

IPREO REGIONAL FLOW OF FUNDS SERIES

Italy

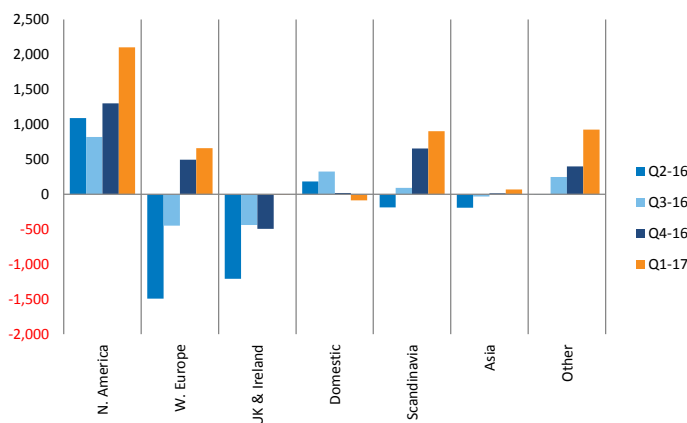
Q1-2017

Market Overview

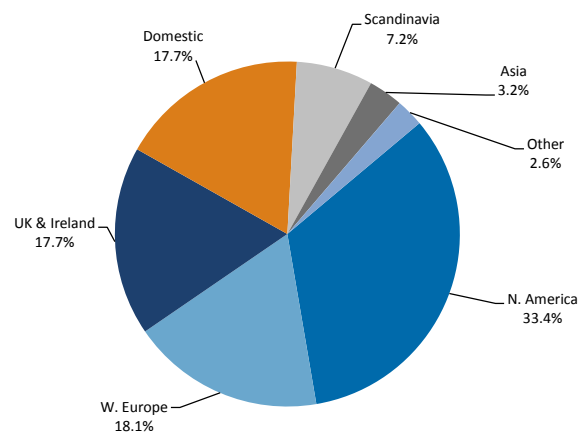
- For the third consecutive quarter, **WEU** has experienced net inflows. In Q1 they totalled **+\$17.7B** – a much higher inflow than seen in **Q3** and **Q4 2016** (Q3 saw inflows of **+\$1.6B** and **Q4** **+\$2.1B**). Of the **+\$17.7B** of investment into **WEU**, **Italy** was the recipient of **+\$5.5B**, with **Financials**, **Technology** and **Industrials** stocks being the **most bought** stocks in the country.
- The **most bought** micro sectors in **Italy** in **Q1 2017** were, by a very significant margin, **Banks** (**+\$3.8B**), **Telecommunications Services** (**+\$519M**) and **Asset Management** (**+\$134M**). This comes as no surprise as four of the five of the most bought Italian stocks in the quarter are from these micro sectors, including Financials firms **UniCredit S.p.A** (**+\$4B**), **FinecoBank S.p.A** (**+\$208M**) and **Banco BRM S.p.A.** (**+\$176M**) and Telecommunications issuer **Telecom Italia S.p.A.** (**+\$522M**).
- Conversely, the **most sold** stocks in **Q1 2017** were **Clothing and Accessories** (**-\$166M**), **Car, Truck and Other Vehicle Manufacturers** (**-\$153M**) and **Diversified Oil and Gas** (**-\$103M**). The most underperforming issuers from these micro sectors were **Luxottica Group S.p.A.** (**-\$172M**), **Ferrari N.V.** (**-\$142M**) and **ENI S.p.A.** (**-\$102M**).
- 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. 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 which have led to *'the perception that the Italian banks are now safer than before'*. This may explain the prevalence of interest in Financials stocks in the region, and indeed in Southern Europe overall, where it has dominated all buying. Furthermore, despite a gloomy political situation in the country at present, the FTSE MIB has been the best performer among major European stock indices since the first round of the French vote last month, climbing more than 10 per cent. Its rapid recent rise means it is now the second-biggest gainer since the start of the year, behind only Spain's IBEX.

Institutional Investment Flow Highlights

Net Change (\$M Value) by Region

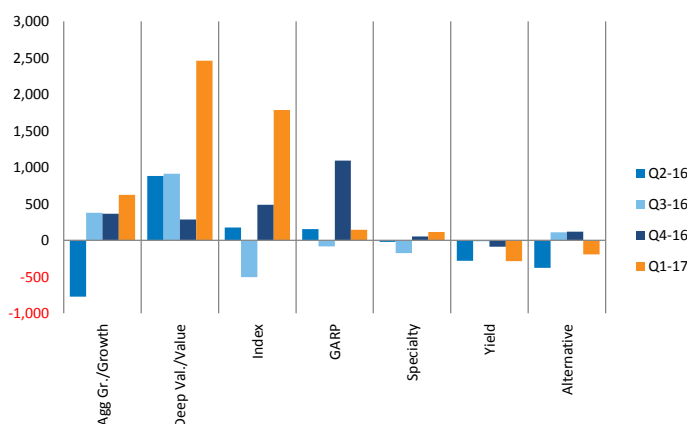


Ownership by Region

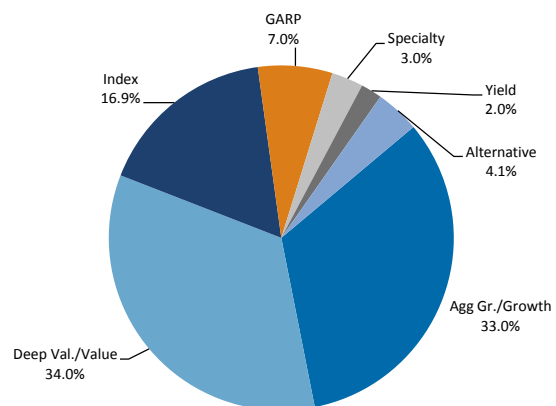


- Regional inflows into Italian equities were **positive** in **Q1 2017**, with increased investment from five of the seven regions, including **North America** (**+\$2.1B**), **Western Europe** (**+\$659M**), **Scandinavia** (**+\$903M**), **Asia** (**+\$70M**) and **Other** (**+\$927M**) (driven by MENA).
- Investment from **North America** has increased for the second consecutive period since **Q3 2016**, but inflows in **Q1 2017** are very much higher than previously seen. This is in line with activity seen by **North American** investors in **Western Europe** overall, as **75%** of inflows into the region have come from the region. **Domestic** investment saw the **highest outflows** (**-\$86M**), driven largely by a disposal of **-\$109M** from **Aletti Gestiale SGR**.

Net Change (\$M Value) by Style



Ownership by Style



- Whereas **GARP** was by far the dominant investment style for **Q4 2016**, **Q1 2017** sees **Value** investment increase sharply, leaving index inflows in the shade (not the case elsewhere in Europe in Q1). **Growth** follows closely behind **Value** at **33.0%** of ownership by style and rose much less steeply than value in Q1 - but it rose (unlike most of Europe in Q1).
- Index** has also gained in **Q1 2017**, driven by buying from **The Vanguard Group** (**+\$603M**) and **BlackRock Fund Advisors** (**+\$417M**). Overall, **Southern Europe** has seen **Index** and **Value** driving buying (**Index** **+\$7.1B** and **Value** **+\$4.6B**) with **Amundi Asset Management** responsible for the increase in **Value** investment specifically.

Top Invested Cities

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	2,001,771	20,785	284	164
Italy (Milan)	65,837	13,695	-205	33
France (Paris)	383,612	9,265	346	138
Norway (Oslo)	624,445	8,801	397	9
United States (New York)	2,939,542	8,512	279	101
United States (Boston)	2,159,963	5,310	-35	24
China (Beijing)	13,428	4,482	0	2
Italy (Turin)	14,128	4,134	39	4
United States (Los Angeles)	1,121,599	4,002	-179	11
Germany (Frankfurt)	298,779	3,214	24	36
Excludes Passive/Index Investors		82,201	950	522

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France (Paris)	383,612	9,265	346	138
United States (New York)	2,939,542	8,512	279	101
Spain (Madrid)	62,806	1,917	155	63
Germany (Frankfurt)	298,779	3,214	24	36
Italy (Milan)	65,837	13,695	-205	33
Switzerland (Zürich)	251,510	1,533	-204	32
Luxembourg (Luxembourg)	30,953	631	32	30
Japan (Tokyo)	620,181	347	6	30
Switzerland (Geneva)	97,545	951	-199	29
Excludes Passive/Index Investors		60,850	518	656

Top Holders, Buyers & Sellers

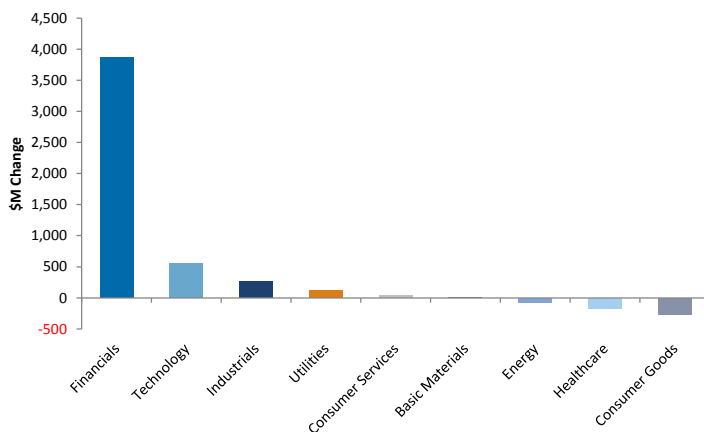
Top Holders	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	590,129	8,619.5	391.2	1.5	4.8
People's Bank of China	China	Growth	Low	2,416	4,482.0	0.0	n/a	0.0
EXOR S.p.A. (Asset Management)	Italy	Growth	Low	12,436	3,649.6	0.0	29.3	0.0
Mediobanca S.p.A.	Italy	Specialty	Low	3,208	3,424.3	0.0	n/a	0.0
Capital World Investors (U.S.)	United States	Value	Low	610,973	2,368.9	-232.6	0.4	-8.9
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,097	2,089.8	-107.7	2.0	-4.9
Harris Associates, L.P.	United States	Value	Low	96,963	1,835.6	-30.6	1.9	-1.6
Aabar Investments PJSC	United Arab Emir	Growth	Low	3,089	1,731.6	771.7	56.1	80.4
Schroder Investment Management, LTD	United Kingdom	GARP	Medium	101,579	1,659.7	1.2	1.6	0.1
Anima SGR S.p.A.	Italy	Value	High	12,728	1,648.9	-3.9	13.0	-0.2
					22,544.3	158.6		

Top Buyers	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Aabar Investments PJSC	United Arab Emir	Growth	Low	3,089	1,731.6	771.7	56.1	80.4
Dodge & Cox	United States	Value	Low	171,399	1,477.5	527.0	0.9	55.5
Norges Bank Investment Management (Norway)	Norway	Value	Low	590,129	8,619.5	391.2	1.5	4.8
TIAA-CREF Investment Management, LLC	United States	Growth	Low	284,643	1,559.2	291.5	0.5	23.0
Nordea Investment Management (Denmark)	Denmark	Value	Medium	64,475	672.3	254.4	1.0	60.9
Franklin Mutual Advisers, LLC	United States	Value	Low	53,531	681.8	187.4	1.3	37.9
Amundi Asset Management S.A.	France	Value	Medium	99,045	1,038.5	179.8	1.0	20.9
Thornburg Investment Management, Inc.	United States	GARP	Medium	27,626	1,300.4	173.8	4.7	15.4
T. Rowe Price International, LTD	United Kingdom	Growth	Low	27,456	555.7	169.6	2.0	43.9
Causeway Capital Management, LLC	United States	Value	Medium	23,430	148.9	148.2	0.6	21,567.9
					17,785.5	3,094.6		

Top Sellers	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
T. Rowe Price Associates, Inc.	United States	Growth	Low	579,206	1,614.3	-396.8	0.3	-19.7
Capital World Investors (U.S.)	United States	Value	Low	610,973	2,368.9	-232.6	0.4	-8.9
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	330,039	1,575.3	-219.1	0.5	-12.2
Standard Life Investments, LTD (U.K.)	United Kingdom	Growth	Medium	68,069	658.3	-193.5	1.0	-22.7
UBS AG (Asset Management Switzerland)	Switzerland	Yield	Low	109,395	532.8	-167.1	0.5	-23.9
Pictet Asset Management S.A.	Switzerland	GARP	Low	60,410	604.0	-165.2	1.0	-21.5
Platinum Asset Management	Australia	Alternative	Medium	8,345	35.1	-156.2	0.4	-81.7
Waddell & Reed Investment Management Company	United States	Aggressive Gro	Medium	55,414	23.1	-125.6	0.0	-84.5
Allianz Global Investors GmbH	Germany	Growth	Medium	69,735	680.1	-116.3	1.0	-14.6
Aletti Gestielle SGR S.p.A.	Italy	Growth	High	2,766	342.5	-108.6	12.4	-24.1
					8,434.3	-1,880.9		

- Top buyer of Italian equities, **Thornburg Investment Management (+174M)** commented in April 2017 that they bought **UniCredit S.p.A.** (most bought Italian stock in **Q1 2017**) due to 'a credible strategic business plan aimed at improving profitability and dealing with non-performing loans', and that 'Shares have done well on the back of its rights offering, as the stock was materially undervalued.'

Most Bought & Sold Sectors



Most Bought & Sold Stocks

BOUGHT Securities	Industry	Change (\$M)
UniCredit S.p.A.	Financials	4,002.3
Telecom Italia S.p.A.	Technology	522.1
Atlantia S.p.A.	Industrials	244.5
FincoBank S.p.A.	Financials	208.0
Banco BPM S.p.A.	Financials	176.2

SOLD Securities	Industry	Change (\$M)
Intesa Sanpaolo S.p.A. (Italy)	Financials	-670.1
Ansaldo STS SpA	Industrials	-220.4
Luxottica Group S.p.A.	Consumer Goods	-171.5
Ferrari N.V.	Consumer Goods	-141.8
Buzzi Unicem SpA	Industrials	-106.7

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Tel: +44 (0)20 7665 9741 or email us at callmenowIR@ipreo.com