

IL CORAGGIO DI OSARE

CONTRARIA

by **Andrea Telara**

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BANOR SIM - RIBOLDI

Luca Riboldi,
Director of
Investments at
Banor Sim



Seeking value

Faced with the continuous uncertainties of the markets, Banor Sim maintains its traditional 'asset management philosophy', aimed at selecting securities that enable the preservation of the invested capital in the medium term. While also keeping an eye on strategies that focus on environmental sustainability and social responsibility

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THE COURAGE TO DARE

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Fears of a new economic recession, the trade war waged by Trump against the rest of the world and below-zero interest rates as never before seen in the post-war period. This is a combination of factors that will most certainly cause international investors many sleepless nights. Traditionally, in the month of December, investors find themselves faced with a question: what can we expect from the financial markets next year? The memory of the last few months of 2018, a disastrous period with double-digit losses for the most important indices, is still fresh in their minds. Undoubtedly, 2019 better, with the main financial markets going through 11 months substantially on the rise. However, it is precisely for this reason that some fear a new downturn. Are these well-founded fears? "This year's scenario", noted Luca Riboldi, Director of Investments at Banor Sim, "is undoubtedly different from the end of 2018".



Indeed, Riboldi underlined the fact that, last year, the Federal Reserve (the Fed), the American central bank, seemed decidedly orientated towards a policy of raising interest rates and U.S. government bonds were already returning well over 3% for a ten-year maturity, causing a return of interest in fixed returns and loss of appeal for the equity sector. On the contrary, in 2019, after signs of weakness in the U.S. Economy, the Fed made a return to a soft approach. It lowered the cost of money back to previous levels, and the return on U.S. ten-year treasuries went back to well below 2%.

● **Banor Sim's approach to the market is an investment process that is based on the analysis of the absolute value of companies**

The other monetary authorities moved in the same direction and, on the old continent, the European Central Bank (ECB) even reopened the taps of quantitative easing, buying bonds on the market and giving an indirect sprint to the stock exchange.

Notwithstanding all of this, there are unknown factors that must not be underestimated. "Much depends on the macroeconomic scenario", added Riboldi, who forecasts a decidedly negative picture only if the prospects of a recession become more concrete and if there is a marked fall in company profits. On the contrary, noted the Director of Investments at Banor Sim, we must not forget that 2020 is the year of the US presidential race, and the outgoing tenant of the White House, Donald Trump, certainly has no interest in starting the electoral campaign with a weak stock market and a struggling economy. Given the above premises, Riboldi deems it possible that there should be various phases of list price volatility, with investors being able to take advantage of price fluctuations to enter the markets when the prices are affordable.

In any case, with this background scenario, Banor Sim maintains its traditional 'asset management philosophy' that has distinguished it since its beginnings.

Indeed, its approach to the market has always been what, in technical jargon, is defined as value investing, in other words an investment process that is based on the analysis of the absolute value of a company, on the competitive advantages it enjoys, on the presence of entry barriers for potential competitors and on the quality of its management. In the long term, it has proved successful precisely because it selects securities that maintain an intrinsic value despite negative market trends, preserving the invested capital in the medium term. "This does not mean", explained Tomaso Mariotti, Portfolio Manager at Banor Sim, "that we abandon *a priori* the idea of investing in stocks that are classified as growth stocks (i.e. shares that usually have a price-to-profit ratio well over the average, *editor's note*). "We do it however, when certain conditions recur", he added, "when they benefit from entry barriers that enabled them to create a sort of monopoly in the sector in which they operate".

This is the case, for example, with large corporations like Microsoft, Google or Facebook which, thanks to the ground-breaking innovations they have generated, enjoy a competitive advantage that is rather difficult to challenge.

However, the focus remains on value shares in various sectors, for example Snam Rete Gas among the utility companies or Nestlè in the food sector, companies that have solid fundamentals and the prospect of sustainable profitability over time. All of which is accompanied by low portfolio turnover, which is to say a low rate of buying and selling of securities which are effectively bought with a medium- to long-term return objective.

The Group

TWENTY YEARS' EXPERIENCE

Over twenty years of history in the name of value investing and ESG investments. This is a summary of Banor Sim's identikit, one of the main Italian asset management companies, specialised in capital management and in consulting on large financial estates. With offices in the centre of Milan, Turin and Bolzano, in addition to a European presence in London, Monte Carlo, Lugano and Luxembourg, Banor Sim has various asset management teams with around 15 professionals, specialised in equities, fixed revenue and in the management of third-party funds. Research on securities is carried out directly by the company's team of asset managers and analysts. Furthermore, the Banor team constantly conducts regular meetings with the management teams of the companies in which it invests and the main asset managers at an international level.



Tomaso Mariotti, Portfolio Manager at Banor Sim

Banor Sim's value investing is also coupled with another investment theme that the company has pioneered. Specifically, we refer to their ESG (Environmental, Social and Governance) strategies that focus on environmental sustainability, social responsibility and transparency in management. Banor integrates ESG criteria into their investment processes with very elaborate methodologies. "We analyse the sustainability balance sheet of individual companies, and periodically we meet with their management", added Mariotti. "Once this process has been carried out, we assign an internal rating to each company's stock". On sustainability and research, Banor boasts a long-standing cooperation relationship with Harvard Business School, and it has also carried out two studies with the Politecnico di Milano which demonstrate how companies with a high ESG rating perform better on the stock market. The same applies to bonds. Though, in this case, one factor emerges as being more relevant: management transparency of the issuing company. 