

Low rates discourage active strategies. Better to focus on illiquid investments and undervaluations

# THE VALUE OF TIME

## Why leave the frenzy behind and focus on the long term

BY ROBERTO CARCANO

Some time ago, Banor Sim, a company specialised in capital management and consultancy for high-value assets, set itself the goal of contributing to the generation of a culture of sustainable finance and corporate social responsibility, incorporating ESG criteria into its own valuation models. The “value of sustainability” will be its focus at the Salone ([4 April, 11 am, room White 1](#)). *MF-Milano Finanza* spoke to **Giacomo Mergoni**, CEO of Banor Capital, about the group’s view of the current market phase and the strategies it intends to implement. “2019 began with euphoric markets, especially thanks to the slowing of the rate hikes in Europe and the USA”, began the Manager. “The asset management sector suffered a sharp slowdown in funding, to the benefit of debt instruments. In fact, the low rates continue to support the indices and companies with greater growth, offering little satisfaction to those seeking to exploit short-term inefficiencies with active strategies.” Faced with performances not distinguished by in-depth research, the pressure on costs, therefore, remains very strong, providing an additional push to the sector giants that can bear lower margins thanks to increasing volumes. A trend, according to Mergoni, “resulting from a bull market that is now ten years old which could weaken, if not with the increase in rates, then probably with the emergence of profit growth rates more in line with the weak growth of the gross world product.”

Certainly, in Europe there is a constant search for more sophisticated solutions that are perhaps able to offer modest but predictable yields for the liquid part. Or, alternatively, higher yields sought out in illiquid and long-term investments. “The most demanding customers seem worried about the high market valuations and are asking managers for products and strategies that can seize extra-market opportunities and deflect the frenzy of the daily mark-to-market”, explained the CEO. “One might think that these are the signs of the end of a cycle driven by the high liquidity of the past 10 years, which could be followed by a phase of rationalisation in valuations and a return to selectiveness. We believe that, in the future, asset management and markets will be more volatile and the challenge will be to exploit the moments of concern in order to enter high-quality companies at lower prices, creating the foundations for future earnings.”

In fact, Banor has presented itself since the start of its business as a long-term partner for private and corporate customers, with strategies focused on valuations and analysts that carry out hundreds of meetings with companies, in the search for cases of undervaluation that have not yet been noticed by the market. “In Italy, we are one of the few to have a fierce group of managers and analysts dedicated to asset management”, underlined Mergoni. “Many of our funds are among the best in their categories over time periods of one, three and five years, proof of an investment process that is reliable and can be repeated over time.” The most sophisticated customers are offered dedicated management and alternative products—real estate, distressed securities, private equity—with a large focus on ESG. “In our lecture at the Salone, we will talk about Value Investing and ESG”, concluded Mergoni. “Our host will be Maestro Beppe Vessicchio, a Unicef Ambassador, and with him, we will also talk about our Banor for Unicef project.” (all rights reserved)



*Giacomo Mergoni,  
CEO of Banor Capital*