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FOCUS ON THE MARKETS

## HUNTING FOR VALUE

Where to find yield in a tricky phase between volatility and political and economic tensions

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Diversification, protection, savings. However, for investors, the objective is always the same: yield. Finding value in a market phase such as this is certainly not simple. Volatility and tensions make the hunt for yield frustrating, so we must be inventive and explore territories often left unexplored. European equities could be an interesting asset class, at least according to Alistair Wittet, Portfolio Manager and Analyst for the Europe Team at Comgest: “European prices reacted strongly in January, recovering the losses recorded in December.” To find the best opportunities, however, “it is necessary to identify the companies that can generate turnover and cash flows even in difficult periods.” We cannot mention Europe without mentioning Italy. The Borsa Italiana shone at the beginning of the year, without the support of an economic context that is now negative for our country. In the FTSE MIB, the energy, utilities and banking industries performed well. But what are the future prospects? “We think it is unlikely for oil to see a repeat of the same results. Utilities, on the other hand, have increased quite a bit”, says Luca Riboldi, Investment Manager at Banor Sim. The challenge could be in construction: “The Five Star Movement’s electoral loss creates hope for blocked public works to pick back up again.” An asset class that fascinates investors seeking value is the emerging markets bond. Those putting their trust in a continuation of the positive trend include Rob Drijkoningen from Neuberger Berman: “We believe that the recovery in emerging market debt in coming months is more than tangible.”

And what about the United States? One of the most common fears amongst investors in this market phase is the American recession. These situations are difficult to predict, even if, according to Darrell Spence, an economist at Capital Group, “it is a natural and necessary phase of every economic cycle. The good news is that normally recessions do not last long.” Even if your portfolio should still be prepared for their arrival.



BANOR SIM

## Construction poses challenge at the Borsa Italiana

**LUCA RIBOLDI**

INVESTMENT MANAGER

The Borsa Italiana shone at the beginning of the year, without the support of an economic context that is now negative for Italy. In the FTSE MIB, the energy, utilities and banking industries performed well. “Eni, Tenaris and Saipem have benefited from the increase in oil prices”, explains Luca Riboldi from Banor Sim. “Enel, Atlantia, Snam, Terna, Enav and local utilities increased when the spread dropped from 300 to 250 base points. The banks showed better results than expected and are financially viable.”

But what are the future prospects? “We think it is unlikely for oil to see a repeat of the same results. Utilities, on the other hand, have increased quite a bit.” The challenge could be in construction: “The Five Star Movement’s electoral loss creates hope for blocked public works to pick back up again.” The securities worth keeping an eye on include, in addition to Eni, who Riboldi believes “at the current oil prices is maintaining an interesting dividend yield; Leonardo, in a context where Europe must increase the defence budget; Buzzi-Unicem, due to the expected recovery in infrastructural works; and Illimity, at a discount below its net assets.” Also Gamenet, “which has a high free cash flow in a regulated sector with little competition. Among mid-caps, Saras might see positive effects from the introduction of the IMO 2020 regulation that sets forth sea transport’s transition from using naphtha to diesel, of which the company is a major manufacturer.”