INVESTMENT INTELLIGENCE FOR THE FUND PROFESSIONAL

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June 2019

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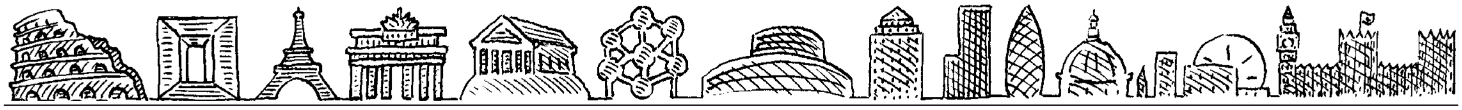

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Engaging engagement

Jonathan Boyd, editorial director of *InvestmentEurope*

In a recent report, Morningstar estimated the assets of European domiciled ETFs could hit €2trn by 2024.

Meanwhile, the recent auction of Dutch sovereign green bonds – the first AAA rated such securities – was 3.5x oversubscribed, with bid volume reaching over €21bn in 90 minutes.

Clearly, these are exciting times for those interested in either of these two segments.

However, these developments are occurring at the same time that demand is also growing to invest in line with ESG considerations, spurred on by commitments to UN Principles for Responsible Investment, UN Sustainable Development Goals and the Paris Agreement on climate change.

And this in turn raises fundamental questions, such as to what extent can the ETF segment, which in Europe overwhelmingly is still a passive play, engage in areas such as governance to the same extent as actively managed funds, or to what extent is the traditional fixed income market ready to respond to ESG factors.

Regarding the latter area, it is clear from the Dutch auction example above, and others, that the green bond market is growing fast.

Yet, green bonds remain a very small part of the overall debt market.

The Securities Industry and Financial Markets Association (Sifma) 2018 Fact Book points to primary market issuance of corporate debt, asset backed securities and non agency mortgage backed securities totalling $2.7trn in 2017 – easily dwarfing equity issuance through IPOs.

But bond holders cannot vote at general meetings of shareholders. So, how easy is it for them to apply pressure on wayward company management? How easy is it for those buying into fixed income securities in the secondary market know how other big holders of bonds are influencing individual companies?

With ESG not going away anytime soon (if ever), these are the sorts of questions investors and selectors are likely to increasingly ask. ■

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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 from members of the team 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 Italy for the Italian Summit Rome Summit on 6-7 June, with an eye particularly to fund selectors working in the institutional market.

Also in June, the Pan-European ESG Summit takes place in Zurich on 13-14 of that month. This event addresses key aspects of ESG in respect of measurement, implementation and engagement on both the sell and buy sides.

Looking forward to the second half of the year, our first event in September will take place in Helsinki, offering a Roundtable to locally based fund selectors.

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


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Fund selectors in the news

Selectors offer views on regulatory headwinds for ETFs, HNWI investments and other issues

www.bankhausbauer.de

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

Will certain existing ETFs face headwinds in future depending on regulatory developments?

I do not expect that we will promptly adopt regulatory measures with regard to the mandatory inclusion of sustainable criteria in the design of investment products such as ETFs. This would interfere too much with the necessary freedoms of product providers and investors.

Rather, in my view, the demand for sustainable asset management solutions will increase more and more and create a natural pressure on the industry to develop new strategies or include corresponding criteria in already existing products.

www.corestone.ch

Name: Cord Hinrichs
Company: Corestone Investment Managers AG
Role: Head Asset Allocation
Base: Switzerland

What, in your view, will be the main difference in five years' time compared to now, in how the spectrum of HNWIs' fund investments will look?

The institutional manager selection and asset management process will become more and more the basis for HNWI or multi-family offerings.

In times where yields are low, we will see more transparency, lower costs and increased scrutiny. For existing asset managers, it will become increasingly challenging to make a case for a place in a client portfolio. Performance alone will not be enough.

www.esferacapital.es

Name: Luis Hernández Guijarro
Company: Esfera Capital Gestión SGIIC
Role: ESG fund selector and fund of funds manager
Base: Madrid

Will certain existing ETFs face headwinds in the future depending on shifts in investor demand related to, ie decarbonisation/climate change responses?

Of course, due to 'greenwashing', investors will have more confidence in, for example, Green Bonds' ETFs, since all bonds in their portfolios are according to an international standard such as the Climate Bonds Initiative (CBI).

That is certainly the case for Lyxor Green Bonds, which also have a green bond certificate from a third party, a prestigious company and expert in this field like Vigeo-Eiris.

At the same time, there are metrics for ETFs such as theCarbon Risk Score from Morningstar to help investors to evaluate funds´ carbon risk exposure and how to contribute to the decarbonisation of their investment portfolios.

www.vega-im.com

Name: Sandrine Vincelot-Guiet
Company: VEGA Investment Managers
Role: Multimanagement director, Fund Selection director, ESG manager
Base: Paris

Do you see an opening for new types of ETF products to meet new investor demand for, say, carbon neutral funds, or funds that promote solutions to the UN Sustainable Development Goals?

Yes. For example the following companies have already created low-carbon ETFs: Amundi (Equity Global), BNP Paribas (Europe) and Ossiam (US). Developments should be taken in this direction.

The second type of funds is more complex to put in place in order to deliver a truly efficient solution. Indeed, translating the UN's 17 SDGs into management objectives, requires precise transposition mapping for use in asset management.

The challenges here have yet to be properly identified and shared.

www.fonditel.es

Name: Fernando Aguado
Company: Fonditel
Role: Investments director
Base: Madrid

Will certain existing ETFs face headwinds in future depending on regulatory developments?

We consider that this could be an upcoming scenario for ETFs in some market niches where the underlying asset liquidity is lower. The great volume on ETFs that provides liquidity on a regular basis, could induce investors to a false impression of liquidity and depth, that does not match with the real characteristics of the underlying asset.

High yield, corporates, emerging market bonds or volatility could be clear strategy examples of this scenario. The January 2018 flash crash on short volatility strategies could be a reminder.

Some of these products could be systemic ones and we know what regulators think about systemic risks, and how they used to act (regulation).

www.pramericasgr.it

Name: Patrizia Bussoli
Company: Pramerica Sgr
Role: Asset allocation
Base: Milan

Do you feel the generally accepted definition of yield is still valid?

The introduction of non-conventional monetary policies during the the global financial crisis has enriched the tools of monetary policy and the way it affects fixed income markets.

The role of the balance sheet as a tool of monetary policy means that size and composition of central banks balance sheets will affect yield level (through the size effect) and the shape of the yield curve (through the composition effect).

On top of that, the introduction of forward guidance has a role in giving more evidence on the way central banks form their decisions, therefore reducing information asymmetries between central banks and markets.

www.bancoinvest.pt

Name: Raul Póvoa
Company: Banco Invest
Role: Fund selector
Base: Lisbon

Does the focus on yield – financial repression – by macro policymakers (central banks) need to be changed? If so, why?

The central banks engaged in unorthodox monetary measures in order to bring inflation back to target, stabilising financial markets and fostering economic growth. Although the success of these measures was achieved, they also brought a low interest rates environment that helped governments to fund their debt, which means, they are able to channel funds to themselves.

This type of policymaking comes at a cost. So far, central bankers have argued that the benefits of quantitative easing and other unorthodox measures outweight the costs.

Nevertheless, exiting ultra-easy monetary policy will become harder with time and will bring unintended consequences like potential asset bubbles, increasing economic inequality, potential for higher inflation and reputational damage for central banks.

People moves around the industry

BILL HARTNETT

New investment director bolsters ASI 's ESG capabilities

Aberdeen Standard Investments (ASI) has strengthened its ESG capabilities with the appointment of Bill Hartnett as an ESG investment director.

Hartnett will report to Euan Stirling, global head of Stewardship and ESG Investment and will be based in London with a specific remit to support investment colleagues in emerging markets and Asia Pacific. He will analyse specific long-term factors involving investee companies' environmental and social management and performance, as well as the effectiveness of governance structures.

He has over 20 years' experience of responsible investment and active ownership across roles in asset management, research and asset ownership.

Immediately prior to joining ASI, Hartnett was head of Responsible Investment at Australian superannuation fund, Local Government Super (LGS). At LGS, he was responsible for ensuring that A$12bn of pension assets were invested responsibly and achieving the maximum potential long-term, sustainable return.

CINDY ROSE

Majedie adds ESG head

Majedie Asset Management (Majedie AM) has appointed Cindy Rose to a newly created role as head of Responsible Capitalism, effective 27 August 2019.

Rose joins from Aberdeen Standard Investments (ASI), where she was head of ESG, Clients and Products; she was previously co-head of ESG & Stewardship at Aberdeen Asset Management.

She will lead and further develop Majedie's commitment to Responsible Capitalism. Since Majedie launched its first funds in 2003, the firm has embraced active ownership of its client investments, voting on proposals at all investee company meetings and

engaging with management teams on behalf of all stakeholders.

Majedie adopted "Responsible Capitalism" formally as its ESG ethos at its 2012 conference, to explain its overarching company purpose: to make money for clients – responsibly.

BRUNNO MARADEI &
JULIUS HUTTUNEN

AAM strengthens global responsible investment team with two new hires

Aegon Asset Management (AAM) has made two new appointments to strengthen its now 14-strong global responsible investment team.

Brunno Maradei joins Aegon Asset Management as global head of ESG based in The Hague, the Netherlands; and Julius Huttunen joins the company as responsible investment manager, based in Chicago, US.

Both will report to Roelie van Wijk-Russchen, global head of Responsible Business & Public Affairs.

Maradei will manage AAM's team responsible for all engagement activities, voting and active ownership, ESG integration and reporting support and advice as well as development and maintenance of AAM's responsible investment policies globally.

His particular focus will be on delivering best in class practises and processes to ensure AAM's position in the responsible investment industry.

Maradei and Huttunen's appointments follow several new hires to the global Responsible Business and Public Affairs team this year.

The team serves as a company-wide resource for responsible business and investment practices, lending expertise to ESG integration initiatives, contributing to responsible investment product development projects and leading engagement and research efforts to promote understanding of sustainable issues and improving company performance.

ESZTER VITORINO FULEKY

Kempen hires corporate governance specialist

Kempen Capital Management has hired Eszter Vitorino Fuleky as senior responsible investment adviser. Within the Responsible Investment team she will focus primarily on corporate governance.

Vitorino Fuleky has worked for the Global Reporting Initiative since 2010, an international, independent organisation that draws up sustainability reporting guidelines for organisations and governments. She held various positions there.

In recent years, as head of Capital Markets Engagement, she was responsible for relations with stakeholders in the capital markets, from stock exchanges to shareholders and asset managers.

BEATRIX ANTON-GRÖNEMEYER

Allianz GI appoints chief sustainability officer

Allianz Global Investors has appointed Beatrix Anton-Grönemeyer as chief sustainability officer. This position is newly created and is intended to underline the importance of sustainability for AGI and its customers.

Anton-Grönemeyer reports to chief executive officer Andreas Utermann. With over two decades of experience, she is changing jobs within Allianz Global Investors.

She was most recently hired as global head of Product Specialists Fixed Income.

In addition to the creation of the position of chief sustainability officer, the sustainability research team was further expanded.

At the beginning of May 2019, Marie Navarre joined AGI in Paris as a senior SRI analyst from Amundi. Navarre reports to Isabel Reuss, director of SRI Research.

Fund watch and product launches

Othoz, Agathon Capital and Universal Investment launch AI fund

Quantitative investment boutique Othoz, in collaboration with Agathon Capital and Universal Investment, has launched a defensive mixed fund that makes investment decisions based on artificial intelligence.

Launched in early May, ART AI US Balanced invests in S&P 500 Universe companies and annuities. The aim of the fund is to achieve a positive return with reduced risk ratios compared to the stock market.

ART AI US Balanced is formed on an active, quantitative investment strategy based on proprietary machine learning research results. In addition, complex, non-linear interactions can be recorded and taken into account.

The models generate risk-adjusted long portfolios and flexibly manage the investment level of the fund between 0% and 50%. The stock selection focuses on stocks from the S&P 500 Index. The corresponding remaining liquidity is invested in short-term government bonds.

www.othoz.com
www. agathon-capital.de
www.universal-investment.com

Franklin Templeton launches green income fund

Franklin Templeton has launched Green Target Income 2024 fund, a sub-fund of the Luxembourg-registered Franklin Templeton Opportunities Funds (FTOF) range.

This is the third "buy and hold" or fixed maturity fund introduced in the FTOF range, following the IPO of Franklin Target Income 2024 which raised over $621m (€557m) earlier this year from European investors.

The new fund's objective is to invest primarily in higher yielding, euro-denominated debt securities issued by corporations globally – including those located in emerging markets – with a pre-determined yield at the time of investments over a five-year period.

The fund will be managed by London-based David Zahn, head of European Fixed Income and Rod MacPhee, vice president and portfolio manager from Franklin Templeton Fixed Income Group. The investment team uses a top-down analysis of macroeconomic trends, combined with bottom-up fundamental analysis to identify investment opportunities.

www.franklintempleton.com

AllianceBernstein expands sustainable fund range

AllianceBernstein has launched two new sustainable funds to add to its current sustainable fund range – Sustainable Global Thematic Credit Portfolio and Sustainable European Thematic Equity Portfolio.

The funds exclusively invest in themes derived from the UN Sustainable Development Goals (UNSDGs) in companies that provide products and services addressing these objectives. The focus of the Strategy is primarily on positive social and environmental outcomes. The funds will take an active, bottom up stock and security selection approach and evaluate the ESG issues and credentials of each company to assess both risk and opportunity.

The Sustainable Global Thematic Credit Portfolio will typically hold between 75 to 125 bonds. It will primarily invest in corporate bonds of which minimum 20% will be green bonds. The fund's holdings will align with the UNSDG's and be focusing on three themes climate, health and empowerment.

The Sustainable European Thematic Equity Portfolio will hold around 40-60 European stocks with a high active share against MSCI Europe. The fund will invest exclusively in companies aligned with forward-looking sustainable investment themes.

www.alliancebernstein.com

BNPP AM offers new quant carbon offset fund

BNP Paribas Asset Management (BNPP AM) has launched a quant climate carbon fund stepping up its efforts to responsible investing.

Theam Quant Europe Climate Carbon Offset Plan, available to investors in Italy, is managed using a systematic investment strategy designed to capture the performance of European liquid equities with high ESG standards. These are selected according to their carbon footprint and the robustness of their energy transition strategy.

The project also aims to create long-term jobs and promote sustainable sources of income by encouraging local communities to preserve the forest and its biodiversity.

The new fund is in line with the launch of BNPP AM´s Global Sustainability Strategy, which plans to reduce the environmental impacts of its operations.

www.bnpparibas-am.com

No more coal for ODDO BHF AM

As part of its climate policy ODDO BHF Asset Management will from now on exclude coal investments in all portfolios which integrate ESG criteria.

Overall, this represents €6.6 bn which is equivalent to about 12% of its assets under management. Specifically, the objective of the coal exclusion policy is to exclude any mining company that generates more than 5% of its revenues with coal and any power generation company that generates more than 30% of its revenues from coal.

According to the International Energy Agency around 30% of global CO_2 emissions in 2017 came from coal combustion.

ODDO BHF AM believes that any coherent strategy to combat global warming must address coal investments.

www.am.oddo-bhf.com

€2trn Estimated AUM of European domiciled ETFs by 2024

Starting with an 'E'

ETFs and ESG have a letter in common, but is that all they share? Jonathan Boyd, Ridhima Sharma, Eugenia Jiménez and Elisabeth Reyes report on developments

For investors adhering to responsible investment dogma, there comes a point when, generally speaking, they need to decide whether to blacklist companies or pursue engagement.

While there is no definitive answer as to which approach works best in mind of the end goals – inducing positive outcomes as well as making positive returns – the very fact that there is an active choice to be made suggests that those pursuing a passive approach might not be able to make as much of an impact.

That suggestion is wrong, argues François Millet, head of ETF Strategy, ESG & Innovation of Lyxor.

"In the European ETF industry, ESG ETFs represent €13bn - as of end-March 2019 - following inflows of €2bn in 2019 and € 4bn in 2018, where ESG ETFs assets under management have grown by 45%," he says.

"Considering that ETFs are the fastest growing segment of the AM industry, ESG ETFs are themselves growing much faster than the overall ETF market; they still represent only 2% of ETF AUMs in Europe but already 10% of ETF inflows with an acceleration in

7.7% Increase in prices of owner-occupied dwellings (excluding new constructions) in the Netherlands in April 2019 YoY

2019. We cannot ignore the role of passive management.

"The foundations on which passive management is built – transparency, accessibility, limited management fees – mean that ETFs are particularly well suited to socially responsible investment.

"With greater consideration given to the challenges that lie ahead, all types of investor are now looking to factor ESG solutions into their portfolios or savings. Retail and private banking clients place considerable importance on this subject – younger generations – millennials - in particular. Institutional investors too are showing interest in responsible investment in order to meet expectations of beneficiaries, to better manage long-term risk and to comply with regulatory developments."

REGULATION

However, there is more to come from the ETF industry, not least because of regulatory developments.

Millet notes: "The regulatory evolution will bring more clarity for investors on the objectives, the standards, the taxonomy, the reporting requirements, and the labels applicable to ESG investing, starting with green investments.

"For the first time, indices will be used by policymakers as a tool to guide investor choices and re-direct investment flows towards climate transition and alignment with the Paris Agreement objectives."

Koen Van de Maele, global head of Investment Solutions and member of the Executive Committee of Candriam points to ESG integration into the investment process as a reason why they should be seen as providing a suitable response to ESG demands.

"Candriam uses the same ESG analysis in its IndexIQ ESG ETFs than the one applied in Candriam's sustainable fund range. This means that we don't simply rely on some rule-based selection, but we integrate the knowhow and experience of Candriam's ESG team of analysts in the ETFs. Candriam's ESG analysis is based on an assessment of the companies' business model, complemented with a stakeholder analysis. Additionally, a norms-based analysis and a filter on controversial activities is applied.

"Classical ETFs, based on standard market capitalisation indices simply buy all available stocks, irrespective of the environmental impact of these companies. As the public opinion's awareness for ESG topics in general, and the climate change issue in particular, have substantially increased, we can expect that more investors will ask for ETFs that integrate ESG criteria. Investors will also want to know what the ESG impact is of their investments.

"Thematic funds and ETFs that focus on environmental, social and/or governance aspects are more in demand. Candriam expects that this trend will continue."

Hortense Bioy, director, Passive Strategies and Sustainability Research, Morningstar, notes that while increasing numbers of ETF providers have signed up to UN Principles for Responsible Investment (PRI), and are implementing a responsible investment policy, investors need to understand that actions such as voting at company meetings is only something that can be done by Physical ETFs.

"Synthetic ETFs do not vote," notes Bioy.

Having an engagement policy is important, Bioy continues. With more stewardship teams now in place at passive managers, it means that there should be more dialogue with managers of companies. It is also important to remember that many passive managers are also active managers – so, for example, if there is voting on a business such as Renault, it will be done through both active and passive portfolios.

That said, there are still differences between large active and large passive managers. Those such as BlackRock and Vanguard will tend to pick a theme with an eye to raising standards across the board globally – rather than discriminate between company a and company b on any particular ESG factors, she suggests.

Thus, on themes such as climate change, diversity, board remuneration, the engagement will be focused on understanding which companies do things best, which are considered leaders in their respectively industries, and based on that information pursuing discussions with other companies. They are trying to effect systemic change, she suggests.

FIXED INCOME VIEW

David Katimbo-Mugwanya, co-manager of the Amity Sterling Bond fund at EdenTree Investment Management, points out that improvements in ESG data is allowing for a more quantitative approach to investing responsibly and sustainably.

"The prevalence of richer datasets has even led some to consider sustainability as a trend or a factor that can be dialled up as another source of alpha. Our view is such criteria should be firmly integrated into an investment process and complemented by engagement, with the ultimate aim of embedding these intended outcomes into investee companies.

"The exclusion of particular companies from a permissible investment universe could, subsequently, be a logical conclusion depending on how enforceable the criteria are and their respective tolerance thresholds. It is therefore difficult to envisage the incorporation of ESG criteria into an existing bond fund, absent of fundamental change to its investment process or without some form of impact to the fund's stated risk-return profile, the latter of which could trigger a requirement for regulatory approval."

1.9% Increase in industrial production prices in Portugal in April 2019 YoY

Jonathan Bailey, head of ESG investing at Neuberger Berman, says: "Our credit analysts have integrated material environmental, social and governance factors into fundamental analysis for many years. That allows Neuberger Berman to have proprietary ESG ratings on every credit that we invest in – even those where third party ESG ratings providers do not have coverage like the private loans market.

"Our credit analysts are constantly looking at how they can improve their ESG ratings - for example in the last year they have incorporated insights on human capital management from Glass Door data. They also engage directly with management teams which adds qualitative insight to ESG ratings. We expect to continuously improve our ratings as companies provide greater disclosure."

Justin Craib-Cox, co-manager of the RWC Defensive Convertibles fund, agrees most bonds "…already have a credit rating, yet investors expect active managers to know what could cause a published credit rating to change, and to make a move before that event happens".

He continues: "The same should be true for knowing if an issuer might have a material financial impact from an ESG factor, either on the upside, or the downside. ESG analysis helps to create a framework for a manager to understand the health of the firm's governance and its interactions with customers and others, giving it a better overall picture of the health of an organisation.

"Our view is that integrating ESG analysis into the fundamental review of an issuer should allow for predictive – rather than reactive – use of this data. In constructing bond portfolios with a quality bias, we do believe issuers considered best-in-class for ESG factors can help to avoid downside caused by controversies. But we also recognise that some issuers are in the process of improving their ESG profiles and using only historical ESG scores and rankings without making a view on future direction may miss these opportunities.

Looking to the question of whether it is harder to launch new bond funds that have ESG factors embedded rather than added to existing funds, Craib-Cox says the answer "probably depends on whether a team has already developed an understanding of ESG factors".

Finnish manager Evli's CIO Mikael Lundström and head of Sustainability Outi Helenius note that data will play a bit role in credit investors paying more attention to ESG.

"In particular, improved and comparable data would make ESG integration easier, since the ESG data is currently in an early phase, ie, it is not comparable, not all companies are reporting on ESG matters and it is not assured. However, current developments are encouraging, eg, Moody's acquisition of Vigeo Eiris (ESG data provider) and the new EU regulation will strengthen the importance of good quality ESG data."

However, they are in the camp that feel investors do not always need to go to new funds to get more ESG.

"We at Evli have been integrating ESG criteria into corporate bonds' investment process for a long time, and therefore it would not require new funds in order to have a solid ESG process. We are continuously developing our ESG approach, and for example just launched separate climate change principles. Of course, when launching totally new funds, it is easier to bring new developments in ESG into the funds. However, as ESG is evolving quickly and in both cases it is likely that you will have to update your process constantly."

SELECTOR VIEWS

Thomas Metzger, head of Asset Management, Bankhaus Bauer, Aktiengesellschaft Privatbank, says growing investor interest in solutions that incorporate ESG into investment policies means there is likely to be a corresponding increase in products. Yet, the starting base remains relatively small still, and there are still questions about to what extent ESG, even built into the investment process, meets the needs of the end investor.

"I think that the share of sustainable investment funds in Germany does not even make up 5% of the total market. The trend, however, to extend the magic triangle of investment consisting of return, risk and liquidity by the sustainability aspect, is clear. Institutional investors, in part, are transforming their entire investment process and worrying about how sustainable investing in the different asset classes can work.

"Due to demand, the number of new products will certainly rise in the future. The problem with standardised solutions such as ETFs, however, is that the understanding of the individual investor from a sustainable investment angle is sometimes met inadequately.

"Since there is no universal definition of 'sustainable investing', when investing in a standardised approach, such as a mutual fund, investors will often encounter a variety of interpretations of the theme. Because when it comes to circulation, the product provider defines what sustainable

"WHEN IT COMES TO CIRCULATION, THE PRODUCT PROVIDER DEFINES WHAT SUSTAINABLE INVESTING MEANS IN HIS VIEW"

Bankhaus Bauer Aktiengesellschaft Privatbank

7.9% Increase in number of naturalisations in Austria in Q1 2019

investing means in his view."

Metzger continues: "The integration of sustainability factors, such as the use of exclusion criteria, with the help of which, for example, securities from certain sectors are banned from the portfolio, or the application of the so-called best-in-class approach, in which in each case the 'most sustainable' companies in an industry or group is invested, so it cannot be directly influenced by the investor.

"In this respect, investors often have to make compromises with smaller investment amounts – which, however, want to leave the management of the investments to the wealth expert or fund manager but do not achieve the high initial sums for an individual special fund. Their view of sustainable investing will generally not be fully consistent with the approach of a standardised mutual fund."

Danilo Pone, CIO at ENPAB, the Italian pension fund for Biological Sciences, points to regulation as a key driver of how ETFs may meet investors' sustainability demands.

"The impending deadline of 10 June of this year on which all member states of the European Union must implement Directive 2017/828 on 'encouraging the long-term commitment of shareholders' looms.

"Under this Directive, subscribers to an ETF will know the degree of involvement of managers in the governance of those companies in their portfolio while also an investment vehicle must disclose their voting policies and various activities at shareholder meetings. These rules will increase the information obligations of ETFs on the one hand, for example; on the other hand, they will increase the involvement or engagement of investors in a company's life.

"ESG factors are increasingly a part of portfolio selection and PMs are increasingly aware of these aspects, as are their individual component investors. One might anticipate capital outflows from those corporate strategies which are less sensitive to modern ESG methods, models and reporting."

Like Metzger, Pone expects a "surge" in the number of new investment strategies in the ESG or SRI arena. It can be sometimes easier to launch a new product that meets investor demands for ESG than to change an existing one, but not necessarily as it may depend on a number of factors.

"I think a new fund may prefer vehicles that incorporate ESG, but let us not forget that there are already many assets under management and these will need to be re-packaged and re-structured over time.

"We have already seen some major European sovereign wealth and pension funds roll into ESG friendly assets over a period of multiple years. It is a process and will certainly change selection preference, but little in terms of methods. Verification of real and effective ESG remains a major challenge for investors and will drive the selection of the investments."

Fernando Aguado, investments director at Fonditel sees existing ETFs facing regulatory headwinds, but that this may be more to do with concerns around liquidity rather than implementing ESG *per se*.

Luis Hernández Guijarro, ESG fund selector and fund of funds manager at Esfera Capital Gestión SGIIC, points to particular regulatory developments affecting ETFs linked to the EU Action Plan for Financing Sustainable Growth and the High-Level Expert Group (HLEG) on Sustainable Finance.

"Of course, due to 'greenwashing', investors will have more confidence in, for example, Green Bonds' ETFs, since all bonds in their portfolios are according to an international standard such as the Climate Bonds Initiative. That is the case of Lyxor Green Bonds, which have a green bond certificate from a third party, a prestigious company and expert in this field like Vigeo-Eiris.

"At the same time, there are metrics for ETFs such as the Carbon Risk Score from Morningstar to help investors to evaluate funds´ carbon risk exposure and how to contribute to the decarbonisation of their investment portfolios.

"As a portfolio manager of the Esfera II Sostenibilidad ESG Focus FI fund, I have several ETFs related with SDGs in the portfolio. For example, there are ETFs to cope with the following SDGs: gender equality; clean water and sanitation;affordable and clean energy; climate action; and others. Some of them cope with 10 or more SDGs like UBS ETF – Sustainable Development Bank Bonds Ucits ETF."

Dirk Söhnholz, CEO of Diversifikator, sees new regulation could result in an amended view of exclusion lists.

"We expect that new regulation may have an impact on existing responsible ETFs. It is possible, that exclusion lists will be defined which extend the exclusions currently used. Also, in the future exclusions may have to be complete exclusions and sales up to 35% in 'excluded' segments will not be allowed anymore. In addition, we hope that regulation will require to measure E, S and G separately so that good corporate governance cannot compensate bad social or ecological behaviour."

"Investors may, for example, require that ETFs not only consider direct CO_2 emissions but emissions by suppliers and/or other air, water or land pollution as well."

Like others, Söhnholz notes the risk that a plethora of new ETFs may come to market as a result of changing attitudes to ESG.

"As soon as private investors understand that responsible investing does not require compromises in performance, they should invest only in responsible ETFs. That would lead to a surge in new responsible ETFs." ■

REGULATORY EXPECTATIONS

Brian Higgins, partner, Dillon Eustace, points out the emerging regulatory burden set to hit investors, including those using ETFs.

"The European Commission is focused on: (i) developing regulations for a common taxonomy/classification for sustainable activities; (ii) disclosure of ESG related risks and how they are incorporated into the investment process; and (iii) low-carbon benchmarks," he notes.

"To supplement these proposals, the European Securities and Markets Authority provided advice to the Commission on possible amendments to AIFMD and the Ucits Directive at the end of April. It is intended that these proposals will bring greater clarity and transparency which will boost investor confidence in ESG products.

"Each ETF will need to consider the implications of the EU legislative package as it applies to them in order to determine the level of impact which it may have upon them and manage any necessary transition."

25,442,043 Animals slaughtered in March in Belgium

MARNIX PHILIPS

Marnix Philips has been product manager Investments at Beobank for the past couple of years.

He previously worked as a financial adviser for Beobank. He holds a Bachelors degree in Finance and Insurance from KdG Hogeschool in Antwerp and an MSc in Organisation and Management from the University Of Antwerp.

934 Bankruptcies recorded in Belgium in April 2019

Fund selection is a key part of Beobank's efforts to topple Belgium's incumbent banks, as Elisabeth Reyes finds out

Challenging the status quo

Beobank is a Belgian bank that claims more than 620,000 customers across segments such as products and services for individuals, but also SMEs.

For investors it has developed a platform that can cater to various levels of client, as well as being able to respond to different suitability requirements by factors such as risk sensitivity and time horizons.

As Marnix Philips, product manager Investments, explains, the bank takes a particular approach to transparent communication, a rational approach to investment risk, and seeks to share knowledge sharing while offering access to a wide range of products.

"In Belgium our goal is to be the challenger to the classic big bank groups," says Philips.

"We work on an advisory model with open architecture, where we use a model portfolio approach to suit each investors' risk profile."

These model portfolios are constructed from the traditional building blocks of bonds and stocks, which are then further broken down into different sub-asset classes. These are then populated with a selection of actively managed funds from 11 dedicated partners.

Philips continues: "We do not offer passive funds although we keep a close eye on the passive range of our partners. Within this area our interest goes out mostly to smart beta and factor investing strategies.

"Since we hold long term relationships with our partners they know our investment model very well and thus which funds might be interesting to us.

"If they launch a new strategy or register an existing strategy in Belgium, they will inform us and set up a meeting or conference call with the fund manager if necessary."

Conversely, when partners see a strategy that could be of interest, Beobank will ask the partners for the necessary information. This support from the partners is important, he adds.

Beobank continuously screens their fund universe to detect opportunities. Alongside the model portfolios it also offers absolute return strategies through a satellite approach.

These absolute return funds can offer risk reduction through diversification and reduce long term volatility in the portfolio during periods of economic uncertainty, Philips notes.

SCREENING

"Our quarterly fund selection to identify and select funds consists of both a quantitative and qualitative approach," Philips explains.

"The first quantitative screening is an exclusion screening and used to narrow down our fund universe. For instance, a fund should have at least $100m in assets under management. Funds with lower AUM cannot possibly have the same extensive management and research team as larger funds. Moreover, funds with limited AUM are often liquidated".

"WE ENSURE CONTINUITY IN OUR SELECTION. CHANGES IN THE SELECTION SHOULD BE QUALITATIVE AND FUTURE-ORIENTATED"

The funds that pass this first screening are eligible for the second quantitative screening. Here Beobank will screen per sub-asset class through an in-house developed logarithm.

Among other factors considered include consistency of returns: the preference is for funds that perform on a consistent basis rather than those that perform well for one year but fall behind in subsequent years.

Another important factor for Beobank is how a fund performs during a downward market. This gives them information on how risk is managed. Investors appear to be particularly sensitive to price falls, much more than price rises, Philips suggests.

He goes on to say: "The outcome of the second qualitative screening is a ranking per sub-asset class that is used as a basepoint. The qualitative approach is purely teamwork. We do not just blindly select the top funds per sub-asset class.

"A fund may have an investment strategy that has lagged due to a past phase in the economic cycle, but could outperform in another phase. The selected strategies must be complementary and we prefer funds with stable management and manager seniority.

"We ensure continuity in our selection. Changes in the selection should be qualitative and future-orientated. Therefore we like managers that can deliver in all-weather conditions and as such avoid 'star managers'."

Beobank believes that a 'lower for longer' environment, outputting less performance, will more than ever, ensure the added value that actively managed funds can deliver. ■

€6bn Spain's private equity investments amounted in 2018 – Invest Europe

Putting the green into alternatives

Alternative Capital Partners' Emanuele Ottina outlines the firm's focus on illiquid alternative investments following ESG principles. Eugenia Jiménez reports

Co-founded in Italy in 2018 by Emanuele Ottina and Evarist Granata, Alternative Capital Partners (ACP) SGR is an asset management firm investing in alternatives and applying ESG principles to the entire spectrum of private assets.

Ottina is the firm's executive chairman and the head of the private equity real estate division; while Granata is the firm's CEO and head of the private capital unit. Both form part of the firm's management board, working alongside independent directors Michele Garulli, formerly head of mid-corporate equity investment at Mediobanca ; Carlo Durante, founder of Maestrale; and Edmondo Tudini, professor of banking & insurance at the Milan-based business school SDA Bocconi.

Signatory of the Principles for Responsible Investments (PRI) since its foundation, ACP was set up under the belief that the returns that can be generated for investors through investments in alternative illiquid niche segments can be further fed by the focus on ESG sustainability principles, capable of generating concrete and significant impacts on the environment and on the real economy of a country.

Ottina says: "In Italy the segment of illiquid thematic alternative investments remains unexplored: the penetration rate of alternative asset classes is much lower than in other European countries.

"ACP was born to fill this gap and is the only Italian asset manager focused on the entire spectrum of private assets, created with the mission of combining sustainability, innovation and alternative investments."

With a pioneer positioning on

"IN ITALY THE SEGMENT OF ILLIQUID THEMATIC ALTERNATIVE INVESTMENTS REMAINS UNEXPLORED: THE PENETRATION RATE OF ALTERNATIVE ASSET CLASSES IS MUCH LOWER THAN IN OTHER EUROPEAN COUNTRIES"

Emanuele Ottina, Alternative Capital Partners

BIOGRAPHY

Emanuele Ottina, founder & executive chairman, is also head of the private equity real estate division of Alternative Capital Partners (ACP) SGR, responsible for such unit, business development & fund raising.

Before launching ACP in 2018, Ottina worked at Morgan Grenfell's private equity department for 11 years. Prior to that, he was part of the investment banking unit of JP Morgan, and formerly, he served at Deloitte in Italy, the UK, and the US, where he was part of the company's corporate finance & audit division.

€2.8bn Sweden's private equity investments in 2018, up from €1.8bn in 2015

alternative niche segments of private capital and private equity real estate, ACP is now focusing on the launch and management of two closed-end alternative investment funds (AIFs), by integrating ESG principles to all phases of the investment process.

By investing in the development of new green energy infrastructure projects and in urban regeneration of degraded real estate assets – in order to turn them into green and healthy buildings for the benefit of new generations, the firm believes it will be making a significant impact on the real economy of Italy.

While the investment firm is primarily aimed at professional institutional investors, including insurance companies, banking foundations, pension funds, social security funds, banks, private capital, and private equity real estate fund of funds, it also targets private investors such as family offices and wealth management companies.

"They are increasingly interested in innovative alternative illiquid investments and non-correlated financial assets, capable of generating attractive returns and illiquidity premium in an expected scenario of low interest rates in response to the current conditions of volatility," Ottina outlines.

He continues: "Our aim is to combine profit with risk management, generating returns for our investors that are strongly decorrelated from financial market trends, thanks to the adoption of multiple, thematic and diversified alternative strategies."

ESG VALUATION PLATFORM

According to Ottina, alternative, sustainable and innovative are the firm's key investment motifs and are the decisive elements in the construction of ACP's range of investment solutions.

For the manager, ESG means integrating environmental, social and governance principles into every step of their investment valuation and asset management process, in a way that can provide risk adjusted financial returns to investors while having a positive impact on the environment and the economy.

ACP considers ESG a crucial factor in evaluating alternative investment opportunities. Proof of this is the fintech investment valuation platform the firm is currently developing. The tool – designed for risk rating (both financial and ESG), pricing and monitoring of the investments in the AIFs that are being launched – will implement a set of financial and ESG metrics based on alternative and traditional data sources for investment risk and asset management activities.

FUNDS SET TO BE LAUNCHED

ACP is launching two thematic AIFs, which will invest in infrastructure, including social real estate infrastructure, with the aim of supporting the energy transition and the educational growth of new generations, respectively. The strategies will be launched in the forms of both debt and equity instruments.

More precisely, in the energy sector, ACP's strategies seek to compensate for the absence of Italian debt funds investing specifically in new green energy infrastructure projects, including energy efficiency, renewables, circular economy, distribution and recharging networks.

As for the real estate industry, the firm's investment solutions have been designed to bridge the lack of private equity real estate funds aimed at converting, enhancing and regenerating buildings into urban social infrastructure, through innovative management formats and styles, including smart/coworking, student housing, hosteling and co-living/shared housing.

When asked whether alternative credit assets could potentially help investors to reduce risk given their lesser downside and price volatility compared to public credit, Ottina says: "We think that investments in alternative credit assets themed on infrastructure represent an important opportunity for public credit investors since these allow them to diversify their investment portfolios with high market trends decorrelation, stable, long term returns, and positive ESG impacts."

With regards to the best investment opportunities the alternative manager currently sees in Italy, Ottina points at green infrastructure projects to facilitate the energy transition.

According to him, the 2030 Climate Agenda (EU's climate policies set up for 2030) to limit global temperature rises will require huge amounts of investments from all countries, including Italy, in green infrastructure to boost this green transition.

The current 2030 goal is a 40% emissions reduction benchmark. European Commission figures, published last year after the adoption of new EU laws on renewables and energy efficiency, suggested that at least 45% might be achieved.

Ottina explains: "In our country , the offer of capital and financing to support it is currently limited to a few private equity funds and traditional commercial banking channel, focused both on the secondary market and large-sized renewable projects already in operation.

"As a consequence, there's a tremendous opportunity to invest domestically in greenfield energy infrastructure and energy efficiency projects of small to medium size.

"We equally believe that investing in problematic properties in the Italian market – converting them into innovative, sustainable and environmentally-friendly social real estate infrastructures for the benefit of millennials and centennials – represents the new frontier of private equity real estate."

with 2019 being the firm's debut year, its main goal is to close the first round of fundraising for the firm's first two strategies at €50m and €100m of AUM, respectively by the third or the fourth quarter of the year.

Once this objective is achieved, the manager will focus on operational execution and will subsequently launch a second private placement round for both funds in the second quarter of 2020, with the aim of closing them at about €500m by the summer of 2020. ■

1.6% March 2019 rise in turnover of accommodation and food services in Germany

Beyond the spread

Bond investors are increasingly considering ESG factors in the analysis of credit risk. Ridhima Sharma reports

Despite the noise around equities and sustainability, there is an increasing hive of activity around fixed income and ESG, according to recent figures published by Scope Analysis.

It found that some 146 asset managers have become signatories to the UN Principles for Responsible Investment (UN PRI) Credit Rating Statements, and are committed to the systematic and transparent application of ESG criteria in bond analysis and investment decisions.

By comparison, in 2016 there were only 91 such asset managers. The number of rating agencies belonging to the signatories has also increased from six to 18, according to Scope.

One reason for this development: a growing number of empirical studies and evaluations suggesting proof of the relevance of ESG factors for bond spreads.

Bond investors expect a significant increase in the relevance of ESG criteria, according to a CFA Institute survey. The proportion of investors who hold governance relevant for 2022 government bond spreads is 53% (up from 41% in 2017).

GERMANY DEVELOPMENTS

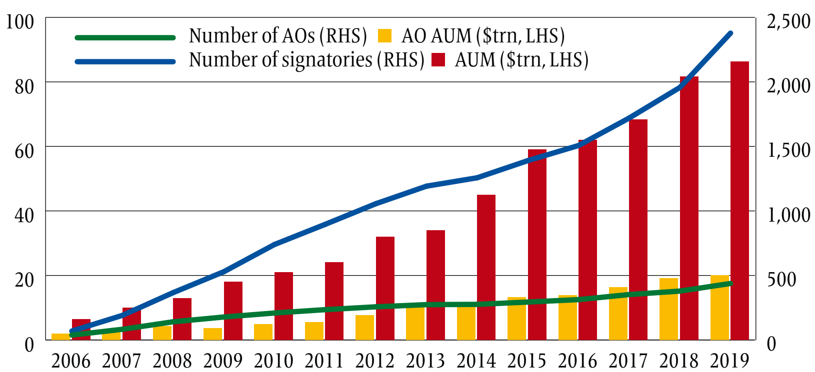
Scope currently covers 145 bond funds that explicitly focus on sustainability issues. Together, the funds currently manage just under €30.4bn.

Thus, it notes, the supply of sustainable pension funds a market such as Germany is still significantly smaller than that of equity funds (around 370 funds with sustainability relevance and assets under management of around €90bn). Of the 145 ESG-related bond funds in Germany, 15 currently hold Scope's top rating.

Nevertheless, the number of pension funds with sustainability relevance is steadily increasing. For example, investors in the "Renten Euro Corporates Investment Grade" now have 32 funds with a sustainable approach to choose from. By comparison, at the end of 2015 there were only 20 funds.

Even in smaller peer groups such as "Renten Emerging Markets Corporates", sustainable funds can now be selected. Not only the number and volume, but also the diversity and the range of investments in sustainable investments are steadily increasing, offering investors the opportunity to build a broadly diversified, sustainable portfolio.

PRI SIGNATORY GROWTH



As at May 2019 Source UN PRI

INTEGRATION

While the ESG integration in equities has been advancing for almost two decades, the application of ESG criteria in the bond sector has only attracted increased attention for a relatively short time.

Bond investors, unlike equity investors, have no voting rights at general meetings and therefore can only exercise their influence through direct communication with management. In addition, when determining the price of bonds, macro factors such as interest rates traditionally dominate. The lower liquidity of the bond compared to stock markets ensures a delayed consideration of ESG relevant news. In addition, ESG factors that only have a long-term impact have little impact on short-dated bonds.

For many German investors, ESG integration equals negative screening, for example, against human rights.

Controversial business practices (as defined by the UN Global Compact Principles) such as child labour or forced labour, controversial business areas such as atomic, biological, chemical weapons, land mines and cluster bombs, gambling, tobacco, fracking or coal mining, nuclear energy or pornography are also frequently encountered as negative selection criteria.

However, Scope says its own experience with institutional investors/asset managers, suggests integration of ESG information in analysis and selection of securities, rather than negative screening before analysis of securities, is dominating the status quo of ESG approaches. ■

The circular economy is one of the themes to come out of concerns about sustainability. Elisabeth Reyes reports on how Decalia's approach has fared one year on

Running in circles

There are a number of consumer trends that are being watched by asset managers for signals on which type of strategy to pursue.

In May 2018, Geneva based Decalia Asset Management launched a strategy based on the so-called circular economy: in this the traditional linear economy – take, make and waste – is replaced by the circular model – re-design, recycle, repair and reuse. Concerns over sustainability are shifting consumption patterns this way.

A year on, in April 2019, the manager felt it was opportune to do its commercial launch of the strategy, called Decalia Circular Economy, which is a global equity fund.

The investment team, led by Clément Maclou – co-manager of the Circular Economy fund, and lead portfolio manager of the Decalia Millennials and Silver Generation funds – has expanded by some four analyst-portfolio managers since he joined in July 2016 after a decade at CPR Asset Management. There he co-managed an ageing population fund.

The Decalia Silver Generation fund focuses on the ageing population and longevity, while the Millennials fund seeks to capture the disruptive nature of the millennials consumption.

"The circular economy fund complements our Millennials and Silver Generation strategies and underscores our strong commitment to invest on changes of consumer trends. These profound paradigm shifts have a lasting impact on the global economy. We use the same proven investment process for the three funds, while adjusting to the peculiarities of each theme," explains Maclou.

The team opines that the transition from the old linear economy can have not only a positive impact on the environment, but also a positive impact on business.

The circular economy looks at all the options across the value chain, facilitating breakout from what is seen as the deadlock of the linear economy, by enabling products that are designed from the outset for easy dismantling and recycling.

Moreover, it shifts the classic ownership concept towards rental and utilization with reliance on renewable energies.

Initiated about ten years ago, this movement has now reached the public and is seen as becoming a major trend over coming decades. Proponents point to a positive environmental impact, resource saving and cost cutting. EU GDP is predicted to be 7% better versus the linear model by 2030 on this basis.

"This major change in our economic and cultural model will foster the emergence of new business models and create substantial opportunities for the companies able to respond to this trend," Maclou says.

INVESTMENTS

Inspired by the Ellen MacArthur Foundation's work and by employing additional research material – Accenture, EY, and others – the team has created a universe of potential investment candidates and has condensed it into a portfolio with its stock picking expertise, explains Antonio Garufi, co-portfolio manager of the Circular Economy fund.

"Our fund has a promising valuation profile coupled with a superior and sustainable ROCE profile compared to the global equity index."

Over the past year, the investment team has fine-tuned the investment process and portfolio, while interacting with industry experts and specific service providers in the sustainability space. The team now works with MSCI for the ESG analysis process.

"We feel we are differentiating ourselves from the classic ESG approach as we invest in companies with an active role in the transition towards the circular economy", adds Garufi.

Roadshows to Italy and Switzerland suggest the theme is one that chimes with investors.

"In the short term, the regulation is clearly favourable, with the recent examples of China banning plastic import or the EU's push against single use plastic. On top of regulation, we see consumers who are willing to pay more for sustainable products", explains Maclou. ■

786 Tonnes of sulphur hexafluoride sold to German businesses by domestic gas traders in 2018

Germany returns to growth

German's economy returned to growth in Q1 2019, helped by higher household spending and a booming construction industry. Ridhima Sharma looks at the numbers

In the first quarter of 2019, the gross domestic product (GDP) in Germany rose by 0.4% on the fourth quarter of 2018 after adjustment for price, seasonal and calendar variations. The Federal Statistical Office (Destatis) also reports that the German economic performance had declined slightly in the third quarter of 2018 (-0.2%) and stagnated in the fourth quarter of 2018 (0.0%).

The quarter on quarter comparison (price-, seasonally and calendar-adjusted) shows that positive contributions mainly came from domestic demand, according to provisional calculations.

In the first quarter of 2019, fixed capital formation in construction and in machinery and equipment increased considerably compared with the fourth quarter of 2018. Household final consumption expenditure, too, increased substantially on the previous quarter. However, government final consumption expenditure recorded a decline. There were mixed signals regarding foreign trade; both exports and imports increased compared with the previous quarter.

Compared with a year earlier, the price-adjusted GDP rose by 0.6% (calendar-adjusted: 0.7 %) in the first quarter of 2019, following increases of 0.9% (calendar-adjusted: 0.6%) in the fourth and 1.1% (calendar-adjusted: 1.1%) in the third quarter of 2018.

The economic performance in the first quarter of 2019 was achieved by 44.9 million persons in employment, which was an increase of 481,000, or 1.1%, on a year earlier.

In addition to calculating first data for the first quarter of 2019, the Federal Statistical Office also reviewed the national accounting results published for the individual quarters and the year 2018 and, where necessary, incorporated new statistical information in the calculation of results. This did not result in any changes of the gross domestic product data published so far.

"THE OUTLOOK FOR EXTERNAL DEMAND IS DARKENING"
Azad Zangana, Schroders

HEADWINDS

Azad Zangana, senior European economist and strategist at Schroders comments: "Germany's economy has been buffeted by a number of headwinds in recent quarter. Changes to car emission testing following the Volkswagen scandal led to a Europe-wide backlog of testing and supply of new passenger vehicles.

"In addition, a drought in Northern Europe caused the water level of the river Rhine to fall to the point where cargo could not be shipped in or out of key manufacturing hubs. These temporary disruptions have almost abated, enabling activity to rebound to more normal levels.

"Looking ahead, while the domestic demand situation has stabilised, the outlook for external demand is darkening. The escalating trade war between the US and China is likely to continue to have hurt international trade and demand for German exports. Both exports and imports are reported to have risen in the first quarter, but the net position appears to have been neutral.

He adds: "Should the US administration follow through on its threat of tariffs on EU car exports, then a full transatlantic trade war will ensue, generating a major downside risk for Germany. Our forecast assumes the US will not go that far, but at the same time, we do not expect any meaningful rebound in external demand in the near future."

German GDP shows the country isn't heading for a downturn, Andrew Scott, associate director at JCRA, said: "German GDP data for the first quarter provided reasons to be hopeful that Europe's largest economy isn't headed for a protracted downturn. The economy grew 0.4% in the first three months of this year as forecast, despite manufacturing suffering a sharp contraction due to rising trade tensions.

"Having contracted in Q3 and stagnated in Q4 of 2018, Germany growing again. But there are plenty of concerns for the world's second largest exporter, as protectionist policies continue to dampen global trade, while eurozone economic growth remains weak.

"Germany's ZEW indicator of economic sentiment unexpectedly fell to -2.1 points in May, down from 3.1% in April and a way off expectations for it to rise to 5.0. The macro environment is challenging, particularly for export sensitive countries, and this is being reflected in the surveys of businesses and investors.

Scott continues: "The euro barely moved on the news, with one-year market implied volatility in the single currency currently towards its lowest levels on record. At the current level of €/$ at around 1.12, there is little reason to be buying the single currency which is historically fairly cheap, but also probably fairly valued." ■

29,000 Number of investment professionals worldwide who passed Level I CFA Exam in Dec 2017

Chartered Financial Analyst UK has launched a new qualification in ESG investing for investment professionals aimed at contributing to the development of the investment sector's skills in responsible investing. Eugenia Jiménez reports

CFA UK unveils ESG investing certificate

The Certificate in ESG Investing, which is recognised and supported by the United Nations' Principles for Responsible Investment (PRI), is the first formal qualification on ESG investing available sector-wide to investment professionals in the UK.

Revealed at the Chartered Financial Analyst (CFA) Institute Annual Conference in London, the Certificate is designed for investment professionals in all roles, from asset management to sales and distribution as well as students who are looking for a career in the financial sector.

According to the CFA UK, its introduction follows a surge of interest in ESG from investors in recent years and will help to meet the investment sector's increasing demand for further education, guidance and standards around ESG.

Will Goodhart, chief executive of CFA UK, said: "The launch is taking place after talks with the investment management sector for the last couple of years.

"When we felt there was real demand from investment management firms, we put together a panel of professional investors that has helped us to develop a syllabus…"

"The certificate is intended to be a threshold competency exam to provide people with a sufficient understanding of what ESG investing is, so they can engage with it effectively for their clients," Goodhart explained.

The qualification sets out the fundamentals for ESG investing and will equip professionals with the skills and knowledge to integrate ESG issues into their daily work.

The syllabus covers broad issues such as an introduction to ESG, the development of this kind of investing and technical issues such as portfolio construction and the incorporation of ESG criteria to it.

Goodhart emphasised that the content is deliberately non-prescriptive with the aim of enabling individuals and organisations to continue to hone their own approaches to ESG while ensuring a standard level of competency.

The qualification is modelled on the existing CFA UK's Investment Management Certificate (IMC), which is considered the benchmark entry-level qualification for the UK investment profession.

"THE CERTIFICATE WILL HELP PROFESSIONALS TO BUILD AND DEMONSTRATE EXPERTISE IN ESG INVESTING"
Will Goodhart, CFA UK

ROLL OUT

A pilot exam with professionals from firms including HSBC and Vanguard is scheduled to take place in early September, at which point general registration will open.

The first official open sitting of the exam will be available from 1 December 2019.

CFA UK said the estimated time for study will be 130 hours, after which candidates will go to a test centre to do a 100 questions exam over the course of two hours and 20 minutes. It costs £470.

Goodhart said: "CFA UK's purpose is to make sure that investment professionals are technically and ethically competent to serve their clients well. Clients understand that ESG factors are financially material and expect their managers to help them meet their fiduciary duties by integrating ESG into analysis, valuation and investment decision-making.

"The certificate will help professionals to build and demonstrate expertise in ESG investing and investment firms to extend their resources and illustrate their commitment. We are pleased to support the development of the sector's skills and competencies in this critically important field."

Goodhart also said that although the Certificate has been launched just in the UK so far, the global association does not rule out the possibility of launching it in other markets, depending on the success the qualification has. ■

0.4% Q1 2019 gain in German GDP

DIRK SÖHNHOLZ

Dirk Söhnholz is founder and CEO of Diversifikator, an online model portfolio strategist (B2B&C) with focus on ESG. He is an honorary professor of asset management at Leipzig University.

Previously Söhnholz worked with Boston Consulting Group, Feri Private Equity, Feri Alternative Asset, Feri Institutional Advisors and Veritas Investment.

2.1% April 2019 inflation in German wholesale trade selling prices

Bringing ESG to model portfolios

ESG strategies are the most popular strategies notes the founder of online portfolio strategist Diversifikator, Dirk Söhnholz, in talks with Ridhima Sharma

Frankfurt-based online portfolio strategist Diversifikator came to market some three years ago with an adviser-centric approach to investments, while also being open for self-directed investments.

Seeking to offer unique and fully rules based 'passive' single and multi-asset, forecast- and optimisation-free, robust and transparent portfolios, it therefore aims to enables diversification by investment philosophy in relation to traditional discretionary and forecast based quantitative investments.

Thus far, AUM remains relatively low, but as Dirk Söhnholz, founder and CEO, explains: "I started the company in 2016 and most advisers and investors want some track record before they consider investments. Active marketing of the portfolios thus will only start this year."

Given the focus on offering model portfolios, there is a reliance on rules, but this does not just mean tracking indices. Initial portfolios were ETF based, but since 2016, most new portfolios facilitate direct equity exposure.

"Most of our portfolios do not exist anywhere else. We have passive multi-asset portfolios, ETF portfolios only using listed alternatives, ESG ETF portfolios, and direct ESG equity portfolios, for example, for listed real estate, listed infrastructure or German stocks," Söhnholz states.

Using ETFs that are publicly distributed in Germany means sourcing is relatively easy.

Söhnholz continues: "For our standard model portfolios, we analyse the available ETFs once a year and thus create an 'approved' list. For custom portfolios we constantly monitor the relevant universe."

Another point of note is the popularity of ESG-strategies, he adds. For example, Diversifikator is currently developing an ETF based impact strategy on behalf of one client. This also seeks to use themed ETFs, such as those focused on future mobility or gender and inclusion.

"Our selection processes, both for ETFs and direct equities, are fully rules based. I would not call it quantitative, though, since most of the selection criteria are 'feature'-orientated. That means that we select the ETFs which are based on the strictest ESG or SRI indices. If we find several ETFs for the same strict index, we use the one with the best tracking difference which is a substitute for the lowest cost."

> "OUR SELECTION PROCESSES, BOTH FOR ETFS AND DIRECT EQUITIES, ARE FULLY RULES BASED"

"For stocks we use many 100% exclusions and then select the ones with the best ratings for E, S and G separately. Apart from the maximum loss in the previous year we do not use financial criteria for stock selection. Interestingly, the results of most of these simple portfolios are very attractive.

"I like ETFs, mainly because they are rules based and transparent. For active managers, transparency, which requires a clear and detailed investment strategy, is key for me. Also important are low costs and a high investment by the fund managers."

As for red flags, Söhnholz points to opaqueness, high costs and no investments in their own funds by managers. That said, the offshore world is not one that would necessarily be avoided.

"We follow a 'no data' approach, therefore I do not have statistics about my clients, but I can judge myself. Historically, I have invested quite significantly in 'offshore' private equity and hedge funds. Since 2010 though, I have only invested in liquid funds. Nowadays, I use some ETFs, but future investments will mainly be in equities.

"Personally, I would be happy to invest, for example, in Cayman Islands domiciled hedge funds. Most German investors would clearly prefer Luxembourg or Ireland regulated funds, though."

RISK

Söhnholz tends towards performing risk control himself – given the reliance on ETFs.

"I have seen and analysed many sophisticated models, but I am perfectly happy with simple approaches such as 200-day trading day signals. If you compare many 'actively' risk managed funds with a benchmark of a passive equity investment combined with a 200-day-average signal, the latter will often perform better

"For my equity portfolios I also use trailing 12 months loss, which works quite well. Professor Schuhmacher at Leipzig University has conducted some very interesting research showing that complex risk measure typically doesn't outperform simple ones.

"I expect a significant switch of allocation to passive and to ESG portfolios. Traditional active funds and hedge funds will lose share. Also, I presume listed alternatives such as infrastructure to increase their share in portfolios. Listed real estate will replace some unlisted real estate but private equity will stay attractive." ■

€1.1315 Sterling exchange rate on 21 May 2109

Introducing a particular focus to its plans for Spain and Italy, GMO recently brought two alternative strategies to these markets. Eugenia Jiménez reports

Tailoring liquid alts to southern Europe

Co-founded in Boston by Jeremy Grantham over four decades ago, Grantham Mayo Van Otterloo (GMO) recently registered two of its flagship liquid alternatives funds for sale in Spain and Italy.

The US headquartered, privately owned global investment manager counts offices in San Francisco, Singapore, Sydney, Amsterdam and London, although its expansion into southern Europe has relied on a distribution agreement with the Allfunds platform.

This means institutional investors from the two countries now have access to the pair of Ucits strategies from the $66bn AUM manager.

GMO has chosen the GMO Global Real Return Ucits fund and the GMO SGM Major Markets Investment fund to be distributed in the two countries based on a combination of factors ranging from their proven strength in the long-term, valuation-based asset allocation, and local investor demand.

The GMO Benchmark-Free Allocation Strategy, which is available via the GMO Global Real Return Ucits fund, is a multi-asset unconstrained strategy that was launched in 2001, based on a dynamic, valuation-driven asset allocation approach to generate long-term annual returns of 5% over inflation (net of fees).

GMO Systematic Global Macro Major Markets Strategy, available via the GMO SGM Major Markets Investment fund, is the liquid alternative version of a hedge fund the firm has been running since 2002.

The strategy combines long-term valuation signals with shorter-term sentiment indicators, with the goal to deliver absolute returns of 5% over cash by taking long and short positions on equities, bonds, currencies and commodity indices.

"Over time this strategy has demonstrated a low correlation to traditional asset classes making it an appealing diversifier for investors," GMO underlines.

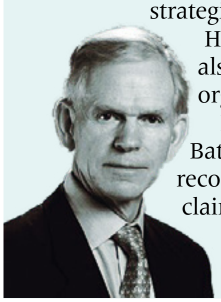
GMO says it is looking to further develop its business in the Southern European markets as well as catering their regional preferences in terms of vehicle´s type and platform´s availability.

"In southern European markets, we are proactively engaging with a range of potential clients and platforms, such as Allfunds, able to provide us with the opportunity to grow our business in these countries. However, there are some inherent differences between different markets in Europe, likely to be benefitted from a tailored approach.

"For example, we are conscious that both Italy and Spain have a large amount of retail savings, which are accessible through open-architecture distribution channels of local banks.

"This has both implications for the suitability of vehicle type, and for the accessibility through local platforms such as Allfunds, both important factors to consider when assessing how to gain traction in these markets."

JEREMY GRANTHAM



Jeremy Grantham co-founded GMO in 1977 and is a member of GMO's Asset Allocation team, serving as the firm's chief investment strategist.

He is a member of the GMO Board of Directors and has also served on the investment boards of several non-profit organisations.

Prior to GMO's founding, Grantham was co-founder of Batterymarch Financial Management in 1969, where he recommended commercial indexing in 1971, one of several claims to being first.

He began his investment career as an economist with Royal Dutch Shell.

CLIENT BASE

Institutions, family offices, advisers, intermediaries and wealth managers are among the firm's clients.

The institutions range in type from corporate and public defined benefit and defined contribution retirement plans to foundations, endowments, and sovereign wealth funds.

The manager has worked with families since its foundation. It also collaborates globally with a broad range of investment advisers.

But the manager also positions itself as a resource in a broader sense, aiming not only to provide funds, but also solutions and insights being sought out by advisers, private banks, wealth managers and other intermediaries.

13% Proportion of decision makers in venture capital in the UK who are women – 2017 Diversity VC Report

"We are keen to ensure that we identify the right strategy for each potential client by considering various factors including risk appetite, desired exposure, structural requirements, and how we can complement any existing managers that they invest with, especially given that our valuation approach can often be a good diversifier."

EMD STRATEGY TO BE LAUNCHED

In addition to the two Ucits alternatives funds, GMO is set to launch a new vehicle for its emerging market debt (EMD) strategy in the southern European markets.

It has managed a hard currency EMD strategy since 1994, rooted in looking to valuations and with a strong focus on bottom up selection among sovereign and quasi-sovereign issuers.

"We believe that our approach provides our clients with the best chance for long-term success in this asset class while differentiates us from other emerging debt managers who focus on top-down country, currency, or corporate investments. For better suitability to investors in southern Europe, we are setting up a Ucits vehicle in addition to the existing funds."

INVESTMENT PROCESS

GMO believes that a valuation-based approach best serves clients over the long term. However, to successfully apply this philosophy across the different asset classes requires a deep understanding of the unique opportunities and challenges of each market.

The firm invests in multi-asset, equity, fixed income, and alternative markets. Each investment team implements an active investment process that is tailored to a specific area. While some of GMO's investment teams rely on innovative quantitative tools, others use rigorous fundamental research, and others blend the two approaches.

GMO actively promotes collaboration and exchange of ideas across the different investment teams. "Forums that encourage this include both formal investment ideas meetings and investor retreats, as well as frequent informal cross-team meetings and discussions," the company outlines.

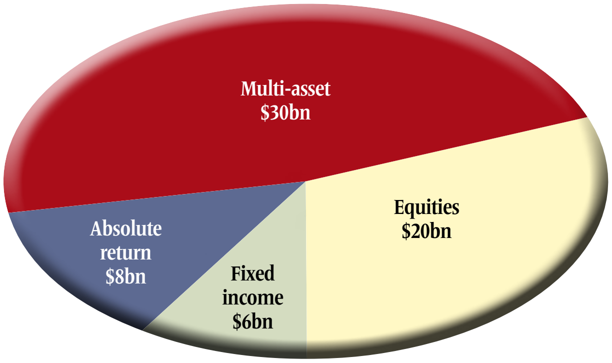
The firm seeks to provide positive absolute returns by focusing on the most attractively priced asset classes while aims to avoid the most over-priced asset classes.

"We maintain an objective and disciplined view of asset prices around the world. Using the framework of our proprietary '7-Year Asset Class Forecasts' as a basis for valuation, we identify those assets that are priced to deliver attractive long-term returns versus those assets which are trading at a premium relative to their intrinsic fair value."

ASSET ALLOCATION

For GMO, emerging value equities is currently the most attractively valued single asset class. The firm also favours liquid alternatives, which have shorter duration com-

ASSETS UNDER MANAGEMENT



As at 31 December 2018 Source GMO

pared to other asset classes, while offering an alternative to getting paid for taking risk, in contrast to traditional asset classes, which are now generally expensive, and lack directional exposure.

GMO believes the US equity market is mostly overvalued, especially excluding the small caps universe. As long as the firm has the ability to be unconstrained, it does not invest in this asset class.

However, given the case in which clients need to be exposed to US equity, GMO would prefer to invest in high quality stocks.

With regards to responsible investing, GMO believes ESG factors can have a meaningful impact in the long-term success of companies and countries. The firm incorporates where it believes they will have a positive impact in the long term, risk-adjusted investment returns and further develop clients´ goals.

In 1987, GMO started implementing ESG-related factors into client portfolios, including social and environmental screens. Today, the manager continues to focus on understanding how the integration of ESG factors can improve its clients' investment results while help itself to evolve its investment practices.

BUSINESS PLANS

When asked by its business plans, GMO says its main goal is to deliver higher investment performances and advice to its clients.

"We recognise that to a large degree, our ability to achieve our performance objectives will dictate our future growth potential. Accordingly, we would like to grow at a pace that is consistent with our goal to perform in a superior way as an investment organisation.

"We have established growth limitations for all products especially where market liquidity restricts size and flexibility.

"We believe that controlled growth has a very positive impact on existing client relationships as it ensures that they receive the performance we strive to deliver above all else." ■

0.8% Q1 2019 YoY CO_2 emissions fall in the Netherlands

Heading for the Continent

LGIM may have British roots, but markets such as Germany are core to its ongoing business development in the region. Ridhima Sharma reports

Legal and General Investment Management (LGIM) offers strategies across the full spectrum of asset classes, including equities, bonds, property, alternatives and cash, as well as multi-asset strategies tailored to the needs of institutional and retail investors.

Having grown its business over time, and following another year of growth through 2018 despite a backdrop characterised by market volatility, this year the manager has surpassed £1trn (€1.14trn) in assets under management.

This has enabled it to stake a position as the largest European institutional asset manager, and one of the largest globally.

Philipp Graf von Königsmarck, head of Wholesale Sales, Germany says: "Our success has been built by focusing on clients and providing them with services and solutions that meet their needs. LGIM is also one of the biggest providers of index fund management – and at the forefront of developments in liability-driven risk management solutions.

"What makes us unique is that we are aware of the responsibility that comes along with our scale. We play an active role in the companies we invest in, from exercising shareholder voting rights to directly engaging with companies at a board level.

"By engaging with businesses, we aim to unlock value for investors and shape the future and sustainability of financial markets."

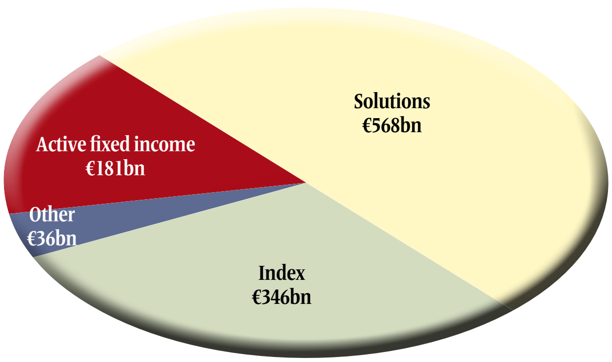
VICTORIAN ORIGINS

LGIM is the investment management arm of Legal & General Group, with a heritage dating back to 1836.

Its asset management business was established in 1970, initially under the name of Legal & General Investments, which later became LGIM. The company started to manage assets for pension funds, institutional and private clients.

LGIM is active in all the key European markets, whether with a direct local presence or by serving them from headquarters in London.

ASSETS BY CLASS



As at 31 December 2018 Source LGIM internal data. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions. May not total due to rounding.

In Germany, Ireland, Italy and the Netherlands, the asset manager has local offices where its local distribution teams are based. These are supported by functions based in London, including investment management, client relationship services and marketing.

"We want to evolve our wholesale/retail business from a specialist ETF provider to a full-service provider in the ETF market," says Königsmarck.

"We see significant growth potential in this market. Customers have focused on just one or two large providers, but now want to have greater diversification within their portfolios. In addition, the investment behaviour of customers is changing, with a desire to invest responsibly playing an increasingly important role. New products are required to meet this need.

"LGIM can differentiate itself from other asset managers through its active participation in voting rights – in actively managed assets as well as passively managed assets. We can also help investors find new sources of yield at a time when interest rates continue to be low. We think that emerging markets debt can be a solution for many investors looking for yield."

He continues: "Germany is one of the most important markets in continental Europe for us. We have started to position ourselves in this

75,600 Q1 2019 permissions to construct residences in Germany

market and want to grow steadily with a long-term perspective. The launch of our new Core, low cost equity ETFs in January was the first step in building up a bigger product range in Germany. Currently we are offering 26 ETFs in Germany and, in the next few years, we aim to substantially grow our product range there.

"We are active in European markets, whether with a local office or by serving the regions from our headquarters in London. We want to continue to implement our growth plans on the Continent, which is strategically key for us.

"We have also expanded in the Middle East, Asia Pacific and the US selectively. As one of the largest asset managers in the world, we continue to assess market opportunities that can help us grow further."

ETF FOCUS

LGIM has primarily been known as an index fund provider – in this segment, it is the fifth largest provider in the world, with over 30 years of experience.

"When it comes to wholesale customers in Europe, however, our focus is on ETFs. With our Core ETFs we have created a new product range to take the next step in local markets," adds Königsmarck.

Today investors expect more than just low-cost from core equity ETFs. Index managers need to be more active in mitigating the risks of crowded indices and engaging with companies for the long-term benefit of the market and investors.

Königsmarck states: "With our Core Equity ETFs, we are avoiding trading around the index adjustment days. Our new index design can help shield investors from the unpredictable behaviour of crowded trading.

"Additionally, we are actively engaging with companies to help ensure strong governance that will result in long-term performance – even in passive investments.

"At the same time, we offer an industry-leading thematic range of ETFs and develop new approaches

PHILIPP GRAF VON KÖNIGSMARCK

Philipp Graf von Königsmarck joined Legal & General Investment Management as head of Wholesale Distribution, Germany in May 2018. Previously, he was the head of Family Offices and Asset Managers at Fidelity, in Germany.

After an early career in marketing and communications, he joined Fidelity in 2004 and moved into a sales position within the IFA team, becoming head of IFA Sales within less than a year. For the next eight years, Königsmarck led the sales team whose remit it was to turnaround sales performance, resulting in a positive trend.

In 2013, he set up and led a new business area at Fidelity, focused on multi-family and single family offices and independent wealth managers.

to help deliver better outcomes for European investors. We believe that our approach and our product range can provide added value to our clients compared to what's currently available in the market."

KEY REGION

Europe is a key strategic region for LGIM and it wants to continue to grow its assets and its client base there.

Königsmarck says: "We constantly review how we can serve our markets best, as well as where the needs and opportunities are. In Germany and Italy, for example, we are looking to add resources to our wholesale/retail business in our existing branches in due course." ■

76.1% Q1 2019 employment rate in the UK

Brexit, disruption and broader industry changes were in focus when the 15th Alfi London Cocktail & Conference took place in early May. Jonathan Boyd reports

Disruption on the line

It was not a fact lost on delegates to Alfi's latest conference in London: when they were finalising the planning some months ago, it was no doubt with expectations that they would be attending an ex-EU event.

It did not, of course, take long for the 'B' word to be mentioned by attendant speakers, who outlined changes across a number of areas – not just in the main stage discussions, but also in the later breakout sessions covering ManCo operating models, new tax and structuring developments in private equity, hot investment areas in property, and Luxembourg's new sustainability finance toolkit.

BREXIT & LUXEMBOURG

This being an event organised by the Association of the Luxembourg Fund Industry, it led off with a review of Luxembourg's place in the European fund ecosystem, particularly in terms of domiciliation of funds, but also with a nod to possible outcomes depending on what happens with Brexit.

Nicolas Mackel, CEO, Luxembourg for Finance outlined key objectives currently held by those responsible for evolving the finance sector in the Grand Duchy. These include: reviewing the talent needs, including developing domestic talent, but also being able to recruit talent from elsewhere; continuing efforts to strengthen Luxembourg's claim to be a fintech hub, with, for example, the government moving to recognise blockchain based securities.

On Brexit, Mackel noted that some 31 out of 58 financial services firms publicly committed to relocating business to Luxembourg so far are asset managers, but that more are likely to ensure passporting rights in the face of the Brexit threat – which he characterised as the "mother of all messes".

Continuing the view from Luxembourg was Denise Voss, chairman of Alfi. One of the key developments she noted was the continued formation of Reserved Alternative Investment Funds (Raifs), with some 600 formed since the Luxembourg regime came into being in mid-2016.

UK VIEWS

With the event taking place in the UK, it was to be expected that UK based financial professionals would have an opportunity to put forward their views, and Chris Cummings, CEO of the Investment Association duly obliged.

He focused on the great need for the industry to evolve to maintain relevance to society more broadly. He bracketed the changes necessary as the "3Ps and a T": politics, people, process and technology.

Another change facing the industry is to continue making better use of technology, added Michael Drexler, managing director, global head of Strategy and Business Transformation at JPMorgan Asset Management.

For example, he discussed the implications of fractional

5.4% April unemployment rate in Luxembourg

ownership of shares being made possible through blockchain. This could, he suggested, make possible "a fund for one".

And, while it remains to be seen if machines can completely replace portfolio managers, in the meantime the industry is busy evolving cooperation between machines and people. Another key fintech question was summed up as depending on "whether Alexa becomes financially literate, should regulators allow it, and should Alexa's owners wish it so." (Alexa is, of course, the virtual assistant offered by Amazon, usually in the form of a standalone speaker, and which has contributed to a sharp rise in the proportion of online searches being done by voice rather than typing into a box on screen.)

Moving on to the first key panel of the day, the event brought together asset management CEOs to consider the industry's response to disruptions caused by technology and politics, and to what extent it is actually responding through transformation.

Taking part in this discussion were Peter Horrell, managing director, Fidelity International, James Broderick, former head of UBS Wealth Management UK & Jersey and now an impacting investing advocate, Peter Harrison, group chief executive, Schroders, and Jonathan Wilcocks, global head of Distribution at M&G Investments.

Among the challenges noted were the fact that wealth tends to be concentrated in the upper age brackets – Wilcocks noted that some 87% of UK wealth is held by those aged 45 and older – which means asset managers need to respond to certain needs of younger investors today, but which could change significantly in future, for example, as they inherit wealth, or as the so-called sharing economy evolves and influences their view of asset managers.

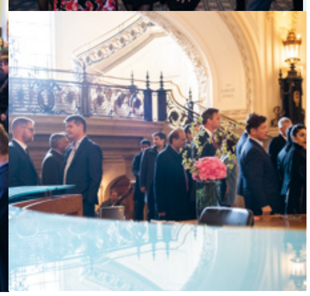
Another challenge is in data. Harrison said changes to auditing are required to get better data on sustainability of business models, as part of the asset management industry engaging even more sustainably.

And the industry needs to better understand the difference between, say, impact investing and other forms of SRI or ESG driven investments. Broderick said there was evidence to suggest that impact investors tended to greater engagement and persistence of engagement. The panellists suggested generally that in coming years ESG will not be seen as an outlier, but will be a given.

For asset managers looking ahead to business growth opportunities, there are certain geographies to keep in mind too. Europe, China and the Americas are witnessing the link between global asset managers to local markets through defined contribution. Also, the shift away from 'product' to 'solution' is expected to continue. ■

COCKTAILS

As per the name of this event, the first day of the conference actually constituted an evening cocktail reception, which took place on 7 May



0.8% Increase in number of employed persons in Switzerland in Q1 2019

Visiting the community

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

April and May saw *InvestmentEurope* staff head off on research trips to Norway, Spain and Switxerland, to inform about upcoming events, but also to gain insight into key investment topics of ongoing interest to locally based fund selectors.

Oslo

Jonathan Boyd, editorial director and Patrik Engström, head of Fund Selector Relations, Nordic visited the Norwegian capital on 29 April.

Meetings included:

- Richard Litsén – investment manager – External Managers – Ferd;
- Morten Christensen – director Investment Management – Aars; and
- Åge Saetrevik – chief investment officer – Gjensidige.

Valencia

Ángela Oroz, Fund Selector relationship executive, Iberia visited Valencia on 7-8 May.

Meetings included:

- Javier Climent – investment adviser – EFE & ENE;
- Juan Miguel Damia – director – Tressis;
- Philip Kalus – managing partner – Accelerando Intelligence;
- Christian Durr – fund selector – Etica Patrimonio; and
- Lorenzo Serratosa – CEO – and Daniel Pérez – fund selector – Kau Markets eafi.

Zurich

Ridhima Sharma, DACH correspondent and Alexandra Laue, Fund Selector relationship manager, DACH visited Zurich on 9 May.

Meetings include:

- Dr. Julius Agnesens – head of Investment Solutions – Finreon AG;
- Kuno Schmid – portfolio manager Fund of Funds – Falcon Private Bank;
- Eckhard Zündorf – PF manager – Opernhaus Zürich; and
- Jörg Dobler – head of PM, head of AM, managing partner and member of executive board – Marcuard Family Office.

Madrid

Ángela Oroz, Fund Selector relationship executive, Iberia visited Madrid on 13-14 May

Meetings include:

- Beatriz Guerra – fund analyst – Alantra;
- Ismael García – investments director – Mapfre; and
- Gema Martínez-Delgado Cordente – responsible for advisory and portfolio management – GVC Gaesco. ■

Upcoming trips

InvestmentEurope's events programme for 2019 can be viewed on p34 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.

NOK 2.4bn Increase in net interest income in Norwegian Banks in Q1 2019 YoY

Have copy, will travel

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

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

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

Approaching events

June will see *InvestmentEurope*'s events programme hit Rome and Zurich for key Summits

NEXT EVENTS

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, Legal & General Investment Management, Principal Global Investors, RWC Partners, Sycomore AM and UBS Asset Management. 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. Networking for delegates and sponsors alike is provided via coffee breaks, lunches and dinner.

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

INVESTMENT EUROPE PAN-EUROPEAN ESG SUMMIT ZURICH 2019

ZURICH, 13-14 JUNE

Taking place over two days at The Dolder Grand, the *InvestmentEurope* Pan-European ESG Summit Zurich 2019 aims to tackle key questions facing fund selectors seeking to broaden and deepen their knowledge around practical responses to integrating ESG.

This event will feature a mix of plenary speaker sessions and panel discussions delving into both buy and sell side views. Participating speakers will also address use of AI and data sciences in ESG approaches, how being a signatory to UN PRI flows into actual SRI integration, key trends driving ESG, the role of ESG in Japan, and the future of sustainable investments.

Specialists will come from Forum Nachhaltige Geldanlagen, Morningstar, PwC, RepRisk and TruValue Labs. Asset management groups represented include Acadian Asset Management, BLI – Banque de Luxembourg, Funds for Good, Invesco and Sparx Group.

Networking breaks, including a networking dinner, form part of the programme.

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

TAKE PART IN THE DISCUSSION

Delegates to the Italian and Pan-European ESG Summits are encouraged to connect ahead of the events by tweeting using the hashtag #IESUMMIT.

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 HELSINKI ROUNDTABLE 2019

HELSINKI, 24 SEPTEMBER

The second half of the year will see *InvestmentEurope* host a Roundtable event in Finland's capital Helsinki for locally based fund selectors.

Taking place at the Hotel Kämp on the morning of 24 September, the event will include presentations from groups including Legg Mason Global Asset Management, Majedie Asset Management and Pictet Asset Management.

Fund selectors interested in registering should contact Patrik Engström at patrik.engstrom@odmpublishing.com or telephone +44 (0) 20 3727 9940.

INVESTMENT EUROPE REYKJAVIK ROUNDTABLE 2019

INVESTMENT EUROPE LISBON ROUNDTABLE 2019

INVESTMENT EUROPE FRANKFURT ROUNDTABLE 2019

Further Roundtables taking place in September and October will visit the capital cities of Iceland and Portugal, on 25 September and 8 October respectively, bringing insight from asset managers to locally based fund selectors.

Germany's financial capital and seat of the European Central Bank, Frankfurt will also host a Roundtable on 16 October.

EVENTS CALENDAR 2019

6-7 June	Rome	Italian Summit
InvestmentEurope's inaugural Summit event in the Italian capital will target the local institutional market as well as wholesale financial professionals with a programme of boardrooms/workshops and panel discussions		
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
30 October	Copenhagen	Roundtable
14 November	Zurich	*Pensionskassenforum*

***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.

5 Panelists joining SharingAlpha to discuss digitalisation at FundForum International in Copenhagen

@ SharingAlpha

CEO and co-founder of SharingAlpha Oren Kaplan looks forward to the upcoming FundForum International conference where he will host a panel looking questions of digital fund selection

Discussing digital fund selection

With the latest edition of the FundForum International conference upcoming in Copenhagen 25-27 June, Oren Kaplan, co-founder and CEO of SharingAlpha will be taking part in a panel looking into questions of digital fund selection.

This panel will see five members of the SharingAlpha community come together to discuss digitalisation in the fund selection space.

They include, besides Kaplan himself, who is moderating: Ilan Sadoun, co-founder and chairman Caspa Family Office & Wealth Management; Madalena Antolin Teixeira, senior portfolio manager, ASK Wealth Management; Bart Van Der Ven, manager and fund selector, Accuro Wealth Advisors; Adam Jordan, director of Investment Research & Management, Paul R. Reid Financial Group; and Brad Prosper, investment analyst, Xperia Investment Advisors.

Questions set to be addressed by the panel include:

- Nowadays almost all the services and products you consume are rated on user-generated rating platforms – with the exception of investment funds. With over 100,000 funds to choose from how do you see the role of digital rating platform such as SharingAlpha?
- As you know, in order to motivate professional fund buyers to share their opinions SharingAlpha came up with the idea to rank the raters based on how their ratings matched the actual performance of the funds they rated – do you believe fund selectors should be able to exhibit their track record using such digital tools?
- In order to improve your roles as professional fund selectors, what additional digital tools have you adopted and which tools would you be interested in?

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 Fd	Luxembourg	5	5	◆
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	4.83	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 Divsfd	Luxembourg	4.82	19	▲
Dodge & Cox Intl Stock Fund	United States	4.81	6	New

As at 30 April 2019 Source www.SharingAlpha.com

RATINGS CHANGES

In the most recent monthly update of the list of funds ranked most highly by users of SharingAlpha, there was little movement in the top five ranked funds.

Instead, it was in the subsequent five where the data pointed to advances by the azValor Iberia FI and the Schroder GAIA Two Sigma Diversified funds into the top 10.

The Russian Prosperity fund slipped down in the rankings, while a new entrant took its place in the form of the Dodge & Cox International Stock fund – 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 IPO valuations, sustainability objectives and the US/China trade war

Ideas generation

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

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What do recent IPO valuations suggest about market valuations generally?

With over $15bn raised, May is the biggest month for IPO fundraising since 2014, when Alibaba raised $25bn.

The percentage of companies with negative earnings in the year prior to IPO was 81% at the end of 2018, a level similar to the 2000 peak. Needless to say, this is an alarming signal against a backdrop of demanding equity valuations, tight credit spreads, inverted yield curve and record low unemployment.

The IPO pipeline is very large and there are questions about how the markets will absorb it. Lower quality companies with high prices are already struggling. Private valuations are probably too high in the tech sector and for the unicorn club: more than 300 globally (mainly US and Chinese), with a total private valuation of more than $1trn

BERNARD AYBRAN

CIO Multi Management
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What do recent IPO valuations suggest about market valuations generally?

The valuations prevailing at the recent high profiles US IPOs are shedding some light on the otherwise more secretive private equity market.

The massive flows of money into illiquid assets in general, and private equity in particular, are meaningfully distorting valuations. This trend favouring illiquid assets relies on the search for investments displaying a low correlation to the major public stock markets.

More broadly, investors worldwide keep avoiding, and selling public equity to the benefit of almost any other asset class, whether classic bonds or more exotic, and illiquid, assets. This trend has been ongoing for a while and the trigger that could stop it remains to be seen.

JON BECKETT

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

What are you doing to implement sustainability objectives internally at your organisation?

What I am advising my boards and committees is to consider adopting a more progressive agenda. I observe that asset valuation and fund selection, appointment and monitoring still needs to evolve.

The adoption of UN Principles of Responsible Investing is not static but a dynamic standard. "Comply or explain" will become a hurdle that has to be chased year-on-year.

There is an inertia within our industry that can delay that change. Key issues will naturally gravitate to carbon extractors (oil, gas and coal), emitters (power grids) and users (autos/ aerospace) but there a lot of issues belying, other pollutants to manage and controversial stocks to engage.

FILIPPO STEFANINI

Head of Multimanager Investments & Unit Linked
Eurizon Capital SGR
Milan
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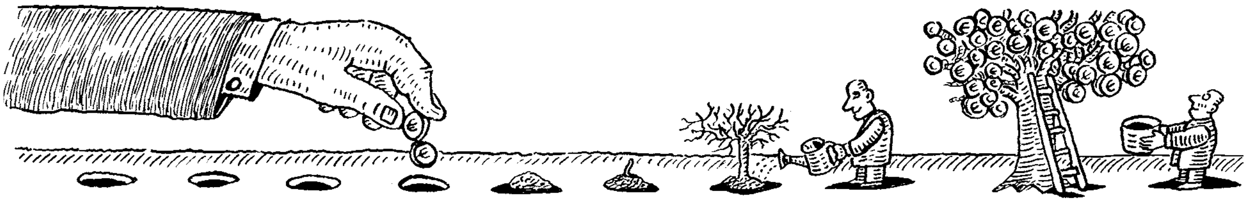
When does the US/ China trade war become a significant problem for you and/ or your clients?

A protracted trade dispute is a downside risk on global growth, particularly with respect to tech companies or manufacturers dealing with higher input prices or disrupted supply chains.

China's economy is showing signs of slowdown and it is using an expansion of its fiscal deficit to support the economy.

The renminbi exchange rate is depreciating and this volatility can continue due to the uncertainties; but the central banks of both countries can ease monetary policies to provide support to the economic cycle, if there is an escalation of retaliation measures.

However, the US economy continues to look strong and the likely scenario is a prolonged global economic expansion.



Diversity and the benefits of avoiding groupthink

apfi
Association of professional fund investors

The Association of Professional Fund Investors (APFI) is a registered Swiss non-profit, all-volunteer organisation exclusively composed of and led by professional fund investors. Founded in 2011, it serves members on six continents.

For more information visit www.profundinvestors.com.

There is much to consider around the topic of diversity. For the fund selector community, one of the facets is understanding to what extent diversity can impact on groupthink, and if so what this may mean in terms of the composition of fund selection teams in order to provide clients with ideas that may be beyond their normal comfort zone, but which could actually be beneficial.

This is not a practice in theory. The industry likes to claim it is a 'people business': if so it needs to be able to welcome those without an existing network. And the industry needs to reflect diversity in people and backgrounds in order to ensure that analysis and selection remain mainstream in future. Countries seeking to encourage more interest in long term savings run the risk of turning people off if they perceive the industry as not reflecting the diverse nature of savers themselves. Diversity can be linked to building trust in the industry.

Members of the Leadership Team and others at the Association of Professional Fund Investors have collectively provided insight into the many meanings of diversity that the industry should be considering. Here is a collection of views.

COGNITIVE DIVERSITY

Dissonance lies at the very heart of the human condition. In psychology it is defined as to have inconsistent thoughts, beliefs, or attitudes, especially those relating to behavioural decisions and attitudes to change. Human biases are numerous and can arise either in isolation or through groupthink.

Recognise then that dissonance is bad. It is a by-product of groupthink, as much as of individual biases. Recall that 'groupthink' is the negative decision process linked to peer pressure, herding and the opposite of synergy.

Diversity is only worthwhile if the diversity of thought is supported by senior management – anyone thinking 'out of the box' should be encouraged so groupthink can be avoided

GENDER DIVERSITY

A global issue and relevant everywhere in the world. Some countries, including the Nordic region, have made significant progress – but we are not there yet. In the corporate world, we are beginning to see more female board members, but in many industries, top management is male dominated. This is very much obvious in the financial services industry, including asset management. It will be difficult to recruit competent and experienced female board members if the executive layers of the organisation tend to be all men. Female portfolio managers a few and far between, why? A dialogue and a good debate around these issues may help us move forward.

CULTURAL AND ETHNIC DIVERSITY

Similarly to the benefits of gender diversity, cultural and ethnic diversity is likely to contribute towards better insights, analysis, debate, decision making and awareness of alternative approaches to solving problems and addressing challenges. In a global world, we live with different cultures, religions and traditions around us and isolationism will be an obstacle to success. The challenges of migration are often exaggerated and not always without political or populist ideas influencing the opinion.

GENERATIONAL DIVERSITY

Younger generations sometimes express other values and preferences compared to the older generations. It is important to bring these views together. In an organisation, this would mean a real opportunity given to the junior members of teams and working groups to voice their opinions. There is also a challenge at the other end of the age spectrum, where the 50+ generation is no longer seen as a positive contributing element. Older people may not have top notch skills in the latest technologies, but they have experience, perspective and good judgment which is equally valuable.

DIVERSITY IN PERSONALITY

In a professional environment, we are a community of different personalities: some outgoing, some shy; some talkers, some listeners; some extroverts, some introverts; some loud, some quiet. Some fast, some slow. And all the steps in between. Recognise everyone's unique personality, appreciate the variety and enjoy.

OTHER TYPES OF DIVERSITY

Diversity in portfolio construction. In the investment communities around the world, we have always seen a significant element of 'home bias'. Investors have a big relative overweight in their own markets relative to a balanced, global and diversified (exposure wise) opportunity set. Americans have it, the Chinese have it, the Japanese have it and the list goes on, including your country. Diversification was famously described by Harry Markowitz as "the only free lunch in finance". Correlations may have increased somewhat over time, but it still holds true.

Diversity of employees can help the asset management industry pursue the responsibility it has to drive change in corporate ESG and sustainability policies. ■

SWITZERLAND ALPHA 3-YEAR

Fund	Alpha over 36 months v. sector
ZKB Palladium ETF AA CHF in EU	34.28
Invesco Physical Palladium in EU	33.78
UBS ETF (CH) Palladium (USD) A Dis in EU	33.75
GAM Precious Metals Physical Palladium A USD in EU	33.44
Xtrackers Physical Palladium ETC USD in EU	33.41
H2O Allegro H R C USD in EU	26.46
Granahan US Focused Growth A Acc USD in EU	24.40
Invesco STOXX Europe 600 Optimised Basic Resources in EU	23.99
Lyxor STOXX Europe 600 Basic Res UCITS ETF EUR in EU	21.68
ComStage STOXX Eur 600 Basic Res NR UCITS ETF TR in EU	21.67

SWITZERLAND CROWN + PERFORMANCE

Fund	Crown rating	36 months
Granahan US Focused Growth A Acc USD in EU	x5	194.34
JPM US Technology A Dis USD TR in EU	x5	130.76
Polar Capital Global Technology USD in EU	x5	119.79
Janus Henderson Global Technology A Acc USD in EU	x5	101.22
Morg Stnly US Growth I USD in EU	x5	99.95
Fidelity Global Technology A EUR in EU	x5	90.82
DNB Technology A EUR in EU	x5	78.79
DWS Invest Brazilian Equities NC in EU	x5	77.32
UBS (Lux) Eq Greater China (USD) (EUR) N Acc in EU	x5	76.72
T. Rowe Price US Large Cap Growth Equity A USD in EU	x5	76.29

SWITZERLAND SHARPE 3-YEAR

Fund	Sharpe
PGranahan US Focused Growth A Acc USD in EU	1.78
BlackRock GF World Technology A2 USD in EU	1.50
Polar Capital Global Technology USD in EU	1.44
JPM US Technology A Dis USD TR in EU	1.43
Janus Henderson Global Technology A Acc USD in EU	1.30
Fidelity Global Technology A EUR in EU	1.29
Franklin Technology A Acc USD in EU	1.26
AXA Framlington Global Technology R Acc in EU	1.25
DNB Technology A EUR in EU	1.24
Morg Stnly Global Discovery A USD in EU	1.22

SWITZERLAND PERF/VOLATILITY 3-YEAR

Fund	Cumulative	Annualised
ETFS Swiss Franc Daily Hedged Natural Gas i	-32.39	36.93
Fidelity FAST Europe E Acc EUR in EU	17.23	33.98
LLB Precious Capital Global Mining & Metals I	-9.72	32.73
VanEck Vectors Junior Gold Miners UCITS	-23.25	32.61
Multipartner SICAV Konwave Gold Equity B	-33.60	30.92
Lyxor Lyxor MSCI Turkey UCITS ETF Acc	-41.71	30.74
iShares MSCI Turkey UCITS ETF USD TR in EU	-41.97	30.74
HSBC MSCI Turkey NAV GBP TR in EU	-41.37	30.47
Falcon Gold Equity UCITS A USD in EU	-26.78	30.20
Bakersteel Electrum A2 in EU	-14.24	30.05

SWITZERLAND FIXED INTEREST 3-YEAR

Fund	36 months cumulative
Franklin Global Convertible Securities A Acc USD in EU	41.29
Vontobel Emerging Markets Bond I in EU	37.51
BlueBay Financial Capital Bond R USD in EU	35.95
AXA World Funds US Dynamic High Yield Bonds A Cap	34.78
CS (Lux) High Yield USD Bond B USD in EU	31.66
Swisscanto (LU) Bond COCO AT USD in EU	31.23
Edmond de Rothschild EDRF Emerging Credit A USD in EU	30.82
Ashmore Emerging Markets Corporate Debt R USD TR in EU	29.96
T. Rowe Price Series II SICAV Credit Opportunities Q in EU	28.28
Rivertree Essential Portfolio Selection Gbl Em F Cap	27.84

SWITZERLAND BETA 3-YEAR

Fund	Beta over 36 months v. sector
ComStage Commerzbank Bund-Future Double Short TR	-2.54
Lyxor UCITS ETF DAILY SHORTDAX X2 C EUR in EU	-2.09
Amundi ETF Short Govt Bd EuroMTS Broad Inv Grade 10-15	-2.01
Lyxor UCITS ETF Daily Double Short SMI C CHF in EU	-1.93
Odey Odyssey R USD in EU	-1.67
Xtrackers II Eurozone Government Bond Short Daily Swap	-1.33
Amundi ETF Short Govt Bond EuroMTS Broad Inv Grade	-1.33
ComStage Commerzbank Bund-Future Short TR UCITS ETF	-1.27
Xtrackers EURO Stoxx 50 Short Dly Swap UCITS ETF 1C EUR	-1.07
ComStage EURO STOXX 50 Daily Short GR UCITS ETF in EU	-1.06

SWITZERLAND PERF/SIZE 3-YEAR

Fund	Cumulative	Size (€m)
Granahan US Focused Growth A Acc	194.34	190.9
JPM US Technology A Dis USD TR in EU	130.76	1009.3
UBS ETF (CH) Palladium (USD) A Dis in EU	130.15	9.2
Invesco Physical Palladium in EU	129.90	3.2
GAM Precious Metals Physical Pd A	128.49	28.1
ZKB Palladium ETF AA CHF in EU	127.81	107.8
BlackRock GF World Tech A2 USD in EU	125.37	1362.4
Xtrackers Physical Palladium ETC USD in EU	125.03	7.4
Polar Capital Global Technology USD in EU	119.79	3019.9
Alger Sicav-Alger Small Cap Focus A US in EU	113.89	202.6

SWITZERLAND INFORMATION RATIO 3-YEAR

Fund	Ratio rel vs sector
Granahan US Focused Growth A Acc USD in EU	2.33
Raiffeisen Swiss Money A TR in EU	2.15
Vontobel Emerging Markets Bond I in EU	1.96
CS (Lux) High Yield USD Bond B USD in EU	1.91
Vontobel Swiss Money B in EU	1.85
AXA World Funds US Dynamic High Yield Bonds A Cap	1.66
BlackRock GF World Technology A2 USD in EU	1.59
Polar Capital Global Technology USD in EU	1.55
iShares MSCI France UCITS ETF EUR in EU	1.53
UBS (CH) Institutional Equities EM Global I-X TR in EU	1.52

Source for all charts FE Analytics, bid-bid, to 17/5/2019.
All figures in % and are gross return rebased in euros

A focus on palladium

With global car sales over the past three years being on average much higher than they were in the period 2000-2015, it is perhaps no surprise that there is interest in palladium. Two countries, Russia and South Africa account for some 80% of output. And the element is used in catalytic converters. Meanwhile, geo-political concerns have been pushing up prices of a number of commodities on supply shock fears. Thus it seems investors in funds available in the Swiss market that are focused on this commodity have done well over the period covered by the data . Interestingly, a number of the palladium funds doing best are quite small, suggesting that institutions have not been able to enjoy these returns.

For those looking at fixed income, there has been a spread of asset classes providing the returns, including convertibles, high yield, Co-Cos and emerging market debt.

However, for those looking to Sharpe ratios, the performance has been much more focused, being dominated by technology funds. Quite how these will fare going forward amidst a trade war between China and the US remains to be seen, especially for those who design products in the US but manufacture them in China. ■

GROSS RETURNS ON FUNDS FOR SALE IN SWITZERLAND REBASED IN EUROS

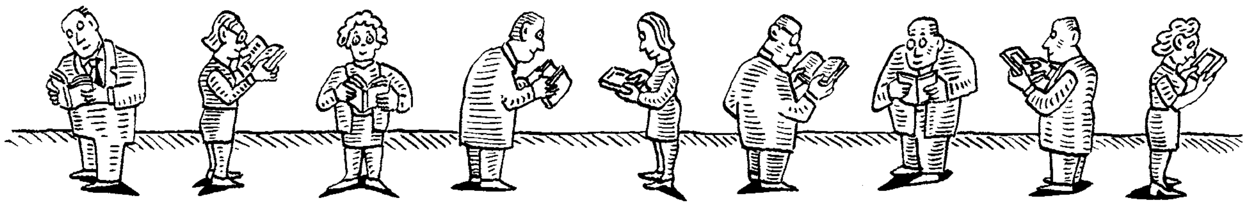
Fund	1m	3m	6m	1yr	3yr	5yr	10yr
Granahan US Focused Growth A Acc USD in EU	8.01	12.43	30.67	41.69	194.34	245.78	
JPM US Technology A Dis USD TR in EU	0.73	8.95	26.12	24.03	130.76	220.29	582.42
UBS ETF (CH) Palladium (USD) A Dis in EU	-1.50	-6.48	15.30	41.59	130.15	97.06	
Invesco Physical Palladium in EU	-1.51	-6.49	15.29	41.55	129.90	96.68	
GAM Precious Metals Physical Palladium A USD in EU	-1.52	-6.54	15.16	41.28	128.49	94.64	
ZKB Palladium ETF AA CHF in EU	-3.40	-6.17	15.44	43.02	127.81	95.57	582.93
BlackRock GF World Technology A2 USD in EU	1.47	11.33	22.34	17.81	125.37	195.89	448.06
Xtrackers Physical Palladium ETC USD in EU	-4.29	-7.23	13.84	40.62	125.03	93.41	
Polar Capital Global Technology USD in EU	-0.08	7.40	18.43	16.33	119.79	207.00	583.06
Alger Sicav-Alger Small Cap Focus A US in EU	8.38	3.80	15.40	24.31	113.89		
Amundi ETF Leveraged MSCI USA Daily EUR in EU	0.70	9.54	15.50	24.94	109.27	252.93	
Franklin Technology A Acc USD in EU	0.00	8.19	22.77	19.76	105.03	190.70	548.15
AXA Framlington Global Technology R Acc in EU	0.36	9.02	20.82	17.47	104.19	188.77	555.92
Janus Henderson Global Technology A Acc USD in EU	-0.71	7.73	18.16	15.91	101.22	165.95	483.98
Morg Stnly US Growth I USD in EU	5.05	7.51	18.07	20.07	99.95	185.82	589.82
BCM Vitruvius Greater China Equity B USD in EU	-3.83	12.22	26.85	-3.05	98.76	116.66	
H2O Allegro H R C USD in EU	1.46	9.53	25.81	26.50	98.44		
UBS (Lux) Investment SICAV China A Opportunity P Acc in EU	-7.88	14.66	28.50	3.84	98.22	253.21	
iShares S&P 500 IT Sector UCITS ETF USD in EU	-1.62	9.64	13.61	16.37	97.92		
GAM Star Technology Acc USD in EU	1.04	4.55	14.73	11.13	95.99	121.19	

World 50 funds

There may be some irony in marijuana funds being categorised in the healthcare sector, but the highs being reached are certainly no joke for investors. Meanwhile, select commodities and property are other sectors doing well, according to the data

NAME	LIPPER GLOBAL SECTOR	% GR 1YR 30/04/18 TO 30/04/19	SHARPE RATIO 1YR 30/04/18 TO 30/04/19	FUND VALUE (€M)	FUND MGT CO	DOMICILE
1. ETFS 3x Daily Short Coffee	Unclassified	138.83	0.39	0.51	ETFS Commodities Sec Ltd	Jer
2. Boost Palladium 2x Leverage Daily	Unclassified	114.74	0.39	2.08	Boost Mgmnt (Jer) Ltd	Ire
3. iPath Exchange Traded Notes Gbl Carbon;A	Commodity Energy	113.51	0.36	10.62	Barclays Bank PLC	USA
4. Purpose Marijuana Opportunities Series A	Equity Sector Healthcare	104.41	0.39	10.86	Purpose Investments Inc	Can
5. Leverage Shares 2X Microsoft ETP	Unclassified	95.36	0.4	0.75	Leverage Shares	Ire
6. Evolve Marijuana ETF	Equity Sector Healthcare	86.08	0.34	9.24	Evolve Funds Grp	Can
7. ETFS Carbon EUR	Unclassified	85.41	0.35	19.29	ETFS Mgt Co (Jy) Ltd	Jer
8. EII Global Sustainable Property Fund	Equity Global	77.32	0.47	0.04	Warburg Invest KAGmbH	Ger
9. Heritage Alternative Fund	Alternative Multi Strategies	76.41	0.43	0.13	Scarabaeus Wlth Mgmt AG	Lie
10. Leverage Shares 2X Salesforce.com ETP	Unclassified	73.16	0.25	0.37	Leverage Shares	Ire
11. Concorde Max USD SN ba	Mixed Asset USD Flex - Global	71.22	0.42	1.21	Hold Alapkezelo	Hun
12. Direxion Semiconductor Bull 3X Shares	Unclassified	68.09	0.16	545.38	Rafferty Asset Management LLC	USA
13. Leverage Shares 2X VISA ETP	Unclassified	67.06	0.32	0.34	Leverage Shares	Ire
14. Finext RealEstateOpps Budapest C HUF Dis	Alternative Other	64.33	0.2	12.64	FINEXT Befektetesi	Lux
15. AfricaPalladium ETF	Commodity Precious Metals	62.94	0.51	185.37	Africa ETF	RSA
16. VelocityShares Dly 4X Long $ vs € Ind ETN	Unclassified	60.86	0.55	2.86	Citigroup Global Markets Inc	USA
17. Alpha Asset Mighty Prof Invt Prv ReEst 15	Undisclosed	60.07	0.36	1.08	Alpha AMC	RoK
18. Direxion Daily Technology Bull 3x Shares	Unclassified	59.47	0.17	725.17	Rafferty Asset Management LLC	USA
19. Boost Long Usd Short Eur 5x Daily ETP	Unclassified	59.43	0.63	0.86	Boost Mgmnt (Jer) Ltd	Ire
20. DB Agriculture Double Short ETN	Commodity Other	57.81	0.41	0.18	Deutsche Bank AG (London)	USA
21. Direxion Daily MSCI Real Estate Bull 3x Sh	Unclassified	57.35	0.2	41.05	Rafferty Asset Management LLC	USA
22. ETFS 3x Daily Short Wheat	Unclassified	55.8	0.19	0.36	ETFS Commodities Sec Ltd	Jer
23. Direxion Daily Utilities Bull 3X Shares	Unclassified	55.71	0.4	6.34	Rafferty Asset Management LLC	USA
24. db Physical Rhodium ETC USD	Commodity Precious Metals	54.52	0.47	39.23	Deutsche Bank AG (London)	Jer
25. ZKB Palladium ETF AA CHF	Commodity Precious Metals	54.05	0.49	111.84	Swisscanto Fonds	Swi
26. Qinvest Edgewood Sharia'a Fund	Equity US	53.86	0.35	14.61	QWM Limited	Cay
27. AfricaRhodium ETF	Commodity Precious Metals	53.63	0.38	24.34	Africa ETF	RSA
28. Granahan US Focused Growth A USD Acc	Equity US Sm&Mid Cap	52.87	0.3	23.03	Granahan Investment Management	Ire
29. Direxion Daily Natural Gas Related Bear 3X Shares	Alternative Other	52.65	0.11	3.39	Rafferty Asset Management LLC	USA
30. UBS ETF (CH) - Palladium (USD) A-dis	Commodity Precious Metals	52.38	0.39	9.12	UBS Fund Mgt (CH) AG	Swi
31. Invesco Physical Palladium ETC	Commodity Precious Metals	52.33	0.38	3.15	Source Inv Mgt Ltd	Ire
32. iShares Physical Palladium ETC	Commodity Precious Metals	52.31	0.38	5.61	BlackRock Adv (UK)	Ire
33. db Physical Palladium ETC	Commodity Precious Metals	52.23	0.38	7.41	Deutsche Bank AG (London)	Jer
34. ETFS Physical Palladium AUD	Unclassified	52.18	0.48	1.27	ETFS Metal Securities	Aus
35. ETFS Physical Palladium	Unclassified	52.17	0.38	107.65	ETFS Fund Mngt Comp Ltd	Jer
36. Fidelity Advisor Series Growth Opps Fund	Equity US	52.16	0.48	649.33	Fidelity Management & Research Co	USA
37. GAM Precious Metals - Physical Pd-USD A	Commodity Precious Metals	52.03	0.38	9.04	GAM Inv Man Switz AG	Swi
38. Aberdeen Standard Physical Pd Shares ETF	Commodity Precious Metals	52.01	0.39	193.01	ETF Securities USA LLC	USA
39. ETFS Short Coffee	Unclassified	51.87	0.42	0.98	ETFS Commodities Sec Ltd	Jer
40. ProShares UltraPro QQQ	Unclassified	49.74	0.15	3961.73	ProShare Advisors LLC	USA
41. Boost NASDAQ 100® 3x Leverage Daily	Unclassified	49.53	0.14	30.33	Boost Mgmnt (Jer) Ltd	Ire
42. HSBC Saudi Financial Institutions Eq Fund	Equity Sector Financials	48.88	0.47	28.87	HSBC Saudi Arabia ltd	KSA
43. Optimum Hotel Specialist Private Plcmnt 1	Undisclosed	48.8	0.33	1.24	Lime Asset	RoK
44. Jacob Micro Cap Growth Fund;Instl	Equity US Sm&Mid Cap	48.3	0.31	8.57	Jacob Asset Mgmnt of New York	USA
45. ProShares Ultra Technology	Unclassified	48.29	0.2	327.3	ProShare Advisors LLC	USA
46. First Trust AlphaDEX US Tech Sec Idx ETF	Equity Sector IT	47.85	0.48	26.73	FT Portfolios Can Co.	Can
47. Fidelity Advisor Growth Opps Fund;M	Equity US	47.68	0.44	1783.62	Fidelity Management & Research Co	USA
48. Alawwal Invest Saudi Financial Equity	Equity Sector Financials	47.44	0.54	11.72	Alawwal Invest SAU Ltd L	KSA
49. Aescap2.0 - Investors	Equity Sector Healthcare	46.77	0.39	122.86	Privium Fund Mgt B.V.	Neth
50. ARK Web x.0 ETF	Equity Sector IT	46.36	0.41	452.13	ARK Investment Management LLC	USA

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



Joshua Harmon's US college drama exposes the contradictions and hypocrisies of America's Left in relation to race, diversity and education. Eugenia Jiménez watched the play

Admissions: a satirical comedy on the double standards of US white liberals

***Admissions* is written by Joshua Harmon. It is running at multiple theatres across England through to the third week of June**

London Trafalgar Studios
28 Feb - 25 May 2019

Richmond Theatre
27 May - 1 June 2019

Cambridge Arts Theatre
3 June - 8 June 2019

Malvern Theatres
10 June - 15 June 2019

The Lowry, Salford
17 June - 22 June 2019

Sherri (Alex Kingston) is the head of admissions at an US elite private school where her husband Bill (Andrew Woodall) is the principal, and which their son Charlie (Ben Edelman) attends.

Sherri is very proud to have raised the percentage of "students of colour" (African-Americans and others) to 20%. She sees herself – and is portrayed – as a tireless fighter for diversity, inclusion, and equally of opportunity to a point that touches the ridiculous. At one point in the play, Sherri is accused of favouring "coloured students", to which she ridiculously grumbles: "Some of my best friends are white."

The crisis starts when Charlie fails to get a place at Yale University, while his mixed race best friend does, despite being apparently less academically able.

Charlie, a 17-year-old who has seen the dream of his life truncated, starts hysterically ranting against all forms of positive discrimination, coming to affirm that his friend had been accepted for "ticking more boxes".

The rant – an ordeal for the ears of spectators – arouses the shame and the anger of his parents, in particular that of his dad, who furiously criticises his behaviour of "spoilt and privileged child" in a tone that lacks any sort of empathy and shows an excess of moral superiority and political correctness.

If Bill's absolute absence of empathy and understanding of his son's suffering lacks truth, then Charlie's adaptation to the situation does even more so. He suddenly takes a stand that involves self-sacrifice for the greater good telling his mother he does not want to go to Yale anymore, because real change can only be made when someone privileged steps aside and leaves room to someone else.

"What good are your self-avowed principles when they cost you nothing?" he reproaches his parents.

"What value your compassion and concern for others less fortunate when you remain comfortably and safely far away (and above) them?"

And this is when Sherri's hypocrisy comes to light, as she cannot accept her son will be the one self-sacrificing and desperately attempts to ensure he keeps his place at the top table.

THE CRITICAL QUESTION

The play's real intent is to question a system that gives a head start to those who go to prestigious universities, who, despite representing a small percentage of society, dominate key professions.

"Are people happy to praise diversity until the point it affects them?" is a critical question to put.

It is also the criticism of the double standards of many, who do not preach by example, but feel entitled to give moral lessons and do the opposite of what they stand for. The topic of an elitist college and its relationship with self-perpetuating stratification of society, particularly in the US, is an of-the-moment topic to address in the wake of the college admissions scandal that has reached into places such as Hollywood. The play also touches on whether the battle for diversity is about things looking different, or being different.

> "DESPITE A CERTAIN LACK OF REALISM AND DEPTH, ADMISSIONS RAISES SOME POWERFUL ISSUES"

Undoubtedly, all these are valid points to make but, unfortunately, the debate is somewhat poorly exposed. *Admissions* fails to come alive, it fails to bring the characters to life in a way that would connect with the audience. And this is possibly one of the reasons why this play does not transmit profound truth. We may recognise some of our own contradictions and hypocrisies in the characters, but they just illustrate a point.

Despite a certain lack of realism and depth, *Admissions* raises some powerful issues in a satirical comedy that delights the public with some sharp and funny blows. It is worth watching. ■

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