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 **Invescap**TM

Meeting Needs
and Making Money

*We profile Invescap, a dynamic private investment firm
dedicated to producing tailored products.*

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Best for Investment Products - Invescap

Invescap

Invescap is a private investment firm specialising in providing tailored product which specifically meet the needs of their clients. We speak to Marc Pepin, Chief Executive Officer at the firm, who outlines how his company has used its dedicated client focus and expertise in investments to become a leader in the industry.

Please give us some background on your firm's work.

Invescap was founded in 2012, however the idea was created in 1998, when a group of finance specialists were striving to improve various investment strategies with the aim of improving the risk return profile of each of them. As a result investment returns on entire portfolios were greatly enhanced. This long-term development process led to the establishment of Invescap, whose mission is to provide the best possible investment products to a clientele of qualified investors worldwide.

In order to achieve this, Invescap specialists identify specific client's needs in detail and develop high value-added investment products accordingly. We currently have significant demand for capital preservation products offering a high level of participations on equities as well as high yielding fixed income products that display a very defensive character by having low credit and interest rates risks. Our clients include pension funds, large financial institutions, private banks, family offices, independent asset managers, foundations and endowments worldwide.

Give us an overview of your product range. How do you tailor this to your clients' needs?

As we serve a wide range of clients, we have a vast array of products for them to choose from which ensures they can always find something to suit their needs. However, there is one main theme which is common to all of them; risk exposure.

Many investment products will increase the level of risk in order to increase investment returns. Very often, investors needs to add a disproportionate amount of risk in order to marginally increase returns. As a consequence, the risk-return profile of the product or of a strategy deteriorates when the objective is to increase investment returns. This is generally true for equities, for fixed income and for the vast majority of financial assets as well.

At Invescap, we do the opposite. We strive at increasing investment returns whilst decreasing the marginal amount of additional risks taken to reach the objective.

This is the guiding principal developed and is used at Invescap in order to increase investment returns conservatively. This has proven very robust in the past and has helped investors remaining rational in challenging market conditions. Of course, all the risk and returns factors are entirely communicated to investors upfront so that everybody is aware of each risks resulting in the investment proposal.

How do you remain at the top of you industry, despite its highly competitive nature?

There are many aspects to our work which help us to ensure Invescap remains at the top of our industry. In our view a successful company in the financial industry must add value to its investors in a way which can clearly be proven beforehand.

Investors often request to be informed in detail of the risk return profile of the investments in normal markets and importantly in distressed markets. We meet fewer and fewer investors that are willing to trust blindly an investment strategy. With the major financial crisis that occurred in the recent years, clients become quickly nervous and immediately sell investments which they do not fully understand, for which they do not feel in control or for which they question the robustness.

The key, therefore, is for companies in the financial industry, to create robust strategies which add value to investors and that can be fully demonstrated beforehand in normal markets and during extreme market events. We experienced that investors feel much more confident when they fully understand the investments product entirely and react more rationally when market jitters. Invescap develops significant partnerships with a selected number of top universities, research centres and the best financial institutions worldwide in order to achieve this core objective.

Additionally, we invest a high amount of time, energy and efforts, first, to understand the real needs of the client before developing a solution in order to ensure we have the full trust of our clients. We often come to situations where the client expresses a demand which, despite making sense on the onset, can be optimized subsequently. We therefore establish return objectives through the life of the investment product, risk tolerance both in terms of capacity and willingness.

We also consider the time horizon and liquidity requirements of the investors considering the other investments of their portfolio as well as other constraints related to tax, legal and investor's preference. We consider all these inputs in the context of the entire portfolio and challenge the investor if needed. Once the objectives and constraints are clearly established, we develop a detailed investment solution representing several options that are presented to the investor, highlighting our preferred course of action. Once these steps are completed, we proceed to implementation.

A professional headshot of a middle-aged man with dark hair, smiling. He is wearing a dark suit, a white shirt, and a patterned tie. A watch is visible on his left wrist.

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Tell us about your staff and the other institutions you partner with. How do you ensure your high standards are maintained throughout your business?

The staff we employ are also of vital importance to our work, and we chose our staff carefully. Each manager at Invescap has several decades of investment experience, as investors, as asset managers and/or as advisors both in Switzerland and internationally. All of them also have extensive academic credentials. We also have a rapidly growing asset management and advisory business in addition to the creation of specific investment products.

In addition to an outstanding curriculum, both in terms of academic credentials and education, when we hire, we seek for passion, curiosity, creativity, confidence, the willingness to think out of the box, an open mind and a deep desire to provide a long lasting contribution to the financial industry. As the exchange of information and related discussions can occasionally be rich and intense, good inter-personal skills and a generally well balanced life are appealing to Invescap. Those qualitative characteristics are vitally important for a company operating in such market, as they ensure all of our staff are well rounded and able to deal with the wide variety of clients we serve.

An organization benefiting from such in-depth knowledge and experience is an excellent starting point for new product development, which enables us to regularly enhance our already impressive product portfolio, and offer a wider range to our clients. In addition our partnerships with top universities, research centres and the most reputable financial institutions worldwide ensures we are always able to recruit the top manager in the industry and the complementarity of skills, experience and rigour in what we do, enables us to propose innovative investment solutions confidently.

Cultivating relationships with institutions working within our industry is particularly vital to our business, as it helps to ensure that we are at the very forefront of emerging market developments. As such we have more than 20 active business relationships with internationally renowned financial institutions which we selected based on their know-how on various product ranges. As we interact with them and provide them with significant business volumes, we have access to the very best specialists in each of them. They are always willing to invest time and efforts to help us achieving the best investment results and in return they benefit from our knowhow and expertise. As a result, this combination skill set and experience enables Invescap to offer superior investment products to its clients.

Working in such a fast paced industry, how do you ensure your firm remains at the forefront of industry developments?

The finance industry is diverse and fast paced but an investor's objectives and concerns remain relatively constant in time. For example, investors always want to make investments which are positively skewed. Thus instead of performing a straight equity investment where they would be exposed to the upside as well as the entire downside, they will typically prefer an investment an equity investment which offers a maximal participation on the upside within an investment product that also offers strong capital preservation characteristics in the case of a market downfall. Therefore the investor wins if the market goes up and preserves its capital otherwise.

With regards to fixed income investments, they prefer to select a higher yielding investment coming from the exposure on a number of very low risks as opposed to a similar yield coming from the exposure to a single high risk exposure. For this type of investment products, we use cate-

gories of risks which proved to be highly resilient in 2008 and 2009. Those risks are key components of our fixed income investment products. The objective of generating good returns for investors coupled with a strong capital preservation bias within an investment product are highly appreciated by our clients. In order to achieve this, Invescap has one of the highest proportion of research & development in relation to its income in the industry.

How do you benchmark your business? By what standards or criteria do you measure your success, both with regards to individual clients or projects, or as a business as a whole?

Benchmarking against our competitors within the industry is important to ensure that other aspects of our business align with other firms in the industry. The ability to generate positive investment returns for investors while also offering investment products that display strong capital preservation features is a definite measure of success on a product by product basis, and we keep a close eye on this aspect of our work.

On a business scale, the growth of the clientele, its diversification, the development of business with each client are key indicators of success at Invescap. We are also interacting almost on a daily basis with our key clients in order to help them achieve their investment objectives. Referrals are also a measure of recognition and credibility and, ultimately, of success in our business, so we benchmark ourselves in these areas to ensure we are always at the top of our industry.

What does the future hold, both for your firm and your industry?

Our industry faces a number of developments in the future which will vastly affect our firm, with the globalization process now connecting financial markets as never before and the computerization of the industry, exemplified by program trading and comparable form of computer programs, will accelerate the flow of information and magnify market impact more today than at any other time in history.

Since market information is coming randomly from anywhere in the world, the market impact of such information is magnified, resulting in market crashes occurring more frequently and faster than ever before. An equity market correction of 5% twenty years ago may very well be a 15% or 20% crash today considering all other factors equal. In addition, since so many different market participants are now involved in any part of the world, it is very difficult to have any predictive view on any financial markets.

For example, a tsunami in any part of the world or political instability in a specific region can have disastrous consequences on portfolios overnight and random repetitions of similar events are weary to investors and lead to irrational decisions all too often. It now becomes increasingly difficult for investors to take a buy and hold view of the market and to keep the needed confidence level to meet investment objectives.

This is now true for the vast majority of the investment community, but especially critical for categories of investors who need to grow assets in view of retirement or are retired and need stable investment returns. This is also the case for an increasing investor base that needs additional income to complement a lifestyle, for realizing a life project, for college education or for inheritance purposes. Diversification of investments is certainly part of the solution to this new paradigm but we also believe that investment strategies that take into account as many extreme risk scenarios as possible, in the conceptual phase of an investment product, an investment fund or an investment strategy, are essential nowadays.



With this in mind, Invescap has been assessing the global market and ensuring that we always provide a service which fulfils its needs. We notice that low and sometimes negative interest rates pose a significant challenge to most investors. The increasing of maturities for bonds will only worsen the negative impact on portfolios of future increases in interest rates. Should investors persist in this investment approach, very substantial losses will inevitably occur in this important market segment. This will impact pension funds as well as investors needing fixed income returns.

To “balance” these low fixed income yields, many investors also invest an increasing proportion of the portfolio in highly risky assets such as equities. The portfolio becomes increasingly exposed to interest rates risks as well as equity market risks. The overall risk/return profile of the portfolio deteriorates as a consequence. This may work for some time but when the music stops, things get very complicated and corrective actions may become prohibitive or simply impossible to implement.

We believe that a more rational approach considering those realities is to reasonably increase yields on the fixed income component of the portfolio without overly increasing the duration of bonds and keeping a good credit quality in order to prevent the potentially disastrous effect of a bond default. In such cases, investors must not overly rely on equities for achieving investment objectives.

For the more risky part of the portfolio, which is often invested in equities, one should mitigate downside risks upfront by adding capital preservation features to such investments.

When those two major components of most portfolios are enhanced in such way, that is the fixed income exposure and the equity exposure, the overall returns are enhanced and importantly, the investments are robust in the case of market shocks coming from the equity market, the credit market as well as from change interest rates levels. Consequently, the capital preservation features of such portfolios are enhanced. Liquid investments as well as short durations should also be a prerequisite of investors going forward.

There are also a number of challenges and opportunities inherent in the region we operate in. Although we do have growing operations internationally, the centre of operations for Invescap remains Switzerland which is adapting rapidly to the fluctuating European economic situation. Switzerland as a country has suffered significant changes in its core business model which is at the heart of the traditional private banking. International pressures have forced Switzerland to forfeit its banking secrecy to large extent. Those events destabilized and had profound impacts on the industry. Therefore solutions had to be found and actions from Swiss bankers had to be put forward to create a new paradigm.

One response to this major change in paradigm is for the Swiss banks to add value in its asset management activities such as the development high value investment products and investment funds. In this sense, the investment products offered by Invescap are perceived as a relief and are welcomed, in a country which remains, an important financial market.

With regards to the future of our business, we have a number of exciting plans for the expansion of our firm and our continued success. We are keen to develop our advisory business and most importantly to develop our asset management business with the launch of three investment funds by year-end. A number of our investment products are highly suitable for the purpose of managing investment funds. Therefore we

are also launching a capital preservation fund which has a significant positive participation to world equities, when equities go up with substantial capital preservation features in the case of a market correction. In addition, the maturities of each investment products within the fund are relatively short as well as having a high liquidity, such features being favourable to investors.

We are also launching a yield enhancement fund aiming at returning approximately 6% per annum after fees to investors with limited volatility and a defensive character from a risk perspective. The duration of this fund is also short, 18 months on average, and has a high liquidity as well.

Additionally, we are launching a short-term fixed income fund targeting a 3% return per year net of fees and which is exclusively based in investment grade sovereign credit risks. As for the other Capital Preservation Fund and the Yield Enhancement Fund, the Short-Term Fixed Income Fund of Invescap has a high liquidity and a short duration as well.

We are also developing three additional investment funds to be launched subsequently. As for the initial funds, these coming funds also provide high value-added to investors, are adding diversification to portfolios as well as having a clear capital preservation orientation.

Ultimately, the overriding philosophy of Invescap is to provide investors with high added value in order to enable them to meet investment objectives, to allow them to diversify away from traditional funds as well as a definite capital preservation feature which is beneficial in cases of market downturn as well as being reassuring to investors in such cases. We believe, at Invescap, that such values meet the core long-term needs of any serious investor, and in the future will continue to strive to achieve these objectives.

