Commerzbank
Asset Management

Active. Passive. The perfect combination.

The bank at your side
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Commerzbank Asset Management, part of the Corporates & Markets division, is a highly specialised investment service provider. It offers a broad spectrum of funds and asset management services invested in a wide range of asset classes worldwide, specialising in investments for both institutional and retail investors.

Its primary activities are based in Frankfurt, London and Luxembourg – where its own fund management company, Commerz Funds Solutions S.A., is based. Linked to the Corporates & Markets division, Commerzbank Asset Management has the ability to access the resources of a major institutional bank platform employing around 2000 staff, enabling it to offer attractive products and services.

Its flexibility, reliability and service orientation are highly valued by clients and partners alike. Client services cover three key areas: Active Asset Management, Passive Asset Management and Private Labelling.
Active Asset Management

Smart strategy combinations

Active Asset Management broadly encompasses all strategies in which the investment performance is influenced by the decisions of the portfolio manager. This includes all investment strategies that are managed partly or entirely on an active discretionary or active quantitative basis. This expertise is provided in some cases in the form of UCITS pool funds (set up by Commerz Funds Solutions) or as a special portfolio management mandate. In these cases Commerzbank Asset Management acts as the portfolio manager. The investment strategies are also available in other wrappers (as notes or certificates, for example).

Market-neutral option strategies offer investors the chance to achieve positive returns irrespective of stock market movements. The strategies are implemented using liquid, transparent instruments (e.g. EUREX options).

The same team is also in charge of the successful allocation strategies for the German equity market and for commodities, which are available to investors in the form of UCITS funds.

Our team's expertise is incorporated in UCITS retail funds and special mandates.
Our overlay strategies provide active quantitative asset management. Here Commerzbank Asset Management draws on extensive resources in the areas of Model Trading and Advisory, as well as Quant Research. The offering covers all asset classes with liquid hedging instruments.

The implementation of the hedging strategy is uncoupled from the underlying risk. Currency Overlay products and services play a particularly important role. Institutional investors invest their capital worldwide. The resulting currency risks present a particular challenge. The investor is always faced with the question of whether or not to hedge the currency position. Both alternatives hold certain risks: if the risk is not hedged there is a danger that the investment will fall in value in the home currency if the foreign currency depreciates. If, on the other hand, the underlying position is hedged, the investor then faces a liquidity risk. Currency overlay offers an alternative to the two options outlined above: risks are hedged where necessary, but foreign exchange opportunities can still be taken.

For bond and equity selection strategies, Commerzbank Asset Management takes a "passive enhanced approach". Starting from a benchmark universe, the selection is improved using a "research overlay" in the case of bonds and a quantitative filter in the case of equities. The level of activity of the investment strategy can be defined, if required, by setting a tracking error budget.

Capital preservation strategies are provided by a specialised and long-established team with extensive expertise in strategy implementation. The capital preservation mechanisms are generally managed for retail funds, but are also available as a special mandate. The capital preservation strategy can be applied to different asset classes and baskets of asset classes. Protection can be individually set to different time periods and reference points. For example, a certain threshold value can be set with regard to the investment timing and/or a maximum price point.

Expertise in active quantitative Alternative Investments is grouped within our iQArts boutique in London. The team there has many years' experience in this area and is responsible for the development and implementation of managed futures/global macro strategies and risk parity strategies.
Passive Asset Management

Passive products and strategies

Passive asset management strategies are linked to a particular financial index such as the DAX, and attempt to replicate it as closely as possible. In contrast to active asset management strategies, the aim here is not to outperform the benchmark index, but to copy it as accurately as possible. Cost efficiency is another key factor. Our scalable infrastructure and ultra-efficient processes put us in a prime position in this market. Our expertise in passive asset management is reflected especially in our ComStage ETFs. We also use passive portfolio management techniques for other UCITS funds.

In 1988, the Commerzbank subsidiary “CB German Index Fund Company” enabled institutional investors in Germany to invest in an index via a fund for the first time. Passive management and our expertise in Exchange Traded Funds (ETFs) have been represented by the ComStage brand since 2008.

There are now around 100 ComStage ETFs on offer covering virtually all asset classes. Large markets such as the DAX, EURO STOXX 50, STOXX 600, MSCI World and MSCI Emerging Markets are replicated, as well as more specialised indices such as the MDAX, the SDAX or the Portuguese PSI.

ETFs provide an ideal basis as core elements of the portfolio structure.
ETFs are also available for particular investment regions such as the SMIT group of countries – South Korea, Mexico, Indonesia and Turkey. In addition, the ComStage ETF MSCI World with Emerging Markets Exposure enables the investor to take advantage of the rise of the emerging economies without having to invest in individual emerging markets. ComStage was the first provider in the world to offer ETFs on the SMIT countries or the PSI.

The list also includes ETFs on strategy indices, which can be short ETFs or leveraged ETFs on equity or bond markets. On the commodities side, ComStage offers an ETF that does not include agricultural goods.

ComStage ETFs use both the full replication method and a combination of a securities portfolio and total return swap fully collateralised with German government bonds. We find that synthetic replication can be advantageous for many investors from a tax perspective. Moreover, with indices that have a lot of members, it is often not possible, or not worthwhile from a cost perspective, to physically acquire all the shares.

ComStage ETFs are notable for employing a total return strategy: with ComStage ETFs, investors benefit from the fact that any dividends or income earned are taken into account regardless of whether the underlying index is a performance index or a price index.

ComStage ETFs are listed on major European stock exchanges. In Switzerland it is also possible to purchase ETFs in the original fund currency as well as in euros, the currency in which they are traded.

An increasing number of market makers are providing adequate liquidity with narrow spreads and offering over-the-counter (OTC) trading if required.

ComStage ETFs are especially noted for their low flat fees. Stuttgart Stock Exchange has awarded ComStage ETFs first prize for cost structure every year since their inception in 2008. In 2012 ComStage was also named best bond ETF manager in the German-speaking region by FERI EURORATING Services.
Private Labelling
Tailored fund solutions

A strong brand combined with a skilled approach to a particular investment strategy is essential for the success of any fund. A private label partnership enables product ideas from external fund initiators to be presented in a fund wrapper provided by Commerzbank Asset Management but bearing the name of the initiator. This enables companies to take full advantage of their brand and the expertise available.

The fund wrapper is provided by our Luxembourg-based fund manager Commerz Funds Solutions S.A., enabling a whole range of different fund types to be set up under German or Luxembourg law. Our experienced product experts ensure that the fund is professionally set up, and help to minimise the set-up costs. Commerz Funds Solutions takes care of regulatory and administrative tasks, enabling the initiating company to continue to focus on its core business when the fund is up and running. Our experts will also advise initiators and their partners if they are looking to make use of other investment options. In short, we assist our partners/initiators from the point the fund is conceived all the way to the fund’s inception, taking care of all the subsequent administration.

Commerzbank provides you with a complete hassle-free tailored fund package based on your product concept.
The link with Commerzbank’s capital market teams makes it possible to implement strategies that other capital investment companies are unable to implement, or only at great expense. For example, complex strategies based on swaps and/or strategies where active ETF market making is required can be readily implemented at attractive terms.

**Investment process**

Commerzbank’s portfolio management teams also convert our partner’s investment model into a UCITS-compliant investment portfolio. A key part of the portfolio manager’s role will be to:

- provide and improve transparency in the investment processes
- work closely with the specialists in Asset Management who are in direct dialogue with the partner/initiator
- work with product development teams to create cost efficiencies in the creation and execution of processes, enhancing overall return.

Risk control is a critical constituent of the investment process and is therefore managed by a centralised Risk Office for all locations.
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