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E: Corriere Economia

Products. Managed funds under testing to tackle zero rates

Balanced funds. The champions with a new fund-strategy equilibrium

Flexible global funds invest in other portfolios and ETFs. They've seen gains of up to 9% since January. What they've chosen

BY FRANCESCA MONTI

For Italy's investors, finding a valid replacement for the old and well-loved Treasury bills and Treasury bonds is no easy matter. When Italian government bonds were paying coupons of 3% to 4% per year with (almost) no risk, there was no need to seek out alternative sources of income. But now, with 5-year BTPs offering less than 0.5% annually and BOTs in negative territory (-0.15%), investors need to place their bets elsewhere. The problem is that share purchases aren't exactly worry-free, and the same goes for corporate and high yield bonds, not to mention securities in emerging markets.

One solution is to rely on flexible global balanced funds which are indeed worldwide in scope and encompass all asset classes. They can offer a return while controlling the overall portfolio risk. These products have shown that they can perform better than traditional balanced funds with an equivalent risk profile (*see table*). In three years they've produced, on average, 14%, half a point more than competitors. Since the start of the year they've risen 3%, with the best achieving 9%.

Strategies

But where, in practice, is the best place to invest? The Parvest Diversified Dynamic fund, a BNP Paribas AM product, for example, also uses other funds and ETFs to build up its asset allocation. Thanks to these, it manages to diversify even into absolute return strategies, commodities, currency and the real estate sector.

For those sticking to classic balanced portfolios, Francesco Lomartire, head of Standard & Poor's depositary receipt exchange traded funds (SPDR ETFS) for Italy, advises investors not to underestimate the impact of costs, considering the low yields, or diversification. "Diversifying means placing your bets on investment instruments which, internally, don't rely too much on individual names or issuers. ETFs embrace both these approaches, since by their very nature they focus on high cost-effectiveness and include a broadly representative range of securities", states Lomartire.

For Stefano Caleffi, executive director and Italy head at Source, the starting point in building any portfolio is to identify your investment goals and take care to establish what degree of volatility you're willing to accept and whether or not you need a return. It's vital to understand the instrument you're investing in (clarity as to how it operates and whether it's appropriate to your needs). Investors also need to ensure that they'll be compensated for the risks taken and, of course, the costs incurred; these, in a low-yield environment, can have a significant impact on earnings.

The top ten
The best global flexible balanced funds

La top ten

I migliori fondi bilanciati flessibili globali

	Volatilità	Rendimento % da inizio anno	Rendimento % 3 anni
Agoraflex R	6,3%	9,2%	-
Motus Sicav Trend Capitalisation	7,0%	5,8%	-
1741 (Lux) Global Risk Diversif.base	8,0%	5,1%	4,7%
Raiffeisen-GlobalAlloc.strategiesPlus	7,0%	4,4%	-
Banor Sicav Rosemary R	8,5%	3,2%	12,9%
Agora Dynamic	6,1%	2,8%	-
Deutsche Invest I Multi Opport.	7,0%	2,7%	20,8%
BL-Global Flexible EUR B	8,3%	2,5%	18,1%
Parvest Diversified Dynamic	6,3%	2,2%	13,7%
M&G Dynamic Allocation Fund	8,1%	2,0%	16,5%
Media fondi bilanciati flessibili globali	6,7%	3,3%	14,3%
Indice fondi bilanciati	6,5%	-0,7%	13,5%

What the markets think

Il giudizio dei mercati

Etf e fondi comuni azionari a confronto

			Rendimento % annualizzato			
Prodotti azionari area euro	Volatilità	Costo medio % annuo	da inizio anno	1 anno	3 anni	5 anni
Media 227 fondi attivi	14,80%	1,76%	-3,5%	-10,0%	7,1%	6,1%
Media 36 Etf	15,60%	0,25%	-3,0%	-10,3%	5,7%	3,3%
Indice Eurostoxx	15,03%	-	-4,6%	-11,0%	5,4%	3,4%
Prodotti azionari Usa						
Media 356 fondi comuni	12,88%	1,55%	-0,9%	-5,2%	13,1%	14,0%
Media 32 etf	13,39%	0,28%	-1,0%	-2,3%	13,9%	15,6%
S&P500	12,16%	-	0,2%	-1,9%	14,2%	16,0%

Other ideas

On this subject, active management can also play a part, as long as you know which asset classes can produce an added value, net of costs, with a tolerable risk. That's the goal of investing with the best international asset managers, although it's not easy to choose them. "Russell Investments has always been active in seeking out and analysing managers. So we have clear evidence that there is no single asset manager with excellence in managing all the individual assets classes that go to make up a portfolio", explains Luca Gianelle. Gianelle is client portfolio manager at Russell, which over the years has introduced multi-mandate management models for portfolios specialising in individual asset classes. By assigning mandates to different managers at the same time, Russell is able to produce additional returns with respect to the benchmark over as long a period as possible, and to control their volatility.

Some examples? In the value-strategy bond segment, Colcester stands out. The firm has developed a robust bottom-up research process (selection of individual issuers and securities) that's designed to identify the geographical regions and segments of the bond market offering the most substantial real rates of return. In the current climate, managers like MFS and Fiera Capital provide an excellent solution in the share segment: their growth style is well integrated, while they focus on companies with robust fundamentals, in terms both of healthy balance sheets and low income statement volatility.