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## The value approach will take you further

Maurizio Canavesi

Growth or value: which approach is the most successful right now and where can you find the best opportunities? We discussed this with Luca Riboldi, Chief investment officer at BANOR SIM.

**What impact could the level that the BTP/Bund spread has now reached have on portfolios, considering that 10-year bonds have lost 10% since the start of the year?**

The current level of 300 bps already reflects the two clearest risks linked to Italian sovereigns, i.e. default risk and currency conversion risk. What's surprising is the comparison with Portugal, which historically has always had a higher spread than Italy and a lower rating. Today that's not the case. So the current executive should continue with the structural reforms begun by the Renzi/Gentiloni governments, because the market is looking for a margin of safety and doesn't want to experiment. It's wondering, if there were to be a global recession, to what extent Italy would be able to withstand the shock. It certainly can't do so with expansionary measures and more relaxed fiscal policies. If Italy does loosen the purse-strings, it should explain how it will cover such policies. The market needs clarity, not contradictory sound bites.



Luca Riboldi  
BANOR SIM

THE CHINESE ECONOMY IS UNDERGOING A COMPLETE TRANSFORMATION DOMESTIC CONSUMPTION COUNTS FOR MORE THAN EXPORTS

**What effect will any slowdown in China caused, even in part, by protectionism have on the emerging regions?**

Commercial wars don't help anyone, not least because the growth in global trade has been one of the main drivers of the world's economic growth over the last 30 years. Today China is the world's second-biggest economy and is undergoing a profound transformation, from being an export-oriented economy to one based on domestic consumption and so less exposed to protectionism. The last five years bear witness to this. If anything, in the emerging regions other countries are giving more cause for concern. Turkey and Argentina, for example. Some emerging markets have also been helped by the strong growth of the global economy, the

low oil price and the weak dollar. These factors have made it possible to implement expansionary policies that are often out of control.

**What opportunities do you see today at the global level?**

In our view, in the emerging markets the fixed income market is interesting, especially in hard currency – in Argentina or Brazil, for example. As for equity, that very much depends on the country concerned, because not all of the emerging economies are in the same condition. We also find southern Europe interesting, even though in some cases the scenario is somewhat uncertain and volatile. And we certainly prefer a value approach.

**Why do you think that the value style of management is more successful in this context?**

In 2018 we've seen that the growth approach and momentum have performed better. Even now, if we compare the two approaches we have value at -17% against growth at +11%. But these figures don't worry us because the value style is a long-term indicator and we feel it's the best strategy to make gains over time. We're not "hit and run" managers aiming to earn a lot in the short term but with the risk of losing at least the same again. The value style gives us the peace of mind to reach the targets we've set ourselves. Combined with the environmental, social and governance approach, for which we use a proprietary Banor model, we think it can still be the most successful style of management.