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RankiaPro

THE MAGAZINE FOR FUND PROFESSIONALS

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Head of manager selection at ABN Amro Investment Solutions

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Privy to

Mauricio Barocio

Special Asset Review

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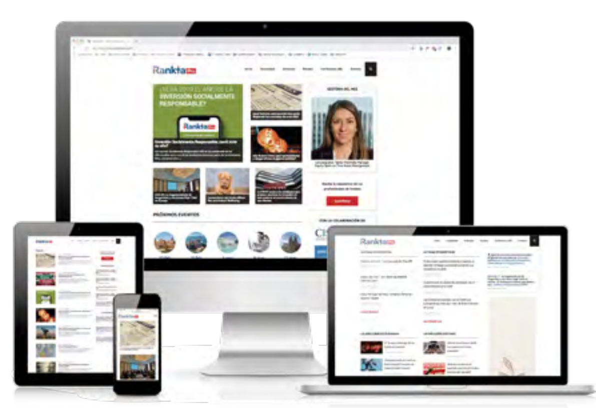

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We will be waiting for you!

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How to deal with a negative yield curve? Neil Dwane, Global strategist at Allianz Global Investors predicts a small growth in 2020 and discusses the topics of the much-talked US recession and the future of UK market post-Brexit.

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Solventis´ CEO Christian Torres Lang goes in-depth on what you should take into account when selecting external products for your portfolio

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Davide Alfano at Kaleidoscope Capital explains why hedge fund strategies are a good replacement to fixed income in the current low interest rates.

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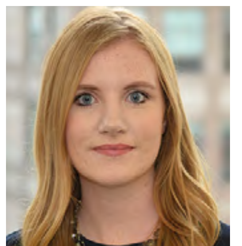
Is Europe going passive? **48**



Passive management has undergone strong growth in Europe in recent years thanks to lower fees and an environment of low interest rates. ETF´s providers and fund selectors share their views on how the trend is impacting the European industry and how they use passive strategies in their portfolio.

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Impact Investing benefits the society and environment and also brings attractive returns with relatively low risk.

Macroview

How to deal with a negative yield curve?

Neil Dwane

Portfolio manager and the Global Strategist with Allianz Global Investors

Neil Dwane is an equity portfolio manager and the Global Strategist with Allianz Global Investors, which he joined in 2001. He coordinates and chairs the Global Policy Committee, which formulates the firm's house view, leads the firm's bi-annual Investment Forums and communicates the firm's investment outlook through articles and press appearances.

2020 outlook: rates, trade and politics are top market-movers

We think 2020 will be characterised by **muted global growth,** a slowing US economy and continued uncertainty about **how monetary policy and politics will move markets.**

> **"Central banks will keep using the policy levers at their disposal to try to spark economic growth, but we question how much room they have for manoeuvre"**

Central banks will keep using the policy levers at their disposal to try to spark economic growth, but we question how much room they have for manoeuvre. Interest rates have been negative in Japan and Europe for some time, and the US Federal Reserve has resumed cutting rates that were already low. Yet while this accommodative environment has supported equities and other financial assets, **it has not restored enough growth or confidence.** Facing a dwindling number of options, central banks will likely continue "pushing on a string" – offering additional stimulus with limited effect. **More fiscal spending from governments may be needed.**

Keep an eye on US dollar liquidity

One notable trend in 2019 was the marked deterioration of US dollar liquidity, caused by the Fed reducing the size of its balance sheet via quantitative tightening. With the dollar attracting 88% of all foreign-exchange transactions, according to the Bank for International Settlements, demand for dollars exceeds what the reserves of the US banking system can support. **If dollar illiquidity spikes, it would severely impair financial flows and investment.** We will be watching to see if the dollar's status worsens again in 2020, given that **the Fed is now temporarily increasing bank reserves** by extending its overnight "repo" funding operations. The dollar is experiencing other tensions as well: central banks outside of the US don't want their currencies to appreciate against the dollar, while US President Donald Trump wants a weaker dollar to boost exports.

Trump impeachment

Speaking of Mr Trump, all eyes will be on the 2020 US presidential elections – the outcome of which will have major ramifications for the US markets and politics for the next decade. If Mr Trump survives his impending impeachment and wins re-election, **we expect the status quo for the markets.** If the Democrats win the presidency, **we expect valuations and earnings to fall,** given that some of their leading candidates' policies specifically target corporate profitability and taxation. Importantly, the health of the US economy has historically been one of the biggest factors in how people vote in presidential elections, and the economy has already been slowing as the impact of President Trump's fiscal stimulus package fades. **We expect the US economy to fall into a recession by the end of 2020** – perhaps just as voters are heading to the polls.

> **"We expect the European Union and the US to regulate and tax some of the Big Tech firms which could impact their already-high valuations"**

Dull global growth

We also expect global economic growth to be dull, driven mainly by the slowdown in China. This is creating demand issues for major exporters such as Germany, Japan and South Korea – which are **all hoping for trade-related tensions to settle back down.** But regardless of how the US-China trade war gets resolved, it has already contributed to the growth of two competing tech ecosystems – one American, one Chinese. Companies and countries may need to choose which ecosystem to use in this "tech cold war". This may further interfere with the supply chains of global tech companies, many of which face renewed regulatory scrutiny. Consider the mounting pushback against Big Tech firms that stand accused of not paying their share of taxes, misusing personal data and enabling social instability. We expect the European Union and the US to regulate and tax some of these mega-companies, which could impact their already-high valuations.

Other themes to watch in 2020 include oil and food security. While oil prices have been relatively stable this year – hovering mostly in the USD 50-70 per barrel range – rising geopolitical tensions in the Middle East could pressure the oil supply. At the same time, **climate change is pushing more investors away from fossil fuels, providing the industry with less capital for growth and investment.** The food-supply chain is also more vulnerable than many realise to trade tensions, abnormal weather patterns and disease outbreaks. Food-price inflation is one of the more serious "flations": in some instances, it slows economic growth through wage inflation; in the most serious cases, it endangers lives.

Europe upheavals and the Brexit drama

A resolution to the Brexit drama may be positive not just for European investors, but for those further afield who have avoided the region amid long-running uncertainty. Further delays in resolving Brexit would likely hurt the UK economy and turn the British pound weaker and more volatile. Such economic damage would damage major exporters, such as Germany and its car sector. But if the UK sorts out Brexit in 2020, UK markets could rebound as pent-up investment is released. This may be positive for international sentiment around European assets overall, though some investors may already feel they've allocated enough to Europe.

Europe faces a challenging year ahead. There will be plenty of political headlines to navigate – particularly in Spain, Italy and Germany – and core EU countries are growing anxious about negative interest rates and additional quantitative easing. Faced with negative yields, **European investors will need to hunt for income elsewhere** – perhaps in the US or Asia – and consider unloved but high-yielding international equities. Markets should continue their "risk-on/risk-off" trades – moving toward higher-risk investment when economic and policy indicators improve, and toward safer investments when they fall. As a result, standard beta market returns will likely continue to be volatile. We advise taking an active approach to investing, carefully choosing positions in highly valued markets – perhaps US equities – while also considering contrarian ideas such as European equities, gold, oil and emerging-market debt.

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Fund Selector Profile

Open architecture at heart

Martin Stolker

Head of manager selection at
ABN Amro Investment Solutions

Martin Stolker is head of manager selection at ABN Amro Investment Solutions since 2019. He has been working in the investment industry for more than 20 years. He joined MeesPierson as an equity analyst in 1994. Following the acquisition of MeesPierson, he led the Fortis Private Banking International team responsible for external manager selection and fund portfolio management. From 2011 to 2015, he was in charge of the manager selection and portfolio management for ABN AMRO's multi-manager platform. During this period, he played a major role in the introduction of the so-called 'Open Architecture 2.0' model. Currently, as Executive Director of ABN AMRO Advisors, he is amongst others responsible for advising on the multi-manager model portfolios for ABN AMRO and the global funds approved list.

ABN AMRO Investment Solutions at glance

The manager selection team, headed by Martin Stolker, is composed of ten professionals based in Paris and Amsterdam. **On average the team has over ten years of relevant experience,** mostly working for ABN AMRO Investment Solutions, **which gives us one of the most stable teams in the industry.** We are organised by asset class, as we believe **experience and in-depth knowledge of an asset class is key when selecting investment managers.** In most asset classes we have two specialists, to foster discussion and internal challenging. However, occasional and carefully managed rotation between asset classes provides for a level of cross-fertilisation and **enables spreading best practices across the team.**

> **"In most asset classes we have two specialists, to foster discussion and internal challenging. However, occasional and carefully managed rotation between asset classes provides for a level of cross-fertilisation"**

Separating the wheat from the chaff

Investment management is a very competitive industry, which leaves only a small minority of investment managers able to outperform their stated benchmark over the long term. Therefore, we **try to find unique features that enable managers to do better than their peers.** There is however no simple recipe for outperformance, and it can be derived from any stage of the entire process. We dissect and thoroughly analyse the whole value chain of the investment decision making process, from the initial idea generation to the actual portfolio construction, to find these unique features. If we do not find them, the chances are high that a good performance of an investment manager is simply a matter of luck. Besides this, ABN AMRO Investment Solutions' analysts aim to understand the specific alpha drivers and favourable market conditions for the investment strategy under investigation, as **we recognize that even the best investment managers regularly face adverse market circumstances.**

New fund additions

When selecting managers, we do not limit ourselves to the traditional fund universe. With our sub-advisory model, we extract the best investment strategies worldwide and onboard them into the ABN AMRO Funds (AAF) SICAV. We recently announced the exclusivity with Fred Alger Management regarding its focussed growth strategy. The focussed strategy was tailor made in 2013 based on the request of our analysts to obtain a high active share version of the long-standing Alger Capital Appreciation strategy. The AAF Alger US Equities fund represents the highest conviction holdings of portfolio managers Patrick Kelly, CFA & Dr. Ankur Crawford, along with Alger's highly regarded research analyst team.

Another recent selection ended-up in an exclusivity with Parnassus Investments. Contrary to above mentioned growth strategy managed by Alger, Parnassus manages a defensive sustainable US equities strategy. Parnassus manages a 24 billion assets US domiciled fund and we're proud to give European domiciled investors access to this great performing strategy. An example in European equities is **AAF EdenTree European Sustainable Equities.** EdenTree Investment Management is one of the few firms with a long-standing expertise in sustainable investing in combination with largely the same investment team and process. Another unique feature is that their portfolios have a value-bias, contrary to almost all other sustainable investment strategies. **This makes the strategy a valuable and diversifying component of sustainable investment portfolios.** EdenTree manages a tailor-made Pan European strategy for us, not available otherwise.

A proper relationship

Transparency and openness are features that we value highly in working together with asset managers. This is linked to our thorough manager selection process, mentioned above, in which getting the right information is key for a proper analysis. We also value asset managers that think with us and with whom we can co-develop optimal investment strategies for our clients' portfolios. Our sub-advisory platform allows us to look beyond existing fund solutions, which is a great benefit.

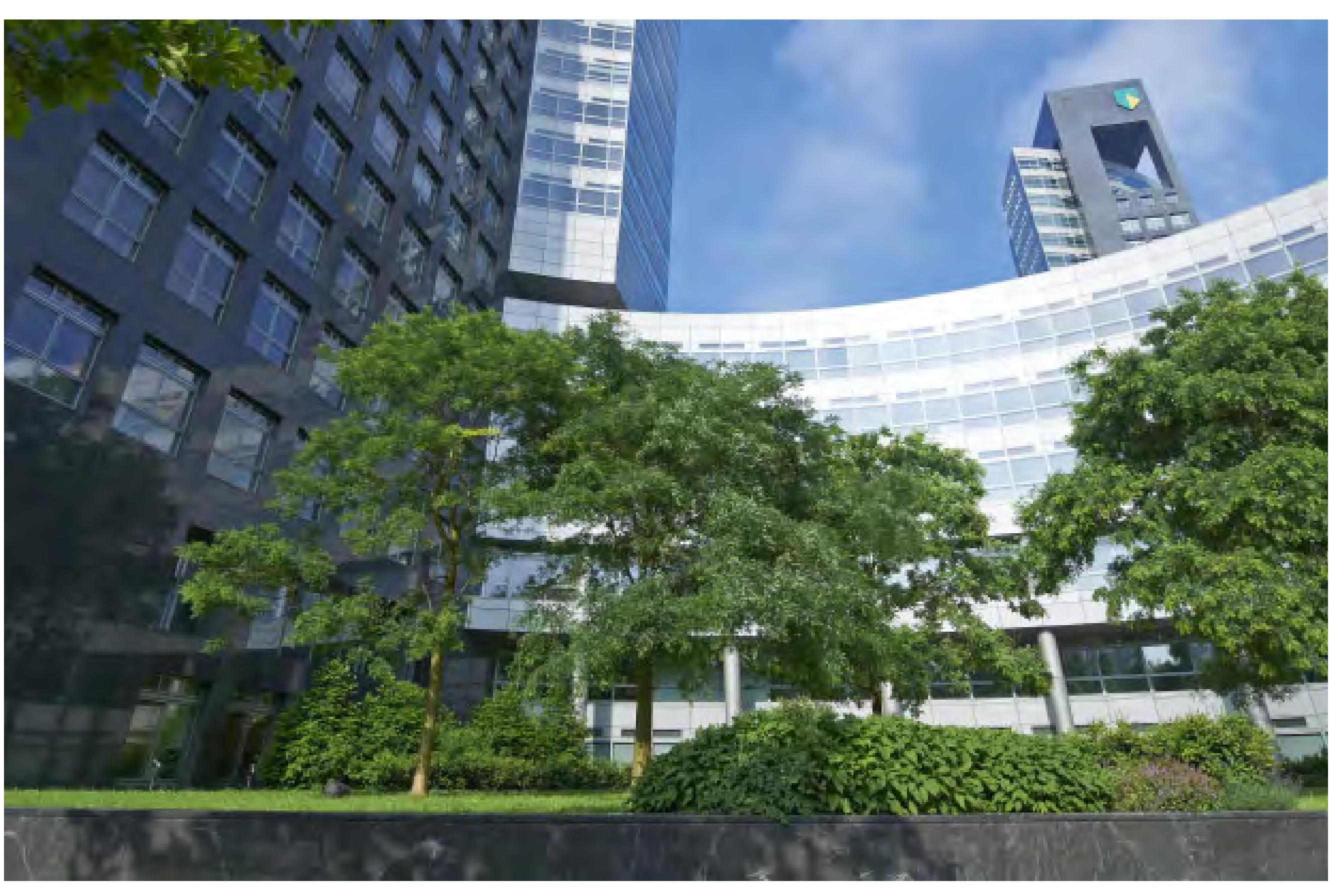
> **“We dissect and thoroughly analyse the whole value chain of the investment decision making process, from the initial idea generation to the actual portfolio construction, to find these unique features”**

Client’s feedback

Our range of end customers is large, ranging from large institutional clients to retail investors, the latter mainly through our distributors being ABN AMRO Bank as well as other main European distributors. We realize every day that our manager selection is performed to the benefit of our end clients and we have regular meetings with the teams responsible for servicing end clients. **Our Business Development team is key in identifying client needs** and, together with Manager Selection, Portfolio Management and Structuring, to **translate these need into concrete investment solutions.**

Sustainable on the grow

In Northern Europe we see an increasing demand for sustainable investment strategies, integrating Environmental (E), Social (S) and Governance (G) criteria into the investment process, accompanied by an active engagement with companies to make improvements in these fields. We see this demand spreading over Europe, not in the least because of the growing attention for climate change and the launch of the Sustainable Development Goals (SDG’s) of the United Nations. With ABN AMRO being our most important clients, we have already developed interesting and unique sustainable investment strategies and we will continue to do so in the coming years. These strategies range from so-called ‘ESG integrators’ to ‘ESG leaders’ and increasingly ‘impact investing’ that focuses specifically on the SDG’s, both with liquid and less liquid investments.



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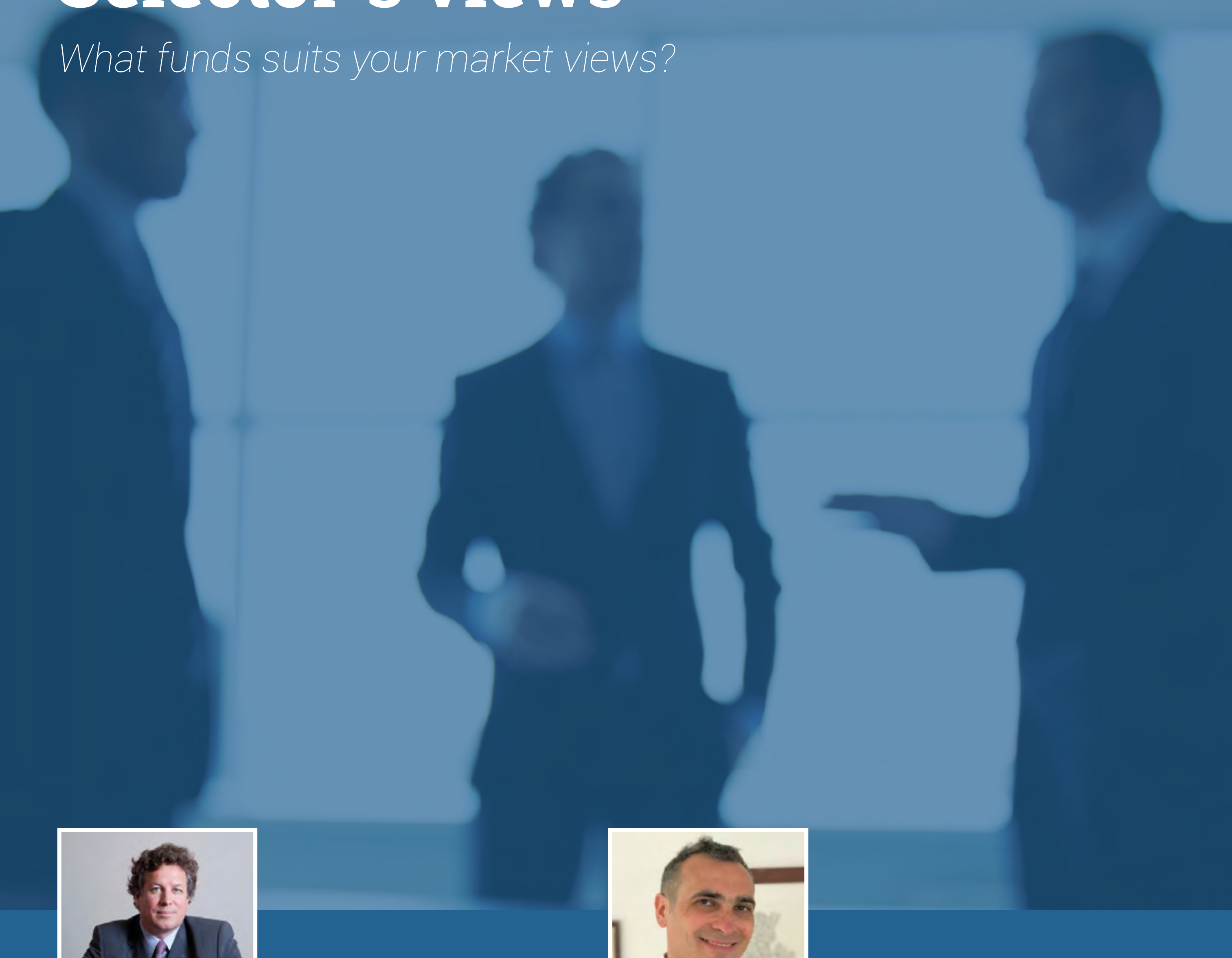
Selector´s views

What funds suits your market views?



Christian Torres Lang

Founder and managing partner at Solventis

Davide Alfano

Founding partner and board member of Kaleidoscope Capital

Christian Torres Lang is founder and managing partner at Solventis. He has over 30 years experience in the markets having worked in on senior roles in different companies in Barcelona, New York, Frankfurt and London. Before launching Solventis, he worked in the Corporate & Institutional Client Group division at Merrill Lynch as head of the Equity derivatives desk in the German and Scandinavian. Christian holds a MBA in Finance from the Stern School of Business in New York and is a CAIA (Chartered Alternative Investment Analyst) and FRM (Financial Risk Manager) chartholder.

Davide Alfano is founding partner and board member of Kaleidoscope Capital. Before he worked as a senior portfolio manager at Thalia, the hedge fund specialist arm of the Generali Group and as an equity portfolio manager at Epsilon SGR part of Eurizon Capital. He started his financial career at Assogestioni –the association of the Italian investment management industry– in 1999. David holds a MSc in Economics & Finance from the University of Warwick - Warwick Business School. David was an officer of the Italian Navy for a year and a half.

Christian Torres Lang

Having a market view when choosing a product

It deepens to a greater extend on the type of strategy or asset class you are considering and the time horizon of your investment. The more directional (beta) the strategy and the shorter the investment horizon, the more relevant is to have a short market view; but then we tend to select fund managers on asset classes outside our core strengths.

We believe firmly that **equity enjoys a great return/risk advantage,** therefore we focus most of our efforts in the fundamental analysis. Market fluctuations -up, down or sideways- on a time horizon of weeks, months or even quarters have much lower weight in our decision making.

At Solventis, we take into account different elements depending on the asset management and wealth management business. For wealth management we try to identify **outstanding and consistent** funds among a peer group set to be pre-defined individual strategies **able to outperform across the cycle.** As for our Asset Management, we try to pick o**utstanding individual stocks by looking into Cash Flows, Growth and Risk features.** We favour companies with lasting moats and top alignment of interest among shareholders and the executive management. Moreover, **trading at what we believe are "cheap" prices is paramount for long term financial success.**

Market view and TAA

Our current TAA allocation is moderate overweight on risky assets. As for the long-term - as I said before- we are natural long-term asset allocators and **we believe that equity risk performance contribute to most of the returns.** We expect global rates to remain low for longer, inconspicuous inflation and moderate growth. For example, growth perspectives consensus for 2020 is for around 2% for USA, 5,8% for China, 1,2% for Europe and circa 3,5% for global growth. There is some wage growth in USA coming already but it is contingent on pricing growth which in turns depends on technology production.

> **"Sooner rather than later, we would see new Chinese players becoming the world's top asset allocators"**

In a world of lower inflation well-below the average historical level, one tends to get caught on the appearances and expects to see a low nominal growth. That's a scary assumption. We need to be aware that China dominance keeps increasing at the expense of traditional developed zones, nominally USA, Europe and Japan. China is already surpassing the US in many fields. We think China's increasing weight on global growth is positive, especially if its growth becomes less volatile which is already as it is converging with that of traditional of developed countries. Just take for example, the case of asset under management in financial market. Sooner rather than later, we would see new Chinese players becoming the world's top asset allocators. **That change will bring a new paradigm to capital markets.**

Whatever, what worries us most is the long-term trend of increasing national indebtedness, an escalation in the China-US war, the growth of social economic disparities and climate change.

Davide Alfano

Having a market view when choosing a product

We do not think that having a market view is necessarily important when choosing a product. At least, it is not crucial to us. The relevance of having a market view depends on your investment approach and style. We do have views, but our approach tends to be structurally bottom-up and relatively agnostic to what might be the prevailing macro environment.

Our focus is on selecting sound investment strategies, which can deliver a distinct and repeatable alpha over time. Those strategies represent the real building blocks of our portfolios. The focus is not on getting right the market view, but on being able to **provide a positive performance independently of what will be the prevailing market regime.**

A top-down and macro point of view is more important to us in understanding what could be the main risks in the market and, consequently, stress test our portfolios. On some extent, market views are more relevant to our risk management process than to our selection process.

The real challenge is not to lose money when you are wrong about markets, rather than making money when you are right about them. **Such resilience is the real proof of a rigorous and effective risk management process.**

Market view and TAA

The global level of interest rates is possibly the main challenge that investors face today. Rates have never been so low and, **we believe, they might stay low for some time.** The challenge for a long-term fixed income allocator is easy to understand.

We discourage investors to maintain any fixed income risk in their portfolios and to manage their exposure to bonds accordingly, through an asset liability approach, being exposed to fixed income assets with a core view to hold investments until maturity, carefully matching their cash flow requirements with the payments coming from their fixed income portfolios, via coupons and capital repayments.

In terms of traditional asset class, we look at equities in a much more favorable way.

Indices might have also reached their historical peaks, but the action of central banks and government remains supportive and, more importantly, we believe that there are appealing niches of clearly defined growth for investors. Technology, healthcare, US small cap, and Asia are the main macro themes and sectors that we have emphasized in the last few years and still do, although the approach has become more granular lately.

With a thematic and a more tactical approach, we remain positive on equities, although the level of volatility to be tolerated is higher than in the recent past.

From an asset allocation perspective, what we now prefer are absolute return funds and liquid alternative investment solutions.

With a partial normalization of the economic cycle and the increase of market volatility the environment is just more favorable to hedge funds than a few years ago. Moreover, the impact of technology and new trading techniques is gradually expanding the range of available strategies, particularly in the quantitative space. Let's think, as an example, to the proliferation of investment strategies based on machine learning techniques and the use of artificial intelligence.

We still like illiquid alternatives, although the maturity of the cycle in private equity and venture capital deals make them a less compelling proposition than in the recent past. Even a marginal increase in interest rates might move investors to marginally reallocate to more liquid alternative investment solutions.

With investors chasing any form of sustainable yield, we believe that a properly managed portfolio of hedge fund solutions might be a smart way to allocate money in the years to come, partially replacing the carry component provided by traditional fixed income portfolios.

We are increasingly using a portfolio of liquid alternative investment strategies as a cash plus portfolio and bond replacement in the clients' portfolio allocation. Initially, clients appeared skeptical but are increasingly understanding the appeal of the proposition.

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— Leonardo da Vinci

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TERÇA-FEIRA 26 DE NOVEMBRO

Horário	Atividade
08:30 - 08:40	Receção
08:40 - 09:15	Conferência inaugural
09:15 - 10:50	**One to Few**
10:50 - 11:05	Coffee break
11:05 - 13:40	**One to Few**
13:40 - 15:00	Almoço de networking
15:00 - 17:00	**One to One**

Participam

Para mais informações, por favor contacte:

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ASSET REVIEW

What experts think about their market?

Investing in a zero interest rate environment

Zero or negative interest rates have ceased to be news long ago. Moreover, the majority of investors take for granted that a normalization of interest rates is still far away as **central banks are likely to keep pumping money to avoid recession. The problem is that loose monetary policies greatly distort the markets.** Price distortion is per se a challenge; add to the equation the impending doom of a market correction after the longest ever bull market in the US and you find yourself wondering when the thin thread of the damocles sword would snap.

US China trade war

The jumpiness created by trade war between the US and China and Europe political uncertainty add to the confusion. Hence, it is not surprising that so many Cassandra trumpet that a global recession is imminent no matter how hard central banks try to avoid or postpone it. The question - as always - is when would it happen? In a few months, next year or in two years time? And equally important, how to best take advantage of it or at least minimize its impact.

Facing multiple challenges

Of course, challenges are different depending on the sector you are investing in and your investment mandate. Probably fixed income fund managers are living their hardest time ever. For months -even years- they have been wondering where one should look for returns at a tolerable level of risk, fewer still manage to put on a brave face and claim they are still able to find them in spite of record low yields.

Equity investors are the winners, at least at the moment. Especially those investing in developed markets as they have been riding on a testosterone inflated bull market, but for how long will the bonanza last? Should they swap from growth to value to anticipate style shift? On the other hand, emerging market investors are badly exposed to the uncertainty created by the trade war. For all of them, cherry picking fairly priced

stocks is a solution that enjoys the benefit of avoiding market timing. Others, hope that a market correction will eventually vindicate them.

Mixed asset portfolio managers seem at an advantage as they can steer towards most favoured asset and sub-asset classes. Yes indeed, that's a potential advantage but it doesn't make your job any easier.

We have invited heavy-weights of the industry to explain how they are coping with the challenges of zero interest rate environment, what worries them and where they find their best opportunities in their sectors. As our fund managers are based on different locations from Bangalore to Boston, from London to New York and Munich; they help us to gain a truly global view. Moreover, we have also invited fund managers running narrower sector such as Forex or listed Real Estate to join and fill the gaps of the overview. This Special Asset Review makes an interesting reading; it answers many questions but leads to many more. Enjoy the reading.

GLOBAL EQUITY

Peter Lindalh

Head of Systematic
Funds at Evli

Peter Lindahl, M.Sc. (Econ.), member of Evli's allocation team and the Head of Systematic Funds at Evli. Peter has worked in the finance industry since 1996 and started at Evli as a portfolio manager in 2000.

He and his team manage multi-asset and factor funds.

The cost of war trade

The major driver of global equity markets over the past 18 months has been the ongoing trade war between USA and China. It has had an adverse effect on business sentiment, shaving off about one percentage point of global GDP growth since early 2018. **The main victim has been the manufacturing sector,** and through that the industry-heavy and export-driven countries like Germany and Japan.

Moreover, this route has hurt cyclical companies across regions. Anything from autos, materials or industrials have bore the brunt amid the decline in investment and earnings growth. Since 2018, investors have become more defensive, switching from equities to bonds, from cyclicals to defensives, from Europe and Asia to America. **We believe that this defensive rotation could make a turnaround in the coming months.**

Turn around

We think there are reasons to believe in a turn around.

First, the trade war is likely to wind down a bit. USA and China have an interest of moving toward trade deal, since the growth slowdown has already started to weaken employment and wage growth in the US. Furthermore, China's economic activity has not improved much despite various stimulus actions. Also, the long impeachment process – a strenuous procedure for the US president – may pressure Trump to declare victories in other areas, like trade negotiations.

Second, central banks have reversed course in 2019 when it comes to monetary policy. **As many as 16 central banks cut rates in the third quarter** and even more money easing is to be expected during Q4. In the past, easy monetary policy outside recessions has usually meant rising equity markets.

Third, green shoots are showing up in leading indicators. For example, business data in emerging Asia have seen some recovery over the past 2-3 months. Although a sustained recovery in Asia is too early to call, it is something to closely monitor, since the region is often a leading indicator for the world economy.

Fourth, investors have become overly bearish. Despite rising equity markets, equity fund flows have been clearly negative this year. When market sentiment becomes this pessimistic, it is often a good time for investors to become more optimistic. Market worries like geopolitics and weak macro will continue to annoy investors, but the risk is that a lower degree of frustration could further propel markets higher in the near term.

Gap between value and growth

Currently, the largest dispersion in equity markets appears to be between value and growth. For example, in Europe value stocks are extremely cheap against growth stocks. The extreme difference in valuations has likely been driven by the softer macro trend and the low interest rate environment. Investors poured money into defensive growth companies but are now overpaying for them. A trigger may be a re-steepening of the yield curve, which could start a rotation from growth to value stocks.

Getting timing right is always a struggle as irrational periods can last for a good while. But value is today extremely cheap in relative terms and sentiment towards value is extremely pessimistic — and **we strongly believe it may be a sensible time to buy value stocks — both for the short-term and the long run.**

Furthermore, we firmly believe that choosing risks that are rewarded over the long run makes sense. For example, we think value should be one of the building blocks in a strategic equity portfolio. Not only does empirical research show robust evidence of the value premium in the past, but both risk-based and behavioral theories make sensible cases why **value stocks will continue to outperform markets in the long run.**

Wall of worries

It's true that the "wall of worries" is still high which usually supports risky assets, but the negative growth spiral in the world economy is undeniably the largest risk for global equities. In the worst case, the global economy is heading for a recession some time in 2020. In such an outcome, risky equities would be in for a difficult period. In a more positive scenario, the counteroffensive by central banks might alleviate the downturn and a possible rebound in the manufacturing sentiment would lower the likelihood of a global recession.

Diversification and the risk of style shift

We seek to diversify the sources of risks and returns in our portfolios. No wonder diversification has often been referred to the "only free lunch in investing". However, correlations between assets and securities are not static, but tend to vary over time. Hence, it's impossible to perfectly diversify all your risks all the time.

Investors may expand their diversification perspective beyond assets and securities and look at diversifying your portfolio from a macro factor perspective. You can also add another dimension to diversification and look at factor exposures, such as value, momentum and low risk.

Across our various equity strategies, we look for opportunities in a systematic way and according to a deliberate investment philosophy. Most importantly, **we always invest for the long-term.** You must define your investment philosophy clearly, construct your investment process accordingly and **stay true and disciplined to your investment strategy.** A crucial risk is if a portfolio manager loses faith in his/her philosophy and starts to drift from the original strategy due to the current macro environment.

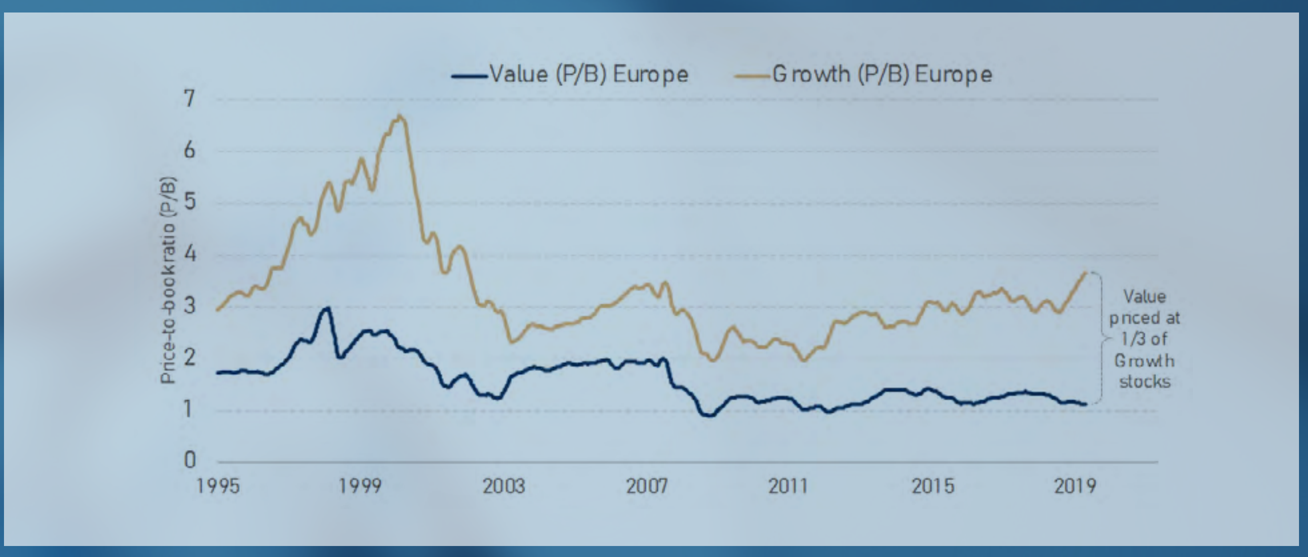

Figure 1: European value stocks priced at 1/3 of growth stocks (similar extreme discount levels as in 2000).

GLOBAL EQUITY

Frank Schwarz

Partner and Fund Manager
Global Equities

MAINFIRST

Frank Schwarz has been a portfolio manager at MainFirst since 2012. The team he leads manages three mutual funds: the Global Equities Fund, the Global Equities Unconstrained Fund and Absolute Return Multi Asset, as well as various special funds. He is also the lead portfolio manager responsible for the global equities strategy. His team focuses on the identification of structural growth trends, the associated stock selection and strategic asset allocation. Frank Schwarz spent the years from 1992 to 2012 working as a fund manager at DB Advisors, part of the Deutsche Bank Group.

In the last year, global markets have mainly been dominated by the disturbed relationship between China and the US. The implementation of tariffs from both sides and especially Trump's toss-and-turn-strategy **have damaged business sentiment significantly. Hence, GDP growth slowed globally while bond yields hit new record lows** on the back of a more expansionary approach by central banks. Most certainly and not surprisingly, a final solution would support global equity markets. The question if or when we have a serious trade deal is quite complicated because Trump would give away his most important subject to prove himself. However, for my investment decisions, **I do not pay too much attention to geopolitical events, short-lived market fluctuations or sector rotations.**

Themes for stock picking

Instead, I want to focus on what really matters. **Investing in superior companies that are growing with the support of structural trends.** Obviously, there is always a lot of noise (short-term speculation and trading), but structural trends are more or less independent of the economic cycle:

We highlight the following: companies will continue to shift their IT systems into the cloud, robotics and automation will continue to make production more efficient, younger generations will continue to become more open to new technologies like mobiles payments and consumers will continue to adopt new products like plant-based meat or autonomously driving-/ E-cars; finally as proven lately, climate-friendly investing will continue its rise, supported by personalities like Greta Thunberg or Al Gore.

Nevertheless, only with persistence and a long-term investment horizon I can benefit from those trends in my portfolio. **I usually start my analysis by defining the big picture and asking myself some questions.** What sectors have an increasing number of employees? Are there tailwinds from subsidies or regulation? Which technologies are currently replacing others? Where do companies have access to venture capital?

Tapping on artificial intelligence

Probably one of the most impactful innovations for the next decade, which could change the world, is artificial intelligence (AI). The numbers are impressing. In the software industry for AI applications, we expect an annual growth rate of more than 140% until 2025. Already today, in some businesses, we can see this huge potential in machine learning applications. A good example is the e-commerce giant Amazon. The firm uses algorithms to predict customer behaviour. What will customers most likely buy, when will they buy and how often will they buy? The idea is simple.

Through the analysis of past product-searches and shopping, the programs can make forecasts about interests and future purchases of clients. On the one hand, marketing and product proposals can be tailored individually to the customer. On the other hand, products are delivered faster and cheaper because warehouses, to a certain likelihood, know already what will be ordered in the next days. For these algorithms, it is helpful that the amount of data is rising rapidly, given that more users start their searches directly in the Amazon app instead of using Google, which makes revenues from advertising the fastest growing segment of Amazon.

Overall, it is not surprising that most large technology platforms arise outside of Europe. The continent as a whole has access to just 7% of globally available venture capital, while the US pool about 80bn USD per year which is six times as much. **However, the largest growth potential is in Asia.** China, in particular, has multiplied its support for tech start-ups within the last years. This, in combination with the Chinese, state-regulated protection against international competitors, **enables massive growth potential for local technology platforms.**

Examples are Meituan Dianping and Alibaba, which are currently growing their businesses by 50% and 40% per year. Certainly, they will not be able to maintain those fantastic growth rates, but 20% to 30% revenue growth until 2025 should be achievable. Structural investing is about how the stock market will look like in five to ten years – and not, if prices will go up or down tomorrow or if the economy is stronger or weaker this quarter. **Organic revenue growth is by far the most important figure.** When Apple grows between two and five percent per year, it is just a matter of time when Amazon and Facebook are far ahead in terms of market capitalization, growing 21% and 32% organically. Putting the numbers together, Alibaba should be number one in five years, while in 2017 the stock has not even been under the top 5.

Another beneficiary of the Chinese success is the luxury sector. Currently, I pay particular attention here. **Private wealth in China is expected to triple over the next decade,** and consumer will want to spend their money. Brand names like LVMH or L'Oréal are in a very good position here.

The fate of traditional car makers

I am currently most worried about the future of the classic automobile industry. The German champions of the past: VW, Daimler, BMW and many suppliers. These firms are facing the biggest crisis of their history. Rising costs of being compliant with higher emission standards are complemented by a never-ending chain of lawsuits enforced by consumers who feel cheated by inaccurate fuel consumption figures. Now, these headwinds are intensified by slower economic growth and weaker demand from the most important sales market: China.

Meanwhile electric cars become more competitive, driven by cheaper battery technology. I see some attempts of the Germans to compete the race in e-cars but I have strong doubts. The same situation did not help Nokia in 2007 when the IPhone came and Kodak could not benefit either, when digital cameras were taking off in 2005. Generally, I try to avoid businesses that face structural headwinds such as: regulation, overcapacities, and disruptive innovations. This approach is also my most important kind of risk control.

For similar reasons, I also avoid banks in my portfolio. **As long as interest rates will stay low, margins will stay under pressure,** plus tighter regulation every year (especially in Europe), not even mentioning the competition from fin techs that want to take their piece of the cake. Instead, I focus on structural winners that benefit from technology, regulatory tailwinds, companies that will significantly increase market share in their industry and will grow their businesses with faster organic revenue growth than the market average. On a longer-termed and more sustainable investment horizon, this helps me being able to absorb market downturns or times of geopolitical uncertainty like now.

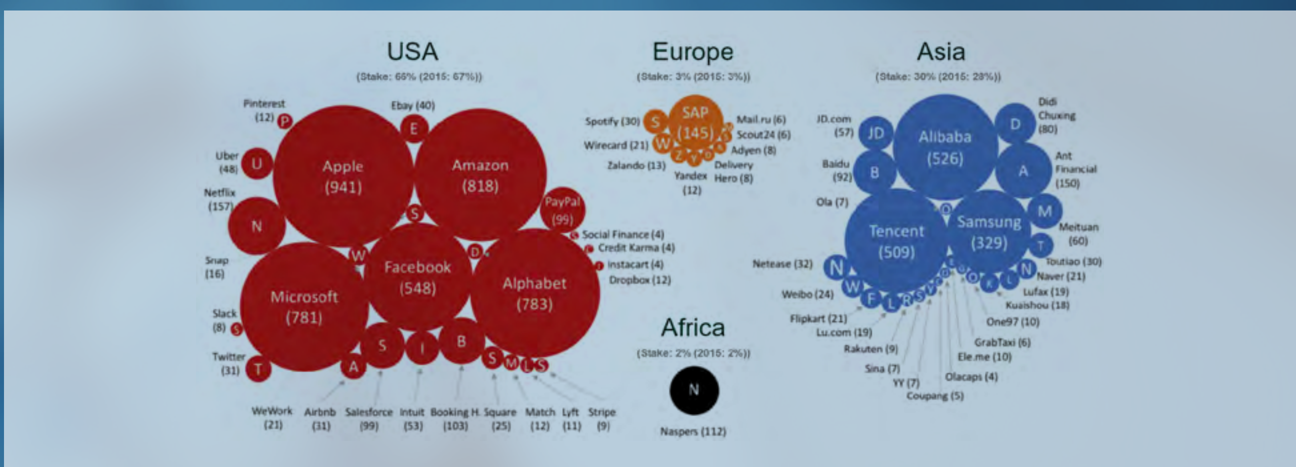

Figure 2: Source: netzoekonom.de

GLOBAL EQUITY

Alex Tedder

Global equities
at Schroders

Schroders

Alex Tedder is head of US and Global equities at Schroders since 2014. He is responsible for the Global and International Equities team's business management and strategic planning. He leads the team and drives the development of the team's franchise. Before he worked at American Century Investments where he was Senior Vice President and Co-head of Global and Non-US Large Cap Strategies.

As we look to the end of 2019 and into 2020, markets remain finely balanced. Valuations on a trailing P/E basis are still lower than they were in much of 2018, but earnings estimates are also falling amid fading economic growth and a number of geopolitical headwinds. The US-China trade war is a major swing factor which could provide either a positive tail-wind on resolution or pose an increasing drag to confidence and investment. The UK's path to Brexit remains unclear, even as the 31 October deadline approaches, and political unrest across the world is otherwise prevalent.

Looking beyond style rotation

Investors have become increasingly fixated on the potential for a rotation in style performance, given that growth stocks have materially outperformed value stocks over the past few years. While predicting the timing of style rotations is particularly difficult, we believe that businesses with strong quality characteristics should remain well positioned and likely trade at a premium. With growth increasingly scarce, we expect quality businesses to continue to command a premium as they offer greater resilience and growth visibility. Sluggish economic growth and the persistent low rate environment may also continue to weigh on sectors such as financials and energy, providing a further headwind for the performance of value. We are focussed on finding companies where growth is unappreciated, in both economically resilient and the more cyclical parts of the market.

We continue to focus on generating value primarily through bottom-up,stock selection. More recently we have been finding attractive opportunities in some of the un-loved cyclical areas outside the US.

Expectations in areas such as Japanese machine tools and German industrials are now low, and it will require only modest improvement in the operating environment to generate material year-on-year earnings growth. Self-help and restructuring should also drive incremental returns. Similarly, we have begun to take a more positive view on end market demand for semiconductors, now that excess inventory has been flushed out, as we head into year end.

There will inevitably be a number of companies that find themselves ill-equipped to deal with a tougher economic environment. **Our focus remains on choosing stocks with strong return-on-capital, resilient balance sheets and good cash flows.** It is also increasingly important for companies to have elements of pricing power and self-help. Companies dependent on macro support alone – as alluded to earlier - are unlikely to deliver in a slowing growth environment. We expect companies with these positive characteristics are not only more resilient, but will retain greater flexibility to adapt to the evolving competitive landscape.

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EUROPE EQUITY

Raphaël Moreau

Portfolio manager

Raphaël is portfolio manager of the Sextant PME fund. He obtained a diploma in Business Finance from ESSEC in 2007. After gaining experience in financial management at UBS and Calyon, he joined Amiral Gestion in 2008.

Growth looks sexy

There has been a strong polarization in recent months between Growth/Visible stocks vs. the rest of the market, and in particular cheap, value stocks.

This is driven, on the one hand, by low or negative long term interest rates, that push investors to invest in things that can roughly play the role that fixed income used to play (ie offering a visible return) but cannot anymore as the majority of Euro denominated debt now trade at negative yields. This resulted in sky-high valuations for stocks that are in this category.

On the other hand, **companies that are not stamped as being 'growth' or 'visible' by investors have significantly suffered from the big uncertainties created by the trade war and Brexit,** and by a recession risk that it is not unfair to expect given the duration of the expansion phase that we have seen. They are not necessarily bad quality companies as they can for example be leaders in their own cyclical sector and have shown their resilience capacity in the last economic downturn. They just lack the "visible" aspect of the first category.

We don't give too much credit for predictions on market behaviours, but it's probable that the same factors will continue to drive markets, and the respective performance of those two categories.

Value could fly on the wings of a recession

But the record relative valuations between sexy stocks and value stocks might also simply be unsustainable and break the link as it's often the case when things go too far in one direction. Paradoxically, a recession might be a boon for value stocks, as investors will stop fearing it and think about an economic rebound instead. Valuation in the industrial part of the market has indeed reached extreme lows, as many stocks do trade currently at similar capital employed multiples as they were at the end of 2008. This makes us wonder if they can **go** much lower. Expectations of how European authorities react to a slowdown could also change the current paradigm, as most of the war against deflation has been waged by Central Banks - via QE and super low interest rates - while austerity policies in Europe have played the opposite role on inflation rates. We don't think it has to be the case forever and a German recession might question the German attitude towards structural primary budget surpluses. **The market is currently positioned for a very long period of negative rates.** Any change in the big picture could dramatically impact relative performances.

"But the record relative valuations between sexy stocks and value stocks might also simply be unsustainable and break the link as it's often the case when things go too far in one direction"

"It seems to be the best time in at least 5 years to find long term conviction buys. It's just difficult to find cheap ideas that are going up as the current market is very momentum-driven"

Cherry picking stocks

Given what we just said on the polarization of the market, the current market indeed offers plenty of stock picking opportunities. It seems to be the best time in at least 5 years to find long term conviction buys. It's just difficult to find cheap ideas that are going up as the current market is very momentum-driven.

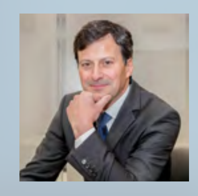
A lot of those convictions are in high quality industrial names that suffer from the bad economic momentum, but trade at very low valuations after seeing their stock prices dropping 50pc or more in the last 18 months. In Europe, one can think about Jacquet Metals, a steel distributor that makes 40% of its sales in Germany that has been affected by the drop in German industrial activity, Picanol, the undisputed world leader in textile weaving machines whose backlog dropped given the China-US trade war uncertainty, or auto-parts makers like Plastic Omnium whose stock price dropped after the global automobile outlook worsened and despite resilient economic results so far. Iberian pulp players like Altri or Ence also look attractive after the strong drop in pulp prices.

Adrift on a sea of uncertainty

Letting aside the current economic cycle, one must recognize that uncertainties abound, especially as politics are putting into question the previous global free trade model. Current supply chains are not a given anymore, even on a regional level as the Nafta deal renegotiation or Brexit show, so one must then integrate this as an important risk factor. However our main worry is about the current fixed income bubble driven by negative interest rates, which generates historical high valuations for duration assets as they look preferable to bonds (more than 60% of euro-denominated, investment grade corporate debt has negative yields). When the ECB normalizes its policy - we obviously have no idea when – there will be huge turbulences. We thus try to stay away from these fashionable trends although it's costly in the short term.

Conversely, one must in our view not take the opposite approach and simply buy all the cheapest stocks one can find as disruption risks are real. So a balanced approach to stock selection, combining both quality and discount to intrinsic value, is required.

EUROPE EQUITY



Nicolas Walesky

Chief Investment Officer at Alken AM

Nicolas Walewski is the Managing Director of Alken AM which he founded in July 2005. He is the Portfolio Manager of the Alken European Opportunities Fund, the Alken Absolute Return Europe, the Alken Small Cap Europe, and the Alken Capital One Fund. Previously, Nicolas was the fund manager of the Oyster European Opportunities Fund at Banque Syz in London from 1999 to 2005. Nicolas began his investment career in 1993 with Credit Lyonnais in Paris as a currency options Portfolio Manager and then in Frankfurt as an index options Portfolio Manager. Nicolas graduated from Ecole Polytechnique, Paris, and holds a Master's degree from ENSAE (National College of Statistics and Economics).

No overheating in Europe yet

I am a strong believer that the growth in Europe will come from internal consumption/demand which remains solid. This growth has partially been priced in through some defensive growth stocks which investors have used as Bond proxies. I believe most low growth companies which trade on high multiple trading start to feel overheated and somewhat overpriced.

Today, we see a once in a life-time opportunity to invest in cyclical companies which have been forgotten either due to their exposure to markets which go through a period of structural change (like some good quality automobile manufacturers, in our case our conviction is focused on Peugeot) and these often trade at substantial discounts The valuation spread between value and growth stands at historical highs, thus ignoring the high quality of some segments whose fundamentals keep improving, central banks being the main cause for this. We believe this action will not last indefinitely and a result of this, such spread between growth and value should decrease and our bottom up philosophy be rewarded from this style rotation.

Credit grows at a healthy pace, with no signs of overheating, although we think that banks are not particularly benefiting from this growth in this cycle. This growth comes from new financing sources and companies itself which have strengthened their balance sheets during the last crisis.

Opportunities galore

We are very happy Not at all, in fact for instance Wirecard trades on 20XP/E 12mth fwd, grows at a rate 35% p.a. and operates within a sector that has grown and will continue to grow consistently on double digit. So, you get a company growing double its peers at a discount on valuation grounds, and an anti-cyclical profile.

Peugeot keeps on its margin improvement strategy thanks to the marginal increase in prices, on the back of the recent strong consolidation move in the mass market in Europe, as well as an increase in volumes. At this point, there are basically three players (Peugeot, Renault and VW) that account for 80% of the market share. Moreover, the margin improvement strategy implemented by Mr. Tavares at Opel, still further to go, and this is certainly not priced on 5xPER.

Carrefour is another important position in the portfolio, another restructuring story lead by a change of CEO back in 2017, which we thought was a good trigger to start building a position. Such restructuring which implied a cost cutting in its labour force and rationalisation in the range of product lines is being effectively implemented and also believe is not priced in at current

levels (14xPE w/ 13% EPS growth). Furthermore, we need to account for the exposure to Atacadao, its Brazilian subsidiary, market leader, with LFLs growth rate just under 10% which represents around 30% of Carrefour's EBITDA.

Still on the expansion cycle

The confidence indices in Europe remain resilient despite a recent slow down on the back of lower exports in Germany, the tariff war between the US and China, the political situation of Italy, Brexit, etc. We find no symptoms of overheating in the economy, overall, the average valuation remains below the historical average. What does concern me, as I am sure does to the whole investment community is the lack of political visibility which in Europe finds its epicentre on Brexit. These events are impossible to forecast and trying to calibrate the probability of any of these events happening and its impact is a bit of a lottery.

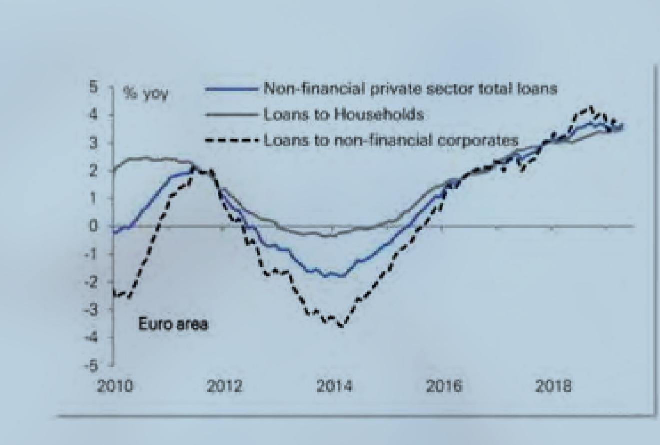
The tariff war between the US and China has started to take a toll on company margins globally, with productivity indicators weakening in the USA. Deals in the US and China are being delayed or cancelled which undoubtedly causes an impact on net exporting economies such as Germany, moreover a retreat on Global PMIs shows deterioration.

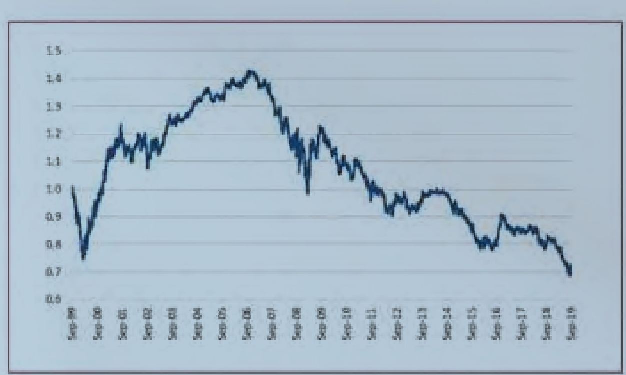
On the positive side, Global PMIs remain above 50, so we are still in a Global expansion cycle and central banks are committed to doing "whatever it takes"

But we remain cautious

What we do in this environment is keep on doing what we do best, focus on well managed companies, with solid business models, and with exposure to lower regulated sectors. We believe a well designed portfolio should perform better than the average and that we are entering a market which should reward the stock picking.

Since a few months ago we have been strengthening our exposure to companies with a more defensive profile trading on reasonable multiples like BAT, RWE, Sanofi Aventis, Saint Gobain, Anheuser-Busch Inbve, etc. We seek for companies trading at heavy discounts versus its peers whilst try to avoid value traps. We have reduced our exposure to Wirecard, some consumer discretionary and materials, instead increased our exposure to consumer staples which should add value. The idea behind is to cut a bit on volatility without missing out on our DNA displayed on high conviction and a long term investment horizon.





US EQUITY

Thomas Ognar

Senior portfolio manager for the Heritage Growth Equity team at Wells Fargo Asset Management

WELLS FARGO ASSET MANAGEMENT

Thomas (Tom) Ognar is a senior portfolio manager for the Heritage Growth Equity team at Wells Fargo Asset Management (WFAM). He joined WFAM with the acquisition of assets from Strong Capital Management, which he originally joined as a research analyst. Tom earned a bachelor's degree in finance from Miami University. He earned a master's degree in finance from the University of Wisconsin, Madison, and is an alumnus of the Applied Security Analysis Program. Tom has earned the right to use the Chartered Financial Analyst® (CFA®) designation.

Keep an eye on corporate earnings

A key driver of performance in the US equity markets in coming months is the outlook for future corporate earnings and cash flow. However, while we are bottom up investors, we acknowledge there are several macroeconomic or geopolitical variables that could influence the prospects for near-term earnings growth. These include (but not limited to) the impact of global trade discussions and the level of interest rates.

We manage portfolios that cover the entire market cap spectrum, so we are able to take advantage of opportunities without any constraints. That typically translates into a wide opportunity set. That's one of the advantages of our team's all cap approach to research. Moreover, we continue to observe a much wider than historic valuation gap between faster growth companies and slower growth companies within the U.S. growth universe. There are large secular changes like electronic payments, internet retailing and cloud computing that are occurring in a slow growing economy. For investors like ourselves this presents opportunity.

We consistently remain style pure and adhere to the same investment philosophy since team inception over 25 years ago. One of the benefits of our style and approach is the flexibility it allows us to shift investments toward where we can find robust and sustainable growth. A testament to this flexibility of our approach is that we have been able to add alpha in almost every sector over the past 15 years, as opposed to excess returns being dependent on a narrow group of stocks or sectors.

How zero interest rates affect valuations

We believe the biggest risk to our portfolio is if US interest rates went close to zero and the resulting impact it would have on global equities. Along with sector/stock specific risk it historically presents a headwind to growth stocks as the search for yield focuses more capital toward slower growing, dividend payers and bond proxies. The caveat to that this cycle is those groups of low growth, high yield stocks are currently already at multi decade high valuations, so to drive them higher would imply their valuations would move to near unprecedented levels

At the stock level a declining interest rate environment most directly impacts traditional financials, ie those that are more rate sensitive like banks or insurance. We don't invest in banks and our largest active financials exposure is to companies which we believe will benefit significantly in periods of interest rate volatility regardless of the direction of rate moves. To the extent that lower rates are also an indicator of future economic weakness we also avoid those companies with significant leverage on the balance sheet, our portfolio companies have consistently taken on less leverage compared to the benchmark.

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EMERGING MARKETS EQUITY

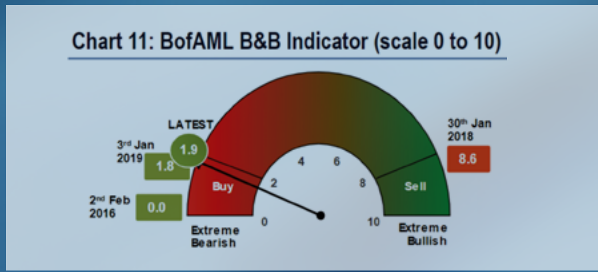
Oliver Lee

Investment director
for Asian equities

Oliver joined Merian Global Investors as investment director for Asian equities, based in Hong Kong, and in 2018 relocated to London to focus on emerging market and China equities. He joined from Schroders Investment Management, where he helped develop their alternatives business, and prior to this he spent four years at Sloane Robinson and two years at Goldman Sachs. Oliver started his career at UBS in 2000. He holds a BSc in business administration from Cardiff University and is both a CFA and CAIA charterholder.

Bearishness haven't paid

It's worth reminding ourselves that the pervasive macro bearishness this year has not been reflected in many of the largest global equity markets, with the S&P, and even the DAX, up nearly 20% year to date. That said, investor positioning has been relatively risk averse recently, with deflation assets such as REITS and gold outperforming given the nervousness around where interest rates are headed. This is only too clear to see in sentiment indicators such as Bank of America Merrill Lynch's Bull&Bear, which puts investor confidence in the bearish camp (see below chart, as at 18/10/19). This historically has been a contrarian buy indicator for risk assets and investors should watch closely for any material uptick in sentiment or a switch away from a bid for bonds and yield, as both would be a positive signs for equities.



Source: BoafA Merrill Lynch Global Investment

This would likely be driven by a couple of things. Firstly, it will be key to watch for any incremental improvement in global macro data as this would set expectations for a less deflationary environment in 2020.

Secondly, any concrete progress made in the China-US trade war would de-escalate investors´ concerns around global trade and growth, which have already been badly dented. What was announced last week was more of a trade truce, and although it's encouraging to have a mini-deal on certain products like soybeans and the postponing of further US tariffs, we believe it will take a while longer to reach an agreement on aspects like technology and intellectual property.

And thirdly, central bank policy across the globe is currently quite dovish -we've seen 54 rate cuts year to date- and with recent announcements from the US Federal Reserve and the ECB that they are to expand their balance sheets further, equity investors should expect more of the same, which is somewhat supportive for the underlying economies. However, what would really change the game is if governments backed these efforts up with a degree of fiscal stimulus – watch this space!

A sound investment case

With low, or in many cases, negative bond yields pushing some investors to seek dividend paying equities, and with corporate valuations appearing to be very compelling in year-to-date laggards such as the UK and more broadly the emerging markets, there is reasonably potential for accretive performance over the coming six months. As equity investors it's important to monitor how companies are faring in this environment, so the reality of delivering solid corporate earnings will remain as crucial as ever.

On emerging markets at the moment we see a lot of upside in our high-conviction portfolio of just 35 stocks. There are macro headwinds for sure, mainly the trade war and a slowdown in Chinese economic growth, however it's important not to get carried away by reading the headlines. At the micro level, many of the companies in which we are invested continue to deliver strong profit growth and importantly have the ability to successfully reinvest that capital back into their businesses – these are companies that we refer to as super-compounders.

Bottoming up a vast universe

There are over 30,000 stocks in the emerging market universe and from a bottom-up perspective we still find plenty of new investment opportunities. Two areas come to mind.

Firstly, China is continuing to move away from fixed-asset investment towards being more driven by services and consumption, which now represent more than 50% of GDP. Domestic stocks in this space are somewhat insulated from a trade war, and given the expanding middle class, also offer strong structural growth potential in areas such as sportswear, which is forecast to grow at 10+% a year, but also in areas like healthcare and insurance.

Secondly, not all emerging markets are at the same point in the economic cycle. Brazil is continuing its recovery from a deep recession and is supported by pro-market reforms from the nascent Bolsonaro administration. For instance, the proposed pension reform will create significant savings for the government and will be a big step towards restoring growth. We've seen consumer confidence bounce strongly over the past few years and this offers a benign backdrop for a number of domestically focussed companies.

$15 trillion in negative yielding debt!

Central bank balance sheets at over $16 trillion! In all seriousness, standard monetary policy will likely need to be supported by fiscal stimulus in the future. For example, in China there is a need to stimulate credit demand, which the government can do by relaxing local government bond issuance quotas and increasing infrastructure spend.

Moving back to the equity markets, valuation in some areas has become quite extreme and investors should be aware of crowding. For example, there are a few Indian consumer companies that now trade on a 60-70x forward price/earnings multiple and in our view the risk reward is not particularly favourable at these levels. These companies are perhaps being viewed as a proxy for high quality, long duration bonds and prices have therefore become quite elevated. Caveat emptor.

More caveat emptor

Equity markets are inherently somewhat volatile and that's certainly true for emerging markets. History has taught us to be patient, as there will be opportunities to buy good companies at below true intrinsic value rather than getting caught up in market euphoria and paying over the odds.

There are many risks out there in the market currently. However the biggest risk for us is investing in a company that fails to live up to our investment thesis. Ultimately we believe in investing in good quality companies and paying a fair price.

A solid company for us has three characteristics. First, it is profitable, which we define as delivering a Return on Invested Capital above Weighted Average Cost of Capital. Second has an economic moat or competitive advantage and finally can compound returns into the future. We are disciplined in sticking to this investment process.

EMERGING MARKETS INDIA

Siddharth Mehta-Thomas
Sub-advisor to the fund ACATIS India Value Equities

Krishnaraj Venkataraman
Sub-advisor to the fund ACATIS India Value Equities

Siddharth Mehta-Thomas acts as a sub-advisor to the fund ACATIS India Value Equities. In 2009 he founded Beaconsfield Investment Management. He graduated from Purdue University (USA) and lives in Bangalore, India.

Krishnaraj Venkataraman acts as a sub-advisor to the fund ACATIS India Value Equities and has more than 20 years experience in equity India. He is Graduate of IIT Kharagpur and IIM Lucknow.

A perfect storm

Asian markets today are caught in a perfect storm. Donald Trump's threat of sanctions along with the civic unrest in Hong Kong have rattled the regions stock markets, particularly India and Hong Kong. However, where there is crisis one finds opportunity. India in particular has faced the onslaught of both global shocks, a mini financial/banking crisis and poor policy making by its government.

This has led to India's economy expanding at its slowest pace since 2008. If government numbers are to be believed, growth is around 5.5%, however our own research leads us to believe that it is closer to 3%. Consumer demand has been hit particularly hard with vehicular demand dropping by double digits in September (-25%), a scenario not seen in India since reforms began in 1991. Even soap/shampoo makers, a traditionally resilient bunch, are reporting slowing sales growth figures to low single digits.

Index distortion

The headline numbers of the MSCI India Index, India's benchmark to the world, don't tell us the whole picture or accurately reflect the pain currently felt in the country. The stocks of this index are mainly ultra-large cap Indian companies that have suffered little. As a result, the Index is up by 2% in US dollars, but the larger mid-cap and small cap indexes have suffered their worst falls in a decade. Other than global lack of interest in India, it is also a quirky technicality that India's market regulator enforced 18 months ago that forbade large cap funds from owning mid-cap and small-cap stocks. This led to large scale dumping of these counters and a decline in the mid-cap index to 2017 levels. The spread between large-cap stocks and mid-cap stocks just over the last 12 months is a massive 13%!

This dumping has also meant that liquidity has dried up in the mid-cap and small-cap segment, further preventing funds and institutional investors from buying into these names for fear of being able to sell if required. This has caused a classic double dip and opportunity for long term-oriented value investors.

Investing in the darkest hour

We believe that the best time to invest in Asia and perhaps India is when the night is darkest. As we stand today we can't really see much light…

In India we are finding good value in the aforementioned mid-cap segment particularly in the Information technology and IT distribution space. Redington India is one of the largest distributors of IT products and phones in Asia/Africa. The company makes revenues of close to a $6.5 billion dollars, pre-tax profits of over $100 million, has a nearly debt-free balance sheet but trades at a pre-tax earnings ratio of under 6x and below its tangible book value (ROE 15%). We like this business because of its deep-rooted logistical network in the frontier markets of Asia and Africa which have been built over the last two decades. Replicating this business for a new competitor today would be practically impossible given the scale, cost and time required.

Redington's competitor Ingram Micro was sold to Chinese group HNA in 2016 at over 20x post tax earnings, double the valuation currently enjoyed by Redington. We thus believe that Redington has at least 50% upside as earnings and cash flow continue to grow at nearly 10% per year.

ACATIS

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GLOBAL DEBT

Henrik Stille

Fixed Income Portfolio Manager at
Nordea Investment Management

Nordea

Nordea bond manager Henrik Stille runs funds invested in government bonds, covered bonds and SSA/agency bonds. The Nordea 1 - European covered bond fund, Nordea 1 - Low duration European covered bond fund and Nordea 1 - European covered bond opportunities fund are some of the funds that he currently runs.

Riding turbulent waters

When considering the covered bond strategies that we manage, our value proposition is closely linked to the added value of active management. Relative value opportunities are just as present in a market with negative yield levels, as in a market with higher yields. We identify relative value opportunities by a risk-based approach focusing on quantitative research. In a very dynamic way, **we seek to invest in covered bonds that offer attractive relative value compared to investment alternatives with similar risk characteristics.** As our investment process is entirely focused on relative value, we think there will be opportunities also going forward.

To give you some illustrations, we still see some countries offering yield pickup compared to similar risk investments. In the AAA-rated space, we prefer Norwegian covered bonds, as they currently offer a pickup to the other Scandinavian jurisdictions and to Germany. Also New Zealand and Australia are interesting, with a pickup versus core European covered bonds. We remain overweight in Italy and Greece, which has been a positive contribution in our strategies all year and we find Danish DKK-denominated covered bonds attractive compared to other AAA EUR covered bonds in the short end of the curve.

> **“If the market starts pricing in a higher probability of a prolonged recession, various risk premiums in the market are likely to widen and thereby create underperformance for all type of credit/equity products”**

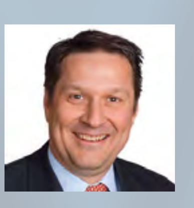
Could ECB prevent a recession?

In our view, the main risk is that **the market could lose faith in the ECB´s ability to prevent the European economy to enter a severe recession.** If the market starts pricing in a higher probability of a prolonged recession, various risk premiums in the market are likely to widen and thereby create underperformance for all type of credit/equity products. **I don’t expect central banks to allow interest rates go back to normal for a very long time** since, for example, inflation expectations are way below the ECB´s target. It is also likely that the ECB will allow inflation -exceed their target for some time before they tighten monetary policy.

GLOBAL DEBT

Lars Nielsen

Senior Product Specialist
at Pyford International



Based in London, Lars Nielsen Senior Product Specialist at Pyford International part of BMO Global Asset Management. Lars graduated from Aarhus Business School in Denmark with a M. Sc. and B. Sc. in Business Administration with a concentration in Finance. He also studied at Aarhus University mathematics department and San Francisco State University M.B.A. program.

Drivers of performance in the coming months

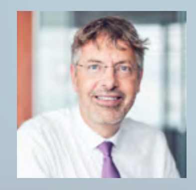
Forecasting short term market movements is not a key feature of our process, but to highlight a few drivers we think that Fed interest rate decisions; developments around China trade and the form of Brexit that is achieved are worth watching.

After 10 years of money printing most assets whether they are financial or real have been driven to unrealistic levels in most of the world. We would highlight Asia ex Japan as a place where we find most ideas, but even in Europe we can still find companies we can own as they continue to execute on very solid business plans; grow their earnings and dividends for the benefit of shareholders.

Concerns about valuations

We continue to be very defensively positioned with about 70% in cash and cash-like instruments. We are clearly positioned for some potential negative moves in markets. Our biggest concern is probably valuation. By having a large allocation to cash and short duration bonds we are keeping risk very low while standing ready to buy if assets were to get cheaper. We believe there could be many potential headwinds ahead and this is a time when capital preservation will be key. This is not exciting, but as we saw in 2018 markets can reprice very quickly when they are as expensive as they are now.

MIXED ASSETS



Philipp Vorndran

Flossbach von Storch AG

Flossbach von Storch

Philipp Vorndran is capital markets strategist at Flossbach von Storch since 2009, following his tenure as Supervisory Board Member from 2005 until 2009. He started his career with the Bank Julius Bär in Frankfurt and Zürich. Mr. Vorndran has completed his studies in Business Administration at the University of Würzburg.

Signal and noise

After months of tug-of-war, a Brexit deal seems to be within reach following EU approval of British Prime Minister Boris Johnson's draft treaty. However, the financial markets have hardly reacted to the headlines. This shows how important it is for long-term investors to distinguish between important and unimportant news. We believe that too many bad investment decisions are made on the basis of information that is simply irrelevant.

Hence, point forecasts are basically an ungrateful business. How the markets react within a few months is something that hardly anyone can seriously predict. Even if one is reasonably correct, this does not mean that successful investment decisions can be derived from it. We therefore concentrate on information that provides a relevant insight. And what is relevant for us is what has a concrete impact on the business development of companies and what influences interest rates, currencies and the stability of the financial system.

Brexit: a non-event for the financial markets

Today, however, some information that may seem relevant at first glance actually only has a short shelf life. This includes Brexit, which has been making headlines since 2016. Ultimately, the event is still difficult to predict. The results of the negotiations are even less predictable. In addition, the UK's economy accounts for just 2.2 per cent of the world's gross domestic product (GDP). Brexit is theatre.

The situation in the trade conflict between the USA and China is somewhat different, which also repeatedly causes headlines. The bottom line is that massive tariff increases are dampening world trade and global economic growth. However, it is difficult to calculate how strong and sustainable the effects will be. US President Trump often acts erratically. One thing is clear: the tactical customs pickaxing will continue. And so many of the US President's tweets are just noise. The sum of all tweets is a signal: Trump will do everything to help the US economy and the US stock exchange next year.

Many economic indicators suggest that the next recession is imminent in many eurozone countries. However, an investor should not derive their investment decisions from these factors, and regional factors in particular, but rather estimate long-term global growth.

Firstly, let's take a look at the USA, the world's largest economy. Here, the upswing has reached a record level with a duration of 123 months. However, GDP as a whole rose by only 26 per cent (in real terms), making it the fifth strongest upturn since 1945. Measured in terms of annual real growth, it is even the weakest at 2.3 per cent. An upswing is usually replaced by an overheating of the economy, inflation and the resulting interest-rate hikes; the length of the upswing is of secondary importance for the time being. None of these factors currently exist.

However, while growth in the USA has declined steadily over the past 70 years, growth in the global economy has remained relatively stable. China, in particular, has made an enormous contribution to this. Should the trade conflict with the USA escalate, the global growth dynamic would suffer. This would primarily affect economies in Asia and Europe, for which China is an important sales market.

The bottom line is that we expect average global growth of five per cent (nominal and dollar-based) per annum over the next five years. In making this calculation, we have assumed a slight slowdown in growth in the medium term and continued low inflation. The following nominal growth rates were calculated for the three major economic areas, which should be understood not as a forecast but as a working hypothesis: 2.5 per cent nominal for the eurozone (one per cent real), three per cent for the USA (1.5 per cent real) and seven per cent for China (five per cent real).

Equities at an advantage

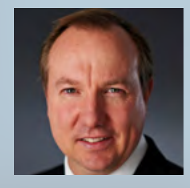
As a multi-asset manager, we can invest in various asset classes depending on the market situation and cushion risks in bad times. However, equities are currently extremely attractive. Their dividend yields alone make them much more attractive than bonds due to the central banks' ongoing zero interest-rate policy. Equities, on the other hand, have so far benefited less than average from the low interest rate. The average return on the US S&P 500 equity index, for example, is around 6.5 per cent.

In view of the weaker economy, we see good opportunities for quality companies with solid balance sheets. Our favorites have a competitive advantage that is regularly reflected in correspondingly high profit margins. This advantage must be sustainable. This means that the company must have an economic moat that protects it against old and new competitors, but also against substitutes. The greater the competitive advantage, the greater the sustainable value-creation potential of a company. It acts like a risk buffer: because the business of such quality companies usually continues unchanged, even if growth should continue to decline.

After a detailed analysis of the strengths and weaknesses of a company, we use three scenarios to determine the most plausible expectations for revenue, earnings and free cash flow over five years. For these analyses, it is important to estimate the development of the global economy over a five-year period. This includes our current global growth estimate of an average of five per cent per annum.

Even if the general conditions change, the effects on the business model, the competitive advantage and the economic moat of the companies must be examined. Sustainable profitability therefore also includes ecological and social sustainability. If a company falls behind in this respect, its competitive position and profitability could also suffer. For example, coal producers and oil producers are currently threatened by climate change, banks by the persistently low interest rates and the disruption potential of so-called fintech companies.

FOREX



Michael Biggs

Strategist and
Investment Manager

Michael Biggs is a Macro Strategist and Investment Manager, responsible for emerging market bond and currency long only and absolute return strategies. He joined GAM in September 2013 from Deutsche Bank where latterly he was a global economist and equity strategist. Michael Biggs holds a PhD in Economics and an MPhil in Economics from the University of Cambridge, an MComm and a BComm in Economics from the University of Cape Town. He is based in London.

Trade war as key of performance

The key driver of performance in the coming months could be developments in the US / China trade war. China GDP growth slowed to 6% yoy in Q3 2019, its slowest rate of expansion since 1991, despite a fiscal stimulus and a decline in interest rates. Weak demand has weighed on global trade, and by mid-year world export volumes were contracting at their fastest pace since the great recession.

While Chinese growth has been on a steady downward trend for some time, the softness in Q2 and Q3 has come as a disappointment to market participants, and has caused many to question the impact of the policy stimulus. In our view the weakness is largely because of the trade war. Economic activity was strong in China at the start of the year, and only started to soften when the US announced further trade tariffs in May. The policy stimulus has been as effective as ever, but the headwinds from the trade war will need to ease before the benefits to growth become evident.

We are yet to see the full implications of the September tariff hike in the data, and we may still have some growth weakness ahead of us until the global economy has adjusted to these higher rates. In recent weeks, however, the tone of the trade discussions appears to have improved, and both countries have an incentive to come to some sort of negotiated agreement. If the progress on "phase 1" of the trade deal is maintained, and if the delay of the intended October tariff increases is a sign of things to come, the headwinds from the trade war could ease even as the tailwinds from the stimulus intensify. Industrial production growth in China could strengthen as a result, in time this should feed through to the rest of Asia and to other manufacturing countries such as Germany. Strong China industrial production growth in September and the recent rebound in the Caixan purchasing managers' index in September might be early evidence of this recovery.

US dollar and EM Forex

Robust growth in China is generally a support for non-oil commodity prices and a boost for other emerging market (EM) exports. The more important implication from an EM debt perspective, however, could be the impact on the US dollar. Movements in the US dollar can be reasonably well explained by the growth differential between the US and the rest of the world.

"The more important implication from an EM debt perspective, however, could be the impact on the US dollar. Movements in the US dollar can be reasonably well explained by the growth differential between the US and the rest of the world"

For most of 2018/2019, growth has surprised positively in the US and disappointed in the euro area and China, and the US dollar has strengthened. Now US growth is starting to slow as the fiscal stimulus for 2018 fades. Nowcasts suggest the US economy might have expanded by less than 2% in Q3 and the September weakness in indicators, such as the non-manufacturing ISM, suggests that a strong rebound in Q4 is unlikely. If the trade narrative improves, Chinese growth strengthens and global growth follows, we would expect the US dollar to weaken.

This is crucial for EM local currency debt, because EM FX moves are well correlated with the US dollar. In 2019 thus far, US treasuries have rallied and the US dollar has strengthened. EM rates have benefited from lower yields, but EM FX has struggled in the face of US dollar strength. If the trade war eases and global growth strengthens, these moves in the US dollar and treasuries could be reversed. The increase in US treasury yields might put some upward pressure on rates, particularly in the lower yielding EM economies, but the weakness in the US dollar would boost EM FX returns.

Challenges and opportunities

The sharp rally in US treasuries has caused a rally in yields everywhere, valuations in many fixed income markets now appear challenging, and many fixed income investors may be struggling to find investment opportunities as a result. In EM local currency debt, however, this is not a problem in our opinion. Returns for the asset class depend not just on yield move but also, and to a larger extent, on developments in EM FX. Whereas EM yields have rallied in line with treasuries and are unlikely to fall much further from current levels, EM spot FX has weakened and valuations are not demanding. EM's balance of payments fundamentals are sound, and all that is required to trigger EM FX strength is a China recovery and some US dollar weakness. If the macro outlook develops as we anticipate, there should be no shortage of profitable opportunities in EM FX, even if rates come under a bit of pressure. Profitable opportunities might be harder to find in the rest of the fixed income universe.

We have found developments in the US / China trade war difficult to predict thus far. While we think both sides have every incentive to come to some sort of agreement, the risk of disappointment remains. Further tariffs will likely ensure that global growth remains slow, and a flight to quality could drive additional US dollar strength. Low growth and a strong US dollar is a very difficult environment for EM local currency debt.

Our exposures and position sizing reflect our views on the risk to the asset class. In times when we are particularly concerned about the risks of US dollar strength, however, the risks can be mitigated in part by being underweight the lower yielding-currencies that are closely correlated to the US dollar, such as those in Central and Eastern Europe (CEE4).

LISTED REAL ESTATE

Gillian Tiltman

Portfolio Manager

NEUBERGER BERMAN

Gillian Tiltman is a Portfolio Manager for the UK and Continental European Real Estate portion of the Real Estate Securities. Gillian began her career in 2004 at Deutsche Bank Securities in New York, where she was a member of the product management team. Gillian received a BA from Princeton University.

The underappreciated growth story in REITs

Listed real estate securities have enjoyed a very good 2019. The FTSE NAREIT All Equity REITs Index is up almost 30% year-to-date, outpacing the S&P 500 and most other big-hitting asset classes such as gold and long-dated Treasuries. Is this due to the sector's interest rate sensitivity?

People often see listed real estate as a "defensive" income-generating sector that benefits when yield-seeking investors are trying to escape declining rates—and that has certainly played a part in this year's returns. But it's not the whole story.

Building momentum

In fact, the real estate sub-sectors that have outperformed the most—data centres, cellular towers, manufactured housing, single-family rentals and industrial/warehouse—generate total returns that are generally driven more by earnings growth and price appreciation than by income.

In short, investors' search for growth has been at least as important for this year's real estate outperformance as their search for yield.

The growth opportunity in the sector is getting bigger and more important with every passing year. Widely recognized long-term investment themes feed directly into real estate opportunities in underappreciated ways.

The advent of 5G is likely to increase demand for cellular towers and fibre cable assets. Cellular towers are also set to play a major role in making next-generation mobility a reality. The spread of cloud computing will require more data centres. Later-starting families are increasing demand for single-family, non-owner-occupied housing. And resource efficiency is becoming an ever-more-important quality differentiator across real estate assets in general, while timberland in particular is exposed to themes of climate change and sustainability.

Even e-commerce, so often seen as a pure threat to retail real estate, is creating huge new demand for warehouses and last-mile distribution centres.

Back in 2000, non-traditional assets such as these made up less than 10% of the FTSE NAREIT All Equity REITs Index. They now account for around half.

Pullback

Over recent weeks there has been a major reversal of some long standing trends in financial markets. Investors have rotated out of perceived growth-oriented, income-generating defensive stocks and into value-oriented and cyclical stocks.

Listed real estate has been impacted by this reversal, and the growth-oriented subsectors described above lagged as investors chased beaten-up value stocks. But we believe there are much stronger trends at work here than the ebb and flow of equity market style rotations. What is more, large blocks of investor capital are beginning to recognize the importance of this opportunity.

We see private equity managers increasingly compete for real estate and infrastructure assets, especially technology infrastructure. The world's largest REIT exchange-traded fund changed its index last year to one that includes cellular towers and timberland: Its two largest holdings are now owners of communications infrastructure. The world's largest active real estate securities manager made a similar change to its benchmark in March.

You may be looking at listed real estate and thinking that it's already had too good a run this year, and that the recent pullback is symptomatic of an overstretched trend. Or you may be thinking that this interest-rate-sensitive asset class is vulnerable to a further rise in bond yields. We think both of those assumptions could obscure the genuine story in listed real estate—a growth story that we believe has many years yet to play out.

Looks closer to see what's there for investors

We don't stop at surface level analysis

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Is Europe going passive?

Analysis of the trends in distribution on passive

Hector McNeil
Co-Founder & co-CEO of HANetf

Historically, investment products in Europe were sold through banks and advisors who often received kick-backs from fund providers. This practise incentivised the sale of high cost / high commission products and put the interests of investors after the compensation of the salesperson. Now, with less reliance on intermediated sales processes and greater control in terms of fund selection, investors are looking at ETFs and liking what they see.

European ETF assets have grown rapidly from ~€140 Billion in 2008 to over ~€800 Billion by February 2019. This growth is all the more impressive considering that ETFs are dwarfed by the $47.4 Trillion of assets that ICI (Investment Company Institute) estimates are held in mutual funds.

The growth of the ETF market can be explained by characteristics that make ETFs appealing to professional and private investors and highly competitive compared to traditional mutual funds.

Investors deserve to know what they own and ETFs operate on a 'nothing to hide' basis, providing daily transparency into the underlying holdings. Because of this, ETFs are often described as "democratic" investment products – the individual gets the same fund, the same information and the same trading optionality as an institution –no special share classes, no special treatment, no information imbalances, just a level playing field.

With nearly 2,000 different ETFs listed in Europe, covering all major asset classes (Equities, Fixed Income, REITS, Commodities, ESG) as well as sectors, specific countries, geographical regions and themes like Cloud Computing or Health Technology, it is easy to use ETFs as building blocks for a portfolio as investors can gain broad index exposures like S&P 500 or target niche investment themes of interest to an investor.

ETFs are also cost efficient and have low minimum investment thresholds, making them an accessible option for even small retail investors. This accessibility is enhanced when trading is considered – ETFs are able to be traded intra-day enabling investors to quickly enter or exit positions without the delay of once a day pricing.

Industries like telecoms, utilities, media and airlines are already easy to cost compare - it's straightforward to find the best price for a broadband package, set of golf clubs or a LHR-JFK flight. All things being equal apart from price, do you care if you fly BA or Virgin? Many travellers say no –get me there safely, on time and at the best price. Investment products will increasingly be judged and selected in a similar way. In an age where value-for-money is under the spotlight and comparisons between investment products are straightforward to perform, European ETFs are well positioned to reap the benefits of investors seeking the greatest value from their portfolio.

The debate active versus passive management still dominates the industry. In just 10 years AUM in passive investments have grown 611% while **AUM in active investments** has reached by 154% in the same period. In US 38.8% of the total AUM is invested in ETFs and index-funds while in Europe reaches 18%. In Europe there are around 3.000 ETFs but only 160 got above EUR 1 billion.

Katherine Magee
Investment Specialist at
J.P.Morgan Asset Management

Next generation ETFs: Redefining the index
Index-tracking strategies dominate the exchange-traded fund (ETF) landscape. However, investors need to fully understand the risks and opportunities provided by different types of index funds before they decide on the best approach for their portfolios.

Beyond market cap
Most ETF assets globally are invested in pure passive strategies that track traditional market capitalisation weighted indices. Market cap weighting is simply the process of building an index based on the size of its constituents. In an equity index, bigger companies make up more of the index, while smaller companies make up less. In bond indices, the biggest debt issuers (in other words the biggest borrowers) make up most of the index.

By tracking market cap weighted indices, passive ETFs can offer efficient, low-cost, transparent and scalable exposure to global equity and bond markets—attributes that help explain the explosive growth in assets that these funds have experienced over the last 10 years.

Global ETF Assets
Index funds dominate ETF assets - and for a good reason. They provide cheap, efficient and scalable exposure to global markets.

However, market cap weighted indices do suffer from some well publicised limitations. Equity indices are proportionally more concentrated in the stocks, sectors and regions that have performed well in the past, not necessarily those that will perform well in the future, while bond indices are biased towards the most indebted issuers, not necessarily the most solvent.

These inherent biases constitute unrewarded risks that investors may want to control their exposure to, or even eliminate entirely when investing in less liquid or less efficient markets.

Risk-aware indexation
An alternative, risk-aware approach to passive investing is provided by smart (or strategic) beta ETFs. These funds track indices that use criteria other than company or issuer size to determine portfolio holdings.

Some indices weigh constituents or issuers equally, while some screen for securities with specific characteristics—such as low valuations, strong earnings or price momentum, or credit quality. And some do both. The aim is to provide investors with cost-effective, passive exposure to specific markets and asset classes while addressing the objectives of the end investor and reducing the risks inherent in market cap weighted indices.

Index funds are no longer equal
It's important for investors to choose the most appropriate index approach for their own needs.

Otherwise, they can potentially be exposed to significant unintended portfolio biases and greater unrewarded risk concentrations than they perhaps bargained for.

There are now many innovative ways to access markets using a strategic beta approach. When it comes to ETFs, passive should no longer automatically mean market-cap weighted.

Is Europe going passive?

Analysis of the trends in distribution on passive

Martin Stolker

Head of Manager Selection at ABN Amro Investment Solutions

For the time being we do not see an imminent risk in passive investments. They offer efficient, low cost access to a multitude of asset classes and they are here to stay. One can argue that with continued strong growth, imbalances in financial markets could arise. Most passive products replicate market capitalization weighted indices and continued inflows mean that most money goes to the already biggest firms. This could lead to bubbles, but we are far from that point. We also have to see what happens in severe market corrections and when investors will massively redeem from passive products. Market efficiency itself could be at risk in the future, but we think that **with more and more money flowing into passive products, this opens opportunities for smart active investors.**

Davide Alfano

Managing Partner at Kaleidoscope Capital

We focus on actively managed strategies and, among them, strategies backed by an understandable, repeatable investment process and able to deliver a well-defined alpha over time.

We understand the logic to get exposure to markets through ETFs. **They are easy to access and relatively cheaper, but they are beyond the scope of our investment approach and corporate mission.**

We are experts on selecting actively managed and alpha driven investment solutions and in combining the same in a way to add alpha through our portfolio construction and risk management process. We stick to what is our focus and core expertise.

Eva Polly

Head of Manager Selection at Raiffeisen Capital Management

In our investment process we don't think in portfolios – more in strategies. So **we would use ETFs in strategies which are more short-term oriented like a tactical asset allocation.** We would also use passive investments in asset classes where you can't find active products.

Christian Torres Lang

Managing Director and founder at Solventis

There is room for both strategies in any portfolio. There is another question to that debate, to start with **you need to have a good understanding of what you understand for passive or active.** In fact, there should be a common agreement in the mutual fund industry on that.

We still give a try to active manager as we believe they have a superior return/risk profile, especially in less developed markets with more information asymmetry ́s or hard-to-clean data. As for highly transparent markets, passive management with lower structural cost, could add plenty of benefits to the capital markets and especially to the portfolios of less "sophisticated" investors.

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For further information, please contact:

Jesús Sobral
Investor Relations Manager
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Please confirm your attendance as soon as possible by sending an email response

Brussels, the heart of Europe

Mauricio Barocio
Independent Financial Advisor

Mauricio Barocio is Senior Investment and Portfolio Manager with expertise in multi-asset portfolios, risk management and asset allocation. Mauricio is a specialist in Emerging Markets and impact investing. Mauricio has 16 years of experience and has worked as a portfolio manager and investment analyst at Alena Invest, IPC - Internationale Projekt Consult GmbH, Bank of New York and Amundi. Mauricio holds a Masters in Finance London Business School, a Double Bachelors Degree in International Business at NEOMA Business School. He speaks English, French, Portuguese and Spanish.

Early vocation

I have enjoyed the world of finance from a very young age. As a teenager I was positively influenced, perhaps charmed, by my relatives who worked in banking and finance. Subsequently, my bachelor's degree in business with a concentration in finance and my internships at Credit Lyonnais Asset Management and the Bank of New York were so significant to me that it was natural to continue in the path of a career in finance. Since I have a strong interest in social economic development, I started working with a financial consultant company that provides services to microfinance institutions in emerging markets. After that I joined a multi-family office based in Belgium.

Impact Investing pays off

The best investment decision has been to focus on Impact Investing themes (private debt), mainly short term loans that provide working capital to SMEs in emerging markets. My best investment on a professional level has been on Trade Finance (i.e. Inoks Capital) and on a personal level it has been investing on renewable energy (off-grid solar home systems) and microfinance institutions through crowdlending platforms. Beside the fact that these investments have a strong impact on society and on the environment, they also provide attractive returns with relative low risk. In the case of trade finance the loans are collateralised and with crowdlending platforms some loans are guaranteed by international development corporations. The worst investment decisions have been those depending on binary events such as Brexit.

It depends on the weather

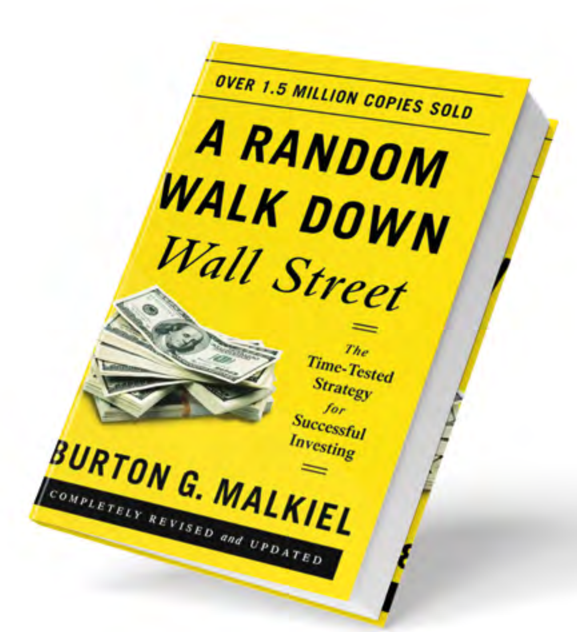
The strangest investment fund was Cumulus Energy Fund that followed a strategy of applying weather risk management and derivatives expertise to the European energy and emissions markets. When I first contacted them, they were running two strategies: Cumulus Fahrenheit and Cumulus Energy Fund. The performance of the energy fund was very volatile and it was difficult to know in what type of market environment would perform best/worst, The team was mainly scientists rather than investment professionals.

What makes a good fund manager?

A good equity long-only fund manager can deliver alpha returns on a medium to long term basis. The fund manager should stick to it's investment philosophy but should also adapt/evolve according to market dynamics. For other asset classes/strategies (i.e credit, alternatives), it's more about delivering returns with a well managed downside risk.

Bedside books

One of my favourite financial books is **"A Random Walk Down Wall Street"** from Burton Melkiel. What made this book so interesting is that I read it before entering the asset management business and it showed me of how challenging it's to be an active investor.



Credits

Collaborations

- **Neil Dwane** | Global Strategist at Allianz Global Investors
- **Martin Stolker** | Head of Manager Selection at ABN Amro Investment Solutions
- **Christian Torres Lang** | Chief Executive Officer at Solventis
- **Davide Alfano** | Managing Partner at Kaleidoscope Capital
- **Henrik Stille** | Portfolio Manager at Nordea Investment Management
- **Peter Lindalh** | Head of Systematic Funds at Evli
- **Frank Schwarz** | Partner and Fund Manager Global Equities at Mainfirst
- **Alex Tedder** | Head of US and Global Equities at Schroders
- **Raphaël Moreau** | Fund Manager at Amiral Gestion
- **Thomas Ognar** | Portfolio Manager at Wells Fargo Asset Management
- **Lars Nielsen** | Senior Product Specialist BMO Global Asset Management
- **Philipp Vorndran** | Investment Strategist at Flossbach von Storch
- **Oliver Lee** | Investment Director Asian Equities at Merian Global Investors
- **Mauricio Barocio** | Independent advisor
- **Siddharth Mehta** | Sub-Advisor Indian Equities at Acatis
- **Krishnaraj Venkataraman** | Sub-Advisor Indian Equities at Acatis
- **Gillian Tiltman** | Portfolio Manager at Neuberger Berman
- **Michael Biggs** | Macro Strategist and Investment Manager at GAM
- **Hector McNeil** | Chief Executive Officer at HANetf
- **Katherine Magee** | J.P.Morgan Asset Management
- **Eva Polly** | Head of Manager Selection at Raiffeisen Capital Management

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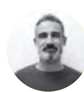

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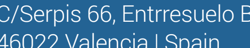 C/Serpis 66, Entrresuelo B
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