



Global collaboration

Sharing information across teams and locations is a truly collaborative approach which gives us a unique edge

For professional
and institutional
investors only

Equity research at Allianz Global Investors

Part 1

Key takeaways

- The boundaries between roles such as “portfolio manager” and “research analyst” have become increasingly blurred over time. Our collaboration overcomes these traditional definitions as we share information across teams and locations
- Research takes place in the portfolio management teams. Both, portfolio managers and analysts are fully involved into the research process
- Every investment professional maintains and is accountable for a conviction list, which signals their views on certain stocks
- Besides our global reach, we see our truly collaborative approach as a unique edge

The title “portfolio manager” (PM) sounds simple enough: someone whose goal is to build and manage a portfolio of stocks that outperforms a benchmark.

But while this definition seems straightforward, in practice there are many different factors that contribute towards the effective management of a portfolio.

In reality, day-to-day decision-making in portfolio management is informed by collaborative and collective input from many different individuals, facilitated through technology which helps filter and distil information.

As part of this process, the boundaries between roles such as “portfolio manager” and “research analyst” have become increasingly blurred over time.

Historically, fundamental portfolio managers have typically run strategies which largely reflect personal convictions around each stock. But in practice a decision-making process based on a single person’s view will inevitably lead to blind spots and sub-conscious bias inadvertently affecting a portfolio.

To help counter such natural biases, challenge is an integral part of our research process. Wherever possible, we incorporate more than one person’s view on each stock.



How does a PM decide whether to buy or sell securities?



How does a PM react to daily news flow and judge which information is important and – just as often – which is not?



How can a PM keep on top of everything happening to all the securities in their portfolio?

Value. Shared.

Allianz 
Global Investors

Allianz Global Investors' equity capabilities



Source: Allianz Global Investors, October 2020.

Today, research takes place in the portfolio management teams. The formal difference between a portfolio manager and an analyst is that the portfolio manager has direct responsibility for a portfolio. However, both are fully integrated into the research process.

Every investment professional maintains and is accountable for a conviction list, which signals their views on stocks they cover. There are three ratings for each stock – high, medium and low – reflecting their stock preferences. Sorting stocks by levels of conviction, a low conviction rating still means there is some degree of conviction and a low-rated stock is still a potential candidate for inclusion in a portfolio. Stocks which attract a negative view can be vetoed to indicate they should not be included in portfolios.

Conviction lists are shared globally. One advantage of this approach is that we fully capture the stock preferences of the whole investment platform, making previously hidden research and investment ideas more widely available. Conviction lists also highlight any areas where opinions differ, which also helps to promote the debate and discussion of ideas.

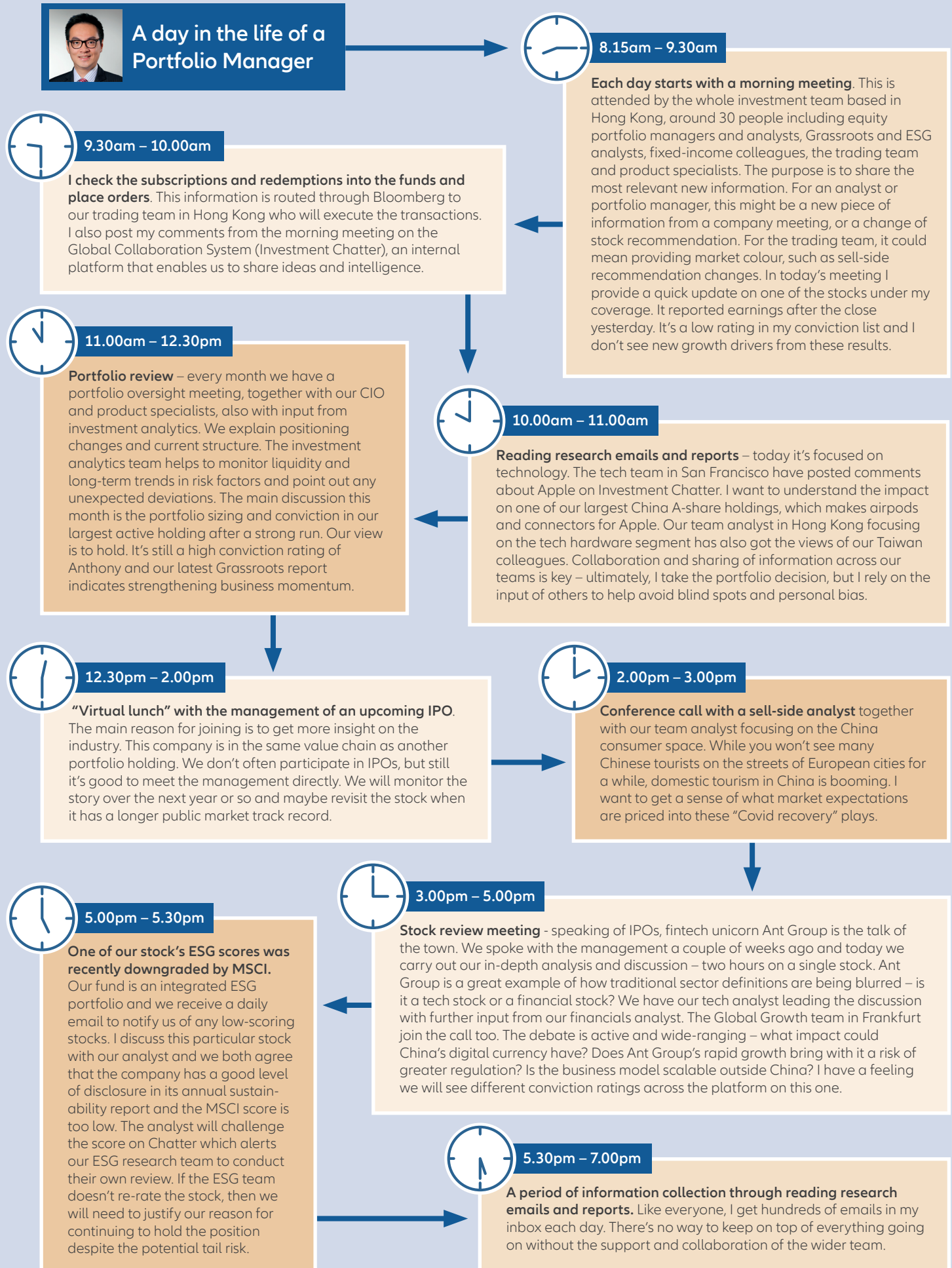
With fewer artificial boundaries in the setup of our research process, a further benefit is that, in an investment world where new business models are evolving rapidly – for example, should electric vehicles be under the coverage of an auto or a technology analyst? – we have more flexibility in the way we allocate our research resources to capture the full range of opportunities.

Having moved away from pre-defined sector-specific coverage, research capacity can be freed up to identify potential alpha opportunities in a wider range of geographies and sectors.



To help show how this works in practice, the following page shows the timetable of a typical day for our China Equity portfolio manager, Anthony Wong, based in Hong Kong.

This schedule is just as relevant for a PM based in Frankfurt, London, Tokyo or San Francisco.



Conclusion

In reality, the boundaries between the roles of research analyst and portfolio manager have become increasingly irrelevant. Our collaboration overcomes these traditional definitions as we share information across teams and locations, enabling us to review investment cases from multiple angles. Besides our global reach, we see this truly collaborative approach as a unique edge.

For more information, please visit our website: www.allianzgi.com



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