



ifund fundmanager interview

with Lars Schickentanz, ANIMA Star High Potential Europe



“Our ideas are driven first by top-down – bottom-up supplements our doing!”

Frankfurt, August 31st 2016

ifund: *What is your fund all about and what differentiates it from your competitors?*

Lars Schickentanz: The objective of the Fund is to provide an absolute rate of return and long-term capital appreciation while targeting on an annualized volatility of 6%. The control of risk and the protection of capital during a bear market is a key feature of our investment process. In order to be tactical and dynamic we use a variable bias net equity exposure that is ranging between -10% to +60%. We are able to be neutral vs. market's direction if volatility require so.

Another differentiating feature results from our “top-down” approach. We look into macro-economic variables such as nominal GDP, trade balances, currency movements, inflation, interest rates, central banks policies, commodity prices trends, etc.. We use them to determine investment themes in the equity market. Bottom up and fundamental analysis are used as a complementary tool in order to pick stocks within investment themes.

ifund: *How do you add value for your investors?*

Schickentanz: We have three books that contribute to the value of the entire strategy.

The Core Book (40% to 60% of the NAV): This allocation comes from the macro view of the Portfolio Managers (PMs) and represents their ideas with the highest conviction. Usually the invested stocks are clustered within 5 to 6 investment themes that are identified through our top down approach. The PMs are using proprietary and independent research. They are meeting with strategist. They do the networking and the companies' visits to isolate market cycle's phases and to isolate developing trends. Each theme

is usually represented by 5 to 10 ideas. There will be both core longs and core shorts idea.

The Dynamic Hedging Book: Within that scope the PMs are using derivatives (mostly listed futures) to tactically hedge the portfolio according to the macro view. Through the dynamic hedging the overall net exposure of the fund is constrained between -10% and +60%. The dynamic hedging book is populated by futures both longs and shorts on market's indexes, sectors' indexes and specific stocks.

The Pair Trades Book (covers between 10% to 40% of the NAV): This book covers multiple sectors with a basket approach of longs vs. shorts. The exposure is always cash neutral at sub-sector's level and for the entire book. This book is dedicated to the creation of extra-alpha and actually totally de-correlated from market trends and the rest of the book. There is no replication of ideas between the core book and the pair trades book.

ifund: *How do you generate investment ideas?*

Schickentanz: The idea generation process for the Core Book is dominated by the top-down process. Thereafter it is accompanied by the classical fundamental bottom-up analysis. The investment universe includes mid and large caps of European listed companies. The filters are on capitalization, risk and liquidity.

The team and I rely on external and internal proprietary research, developed together with the fixed income team. That helps us to understand and judge all general macro factors such as business cycle phase, central banks' policies, developing trends in politics, demographics and culture in order to identify and

isolate markets' themes. The analysis of the market flows and the market sentiment will be used to support or discharge our thesis.

For illustration purposes here some portfolio themes' examples in the past:

a) Dollar Strength beneficiary, US-EU differential in monetary policies leads to a strong dollar environment – i.e. European companies with high levels of sales in the US will benefit.

b) Corporate releveraging and M&A, companies and private equities are cash rich and might decide to use this cash to expand through M&A. Certain sectors will be most affected by this trend.

c) Impact of QE (low negative European interest rates) on the life insurance business, the low yield environment forces the insurance companies to increase the risk of their balance sheets via investing more and more in high yielding and illiquid assets, creating further potential risk for the future.

Within each theme the PMs will apply a stock picking process using peer group analysis (through proprietary models), momentum analysis, meeting with management, compliance with top down view and themes identification.

ifund: *How is your team structured and who is responsible for the investment decisions?*

Schickentanz: There are six investment professional dedicated to the strategy. The three co-PMs are having defined responsibilities and three more working as sectors specialist for the pair trade book. I am the leading PM and the final decision maker for the strategy. I work on the top down macro framework which leads to the identification of market investment themes to be invested within the core book. Fabio De Ponti, co-PM, helps me in this task. Lucio Vignati, co-PM and senior trader works on the hedging strategies. The pair trade book is made of sector neutral portfolios and each of the six investment professionals work as sector specialists for each of the sub-portfolios.

ifund: *In which market environment does your investment style work best?*

Schickentanz: The fund's performance is driven by the ability of the PMs to read the macro scenario and invest in the most interesting themes in the market plus using the most effective way a dynamic net and gross exposure works. The exposures to equity of the fund are driven by:

- Macro indicators - paying particular attention to Central Bank's activity and banks' lending activity;
- Assessment of the relative value of the asset classes;

- Technical analysis - using both momentum and contrarian indicators as well as inflows and outflows analysis;
- Bottom up and valuations ratios.

Macro indicators are the most important, while the other instruments should be supportive of the "road map" identified by the team. Bottom up analysis serves to populate the sector and the thematic allocation. The portfolio is always very diversified having the top positions a weight below 4%.

The strategy is mostly challenged when there are quick changes in market's direction driven by news flow or even panic rather than macro or fundamental data change.

ifund: *Where do you currently see the best potential and largest risks in the market?*

Schickentanz: Today we think the best opportunities reside in the European stock market. After several months of underperformance vs. global markets we are finally witnessing signs of recovery due to: 1) downside in the banking sector has largely played out, 2) Political risks receding in 2017, 3) Fiscal and monetary policy globally will push investors into equities, more so in Europe.

Potential risks' in the long term, from our perspective, reside into FED's action in conjunction with development on US growth, potential Trump victory, bond bubble down the road.

ifund: *Which aspects of responsible investing do you consider in your investment process?*

Schickentanz: This specific fund does not have a focus on responsible investments.

ifund: *How do you invest your own personal assets?*

Schickentanz: Parts of my financial assets are invested in the fund.

ifund: *What do you do in your leisure time? What is your preferred hobby and why?*

Schickentanz: I like tennis and skiing.

About Anima

ANIMA is a leading Italian independent asset management operator, with more than €71 billion of assets under management (as of July 2016). A synthesis of different, complementary paths and specializations, ANIMA nowadays offers one of the largest range of products and services available on the market. ANIMA's offering is composed of Italian collective investment schemes and foreign SICAVs. The company also offers institutional and private pension funds as well as private wealth and institutional asset management services. For further information please visit www.animaholding.it

The fund's marketing and distribution activities in Germany are carried out by **Hyde Park Investment Ltd. NL Deutschland**. Since 2004 Hyde Park Investment – a FCA and BaFin regulated company - provides outsourced capital raising solutions and strategic consultancy for investment managers looking to build an institutional business in Europe. The company is an independent, private limited company, wholly owned by the firm's directors and employees.

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About ifund

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