ASSOGESTIONI
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The Italian Asset Management market
key figures

24 September 2013

Alessandro Rota
Head of Research

1. The Italian Asset Management market

- Summary statistics
- Open-end funds
- Mandates
- The recent mkt recovery, some tentative explanations

2. The European Investment Fund Industry

- Net assets & sales by fund / fund group domicile

3. Savings & Wealth

- Household saving rate: trend & int’l comparison
- Household financial portfolio & private pension plans

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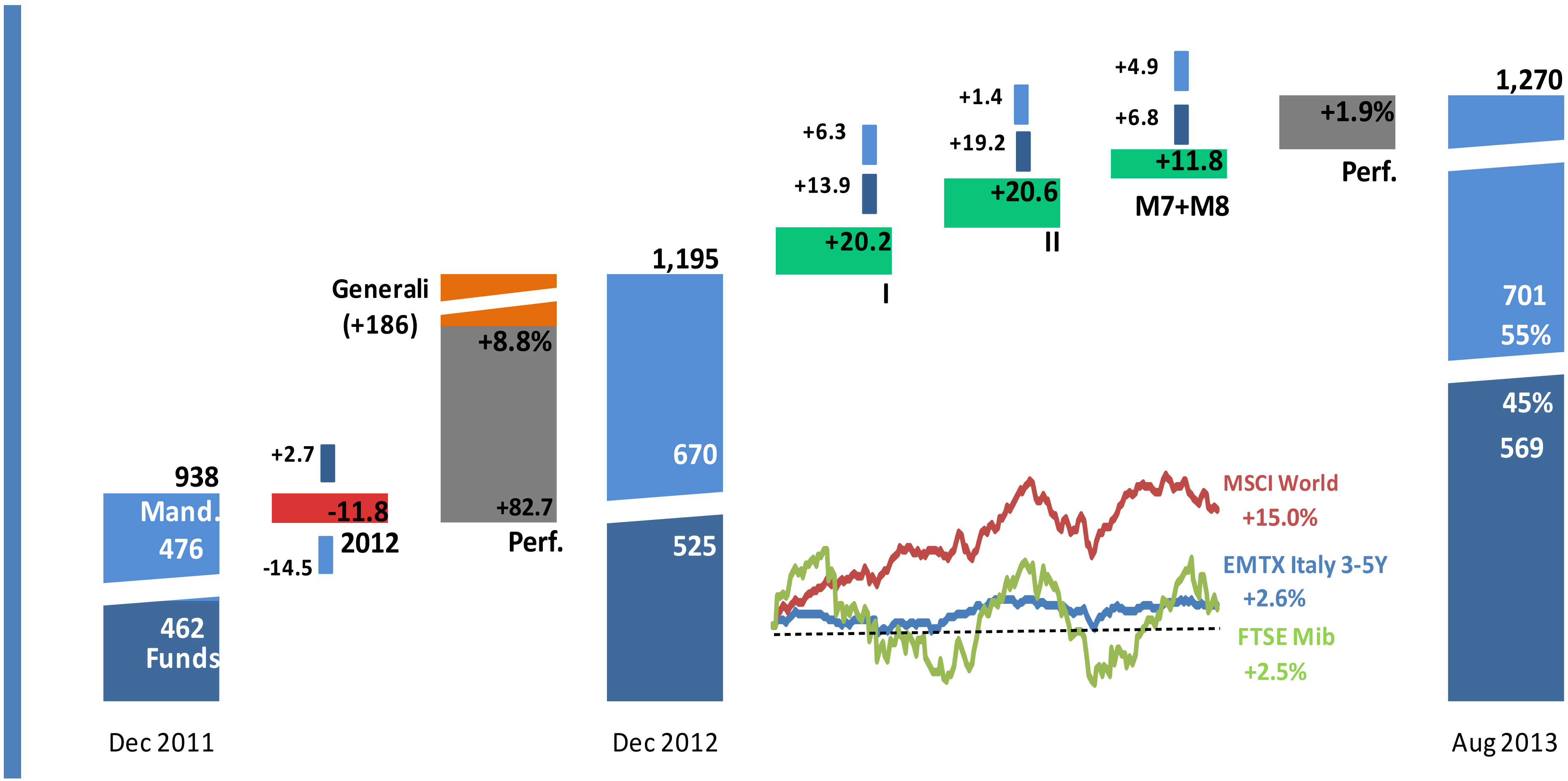
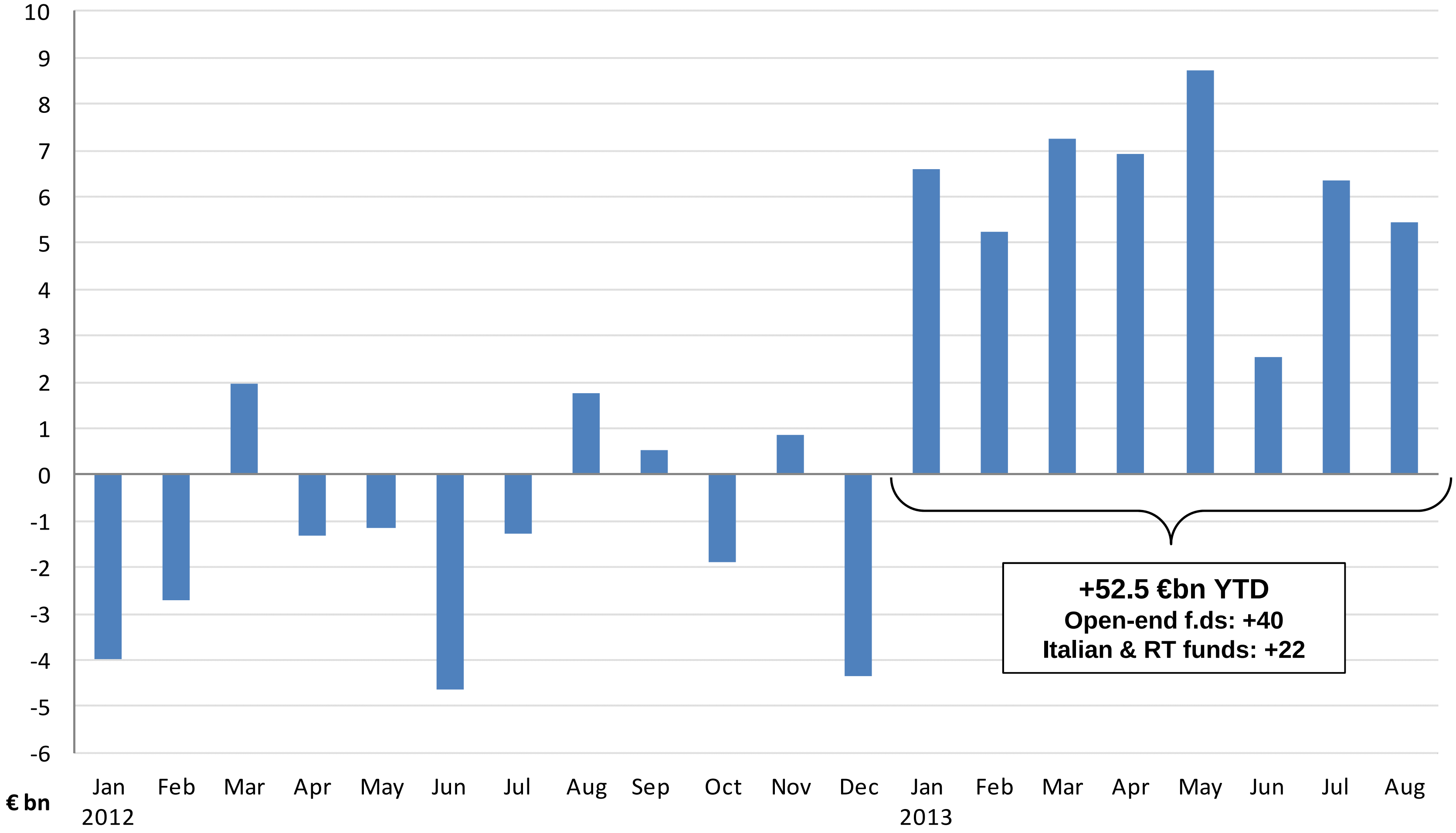
The Italian AM market (Jan 2012:Aug 2013)

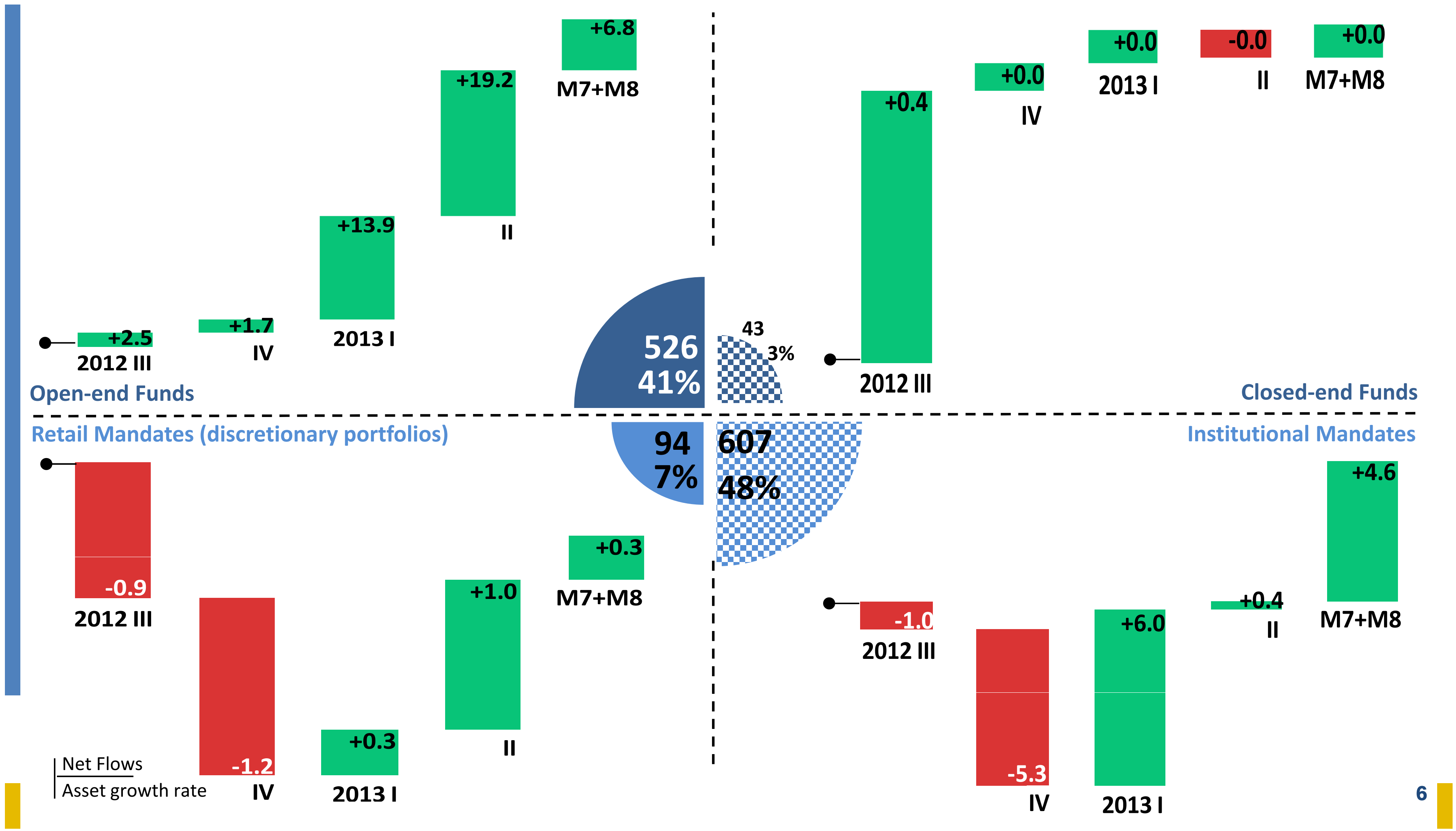


Net flows are rebounding

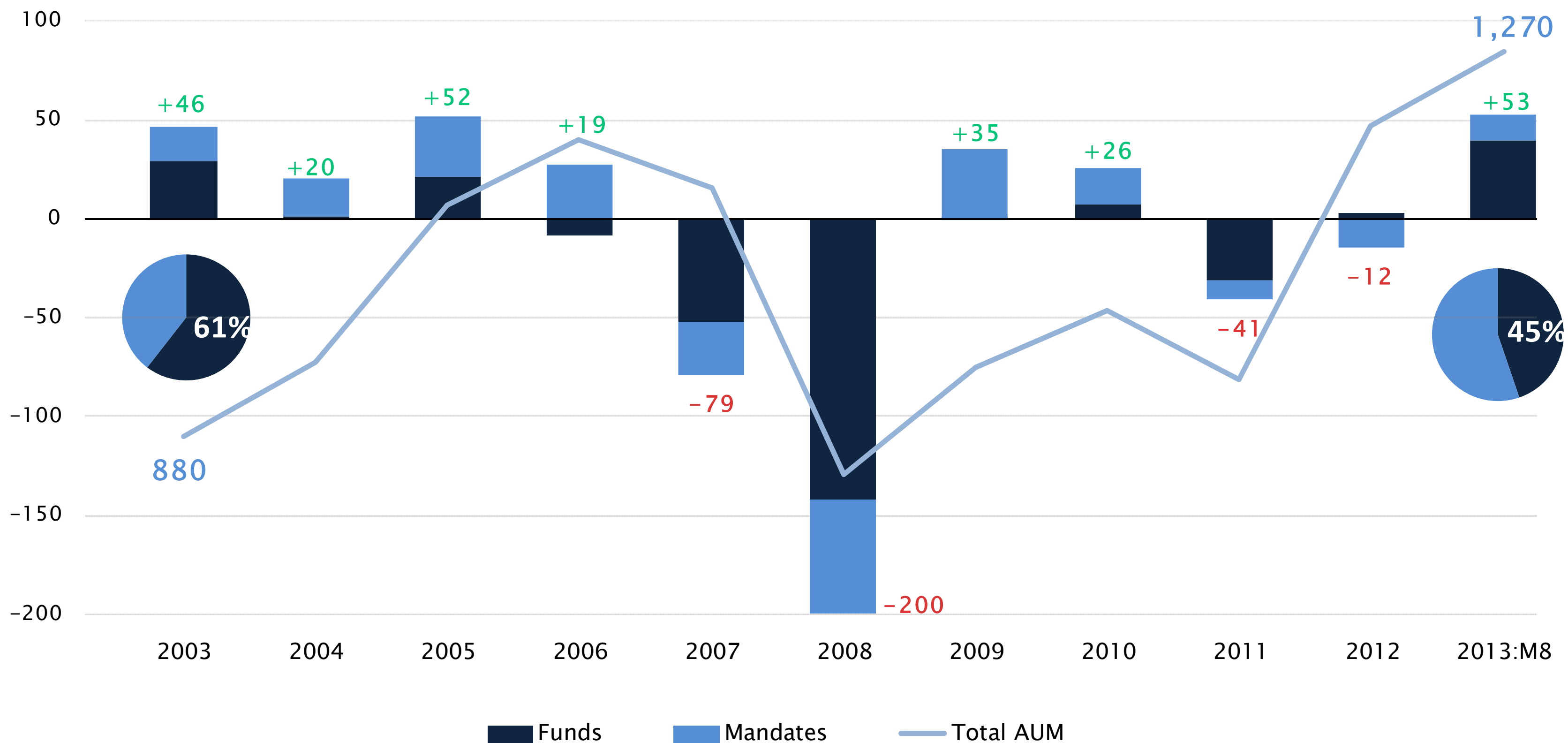


Monthly data. Source: Assogestioni.

Product breakdown

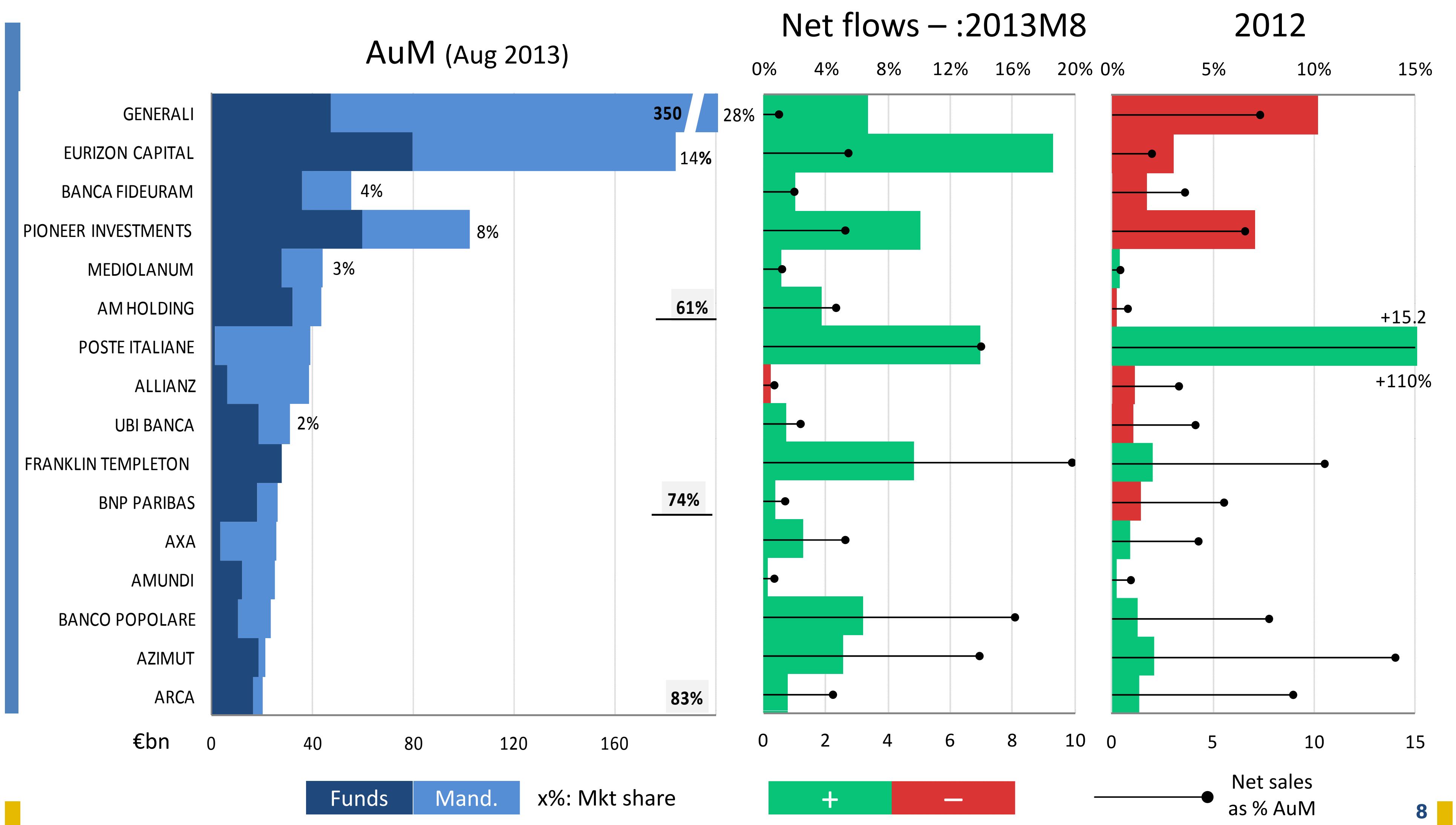


Long term trend

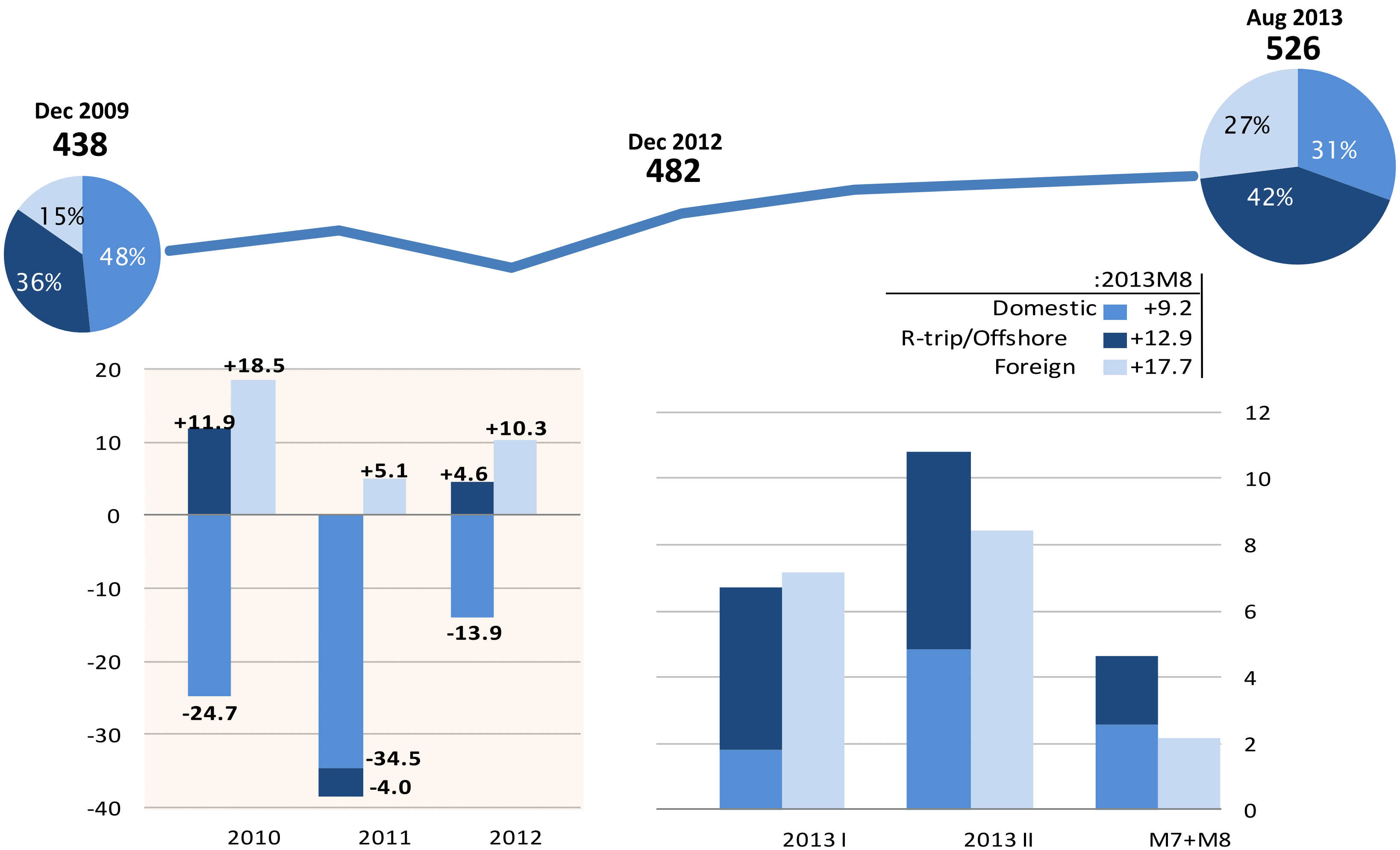


€bn, yearly data. Source: Assogestioni.

Top 15 Groups

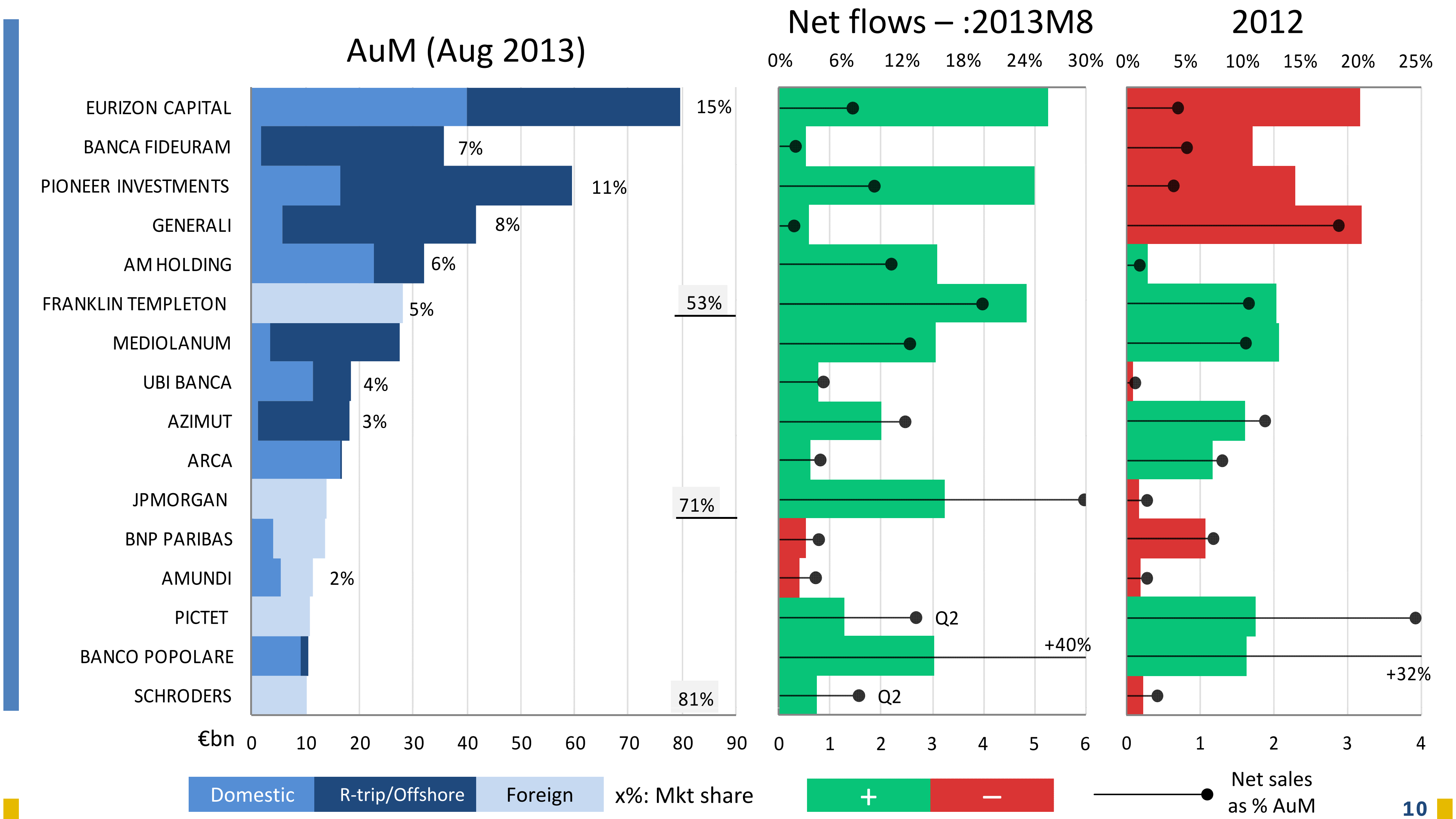


Open-end funds: domicile breakdown

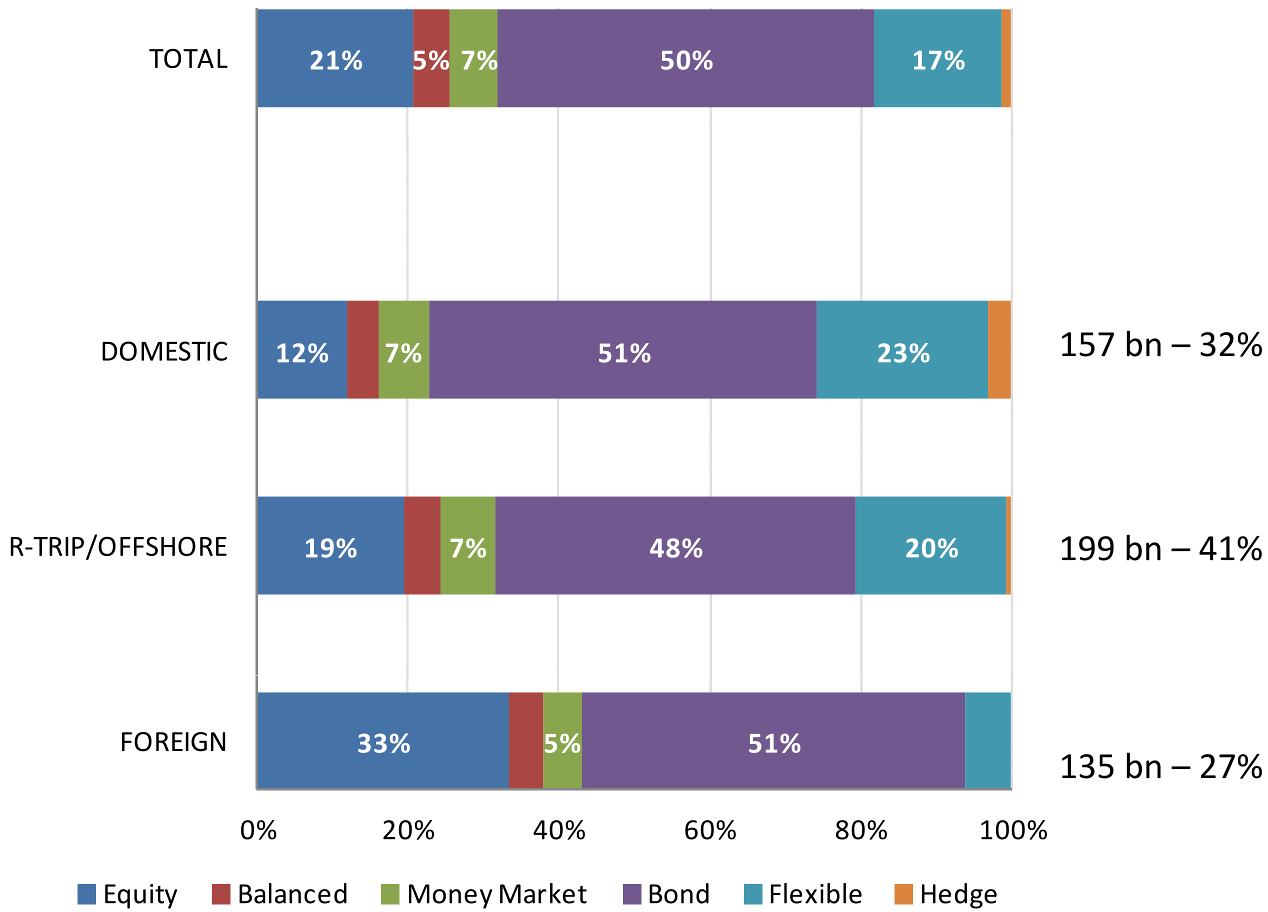


AuM & net flows, €bn.

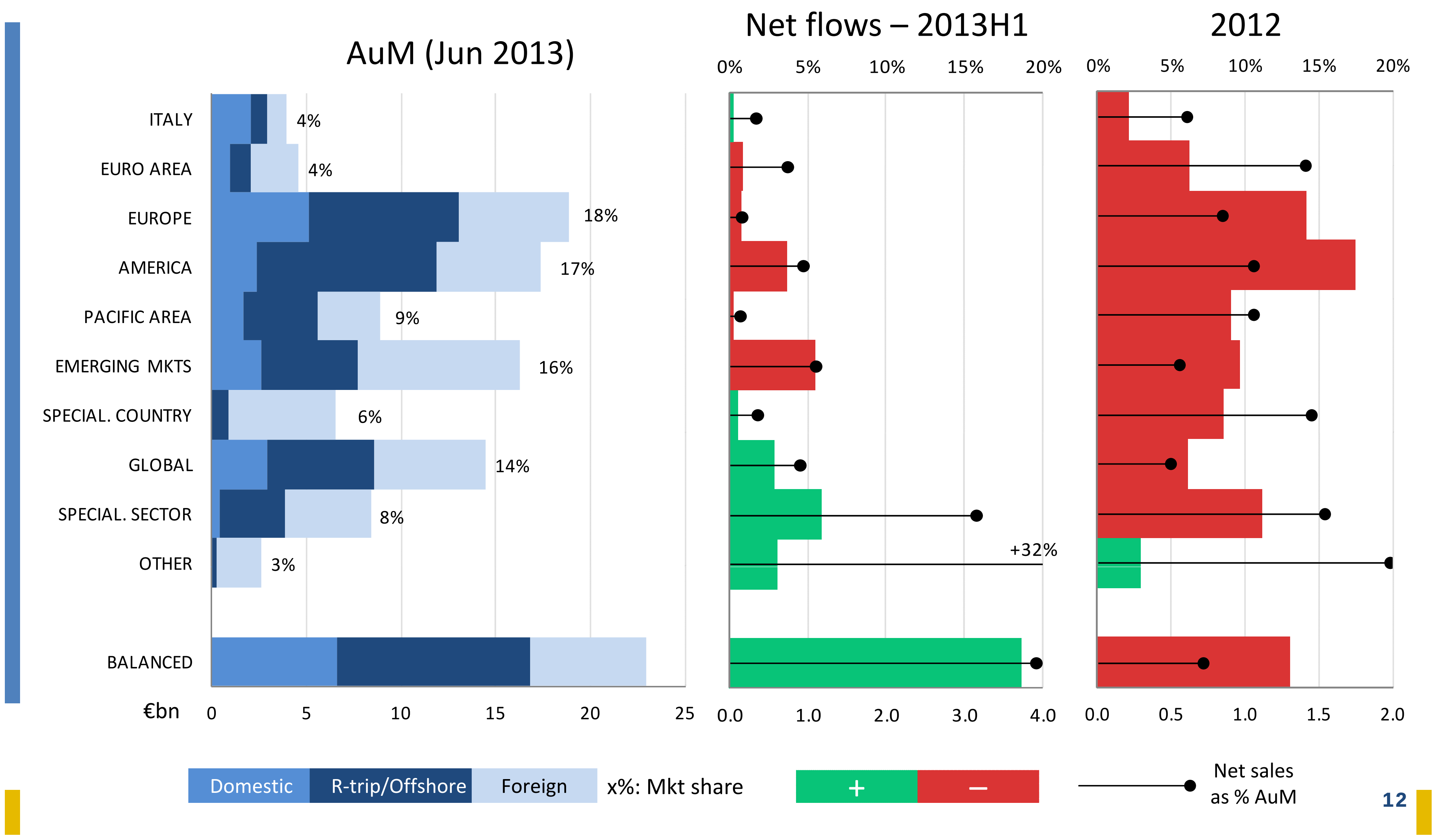
Top 15 Groups (open-end funds only)



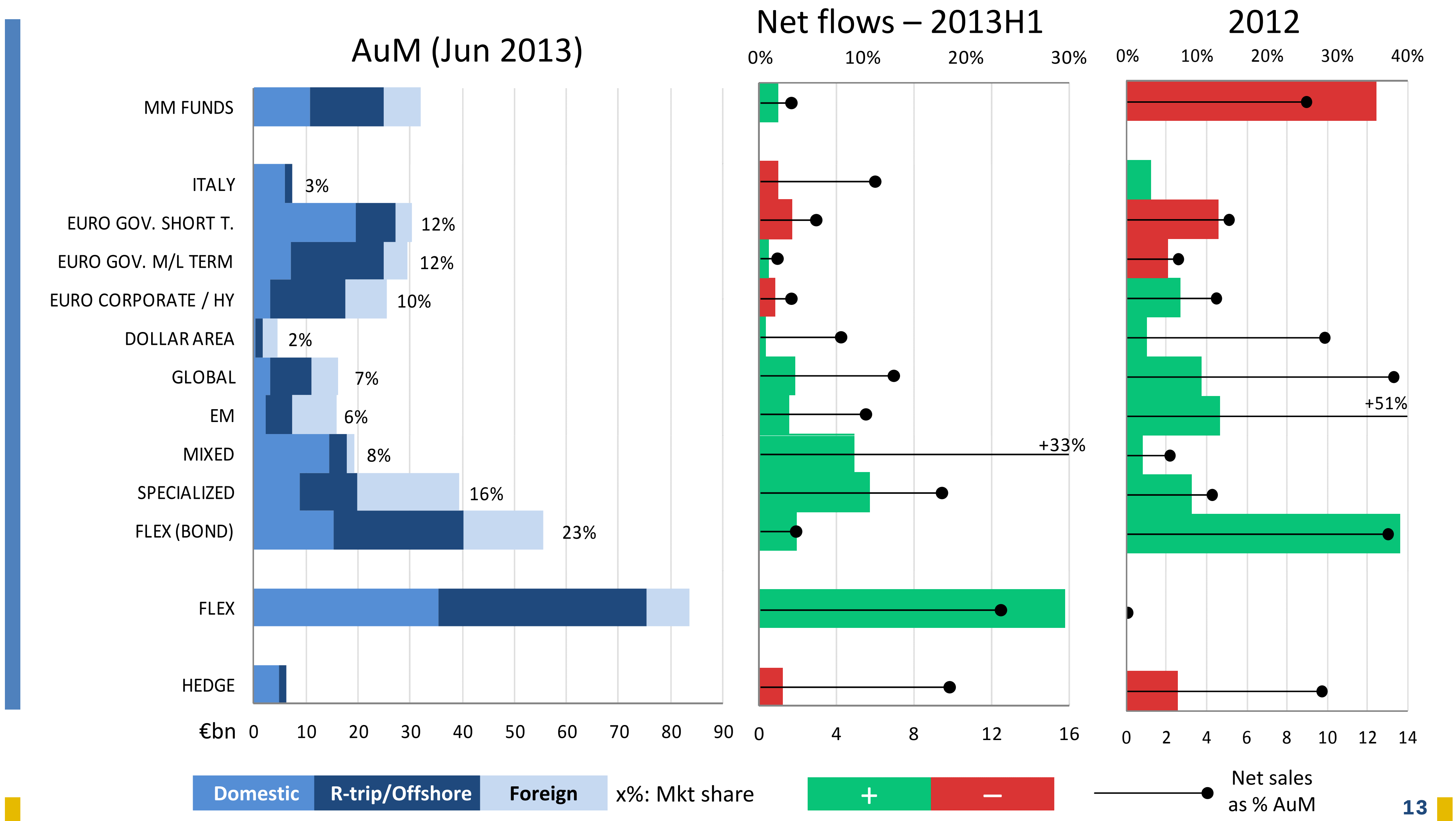
Asset Class breakdown



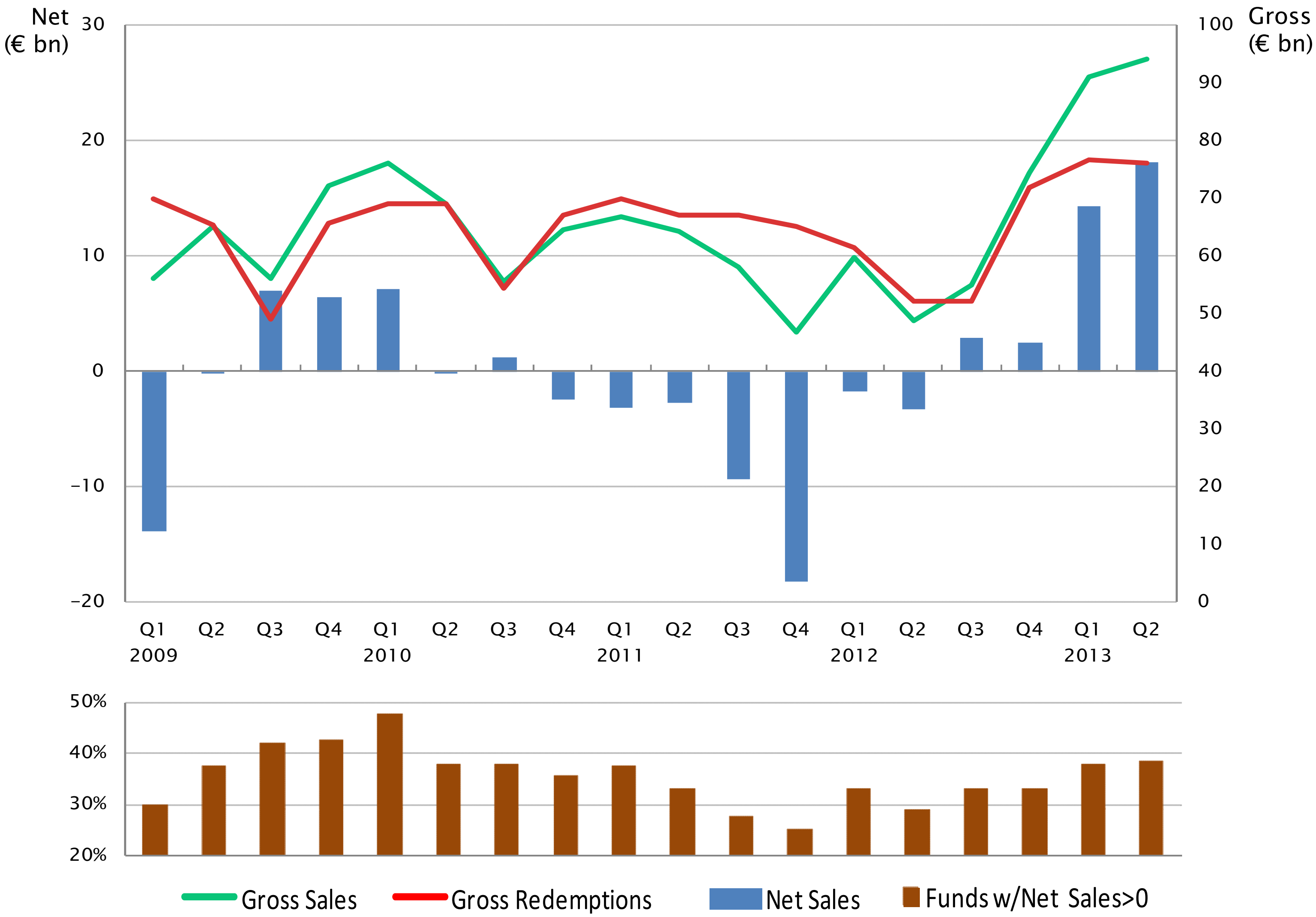
Equity & balanced funds



Money mkt, Bond, Flex & Hedge funds

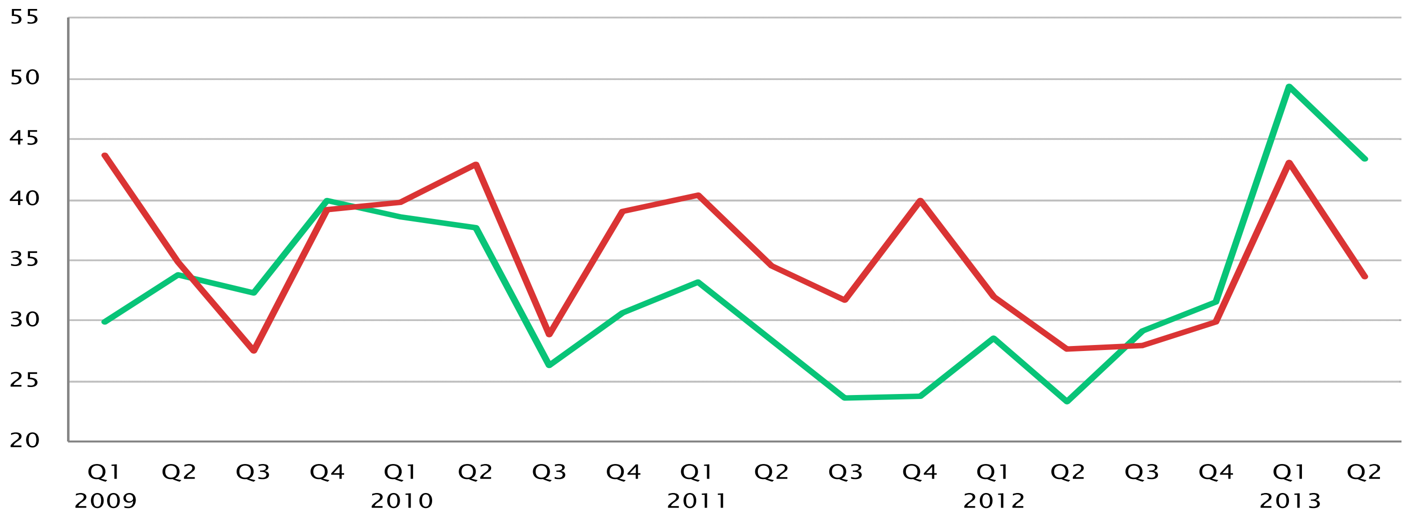


Net & gross flows

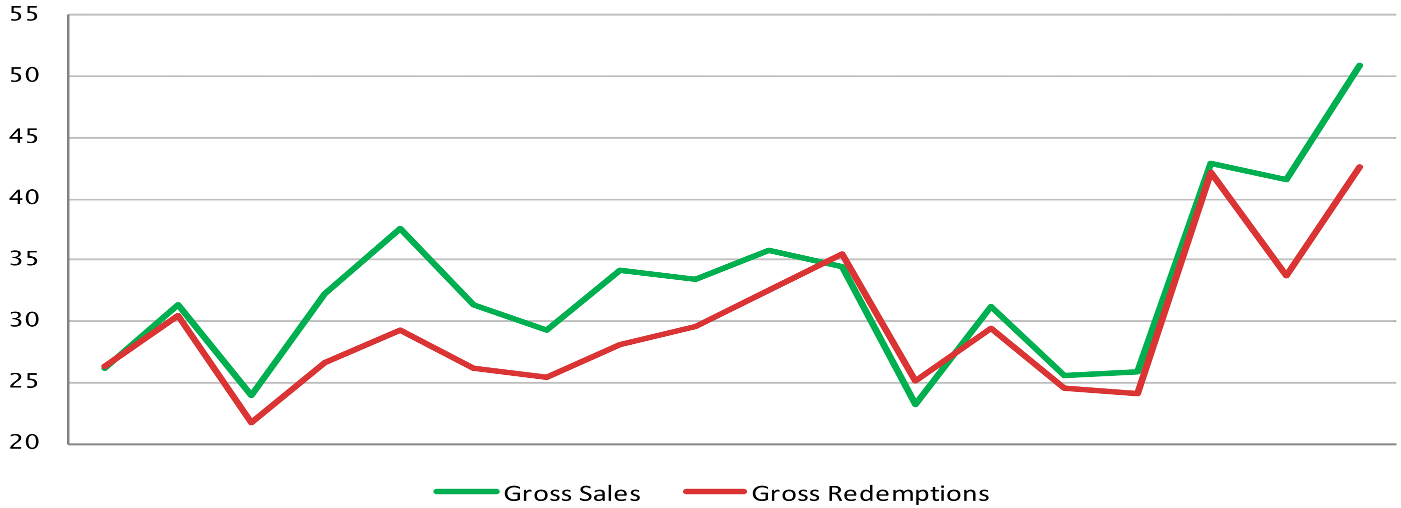


Gross flows: captive vs. non-captive ManCo

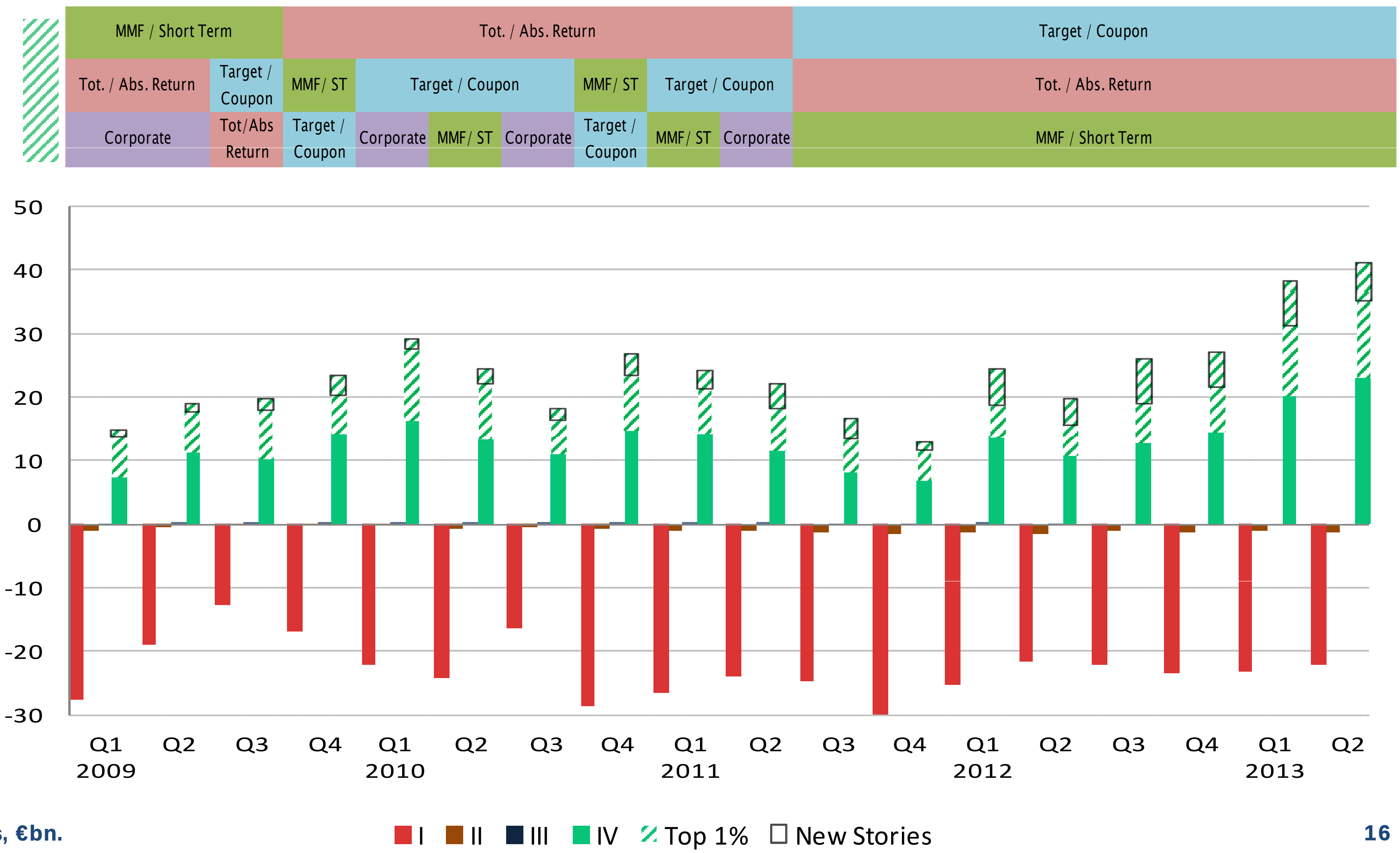
Captive



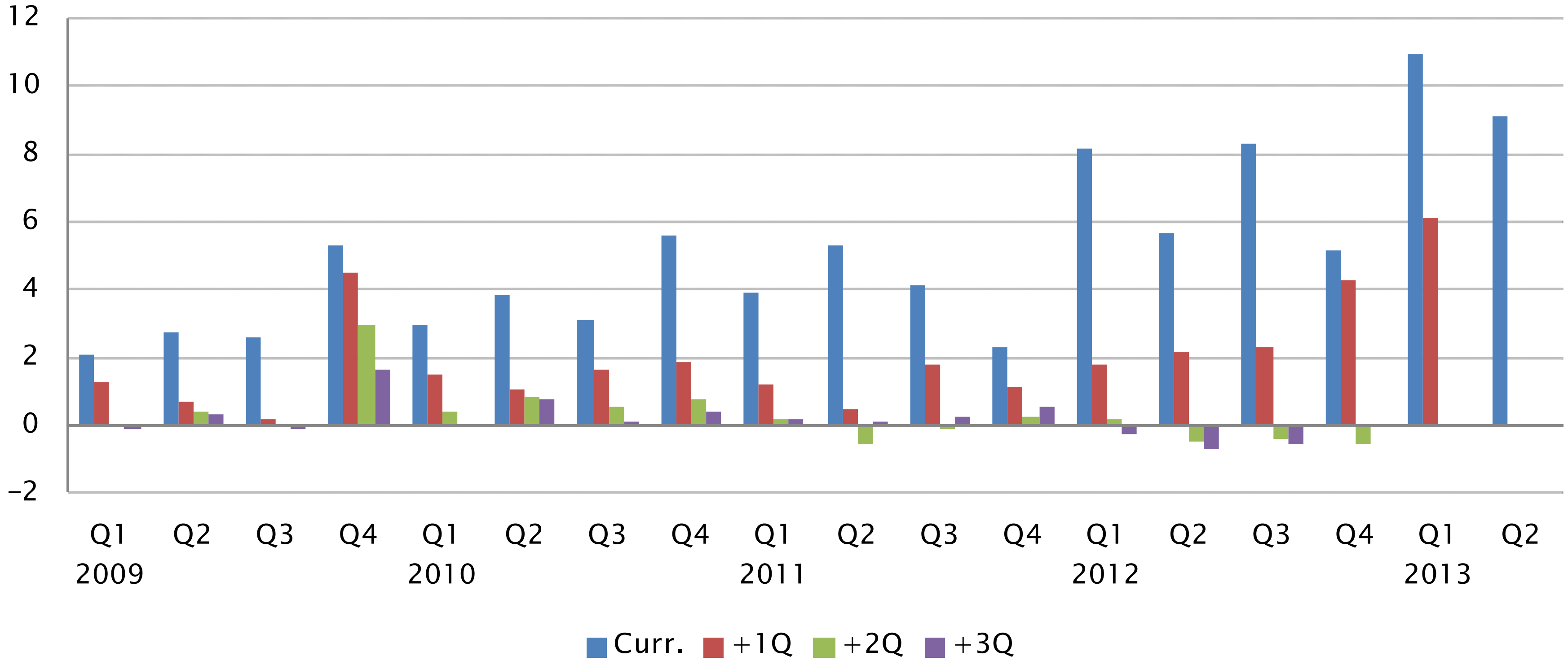
Non-captive



The *blockbuster effect* : top quartile funds take all



New stories: they sell well… but how long?



Newly launched funds ('new stories'): net flows in current & following 3 quarters. €bn.

New stories tag cloud

Year	2010	2011	2012	2013
New funds	439	536	578	277

INDEX CONVERTIBLE COUPON BREVE CEDOLA FORMULA MONEY EQUITY BOND CORPORATE CASH ETF PROTETTO MONET STRUCTURED ASIA 20 LIQUID SELECTION EMERGING

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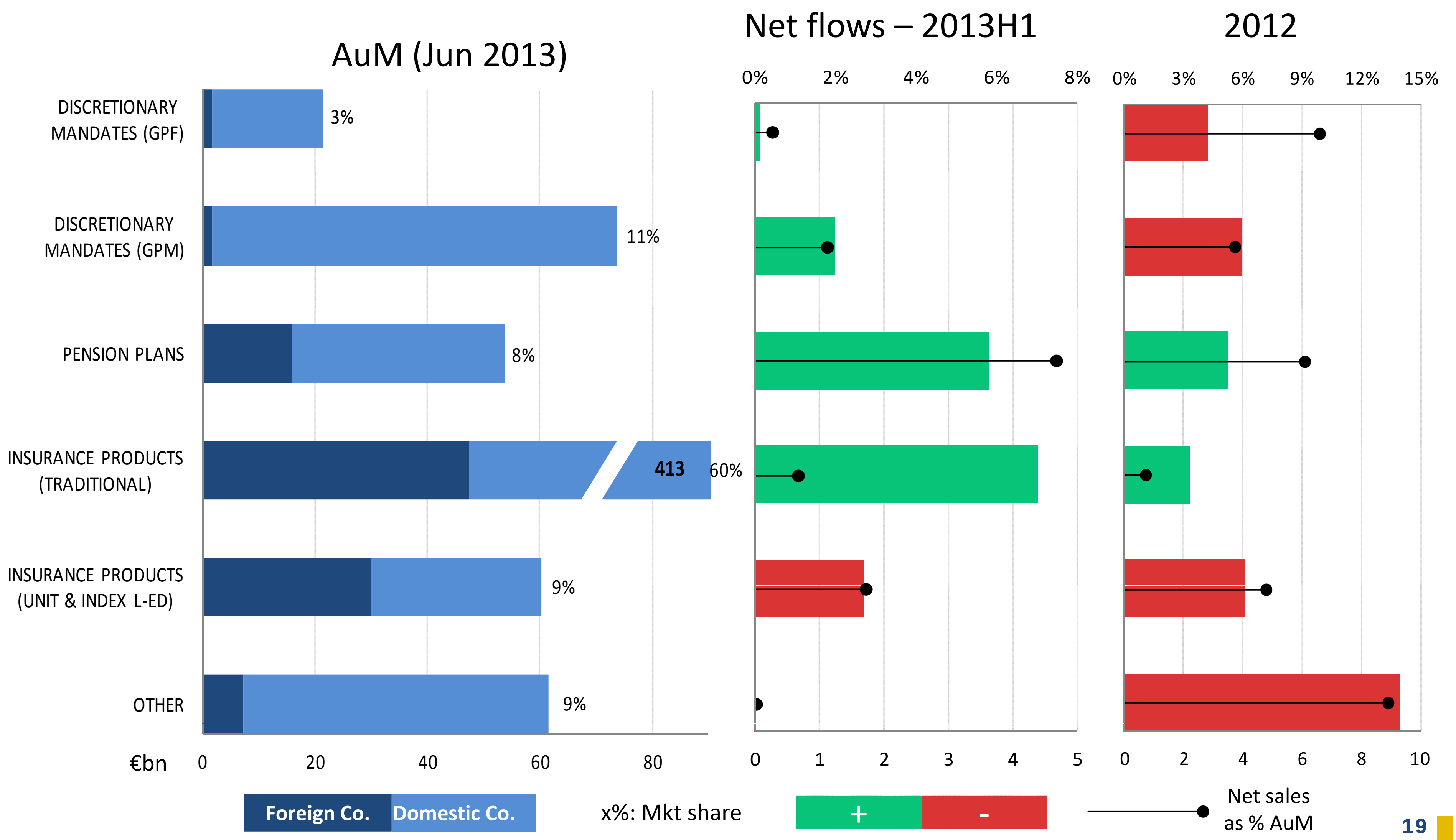
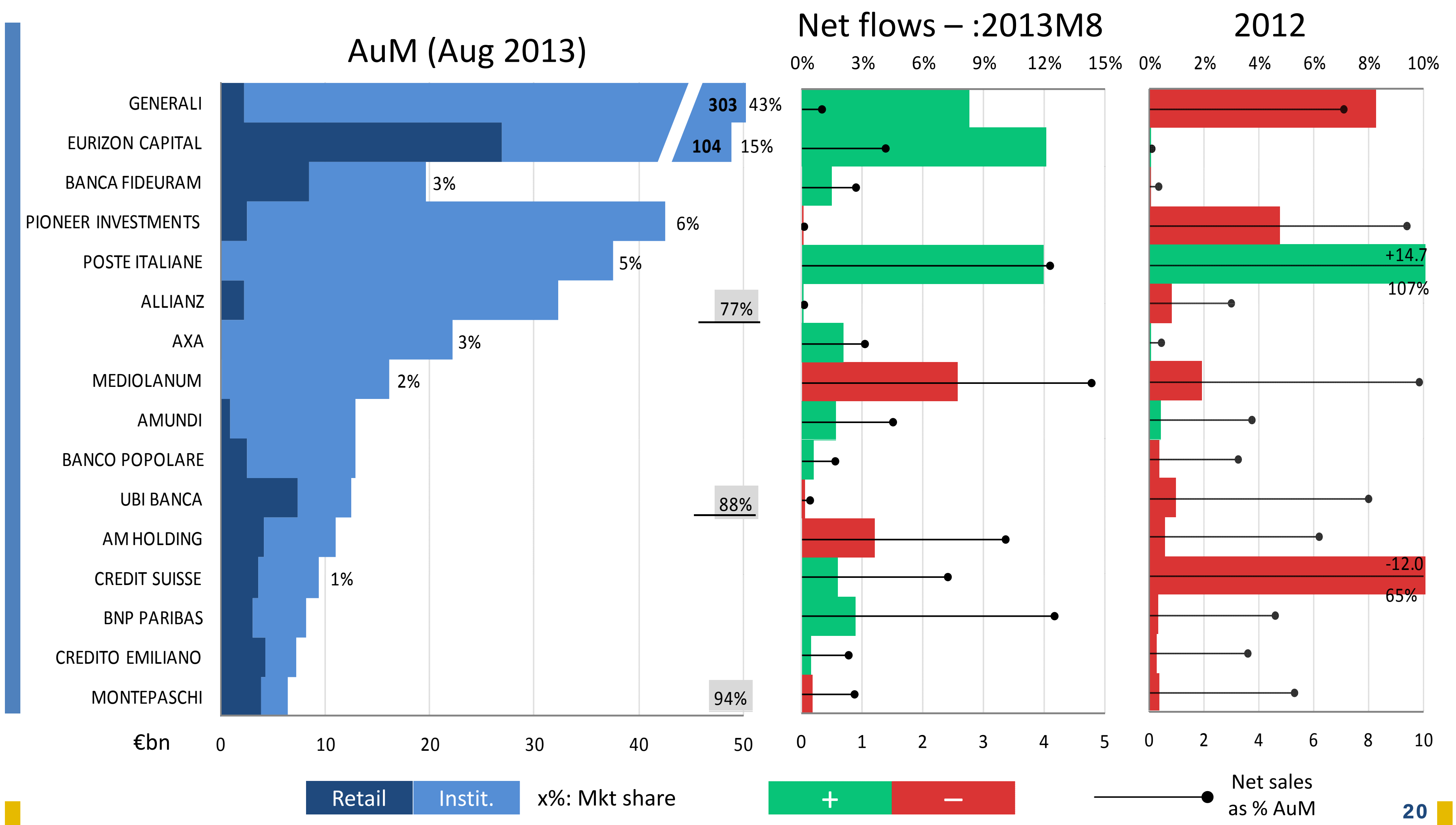
SELECTION CORPORATE BOND BREVE 20 STRUCTURED EQUITY ETF CEDOLA CASH MONET PROTETTO INDEX MONEY CONVERTIBLE ASIA COUPON LIQUID EMERGING FORMULA

Mandates: AuM & Net Sales trends



Top 15 Groups (mandates only)



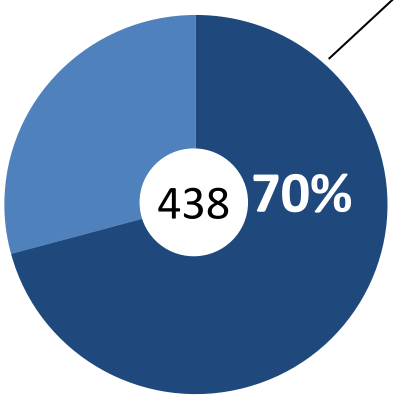
The market for Institutional Mandates

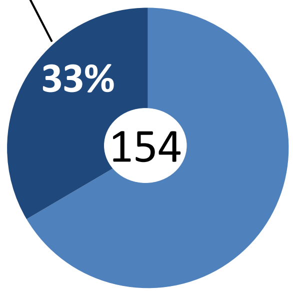
Insurance products

Managed
by ManCos

Pension funds

As is ...
(2013 Q2)





As is ...
(2013 Q2)

... and as could become:

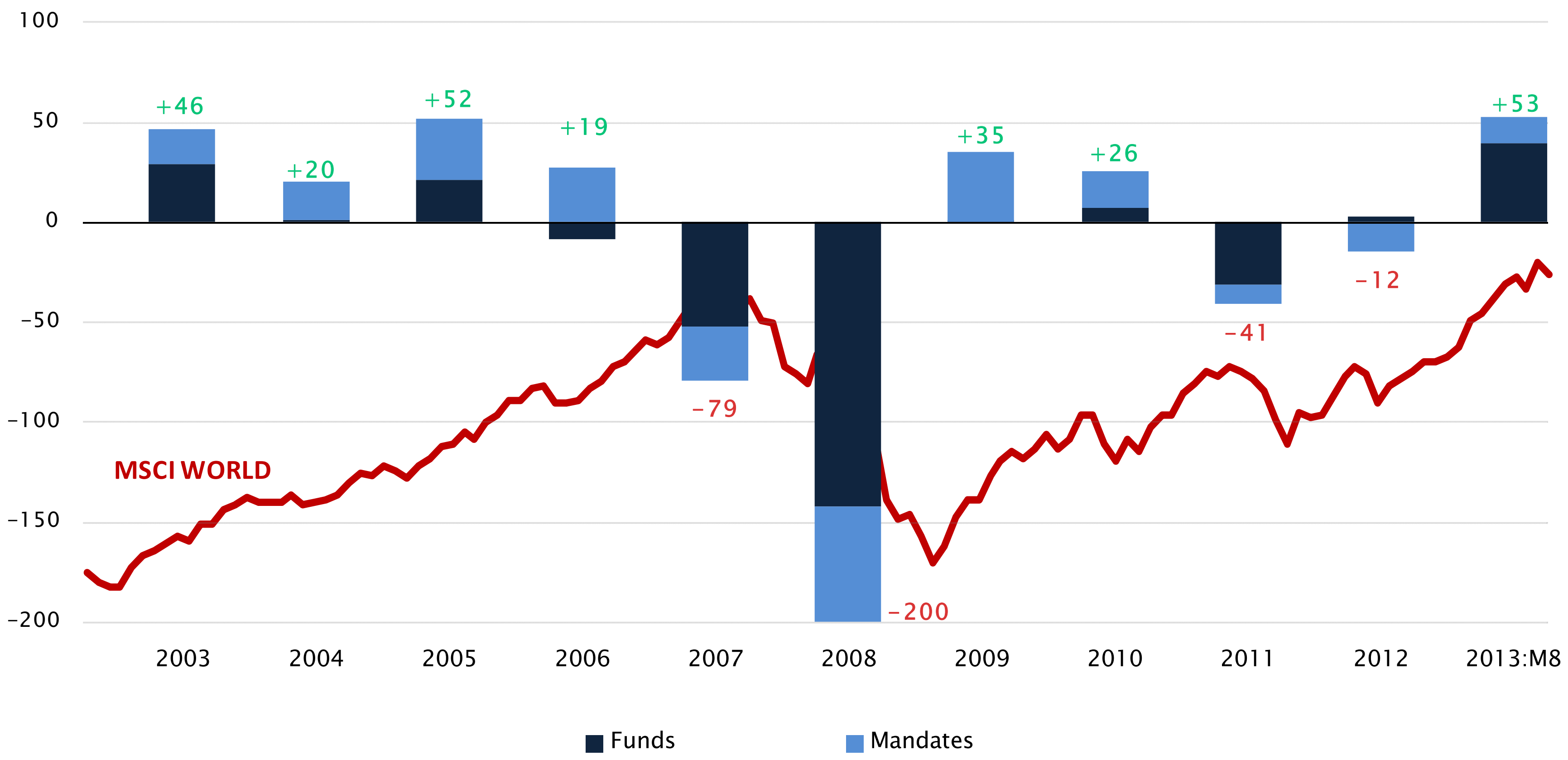
Household portfolio: share of insurance products & pension funds (2013Q1)

IT	FRA	GER	UK	USA
17.8%	34.3%	34.6%	54.4%	28.1%

Despite the economic crisis which is still affecting heavely our country, and despite the fall in the household saving rate, net flows into funds and mandates are rebounding. Why?

- **Some tentative explanations that can be drawn looking at the general features of the market (1), savers (2 & 3), distributors (banks, 4 & 5) and management companies (6).**

1. A pro-cyclical market



€bn, yearly data. Source: Assogestioni, MSCI.

2. Wealth is concentrated

top tier investors hold most of the money pot *(italian funds)*

Average investment	23.969
Median investment	10.047

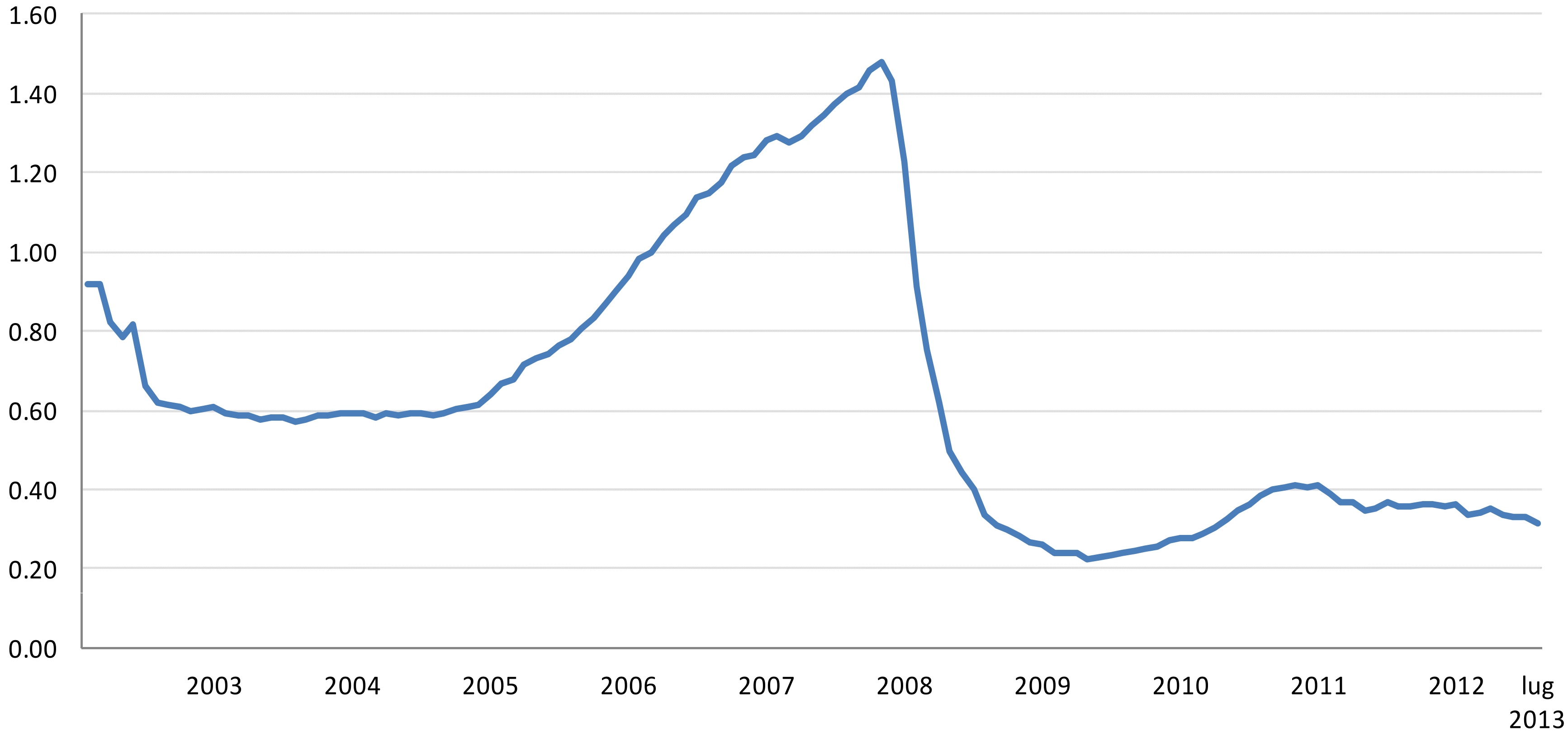
Average ≈ **Median** x 2.5

Quartile	% of assets	Limit (€)
I	1,2	3.166
II	6,4	10.047
III	16,4	24.562
IV	76,0	

25% of shareholders control **75% of assets**

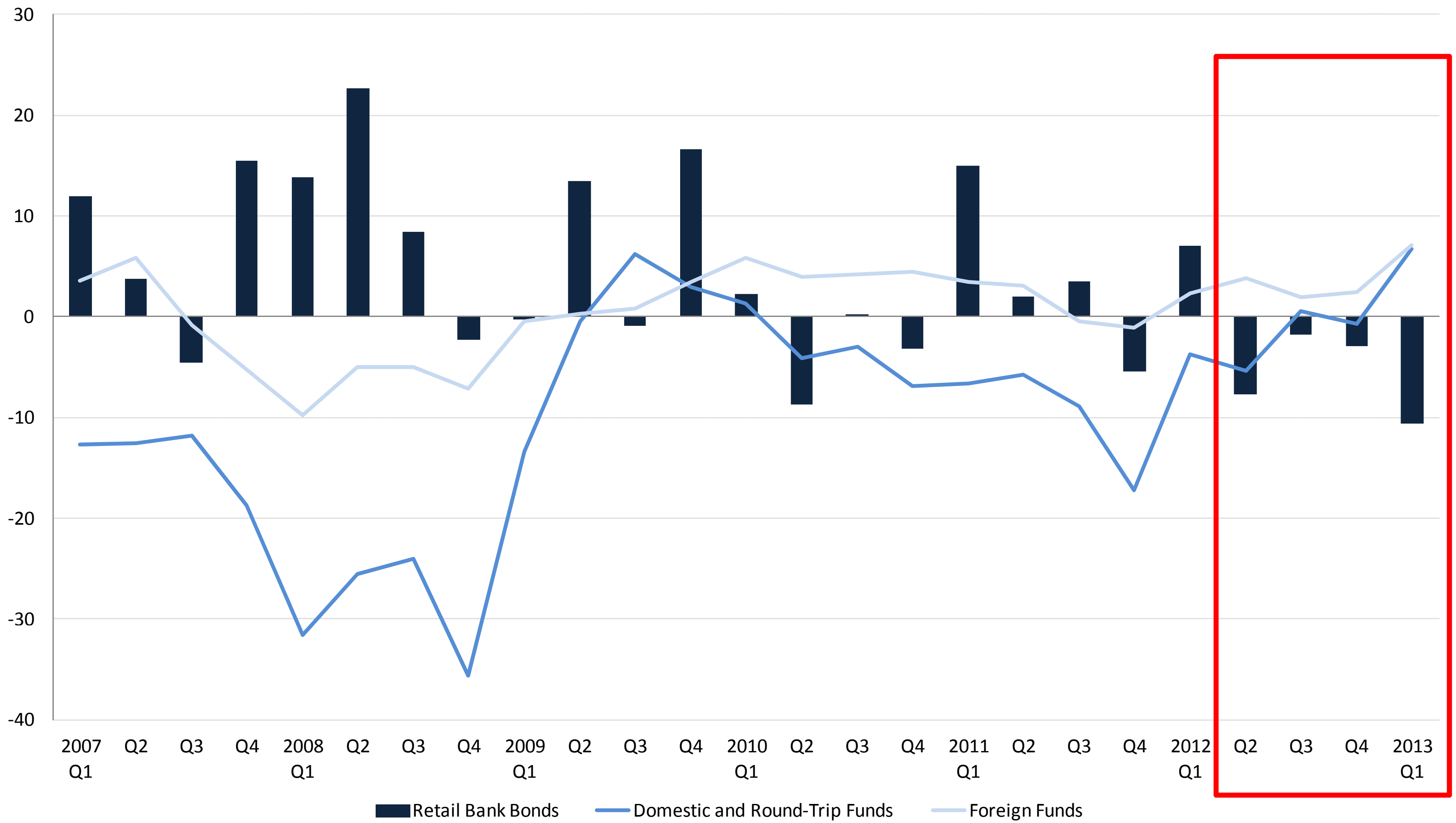
75% of shareholders invest less than 25k€

3. Bank deposits pay low interests



Interest rates on bank deposits, households. Source: Bank of Italy.

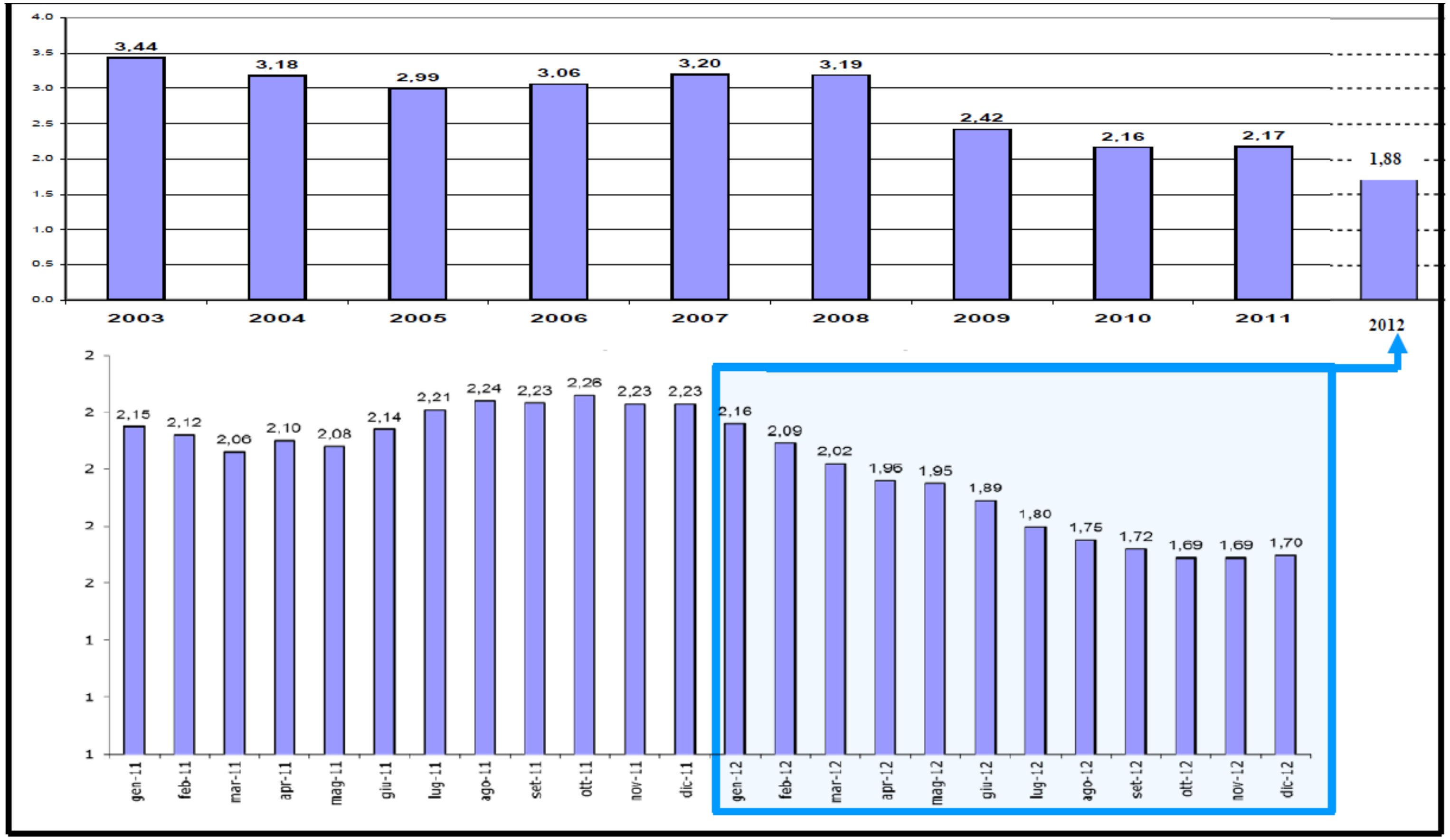
4. Banks are becoming <u>less dependent on funding from retail</u>



Quarterly flows, €bn. Source: Assogestioni, Bank of Italy.

5. Narrowing interest margins…

Commercial bank gross margins
(Difference between interested paid out on deposits and paid in on bank loans)



Source: ABI/Bank of Italy.

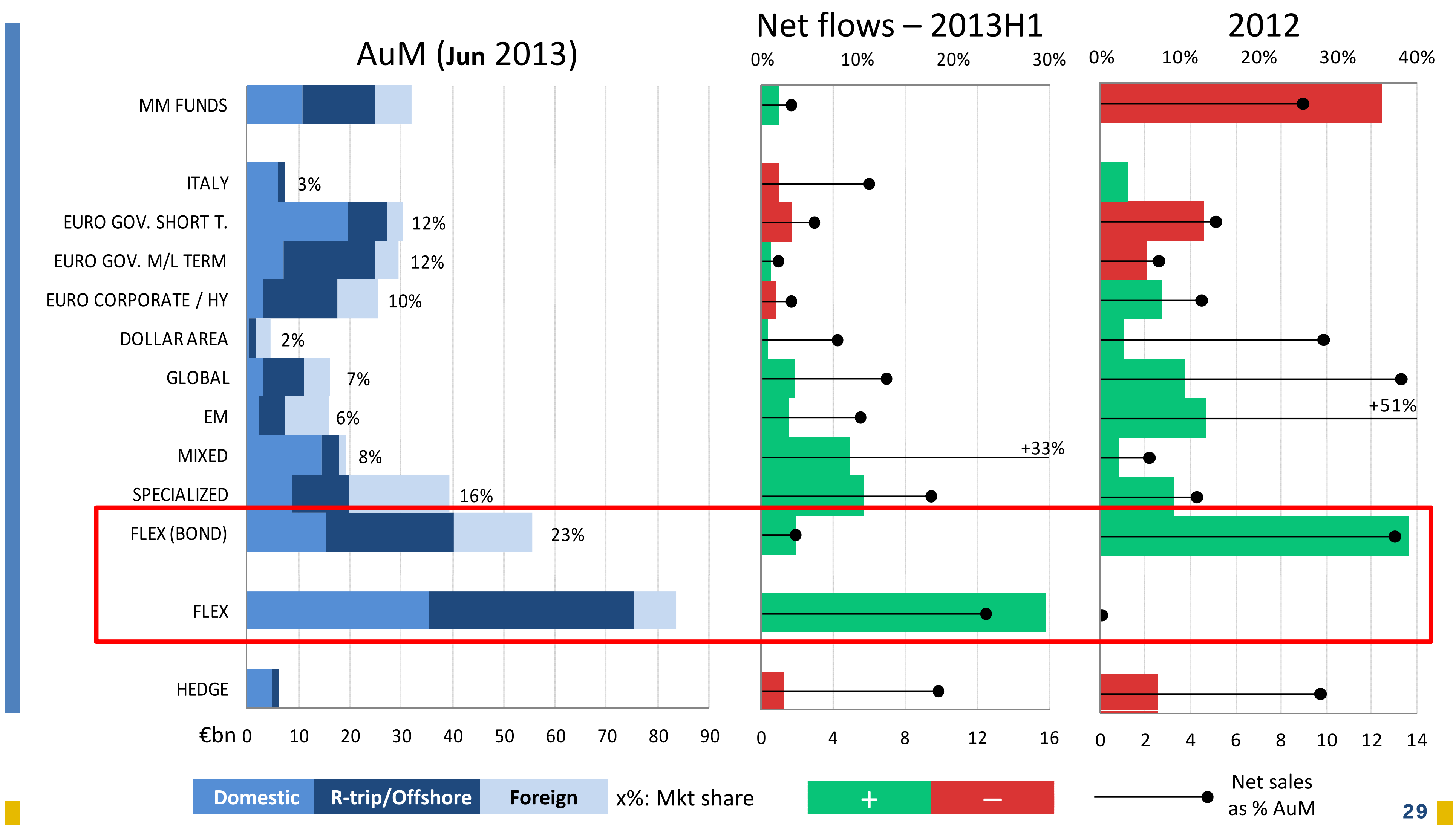
… are pushing banks to increase commission-based margins

Main balance sheet indicators
(YoY% change)

	2012 (1)	2013 (2)
Assets & Liabilities		
Loans	-1,2	1,3
Deposits	3,0	2,4
Profitability		
Revenues	3,3	-4,3
of which: interest margin	*-4,7*	*-1,9*
net commissions	*-1,3*	*7,3*
Costs	-3,3	0,2

Results and forecasts for Italian listed banking groups. Source: Bank of Italy.

6. The success of funds with high margins (target-date funds)



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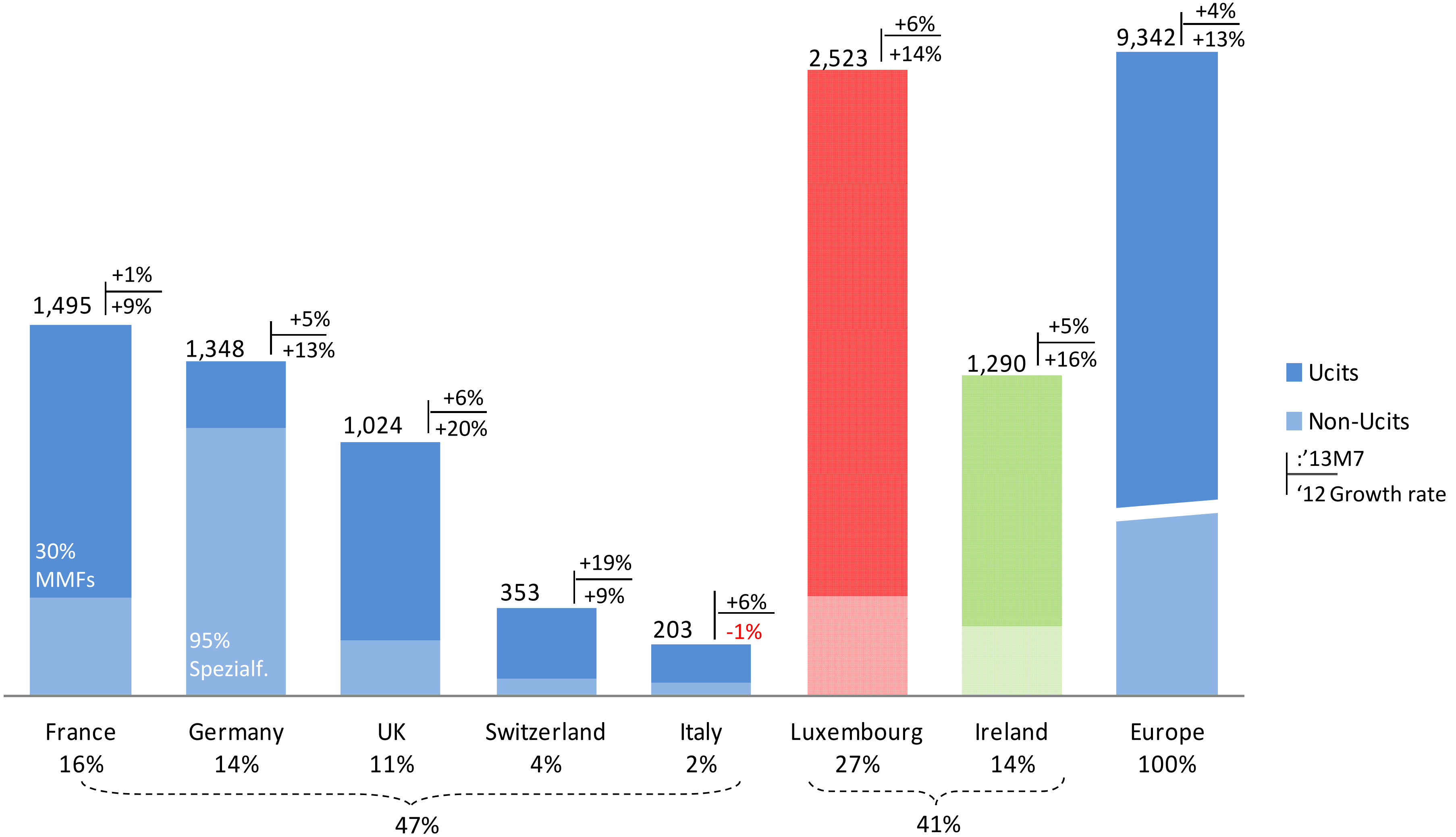
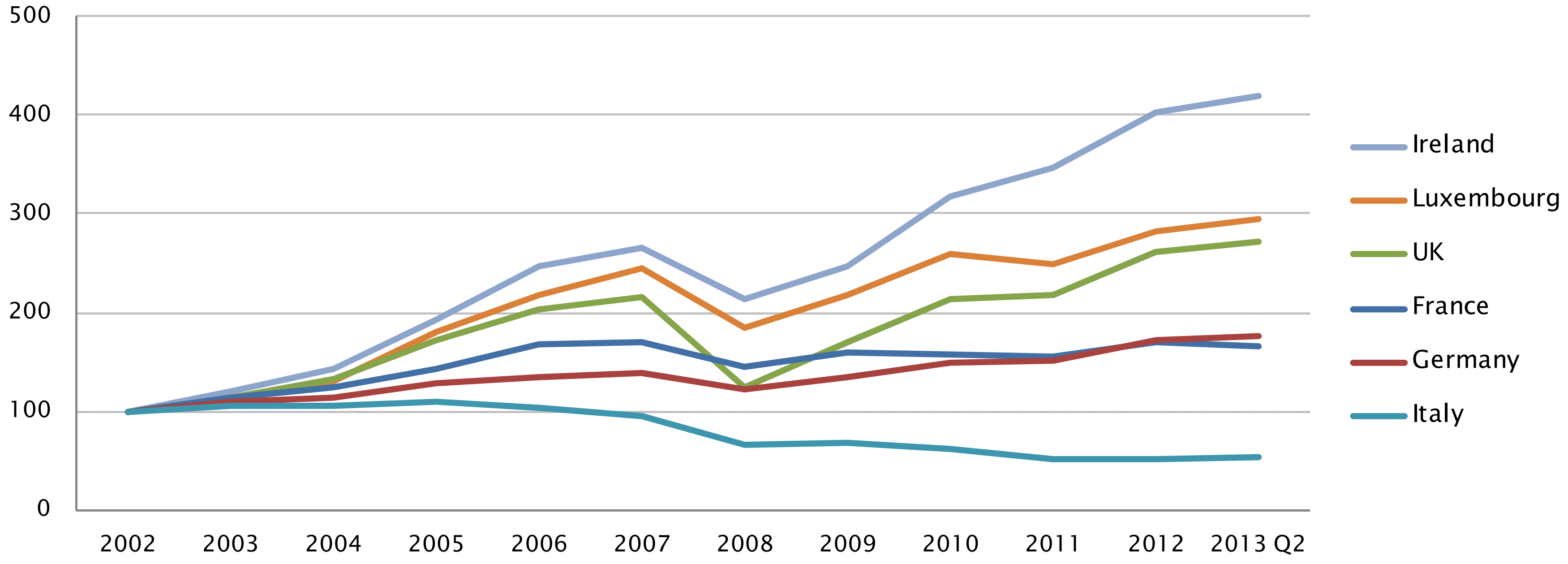
Net Assets by fund domicile

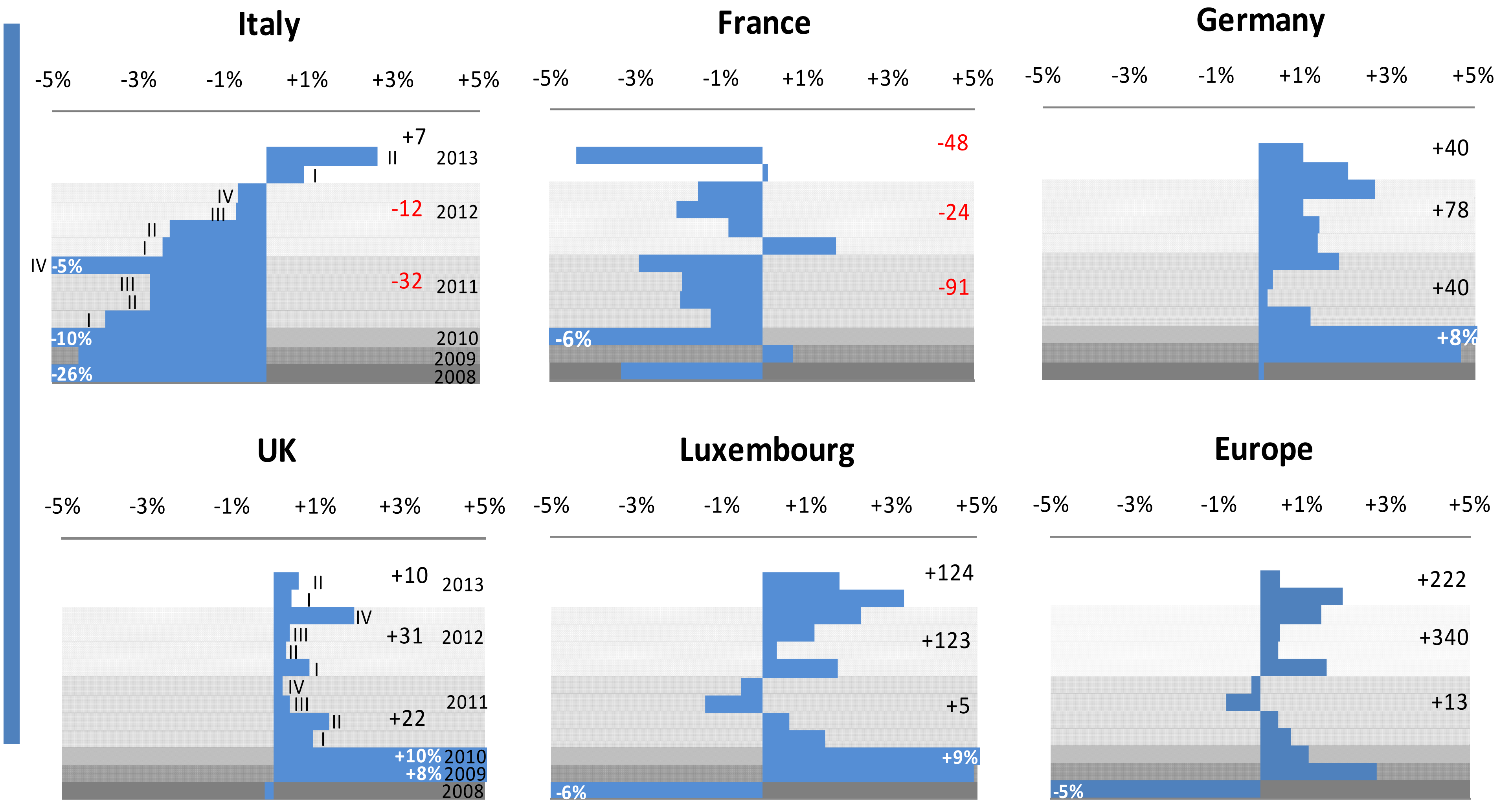


Net Assets by fund domicile – Long-term growth



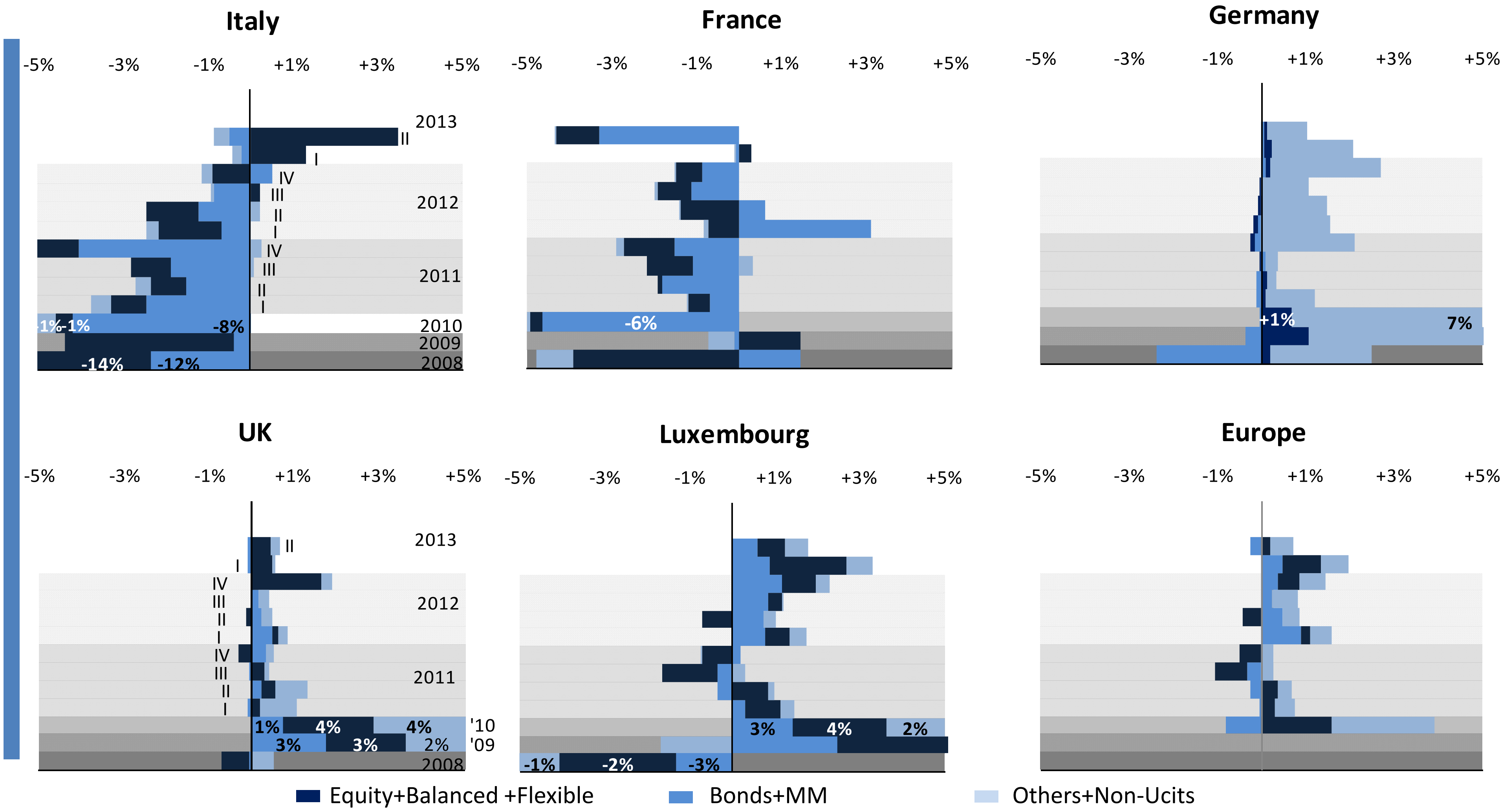
Index values. Source: Efama.

Net sales by fund domicile



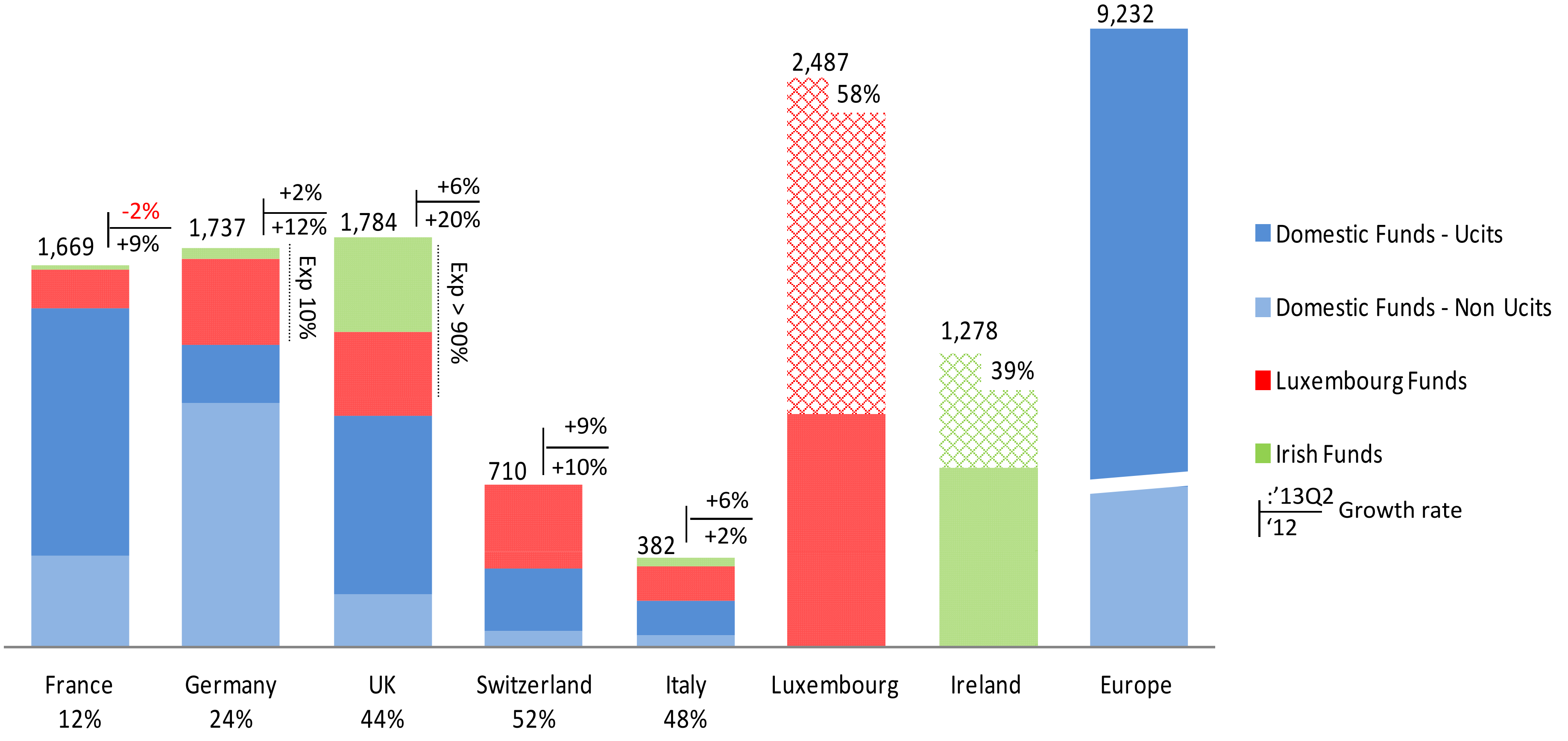
Net sales as a % of AuM. Yearly data in €bn. Source: Efama, BVI.

Net sales by fund domicile & asset class

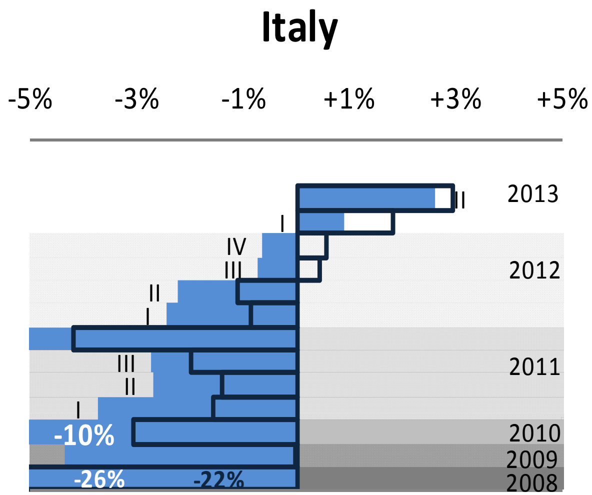


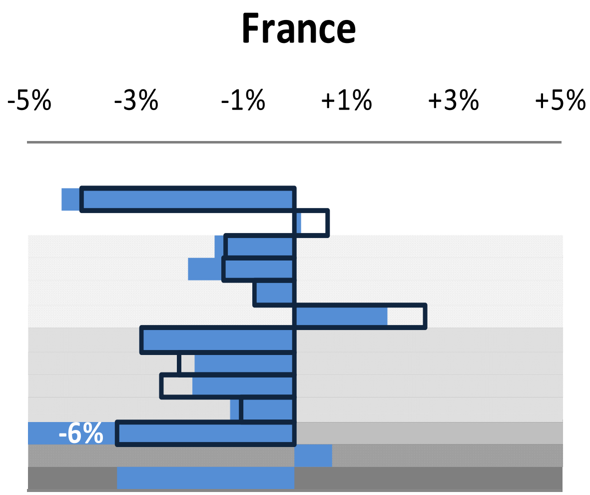
Net sales as a % of AuM. Source: Efama, Assogestioni, BVI.

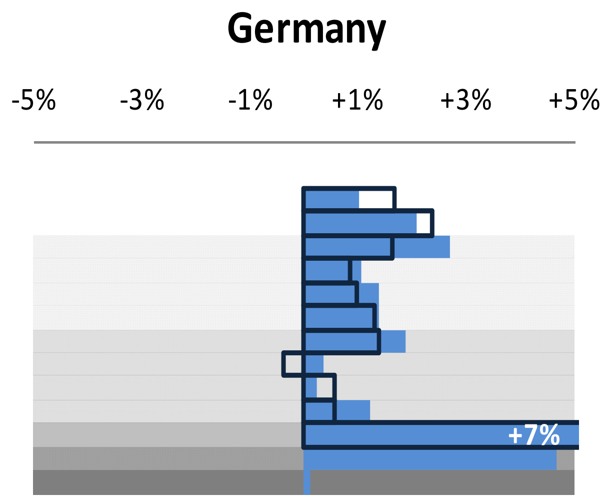
Net Assets by fund group domicile

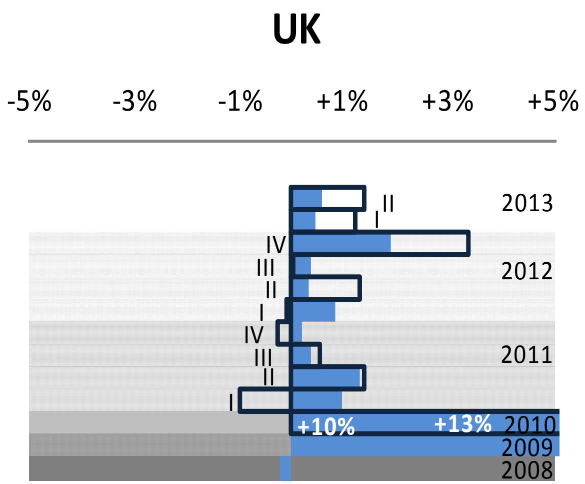


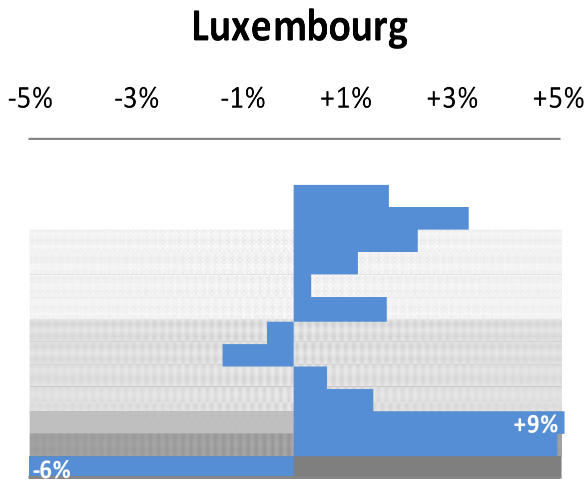
Net sales: fund domicile vs. fund group domicile

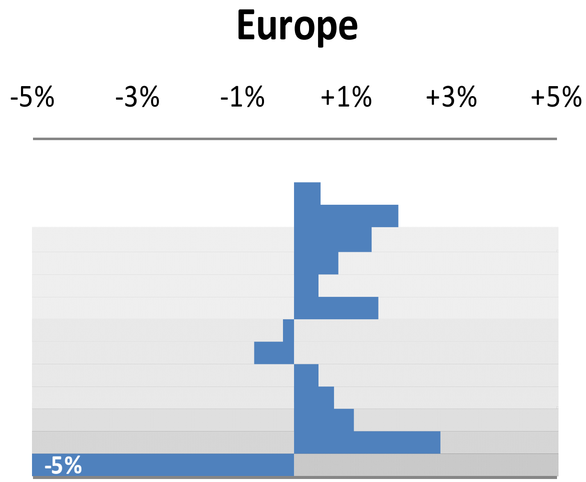












Net sales as a % of AuM. Fund domicile (blue), fund group domicile (black). Est. on Efama, Assogestioni, ALFI, IFIA & BVI data.

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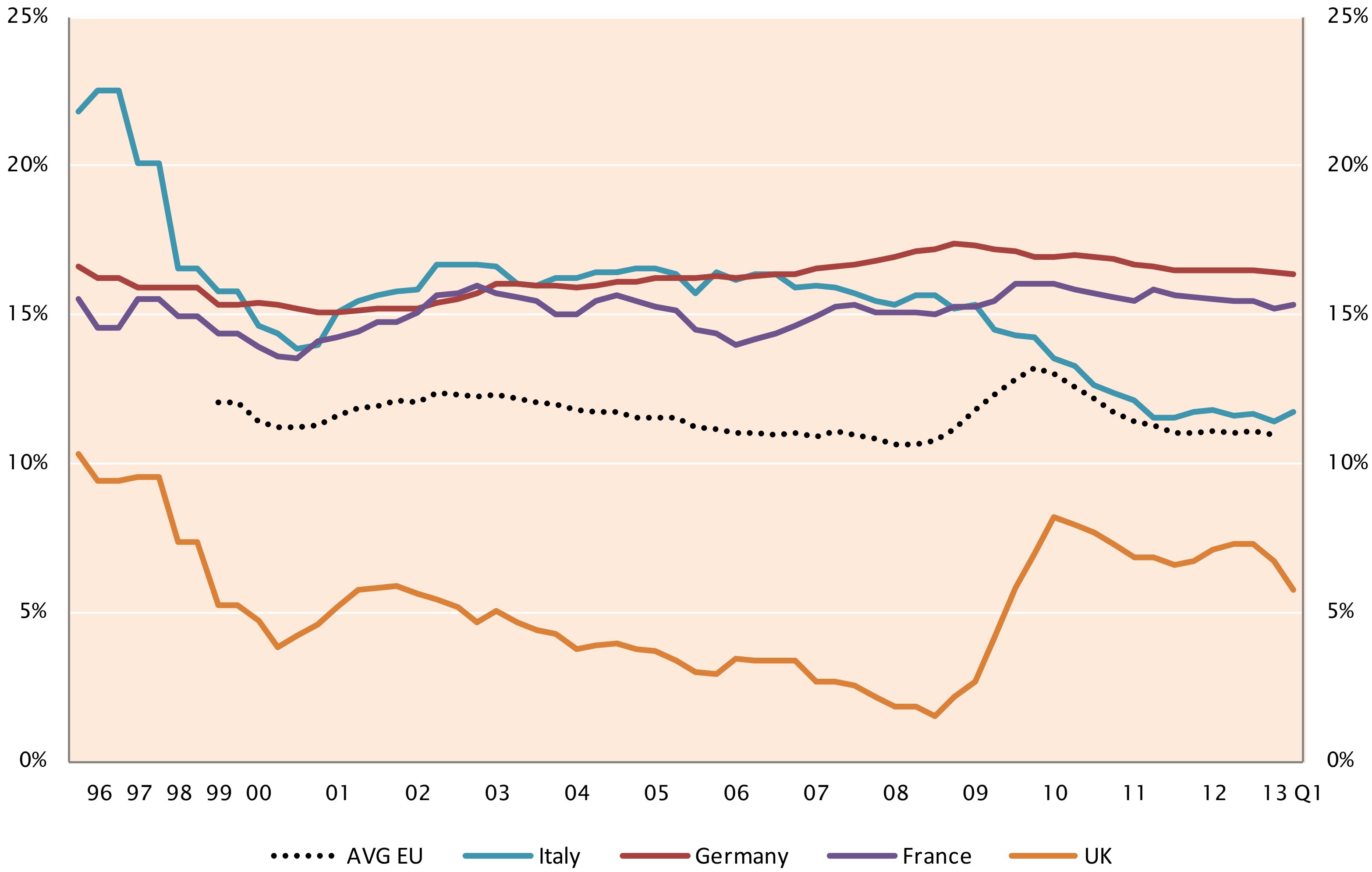
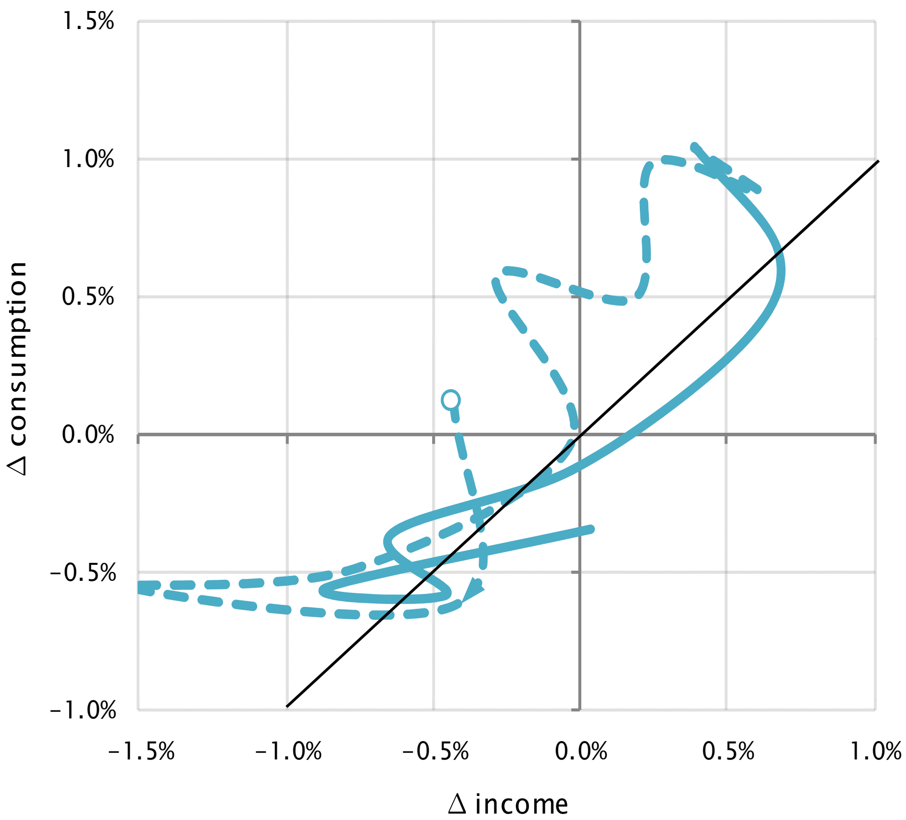
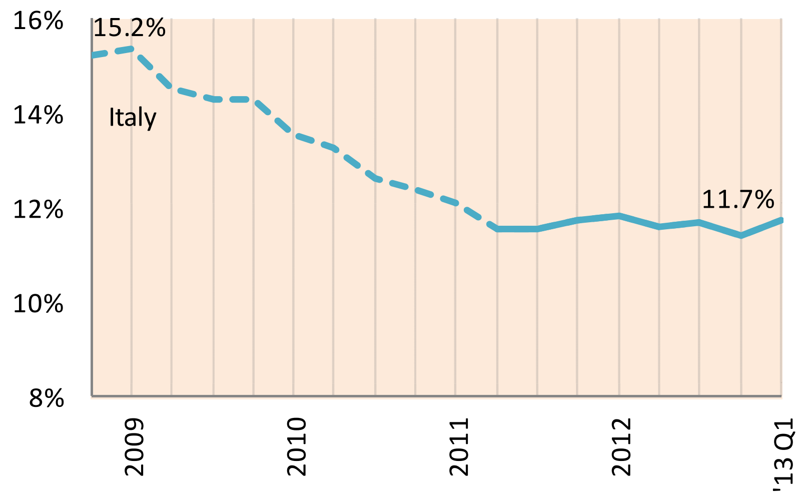
Household saving rates in Europe



Gross household saving rates. Source: Eurostat.

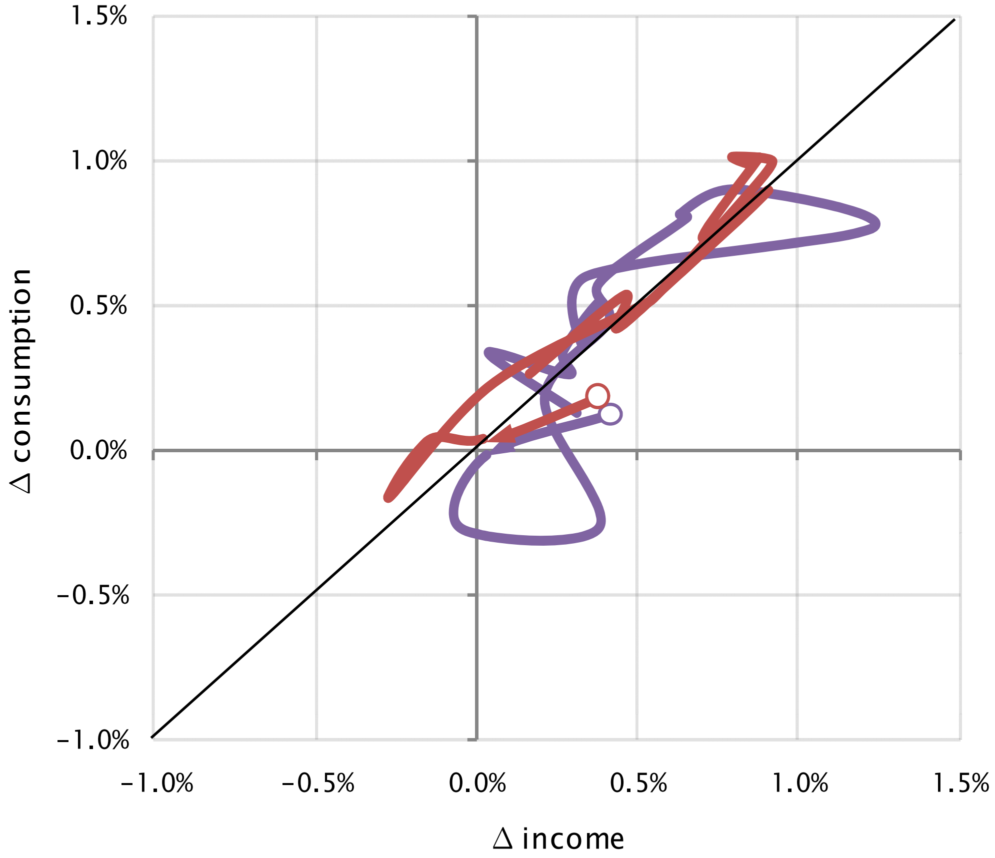
How income & consumption Δ% affect saving rates

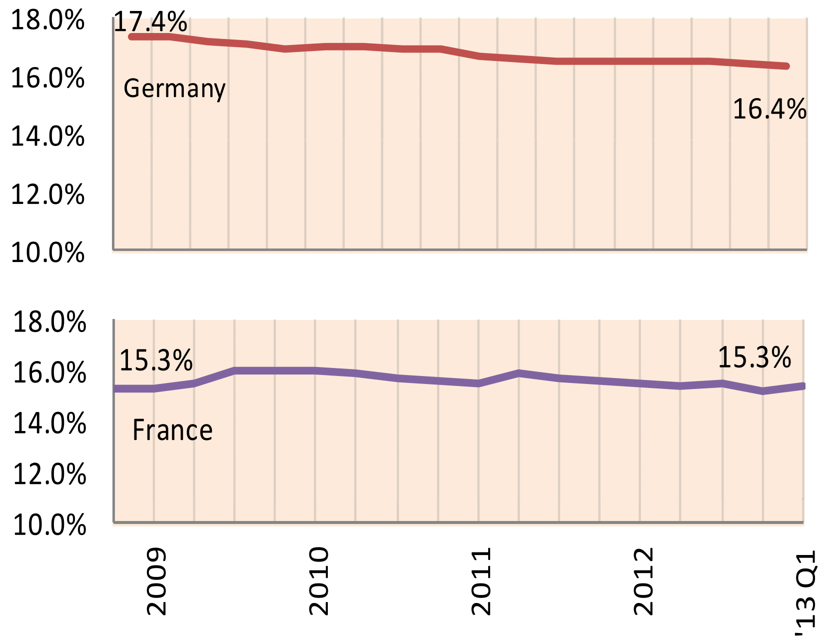




2008Q4:2013Q1. Source: Eurostat.

How income & consumption Δ% affect saving rates





2008Q4:2013Q1. Source: Eurostat.

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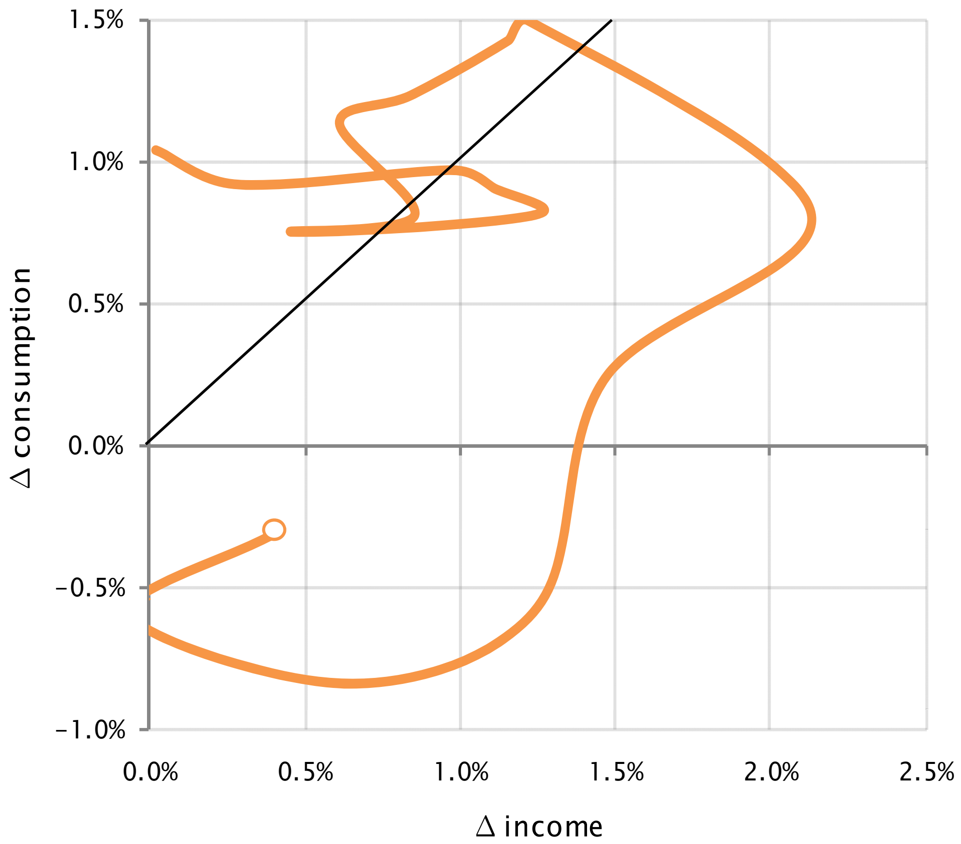
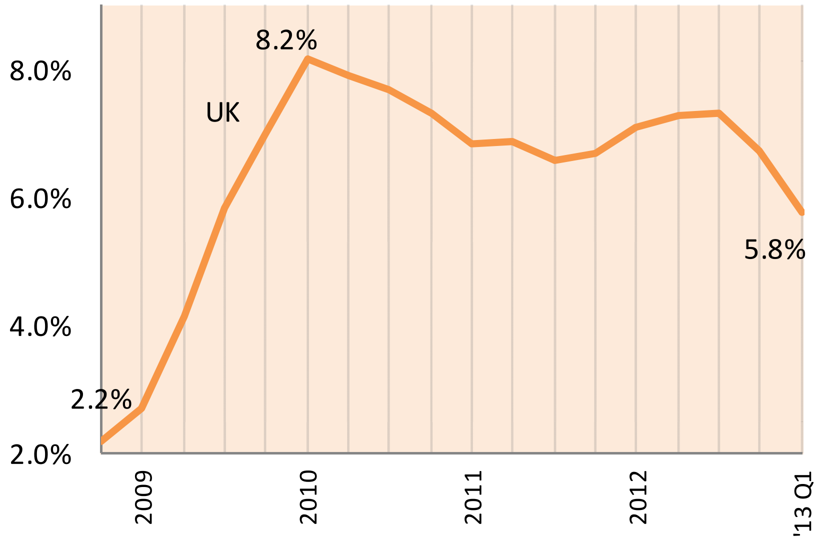




Household financial portfolio breakdown

	Total Asset € bn	Currency & deposits	Bonds		Stocks		Investment funds	Pension funds & life pr
			Total	*Issued by banks*	Total	*Listed*		
Italy								
1995	1,796	38.3	22.8	*2.1*	19.3	*1.6*	5.8	8.8
2000	3,041	22.9	16.5	*6.4*	29.5	*5.4*	17.0	10.0
2005	3,713	24.6	19.8	*7.4*	25.3	*2.5*	11.5	14.7
2010	3,723	30.0	19.0	*10.0*	22.5	*1.9*	7.2	17.2
2011	3,557	31.5	20.0	*10.6*	19.4	*1.7*	6.6	18.0
2012	3,718	31.7	18.7	*10.1*	20.5	*1.6*	7.2	17.6
2013 Q1	3,717	31.9	17.3	*9.4*	21.4	*1.5*	7.7	17.8
France	4,328	29.6	1.5	*n.a.*	17.0	*3.5*	6.9	34.3
Germany	4,992	40.5	4.6	*n.a.*	9.3	*n.a.*	8.7	34.6
UK	5,606	28.1	0.5	*n.a.*	10.0	*4.2*	2.9	54.4
USA	45,038	14.0	9.3	*n.a.*	33.7	*n.a.*	11.9	28.1

High level of *direct investment* (~ 40%)

Significant amounts of *bank issued bonds* (10%)

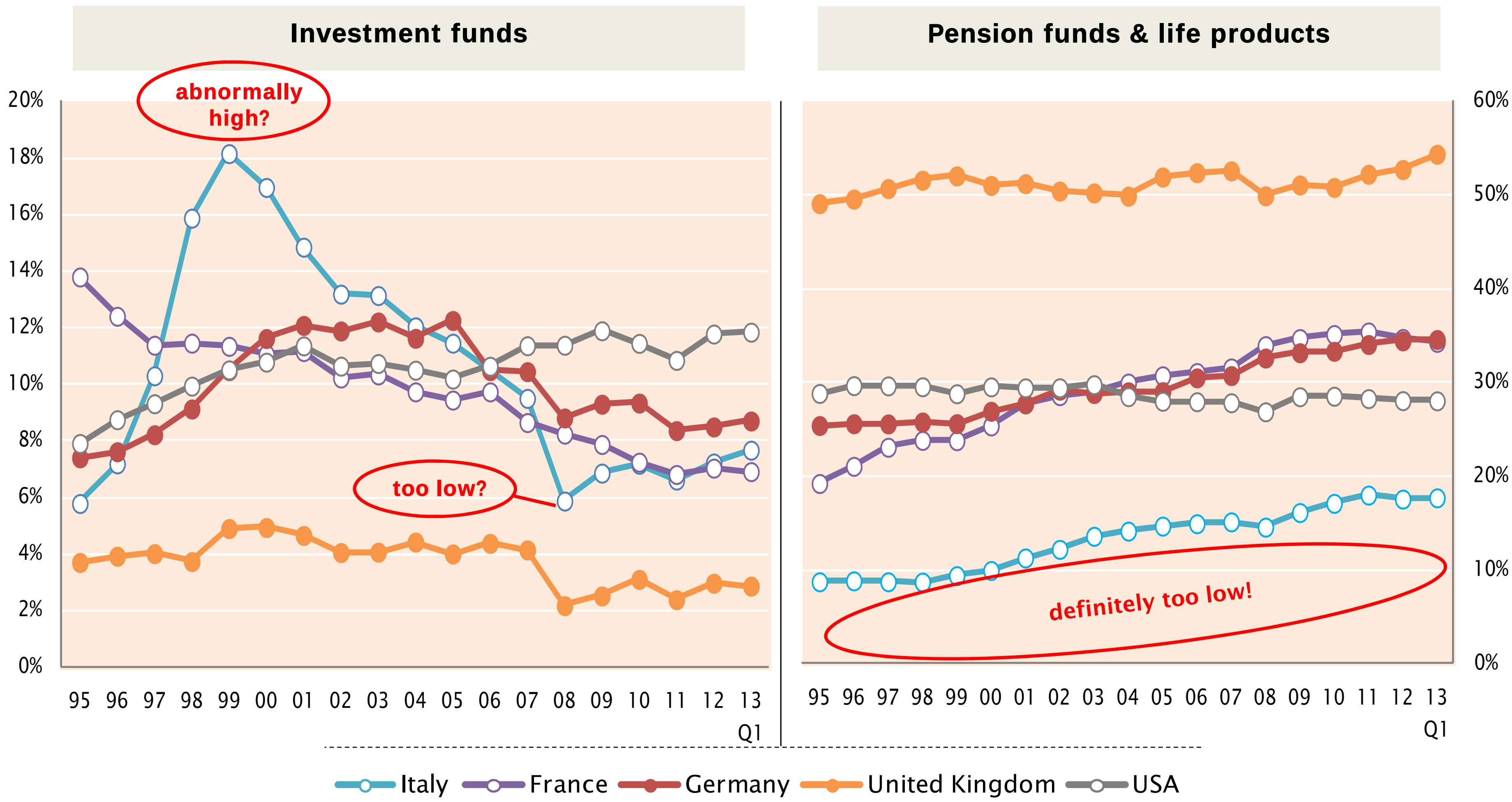
Negligible level of *listed shares.* High level of *unlisted* ones.

Funds: rise until 1999 (18%) then fall (**hump shaped**)

Pensions/life product: up but still **too modest**.

%. Source: Eurostat, OECD, BCE, Deutsche Bundesbank.

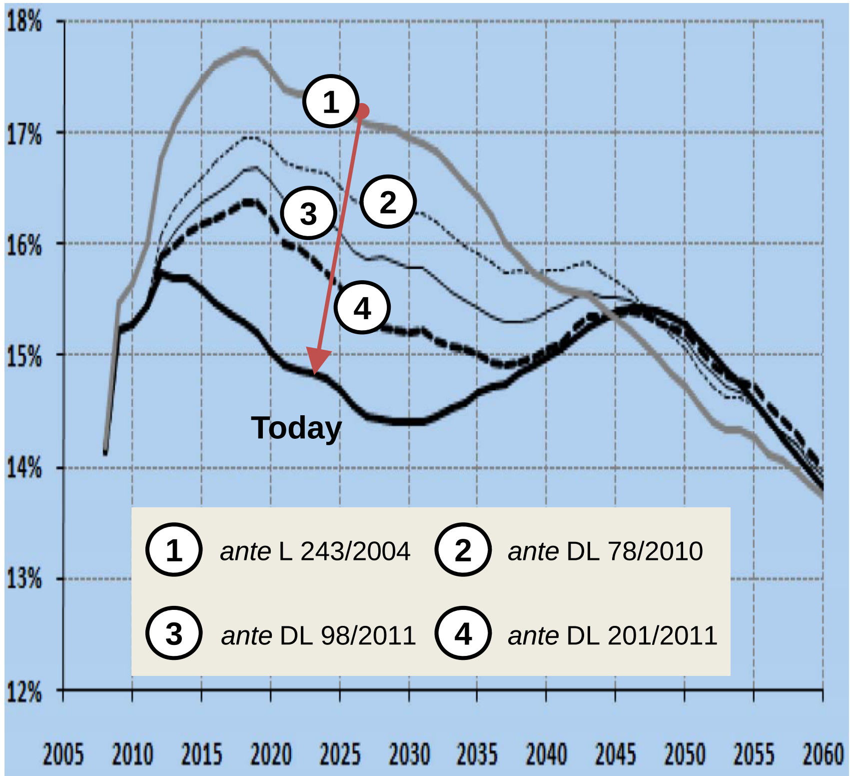
Managed products in household portfolios



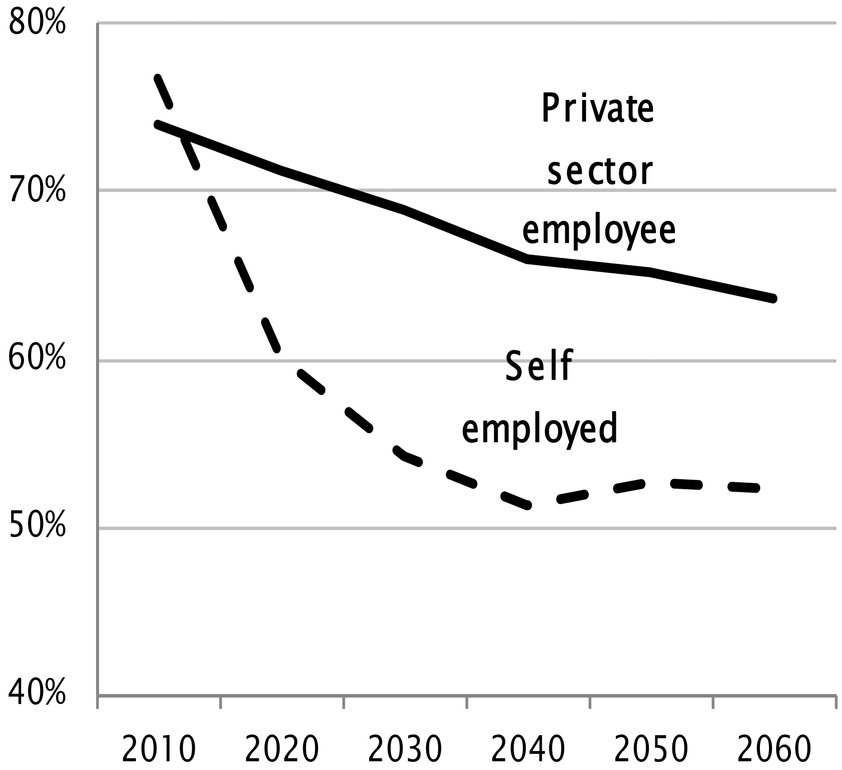
Source: Eurostat, OECD, BCE, Deutsche Bundesbank.

Public Pensions (1st pillar)

Cost (% GDP)



Future substitution rates
Age: 68 (70) + 38 (40)y of contrib.



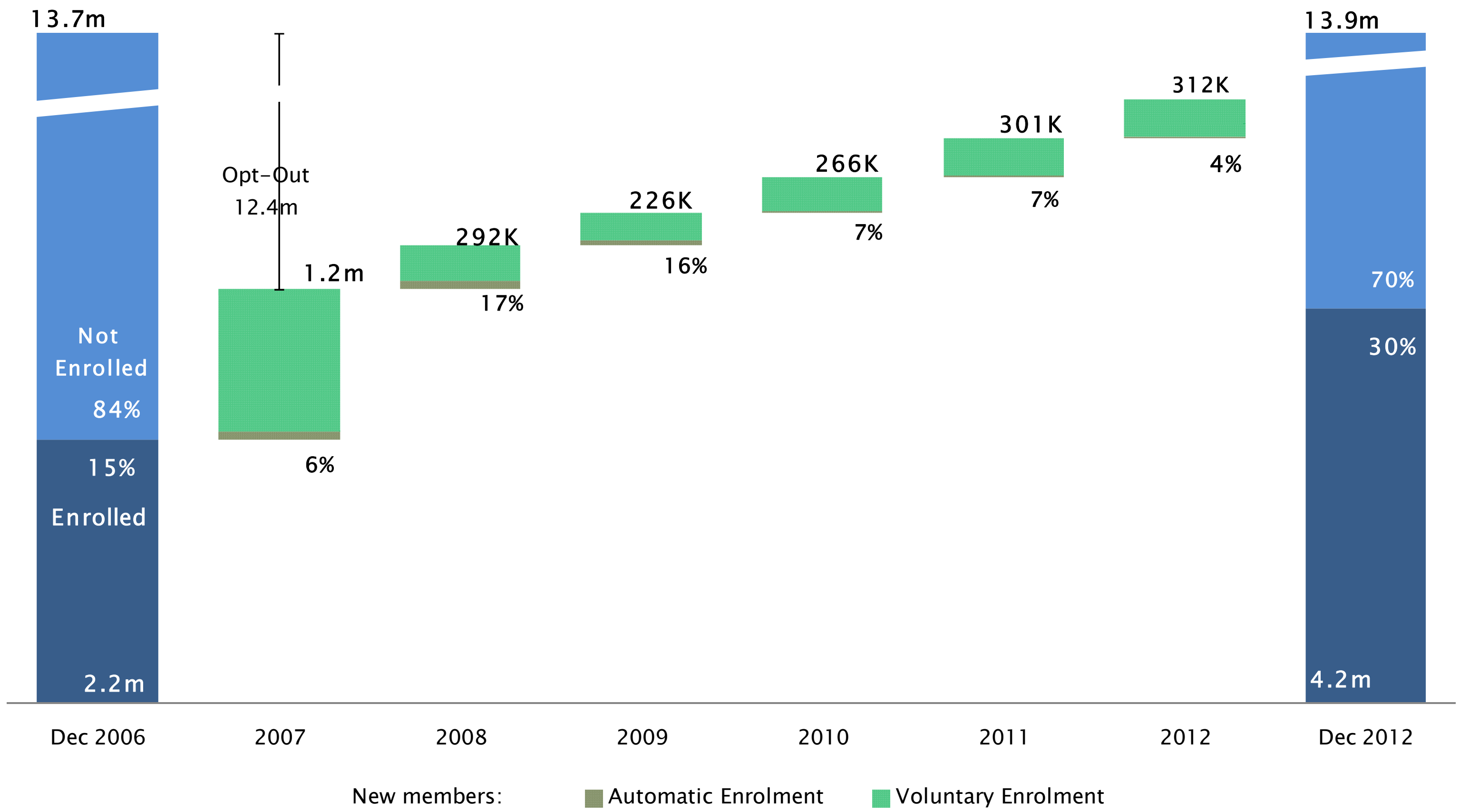
Private pension plans at a glance (2nd & 3rd pillar)

	2012			2008
	(,000)	Working pop. (est.)	Membership rate	Membership rate
Member breakdown	**5,829**	**22,899**	**25%**	**21%**
Private sector employees	4,161	13,931	30%	26%
Public sector employees	155	3,283	5%	4%
Self-employed	1,513	5,685	27%	19%

	2012 Members				Assets	
	(,000)	%	'12 Δ %	4y Δ %	(€ m)	*% GDP*
Vehicle breakdown	**5,829**	**100%**	**+5%**	**+15%**	**104,401**	6.7%
Contractual p.f.	1,970	34%	-1%	-3%	30,174	
Open p.f.	914	16%	+4%	+11%	10,078	
Ind. Insurance Plans (PIP)	2,312	39%	+14%	+49%	16,086	
Ante 1993 p.f. ('pre-existing')	660	11%	-1%	-2%	48,010	

Source: Covip, Istat, RGS.

Private sector employees: failure of automatic enrolment



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