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Dutch financial publicist launches fund that solely invests in structured products

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Marcel Tak (*pictured*) has a long history in structured products. For the past 20 years he has been active as an independent financial adviser and as financial publicist, particularly on structured investment products. He writes for various media, including *Het Financieele Dagblad* and the investors' website *IEX.nl* for which he rates and reviews structured products.

After years of standing on the side-lines analysing, criticising and commenting on structured products, Tak has now decided to invest in structured products himself and become a fund manager. Together with Jan van Rossum, an independent management consulting professional and former chairman of the board of the faculty of economics and management at the Hogeschool Utrecht, he has started the Bufferfund investment fund which aims to achieve a significant lower volatility than the Eurostoxx 50 and long-term outperformance of the index by trading in certificates listed on the German stock exchanges.

The fund was introduced in the Netherlands on August 18, 2016. Annual management charges are set at 0.96% and as of September 1, 2016 the fund had €16.2m assets under management.

"I have known Jan van Rossum for a long time. He is an active investor in structured products and he often used to ask me: 'What is a good product and what isn't?'" said Tak. Together they came to the conclusion that there could well be a need for an investment fund which purely focuses on structured products. "I don't think a fund like that exists, at least I have never seen one," said Tak. "We both believe structured products can be very interesting for investors but unfortunately not many investors know how to deal with these products. That's when we thought it might be a good idea to start our own fund."

The interest rate is very low, and has been for a while of course, and at the same time it is risky to invest directly in equities, according to Tak. "With this fund we have tried to offer an alternative whereby the risk profile is that of an equity product. It is certainly not a low risk product," he said.

Although the fund is domiciled in the Netherlands it hopes to achieve its goal of performing better than its benchmark, the Eurostoxx 50, by purchasing capped bonus certificates listed on the exchanges of Frankfurt and Stuttgart.

"Capped bonus certificates are products with very good yield prospects, especially at a time when the volatility is high and is expected to remain high," said Tak. "They guarantee a return as long as the underlying index does not fall too much. But, precisely because of the high volatility there is always the possibility that these certificates eventually breach their protection barrier and in that case you lose your bonus return. That's why they require active management.

“That’s the added value of our fund. We very much focus on risk management, so if the financial markets fall and the barrier of the certificates is likely to be hit, we sell the products on time and buy new certificates with a deeper barrier, a bigger buffer, and that’s why we have called the fund Bufferfund,” said Tak.

The fund managers have opted to trade in certificates listed in Germany instead of its domestic market the Netherlands because the German market is incredibly developed, according to Tak. “I believe there are more than 200,000 bonus certificates listed in Germany. The competition means the bid/offer price, the spread of these certificates, is very tight which means for us it is easy to trade in these products,” said Tak.

These German certificates are easily tradeable, something which is certainly not the case in the Netherlands, according to Tak. “A Dutch alternative are the Rendement Certificates from BNP Paribas. In itself that is a good product but you see 0.5% between bid and offer price while in Germany at a price of €30 that is one or two cents. That’s why we have chosen for the German market.”

The Bufferfund requires a minimum investment of €100,000 and is therefore not subject to the supervision of the Netherlands Authority of the Financial Markets (AFM). “For the moment [Bufferfund] is not for the retail investor. In principle we focus on investors with assets of more than €100,000,” said Tak. “We have decided this because we wanted to start quickly. It is a long process to get the necessary permits and to get the entire administration at a level which meets all requirements of the AFM.

“We are going to look how the fund will develop. Whether it will be a success or not. Can we live up to the targets we have set ourselves? And if that’s the case it could well be that a next step is to apply for a license to be able to sell to retail investors too.”

Click the link to view the Bufferfund [profile](#) and the latest [factsheet](#) (Dutch).

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