



## Swiss selector hunts for EMD total return ideas

By Terri-Ann Williams / 12 Jan, 2018



Reyl & Cie's Jonathan Cohen is optimistic on local currency EMD but is looking for more innovative and total return-focused ideas to tap into as the year progresses.

'We had already initiated that local currency position in 2016 which was a bit challenging, especially in the period following Donald Trump's election.'

'We are still optimistic on the opportunities in the local currency EMD space, as in 2017 it was one of the biggest performers for our portfolios. However, we are now in a situation where we think we might take some profit there.'

Despite considering cashing out in some areas, Cohen told *Citywire Selector* he is searching for more flexible options.

'We are currently looking at EMD with more of a total return approach. We want managers to be able to go into every opportunity in the EMD space and there have been points where

there have been some valuation effects in spaces such as hard currency, which is not where we want to be focused.'

## Following fixed income

Looking at fixed income more broadly, Cohen said the team currently has a long cash allocation due to the difficult rates environment.

'The rates environment is a bit challenging for a lot of people, which is one of the reasons we are going towards more flexible solutions. This would be focusing on a more absolute return approach but with an added focus on risk reward.

'This will also include looking towards short-duration products which could really help us as a sort of substitute for the cash pocket. This is definitely a low volatility and safe-haven approach, so not really a big driver of performance. At least it does not lead to holding cash that will cost you even more at some point.'

## Thinking of thematic

Despite focusing on traditional 'safe-haven' assets, Cohen said 2018 should pave the way for the team to turn their attention towards more thematic ideas.

'This year we will be looking at thematic, we have seen a lot of providers coming into spaces such as robotic funds, robotics solutions and digital disrupters. The disruptive drivers could really be an area of interest for us in the coming months.

'It has new providers and the approach is also quite new, but in order to fully integrate this we will need to adapt our selection process,' he added.

Cohen said one important factor when looking at the thematic space is to establish whether or not the thematic is actually being used.

'The thematic really needs to be part of the process, it can't just be a marketing ploy. If your fund is focused on robotics it's important to make sure that you are positioned in pure robotics players.'

'At a certain point we will need to consider the universe available. We have seen so many

inflows into certain styles of funds and that is a sign to us that they are not completely pure players.

'These funds need to be really aware of the universe they are invested in and then that needs to match with your investment style.'