ASSOGESTIONI
associazione del risparmio gestito

The Italian Asset Management market
key figures

23 April 2014

Research Department

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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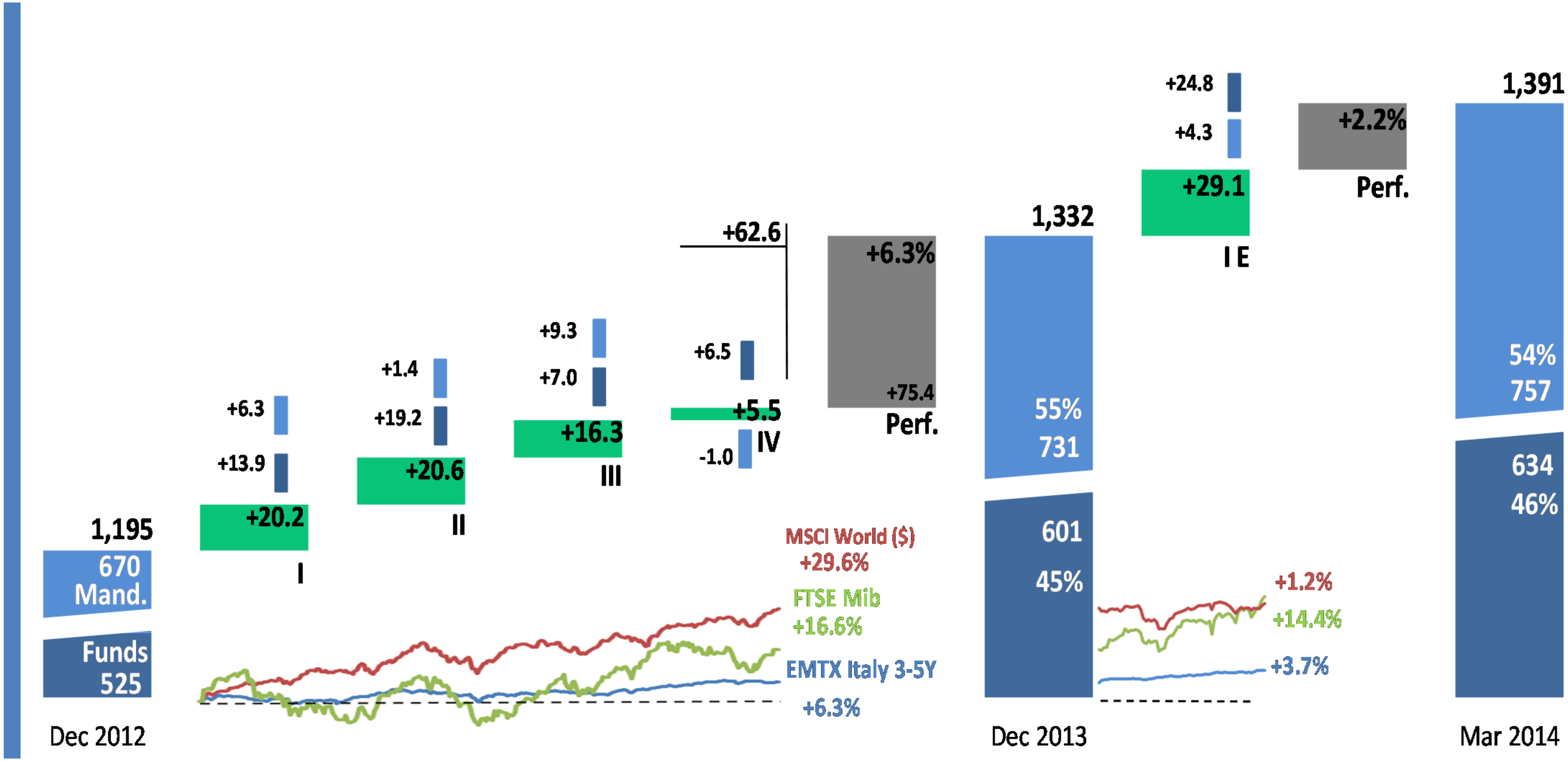
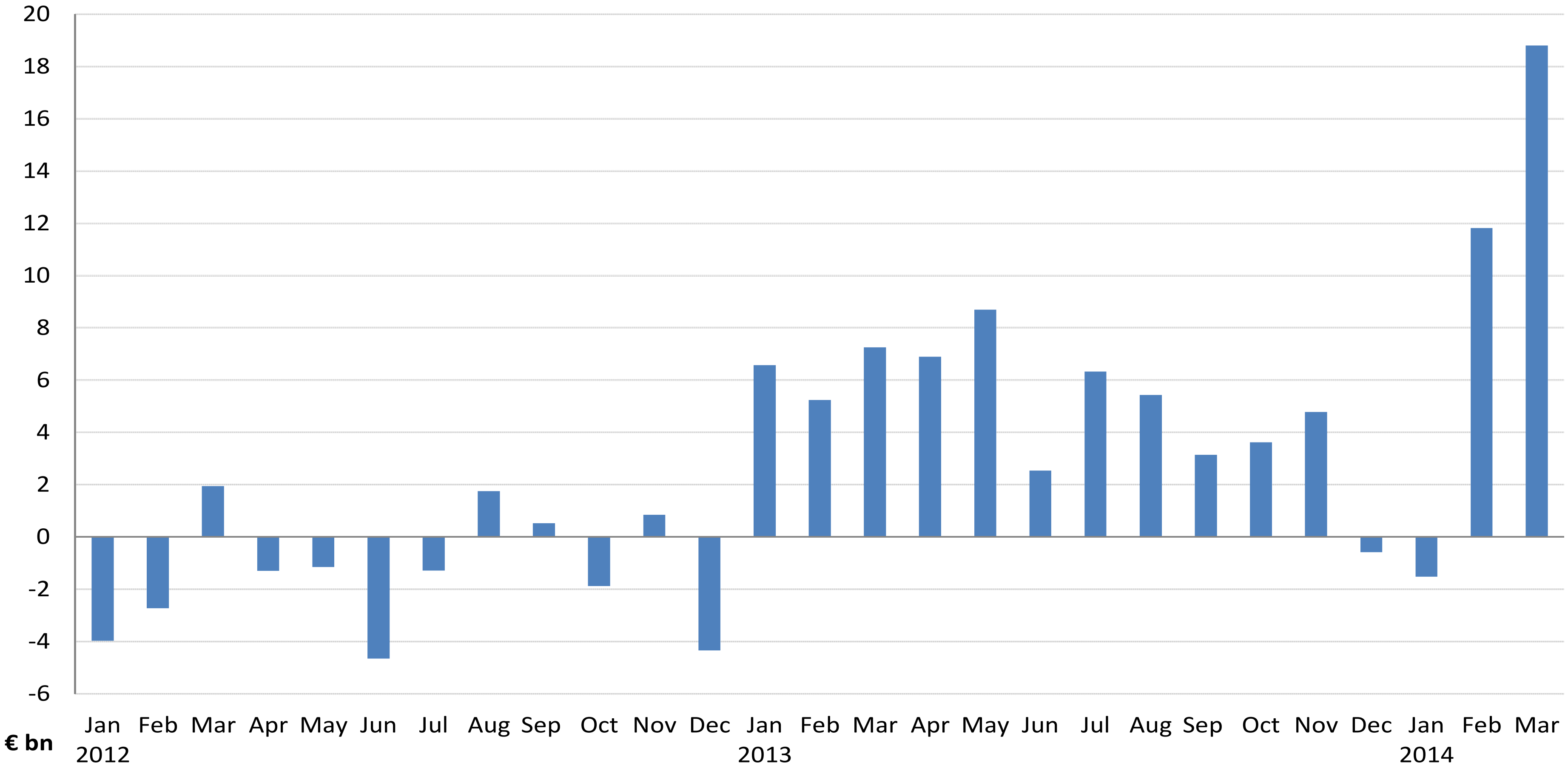
The Italian AM market (Jan 2013:Mar 2014)

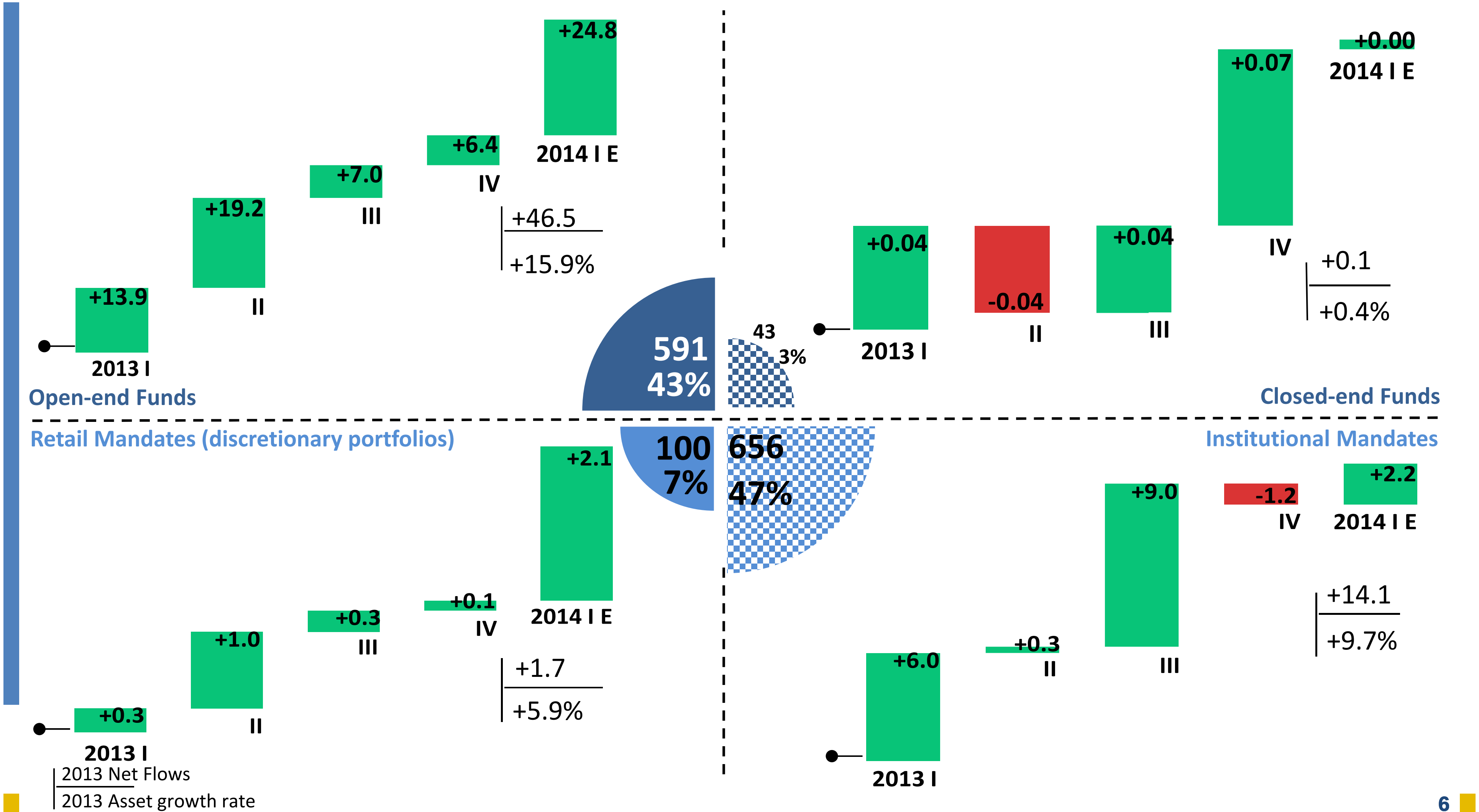


Net flows are rebounding

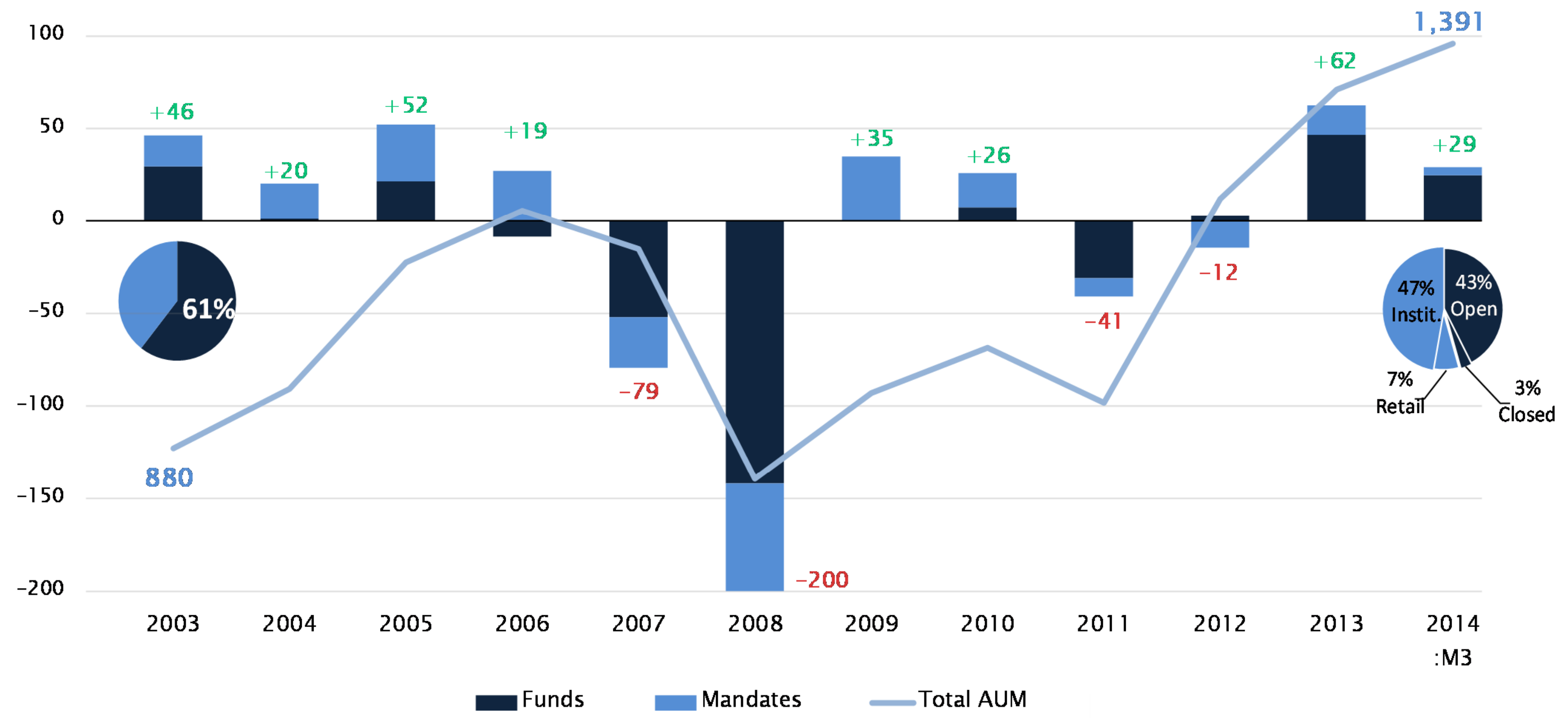


Monthly data. Source: Assogestioni.

Product breakdown

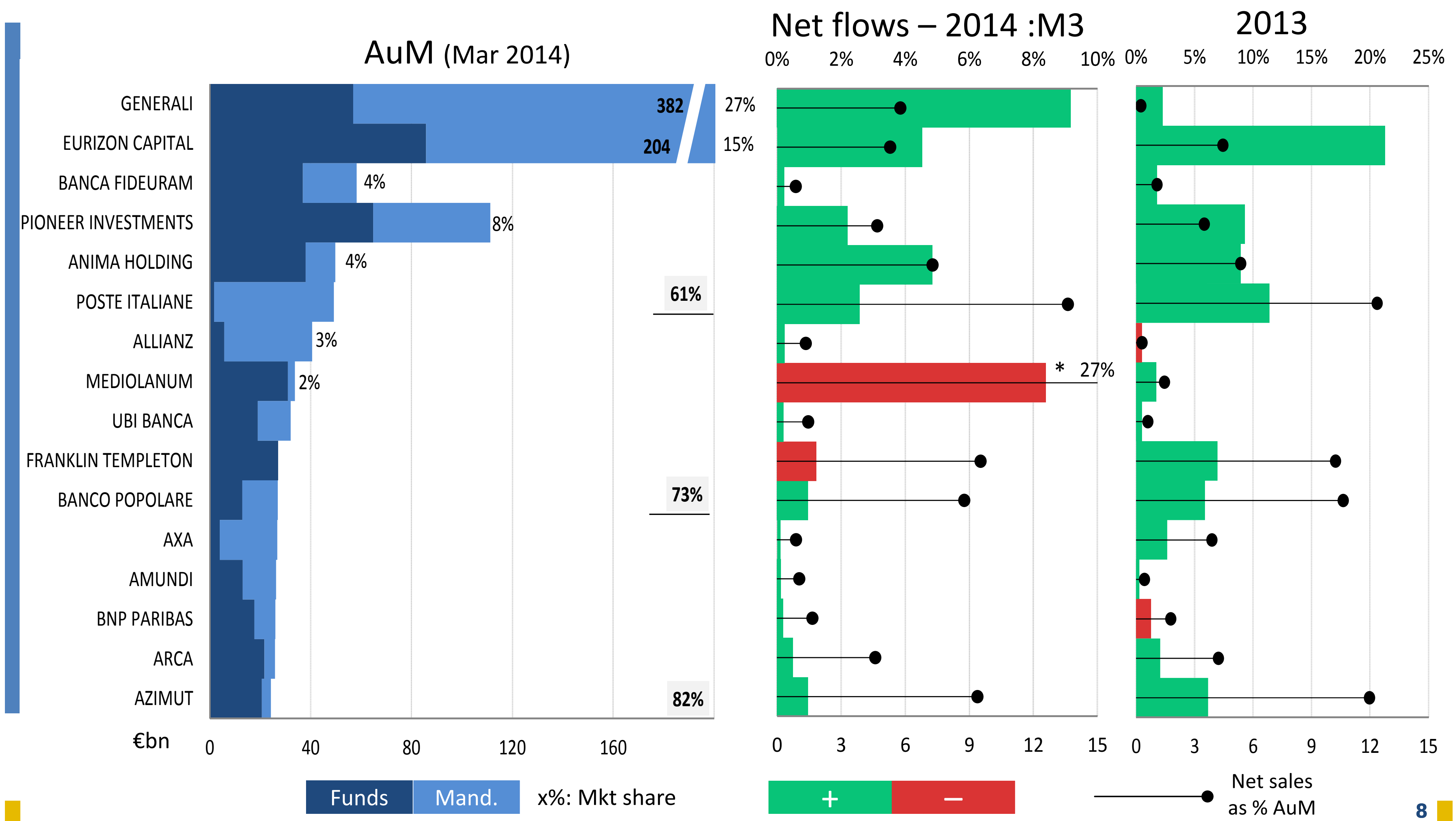


Long term trend

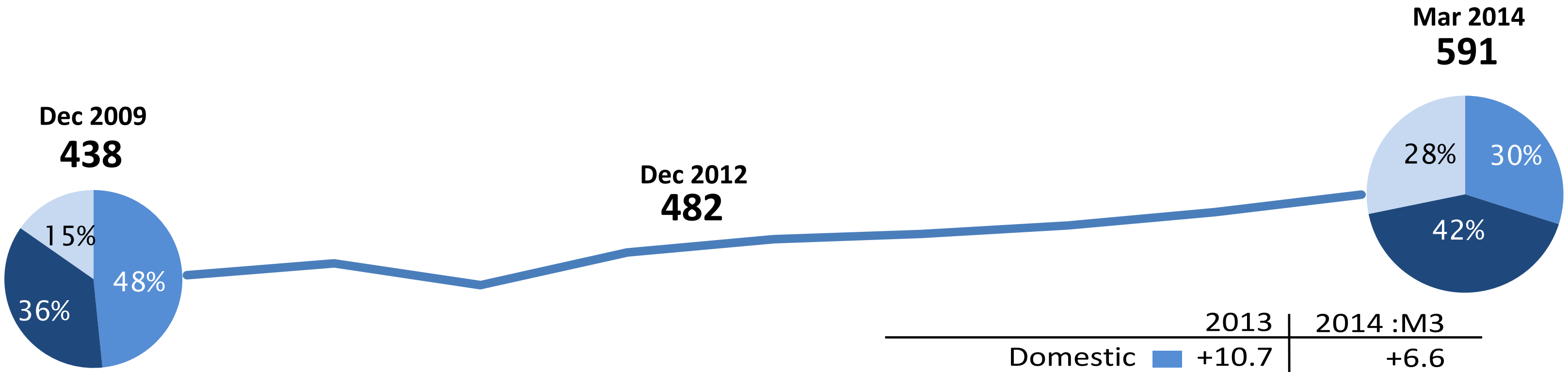


€bn, yearly data. Source: Assogestioni.

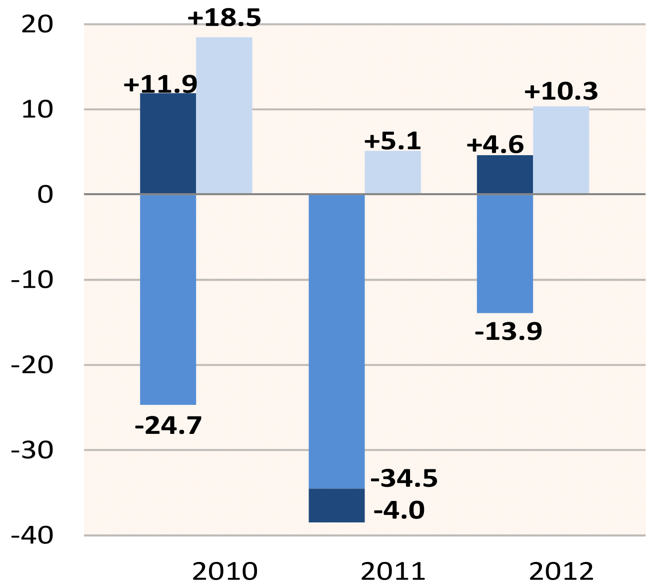
Top 15 Groups

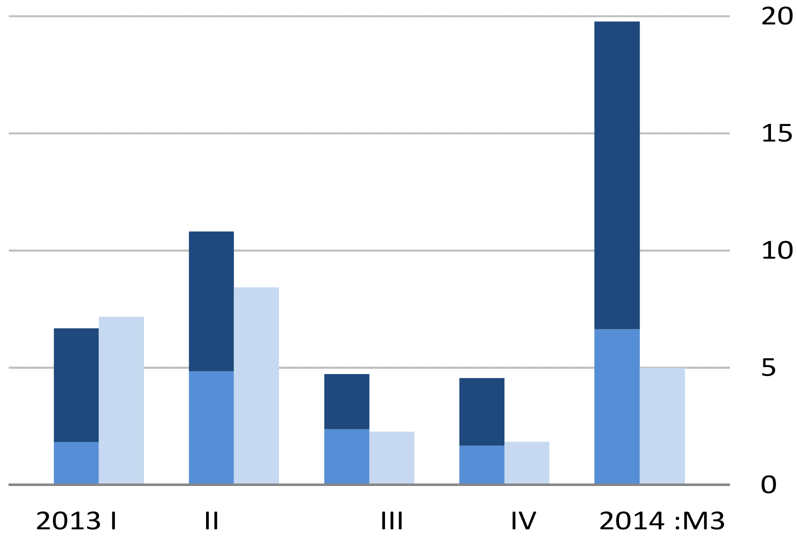


Open-end funds: domicile breakdown



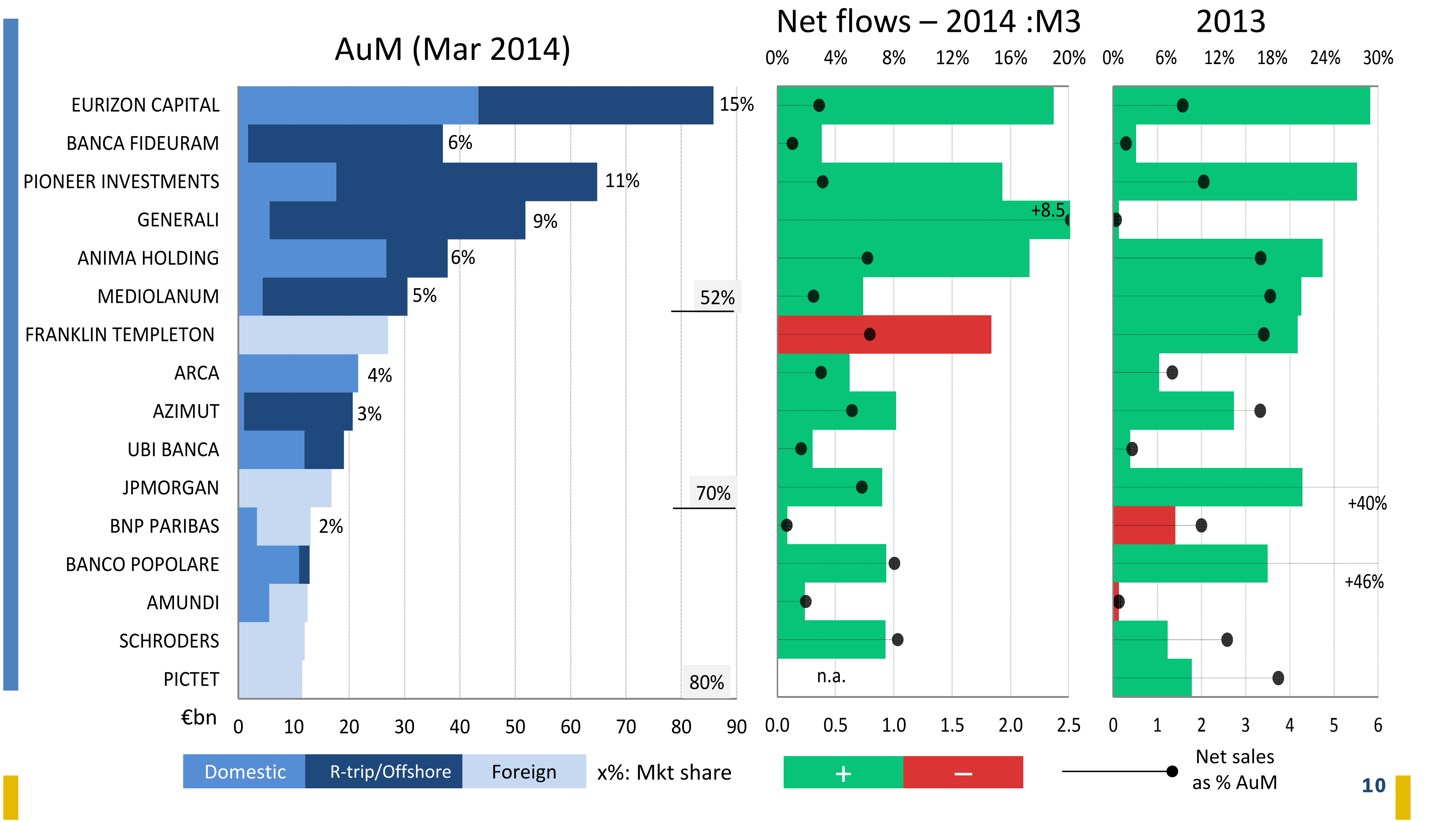
		2013	2014 :M3
Domestic		+10.7	+6.6
R-trip/Offshore		+16.1	+13.1
Foreign		+19.7	+5.0



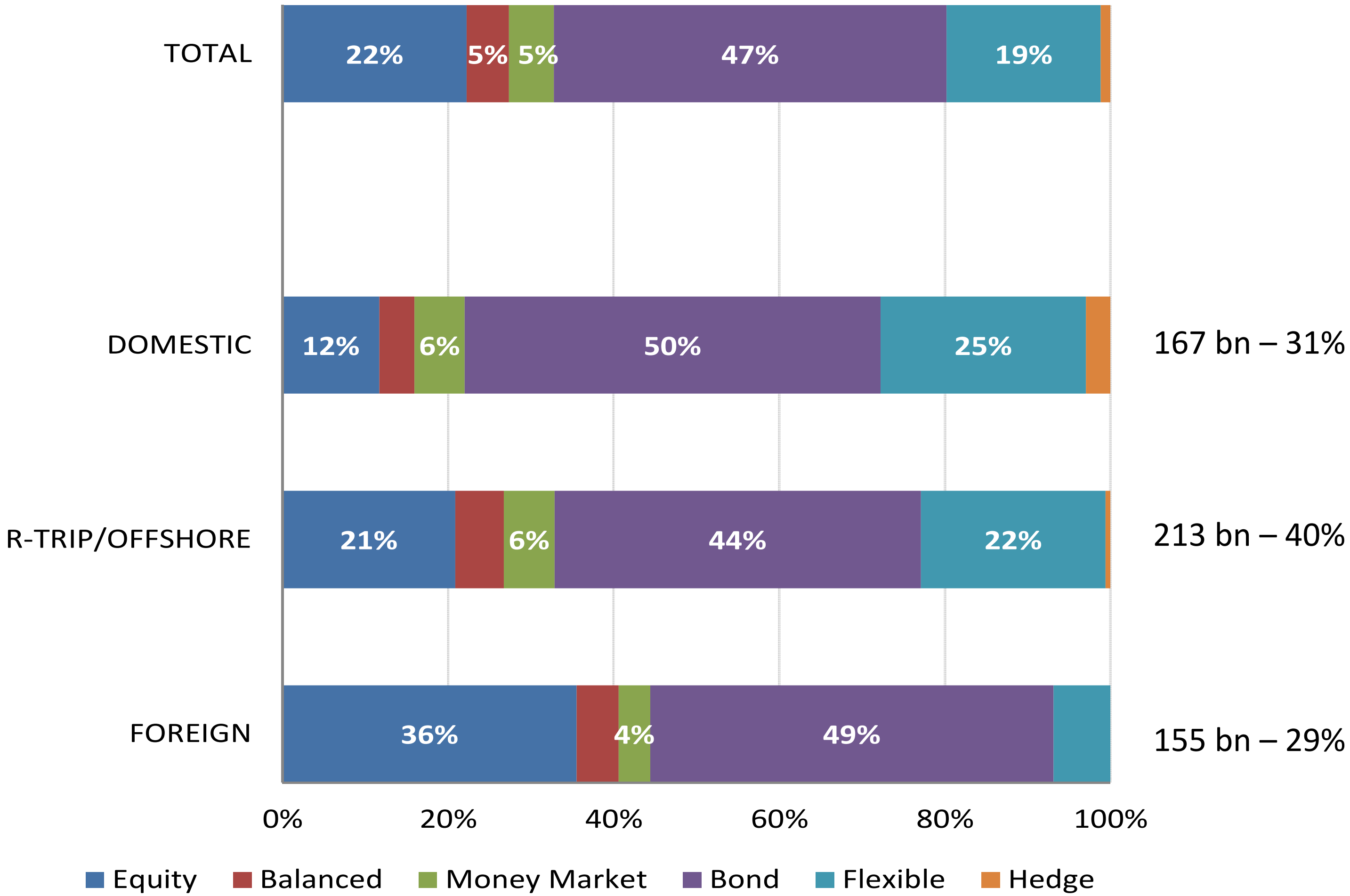


AuM & net flows, €bn.

Top 15 Groups (open-end funds only)

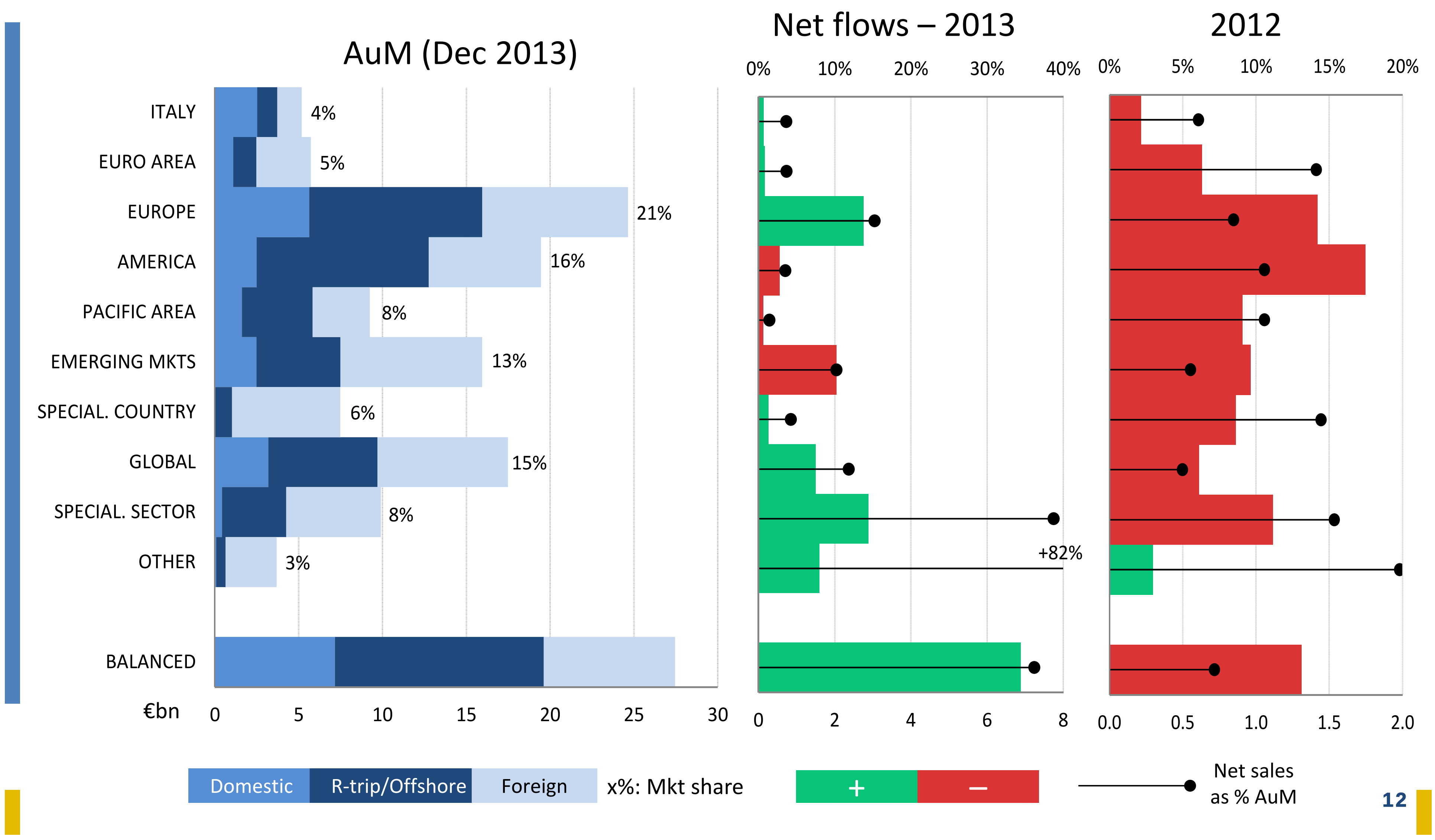


Asset Class breakdown

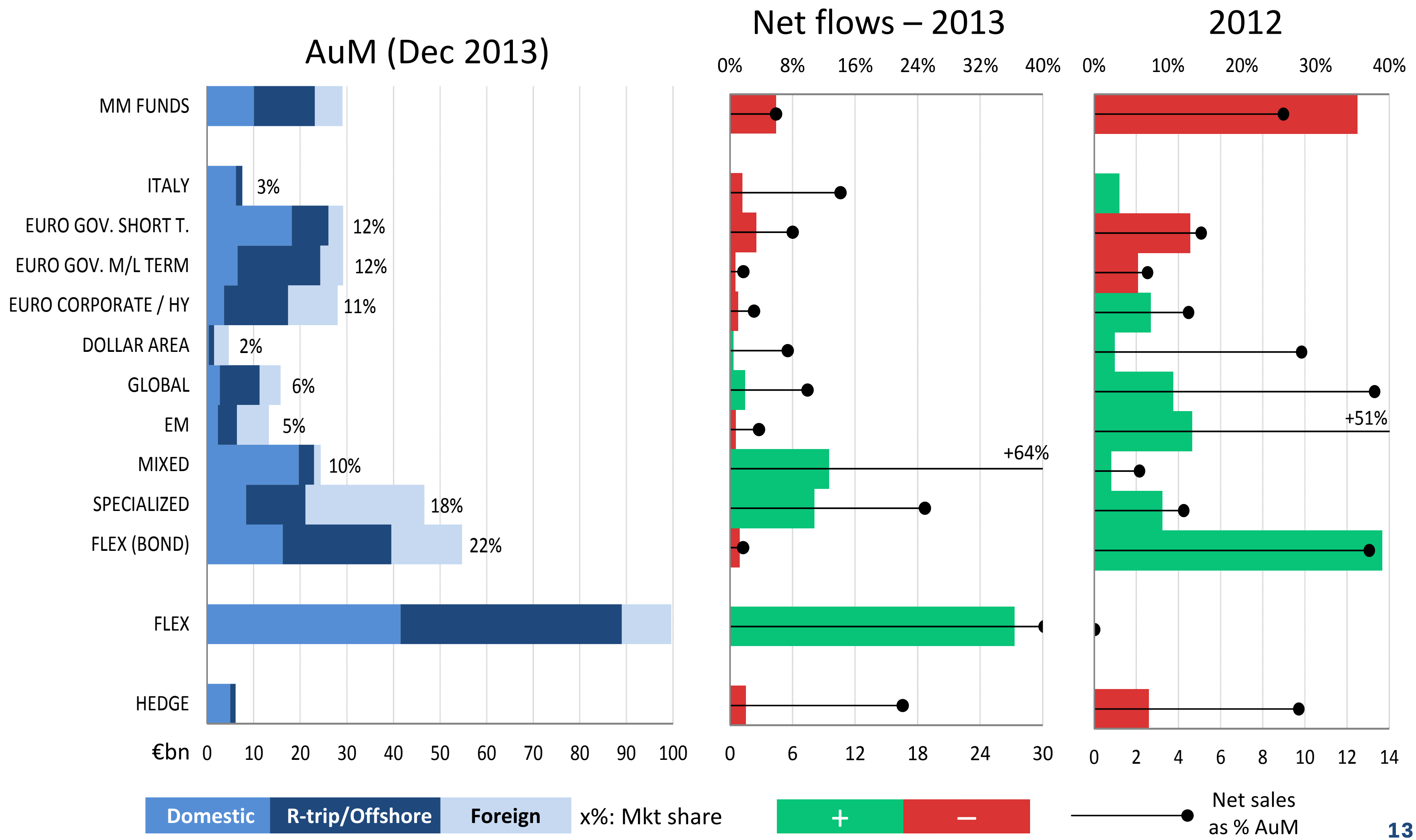


Dec 2013.

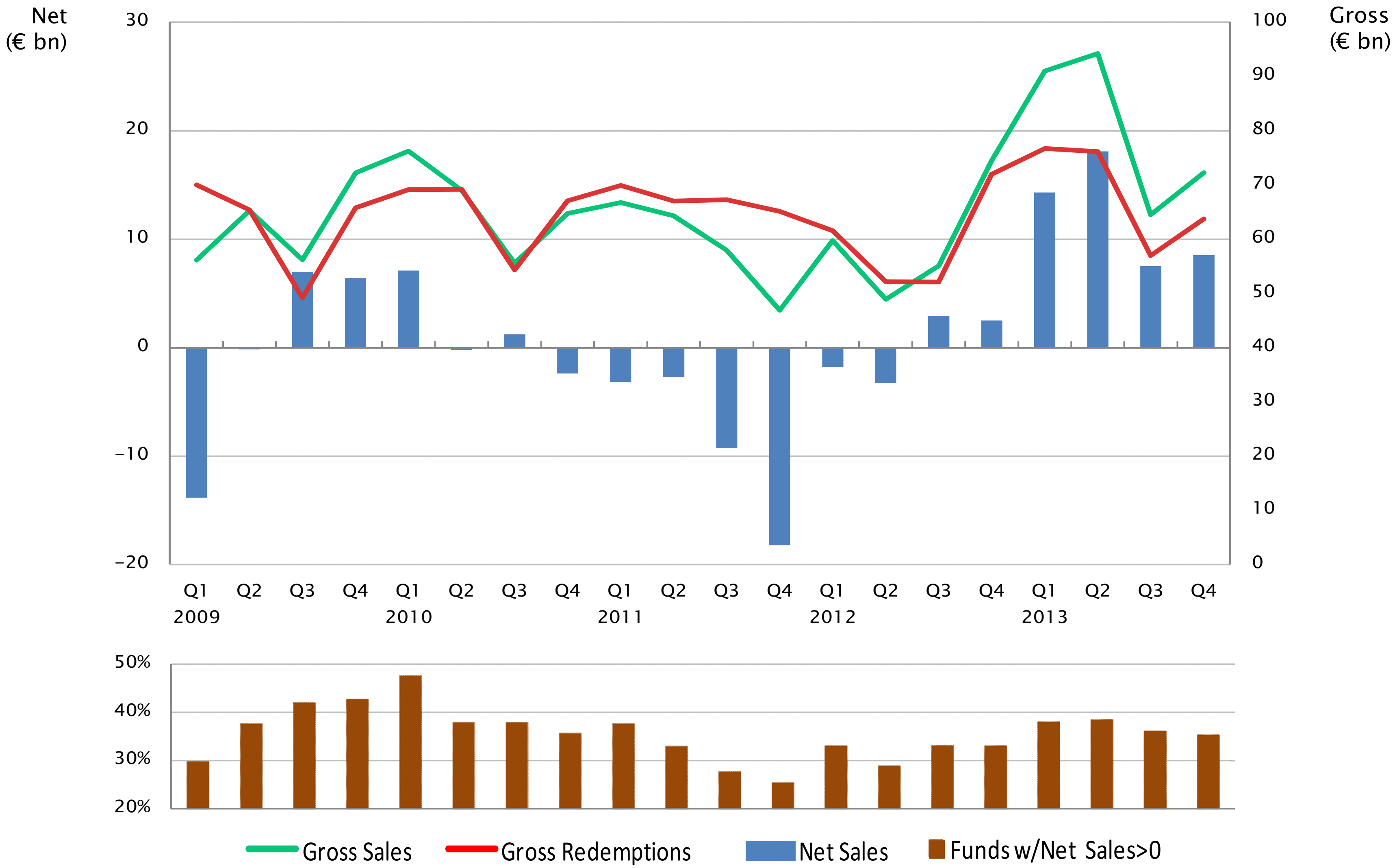
Equity & balanced funds



Money mkt, Bond, Flex & Hedge funds

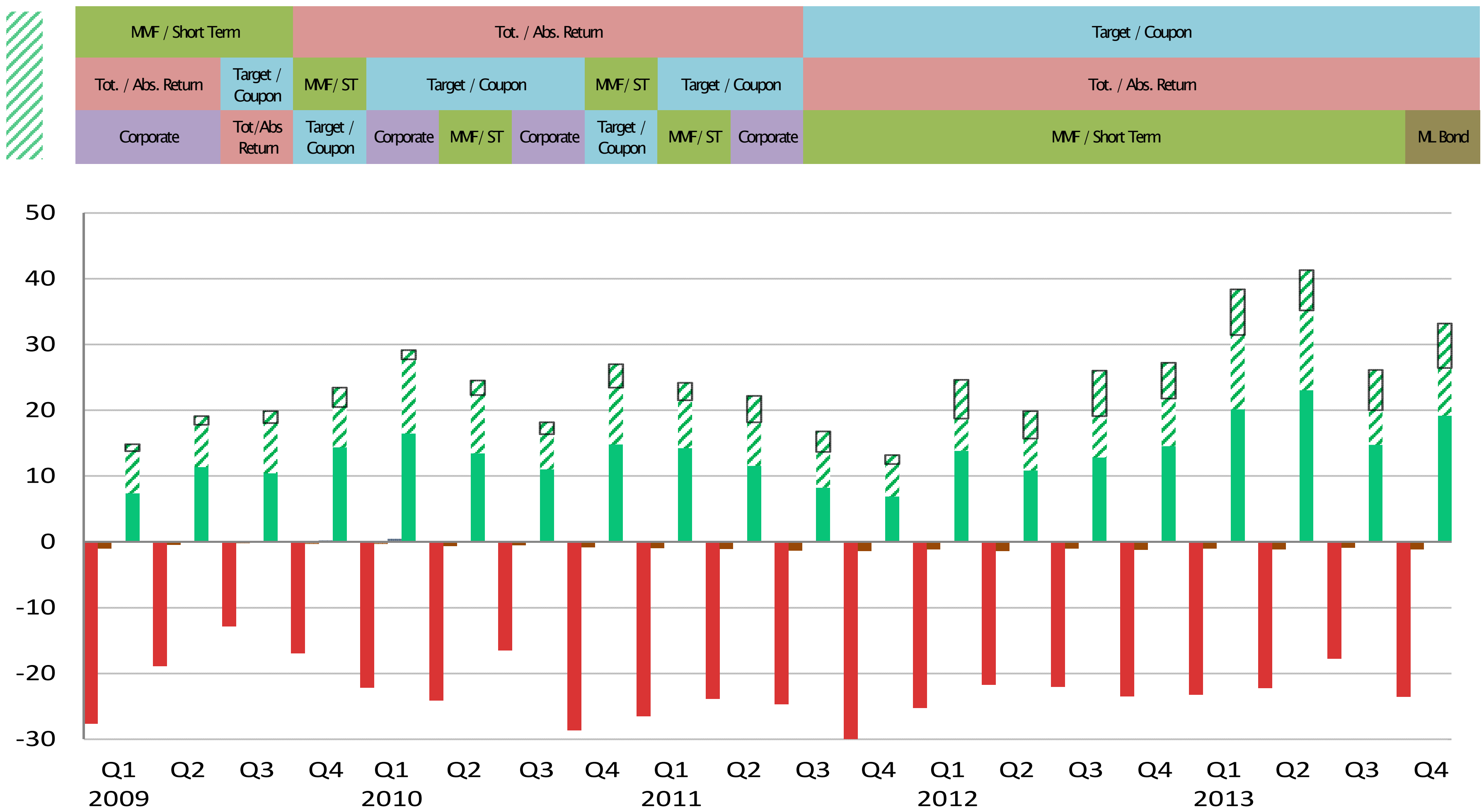


Net & gross flows



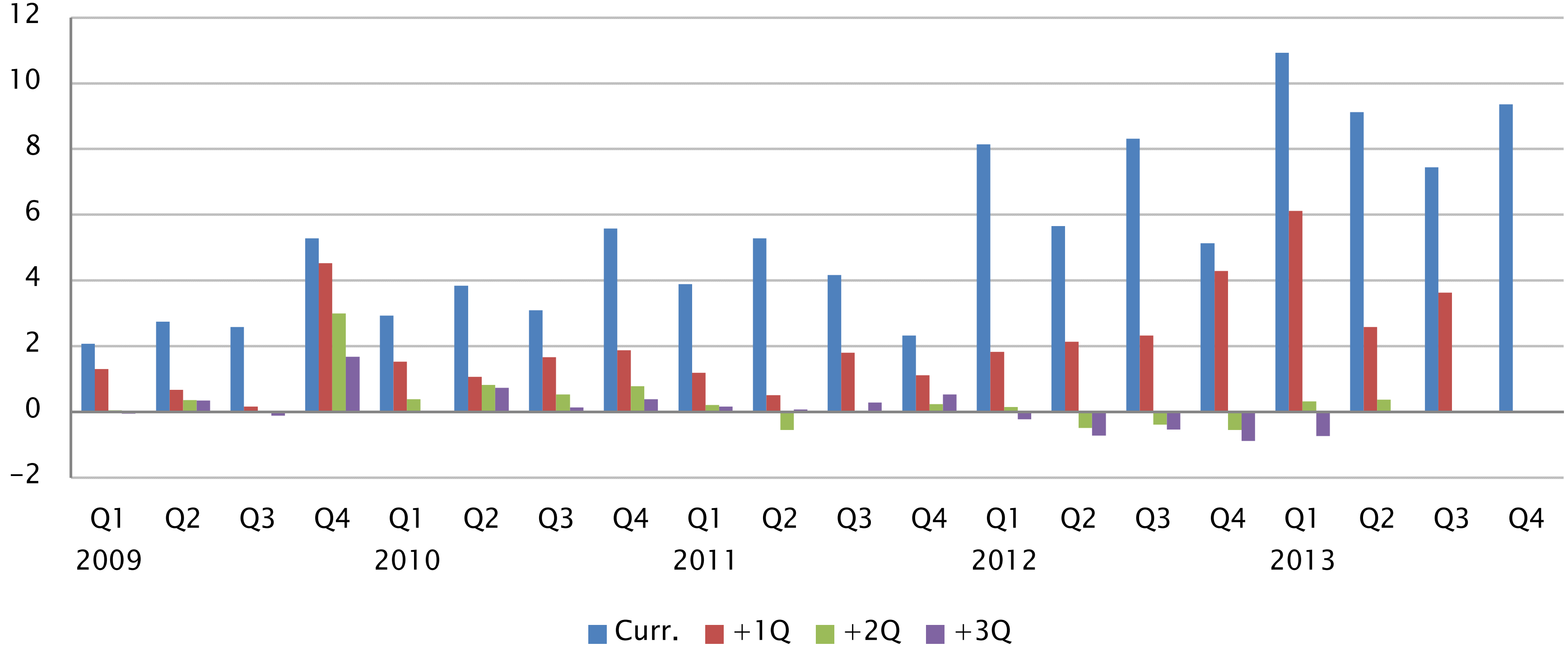
Gross flows: captive vs. non-captive ManCo

The *blockbuster effect* : top quartile funds take all



Net flows, €bn.

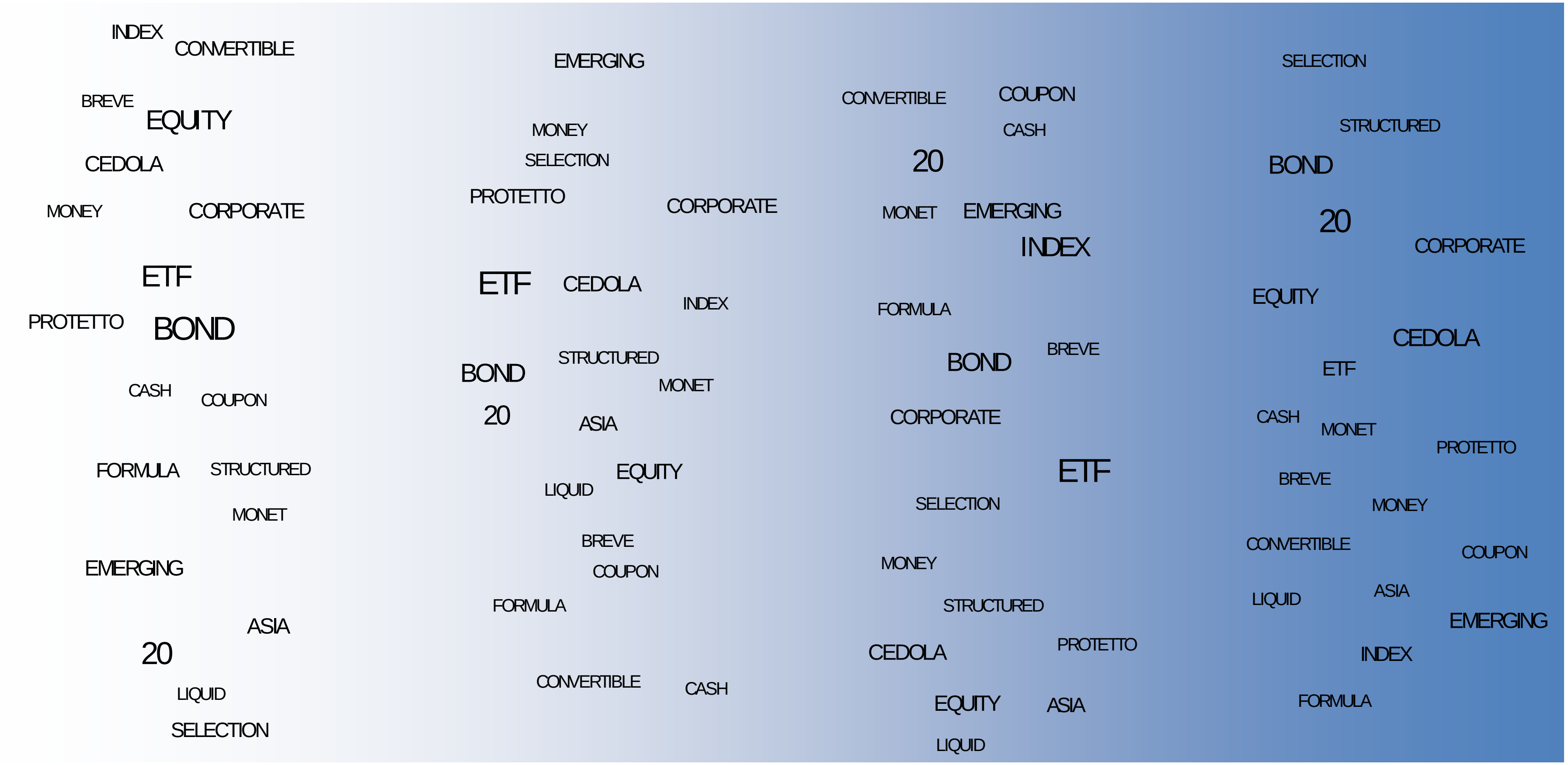
New stories: they sell well… but how long?



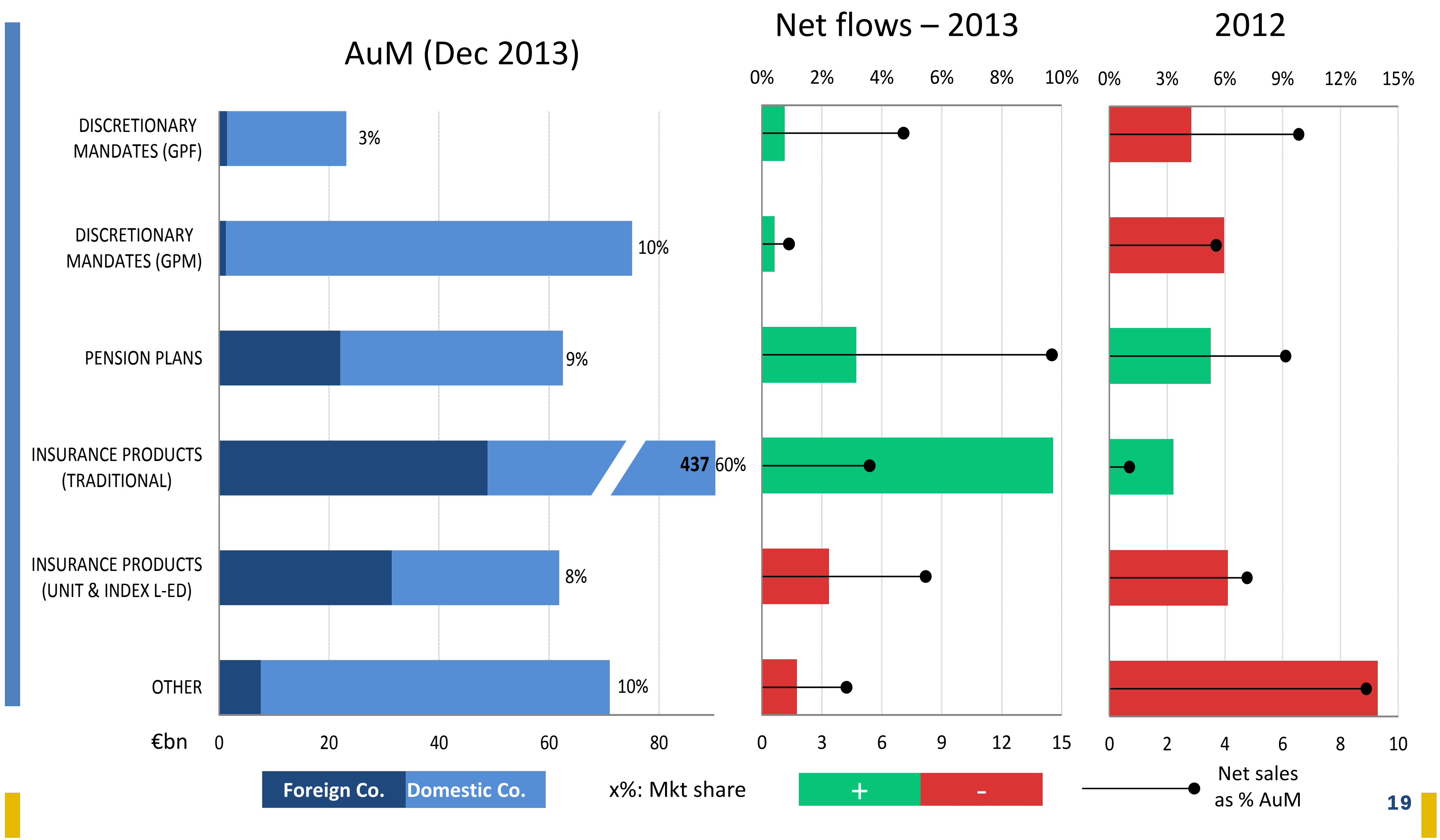
Newly launched funds ('new stories'): net flows in current & following 3 quarters. €bn.

New stories tag cloud

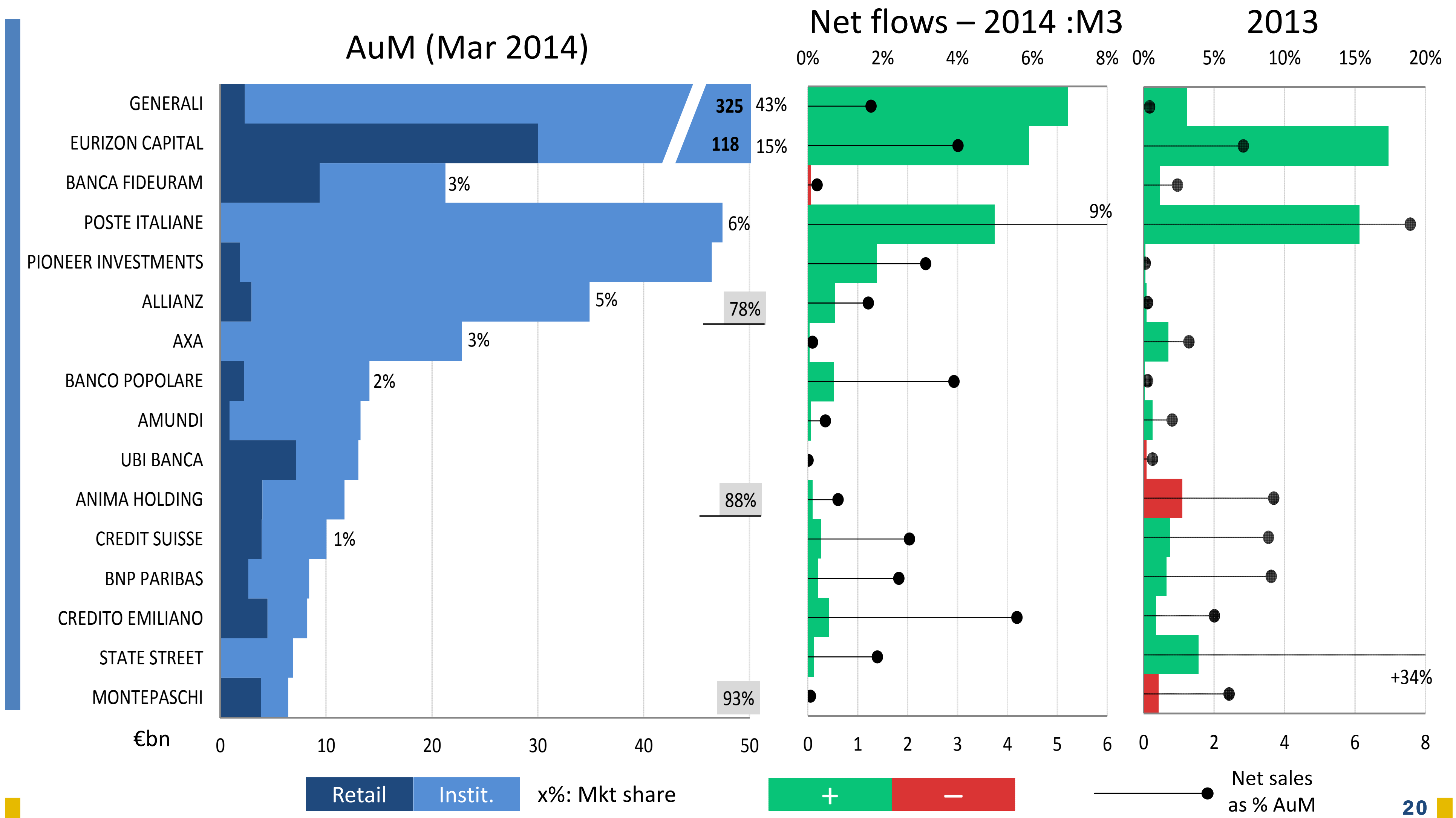
Year	2010	2011	2012	2013
New funds	439	536	578	560



Mandates: AuM & Net Sales trends

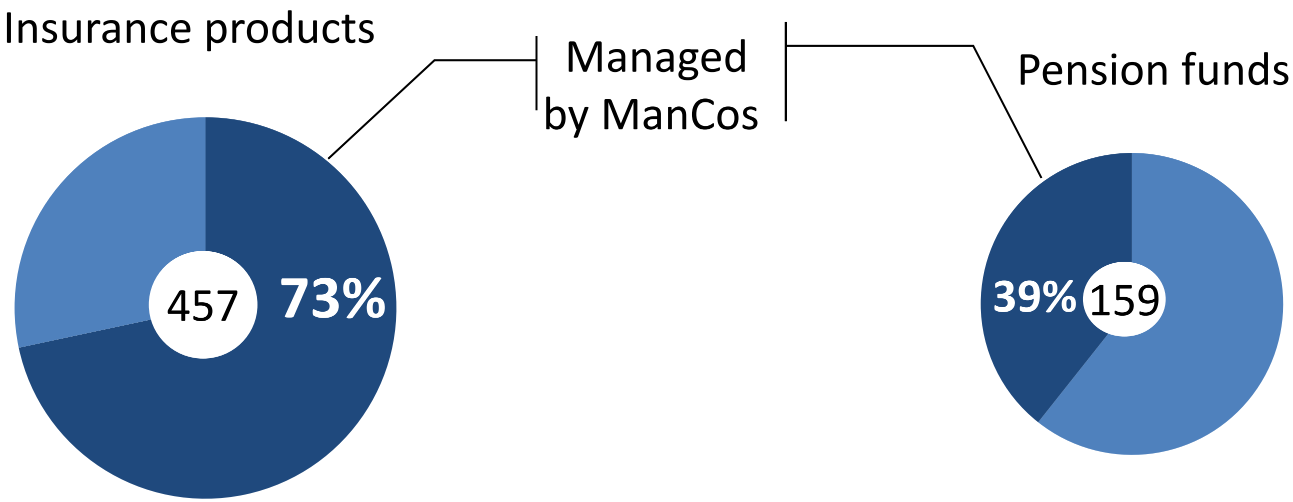


Top 15 Groups (mandates only)



The market for Institutional Mandates

As is ...
(2013 Q4)



As is ...
(2013 Q4)

... and as could become:

Household portfolio: share of insurance products & pension funds (2013Q3)

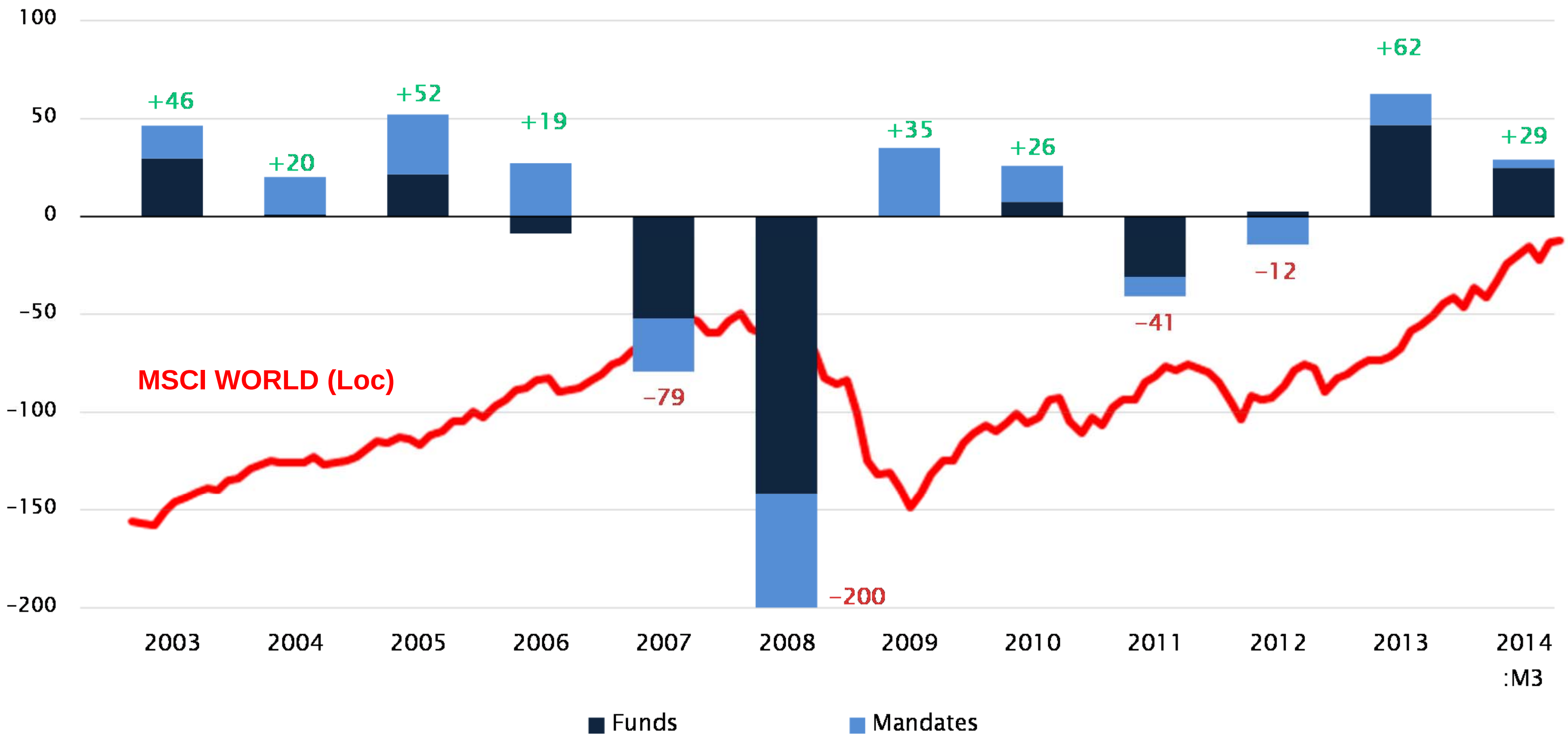
IT	FRA	GER	UK	USA
18.0%	34.4%	34.9%	55.1%	31.8%

Source: ANIA, Covip, Adepp, Assogestioni, Eurostat, OECD.

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, 2013)*

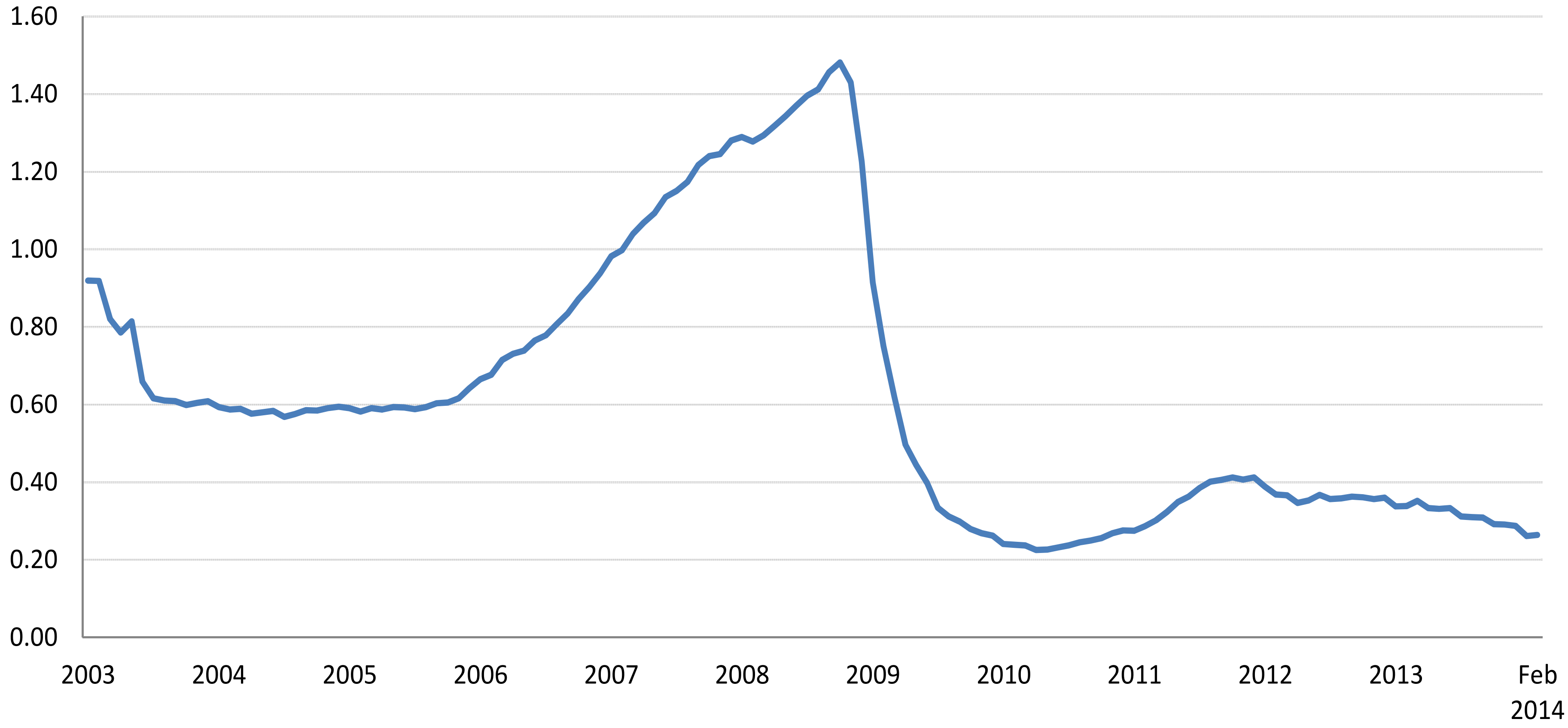
Average investment	26.156	**Average** ≈ **Median** x 2.5
Median investment	10.867	

Quartile	% of assets	Limit (€)
I	1,4	3.868
II	6,9	10.867
III	17,3	27.932
IV	74,4	

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

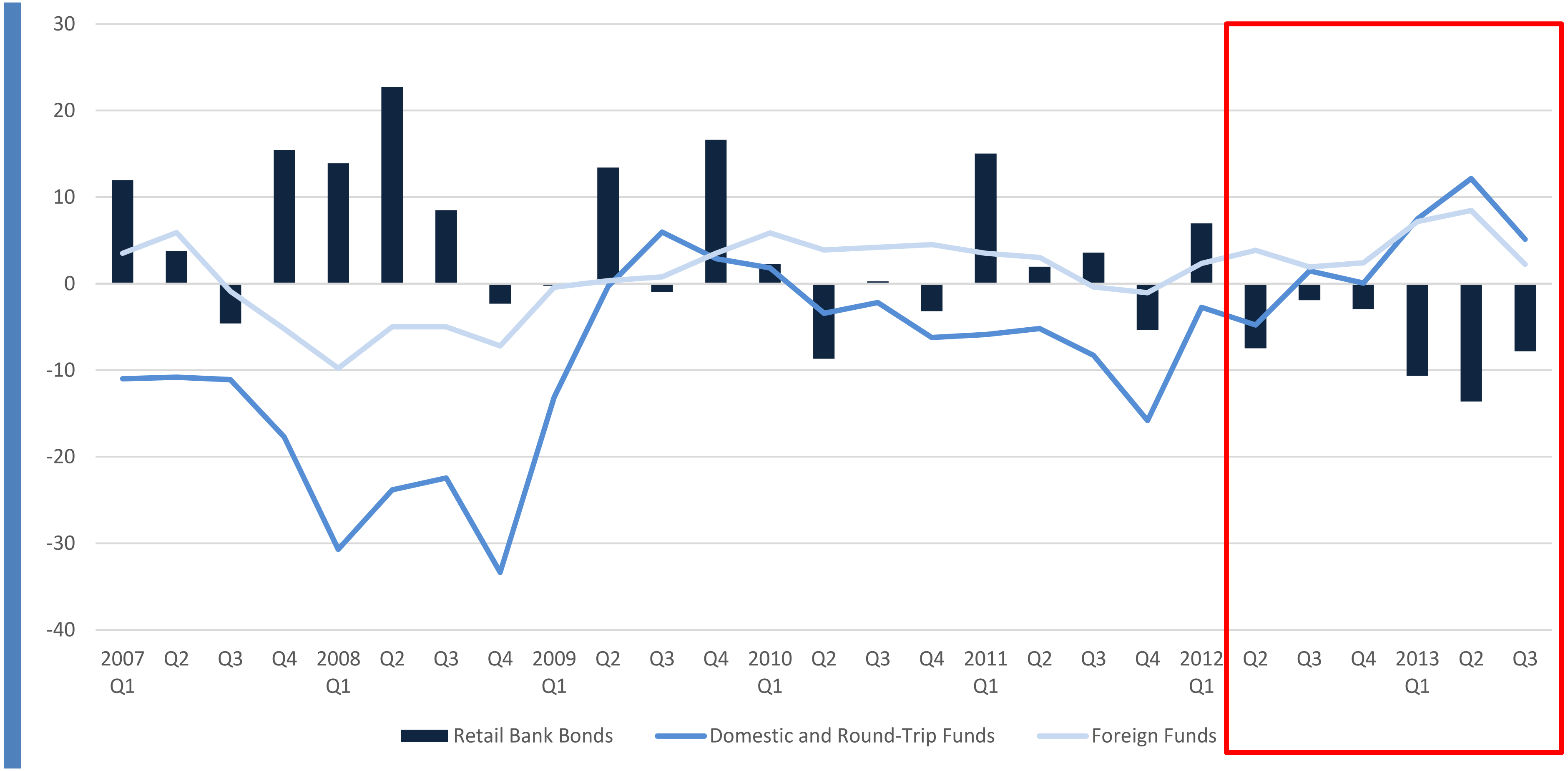
75% of shareholders invest less than 27k€

3. Bank deposits pay low interests



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

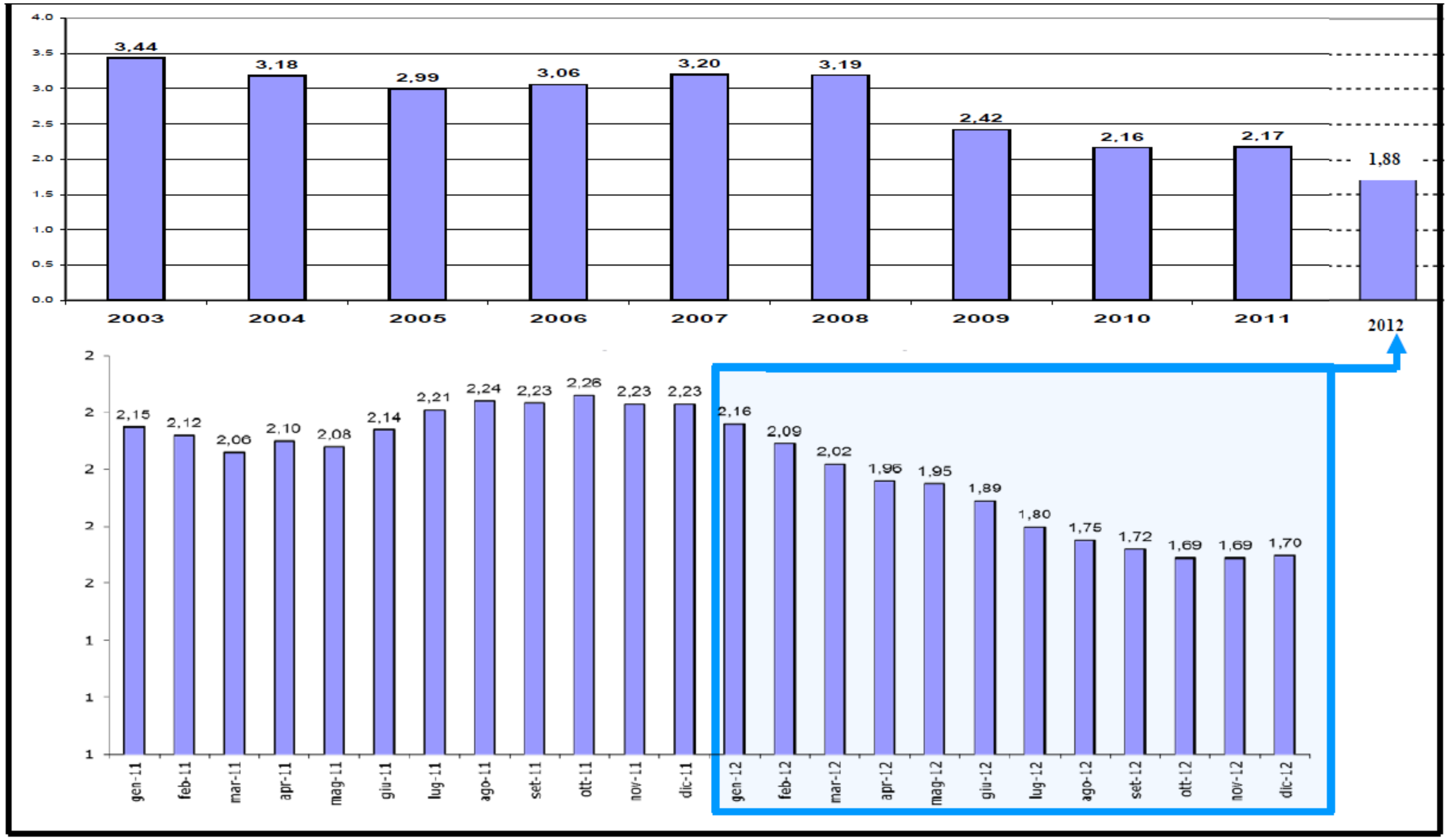
4. Banks are becoming <u>less dependent on funding from retail</u>



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)



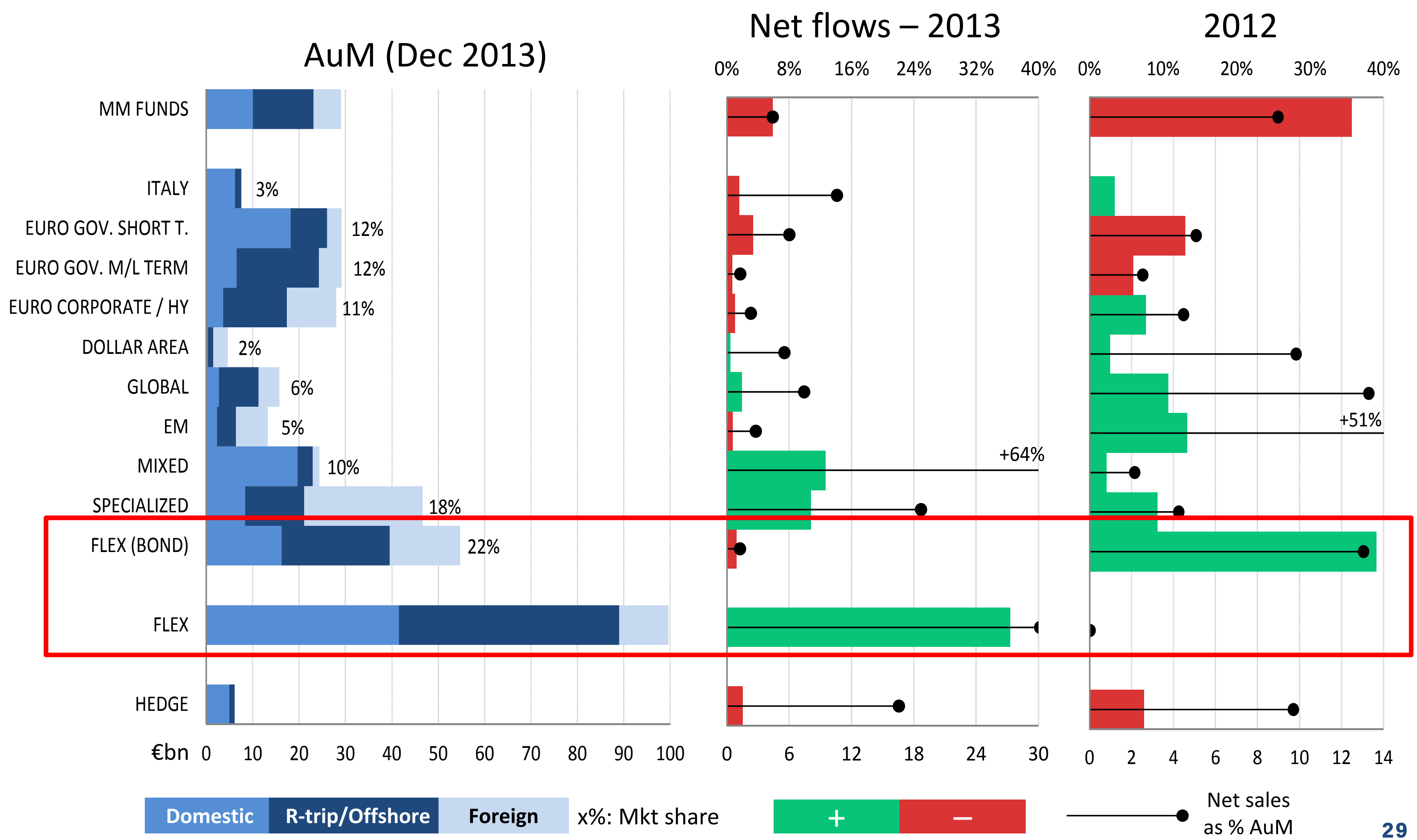
… are pushing banks to increase commission-based margins

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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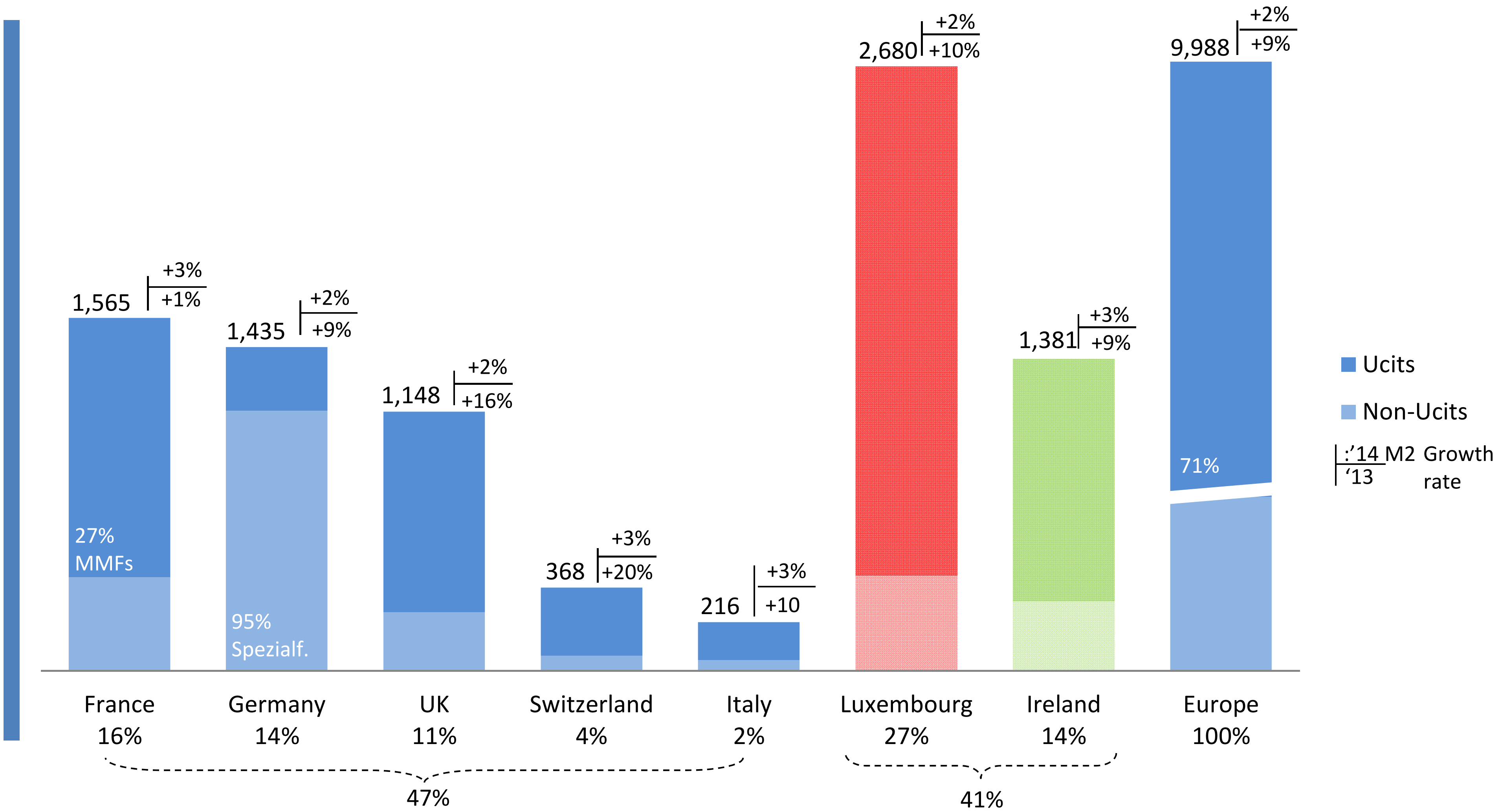
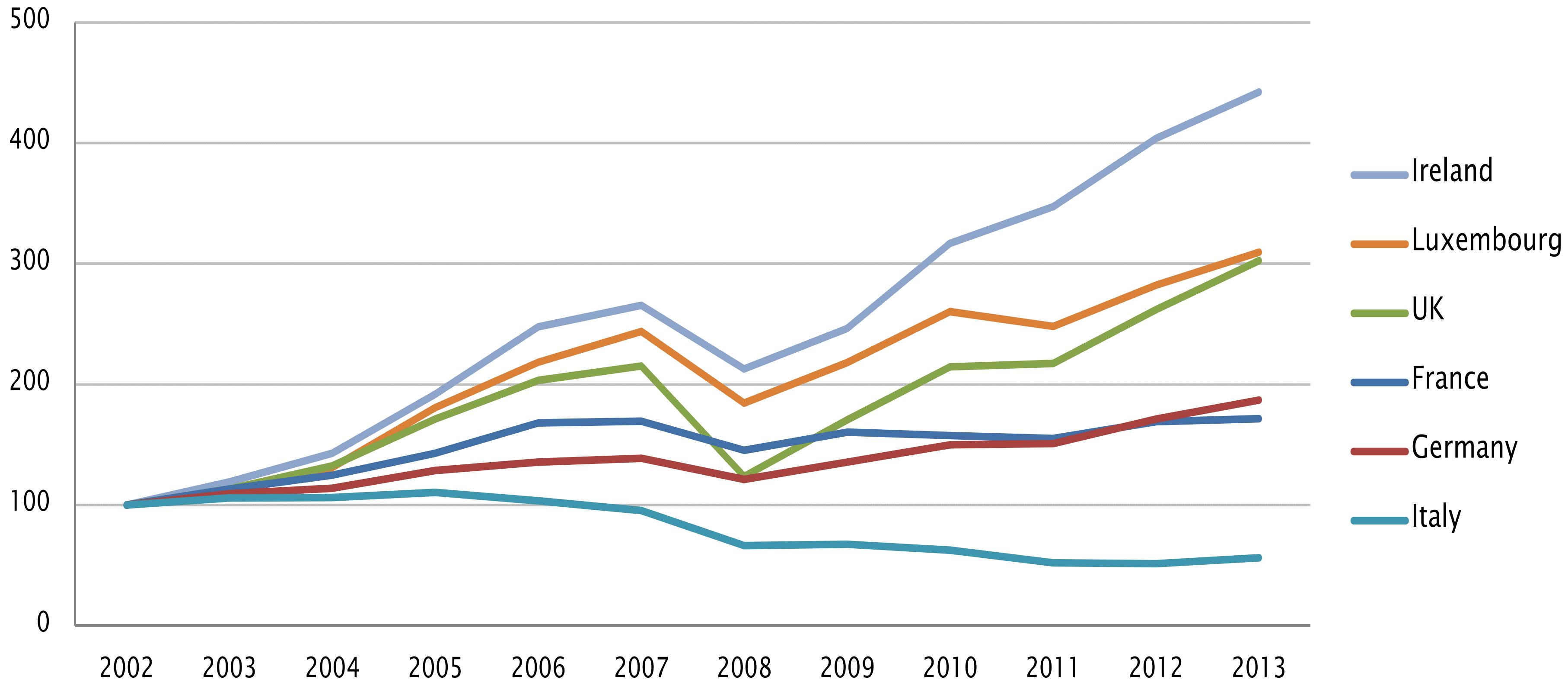
Net Assets by fund domicile



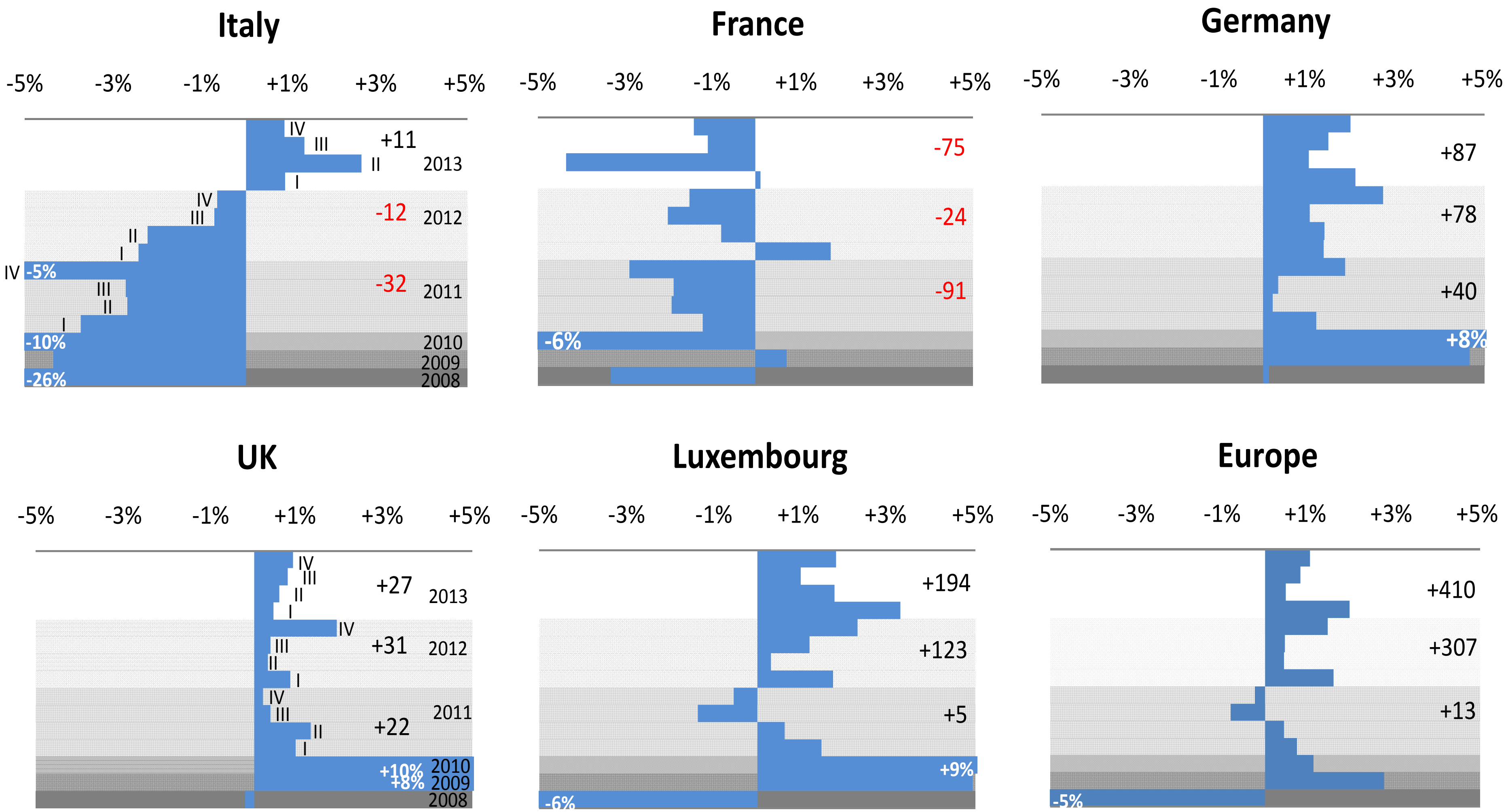
2014 February €bn. Source: Efama, AFG, BVI.

Net Assets by <u>fund</u> domicile – Long-term growth



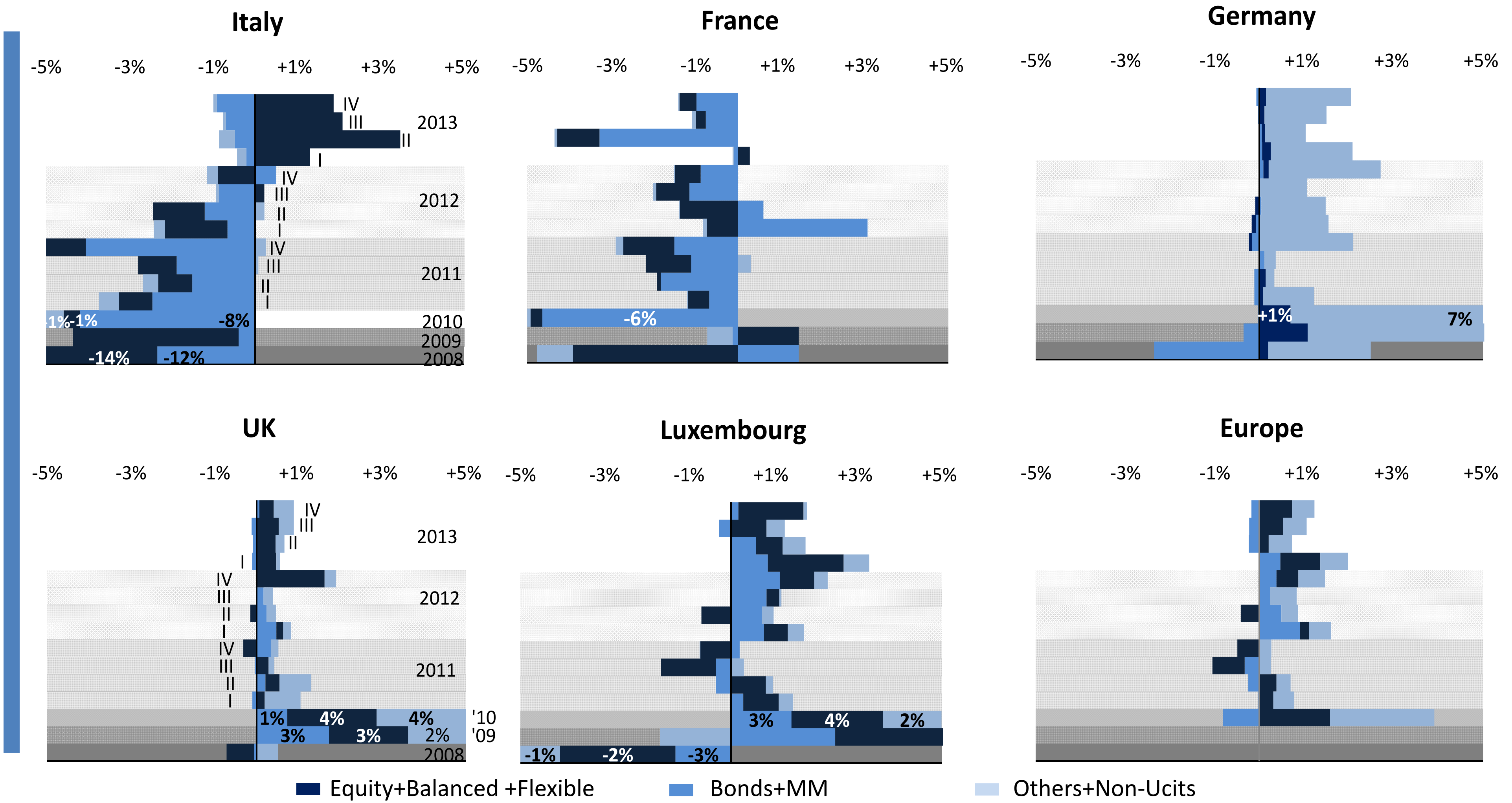
Index values. Source: Efama.

Net sales by fund domicile



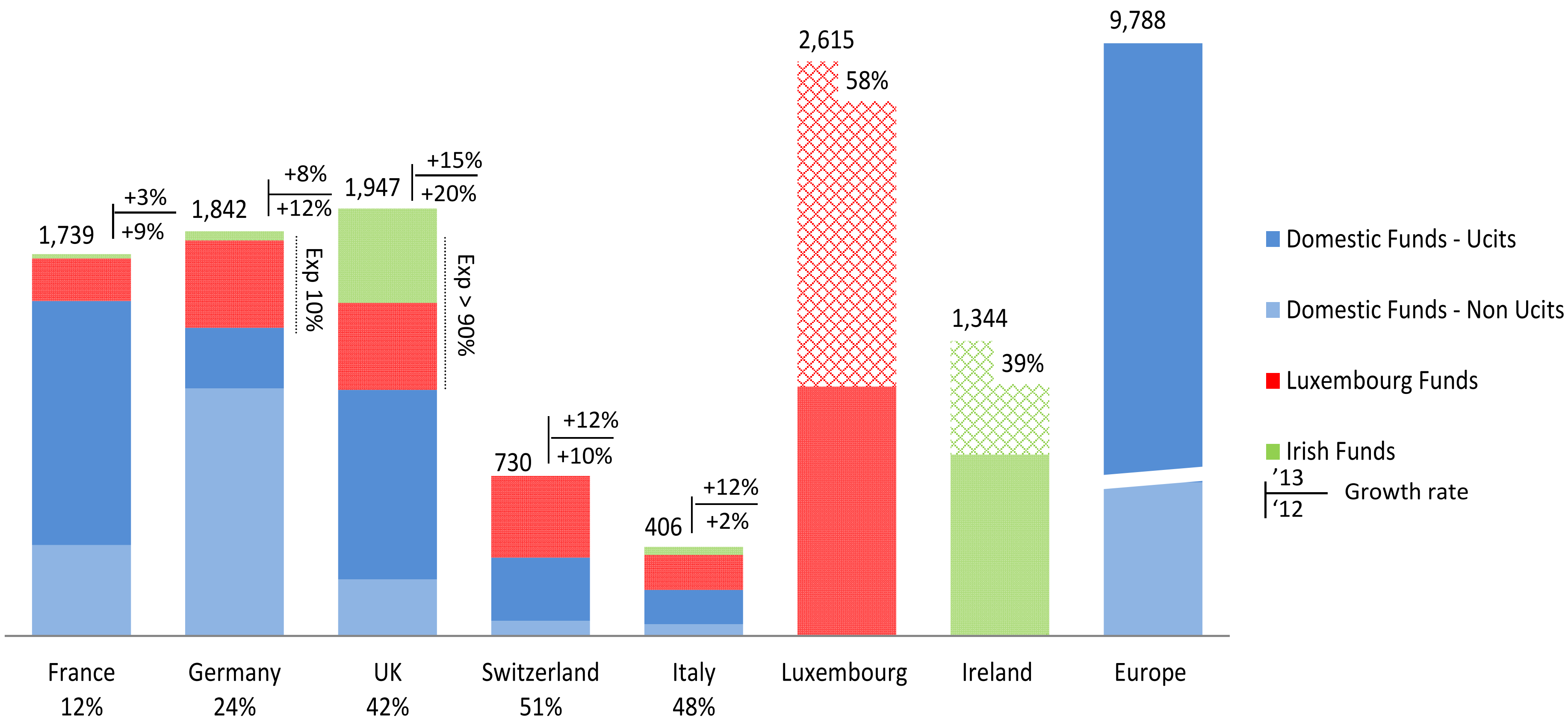
Net sales as a % of AuM. Yearly data in €bn. Source: Efama, BVI.

Net sales by fund domicile & asset class



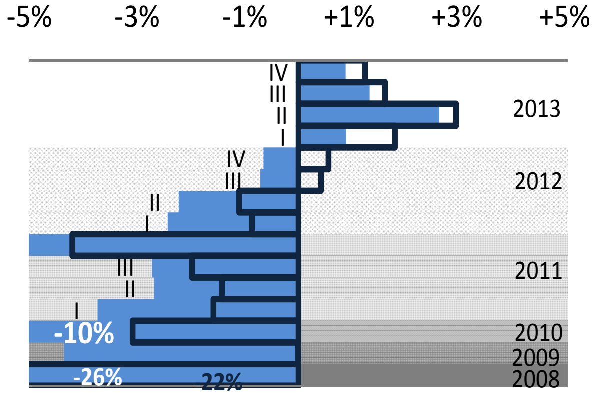
Net sales as a % of AuM. Source: Efama, Assogestioni, BVI.

Net Assets by fund group domicile

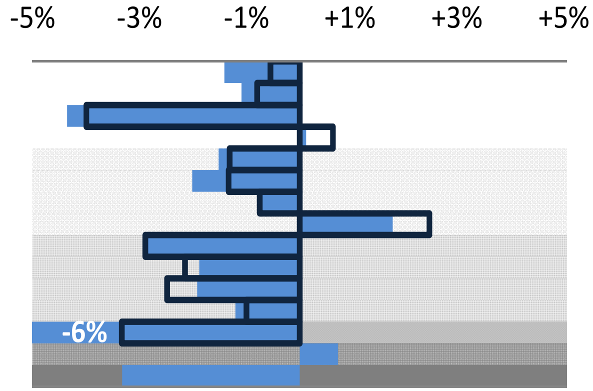


Net sales: fund domicile vs. fund group domicile

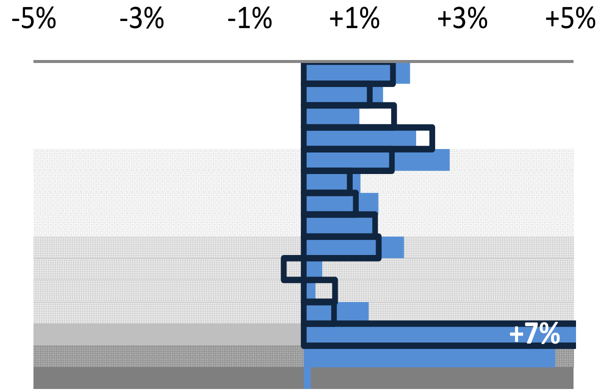
Italy



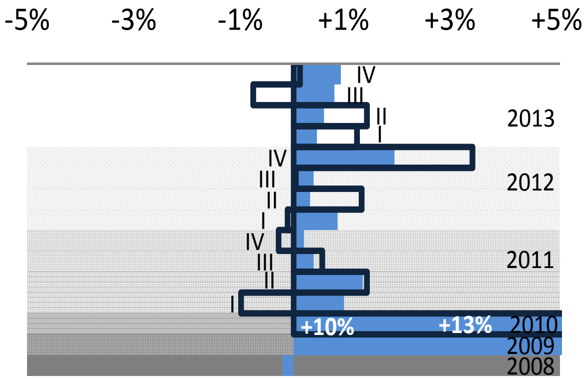
France



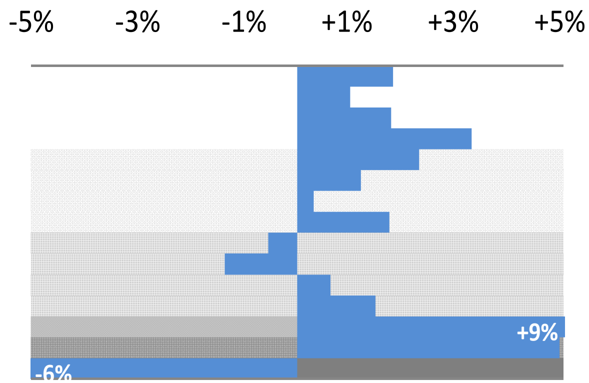
Germany



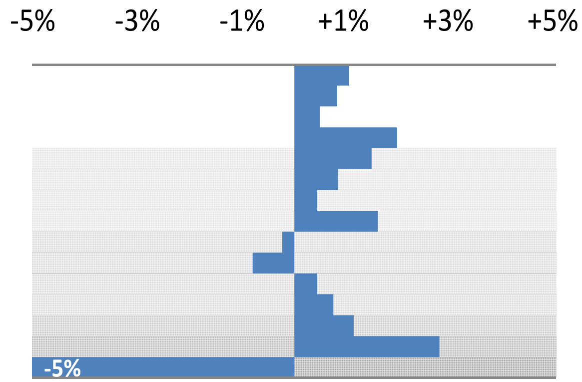
UK



Luxembourg



Europe



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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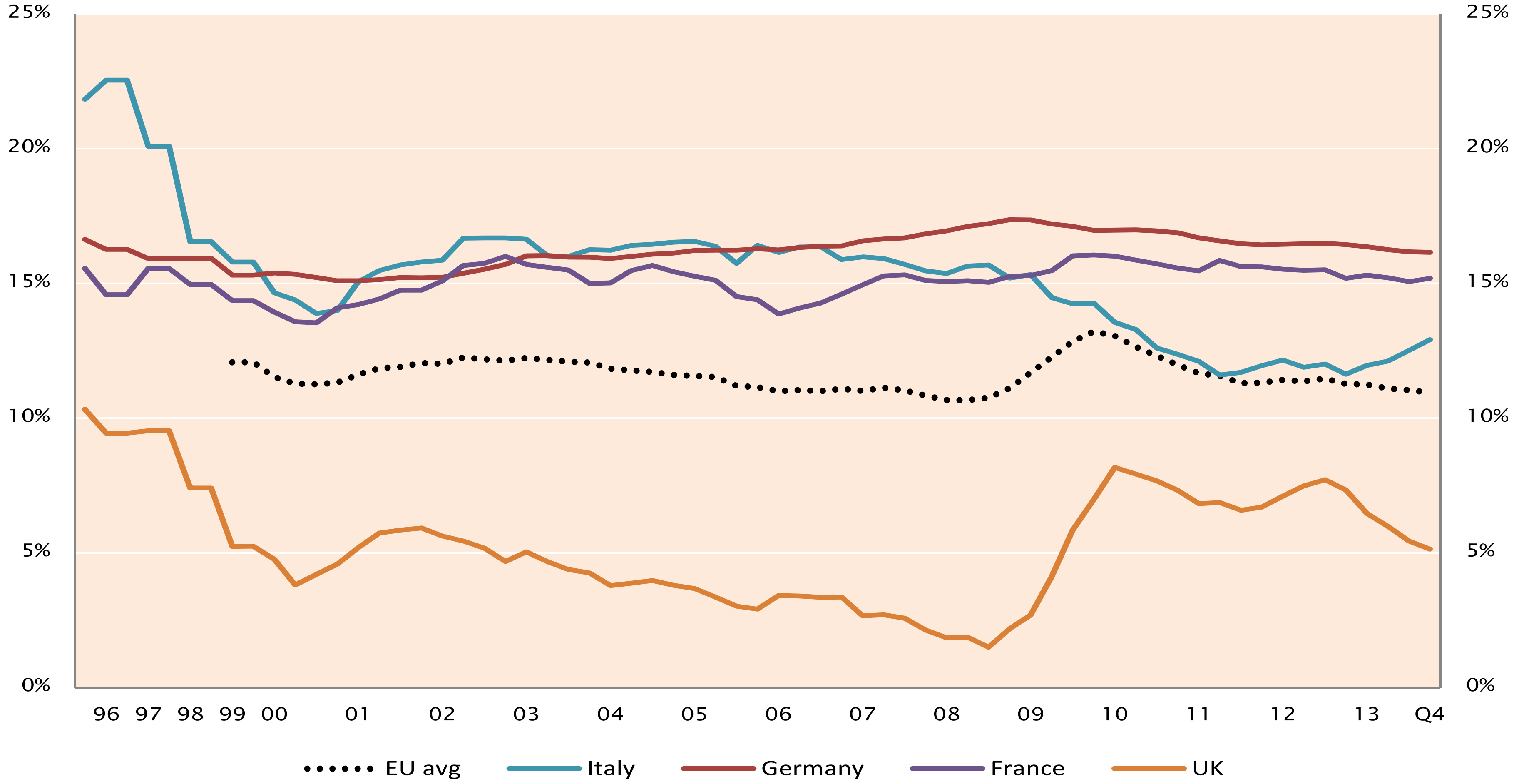
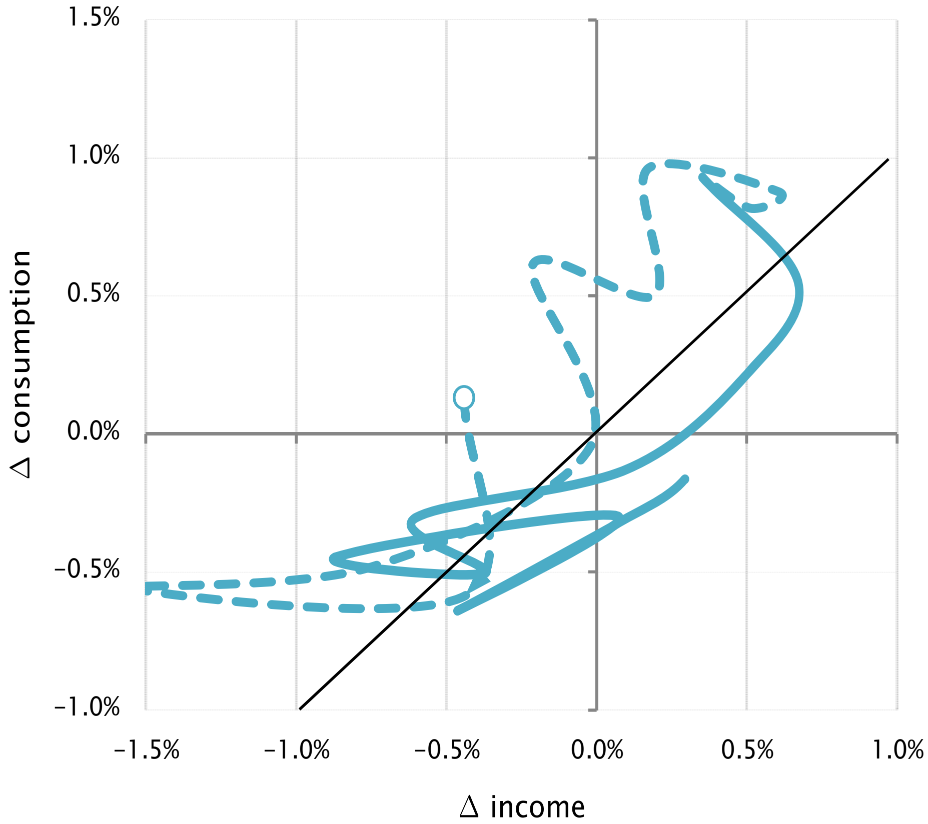
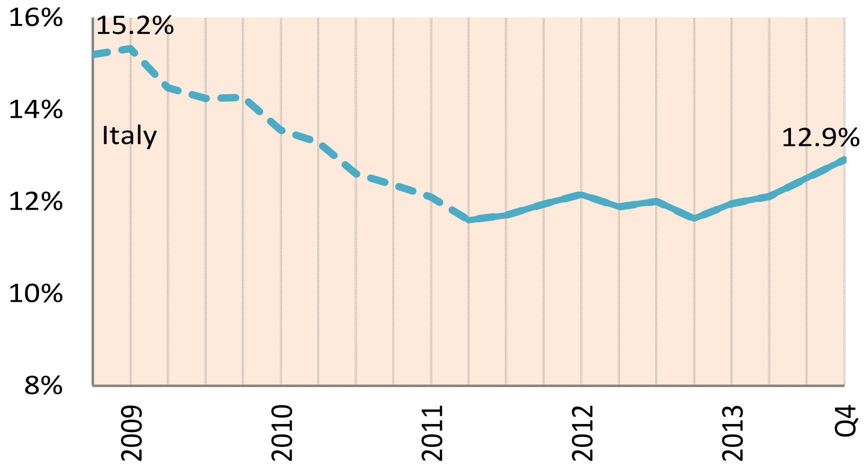
Household saving rates in Europe



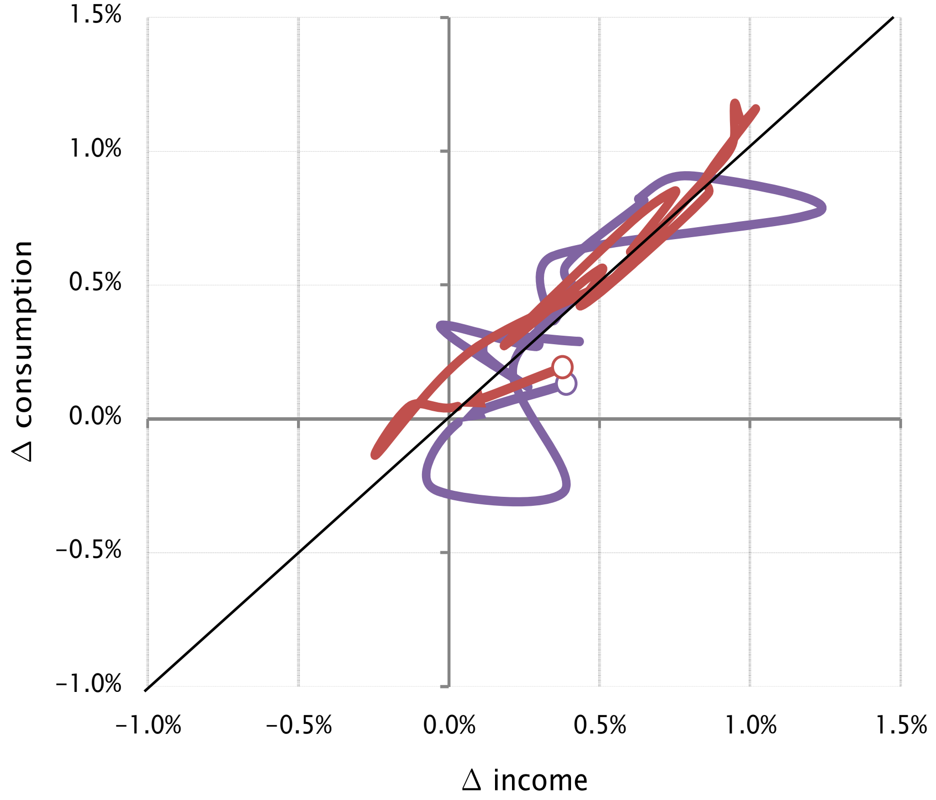
Gross household saving rates. Source: Eurostat.

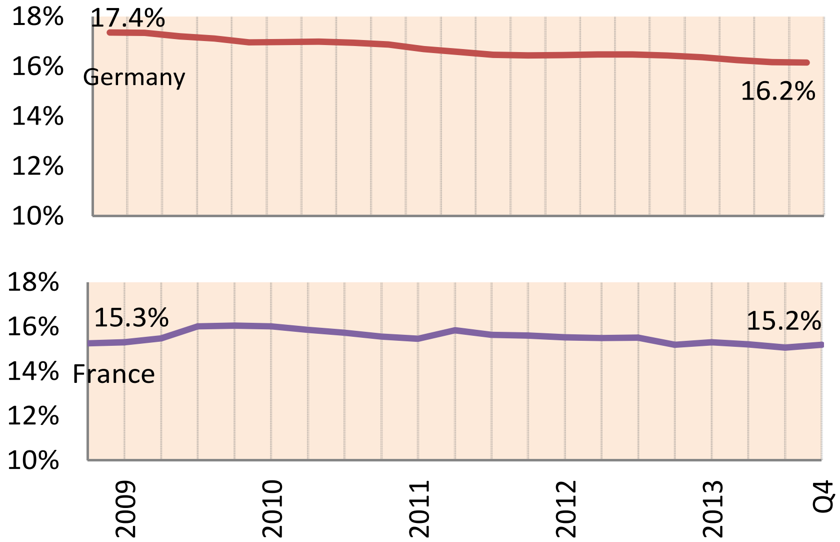
How income & consumption Δ% affect saving rates





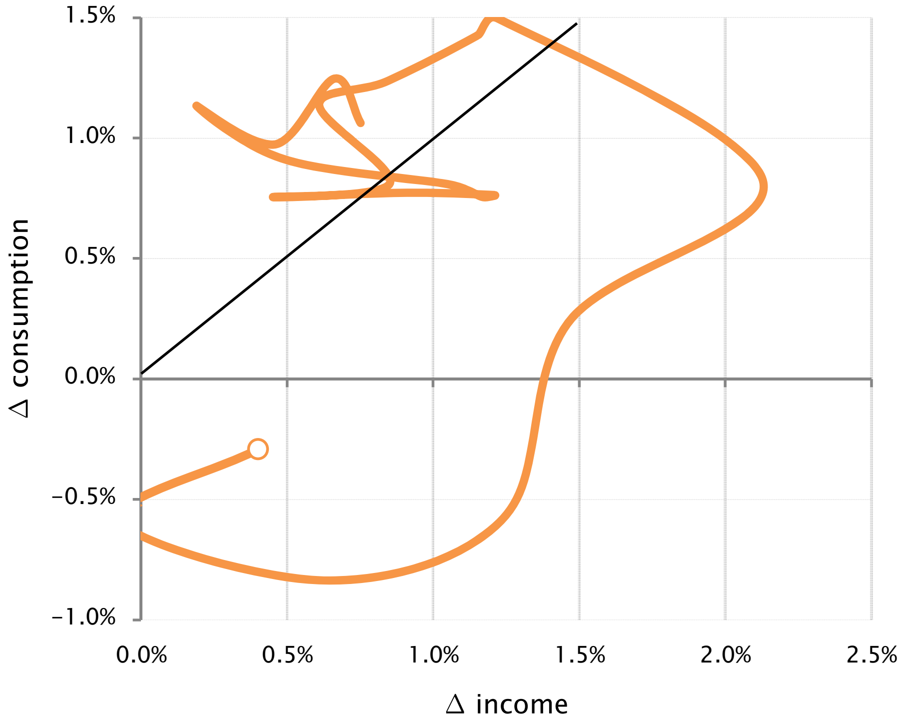
How income & consumption Δ% affect saving rates

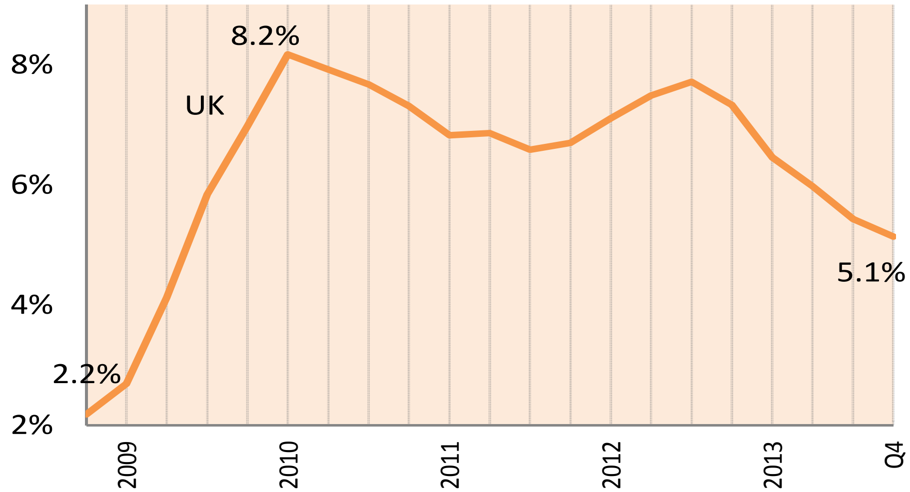




2008Q4:2013Q4. Source: Eurostat.

How income & consumption Δ% affect saving rates





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	20.1	*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 Q3	3,713	32.1	16.9	*9.1*	20.7	*1.5*	8.2	18.0
France	4,427	29.5	1.4	*n.a.*	17.6	*3.8*	7.0	34.4
Germany	5,070	40.5	4.3	*n.a.*	9.4	*n.a.*	8.7	34.9
UK	5,738	28.2	0.7	*n.a.*	9.6	*4.1*	2.2	55.1
USA	47,312	12.8	8.4	*n.a.*	32.8	*n.a.*	11.4	31.8

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

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

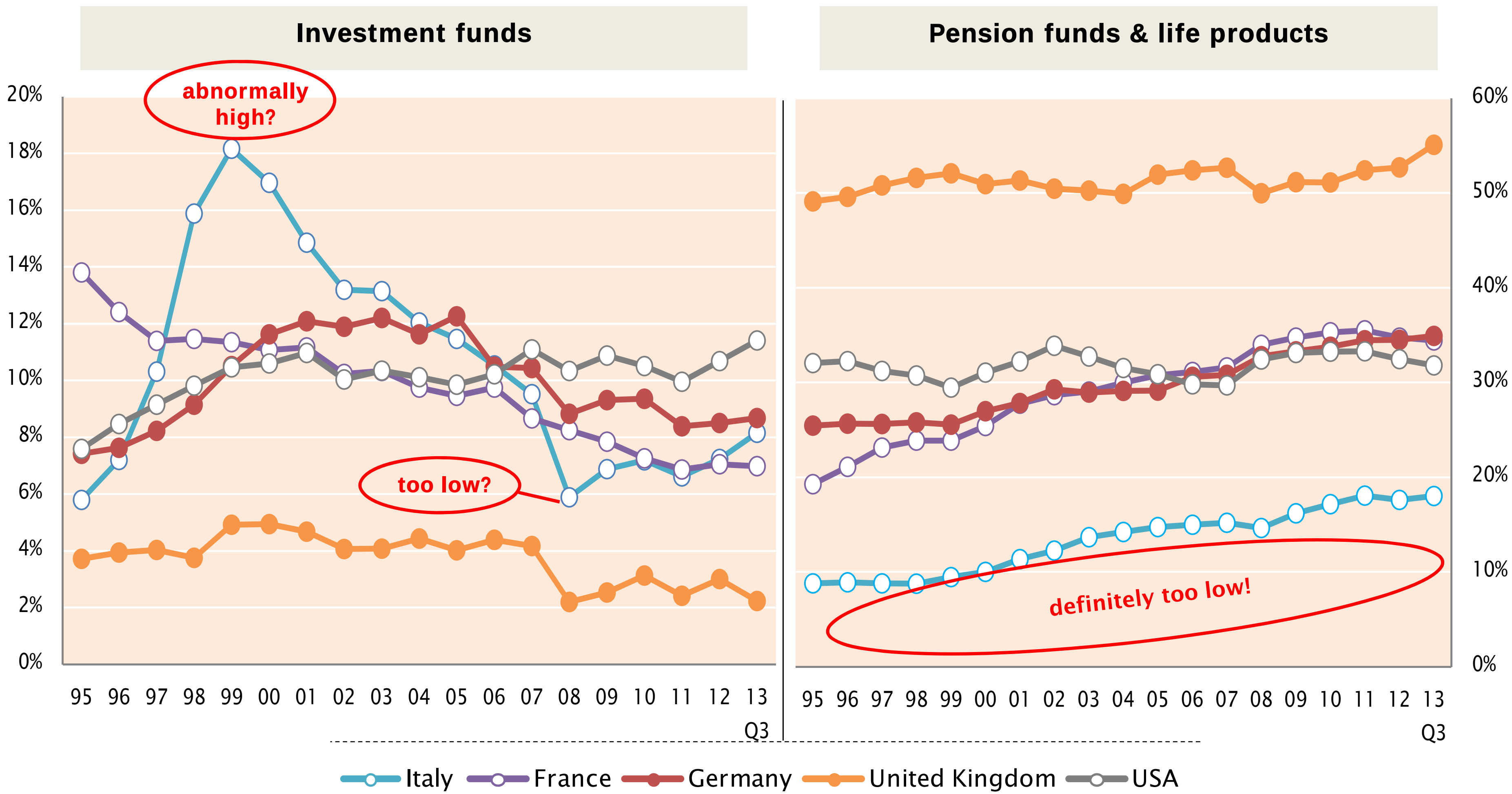
Negligible level of *listed shares.* High level of *unlisted* ones.

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

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

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

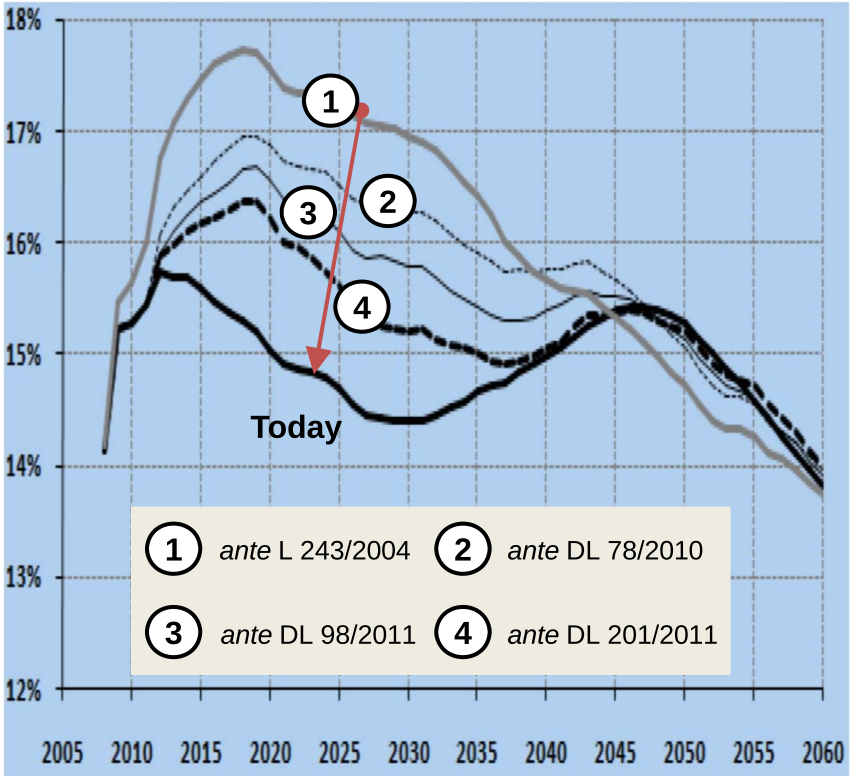
Managed products in household portfolios



Source: Eurostat, OECD, BCE, Deutsche Bundesbank.

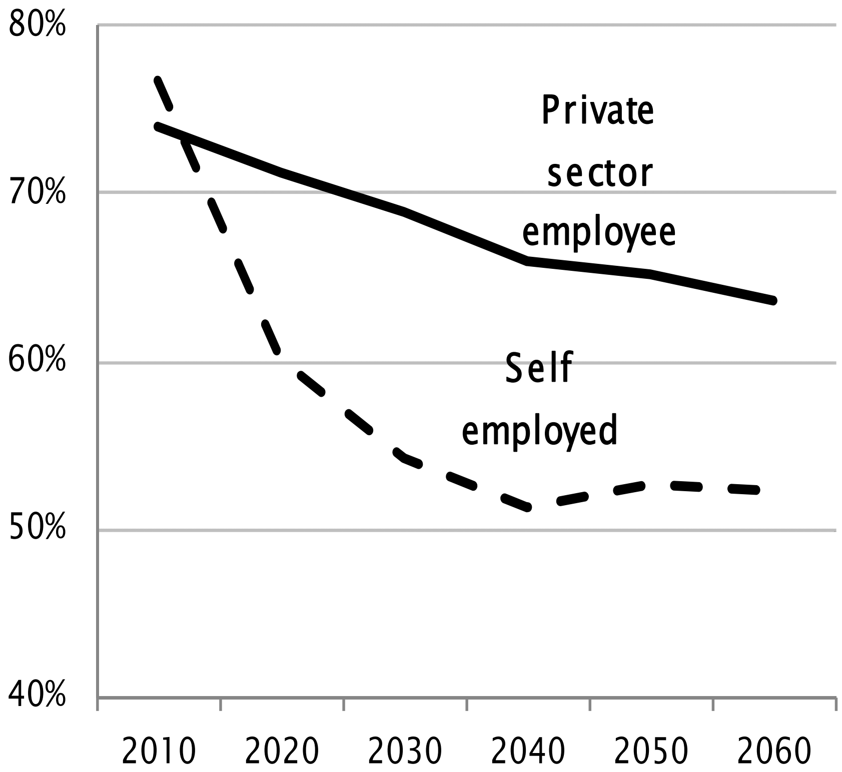
Public Pensions (1st pillar)

Cost (% GDP)



Future substitution rates

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



Source: Ragioneria Generale dello Stato.

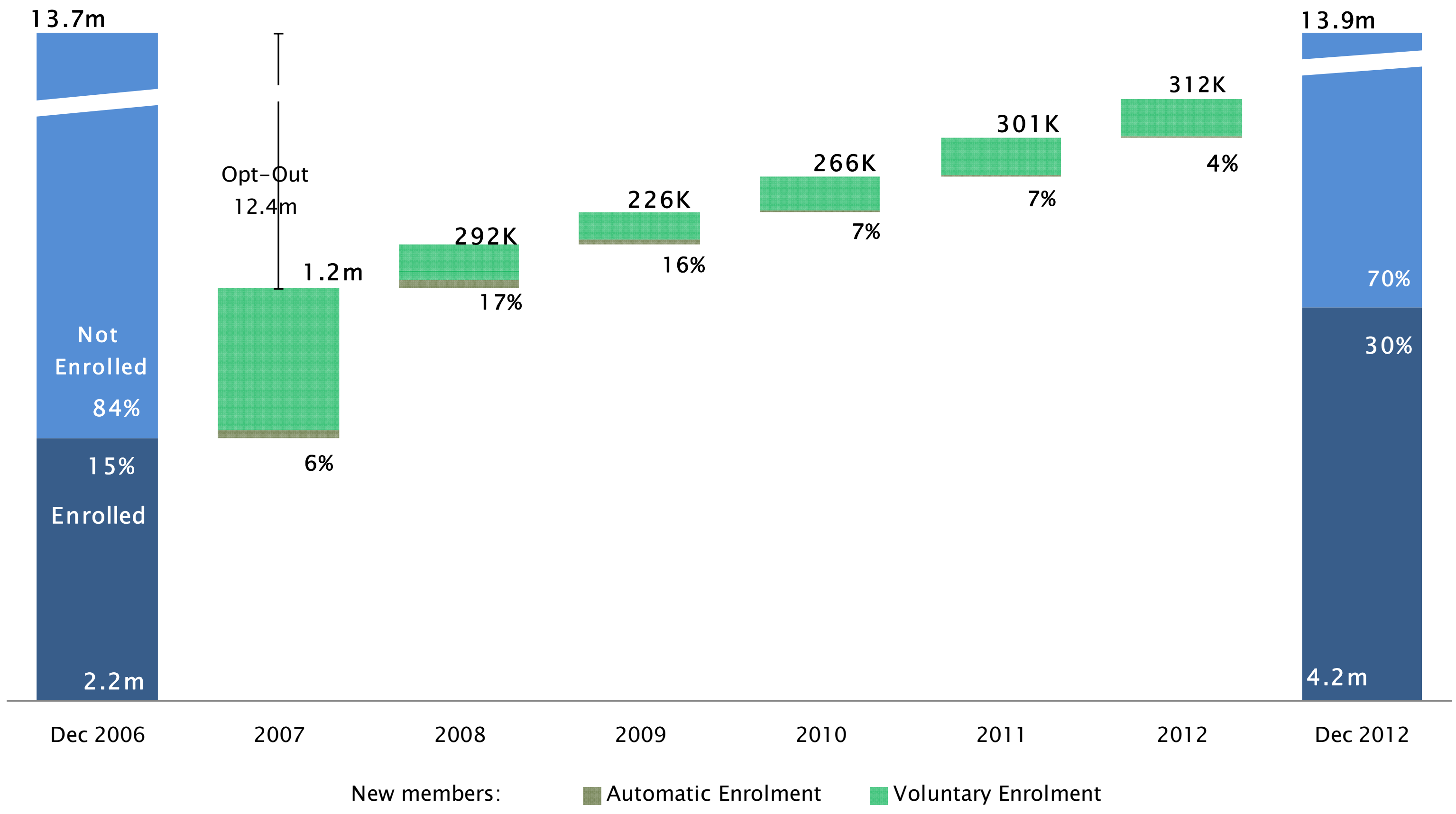
Private pension plans at a glance (2nd & 3rd pillar)

	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.

2007 2nd pillar reform: failure of automatic enrolment



Source: est. based on Covip data.

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