



## Structured Asset Management

*A good portfolio should not just consist of equities and bonds - alternative investments and derivatives also play an important part. In addition, the portfolio needs to be structured in such a way that the risk reward appetite is properly understood, together with the specific fiscal and regulatory requirements that affect each individual investor. Getting a bank to fulfil all these wishes is not so easy. The trend for standardisation in private banking, combined with legal restrictions, has made it difficult for investors to find the optimum solution.*

*Innovative firms, such as Signina Capital, have taken a different direction compared to the mainstream providers. As an independent provider of Structured Asset Management firm, they are able to utilise the best elements of both traditional and alternative portfolio management techniques to structure individual, 'bespoke' solutions for investors.*

### **Increased investor sophistication requires more sophisticated investment solutions**

Change is taking place in the investment management industry at a strikingly fast pace. Experienced investors need to manage their assets effectively in a complex environment that is subject to dynamic market change. The changing demands of clients' are becoming more apparent. Traditional and alternative asset management strategies grow closer together. Fund management companies and structuring houses compete more strongly with one another. Private and institutional investors are becoming far more sophisticated than as little as a decade ago. Today they require the rapid conversion of trend-setting topics, e.g. raw materials, water or emerging markets, into custom-made solutions that effectively meet their specific fiscal and regulatory needs.

### **Investors seeking to overcome product standardisation and enforced investor protection**

In their eagerness to respond to the trend, many financial houses rushed out a number of products which were not properly understood by many investors and dissatisfied even more. A frequent criticism of banks is that they do not fully understand the risk appetite of their clients and maintain more or less static allocation ratios for equities, bonds and, if necessary, hedge funds. The reciprocal effects between the asset classes and the overall effects on the total assets are too often ignored.

Investors are restricted by this investment approach. From the perspective of the European regulatory environment the private investor is primarily seen as a species that must be protected. These well meant intentions limit experienced high net worth investors, who are (due to their abilities and wealth) able to assess and undertake investment risks appropriately. Aside from performance, a key reason driving the dissatisfaction was that investors were looking for greater levels of a 'customised' approach. Whilst the marketing promised this, the reality was that the products that had been sold were increasingly standardised. This inevitable standardisation in large private wealth management firms, combined with regulatory environments that enforce investor protection, has led many investors to look for true 'bespoke' and alternative solutions.



## Structured Asset Management – A New Beginning

Experienced investors, propelled by their own specific needs and the strength of innovation (as seen in the strength of the derivative and hedge funds industry), are turning to Structured Asset Management to develop the individual solutions they require. The goal is to use the best elements of both traditional and alternative portfolio management as well as derivative products, and to structure from this the most individual and effective investment solutions possible.

Investors are showing increasing levels of interest in Structured Asset Management – the reasons most commonly cited are as follows:

- 1. Use of the entire investment spectrum:** Structured Asset Management combines the use of equities, bonds, alternatives and derivatives.
- 2. Expansion of the investment strategy:** Many investors would like to change to strategies which are not available in traditional products or only at reduced levels. Examples are long/short equity strategies, raw materials, concentrated portfolios and complex derivative structures.
- 3. Choice of the suitable product format:** By selecting the appropriate 'wrapper' e.g. unit trust fund, certificates or offshore funds, investors can avail themselves of numerous regulatory and fiscal benefits.
- 4. Access to great investment talent:** Investors want to have the most talented investment professionals managing their investments - even if these firms and individuals do not offer products that are accessible in the investor's respective country or minimum investment levels are too high.
- 5. Individual disbursement profiles:** The new European investment regulations have allowed the use of exotic derivatives, but the selection of disbursement profiles conditioned by structures with Options, securities is still small. Beyond that the technical, organisational and personnel conditions for the conversion of these innovations lies only with a few asset managers.
- 6. Strategies for new investment topics:** Structured Asset Management can focus on new investment ideas, such as water. There are already some water funds and certificates on offer, but these usually follow long-only strategies and invest in enterprises which play an important role in the water business. However the fraction of the revenues generated in the water business at the total yield is very small.
- 7. Transparency meeting client demand:** Reporting is fully transparent and reflects the high levels of individual portfolio management. Typical portfolio reporting will include strategic allocation to range of alternative investments; risk management reporting (VaR); target/actual net yield analyses; correlation analyses between the individual investments and to the relevant capital markets.
- 8. Cost advantages:** Comparing absolute return products and hedge funds there are cost advantages. For example, through the use of passive and economical portfolio elements, omission of a cost layer together with lower wrapping and commercial costs.



Signina Capital AG, based in Zurich, Switzerland, is a Structured Asset Management firm which specialises in financial services. Utilising modern financial instruments and quantitative models, our team develops bespoke strategies designed to improve the risk/return profiles of investor portfolios over both the medium and long term. Signina's absolute return strategies use fund of hedge funds providers and single hedge funds as well as topic-oriented strategies. Special attention is given to the structuring of the products ensuring that the fiscal, balance and regulatory requirements of the investors properly match. Signina offers its services to private banks, asset managers, family offices and Institutional Investors.

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