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AFFARI & FINANZA SETTIMANALE: ROMA

Not just benchmarks, but quality. Nine asset managers pass the market test.

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The ranking produced by the Istituto Tedesco Qualità e Finanza sees Cordusio (Unicredit) in first place.

THE RANKING					
In %					
Company	Description	Organisation Transparency	Customer focus	Portfolio quality	Score (0-100)
■ CORDUSIO	Financial boutique, fund or asset management firm	100	100	91	97
■ BANOR	Financial boutique, fund or asset management firm	92	96	100	96
■ CASSA LOMBARDA	Italian bank specialising in private banking	90	78	91	87
■ UBI PRAMERICA	Financial boutique, fund or asset management firm	78	85	91	85
■ BANCA Almi	Italian bank specialising in private banking	75	89	73	79
■ BANCA PATRIMONI SELLA	Italian bank specialising in private banking	94	52	82	77
■ BANCA CESARE PONTI*	Private division of an Italian commercial bank	68	93	73	77
■ BANCA F1NNAT	Italian bank specialising in private banking	88	81	64	71
■ M&G INVESTMENTS**	Asset management firm	---	--	91	--
(*) Gruppo Carige (**) M&G, as an asset management firm, was assessed solely on the quality of the proposed portfolio.					
Source: Istituto Tedesco Qualità e Finanza and Institut für Vermögensaufbau. Data provided by participating companies.					

Risk and returns: finding the right mix. Is there a truly objective criterion to evaluate the quality of the work performed by asset managers? Arriving at a

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BANOR CAPITAL

clear affirmative answer is the goal of analysts, mathematicians and economists who spend their time devising the most reliable formulae possible to answer that question.

But the answer is still far-off. Benchmarks can help, for example, assess the performance of a product (for example an investment fund) with respect to an index chosen by the manager, within a given time frame. However, it can be difficult to identify incontrovertibly whether the advice provided to small investors was sufficient and appropriate with respect to his or her financial knowledge, income expectations, and capacity to withstand the ups and downs of the market. This last aspect is vital if investors are to avoid getting swept up by enthusiasm when the markets are performing well, and ending up making investments when they're at their peak. Or, on the contrary, liquidating their positions at the first dip in prices.

The Istituto Tedesco Qualità e Finanza (which belongs to the Burda publishing group) conducts market surveys to analyse the economic and qualitative aspects of companies in different sectors, including banking, insurance and utilities. It provides a key to interpret the data that can help investors make the most suitable choices. The analysts, working with the Institut für Vermögensaufbau (Institute for Asset Growth), contacted 200 financial firms in Italy to identify the best asset managers. The firms examined ranged from the private divisions of Italian commercial banks to Italian banks specialising in private banking, from foreign investment banks to financial boutiques, to asset management, investment management and family office firms.

"Overall, the picture that emerges shows that the quality of the service provided in Italy is good, in the light of the studies we've been carrying out in other European countries", comments Andreas Beck, mathematician, director of the Institut für Vermögensaufbau and former member of the risk management team at Munich Re (the world's biggest reinsurance company). "Portfolio managers in Italy have the advantage of relatively high interest rates for Italian government securities, which the country's investors consider to be safe". This enables investors to bring home good returns (if they hold off to maturity), compared with government bonds of countries that the markets view as more reliable. "However, portfolio managers operating in Italy tend to stick to a low exposure to equity", he adds. On this point it's difficult to establish how much investors' choice of asset class is influenced by the advice given by the professionals and how much by investors' own preferences.

The survey conducted by the Istituto Tedesco Qualità e Finanza and the Institut für Vermögensaufbau took the form of a questionnaire based on a hypothetical portfolio for a typical investor. Four areas were analysed: customer focus, transparency, organisation and the quality of the proposed portfolio. The investment proposal participants had to submit was intended for a medium-high level private client with a balanced risk profile, so a typical case in this sector. The sample investor was a male in his fifties, employed in a management role, annual salary of 200,000 euro before tax and married with two adult children, one of whom already working and the other about to finish university. Following the euro crisis in 2012, he withdrew almost completely from the financial market and now wants to begin investing again.

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The capital available for investment amounts to 1 million euro, broken down as follows: 600,000 euro in cash, 240,000 Swiss francs in a foreign currency account and gold worth 200,000 euro. Lastly, the investor has an average tolerance of risk, and expects an annual return of 3% gross.

Overall, 22 assessment criteria were examined on the basis of the information in the portfolio and in the questionnaire. Each of the criteria were assigned to one of four assessment categories: organisation, customer focus, portfolio quality and transparency.

The nine firms who met or exceeded the required assessment level now have the right to use the quality mark issued by the Istituto Tedesco Qualità e Finanza. They are Cordusio (part of the Unicredit group and reserved for high-net worth clients), Banor, Cassa Lombarda, Ubi Pramerica, Banca Aletti, Banca Patrimoni Sella, Banca Cesare Ponti (Carige group), Banca Finnat and M&G Investments.

“This first edition of the Best Asset Managers study does not presume to provide an exhaustive picture of asset management in Italy”, explain the authors of the research. The aim, therefore, is to provide an evaluation key for investors, to guide them through the many parameters they need to consider when choosing which company to entrust their investment to.

It will be interesting to see future editions of this survey, considering that in the coming months the effects of MiFID 2, the European directive that came into force at the start of the year, will begin to make themselves felt. The new directive introduces new transparency obligations in the financial distribution sector. Notably, by the end of the first quarter of 2019 investors will receive a disclosure document setting out the costs incurred not just in percentage terms (as happens today) but also in absolute terms. The supply side is adapting, says Beck. “The investment proposals were implemented much more efficiently at product level than in the past”. This trend, in Beck’s opinion, is set to gain force.



Andreas Beck, Director of the Institut für Vermögensaufbau in Munich (right); Unicredit’s high rise offices in Milan (left).



The Istituto Tedesco Qualità e Finanza provides a key to help investors made the most balanced choice between returns and unknowns. the analysts contacted 200 investment companies in Italy to identify the best operators. here are the results and the parameters used.