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Contrarian Kairos stays at the forefront of innovation

By: Viola Caon | 03 Nov 2014



Stefano Prosperi (*pictured*), the CEO of Kairos Investment Management, the London branch of Kairos Partners, has outlined the key developments of the partnership business.



Kairos Partners was founded in 1999 by four partners from the Italian asset management industry in London, who launched a hedge fund.

Its ethos sought to merge asset management activities with private banking, and with some success thus far: some €6.5bn in assets are split between its asset management and private banking businesses overseen by some 140 global staff, of which 22 are partners.

"Since the start of Kairos, the aim was to become a point of convergence for the Italian asset management industry, which at the time was still quite small. No fund of funds existed in the country and even the absolute return industry was just about starting. As we have always been contrarians, that was a great growth opportunity for us," says Prosperi.

"Over the years we have continued to be at the forefront of innovation in Europe launching the first fund of Ucits absolute return funds and one of the most successful European equities Ucits absolute return funds". The company first attracted private clients, mainly wealthy families, before adding investors such as Japanese pension funds, one of the biggest sovereign wealth funds, and global Insurance groups.

PRIVATE BANKING PROJECT

The idea of merging the asset management business with that of private banking took a step forwards in 2012, when Kairos announced that Swiss wealth manager Julius Baer had bought a 19.9% stake to start a partnership aimed at creating an Italian private bank.

In June 2013 the Bank of Italy signed off the deal. Prosperi says that Kairos Julius Baer Sim – as the company is now called – is working out details before filing the official request to the Italian regulatory body in 2015.

"The plan of launching a private bank in Italy is a very ambitious one and we want to make sure to get the details right. While a lot of competitors are exiting the business, we think that the opportunity for us is appealing. We have always aligned our interest with the ones of our clients and we now enjoy the reputation as the best independent manager in the country," the CEO of the London branch says.

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2	The Biotech Growth Trust PLC	306.9
3	Oxford Technology VCT PLC	306.8
4	Kings Arms Yard VCT PLC	289.4
5	FL AXA Framlington Biotech AP	258.6

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TWO GOLDEN RULES, TWO KEY ACTIONS

As an absolute return manager, Kairos could have suffered through the financial crisis years, but it passed the stress tests to become a safe and stable choice for its investors, Prosperi argues.

He adds that the secret to success was primarily due to the manager's ability to stay focused and not deviate from certain key golden rules.

"We've always said no to excessive leverage, as we believe it only increases volatility and it is never the right recipe to increase returns. Also, we've avoided illiquid investments, which is very important when you need to play defence."

Two changes in 2009 also helped: "In response to the needs of clients after the crisis and in line with the liquid and transparent nature of our products we immediately converted most of our offering into regulated daily Ucits funds.

"Furthermore we continued to invest in talent and to be innovative exploiting new opportunities and launching new products."

Kairos has grown to include offices in Milan, London, New York, Turin, Rome and Lugano, and has AUM grow from €40m to about €6.5bn over 15 years.

London is the hub for the manager's alternative products, Milan is the headquarters for the private banking business and for the Italian equity and fixed income funds.

Looking ahead, Prosperi lists two key objectives. "We want to continue to establish our brand as one of the leading European companies and expand even further our client base on a global scale."

"We are also working on a new product, a multi-asset absolute return fund, which aims to generate a positive real return and therefore protect our investors' capital in a scenario of higher interest rates and inflation.

"The fund would provide an interesting alternative and a smart solution to the current traditional asset allocation which I believe it is overexposed to traditional fixed income instruments."

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- No
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