

IPREO SPECIAL REPORT

# LONG TERM OWNERSHIP ANALYSIS

## FTSE MIB

## INTRODUCTION

Ipreo analysed the aggregated institutional ownership in MIB30 companies over the period Q1 2013 to Q1 2017 using publicly available data versus the same data set for Spain, Scandinavia, Germany, France and Belgium, focusing on:

- ▶ Top holders, buyers and sellers
- ▶ Investment analysis by region and investment styles of investors
- ▶ Largest hedge fund ownership
- ▶ Largest activist holders

## SUMMARY BY INVESTMENT STYLE

**Index** investment has risen by 88% since 2013, the 2<sup>nd</sup> highest rate of increase behind 100% for Spain.

**Growth** investment over 5 years has risen by 96.5%, by far the highest rate of increase (2<sup>nd</sup> highest rate of increase for growth investment is 28.4% for Spain).

**Value** investment over 5 years has risen by 52.5%, by far the highest rate of increase.

## REGIONAL OWNERSHIP

▶ Investment into Southern Europe as a whole saw **net inflows** of **+\$9.8B**, the second successive quarter of net inflows and (like for Western Europe) at a significantly higher level than in previous periods. Peter Schaffrik at **RBC Capital Markets** comments in April 2017 to FT.com that the fading of European risk is helping Italian assets wholesale, while the country's banks in particular have been boosted by a series of rights issues at some of the most vulnerable banks.

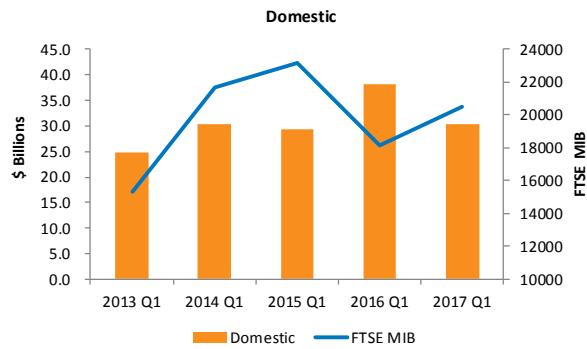
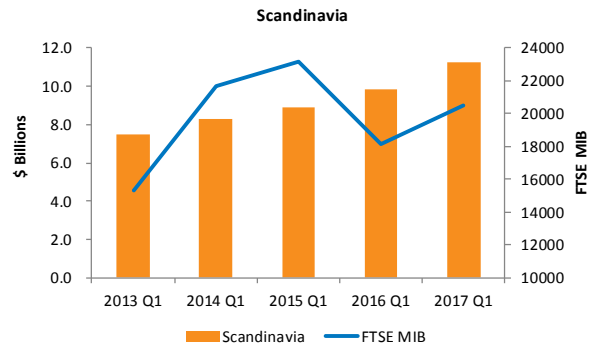
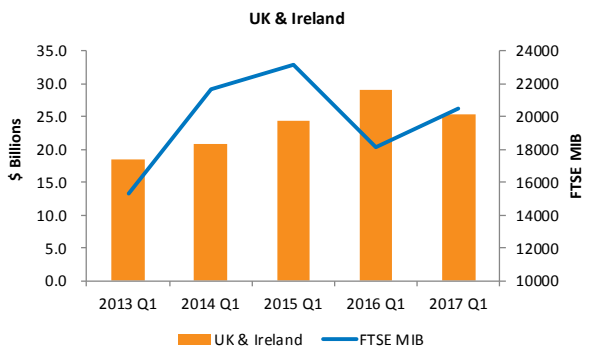
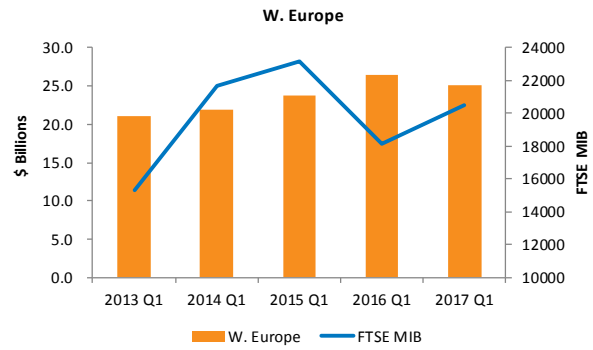
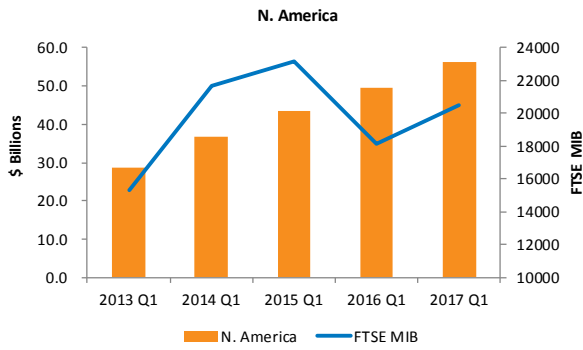
## FTSE MIB

▶ **North American** inflows to the FTSE MIB have increased steadily across the previous five years, almost doubling holdings between 2013 and 2017 (+\$96.6B). There has been a particularly high change in 2017, which is unsurprising considering the surge in Eurozone investment from the region in this period (75% of all European equity inflows were North America driven). Following a similar pattern to North America, **Scandinavian** investment has also been consistently positive, with particularly notable increases in Q1 2016 and Q1 2017, resulting in a +49.3% rise in investment since 2013.

▶ Conversely, **Western European** investment into the FTSE MIB has remained fairly flat for the last five years, with 2016 being the only period in which a noticeable increase was posted, before falling back down in Q1 2017 – however, not quite to levels seen before 2016. This activity was reflected in **UK & Irish** investment, in that the years preceding 2016 were largely unchanged until Q1 2016 when a spike in holdings was seen.

▶ Posting the second lowest percentage change since 2013 across all regions (+22.8%), **domestic** investment has fluctuated with levels of investment rising sharply in 2016 before reverting to those seen in 2015.

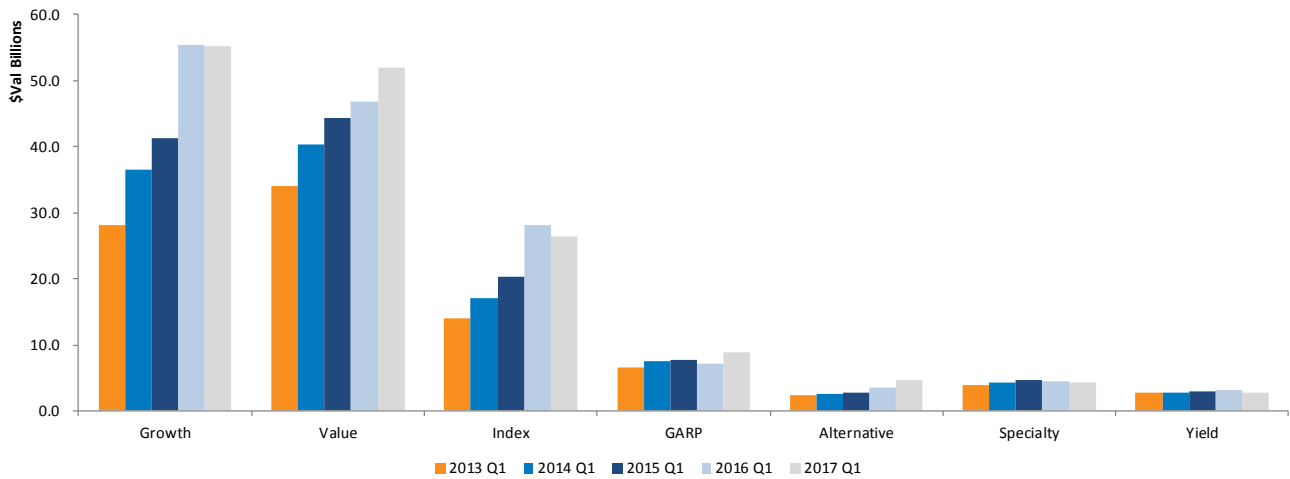
## SUMMARY BY REGION



Italy has seen an increase of 47.6% in ownership in 5 years – the highest increase for any market in this survey and well ahead of #2 market Spain (up 33.1%). It has seen:

- ▶ The highest rate of increase in **North American** inflows (up 96.7% vs 88.4% for Spain)
- ▶ The highest rate of increase in **UK** investment (up 36.5%)
- ▶ The highest rate of increase in **domestic** investment (up 22.8%)

## INVESTMENT STYLE



Looking at the FTSE MIB, **Growth**, **Value** and **Index** have dominated the Italian landscape since Q1 2013.

- ▶ **Growth** investment dominates in 2017 and 2016, representing 35.8% and 37.2% of holdings respectively. Growth has declined slightly in this period (-\$167M) - the first time it has done so since 2013.
- ▶ **Value** investment on the other hand fared well in the current period, having steadily increased across the preceding five years (+\$5.1B in Q1 2017), now representing 33.7% of holdings.
- ▶ **Index** declined last year (-\$1.5B) after four years of constant increases, largely driven by selling from **BlackRock Advisors UK**, **State Street Global Advisors** and **Mellon Capital Management Corporation**, but remains at a much higher level than that seen between 2013 and 2015.

The remaining styles, **GARP**, **Alternative**, **Specialty** and **Yield** have been largely consistent across the five-year period with very little change.

## TOP HOLDERS, BUYERS AND SELLERS

Top Holders	\$M EUM	2017 Q1	Change	2016 Q1	2015 Q1	2014 Q1	2013 Q1	Style	Country
EXOR S.p.A. (Asset Management)	12,436.0	12,142.0	543.3	11,598.7	8,906.0	8,906.0	4,607.3	Growth	Italy
Norges Bank Investment Management (Norway)	590,619.3	8,183.0	762.9	7,420.1	6,524.8	6,064.1	5,569.2	Value	Norway
The Vanguard Group, Inc.	2,445,033.3	7,153.3	543.5	6,609.9	3,895.5	2,913.0	1,585.9	Index	USA
CDP Equity S.p.A.	604.1	5,775.4	0.0	5,775.4	494.0	1,112.0	1,112.0	Growth	Italy
BlackRock Fund Advisors	1,679,741.8	5,637.0	609.7	5,027.3	3,662.4	3,389.4	2,089.2	Index	USA
Harris Associates, L.P.	97,498.4	4,349.7	702.9	3,646.9	3,176.1	2,692.1	1,459.1	Value	USA
Dodge & Cox	171,974.3	4,136.4	560.9	3,575.5	2,379.4	1,391.6	573.0	Value	USA
Mediobanca S.p.A.	3,208.3	3,241.6	-72.0	3,313.6	3,297.3	3,302.1	3,599.9	Specialty	Italy
People's Bank of China	2,407.0	3,077.6	-1,437.1	4,514.7	3,875.6	2,173.5	0.0	Growth	China
BlackRock Advisors (U.K.), LTD	162,568.2	2,909.3	-699.8	3,609.1	2,664.2	2,797.2	2,822.2	Index	UK
Dimensional Fund Advisors, L.P. (U.S.)	354,899.7	2,203.3	689.8	1,513.5	980.1	715.3	651.4	Value	USA
Baillie Gifford & Company, LTD	121,807.1	2,173.9	-150.2	2,324.1	1,703.6	511.3	433.9	Growth	UK
Capital World Investors (U.S.)	611,613.1	2,172.1	435.8	1,736.2	2,295.1	2,247.2	986.0	Value	USA
Aabar Investments PJSC	3,089.0	1,733.1	803.9	929.3	924.7	908.7	1,160.8	Growth	UAE
T. Rowe Price Associates, Inc.	579,181.5	1,599.5	-96.6	1,696.1	591.8	405.0	313.3	Growth	USA
<b>Total:</b>	<b>66,487.3</b>	<b>3,197.0</b>	<b>63,290.2</b>	<b>45,370.4</b>	<b>39,528.5</b>	<b>26,963.4</b>			

Top Buyers	\$M EUM	2017 Q1	Change	2016 Q1	2015 Q1	2014 Q1	2013 Q1	Style	Country
Aabar Investments PJSC	3,089.0	1,733.1	803.9	929.3	924.7	1,680.3	1,160.8	Growth	UAE
Norges Bank Investment Management (Norway)	590,619.3	8,183.0	762.9	7,420.1	6,524.8	9,095.5	5,569.2	Value	Norway
Harris Associates, L.P.	97,498.4	4,349.7	702.9	3,646.9	3,176.1	0.0	1,459.1	Value	USA
Dimensional Fund Advisors, L.P. (U.S.)	354,899.7	2,203.3	689.8	1,513.5	980.1	1,541.3	651.4	Value	USA
BlackRock Fund Advisors	1,679,741.8	5,637.0	609.7	5,027.3	3,662.4	7,656.2	2,089.2	Index	USA
Artisan Partners, L.P.	82,693.3	771.5	561.0	210.5	192.2	2,229.4	12.9	Growth	USA
Dodge & Cox	171,974.3	4,136.4	560.9	3,575.5	2,379.4	4,653.3	573.0	Value	USA
The Vanguard Group, Inc.	2,445,033.3	7,153.3	543.5	6,609.9	3,895.5	2,854.7	1,585.9	Index	USA
EXOR S.p.A. (Asset Management)	12,436.0	12,142.0	543.3	11,598.7	8,906.0	1,432.4	4,607.3	Growth	Italy
Lazard Asset Management Pacific Company	5,026.1	653.2	501.3	151.9	209.8	10,595.1	136.8	GARP	Australia
Wellington Management Company, LLP	463,501.4	819.1	495.1	324.0	459.5	1,039.4	276.6	Value	USA
UBI Pramerica SGR S.p.A.	7,073.4	945.4	453.7	491.6	485.1	53.3	431.9	Value	Italy
Thornburg Investment Management, Inc.	27,617.0	1,238.7	449.2	789.5	751.8	496.4	525.0	GARP	USA
Capital World Investors (U.S.)	611,613.1	2,172.1	435.8	1,736.2	2,295.1	3,707.2	986.0	Value	USA
AKO Capital, LLP	1,384.8	405.9	405.9	0.0	0.0	879.6	0.0	Alternative	UK
<b>Total:</b>	<b>52,543.9</b>	<b>8,519.1</b>	<b>44,024.8</b>	<b>34,842.4</b>	<b>47,914.3</b>	<b>20,065.3</b>			

Top Sellers	\$M EUM	2017 Q1	Change	2016 Q1	2015 Q1	2014 Q1	2013 Q1	Style	Country
People's Bank of China	1,183,155.3	3,077.6	-1,437.1	4,514.7	3,875.6	2,173.5	0.0	Growth	China
BlackRock Advisors (U.K.), LTD	1,683,481.8	2,909.3	-699.8	3,609.1	2,664.2	2,797.2	2,822.2	Index	UK
Grantham Mayo Van Otterloo & Co., LLC	1,815.9	192.5	-465.7	658.2	1,035.9	1,280.1	1,130.7	Value	USA
Standard Life Investments, LTD (U.K.)	172,000.5	577.8	-382.0	959.8	785.7	474.3	365.5	Growth	UK
Pictet Asset Management S.A.	18,459.2	486.9	-365.1	852.1	774.8	840.5	986.4	GARP	Switzerland
BlackRock Investment Management (U.K.), LTD	271,425.1	1,529.5	-353.5	1,883.0	1,427.6	1,209.1	652.9	Growth	UK
State Street Global Advisors, LTD	122,020.4	1,385.1	-345.3	1,730.4	1,334.7	1,192.6	1,066.7	Index	UK
BlackRock International, LTD	14,397.4	251.0	-318.0	569.0	711.8	666.4	433.2	Value	UK
Jennison Associates, LLC	97,583.6	55.8	-303.4	359.2	395.7	335.1	324.1	Growth	USA
Mellon Capital Management Corporation	2,445,693.8	586.2	-296.2	882.5	686.7	243.7	213.6	Index	USA
UBS Asset Management (U.K.), LTD	256,129.6	528.7	-274.1	802.8	666.5	372.3	254.0	Value	UK
Southeastern Asset Management, Inc.	13,877.3	756.8	-266.1	1,022.9	1,055.3	280.6	101.3	Deep Value	USA
Marshall Wace, LLP (U.K.)	55,140.5	194.5	-261.6	456.1	85.9	25.2	0.0	Alternative	UK
Eurizon Capital SGR S.p.A.	13,609.0	564.3	-229.4	793.7	708.8	700.9	584.6	Yield	Italy
Fideuram Investimenti SGR S.p.A.	14,132.8	686.5	-208.6	895.1	542.4	609.1	380.2	Value	Italy
<b>Total:</b>	<b>13,782.7</b>	<b>-6,205.8</b>	<b>19,988.6</b>	<b>16,751.6</b>	<b>13,200.5</b>	<b>9,315.4</b>			

## HOLDERS/BUYERS/SELLERS

### Top holders – FTSE MIB

▶ Geographically, ownership of FTSE MIB stocks is diverse with all regions represented. North American investors represent almost half of all positions, with aggregate holdings of \$25.7B. Italian institution **EXOR S.p.A. (Asset Management)** is the top holder in Q1 2017, increasing investment by +\$543M and every year period except 2015 where the amount was unchanged. EXOR S.p.A. represents 18.2% of the total amount held by top holders.

Overall, holders have posted inflows with only **People's Bank of China** and **BlackRock Advisors UK** posting significant outflows (-\$1.4B and -\$700M, respectively). When looking at IBEX and FTSE MIB collectively, **Norges Bank Investment Management**, the world's largest sovereign wealth fund, is the second highest holder of both Spanish and Italian stocks. The Value investor has been buying IBEX since Q1 2015 although slightly reducing exposure between 2017 and 2016 with a divestment of -\$0.1M, and has been steadily increasing positions in the FTSE MIB since 2013.

### Buyers – FTSE MIB

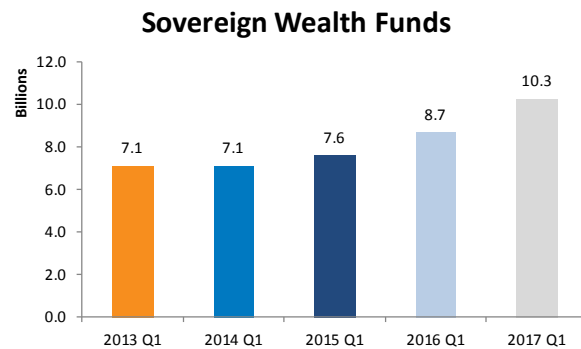
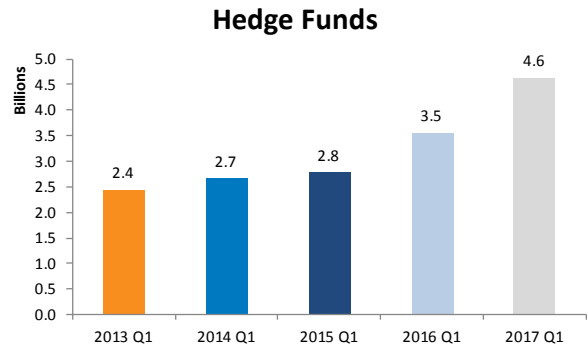
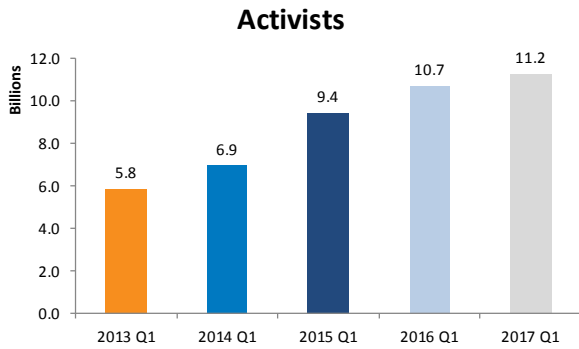
▶ The top buyers list for the FTSE MIB is dominated by **North American** institutions, with particularly large investment coming from **Harris Associates** (+\$703M), **Dimensional Fund Advisors** (+\$690M) and **BlackRock Fund Advisors** (+\$610M). All three investors have consistently increased holdings across the five year period since Q1 2013, as indeed have all other North American institutions appearing in the list, with the exception of **Thornburg Investment Management** and **Capital World Investors**. UAE-based **Aabar Investment PJSC** was the top buyer for the period, increasing its position by a further +\$803M. Previous increases for **Aabar** had been fairly flat, with Q1 2017 being the only period where any significant movement has been seen. A notable investment made by **Aabar** has been into Italian banking group **UniCredit**, which was the most bought Italian stock in Q1 2017 and the main driver of the overall increase in Italian equity inflows for the period (+\$4.0B).

### Sellers – FTSE MIB

▶ **UK and Ireland** investors are prominent in the FTSE MIB top sellers list, comprising 7 positions out of 15 and representing a collective divestment of -\$3.7B, driven largely by selling from Index investor **BlackRock Advisors UK** (-\$700M) and growth-orientated **Standard Life Investments** (-\$382M). **UK & Irish** investment into Southern Europe has generally been positive, but when breaking that down by market, these inflows have been going to Spanish stocks, with Italian stocks seeing net selling.

▶ **People's Bank of China** appears as the top seller in 2017, disposing of -\$1.4B after initiating a position in 2014 and increasing investment steadily until the decrease this year.

▶ Only two **domestic** investors appeared as top sellers in the review period; **Eurizon Capital** (-\$229M) and **Fideuram Investimenti** (-\$209M) in fourteenth and fifteenth places respectively.



#### Activist – FTSE MIB

- ▶ **Norges Bank Investment Management** is the also largest Activist holder in the FTSE MIB, by a fair margin. The **United States** is the next highest holder, constituting 27.0% of Activist ownership. Reflecting activity seen by Norges, **Franklin Mutual Advisors**, the highest US Activist holder has increased holdings for a fourth consecutive period to now hold \$1.0B.
- ▶ A single **UK-based** Activist holder **Tosca Fund Asset Management** (\$18M) drives the 0.2% UK Activist ownership of the FTSE MIB.
- ▶ Value dominates in Activist ownership, with the top two institutions (**Norges** and **Franklin Mutual Advisors**) and fifth and sixth highest Activist holders, **GAMCO Asset Management** and **Gabelli Funds**, representing aggregate holdings of \$9.5B – a majority of the \$11.2B held by the top Activist institutions.

#### Hedge Funds – FTSE MIB

- ▶ As with Spanish stocks, Hedge Fund ownership of the FTSE MIB has nearly doubled over the last five years and is largely driven by **UK** and **North American** institutions (35.9% and 47.8% respectively), led by UK-based **Cedar Rock Capital** holding \$732M, with no change posted in each period since 2014 (indeed, 2013-2014 only saw a -\$0.3M difference). Five of the top ten Hedge Funds are North America- based, the top three of those being **AQR Capital Management**, **Tiger Global Management** and **Pabrai Investment Funds**, holding a collective \$1.2B (+\$387M, +\$380M and -\$75M respectively).

#### SWFs: MIB30

- ▶ As with Hedge Fund and Activist ownership, sovereign wealth fund investment into the MIB30 has gained steadily in every period since 2013, the sharpest rise in investment occurring in 2017 (+\$1.6B).
- ▶ **Norges Bank Investment Management** represents the highest proportion of SWF ownership (81.1%) with a total holding of \$8.2B, having increased holdings for the fourth consecutive period since Q1 2013 (+\$763M in Q1 2017).
- ▶ Middle Eastern SWF's are prevalent, with UAE-based **Aabar Investments** and **Kuwait Investment Authority** representing 17.2% and 1.8% of SWF ownership respectively.
- ▶ Growth-orientated institutions constitute four of the five SWF positions, totalling \$2.1B, however due to the enormity of Norges Bank's position (\$8.2B), value is the dominant investment style.
- ▶ Only one SWF exited the FTSE MIB completely, that being **Korea Investment Corporation** (-\$1M), having entered the ownership base in 2014 and again in 2016, after exiting for the first time in 2015.

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