

Restrained by the health crisis, the French saved 142 billion euros more than usual in 2020. But what to do with all this money? To understand the ins and outs of the complex wealth management market, watch the interview of Adina Grigoriu, Co-founder and President of Active Asset Allocation.

Stéphane Pedrazzi: Decoding of a business sector through the experience of a business executive's analysis. Today we're going to talk about investments in a context where the French people are regaining a taste for financial markets and also in a context where they have saved massively. We are going to discuss with Adina Grigoriu, hello! You are co-founder and President of Active Asset Allocation.

142 billion euros is the savings surplus of French people during the sanitary crisis, this is the figure of the Banque de France. For the moment this money has mainly been saved on the livret A, sometimes even on current accounts, investments that bring little or no income...

Do you think that French people will sit down for a while and choose investments perhaps more thoughtful, which yields more?

Adina Grigoriu: Actually, I don't know what the French are going to do, but in any case, I wish them, because letting the money sleep and finally get lost on these investments at very low interest rates is a waste of money...

SP: Yes, we used to say: « leaving your money in the bank account is a loss of opportunity », inflation has just passed 3% in the Euro zone, clearly there is a loss of money...

AG: You did the math quickly!

SP: The French have rediscovered a taste for financial markets, they had moved away from it a little bit after the 2008 crisis. According to figures from the FMA, 411,000 new investors took their first steps last year on markets, why do you think this is a turning point?

AG: I think French people are starting to take an interest in something else and we have examples that come to us, for example, from the United States: Robin Hood, the famous app for investing in equities, went public and made investing a bit like a game, like going to the casino and so it's not really investing, it's more speculation for this app but in any case, it makes you want to do something.

SP: With a perhaps less institutional approach, right?

AG: Oh, it's very retail [Laughs].

SP: What do you think is still holding back investors today? Is it the risk, is it the complexity of the investment, sometimes perhaps the amount of fees?

AG: It's a bit of all that. I think that investors are not trained yet to set goals, to say to themselves "if I want to get that much money during my retirement, I have to save that much, invest like this and that", that's a problem. Then, for example, life insurance gets a bad press in terms of fees...

SP: It's true that the fees that pile up in the long run end up being a lot.

AG: Exactly. And then the risk-taking is something very little understood actually, by everyone, including at the institutions level.

SP: There you point out something interesting, do you have the impression that in France we lack financial culture?

AG: I would say that it is almost everywhere that we lack financial culture, besides, we do not have classes at school to learn how to deal with our finances.

SP: Yes, maybe to define its objectives. You were just saying a lot of investors don't actually know why they want to put money aside or invest it in such and such asset.

AG: Exactly. I was in Switzerland just yesterday, at a pension forum, people are convinced that insurers are stealing their incomes... when they just do not understand that life expectancy has increased, well the available income is lower.

SP: So, let's see how you, Active Asset Allocation, can help investors. Your goal is to democratize investment, to make it more accessible. Quick note: you are not doing B2C but B2B. Who are your clients?

AG: Exactly. Our clients are large institutions, large insurance companies (Allianz, MAIF, Suravenir, Generali, etc.) but also asset managers and institutions such as pension funds in the United States, the Netherlands, in France... So, we are really in B2B and B2B2C.

SP: And how do you help them democratize investing?

AG: Basically, we are a truly recognized expert in quantitative asset allocation, which is based on the management of maximum capital loss. But with this know-how and our institutional experience, we have created a global allocation platform which in fact allows both to create algorithms, then to create tailor-made solutions for end investors and then to monitor over time and report, etc.

SP: You offer investment solutions where the risk of capital loss is limited, how does it work? It seems magical for the investor to know that the risk is limited! [Smiles]

AG: I don't know, because the French investor is used to euro fund where the risk is completely non-existent. So, it's true that it's not in the French culture. But it is indeed very important to limit the risk capital loss, because it is ultimately the only risk that is tangible and intelligible to everyone, unlike the Vol. or the VaR. etc.

SP: Volatility and variation, right?

AG: Exactly, it's important to take that into account and therefore how do you do it? A bit like the way we set ourselves a goal of doing the marathon and behind it we say to ourselves "to do that, I have to run that much every day...", in the same way, we are going to put the

objective in algorithms. Then we'll make sure that in all the market scenarios that we can envision for the future, this objective is well met. And so, each time we run the portfolio we make sure of the state of the markets, of course, but above all of where we stand, in relation to the investors' objective.

SP: And is it with this algorithm that you manage to tailor and simplify things?

AG: Exactly, and thanks to artificial intelligence, what took eight to ten weeks to do, today is almost instantaneous and therefore we have really succeeded in taking this technology, which we originally created for institutional and to bring it to really benefit a large number of people.

SP: As you said, your clients are insurance companies in particular. We are currently aware of their effort to transfer stocks of fund in euros to unit-linked contracts, many French people do not know what that corresponds to?

AG: Everyone knows the euro fund, because everyone probably has a little bit of it. In France, there is something like 1.6 trillion in euro fund, so they are guaranteed by the financial statement of insurance companies. So, insurers try to shift clients to something else, that is to say to unit-linked contracts, but we must not believe that they are doing it only for them, they are also doing it for the client actually, for the final investor because today, with the incomes of the euro fund, we can no longer beat inflation. So, working towards transformation is really working towards something that is a win-win for everyone.

SP: A question that everyone probably asks you, but how do you invest in an environment of low rates, or even negative rates?

AG: It's very difficult. We must of course rely on elements of diversification, but above all, we must have an allocation that moves over time to adapt, once again, to the market context and to the objective we set for ourselves, in connection with an investment horizon.

SP: We'll recall that, the stock market is sometimes scary but by definition in the long term it remains the investment or one of the most interesting investments. We can be afraid to get started...

AG: There are a lot of investments that are interesting. Real estate, indeed, stocks through the stock market, investment must always be in line with our own vision of risk, but also with the horizon that we set ourselves. When you are 20 years old and you're investing for retirement, you have to move towards something dynamic, etc.

SP: As I said, 411,000 new investors who took their first steps on the financial markets last year. For those who are still hesitant, what advice would you give them today?

AG: To be accompanied by professionals, because of course it costs a little but what costs a lot is to lose money...

SP: It is inexperience and loss of capital.

AG: Exactly!

SP: Thank you very much for coming over to present your profession to us Adina Grigoriu, co-founder and President of Active Asset Allocation, see you soon for a new decoding!