



Boutique CEO: why we're shorting Germany

By Terri-Ann Williams / 30 Aug, 2017



Germany is a country which is the most devolved from the rest of Europe, but the strength of the euro could hit it, according to Finlabo's [Alessandro Guzzini](#).

Speaking to *Citywire Selector*, + rated Guzzini highlighted the [Finlabo Investments Sicav – Dynamic Equity](#) fund's 8.63% short position in Germany as a bet on the region's difference from the rest of Europe, including the UK.

'Germany is one of the countries which is most impacted by the strong euro. Indeed the DAX index is composed of many industrial companies that have enjoyed record margins in the last few years; this trend could reverse if, as we are seeing, the euro gets stronger. This is the reason why we are shorting the DAX index.

'There has been some relative weakness in the overall market, and there has been some major profit taking over the summer months.'

Despite the fund having 8.83% of its assets allocated to the UK, Guzzini, who runs the fund alongside Citywire + rated [Anselmo Pallotta](#) and [Maurizio Scataglini](#), said the Brexit vote has deterred investors.

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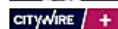
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'It's been difficult to invest in Europe – including in the UK, as Brexit is really starting having a negative effect on the economy and in the investor mood. So, in general terms, we reduced the net exposure to the market which is now approximately 30%.'

'We don't have many positions in the UK, we have some in the basic materials sector because we are seeing a quite positive trend in industrial metals, like copper and aluminium.'

'Generally speaking, we think that we are now in the late part of the business cycle, so we have been increasing our net exposure to material and financial stocks which are two sectors that typically perform well in this kind of environment.'

Guzzini also has 12% of the fund allocated to the materials sector and said investors should look to position in rarer materials in order to reap returns.

'There are some specific drivers in the basic materials space, especially for some minerals such as lithium as well as cobalt and rare earths that are used in the production of electric batteries, which we think is a trend worth exploring.'

Over the three years to the end of July 2017, the Finlabo Investments Sicav – Dynamic Equity fund returned 15.5% in euro terms in the long/short equity category. This compares with a 5.8% sector average over the same time period.

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