

Introducing Aperture Investors' European Innovation Fund

Q&A with Anis Lahlou, Fund Manager

June, 2020



The latest fund to launch at Aperture Investors, part of the Generali Investments' multi-boutique platform, is the European Innovation Fund, featuring a concentrated portfolio of European equities viewed through the lens of innovation.



Anis Lahlou,
Fund Manager

Strategy overview

This strategy focuses on European companies that are experiencing or are likely to experience significant inflection in their businesses and markets driven by innovation. By targeting innovative companies, we believe that we can have a positive ESG (Environment, Social, Governance) impact as it is these businesses that are typically involved in addressing humanity's biggest challenges and improving well-being - whether that's longevity, a greener environment or better education and productivity.

Why did you decide to focus specifically on European Innovation?

Having researched and invested in the European equity market for decades, I believe that some of the most innovative companies in the world are based here, but they are often overlooked or undervalued due to the dynamics of the global equity market.

In Europe, innovation is everywhere. And it's not just within so-called tech or digital companies. Every industry is innovating. Banks, Autos and Consumer Goods to name a few are especially prominent in Europe, a region with broad manufacturing across the continent. Innovation is also multi-generational and will span across all points of the economic cycle. It is always present.

By investing primarily in European equities, we are trying to beat the MSCI Europe Net Total Return EUR Index¹. This is an European equity index representing roughly 85% of the free-float adjusted market cap across the European Developed Markets universe.

How do you think about your investment philosophy and process?

We run a pragmatic process through which we evaluate potential investment opportunities. Because our philosophy is grounded in the belief that markets are not efficiently priced, we look to generate outperformance of our benchmark by identifying mispricings. In markets, investor behavior is often driven by emotion, but we attempt to overcome those passions using facts and figures.

Of course, forecasting exponential growth is difficult, so valuing companies that are adopting new technologies and adapting their business models is also hard. If an analyst has revised their numbers down but upgraded their rating to a buy – why? Is the market over or under valuing the innovation? Has the innovation hit that plateau of its S curve? We also need to be aware that innovation can be impacted by external conditions and the situation is always changing. Capturing that discrepancy is where we are able to find alpha opportunities.

We take a bottom-up approach, focusing on points along the innovation adoption curve while developing a deep understanding of how we believe growth, or the lack of innovation, is going to be a driver of value creation or value destruction.

How is the ESG approach integrated into the investment process? What relevance does it have to you?

A strong ESG posture for innovative companies is part of our early filter through which ideas are fed. This means that it's a lens we use to evaluate the more than 2,200

liquid companies in the broad European equities universe. The analysis of a company's efforts is part of our fundamental research and we look at if a company's work is associated with improving well-being, a qualitative analysis focused on how the tech is being used and its impact, third party scoring of the materiality of ESG considerations, and how it contributes alongside the other metrics that matter in our investment approach.

What is the typical positioning of the fund like?

We can take long or short positions, so we are able to express our views on both innovation winners AND losers. Typically we hold 30-50 long positions, and sometimes a small number of short positions, but only when we believe they have the potential to help us beat our benchmark.

How has COVID-19 impacted your fund, approach, etc.?

The pandemic's impact was swift and severe, however, it didn't change any fundamentals of our approach. As do the other portfolio managers at the firm, I seek opportunity - especially in moments of change, both positive and negative. It's part of why having the flexibility and direction that Aperture Investors provides is so critical to our performance. We can look for the opportunities wherever they may exist and then put them through our rigorous analysis.

When the crisis first hit, the industry was quick to suggest we all should begin thinking about 2021 - that 2020 was no longer relevant. We've seen that date creep forward since the rally in late May, early June and see more people discussing what Q3 looks like. Overall that shift in perspective seems positive and hopefully it continues to trend in that direction.

Why did you decide to launch this fund at Aperture Investors?

Aperture Investors is uniquely focused on aligning manager incentives with performance delivered to clients. Here we're redefining the revenue model for the asset management industry by providing alpha at a fair price to investors.

All funds across the Aperture Investors group utilize performance-linked fee structures. This means a fee is charged that's competitive with that of passive ETFs in the same category when performance is at or below its stated benchmark. As outperformance is generated, each strategy is charged a performance-linked fee of 30% on returns generated in excess of that strategy's stated benchmark.

At Aperture Investors, not only are managers like myself able to work in a way that is actually aligned with client interests, but we're also able to do better individually given that our compensation is linked to performance. If we can earn more while working in a way that's fundamentally healthier for clients than traditional fixed fee models - and bring change to the asset management industry as a whole - it's a rare win-win.

Fund in focus

Aperture European Innovation

AuM	€243 mln (as of 31 st May 2020)
ISIN	LU2077746936 (I EUR Dis.)
Launch of sub-fund	17/12/2019
Benchmark	MSCI Europe Net Total Return EUR Index
Fund Currency	EUR
Domicile	Luxemburg
Management fees	0,30%
Performance fees	30% > benchmark
Management Company and Investment Manager	The management company is Generali Investments Luxembourg S.A. who appointed Aperture Investors as investment manager.

To find out more on the strategy
[CLICK HERE](#)



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About Aperture Investors

Aperture Investors, based in New York, is a global asset manager founded in 2018 by a partnership between Generali Group and Mr Peter Kraus, former Chairman and CEO of AllianceBernstein. Aperture operates with an unconstrained investment approach and a unique fee model that aligns the company's profitability with that of its clients. The company charges low, ETF-like fees when performance is at or below stated benchmarks. When and only when returns are generated in excess of a strategy's benchmark, Aperture Investors charges a performance-linked fee, and as such, investment teams are compensated primarily on outperformance.

www.generali-investments.com

¹The MSCI Europe Net Total Return EUR Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 437 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

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