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**PIR MONITOR**  
Quarterly Report





# PIR MONITOR

Quarterly report

## MIXED FLOWS: POSITIVE FOR ALTERNATIVE, CONTINUED OUTFLOWS FOR ORDINARY

*Alternative PIRs showed resilience, with positive net flows of € +58.2mn in 1Q23 (FY22 € +242mn). On the other hand, ordinary PIRs recorded net outflows for €-779mn, with outflows persisting in April influenced by a challenging market environment and the decision to take profits from instruments that had previously demonstrated good performance over a 5-year period. Despite the short-term uncertainty, we continue to believe that Individual Savings Plans, both traditional and alternative, are excellent tools for investing in a medium- to long-term perspective efficiently on Italian companies, especially SMEs, with important tax advantages and diversifying the entry period over time.*

### ■ Significant outflows for ordinary PIRs

According to the official data by Assogestioni in 1Q23 the ordinary PIR funds recorded net outflows worth € -779mn, compared to the net outflows in 4Q22 of € -368mn and vs. € +160.2mn in 1Q22. Moreover, according to IISole24ore, the negative trend persisted into April with net outflows of approx. € -144mn, bringing the overall YTD balance to € -923mn (vs. € -734mn in FY22). We attribute this downward trend to ongoing macro-geopolitical uncertainties, restrictive monetary policies implemented by central banks and a reduced risk appetite. These factors have discouraged new subscriptions while prompting investors to take profits from instruments that had previously demonstrated good performance over a 5-year period. Total AUMs – promoted by 66 funds (vs. 64 at the end of 4Q and 70 at the end of 1Q22) – were at € 17.8bn at the end of 1Q23, up QoQ (+2%) thanks to the positive market performance (we estimate market effect +6.6%) partly offset by outflows.

### ■ Resilient trend for alternative PIRs

As far as alternative PIRs are concerned, in 1Q23 they recorded positive net inflows for € +58.2mn, compared to the € +242mn in FY22. Total AUMs, promoted by 14 funds, amount to € 1.51bn, a +4% increase QoQ (and we estimate over € 3.1bn AUM considering also funds not included in Assogestioni data). Although in the short-term the visibility on a recovery of the net flows of ordinary PIRs remains low, also considering the retail government bond issues (June BTP Valore auction marked record high demand from retail investors who placed orders for €18.2bn), we continue to believe that Individual Savings Plans, both traditional and alternative, are excellent tools for investing in a medium- to long-term perspective efficiently on Italian companies, especially SMEs, with important tax advantages and diversifying the entry period over time. **For 2024-25E, we think ordinary PIRs can raise around € +1bn in total (while we expect € -1.2bn for 2023E but substantially flat AUM YoY at € 17.5bn thanks to the positive market performance), while for alternative PIRs about between € 2bn and € 3bn per year from 2023 onward (to reach € 10-15bn of AUM in 5 years vs. the current estimated €3.1bn+).**

### ■ Valuation of Italian mid-small caps, the main investment asset of PIRs

The Italian mid-small caps universe experienced a strong de-rating throughout 2022 and 1H23 (with 2023E P/E dropping from 15x at the beginning of 2022 to the current 11.2x) hit harder by the reduction in liquidity (which was worsened by PIR outflows) and now featuring historical low valuations. **Italian mid-small caps** are currently trading with a 2023-24E P/E of 11.2x-10.3x (or 12.6x-11.5x ex-banks) – with expected earnings growth of +6% YoY on 2023 vs. 2022 and +8% on 2024 vs. 2023 (+2% and +9% ex-banks) – at a discount of 34/40% compared to the last 3Y average (FTSE Italy Mid-cap P/E fwd blended 12M 17x - range 11.5x - 22x). This discount has increased compared to the 28% recorded at the start of the year.



## PIR (INDIVIDUAL SAVINGS PLAN) FUNDS: UPDATE ON INFLOWS AND AUM

According to the official data by Assogestioni in **1Q23 the ordinary PIR funds recorded net outflows worth € -779mn**, compared to the net outflows in 4Q22 of € -368mn and vs. € +160.2mn in 1Q22. Moreover, according to IISole24ore, the negative trend persisted into April with **net outflows of approx. € -144mn, bringing the overall YTD balance to € -923mn (vs. € -734mn in FY22)**.

We attribute this downward trend to ongoing macro-geopolitical uncertainties, restrictive monetary policies implemented by central banks and a reduced risk appetite; and despite **Italy's economic performance exceeding expectations** (Italy's real GDP for 2023 was expected to be -1% in December 2022, but now it is expected to +1%; additionally, the BTP-Bund spread has decreased to 165bps vs. 210bps at the beginning of the year and 250bps in September 2022) **and surpassing that of the main EU countries**.

These factors have discouraged new subscriptions while **prompting investors to take profits from instruments that had previously demonstrated good performance over a 5-year period**.

**Total AUMs – promoted by 66 funds** (vs. 64 at the end of 4Q and 70 at the end of 1Q22) – were **at € 17.8bn at the end of 1Q23, up QoQ (+2%)** thanks to the positive market performance (we estimate market effect +6.6%) partly offset by outflows.

As far as **alternative PIRs** are concerned, **in 1Q23 they recorded positive net inflows for € +58.2mn**, compared to the € +242mn in FY22.

**Total AUMs**, promoted by **14 funds**, amount to **€ 1.51bn**, a **+4% increase QoQ** (and we estimate **over € 3.1bn AUM** considering also funds not included in Assogestioni data).

### ORDINARY PIR COMPLIANT MUTUAL FUNDS (€ MN)

	FY2018	FY2019	FY2020	FY2021	1Q22	2Q22	3Q22	4Q22	FY2022	1Q23
Net inflows	3,950	-1,097	-759.3	323.4	160.2	-195.6	-330.3	-368.1	-733.7	-779.1
<b>AUM</b>	<b>17,383</b>	<b>18,725</b>	<b>17,824</b>	<b>21,194</b>	<b>19,791</b>	<b>17,536</b>	<b>16,477</b>	<b>17,449</b>	<b>17,449</b>	<b>17,824</b>
Total AUM of Italian open mutual funds	955,114	1,071,299	1,076,110	1,215,167	1,166,535	1,044,631	1,017,031	1,026,338	1,026,338	1,050,778
<b>Share</b>	<b>1.82%</b>	<b>1.75%</b>	<b>1.66%</b>	<b>1.74%</b>	<b>1.70%</b>	<b>1.68%</b>	<b>1.62%</b>	<b>1.70%</b>	<b>1.70%</b>	<b>1.70%</b>

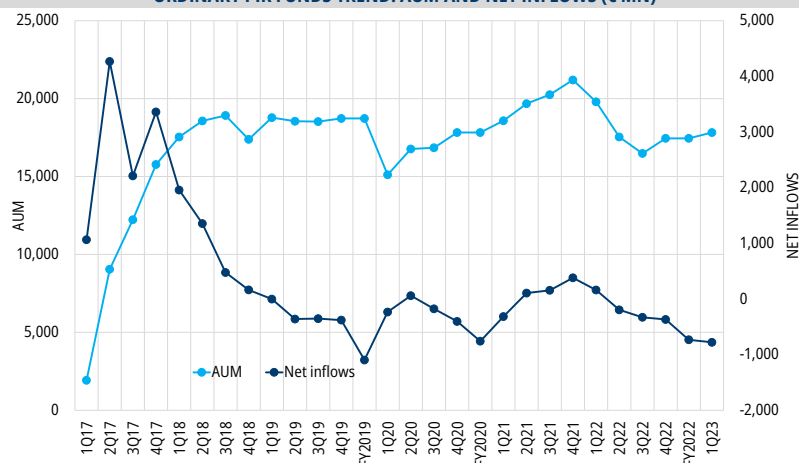
Source: Assogestioni

### ALTERNATIVE PIR COMPLIANT FUNDS (€ MN)

PIR alternative (€ mn)	4Q21	FY2021	1Q22	2Q22	3Q22	4Q22	FY2022	1Q23
Net inflows	665.4	1,300.0	83.4	152.7	14.5	-9.0	241.7	58.2
<b>AUM</b>	<b>1,700</b>	<b>1,700</b>	<b>1,812</b>	<b>1,439</b>	<b>1,449</b>	<b>1,449</b>	<b>1,449</b>	<b>1,512</b>
Total AUM of Italian open mutual funds + RE closed funds	1,281,272	1,281,272	1,233,120	1,112,094	1,087,126	1,097,261	1,097,261	1,123,242
<b>Share</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.15%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.13%</b>

Source: Assogestioni; AZM is no longer in Assogestioni's data since 2Q22 and represented € +511mn in 1Q22

### ORDINARY PIR FUNDS TREND: AUM AND NET INFLOWS (€ MN)



Source: Equita SIM elaborations on Assogestioni data; in 2019 new provisions on PIR funds were approved (investment limits of 3.5% on AIM and 3.5% on venture capital) which blocked the product. From 2020, the product has been revamped (with replacement of the investment limits on AIM and VC with a 3.5% share for investments in companies NOT included on the FTSE MIB and FTSE MID index).

In terms of AUMs, the **leader in the ordinary PIRs' segment** still remains **Banca Mediolanum** (22.9% market share), ahead of Intesa Sanpaolo (20.6%), Amundi (14.7%), Arca (13.1%) and Anima (9.5%).

**ORDINARY PIR FUNDS: MARKET SHARE OF THE MAIN PLAYERS (€ MN, 1Q23 DATA)**

	AUM	Share	Inflows 1Q23	Share	YTD	Monthly average
Banca Mediolanum	4,084	22.9%	-63	nm	-63	-21
Intesa Sanpaolo group	3,666	20.6%	-186	nm	-186	-62
Amundi	2,614	14.7%	-310	nm	-310	-103
Arca	2,340	13.1%	-27	nm	-27	-9
Anima	1,685	9.5%	-106	nm	-106	-35

Source: Assogestioni

Considering **alternative PIRs**, the market leader is by far **Intesa Sanpaolo** (76% market share on Assogestioni data), ahead of Amundi (6.6%), Mediolanum (5.6%), Kairos (3.2%) and Ersel (3%).

**ALTERNATIVE PIR FUNDS (Assogestioni data): MARKET SHARE OF THE MAIN PLAYERS (€ MN, 1Q23 DATA)**

	AUM	Share	Inflows 1Q23	Share	YTD	Monthly average
Intesa Sanpaolo group	1,143	75.6%	0	0%	0	0
Amundi	100	6.6%	6	10%	6	2
Mediolanum	85	5.6%	0	0%	0	0
Kairos	49	3.2%	0	0%	0	0
Ersel	46	3.0%	46	79%	46	15
Arca	44	2.9%	0	0%	0	0
Anima	32	2.1%	0	0%	0	0

Source: Assogestioni

On top of this, we have Azimut (with € 767mn of AUM), Anthilia SGR (€ 383mn), Equita Capital SGR (with €310mn AUM), Credem Private Equity (€ 123mn) and HI Algebris (€57mn).

**ALTERNATIVE PIR FUNDS: MAIN PLAYERS (€ MN)**

	AUM	o/w Retail	o/w Institutional
Intesa Sanpaolo group	1,143	-	-
Azimut*	767	631	136
Anthilia SGR*	383	37	346
Equita Capital SGR*	327	90	237
Credem Private Equity**	123	123	-
Amundi	100	100	-
Mediolanum	85	85	-
HI Algebris***	57	57	-
Kairos	49	49	-
Ersel	46	46	-
Arca	44	44	-
Anima	32	32	-
Altri	14	14	-
<b>Total</b>	<b>3,170</b>		

Source: Equita SIM elaborations on company data, company web-site and Assogestioni (data as of end of 1Q23). \*data as of today, \*\*data as of end of Dec-22; \*\*\*data as of end of Apr-23.

In terms of individual categories, the **incidence on total AUM of equity products increased to 28.3%** (from 27.4% in 4Q22) mainly driven by positive equity market performance, while balanced funds decreased to 37.5% (from 39%); closed-end and flexible funds have remained largely stable (7.7% and 25% respectively).

## BREAKDOWN OF PIR FUNDS (ORDINARY + ALTERNATIVE) BY CATEGORY (€ MN, 1Q23 DATA)

	AUM	Share	Share in 4Q22
Equity	5,465	28.3%	27.4%
Balanced	7,257	37.5%	39.0%
Fixed Income	280	1.4%	1.1%
Flexible	4,836	25.0%	24.8%
Closed funds	1,498	7.7%	7.6%
<b>Total AUM</b>	<b>19,336</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Assogestioni

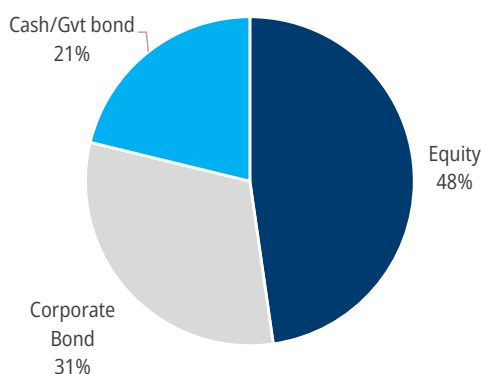
**Ordinary PIR funds account for about 2% of the total volume of funds within the industry** (1.7%, stable vs. 4Q22 and 1Q22) and they experienced outflows YTD (we est. approx. € -923mn YTD in April), reflecting the overall challenging environment for the open-end fund industry (ex-PIR flows slightly positive YTD in April thanks to the recovery in fixed-income funds in the last month). We think that the products have still room to growth, especially in case of positive development for the capital market in Italy. However, the about 2% allocation on traditional PIR compares with a historical average of 1% of the Italian equity funds. So, we can say that the PIRs have respected their objectives of promoting stronger allocation of savings to Italian economy.

**Alternative PIR funds**, on the other hands, account for only **0.13% of the total volume**: this indicates that there is significant room for growth for these products.

From the snapshot of AUM at the end of December 2022 (€ 17.5bn) we can see that ordinary PIR funds are invested for:

- € 8.3 bn in Italian stocks (or 48% of the total, from 50% at the end of 2021);
- € 5.4 bn in corporate bonds of domestic issuers (31%, stable vs. 2021);
- € 3.7 bn in cash/Italian and foreign government bonds (21% from 22%).

## ORDINARY PIR: BREAKDOWN OF AUM (FY22 DATA)

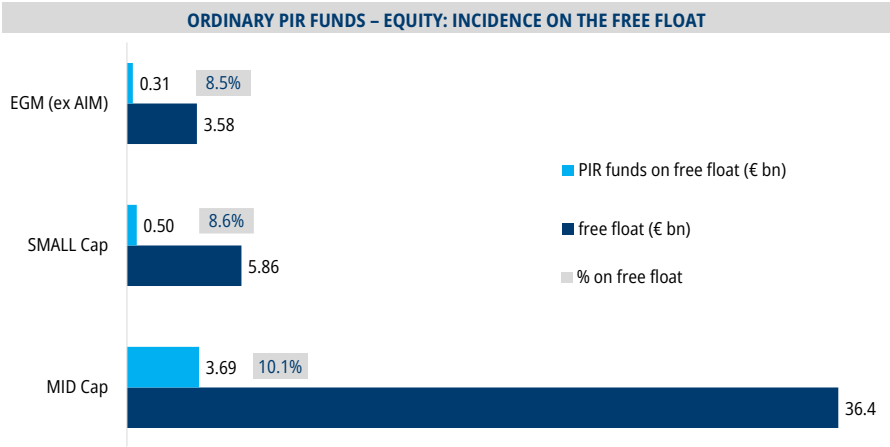


Source: Equita SIM elaborations on Assogestioni data

The **equity** segment is mainly invested in **Mid-Caps (€ 3.69bn)** and **FTSE MIB stocks** (Large caps € 3.7bn, approximately 1.4% of the free float), while investments in **EGM stocks (€ 305mn)**, or approximately 9% of the free float of the segment) still only account for a residual share. As for **corporate bonds**, **FTSE MIB (€ 3.59bn)** accounts for the lion's share, while the almost **total absence of investments in EGM** is worthy of note (**only € 9mn**). Investments in the debt securities of **unlisted companies (€1.07bn)** exceed those in **Mid-Cap bonds (€700mn)**.

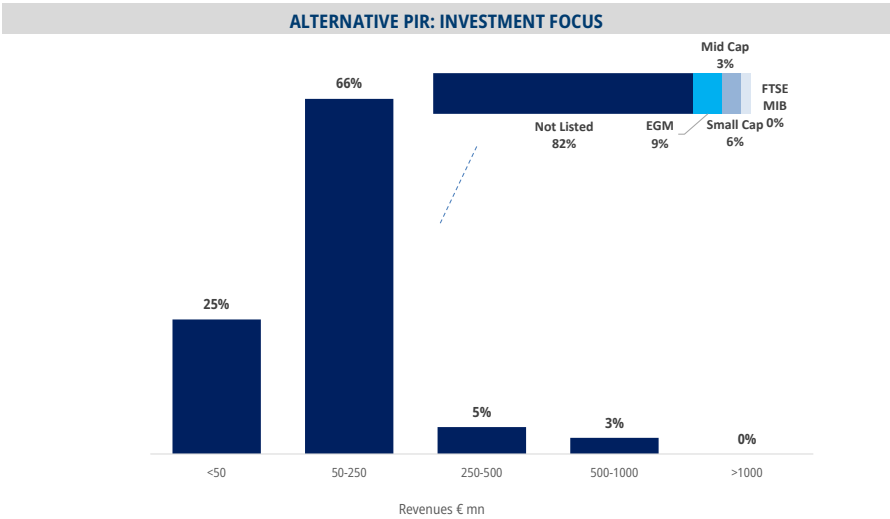
As for the **percentage of free float**, PIR fund capital accounts for around **10% of Mid-Cap**, **9% of Small-Cap** and **9% of EGM free float**. These numbers undoubtedly confirm that these products are gaining ground, but also highlight that there is plenty of **room for growth for SMEs**.

**Data show that traditional PIRs invest mainly in small and medium-sized listed companies (58% on companies with < € 1bn of revenues).**

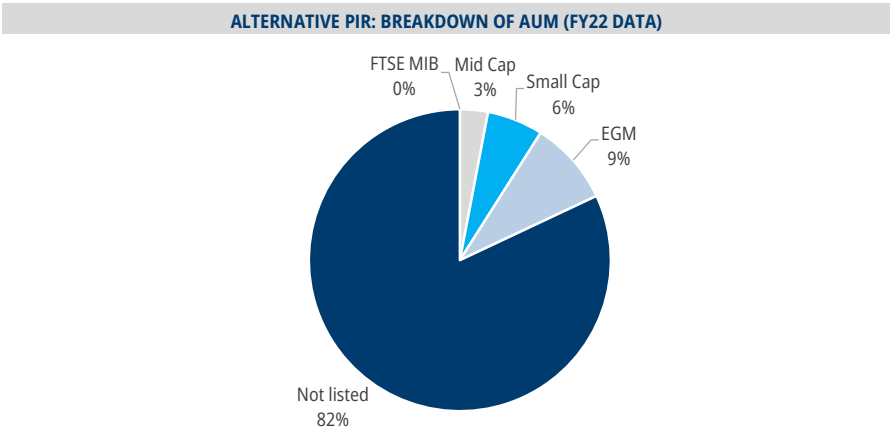


Source: Equita SIM elaborations on Assogestioni data

**Alternative PIR funds**, on the other hand, invest 82% in unlisted issuers, and 91% on companies with < € 250mn of revenues (25% < € 50mn), which highlights the strong focus of these products towards smaller companies.



Source: Assogestioni



Source: Equita SIM elaborations on Assogestioni data

## PIR: OUR ESTIMATES OF NET INFLOWS

We believe a considerable amount of the **capital outflows in 2022, and year-to-date, could be attributed to the conclusion of the five-year period that started in 2017**, a year marked by a strong inflow (€ 11bn and 800k subscribers with an average investment of around € 13,500) and considering the **favorable five-year market performance of small and mid-cap stocks**. In fact, since the beginning of 2017, the FTSE Mid Cap index is up by +58%, FTSE Italia STAR index by +100%, FTSE Italia Small Cap by +68% and EGM by +24%.

Although in the short-term the visibility on a recovery of the net flows of ordinary PIRs remains low, also considering the retail government bond issues (June BTP Valore auction marked record high demand from retail investors who placed orders for €18.2bn), we continue to believe that Individual Savings Plans, both traditional and alternative, are excellent tools for investing in a medium- to long-term perspective efficiently on Italian companies, especially SMEs, with important tax advantages and diversifying the entry period over time.

For 2024-25E, we think **ordinary PIRs can raise** around **€ +1bn** in total (while we expect € -1.2bn for 2023E but substantially flat AUM YoY at € 17.5bn thanks to the positive market performance), while for **alternative PIRs** about between € 2bn and € 3bn per year from 2023 onward (to **reach € 10-15bn of AUM in 5 years vs. the current estimated €3.1bn+**).

### ORDINARY PIR: ESTIMATED NET INFLOWS AND AUM EVOLUTION (€ MN)

	2017	2018	2019	2020	2021	2022	2023E
Net inflows	10,902	3,950	-1,097	-759	323	-734	-1,213
AUM	15,769	17,383	18,725	17,824	21,194	17,449	17,458

*Source: Equita SIM estimates and elaborations on Assogestioni data*

## ALTERNATIVE PIR FUNDS

The “Alternative PIR” are “segregated” investments whose returns and capital gains are exempt from the 26% tax rate as long as they meet the following criteria:

- **Maximum annual investment of € 300k per person per year (given the conversion into law of “Decreto Agosto”) and up to € 1.5mn (vs. € 40k per year and total € 200k for ordinary PIR);**

### PIR 3.0 VS. ALTERNATIVE PIR

	Max annual investment	Max total investment
PIR 3.0	€ 40k	€ 200k
Alternative PIR	€ 300k	€ 1.5mn

*Source: Equita SIM elaborations*

- **At least 70% of NAV invested in financial instruments (equities/bonds/loans) – also not listed on regulated markets or MTF - issued by Italian companies or those permanently established in Italy NOT included on the Borsa Italiana FTSE MIB and FTSE MID indexes;**
- Investments must be held for at least 5 years.

### Moreover...

- the 2021 Budget Law introduced a **tax-credit up to 20% of the amount invested to cover any capital losses arising from PIRs set up from January 1st, 2021 for qualified investments made by December 31st, 2021**, provided that the same are held for at least 5 years. The tax credit can be used in ten rates of equal amount;
- **the 2022 Budget Law has introduced the possibility to hold more than one PIR;** in addition, **a tax credit for realized capital losses is extended to plans set up after 1 January 2022 for investments made by 31 December 2022, for an amount not exceeding 10% of the sums invested and which can be used over 15 years.**

In addition, **an investor could use up the entire ceiling available to him (€ 1.5mn) by investing everything "one shot" (upfront)**, in a closed non-reserved compliant alternative PIR product (such as the ELTIF). In other words, for those who invest in non-reserved closed-end products, the Revenue Agency recognizes the possibility that they can invest their entire plafond even if they exceed the annual limit (€300k), provided, however, that they remain within the limits of the 5-year cap. This last point should also facilitate the deployment of savings by increasing (and speeding up) the possibility that the entire amount available (€ 1.5mn) can be used.

Other technical aspects:

- Investments in financial instruments issued by a single company must be limited to 20% (vs. 10% for ordinary PIR);
- PIR funds built through UCITS may now be managed more flexibly. Asset allocation constraints now have to be met by the date specified in the fund regulations (at the end of the investment period and portfolio building), are no longer applied when divestitures are made and are suspended when new capital is raised; these provisions encourage and allow qualified investments to be made via both open-ended funds as well as AIF (art. 136, paragraph 1, in addition to article 2-b).

The regulations for the new PIR funds are easily applicable to ELTIF (European long-term investment funds), whose investment policies largely correspond to those of these new products.

## ■ TARGET CLIENTS

Compared to ordinary PIR funds, "Alternative PIR funds" are aimed at a wealthier category of investors. Since the funds invest in low liquidity stocks, to be held on a long-term basis and with a high-risk profile, the products are aimed at a more "evolved" type of client (affluent), one who may benefit from a much higher investment threshold in riskier and more complex instruments, with the capacity to hold investments for a long to very long period.

We believe that alternative PIR funds (together with ordinary PIR 3.0) may fuel **the arrival of new funds specializing in Italian SMEs and improve market liquidity**, especially for small-mid caps, but, above all, we believe alternative PIR funds may **create a channel of fresh capital for long-term investments in the real economy**.

**We see that Alternative PIR Funds will be a tremendous opportunity to attract private and public funds to be destined jointly to the Italian SMEs**, listed and most of all to the vast universe of the non-listed ones. In fact:

- Fiscal incentives are material for individuals and also for some Institutional Investors such as Pension Funds and Casse di Previdenza (no taxation on capital gain);
- Fiscal benefits and the "Italian Investment Case" should undermine the usual strategy (both for private and for institutional capital) of addressing to Italy only a negligible portion of the asset allocation;
- Alternative PIR with an ELTIF regulation can be distributed to Institutional Investors and to Individual ones only with a quite medium/high end profile (individual's ticket cannot exceed 10% of its financial instrument portfolio unless the latter exceeds €500k) creating the conditions for an easy coexistence of "retail" and institutional investors.



## PIR FUNDS LISTED INVESTMENT UNIVERSE

**Ordinary PIR (3.0)** are “segregated” investments whose returns and capital gains are exempt from the 26% tax rate as long as they meet the following criteria:

- Maximum annual investment of € 40k for 5 years;
- At least 70% of NAV invested in equities/bonds issued by Italian companies or those permanently established in Italy;
- **At least 17.5% of total investment (25% of 70%)** must be invested in financial instruments issued by companies **NOT included on the FTSE MIB index**;
- **At least 3.5% (5% of 70%) of the total investment** must be invested exclusively in companies **NOT included on FTSE MIB or FTSE MID** (i.e., in small caps).

As for “**Alternative PIR funds**”, on the other hand, **at least 70% must be invested in companies NOT listed on the FTSE MIB or FTSE MID** (i.e., in small caps) and **investments must be held for at least 5 years**.

### PIR 3.0 VS. ALTERNATIVE PIR

	Max annual investment	Max total investment
PIR 3.0	€ 40k	€ 200k
Alternative PIR	€ 300k	€ 1.5mn

Source: Equita SIM elaborations

Regarding the minimum threshold of 3.5% of investments to be made exclusively in Small Caps (and alternative PIR funds that choose to invest in listed assets), **the potential investment universe for PIR funds in Italy is composed of 289 stocks, with an overall market cap of approx. € 27bn.**

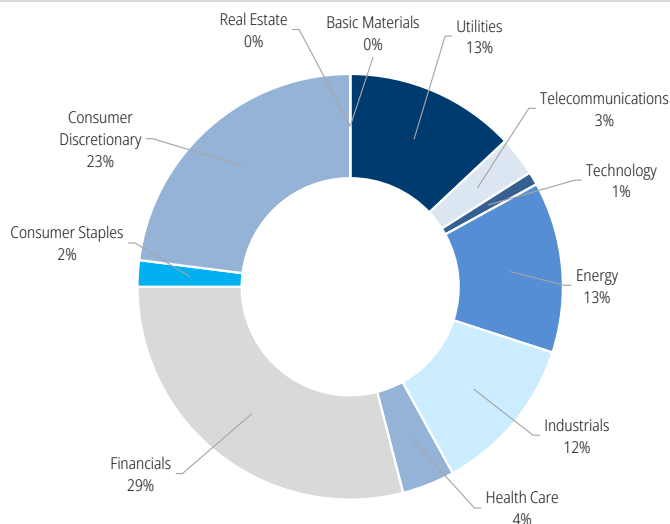
Regarding the minimum threshold of 17.5% of total investments to be made in Mid-Caps and/or Small Caps, **the PIR fund investment universe is composed of 360 stocks**, representing a total market capitalization of € 127bn. More specifically, PIR funds may invest in a total of **60 MID CAP stocks** with an **overall market capitalisation of € approx. 101bn**, and **300 SMALL CAPs** with an **overall market cap of € 27bn**.

### ITALIAN MARKET: # OF STOCKS AND MARKET CAP

	# of stocks	Total Market cap (€ mn)	Total Free Float (€ mn)	Avg Market cap (€ mn)
<b>Total Italian Market</b>	<b>400</b>	<b>757,469</b>	<b>490,093</b>	<b>1,894</b>
o/w FTSEMIB	40	629,984	433,331	15,750
o/w FTSEMID	60	100,630	45,033	1,677
o/w others	108	17,518	7,388	162
o/w Euronext Growth (ex-AIM)	192	9,337	4,341	49

Source: Bloomberg data

### ITALIAN MARKET SECTOR BREAKDOWN



Source: Equita SIM elaborations on Borsa Italiana data

## ITALIAN INDEXES PERFORMANCE: DECOUPLING OF MID-SMALL CAPS

## MID, SMALL, EGM AND STAR INDEXES PERFORMANCE

Index	# Stocks	FX	FY22	1M	6M	12M	3Y	1H23
FTSE Italia Mid Cap Index	60	EUR	-18.5%	2.6%	11.4%	16.9%	12.0%	11.4%
FTSE Italia Small Cap Index	97	EUR	-11.1%	0.2%	0.3%	-2.2%	16.5%	0.3%
Euronext Growth Milan	192	EUR	-18.9%	0.0%	-1.0%	0.4%	10.3%	-1.0%
FTSE Italia STAR Index	69	EUR	-26.7%	2.6%	4.9%	6.4%	12.8%	4.9%

Source: Bloomberg as of 30 June 2023

## ITALIAN INDEXES PERFORMANCE

Index	# Stocks	FX	FY22	1M	6M	12M	3Y	1H23
FTSE MIB Index	40	EUR	-9.4%	8.6%	23.3%	39.0%	17.8%	23.3%
FTSE Italia All-Share	197	EUR	-10.3%	8.0%	21.9%	36.1%	17.1%	21.9%

Source: Bloomberg as of 30 June 2023

## EUROPEAN INDEXES PERFORMANCE

Index	# Stocks	FX	FY22	1M	6M	12M	3Y	YTD
EuroStoxx Mid Cap 200 Index	200	EUR	-18.9%	1.7%	8.5%	11.2%	8.0%	8.5%
EuroStoxx Small Cap 200 Index	200	EUR	-23.6%	2.0%	6.2%	7.2%	6.7%	6.2%
CAC Mid Cap Index	60	EUR	-10.0%	2.9%	7.4%	12.1%	10.2%	7.4%
CAC Small Cap Index	108	EUR	-17.4%	3.3%	3.8%	5.4%	11.3%	3.8%
DAX Mid Cap Index	50	EUR	-28.5%	4.0%	9.9%	6.9%	2.2%	9.9%
DAX Small Cap Index	70	EUR	-24.8%	2.9%	16.1%	17.0%	8.4%	16.1%
FTSE London AIM Index	718	GBP	-30.3%	-3.4%	-8.5%	-12.5%	-4.0%	-8.5%
France Euronext Growth Index	393	EUR	-23.9%	-0.1%	-1.8%	-0.2%	0.2%	-1.8%

Source: Bloomberg as of 30 June 2023

After a highly complex 2022 for global markets (S&P500 Total Return Index -18%, EuroStoxx 600 Total Return Index -9.9% in FY22), marked by high inflation, interest rate hikes and geopolitical tensions, 1H23 showed a different momentum, waiting for the pivot of central banks amid still resilient economic growth data. Among the sectors that performed well at global level, **Tech, Semiconductor and Communications in the US** and **Travel & Leisure, Technology and Auto in Europe** stand out. A **more problematic environment instead emerged for US Regional banks** after the default of SVB and the deal between UBS and Credit Suisse.

Globally, in developed markets, **large-cap companies outperformed small caps**. This trend was also seen in Italy, with the **FTSE MIB Total Return Index returning +23% in 1H23, outperforming the FTSE MID and STAR Index** (respectively **+11%/+4.9% in 1H**) and small caps (FTSE small cap index only +0.3% in 1H, EGM index -1%).

Looking at **5-year total return cumulative performances**, the **FTSE MIB Index shows the strongest performance (+58%)** thanks to the recovery of Italian banks in the last year, followed by the **STAR (+44%) and the Small Cap Index (+39%)**.

Looking at the **European context**, **Italian mid-caps performed overall slightly better than peers (+11% in 1H23 vs. Stoxx Mid/Small-cap +8/+6%)**, with the France Mid and Small cap indexes respectively +7.4% and +3.8% in 1H23, German Mid Cap Index gaining +10% and the DAX small cap +16%. However, it is important to note that **the difference in average market cap among such indexes is extremely relevant, making them a not perfectly appropriate benchmark for Italian small caps** (EuroStoxx Small Caps average market cap €5bn vs. €181mn Italian Small Caps). Finally, **Italian EGM is slightly negative YTD (-1%)**, but only slightly better than the London AIM segment (-8% in 1H) and substantially in line with Euronext Growth France (-1.8%).

## ITALIAN INDEXES PERFORMANCE (JUNE 2018 – 1H23)



Source: Bloomberg, as of 30 June 2023

## ■ BEST/WORST PERFORMERS IN 1H23

## BEST AND WORST PERFORMERS 1H23 – MID CAPS

Best	Name	Sector	Weight (%)	Return	Worst	Name	Sector	Weight (%)	Return
1	SOL SPA	Materials	2.4	51.3%	1	TINEXTA SPA	Industrials	0.8	-23.9%
2	BFF BANK SPA	Financials	4.5	41.9%	2	EL.EN. SPA	Health Care	1.4	-21.3%
3	MFE-MEDIAFOREUROPE NV-CL A	Communication Services	1.0	41.4%	3	SAFILO GROUP SPA	Consumer Discretionary	0.6	-18.4%
4	PIAGGIO & C. S.P.A.	Consumer Discretionary	1.6	39.0%	4	ANTARES VISION SPA	Industrials	0.5	-14.2%
5	GVS SPA	Industrials	1.0	36.7%	5	DATALOGIC SPA	Information Technology	0.3	-13.0%
6	SALCEF GROUP SPA	Industrials	1.2	35.0%	6	CIR SPA-COMPAGNIE INDUSTRIAL	Consumer Discretionary	0.6	-12.9%
7	INDUSTRIE DE NORA SPA	Industrials	1.7	35.0%	7	ALERION CLEANPOWER	Utilities	0.4	-9.2%
8	BREMBO SPA	Auto Parts	4.9	32.5%	8	SALVATORE FERRAGAMO SPA	Consumer Discretionary	2.4	-6.9%
9	CALTAGIRONE SPA	Materials	0.1	30.9%	9	ILLIMITY BANK SPA	Financials	1.1	-5.4%
10	BUZZI SPA	Cement	4.8	30.0%	10	SECO SPA	Technology	0.8	-4.2%

Source: Bloomberg

## BEST AND WORST PERFORMERS 1H23 – SMALL CAPS

Best	Name	Sector	Weight (%)	Return	Worst	Name	Sector	Weight (%)	Return
1	KME GROUP SPA	Materials	2.0	77.9%	1	BIOERA	Consumer Staples	0.0	-65.0%
2	TXT E-SOLUTIONS SPA	Information Technology	3.2	75.7%	2	EEMS ITALIA SPA	Information Technology	0.0	-49.8%
3	THE ITALIAN SEA GROUP SPA	Consumer Discretionary	1.9	42.8%	3	TESSELLIS SPA	Communication Services	0.5	-44.5%
4	NEWLAT FOOD SPA	Consumer Staples	1.4	41.1%	4	SIT SPA	Information Technology	0.4	-38.6%
5	SOGEFI	Consumer Discretionary	1.0	31.2%	5	PIERREL SPA	Health Care	0.1	-41.6%
6	IMMSI SPA	Consumer Discretionary	1.4	28.6%	6	GIGLIO GROUP SPA	Industrials	0.1	-37.7%
7	IL SOLE 24 ORE	Communication Services	0.6	26.7%	7	AQUAFIL SPA	Consumer Discretionary	1.3	-35.7%
8	SAES GETTERS SPA	Information Technology	2.9	22.5%	8	RESTART SIQ SPA	Real Estate	0.1	-36.3%
9	CAIRO COMMUNICATIONS SPA	Communication Services	1.9	20.2%	9	DOVALUE SPA	Financials	4.4	-34.7%
10	AUTOSTRADA MERIDIONALI SPA	Industrials	0.4	18.9%	10	CONAFI SPA	Financials	0.1	-23.5%

Source: Bloomberg

## BEST AND WORST PERFORMERS 1H23 – STAR SEGMENT

Best	Name	Sector	Weight (%)	Return	Worst	Name	Sector	Weight (%)	Return
1	SAES GETTERS-RSP	Information Technology	1.0	80.2%	1	AQUAFIL SPA	Consumer Discretionary	0.4	-35.8%
2	TXT E-SOLUTIONS SPA	Information Technology	0.9	75.7%	2	DOVALUE SPA	Financials	1.2	-34.7%
3	NEWLAT FOOD SPA	Consumer Staples	0.4	41.1%	3	TINEXTA SPA	Industrials	1.6	-23.9%
4	SALCEF GROUP SPA	Industrials	2.4	35.1%	4	EL.EN. SPA	Health Care	2.8	-21.3%
5	SOGEFI	Consumer Discretionary	0.3	31.2%	5	DIGITAL BROS SPA	Communication Services	0.4	-18.5%
6	TAMBURI INVESTMENT PARTNERS	Financials	4.5	28.0%	6	BANCA SISTEMA SPA	Financials	0.2	-17.4%
7	CEMENTIR HOLDING NV	Materials	1.7	24.4%	7	FIERA MILANO SPA	Industrials	0.3	-15.5%
8	MARR SPA	Consumer Staples	2.3	26.6%	8	UNIEURO SPA	Consumer Discretionary	0.9	-15.4%
9	SAES GETTERS SPA	Information Technology	0.8	22.5%	9	SABAF SPA	Consumer Discretionary	0.6	-14.4%
10	AMPLIFON	Health Care Supply Chain	9.4	20.5%	10	ANTARES VISION SPA	Industrials	0.9	-14.2%

Source: Bloomberg

## BEST AND WORST PERFORMERS 1H23 – EGM

Best	Name	Sector	Weight (%)	Return	Worst	Name	Sector	Weight (%)	Return
1	VISIBILIA EDITORE SPA	Communications	0.1	410.0%	1	FENIX ENTERTAINMENT SPA	Consumer, Cyclical	0.0	-99.6%
2	ITALIA INDEPENDENT GROUP	Consumer, Cyclical	0.1	391.7%	2	GO INTERNET SPA	Communications	0.0	-88.4%
3	SOLID WORLD GROUP SPA	Technology	0.4	150.4%	3	KI GROUP SPA	Consumer, Non-cyclical	0.0	-88.4%
4	REDELFI SPA	Energy	0.2	112.0%	4	THE LIFESTYLE GROUP SPA	Consumer, Non-cyclical	0.0	-86.0%
5	ULISSE BIOMED SPA	Consumer, Non-cyclical	0.5	119.0%	5	MEGLIOQUESTO SPA	Communications	0.5	-72.1%
6	CASTA DIVA GROUP SPA	Consumer, Cyclical	0.3	83.0%	6	ILLA SPA	Consumer, Cyclical	0.0	-69.0%
7	ALTEA GREEN POWER SPA	Energy	0.6	68.7%	7	FARMACOSMO SPA	Consumer, Cyclical	0.3	-58.5%
8	ECOSUNTEK SPA	Energy	0.2	60.2%	8	UCAPITAL24 SPA	Communications	0.0	-56.4%
9	POWERSOFT SPA	Consumer, Cyclical	0.6	56.4%	9	TECMA SOLUTIONS SPA	Real Estate Services	0.4	-56.4%
10	FAE TECHNOLOGY SPA-SOCIETA'	Industrial	0.3	53.2%	10	LAB. FARMACEUTICO ERFO	Consumer, Non-cyclical	0.1	-46.3%










Source: Bloomberg

## ■ CAPITAL MARKET IN ITALY

**The 2023 Budget Law extends the duration of IPO incentives for SMEs listed on a regulated market or in multilateral trading facilities, granting a tax credit** (on 50% of advisory costs incurred during the IPO process, to reduce tax liability from the tax period following the listing) **with the maximum tax credit per company set at € 500k** (from €200k in 2022) **and an overall cap of € 10mn in 2023 and € 10mn in 2024 (from €5 mn in 2022 and € 30mn in 2019-21).** We welcome the decision to extend the IPO incentives, which have provided a boost in recent years to capital raising and listings of Italian SMEs on Euronext Growth Milan (e.g., #26 new IPOs on EGM market in 2022 with ca. € 900mn of capital raised vs. € 844mn in 2021); however, it would be preferable to make this measure permanent in order to guarantee more visibility for companies planning to go public. Moreover, for **traditional PIRs**, we hope that the possibility to hold more than one PIR will be granted because, in our view, it would be a very positive development for a greater spread and diversification of products, and flexibility in asset allocation.

**There is still a large gap between capital markets in Italy and the main European stock exchanges in terms of market size and transactions, and the duration and complexity of the IPO process is generally greater and more onerous in Italy.**










## CUMULATED EQUITY ISSUANCES 2022: BREAKDOWN BY STOCK EXCHANGE (DEAL SIZE &gt; € 10 MN)

			ABB	Conv.	Fully Marketed	IPO	Rights Issue	Other	Total	o/w: Primary (€m)	o/w: Primary (%)
London Stock Exchange <sup>(1)</sup>		€mn	9,223	-	2,696	1,095	742	559	14,315	9,891	69.1%
		#	81	-	19	12	1	10	123		
Boerse Frankfurt		€mn	2,503	1,562	-	9,407	653	-	14,125	3,461	24.5%
		#	11	3	-	3	6	-	23		
Euronext Paris <sup>(2)</sup>		€mn	1,822	1,505	-	457	7,984	46	11,815	10,082	85.3%
		#	15	5	-	9	7	1	37		
Nordics <sup>(3)</sup>	  	€mn	5,000	15	-	599	2,300	144	8,059	4,167	51.7%
		#	45	1	-	11	26	4	87		
Swiss Exchange		€mn	3,362	116	-	187	2,948	-	6,613	6,613	100.0%
		#	11	2	-	1	5	-	19		
Borsa Italiana <sup>(4)</sup>		€mn	1,494	-	-	1,436	3,612	-	6,542	4,184	64.0%
		#	6	-	-	9	4	-	19		
Bolsa de Madrid <sup>(5)</sup>		€mn	1,207	-	156	275	-	-	1,638	592	36.2%
		#	4	-	1	4	-	-	9		

Source: Dealogic, 28<sup>th</sup> November 2022

Notes: (1) Including EGM; (2) Including Alternext; (3) Including Stockholm, Copenhagen and Helsinki; (4) Euronext Milan and EGM; (5) Including Alternative Market.

## CUMULATED EQUITY ISSUANCES 2023 YTD: BREAKDOWN BY STOCK EXCHANGE (DEAL SIZE &gt; € 10 MN)

			ABB	Conv.	Fully Marketed	IPO	Rights Issue	Other	Total	o/w: Primary (€m)	o/w: Primary (%)
London Stock Exchange <sup>(1)</sup>		€mn	7,821	15	526	605	-	-	8,967	2,631	24.1%
		#	26	1	3	4	-	-	34		
Nordics <sup>(2)</sup>	  	€mn	3,467	480	-	73	2,627	-	6,646	4,578	68.9%
		#	30	1	-	1	13	-	45		
Boerse Frankfurt		€mn	3,131	2,333	-	389	166	-	6,018	4,179	69.4%
		#	8	4	-	1	2	-	15		
Euronext Paris <sup>(3)</sup>		€mn	3,727	1,177	49	18	864	-	5,835	2,189	37.5%
		#	14	3	1	1	3	-	22		
Swiss Exchange		€mn	2,001	499	98	-	813	-	3,412	2,574	75.4%
		#	6	2	1	-	3	-	12		
Borsa Italiana <sup>(4)</sup>		€mn	694	536	-	1,274	-	-	2,505	1,454	58.1%
		#	5	1	-	7	-	-	13		
Bolsa de Madrid <sup>(5)</sup>		€mn	200	130	-	23	150	-	503	503	100.0%
		#	1	1	-	1	1	-	4		

Source: Dealogic as of 13.06.2023

Notes: (1) Includes EGM; (2) Includes Stockholm, Copenhagen and Helsinki; (3) Includes also Alternext; (4) EM and EGM; (5) Includes alternative market;

Market operators have expressed their approval in favour of major changes to the regulatory framework at the European and national level. More specifically:

- the **European Commission**:
  - Report by High Level Forum («HLF») on the Capital Markets Union
  - Capital Markets Union Action Plan («CMU Action Plan»)
  - Report by Technical Expert Stakeholder Group («TESG») on SMEs
  - Consultation on the Listing Act
- The **Ministry of Economy and Finance**, with a Green Paper ("Libro Verde") with public consultation
- The **Committee of Market Operators and Investors (COMI)**, with a consultation on the impacts of the Euronext's acquisition of Borsa Italiana, on the HLF report and the Listing Act.

Moreover, the High-Level Forum and TSEG have also helped lead the European Commission's agenda on capital markets. On December 7<sup>th</sup>, the European Commission put forward measures to simplify listings and post-listing requirements, in particular for SMEs. This set of proposal are referred to as "Listing Act" (to be adopted by European Parliament and Council).

The latest changes introduced by Consob and Borsa Italiana mark another important step towards increasing the competitiveness of the Italian capital market. The main changes are as follows:

- Streamlining the Prospectus approval process
  - Administrative procedure to begin on the date of submission of an application to Consob
  - Duration of the review process and response times for requests for additional information to be reduced
- Reduction in the amount of documentation required for draft Prospectuses



- **Possibility to draft English language IPO Prospectuses in Italy**
- Simplified documentation
  - Issuers no longer required to submit the following documents to Borsa Italiana: Business Plan, Memorandum on the Management Control System (MCS), corporate governance report, company valuation document, last 3 financial statements, analysis of overdue debts.
- **Role and responsibilities of the Listing Agent**, which will act as Global Coordinator or Bookrunner in the underwriting syndicate and will no longer be required to certify the management control system and forecast data.
- **Research coverage**, applying the STAR Specialist model for 3 years from the date of admission to all companies with market capitalizations of <€1bn listed on Euronext Milan.

However, there is still much to be done, both by the European Commission and at the national level (Consob, Government):

- Introduce the definition of a Small Medium Capitalization («SMC») company;
- Simplify Market Abuse Regulation;
- Streamline prospectus content for secondary issues and translistings;
- Allow the choice of the member state of origin for equity issues;
- Introduce measures to support research coverage of SMCs at the European level;
- Limit the maximum number of pages of Prospectuses;
- Adjust the liability profiles of Consob and the listing agent;
- Re-enact the emergency Covid-19 legislation relating to capital increases excluding pre-emptive rights (20% of share capital and no statutory provision);
- Redefine the regulation and multipliers for loyalty shares and/or multiple votes;
- Introduce tax incentives to help issuers and brokers cover research costs;
- Introduce permanent incentives to help companies bear the cost of listing.

#### KEY REQUIREMENTS FOR BORSA ITALIANA'S EQUITY MARKETS

##### Requirements:



##### EURONEXT GROWTH

<b>Initial flotation</b>	- 35%	- 25%	- 10%
<b>Market capitalization</b>	- € 40 mn – € 1 bn	- > € 40 mn	- None
<b>Documentation</b>	<ul style="list-style-type: none"> <li>- "Prospectus" (Prospetto Informativo)</li> <li>- Last 3 audited financial statements (IFRS)</li> <li>- [Memorandum on the management control system]</li> <li>- Comparison of the corporate governance system with the provisions of the Corporate Governance Code</li> <li>- Business Plan (Borsa standards)</li> </ul>	<ul style="list-style-type: none"> <li>- "Prospectus" (Prospetto Informativo)</li> <li>- Last 3 audited financial statements (IFRS)</li> <li>- [Memorandum on the management control system]</li> <li>- Comparison of the corporate governance system with the provisions of the "Codice di Autodisciplina"</li> <li>- Business Plan (Borsa standards)</li> </ul>	<ul style="list-style-type: none"> <li>- Admission document ("Prospetto informativo" only in the case of placement aimed at retail investors)</li> <li>- At least 1 audited financial statements (ITA GAAP or IFRS)</li> <li>- [Business Plan]</li> <li>- Reporting system</li> </ul>
<b>Parties involved</b>	<ul style="list-style-type: none"> <li>- Global Coordinator</li> <li>- Listing agent</li> <li>- Consob</li> <li>- Borsa Italiana</li> <li>- Advisor</li> </ul>	<ul style="list-style-type: none"> <li>- Global Coordinator</li> <li>- Listing agent</li> <li>- Consob</li> <li>- Borsa Italiana</li> <li>- Advisor</li> </ul>	<ul style="list-style-type: none"> <li>- Euronext Growth Advisor</li> <li>- Global Coordinator / Broker</li> <li>- Borsa Italiana</li> <li>- Advisor</li> </ul>
<b>Governance</b>	- Compulsory adherence to the principles established by the "Codice di Autodisciplina"	- Adherence to the principles established by the "Codice di Autodisciplina"	<ul style="list-style-type: none"> <li>- The Regulation does not provide for any formal constraint related to corporate governance</li> <li>- Introduction in the statute of the clause of "Offerta Pubblica di Acquisto endosocietaria"</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>- Institutional</li> <li>- Retail</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional</li> <li>- Retail</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional</li> <li>- Retail (only on the secondary market, without the "Prospetto informativo") (on the primary market max € 5 mn)</li> </ul>
<b>Other main requirements</b>	<ul style="list-style-type: none"> <li>- Appointment of the Investor Relation</li> <li>- Appointment of the Specialist</li> <li>- Appointment of committees and minimum number of independent directors</li> <li>- Issue of quarterly financial reports by 45 days</li> <li>- Modello 231/2001</li> </ul>	<ul style="list-style-type: none"> <li>- Appointment of the specialist (for &lt; €1bn market cap)</li> </ul>	<ul style="list-style-type: none"> <li>- Appointment of the Specialist</li> <li>- Appointment of minimum 1 independent directors</li> </ul>

Source: Equita SIM elaborations

## VALUATION OF ITALIAN SMALL CAPS

**Italian mid-small caps are currently trading with a 2023-24E P/E of 11.2x-10.3x** (or 12.6x-11.5x ex-banks) – **with expected earnings growth of +6% YoY on 2023 vs. 2022 and +8% on 2024 vs. 2023** (+2% and +9% ex-banks) – at a discount of 34/40% compared to the last 3Y average (FTSE Italy Mid-cap P/E fwd blended 12M 17x - range 11.5x - 22x). This discount has increased compared to the 28% recorded at the start of the year.

**The Italian mid-small caps universe underwent a strong de-rating during 2022/1H23** (from 15x 2023E P/E at the start of 2022 to the current 11.2x) due to restrictive monetary policies, geopolitical tensions, outflows from PIR funds and lower liquidity vs. the main Italian index (that benefitted by outperformance of financial sectors).

EVALUATION MATRIX OF ITALIAN MID SMALL CAPS										
	Market Cap	EPS Growth		Adj PE		EV/EBITDA		Yield	Adj. ROE	PBV
		2023	2024	2023	2024	2023	2024	2023	2023	2023
Industrials	84%	1%	9%	13.2	12.2	6.4	5.8	2.9%	11.7%	1.48
Banks	7%	25%	3%	4.1	4.0			11.7%	11.6%	0.46
Insurance	8%	7%	8%	8.4	7.8			7.0%	13.1%	1.05
Holding Co.s	2%	111%	57%	24.9	15.9			2.2%	2.7%	0.65
<b>TOTAL MARKET</b>	<b>100%</b>	<b>6%</b>	<b>8%</b>	<b>11.2</b>	<b>10.3</b>			<b>3.7%</b>	<b>11.7%</b>	<b>1.24</b>

Source: Equita SIM estimates

Compared to the whole market Italian mid-small caps show a 21% premium in terms of P/E (2023E P/E of 11.2x vs. 9.3x), lower compared to the historical premium of the last 5 years of about 30%. Compared to the European indexes, Italian mid-small caps are trading at 16% discount (2023E P/E 11.2x vs. 13.3x) vs. 7% discount at the start of the year.

ITALIAN MID-SMALL CAPS VS THE ITALIAN MARKET AND EUROPEAN PEERS		
	2023 PE	2024 PE
Italian Mid-Small	11.2	10.3
Overall Italian market	9.3	9.0
<b>Premium(discount)</b>	<b>21%</b>	<b>16%</b>
Italian Mid-Small	11.2	10.3
European Mid-Small	13.3	12.0
<b>Premium(discount)</b>	<b>-16%</b>	<b>-14%</b>

Source: Equita SIM estimates

Before the launch of the PIR, smaller cap traded at a 15% premium vs. overall Italian market. Currently, the premium stands at 21% (compared to 32% at the start of 2023).

MID-SMALL PREMIUM BEFORE PIR AND NOW (PE IN THE YEAR T+1)		
	Dec-16	Now
Mid-Small	13.7	11.2
Overall market	11.9	9.3
<b>Premium</b>	<b>15%</b>	<b>21%</b>

Source: Company data and Equita SIM estimates

**INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)**

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**EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE**

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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