

Finding

Sources of Wealth

within the European Market



Interview with: Michel Donegani, Chief Executive Officer, Prisminvest

The European debt crisis is unlikely to be resolved anytime soon, therefore investors must begin to re-balance their portfolios, says Michel Donegani, Chief Executive Officer, **Prisminvest**.

From an asset management firm at the upcoming **marcus evans European Pensions & Investments Summit 2012**, Noordwijk aan Zee, The Netherlands, 14 - 16 May, Donegani discusses **asset allocation** and **portfolio management** strategies.

What is your long-term macroeconomic outlook of the European market?

Profound and often painful reforms should be implemented, as Europe desperately needs to grow. Betting and hoping that **emerging market** growth will be the answer, is not a credible strategy without accepting a historical change in economic leadership between the old and the new world.

The European debt crisis is unlikely to be resolved smoothly or anytime soon. We should not discuss Europe in a

homogeneous way, but as independent risks. This is what financial markets are telling us with ten year government bond yields trading between two and 20 per cent. As a consequence, the Euro is going to behave randomly against the USD or YEN, depending on the respective central bank policies.

So not only do investors have to face possible sovereign counterparty risk but also currency risk, each time they invest outside of the Euro. Currency risk management should now be an integral part of their investment strategy.

What asset allocation practices could you share?

Strategically, I recommend the emerging markets versus the developed economies for equity allocation. The real challenge, however, will come from the management of the portfolio that is directly linked to interest rates, like bonds and real estate. In this area, I would still overweigh corporate bonds versus government, with a low duration.

Then comes the one million dollar question: Will Europe survive and converge? Investors who believe that Europe will survive should be ready to take on country risks. I would be surprised to see a German pension fund overweighting Italian government bonds, although they would receive almost four per cent more yield on an annual basis for the next ten years. Given the environment in Europe, it is not surprising to see nationalism and politics influencing asset allocation.

As important as strategic asset allocation is, re-balancing the portfolio will provide another source of wealth

creation as I expect volatility to persist and correlations to diminish.

What does the future hold for pension funds?

First, if Europe cannot get out of the unemployment spiral that is hitting the younger generations, the future will be challenging.

Secondly, financial markets do not print returns just because they have been used as a hypothesis into econometrical models to make forecasts on future assets and liability relationships. The capacity to react to new environments, to adapt the assets allocation and to be flexible, will differentiate the key players.

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The **Investments Network** – **marcus evans Summits** group delivers peer-to-peer information on strategic matters, professional trends and breakthrough innovations.



Please note that the Summit is a closed business event and the number of participants strictly limited.

About the European Pensions & Investments Summit 2012

This unique forum will take place at the Grand Hotel Huis ter Duin, Noordwijk aan Zee, The Netherlands, 14 - 16 May 2012. Offering much more than any conference, exhibition or trade show, this exclusive meeting will bring together esteemed industry thought leaders and solution providers to a highly focused and interactive networking event. The Summit includes visionary presentations and interactive forums on looking beyond volatility to pinpoint innovative investment approaches, modernising risk models and delivering returns in the new era of pension investing.

www.epi-summit.com

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About Prisminvest

PRISMIVEST S.A. is an independent asset management firm set up in 2000, managing particular collective investment schemes and dedicated managed accounts. Prisminvest is authorised by the Swiss Financial Market Supervisory Authority ([FINMA](http://www.finma.ch)) to act as an asset manager. Among our clients are Swiss and European pension funds, private banks and insurance companies, as well as Family Offices and third party asset managers.

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