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GAIN LINE

CLG's Argentine duo channel their passion for rugby as they build portfolio solutions designed to react and adapt to the flow of play

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The affinity Argentine investors Christian Ledesma Garcia (left) and Norberto Scotti have with rugby spills into their selection strategies and teamwork tactics. Almost 15 years after launching their own advisory business, CLG Investments, the duo tell **Michelle Abrego** how their independence has helped them score better fund selection opportunities and reveal the unconventional bets in their playbook

Argentinian fund selectors Christian Ledesma Garcia (pictured on the right) and Norberto Scotti know what it takes to build a solid reputation when you're an outsider.

Like their much-loved Pumas – the Argentine national rugby team, the only Spanish-speaking team to have broken into rugby's world-class elite – Ledesma and Scotti pride themselves on having their own playing style.

The pair run Montevideo-based wealth manager CLG Investments and the partnership between these two long-time business partners was born out of a friendship and united interest in getting away from the big banking structure they had both worked in.

In launching their own business they wanted one thing: freedom. The freedom to pick the best investment solutions for their clients and the freedom to walk away from products and investments when they felt they had more benefits for the institution than their clients, most of whom they know on a personal level.

'Being independent is not easy,' says Garcia, president of CLG. 'To see a prospective client and give them a business card of a company with my initials and not have a big-name bank behind us was not what we were accustomed to.'

The pair were able to persuade clients that despite losing the back office and technical support the big brand-name banks can provide, they had plenty to gain.

'We wanted to get away from the big banking structure,' Garcia says. 'This gave us a chance to find funds and investments outside our tied banking relationships. Independence also gave us the ability to walk away from fund houses without worrying whether it would damage the bank's partnerships.'

The knowledge they picked up at the banks, however, was not lost, as they still make an effort to run their selection process with the diligence of a much bigger corporation.

As more independent wealth and advisory firms pop up in Latin America, they believe their policy of having a personal relationship with the fund managers they deal with is what will continue to set them apart.

'Most of the companies here don't bother meeting the managers face-to-face; they invest in the traditional funds or big names,' says Scotti, the firm's portfolio manager. 'We want to know more than what we can find through research; we want to know about the personality that drives the strategy.'

WORD OF MOUTH

CLG's birth coincided with the 2002 Uruguayan banking crisis, which was caused by contagion from Argentina's own crisis and much-publicized default in 2001.

At that time Garcia and Scotti worked at Banco Santander's Buenos Aires office with the third founder of their company, Gustavo Bautista, and they saw the crisis as a custodial opportunity for clients.

Given Uruguay's close ties with Switzerland, the firm was initially launched in Geneva in 2002 and moved to its headquarters in Montevideo, Uruguay, in 2006. They also run an office in Buenos Aires that services Argentine domestic clients. They still have

RÉSUMÉS

NORBERTO SCOTTI

2002-PRESENT
COMPAÑÍA LATINOAMERICANA DE GESTIÓN (CLG)
PORTFOLIO MANAGER, *Montevideo, Uruguay*

1999-2002
BANCO SANTANDER
PRIVATE BANKER, *Buenos Aires, Argentina*

CHRISTIAN LEDESMA GARCIA

2002-PRESENT
COMPAÑÍA LATINOAMERICANA DE GESTIÓN (CLG)
PRESIDENT, *Montevideo, Uruguay*

1997-2002
BANCO SANTANDER
SENIOR FINANCIAL ADVISER, *Buenos Aires, Argentina*

1996-1997
CITIBANK
INVESTMENT ADVISER, *Buenos Aires, Argentina*

their office in Geneva and recently opened a new post in Marbella, Spain.

The firm caters to mostly high-net-worth clients in Argentina, Uruguay, Brazil, Spain, Italy, Canada, the US and Portugal, but remains a relatively small outfit with the duo advising around $170 million in client assets.

Garcia takes care of the management and financial oversight of the firm, while Scotti is in charge of assessing client risk and managing their investments.

Ahead of launching their own venture in 2002, Garcia and Scotti were impressed by the number of bankers they saw leave other large investment groups who managed to get their clients to follow them to their new business.

Although they were quite satisfied with the clients they managed to hang onto when they launched CLG, today those clients who came over with Garcia and Scotti in 2002 make up only a fifth of their total client base.

'Clients now come to us by word of mouth. They're all recommended by our current clients,' says Garcia proudly. 'We do not advertise, so the only way prospective clients come upon us is via referral.'

Although there are constantly more independent firms popping up, it's not something that clients actively seek, Garcia says.

'They see the big international banks publicized and think they will always be there to help them, but in Argentina, Uruguay and Brazil clients have been abandoned at a moment's notice. So clients are learning that apparent advantage is not really there in a big bank.'

TEAMWORK

Garcia and Scotti are backed by a team of eight, including a team known as the 'nucleus' that handles the day-to-day aspects of the job while they travel to meet clients and fund managers.

Garcia passionately believes that in wealth management, like in rugby, the only way to achieve goals is to work as a team.

'That's the difference with football. There you have stars like Argentina's own Lionel Messi and Diego Maradona, who make all the difference. In rugby, if you build your team around one person it's likely you'll lose,' says Garcia.

'What we try to do in our job is the same. Everyone has a job to fulfil and we trust each other. So when I pass the ball behind me, I expect my team to keep possession of it.'

A lifelong rugby fan and player, Garcia is currently a member of Champagnat Rugby Club, which forms the backdrop for this feature's photos. It is a well-known club in Argentina as it is also the domestic training ground for the famous Pumas.

Driving the importance of teamwork home, Garcia says that in addition to having the confidence that your colleagues are at your side, trust and honesty are vital.

'We're lucky that we've known each other for a long time and we can be honest. When there's criticism it's not to tear each other down but to build each other up,' says Garcia.

This theme continues into how they approach their relationships with managers. 'We want to know what their ideas are, why have they taken certain positions in the past and what their goals are,' says Scotti. 'If we can't decipher that, we won't invest.'

TALKING TACTICS

The firm's search for returns outside the traditional investment basket has led them to a few gems. One of the more off-the-beaten-track fund houses they pride themselves on uncovering is London-based boutique Prestige Asset Management, which specializes in international alternative strategies.

They have about 5% of their portfolios allocated to the Prestige Alternative Finance and Prestige Commercial Financial Opportunities funds.

'We've used these since 2010,' says Scotti. 'They have very low volatility, a good track record, a majority of its loans are at variable rates and it's had a very consistent track record over the years.'

In a bid to further reduce volatility the duo have also invested through crowdfunding platform Prodigy Network. The group gathers investments for real estate projects in New York, specifically the development of four skyscrapers in Manhattan.

'We're always looking for alternative ways to get good performance,' says Scotti. 'With the markets being so unpredictable we thought that investments like real estate could help us manage the amount of volatility in our portfolios.'

The firm is also invested in Man Group's **AHL Diversified Program** and for the past eight years has held the **Haussman** fund, a fund of hedge funds run by Mirabaud Asset Management that Scotti and Garcia hold in high regard.

Turning to more traditional asset classes, they have their eyes on Europe as they see the growth in the area as offering good returns to their clients.

'The depreciation in the euro, Mario Draghi's monetary easing policy, the projected growth for this year, low oil prices and recent equity price adjustments in Europe have led us to feel confident in the region for the medium-term,' says Scotti.

One of the funds they hold for their European equity exposure is the USD-hedged **Investec European Equity** fund run by Citywire AAA-rated Ken Hsia, which they've been fans of since 2013. Another is the **MFS Meridian European Value** fund managed by Citywire AAA-rated Benjamin Stone.

However, Japan and emerging market equities are currently off the menu at CLG. 'We sold our exposure to Japan on the back of the markets in January,' explains Scotti.

'Basically, we don't see any of the major Abenomics reforms being implemented in the short term.'

Despite recently selling out of it, the duo said they prefered the **GLG Japan CoreAlpha Equity** hedged strategy over other Japanese equity strategies.

CLG's portfolios are also no longer holding any bond funds as their clients tend to already have fixed income exposure to their local debt markets. Again, this does not mean the duo do not have their favorites in this space.

Up until recently, they held the **Carmignac Portfolio Global Bond**, managed by Charles Zerah, and the **MFS Meridian Bond** fund, managed by Richard Hawkins and Bob Persons.

Referring to the latter, Scotti says they found the MFS team to be talented at finding issuers of high yield bonds that were on the cusp of becoming investment grade.

Scotti adds they dropped their position in high yield halfway through 2015.

'We don't like it. The principal issue with high yield is it's highly exposed to American mining and unconventional oil companies,' says Scotti.

'We knew last year that emerging markets were going to be impacted by the fall in commodities, the rise of the dollar as well as the imminent interest rate rise in the US. All this made for a dangerous mix for those economies.'

As to where they might be looking next, Garcia highlights the opportunities the duo see in the US.

'The low price of gasoline is an opportunity for the American economy as it generates more disposable income for the US consumer. They also see the Federal Reserve holding steady after initially raising the rates in December. ●

ADVANTAGE LINE

For their research, the duo rely on information from banks including Credit Suisse, independent sources such as Florida-based Ned David Research, and analysis from Citywire and Morningstar to form a top-down approach.

They also regularly speak to a number of experts to ensure they're aware of macroeconomic trends.

Recently, this meant applying their process to what was happening in their own backyard. In November, Mauricio Macri upset the status quo in Argentina and set the scene for a more market-friendly government.

'Our hypothesis is that this change will see Argentina resolve its problem with creditors of its default in 2001. It could begin to participate in the international debt market again and return to reasonable rates – at the end of last year a five-year bond had a near 10% yield,' Scotti says.

The pair have now recommended clients buy into Argentina's bonds.

Right now, a good chunk of their portfolios are in liquid assets and cash as the team takes a more cautious view on the back of the rocky start to 2016.

Their fundamental view is that the economies of the US and Europe are not yet showing signs of a slowdown or recession, but indicators show that short term we could see another market drop, he explains.

'There's no clear indication of whether the markets will go up or down. Right now we're in a position where anything could happen, but whatever risk we take we have to hedge against that going wrong the best we can.'

CLG's clients are offered one of four risk-rated portfolios starting with a conservative profile that typically has 80% fixed income, 15% in equities and 5% in hedge funds. The most aggressive portfolio invests about 20% in hedge funds and 80% in equity.