

# GLOBAL INVESTOR TRENDS, AND CHANGING MARKET DYNAMICS

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# INVESTOR TRENDS

**Sovereign Wealth Funds** – a mixed bag of opportunity and risk

**ETFs** – from strength to strength

**Active Long only investors** – adapting to a new landscape

**Hedge Funds** – under pressure

**Activism** – global outlook

**Regulatory Update** – changing model for research

**Ownership Trends and Flows** – new opportunities for 2016

**Q&A**

# YOUR FEEDBACK - POLL QUESTION 1

What do you see as your biggest IR challenges in 2016 among the following?

- a. **Finding new investors to target**
- b. **Threat of activism**
- c. **Navigating regulatory change**
- d. **Dealing with Hedge Funds**

# SOVEREIGN WEALTH FUNDS

## A MIXED STORY

- **Oil-dependent SWFs faced difficulties in 2015**
- **Saudi Arabian Monetary Agency** is estimated to have withdrawn \$50-\$70bn in 2015 from asset managers including **Gulf International Bank, UBS Global Asset Mgmt., Mellon Capital Mgmt., BlackRock Advisors (UK), Harding Loevner LP** and **MFS Investment Mgmt.**
- **SAMA** sold more than \$2bn across Nasdaq's European clients in 2H15.
- **Key names remain prominent**
- Hong Kong-based **SAFE Investment Company** still buying Europe and is the largest buyer across Nasdaq's Italian clients (+\$880m) over past six months.
- **Norges Bank** remains the third largest international holder of Italian equities



China / \$547 B

# SOVEREIGN WEALTH FUNDS

## A MIXED STORY

- **Increasing Global Focus**

- A number of SWFS to increase global equity exposure including: **Korea Investment Corporation**, **Kuwait Investment Office** (reduce U.S. holdings) and **Qatar Investment Authority**



Korea / \$84 B

- **Bringing Management in-house**

- Japan's \$1.1 trillion **Government Pension Investment Fund** is studying whether the firm should be allowed to invest directly in equities rather than through sub-advisors
- **GPIF's equity management would likely be passive initially**; the billions saved from management fees alone would provide a boost to equity markets. Likely to go active in the medium/longer term.
- Malaysia's **Employees Provident Fund** increasingly engaging directly with European companies.



Kuala Lumpur / \$148 B

# SOVEREIGN WEALTH FUNDS

## TIPS FOR ENGAGING

- Despite often significant ownership and assets, SWFs are often **opaque and difficult to understand** for IR teams.
- **Management engagement is key** for largest Asia Pac and Middle East Sovereign Funds
- Many have **presence in key financial centres** such as London and New York – e.g. Govt of Singapore
- Most SWFs are long term by nature – **multiple engagements** will likely be necessary before a position is initiated.

# YOUR FEEDBACK - POLL QUESTION 2

How do you see the significance of Sovereign Wealth Funds in your shareholder base developing over the next 3-5 years?

- a. Growing significantly
- b. Moderate growth
- c. Flat
- d. Moderate reduction
- e. Significant reduction

# GROWTH IN PASSIVE VEHICLES CONTINUES SQUEEZE ON ACTIVE MANAGERS

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**Growth in low cost ETFs** continued in 2015; ETF AUM surpassed \$3tn mark

- **Vanguard** saw \$235bn in inflows in 2015; more than any other investor.
- Across Nasdaq's EMEA clients, **Vanguard** ranks as top buyer (+\$5.2bn), **Mellon Capital Mgmt.** is 3<sup>rd</sup> top buyer (+\$2.8bn).

## **High profile Active managers suffering redemptions**

- **Northern Cross LLC** has suffered \$2.8bn of redemptions over the past year (Lipper fund flows)
- **Franklin Resources** said that 3Q net profit declined by nearly half after AUM fell by 11% during 3Q15 to \$770bn. It also saw redemptions of \$28.6bn in 3Q15, hampered by poor performance and bad bets in the Energy sector as well as in Emerging Markets.
- In the UK, **Aberdeen Asset Management's** AUM declined by £40bn in 2015.



# HEDGE FUNDS UNDER PRESSURE

## CLOSURES AND LOCK UP PERIODS ANNOUNCED

- **\$100 billion lost by hedge funds in 2H15** on the back of weak macro economic conditions.
- A number of **hedge fund closures** while others announced **lock up periods** to stem redemptions:
- **Greenlight Capital, Jana Partners, and Third Point LLC** all reported September monthly losses of over 3.5%.
- Nelson Peltz's **Triam Fund Management** announced that it would end quarterly redemptions for new investors in order to find a “more stable source of funding.”
- Jeffrey Ubben's **ValueAct Capital** announced a similar long term lock up period in its third-quarter letter.
- **BlueCrest Capital Management** decided to return the money of outside clients, citing an effort to take on greater risk by moving away from “safe investments”

# ACTIVISTS GO GLOBAL

## LONG ONLY FIRMS SAY THEY CONSIDER ACTIVISTS PROPOSALS

- Activism remained in the headlines throughout 2015; new investments in the **Technology** and **Consumer** sectors.
- **45 activist campaigns launched in Europe in 2015 vs 305 in the US.** Key firms active in Europe include **Cevian Capital, Knight Vinke, Elliott** and **Trian**
- Passive investors, such as **State Street Global Investors**, willing to partner with Activist Investors it may help to remedy a lagging performer held in Index fund
- **BlackRock** may “support the Activist,” the firm “seldom supports the whole slate that an Activist puts forward.” -- *Michelle Edkins, head of Corporate Governance at BlackRock even stated that the investor.*
- IROs increasingly want to **understand potential vulnerabilities** that their company displays that may attract activist attention.

# REGULATORY TRENDS

## MIFID II ADDRESSES PAYMENT FOR RESEARCH

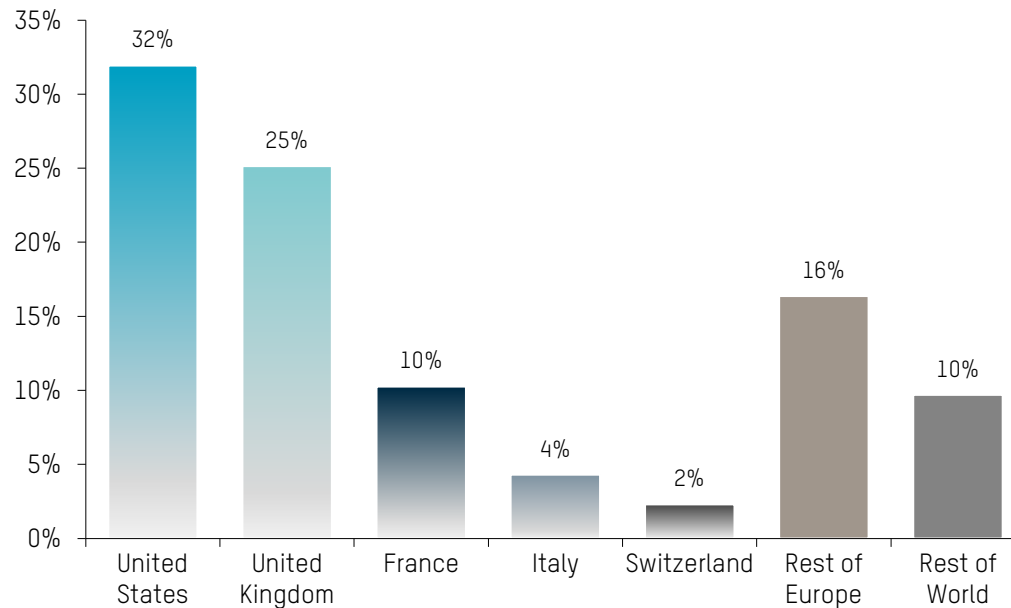
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- **2014** - New rules from the UK regulator (FCA) **forbid the payment to the sell-side for Corporate Access services out of trading commissions**
- **December 2015** - the EU released a draft of the MiFID II Directive, including **new rules to address potential conflicts of interest in the way investors pay for research.**
- **MiFID II** is slated to take effect from **January 2017** (though it may be delayed).
- Key feature – buy side firms **required to pay for research out of a “separate research payment account”** that is not “linked to the volume and/or value of transactions executed on behalf of clients.”
- **“Minor non-monetary benefits” provided by the sell-side will be exempt from the disclosed research budget.** (Includes sell-side notes after company earnings or capital markets days, etc.)
- Investment managers are already preparing for when the new regulation around substantive research comes into effect.
- Will shed new light on the cost and what the buy-side considers to be value-added research.

# INVESTMENT TRENDS IN ITALIAN COMPANIES

- **Strong international presence** - International investors make up **96%** of institutional shares
- **Domestic investment** - is on average **4%** of institutional shares
- **Rest of World ownership** - equivalent to **10%** of institutional shares, led by SAFE in Hong Kong

Current % of Institutional Shares by Country - Italian Market



\* Based on Aggregated Shareholder Analysis YTD across Nasdaq's Italian clients

# OWNERSHIP TRENDS ACROSS ITALIAN COMPANIES

## LARGEST ACTIVE INVESTORS ACROSS ITALIAN COMPANIES

Name	Investment Style	City	Country
SAFE Investment Company Limited	N/A	Central (Hong Kong)	Hong Kong
Harris Associates L.P.	Core Value	Chicago	United States
Norges Bank Investment Management (NBIM)	Core Value	Oslo	Norway
UBS Global Asset Management (UK) Ltd.	Core Value	London	United Kingdom
Thornburg Investment Management, Inc.	Core Value	Santa Fe	United States
Standard Life Investments Ltd.	Core Growth	Edinburgh	United Kingdom
Amundi Asset Management	GARP	Paris	France
Schroder Investment Management Ltd. (SIM)	Core Growth	London	United Kingdom
INVESCO Asset Management Limited	Core Value	Henley-on-Thames	United Kingdom
BNP Paribas Investment Partners (France)	Core Growth	Paris	France

## TOP ACTIVE BUYERS IN ITALIAN COMPANIES

Name	Investment Style	City	Country
SAFE Investment Company Limited	N/A	Central (Hong Kong)	Hong Kong
Standard Life Investments Ltd.	Core Growth	Edinburgh	United Kingdom
Banca d'Italia	N/A	Rome	Italy
UBS Global Asset Management (UK) Ltd.	Core Value	London	United Kingdom
JPMorgan Asset Management U.K. Limited	Core Growth	London	United Kingdom
American Century Investment Management, Inc.	Core Growth	Kansas City	United States
Lazard Asset Management, L.L.C.	Core Value	New York	United States
Allianz Global Investors GmbH	GARP	Frankfurt	Germany
UBS Global Asset Management (Switzerland)	Core Value	Zurich	Switzerland
Danske Capital	Core Growth	Lyngby	Denmark

\* Based on Aggregated Shareholder Analysis YTD across Nasdaq's Italian clients

# NEW OPPORTUNITIES: TARGETING FUNDS WITH RECENT INFLOWS

Rank	Name	Domicile	Fund Manager(s)	AuM (\$M)	Fund Flow (\$M)		Performance %	Italy	
					-3M (Dec)	-12M (Dec)	-12M (Dec)	Allocation %	Invested (\$M)
1	Schroder ISF European Alpha Abs Return	LUX	Lionel Rayon	546	386	507	-3	5	29
2	Threadneedle Pan European Sm Cos	GBR	Philip Dicken	2,612	267	686	14	10	263
3	Hartford International Opportunities Fund	USA	Nicolas Choumenkovitch	817	197	241	2	5	41
4	UBS (Lux) Eq S - European Opportunity	LUX	Anderl/Leung	2,080	169	1,060	11	6	129
5	Threadneedle European Smaller Companies	GBR	Mark Heslop	2,047	145	157	15	12	247
6	Henderson HF Euroland	LUX	Nick Sheridan	713	145	-58	5	8	54
7	Invesco Perpetual European Equity	GBR	Jeffrey Taylor	2,417	138	444	1	8	201
8	SG Actions Euro Selection	FRA	Le Meaux/Mah	592	116	373	-1	8	46
9	Generali IS Special Situation	LUX	Giuliano Gasparet	328	111	91	4	20	66
10	Man GLG Continental European Growth	GBR	Rory Powe	439	109	283	24	11	48

- Philip Dicken's \$2.5bn EUM *Threadneedle Pan European Small Companies* fund favors companies in the Consumer Discretionary, Industrials and Financials sectors; it has seen inflows of \$267m in 4Q15
- The *Hartford International Opportunities Fund*, managed by Boston-based **Wellington Management Company**, is 5% invested in Italian companies and has recorded inflows of \$197m in 4Q15
- In London, Jeremy Leung's *UBS (Lux) Equity SICAV - European Opportunity* fund invests in stocks that pay an average DY of at least 1.8% and favors large cap stocks; it is 6% invested in Italian stocks

# YOUR FEEDBACK - POLL QUESTION 3

In which geographic markets do you see the most potential for new ownership of your company in 2016?

- a. Italy
- b. United States
- c. United Kingdom
- d. Europe ex Italy and UK
- e. Asia Pacific

# QUESTIONS?