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Head of Equities



Gianmarco Rania is Head of Equities at Banor Capital and manager of the Banor Sicav European Value fund, which invests in European long-term ESG equities using a value strategy. With more than 15 years in the asset management sector, Rania has accumulated significant experience in managing funds on the European stock market for several asset managers. Before joining Banor Capital, he was Chief Investment Officer at Hywin Wealth, a wealth management company based in Shanghai, China, which also has offices in Hong Kong, the USA and the United Kingdom. Rania holds a degree in Banking, Financial and Insurance Economics from the Università Cattolica del Sacro Cuore in Milan.

“Linde is very strong on the hydrogen front”

“The company is at the forefront of development in this market. I am also watching Saint Gobain closely”

Isabella Della Valle

How will the attitude of the central banks change following the shift by the Fed?

Powell’s move should be read from the perspective of protecting the second objective of the Fed’s mandate, to promote maximum employment. Though predicting high inflation in the short term, the Fed will not stop printing money and will strive for the recovery of the employment market in the USA. We do not expect a similar reaction from the ECB, given the uncertain growth outlook of the European economies, with inflation rates well below the 2% target. However, we do expect the possibility of a further increase in the Pandemic Emergency Purchase Programme (PEPP), which currently stands at € 1.35 billion.

Speaking of Europe, at these levels, are there still growth margins for the area’s stock markets?

We believe that the European markets have very high potential for appreciation in the short-to-medium term. European institutions have implemented a series of measures in terms of fiscal and monetary policies that are unprecedented in Europe’s history. In addition to this, another

reason that leads us to be optimistic is the currency aspect. Despite favourable economic prospects, the main European indices are still in largely negative territory and have valuations that are very low and attractive in both absolute and relative terms. Other factors include the dynamics of the flows and the positioning of investors. Over recent years, Europe has been a geographic area highly underplayed by institutional investors and has had constant outgoing investment flows. Recent summer figures show a trend reversal with an increase in investments in the Euro area, including thanks to the reinforcement of the single currency which makes European stocks interesting for American and non-European investors in general.

Based on which characteristics do you decide whether to invest in a company?

Value is our investment philosophy, meaning we focus on identifying companies undervalued by the stock market where, according to our corporate valuation models, we see a strong potential for appreciation of the stock. When selecting investments, we consider other

factors such as quality, seeking to invest in industry-leading companies, and profit growth in the medium term. Additional screening of companies might involve looking at returns on dividends (above a certain threshold) as well as profit distribution policies for investors, which are considered if they prove to be generous.

How important is sustainability for you?

For years, Banor has considered ESG standards to be a strategic priority, destined to guarantee a long-lasting competitive advantage for the company and our investors. ESG policies adopted by individual companies are an essential factor in our investment decisions. The two recent studies we conducted with the Politecnico di Milano showed that companies with a higher ESG rating perform better in terms of both equities and bonds.

And from this point of view, which sectors are still lagging behind?

Of the sectors where environmental, social and governance policies are not a priority, we see finance, due to the scarce social policies and lack of governance, tobacco and defence in relation to the health of individuals,

and oil/chemical, with few environmental policies, especially in terms of CO₂ emissions.

Are there market segments to which you are particularly exposed?

The issues to which we are most exposed are linked to the recovery of the economic cycle through stocks that I would define as being "sustainable cyclicals". These include the construction sector, in which we are overweight, or utilities, especially among the companies linked to the world of renewables. Other areas that we consider attractive are infrastructure, which will benefit greatly from the boost to investments given by the Recovery Fund, and the luxury sector, which albeit highly affected by the pandemic, is showing robust signs of recovery, especially in China and thanks to the growth of e-commerce.

What do you think about the Italian market?

Italy will be one of the biggest beneficiaries of the Recovery Fund. The recent macroeconomic figures, through in a contraction cycle at GDP level, showed a strong rebound in

manufacturing in July and August, confirming the fact that the Italian economy is slowly recovering. We have a positive outlook on the FTSE MIB, even in terms of evaluation. Its aggregate return on dividends of around 4% is much higher than the returns on Italian government bonds (BTPs), which came to around 1%, and the return on other European indices (2.9% for the Euro Stoxx 50).

Which companies do you deem most interesting?

Linde is very interesting, the world leader in the industrial gas sector with a market share of 31%. It is a strongly consolidated sector exposed to various areas that have seen a boom in growth in recent years, such as semiconductors and healthcare. Linde is at the forefront of development in the hydrogen market, considered the next big opportunity in the clean energy sector. Another security that we are looking at closely is Saint Gobain, French world leader in sustainable building which manufactures and distributes innovative materials in the residential sector for energy insulation. The

company has a strong presence on the European market, with more than 50% of turnover deriving from continental Europe, due to which it will benefit from EU funds targeting building renovations, which is estimated to be around € 100 billion in the next 4/5 years

Firm specialised in value strategies

Banor Capital is an independent asset management company founded by finance professionals who have worked as a team for over 20 years. It is specialised in value strategies and adopts a fundamental approach. Research and risk management have enabled Banor Capital's range of products to achieve impressive results as best funds in their categories at 1, 3 and 5 years. The company is a PRI (Principles for Responsible Investment) signatory and is continually deepening its integration of issues related to ESG investments to contribute to the creation of a widespread culture of sustainability in investing.

Linde

TREND AND VOLUMES



Linde shares have recently reached a new high after a strong recovery following the post-COVID collapse. The stock, which trades at around \$250, fell to \$150 in March. In the last six months, movement has been linear and there have been no significant corrections. It is difficult to identify bullish targets given that the stock is moving into unknown territories.

To understand future price evolutions, we must look at the previous highs in February of around \$220. Decreases down to this level would be compatible with a still intact bullish trend, while some sessions below 220 could cancel out the recent bullish drive, initiating a lateral consolidation phase.
(Edited by Andrea Gennai)

COMPARABLES

COMPANY	CAPITALISAT. AT 8/9/2020 (\$ M)	EPS 2020	P/E 2020	P/E 2021	P/SALES 2020	MARKET CONSENSUS
Linde	127689	7.77	31.3	28.1	4.7	Overweight
Air Liquide (*)	65965	4.97	28.4	25.7	3.2	Overweight
Air Products and Chemicals	65.058	8.39	35.1	30.1	7.4	Overweight
OC Oerlikon (**)	2.791	0.14	58.8	23.2	1.2	Overweight

NOTE: (EPS) = earnings per share; (P/E) = price-earnings ratio; (P/SALES) = price-to-sales ratio; (*) figures in euro; (**) figures in CHF

SOURCE: Financial Markets Analysis report on FactSet figures

Linde is one of the biggest engineering and industrial gas companies in the world. The company serves multiple end markets, including chemical and refining, food and beverage, electronics, healthcare, manufacturing and primary metals. Linde industrial gases are used in countless applications, from lifesaving oxygen for hospitals to special high-purity gas for the production of electronic components, hydrogen for clean fuels and much more.

In the first six months of 2020, revenues decreased to \$13.1 bln (-7.1%), but the operating result improved to 1.32 bln (+3.1%), and the net profit of the continuous activities reached 1.03 bln (+8.4%), while the adjusted EPS increased by 4%. For the entire financial year, the company estimates a diluted adjusted EPS with growth between 4 and 6%. At current prices, Linde shows intermediate estimated P/E multiples for 2020 and 2021 compared to its two competitors Air Liquide and Air Products and Chemicals.

The comparison

