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Dettes financières Italie

Davide Serra, the algebrist from London

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At the end of November 2018, NewsManagers has caught up with Davide Serra, founder and CEO-CIO of Algebris Investments, a London-headquartered asset manager viewed as the number one on financials equities and debt.



Davide Serra, founder, CEO and CIO of Algebris Investments

That was an half an hour interview scheduled in the agenda of Davide Serra just before he met with two former Prime ministers whose names and nationality were not disclosed. During that short but enriching discussion on 22 November 2018, the founder of Algebris Investments answered NewsManagers' questions. The interview was conducted in French, that Serra masters fluently, at the boutique's offices located a stone's throw away from Piccadilly Circus, in the heart of St James's neighborhood.

In Algebris' offices, reference to peaks abounds. An example of that is the very large-sized photograph of a mountain ridge in the French Alps that decorates the walls of the meeting room and also illustrates the firm's website. Another is the poster-sized picture taken by a drone of Serra himself standing on the edge of the Aiguille de la République at 3,305m in his personal office.

In London's financial landscape, where skyscrapers are erected like mountains, Serra has never ceased climbing as well since he moved to the city in 1995 to become a key figure within the alternative asset management sector. It is even said regulators and central bankers seek his advice regarding monetary policies regularly.

In 2006, the 48-year old Italian founds Algebris Investments, of which he is also the chief executive officer and chief investment officer, alongside Eric Halet, who left Algebris in 2012 to establish his own hedge fund.

Algebris, 'not a hedge fund'

Algebris, which tallies some €11bn of assets under management, focuses on financials equity and debt. It brands itself as the largest investor worldwide in Italian non-performing loans. "According to Bloomberg, we are the best asset manager on global financial equity and financial subordinated debt strategies. We had two main competitors until recently – Pimco and GAM – whereas now we only have Pimco facing us", says Serra before recounting a personal story on his American rival : "Philippe Bodereau – Pimco's financial debt fund manager – is a high quality competitor. We help each other sometimes. When our fund was not available in the UK, I told my employees to invest in Philippe's fund. When our fund was launched, I did not leave them the choice anymore."

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Algebris is often categorised as a hedge fund but Serra however nuanced this nomenclature. "I would not qualify Algebris Investments as hedge fund. We are a global asset manager focusing on income and cashflows. From the alternative side, we embrace the absolute return approach to make money but to do that, it is better using long-only strategies with hedges to mitigate downside risk", he specifies.

The firm currently employs 85 professionals among which 17 nationalities are represented. Serra, who used to play at a professional level in Italy's volleyball main league, is proud of such diversity within Algebris' staff. The Genoa native enjoys it even more at a time the financial capital of Europe is set to face some turbulences with the exit of the United Kingdom from the European Union planned at the end of March 2019.

"Brexit irritates me. As a global leading trading center, London will shut itself away and it is a pretty bad thing. Additionally, I think UK financial services will not be part of any agreed deal between the UK and the EU, he says. As a result, we have started to expand elsewhere and have asked for local regulators' agreements to manage assets from our other offices. We can already run our business from Boston and Singapore if we wish to and we have applied for an asset management license in Luxembourg and Japan", adds Serra.

More than 80% of Algebris investors are based in Europe while Asian and US investors account for 10% each. The manager currently builds on its Asian client servicing and local presence. "In continental Europe, we have a well-diversified investor base and work with a number of distributors and networks. Nordic countries are not in our scope yet", says the CEO-CIO of Algebris. At a global level, half of the boutique's investors are institutional clients.

"Brexit will benefit Paris"

When he settled in London in 1995 after studying at the Bocconi university in Milan, the founder of Algebris first worked at UBS as an analyst on the banking sector before heading the research team on the European banking sector at Morgan Stanley.

"When I moved to London 25 years ago, London attracted all people who wanted to work in finance. It was a real melting-pot but that will disappear with Brexit. We can think finance workers will turn to the United States or partly to Europe hence London will become a minor financial centre", fears Serra for whom "Brexit will benefit Paris."

"One of the world's largest banks' CEOs told me that he considered France as the best place for finance right. He is American and would have never said that before. According to him, Paris wants to do business, build a real ecosystem for traditional finance as well as for fintechs", tells the one who had been promoted commander of the National Order of Merit of the Italian Republic in May 2015.

Opening an office in Paris is no part of Algebris' plans at the moment as Europe is already addressed with offices in London, Luxembourg and Milan. But we shall never say never, states Serra who "loves Paris" and is currently looking for a flat there. Nevertheless the Italian explains that Algebris already works with "a high-standard partner" in Paris - Amundi - to support the firm's growth in France. "The question is what will be the purpose of a French office at an operational level", he underlines.

Salvini's government will not last for long

Beyond his adoration for France - the Alps in particular - Serra says he is admirative of French state chief Emmanuel Macron of whom he supported the presidential campaign in 2017 through a personal financial donation. "He conducts reforms in France that Matteo Renzi had conducted in Italy. Renzi was the Italian Macron but the difference is that Macron has been elected president and so he is relatively free to apply his program during his five-year mandate", suggests Serra, who speaks of poor management as for Italy's political situation.

"I am admirative of Emmanuel Macron and have even donated to support his presidential campaign personally."

"The Italian Republic has existed for 75 years and has known 65 governments. This means Italian governments last for a year or less. Matteo Salvini's one may last only a few months as they try everything to lose their mandate", says Serra. Algebris' founder remains convinced that Italy will drop its target deficit to 2% because if the Italian government remains stubborn, nobody will ever buy BTPs anymore.

"In 2019, Italy will seek at least €250bn on markets to refinance itself. Italian BTPs issued in November have only attracted €2.1bn, which is the smallest amount of inflows ever recorded in the history of Italian debt issuance. How long can they behave like this for? The battle with the European commission cannot last for long. The likelihood of this government staying in power is very low. I think new elections will be set and in that case, a center-right coalition would then be favourite. It would resemble Trump's government a bit. Against immigration but favouring tax cuts", Serra foresees. The Italian equation has yet to be resolved for the algebrist from London.