

WSI Wall Street Italia

WEALTH MANAGEMENT AND ADVISORY SERVICES



MASSIMILIANO CAGLIERO

A large share of liquid assets are parked in current accounts, even among private clients. So customers' confidence needs a strong boost.

We discussed this with Massimiliano Cagliero, CEO of Banor SIM

BY MASSIMILIANO VOLPE

Mr Cagliero, you are at the helm of an Italian asset management company specialising in advisory and management services for high-

net-worth individuals. This type of clientèle has increasingly complex needs. How is Banor responding to this challenge?

"In Italy there are some very large holdings even after the numerous liquidity crises: at the present time many entrepreneurs are selling their family businesses so as to manage the generational change with fewer concerns. After the sale, they feel disoriented and want to find a consultant who can help them manage their assets. Our clients are asking us for more and more transparency and are seeking a greater understanding of how their portfolios and individual investments are managed. So we are particularly careful about all the aspects linked to the management of financial assets on the regulated markets, matters that are rooted in our DNA. In this sense the new MiFID directive [Markets in Financial Instruments Directive – MiFID II] will help clients understand how their assets are managed.

Our clients aren't just looking for high performance, they're also seeking a sense of confidence and trust. And when they find it they ask for our help with other questions linked to financial asset management and to inheritance issues. For this kind of work we also use other professional firms. Often clients ask us for assistance in finding private equity investments, whether direct investment or funds specialising in this area".

The amount of money Italians deposit in current accounts has reached record levels. How do you manage to persuade them to invest in the markets?

"Today, liquidity is an important part of our portfolios but that doesn't mean we're running away from the financial markets. We tell our clients there is no rush to invest in the markets. At the moment we're advising them to buy high-quality European stocks which pay out good dividends in order to bring in a high level of free cash flow. These are stocks that can earn 4-5% and for which we see no particular problems as regards price developments in the longer term, as long as you accept some volatility. We prefer not to invest in bonds, where yields are still close to zero for maturities up to five years, especially for European government securities. The scenario is slightly different for bonds denominated in dollars and we are monitoring these closely".

Besides advisory services you specialise in asset management and fund management. What is your philosophy?

"Our management philosophy is based on analysing the fundamentals of listed companies. This is a value-based investing style, as used by Warren Buffett. We buy equity with a long temporal horizon, so much so that some stocks have been in our portfolio for more than 10 years. When company figures are published we adjust our buying and selling targets. We often meet with the management of listed companies and other asset managers. With our office in London and our constant presence in the United States, we are able to read the mood of international investors towards Italy. We've adopted this management philosophy for both asset management services and for the funds of our management company Banor Capital. We also apply the same selection criterion to third-party funds when we select managers for markets or asset classes that we don't follow directly ourselves".



Banor SIM numbers

€4.8 billion of assets under management

€1.8 billion invested in asset management portfolios

€3 billion in financial consulting

1,000 private clients of Banor SIM

2 offices in the major cities of Milan and Turin

2013 – first year of Global Investment Performance Standards (GIPS) certification

In a world of zero rates, what should a client of yours aim for in terms of performance?

"That greatly depends on the percentage of equity that the client is prepared to hold in their portfolio and therefore their appetite for exposure to volatility. A typical portfolio of ours is made up of stocks and cash, with not too much exposure to the bond markets. If bonds have to be included, it's best to focus only on the high-yield component. The performance objective is also tied to whether, and to what extent, the client is thinking in terms of dividend flows or of enhancing the overall value of their portfolio. Many clients ask us to keep cash flow constant without looking too hard at stock prices in the short run. In this sense stocks that guarantee high coupons pay out dividends of 4.5-5 per cent".

What are your objectives for the next few years, in an increasingly competitive market for private banking and asset management?

"Banor's objectives are to grow organically without being pressured to produce a larger volume of assets under management at the end of each month. We're looking for high-quality clients who understand our management philosophy. Banor's added value is having loyal customers who always follow us and who understand that when the markets are a little volatile, that's often the right moment for our managers to buy. All this has allowed us to show one of the best market performances over the last 17

years. There is still much to be done in Italy. I go to London once a week and I can see the difference. The level of competition in Italy is lower than in the UK and so there is space to further increase asset volume.

There's a large amount of liquidity parked in current accounts and for us this represents an opportunity. We've been considering some acquisitions but we're very selective on this front, we think in terms of a business plan for the next 20 years. We're not interested in growth just to have a greater volume of assets in the short term.

At present we have assets of €6.5 billion divided among 1,000 mostly private clients, although we're also increasing our institutional client base. In detail, we have just under €2 billion in assets under management while the remainder is divided between assets in funds managed in London and those under advisory services".

Does the new MiFID II coming into force in January 2018 worry you?

"In substance the new European directive doesn't affect us. We have never had any hidden costs, we have never received retrocession fees from anyone, we have always been paid only by our clients. Furthermore, our operating philosophy has always been in line with the new EU regulations. There will be no impact at the level of our balance sheet; we will only have to make adjustments on the bureaucratic and administrative side".

You have a share in an asset management firm in London, Banor Capital. Isn't there a conflict of interest with your advisory service clients?

"Banor Capital's funds are sold very infrequently to our private clients, whose assets are mainly invested in individual securities. Banor Capital manages the 10 segments of Banor Sicav and Aristea Sicav, implementing a strategy that has the value approach as its strong point. For the sale of funds, 2017 has been an important year. We've entered into two distribution agreements with Banca Generali and FinecoBank, which strengthens our presence in Italy; these are in addition to other distributors such as AllFunds, IWBANK and Online Sim. We have a clear plan to expand the distribution of our funds on the Italian market".

On the recruitment front, what kind of professionals are you looking for?

"We're always looking out for professionals who can grow with us, on both the asset management and the commercial sides. We prefer to have a small number of carefully selected high-quality bankers who share our management philosophy. We never launch big recruitment campaigns just to increase our numbers, only to then dismiss people at the end of the year. Professionals don't have to bring high-net-worth clients with them; we will take them to the clients and support them in all aspects of their work.

We do everything we can so that they are successful in our company. The main weapon at a banker's disposal is our management performance".