

# CITYWIRE

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FOR THE SWISS INDEPENDENT MANAGER

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Hitting the  
**RIGHT NOTES**

Keeping in tune with both changing client needs and skittish markets is second nature for ISGAM's **Marianne Rameau**. She tells **Margaryta Kirakosian** how an appreciation of the human side of investment and an appetite for expansion has powered her career

**M**usicians often say that in order to understand jazz, you need to learn its basic language first. Despite the seemingly haphazard nature of the tunes, jazz has a unique structure at its core, and you have to learn its common chord progressions before you start improvising.

Marianne Rameau, a partner at Zurich-based ISGAM, is passionate about jazz and believes similar rules apply to investment. After a period of improvisation she often comes back to familiar territory, believing that if something has worked over the long term it's for a reason, and managing private clients' wealth is very much a long-term affair.

'There are clients out there who want you to hit home runs all the time, have fantastic returns and beat the benchmark year after year. But our client base is quite happy with wealth preservation and steady income growth, which is about maintenance and a disciplined approach.'

One of Rameau's favourite jazz venues in Zurich is Moods, which is located in Schiffbau, a former shipbuilding yard that has been converted into a cultural hub. The yellow bricks and tall arcade windows are a striking reminder of the building's industrial past.

Although ISGAM hasn't undergone such a dramatic reinvention, it has changed from its roots as it wasn't originally a Swiss wealth management firm.

The company was founded as a UK-registered business,

selling savings plans to British expatriates, and the founding partners have continued working side by side for more than 30 years.

'In the 90s we decided to shift focus towards asset management, hired an American portfolio manager and I became his understudy,' Rameau says.

#### REACHING ACROSS THE GLOBE

However, the firm didn't confine itself to the UK market for long, and by 2001 the team decided to move the business to Zurich because the partners liked the international climate of the city.

'We liked the fact that there are many companies like ours here. At the time, there was a very clear regulatory environment and Zurich in general is a great city to be working in for wealth management.'

Perhaps ISGAM's foreign origins explain the distinctly international feel of its headquarters in Beethovenstrasse.

This aura of multi-culturalism is all around you, from abstract paintings of a Venezuelan artist hanging on the walls to the world map behind the desk of one of the firm's partners, Ray Scott, who is from Scotland.

Scott brought with him clients and business connections from South Africa, which is the most recent vector of growth for the company. Following the increasing demand for ISGAM's wealth management services in South Africa, the firm applied for and received a licence to operate there.

The firm's client base is international, says Rameau, who is herself Dutch, and catering for the needs of clients from around the globe has become a niche in the Swiss asset management space.

'Within one family we might have a husband and wife with different nationalities who have children studying abroad and who want to retire in yet another country. Some of our clients move around a lot as they work for international companies or are entrepreneurs dealing with multiple currencies.'

Rameau adds it is important to organise finances for international families such that they have the right cash flows in the right currencies in the right jurisdictions properly structured. 'We are very client-centric, and we can follow their situation as they move through life and around the world.'

In her view, one of the most important aspects of wealth management is paying attention to the base currency,

especially as the firm is focused on long-term wealth preservation and growth.

The asset manager says if clients are currently earning in dollars but know that eventually they want to end up in the UK or retire in France, a plan can be put in place. One solution, for example, could be to have a certain percentage of the client's assets invested in dollars and a certain percentage invested in euros, enabling them to buy property in France in the future.

'Many of our clients have multiple base currencies and different parts of the portfolio dedicated to those currencies specifically. That is quite a niche service that we provide, and I don't think many wealth managers do that.'

ISGAM's international makeup and outlook is one of its defining characteristics. Rameau says she enjoys working alongside people from different nationalities because this diversity encourages different perspectives and feedback.

'We have people who know a lot about UK financial planning needs; we have a Dutch person who is also a certified US financial planner. Within our team we can point each other in the right direction when it comes to clients' needs.'

Many of ISGAM's clients have stayed with the firm for as long as it has existed. Generally, the company prides itself on having a low turnover of both staff members and clients.

'We are very much a people person in the world of companies. All of our processes, including portfolio management, are very client-driven. We have been in Zurich for 16 years and keep on growing the business, with the most recent expansion to South Africa.'

#### PSYCHOLOGICAL PROFILING

This focus on client relationships is in the DNA of the firm, and requires not only good investment instincts but also exemplary people skills.

Rameau originally studied psychology and started her career in the administration of the firm in its old form. But later she became involved in portfolio management and was certified as an associate of the UK Society of Investment Professionals, which later became the CSA Society of the UK.

In many ways, market sentiment is a reflection of mass psychology, Rameau says, and many investment teams use behavioural psychology to recognise their own biases.

In order to avoid such biases, Rameau and a junior portfolio manager at the firm keep an investment diary, which they read regularly. Writing a journal requires honesty and the ability to state clearly how investment decisions were made and the reasons behind them.

'If you want to change an original investment decision it shouldn't be out of panic or because you have been swept along by the hype. Reading an original thesis again in the investment journal makes you seriously rethink what you do and why you do it.'

#### STAYING IN SYNC

When it comes to investment Rameau says diversification helps not only to avoid overconfidence but also hedges against unexpected political events.

'Diversification is always an important element of the portfolio, and we are trying to incorporate assets that will do well under circumstances when the rest of the portfolio won't.'

It is important to have not only fixed income and equity investments, but also alternative assets with low correlation to traditional asset classes. Therefore, Rameau always has some gold exposure in portfolios, as the ultimate 'panic hedge', while other alternatives might include a mix of absolute return funds and hedge funds, private equity and real estate funds.

The amount of exposure to private equity varies from client to client, but a general rule is the clients have to be comfortable not using this part of the portfolio for several years, if not a decade.

Alternatives aside, Rameau invests both directly and through funds in the fixed income space depending on clients' needs. For example, the firm runs portfolios for two accounts with fixed income investments only: one is on the high yield side and another on a lower end of investment grade.

The expertise of the firm is very much traditional assets, and Rameau doesn't venture into very specific illiquid investments like vineyards, for instance.

'We invest in options strategies if clients want us to, but most of them have plain vanilla portfolios.'

Quite a few clients have been with the firm for 30 years through turbulent financial events such as Russia's default in 1998, the tech bubble and the 2008 crisis. In trying times like these the asset manager believes it is important to be

sympathetic to clients' fears but also make sure that they don't make the worst possible decision – changing the strategy in the middle of a crisis.

'In times of stress people are very likely to sell at a low point and will only be able to get back in when everything has recovered. That is why, during events such as Brexit or the US elections, we have a lot of contact with our clients and send extra information bulletins to make sure they stay on course for their long-term financial plan.'

In terms of target returns, ISGAM doesn't shoot for the moon, and considers 3-7% per year to be a reasonable range depending on clients' risk profiles.

'If you can achieve that for most clients, and you are honest, upfront and transparent, it is a good foundation for long-term relationships.'

#### HITTING THE RIGHT PITCH

The average client with medium risk tolerance at ISGAM has about 60% of their portfolio in equities, 15% in alternatives and the remainder in fixed income of different durations.

Bigger clients usually have mostly direct exposure with some funds, and for medium-sized clients, it is mainly funds with some direct exposure.


'In the past, the supply of corporate bonds in smaller denominations was much greater. But increasingly these are issued at a minimum of 100,000 (dollars, pounds or euros) and it becomes more challenging to use individual bonds for smaller portfolios, especially in the non-dollar markets.'

When it comes to fixed income fund picks, the asset manager likes the **Kames Strategic Global Bond** fund and the **Kames High Yield** fund. Rameau says the fund managers are not trying to shoot the lights out and have very consistent long-term performance in both strategies.

Other examples of bond funds that ISGAM invests in are the **Nordea 1 - European High Yield Bond** fund and the **Capital Group Euro Bond** fund, while for sterling portfolios the funds of choice are **Jupiter Dynamic Bond** fund and **M&G Optimal Income** fund with the **Emerging Markets Bond** fund run by Claudia Calich the most recent addition.

When putting together portfolios the firm implements a systematic approach. On a regional level, around 25%





*'If you can achieve 3-7% returns per year for most clients, and you are honest, upfront and transparent, it is a good foundation for long-term relationships'*

will always be allocated to assets from the home country of the client. The other 75% we allocate according to our preferred weighting at the time. Sometimes we are pretty equally weighted along the lines of MSCI World index but can also go overweight/underweight if we want.'

Lately the firm has been quite aligned with the MSCI, with a slight tilt to emerging Asia. However, when allocating to the region the asset manager doesn't usually go into single country funds.

'We don't venture into funds dedicated to a single emerging market country. Instead we use a combination of Asian and emerging market funds. For example, we are invested in the **First State Stewart Global Emerging Markets Leaders** fund, but it was soft-closed for years. We hang on to everything we have but cannot add more money.'

Aside from the First State strategy, the asset manager invests in the **Neptune Emerging Markets** fund, the **BGF Asian Growth Leaders** fund and the **Schroder Asia Pacific** fund.

When selecting fund managers, Rameau is focused on those who have clear style and method, because a combination of different styles can provide diversification, for example putting together an income-oriented **BlackRock Continental European Income** fund and a strategy with a quality focus such as **Candriam Equities Europe Innovation**.

There are always shifts in the market, as we saw quality and momentum factors performing well for a number of years before a period when value investments are on the

rise, as was the case in 2016.

'If you know the conviction, the style and the method of the manager, then you can put together a number of funds that will interact in a certain way and the portfolio won't be completely exposed to one factor.'

In fund selection, a big red flag for the asset manager is overconfidence or defensiveness from the fund manager.

'I always like when managers can say: "We got it completely wrong, this is the reason why we got it wrong and what we are doing to fix it." For me it is a reason to stick with the manager rather than to abandon them.'

#### TWO SIDES OF THE SAME COIN

Despite the advance of passive strategies and robo-advisers, Rameau is optimistic about the future of the business over the next five years.

She says as long as humans like personal interaction there will be a place for wealth managers like ISGAM, especially in Zurich, which is quite focused on boutique-type wealth management.

The client base of the firm is growing, but the firm has also started talking to other wealth managers in the area to see if future partnerships could be forged. She says with new regulations there is going to be pressure on fees, and it makes sense to look for mergers or partners for cooperation.

'In terms of regulations, we were always on track, thanks to our international client base, and we adhere to Mifid standards since those were enforced in the UK.'

As for her own career as a woman in finance, Rameau also has a positive outlook. She still remembers the time when she could count the number of women at a CFA conference on one hand. However, the situation in Zurich is slowly changing, and there are now many more women involved in the field.

'I think this is a very good career for a woman, because women tend to have quite a broad outlook on things and I think finance is one of those areas where that can be very beneficial.'

One role model for the asset manager is Newton CEO Helena Morrissey, who recently stepped down from her role after a long and successful career in the field.

Outside the financial world, Rameau finds inspiration from Dutch football player Johan Cruyff. One of his

quotes, 'elk nadeel heb z'n voordeel', translates as 'every disadvantage has its advantage'. This neatly encapsulates Rameau's perspective on investment and life in general.

'In times of panic there is always the light at the end of the tunnel that people don't see, for instance some assets being underpriced. On the other hand, when everything is going great and I am doing fantastically well, beware - trouble could be lurking around the corner.'

#### RAMEAU'S MUSICAL TIES GO BEYOND HER PASSION FOR JAZZ:

- She's a direct descendant of Jean-Philippe Rameau, a Baroque-era French composer and music theorist who wrote the Treatise on Harmony
- She began taking private lessons in violin and flute at a young age, and played in the youth orchestra. Although she has no time to play nowadays, listening to music and attending live concerts, across a wide variety of genres, is a favourite pastime of hers.
- Rameau's husband played in a well-known Dutch rock band when he was young, and later owned and ran a music-recording studio. Now he composes and records his own songs.
- Two of Rameau's three children are musicians. One daughter evolved from classical piano to electronic music, and is currently involved in a number of exciting projects. Her son plays double bass and electric bass and is involved with various bands and ensembles ranging from jazz to reggae. Her other daughter doesn't play but is a talented painter in her spare time.
- Ties to music run through more of ISGAM: one of the other partners (and MD) is a cellist, and two of his three sons are professional musicians. One of the group's relationship managers plays the bagpipes in a Zurich-based Scottish band.