moved into the workforce, thereby constituting a significant aggregated purchasing power, and setting social trends that are having profound influence on how providers of goods and services need to position themselves.

"Millennials are 25% of the global population so the opportunity set is enormous, says Hole.

"Millennials act differently to their parents – the Baby Boomers. Millennials are a rent not buy generation in every aspect of life: from housing and cars to entertainment. In this context, companies like Uber and Netflix could do well.

"Millennials are a socially conscious generation and this affects the products they buy. Companies and brands who align with millennials' values should benefit. Sustainability initiatives like the use of recycled shoes by Nike could be a marketable innovation to millennials who care deeply about big brands' environmental impact. Millennials are also digital natives and integrate technology in their daily lives from mobile payments, music streaming to mobile gaming. Digitally focused brands like Amazon, YouTube, Nintendo are winning over millennials."

"Millennials seem to want experiences rather than owning stuff, so we are seeing, for example, travel growing at an exponential rate.

"There are an estimated 1.8 billion millennials globally, with 335 million of those in China. Some 75% of Chinese tourists are millennials and it is a segment growing rapidly. This is good for Japan, Macau, Europe, and it is good for hotels and other travel services companies.

"It is also about how they behave socially. Gaming is huge for millennials – not surprising given they spend 53 hours per week on digital devices, including gaming in their bedrooms. But this means they are drinking less and smoking less, which is a challenge to brewers and has implications for the tobacco industry. Mobile gaming is forecast to be a $100bn market by 2021."

Clearly, this demographic has its own disposable income. But there is more: "We see $10-15trn of assets transferring to millennials over the coming two decades. In property this is about $30trn. Anecdotally, millennials are thinking about saving."

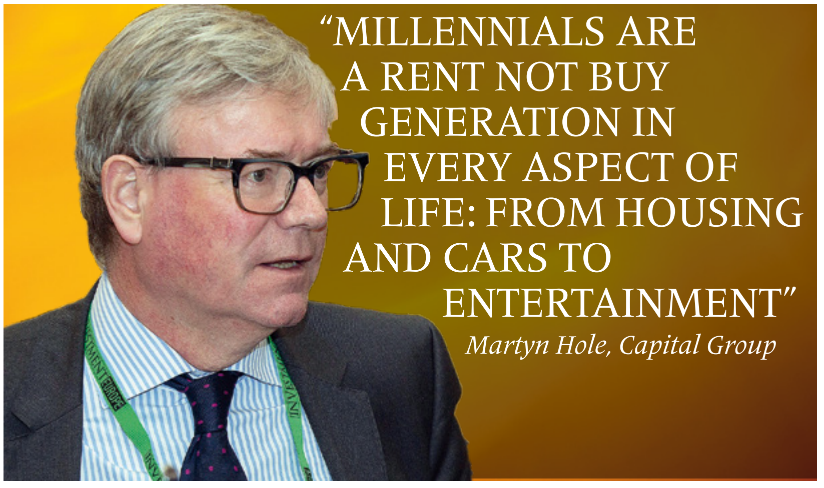
This wealth transfer has profound implications for asset allocation decisions, given the age difference between Millennials and those from whom the wealth is set to be transferred – consider, for example, how lifestyling funds may reallocate assets inherited by Millennials. It also presents a unique opportunity for the asset management industry as a whole – if asset managers recognise the opportunity – one study estimates that 72% of Millennials use a financial institution's mobile app, while 30% use such an app daily.

## GEOGRAPHIC REACH

The presence of millennials in emerging markets is a key factor for investors to keep in mind, underlines Hole.

"We believe it is important to look at where a company is deriving its revenues from rather than where it is domiciled. Many US and European listed companies have significant exposure to emerging markets, can be cheaper, and have strong corporate governance and shareholder rights. In many cases emerging markets domiciled companies in fashionable sectors like consumer spending and health care can be expensive and make up a small part of the opportunity set."

"Equities are a strong way to access the millennials theme." ■



65,398,370 Population of France as of 2 March, 2019 (UN estimate)

## HERVÉ SEIGNOL

Hervé Seignol is head of asset manager selection at Fonds de Réserve pour les Retraites. He invests in equity and bonds strategies across different geographical areas.

Seignol was previously a senior portfolio manager at UFG Investment Manager. He has more than 15 years' experience in the asset manager selection business.

Seignol has a Masters in Management of Financial Instruments from Cergy-Pontoise University, France.

0.85% France's share of the total world population

# Looking ahead

Hervé Seignol, head of Asset Manager Selection, at Fonds de Réserve pour les Retraites, met with *InvestmentEurope* to outline his focus for 2019 and 2020. Elisabeth Reyes reports

Hervé Seignol is the head of asset manager selection at Fonds de Réserve pour les Retraites (FRR), the administrative body of the French State that counts assets under management of some €35bn.

FRR is responsible for managing funds it received up to the 31 December 2010, in order to build up reserves that contribute over the long term to the French pension systems.

The FRR's investment policy is to optimise returns on the investments it makes, as conservatively as possible. Its policy must be consistent with those collective values that are designed to promote balanced economic, social and environmental development.

In 2018, the FRR achieved a performance of -5.16%, which it puts down to the steep fall in equity markets in the last quarter of the year – particularly in December. However, since the setup of its 'ALM model' at the end of 2010, 2018 remains the only year so far that has registered negative performance.

Also to note is that this track record does not per se bring into question the robustness of the FRR's approach to asset allocation, Seignol suggests.

Since 1 January 2011, the portfolio's annualised performance has reached 4.24% net of all expenses, a level higher than the cost of the public debt carried by the CADES – the Social Debt Amortization Fund – which runs at 1.15 %.

Even after the negative performance of 2018, the cumulative net value of the FRR compared to the average cost of CADES' debt reached €9.3bn over the past eight years.

It should be noted that the markets' recovery since the beginning of 2019 has enabled the resorption of nearly all the losses recorded in 2018, according to FRR.

## RESPONSIBLE INVESTING

Another key aspect outlined in FRR's objectives is its approach to assets as a responsible investor. As such, it has initiated the renewal of active management mandates of its portfolio by increasing its integration of ESG criteria, Seignol explains.

> "OUR PROCESS IS REGULARLY ADAPTED TO THE NEEDS OF EACH TENDER. THUS, THE ANALYSIS OF MANAGEMENT BIAS CARRIES MORE WEIGHT"

To reflect its commitment to the ecological and energy transition, the FRR has decided to exclude companies whose thermal coal mining or coal-fired electricity, heat or steam generation business exceeds 10% of their revenue – the previous threshold was 20%.

"Our process of selecting a manager via a tender is made up of three main steps," says Seignol. "(1) A reduction of the pool using quantitative criteria; (2) a qualitative analysis of the applicants selected in the previous step; and (3) site visit, which is the final phase of selection.

"Each of these phases requires documents to be drawn up comparing the applications and offers received, which are then presented to the manager selection committee and the executive board for discussions and decisions. We prefer regulated funds."

Of the selection process, Seignol says they seek to: "(1) assess whether the manager has previously managed a portfolio in line with the objectives; (2) verify that they have the character and technical means to do so; (3) that they display high-quality performance/risks ratios; and (4) that their risk and operational management standards are fit for purpose.

"Our selection methods are very open regarding manager types. This means we can be swayed by different management styles, by small-scale specialised structures or by larger companies. Our process is regularly adapted to the needs of each tender. Thus, the analysis of management bias carries more weight."

## DIVERSIFICATION OF RISK

When it comes to risk control in selection research, Seignol attaches significant importance to the diversification of risk in a portfolio; how that risk is taken into account at different stages of the process and the use of analytical tools to keep track of these portfolio risks.

"The stability of the teams and management structures is crucial."

The FRR 's 2019 selection projects are linked to US equities, Japanese equities, overlay management and impact investing. Regarding 2020, the research will mainly focus on the selection of managers of Euro and US credit. ■

-37.5% Q1 sales of Porsche in EU & Efta markets versus Q1 2018

Convertible bond fund managers note that uncertainty in markets can be their friend, but there is still a quality requirement to gauge before investing. Jonathan Boyd reports

# The search for opportunity: it is all a state of mind

As investors continue to fret over the direction of interest rates, and seek to gauge how much exposure they ought to have respectively to fixed income versus equity instruments, managers of convertible bond funds point out that the current climate is one in which investors ought to at least consider what benefits can flow from an instrument that can play both elements of the capital structure.

Martin Haycock, senior partner at Fisch Asset Management, and senior product specialist in Convertible Bonds starts by saying it is important to take a step back to gauge the state of the convertible bond market and the opportunities therein in 2019.

"Take a step back, think of issuance cycles," he says.

"2018 was very good year in the US, a good year in Asia, especially at the beginning of the year, a disappointing year for Europe, and a slightly disappointing year for Japan.

"But, there are no great surprises in that. Rates rose in the US through much of 2018, meaning the cost of financing went up, and that makes it more advantageous for companies to issue convertibles. So, it was a pretty strong year for US last year."

He adds: "This year a lot has changed. Markets shut at the tail-end of last year; Treasuries fell 70bps from top to bottom, equity markets dropped – although they have since rebounded strongly. This paints an interesting picture for issuance this year.

"On the one hand, there is the argument that as credit spreads have tightened, but with rates still low, issuance may be attractive. Equity markets were down at the end of last year, which is usually less interesting. But, equity markets are now up, so issuers may be looking to convertibles, at least regarding the US – European issuance may well remain low this year."

Stephanie Zwick, head of Convertible Bonds and senior portfolio manager at Fisch Asset Management, adds that there is also the redemption profile to consider: "How many convertibles are redeeming at end of life, versus others that might be called early; others may be puttable if equity prices are down, and then there is scope for mergers and acquisitions.


"But, the numbers suggest that the maturity profile looks benign, with only about 5% of the ubiquitous Thomson Reuters index maturing in the coming months.

"We saw normal issuance in January, but a huge portion of this was out of Asia – driven by China banking issuance, which was not that interesting to us. Then there was the IG rated US company, Fortive, which ticked all the boxes - investment grade, officially rated, $1.4bn, industrial name, not a tech name, oversubscribed 5x. What we are seeing is if the right issuance comes to market, there is heavy demand. But if it is not 'plain vanilla' it struggles to get placed," she says.

Alexandre Fade, co-manager of the AXA World Funds - Framlington Global Convertibles fund, says it is important to approach the asset class from a global perspective.

"We see it as key to have a global approach, to harvest the best opportunities globally. If there are pockets of relative weakness, whether in the US or in Europe, we can pick the best opportunities elsewhere.

"We have a conviction-based approach with strict eligibility filter. We need to see good credit quality coupled with long term earnings growth potential. So we

+12.6% Q1 sales of Dacia in EU & Efta markets versus Q1 2018

are already highly selective, but the potential is there, so we do not have any issue finding new ideas or gains. For example, Asia performed strongly in 2018, driven by the Chinese property sector hungry for capital, but a lot of these names revealed to be weak in terms of credit. We tend to stay away from these sorts of names. One pocket of great opportunities remains within the technological space, especially in the US."

Looking forward he adds: "We expect to see some outperformance on a relative basis versus traditional asset classes. Uncertainty creates volatility, and historically convertibles are a long play on volatility, so we would expect the asset class to benefit from a higher volatility environment.

"We believe that convertibles are today very relevant to investors, because if an equity investor is uncertain about the next 2-3 years against the macro backdrop, convertibles offer a way to maintain exposure with roughly half the volatility of equity markets. Ditto, fixed income investors can boost return without taking on much more risk – provided they remain very selective on credit quality.

"The embedded convexity means an improved efficient frontier against traditional equity and bond balanced portfolios."

## CHALLENGES

Zwick say volatility is not something that would keep her up at night as "convertibles are a good instrument to play volatile markets. The worst case scenario would be if we faced a serious recession with negative equity markets.

"But markets are still quite positive. They are looking for a new equilibrium in respect of monetary policy and slower growth, but they are not negative."

And Haycock mentions that there is scope for the overall size of the convertibles market to increase in the medium to long term, partly because the market is a bit smaller today than 10-15 years ago.

"There is a lot of interest coming through from investors, but we are not necessarily seeing this interest translating into buying orders. There are net inflows at the moment, but perhaps not at the scale we feel it should be."

"For example, in the insurance sector, convertibles fit well, so we are surprised there is not stronger demand regarding solvency capital requirements."

He continues: "However, were there suddenly to be inflows greater than the market expected, and issuers needed to respond, then equity neutral convertibles are a good fit.

"Regarding manging supply and demand, that's where hedge funds come in; they can scale up or down leverage and involvement in the asset class depending on what they see happening to supply/demand."

Makeem Asif, senior Convertible Bond analyst in the Multi-Asset team at Jupiter, working on the Jupiter Global Convertibles fund, sees a liquid market in convertibles, of "about $500bn, of which about half is in the US, half again of that in Europe, half again of that in Japan, and half again in Asia – roughly $250bn, $125bn, $60bn, and so on; this tends to hold trough through cycles.

"In terms of investors, it was an asset class attracted hedge funds prior to 2008. Since then it has been much more institutional, with roughly two-thirds to three-quarters constituting institutional investors.

"US convertibles have outperformed European convertibles, over the year or so as growth has generally outperformed value. The US has seen a significant number of technology and in particular SaaS companies issuing convertibles. With the Nasdaq and generally growth technology stocks showing strong momentum, convertible bonds have been a favoured asset class for companies in that sector to raise capital.

Asif adds: "Most of these issuers are very disruptive in their segments, and are growing at exceptional rates, with high equity valuations, with arguably soft bond floors (fixed income element).

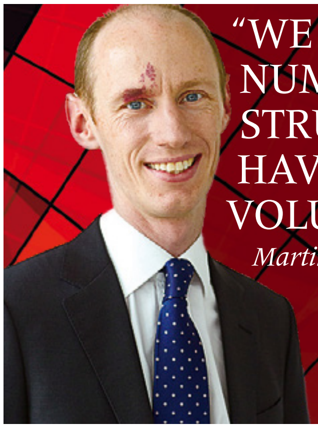
"The relative lack of growth in Europe compared to the US and the significant number of technology companies issuing convertibles in the US has meant the US market convertible market has outperformed Europe.

## IMPORTANCE OF QUALITY

Asif stresses that quality of the credit is paramount, as "we have to be comfortable that the bond floor – fixed income element of the convertible – is real or solid, we have to be sure that come the maturity of the bond, the liability will be paid by the company, either through refinancing or through free cashflow generation. We gain confidence by thorough bottom up credit analysis.

"Secondly, we want to ensure there is potential upside from an equity perspective.

"That can depend on a lot of different factors, for example, valuation of the company, management or how able the company is to execute its plans or it may be a turnaround story. But first and foremost it is about ensuring the credit is strong to protect against the downside. Our fund has had no defaults since the strategy started." ■



"WE HAVE NOT SEEN A HUGE NUMBER OF UNUSUAL STRUCTURES, BUT THEY HAVE GENERATED LARGE VOLUMES OF ISSUANCE"

*Martin Haycock, Fisch Asset Management*

**15,700** Number of attendants to the Salone in 2019

Over 15,000 people from the world of finance gathered in Milan to discuss the issue of sustainability and look at the trends that are making an impact in social and environmental finance on the 2019 edition of Salone del Risparmio. Eugenia Jiménez reports

# Italy tries on 50 shades of ESG


Salone del Risparmio, Italy's largest event in the investment management industry took place from the 2 to the 4 of April and counted on about 300 international and national speakers scattered across 100 conferences, which challenged the industry to take the lead in making a change towards a more sustainable future.

Key topics discussed in Milan included financial advisory and distribution networks; markets and asset allocation; financial services and fintech; the industry's support to real economy and welfare; behavioural finance; financial education; and ESG.

At the event, which is now in its tenth edition, the head of Italy's trade body Assogestioni laid out the challenge. "We want, we must evolve our industry to make it even more sustainable, inclusive, responsible," Tommaso Corcos said.

He also underscored the potential impact that moving towards sustainability can have on the industry by highlighting what is already happening with digital disruption. "On one hand, sustainability is an essential goal to achieve, and on the other, it can become the evolutionary driver of our industry, with an impact comparable to that of technological disruption in progress".

Italy's minister of Economy and Finances Giovanni Tria intervened at the opening session of the Salone too through a video message. He said that the combination of finance, growth, and sustainability means supporting a model of economic progress that guarantees environmental protection and promotes social development.

More than half of the sessions (54 out of 100) addressed the topic of responsible investment. From this share, around 34 sessions were hosted by asset management firms while the remaining ones were hosted by industry associations like Assogestioni, consultancy firms, and financial publications.

## WHAT IF BUSINESS AND FINANCE SAVED THE WORLD?

Eric Ezechieli, co-founder of Nativa, an accelerator of innovation for companies to become a re-generative force for the world, and David Docherty, equity portfolio manager at Schroders, explored the idea that combining technology, enterprises and finance can be the key to finding a new balance.

Schroders discussed how it seems intuitive to think that the economic model that has brought us here is no longer compatible with a desirable future. Businesses must reprogram themselves to include people and the planet among their goals.

To tackle the environmental and demographic challenges ahead, companies must change their business model. Prioritising not only the creation of shareholder benefits, but also the rest of the population, will be increasingly important in order to find a balance between what companies "take" with their business and what they return in exchange.

According to Schroders, technology can help to reduce the gap between the growth of the population and the resources available. Investing in the companies that drive innovation can create unique investment opportunities as well as having positive effects on the world.

1.35 million Hectares of primary Brazilian rainforest lost in 2018 – Global Forest Watch, University of Maryland

## THE CHALLENGE OF CHANGE

Focusing on the challenges that any change implies, Candriam's session addressed one of the biggest challenges of all: climate change.

Matthieu David, head of Candriam Italian branch, highlighted the challenges faced by financial advisers and asset managers when having to balance their focus on sustainable and responsible investments while assisting their clients' demands.

Speaking at the session, the Italian runner Paolo Venturini listed the virtues he believes are needed to face and overcome a challenge: awareness and responsibility, commitment and preparation, teamwork and ability to adapt. The athlete has been testing himself for three decades all over the world and in extreme conditions. His last project "Monster Frozen" proved his resolve in Russia's coldest place at over -52°C.

## ESG AND THE EUROPEAN UNION

Sara Lovisolo, Group Sustainability manager, Borsa Italiana, and EU Technical Expert Group on Sustainable Finance and François Millet, head of Strategy, ESG & Innovation at Lyxor, talked about the impact that the evolution of European regulations will have on the asset management industry.

The recent EU green light for reform, which will require asset managers to specify whether the instruments they sell on the market are in line with ESG standards, aims at providing the European institutions with a transparent structure to ensure investors are informed about the social and environmental impact of their investments.

Millet said: "It is essential to mobilise capital flows towards the fastest growing segment of the asset management industry: passive management.

"Indices and ETFs are at the heart of the transformation since they are not only consistent, but also suitable for more responsible investment and for achieving the most critical objectives".

## THE FUTURE OF MOBILITY

Robeco tackled how mobility as an emerging investment theme offers extraordinary opportunities for long-term growth in the entire electric vehicle value chain, and how investors can benefit from this megatrend.

The session addressed the future of mobility while giving an overview of transports' evolution and on how investors can make profits by investing in this revolution.

According to Robeco, the electrification of the transport sector is opening up completely new markets that offer significant investment opportunities.

"The automotive industry alone will represent a $4bn sector by 2030, in which already one third of cars will be electric vehicles.

"In the long run, almost all cars will be electric, without including buses, trucks, ferries and perhaps even some planes. Along with the electrification of the transport sector, new business models in shared mobility and related services will emerge."


## PROMOTING SUSTAINABLE GROWTH

Alex Bellini, explorer, motivational speaker and performance coach spoke at the Salone after returning from India, the first stage of his latest exploration project 10 Rivers, 1 Ocean.

Bellini's latest venture, which started from India, is leading him to sail along the 10 most polluted plastic rivers in the world to foster a new sense of understanding and respect for our planet and for the most threatened environment: the rivers ecosystem.

Around 8 million tons of plastic enter the ocean every day; 80% of this plastic comes from only 10 rivers, those that Bellini has just begun to navigate, starting right from the Ganges.

Bellini stressed the importance of making people aware of sustainability, which represents a win-win system for everyone. Raising awareness is intended not only as the ability to generate it, but rather as urging action in a concrete way in order to trigger change.

The explorer's speech aimed at lifting the veil on the potential connection between his experience and the issue of sustainability, on which Pramerica SGR has recently shown some commitment, reflected on its adherence to the Principles for Responsible Investments promoted by the UN (PRI) and on the launch of ESG investment strategies during 2019.

Andrea Ghidoni, chief executive officer and general manager of Pramerica SGR, said: "The time is ripe for ESG investments but it is not a question of following a current trend; there must be widespread awareness on the importance and correct scale of this challenge. It is good that the E of ESG investments catalyzes attention for the time being. But the S and the " cannot and must not be ignored, since these three components positively influence each other.

"We at Pramerica SGR want to be one of the protagonists that Bellini talked about and we intend to continue to strive with the aim to strengthen our commitment to sustainability in every area." ■

**613,894** Inhabitants of Luxembourg as at 1 January 2019

# The artistic approach

Artisan Partners only business is asset management and everything is designed to create an investment culture that allows their talent to thrive. Ridhima Sharma reports

Founded in 1994, Artisan Partners has always aimed to produce differentiated investment outcomes, with a focus on active, high value-added investment strategies. They provide their investment teams with ample resources and support, without imposing a centralised research function.

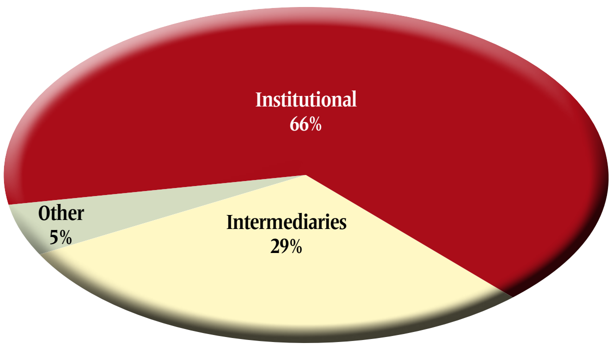
Andrew Marks, managing director and head of EMEA distribution Artisan Partners, says: "The name Artisan is a very deliberate choice. It is rooted in the original belief of our founders that investing with discipline and intelligence is an art. Andy and Carlene Ziegler, the husband and wife duo that founded our business, thought of portfolio managers as artisans exercising their craft.

"In spite of the many differences in investment philosophy, process and personnel between our nine teams, they are all united in the belief that skilled active management can deliver positive outcomes for investors and for society. The types of strategies we manage across all asset classes are at the most active end of the spectrum, with little or no regard to benchmarks. The shared purpose and commitment to higher value-added investing have allowed us to keep a single, integrated brand over time," Marks continues.

## GROWTH

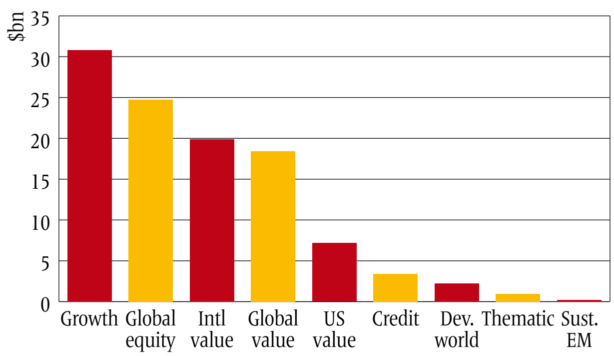
As of 31 March 2019, Artisan Partners' global AuM was $107.8bn. Of this, 21% was sourced from clients outside the US. "This represents strong growth since 2010, when we established our first distribution office outside the US, in London," Marks says.

### BUSINESS SPLIT




As at 31 March 2019 Source Artisan Partners Team

### ASSET CLASSES




As at 31 March 2019 Source Artisan Partners Team

"Most of the non-US assets are managed in segregated accounts, reflecting company's Institutional-biased client list, but it also includes over $3.9bn in its Ucits Fund complex domiciled in Ireland and additional assets in Cayman vehicles. Whilst we do not disclose Europe-specific assets, the majority of our non-US success has been driven by clients based in Europe."

At Artisan Partners, the only business is asset management and everything they do is designed to create an investment culture that allows their talent to thrive.

## PRODUCT DEVELOPMENT

Artisan's approach to finding new teams and launching new products for existing teams is organic and driven by the underlying investment talent.

Marks adds: "We do not acquire investment teams and existing businesses through M&A. Investment staff join our firm as partners to build franchises from the ground up, hand-picking a dedicated analyst team, choosing their own office space, and designing/launching products with support from our centralised competency teams (human capital, legal, distribution, IT, etc.).

"Furthermore, we never try to time hiring or product launches with market demand cycles: when seeking to identify the best talent in a given asset class, the creation of an artificial time

**0.3%** Increase in producer and import price index in Switzerland in March 2019

constraint is rarely going to lead to the best outcome.

"The foundation of the firm's strategy is to continue to promote our business model of attracting, developing and retaining talented investment professionals. Unlike fund selectors, the company focus on buying talent, as opposed to renting it, so its emphasis is very much on the longer-term."

## MARKETING

Marks continues: "For the sophisticated end of the market that we operate in, we believe that products are bought and not sold. The natural extension of this belief is that the market will come to us, providing we continue to deliver strong performance results. Given this, we do not engage in activities aimed at 'buying' market share. We want clients to gravitate towards Artisan for our product quality ahead of any other factors.

"As at the end of March 2019, every single one of our 17 strategies, across Equities, Fixed Income and Alternatives, had outperformed their primary benchmarks since inception (Gross/USD). We are rightfully proud of this record and feel protective towards it. And one of the ways we protect our firm is to manage costs – including marketing expenses – carefully, so as not to get ourselves into a financial position that forces our teams to create new product.

"This does not mean we ignore classic marketing tools, but we make use of them sparingly and any investment is done thoughtfully and, ideally, in response to existing momentum in an area of the business."

## MINIMISING FRICTION

Artisan Partners' dedication to delivering an environment that minimises points of friction for their investment staff is central to their operating model's success. This is why the firm has never lost an investment boutique in 24 years of business.

Distribution can be a common source of friction in this industry. The firm works hard to listen to each boutique and design distribution plans that meet their individual goals. This customisation means that one will not catch them making big top/down announcements about moving into a certain country or channel.

"Moreover, to help our investment staff, we employ senior distribution staff to be dedicated to each boutique to make sure there is a business partner to each investment team who constantly keeps an eye on that team's North star," says Marks.

## EUROPEAN PRESENCE

Artisan opened its London office in 2010 as the launchpad for the firm's EMEA business. The office is headed by Andrew Marks. In addition to London, the firm recently established a physical presence in Dublin and is in the process of opening a third European office, in Stockholm, in support of its expanding Nordic client base.

## FUND DISTRIBUTION

"Distribution priorities for the remainder of 2019 varies from boutique to boutique, but we have certainly seen an uptick in interest for our hedge funds and emerging market equity strategies recently," Marks states.

"In addition, we have recently begun to make the Artisan Ucits fund range available via platforms, which has sparked interest within the financial intermediary segment.

"In support of this, our Ucits complex has been registered for sale in the UK, Ireland, Finland, Italy, Norway, Sweden, Luxembourg Germany, Netherlands, Belgium, Spain, Denmark and France." ■

"AS AT THE END OF MARCH 2019, EVERY SINGLE ONE OF OUR 17 STRATEGIES, ACROSS EQUITIES, FIXED INCOME AND ALTERNATIVES, HAD OUTPERFORMED THEIR PRIMARY BENCHMARKS SINCE INCEPTION. WE ARE RIGHTFULLY PROUD OF THIS RECORD AND FEEL PROTECTIVE TOWARDS IT"

### ANDREW MARKS

Andrew Marks is managing director of Artisan Partners UK and head of Europe, Middle East and Africa (EMEA) Distribution. He has responsibility for strategy and business development across all channels in the region, working closely with each of the firm's autonomous investment teams.

Prior to joining Artisan Partners in August 2011, Marks spent approximately 10 years with T. Rowe Price in business development roles for various territories, including the UK & Ireland, Switzerland, Southern Europe & Latin America.

193 Traffic accident fatalities in Germany in February 2019

# Visiting the community

Various colleagues working on *InvestmentEurope* have been travelling the region in the past couple of months, visiting fund selectors as well as sell side professionals, as Jonathan Boyd outlines

March and April saw *InvestmentEurope* staff head off on research trips to Germany, the Netherlands and Portugal, to inform about upcoming events, but also to gain insight into key investment topics of ongoing interest to locally based fund selectors.

## Munich

Ridhima Sharma (pictured left), DACH correspondent and Alexandra Laue, Fund Selector relationship manager, DACH, visited Bavaria's capital on 11-12 March.

Meetings included:

- Adrian Breitbarth – Fund Selection – UniCredit;
- Michael Vieker and Günter Stibbe – Portfolio Management and Customer Support respectively – Avana Invest;
- Thomas Portig – portfolio manager – Smart-Invest;
- Petra Zamagna – managing director – Ambitus GmbH Asset Consult;
- Stephan Hauska – director, leader Asset Management Munich – Castell-Bank Fürstlich Castell´sche Bank;
- Michael Ausfelder – associate director – VZ VermögensZentrum;
- Andreas Bischof – managing partner – Novafunds; and
- Thomas Wiegelmann – managing director – BLUE Asset Management.

## Upcoming trips

*InvestmentEurope*'s events programme for 2019 can be viewed on p36 of this issue.

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

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

## Frankfurt

Ridhima Sharma, DACH correspondent and Alexandra Laue, Fund Selector relationship manager, DACH, visited Germany's financial hub Frankfurt on 18-19 March.

Meetings included:

- Dirk Söhnholz – managing director – Diversifikator;
- Stefan Barkhausen – spokesperson – Union Investment;
- Philip Graf von Koenigsmarck – sales manager Germany – Legal & General Investment Management;
- Thomas Romig – head of Multi-Asset – Assenagon;
- Heiko Hormel – relationship manager – Deutsche Apotheker & Ärztebank; and
- Christof Schmidbauer/ Fabio Corbi – Fund Manager – Von der Heydt.

## Stuttgart

Alexandra Laue (pictured left), Fund Selector relationship manager, DACH visited Stuttgart on 5 April.

Meetings included:

- Michael Heckel – senior fund manager – Tresides AM;
- Carsten Riester – head of Fund of Funds – W&W Asset Management;
- Thomas Metzger – head of Asset Management – Bankhaus Bauer; and
- Helmut Kurz – fund manager – Bankhaus Ellwanger & Geiger KG.

## Amsterdam

Patrik Engström, head of Fund Selector Relations, Nordics, visited Amsterdam and other locations in the Netherlands on Friday 5 April

Meetings included:

- Rishma Moennasing – lead Funds and Sustainability – Rabobank;
- Conrad-Jan Crol – director – Amstel Capital;

**1.3%** Increase in industrial turnover in Italy in February 2019 YoY

## HAVE COPY, WILL TRAVEL

As *InvestmentEurope*'s visits to fund selectors and other financial professionals continues across the region, so too does the photo album of the magazine in situ. Here are some examples of recent trips to (clockwise from top right) Amsterdam, Stuttgart and Lisbon.

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

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




- Jan-Willem Meulenkamp – fund specialist – ABN Amro; and
- Duco Slob – senior portfolio manager Sustainable Investments – InsingerGilissen.

# Lisbon

Eugenia Jiménez, Iberia correspondent and Angela Oroz, Fund Selector relationship executive, Iberia visited the Portuguese capital on 8-9 April.

Meetings included:

- Hugo Abrante Soares – fund selector – Caixa Gestão de Activos;
- Ricardo Libano – fund analyst – IMGA Gestão de Ativos;
- Paulo Monteiro – director – Gestão de Activos Bancoinvest;
- Elisabete Pereira – product manager – Novobanco;
- Rui Castro Pacheco – head of Fund Selection – Best Bank;
- Bernardo Silveira Godinho – head of Capital Markets – Banco Privado Atlântico;
- Paulo Gonçalves – head of Financial Assets team – Popular Gestão de Activos;
- Rui Broega – head of Asset Management & Trading Platforms – BiG; and
- Guillerme Cardoso, Duarte Francisco & Rita Cobeco – fund selector Alternatives, fund selector Equities & strategist respectively – Millenium Banco Portugal. ■

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

25.63 million People employed in France as of April 2019

# Multiple insights

A range of investment topics and insight from France's local association for fund selectors were outlined at the recent Frabelux Forum, as Elisabeth Reyes reports

On the 20 March *InvestmentEurope* was back at the Ritz Hotel in Paris to host the Frabelux Forum 2019.

Consisting of four asset management groups and two keynote speakers, the event addressed topics such as the millennial generation impact on businesses, property opportunities, social investment, fund selector behavioural biases, and the challenges presented by an ageing population on societies and economies.

## WHY DEMOGRAPHICS MATTER

Martyn Hole, investment director at Capital Group, made the first presentation, and dived straight into the millennial generation issue, sharing valuable insight into this influential demographic group.

He put forward that millennials want to achieve a much better work/home life balance.

"They require a lot of encouragement and don't stay in the same job for long," Hole said.

He reminded the audience that millenials are the first generation to grow up in a tech world. According to his research, millennials spent on average 53 hours per week online.

Some 72% use a financial institution's mobile app to make a purchase, pay a bill, or send/receive money: this presents fresh challenges for financial firms.

He also spoke about the shift in consumption patterns from goods to experiences. Life is more about travelling than owning a house, is the mantra.

Also, according to him, millennials are driving companies to be more socially aware.

Hole explained how the Capital Group New Perspective Fund is seeking to identify multinational companies that have been driving and benefiting from global secular trends such as changing demographics.

## OPPORTUNITIES IN THE PROPERTY SECTOR

Simon Hedger, managing director and global portfolio manager of property securities at Principal Global Investors, outlined the firm's approach to property investments, focusing on valuation opportunities within the sector.

According to him, despite superior liquidity, niche high-growth sectors, and access to public market capital, real estate investment trusts (Reits) currently trade at a discount to private real estate values.

"Today's 10.7% average discount on their average long-term price to net asset value is the widest since the global financial crisis. This is due to fears that emerged late last year, around potential interest rates rise and declining earnings growth," he noted.

In contrast, Hedger explained that more recently, bond market yields indicate interest rates are likely to remain lower for an extended period, thus underpinning real estate valuations for most sectors.

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

There are ample valuation opportunities within the sector, and it has not gone unnoticed by Reits and other major institutional real estate investors.

Reit mergers and acquisitions and privatisation activity has increased recently: these institutions are quick

**2418** Public electric vehicle charging points in Amsterdam as of April 2019



to capitalise on undervalued real estate in the public market.

Hedger discussed how global property markets are very localised. He therefore believes that the bottom-up approach is key to the security selection process.

## PERFORMANCE WITH ESG AND SOCIAL IMPACT

Guy Wagner, managing director of BLI – Banque de Luxembourg Investments, and Nicolas Crochet, co-CEO of Funds For Good, explained how their collaboration revamped the BL Global Flexible fund into an ESG and social impact, generating Ucits vehicle.

They collectively highlighted the fact that their collaboration creates on average 500 new jobs every year.

In particular, it helps people that are out of work to become entrepreneurs.

During this session they presented the case study of an Ecuadorian entrepreneur who was seeking micro-financing to build a chocolate business.

Wagner shared his analysis of gold performance during periods of market stress.

According to his research, aside from the Asia crisis in 1997 and the 2013 surge in US Treasury yields – Taper Tantrum – gold performance has remained well above both the S&P 500 index and US Treasuries since the 1987 crash.

## AN AGEING POPULATION

Generali Investments' senior SRI equity fund manager Olivier Cassé summarised the current context of an ageing population, and outlined the three step process he has applied to the SRI Ageing Population strategy.

According to his study the world's population aged 60+ is expected to more than double by 2045, reaching almost 2 billion.

Cassé argued that population ageing constitutes a major challenge for societies and economies.

He explained how the Generali Investments Sicav SRI Ageing Population fund aims to benefit from this demographic shift, by investing in European companies whose business models are focused on the theme – which he expects will grow faster than the overall economy in coming years.

## SPOTLIGHT ON BEHAVIOURAL BIASES

Philippe Sarica (president) and Sandrine Vincelot-Guiet (vice-president) of the French entity Société Française des Sélectionneurs de Fonds otherwise known as SF2, discussed how their association brings together professionals who evaluate the performance of fund managers and fund selectors.

Their goal is to promote and safeguard the specialisms of this profession by informing, assisting and contributing to the training of its members.

Launched in 2018, the association already has nearly 50 members.

Vincelot-Guiet highlighted research and views into the degree to which portfolio managers and fund selectors are subject to bias.

She talked about emotions such as fear, stress, frustration, anger, impatience, shame and regret as well as excitation, emulation, competition, singulation, narcissism and ambition, all of which can lead to behavioural biases and have a detrimental effect on a manager's efficiency. ■

# Speakers

**Olivier Cassé** Joined **Generali Investments** in 2016, managing two SRI funds, GIS SRI European Equity and GIS SRI Ageing Population. With 18 years in asset management he was previously at Société Générale in private banking, then Amundi Group.

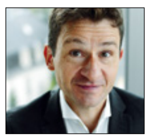
**Nicolas Crochet** is a founder/managing partner of **Funds For Good**, combining social impact and financial returns. He has worked at Banque Belgolaise, Prudential Securities and State Street Global Advisors.

**Simon Hedger** is global portfolio manager for **Principal Real Estate Investors**. Responsible for EMEA real estate in Reits and listed real estate securities he has some 40 years' experience as an analyst and portfolio manager.

**Martyn Hole** is Equity investment director at **Capital Group**. With 37 years' experience, including 16 years at Capital Group, he was previously at JP Morgan Asset Management.

**Philippe Sarica** is president of the **French Society of Fund Selectors** and president of **PHS Finance** with 35 years' experience in markets including as a consultant and teacher in emotional and behavioural finance.

**Sandrine Vincelot-Guiet** is vice president of the **French Society of Fund Selectors**. She joined **VEGA Investment Managers** as Multimanagement director, Fund Selection director and ESG manager, following earlier roles at VEGA Finance.



**Guy Wagner** was appointed managing director of **BLI – Banque de Luxembourg Investments** in 2005. An economics graduate from Université Libre de Bruxelles. He joined Banque de Luxembourg in 1986 as head of financial analysis and asset management departments.

# Approaching events

*InvestmentEurope*'s events programme spreads across both southern and northern Europe with events in Barcelona, Rome and Oslo in May and June

**NEXT EVENTS**

INVESTMENT EUROPE
IBERIAN SUMMIT
BARCELONA 2019

## BARCELONA, 30-31 MAY

The Iberian Summit Barcelona 2019 takes place 30-31 May at the Hotel SOFIA in the capital of Catalonia, and will target some 40 fund selectors based in Spain, Portugal and Andorra for two days of boardroom sessions, panel discussions and networking with peers.

Groups taking part include Artisan Partners, BMO Global Asset Management, EURIZON, Gesiuris Asset Management, MIRABAUD Asset Management, Polar Capital, State Street Global Investors and WisdomTree; collectively they will consider asset classes including flexible equity, systematic approaches to commodities, and further insight into how ESG factors can leverage additional return from investment themes.

Presenting the keynote on the second day will be Javier Santiso, CEO & founder of Mundi Ventures. A panel will consider aspects of alternative investments on the first day.

To register your interest in attending, please contact Angela Oroz at angela.oroz@odmpublishing.com or telephone +44 (0) 20 3727 9920.

INVESTMENT EUROPE
ITALIAN SUMMIT
ROME 2019

## ROME, 6-7 JUNE

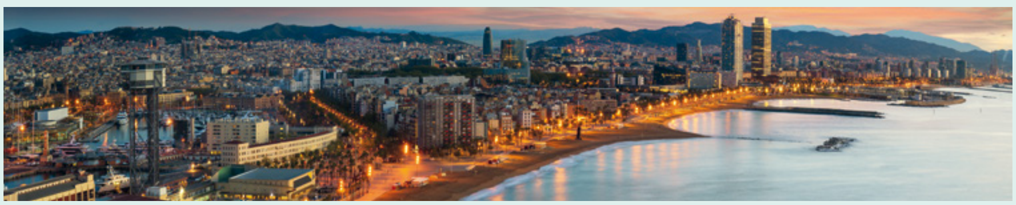
*InvestmentEurope* will host its first event in Rome on 6-7 June at the Aldrovandi Villa Borghese.

Offering two days of boardroom sessions, networking, a panel discussion and wine tasting for delegates, this event is targeting some 40 fund selectors based in Italy, with a bias to those active in the institutional space.

Groups taking part include 1167 Capital, Carmignac, Edmond de Rothschild Asset Management, La Financière de L'Echiquier, Finisterre Capital, Principal Global Investors, RWC Partners and Sycomore AM . Collectively they will address areas such as how to weather volatility in fixed income markets globally, the role of convertible bonds, and the relationship between ESG scores and performance.

Overseeing the panel on the second day of the event will be moderator Vittorio Eboli, financial journalist at Sky TG24.

To register your interest in attending, contact Luisa de Vita at luisa.devita@odmpublishing.com or telephone +44 (0) 20 3727 9932.



## TAKE PART IN THE DISCUSSION

Delegates to the Iberian, Italian and Pan-European ESG Summits are encouraged to connect ahead of the events by tweeting using the hashtag #IESUMMIT. For the Oslo Roundtable 2019 use the hashtag #IEROUNDTABLE.

*InvestmentEurope*'s website offers additional opportunity to learn more about our upcoming events: https://events.investmenteurope.net. 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
**OSLO ROUNDTABLE 2019**

### OSLO, 5 JUNE

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

INVESTMENT EUROPE
**PAN-EUROPEAN ESG SUMMIT ZURICH 2019**

### ZURICH, 13-14 JUNE

Building on last year's ESG event, *InvestmentEurope* will this year host its Pan-European ESG Summit Zurich 2019 on 13-14 June at The Dolder Grand in the Swiss city.

Sponsors attending include Acadian Asset Management, Banque de Luxembourg Investments, Invesco and Sparx.

Designed to offer delegates access to a special programme of speaker and panel sessions, the event seeks to highlight aspects of ESG across the value chain – from analysis and incorporation into investment processes, to delivering positive impact and enhanced performance from strategies.

➤ The calendar of *InvestmentEurope*'s 2019 events up until September is presented overleaf.

For information on sponsoring any of these events, please contact Eliot Morton on +44 (0) 203 727 9945 or e-mail eliot.morton@odmpublishing.com.

# EVENTS CALENDAR 2019

| | | |
|---|---|---|
| 30-31 May | Barcelona | Iberian Summit |

*InvestmentEurope returns to Barcelona for an Iberian Summit attracting delegates from Spain, Portugal and Andorra, who will experience a programme of boardroom sessions, panel discussions, keynote and networking*

| | | |
|---|---|---|
| 5 June | Oslo | Roundtable |
| 6-7 June | Rome | Italian Summit |
| 13-14 June | Zurich | Pan-European ESG Summit |

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

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

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

| | | |
|---|---|---|
| 8 October | Lisbon | Roundtable |
| 16 October | Frankfurt | Roundtable |
| 24 October | Madrid | Roundtable |

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

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

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

72 Countries where members of SharingAlpha are located

SharingAlpha

SharingAlpha CEO Oren Kaplan takes the opportunity afforded by passing the landmarks of three years since foundation and 12,000 members, to re-state the service's key goals

# Insights of the many

Having reached its third anniversary, SharingAlpha's CEO and co-founder Oren Kaplan has noted that the time is right to re-iterate the goals that were intended when the service was set up – particularly in light of having passed a level of some 12,000 vetted members from 72 countries.

"No single research team can cover the wide range of funds available; typically focusing their efforts on a limited number of funds, those with excellent track records and/or have become blockbuster or 'mega funds'. Consequently, over 95% of the funds lack independent quantitative analysis and don't receive significant flows," he says.

"Using the power of the internet we are able to scale and offer forward-looking ratings on funds, from our community of professional fund investors, to share insight, to share alpha."

A key goal has been also to facilitate the ability for professional fund investors and analysts to build their own track records of their fund selection capabilities, he adds. While portfolio managers of funds have had the capability to generate a publicly available track record, this has represented a first opportunity for those specialised in selecting fund managers to equally stand out and show that they add value.

"In addition, we offer two further ranking mechanisms. One is based on the performance of member virtual fund of funds; the other on the ranking of members' commentary by other members. These additional rankings, together, with specific country rankings, offer our members excellent opportunities to exhibit their talent and receive recognition.

"Obviously, the longer the track record, the more significant it becomes. We advise professional fund investors to start building their track record without delay."

## HIGHLY RATED FUNDS

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

| Fund name | Domicile | Average rating | Raters | Move from prev |
|---|---|---|---|---|
| LFPartners ASG Dynamic Inc Fund | Luxembourg | 5 | 5 | New |
| Liontrust European Income Fund | United Kingdom | 5 | 8 | ▼ |
| Prosperity Prosperity Cub | Cayman Islands | 4.86 | 7 | ▼ |
| Sextant PEA | France | 4.85 | 14 | ▼ |
| Magallanes European Equity FI | Spain | 4.84 | 22 | ◆ |
| azValor Iberia FI | Spain | 4.83 | 6 | ▼ |
| Russian Prosperity Fund | Cayman Islands | 4.83 | 8 | ▼ |
| Vanguard US Opportunities Fund | Ireland | 4.82 | 6 | ▼ |
| Schroder GAIA Two Sigma Dvsfd | Luxembourg | 4.81 | 19 | ◆ |
| azValor Internacional FI | Spain | 4.81 | 17 | ▼ |

As at 31 March 2019 Source www.SharingAlpha.com

## REMOVING POTENTIAL CONFLICTS OF INTEREST

SharingAlpha's model is not based on charging funds/fund managers for appearing on the platform, which means there is no bias between larger international firms versus smaller local boutiques.

Additionally, the platform is set up so that buy side professionals can decide "which fund managers they want to hear from, for better targeted leads through a process that is entirely independent from our fund rating methodology."

## RATINGS CHANGES

The LFPartners ASG Dynamic Income fund went to the top of the list of top 10 funds ranked most highly by users of SharingAlpha as of March data. This meant it pushed down others that had previously held sway near the top of the rankings, such as the Liontrust European Income, Prosperity Cub and Sextant PEA funds - now in second, third and fourth place respectively.

Among those holding their ranking were the Magallanes European Equity and Schroder GAIA Two Sigma Diversified funds – in fifth and ninth place respectively – as rated on the factors of people, price and portfolio.

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

*InvestmentEurope*'s Editorial Board members give their views on value managers, sustainability and the best technology fund selectors could think about using

# Ideas generation



**EMMANUEL FERRY**

**Chief Investment Officer**
**Banque Pâris Bertrand**
**Geneva**
**www.parisbertrand.com**

## Is a market environment emerging this year that could favour value managers?

The value style in the United States is experiencing its worst decade ever recorded. The Russell 1000 Value index has underperformed the Russell 1000 Growth index by 115% over the past decade.

This underperformance has been almost uninterrupted except for two brief episodes of recovery, in 2013 and 2016.

There is now too much complacency on past trends and valuation gaps are extreme. The value theme offers a unique mix of price/profitability/growth around three regions, and which are about to be realised.

In the US, the Fed's dovish pivot is a positive catalyst for a style rotation. In Europe, a decrease of political risk premium should favor a value catchup, and lastly a macroeconomic-financial context stabilisation in the EM space is supporting a value tilt.

Value is a pain trade post the global financial crisis, but is probably the most compelling investment approach for the next decade.

**THOMAS ROMIG**

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

## Do you require any funds you select to be 'sustainable'?

When selecting 'sustainable' funds, we believe it is important to conduct an in-depth analysis of the whole investment process instead of just looking at the various seals in the glossy marketing documents of a fund.

This is advisable, because different investment styles and approaches often cannot be covered well by a standardised rating procedure that results in a simple score or grade. So a truly 'sustainable' fund integrates environmental – but also social and governance – aspects directly in its investment process and tailors the used criteria to its strategy and asset class.

**JON BECKETT**

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

## If you could pick one new technology to help with selection activities, what would it be?

New Fund Selectors need more tools to monitor both Mifid II/Priips cost transparency of their underlying managers better, and also robust ESG and environmental risk data for fund and aggregate positions to satisfy their responsible investing frameworks.

Whilst many sources already exist, few are aimed at the needs of asset owners and fund selectors. This means there is huge variance between fund managers making comparisons very challenging.

Another area would be a benchmark monitoring tool to capture benchmark errors/changes. This would go well beyond current attribution and active share tools.

Lastly an automated platform to allow quicker proxy voting instructions, for asset owners, would be a great step forward for ESG.

## ITALY ALPHA 3-YEAR

| Fund | Alpha over 36 months v. sector |
|---|---|
| ETFS Carbon EUR in EU | 82.45 |
| Boost Palladium 2x Leverage Daily ETP in EU | 79.05 |
| Xtrackers Physical Rhodium in EU | 58.11 |
| ETFS 3x Daily Short Coffee USD in EU | 55.51 |
| ETFS 5x Short EUR Long USD in EU | 41.42 |
| Boost Brent Oil 3x Leverage Daily ETP in EU | 40.97 |
| Boost Long USD Short EUR 5x Daily ETP in EU | 38.05 |
| Xtrackers Physical Palladium ETC USD in EU | 34.01 |
| Invesco Physical Palladium in EU | 33.44 |
| ETFS Physical Palladium JPY in EU | 33.25 |

## ITALY CROWN + PERFORMANCE

| Fund | Crown rating | 36 months |
|---|---|---|
| Polar Capital Global Technology USD in EU | x5 | 123.77 |
| Janus Henderson Global Technology A Acc USD in EU | x5 | 105.23 |
| Morg Stnly US Growth I USD in EU | x5 | 94.61 |
| Fidelity Global Technology A EUR in EU | x5 | 94.27 |
| DWS Invest Brazilian Equities NC in EU | x5 | 91.12 |
| T. Rowe Price US Large Cap Growth Equity A USD in EU | x5 | 77.40 |
| Fiera Capital Europe Magna MENA N EUR in EU | x5 | 74.93 |
| Edgewood L Select US Select Growth A USD in EU | x5 | 74.49 |
| Wells Fargo Worldwide US Large Cap Gr A USD in EU | x5 | 73.76 |
| Morg Stnly US Advantage A USD in EU | x5 | 72.86 |

## ITALY SHARPE 3-YEAR

| Fund | Sharpe |
|---|---|
| Polar Capital Global Technology USD in EU | 1.62 |
| BlackRock GF World Technology A2 USD in EU | 1.59 |
| Fidelity Global Technology A EUR in EU | 1.57 |
| JPM US Technology A Dis USD TR in EU | 1.52 |
| Janus Henderson Global Technology A Acc USD in EU | 1.49 |
| Franklin Technology A Acc USD in EU | 1.42 |
| iShares S&P 500 IT Sector UCITS ETF USD in EU | 1.41 |
| Xtrackers MSCI World IT UCITS ETF 1C USD in EU | 1.40 |
| LYXOR MSCI World IT TR UCITS ETF C EUR in EU | 1.38 |
| SSGA SPDR MSCI World Technology UCITS ETF in EU | 1.38 |

## ITALY PERF/VOLATILITY 3-YEAR

| Fund | Cumulative | Annualised |
|---|---|---|
| Boost Natural Gas 3x Short Daily ETP in EU | -88.61 | 117.37 |
| ETFS 3x Daily Short Natural Gas in EU | -85.90 | 114.45 |
| Boost Natural Gas 3x Leverage Daily ETP in EU | -93.06 | 110.07 |
| ETFS 3x Daily Long Natural Gas USD in EU | -92.77 | 107.68 |
| Boost WTI Oil 3x Short Daily ETP in EU | -90.44 | 88.85 |
| Boost WTI Oil 3x Leverage Daily ETP in EU | -16.97 | 87.23 |
| ETFS 3x Daily Short Nickel USD in EU | -88.45 | 84.29 |
| ETFS 3x Daily Long Nickel USD in EU | -5.98 | 84.15 |
| Boost Brent Oil 3x Short Daily ETP in EU | -93.45 | 84.04 |
| Boost Brent Oil 3x Leverage Daily ETP in EU | 48.57 | 82.57 |

## ITALY FIXED INTEREST 3-YEAR

| Fund | 36 months cumulative |
|---|---|
| Franklin Global Convertible Securities A Acc USD in EU | 39.03 |
| Vontobel Emerging Markets Bond I in EU | 37.90 |
| BlueBay Financial Capital Bond R USD in EU | 37.15 |
| AXA World Funds US Dynamic HY Bds A Cap USD in EU | 36.67 |
| CS (Lux) High Yield USD Bond B USD in EU | 33.32 |
| Edmond de Rothschild EDRF Emerging Credit A USD in EU | 32.72 |
| HSBC GIF Brazil Bond AD NAV USD TR in EU | 32.65 |
| Swisscanto (LU) Bond COCO AT USD in EU | 31.90 |
| Bradesco Brazilian Fixed Income R USD in EU | 31.51 |
| Boost Bund 10Y 3x Leverage Daily ETP in EU | 30.49 |

## ITALY BETA 3-YEAR

| Fund | Beta over 36 months v. sector |
|---|---|
| Boost BTP 10Y 5x Short Daily ETP in EU | -20.26 |
| Boost BTP 10Y 3x Short Daily ETP in EU | -12.2 |
| Boost Bund 10Y 5x Short Daily ETP in EU | -8.58 |
| Lyxor UCITS ETF Daily Double Short BTP EUR in EU | -8.14 |
| ETFS 5x Short USD Long EUR in EU | -7.01 |
| ETFS 5x Short GBP Long EUR in EU | -6.89 |
| Boost Short USD Long EUR 4x Daily ETP in EU | -6.62 |
| Boost Brent Oil 3x Short Daily ETP in EU | -6.19 |
| Boost WTI Oil 3x Short Daily ETP in EU | -6.17 |
| ETFS 5x Short CAD Long EUR in EU | -5.94 |

## ITALY PERF/TER 3-YEAR

| Fund | Cumulative | TER |
|---|---|---|
| FundPartner SolutionsCrossfund Sicav | 6.95 | 11.99 |
| Man AHL Trend Alternative DNY Acc USD | 18.27 | 6.07 |
| BlackRock SF Eur Divsfd Equity AR E2 | -22.73 | 5.86 |
| BlackRock SF Eur Opps Extension A2 EUR | 37.05 | 5.67 |
| ESPA Stock Europe-Property VT CZK in EU | 9.33 | 4.83 |
| Pharus Sicav Biotech A EUR Cap in EU | -0.30 | 4.64 |
| BlackRock SF Americas Dvsfd Eq AR A2 Hdgd | -0.54 | 4.56 |
| Algebris Allocation R Acc EUR in EU | -1.97 | 4.28 |
| Edmond de Rothschild EDRF Prem Brands R | 33.76 | 4.16 |
| Worldwide Inv Opportunistic Equity A USD | 22.23 | 4.11 |

## ITALY INFORMATION RATIO 3-YEAR

| Fund | Ratio rel vs sector |
|---|---|
| Vontobel Emerging Markets Bond I in EU | 2.16 |
| Pharus Sicav Liquidity A EUR in EU | 1.95 |
| Pimco GIS Euro Income Bond T Acc EUR in EU | 1.93 |
| Mediolanum Challenge Liquidity Euro L in EU | 1.92 |
| Polar Capital Global Technology USD in EU | 1.92 |
| Fidelity Global Technology A EUR in EU | 1.87 |
| Payden & Rygel Euro Liquidity Acc in EU | 1.85 |
| iShares Euro Corp Bond BBB-BB UCITS ETF EUR TR in EU | 1.83 |
| LO Generation Global (USD) M A in EU | 1.80 |
| Allianz Treasury Short Term Plus Euro A NAV EUR TR in EU | 1.76 |

Source for all charts FE Analytics, bid-bid, to 26/4/2019.
All figures in % and are gross return rebased in euros

# Eye on leverage in Italy

The impact of leverage at a time of generally low inflation and low interest rates is visible in the data. But it also works both in terms of prices going down as well as up, as is seen in certain asset classes such as coffee and the euro relative to other currencies.

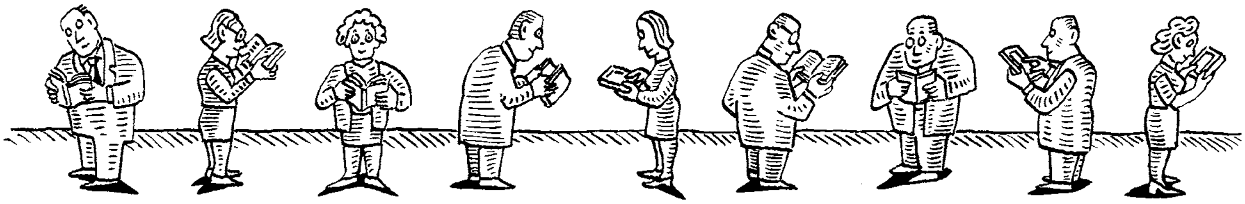
However, leveraged plays can also bring about significant performance differences when considering beta, which is something for investors to note should they be seeking an ETF structure predominantly as a low cost way to track market performance. Applying leverage far in excess of that typically mandated for an active fund but picking the 'wrong' asset class could lead to a significantly different outcome than hoped for.

That selecting the 'right' asset class is important is evident in the data for better performing funds over time, which point to metals associated with wireless communications (such as Rhodium), technology globally, China and Asia exposure (reflecting continued growth), and a change in the outlook for Brazil (reflected in bonds).

In terms of Sharpe ratios, the data points to technology in particular as an area where active fund managers have been successfully adding returns over the period. ■

## GROSS RETURNS ON FUNDS FOR SALE IN ITALY REBASED IN EUROS

| Fund | 1m | 3m | 6m | 1yr | 3yr | 5yr | 10yr |
|---|---|---|---|---|---|---|---|
| Boost Palladium 2x Leverage Daily ETP in EU | -14.40 | 14.69 | 68.21 | 116.74 | 361.71 | 153.85 | |
| Boost NASDAQ 100 3x Leverage Daily ETP in EU | 20.95 | 52.71 | 37.18 | 49.85 | 299.79 | 732.85 | |
| ETFS Carbon EUR in EU | 26.45 | 13.48 | 44.94 | 93.83 | 277.16 | 361.11 | 39.57 |
| Xtrackers Physical Rhodium in EU | -11.54 | 21.43 | 24.65 | 53.51 | 264.75 | 192.38 | |
| Xtrackers Physical Palladium ETC USD in EU | -4.41 | 9.36 | 35.08 | 59.64 | 140.46 | 117.93 | |
| Boost S&P 500 3x Leverage Daily ETP in EU | 12.82 | 33.74 | 28.73 | 31.78 | 138.49 | 281.71 | |
| Invesco Physical Palladium in EU | -7.31 | 8.86 | 32.12 | 57.47 | 138.20 | 114.49 | |
| ETFS Physical Palladium JPY in EU | -7.31 | 8.83 | 32.05 | 57.31 | 137.49 | 113.42 | 588.98 |
| JPM US Technology A Dis USD TR in EU | 5.26 | 21.37 | 31.33 | 36.55 | 128.27 | 223.05 | 576.51 |
| Polar Capital Global Technology USD in EU | 7.51 | 18.42 | 24.52 | 30.94 | 123.77 | 219.42 | 607.67 |
| BlackRock GF World Technology A2 USD in EU | 5.68 | 19.10 | 25.57 | 30.07 | 118.66 | 196.62 | 463.82 |
| Amundi ETF Leveraged MSCI USA Daily EUR in EU | 10.55 | 26.95 | 26.62 | 42.79 | 107.57 | 280.74 | |
| Franklin Technology A Acc USD in EU | 7.28 | 21.00 | 30.35 | 33.46 | 107.34 | 204.09 | 547.38 |
| Janus Henderson Global Technology A Acc USD in EU | 7.66 | 19.80 | 24.84 | 28.71 | 105.23 | 180.77 | 496.55 |
| ETFS 3x Daily Short Coffee USD in EU | 11.34 | 62.30 | 118.57 | 121.06 | 101.73 | | |
| iShares S&P 500 IT Sector UCITS ETF USD in EU | 8.18 | 21.97 | 18.24 | 31.35 | 100.65 | | |
| BCM Vitruvius Greater China Equity B USD in EU | 10.21 | 22.30 | 34.13 | 10.71 | 98.85 | 116.61 | |
| Alger Sicav-Alger Small Cap Focus A US in EU | 1.18 | 10.24 | 13.35 | 31.88 | 98.38 | | |
| AB International Technology Portfolio C USD in EU | 7.88 | 20.03 | 22.40 | 28.48 | 97.33 | 169.50 | 427.15 |
| Parvest Disruptive Technology Classic Cap EUR in EU | 6.93 | 16.53 | 25.70 | 30.71 | 94.84 | 188.09 | 387.09 |



Kevin Spacey's replacement, Christopher Plummer, is the best thing about Ridley Scott's classy kidnapping thriller. Ridhima Sharma reviews

# A disturbing peek into the world of the super-rich


***All the Money in the World received a UK cinema release on 5 January 2018. It is currently available on DVD and streaming services. Directed by Ridley Scott. Screenplay by David Scarpa. Based on Painfully Rich: The Outrageous Fortunes and Misfortunes of the Heirs of J. Paul Getty by John Pearson.***

Taking some time off from the *Alien* prequels, Ridley Scott has directed an excellent thriller in the shape of *All the Money in the World*.

The film originally starred Kevin Spacey as oil tycoon and richest man in the history of the world, John Paul Getty I. With only a few weeks to go before the release of the film, multiple allegations of sexual misconduct were made against Spacey.

Knowing that this controversy would completely tank the film commercially, and waste the thousands of hours of work put into the project by the huge cast and crew, not to mention the $50m budget, Ridley Scott made the unprecedented decision to recast and reshoot the part with Christopher Plummer.

*All the Money in the World* is a pretty good, hybrid thriller-family drama-biopic. The kidnapping drama revolves around the idea that the very rich are not like you and me.

## KIDNAP

Set in 1973, the movie depicts John Paul Getty I (Christopher Plummer) as a man of inestimable wealth, yet so cheap that he installs a pay phone for guests at his English mansion.

The film centres on Getty's 16-year-old grandson and namesake, Paul III (Charlie Plummer), kidnapped by Italian radicals who, after several months, sell the boy to the mafia.

Getty refuses to pay ransom or even discuss the matter with his daughter-in-law Gail Harris (Michelle Williams), who divorced his alcoholic, drug-addicted son, Paul II, and has no wealth of her own.

Instead, Getty contracts one of his employees, Fletcher Chace (Mark Wahlberg), a former CIA operative, to bring his grandson home.

## LIGHTS UP THE SCREEN, BUT...

*All the Money in the World* is nothing if not visually stunning. The film lacks pacing and focus. There is a lot of place setting at the beginning, which reduces some of the impact of what is a great setup.

The middle of the film is sluggish and quite repetitive, as squabbling gangsters hold Paul III captive in increasingly worse conditions, whilst Gail and Chace sit by the phone, and Getty Sr. continues to be a bit of a bastard.

Amid the bloodless conspiracies and occasionally careless plotting, Williams portrays a mother who learned long ago that she has to rely on herself in a family ruled by Getty's devotion to wealth and power.

It is a performance without superfluities or emotional depth, but the Oscar-nominated actress makes us feel Gail's urgency and appreciate her knack for quick thinking.

It needs a character to latch onto, to live and breathe this nightmare with. Gail plays a truly admirable dark character. Williams shows us her helplessness and terror but at the same time her steeliness and courage as Gail fights to get her son back. It is her performance that we should really be talking about.

## THE MISSING MAN

Watching *All the Money*, it is impossible not to speculate on how Kevin Spacey would have played the role; but it is hard to dispute the elder Plummer has made it his own.

As to how Scott managed to do the reshoots in record time – that would probably be worth a movie in itself. ■

*Christopher Plummer as John Paul Getty I*

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