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## Cagliero (Banor): "After the Brexit vote, we starting buying"

by PierEmilio Gadda

### Highlights

In conversation with AdvisorPrivate, the CEO explains why the immediate reaction to the English referendum result could be an opportunity

### News



The immediate reaction in the markets after the pro-**Brexit** vote was violent in the extreme. Hardly anyone – economists, fund managers, exit polls and bookmakers – had predicted the result of the referendum that could change Europe's borders forever. But after the adjustment, the stock markets seem to have regained a modicum of peace. And some people interpret the period of weakness triggered by the consultation in London as an opportunity to buy.

"After the referendum, we started buying", states **Massimiliano Cagliero** (photo), **majority shareholder and chief executive officer of Banor**. As Cagliero sees it, the economic consequences of Brexit have been widely overestimated. "First of all, it's still not clear whether **Article 50** of the Lisbon Treaty [which governs the possible withdrawal of a member state, ed's note] will be invoked. In any case, the reaction to the vote has been excessive". Banor's value-based approach to investment has protected portfolios during the period of greatest turbulence. "We increased our positions on certain companies that we know well, such as **Snam Rete Gas, Terna** and **Atlantia**: stable businesses with predictable cash flows that are sheltered from the impact of the referendum", notes the CEO.

"In addition, we remain exposed to American stocks, with an exchange rate that is free to change, because we're convinced that the dollar could stay strong". This last point, however, explains the note of caution on the

**emerging markets**, given the tangle of correlations linking the American dollar, commodities and the less developed countries.

And the **banks**? “We’re tempted to buy: the Italian banking scenario includes stocks quoted very low, at levels that are in no way justified by the fundamentals. The factor discouraging any increase in positions is the speculation that’s now under way”, explains Cagliero. “Financial products are viewed right now as the weakest link in the system, and are being targeted by anyone who’s placing their bets against the euro area but who can’t go for the government bonds of peripheral member states because they’re under the protection of the European Central Bank”.

Possible contagion on the political front remains an unknown quantity. According to some analysts, the referendum result could fan the flames of the centrifugal forces that have taken root in some countries, and fuel the fears of yet more calls to vote that could further destabilise the unstable equilibrium that is holding the Old Continent together. For the economists of **Exane Bnp Paribas**, for example, the risk that an in-out European referendum might be called is highest in **Denmark, the Czech Republic** and **Austria** (and to a lesser degree in the Netherlands, Hungary and Slovakia). “Even if this were true, the surprise Brexit victory could, on the contrary, discourage European citizens from voting to leave, because they now realise that it’s a slippery slope”, observes Banor’s CEO.

In the meantime, the firm led by Cagliero, which has an office in the City (*see the article published in AdvisorPrivate No 3, June-September 2016, page 32*), might have to weigh up the option of moving its London offices. “It’s too soon to decide”, the CEO is quick to add. “In any case, for the financial services European passport, we could still rely on our Luxembourg structure. From our point of view, it wouldn’t be a major obstacle”.