BENELLI CONSULTING

Benelli Consulting: Leading Innovation and Strategic Excellence in Financial Advisory Services

Give us a brief introduction about Benelli Consulting and its services.

Benelli Consulting offers specialized, independent advice to a wide range of financial organizations, including banks, insurance companies, family offices, trusts, and pension funds. Our core expertise encompasses asset management, investment decision-making, risk management, product evaluation, and investment optimization. We manage consulting projects that address organizational issues, restructuring, acquisitions, and process optimization, interfacing with back-office and reporting solutions.

Our services also include the optimization and monitoring of the investment process through various quantitative models. With extensive experience in the banking and insurance sectors, we support clients in risk management, whether through insourcing or outsourcing, and in developing shared service center resources. Additionally, our process management expertise helps clients retain existing customers and cultivate new customer relationships.

At Benelli Consulting, we pride ourselves on delivering tailored solutions that enhance the operational efficiency and strategic capabilities of our clients, ensuring they are well-positioned to navigate the complexities of the financial landscape.

What approach do you take to ensure continuous innovation within a team setting?

To ensure, continuous innovation within our team, we take a proactive and adaptive approach in response to the current turbulence in the financial sector. With growing uncertainty and imminent changes, coupled with increasing regulatory pressure, flexibility is crucial. We foster a culture of adaptability, encouraging our team to stay updated on regulatory changes and industry trends.

We evaluate and refine incentive structures for managers, enhance the effectiveness of risk control models, and improve the transparency of investment products. By prioritizing integrity and sustainability in our customer service, we build trust and foster long-term relationships with our clients.

"Our independence allows us to deliver unbiased, client-focused solutions that drive sustainable growth and resilience."

Dr. Giuseppe Benelli
Founder, Benelli Consulting

As the landscape of asset management evolves, we actively explore new developments in the alternative investment sector and the convergence between capital and insurance markets. This proactive stance allows us to leverage new opportunities and position our team and clients advantageously during periods of restructuring.

Collaboration and open communication are central to our approach. We promote cross-functional teamwork, enabling diverse perspectives to contribute to innovative solutions. Regular training and professional development ensure that our team remains at the forefront of industry advancements. By embracing these strategies, we ensure that our team not only adapts to changes but also thrives and leads in the dynamic financial landscape.

Can you describe a successful partnership that enhanced your innovation capabilities?

A successful partnership that significantly enhanced our innovation capabilities involved collaboration with a leading fintech firm specializing in advanced data analytics. Our clients sought independent, specialized support in navigating the complexities of the financial sector. By partnering with this fintech firm, we combined our strategic skills, operational knowledge, and practical experience with their cutting-edge technological expertise.

This interdisciplinary and international partnership enabled us to offer highly qualified, innovative solutions tailored to our clients' needs. The fintech firm's advanced data analytics tools allowed us to provide deeper insights into market trends, optimize investment strategies, and enhance risk management models. This collaboration not only strengthened our service offerings but also expanded our capacity to deliver data-driven, customized solutions.

Our independence played a crucial role in this partnership, as it ensured that we could work solely in the best interest of our clients. The synergy between our strategic and operational strengths and the fintech firm's technological innovations created a powerful combination that significantly boosted our ability to innovate and adapt to the rapidly changing financial landscape. This partnership exemplifies how combining diverse expertise can lead to enhanced innovation and superior outcomes for our clients.

Can you provide an example of a challenge you faced and how you successfully overcame it?

A significant challenge we faced over two years ago was accurately predicting inflation trends and advising our clients accordingly. At that time, central banks were predominantly concerned with deflation and recession, downplaying inflation as a temporary phenomenon. However, our thorough analysis indicated that inflation risks were substantial and warranted serious consideration.

Contrary to the prevailing sentiment, we highlighted the potential inflation and interest rate risks to our clients. Our recommendations focused on investments that would perform well in an inflationary environment. Specifically, we advised investing in inflation-protected securities such as Treasury Inflation-Protected Securities (TIPS) and floating rate notes (FRNs), as well as insurance-linked securities (ILS).

Our proactive stance and informed guidance proved to be successful. As inflation became a more prominent issue, the bonds we recommended, including TIPS, FRNs, and ILS, emerged as some of the best-performing investments in the subsequent years. This experience underscored the importance of independent analysis and the ability to anticipate market trends ahead of mainstream consensus. It also reinforced our commitment to providing clients with strategic advice that positions them advantageously, even in uncertain economic climates.

> *“In a rapidly changing financial landscape, adaptability and innovation are key to staying ahead. At Benelli Consulting, we prioritize these values to provide cutting-edge advice.”*

What market trends are you currently capitalizing on?

We are currently capitalizing on several key market trends to maximize returns for our clients. In addition to traditional investments in equities and bonds, we are increasingly focusing on alternative investments. These include hedge funds, private equity, real estate investments, and insurance-linked securities (ILS).

Alternative investments offer unique opportunities that can provide higher returns and diversification benefits. Hedge funds and private equity, for example, allow us to tap into niche markets and emerging sectors, often yielding substantial gains. Real estate investments continue to be attractive for their potential for stable cash flow and long-term appreciation.

We are particularly interested in illiquid markets, which we believe can compensate long-term investors with higher returns. By investing in assets that are not as easily traded, such as private equity and certain real estate opportunities, we aim to capture the premium that comes with the illiquidity. Insurance-linked securities also offer a compelling investment avenue, providing exposure to risks that are typically uncorrelated with the broader financial markets.

By diversifying our investment portfolio to include these alternative assets, we are positioning our clients to benefit from a broader range of opportunities and to achieve superior returns over the long term.

What do you see as the biggest opportunities for your company in the next five years?

We believe that the future of European Union will be one of the biggest challenges on the political level as well as for the financial markets. For several years now, we have regularly pointed out that the instability of the EU is mainly due to a design mistake: *"With the introduction of the euro, monetary policy was centralized while fiscal policy remained decentralized."*

The politicians in Brussels wanted to introduce the euro quickly in 1999, as it was supposed to act as a locomotive to speed up integration and harmonize national economic policies. This worked for almost ten years. The European Central Bank ensured price stability and the euro established itself as a solid currency and strengthened against both the dollar and the pound. The interest rates on government debt were the same almost everywhere, and it hardly mattered whether it was Greece or Germany.

The illusion came to an end with the financial crisis of 2008. The structural problems now came to light and the euro proved to be an inherently unstable currency.

With the Maastricht convergence criteria, Brussels set a number of benchmarks for deficits, debt, inflation and interest rates. These values were intended to ensure a certain balance and had to be met before a country was allowed to adopt the euro. Unfortunately, these criteria were systematically violated by the new member states after adopting the euro, without them having to reckon with any punishment.

The single market ensured that labor and capital could move freely. At the same time, the countries in the monetary union could no longer compensate for a lack of competitiveness via the exchange rate.

However, the single market did not bring about the hoped-for convergence. Monetary policy was the same for all members, but the same interest rate had different effects in different countries, depending on where the respective economy was in the economic cycle. The monetary union did not lead to more discipline and made it impossible for countries to react flexibly to country-specific crises and recover; this was particularly evident in Greece. The states drifted apart economically and the result was divergence rather than convergence.

New fiscal rules necessary: The contradictions of the monetary union show the need for structural reforms. The lack of a state behind the euro cannot be compensated for with a common monetary policy and transfer payments. Fiscal policy must be centralized, as the single currency cannot function without uniform fiscal policy rules.

The introduction of a centralized fiscal policy, like the new fiscal rules to enforce the Maastricht criteria, is a major political challenge due to the lack of trust in ceding fiscal sovereignty to Brussels and is therefore hardly feasible.

It is inconceivable that powerful countries such as France or Germany would allow the EU Commission to interfere in their fiscal policy, especially as the domestic political climate in many countries has become harsher and governments in the political center are under pressure. The politicians of the individual member states want to retain fiscal policy power in order to finance the increasingly expensive welfare state. They will not hand over the keys to the treasury only to be defeated in national elections.

> *“Successful partnerships and a multidisciplinary approach are at the core of our ability to offer tailored, high-quality solutions.”*

A new EU with different speeds as an alternative: The incentive structures for politicians and the heterogeneity of the member states will continue to make it difficult to coordinate, if not centralize, fiscal policy in the future. In addition, the countries that have not had their finances under control in the past will hardly change in the future. Accordingly, other options must be examined.

In the past, we have already presented an alternative, more efficient solution to the EU problem, namely an EU with different speeds or circles, i.e. a closely connected core Europe around which countries with less willingness to integrate can gather.

- **First circle:** the core European countries such as Germany and the Netherlands. A new northern euro will be introduced for these countries, which will be more expensive than the current euro. The members in this circle fulfill the Maastricht criteria, hold their debts in old euros and lose their currency advantage over the other member states such as Italy, Spain and the other peripheral countries that do not belong to the first circle.

- **Second circle:** the peripheral countries such as Italy, Spain, etc. These countries retain the old euro currency, which is significantly weaker than the northern euro. They could even leave the euro altogether and reintroduce their national currencies, but this would not be very attractive as they would have to pay their debts in old euros.

- **Third circle:** the countries that are only interested in the EU economic area, such as the UK and Switzerland.

The principles of the EU regarding the free movement of goods and services can be applied to all three groups. However, restrictions on the free movement of persons would certainly be possible. For example, immigration from other EU countries could be limited to a maximum of 5% of the population.

In order to save the European integration project, more flexible structural forms would therefore have to be introduced that give both the EU and the eurozone room to breathe. The coexistence of a strong eurozone reduced to core Europe and a weaker currency zone with adaptable exchange rates for the peripheral countries could be an important step on the way to a new start for the entire EU.

We wish to showcase the chairperson of Benelli Consulting. Please share about the person and his bio.

Giuseppe Benelli, chairperson of Benelli Consulting, earned his doctorate from the University of Bern in 1982. He started his career at UBS in Zurich, later joining Bank Leu as CIO. He also held executive roles at Swiss Re Group and Vontobel Group, specializing in financial analysis and fund management.

In July 2008 he founded Benelli Consulting, an independent advisory company for banks, insurance companies and miscellaneous corporate clients. His activities also include positions on the boards of directors and advisory boards of various companies. He is currently member of the Board of Directors of TT Club - Through Transport Mutual Services Ltd London, of Plenum Investments AG and is a member of the Advisory Board of the Building Insurance of the Canton of St.Gallen - Gebäudeversicherung des Kantons St.Gallen.

> *“At Benelli Consulting, we believe that ethical sourcing and sustainability are not just goals but integral components of our business model.”*

Moreover, in the past he served as a member of the Board of Directors at Sberbank Switzerland, of Müller-Möhl Group, of KIS Kraus Investment Solutions AG and he was Chairman of the Board of the Testina Investment Foundation for International Real Estate as well as also Chairman of the Board of Directors of Arner Bank. Additionally, he was a BoD Member of the Swiss Training Centre for Investment Professionals AZEK and of the Swiss Financial Analysts Association (SFAA), an organisation that he also chaired between 2011 and 2016.

Giuseppe Benelli is a member of the Swiss Society for Financial Market Research, which publishes the journal “Finanzmarkt und Portfolio Management”. His hobbies include ski-hiking, hunting and golf.

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