

# MANAGED SAVINGS WORKSHOP

## MASSIMILIANO CAGLIERO

*chief executive officer at Banor*

"Independent investment bears rich fruit - now and for the longer term too"

**Massimiliano Cagliero is one of the few self-made entrepreneurs in the sector: "Transparency pays and on the cost front, introducing spurious 'add-ons' is inappropriate".**



**DURING THE CRISIS YEARS DEMAND FOR EXPERT AND CUSTOMISED ASSET MANAGEMENT HAS GROWN**

*by Sergio Luciano*

"PEOPLE INVESTING EXPECT TRANSPARENCY. ON THE MARKET, THERE'S A WIDESPREAD REACTION TO THE EXCESSIVE IMPLICIT FEES THAT BURDEN INVESTMENT MANAGEMENT. That's why I think the transparency obligations that are about to be introduced by the MiFID 2 Directive will be a big help: they could have a very significant impact".

Massimiliano Cagliero, founder of Banor, manages to keep his tone thoughtful and his words courteous even when he's voicing strong ideas. The firm he launched in 1999, after an international career that culminated in a senior position at Goldman Sachs, was a tiny company in the Banca di Desio group, with barely 30 million in assets under management.

Today, assets under influence, i.e. investments in which the Banor universe plays a role and provides guidance in one form or another, is near the €7.5 billion mark, of which €2 billion under management and €5.5 billion in funds under custody, family office and pure advisory.

Banor now has 18 private bankers and 11 analysts based in Milan and London, and 4 portfolio managers, with staff turnover close to zero. And Banor doesn't stop at Milan: it also has offices in Turin and a stake in Banor capital, a London-based firm operating under UK law. Banor Capital manages the Luxembourg-based SICAVs (open-ended investment companies) Banor SICAV and Aristeia SICAV, with two of its funds - Banor SICAV North America and Banor SICAV Greater China - top of their categories and with numerous credits to its name. So, a streamlined and highly specialised structure. And a structure with distinctive features, which clearly explain its expansion and the fact that today it's considered a prime example of the "made in Italy" brand in professional investment management.

### **What distinctive features, Mr Cagliero?**

Independence. Transparency. And a value-investing management approach.

### **Can you explain that more fully?**

Well, let's start with transparency. When we started out, given how the Italian investment market looked when viewed from London, we said to ourselves: "If we created a firm that had a single, clear management fee and a single, clear success fee, and got rid of all those spurious 'add-ons' such as retrocession or commission on structured products, we would have a strong competitive edge". And that's what happened.

### **And independence?**

In absolute terms, independence ensures technically pure decisions. We have never experienced pressure from anyone to do this or that, to invest in one asset rather than another. The crisis years brought out another virtue of being independent. The demand for high-quality asset management from entrepreneurs who have acquired liquidity by selling their companies has increased. And it's no secret that entrepreneurs like to discuss things with other entrepreneurs, rather than with a manager, who after a year might be somewhere else. An entrepreneur who has created wealth tends to be most comfortable when their counterpart is another entrepreneur, so a colleague who in turn has created their own business.

### **And now let's look at the criterion of value investing. What does that mean?**

Briefly, it's the Warren Buffett method. We conduct a huge amount of documentary analyses, and then meet the management teams of the companies in which we're interested in investing. When we make our decision, we do so with a time frame of at least three years in mind, sometimes even 15. Or, why not, an open-ended time horizon. So yes, we take our time to decide, because we can't get it wrong and we need to gain such a deep knowledge and awareness of the assets we select that we're willing to buy even if the stock is falling... And that brings us back to independence: because for this model to work - and it has shown that it can work very well indeed - we could not be anything other than totally independent. Here's an example. We might not be capable of choosing directly the best individual Indian stock to invest in, but our independent position enables us to choose the best managed product for India.

### **A few years ago you had your eye on Cattolica [insurance], in the Veneto region, in which Buffet now has a stake.**

A marvellous company. We examined it and selected it when it was still under the radar.

### **But be honest: is the Italian public capable of making an informed choice of manager to put their trust in?**

The public has become better informed, especially younger people, let's say the under-50s. That doesn't apply so much for the over-50s. These are the people who have built up some assets in the past and at present maybe aren't monitoring the returns very closely.

**Why does Italy still have €1600 billion in current accounts giving no returns at all?**

Frankly, I can't explain that. But I think this odd situation will gradually be remedied.

**Maybe people are scared the financial bubble will burst again. What about you? Are you afraid?**

We're not overly concerned. There may be a bubble in certain segments of the market, perhaps in hi-tech or biotech. But not where we invest. Valuations are high but in line with the long period of zero rates we've seen.

**There's a lot of talk about sustainability in your documents.**

Yes. Banor is one of the few asset management firms in Italy to have obtained the Global Investment Performance Standards (GIPS) certification - a true certificate of quality and transparency - issued by PriceWaterhouseCoopers. In addition, we've developed a model in-house to evaluate sustainability during the security selection phase. This is a "best-in-class" model, i.e. one that's designed to identify best practices in the various sectors concerned. We're members of the Sustainable Investment Forum (Forum della Finanza Sostenibile, or FFS) and work with leading university institutes with the aim of generating a widespread awareness of sustainability. On that note, we're about to launch a partnership with UNICEF, with a dedicated class in the Banor SICAV EuroBond Absolute Return fund. The project will support UNICEF in its global campaign to combat child mortality.