SPECIAL

EXTRA LARGE PORTFOLIOS TESTED BY THE MARKETS

The collapse that started in the second half of February created good opportunities. Here are the recipes from Banor SIM and Copertino SIM for securing assets and to riding the recovery

by Michele Pezza

Diversification, strategic adjustments and attention to opportunities that have already arisen on the stock market. These are the cardinal points of an effective portfolio strategy in a market characterised by violent ups and downs. But above all, you must not lose sight of rationality, not even when faced with a big black swan like the Coronavirus. All the more so if you have to manage a high-value asset in a long-term perspective. “Right now our equity quota stands at 40% compared to 25%, which is what we had before the crisis”, Luca Riboldi, Head of Investments at Banor SIM explained to We Wealth, “also because valuations have gone down considerably and, therefore, some attractive opportunities have arisen”.
The great uncertainty on the markets, however, makes it difficult to see will happen in the coming months: “In a scenario where money will be printed and where there will be inflation”, continued Riboldi, “we believe that it is better to focus on equities. In particular, we think of European or American companies that are leaders in their sectors, that have a good competitive advantage and little debt. We add about 20% in very safe corporate bonds, with a single A rating or better, 10% high yield bonds, a further 10% in precious metals, above all, gold. And finally, 20% in liquid assets, because at times of great uncertainty, it is good to have part of your portfolio that can be used in a tactical and dynamic manner.

Focus
The drop in prices, which in part has been recovered thanks to the recent rally, has created interesting buying opportunities.

A figure
Some experts suggest bringing the equity portion to around 40%. Stock exchanges could offer good gratification, they explain, as long as the investment is consistent with its risk propensity and reference horizon.

The Idea
Topics such as robotics, cyber security, sustainability, the ageing of the global population and e-commerce remain the favourites in a long-term perspective.

The portfolios that held up best during the big correction in March are those for which strategic adjustments had been made ahead of time. “As far as we are concerned, the big portfolios held up rather well”, said Vicentini, financial consultant at Copernico SIM, “because even though nobody had the arrival of a virus from China in mind, we were coming from a 2019 that was full of unexpected satisfaction and we expected a possible correction of the markets”. And the emotional management of customers was even less difficult than expected: “In 2008, there was more mistrust, almost bitterness, towards the world of finance because it was seen as the origin of all evil. Today, the fact that the enemy is easily identifiable and that it comes from the outside helps customers digest the crisis better and makes them more accommodating”. The key, according to the consultant, lies in demonstrating that you are close to your customer, even though, at the moment, such closeness cannot be physical. “Many customers asked us what would happen if they decided to divest a part of the assets. With dialogue and empathy, we led them back to medium to long-term objectives and explained that setbacks can happen in the life span of a portfolio".
At Copernico SIM, we look at equity with a certain interest, especially if it is linked to trends that had already emerged before the advent of the pandemic. “Undeniably interesting opportunities have arisen, particularly in relation to major topics like robotics, cyber security, ESG, population ageing and e-commerce. These are strong trends that are unlikely to be stopped by an external type of shock. We are starting to ride these waves, including through accumulation plans for high-value assets”. Had there been a need to learn the lesson, the coronavirus crisis made us understand the importance of having a portfolio that is not excessively exposed to single asset classes. “Once again, we have had proof of the importance of diversification”, underlined Riboldi. “Anyonw who was exposed in a significant way to some badly hit sectors, such as airlines for example, suffered a lot. Therefore, it is a good thing, in order to protect assets, never to focus on one sector. And moreover, what is important is the liquidity of what is held, especially for what is held in bonds”.

These are all techniques that will continue to be valid for some time now, because the uncertainty does not seem to be destined to resolve itself from one day to the next. “We expect a phase of high volatility to follow”, is the opinion of Vicentini, “because, at the moment, the virus is in command and, until such time as it can be made safe from a health point of view, the markets will be nervous. “We expect a return to normality after the summer and an economic recovery starting from the third or fourth quarter of 2020, to be consolidated subsequently in 2021. In the meantime, the lockdown has wreaked havoc with all the major economies on the planet, including China, where there was a recession in the first quarter of the year for the first time since 1992. The consequences of this huge global stop will be felt in terms of public debt, which countries will resort to in order to come out of the crisis, and in social terms, with unemployment which will inevitably tend to rise. “I think that the economic recovery curve will be more in the shape of a u than a v”. This is the opinion of the Head of Investments at Banor. “To complicate the scenario, there is the oil crisis. This will have a strong impact, above all, on some exporting countries like, for example, African countries, Iran or Iraq. Initially, for the first three or six months, we will have to deal with strong deflation, due to the need to sell off unsold stock. And so the public debt incurred by the various countries will require a lot of money to be printed, which means, on the contrary, having an inflationary scenario over a time horizon between three and five years".