Markets are like music for Marc Wenhammar and as BBVA Wealth’s fund conductor his goal is to find the best harmonies.
THE MUSIC OF MONEY
A true investment veteran who has seen the industry from all angles, **Marc Wenhammar** is no stranger to market disharmony. The BBVA Compass chief investment strategist and director of international asset management tells **Michelle Abrego** how he guides clients through the market noise and how the great conductors at the central banks will continue to dictate the market tempo.

When asked how long he’s been dealing with the Latin American investment market, BBVA Compass’s Marc Wenhammar likes to quote Gabriel García Márquez’s classic novel *One Hundred Years of Solitude*:

‘The world was so recent that many things lacked names, and in order to indicate them it was necessary to point.’

That, Wenhammar says, was more or less what it was like. ‘You didn’t have to have a PhD to invest in Latin American equities,’ he says. ‘You just needed to be able to adapt.’

Adapting is second nature to Venezuelan-born Wenhammar, who has lived in 12 countries across Latin America, Europe and the US and experienced the investment industry from almost every angle.

He’s been a researcher, a promoter, a fund manager, an asset allocator and a fund selector. For the past 20 years he has worked for Spanish banking giant BBVA in four different units in four major cities.

In October 2014 he landed his most recent role as chief investment strategist and director of international asset management for BBVA Compass. In this role he oversees the activities of the international portfolio management team for the bank’s RIA BBVA Wealth Solutions unit in Houston, Texas.

‘I’ve been lucky in going through different phases and geographies. Just the fact that someone like me was able to move around is not an accident,’ Wenhammar says.

‘BBVA is mature. It has a backbone, a flow of information exchange... I’ve lived through the culture here and it permeates. You feel it and see it. When I go to Mexico or Peru and I see advisors or fund managers you know you share values.’

There is a Madrid-based Global Investment team that gives a macro view that trickles down to BBVA’s other businesses, but execution is left to the local businesses.

Wenhammar and his team ‘curate’ global financial news and investment ideas for 184 local investment advisors who deal with both domestic and international clients managing more than $414 million in assets, $208 million of which is international clients’ monies.

The majority of the firm’s clients have ties to Mexico, as its sister bank, BBVA Bancomer, is one of the largest banks across the border. BBVA Wealth Solutions is mainly a product of referrals from Bancomer as well as those in the US that want to bank with a Spanish or Latin ‘culture,’ Wenhammar says.

**CATCH OF THE DAY**

Wenhammar says his main obligation is to guide advisors and their clients through the sometimes paralyzing amount of information they are faced with every day.
Outside the investment management industry there is the misperception that fund managers just sit in front of their Bloomberg screens watching and scratching their ears,’ Wenhammar says. ‘I can confirm that is a misperception.’ In reality, his days kick off with a daily call for advisors on all the latest investment news, and he spends the rest of his days shuffling between meetings with everyone from compliance to clients.

When it comes to meeting fund groups, he’s not too fussed about meeting the big manager on campus so long as their strategy and process is well flagged by a representative. ‘When I covered Latin America there was a boom of investors going to see the manager. If everyone is seeing the manager he won’t have time to run the company. ‘They go on the road once a while, but the way this industry has moved you have very good people who are very good at translating what the fund manager does. ‘I also appreciate a good sales person, because that person is not only going to sell me the bike we are going to exchange information on the business, on what’s going on, the flows and that for me is very important.’

‘ Twenty years ago the issue was getting information. You didn’t have internet, so if you wanted to know what was happening in Argentina you had to use a Telex terminal. Now it’s the contrary. It’s too much. You need someone to curate and help you go through that. That’s what we do consistently.

‘I don’t think the financial brain can process this speed and frequency of information is made for this type of information, that’s where it’s our job to intervene and say: “Wait a minute.” As much as he likes to consider himself a ‘curator’ of information, he is also confident enough to admit that he can’t explain everything.

‘Financial markets should be like music. If you know a good piece of music you know the drums will come in and the piano and so on. There is a succession of things.

‘It’s the music of money and your ears become accustomed to it. There are moments where it just doesn’t make sense, and you say, “I’m lost here.” We’ve had a bit of that lately. Things don’t react as they should, but it also helps being able to know that you can’t explain everything.’

His appreciation for musical analogies meant the location for our photo shoot could not have been more appropriate as it was at the theater that houses the Houston Symphony orchestra in downtown Houston.

As a former fund manager who has worked for firms such as BBVA and F&C Asset Management, Wenhammar has his own intuition he relies on, a ‘good olfactory sense for hot air,’ but he insists there is no separately managed accounts, mutual funds and ETFs.

Within these solutions, Wenhammar and his team pick 10-12 funds per strategy, all US dollar denominated.

Many of the funds used within the program are the ‘usual’ mainstream names that have an established European offshore offering, says Wenhammar, who for compliance reasons could not comment much further on fund specifics.

‘We target these fund companies based on their success and track records in specific asset classes or investment specialties.’

Along with analyzing minimum asset sizes and track records, he likes managers who have a good sense of teamwork. Wenhammar doesn’t go for the big names, but believes a good framework drives talent rather than vice versa.

‘When an investment house manages to get such a framework in the investment process, at the end of the day, the discipline forms the manager that comes in,’ he says. ‘If a manager is good, has talent and capacity he will improve in the
EM excursion
In analyzing equity managers, Wenhammar looks for consistency in performance, transparency and conviction.

‘If I want something that is broad brush, I’ll buy passive, I know where I can find that. But in active I want people who justify the path they take and how they go through it, with, of course, some risk control.’

Wenhammar and his team do not focus on themes or styles, but on macro and geographical factors. Where there is scope for thematic or sector-specific tactical allocations, they opt for ETFs.

Emerging markets have always been a soft spot for Wenhammar. ‘You can take the man out of EMs, but not the EMs out of the man,’ he says. ‘It’s great to study the rate at which things can change in a market. It’s also an area he’s been very active in lately.

‘Until the beginning of last year we were very underweight emerging markets because they were being hit by the strength of the dollar and the commodity story. Some countries were not prepared for that soft patch they went into. So investors were fleeing the asset class,’ he says.

‘By the middle of 2016 we went back in and went overweight quite rapidly because we saw the moment had come for them. There were better valuations and their economies had turned around. The companies were more solid and there was a limit to where the dollar could go, so it was looking better.’

Currently, he’s neutral following the Federal Reserve’s moves to start normalizing interest rates, but with a ‘positive bias’ as he sees lots of value in emerging markets in the medium term.

Turning to fixed income, BBVA’s portfolios have exposure to unconstrained, flexible funds as well as those specializing in emerging markets and high yield.

At the moment Wenhammar is staying underweight duration and neutral to investment grade credit.

‘We are slightly overweight high yield but we need to be careful on how we get the exposure. Not too long, but not too short.’

He also has a position in emerging market debt local currency, and is closely watching how the Fed impacts the rest of the market.

‘I want to see how the chips fall regarding the dollar in those countries and the flows. I want to be able to catch those opportunities. I want to be able to catch some high yield months down the road,’ he says, adding: ‘We’re being patient and trying to avoid drawdowns for our clients but provide them with sufficient carry or return that satisfies their needs so as not to make them impatient or take on more risk.’

Investment styles that are ‘pending’ but not on Wenhammar’s books yet are total return and liquid alternative funds.

‘We’ve been dragging our feet because we think we can add value with what we currently have, but also because I personally want to see the consequences of interest rates normalization and the impact it will have on liquidity premiums and relative risk premium across assets. Then we will see what happens to several of those funds. I want to see the wheat separate from the chaff.’

IRCLING BACK
After studying in Paris as an economist, Wenhammar moved to Mexico to be a consultant for French companies looking to invest in local small and medium-sized industrial companies, which saw him ‘crisscross the Mexican republic all the way.

‘My moment came when someone was looking for someone in London who knew a bit about Latin America but not the markets,’ he said.

That next job caused his career focus to switch from micro to macro. Thirty years later, he’s come full circle, managing money for Mexican clients who are depending on him for a global view.

With US President Donald Trump causing tensions for the Mexican market, exacerbating a weak peso and an unhealthy Mexican economy, Wenhammar’s there to take care of clients’ offshore nest eggs.

He doesn’t think the market will suffer another ‘Tequila crisis,’ and if his experience has taught him one thing it’s that it helps to take a relaxed attitude toward what’s coming.