Subordinated bank bonds are attractive | interview with Emilio Foglia, Lemanik Business Development Manager

We publish a translation of the interview with our Business Development Manager Emilio Foglia taken from Affari e Finanza – La Repubblica. The original article in Italian can be found at this link: https://bit.ly/3Zdyd19

According to **Emilio Foglia**, **Head of Business Development**, there are good investment opportunities even in the current highly volatile scenario.

The high volatility of markets makes their interpretation very difficult. After the sharp declines in 2022, the January rally came to confuse savers and even experienced investors. We try to analyze the dynamics behind these movements with Emilio Foglia, Head of Business Development at Lemanik.

What can we expect from the current situation in the financial markets?

The scenario is **rapidly changing**. We were coming from an environment of convinced recession expectations, while since the beginning of the year the market has turned unexpectedly and global equity markets have reported a strong rebound. The Msci world index in euros rose 5.5 percent driven mainly by three factors: the **improving inflationary scenario**, **China's reopening** after abandoning the zero Covid policy, and the significant **correction in natural gas prices**, which will help the European economy. While the dollar continued its correction, caused by expectations that the Federal Reserve will soon slow the pace of interest rate hikes. Over the past six months, market dynamics have changed dramatically. Six

months ago, inflation was rising and the Federal Reserve was raising rates by 75 basis points at every meeting. Today, **inflation is falling** and the Federal Reserve is raising rates by 25 basis points at each meeting. Thus, the stabilization of inflation and interest rates has rekindled investor optimism. Signs of an economic slowdown remain, but the **global economy appears quite resilient**, leading us to believe that an economic 'soft landing' has become the most likely scenario. If this is the case, we believe that the environment for equity markets will remain moderately favorable through 2023. We will maintain a high focus on sustainable investments, as was the case in 2022.

Among investors, attention to ESG issues remains high. What is Lemanik's strategy on this front?

> *Our products have always adopted investment policies consistent with the company's own principles of deontological fairness. So much so that 80 percent of the funds were already compliant with the criteria of the European Sustainable Finance Disclosure Regulation (Sfdr). Thus, the adherence and classification of Lemanik funds according to Article 8 Sfdr mostly required legal and documentary compliance, rather than a radical intervention in the investment process*

In most cases, for example, critical sectors, such as arms production, tobacco, and recreational cannabis, were already excluded from our funds. This does not detract from the fact that the market movement toward Esg criteria is bound to increase its positive effects on the economy, and we hope that this will happen especially with regard to environmental protection and good governance, gradually **leading to the exclusion from the investable universe of companies responsible for labor rights violations, corruption, money**

laundering, and financial crimes.

What are your development strategies in the Italian market?

Lemanik Asset Management is an asset management company under **Luxembourg law**, which has been distributing Lemanik Sicav in Italy for more than 20 years, but also has a presence in Dublin and Hong Kong. Testifying to the centrality of Italy for the group's strategies, **during 2023 we will establish ourselves as a Sim**, in order to guarantee maximum transparency and effectiveness to the placement activities of financial instruments in the country. The goal is to **consolidate the recognition of the company and its products** in an increasingly competitive environment, with a portfolio of original products, which in order to differentiate themselves from the competition can only pursue qualitative efficiency and continuity of returns, with careful risk management. Within this common framework, **each manager operates in total autonomy**, aiming to generate performance in all market conditions.

Among these financial instruments, which ones are best suited to deal with the current market conjuncture?

First, there is a **special category of bonds** that is going through a **very peculiar phase**: these are bank subordinates, which are benefiting from rising rates and improving bank balance sheets.

Lemanik has a specialized fund on this segment, **Lemanik Selected Bond**, which aims to achieve a constant return over time, with a total return approach, and allows the bond component of the portfolio to be supplemented with a segment of securities that offers returns consistently above the market average.

Another **useful strategy** considering the state of the markets is the **Lemanik Active Short Term Credit** sub-fund, an ultra-short term High Yield bond fund, which invests in a **portfolio with low risk**, **low volatility** and correlation and is therefore composed of securities that influence each other little, so as to preserve the invested capital to the maximum.
The fund has an average remaining life of less than one year, with concurrent hedging of currency risk, and is therefore a **preferred instrument** at a time like this, when it is necessary to find a positive allocation for one's liquidity and it is important to contain volatility.

Finally, considering the great focus on the **Italian stock market**, we cannot fail to mention **Lemanik High Growth**, which invests in a targeted manner on the Italian stock market, benefiting from the performance of the **best stocks**, both in the blue chip segment and in the segment of mid-cap companies.

Emilio Foglia

He worked for 15 years in investment banking (Akros, Intesa, Bankers trust, Deutsche bank, SocGen) in both Italy and the UK.
He then moved to the asset management sector, where he has worked since 2003.
He now manages Lemanik’s business development in Italy.

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