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Tackling wealth-management challenges through value investing

- Document analysis and meetings with companies' management
- Time frame of at least five years
- The value investing approach makes it possible to withstand and move on from temporary peaks in volatility

What are the challenges facing wealth management in 2019 and what tools are available to tackle them? Threat number one: volatility. Interview with Massimiliano Cagliero, CEO of Banor SIM.

2019 too is starting off with markets showing high volatility, in part as a result of geopolitical risks. Monitoring this aspect in the coming months will certainly be the first challenge for wealth management. Here's the viewpoint of Massimiliano Cagliero of Banor SIM.

Wealth management: what are the challenges faced in 2019?

For Banor SIM, the optimal approach lies in our management philosophy, which is inspired by **value investing** principles. We study companies at length and when we make our investment decision it's always for the long term. We conduct a huge amount of document analyses and then meet the management teams of the companies we're interested in investing in. When we make our decision, we do so for a time frame of at least five years. Or even an open-ended time horizon. This approach enables us to withstand and move on from temporary volatility peaks

The second challenge will be **our relationship with our clients**: to educate them for change and support their needs in a market environment that's much more volatile than in the past. To achieve this goal we'll need to work on two fronts: digitalising our information processes and communicating more efficiently with clients. The third challenge we see is at "system Italy" level: an increasingly regulated market with ever-higher costs. To adjust and meet that challenge will require investment.

How has the balance between managers and distributors changed since MiFID 2?

Speaking for Banor SIM, **the new European directive hasn't affected us** in any substantive way. We've never had hidden costs and we've never taken give-up fees from anyone. We've always been remunerated solely by clients. Our operating philosophy too was already in line with the new directive. In terms of managing and distributing products, however, we hope the new rules will have more impact in reducing potential conflicts of interest between distributors and producers, without increasing market polarisation. There are still some players who are interpreting MiFID II as an opportunity to exclude smaller asset managers from their product range to the benefit of the big global players.

How can private banking recover its strength after the difficult year that's just ended?

In 2018 we had the good luck to have a select clientele who have been with us for nearly 20 years, and new clients who have confidence in us and have enabled us to go on growing. Personally, I feel that it's vitally important that clients feel they can hand their capital over to us to manage, regardless of market conditions. That's a very profound act of trust. And that's why, in 2019 too, we always need to be well prepared and able to meet our clients' needs, do our utmost to grow their capital, help them hand it on to the next generation and always be available to listen to them and understand their needs. The new year has got off to such a good start that we've revised all the negative valuations of 2018 and I feel that, like us, the entire private banking sector can benefit.