

LWM Consultants

*“An investment in knowledge
always pays the best interest”*

Fund Manager Meeting Notes – Allianz European Strategies



Over the last couple of years we have spent some time pulling together our European strategy for the portfolios.

We believe we now have a strong range of funds however as we have indicated before we will continue to meet other managers and see if they offer something which can add value to the portfolios.

The Allianz European Strategies offers three funds. The Select Fund is perhaps the one with more interest where it has a concentrated portfolio of 30 to 45 stocks.

Performance has been strong and it has a solid foundation. This update with Matthias Born was an opportunity to understand more about Allianz, the manager and the team.

The fund has been added to our watch list. This means we like what we have seen but we will monitor it and test it to see if it can truly add value to the portfolios.

Overview

There are three strategies – the select growth strategy is a concentrated portfolio focusing on large and mid-cap stocks, the European equity strategy focuses on up to 70 stocks with an all cap focus and the Euroland strategy focus on up to 60 stocks again with an all cap stock.

The funds are dual managed between Matthias Born and Thorsten Winkelman. Matthias and Thorsten have been part of the team since 2001 so this has a strong team ethos. There are a further four members of the team which feed into the strategy. This strength and

depth within the team helps we believe deliver the long term performance.

All the funds are conviction plays so highest convictions will have the higher holdings. Where they tend to be overweight are IT, industrials and consumer discretionary as this is where they think they can drive long term growth. Countries they currently favour are France, Denmark and Sweden.

We covered some stock examples but firstly we discussed the Eurozone and what their feeling is. They are cautious on the Eurozone. Speaking to companies they are saying they cannot see a recovery but the market is pricing this in. Matthias did add that often the market sees the recovery before companies and this is why they are cautious.

He admits that some stocks may be overpriced now and they have been taking profits on some stocks to reflect this. However, he added that he sees opportunities going forward because Europe is coming from a low base.

The holdings are not the standard holdings. They recently sold Imperial Tobacco and replaced with Swedish Match. There is not much difference between the two but Matthias felt the growth profile was stronger and they were taking the opportunity to buy in at a weak share valuation. They are leader in the distribution of non-smoking products in Scandinavia and increasing their presence in the US.

Infinion is a stock they have held for a while it has benefited from strong share rises which have now flattened. The price in their view is not reflecting what will happen when the recovery comes and when it does

it will build the share price. There are two areas of interest for this stock firstly they are moving into new areas of product development and secondly the stickiness of their client base (i.e. once the clients are with them they don't tend to move).

One other stock we covered was Hugo Boss. The price has been lagging for some time. They feel that the stock will benefit from growth in China and the US. China is the key where it hasn't yet broken fully into the market. There is a possibility that this could deliver double digit returns over the next three years.

Conclusion

We are not talking about exciting funds but core strategies that deliver consistent returns. The manager doesn't follow the trend so the stocks will be different. The challenge will be whether this difference is strong enough to add to the portfolios and this is why the fund has been added to our watch list.

The source of information in this note has been provided by Allianz and is correct as at 10 October 2013. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.