

LONG/SHORT

There's value in the Italian stock market

Numerous sectors in Italy and Europe have the conditions in place to offer opportunities for investors. Starting with the fundamentals... but there's more



By **ENRICO TREGATTINI**

A conversation with Luca Riboldi, Chief Investment Officer at BANOR with years of management experience in the Italian stock market, and his overview of opportunities on our domestic market. Riboldi's starting point is the highly effective Banor Italy Long Short Equity fund, an alternative UCITS fund whose long/short strategy can encompass both rising and falling positions in the securities selected for investment. The fund takes a value-based approach, studied by Ben Graham and adopted by Warren Buffet, which focuses on stocks under-valued by the market or in some way out of line with their intrinsic value.

How does the fund work?

We start with evaluation. Taking the long perspective, you buy when a stock is under-valued with a view to keeping it for good, adopting an approach based typically on value. Unless the stock become very ex-



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pensive, in which case we reduce our position a little. From the "short" perspective, the approach is different. We select stocks that are highly priced but with a weak momentum, as you find, for example, when profit forecasts are revised downwards. So you need a short-term catalyst that provides a "parachute" in case the stock starts rising again. That would be a very risky development because in such cases there's no limit to the potential appreciation, unlike the case with a fall, when of course the limit to depreciation is zero.

Can you give us an example of a catalyst you've adopted recently?

We "shorted" Russia 3 months ago,

through a particularly exposed tyre manufacturer.

What are you feeling up-beat about right now?

We're tending to go long on certain sectors of the Italian stock market: vehicles, media, real estate, telecommunications, industry with exposure to the USA and European retailers.

I see some consumption-related sectors in that list that aren't normally included in managers' preferences. Why is that?

Our long-term assessments point to an under-evaluation with respect to the historic average and we expect to see consumption recover in Europe over the next 2 years.

Why choose Italy right now?

First, because the reform process has started and, indeed, has made some progress. Second, because of the beneficial effects for our economy of the fall in oil prices and the marked devaluation of the euro.

Can you also invest outside Italy?

We adopt a matrix-based approach with specialisation at the global level. Taking telecommunications, for example, we look at the sector from a pan-European perspective, and if we prefer the outlook abroad in a given sector we go for that. Two-thirds of our portfolio is invested in Italy and the other third is global. There's also the option of investing in corporate bonds if our analysts identify interesting risk-return profiles.