

# BACK TO SCHOOL

## ON THE HUNT FOR DISRUPTORS

Fund selector **Davide Alfano** of Kaleidoscope Capital is forging links with leading educational institutions to tap into the seed bed of innovative thinking and commercial potential

### FUND SELECTOR SNAPSHOT



#### Davide Alfano

Managing partner & CIO,  
Kaleidoscope Capital

Davide Alfano is the founding partner of independent advisory boutique Kaleidoscope Capital, which focuses on investment and risk management for institutional and qualified investors. He established the firm in 2014, having previously served as senior fund of hedge funds portfolio manager and analyst at Thalia (Generali Group) and as a quantitative equity portfolio manager at Epsilon, which is part of the Intesa Sanpaolo Group. He has 18 years' experience in the international asset management, investment and fund selection industry.

A lack of 'true' alpha has sent Davide Alfano beating a path to the boffins. For Alfano, founder of UK-based investment firm Kaleidoscope Capital, the move makes perfect sense. If you want to find fresh investment angles for your clients, where better to look than an area full of smart people dreaming up cutting-edge ideas?

For this reason he is adding exposure to private equity operations originating from universities' research & development centres. These are partnerships developed within top-tier universities in Asia, Europe and the US, which are breaking new ground in areas such as technology and life sciences.

'On the illiquid side, we have recently been involved in a very ambitious project – Future Planet Fund – that is focused on finding truly disruptive businesses to invest in, mainly through private investments. "Innovation" is the key word here, as it is a catalyst for sustainable value creation and a source of intrinsically decorrelated returns.

'There is a lot of discussion about the disruptive impact of new technologies on existing industries and business models, but we believe there is a broader picture, which encompasses new ways of thinking about healthcare, telecoms, climate and different branches of science.

'More favourable government policies, extensive

and efficient use of big data, greater connectivity among people and increasing cooperation between scientists across different fields are all factors opening up unforeseen scenarios and possibilities,' Alfano says.

Responding to institutional investor demand for cutting-edge investments, Italian native Alfano is taking advantage of his UK base with its historic, high-profile network of research-focused universities.

'The UK is a great space for innovation. The big universities – such as Cambridge, Oxford, Imperial, and UCL – are not only renowned worldwide for innovation, but are also very advanced in the way they connect with the investment community, directly or through strategic counterparties.'

Alfano says his access to the market involves adopting a 'strategic partnership' role where he works with investors to allocate capital from mandates into specific investment initiatives. These strategic groups include investors – where Alfano comes in – alongside specialists who can package the completed technologies, and distributors.

'If there is the option to sell it then the university typically turns to strategic investors in order to raise capital and that is where we can gain exposure to the best ideas,' he says.

'The UK universities' technology development departments are getting bigger, so this is a fertile

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Our Global New Ideas initiative will bring you a regular round-up of fresh thinking: a mix of specialist investment strategies from new firms, innovative products from asset managers you know and trust and existing strategies that have been given a new twist.

hunting ground for innovation. You have to go for the most viable ideas, because some of are more difficult to support.'

One drawback, Alfano says, is capacity. The best themes are leapt on by investors with close ties to either the developers or the institutions, so you have to time your entry point carefully.

'It's a challenge to find efficient ways to connect the biggest investors with such centres. Investing in this area depends on local presence and relationships. In addition, buying in at the right time is very important, to avoid the risks of early-stage investments, and to be adequately remunerated for any risk you do take,' he says.

Alfano says this move into a more illiquid area of the



## IDEAS GAP

### Lacking in long-only equity

Alfano believes in having complementary alpha and beta opportunities throughout his portfolios but is finding more traditional elements of his asset allocation coming up short. 'When I look at investment I try to contextualise and alpha at some point becomes beta and there are different phases of this.

'I spent most of my previous investment life looking at equities, from the 1970s to the 1990s, and you could generate a lot of alpha there, but information is now more readily available. Skill sets were not as common as they are today and there weren't the same stock pickers.

'It's now more difficult to generate alpha from a pure equity strategy, focused on long-only investments alone. With so much information at your fingertips, how do you gain an edge? You need to be nimble and that is increasingly hard as passives continue to evolve as well.'

market is helping deliver alpha at a time when more traditional elements of the portfolio are struggling. When looking at the portfolio mix, he stresses the need to go beyond established multi-asset and multi-strategy thinking to find fresh ideas.

'The focus is not on the asset class, it is about multi-management. You gain diversification via a manager's strategy rather than by what asset you add.

'We are looking for alpha plus beta, not straight multi-asset or multi-strategy. Unlike most of the industry, we are searching for more nuanced ways to invest rather than straight multi-asset or multi-strategy funds. We look at what we can add as overlays and what we can combine more effectively.

'Our approach is not particularly sophisticated, as we have added to ETFs in some of the models to capture that beta. We combine this with a direct focus on active managers as well as alternatives to create an effective blend,' he says.

## ELEVATOR PITCHES ↑↓

In the fast-paced world of fund management, the time to impress investors has shrunk significantly in recent years, so you need to get your ideas across in as quick and concise a means as possible. Here we offer a speed-read showcase of four new funds coming to market.

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### Rock'em sock'em strategies

**FUND: Candriam Robotics and Innovative Technology**

Pictet has blazed a trail in the robotics-focused fund world, so Candriam is looking to pounce on investors' growing appetite for all-things automated with its latest launch. The newly-minted Luxembourg-domiciled fund is currently only available to Belgium-based investors and aims to tap long-term thematic changes in the fast-growing robotics industry.

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### Eyes on AI

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**FUND: Allianz Global Artificial Intelligence Equity**

Allianz Global Investors is seeking to take advantage of the increasingly interconnected world of digital and robotic industries with its new launch. Focused on the frontrunners in the disruptive world of artificial intelligence, this Ucits-compliant fund seeks companies at the bleeding edge of developments in the 'new industrial revolution' including themes such as Big Data and cloud computing.

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### Making it rain returns

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**FUND: Melchior All-Weather Credit**

As traditional fixed income funds fall further out of favour, UK-based boutique Dalton Strategic Partnership is seeking to fill the void with a downside-aware approach for new hire Yassir Benhelloun-Touimi. In his latest fund, Benhelloun-Touimi will take both long and short positions on corporate debt to increase his chances of generating a consistent return.

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### Going green globally

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**FUND: Brown US Sustainable Growth Ucits**

Building on the foundations laid by its existing US-only model, Baltimore-based Brown Advisory has rolled out its sustainable-focused growth fund to a Ucits audience. The new fund, which is overseen by head of sustainable investing, Karina Funk, and co-manager David B. Powell, will operate a high-conviction, fossil fuel-free approach in the ever-popular setting of SRI investing.

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