

Plenisfer Destination Value Total Return Fund

First anniversary

A Citywire Engage interview with Mauro Ratto
Co-Chief Investment Officer at Plenisfer Investments

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Mauro Ratto

Mauro Ratto is Co-founder and Co-Chief Investment Officer at Plenisfer Investments, part of Generali Investments multi-boutique platform. He has over thirty years' experience in the financial sector and fund management. Prior to the establishment of Plenisfer Investments, Mauro was Head of Emerging Markets at Pioneer Investments (subsequently Amundi). He was a member of the Global Investment Committee and a director of Pioneer Investment Management Limited. Responsible for establishing the Emerging Market team in Pioneer Investments, Mauro built and led a highly skilled investment team working on debt and equity strategies that covered Asia, Latin America, Emerging Europe, the Middle East and Africa.

A FUND UNCONSTRAINED BY BENCHMARKS

Why did you set this fund up?

With a group of highly experienced partners we decided to go back to the practice of investment as we knew it when we started in the industry. The aim was to move away from "the business of asset management".

We believe that thirty years of, what I call, 'benchmarkisation' of the market created a siloed approach to investment that made it very difficult to find and exploit investment opportunities, leading to overcrowding in certain asset classes and, at times, a very high concentration of risk. By contrast, we decided to go for an unconstrained, goal-orientated approach that would free us from the constraints of 'benchmarkisation' and allow us to exploit the full spectrum of investment opportunities.

PROPRIETARY STRATEGIES OVER ASSET CLASS ALLOCATION

The fund does seem to have a very wide scope, can it really invest in pretty anything that you like?

The fund has a broad remit that allows the team to invest both from a geographical angle and an asset class angle – in effect, the fund can invest in anything.

An approach made possible because of the strength and experience of our team who designed the strategy and process.

By allocating towards specific strategies, it allows to bend the investment concept to the target return and risk objective in a much better way.

A NEW ACTIVE APPROACH

So, you talk about allocating to proprietary strategies rather than asset classes. What does that mean?

At Plenisfer, we call this approach 'the new active'. The fund uses five strategies to generate returns because we believe it allows us to bend the investment idea to our target return, our targeted risk objective, in a much better way.

Firstly, there is an *income strategy* that aims for, and has so far achieved, a stable cash flow. This has been possible by using corporate and sovereign bond spreads as well as dividend stocks. The fund has delivered above-average returns on this strategy despite the unconventional monetary policies currently in place around the world.

Then there is a *compounding strategy* that looks to significantly contribute towards overall performance in capital appreciation. Here we look at quality growth stocks that can compound earnings.

Thirdly, we use a *macro strategy*. It overlaps interest rate and FX strategies to generate total returns.

These strategies are complemented by an *uncorrelated alternative assets strategy* – mainly gold – although we also use volatility as an asset class and have recently added some carbon certificates.

Finally, the last strategy covers *special situations*, both in equity and fixed income – this is an exciting area given its idiosyncratic nature and lack of correlation to the rest of the portfolio.

I believe we are at a point of significant change and highlights the so-called temporary uptick in inflation, which actually looks like it's becoming more of a sustainable trend. In this light, the old order of the asset management industry will find it difficult to deliver adequate returns.

By contrast, the unconstrained nature of this new active approach means the fund can bend investment idea generation to the goal, both in terms of risk and return.

TARGETING EQUITY-LIKE RETURNS

Destination Value Total Return Fund is a multi-strategy portfolio built with a specific internal target goal quite compelling – how are you going to make this goal sustainable?

The fund's internal objective goal is to generate returns of 8% annualised (in USD terms, gross) with <75% of equity volatility, over the economic cycle. Indeed, it is a compelling goal but if we succeed in delivering our proposition, I believe this can satisfy a broad range of clients as a good growth component in a portfolio.

So far, we are very satisfied with performance. The fund started in May 2020, just after the initial covid rebound. One of the first moves we made was to play the recovery, led by China, using both the income and compounding strategies, which proved highly rewarding.

Joe Biden's victory was also a pivotal moment for the fund's strategy. It validated the team's view on the cyclical recovery – the macro view - and led to increased exposure to commodities and to gain exposure in lagging markets such as European equities. The fund also had a pretty significant allocation to special situations. In the second part of 2020, there was very strong cyclical exposure.

Moving into 2021, we believe that the post-covid recovery is in a quite advanced phase. As a result of this, the fund recently cut equity exposure. We 'trimmed the sail' to be ready to adapt to different scenarios, as we believe there is still some lag in trade, even if most post-covid recovery is already priced in. By contrast, what will happen in the next one to two years, such as increased public sector presence, is not priced in.

For now, we see another strong year for the US economy in terms of GDP growth, up to 4%, which will clearly define a different scenario from what we've seen in recent years.

ROOM FOR A SIXTH STRATEGY?

Amongst the various parts of the fund, what role does hedging play in there?

While the fund doesn't do systematic hedging, it is almost a sixth strategy. We pay a lot of attention to tail risks and hedge them accordingly, leveraging our investment process. For example, we will hedge downside risk in equity markets by going short on credit spreads and protection in the CDS market.

Another tail risk we see is what we describe as, 'a melt-up in the market'. This is happening in quite a number of market segments. The fund has been able to identify opportunities and to buy exposure such as alternative money and medium-term options on the European market and took these positions towards the end of last year. So far, they're working well.

A START-UP APPROACH, BACKED BY EXPERIENCE

Finally, over the last few years we've seen quite a lot of heavily marketed alternative multi-strategy funds. Some have turned out not to be as weather proof as they hoped for. Why do you think your strategy is different?

In a world where many heavily marketed, multi-asset alternative funds have not been as weather-proof as hoped for, we believe competitive advantage can only come from the investment culture and process.

My partners and I are confident in our approach as it builds on everything we learnt in our careers so far. Putting our collective experience into a start-up gives us the freedom, even luxury, to design our own investment process and team.

**FOR ADDITIONAL INFORMATION,
DOWNLOAD THE FACTSHEET HERE**



**Focus on total return and
global multi asset solutions
with a distinctive and
innovative investment
process**

Plenisfer Investments is part of the Generali Investments Multi-boutique platform.

Plenisfer Investments* (“Plenisfer”) is the only investment boutique in Italy, and one of the few in the world, to specialise in benchmark-free portfolios built through a multi-strategy approach aimed at achieving clear and measurable goals.

Plenisfer was founded in May 2019 as a joint venture between four founding partners – Giordano Lombardo, Mauro Ratto, Diego Franzin and Robert Richardson – and the Generali Group, a majority shareholder with 1-billion-euro commitment in the company’s first fund.

The four co-founders have been working together for over 20 years and have assembled a multi-disciplinary team of senior experienced investors to build a robust team-based investment process that explicitly focuses on investing by objectives.

The Company is headquartered in Milan and has offices in London and Dublin. It is regulated by the Bank of Italy and CONSOB for the activity of asset management companies (SGR).

www.generali-investments.com

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