



Lion Global Investors builds 'curated portfolios' capability

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LION Global Investors (LGI) has set up a "Curated Portfolios Team" (CPT) to provide retail investors with access to so-called private banking solutions.

The Business Times understands that the CPT works on a B2B model, with digital partners who in turn roll out risk-based portfolios for retail investors.

Curated Portfolios will involve asset allocation, active fund selection, portfolio monitoring and rebalancing. Portfolios for retail investors will use a mix of exchange traded funds and best-in-class funds.

CPT has begun work, for instance, for Great Eastern for a new investment-linked product (ILP), called the GE-Lion Dynamic Growth Portfolio. This is an all-ETF and low-cost solution. Both LGI and Great Eastern are part of the OCBC Group.

In a statement, LGI said that its investment process starts with idea generation which begins with broad sweeps of various fund managers and fund databases across investment strategies and asset classes.

The firm differentiates itself in the secondary stage where "we take a deeper dive into understanding a fund manager's decisions and portfolio construction ..."

It has partnered Inalytics in its fund manager due diligence work. Inalytics is a research firm that analyses data to identify and benchmark investment skill for institutional investors.

Inalytics is expected to cast light on the puzzle of whether performance is due to luck or skill.

LGI said: "We are guided by our philosophy that, as attractive as historical performance may be, such top-line observation can mask the difference between skill and luck."

Inalytics uses a proprietary approach towards analysis of a fund manager's high frequency decisions particularly in the areas of research and portfolio construction.

Among others, the Inalytics tool is expected to provide insights into "initial buys" - that is, the first time a manager introduces a stock into a portfolio. This first buy must result in good outperformance or the manager's research capabilities may be called into question.

Another aspect is position sizing - that is, the position must bring tangible effects to the portfolio.

A third area is whether the manager has the discipline to run with winners and cut losers. "Many managers overstay their welcome as they keep adding to positions - ie, they fall in love with their positions and fail to get out once enough money has been made," said LGI.

Gerard Lee, LGI chief executive, said: "With Inalytics we are better equipped to establish the link between process and performance, a link which is often ignored by just focusing on performance numbers. Having a good grasp of a fund manager's process-performance link will help us figure out whether good performance is due to skill or luck. Armed with this rigour, it will give LGI a competitive advantage in curating a portfolio of funds for our clients."

Rick Di Mascio, chief executive and founder of Inalytics, said: "I'm delighted that LGI has decided to use our analysis of investment skill to build their curated portfolios. The service is used by asset owners and fund managers in 10 countries and LGI will be the first fund house to collaborate with Inalytics in Singapore."

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