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Nextam Partners CEO Carlo Gentili believes local boutiques are shaking up Milan's mature asset management industry with a new level of dynamism and diversity.

The Milan-focused Italian asset management industry is very mature, dominated by established international fund houses. This often results in an information overload which makes the work of fund selectors more difficult and time consuming.

However, within this scenario, independent and small-sized boutiques are thriving. They tend to offer a limited range of specialised strategies which often complement what bigger players are able to deliver.

Moreover, given their size and mandate they have sufficient flexibility to complete selected acquisitions and to adapt their offering to market changes.

Italian asset management boutique Anthilia Capital Partners SGR was founded in 2008 by a number of experienced managers, among them Giovanni Landi, previously CIO at Deutsche Bank and CEO at Comit and Nextra IM. It has quickly filled a gap in the market for a specialised player acting as a bridge between alternative asset managers and the more traditional long only players.

Aid to diversification

The business idea was to market funds able to complete and to increase the diversification of a well balanced traditional portfolio.

With offices in Italy, in Milan, Rome and Bologna, Anthilia operates as an independent boutique. It is mainly owned by its partners and selected private banks, among them Cassa Lombarda and PKB, which also act as distributors of Anthilia's funds through their open platforms. The firm has 20 staff and seven investment managers and bases its investment philosophy on seven core principles:

- partnership and alignment of interest among partners-fund managers and investors;

- - expertise and track record of its founding partners;
- - independence and autonomy in investment decisions;
- - focus on capital protection, transparency and total return;
- - coherence of investment choices respectful of clients’ risk appetite;
- - presence only in markets where managers have developed experience; and

- knowledge and consistency of results delivered since inception.

Anthilia offers a number of advisory services, among which are open-end mutual fund management, customised mandates and investment advisory.

It presently has eight funds, all of which are Ucits IV-compliant, all with volatility targets of between 3% and 10%.

The selection of asset classes is based on their liquidity and risk premia and includes equities, long bonds, commodities, currencies and listed real estate.

Portfolios are selected to achieve low market correlation and the managers have a strong focus on risk management, applied both before and after the stock selection.

Anthilia mainly works with institutional clients, among which are the banks, foundations and private banks which account for 80% of assets under management.

The other 20% is made up of direct clients, such as family offices and affluent individuals. All of Anthilia’s partners co-invest with clients in the funds, according to international best practice.

Anthilia has a dynamic approach to the market and it aims at developing its presence outside its domestic network. Last year, the firm acquired the funds business of Banca Profilo.

Following the acquisition, the firm added to its funds range Anthilia Orange and Anthilia Yellow funds.

Orange is a fund of funds with a strong component of emerging market and high yield debt in the portfolio. The aim of the fund is a target return of 5% in excess of the Euribor 3M rate and a target volatility of 8%.

The investment objective of the fund is to produce positive absolute returns with low volatility and low correlation with global fixed income and equity markets. This investment strategy delivered around 10% return in 2012 with less than 3% volatility.

Anthilia Yellow is instead a flexible discretionary fund, with 8% target volatility and target return of 7% per annum. Invested securities are mainly financial corporate bonds, with a diversification from senior debt to Tier 1 and to Lower Tier 2.

The fund strategy is driven by fundamental analysis, with a focus on geographical and country risk. Monthly macro views established by investment committee are key to overweight/underweight sectors and single holdings.

Moreover, in terms of the risk/return analysis, there is a strong focus on the trade-off between level of subordination and yield pick-up.

The overall strategy has delivered good results: last year Anthilia Yellow posted 20% returns with an average volatility of 4%.

Given Italy's market scenario, over the past 12 months Anthilia has experienced strong demand for investment products with very limited volatility.

For example for Geo Global Cash Plus II is a fund managed on behalf of Fondazione Cariplo, which increased its assets under management by more than €50m. Appetite was also strong for Anthilia White, a flexible discretionary low volatility fund, with a target return of Euribor 3M + 2% and volatility below 3%. Since its launch in 2008, volatility has been 2.2%.

Increased demand

Anthilia White is characterised by optimisation of risk/return profiles through volatility and correlation analysis, portfolio diversification using asset classes with attractive risk premia, flexible and discretionary asset allocation depending on market opportunities and implied volatilities, without benchmark and a low risk profile.

Looking ahead, CIO Landi says the firm expects a stabilisation of the Italian market, which should lead to increased demand for Anthilia Red and Anthilia Blue funds. Anthilia Red, managed by Paolo Rizzo, is a long/short fund investing in euro-area equity characterised by a flexible investment style.

The sub-fund invests in Euro-area stocks, convertible bonds and Euro-area government bonds, all negotiated in regulated markets. Securities selection is based on macro, fundamental and technical analysis.

Anthilia Blue, managed by chief investment officer Andrea Cuturi, is a global macro high conviction fund with a volatility target of 7% which invests in equity, currencies, commodities and long term government bonds. Blue also has a flexible investment style and the investment objective aims to deliver positive returns through a diversified asset allocation. Cuturi combines a top-down macro view investing in government bonds, equity index futures and ETFs, with a fundamentally-based stock selection, mainly in the European equity area.

Eligible stocks are mainly large caps. Fixed income investments are selected among governmental corporate and supranational issuers only, with a minimum rating of investment grade.

Anthilia's strategy for the future, according to head of sales Andrea Panfili, is to "post a moderate but constant ordinary annual growth of 10% to 15% of assets under management, also by extending its reach for funds distribution in countries outside Italy, mainly Switzerland, France and Benelux".

Meanwhile, Milan-based boutique Nextam Partners has signed a strategic partnership with Capital International, entrusting them with the management of the Nextam Partners Capital International Absolute Income Grower Fund. The fund, launched on the Italian market at the end of December last year, is the newest offering from the Nextam Partners Sicav.

"The fund's principal aim is to generate sustainable and growing returns, which are then distributed to investors on a quarterly basis," says Nextam chief executive Carlo Gentili. "The strategy seeks to generate long-term returns that are similar to those of the equity market, while at the same time maintaining a lower volatility."

Capital International's parent company was founded in 1931 and is based in Los Angeles, California. With over $1trn under management, it is one of the largest asset managers in the world. Nextam Partners was founded in 2001 and manages a Luxembourg SICAV, partly advised by the founding partners of Nextam and partly managed by third-party advisers like Capital International, Gamco, Citic, Bestinver, Vercapital.

The funds are the building blocks for building long-term portfolios that meet clients' risk/returns requirements.

"We have deliberately avoided creating a large array of specialised products, as is so often the case at large financial companies with a view to marketing and expansion, regardless of the interests of their clients," Gentili says.

"Having a vast number of funds on offer is disconcerting to private clients and encourages a short-term investment horizon. Furthermore, by not including mutual funds in a portfolio, the client becomes overburdened with asset allocation and timing decisions."

Gentili adds there is growing propensity in Italy toward investing in riskier assets like equities.

"We believe it is a consequence of the lower volatility investors experienced in the past few months and of the fact that they are not finding yields they were used to. Of course our efforts are dedicated to making them understand the underlying dynamics," he says.