

experts, boosting their role. We also want to reinforce our commitment to allocate other core competences to each location, something which will be reflected in our marketing approach.

**What is special about Deutsche AWM's investment process?**

I think that we can be really proud of what we have already achieved, for our investment process is unprecedented in this sector. Partly, this is simply due to our size which allows us to employ a wide range of investment experts who are active all over the globe. With roughly 750 billion euros under management, we are among the twenty largest asset managers world-wide. If you consider only actively managed assets, which is more meaningful when it comes to investment expertise, we are among the top ten.<sup>1</sup> Another factor is our structured investment process ensuring that the opinions of our individual experts are aggregated into a common macro picture and a coherent asset allocation.

**How, exactly, does this work?**

Our investment process has four components. The basis is provided by our experts' fundamental analysis which results in recommendations on individual assets. This revolves around the continuous interaction of our specialists with each other as well as with economists, strategists and regional CIOs. The second step is the aggregation of these individual recommendations by portfolio construction teams into model portfolios. In a third step, these model portfolios are adjusted according to the restrictions and requirements of individual clients by our portfolio managers. In the last and fourth step, our quality management continuously verifies whether these actual portfolios are – in line with our strategy – efficiently and timely managed within the agreed risk frame.

**Let's get down to details now. What strategy could a German middle-aged investor with an average risk appetite and 100,000 euros follow in 2016?**

First of all, let me say that fixing realistic return targets can save a lot of headaches. My targets may sound conservative but I am happy with an average of 4 percent. In recent years, this could be achieved quite easily with investment-grade bonds – but this will change in 2016. I might suggest a so-called barbell strategy now. In a nutshell, you buy the most basic things in a discount store and everything else in delicatessens, skipping the middle segment. This means I would try to safeguard the major part of returns via more risky assets, possibly via sound European equities as well as U.S. and euro high-yield debt. This would be the delicatessen. The remainder should come from investments in short-dated fixed-income papers to secure liquidity at low volatility. So that outlines a typical investment strategy for this class of investor, which, of course, would also depend on an individual's specific investment profile.

**To be continued**

Almost exactly on its third anniversary, Deutsche AWM is taking another important step forward. Major parts of wealth management will be incorporated into the German retail business (both private and business clients) making possible a more uniform client dialog. Apart from that, I will, as new CIO, lead an asset-management unit which will build on our recent achievements, continuously learning and improving.



Stefan Kreuzkamp

<sup>1</sup> Investment & Pensions Europe; year-end 2014 data