

# Salone del Risparmio 2017, Castelli (Banor Capital): industrial bonds, high yields and careful financial statement analyses

by **Daniele Barzagli** 13 April 2017



"Banor Capital's management style for bonds can be summarised as applying share-style stock-picking to fixed income products and selecting - one by one - the issuances that we see as offering value". That's how Francesco Castelli, head of fixed income at the asset management firm - London-based but Italian in spirit - summed up Banor's approach when Citywire caught up with him during the Salone del Risparmio event.

"There are historic reasons for this: we were founded to offer products to very high-end clients and we're good at analysing companies' financial statements and at finding businesses that are under the radar. Excellent companies that are a bit neglected and not really taken into consideration, because they're often unable to communicate their value, including in terms of documentation. And that's where we step in, with our expertise", continues the manager, who has over 15 years' experience in Banor and, before that, Zurich Financials, Sanpaolo and Kairos Partners.

"The big asset management firms are so cumbersome that they're forced to buy betas at low prices. We, on the other hand, with our Euro Bond Absolute Return fund, which is relatively small (ed's note: 190 million euro) don't take the benchmark approach. Right now, we have 92 issuers that we monitor on a quarterly basis", explains Castelli.

For bonds, 2017 could be a complicated year, in view of the rate rises that have been announced. "Although we should never believe all of the Fed's pre-statements", laughs Castelli. "In recent years the market didn't believe the signals of overly quick rises and in the end it was right".

It's interesting to underscore, however, that it is fairly rare for both government and high-yield securities to perform badly so it's not surprising that at least half of the portfolio selected by Castelli is composed of this asset class.

The selection consists mainly of industrial securities (with financial products accounting for a good 35-40%), with issuances generally of over 500 million, but with an interest too in the 300-500 million category.