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Funds People

Cagliero (Banor SIM): "The only way forward is through transparency and sustainability"

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Transparency, independence, value approach and sustainability: these are the principles followed by **Banor SIM**. A market presence since 1989 as a private banking vehicle for a number of banks in northern Italy, Banor was bought out in 2000 by a group of private investors and managers led by Massimiliano Cagliero. "When I returned to Europe from the US, Italy's asset management industry was typically beset by very high costs and very poor transparency concerning those costs, as well as poor returns on the management part", confesses **Massimiliano Cagliero**, founder and CEO of the investment company.

"We decided to **create a 'reality'**, as we'd call it today, that would be **MiFID II compliant**. We were certainly pioneers in this, because it has taken the Italian market 17 years to achieve transparency regarding the cost aspects". In Cagliero's view, the situation is changing rapidly, particularly owing to major regulatory innovations. "Costs have increased and this has forced many players out of the market. There's no turning back, we can only keep moving ahead towards transparency. We have already started on that path".

A strong belief in a value approach aimed at sustainability

"As far as revenues are concerned, or how to make our clients' capital turn a profit, we have created a **centre of excellence for wealth**

management in Italy". Banor SIM adopts a bottom up approach, based on a thorough knowledge of the company in which they are investing and frequent meetings with its management. "We've combined the two features of lower and transparent costs with a value approach. At present we're handling more than €7.5 billion at European level, while in Italy assets under management total €5.5 billion and we're one of the leading companies in the field".

The company's research department is made up of 14 analysts. "We invest constantly in analysis", points out Cagliero, "and we use a **model developed in-house to assess environmental, social and governance (ESG) sustainability** when selecting stock. Moreover, working together with Politecnico di Milano we have just published a study on the link between ESG rating and market performance.

For our research we used the same methods as the **Harvard Business School** uses to analyse the US market. Ours is the first study in the world to look at the **correlation between ESG rating and share performance in Europe**, taking as reference point the shares listed on the Stoxx Europe 600 index. We show that **on the stock market, the goodies win**: responsible shares earn more. Moreover, we are one of the very few companies in Italy to have **Global Investment Performance Standards (GIPS) certification** for our stock selection process".

GIPS is a quality certification issued by PWC. It looks at the whole investment process in order to certify that the declared performances are accurate. "In the future, it will be difficult to tell how much sustainability policies and the related investment flows affect a company's performance", adds Cagliero, "but in a situation where investing according to these criteria is inevitable, a sound analysis of the fundamentals and our value approach will still be essential in order to create value over time".