

Luca Riboldi

“HUNTING FOR HISTORIES, COMPANY BY COMPANY”

LUIGI DELL’OLIO

The CIO of Banor SIM: “The rise of value shares in the recent period preludes a return to stock picking. Soon, decisions will be made by looking for individual high-potential stocks

The recovery of the stocks left behind since last spring is destined to last a few more weeks, after which it will become difficult to reason by category, and investment decisions will have to be linked to the potential of each individual stock”.

This is one way to sum up the thoughts of Luca Riboldi, Director of Investments at Banor SIM, whose market analysis begins with the difference in perspective between value shares, i.e. those with a limited stock exchange price to profit ratio—since they are characterised by prudent business models—and growth shares, which are instead rewarded by investors, well beyond their fundamentals, as a demonstration of trust in the company’s growth.

“In recent weeks, we have seen a strong recovery in value stocks, and particularly in the energy, travel & leisure and financial sectors, following losses over 50%

between February and October”, underlines Riboldi. He does, however, consider it premature to talk about rotation happening in the portfolios of major investors, considering that the MSCI US Growth index remains around all-time highs, following the surge between spring and the start of autumn. “Whereas last month, the MSCI Europe Value index rose by 18% on October”, he recalls. Therefore, there are new flows incoming for stocks, with no old positions being abandoned for the time being. “The most recent movements, which could still last a few weeks, are linked to developments around the vaccines, the administration of which seemed far off only a few months ago. Instead, within six to nine months, 70% of Europeans and Americans should be vaccinated”.

RETURN TO SELECTION

At this point our lives should return to normal. “As usual, the financial markets are trying to predict what will happen in the real economy half a year from now”, adds the Banor SIM manager.

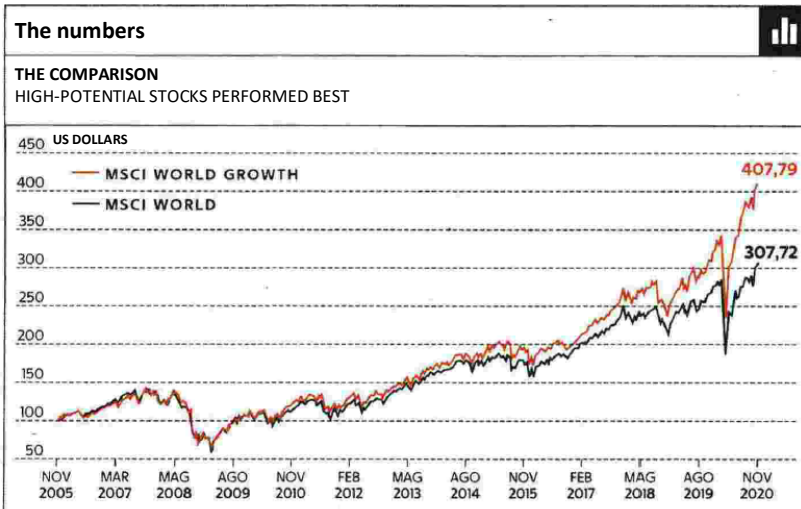
He is convinced that late spring will be the right time to look at the winning strategies in 2020 (“Never before has the

portion of S&P 500 stocks been reduced, which has beaten the index by just 30.6%”) and to return to stock picking, i.e. choosing positions based on individual companies rather than on trends or product sectors. Essentially, we are nearing the quality test for managers, which must seek out individual histories of company growth.

FUND STRATEGIES

Returning to the short term, Riboldi does not rule out a few turbulent sessions for technical reasons. In the last three months, stocks have done much better than bonds, and this has led to a higher equity weighting than the objectives declared by managers of multi-asset funds. “Balanced funds, pension funds and other major investors like Norges Bank, which manages the Norway sovereign wealth fund, and the GPIF of Japan will be called upon to reduce their equity exposure in the portfolio”, he explains. “We are talking about funds with total assets for 7 trillion dollars (around 5.8 trillion euros), which could sell equities for 160 billion dollars (130 billion euros)”.

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