

SIXTH ANNUAL REPORT

Institutional Investors in Italy: membership, resources and managers in 2018

Curated by the Itinerari Previdenziali Study and Research Center

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It is possible to subscribe to the reserved area of the Itinerari Previdenziali website (www.itinerariprevidenziali.it) to access the database related to the investments of each individual institutional investor by asset class, their number and rankings, products and different types of AUM investments, number of mandates, market shares and assets managed; here are some examples of the data that can be obtained from this database:

- List of managers for each individual occupational fund
- List of occupational funds by mandate
- List of managers for each pre-existing fund
- List of pre-existing funds by mandate
- List of managers for each scheme
- List of funds for liberal professionals by mandate
- Comprehensive rankings of mandated managers
- Comprehensive rankings of managers for UCIs, FIAs (Open Investment Funds), ETFs
- Complete rankings of institutional investors by number of members and by assets
- List of service providers (financial advisors, custodian banks, administrative services)
- Asset composition for each individual investor

Moreover, the Itinerari Previdenziali website provides a "**fund comparative tool**", an important, monthly updated instrument designed to look into different types of funds, their yields, volatility (in simple terms, the regular results obtained), risk profiles, costs and useful information by comparing disclosures, regulations and information notes (periodically updated). This is a unique tool in Italy since it allows for comparing the different investment approaches of **Open-Ended Pension Funds** (FPA), **Occupational Pension Funds** (FPN) and **Individual Pension Plans** (PIPs) in terms of yields, volatility, costs and other useful information.

Finally, this website features a "**Cambi e Bandi**" section that is freely available on the information blog edited by the Research and Study Center of Itinerari Previdenziali, called ilPunto-Pensioni&Lavoro (www.ilpuntopensionielavoro.it); it focuses on calls, call results, investments, changes and appointments and it provides stakeholders with updated developments and trends on the market of Italian institutional investors.

Introduction

Institutional investors in Italy are classified as follows: complementary second-pillar **schemes** such as **Occupational Pension Funds (FPN)**, **Pre-existing Pension Funds (FPP)**, **Supplementary Health Care Funds and Schemes**; private schemes such as Open-Ended Pension Funds, PIPs and the Insurance schemes¹; **Professional Pension Funds** that belong to the first-pillar of the social security system and **Banking Foundations** that operate at the territorial and proximity welfare level.

This "**Report**", now in its sixth edition, provides a quantitative picture of this industry in terms of number of operators, active and retired members of pension funds and social security schemes, assets and their composition and diversification as well as of the subjects, managers and companies managing these assets². It also analyses the investments in the real domestic economy for each type of investor with a series of data and rankings of members, assets and managers according to AUM and of easily accessible detailed information often not available in an aggregate manner. The data presented in this Report have been obtained from the financial accounts and reports of these organizations. Some detailed data that could be obtained from official documents were directly provided by these organizations upon a specific request by the Study and Research Centre of Itinerari Previdenziali.

This **Sixth edition** features a new analysis related to sustainability strategies and the integration of the ESG criteria into the portfolio of the main Italian institutional investors. It provides an overview of the current choices and the future prospects of sustainable and responsible investments of Occupational and Pre-Existing Pension Funds, Pension Schemes and Banking Foundations.

¹ Insurance companies are analysed only for the Life sector and in particular for Class C, 1st, 4th and 5th insurance lines; these types of insurance schemes are to all intents and purposes included in the private social security systems, sometimes as a complement to existing public and complementary systems and sometimes even as the only schemes available to certain categories of workers and households. In this particular quality, the Insurance schemes are legitimately included in the list of Institutional Investors.

² The **rankings of managers** do not include the resources of Open-Ended Funds and PIPs that are normally managed by the same institutions that created them (asset management companies, banks and insurance companies) and that are mainly invested in their financial instruments, securities, policies and UCITS; instead, they include the resources entrusted by these subjects to third-party managers. The resources of Insurance Companies are not included either.

1. The general framework

In the last 12 years, despite the long financial crisis from 2008 to 2013, **the assets of institutional investors**, in particular of Pension Funds, Private Schemes and Supplementary Health Care Funds, have surged from 95 billion euro in 2007 to 254.5 billion euro in 2018, a 168% increase. However, except in a few cases, these investors are small both in terms of membership and especially of assets. In any case, apart from the health funds that are not yet regulated but with a steady annual growth, there was a gradual reduction in the number of these investors, especially the very small ones, who have been merging into larger organizations, as is the case of several funds of large banking groups and of the transport and cooperative sector.

In this connection, according to the latest OECD data, Italy **rank 15th** in the **complementary pension scheme** market (ratio of pension fund assets to GDP) together with Finland and Chile, after the unattainable USA (25,036 billion euro), the UK (2,474), Canada (2,280), Australia, The Netherlands (1,361), Japan, Switzerland (901) and Denmark; in the ranking including non-OECD countries, Italy is in the 18th place after South Africa (296), Singapore (231) and Brazil (458); the GPFG (Government Pension Fund Global) of Norway alone accounts for over 850 billion euros. With more than 167 billion euros' worth of assets, the Italian Pension Funds start to have a good capitalization and to become an interesting market. In the ranking including other institutional investors such as Banking Foundations, Italy still holds the 15th-16th position in the OECD area plus non-OECD countries in terms of capitalisation.

Figures - In 2018, there were **392** operating **institutional investors** in the legal form of Associations and Foundations, down by 10 compared to 2017 and by 46 compared to 2016 (**Table 1.1**). In detail: **88** Banking Foundations, **20** Privatized Professional Schemes¹, **33** Occupational Pension Funds and **251** Pre-existing Funds (259 in 2017). To these must be added Supplementary Health Care Funds and Schemes which, according to our latest estimates, amounted to **320** compared to 311 in 2017 and 322 in 2016, a number that is far too high for Italy, considering that the first 40 funds account for more than 80% of the system as a whole.

In addition to insurance companies that manage a high number of products and "separate management schemes", the private sector featured 113 Open-Ended Pension Funds and PIPs, whose number had also been declining in recent years (120 in 2017); moreover, of the 70 PIPs, 28 were closed to placement. Compared to 2017, the number of both Pre-existing and Occupational Pension Funds decreased by 8 and 2 respectively due to mergers. 2018 too witnessed an increase in the number of Healthcare Funds with 65 more funds with respect to 9 years ago, on which the legislator should focus with great attention.

¹ ONAOSI, the Entity for Orphans' Care, is excluded from the present analysis; the number of schemes is actually 23 considering the separate INPGI 2 scheme managed by INPGI and the funds for Agricultural and Agrotechnical Experts, both managed by ENPAIA.

Table 1.1 - The development of Italian Institutional Investors *

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2010-2018		2017-2018	
													var. ass.	var. %	var. ass.	var. %
Fondazioni bancarie	88	88	88	88	88	88	88	88	88	88	88	88	0	0,0	0	0
Casse Privatizzate (1)	20	20	20	20	20	20	20	20	20	20	20	20	0	0,0	0	0
Fondi Preesistenti	433	411	391	375	363	361	330	323	304	294	259	251	-124	-33,1	-8	-3,1
Fondi Negoziali	42	41	39	38	38	39	39	38	36	36	35	33	-5	-13,2	-2	-5,7
Enti di assistenza sanitaria integrativa	-	-	-	255	265	276	290	300	305	322	311	320	65	25	9	2,9
Fondi Aperti	81	81	76	69	67	59	58	56	50	43	43	43	-26	-37,7	0	0
PIP "Nuovi"	72	75	75	76	76	76	81	78	78	78	77	70	-6	-7,9	-7	-9,1
Totale	736	716	689	921	917	919	906	903	881	881	833	825	-96	-10,4	-8	-1,0

(1) Le casse privatizzate sono 20 includendo Onaosi che però non è analizzata nel presente Report ma le gestioni, comprese le due gestite da Enpaia e Inpgi 2, sono 23;

* La tabella non comprende i dati riferiti alle compagnie di assicurazione (polizze vita di classe C - ramo I, IV e V) e ai Pip "vecchi"

Il numero dei fondi sanitari per il 2018, in mancanza di dati ufficiali, è stimato sulla base degli andamenti degli anni precedenti

Banking Foundations - Privatized Schemes (1) - Pre-existing Funds - Occupational Pension Funds - Supplementary Health-Care Funds Open-Ended Funds - "New" PIPs - Total

(1) The number of privatized schemes is equal to 20 including Onaosi that is not analysed in this report, but the number of funds is 23, including the two managed by Enpaia and Inpgi 2;

*The table does not include the data related to Insurance Companies (Class C - I, IV and V life policies) and to 2Old" Pips;

The number of health funds for 2018 is estimated on the basis of previous years, since there are no official data available.

Assets – Institutional investors operating in the contractual welfare framework (Occupational Pension Funds, Pre-existing Funds and Healthcare Funds), in the sector of liberal professions (Privatized Schemes) and in the local or territorial welfare system (Banking Foundations) had **243.2 billion euros**’ worth of assets (**Table 1.2**) on 31/12/2018, with an annual increase by about 6 billion (+2.52%), of which about 112 mandated to professional managers and 52.9 directly invested in UCIs and Open Investment Funds.

So, the institutional assets under direct or indirect management accounted for about 68% of the total (over 160 billion), up with respect to previous years.

In addition to these investors, there are also the ones operating in the so-called private welfare sector, namely **Open-Ended Pension Funds (FPA)**, **Individual Pension Plans (PIP)** and **Life Insurance Companies** (see Chapter 2); in total, the assets of these entities amounted to **618.4 billion euros**, with a growth of 25.2 billion euros (about 4.2%) compared to 593.2 billion euros the year before.

Therefore, the total amounted to **861.6 billion**, equal to approximately **49.12%** of **GDP** (1,753,949 million). Over the years, the assets of institutional investors have steadily increased compared to **404.1 billion euros** in 2007; in 12 years, with almost 6 years characterised by the worst financial crisis of the last 60 years, these assets have more than doubled.

The Banking Foundations are the only ones with diminishing assets, mainly because of the economic crisis that has sharply reduced the value of the shares of the transferee bank; despite this, the resources they provide have not been reduced, with great benefit for the communities.

Table 1.2 – Evolution of the assets of Institutional Investors (in billions of euros)

Anno	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Inv. istituzionali												
Fondazioni bancarie	57,55	58,48	58,66	59,50	52,81	51,00	49,25	48,60	48,56	46,35	46,10	45,70
Casse Privatizzate	37,60	40,60	44,10	47,70	51,50	55,90	60,80	65,50	69,94	74,21	78,74	82,92
Fondi Preesistenti	36,10	35,90	39,80	42,00	43,90	47,97	50,40	54,03	55,30	57,54	58,99	59,70
Fondi Negoziali	11,60	14,10	18,80	22,40	25,30	30,17	34,50	39,64	42,55	45,93	49,46	50,41
Assistenza sanitaria integrativa (*)	n.d.	n.d.	n.d.	2,42	2,61	2,87	3,17	3,24	3,45	3,59	3,96	4,50
Totale welfare contrattuale, Casse e Fondazioni	142,85	149,08	161,36	174,02	176,12	187,91	198,12	211,01	219,80	227,62	237,25	243,23
Fondi Aperti***	4,29	4,66	6,27	7,53	8,36	10,08	11,99	13,98	15,43	17,09	19,15	19,62
PIP "Nuovi"	1,02	1,95	3,39	5,22	7,19	9,81	13,01	16,36	20,06	23,71	27,64	30,70
Pip "Vecchi"	4,77	4,66	5,56	5,98	5,99	6,27	6,50	6,85	6,78	6,93	6,98	6,63
Compagnie di assicurazione**	251,19	241,23	293,62	330,43	338,44	353,73	387,09	441,09	480,16	517,33	539,40	561,42
Totale welfare privato	261,27	252,50	308,84	349,16	359,98	379,90	418,59	478,28	522,43	565,06	593,17	618,37
Totale generale	404,11	401,57	470,20	523,18	536,09	567,81	616,71	689,29	742,23	792,67	830,42	861,60

Year - Institutional Investor - Banking Foundations - Privatized Schemes - Pre-existing Funds - Occupational Pension Funds Supplementary Health Funds (*) - Total Contractual Welfare Schemes and Foundations - Open-Ended Funds - "New" Pips - "Old" Pips - Insurance Companies (**) - Total private welfare Total

SOURCES used: Covip, Ministry of Health, ANIA, ACRI, IVASS. (*) Estimates by Itinerari Previdenziali based on the data of the Ministry of Health and from financial accounts; (**) Data related to life insurance class C, elementary classes I, IV, V; (Source: ANIA, IVASS. (***) Open-ended funds include individual and collective membership; Note: the term "equity" refers to the total assets in the accounts of the Banking Foundations and for the private schemes for liberal professionals; to Net Assets Allocated to Benefits for Pension Funds.

Flows - In 2018, the income flow from assets, contributions (net of benefits) and dividends for Funds, Schemes and Foundations (**Table 1.3**) amounted to 5.98 billion euros, down with respect to 9.58 billion euros in 2017.

Table 1.3 - Changes in the assets of Institutional Investors from 2007 to 2018 (% data and in billions of euros)

	Var 2007-2008		Var 2008-2009		Var 2009-2010		Var 2010-2011		Var 2011-2012		Var 2012-2013		Var 2013-2014		Var 2014-2015		Var 2015-2016		Var 2016-2017		Var 2017-2018	
	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.	Var %	Var ass.
Fondazioni bancarie	1,62%	0,93	0,32%	0,19	1,43%	0,84	-11,26%	-6,7	-3,41%	-1,8	-3,43%	-1,75	-1,33%	-0,65	-0,08%	-0,04	-4,56%	-2,21	-0,54%	-0,25	-0,87%	-0,40
Casse Privatizzate	7,98%	3	8,62%	3,5	8,16%	3,6	7,97%	3,8	8,54%	4,4	8,77%	4,9	7,73%	4,7	6,78%	4,44	6,11%	4,27	6,10%	4,53	5,31%	4,18
Fondi Preesistenti	-0,55%	-0,2	10,86%	3,9	5,53%	2,2	4,52%	1,9	9,27%	4,07	5,07%	2,43	7,20%	3,63	2,35%	1,27	4,05%	2,24	2,52%	1,45	1,20%	0,71
Fondi Negoziali	21,55%	2,5	33,33%	4,7	19,15%	3,6	12,95%	2,9	19,26%	4,87	14,34%	4,33	14,90%	5,14	7,34%	2,91	7,95%	3,38	7,69%	3,53	1,92%	0,95
Forme di assistenza sanitaria integrativa*	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	8,07%	0,2	9,77%	0,26	10,40%	0,3	2,37%	0,08	6,48%	0,21	4,00%	0,14	10,20%	0,37	13,75%	0,54
Tot. welfare contrattuale, Casse Priv. e Fondazioni	4,36%	6,23	8,24%	12,3	7,84%	12,7	1,21%	2,1	6,70%	11,8	5,43%	10,2	6,51%	12,9	4,17%	8,79	3,56%	7,81	4,20%	9,58	2,52%	5,98
Fondi Aperti***	8,62%	0,37	34,55%	1,61	20,10%	1,26	11,02%	0,8	20,50%	1,72	18,90%	1,91	16,60%	1,99	10,30%	1,45	10,70%	1,66	12,05%	2,06	2,48%	0,47
PIP "Nuovi"	91,18%	0,93	73,85%	1,44	53,98%	1,83	37,74%	2	36,48%	2,62	32,58%	3,2	25,75%	3,35	22,62%	3,7	18,20%	3,65	16,58%	3,93	11,09%	3,06
Pip "Vecchi"	-2,31%	-0,1	19,31%	0,9	7,55%	0,42	0,17%	0	4,72%	0,28	3,62%	0,23	5,38%	0,35	-1,02%	-0,07	2,23%	0,15	0,72%	0,05	-5,07%	-0,35
Compagnie di assicurazione**	-3,97%	-10	21,72%	52,4	12,54%	36,8	2,42%	8	4,52%	15,3	9,43%	33,4	13,95%	54	8,86%	39,1	7,74%	37,2	4,27%	22,1	4,08%	22,02
Totale welfare privato	-3,36%	-8,8	22,31%	56,3	13,06%	40,3	3,10%	11	5,53%	19,9	10,10%	38,7	14,26%	59,7	9,23%	44,2	8,16%	42,6	4,97%	28,1	4,25%	25,204
Totale generale	-0,63%	-2,5	17,09%	68,6	11,27%	53	2,47%	13	5,92%	31,7	8,61%	48,9	11,77%	72,6	7,68%	52,9	6,80%	50,4	4,76%	37,8	3,76%	31,187

Fonti e note come tabelle precedenti. Elaborazioni Itinerari Previdenziali

Year – Institutional – Investor - Banking Foundations - Privatized Schemes - Pre-existing Funds - Occupational Pension Funds Supplementary Health Funds (*) Total Contractual Welfare Schemes and Foundations Open-Ended Funds "New" Pips "Old" Pips Insurance Companies (**) Total private welfare – Total - Sources and notes as in the previous Table. Processed by Itinerari Previdenziali.

In addition to these flows, the new resources to be reinvested derived from the expiring assets estimated to be equal to about 20 billion euros, excluding those held by insurance companies.

The only institutional investors with negative flows (-0.87%) were Banking Foundations; the result of Privatized Schemes for Liberal Professionals was very positive with plus 5.31% (6.10% in 2017); there was a drop in the number of Pre-existing and Occupational Pension Funds, with +1.9% (+7.69% in 2017) and +1.2% respectively compared to +2.52 the previous year. Supplementary Health Insurance Funds and Schemes recorded an estimated +13.75%.

The private welfare sector increased by 25.2 billion euros compared to 2017, driven by Life Insurance Companies, as in the previous year, with over 22 billion euros, in line with 2017. The assets of Open-Ended Funds increased by 0.5 billion euros and the ones of new-generation PIPs by +3.06 billion euros.

The 2018 total growth of this system was equal to **31.19 billion euros**, down with respect to 37.75 billion in 2017: However, it was still an excellent result considering that the negative trend of the financial markets, especially at the end of the year, inevitably affected the overall performance of institutional investors, thus reducing the strong asset growth of the last few years.

Membership - In order to evaluate future contribution flows, it is important to monitor not only assets but the membership of the different types of *complementary welfare schemes*: the overall number of members of Pension Funds was equal to **8,580,862** (including workers participating in different schemes), with an increase by over 400,000 members compared to 7,937,477 in 2017) (Open-Ended Funds: 1,428,866, new and old PIPs: 3,500,484 members, Pre-existing Funds: 650,309, Occupational Pension Funds: 3,001,203), that is more than 5%, up with respect to 2% in 2016 and 2017; this growth was mainly fuelled by the mechanism of contractual participation introduced by some Pension Funds following the example of Prevedi. At the end of 2018, there were **23,170,000** active workers, (exceeding the 2008 pre-crisis figure) and even though some of them did not pay contributions, the number of members of Pension Funds exceeded 37% of potential active workers to which it is necessary to add the **1,659,834** members of the Privatized Schemes, an increase by 0.29 over the previous year, and the **10,616,847** members of Supplementary Health Insurance Funds, many of whom concurrently participated in Complementary Pension Schemes.

Yields – As already pointed out, the 2018 total returns for each type of investor suffered a significant reduction compared to the two previous years and even more so with respect to previous years, mainly due to the generalized drop in the financial markets. In particular, with regard to Pension Funds, it is possible to see (*Tables 1.4 and 1.5*) that no one managed to remain in a positive territory and much less to perform better than the "target yields", due to major losses on the equity markets.

Please note that 2018 ended with an average five-year GDP equal to **1.34%**, an inflation rate of **1.20%** and termination of employment benefits amounting to **1.95%**, net of taxes; in 2017, M5YGDP was about 0.64% (the average includes the 2013 negative GDP figure of -0.54%); an inflation rate of 1.1% and termination of employment benefits at 2%.

According to the statements of the ECB Governor and to the latest decisions by the FED, this year (probably in 2020 too), money will continue to have a low cost thanks to the interventions of the central banks, with low fixed income interest rates and with all time high bond prices. The equity markets are expected to remain volatile due to the ongoing trade war on duties and to the geopolitical

scenario. Therefore, beating these "target yields" will not be easy; for these very reasons, there is a gradual change in the asset allocation and the tendency to resort to increasingly specialised and high value-added management approaches often not linked to benchmarks but to yield objectives; this strategy includes the progressive growth of Open Fund investments.

Table 1.4 – Yield Comparison: 2018, 2017, 2016, 2015, 2014, in the last 3, 5 and 10 years (%)

							Average compounded annual yield			Cumulative yield		
	2019	2018	2017	2016	2015	2014	3 years	5 years	10 years	3 years	5 years	10 years
Banking Foundations			5.30	3.40	3.40	5.50	3.79	4.05	3.92	11.82	21.98	46.83
Occupational Pension Funds		2.70	2.60	2.70	2.70	7.30	0.90	2.51	3.74	2.74	13.21	44.43
Pre-existing Funds		-0.20	3.20	3.30	2.00	5.00	2.09	2.65	3.35	6.39	13.95	39.09
Open-Ended Funds		-4.50	3.30	2.20	3.00	7.50	0.27	2.23	4.07	0.82	11.63	49.07
PIPs – Separate Schemes		1.70	1.90	2.10	2.50	2.90	1.90	2.22	2.71	5.81	11.60	30.63
PIPs - Unit linked		-6.50	2.20	3.60	3.20	6.80	-0.34	1.76	4.03	-1.00	9.11	48.38
TFR adjustment		1.95	2.01	1.50	1.20	1.30	1.70	1.52	2.03	5.19	7.83	22.23
Inflation		1.20	1.10	-0.10	0.09	0.00	0.73	0.46	1.15	2.21	2.30	12.16
GDP five-year average	1.8	1.34	0.64	0.60	0.63	-0.32	0.86	0.58	1.06	2.6	2.92	11.09
*For Pension Funds, these are net annual compounded yields taken from the 2018 COVIP Report, that is net of operating costs and of substitutive taxes (including TFR). For Banking Foundations, this is the ratio of total proceeds, net of taxes, vs the average book value of assets, i.e. net proceeds (net operating income + net final income)/2 <i>Provisional estimates in green</i>												
As to the 2017 yields, the 3-year average was equal to 4.03% x FOB; 2.67% x Occ.; 2.83% x Pre-ex; 1.47% x TFR;												
As to the 2017 yields, the 5-year average was equal to 4.24% x FOB; 4.12% x Occ; 3.48% x Pre-ex; 1.48% x TFR;												
As to the 2017 yields, the 10-year average was equal to 4.19% x FOB; 3.3% x Occ; 3.31% x Pre-ex; 2.11% x TFR;												

Table 1.5 - Yields of complementary pension schemes (as at 31/12/2018, % values)

Occupational Pension Funds	-2.5	Open-Ended Pension Funds	-4.5	“New” PIPs	-6.5	Target yields	
Guaranteed	-1.1	Guaranteed	-1.8	Unit Linked	-6.5	TFR adjustment	1.95
Pure bond	-0.6	Pure bond	-0.8	Bond	-1.4	Inflation	1.14
Mixed bond	-2.4	Mixed bond	-1.8	Balanced	-5.9	GDP five-year average	1.35
Balanced	-2.8	Balanced	-4.8	Equity	-8.9	Media	
Equity	-5.3	Equity	-8				

* The yields refer to unit-linked policies because the yields of the separate asset management schemes are not available in the accounts for the year at issue. Source: COVIP data processed by Itinerari Previdenziali

The Real Economy - Investments in the "real economy" are still modest, except for Banking Foundations. As already pointed out back in 1997², it is particularly disquieting to see the very limited investments made by contractual funds, largely fed by termination of employment benefits (TFR) that "supply blood " to companies and are therefore **the first and main form of financing of the real economy**. The Guarantee Fund established by Legislative Decree no. 252/05 to facilitate the financing of enterprises that pay TFR to pension funds was abolished by the Prodi Government in

² See the book “Capire i Fondi Pensione”, by A. Brambilla, published by Il Sole 24 Ore.

2007 and since then, neither policy makers nor social partners have tackled this issue. However, from 2007 to the end of 2018, Pension Funds and the fund managed by INPS received almost 110 billion euros' worth of termination of employment benefits taken from Italian companies, to which just over 3.5 billion euros have been refunded; this is a major problem with far reaching negative repercussions on both employment and productivity, thus contributing to the stagnation of the country. An issue on which to reflect.

Thanks to their share in the transferee bank, in Cassa Depositi e Prestiti and Fondazione con il Sud, the Banking Foundations confirmed their position as the largest investors in the real domestic economy with **48.60%**, followed by the Privatized Schemes for Liberal Professionals with 16.31%, up with respect to 14.6% in 2017 (**Table 1.6**). The contribution of the FPPs was stable, with 3.20% also in 2018; the number of FPAs dropped to 3.00% for the year under review with respect to 3.46% in 2017. Considering the trend in bond interest rates, there was still a high percentage of bond investments (also including those with a non-significant amount of shares) made by FPAs and FPPs, exceeding 70% on the whole. **Table 1.6.1** shows the reclassified investments in the real economy for 2017.

Table 1.6 - Investments in the real economy by Institutional Investors in 2018

Institutional Investors	Assets (1)	Institut. Invest.	Other items and reserves (2)	Direct real-estate	Monetary and bond	Policies	Equity	UCITS + ETF	Of which FIAs	OF WHICH Investments in the real economy (*) as %
Privatized Schemes	82.92	1.92%	13.15%	5.37%	22.11%	0.75%	2.98%	53.72%	23.47%	16.31%
Banking Foundations	45.70	31.64%	1.87%	3.48%	6.40%	1.09%	11.64%	41.64%	33.63%	48.60%
Autonomous Pre-existing Funds	58.30		3.25%	2.87%	26.53%	44.97%	8.69%	13.71%	3.06%	3.20%
Occupational Pension Funds	50.41		5.46%		67.96%		18.83%	7.73%	0.24%	3.00%
(1) billions of euros. (2) the other items include accruals and deferrals, credits and other assets;										
For Privatized Schemes , the figures reported in the Table are only related to direct investments accounting for about 80.5% of the total , for all schemes except for ONAOSI; Indirect investments through management mandates do not allow for a classification of asset classes; a) Institutional investments include those by the Bank of Italy and by Cassa Depositi e Prestiti;										
For Banking Foundations , the figures reported in the Table are only related to direct investments (accounting for about 97.73% of total assets) of the 27 Foundations analysed, that account for about 85% of their total assets ; a) Institutional investments include those by the Transferee bank, by Cassa Depositi e Prestiti and by Fondazione con il Sud; the remaining 2.3% is related to indirect mandated investments, therefore the sum does not correspond to 100% due to the assets under mandated management (equal to about 2.3% of assets).										
For Pre-existing Funds , the figures reported are related to the 49 Autonomous Funds analysed in this Report, that is 89% of the total, accounting for 97.7% of all Pre-existing Funds. (In fact, the total assets of in-house and autonomous funds are equal to 58.699 billion euros)										
For Occupational Pension Funds , the figures reported are related to the total of net assets allocated to benefits, consisting of mandated investments (to be managed) and of 117 million euros' worth of direct investments in FIAs.										
(*) Investments in the real economy mean: Italian stocks, corporate bonds, the estimated Italian securities in UCITs, FIAs for the assets invested in Italy. They do not include treasury bills, income-producing real-estate assets and capital investments.										

Table 1.6.1 - Investments in the real economy by Institutional Investors in 2017

Institutional investors	Assets (1)	Institutional invest.	Other items and reserves (2)	Direct real-estate	Liquidity monetary bond	Policies	Equity	UCIT + ETF	Of which FIAs	OF WHICH Invest. in the real economy (*) as %
Privatized Schemes	78.74	1.89%	14.55%	5.15%	23.38%	0.85%	3.64%	50.54 %	24.03 %	14.60 %
Banking Foundations	46.1	31.46%	1.74%	2.98%	6.09%	1.20%	11.16%	42.64 %	26.84 %	46.72 %
Autonomous Pre-existing Pension Funds	57.38		1.68%	3.78%	27.64%	43.94%	8.36%	14.60 %	1.96%	3.20 %
Occupational Pension Funds	49.46		3.45%		67.71%		20.57%	8.27%	0.24%	3.46 %

(1) billions of euros. (2) the other items include accruals and deferrals, credits and other assets; data in billions of euros.

For **Privatized Schemes**, the figures reported in the Table are only related to **direct investments** accounting for **about 80.5% of the total**, for all schemes except for ONAOSI; Indirect investments through management mandates do not allow for a classification of asset classes; **a)** Institutional investments include those by the Bank of Italy and by Cassa Depositi e Prestiti;

For **Banking Foundations**, the figures reported in the Table are only related to **direct investments** (accounting for **about 97.26% of total assets**) of the 23 Foundations analysed, that account for **about 83% of their total assets**; **a)** Institutional investments include those by the Transferee bank, by Cassa Depositi e Prestiti and by Fondazione con il Sud; the remaining 2.74% is related to indirect mandated investments, therefore the sum does not correspond to 100%.

For **Pre-existing Funds**, the figures reported are related to the 43 Autonomous Funds analysed in this Report, that is 86% of the total, accounting for 97.3% of all Pre-existing Funds. (In fact, the total assets of in-house and autonomous funds are equal to 58.996 billion euros).

For **Occupational Pension Funds**, the figures reported are related to the total of net assets allocated to benefits, consisting of mandated investments (to be managed) and of 117 million euros' worth of direct investments in FIAs.

(*) **Investments in the real economy** mean: Italian stocks, corporate bonds, the estimated Italian securities in UCITs, FIAs for the assets invested in Italy. They do not include treasury bills, income-producing real-estate assets and capital investments.

Managers - *Table 1.7* shows the best 5 mandated managers; Generali leads the ranking, the same as last year, even though with a much lower number of mandates compared to the second in the ranking, Amundi (77 mandates and 9.2 billion euros); it manages 10.3 billion euros in management with "only" 23 mandates, followed by Unipol, Eurizon Capital and BlackRock, which maintain their 2017 positions. The top 5 managers account for more than 39% (an increasing percentage compared to last year) of the total resources entrusted to them by institutional investors.

Table 1.7 - The top 5 mandated managers

Manager	Mandates	AUM in millions of euros	Market share
Generali Italia S.p.A.	23	10,336	9.25%
Amundi	77	9,217	8.25%
UnipolSai Assicurazioni S.p.A.	34	9,075	8.12%
Eurizon Capital	55	8,823	7.90%
BlackRock	11	6,222	5.57%

1.1 Focus on sustainable investments by Italian Institutional investors

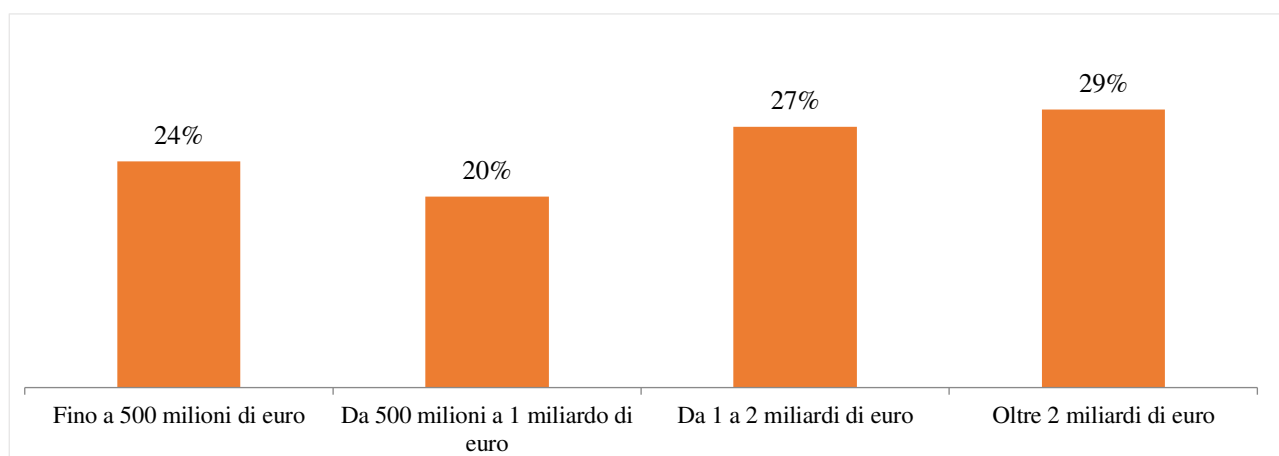
After several conferences and meetings focused on the theme of sustainable investments, a decision was taken to carry out a survey to verify if and to what extent ESG criteria are included in the investment policies of Italian institutional investors.

Methodology - To this end, all the major institutions were consulted, with a sample of **55** respondents: 16 Occupational Pension Funds (FPA), 17 Pre-Existing Pension Funds (FPP), 13 Pension Schemes (CP) and 9 Banking Foundations (FOB).

This survey envisaged an online **questionnaire** with 44 questions divided into two parts: the first designed to frame the general characteristics of the respondent, the second to specifically focus on "ESG behaviours". Five perspectives were adopted to examine this topic: the definition of the ESG investment policy, the related investment strategy, its implementation, evaluation and transparency, and finally future prospects.

Results - Of the 55 respondents, 31 have **assets** of more than one billion euros (**Figure 1**); 29% of respondents have assets of more than two billion euros. In particular, the respondents with the largest assets are FPAs and CPs.

Figure 1 – Asset size (accounting figures at 31/12/2018)

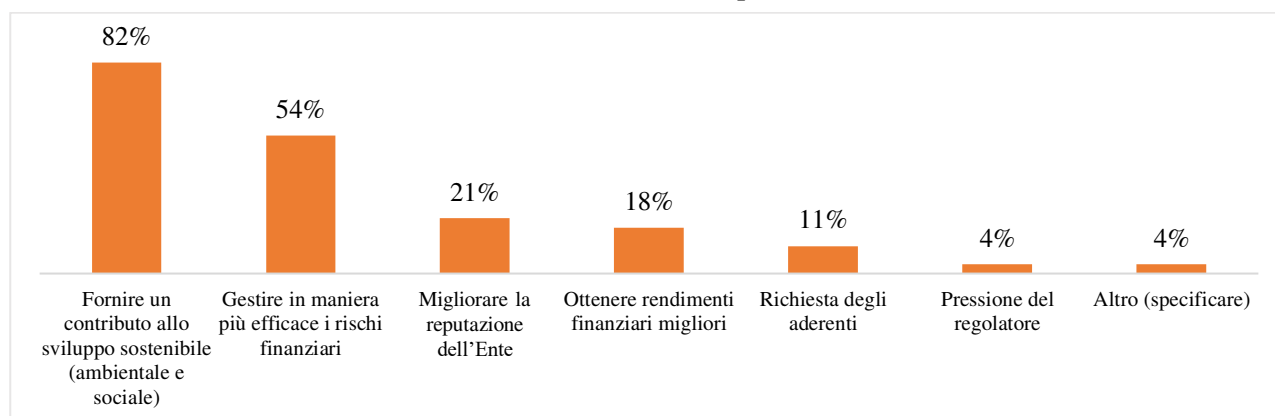


Up to 500 million euros - From 500 million to 1 billion euros - From 1 to 2 billion euros - Over 2 billion euros

The key question of the survey is: "**Does the Organization adopt a sustainable investment policy?**". Out of 55 respondents, 28 (just over half) answered yes. This may seem somewhat negative, but the cross-section of respondents shows that 62% of CPs and 56% of FPAs adopted this policy, while FOBs and FPPs stopped at 44% and 41% respectively.

After identifying the organizations that had adopted the SRI policy, it was necessary to find out their **motivations** (**Figure 2a** - Note: possible multiple responses): the overwhelming majority of institutional investors (more than 80%) adopted this policy to "provide a contribution to sustainable development (environmental and social)" and more than 50% also "to manage financial risks more effectively", followed, at some distance, by the aim to "improve the reputation of the organization " (21%), which raises the question about the often media- minded and reputational nature of these investments, and to "obtain better financial returns" (18%), which confirms the assumption that the profitability of these investments should be evaluated in the long term. The motivation related to the "members demand " scored 11% and "regulatory pressures" 4%.

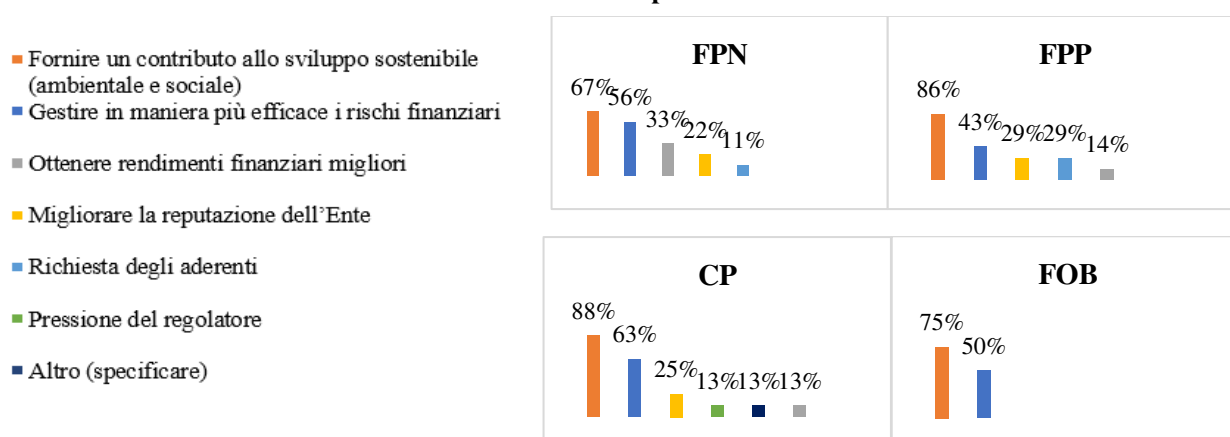
Figure 2a - What are the objectives and/or motivations that have prompted the Organization to introduce sustainable investment policies?



To provide a contribution to sustainable (environmental and social) development - to more effectively manage financial risks - to improve the reputation of the Organization - to obtain better financial yields - to meet members' demand - due to pressure by Regulators - Other (to be specified).

It is curious to observe the findings related to the different types of organizations (**Figure 2b**). No Banking Foundation has different motivations with respect to the first two, FPPs and CPs are particularly sensitive to reputation and FPPs do not focus so much on financial risk management.

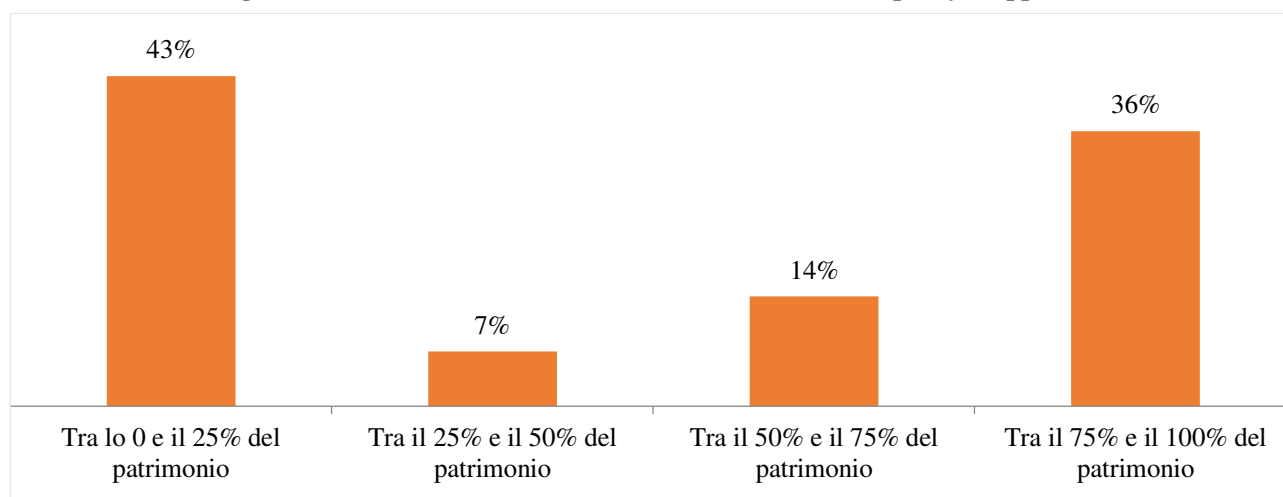
Figure 2b - Which objectives and/or motivations have prompted the Organization to introduce sustainable investment policies?



To provide a contribution to sustainable (environmental and social) development - to more effectively manage financial risks - to improve the reputation of the Organization - to obtain better financial yields - to meet members' demand - due to pressure by Regulators - Other (to be specified).

The **share of assets to which the SRI policy is applied** (**Figure 3a**) points to a fairly marked polarization: almost 43% is below 25% of the assets, while more than 35% is above 75%.

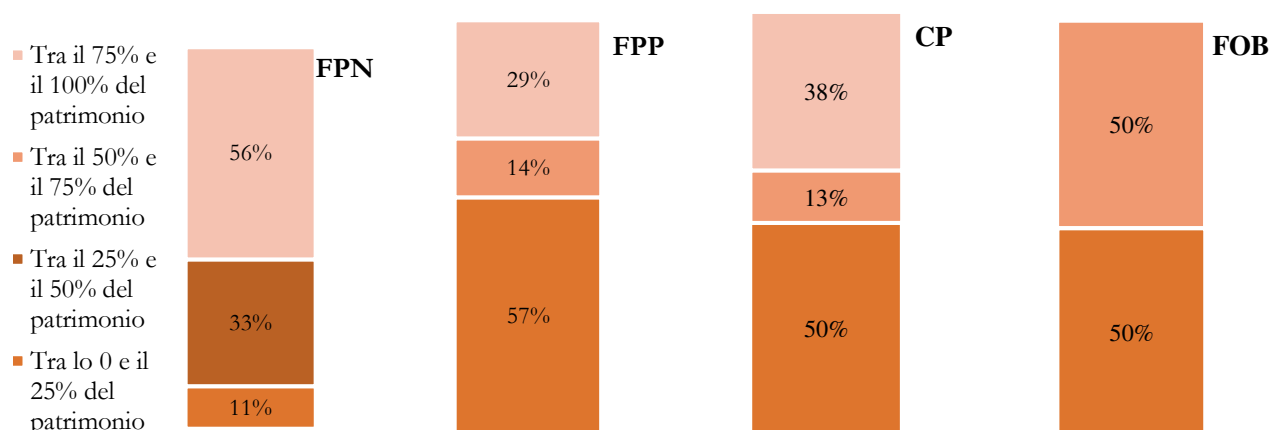
Figure 3a - What is the share of the assets to which the SRI policy is applied?



Between 0 and 25% of assets - Between 25% and 50% of assets - Between 50% and 75% of assets - Between 75% and 100% of assets

In particular (**Figure 3b**), the FPAs allocate the majority of the funds to socially responsible investments: 56% allocate between 75% and 100% of their assets to these investments; on the contrary, the least enthusiastic are the FPPs, 57% of which remain between 0% and 25%.

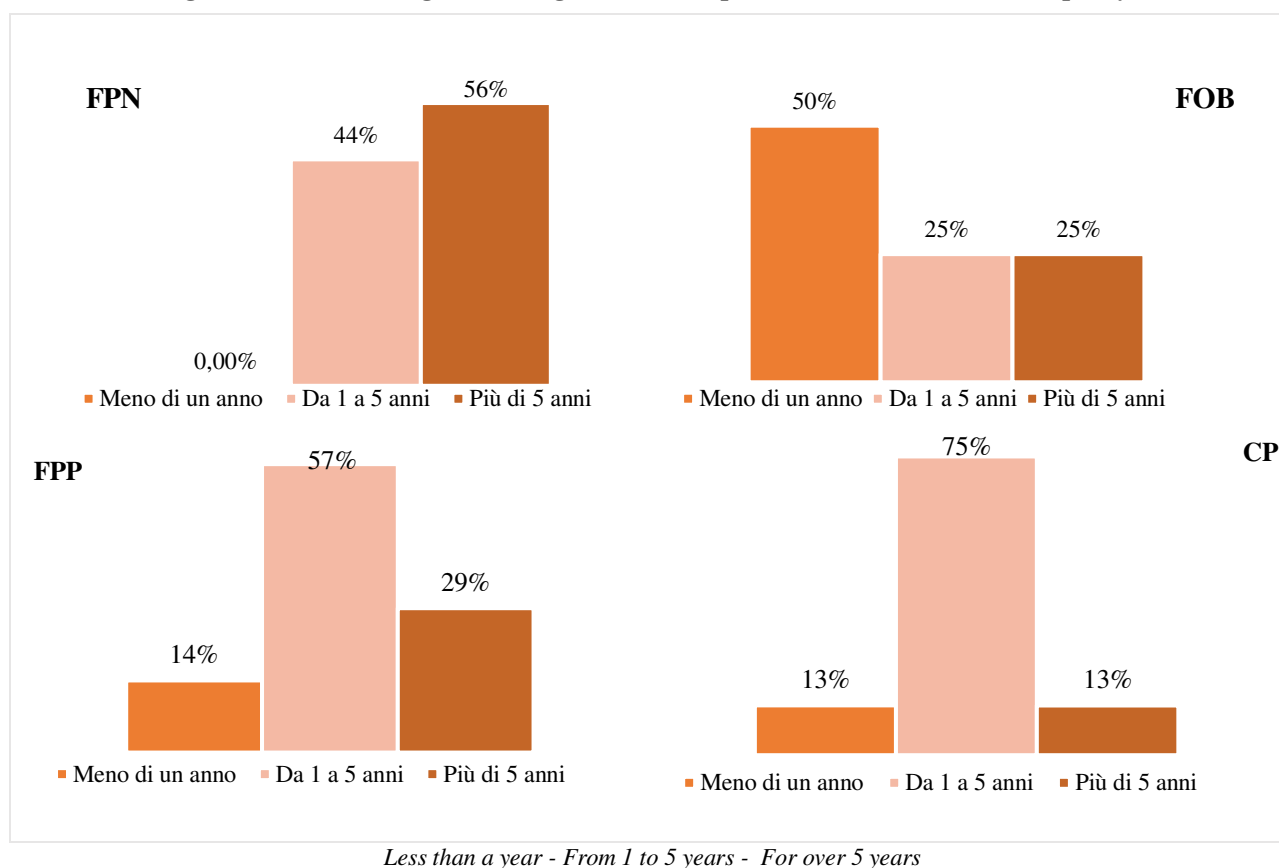
Figure 3b - What is the share of assets to which the SRI policy applies?



Between 0 and 25% of assets - Between 25% and 50% of assets - Between 50% and 75% of assets - Between 75% and 100% of assets

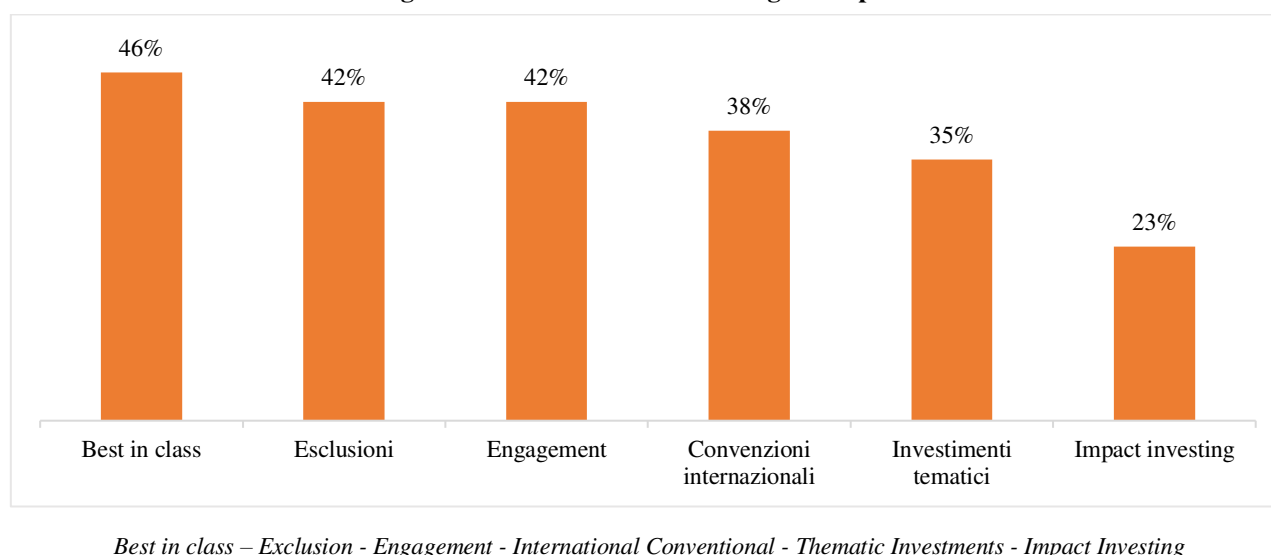
The time variable of the investments was mentioned earlier. In fact, it is interesting to link this finding to that related to the **time elapsed** since the adoption of a sustainable investment policy (**Figure 4**): the experience acquired indeed shows that investment choices have been credible (although with different criteria, as seen above). Well, as a positive sign, the organizations that rely the most on ESG policies are the ones that have used them for the longest time: 56% of FPAs have been adopting such policies for more than 5 years, the remaining 44 from 1 to 5 years, even 0% last year; on the contrary, 50% of FOBs have adopted these approaches only in the last 12 months.

Figure 4 – For how long has the organization adopted a sustainable investment policy?



As to the **SRI strategies** adopted, about 40% of the organizations (**Figure 5**) have chosen different options: exclusions, international conventions, best in class, thematic investments, engagement and impact investing strategies. However, these choices vary considerably depending on the type of organization: with the exception of CPs that adopt strategies in a uniform manner, FPAs opt for the best in class strategy (56%), the FPPs for the engagement strategy (57%), while the FOBs prefer exclusions (75%).

Figure 5 - What are the SRI strategies adopted?

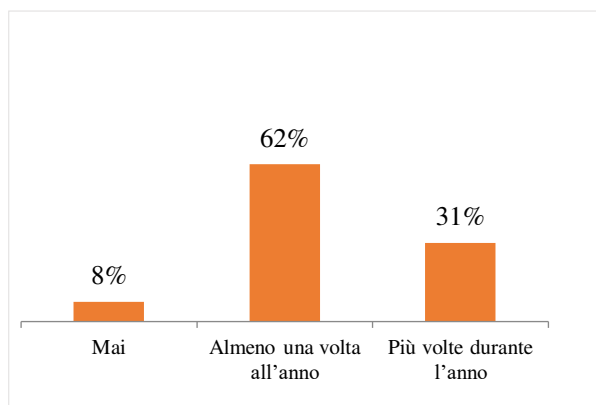


As to the choice of consulting **one or more ESG advisors**, FPPs do rely most on these professionals (71%), followed by CPs (50%), FPAs (44%) and FOBs (25%).

Another fundamental aspect of the survey is the **evaluation of results (Figure 6)** through the application of the SRI strategies. Generally speaking, more than 60% of the organizations stated that the Board of Directors assesses the impact of SRI strategies on the assets at least once a year, while about a quarter does it several times a year: in particular, 43% of FPPs and 37% of CPs fall into the latter category.

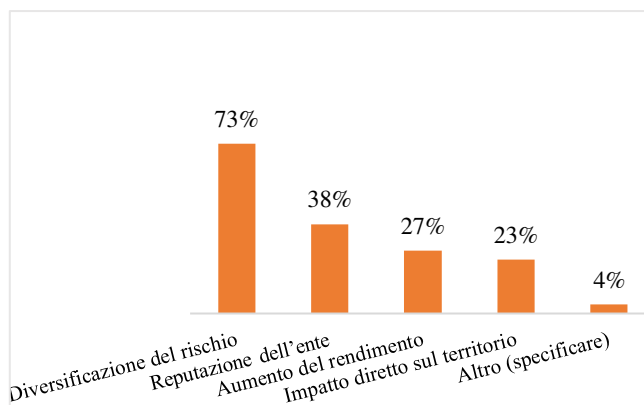
Thanks to this analysis, it is possible to assess the extent to which these strategies have led to **improvements (Figure 7)**: 73% of these organizations choose risk diversification, 38% their reputation, and around 25% both the increase in yield and the impact on the territory.

Figure 6 - How often does the Board of Directors assess the impact of SRI strategies on assets?



Never - At least once a year - Repeatedly over the year

Figure 7 – The application of the SRI investment policies has led to an improvement in terms of....



Diversification of - Yield growth - Other (to be specified)

Transparency is an issue that must be introduced; surprisingly, the 55 respondents to the questionnaire are almost equally divided between those who publish a document explaining the SRI policy adopted and those who do not. In particular, over 70% of FOBs answered that they neither publish a reporting document for their SRI strategies nor plan to do so.

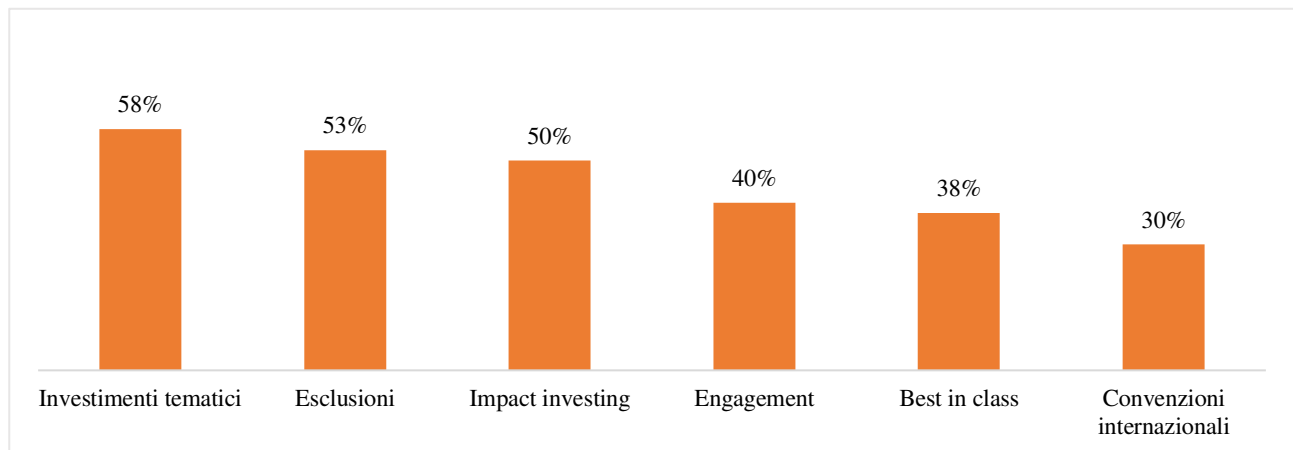
Finally, the **future**: after having provided a picture of the current situation, it is useful to get an idea of future trends. In fact, returning to the initial question, it is important to remember that many of the responding organizations do not adopt SRI policies: most of them motivate this either by the fact that this issue has never been discussed by the Board of Directors or that it has been addressed and will be implemented in the future. Moreover, it is useful to understand if those who are already implementing these policies decide to continue, modify or leave this path.

Well, the vast majority, almost 80% of all respondents (whether or not they have adopted SRI policies) intend to include or increase sustainable strategies in their investment policy, with very high percentages in all categories: 71% of FPPs, 75% of FPAs, 77% of CPs and 78% of FOBs said "yes".

The strategies that individual organizations want to adopt for the future are very different from those they are currently implementing (**Figure 8**): 22% of FPAs have chosen engagement strategies and now 67% of them would choose this approach; the same happens to FPPs for thematic investments: today they have been adopted by 29% of these funds, tomorrow they may be chosen by twice as

many; FOBs do not escape this trend either: 25% have currently chosen impact investing, 86% of them would choose this approach in the future. CPs seem to be more "stable", fairly equally divided between the strategies to be adopted in the future and the ones they adopt in the present. On the whole, it is positive sign in that these organizations are considering implementing more active strategies.

Figure 8 - Which strategies will be used to implement sustainable investment policies?



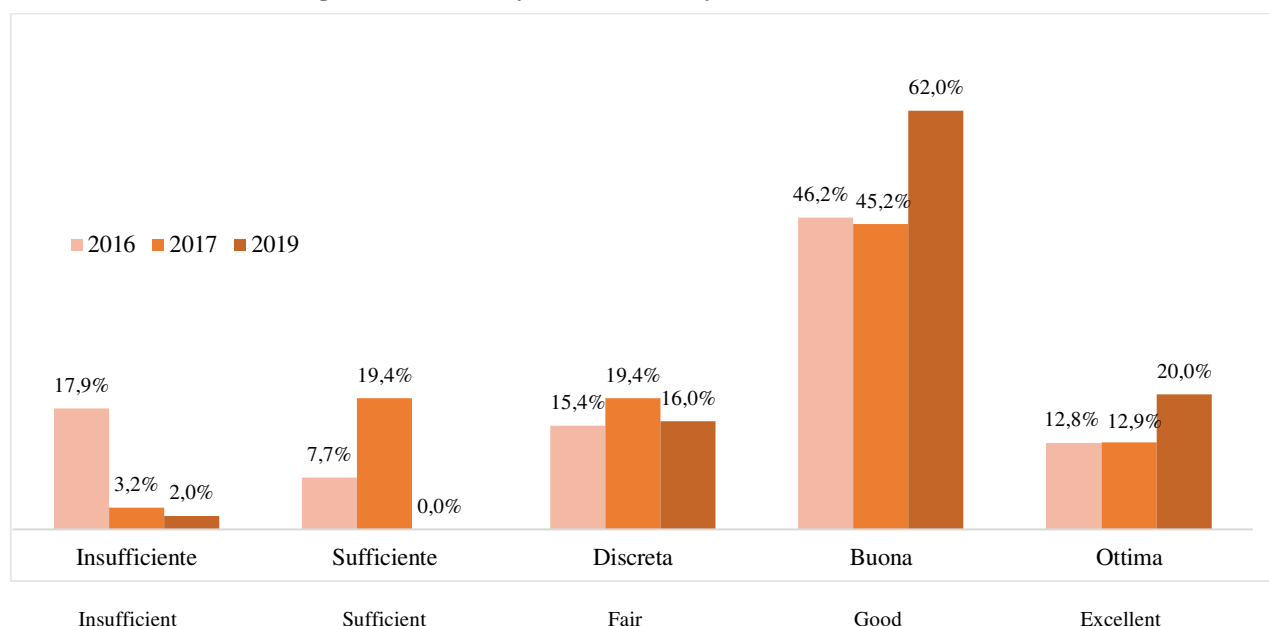
Thematic Investments – Exclusion - Impact Investing - Engagement - Best in class - International Conventional

The decision to include or expand these strategies can be seen from the percentage of the assets allocated to this purpose; of course, it is only a declaration of intent but it is quite indicative. These figures raise some questions: 67% of FPAs will not allocate 75%-100% of their assets to these strategies, which means that there is a lot of caution in this regard. CPs will commit between 0 and 25% of their assets in 40% of cases, FPPs even in 67% of cases, not to mention FOBs, with a quarter of their assets in 75% of cases; these data point to a conservative approach to strategies for the medium to long term.

In addition to the ESG topic, the questionnaire, as anticipated, looked into **more general characteristics of these organizations** and the answers received have paved the way to a follow up of the VII Annual Survey on Social Security Institutions and Pension Funds, which provides a picture of some "structural" characteristics of social security actors and how they operate, as well as their market sentiment and their inter-relations. The only methodological caveat in that the above-mentioned survey involved Occupational Pension Funds, Pre-Existing Pension Funds and Private Pension Schemes, but not the Banking Foundations that had been included in the questionnaire.

The **diversification of investments** plays a crucial role in terms of returns, but even more so in terms of risk control. This is the reason why these organizations attach great importance to this issue and the scores they provide have considerably improved over the years: one fifth of the actors interviewed considers the diversification of their fund "excellent" (20% vs. 12.9% in 2017), while the sum of "good" and "excellent" scores exceeds 80% (from 58.1% in 2017 to 82%).

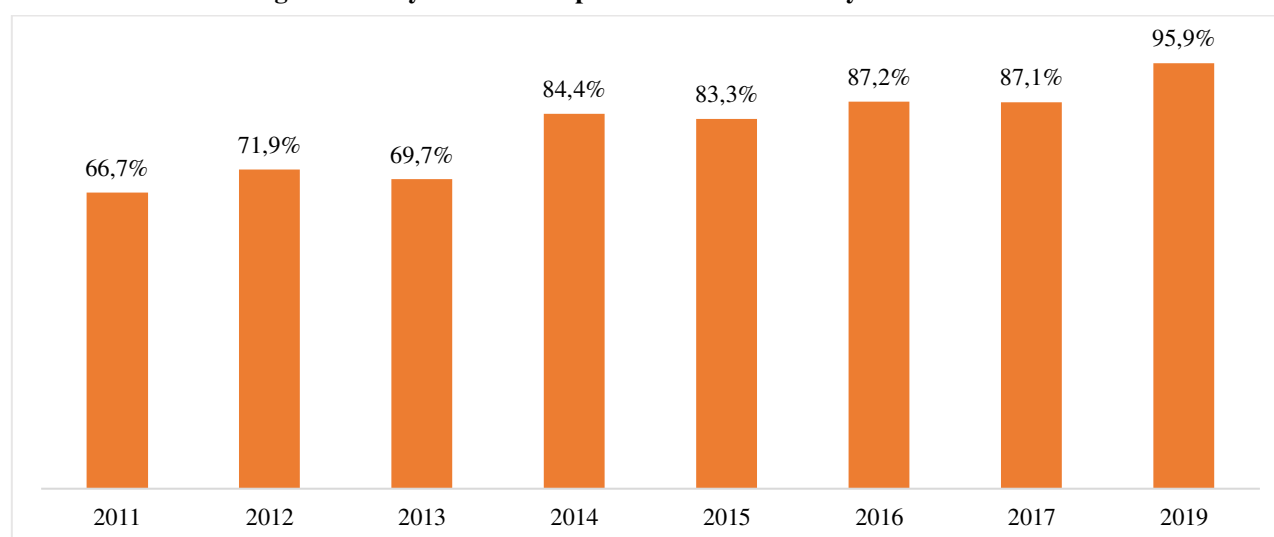
Figure 9 - What do you think about your asset diversification?



Note: Banking Foundations are largely satisfied: 78% responded "good" (67%) and "excellent" (11%)

In a market period characterized by volatility and instability, the number of institutions and funds that intend to **review their asset allocation in the near future** remains very high; the trend shows that after three years of decline, from 90.5% in 2015, to 84.6% in 2016 and to 80.6% in 2017, this percentage slightly climbed to 82%. Such a high number of institutions and funds determined to change their asset allocation strategies may suggest a low level of **satisfaction with their financial performance**. On the contrary, almost all respondents (95.9%) reported to be satisfied: even more than the already very positive figure of 87.1% in 2017, which was considered difficult to exceed.

Figure 10 - Is your financial performance satisfactory? Answer: "Yes"

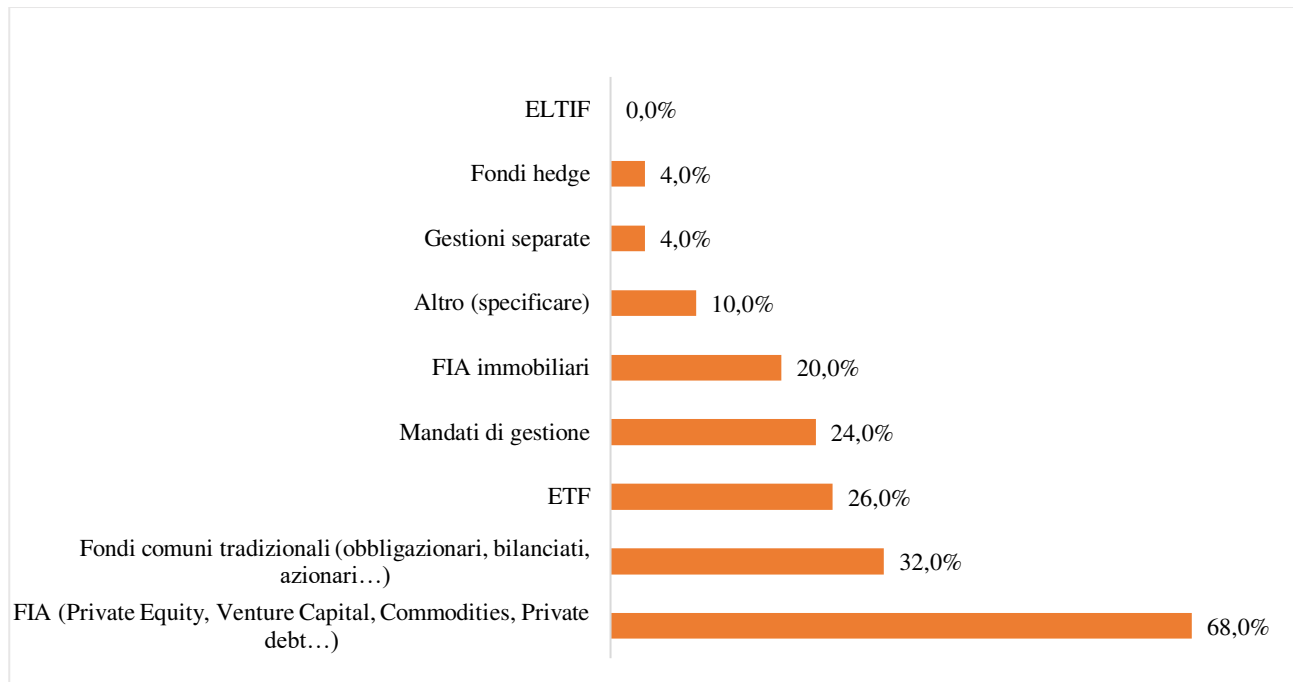


Note: 89% of Banking Foundations replied 'yes'

Three factors emerge as to the **instruments on which institutions invest or intend to invest** (or increase their exposure to). First, the stability of the management mandates that are not expected to grow: today, these organizations choose this type of investment in 74% of cases, while their intention to use it in the future drops to 24%. Second, the tendency to prefer FIAs (Private Equity, Venture

Capital, Commodities, Private Debt...) that are expected to grow from 48% to 68% over traditional investment funds. Finally, it is important to highlight the current exposure to real estate funds, chosen by 42% of the respondents; however, the number of respondents willing to adopt them in the future drops to 20%.

Figure 11 - On which instruments does your organizations plan to invest (or increase exposure) in the near future?



ELTIF - Hedge Funds - Separate Schemes - Other (to be specified) - Real-estate FIAs - Management Mandates – ETF - Traditional Investment Funds (bond, balanced, equity) - FIAs (Private equity, Venture Capital, Commodities, Private debt.....) Note: Currently, Banking Foundations mainly in alternative FIAs (89%) and real estate funds (78%); 67% rely on management mandates. In the future, most FOBs will be exposed to alternative ETFs and FIAs (both at 67%).

The answers provided by institutional investors on the **managers' proposals with respect to their needs** show that the relationship with the managers is considered an increasingly positive factor. This figure rose to 75% in 2017 vs. 65.4% in 2016 and remained stable in 2018; however, the previous year, there was no "very good" answer for 75% of respondents, while in 2018, this answer accounted for 8.3%, much higher with respect to 3.8% in 2016. It is possible to obtain a concise view by looking at the opinions related to **"relationships"**. This item is considered to be absolutely crucial by the players in the sector, who have to face new challenges in a dramatically changing market. 14.89% of those interviewed consider the relationship with their managers "excellent" and 63.83% "good". No one expressed a negative opinion as has been the case for some years now. There is now a widespread tendency for institutions and funds to **be supported by advisors** for their asset allocation and for selecting their managers, even though their number dropped from 79.2% in 2017 to 78% in 2018, while in 2016, 9 out of 10 of these organizations relied on these consultants. As to the opinions on this type of relationship, "excellent" increased from 23.1% to 31.6% and "good" from 88.5% to 89.5% in the last three years, which shows that the relationship with these advisors seems to be very positive, in line with what happens with other subjects involved in the social security investment field.

2. Insurance Companies

For three years now, this Report has provided information on Insurance Companies, as major institutional investors, and on their social security-related assets including the so-called C life class I, IV and V policies¹, which are mainly *individual welfare products*. In fact, with its business model and its long-term life product contractual terms (from a minimum of 3-5 years up to 30 years and beyond), the insurance industry is a primary *institutional investor*, which needs to invest its assets with a similar time frame, i.e. mainly on government bonds.

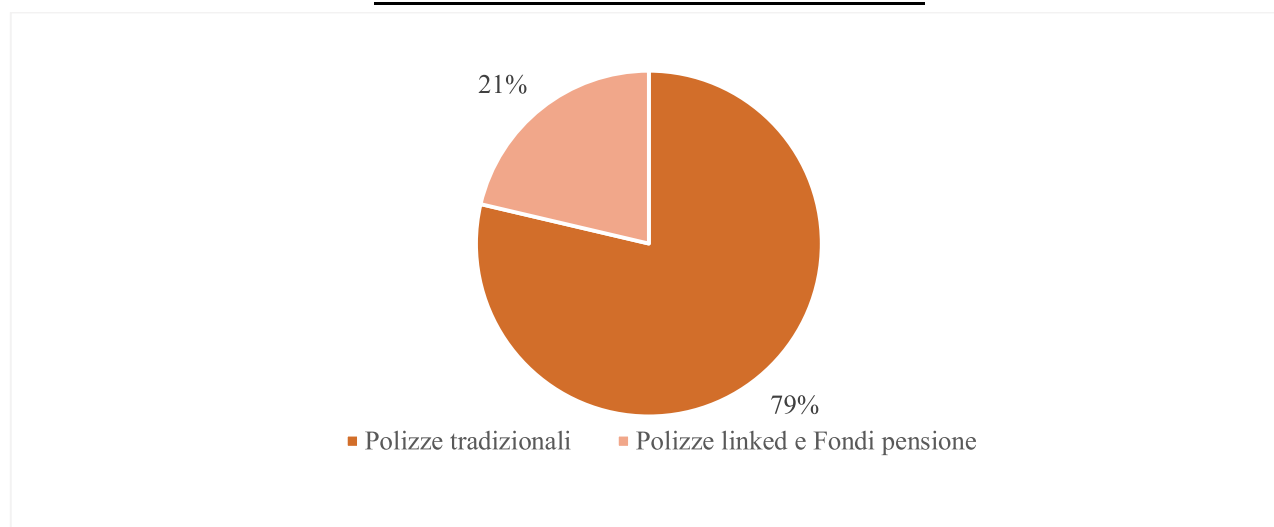
In 2018, the total investments by life insurance companies amounted to approximately 710 billion euros, of which almost 80% (just over 560 billion euros) were traditional policies (defined above as class C), while the remaining 20% (just over 150 billion euros) were policies linked to unit/index linked products and pension funds (so-called class D, see *Figure 2.1*)². It should be noted that these amounts refer to the financial accounts of insurance companies whose items are valued according to national accounting standards (the so-called Local Gaaps). This Report does not consider class III products, such as linked policies which are mainly financial investment products and class VI products such as pension funds, which are therefore included in the assets of these institutional investors that will be analysed in the following chapters.

The principle of matching assets and liabilities enables insurance companies to meet their commitments to their policyholders at all times, which means that these companies must have access to a wide range of assets to match their liabilities in order to allow their portfolios to be sufficiently diversified. It is precisely their significant capitalization to support their contracts and the commitments vis-à-vis their policyholders that make the insurance industry the largest institutional investor not only in Italy but also in the rest of the world.

¹ Traditional life policies (so-called Class C policies) cover all types of policies, including profit-sharing policies, capitalisation policies, pure risk policies linked to risks related to the life of the policyholder; **class I** policies are life insurance policies and include protection from premature death and/or survival at a certain date; **class IV** policies are related to health insurance and to insurance against the risk of non-self-sufficiency which are guaranteed by long-term, non-terminable contracts against the risk of serious disability due to illness or accident or longevity; **class V** policies are related to capitalisation operations (financial insurance policies not dependent on human life) that envisage the payment of a lump sum on expiry of the contract).

² **Class III** policies (so-called Linked or Class D policies) are financial life insurance or capitalisation contracts with benefits linked to the performance of a stock index, a basket of stock indices or another financial reference index. They are indexed contracts, since they tend to replicate the performance of an economic indicator, typically a stock exchange index through special technical measures.

Figure 2.1 - Breakdown of investments by life business line in 2018
Total life business investments: 714 billion euros



Traditional policies - Linked policies and Pension Funds

The assets managed by Italian Insurance Companies

Table 2.1 shows the total assets of Italian Life Insurance Companies, including both class C and class D products, which amounted to **754 billion euros** at the end of 2018 (an increase by 2.8% with respect to the end of 2017). Almost all the assets held by Life Insurance Companies (approximately 710 billion euros or 95% of the total) were invested especially on class D and class C products (about 150 billion euros and 560 billion euros respectively).

The insurance sector mainly invested on bonds and fixed income securities: over 446 billion euros mainly allocated to government bonds, up by 2.9% compared to 2017; the second main form of investment is mutual funds (€75 billion) characterised by the most significant growth (over 13%). Stocks and shares accounted for little more than 30 billion euros, i.e. 4.1% of the total, while real-estate investments were almost negligible (0.1%).

Table 2.1 – Asset composition of Insurance Companies - Life sector in millions of euros

Type of asset	2017	Distrib. % 2017	2018	Distrib. % 2018	% var. 18/17
(1)	(2)	(3)	(4)	(5)	(6)
Credits to members	-	-	-	-	-
Intangible assets	3,685	0.5%	3,536	0.5%	-4.0%
Investments:	693,611	94.5%	713,676	94.6%	2.9%
- Real-estate	449	0.1%	435	0.1%	-3.2%
- Stocks and shares	29,578	4.0%	30,593	4.1%	3.4%
- Fixed-income bonds and securities *	433,537	59.1%	446,125	59.1%	2.9%
- Mutual fund investments	66,418	9.0%	75,153	10.0%	13.2%
- Financing and deposits	9,386	1.3%	9,118	1.2%	-2.9%
- Class D investments (Linked policies and Pension Funds)	154,243	21.0%	152,252	20.2%	-1.3%
Technical Reserves of Reinsurers	7,090	1.0%	6,298	0.8%	-11.2%
Credits	15,745	2.1%	17,512	2.3%	11.2%
Accrued and deferred assets	13,780	1.9%	13,229	1.8%	-4.0%
TOTAL	733,911	100.0%	754,250	100.0%	2.8%

**of which approximately €315 billion in government securities*

Source: ANIA

The IVASS data (*Table 2.1.1*) of the last decade (2009-2018) show that the Class C Life assets increased by almost 270 billion euros (from 294 to 561 billion euros) with an average growth of about 30 billion per year. This development was particularly due to bond investments (for over 90% and 212 billion euros), which accounted for 79.5% of the 2018 total investments, followed by mutual fund investments which grew by 433% or 61 billion euros over the same period; instead, there was a sharp fall in direct real estate investments. The growth in fund investments also continued between 2017 and 2018 (+13.4%); at the end of 2018, these investments accounted for 13.4% of the total.

Table 2.1.1 – Investments from 2009 to 2018 - LIFE sector, class C

Tipologia di investimento	Valori assoluti (milioni)				Variazione in milioni		Distribuzione %					Variazione %	
	2009	2016	2017	2018	2009-2018	2017-2018	2009	2015	2016	2017	2018	2009-2018	2017-2018
Immobili	1.174	517	539	561	-613	22	0,4	0,1	0,1	0,1	0,1	-52,2	4,1
Azioni	29.655	28.970	29.665	30.317	662	652	10,1	6,1	5,6	5,5	5,4	2,2	2,2
Obbligazioni:	234.306	422.655	433.652	446.332	212.027	12.680	79,8	82,4	81,7	80,4	79,5	90,5	2,9
di cui titoli di Stato	150.331	292.807	303.125	315.520	165.189	12.395	51,2	58,9	56,6	56,2	56,2	109,9	4,1
Quote F.C./Azioni sicav	14.094	55.354	66.342	75.231	61.137	8.889	4,8	9,2	10,7	12,3	13,4	433,8	13,4
Altri investimenti	14.387	9.829	9.169	8.983	-5.404	-186.472	4,9	2,2	1,9	1,7	1,6	-37,6	-2,0
Totale	293.616	517.326	539.368	561.424	267.808	22.056	100	100	100	100	100	91,2	4,1

Source: IVSS data processed by the Itinerari Previdenziali Study Center

Type of investment - Absolute Figures (millions) - Variations (millions) – Distribution - Variation

Real-estate – Shares - Bonds of which Government Bonds - Fund/Sicav investments - Other investments - Total

As mentioned, the figures above only refer to investments on traditional life policies (class C) and do not include investments on unit-linked policies and pension funds (class D). *Table 2.2* provides details of the top *twenty Italian life insurance companies* according to their total assets. At the end of 2018, these companies held a stock of assets amounting to 527 billion euro, accounting for 87.6% of the entire 602-billion sector: as already indicated, 560 billion euros can be classified as investments, while approximately 40 billion euros as "other assets" (see column 9 and its note). Poste Vita, Intesa Sanpaolo Vita and Generali Italia held more than 10% of total assets under management and together they accounted for more than 43% of the entire sector. Most of these companies mainly invested on

bonds and fixed-income securities, accounting for approximately 75% of the total and equal to over 446 billion euros. The role played by mutual funds remained significant, with 75 billion euros' worth of investments, reaching 12.5% of total assets in 2018; this share practically doubled in recent years and increased by almost 9 billion euros compared to 2017. The top twenty companies held approximately 71 billion euros invested on mutual funds.

Table 2.2 - The top 20 Italian insurance companies for class C managed assets (excluding Linked and Pension Funds) - LIFE sector - 2018 (millions)

INSURANCE COMPANY	Total ASSETS	Market share	INVESTIMENTI DI CLASSE C					OTHER ASSET ITEMS *
			Real-estate	Shares and stocks	Bonds and Fixed-income securities	Mutual Fund investments	Financing and deposits	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
POSTE VITA	125,333	20,8%	-	0,2	73,6	21,9	-	4,3
INTESA SANPAOLO VITA	71,930	11,9%	-	1,4	78,6	15,4	0,1	4,6
GENERALI ITALIA	62,751	10,4%	-	11,3	71,2	10,1	0,2	7,2
ALLEANZA ASSICURAZIONI	37,408	6,2%	-	3,7	54,7	21,9	3,0	16,8
UNIPOLSAI ASSICURAZIONI	28,731	4,8%	0,1	5,5	83,7	4,8	0,5	5,4
GENERTELLIFE	26,774	4,4%	-	4,2	80,1	9,3	0,0	6,3
ASSICURAZIONI GENERALI	23,071	3,8%	-	54,1	6,0	2,8	31,1	6,0
ALLIANZ	22,442	3,7%	-	2,9	86,7	4,8	0,8	4,8
BNP PARIBAS CARDIF VITA	19,766	3,3%	-	1,0	76,5	18,3	0,0	4,2
CREDIT AGRICOLE VITA	14,817	2,5%	-	4,1	74,2	16,3	-	5,4
AXA MPS ASSICURAZIONI VITA	14,773	2,5%	0,1	3,9	81,5	9,9	0,0	4,6
AVIVA VITA	11,814	2,0%	-	1,1	89,0	5,0	0,0	4,9
EUROVITA	11,156	1,9%	-	0,3	70,9	9,6	1,3	18,0
ZURICH INVESTMENTS LIFE	10,046	1,7%	-	4,3	81,5	7,1	0,1	6,9
CREDITRAS VITA	9,610	1,6%	-	0,2	81,6	4,2	0,0	14,0
AVIVA	9,261	1,5%	-	2,0	87,4	4,1	0,2	6,2
ARCA VITA	7,669	1,3%	0,5	1,6	92,5	1,2	0,0	4,2
LOMBARDA VITA	6,840	1,1%	-	0,6	92,7	2,6	-	4,1
CNP UNICREDIT VITA	6,713	1,1%	0,4	0,4	68,3	17,3	0,0	13,7
AMISSIMA VITA	6,422	1,1%	1,6	21,7	72,1	-	0,0	4,7
Subtotal	527,325	87,6%	204	29,292	383,642	70,752	8,951	34,484
% subtotal			0.0	5.6	72.8	13.4	1.7	6.5
TOTAL	601,998		435	30,593	446,125	75,153	9,118	40,575
% Total			0.1	5.1	74.1	12.5	1.5	6.7

* Other assets include: intangible assets, technical reserves born by reinsurers, receivables, accrued and deferred assets and other assets

A more detailed analysis of the investments on shares and interests in companies (see column 5 in **Table 2.2** and **Table 2.3**) shows that for the top 20 companies, this type of investment accounts for 5.6% of the total (**Table 2.2**). For the majority of these companies, these are equity investments in other companies (in about 75% of cases). The ones that invest the most on shares and participations were Assicurazioni Generali and Generali Italia, which together allocated almost 20 billion euros to this sector (or 66% of the total sector). The majority of share investments were on listed shares.

Table 2.3 - The top 20 Italian Insurance Companies for class C managed assets (excluding Linked and Pension Funds) - LIFE sector, in 2018 Details of equity investments and interests (millions)

INSURANCE COMPANY	Total Shares and Interests	Market share	Corporate shares and interests	Listed shares	Non listed shares	Stocks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
POSTE VITA	222	0.7%	92.7	7.3	-	-
INTESA SANPAOLO VITA	974	3.2%	21.4	78.2	-	0.4
GENERALI ITALIA	7,112	23.2%	77.2	22.3	0.3	0.2
ALLEANZA ASSICURAZIONI	1,389	4.5%	42.5	57.5	0.0	-
UNIPOLSAI ASSICURAZIONI	1,582	5.2%	76.9	16.8	6.3	-
GENERTELLIFE	1,134	3.7%	51.3	48.3	0.4	-
ASSICURAZIONI GENERALI	12,490	40.8%	99.8	0.1	0.0	0.1
ALLIANZ	649	2.1%	90.8	7.6	0.0	1.5
BNP PARIBAS CARDIF VITA	195	0.6%	11.1	74.3	14.6	-
CREDIT AGRICOLE VITA	601	2.0%	0.0	98.1	1.9	-
AXA MPS ASSICURAZIONI VITA	570	1.9%	56.7	39.7	3.6	0.0
AVIVA VITA	128	0.4%	0.0	90.7	9.3	-
EUROVITA	29	0.1%	-	-	100.0	-
ZURICH INVESTMENTS LIFE	436	1.4%	-	100.0	-	-
CREDITRAS VITA	19	0.1%	-	100.0	-	-
AVIVA	181	0.6%	0.0	93.4	6.6	-
ARCA VITA	121	0.4%	100.0	-	-	-
LOMBARDA VITA	44	0.1%	0.0	100.0	-	-
CNP UNICREDIT VITA	26	0.1%	-	0.9	-	99.1
AMISSIMA VITA	1,392	4.5%	0.7	0.0	-	99.3
Subtotal	29,292	95.7%	21,830	5,779	243	1,439
% subtotal			74.5	19.7	0.8	4.9
TOTAL	30,593	100.0%	22,817	6,057	279	1,441
% Total			74.6	19.8	0.9	4.7

Table 2.4 provides details of the investment on bonds and fixed-income securities, most of which (98%) are listed securities. Poste Vita, Intesa Sanpaolo Vita and Generali Italia held more than 193 billion euros' worth of bonds and other securities with a market share of over 43%. Intesa Sanpaolo Vita invested around 4% of its fixed-income securities on corporate bonds, compared with a market average of around 0.7%.

Table 2.4 - The top 20 Italian Insurance Companies for class C managed assets (excluding Linked and Pension Funds), LIFE sector - Details of investments on bonds and fixed-income securities (millions)

INSURANCE COMPANY	Bonds and Fixed-income securities	Market share	Corporate bonds	Listed securities	Non listed securities	Convertibles
(1)	(2)	(3)	(4)	(5)	(6)	(7)
POSTE VITA	92,256	20.7%	-	99.9	0.1	-
INTESA SANPAOLO VITA	56,533	12.7%	4.3	95.2	0.5	-
GENERALI ITALIA	44,704	10.0%	0.5	97.0	2.1	0.4
ALLEANZA ASSICURAZIONI	20,445	4.6%	0.2	99.4	0.1	0.3
UNIPOLSAI ASSICURAZIONI	24,052	5.4%	0.0	98.7	1.3	0.0
GENERTELLIFE	21,438	4.8%	0.1	99.5	0.2	0.2
ASSICURAZIONI GENERALI	1,389	0.3%	-	98.9	1.1	0.0
ALLIANZ	19,467	4.4%	0.7	98.0	1.3	0.0
BNP PARIBAS CARDIF VITA	15,124	3.4%	0.5	98.9	0.7	-
CREDIT AGRICOLE VITA	10,995	2.5%	2.4	97.6	-	-
AXA MPS ASSICURAZIONI VITA	12,048	2.7%	-	96.3	3.6	0.0
AVIVA VITA	10,517	2.4%	-	97.8	2.2	-
EUROVITA	7,904	1.8%	-	96.4	3.6	-
ZURICH INVESTMENTS LIFE	8,190	1.8%	-	99.7	0.3	-
CREDITRAS VITA	7,843	1.8%	-	100.0	-	-
AVIVA	8,097	1.8%	-	98.2	1.8	-
ARCA VITA	7,093	1.6%	0.1	99.8	0.1	-
LOMBARDA VITA	6,338	1.4%	-	100.0	0.0	-
CNP UNICREDIT VITA	4,582	1.0%	-	99.6	0.4	-
AMISSIMA VITA	4,628	1.0%	-	97.3	2.7	-
Subtotal	383,642	86.0%	3,201	376,874	3,284	283
% subtotal			0,8	98,2	0,9	0,1
TOTAL	446,125	100.0%	3,235	438,780	3,822	288
% Total			0.7	98.4	0.9	0.1

With the exception of investments on traditional and alternative mutual funds, the remaining assets were managed directly by these Companies; given the bond interest rates of bonds, UCITS investments, especially alternative products, are expected to grow in the coming years in order to guarantee returns more in line with liabilities. In order to obtain additional information on UCITS, it is possible to use the data from the Solvency II financial statements which show (*Table 2.5*) that the prevailing type of investment, even if sluggish compared to 2017, is that on Debt Funds (32.3% vs. 34.5% in 2017) followed by that on Asset Allocation Funds (21.6%, stable compared to 2017).

Table 2.5 – Distribution of UCITS investments at the end of 2018 (excluding linked contracts)

Type of Mutual Funds	% Distribution 2017	% Distribution 2018
Share Funds	7.2%	6.2%
Debts Funds	34.5%	32.3%
Money Market Funds	5.0%	4.0%
Asset Allocation Funds	21.5%	21.6%
Real-estate Funds	14.4%	16.7%
Alternative Funds	3.9%	5.3%
Private Equity Funds	1.9%	2.1%
Infrastructural Funds	0.8%	1.9%
Others	10.8%	9.9%
Total	100.0%	100.0%

Source: ANIA estimates on the data from the Solvency II financial statements

3. Open-Ended Pension Funds (FPAs): members, assets and managers

At the end of 2018 as in 2017, there were 43 operating **open-ended pension funds** created by 34 companies (33 the year before) with a total number of **members** equal to **1,428,866**, an increase by **6.4%** compared to the previous year (1,343,192). Despite the growth in their membership, the number of members who did not pay contributions was on the rise, mainly among the self-employed, 47% vs. 49% in 2017, while that of employed workers was lower (about 29%) but still significant. **Table 3.1** shows the top 10 groups that manage and operate Open-Ended Pension Funds classified by number of positions and that account for about 82% of the total.

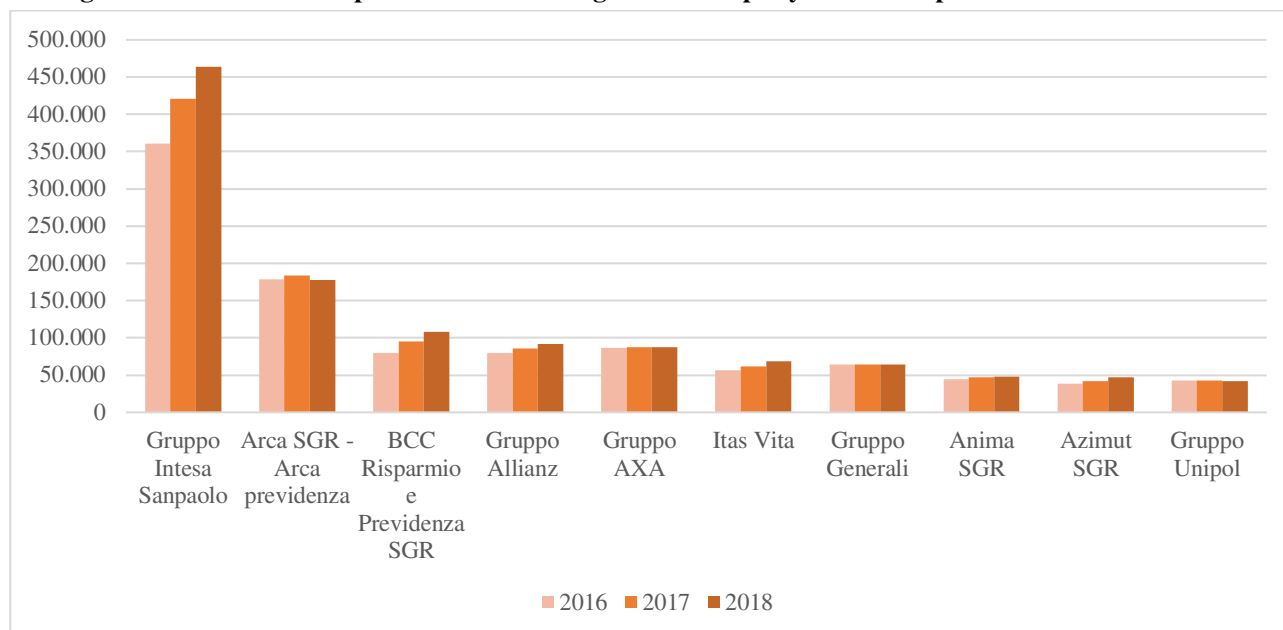
Table 3.1 - The top 10 Open-Ended Fund Management Groups by number of positions in 2018 -2017

OPEN-ENDED FUND	OUTSTANDING POSITIONS IN 2018	OUTSTANDING POSITIONS IN 2017
Gruppo Intesa Sanpaolo	464,023	420,982
Il Mio Domani	363,785	326,661
Fideuram - Fideuram Vita	65,178	58,157
PrevidSystem	31,771	33,219
Giustiniano	3,289	2,945
Arca SGR - Arca Previdenza	177,595	183,453
BCC Risparmio e Previdenza SGR	107,866	95,389
Gruppo Allianz	92,062	85,713
Allianz Previdenza	67,653	62,163
Insieme	22,104	21,144
Unicredit - CreditRas Vita	2,305	2,406
Gruppo AXA	87,551	87,024
AXA-MPS previdenza per te	71,184	70,286
AXA-MPS previdenza aziende	14,653	15,015
AXA-Assicurazioni	1,714	1,723
ITAS Vita	68,151	61,400
Gruppo Generali	63,932	64,053
Generali Global	52,233	51,747
AlMeglio - Alleanza	11,699	12,306
ANIMA Sgr	47,618	46,784
Azimut Sgr	47,275	41,546
Gruppo Unipol	41,896	42,543
TOTAL	1,197,969	1,128,887

Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

Figure 3.1 shows the distribution of existing positions for each Company and their evolution compared to 2017 and 2016.

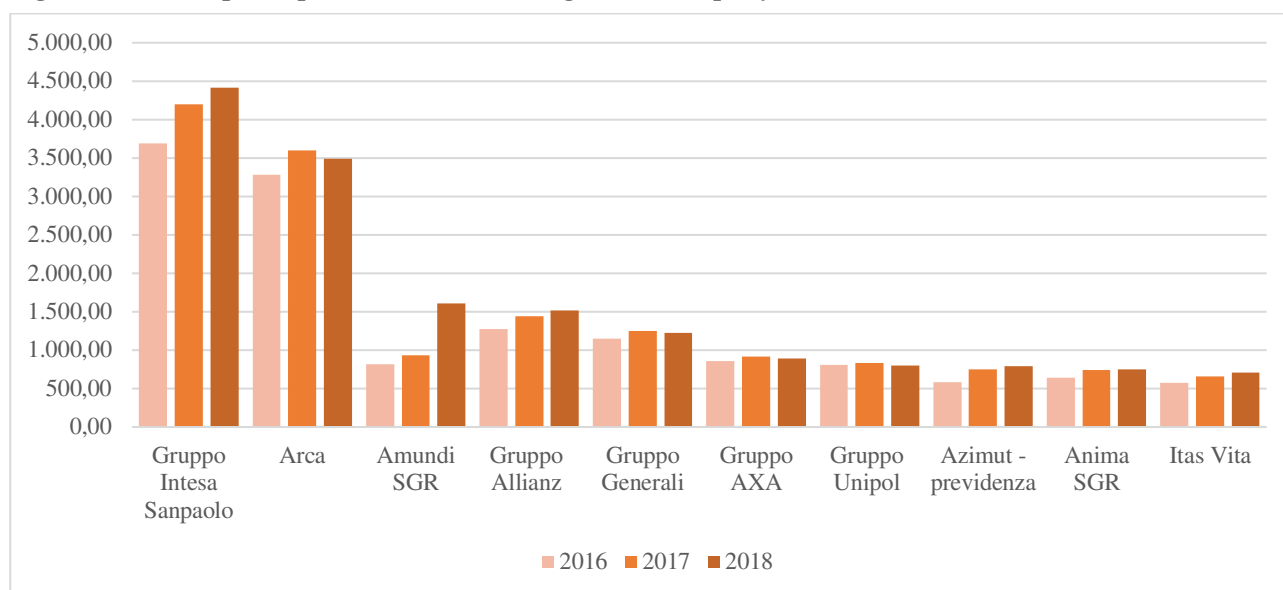
Figure 3.1 - The first 10 Open-End Fund Management Groups by number of positions in 2016-2017-2018



Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

The net assets allocated to benefits amounted to **19,624 million euros**, up by 2.5% vs. 2017 (**19,145 million euros**). At the end of 2018, the positions related to employees increased by more than 7% compared to the previous year, reaching about 54% of the total, mainly due to individual participations. As a result, 65% of the contributions were paid by employed workers, 40% of which came from termination of employment benefits. It should be noted that, contrary to 2017, there was a slight increase in the average annual contributions paid, equal to 2,290 euros (vs. 2,270 euros last year). Despite the growth of average contributions for both self-employed and employed workers, the contribution rate was higher for the former (2,460 euros) vs. 2,440 euros for the latter. **Figure 3.2** and **Table 3.2** show the assets of the top 10 Groups that operate Open Pension Funds and that account for about 80% of the total.

Figure 3.2 - The top 10 Open-Ended Fund Management Groups by assets (millions of euros) in 2016-2017-2018



Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

The resources of Open-Ended Pension Funds were entirely **managed** by the very companies that had set them up or by the asset management company of their Group; slightly less than 60% of the market was held by insurance companies and the rest by the funds created by asset management companies and by the banking sector, to a lesser extent. Despite the complex financial situation in 2018, the composition of the net assets in the various sectors remained stable: balanced investments accounted for about 45%, followed by guaranteed investments for about 24%, equities for 20% and bonds for 11%. Moreover, these assets were often managed by the asset management companies of the Group that had set up the fund, such as for example, the Arca funds managed by Arca, the AXA Group funds managed by AXA IM or the Intesa Sanpaolo Group funds managed by Epsilon SGR, Eurizon Capital SGR and Fideuram.

Table 3.2 - The top 10 Open-Ended Fund Management Groups by assets 2018-2017 in millions of euros

OPEN-ENDED PENSION FUND	ASSETS (net assets allocated to benefits - mln of €) 2018	ASSETS (net assets allocated to benefits - mln of €) 2017
Gruppo Intesa Sanpaolo	4,419.41	4,197.84
Il Mio Domani	2,241.66	2,054.54
Fideuram	1,370.37	1,273.10
PrevidSystem	731.73	795.22
Giustiniano	75.64	74.98
Arca SGR	3,487.70	3,596.10
Amundi SGR	1,607.92	931.57
Seconda pensione	1,544.00	931.57
Core Pension	63.92	-
Gruppo Allianz	1,519.62	1,441.70
Allianz previdenza	1,076.74	1020.52
Insieme	402.19	376.57
Unicredit - CreditRas Vita	40.69	44.61
Gruppo Generali	1,228.45	1,252.39
Generali Global	1,107.87	1,125.44
AlMeglio – Alleanza	120.58	126.95
Gruppo AXA	889.74	918.03
AXA-MPS Previdenza Per Te	700.81	719.25
AXA-MPS Previdenza Aziende	164.87	173.26
AXA-Assicurazioni	24.06	25.51
Gruppo Unipol	797.52	833.87
Azimut – previdenza	795.11	745.67
ANIMA Sgr	753.55	737.49
ITAS Vita	705.47	655.40
TOTAL	16,204.49	15,310.06

Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

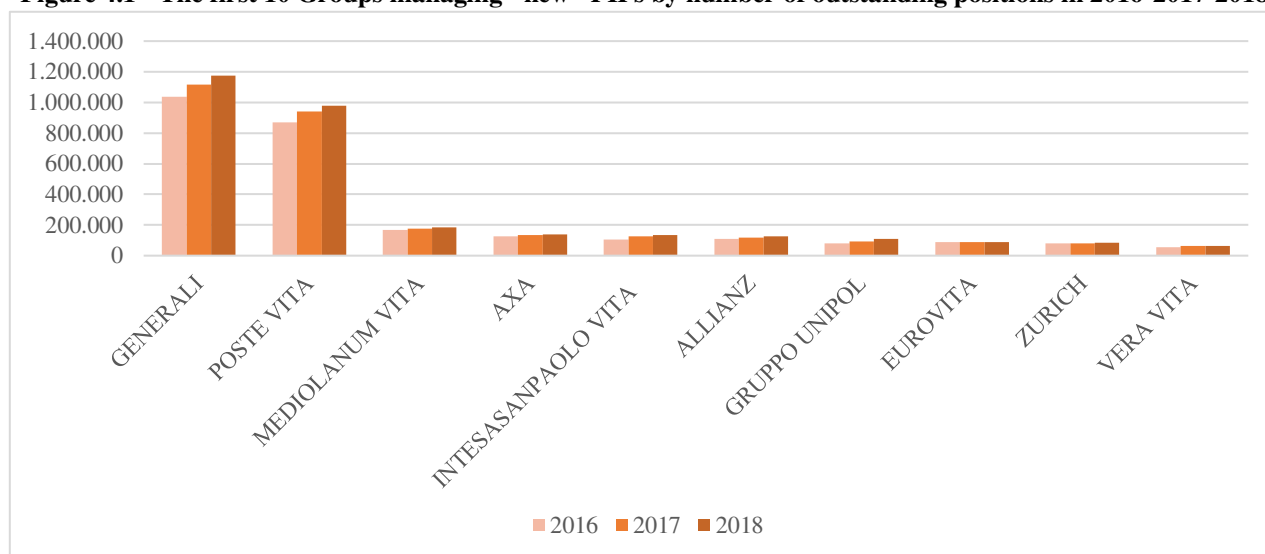
4. Individual Pension Plans (PIPs): members, assets and managers

Members - At the end of 2018, the PIPs had a total of **3,500,484 members**, of whom 3,130,147 were members of the "new" PIPs (i.e. those established or adjusted to Legislative Decree 252/2005), accounting for 89.4% of all members of individual insurance pension plans. In 2018, the growth of "new" PIPs was equal to 5.4%, down compared to 2017 (+7.6), while the number of new members decreased compared to 2017. Moreover, there was still an upward trend in the number of members not paying contributions (more than 30% of the total), an increase by more than 8% vs. the previous year.

The number of active PIPs - The following data are only referred to the "new" PIPs (also because "old" PIPs are no longer allowed to enrol new members and to allocate termination of employment benefits). At the end of 2018, the number of "new" PIPs operating in the sector was equal to 70 (77 in 2017), but of these, 28 were closed to placement (7 ceased their activities during 2018); moreover, the number of insurance companies fell to 33 (35 in 2017) following a merger within the same group.

The first 10 Groups operating in the "new" PIP sector are listed in **Table 4.1**; they are classified by number of outstanding positions and account for about 94.5% of the total; **Figure 4.1** graphically shows the distribution of these positions. It should be noted that Vera Vita (former Popolare Vita) is included in the ranking.

Figure 4.1 - The first 10 Groups managing "new" PIPs by number of outstanding positions in 2016-2017-2018



Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

Figure 4.1 - The first 10 Groups managing "new" PIPs by number of outstanding positions in 2017-2018

"NEW" PIPS	OUTSTANDING POSITIONS IN 2018	OUTSTANDING POSITIONS IN 2017	"NEW" PIPS	OUTSTANDING POSITIONS IN 2018	OUTSTANDING POSITIONS IN 2017
GENERALI	1,175,393	1,114,819	GRUPPO UNIPOL	111,453	94,485
Alleata Previdenza - Alleanza	533,887	488,974	Unipol Futuro Presente	88,550	45,754
GeneraFuturo	194,381	189,930	Previdenza Futura	22,903	3,149
Valore Pensione - Generali Italia	182,093	184,560	Fondiaria Più Pensione	-	19,020
INA Assitalia Primo	172,033	157,696	Integrazione pensione	-	17,256
BG Previdenza Attiva - Genertellife	27,443	26,876	Più Pensione	-	7,470
Pensioneline - Genertellife	26,333	25,884	UnipolSai	-	1,836
Futuro Attivo - Genertellife	24,543	25,450	EUROVITA	86,838	89,655
Vivipensione - Generali Italia	14,539	15,287	PP BayerischeT 4036	31,877	32,781
Nuova Pensione - Genertellife	141	162	PP BayerischeT 4046	25,460	26,177
POSTE VITA	978,575	939,470	PP BayerischeT 4026	18,988	19,513
MEDIOLANUM VITA	184,478	176,549	NG Nuova Generazione	7,567	8,242
AXA	139,955	135,195	Pensione Domani	1,752	1,672
AXA MPS Previdenza Attiva	97,431	95,428	Futuro Per Te	1,194	1,270
AXA progetto pensione	19,112	19,908	ZURICH	83,771	81,571
Mia Pensione	18,309	14,831	Vivipensione	65,550	63,699
AXA MPS Previdenza Personale	5,103	5,028	Programma Pensione	9,349	8,978
INTESASANPAOLO VITA	136,514	124,446	Futuro Pensione	8,872	8,894
Il Mio Futuro	117,836	104,809	VERA VITA	64,171	62,039
PIP Progetto Pensione	13,183	13,829	Pensione Sicura	51,030	48,435
Vita&Previdenza più	5,495	5,808	Vita Previd	13,141	13,604
ALLIANZ	128,004	118,496			
Orizzonte Previdenza	122,214	113,416			
Unicredit CreditRas	4,892	4,071			
Elios Previdenza	898	1,009			
TOTAL of the first 10 Groups				3,089,152	2,936,725

Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

The resources allocated to benefits amounted to **30.70 billion euros** and reached a total of **37.33 billion**, when added to those accumulated by the "old" declining PIPs (6.63 billion euros), up by 7.8%. For the new PIPs, the contributions grew to about 4.3 billion euros in 2018, with a 10% increase, of which almost 2.8 billion paid by employed workers (707 million euro's worth of TFR) and 878 million by the self-employed and dependents.

In 2018 too, members tended to opt for *class I "separate schemes"* accounting for about 77% of the resources, while the remaining 23% were allocated to class III lines, of which: 10.4% to equity investments (12% in 2017), 8.3% to balanced investments (9% in 2017) and 4.4% to bonds (4% in 2017). There was also a slight increase in the average contributions per member up to 1,990 euros (1,950 in 2017). Interestingly, as occurred for Open-Ended Funds (in 2018), PIPs too received higher contributions on average from the self-employed with respect to employed workers: the former 2,500 euros (2,450 euros in 2017), the latter 1.930 euros (1,890 in 2017).

The Management of Resources – Similarly to Open-Ended Pension Funds, the PIP resources too were generally managed by the same insurance companies that had created them or by the companies within the same Group.

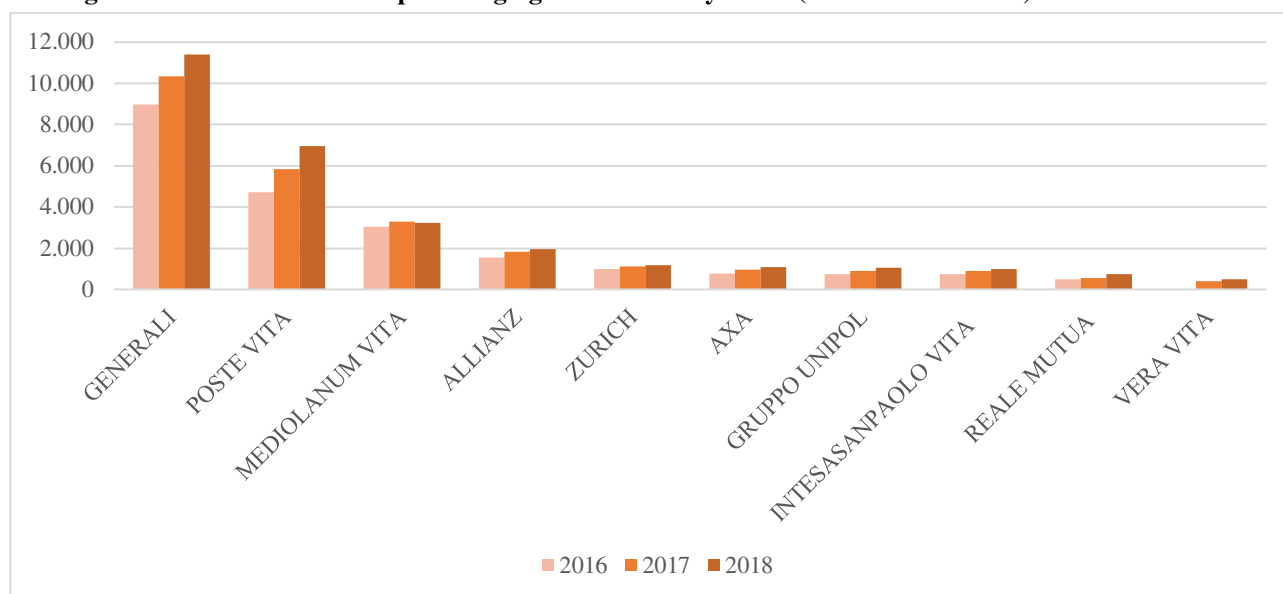
Table 4.2 and **Figure 4.2** list the first 10 Groups that manage the "new" PIPs, by assets (net assets allocated to benefits) and that account for over **94.75%** of the total sector.

**Table 4.2 - The first 10 Groups managing "new" PIP by assets
(net assets allocated to benefits in millions of €) for 2018-2017**

"NEW" PIPs	ASSETS 2018	ASSETS 2017	"NEW" PIPs	ASSETS 2018	ASSETS 2017
GENERALI	11,409.96	10,334.37	GRUPPO UNIPOL	1,053.34	882.69
Alleata Previdenza - Alleanza	3,878.41	3,398.88	Unipol Futuro Presente	977.71	384.02
Valore Pensione - Generali Italia	2,703.27	2,584.92	Previdenza future	75.62	7.16
INA Assistalia Primo - Generali Italia	2,229.60	2,204.57	Fondiaria più pensione	-	207.60
Generafuturo - Generali Italia	1371.89	968.84	Integrazione pensione	-	172.06
BG Previdenza Attiva - Genertellife	559.14	267.52	Più pensione	-	91.73
Pensionline-Genertellife	278.31	267.52	UnipolSai	-	20.13
Futuro Attivo - Genertellife	202.24	236.20	INTESASANPAOLO VITA	977.71	883.41
Vivi Pensione - Generali Italia	184.43	226.58	Il mio future	577.50	474.35
Nuova Pensione - Genertellife	2.67	179.31	PIP progetto pensione	301.94	309.50
POSTE VITA	6,966.18	5,825.96	Vita&Previdenza più	98.27	99.56
MEDIOLANUM VITA	3,237.76	3,283.26	REALE MUTUA	732.12	566.95
ALLIANZ	1,951.15	1,824.10	Cento stelle Reale	309.49	286.75
Orizzonte Previdenza	1,899.61	1,779.54	Cento stelle tax plan	147.29	124.67
Unicredit CreditRas	40.15	30.22	Feelgood Italiana assicurazioni	96.45	82.37
Elios previdenza	11.40	14.34	Planner	83.17	73.15
ZURICH	1,189.56	1,125.33	Domani sicuro plus	60.44	-
Vivipensione	874.15	816.51	Progetto pensione sicura	20.51	-
Futuro pensione	158.04	160.78	Domani sicuro	14.76	-
Programma pensione	157.37	148.04	VERA VITA	495.09	413.00
AXA	1,079.08	967.34	Pensione sicura	351.76	277.87
AXA MPS Previdenza Attiva	551.19	494.04	Vera Vita previdenza	143.33	135.13
AXA Progetto Pensione	300.06	288.42			
Mia Pensione	146.80	107.57			
AXA MPS Previdenza Personale	81.03	77.30			
TOTAL of the first 10 Groups				29,091.94	26,106.41

Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

Figure 4.2 - The first 10 Groups managing "new" PIPs by assets (in millions of euros) in 2016-2017-2018



Source: Covip data processed by the Itinerari Previdenziali Research and Study Center

*No comparison for Vera Vita (ex Popolare Vita) with respect to 2016 as it was not in the ranking of these 10 groups

5. Occupational Pension Funds (NFPs): activities, members, assets and managers

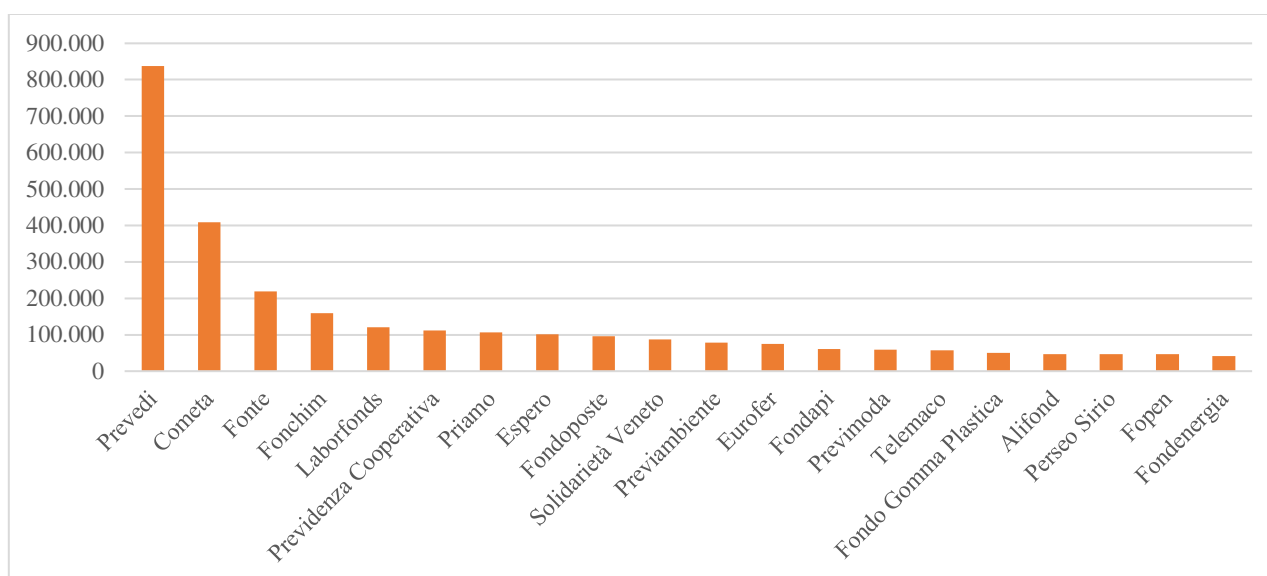
At the end of 2018, the **33 Occupational pension funds** operating in the country had **3,001,203¹ members**, with a growth trend equal to 195,452 (+ **6.97%**) vs. 2,805,751² at the end of 2017 and with 397,023 of them participating in two or more complementary schemes. The total number of new members amounted to 298,000 and that of leavers was equal to 100,312. This membership growth was mainly due to the extension to new labour sectors of the so-called **contractual membership** provided for by the collective agreements already introduced, and occurred in particular in Prevedi, Eurofer and Priamo Funds; in 2018, it occurred in Previambiente and Perseo - Sirio Funds, in addition to Cooperative Pension, Fondapi and Byblos Funds, Solidarietà Veneto and Astri which had previously introduced the contractual contribution.

Table 5.1 and **Figure 5.1** show the first **20 Occupational Pension Funds** classified by number of members, accounting for **about 94%** of the total number of members in the system.

Table 5.1 - The first 20 Occupational Funds by number of members

1	Prevedi	838,134	8	Espero	100,335	15	Telemaco	57,880
2	Cometa	408,830	9	Fondoposte	96,409	16	Fondo Gomma Plastica	49,768
3	Fonte	219,677	10	Solidarietà Veneto	87,920	17	Alifond	47,036
4	Fonchim	158,420	11	Previambiente	79,133	18	Perseo Sirio	46,044
5	Laborfonds	121,255	12	Eurofer	74,360	19	Fopen	45,908
6	Previdenza Cooperativa	111,027	13	Fondapi	60,745	20	Fondenergia	42,083
7	Priamo	105,828	14	Previmoda	59,893		Total	2,810,685

Figure 5.1 - The first 20 Occupational Funds by number of members



¹ This finding differs by 1,118 members from the total reported by COVIP for 2018, that was equal to 3,002,321 "outstanding positions". The difference is mainly due to the fact that the data reported in this chapter were taken directly from the official financial accounts published on the institutional websites of Occupational Pension Funds.

² The considerations of the note above also apply to the differences with respect to the COVIP Report for 2018.

Table 5.2 and **Figure 5.2** show the evolution of Occupational Pension Funds from 1999 to 2018, their number and their membership. Compared to 2017, their number dropped from 35 to 33 as a result of the merger in the cooperative sector: Cooperlavoro, Filcoop and Previcoper which merged into a new fund, Previdenza Cooperativa.

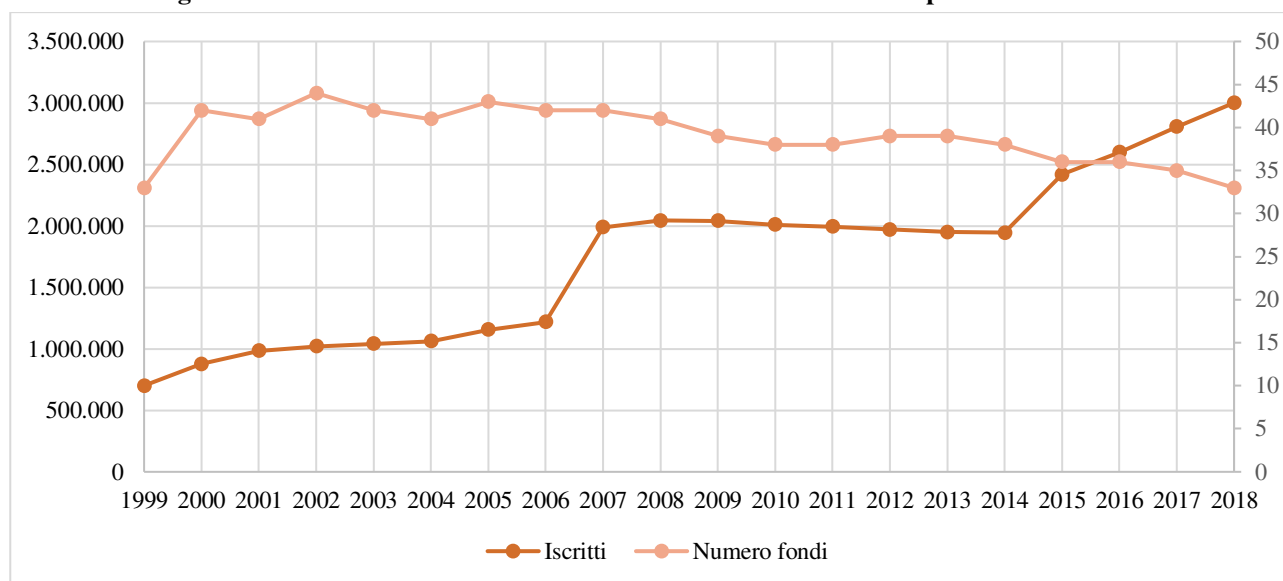
The historical series shows a realignment in the number of funds to 33 compared to 1999 and the maximum number of Occupational funds that was reached in 2002 with 44 funds. Except for the significant growth of these funds from 33 to 42 in 1999/2000, their number remained more or less consistent over the years.

Membership - The number of members of these funds had almost doubled already in 2006 compared to 1999. In 2007, there was a further growth in their membership due to the entry into force of Legislative Decree n. 252/2005 in January 2007 and to the start of the registration mechanism designed to transfer termination of employment benefits through **positive silence**. Since then, the number of members has remained more or less the same until early 2015, when this trend was reversed, as already mentioned, after the introduction of the contractual membership mechanism created by the pension funds cited above.

Table 5.2 - Number of funds and of members from 1999 to 2018

Year	Number of Funds	Members	Year	Number of Funds	Members	Year	Number of Funds	Members I
1999	33	701,127	2006	42	1,219,372	2013	39	1,950,552
2000	42	877,523	2007	42	1,988,639	2014	38	1,944,276
2001	41	984,567	2008	41	2,043,509	2015	36	2,419,103
2002	44	1,021,186	2009	39	2,040,150	2016	36	2,597,016
2003	42	1,042,381	2010	38	2,010,904	2017	35	2,805,751
2004	41	1,062,907	2011	38	1,994,280	2018	33	3,001,203
2005	43	1,155,168	2012	39	1,969,771			

Figure 5.2 - The trend of the number of Funds and their membership from 1999 to 2018



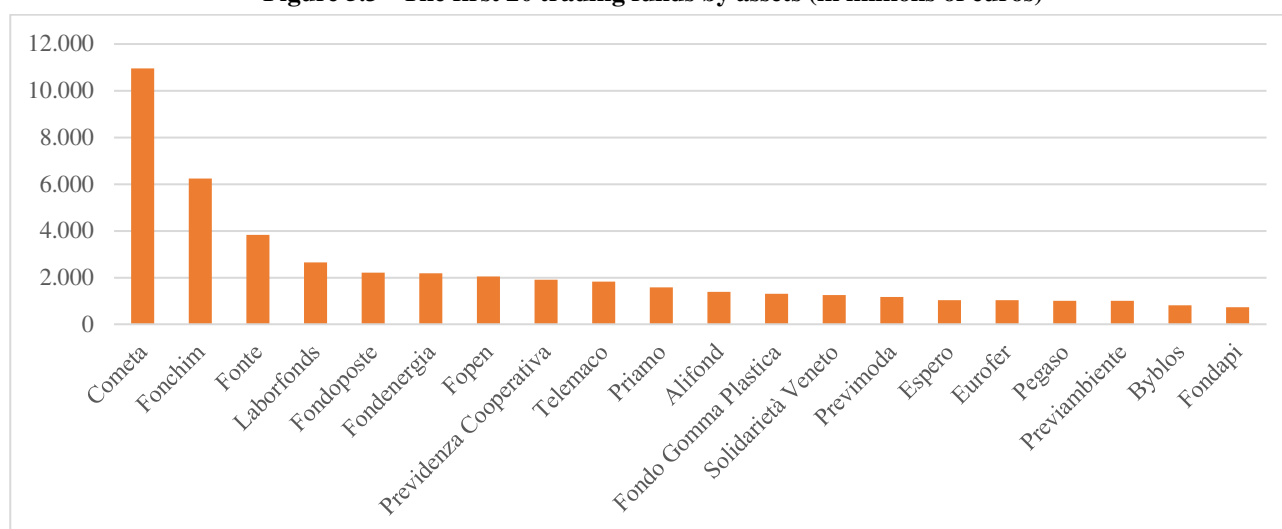
Members - Number of Funds

Assets – The assets of these funds totalled **50.410 billion euros**, an increase by 1.9% or by more than 950 million euros, compared to the previous year; however, it was a limited growth due to the very poor performance of almost all asset classes. The asset trend is completely different compared to that related to membership; the first 20 Occupational Funds accounted for 91.5% of the total as illustrated in *Table 5.3* and in *Figure 5.3*.

Table 5.3 - The top 20 Occupational Funds by assets (in millions of euros)

1	Cometa	10,957	8	Previdenza Cooperativa	1,895	15	Espero	1,039
2	Fonchim	6,229	9	Telemaco	1,821	16	Eurofer	1,035
3	Fonte	3,819	10	Priamo	1,567	17	Pegaso	1,010
4	Laborfondi	2,653	11	Alifond	1,401	18	Previambiente	1,002
5	Fondoposte	2,200	12	Fondo Gomma Plastica	1,296	19	Byblos	802
6	Fondenergia	2,181	13	Solidarietà Veneto	1,261	20	Fondapi	727
7	Fopen	2,052	14	Previmoda	1,181		Total	46,129

Figure 5.3 - The first 20 trading funds by assets (in millions of euros)

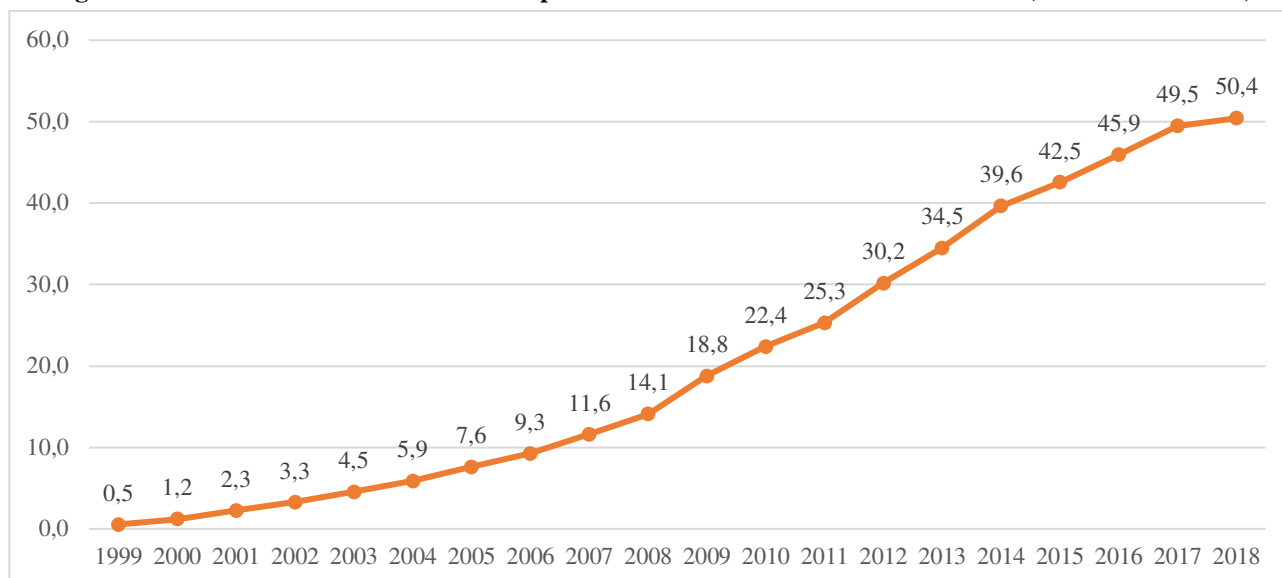


The historical series shows the evolution of the assets of Occupational Funds from 1999 to the present day. The resources allocated to benefits had a steadily growth due to the good performance of these funds, except for 2018, and to the influx of new members. This happened despite the negative impact of the crisis on employment since 2008, which then picked up again in 2015 - 2018, with an all-time high of 59% and with 49% for women (*Table 5.4*).

Table 5.4 - The trend of the assets of Occupational Pension Funds from 1999 to 2018 (in millions of euros)

Year	Assets	Year	Assets	Year	Assets
1999	544	2006	9,257	2013	34,504
2000	1,190	2007	11,599	2014	39,644
2001	2,256	2008	14,092	2015	42,546
2002	3,264	2009	18,757	2016	45,931
2003	4,543	2010	22,384	2017	49,456
2004	5,881	2011	25,272	2018	50,410
2005	7,615	2012	30,174		

Figure 5.4 - The trend of the assets of Occupational Pension Funds from 1999 to 2018 (in billions of euros)



Flows - In 2018, the assets grew by 1.93%, less than in the previous years (+7.76% in 2017-2016, +7.96% in 2016-2015 and +7.32% in 2015-2014). Unlike in 2017, not all of Occupational Funds had a positive trend in their available resources due to the particularly negative performance of the financial markets. These are the funds with highest growth (in absolute terms between 100 and 200 million euro): **Fonte**, with an increase in its assets by **195 million euros**, from 3.62 to 3.82 billion euros (+5.37%), **Cometa**, with approximately **133 million euros** (+1.23%), **Fonchim** with **+118 million euros** (+1.93%) and **Fondoposte** with **+ 113 million euros** (+5.41%). Eight funds had a negative asset performance. **Table 5.5** shows their assets and growth rate.

Table 5.5 – Trends in the assets of Occupational Pension Funds

Nome del Fondo	Patrimonio 2018	Patrimonio 2017	Var. %	Nome del Fondo	Patrimonio 2018	Patrimonio 2017	Var. %
Perseo Sirio	114.307.615	80.761.330	41,54%	Fondapi	727.442.712	717.029.812	1,45%
Solidarietà Veneto	1.260.636.156	1.176.658.763	7,14%	Cometa	10.957.406.981	10.824.594.516	1,23%
Prevaer	468.199.084	438.251.193	6,83%	Gomma Plastica	1.296.470.472	1.282.558.619	1,08%
Agrifondo	89.119.616	84.517.648	5,44%	Foncer	454.270.018	450.749.064	0,78%
Astri	300.907.500	285.371.148	5,44%	Concreto	193.020.463	191.788.369	0,64%
Fondoposte	2.200.114.155	2.087.244.733	5,41%	Alifond	1.400.766.224	1.394.479.264	0,45%
Fonte	3.819.215.006	3.624.601.130	5,37%	Fondenergia	2.180.878.623	2.173.625.689	0,33%
Espero	1.039.061.864	995.787.748	4,35%	Previdenza Coop.	1.894.819.910	1.892.549.727	0,12%
Prevedi	656.211.056	629.779.178	4,20%	Arco	602.744.407	602.833.990	-0,01%
Laborfonds	2.653.238.506	2.574.947.411	3,04%	Quadri e Capi Fiat	598.640.518	599.390.262	-0,13%
Fondo Sanità	178.968.129	173.995.082	2,86%	Telemaco	1.820.514.554	1.827.100.202	-0,36%
Mediafond	107.741.435	104.921.443	2,69%	Fondemain	138.500.899	139.208.616	-0,51%
Eurofer	1.034.869.626	1.008.183.812	2,65%	Byblos	802.426.339	806.615.795	-0,52%
Previambiente	1.002.046.926	977.659.286	2,49%	Fopen	2.051.777.692	2.073.285.073	-1,04%
Pegaso	1.009.929.656	986.701.745	2,35%	Priamo	1.566.538.130	1.592.200.555	-1,61%
Fonchim	6.228.561.856	6.110.489.800	1,93%	Fondaereo	379.727.984	388.645.052	-2,29%
Previmoda	1.181.323.825	1.159.970.325	1,84%	Totale	50.410.397.937	49.456.496.380	1,93%
*Il totale 2017 attribuito a Previdenza Cooperativa è la somma dell'ANDP di Filcoop, Previcooper e Cooperlavoro							

Name of the Fund - Assets in 2018 - Assets in 2017 - % Var

* The 2017 total related to Previdenza Cooperativa is the sum of the net assets allocated to benefits of Filcoop, Previcooper and Cooperlavoro

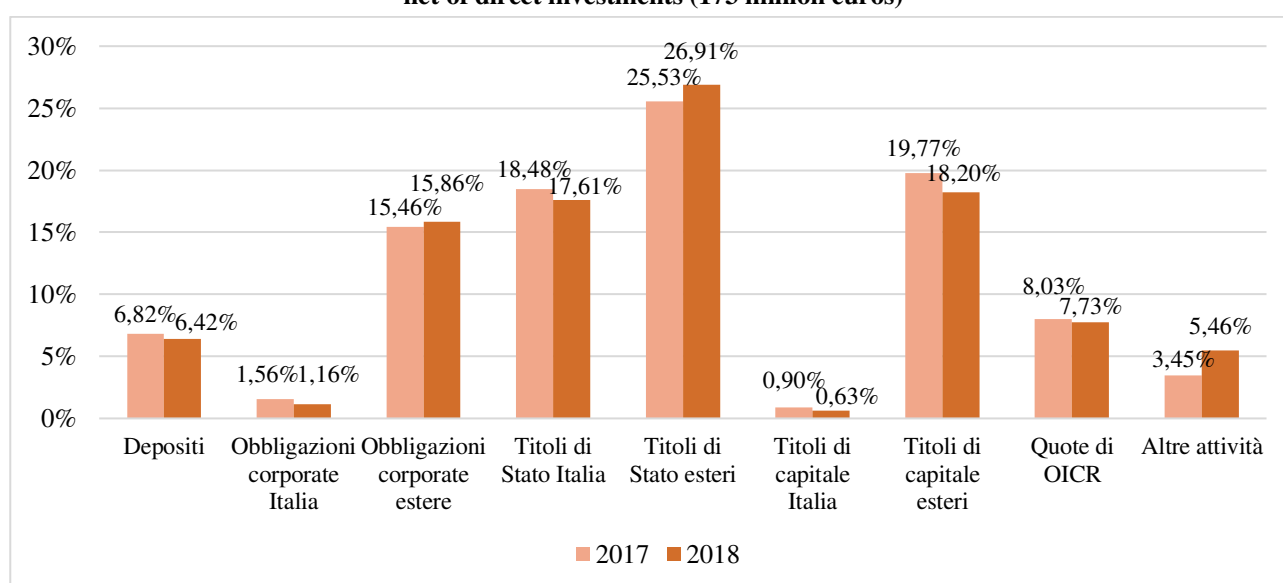
Thanks to the survey system implemented by COVIP in recent years, it is possible to see that there are 563,000 outstanding positions for which no payments were made in 2018, a steady increase compared to 447,000 in 2017 and to 325,000 in 2016; the issue of failed contributions can be

ascribed to contractual membership in particular, whose amount reached slightly less than 1 million at the end of 2018 with about 30% of members who did not pay contributions.

Considering an average duration of 5/7 years between maturities and new flows of contributions, net of benefit payments, the average annual investments/reinvestments amounted to around 9 billion euros.

Asset composition and management - *Figure 5.5* shows the composition of the assets of Occupational Funds for 2017 and 2018; the comparison shows that **debt securities** account for the largest share of these assets, approximately 62%, with an upward trend vs. 2017 (61%) and in contrast to the previous period; if deposits (6.4%) are taken into account, the liquidity and bond share is close to 70%.

Figure 5.5 - Asset composition of Occupational Pension Funds 2017 and 2018*
net of direct investments (173 million euros)



Deposits - Italian corporate bonds - Foreign corporate bonds - Italian treasury bills - Foreign treasury bills - Italian equity investments - Foreign equity investments – UCITS - Other assets

In detail, **Government securities** accounted for **44.53%** of resources, of which 26.9% issued by other Countries and 17.6% by Italy (a very slight increase for the former compared to 2017 and an ongoing downward trend for the latter); while **corporate bonds** amounted to 17.02%, in line with 2017, of which 15.86% issued by foreign companies. Both equity and UCITS investments decreased compared to 2017, down to **18.83%** and **7.73%** respectively, while deposits accounted for **6.42%** of assets, slightly less than the previous year.

The management of Occupational Pension Funds is almost entirely outsourced to professional asset managers, such as banks, SIMs (Securities investment companies), asset management companies and insurance companies, in line with the provisions of Legislative Decree 252/2005 and of Ministerial Decree 166/2014. However, a growing number of funds have recently adopted the so-called "**direct management**" approach for part of their assets; compared to 2017, six funds capitalized on the provisions of Article 6, paragraph 1, letters d) and e) of the above-mentioned decree, underwriting or directly purchasing interests or shares of real-estate companies, or shares of mutual funds or closed real-estate funds.

Overall, the *direct investments* of Occupational Pension Funds amounted to approximately 173 million euros. In detail, Eurofer had held shares in a closed real-estate fund since 2012 and also in an infrastructural fund since 2017. Laborfonds and Solidarietà Veneto continued to invest part of their resources in closed securities funds designed to support growth and development projects for SMEs at the local level. In 2018, Laborfonds too expanded its direct management model, purchasing shares in another infrastructural fund. Priamo further increased its 2016 investment in a private debt fund as did Byblos and Prevaer, which followed suit in 2017.

In the summer of 2018, the **Iride Project** was launched, a **joint initiative promoted by the Foncer, Fondenergia, Fondo Gomma Plastica, Pegaso and Previmoda Pension Funds aimed at investing in the real economy** and, in particular, in the private equity sector through mandates to an Open-Ended Fund managers. The project was supported by Prometeia Advisor SIM with the aim to further diversify their portfolios and sources of return in a phase of expected low profitability, by adding alternative sources not correlated to traditional ones. As envisaged in the call for tenders, private equity funds must invest mainly in Europe, in a significant number of companies based in Italy and a focus on buy-out and/or growth strategies.

Again, in connection to the real economy, **Assofondipensione too launched a project shared by a number of Occupational Funds (Arco, Prevedi, Previambiente and Concreto)** to implement alternative investments through indirect management mandates. The Association is to select a specialized Advisor to support these funds in the different phases of this project.

The real domestic economy – By including among indirect investments **1.16%** of Italian corporate bonds, **0.63%** of Italian equity investments and the estimated **1%** of UCITs corporate securities or equity investments and **0.20%** of direct investments in domestic FIAs, it is possible to estimate that Occupational Funds invested about 3% of their assets in the real domestic economy, up with respect to 2.5% in 2016 and slightly down vs. 3.46% in 2017. Domestic debt securities do not include 10 billion euros' worth of government securities equal to almost 20% of total assets.

Considering that, for Occupational Funds, the inflow of termination of employment benefits alone was equal to 6.016 billion euros in 2018, it can be inferred that the investments of these funds in the real economy amounted only to 1.46 billion euros during the same year; compared to the 2014/18 period, the termination of employment benefits transferred to Occupational Funds and "taken away" from the real economy reached more than 28 billion euros; a daunting result for the Italian economy that is hard pressed in terms of competitiveness and productivity.

Portfolio and geographical composition - The COVIP data reported in *Table 5.6* illustrate the composition of the debt and equity portfolios held by Occupational Funds both directly and through UCITs, with the "look through" principle.

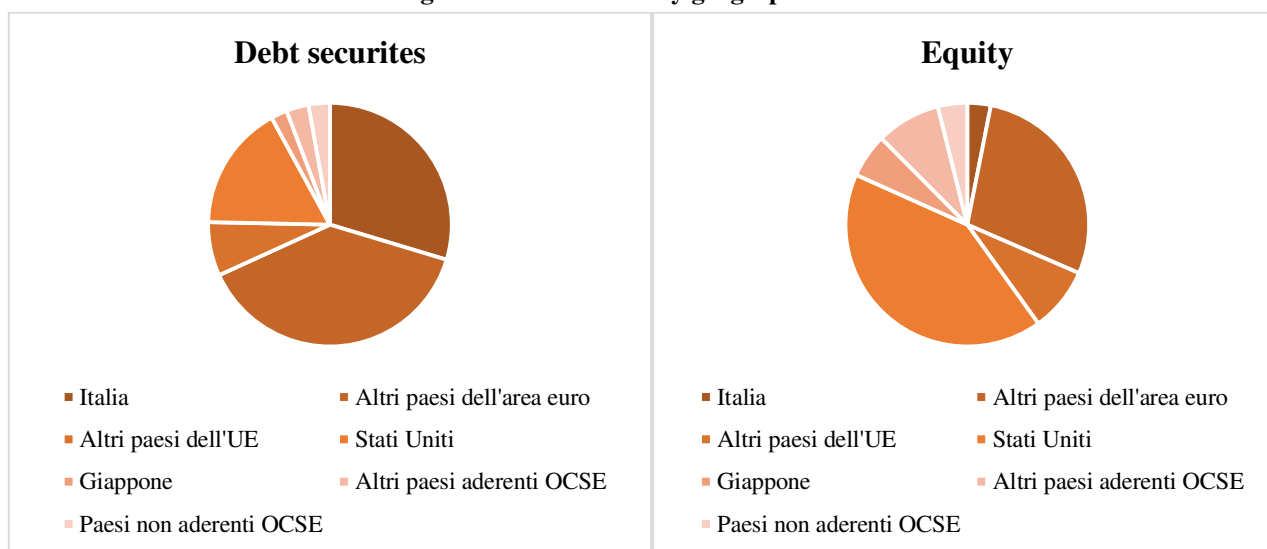
Table 5.6 – The assets of Occupational Funds by type and geographical area (% values)

	2017	2018					
	Total	Guaranteed	Pure bond	Mixed bond	Balanced	Equity	Total
Debt securities	72.6	96.2	100	72.1	70.4	39	74.2
Italy	22.9	65.6	41.4	15.7	13.2	6.6	22
Other euro-zone countries	28.2	24.7	34.5	34.6	27.3	17.1	28.6
Other EU countries	5.5	2.1	7.2	7.4	5.1	4.7	5.3
United States	11.3	2.8	13.5	11.1	15.9	8.7	12.4
Japan	1.2	0.2	0	0.6	2.7	0.1	1.6
Other OECD countries	1.9	0.7	2.8	1.8	2.9	1	2.2
Non-OECD countries	1.5	0.1	0.7	1	3.4	1	2.1
Shares	27.4	3.8	0	27.9	29.6	61	25.8
Italy	1.1	0.2	0	0.8	1	1.5	0.8
Other euro-zone countries	7.7	2.5	0	8.7	7.8	17.4	7.3
Other EU countries	2.6	0.4	0	2.5	2.4	5.6	2.2
United States	10.8	0.4	0	12.4	12	26.5	10.7
Japan	1.8	0.1	0	1.4	2	2.3	1.5
Other OECD countries	2.5	0.3	0	1.9	2.9	4	2.2
Non-OECD countries	0.9	0	0	0.3	1.5	3.7	1
Total portfolio	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: 2018 Report, COVIP.

The data include Fondinps. The table includes both the directly held securities and those held through UCITs (the so-called "look through principle")

Figure 5.6 – Portfolios by geographical area



Italy ■ Other euro-zone countries ■ Other EU countries ■ United States ■ Japan ■ Other OECD countries ■ Other non-OECD countries

As to debt securities, the prevalent portfolio investments on securities issued by euro-zone countries continued to drop from 51.1% to 50.6% (vs. 58.8% in 2016). As already mentioned, this reduction was mainly due to their lower exposure to Italian debt securities (-0.9% as compared to the previous year). There was also a reduction (-0.2%) in the investments on securities issued by non-euro-zone European countries, but an increase in the investments on securities issued by countries in other geographical areas (+1.1% United States, +0.4% Japan, +0.3% and + 0.6% for OECD and non-OECD countries respectively).

Equity investments showed a greater geographical diversification. Compared to 2017, there was a slump in all these investments except for the shares issued by companies based in the United States and in non-OECD countries, which remained substantially stable. In particular, this was particularly true for shares of EU issuers (-1.1%) from 11.4% to 10.3%, and for the ones issued by Japan and by other OECD countries.

Performance – The analysis of the performance of Occupational Pension Funds (*Table 5.7*), their **average yield** in 2018 was equal to **-2.5%**, a sharp fall with respect to the previous year characterized by a very negative performance of financial markets. In particular, the equity, balanced and mixed bond classes suffered the most on average. Instead, the pure and guaranteed bond classes managed to contain their losses (-0.6% and -1.1% respectively).

Table 5.7 - Net returns of Occupational Pension Funds as %

Type of	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Guaranteed	3.1	4.6	0.2	-0.5	7.7	3.1	4.6	1.9	0.8	0.8	-1.1
Pure share	1.6	2.9	0.4	1.7	3	1.2	1.2	0.5	0.2	-0.2	-0.6
Mixed bond	-3.9	8.1	3.6	1.1	8.1	5	8.1	2.7	3.2	2.6	-2.4
Balanced	-9.4	10.4	3.6	-0.6	9.2	6.6	8.5	3.2	3.2	3.1	-2.8
Equity	-24.5	16.1	6.2	-3	11.4	12.8	9.8	5	4.4	5.9	-5.3
General Yield	-6.3	8.5	3	0.1	8.2	5.4	7.3	2.7	2.7	2.6	-2.5
TFR adjustment	2.7	2	2.6	3.5	2.9	1.7	1.3	1.2	1.5	1.7	1.9

Source: COVIP data processed

However, by extending the period of observation, it is possible to see that the average net compounded annual yield of Occupational Funds still outperforms all the objective parameters already after 5 years, i.e. 2.5% compared to 1.52% of the TFR adjustment, 0.46% of the inflation rate and 0.58% of the GDP five-year average; after ten years, this yield is equal to 3.74%, about double the TFR adjustment (2.03%). This trend is confirmed by analysing the cumulative returns equal to 13.21% at 5 years against 7.83% of TFR and to 44.43% at ten years against 22.23%. Over the ten-year horizon, in particular, yields are positive for all types of classes and the equity, balanced and mixed bond classes have higher yields than guaranteed and pure bond ones.

Table 5.8 - Compounded and cumulative annual average yields of Occupational Pension Funds as %

	Average compounded annual return			Cumulative yield		
	3 years	5 years	10 years	3 years	5 years	10 years
Occupational Funds	0.90	2.51	3.74	2.74	13.21	44.43
TFR adjustment	1.70	1.52	2.03	5.19	7.83	22.23
Inflation	0.73	0.46	1.15	2.21	2.30	12.16
GDP five-year average	0.86	0.58	1.06	2.6	2.92	11.09

Source: processed COVIP data

Managers - *Table 5.9* shows the first 10 Managers with a mandate from Occupational Funds, classified by amount of **assets under management**: Eurizon went back to the leading position in the ranking with about 1.3 billion more than in 2017, while Amundi lost about 600 million and fell to the second place; Blackrock kept its third position followed by Credit Suisse, in the fourth place, and UnipolSai and Candriam. The first 6 managers held 51% of the trading fund market. **Amundi**, **Eurizon** and **UnipolSai** led the ranking in terms of **number of mandates** (39, 25 and 21 mandates respectively, mainly bond and balanced bond mandates the first and third fund, balanced and

balanced bonds the second fund), followed by **Candriam** with 20 mandates and **Anima** with 17, mostly balanced and balanced bond ones.

As to the *number of mandates*, Amundi (which acquired the strong management company Pioneer) remained on the top of the ranking compared to the previous year, followed by Eurizon that moved up from the fourth to the second position (with 25 mandates vs.17 the year before), while Unipol Sai maintained the second position with 21. Candriam lost a mandate, thus slipping to the fourth place, while Anima climbed to the upper position with three additional mandates.

The table below illustrates the *average amounts of mandates* that vary significantly with peaks of over 600 million euros and an average of about 200 million per mandate. Blackrock and Allianz GI led the ranking by average mandate size.

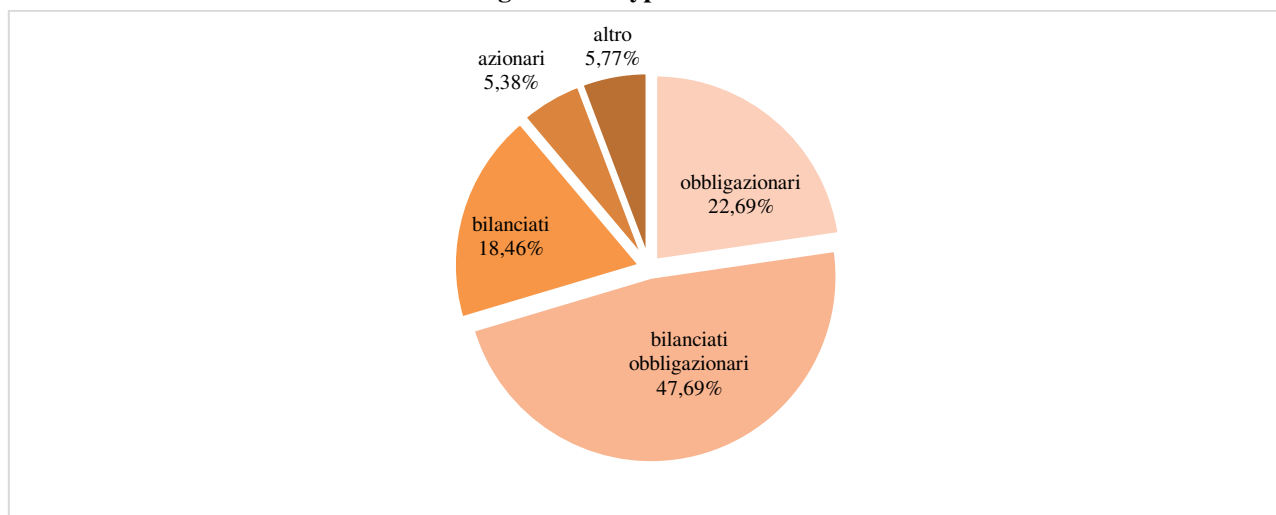
Table 5.9 - The top 10 Managers of Occupational Pension Funds in 2018

Management Company	Number of mandates	AUM (millions of euros)	Average mandate (millions of euros)	Market share
Eurizon Capital	25	5,330	213.19	10.39%
Amundi	39	5,144	131.89	10.03%
Blackrock	7	4,472	638.83	8.72%
Credit Suisse AM	16	3,915	244.71	7.64%
UnipolSai	21	3,740	178.09	7.29%
Candriam GA	20	3,706	185.30	7.23%
State Street ga	12	3,125	260.44	6.09%
Generali IE	10	2,867	286.68	5.59%
Groupama AM	15	2,636	175.73	5.14%
Allianz GI	6	2,527	421.22	4.93%

Management fees - For **guaranteed** mandates, management fees ranged between **0.20%** and **0.25%**, with a minimum of 0.17% and a maximum of 0.35; for **pure bond** mandates between **4** and **10 bps**; for **mixed bond** mandates and for balanced bond ones between **6** and **15 bps**; finally, for **equities** between **9** and **18 bps**.

Type of management mandates – As to the type of mandates (*Figure 5.7*), there was a high concentration on **bonds**, with "pure" and balanced bonds accounting for almost 70% of the total mandates, followed by balanced bonds with 18.46% and "other" mandates (5.77%), such as total return, multi-asset and equity ones (5.38%).

Figure 5.7 - Types of mandates



Equity – Balanced - Balanced bond - Bond - Other

Figures 5.8 and 5.9 show the ranking of the top 10 managers by number of mandates and by assets under management.

Figure 5. 8 - The first 11 managers of Occupational Funds by number of mandates

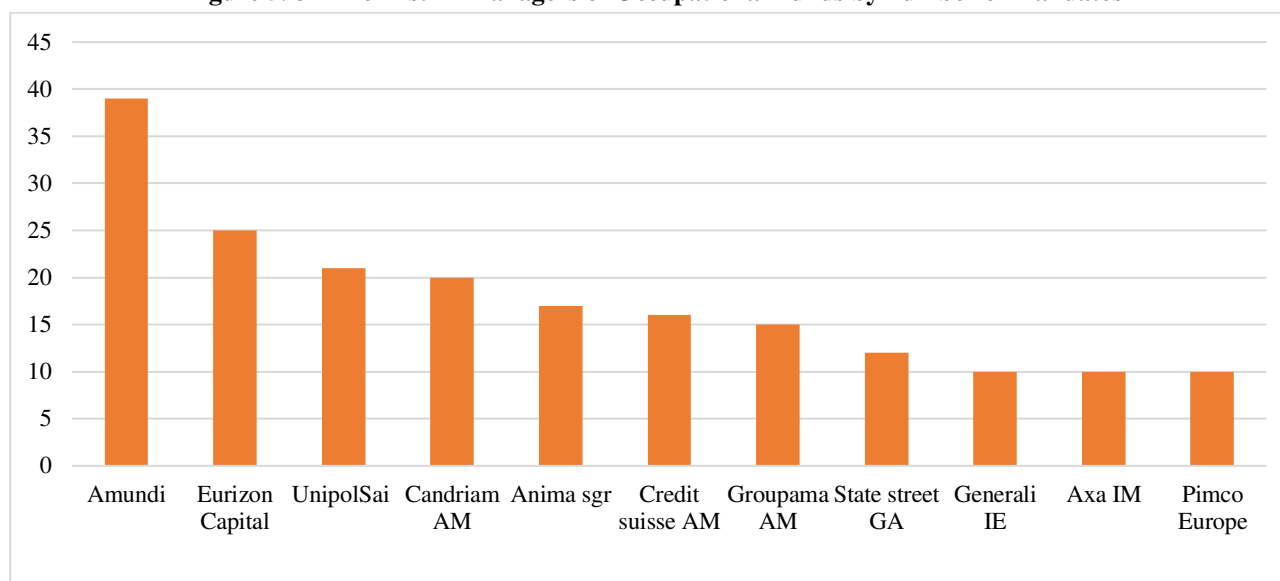
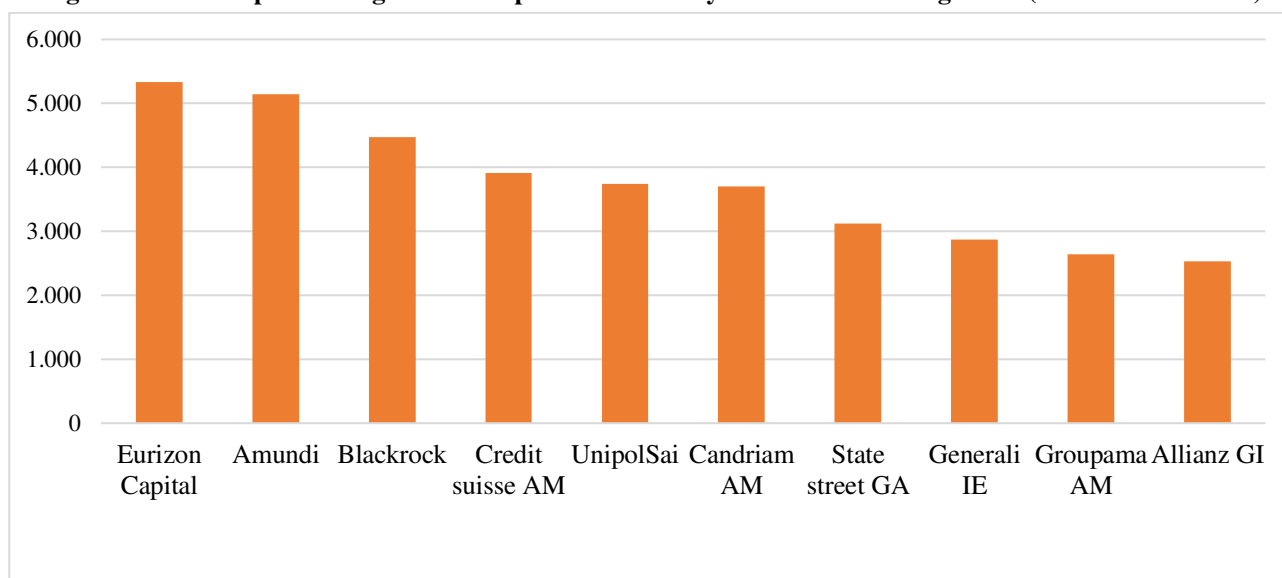


Figure 5.9 - The top 10 managers of Occupational Funds by assets under management (in millions of euros)



Custodian bank – Act 252/05 requires all Complementary Funds to have a **custodian bank**. Out of the four operators, the first two selected by Occupational Funds (DEPObank and BNP Paribas Securities Services) had a market share of over 70% in terms of net assets allocated to benefits. In 2018, three Occupational Funds changed their custodian bank: Arco moved from State Street Bank to DEPObank, Eurofer from SGSS (Société Générale Securities Services) to BNP Paribas Securities Services and Previmoda from SGSS to DEPObank.

Administrative service – Under the law, funds can use an administrative manager (service), a solution adopted by all funds. Among administrative services, **Previnet** held more than **80%** of the market in terms of membership, followed by Accenture Managed Services with 13.4%. In 2017, following a public tender, Cometa and Fopen changed their administrative service from Accenture Managed Services to Previnet and from Previnet to Parametrica Pension Fund respectively.

Advisors - Not all funds provided references for advisors, whose list only reflects the actual statements reported in the disclosure of these funds. For the sake of transparency, members should be informed about the subject who oversees the investment choices and controls the risk budget. The advisors with the largest market shares were Prometeia Advisor SIM, Bruni, Marino & Co., European Investment Consulting and Link Institutional Advisory.

The complete list of custodian banks, administrative services and financial advisors for each Occupational fund are available in the reserved area of the Itinerari Previdenziali website, as well as the rankings of all managers by AUM and by number of mandates.

6. Pre-Existing Pension Funds (FPP): activities, members, assets and managers

6.1 General characteristics

The number of active Pre-Existing Funds - On 31/12/2018, the number of Pre-Existing Funds was equal to **251**, of which **170 autonomous** legal entities and **81** created *internally* by banks (64), insurance companies (6) and non-financial companies (11). Compared to 2017, the total number of pre-existing funds went down by 8 (35 funds stopped operating between 2016 and 2017), more specifically 4 autonomous funds and 4 banking funds already subjected to the winding up process initiated in previous years and concluded in the year. The loss of 53 funds out of the 304 active funds in 2015 was mainly due to the reorganization within the banking sector (in particular UniCredit, Banca Intesa Sanpaolo, Banco Popolare), which resulted in the rationalisation of the existing forms of social security schemes through mergers and incorporations.

Despite this consolidation process, the number was still high; it will suffice to think that the 130 pre-existing funds (51.8% of the total) had assets of less than 25 million euros, 96 (38%) had less than 100 members and 79 between 100 and 1000. Finally, it is important to stress that most of these small funds were set up internally: 52 up to 100 members and 26 between 100 and 1000, i.e. 78 funds out of a total of 81.

Membership - At the end of 2018, the number of members amounted to **650,309** (about 6,500 in the 81 internal funds), with a growth by 6,968 members compared to 2017. This increase was largely due to 31,000 new members who managed to offset the retirement of 3,500 members and to more than 14,000 benefits provided in the form of capital, redemptions and transfers to other funds. In the first two cases, these subjects had already retired and, as part of the reorganisation process of their pension schemes, they were allowed to capitalise the annuity they received also thanks to the financial contribution from the parent company. The membership rate reached over 98.5% against a pool of potential members of about 660,000 members estimated by COVIP in its 2018 report, with an increasing number of funds accepting members' dependants, which was only remaining measure to stimulate membership growth.

The percentage of *members not paying contributions* was *much lower* than that of the system as a whole, that is 13.94% vs. 24.72%. The non-paying subjects often were: the so-called *deferred* members, i.e. those included in bank "solidarity funds" with pending pension requirements under the mandatory scheme; those who retained all or part of their position in guaranteed compartments as a form of "capitalization and partly guaranteed return" investment and dependent family members, often minors, with occasional payments.

Due to different rationalisation efforts, internal funds suffered a further reduction in their membership from 7,392 to 6,530, just over 1% of the total, (vs. 13,214 in 2016), while autonomous funds accounted for 643,779, that is 99% of members. Moreover, internal funds operated mainly under a defined benefit scheme (70 funds out of 81) and their members were almost exclusively pensioners.

The resources of internal funds were part of the assets of their sponsoring companies and therefore they did not have an independent management structure; since their net assets allocated to benefits were really negligible (2.3%), this Report only focuses on autonomous funds, more precisely on 49 funds, accounting for **89.2%** of total assets and **95.9% of membership** in Pre-Existing Pension

Funds. *The first 20 funds* by number of members of the sample analysed are shown in *Table 6.1* and *Figure 6.1* and account for **78.9%** of the total number of members of these funds.

Table 6.1 - The first 20 Pre-Existing Funds by number of members in 2018

1	Previndai	80,272	8	Fonage	23,636	15	Previgen	10,624
2	Gruppo Intesa Sanpaolo	74,429	9	MPS	20,947	16	Credit Agricole	10,113
3	Gruppo UniCredit	51,001	10	Banca di Roma	20,270	17	Gruppo UBI	9,744
4	Mario Negri	41,059	11	Gruppo Banco Popolare	18,356	18	Caimop	8,894
5	BCC	31,103	12	Gruppo BNL/BNP	16,114	19	Cariplo	8,581
6	Previp	28,730	13	Gruppo Generali	14,482	20	Bipiemme	7,658
7	Previbank	26,184	14	Fondo Pensione Giornalisti	10,956		Total	513,153

Figure 6.1 - The first 20 Pre-Existing Funds by number of members in 2018

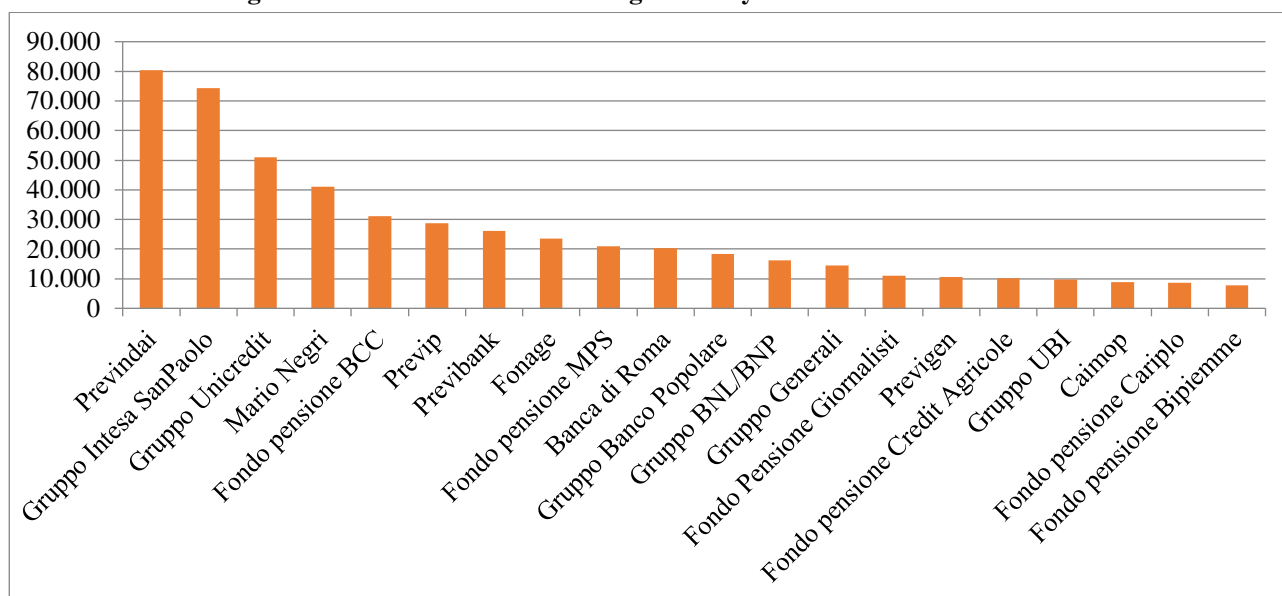


Table 6.2 shows the historical evolution of the number of Pre-Existing Pension Funds and of their membership from 1999 to 2018; it clearly shows that, in the period considered, the number of funds decreased by almost 60% while their membership systematically dropped starting from 2001, except for a few years (2007, 2015, 2016 and 2018) for the above-mentioned reasons.

Table 6.2 - The evolution of the number of Funds and their membership from 1999 to 2018

Year	Number of Funds	N. of Members	Year	Numero Fondi	N. of Members	Year	Number of Funds	N. of Members
1999	618	573,256	2006	448	643,986	2013	330	654,537
2000	578	591,555	2007	433	680,746	2014	323	645,371
2001	575	687,482	2008	411	676,994	2015	304	645,612
2002	554	679,603	2009	391	673,039	2016	294	653,971
2003	510	671,474	2010	375	668,625	2017	259	643,341
2004	494	666,841	2011	363	664,731	2018	251	650,309
2005	455	657,117	2012	361	662,162			

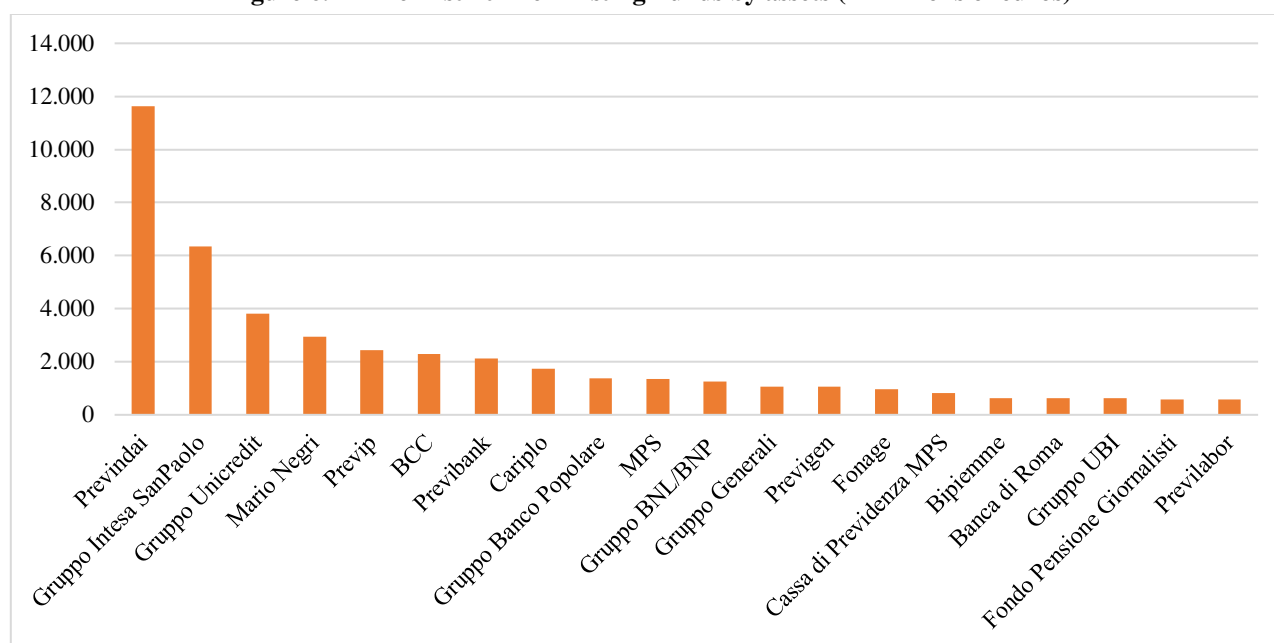
Assets - The net assets allocated to benefits of *internal funds* only totalled 1.4 billion euros (down with respect to 1.619 billion in 2017 and also in previous years following the closure of 8 funds), while the resources of *autonomous funds* amounted to 58,299 million euros (up by 1.64% vs.

57.377 billion the previous year) or 97.7% of the total of Pre-Existing Funds. **Table 6.3** and **Figure 6.2** show that the first 20 funds totalled approximately 44.2 billion, **74%** of the total held by Pre-Existing Funds (autonomous + internal funds), that was equal to 59.7 billion euros, while the 49 funds surveyed in the Report had 53.2 billion euros' worth of assets, that is **89%** of the total.

Table 6.3 - The first 20 Pre-Existing Funds by assets (in millions of euros)

1	Previndai	11,621	8	Cariplo	1,734	15	Cassa di Previdenza MPS	825
2	Gruppo Intesa Sanpaolo	6,354	9	Gruppo Banco Popolare	1,365	16	Bipiemme	639
3	Gruppo UniCredit	3,818	10	MPS	1,350	17	Banca di Roma	634
4	Mario Negri	2,949	11	Gruppo BNL/BNP	1,247	18	Gruppo UBI	616
5	Previp	2,443	12	Gruppo Generali	1,059	19	Fondo Pensione Giornalisti	584
6	BCC	2,280	13	Previgen	1,050	20	Previlabor	579
7	Previbank	2,112	14	Fonage	968		Total	44,228

Figure 6.2 - The first 20 Pre-Existing Funds by assets (in millions of euros)



In 2018, the assets allocated to benefits of Pre-Existing Pension Funds increased by about 700 million compared to 2017, reaching **59.7 billion euros** (see **Table 6.4**), 9.3 billion higher than those of Occupational Funds; this occurred despite their more limited membership, which remained substantially stable at around 650,000 vs. about 3 million for Occupational Funds, whose membership grew also thanks to the above-mentioned contractual system. This persistent gap (by around 9.5 billion in 2017) can be ascribed both to the longevity of these funds (already operating after the war and often derived from the transformation of "substitutive" funds into "complementary" funds) and to their membership (mostly employees of banks, insurance companies and multinationals) with longer periods of contribution and higher wages on average. It is interesting to look at the comparison between the **average per capita contribution: 7,110 euros** for members of Pre-Existing Funds and **2,080 euros** for those of Occupational Funds. The historical trend of total net assets allocated to benefits of Pre-Existing Pension Funds registered with COVIP shows that their amount tripled from 20 billion euros to 59.7 billion euros from 1999 to 2018.

Table 6.4 – Net assets allocated to benefits of Pre-Existing Funds from 1999 to 2018

Year	Assets	Year	Assets	Year	Assets
	<i>Millions of euros</i>		<i>Millions of euros</i>		<i>Millions of euros</i>
1999	19,859	2006	34,246	2013	50,398
2000	21,269	2007	36,054	2014	54,033
2001	29,578	2008	35,906	2015	55,299
2002	29,531	2009	39,813	2016	57,538
2003	30,057	2010	42,007	2017	58,996
2004	30,617	2011	43,818	2018	59,699
2005	33,400	2012	47,972		

In the 1999 – 2018 period, the net assets allocated to benefits of the Pre-Existing Pension Funds increased by **5.96%** on average, while in the last year they grew by **1.19%**. The 700 million increase (lower than that of the previous year) was the result of approximately 4.6 billion euros' worth of contributions, 60 million euros' worth of net positive transfers, 3.7 billion euros' worth of benefits and of a negative financial result equal to 300 million euros due to a negative average annual rate of return of approximately -0.2% (it was + 3.2 in 2017) ¹. This return is related to all resources, including the reserves allocated to benefits of insurance companies with an average return (1.7%) close to that of termination of employment benefits.

As to **benefits**, there was a reduction in advances from 45,000 in 2017 (761 million euros) to 40,000 in 2018 (760 million euros) vs. 35,200 in 2016. This drop was largely caused by the reduction in advances for "additional needs" which, however, still accounted for 80% of the total.

The number of **redemptions** too had a downward trend from about 18,800 in 2017 to 17,600 (vs. 10,800 in 2016). These disbursements consisted of redemptions for "different causes" (50%) designed to obtain benefits when losing the fund membership requirements but with higher taxes.

It is important to point out that about **2,000** "Advanced Temporary Supplementary Pension" benefits" (so-called R.I.T.A.) were paid out, mostly for the entire amount accumulated, with an expenditure of about 75 million euros.

Yields - Over the last five years, the average compounded annual return on assets was equal to **2.65%**, compared with an average annual revaluation rate of 1.52% for termination of employment benefits (**Table 6.5**).

¹ Since most of the pre-existing companies do not use the quota accounting system, the average annual return was determined on the basis of the change in assets compared to the previous year, net of revenues (contributions, transfers) and expenditure (benefits, redemptions, advances, transfers). See the 2018 Covip Report.

Table 6.5 - Yields of Pre-Existing Pension Funds as %

Year	FPP yield	TFR adjustment
2013	3.90%	1.70%
2014	5.00%	1.30%
2015	2.00%	1.20%
2016	3.30%	1.50%
2017	3.20%	1.70%
2018	-0.20%	1.90%

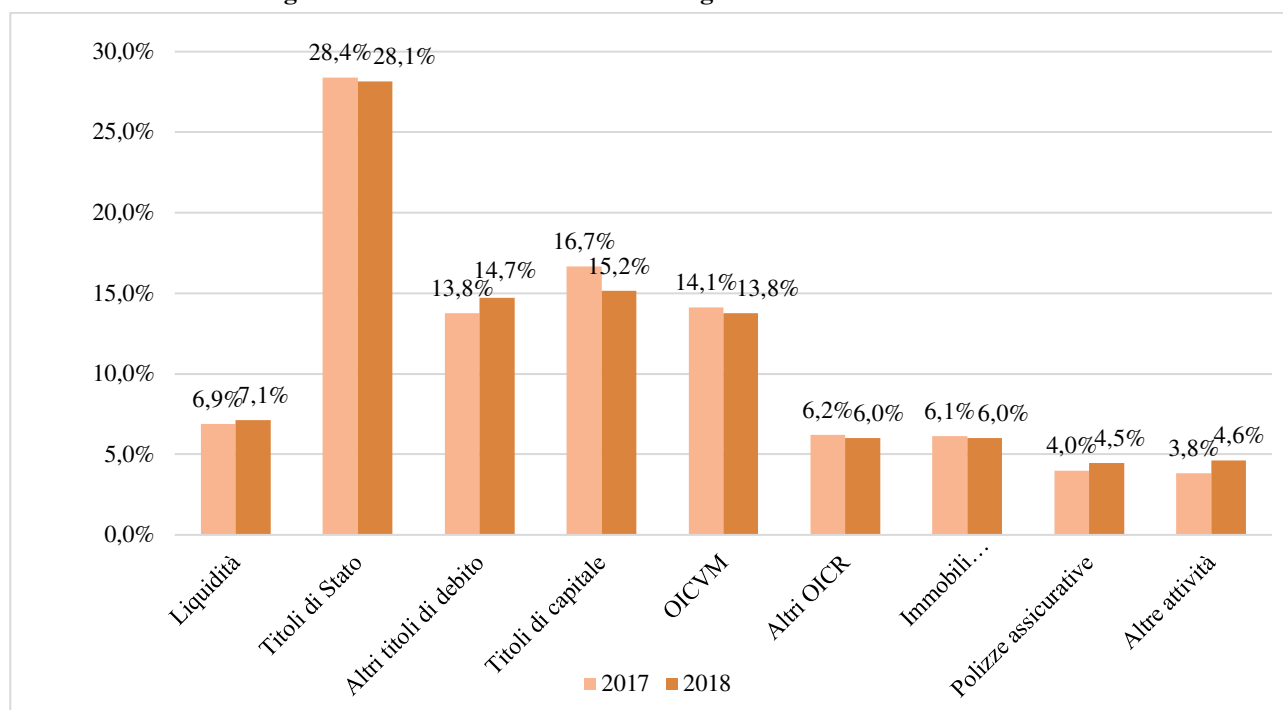
In 2018, for the first time since the 2008 crisis, the annual return was lower than the adjusted TFR level and even slightly negative. However, the result was significantly better than the -2.5% obtained by the Occupational Funds thanks to major investments on "separate insurance portfolios", which had a positive yield between 1.7 and 2%.

6.2 Management of resources

Management approaches and Managers - The resources of Autonomous Pre-Existing Funds were divided as follows: **46.14%** allocated to *reserves with insurance companies* (vs. 44.77% in 2017) equal to 26.90 billion euros; **36.20%** (vs. 35.74% in 2017) managed by *professional financial managers*; the remaining **17.67%** (vs. 19.50% in 2017) *managed directly*. Compared to 2017, there was a slight increase in the reserves with insurance companies (probably due to the difference in the 2018 yield with respect to that obtained by asset managers). Instead, the assets under direct management continued to diminish and were matched by the increasing recourse to financial management companies; this was often caused by mergers into the fund of the parent banking group, with the redemption of "dedicated" UCITs, which were then transferred to accredited management companies.

Excluding the reserves with insurance companies, the *total investment portfolio (Figure 6.3)* was divided as follows: 42.8% of debt securities (of which 28.14% on government securities), 15.2% of equity s, 19.8% of UCITS (of which 4.1% in real estate funds), 6% of real estate and interests in real estate companies, 4.5% of financial insurance policies and 7.1% of liquidity. Compared to 2017, there was a drop in equity investments (-1.5%) and a slight increase in debt securities (in particular of corporate bonds, + 1%). Real estate investments remained stable, with a slight growth in liquidity, insurance policies and UCITS. All this was the result of the aforementioned negative performance of financial markets.

Figure 6.3 - Investments of Pre-Existing Funds as% in 2017 and 2018

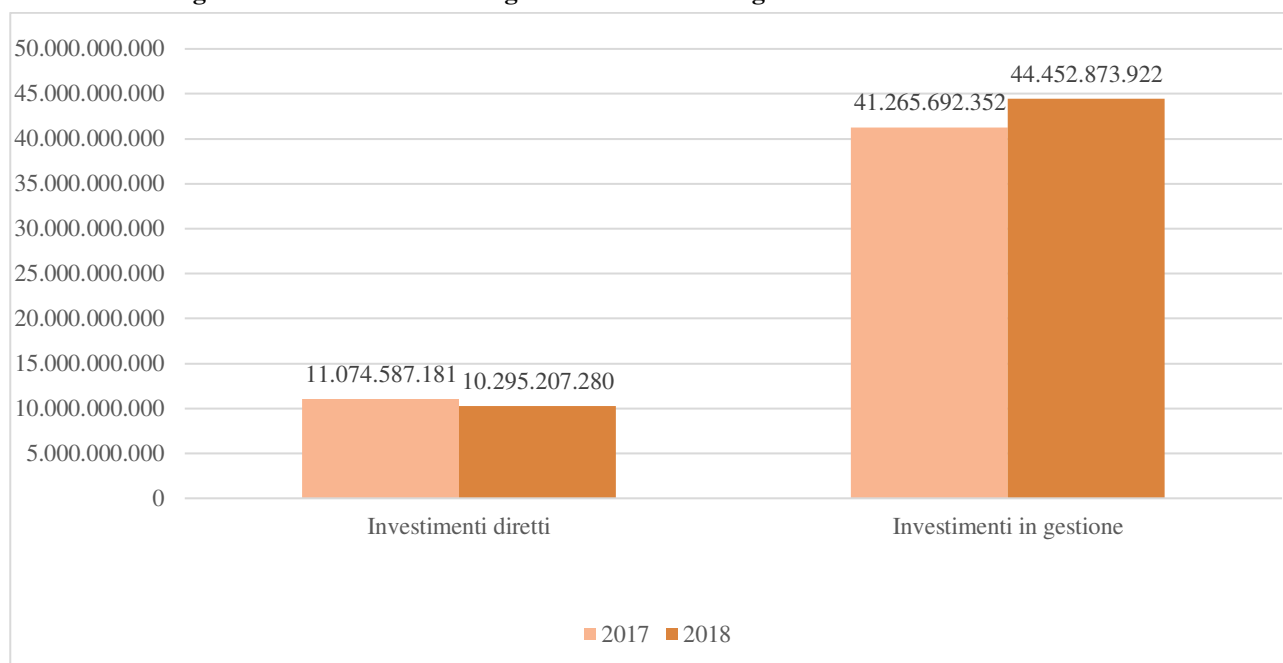


Source: Covip data processed by Itinerari Previdenziali and data from the proprietary database

Considering the 49 funds examined in this Report, the average increase in assets was 2.4%, (53 billion euros compared with 51.7 billion) or + 0.5% with respect to the increase in all Pre-Existing Funds; this result was due to two main reasons: first, many internal funds and some of the smaller ones only paid pension benefits without receiving further contributions, hence the reduction in their net assets allocated to benefits; second, the ongoing rationalisation process paved the way to the integration of internal and small funds into the group funds, with an increase in their net assets allocated to benefits with respect to the previous year.

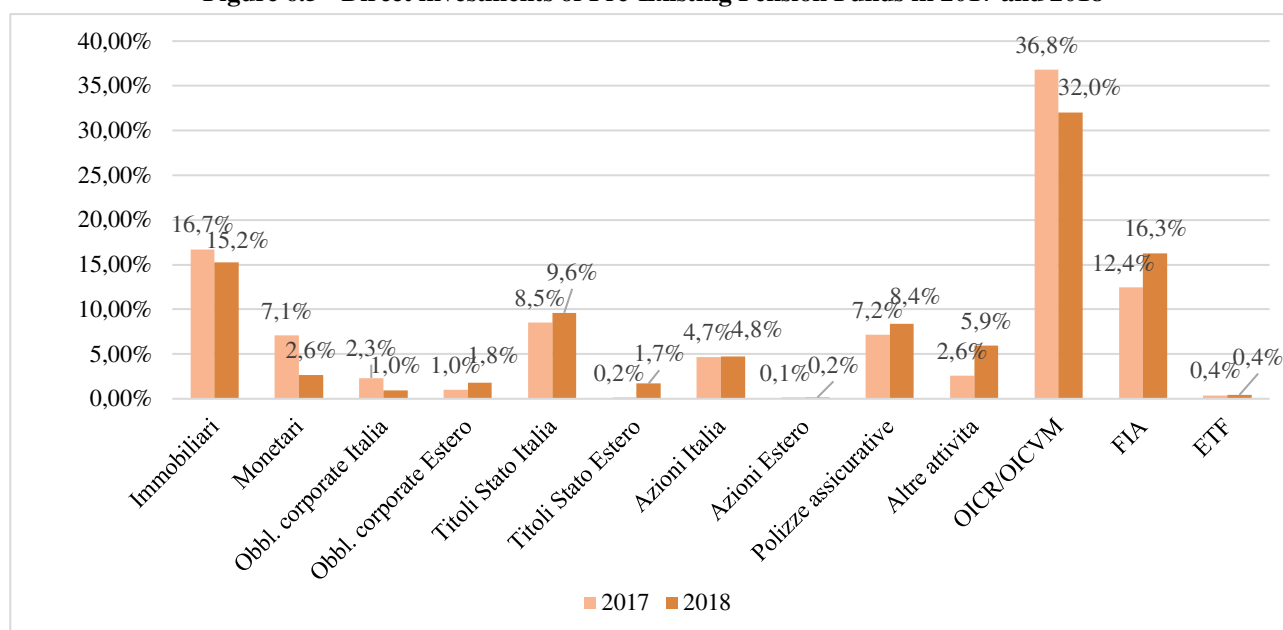
As shown in **Figure 6.4** related to the sample examined, the assets ***managed directly*** amounted to **10.295 billion euros** or **18.8%** of the total, while **44.453 billion** (81.2%) were entrusted to professional managers through an increasing number of financial mandates and policies compared to the previous year. 2018 also witnessed the steady decrease in the directly invested assets, -2.3% vs. 2017, showing a strong growth of alternative funds (FIA) (16.3% vs. 12.4%), insurance policies (8.4% vs. 7.2%) and government bonds (11.3% vs. 8.7). Equity investments and ETFs remained stable (5% vs. 4.8 and 0.4% respectively). Instead, all the others went down: liquidity (2.6% vs. 7.1%), real estate investments (15.2% vs. 16.7%), corporate bonds (2.8% vs. 3.3%) and above all UCITS (32% vs. 36.8%) (**Figure 6.5**). **ETFs** remained unchanged (about 45 million euros' worth of direct investments, equal to 0.4% of the total) and featured in the portfolio of a single fund. This situation was brought about by the negative trend of the financial markets and hence by the search for returns in alternative and longer-term investments, in particular in alternative investment funds (FIAs) instead of UCIs also thanks to their tax incentives. Uncertainty also led to a renewed interest in insurance policies despite the unwillingness of insurance companies to provide guaranteed yields because of the Solvency II constraints.

Figure 6.4 - Investment management of Pre-Existing Pension Funds in 2017 and 2018



Direct investments - Investments mandated to management companies

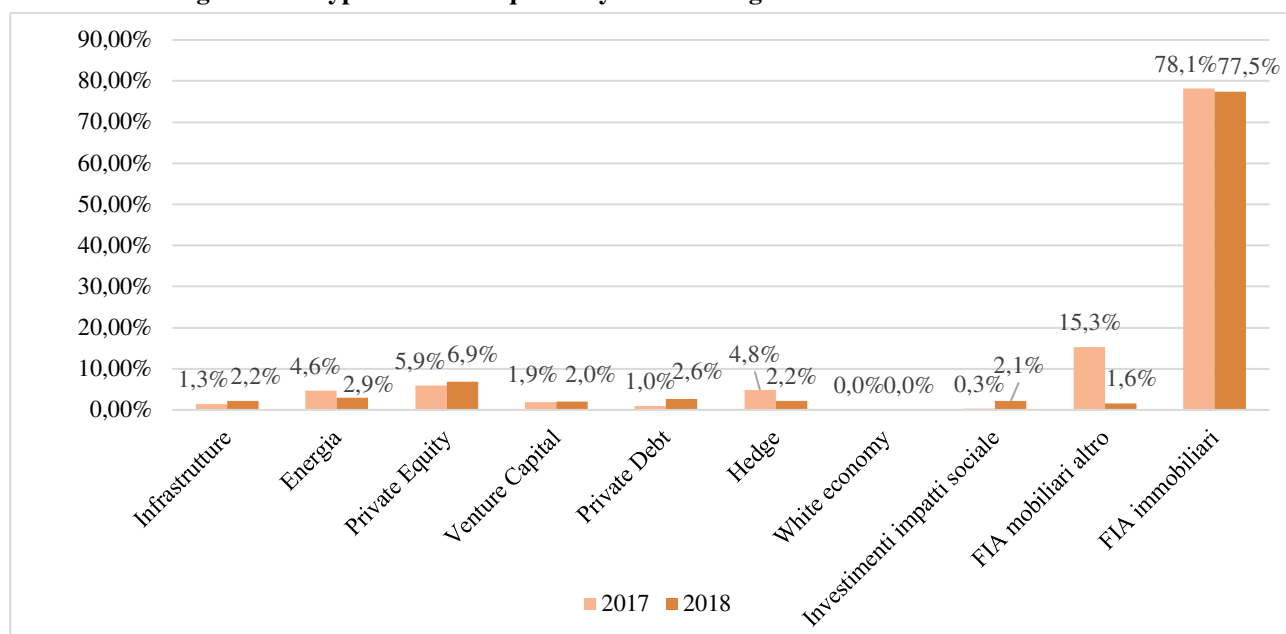
Figure 6.5 - Direct investments of Pre-Existing Pension Funds in 2017 and 2018



Real-estate – Monetary – Italian corporate bonds – Foreign corporate bonds – Italian treasury bills – Foreign treasury bills – Italian stocks – Foreign stocks – Insurance policies – Other assets – UCITS – FIAs – ETFs

The different types of FIAs (**Figure 6.6**) show that the largest investments still come from real estate funds (77.46%) followed by private equity (6.87%), renewable energy (2.9%) and private debt ones (2.6%); venture capital funds still struggle to take off, even if they were recently facilitated by the regulation on the so-called RIP 2. Finally, there was a significant growth in the number of investment funds with a social impact (2.15% vs. 0.26%). There was a slight reduction in the item "other", that includes some dedicated UCITS management funds with a non-detailed share of "alternative" products had a slight reduction with respect to 2017.

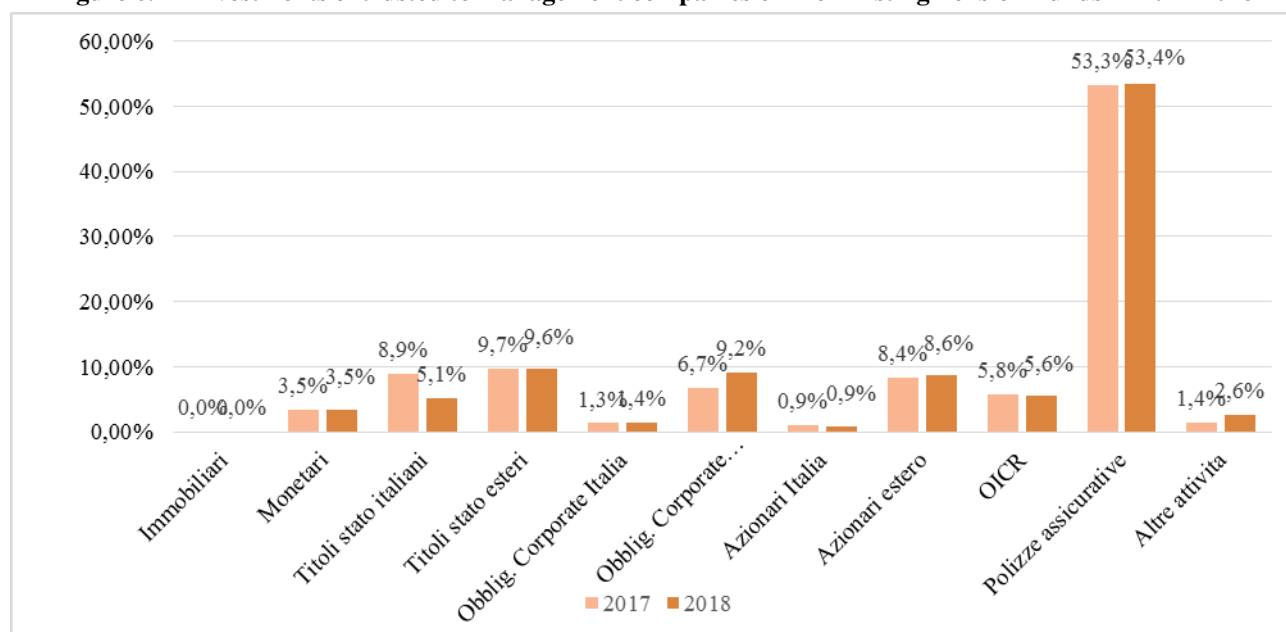
Figure 6.6 - Types of FIAs acquired by Pre-Existing Pension Funds in 2017 and 2018



Infrastructure – Energy - Private Equity - Venture Capital - Private Debt - Hedge Funds - White economy - Socially responsible investments - Alternative securities investment funds other - Alternative real-estate investment funds

As to resources entrusted to managers (indirect investments through mandates), there were only slight changes in the *types of investments outsourced to management companies*, except for a 3.8% drop in Italian government bonds and a 2.4% increase in foreign corporate bonds (**Figure 6.7**); this was mainly due to the major investments on insurance policies that accounted for more than 53% of the assets under management.

Figure 6.7 - Investments entrusted to management companies of Pre-Existing Pension Funds in 2017-2018



Real-estate – Monetary - Italian treasury bills - Foreign treasury bills - Italian corporate bonds - Foreign corporate bonds - Italian stocks - Foreign stocks - UCITs - Insurance policies - Other assets

The domestic real economy- The investments in the domestic real economy accounted for **3.2%** of the assets, equal to about 1.6 billion euros without considering government bonds and real estate investments (the Report focuses on government bonds, that account for large part of the funds' assets, and on directly-held real estate assets, but these are not included in the investments in the real economy). This limited percentage was stable compared to the previous year and consisted of 1.4% of corporate bonds (719 million) and of 1.8% of shares (892 million). The investments under management and direct investments were equal to 2.5% and to 5.8% respectively.

This finding highlight is one of the causes of the low level of investments in the Italian economy; in fact, managers generally aim at diversified market benchmarks on an international scale where Italy's role is marginal. Moreover, private capital markets are small and it is difficult to enhance the value and to sell unlisted instruments. Finally, the tax incentives introduced to encourage long-term investments have had no appreciable effects and the inclusion of EU companies among the “qualified” ones has not had a positive outcome especially for international management companies.

These percentages are still low with a total of 9.5% (8.1% in the case of the investments under management and 15.4% of those managed directly) even including government bonds in the investments in the domestic economy.

Managers

Direct management – A large share of the *directly managed* assets of Pre-Existing Funds was invested on instruments such as UCITS, ETFs and FIAs. **Table 6.6** shows the ranking of the top 5 UCITS companies in which Pre-Existing Pension Funds invested *directly*. Compared to 2017, Effepilux, the Luxembourg-based Company that manages the resources of the UniCredit Group's Pension Funds, maintained its leading position with an increase in assets by approximately 145 million euros due to the aggregation of the assets of the Group's funds².

² The UniCredit Fund is the sole owner of a Ucits V SICAV and of a non-harmonised SIF-SICAV, whose boards of directors are directly linked to the board of directors of the PF; through these companies, the Fund directly manages the financial resources of Sections I, II and IV. EFFEPILUX SICAV features 6 sub-funds: 1 Short-term investments; 2 Government bonds; Global government bonds and inflation; 3 Global corporate bonds GI; 4 Corporate HY and Emerging Markets Bonds; 5 Equity; 6 Liquid Alternatives. EFFEPILUX Alternative consists of three sub-funds: a Real Estate; b Alternative; c Private debt. The SICAV invest in accordance with the Socially Responsible Investment Guidelines and in accordance with the strategies approved by the Fund when defining the strategic asset allocation. The companies are divided into as many sub-funds as the different types of investments or macro asset classes defined by the strategic asset allocation with a global approach and based on the principle of maximum diversification of risk factors. The investments in the various instruments are made within each sub-fund and the Section II, Section I and IV Compartments invest in the sub-funds by acquiring their shares as defined by their strategic asset allocation. The accounting data related to financial investments can therefore be found in the direct investment section in the Itinerari Previdenziali database. This operating structure (hybrid case) is described in the methodological notes of the Itinerari Previdenziali Report.

Table 6.6 - The first 5 UCITS Management Companies with direct investments from Pre-Existing Funds in 2018

Management Company	TOTAL
Effepilux	2,786,639,885
AXA IM	41,741,703
UBS Global AM	39,051,000
Efficiency Growth Fund Sicav	38,306,140
PIMCO Europe Ltd	34,727,019

Table 6.7 shows the ranking of the top 5 Companies that manage FIAs (alternative investment funds) in which Pre-Existing Pension Funds invested *directly*. The first place was still held by Effepilux followed by DeA Capital Real Estate SGR and by BNP Paribas (not present in 2017), followed by InvestiRE SGR and Prelios SGR like in the previous year.

Table 6.7 - The first 5 FIA managers for direct investments of Pre-Existing Funds in 2018

Management Company	TOTAL
Effepilux	357,932,875
DeA Capital Real Estate SGR	252,866,035
BNP Paribas Real Estate	251,646,287
InvestiRE sgr	158,924,934
Prelios SGR	70,459,342

Indirect management – As to investments *mandated to management companies*, these funds maintained a consistent approach, by resorting to external qualified subjects specialized in increasingly complex and innovative financial management solutions. **Table 6.8** shows the ranking of the top 10 Management Companies by number of mandates and by amount of assets under management.

Table 6.8 - The first 10 managers by AUM and number of mandates from Pre-Existing Funds in 2018

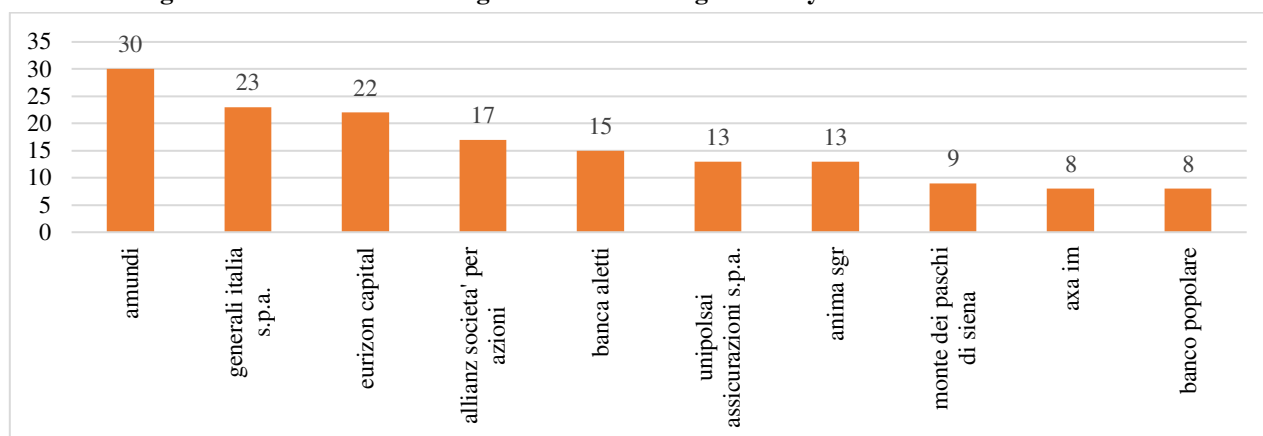
Management Companies	Number of Mandates	AUM	Average mandate	Market share
Generali Italia S.p.A.	23	10,336,240,813	449,401,774	23.59%
Allianz Società per Azioni	17	5,879,488,043	345,852,238	13.42%
UnipolSai Assicurazioni S.p.A	13	5,335,193,898	410,399,531	12.18%
Amundi	30	2,902,676,245	96,755,875	6.63%
Eurizon Capital SGR S.p.A	22	2,563,704,491	116,532,022	5.85%
Monte dei Paschi di Siena	9	1,992,656,699	221,406,300	4.55%
PIMCO Europe Ltd	4	1,031,012,365	257,753,091	2.35%
Pictet & Cie	6	969,419,318	161,569,886	2.21%
AXA IM	8	936,044,082	117,005,510	2.14%
ANIMA Sgr	13	875,028,621	67,309,894	2.00%

Table 6.8.1 - The 2017 ranking by number of mandates and by AUM

Management Company	Number of mandates	AUM	Average mandate	Market share
Amundi	27	2,124,062,950	78,668,998	4.80%
Generali Italia S.P.A.	19	9,513,768,570	500,724,662	21.50%
Eurizon Capital	19	2,550,657,966	134,245,156	5.76%
Banca Aletti	16	806,791,545	50,424,472	1.82%
UnipolSai Assicurazioni S.P.A.	14	5,447,450,319	389,103,594	12.31%
Allianz Società Per Azioni	12	5,389,457,866	449,121,489	12.18%
Anima Sgr	11	902,656,290	82,059,663	2.04%
Monte Dei Paschi Di Siena	9	2,104,476,310	233,830,701	4.76%
AXA IM	8	887,759,995	110,969,999	2.01%
Generali Investments Europe	8	377,183,772	47,147,972	0.85%

The following graphs (*Figures 6.8 and 6.9*) illustrate the ranking of the top 10 Management Companies by number of mandates and by assets under management.

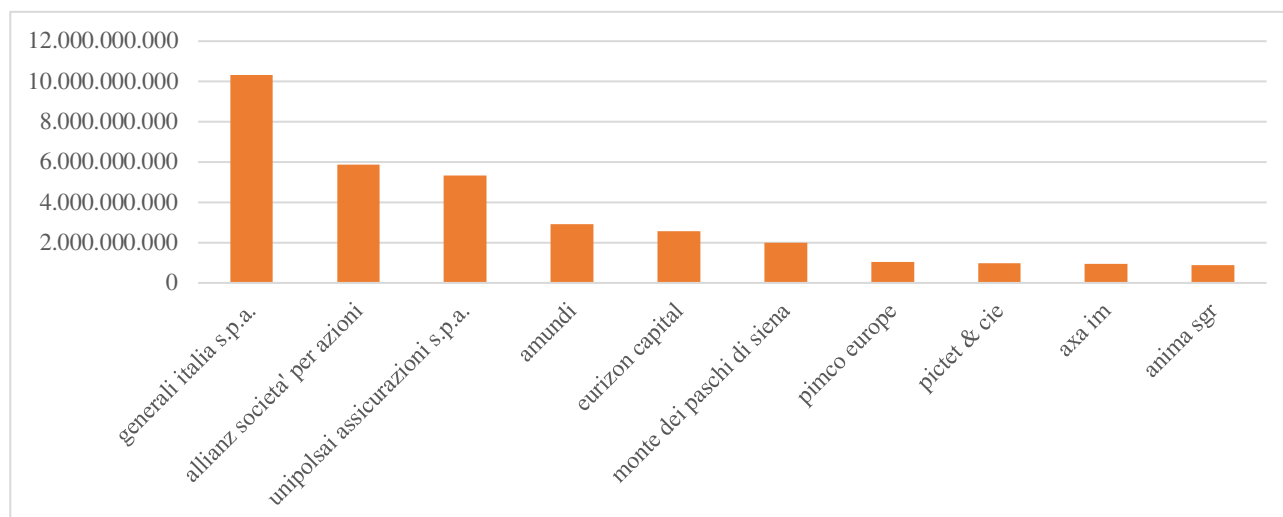
Figure 6.8 - The first 10 managers of Pre- Existing Funds by number of mandates in 2018



As to the **number of mandates**, the leaders in the ranking maintained the same double-digit positions as in 2017: Amundi, Generali, Eurizon, UnipolSai, Banca Aletti, Anima and Allianz. However, there were different growth trends in this group: an upward trend for Allianz (+5), Generali (+4), Eurizon and Amundi (+3) and a slight reduction in the number of mandates for Anima (-2), UnipolSai and Banca Aletti (-1). One reason may be linked to the market trend that pushed these funds to expand their mandates to separate asset management schemes and to use more conservative and lower risk approaches.

In 2018, assets under management too remained substantially stable with respect to 2017, with minor changes in the ranking of Unipol and Allianz that exchanged positions; the UniCredit UCITS fund management company Effepilux was not considered in this ranking because it was switched to the direct investment category. Largely thanks to the very high number of insurance policies, once again the top three positions in the ranking were held by the three largest insurance companies, in that large funds, such as Previdai and Mario Negri, invested large sums on insurance policies, followed by asset management companies such as Amundi, Eurizon, Monte dei Paschi di Siena and PIMCO with assets under management over one billion euros, similarly to Pictet and AXA with 969 and 936 million respectively.

Figure 6.9 - The top 10 managers of Pre-Existing Funds by assets under management in 2018



The **market share** leader in the ranking in terms of assets under management was **Generali Spa** with 23.59% (vs. 21.50 in 2017) followed by **Allianz** with 13.42% (vs. 12.18% in 2017) and **UnipolSai** with 12.18% (vs. 12.31% in 2017). The **average mandate** had a value of approximately **161 million** euros (**down with respect to 178 million in 2017**), with peaks of 449 million for Generali, 410 million for UnipolSai and 370 million for Deutsche Bank. Instead, the insurance management market was practically monopolised by the three main companies: Generali, Allianz and UnipolSai; out of a total of 24.1 billion euros' worth of managed funds, 21.6 (89.3%) were in their hands. **Table 6.9** lists all insurance management companies.

Table 6.9 - Insurance policy managers 2018

Insurance Company	AUM	Market share
Generali Italia S.p.A.	10,336,240,813	42.87%
Allianz Società per Azioni	5,879,488,043	24.38%
UnipolSai Assicurazioni S.p.A	5,335,193,898	22.13%
Reale Mutua Assicurazioni	620,978,311	2.58%
Fideuram Vita S.p.A.	499,605,917	2.07%
Aviva Vita S.p.A.	364,683,550	1.51%
BCC Vita S.p.A. Compagnia di Assicurazioni Vita	256,875,911	1.07%
CreditRas Vita S.p.A.	210,311,802	0.87%
Crédit Agricole Vita S.p.A.	132,970,831	0.55%
Assimoco Vita S.p.A. Compagnia di Assicurazione sulla Vita	124,294,796	0.52%
Credemvita S.p.A.	119,684,631	0.50%
BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione s.p.a.	56,739,000	0.24%
Aviva Assicurazioni S.p.A.	55,338,980	0.23%
Società Cattolica di Assicurazione – società cooperativa	42,254,703	0.18%
ITAS Vita S.p.A.	34,052,669	0.14%
Zurich Investments Life SpA	26,077,741	0.11%
Popolare Vita S.p.A.	12,000,017	0.05%
AXA MPS Assicurazioni Vita Società per azioni	6,190,440	0.03%
AXA Assicurazioni S.p.A.	48,380	0.00%
Total	24,113,030,434	100.00%

The increasingly difficult search for yields, but with conservative risk profiles, led these subjects to prefer more flexible mandates. However, members remained very keen on low-risk investments, even if with low returns, because of the negative trend of the financial markets during the year. In 2018, there were **62 guaranteed mandates** (mostly separate insurance portfolios) equal to 20.3 billion euros, **58 balanced mandates** for 8.2 billion euros, **91** specialized and balanced **bond mandates** for 7.6 billion, **36 equity mandates** for 2.9 billion (sustained growth) and **25 flexible** ones (up by 3.2 billion). Compared to 2017, equity mandates fell in terms of AUM (from 3.3 billion to 2.9 billion) and flexible mandates grew in terms of number but not in terms of resources. There are no particular mandate specialisations except for insurance companies with their separate asset management schemes.

Custodian bank - Given the crucial role played by this type of bank, practically all the funds considered in the Report had a custodian bank even if this was not required by the law. In fact, the 164 funds that did not have it were totally managed by insurance companies, i.e. with securities held in custodian bank of the company, or the funds under receivership or in a winding-up process and therefore without their own real financial management structure.

Administrative service - There were very few funds analysed in the Report that did not use this service and these were mainly funds entirely managed by insurance companies or in a winding-up process or featuring, since their establishment, adequate administrative service providers such as Previndai and Mario Negri. The number of these providers was extremely small and the first 3 (Previnet, Accenture Managed Service and Social Security Services) catered for more than 50% of members. The remaining ones were often the Group companies to which the fund was related.

Advisor - The number of funds that reportedly used an advisor remained unchanged compared to 2017. On the other hand, there was an increase in the number of funds that used more than one advisor, each specialised in specific types of investment: real estate, ESG products or more generally FIAs. Of course, this demand for greater specialisation resulted in an increasing number of advisors on the market. The funds totally managed by insurance companies do not need this advisory function, so the ones that generally resort to this service are banking funds with board members particularly experienced in the financial sector, that allows them to have "Finance Functions" or "Investment Committees" that directly provide this service.

The complete list of custodian banks, administrative services and financial advisors for each Pre-Existing Fund is available in the reserved area of the Itinerari Previdenziali website, together with the rankings of all managers by AUM and by number of mandates.

7. Banking Foundations: activities, investments, assets and managers

Banking Foundations are major institutional investors. They do not have members or associated subjects, but they play a central role in territorial policies designed to provide welfare support and development to their communities as well as to the Italian economy; they have been and still are instrumental in the sustainability of the Italian banking system. As illustrated below, this is another reason why they paid a significant price in terms of capitalization. Finally, these Foundations have been instrumental in most social policies¹ to face the crucial and fundamental issue of "*educational poverty*" in Italy.

The number of Banking Foundations operating in Italy has remained unchanged at **88**; this sixth edition of the Report features a higher number of Foundations investigated compared to 2017; in fact, the *first 27 Foundations* are analyzed in terms of their "total assets", 18 of which are classified by ACRI as Large and 9 as Medium Large, and they account for more than 85% of the total assets managed by these entities in terms of *net accounting worth*. *Table 7.1* shows the ranking of Foundations by *total assets*.

According to their accounting data and to those provided by ACRI (the Association of Banking Foundations), in 2018 the *net accounting worth* of the **88 Foundations** was *substantially unchanged at 39.7 billion euros* (the same as in 2017 and 2016); *total receipts* dropped by 50% from 2 billion euros in 2017 to 1,081 million euros (1,337 million in 2016, 1,410 million in 2015 and 2,271 million in 2014); *total assets* amounted to 45.7 billion euros (46.1 billion in 2017, 46.35 billion in 2016 and 48.55 billion in 2015) and decreased over time (from 52.8 billion in 2011, to 51 billion in 2012, to 49.2 billion in 2013 and to 48.6 billion in 2014). However, their significant amount of allocations must be considered: 24.1 billion euros between the year 2000 and 2017, that is 70 billion euros if added to their assets. Moreover, these resources were provided during a period of time characterized by a long crisis, in which transferee banks experienced a drastic fall in their value prices, greater volatility and zero dividends, which only recently they started distributing again; at the same time, these Foundations made great efforts to capitalize their transferee banks, thus supporting and strengthening the Italian banking system.

In 2018 unlike in 2017, the unfavourable performance of the stock market and interest rates had a significant impact on the results of the Foundations: the *average return* on equity was **2.7%** (practically halved compared to **5.3%** in 2017, which capitalized on the good results of the stock market and on the *sale of shares of the transferee banks*).

¹ Banking Foundations pursue their institutional mission by directly allocating part of their assets to welfare policies for their communities and also support the real economy by investing part of their assets in financial instruments related to development projects for infrastructures, small and medium enterprises or for other activities considered important for the community. These investments include their participation in **Cassa Depositi e Prestiti** and the creation of **Fondazione con il Sud**. Leaving aside the unconvincing criticism against these organizations, Banking Foundations are among the few and most important Institutional Investors in Italy that deserve to be acknowledged for their many achievements, including their contribution to the stability of the Italian banking system. Seven main sectors have benefited from their support: Art and Culture, Volunteers' organizations, Philanthropy and Charity, Social Assistance, Research and Development, Educational Poverty Fund, Local Development, Education, Education and Training (accounting for 93% of the allocations).

Table 7.1 - The first 27 Banking Foundations by total assets

	Foundation	Total Assets 2018	Total Assets 2017
1	Fondazione Cariplo	7,516,624,731	7,822,120,899
2	Compagnia di Sanpaolo	6,820,867,194	6,761,160,854
3	Fondazione C.R. Torino	2,743,621,504	2,715,407,408
4	Fondazione C.R. Padova e Rovigo	2,407,868,339	2,439,260,255
5	Fondazione C.R. Verona Vicenza Belluno Ancona	2,226,169,031	2,360,192,649
6	Fondazione C.R. Firenze	1,886,877,612	1,877,572,332
7	Fondazione Roma	1,790,761,598	1,833,936,556
8	Fondazione C.R. Cuneo	1,502,605,333	1,487,134,944
9	Fondazione C.R. Lucca	1,286,212,981	1,302,564,801
10	Fondazione Cariparma	1,170,762,889	1,145,731,295
11	Fondazione C.R. Bologna	1,165,079,971	1,085,281,200
12	Fondazione Sardegna	1,019,817,657	1,021,586,665
13	Fondazione C.R. Modena	978,648,939	975,062,295
14	Fondazione C.R. Bolzano	704,709,018	703,561,271
15	Fondazione Pisa	647,457,706	636,389,561
16	Fondazione C.R. Perugia	572,929,063	583,758,084
17	Fondazione Banca Monte Lombardia	536,557,580	518,972,367
18	Fondazione C.R. Pistoia e Pescia	523,322,978	521,115,668
19	Fondazione C.R. Forlì	505,899,588	489,244,692
20	Fondazione Monte Paschi di Siena	500,401,525	515,163,866
21	Fondazione C.R. Trento e Rovereto	441,139,012	428,636,438
22	Fondazione di Piacenza e Vigevano	406,361,655	395,502,629
23	Fondazione Venezia	382,761,939	385,140,044
24	Fondazione Friuli	344,186,100	343,995,784
25	Fondazione CR Ascoli Piceno	300,136,525	302,826,438
26	Fondazione C.R. Carpi	295,130,983	297,686,228
27	Fondazione Cassamarca	276,696,563	362,937,400
	Total assets	38,953,608,014	39,311,942,623
	Total assets 88 ACRI Foundations	45,675,000,000	46,137,900,000
	% sample 27 Foundations out of 88	85.28%	85.21%
	Net worth of the 88 foundations	39,649,616,513	39,751,771,253

Management approaches and managers

The analysis of the accounts shows that a significant portion of the Banking Foundations' assets is directly invested in their transferee banks, i.e. the banks to which they belonged before the Ciampi Law of 2000.

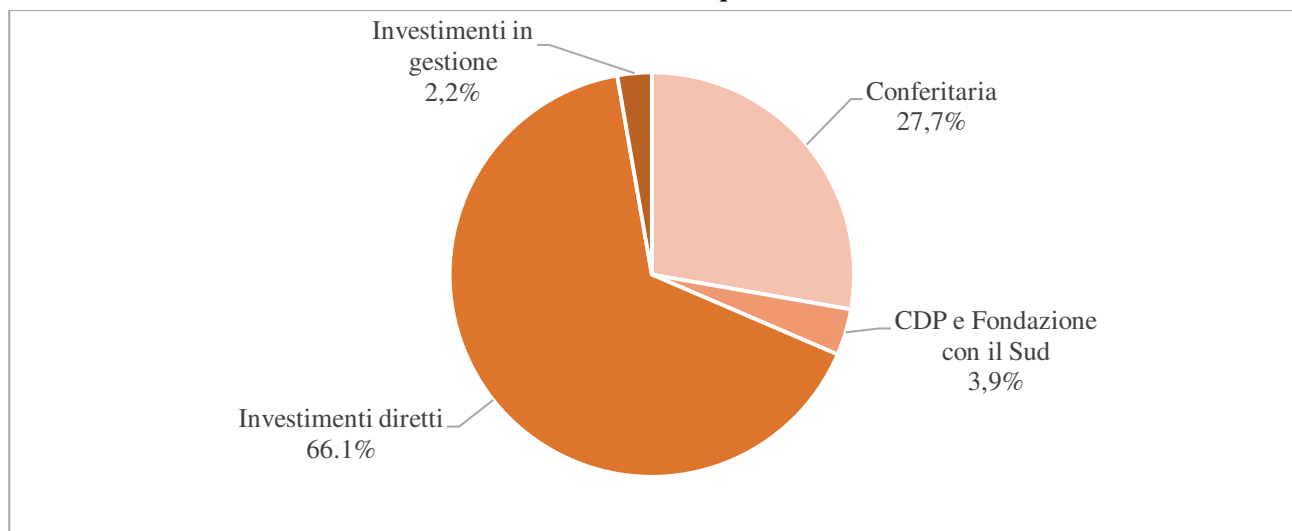
The Protocol signed between the Banking Foundations and the Ministry of Economy and Finance in April 2015 envisaged that, by the spring of 2018 (or 2020 depending on whether the bank is listed or not), these banks would be entitled to reduce the assets invested in their transferee banks by no more than **33%** of the total invested directly or indirectly (all calculated at market value).

This led to a faster return to 33% of assets, which had slowed down in the last two years prior to maturity, and to a reduction in surpluses.

In addition to institutional investments, these Foundations directly invest part of their assets in real estate property, works of art, financial instruments (shares, bonds, UCITS) and other forms of investment. The breakdown by investment macro area in the Table below and in **Figure 7.1** shows that institutional investments account for **31.6%** of assets (compared to 34% in 2016), while two thirds of direct investments go into the real economy.

Investments by major Foundations (27 Foundations)		
31.6%	12,327,397,367	Institutional investments
66.2%	25,758,809,386	Direct investments
2.2%	867,401,261	Operating investments
100.00%	38,953,608,014	Total investments

Figure 7.1 – Asset breakdown of the 27 Foundations examined out of a total of 88 (2018)
39 billion euros – 85% of the total equal to 45.7 billion euros



Operating investments - As Transferee - Direct investments - CDP and Fondazione con il Sud

Table 7.2 shows the list of Foundations and their percentage of assets invested in their transferee banks, in Cassa Depositi e Prestiti and in Fondazione con il Sud (so-called institutional investments). In 2018, the share of assets of the transferee banks on the total decreased in five years from 36% in 2014 to 27.7% as a result of disposals and of the adjustment of their carrying value to market values. Investments in Cassa Depositi e Prestiti and in Fondazione con il Sud had a slight change, linked to equity exchanges.

Table 7.2 - Investments in the transferee banks and institutional investments

Fondazione	Totale attivo 2018	Conferitaria	Conferitaria su Totale Attivo in %	eccedenza sul 33% (teorico) Protocollo ACR/MEF	Investimento istituzionale in CDP	% su totale attivo	Investimento istituzionale in Fondazione con il Sud	% su totale attivo	Totale investimenti istituzionali	Investimenti istituzionali su totale attivo
Fondazione CR Provincie Lombarde	7.516.624.731	1.777.973.841	23,65%		169.570.312	2,26%	34.406.811	0,46%	203.977.123	2,71%
Compagnia di San Paolo	6.820.867.194	2.746.015.278	40,26%	7,26%	176.797.349	2,59%	29.395.556	0,43%	206.192.905	3,02%
Fondazione CR di Torino	2.743.621.504	736.471.699	26,84%		156.564.790	5,71%	0	0,00%	156.564.790	5,71%
Fondazione CR di Padova e Rovigo	2.407.868.339	672.015.672	27,91%		62.620.539	2,60%	11.355.290	0,47%	73.975.829	3,07%
Fondazione CR di Verona, Vicenza, Belluno e Ancona	2.226.169.031	977.315.792	43,90%	10,90%	0	0,00%	0	0,00%	0	0,00%
Fondazione CR di Firenze	1.886.877.612	570.142.708	30,22%		62.853.778	3,33%	0	0,00%	62.853.778	3,33%
Fondazione Roma	1.790.761.598	83.916.902	4,69%		0	0,00%	5.523.002	0,31%	5.523.002	0,31%
Fondazione CR di Cuneo	1.502.605.333	253.950.318	16,90%		77.706.773	5,17%	6.291.327	0,42%	83.998.100	5,59%
Fondazione CR di Lucca	1.286.212.981	111.383.487	8,66%		87.449.100	6,80%	4.436.682	0,34%	91.885.782	7,14%
Fondazione Cariparma	1.170.762.889	753.917.199	64,40%	31,40%	72.495.474	6,19%	0	0,00%	72.495.474	6,19%
Fondazione CR in Bologna	1.165.079.971	376.785.605	32,34%		0	0,00%	6.656.666	0,57%	6.656.666	0,57%
Fondazione Sardegna	1.019.817.657	352.158.299	34,53%	1,53%	167.820.885	16,46%	1.840.409	0,18%	169.661.294	16,64%
Fondazione CR di Modena	978.648.939	176.661.666	18,05%		20.731.529	2,12%	6.117.757	0,63%	26.849.286	2,74%
Fondazione CR di Bolzano	704.709.018	502.064.552	71,24%	38,24%	10.017.993	1,42%	2.125.190	0,30%	12.143.183	1,72%
Fondazione Pisa	647.457.706	0	0,00%		0	0,00%	0	0,00%	0	0,00%
Fondazione CR di Perugia	572.929.063	111.270.900	19,42%		62.788.855	10,96%	1.018.201	0,18%	63.807.056	11,14%
Fondazione Banca del Monte di Lombardia	536.557.580	180.396.803	33,62%		43.649.657	8,14%	0	0,00%	43.649.657	8,14%
Fondazione CR di Pistoia e Pescia	523.322.978	40.938.506	7,82%		34.423.879	6,58%	1.705.158	0,33%	36.129.037	6,90%
Fondazione Cassa dei Risparmi di Forlì	505.899.588	83.551.625	16,52%		46.611.931	9,21%	2.021.650	0,40%	48.633.581	9,61%
Fondazione Monte dei Paschi di Siena	500.401.525	74.242	0,01%		0	0,00%	34.694.721	6,93%	34.694.721	6,93%
Fondazione CR di Trento e Rovereto	441.139.012	0	0,00%		48.228.889	10,93%	1.112.336	0,25%	49.341.225	11,18%
Fondazione di Piacenza e Vigevano	406.361.655	72.380.000	17,81%		5.530.509	1,36%	1.688.913	0,42%	7.219.422	1,78%
Fondazione Venezia	382.761.939	64.424.036	16,83%		43.568.646	11,38%	1.426.659	0,37%	44.995.305	11,76%
Fondazione Friuli	344.186.100	102.299.708	29,72%		12.731.868	3,70%	406.879	0,12%	13.138.747	3,82%
Fondazione CR di Ascoli Piceno	300.136.525	0	0,00%		0	0,00%	695.824	0,23%	695.824	0,23%
Fondazione CR di Carpi	295.130.983	11.171.107	3,79%		8.721.550	2,96%	0	0,00%	8.721.550	2,96%
Fondazione Cassamarca	276.696.563	46.314.085	16,74%		0	0,00%	0	0,00%	0	0,00%
TOTALE prime 27 Fondazioni per attivo	38.953.608.014	10.803.594.030	27,73%	3,57%	1.370.884.306	3,52%	152.919.031	0,39%	1.523.803.337	3,91%

Foundation - Total assets 2018 – Transferee - Transferee as % of total assets - Surplus over 33% (theoretical) ACR/MEF protocol - Institutional investments in CDP - % of total assets - Total institutional investments - Institutional investments out of total assets - Total of the leading 27 foundations in terms of assets

In the last few years, in addition to the investments in the transferee banks and to the so-called institutional investments, there was also a progressive decline in asset management and a profound change in the management of direct investments, with the increasing use of platforms that allow the aggregate management of the Foundations' financial assets.

This means that, the accounting data, used as a source for research purposes also by Itinerari Previdenziali, do not provide sufficient details on investment policies, on investments and on the managers of these investments, for an increasingly significant amount of assets.

As to the **direct investments** made by these Foundations in managed products and services (**Table 7.3, Figures 7.2 and 7.2.1**), there is the high degree of diversification, in particular in the investments in the **real economy**. The Banking Foundations' direct investments (excluding those in their transferee banks, in CDP and in Fondazione con il Sud) amounted to **25.8 billion euros**, of which 1.355 billion in real estate assets and 24.4 billion in financial investments (not therefore mandated to asset managers). Of these investments, 16.226 billion euros was allocated to collective management products (UCITS, ETFs and Alternative UCITS). On the whole, **Real estate investments** accounted for 3.5% of total assets; traditional UCITS diminished in favour of alternative investments: the various instruments (funds, UCITS, ETFs) accounted only for 8% of total assets, compared to 11.6% of equity and 3% of bonds purchased directly.

Government bonds accounted for 0.77% of total investments (further down compared to 1.2% in 2016 and even more with respect to previous years), of which 0.73% in Italian government bonds and 0.04% in foreign government bonds. Investments in alternative UCITs had a significant growth; in fact, Foundations have increasingly invested in alternative UCITs in their search for higher yields, acceptable risks and reduced correlations with the markets, characterized by low interest rates especially in recent years. In the last 4 years, their share grew up to 33.6% of total assets, that is to over 53% of the Foundations' direct financial investments (including assets under management). The portfolios include various types of alternative investments: Multiasset/Multistrategy, Hedge, Private Equity, infrastructural Private Equity, Venture Capital, social impact UCITs, etc. This significant increase, which accelerated in 2018, was the result of an ongoing revision process that led these Foundations to increasingly retain a direct management approach to their equity investments and "mission related" investments - linked to social and territorial development - and to outsource the management of their diversified portfolio to vehicles, platforms or also to exclusively dedicated sub-funds, of which they often are the sole investors. Their aim was to improve efficiency, risk management and to obtain greater flexibility (with overlay management, pooling of managers, etc.) and administrative simplification.

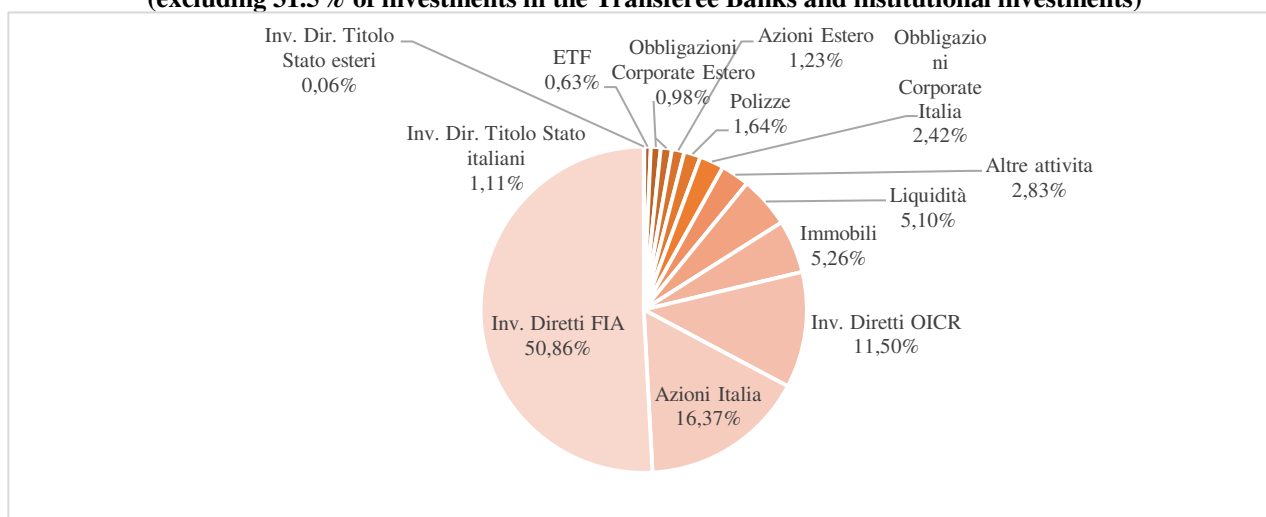
Table 7.3 - Types of direct and indirect investments (through management mandates)

Fondazione	Immobili	Liquidità	Obbligazioni	Azioni	Polizze	Inv. Diretti OICR	ETF	Inv. Diretti FIA	Altre attività	Patrimonio in gestione
Fondazione Cassa Risparmio Provincie Lombarde	32.664.649	3.089.288	11.149.359	371.529.185	0	0	0	5.052.803.002	63.438.284	0
Compagnia di San Paolo	35.966.885	343.845.773	0	201.138.567	0	0	0	3.160.492.670	94.424.712	32.790.404
Fondazione CR di Torino	1.339.557	14.242.672	285.446.293	1.300.802.974	0	344.206	0	234.899.997	13.509.316	0
Fondazione CR di Padova e Rovigo	0	29.333.892	0	84.394.680	0	976.000.000	0	553.139.306	19.008.960	0
Fondazione C.R.di Verona, Vicenza, Belluno e Ancona	418.719.386	59.117.721	2.274.000	80.839.112	0	649.902.934	0	696.784	37.303.302	0
Fondazione CR di Firenze	125.628.520	256.201.133	39.989.277	16.985.852	5.000.000	13.677.273	1.945.350	607.974.275	78.342.370	108.137.076
Fondazione Roma	138.657.461	52.605.216	0	6.685.291	0	0	0	1.458.922.405	44.451.321	0
Fondazione CR di Cuneo	8.742.694	95.444.716	109.675.396	445.290.550	114.831.767	19.087.715	35.360	319.092.173	45.322.258	7.134.286
Fondazione CR di Lucca	81.583.919	10.353.221	85.557.101	258.350.761	39.421.693	137.929.110	2.108.254	398.561.043	15.519.819	53.558.791
Fondazione Cariparma	22.404.627	13.242.160	49.499.174	24.003.201	44.919.668	91.000.000	11.997.184	54.347.521	32.936.681	0
Fondazione CR in Bologna	22.926.571	25.173.520	281.250	222.745.497	0	0	0	472.870.084	37.640.778	0
Fondazione Sardegna	18.815.962	13.323.566	20.215.886	126.793.265	0	33.540.570	5.993.015	267.113.520	12.202.280	0
Fondazione CR di Modena	35.772.155	77.592.187	33.012.000	295.051.452	0	180.974.100	0	36.463.442	11.423.638	104.849.013
Fondazione CR di Bolzano	79.740.883	3.765.959	0	12.534.193	43.362.510	28.200.000	0	20.877.307	2.020.431	0
Fondazione Pisa	25.655.891	14.513.485	207.396.493	79.757.403	0	5.806.108	0	260.774.588	53.553.738	0
Fondazione CR di Perugia	27.274.502	2.093.048	66.185	19.127.662	29.524.437	0	0	7.230.535	21.474.158	291.060.580
Fondazione Banca del Monte di Lombardia	25.775.883	6.036.415	8.000.000	191.198.038	0	35.050.384	0	3.261.745	20.170.590	23.018.065
Fondazione CR di Pistoia e Pescia	28.734.639	71.443.096	150.141.857	68.299.963	16.106.493	19.655.746	53.567.414	28.330.822	9.975.405	0
Fondazione Cassa dei Risparmi di Forlì	15.891.806	1.871.793	7.705.846	86.377.678	5.000.000	224.696.928	0	26.119.883	6.050.448	0
Fondazione Monte dei Paschi di Siena	27.229.921	27.512.031	0	45.342.911	0	262.973.005	73.728.512	20.507.738	8.338.444	0
Fondazione CR di Trento e Rovereto	15.884.518	62.931.574	16.787.993	113.061.897	19.500.000	0	11.998.805	21.804.165	30.767.592	99.061.243
Fondazione di Piacenza e Vigevano	18.610.571	7.328.280	60.799.573	55.736.537	60.184.873	59.999.975	0	33.815.222	4.328.507	25.958.695
Fondazione Venezia	21.925.934	10.859.295	0	95.307.070	0	110.000.000	0	22.500.000	12.750.299	0
Fondazione Friuli	7.592.267	69.784.842	11.435.605	23.332.414	14.690.179	87.961.740	0	9.191.406	4.759.192	0
Fondazione CR di Ascoli Piceno	24.592.168	3.934.633	0	167.383.519	0	0	0	10.581.051	4.268.681	88.680.649
Fondazione CR di Carpi	20.180.571	38.619.276	53.985.737	87.294.045	10.683.683	21.054.604	0	8.216.446	2.051.505	33.152.459
Fondazione Cassamarca	73.266.006	577.846	22.238.853	55.463.819	19.512.260	5.265.504	1.556.213	9.511.607	42.990.370	0
TOTALE Attivo 27 Fondazioni	1.355.577.946	1.314.836.638	1.175.657.878	4.534.827.536	422.737.563	2.963.119.902	162.930.107	13.100.098.737	729.023.079	867.401.261
<i>in % su totale attivo</i>	3,48 %	3,38 %	3,02 %	11,64 %	1,09 %	7,61 %	0,42 %	33,63 %	1,87 %	2,23 %

Foundation - Real-estate – Bonds – Equity – Policies - Direct investments UCITS – ETF - Direct investments FIAs - Other assets – AUM - Total assets 27 Foundations - as % of total assets

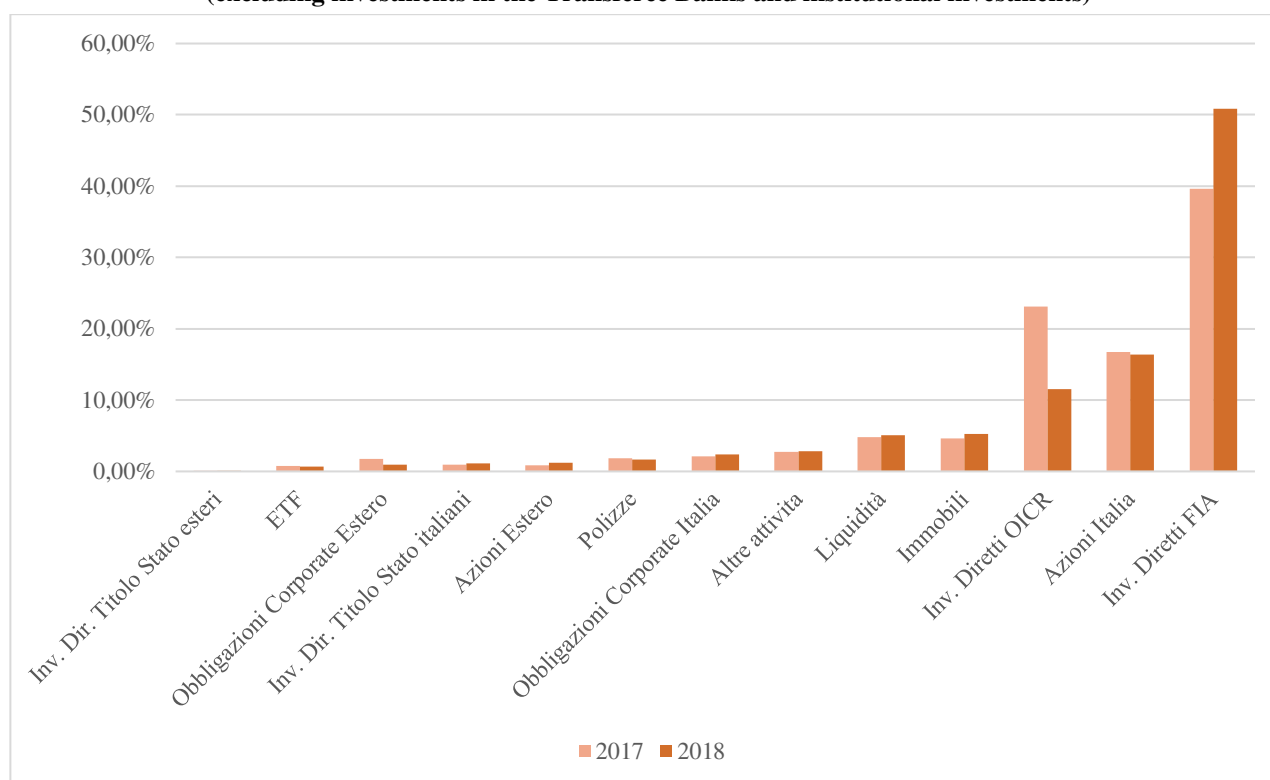
Among the most active Foundations in terms of alternative investments are Fondazione Cariplo, Compagnia di San Paolo, Fondazione Roma and Fondazione della CR Padova e Rovigo (see **Figure 7.2** and **7.2.1**).

Figure 7.2 - Diversification of the Foundations' direct investments
(excluding 31.5% of investments in the Transferee Banks and institutional investments)



Direct inv. on foreign Treasury Bills - Foreign corporate bonds – ETF - Direct invest. on Italian Treasury Bills - Foreign equity – Policies - Italian corporate bonds - Other assets – Liquidity - Real-estate - Direct Invest FIAs, Italian equity - Direct invest UCITS

Figure 7.2.1 - Diversification of the Foundations' direct investments in 2017/2018
(excluding investments in the Transferee Banks and institutional investments)



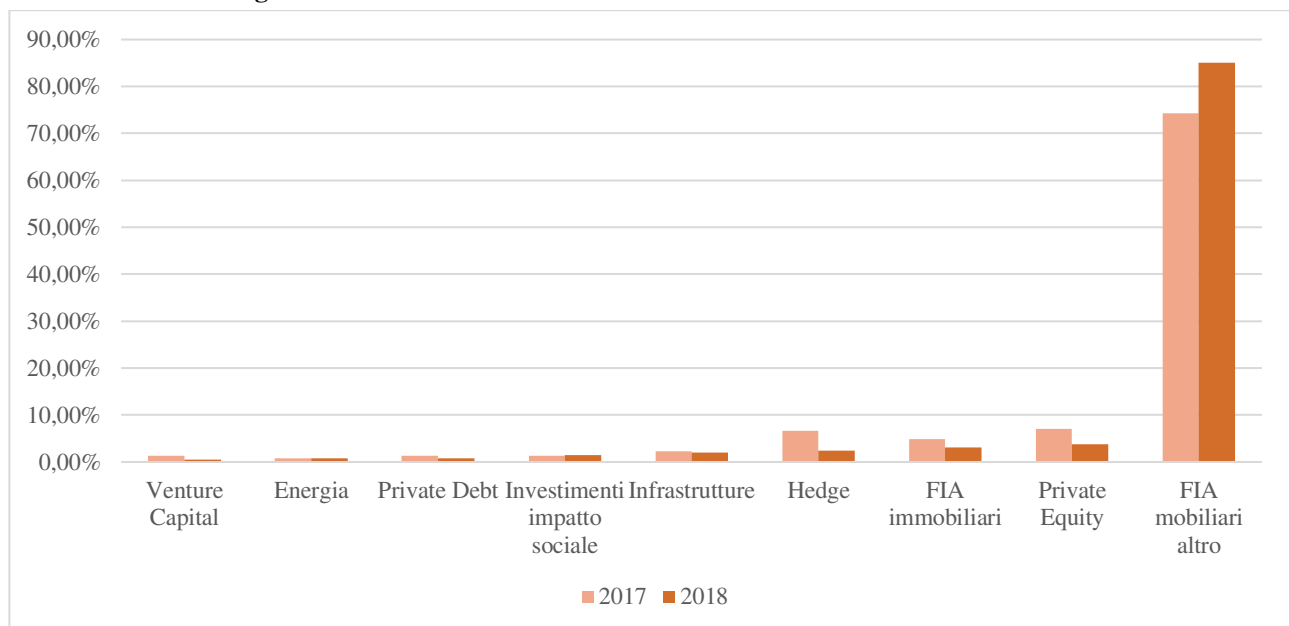
Direct inv. on foreign Treasury Bills - ETF Foreign corporate bonds - Direct invest. on Italian Treasury Bills - Foreign equity; Policies - Italian corporate bonds - Other assets – Liquidity - Real-estate - Direct invest. UCITS - Italian equity - Direct Invest. FIAs

Over the last few years, the share of **alternative investments** out of total investment considerably increased, exceeding **13 billion euros**. The considerable growth of alternative investments was largely due to the so-called "other alternatives" (Multiasset, Multistrategy, Absolute return, etc.).

The high volatility of the financial markets and hence the already illustrated management complexity led to a reduction in the most speculative investments in hedge funds (- 54% compared to 2017), in private equity (-31%) largely due to the cashing of returns on investments made a long time ago, in venture capital (-52%) also due to value adjustments. Interestingly, this also led to an increase by 40% vs. 2017 in social impact investments (social housing, hospices, health and social initiatives, white economy).

The survey of the 27 Foundations identified over 150 investment companies, sometimes belonging to the same groups, which provide financial instruments for the Banking Foundations' direct investments. It is impressive to see not only the amount of alternative investments (compared to other institutional investors), but also the significant number of management companies: the real estate funds, that account for 1.06% of total assets, are managed by 19 companies, some of which also manage other types of alternatives. Different types of policies account for 1.09% of assets and are managed by 17 companies, while there are more than 100 companies for alternative UCITs.

Figure 7.3 - Breakdown of the Foundations' alternative UCITs in 2017/18



Venture capital – Energy - Private debt - Social impact investments – Infrastructure – Hedge - Real-estate FIAs - Private equity - Other securities FIAs

Table 7.4 shows the top 5 management companies in terms of assets under management (out of the 151 managers of traditional and alternative UCITs) which together account for 75% of the total.

The first three positions are held by the managers of the main platforms: Quaestio Capital Management, Fondaco and Eurizon, followed at a greater distance by Azimut in the fourth place and by F2i in the fifth, (a management company specialized in infrastructural funds).

Table 7.4 - The top 5 managers by Assets Under Management (UCITs and FIAs)

Ranking	Management Company	TOTAL	as % of the total
1	Quaestio Capital Management SGR S.p.A.	5,452,429,292	33.94%
2	Fondaco SGR	4,934,535,763	30.72%
3	Eurizon Capital	1,048,826,755	6.53%
4	Azimut	345,249,457	2.15%
5	F2i SGR S.p.A.	252,230,313	1.57%

Table 7.5 shows the figures that appear under the item "financial instruments entrusted to individual asset management companies" as provided for by sector regulations.

The asset management weight dropped in 2018: the assets (2.2% of the total of the 27 Foundations examined) were entrusted by 11 Foundations to 31 management companies with 52 mandates; the leading 5 management companies are illustrated in terms of their mandated assets.

Table 7.5 - List of management mandates assigned to specialized management companies

Ranking	Management company	Resources	% Resources	n. of mandates
1	Nextam Partners SGR S.p.A.	216,801,367	25.98	2
2	Credit Suisse AM	78,884,226	9.45	3
3	UBS Global AM	58,189,665	6.97	3
4	Banor SIM	52,009,085	6.23	2
5	Fideuram AM	51,919,907	6.22	2

Banking Foundations and the real economy

Given their origin and their parent banks' strong link with the community, these Foundations have always attached great attention to the "**real economy**". In this Report, "real economy" means investments in Italy or in Italian companies; Government securities, capital and non-capital real estate investment, liquidity and other assets (credits, accruals, etc.) are excluded. Even though the use of segregated vehicles and platforms makes it increasingly difficult to identify the investments in the Italian real economy, the survey has revealed interesting figures. Overall, the 27 Foundations examined allocated 19 billion euros, or 48.6% of total assets, to the Italian real economy out of a total of 39 billion euros' worth of assets (**Table 7.6**). The investments on government bonds excluded from our calculation are not significant, since with 285 million euros, they only account for 0.77% of the Foundations' total assets. In detail, out of approximately 19 billion euros, as much as **10.8 billion euros** (57%) were invested by Foundations in their transferee banks; in addition to the shares held directly by the Foundations, the calculation also includes the shares of the transferee banks in asset management companies.

Table 7.6 - Investments in the Italian real economy

Investment	2018	% of the total assets of the 27 Foundations
Transferee Bank	10,803,594,030	27.73%
CDP	1,370,884,306	3.52%
Fondazione con il Sud	152,919,031	0.39%
Italian corporate bonds	622,279,849	1.60%
Italian equity	4,216,974,506	10.83%
Direct invest. UCITS	3,020,359	0.01%
Direct invest. FIAs		0.00%
<i>Infrastructures</i>	256,624,526	0.66%
<i>Renewable energies</i>	748,878,252	1.92%
<i>Private Equity</i>	304,400,044	0.78%
<i>Venture Capital</i>	60,462,038	0.16%
<i>Private Debt</i>	26,521,782	0.07%
<i>Social impact investments</i>	34,491,000	0.09%
<i>Real- estate FIAs</i>	327,743,443	0.84%
TOTAL	18,928,793,166	48.59%

8. Privatized Schemes for Liberal Professions: activities, membership, assets and managers

On December 31, 2018, there were **20** Privatized Schemes of Liberal Professions established under Legislative Decrees n. 509/1994 and 103/1996. In this Report, ONAOSI, the *organization that takes care of the orphans of health-care professionals*, has been excluded due to its particular operational approach and mission that are significantly different from the other privatized funds’.

The 19 privatized funds¹ analyzed in this Report manage **22** different pension schemes, as INPGI is also required to fulfill its institutional task for INPGI, a separate scheme (so-called INPGI 2) and for ENPAIA, which separately manages the pensions of agricultural and agro-technical experts.

Number of members and pensioners - At the end of 2018, the total number of members in the privatized scheme was **1,659,834**, equal to about 7% of the total workforce in Italy, with a slow but progressive increase equal to **0.29%** in 2018 vs. the previous year, while the 2017 growth vs. that of 2016 was equal to + 0.59% (see **Table 8.1** and **Figure 8.1**). Therefore, the overall figure related to members remained positive. The gender ratio (Adepp data, VIII Report, vs. 2017) shows that the number of working **women** reached **36%**. out of the total number of members, with an encouraging upward trend (**48%**) in younger generations (under 40).

The schemes with the highest percentage increase in membership were ENPAIA, the Fund for Agrotechnicians (+ 6.97% and + 5.30% in 2017 with respect to 2016), ENPAP, the Fund for Psychologists (+ 5.70% and + 6.12% in 2017 vs. 2016) and ENPAB, the Fund for Biologists, with + 4.03%. Unlike in the previous year, ENPAPI's first place in the ranking could not be confirmed because, as already mentioned, the updated accounting data are not available.

INARCASSA resumed the trend it had in the years prior to 2017 and returned to be positive (+ **0.44%**). The Cassa Forense figures interestingly show that its exponential membership growth in recent years seemed to gradually flatten out, reaching + 0.41%. It is important to stress that figures past figures had been significantly boosted by the Legislator in 2014 (under Art. 7 of Regulation ex art. 21 of Act 247/2012); in fact, all lawyers with incomes below 10,300 euros per year and not yet members of the Scheme, were automatically registered in the Fund for Lawyers and this resulted in an annual growth by almost 50,000 members (46,754 to be precise).

On the other hand, some schemes had a significant reduction in their membership. The major reduction occurred in the Fund for Surveyors (**-3.24%**), followed by ENASARCO (**-2.26%**), the main INPGI scheme (-1.87%) and the Fund for Notaries (**-1.15%**), which slumped after two years of growth.

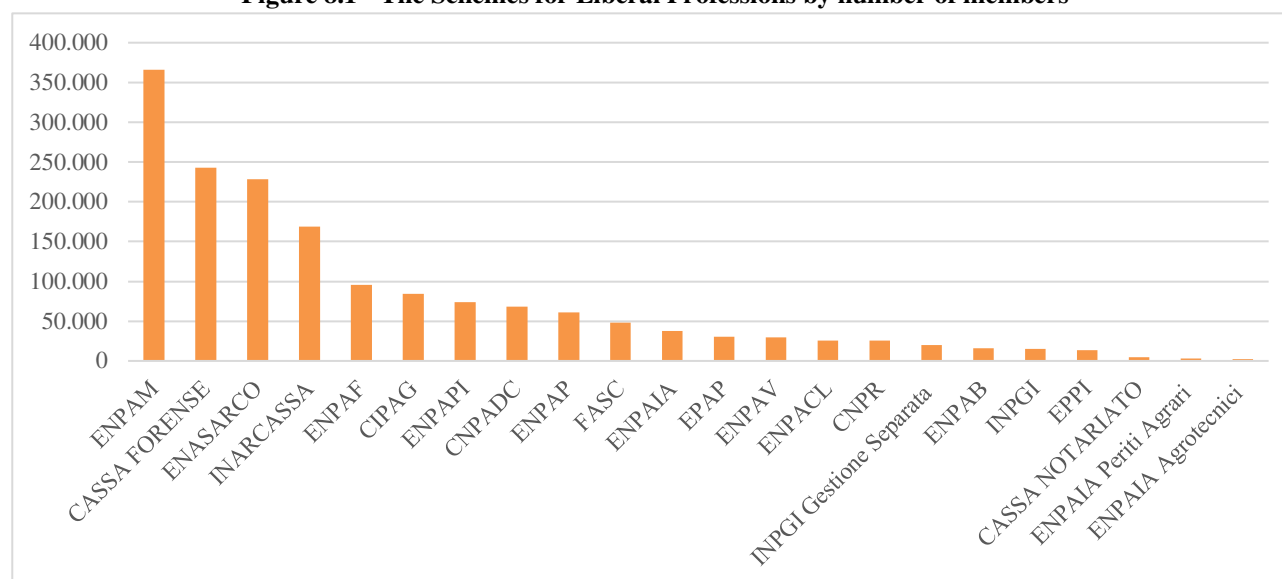
¹ The data related to the ENPAPI, The for Nurses, are the same as the ones in the previous edition of this Report (for 2017) because, at the time of its drafting, this Scheme was still under receivership and the 2018 accounts had not been yet published.

Table 8.1 - The Schemes for Liberal Professions by number of members

	Scheme	n. of members	% var.		Scheme	n. of members	% var.		Scheme	n. of members	% var.
1	ENPAM	366,084	0.66%	9	ENPAP	61,068	5.70%	17	ENPAB	15,678	4.03%
2	CASSA FORENSE	243,233	0.41%	10	FASC	48,262	1.70%	18	INPGI	14,731	1.87%
3	ENASARCO	228,100	2.26%	11	ENPAIA	38,052	2.82%	19	EPPI	13,702	1.47%
4	INARCASSA	168,851	0.44%	12	EPAP	30,078	1.82%	20	CASSA NOTARIATO	4,881	1.15%
5	ENPAF	95,656	1.83%	13	ENPAV	29,252	0.10%	21	ENPAIA Periti	3,274	0.12%
6	CIPAG	84,202	3.24%	14	ENPACL	25,469	0.50%	22	ENPAIA Agrotech.	1,933	6.97%
7	ENPAPI*	73,569	0.00%	15	CNPR	25,238	0.29%				
8	CNPADC	68,552	1.76%	16	INPGI Gest. Separata	19,969	0.71%		Totale	1,659,834	0.29%

The number of **pensioners** who received benefits from the 19 Schemes, except for FASC that only provides capital benefits) was equal to **425,169** with an increase by **2.6%** with respect to 2017 (the same growth as in the previous year). By comparing the number of members with the number of pensioners, it is possible to calculate a ratio of **3.90 members for every pensioner** (3.99 in 2017), that was still very positive.

Figure 8.1 - The Schemes for Liberal Professions by number of members



Contributions and benefits - The ratio of new contributions (10.53 billion euros) to pension benefits (6.33 billion euros) was very positive. In contrast to 2017, the growth in contributions slowed down to +3.3% from +17.8% in 2017, also due to the modest increase in the number of members (the figures of the growing schemes were offset by those of the shrinking ones), which was however higher considering the reference cohort. This suggests that there was a slight and generalized average growth in the remuneration of professionals paying welfare and pension contributions. In this regard, not all the schemes provided the average income of their members and, therefore, it is not possible to analyze these data detail.

The ratio of contributions to benefits was positive for all pension schemes, with the exception of **INPGI**, that had *a negative delta equal to 120 million euros* (the 2018 contributions were equal to 407 million euros and pension benefit expenditure to 527 million euros). Recently, the Legislator intervened with the Legislative Decree 34/2019 then transposed into Act 58/2019. Art. 16 quinquies of this law established that INPGI would be subjected to receivership if there was no technical solution to its predicament within the very tight deadline of October 31, 2019.

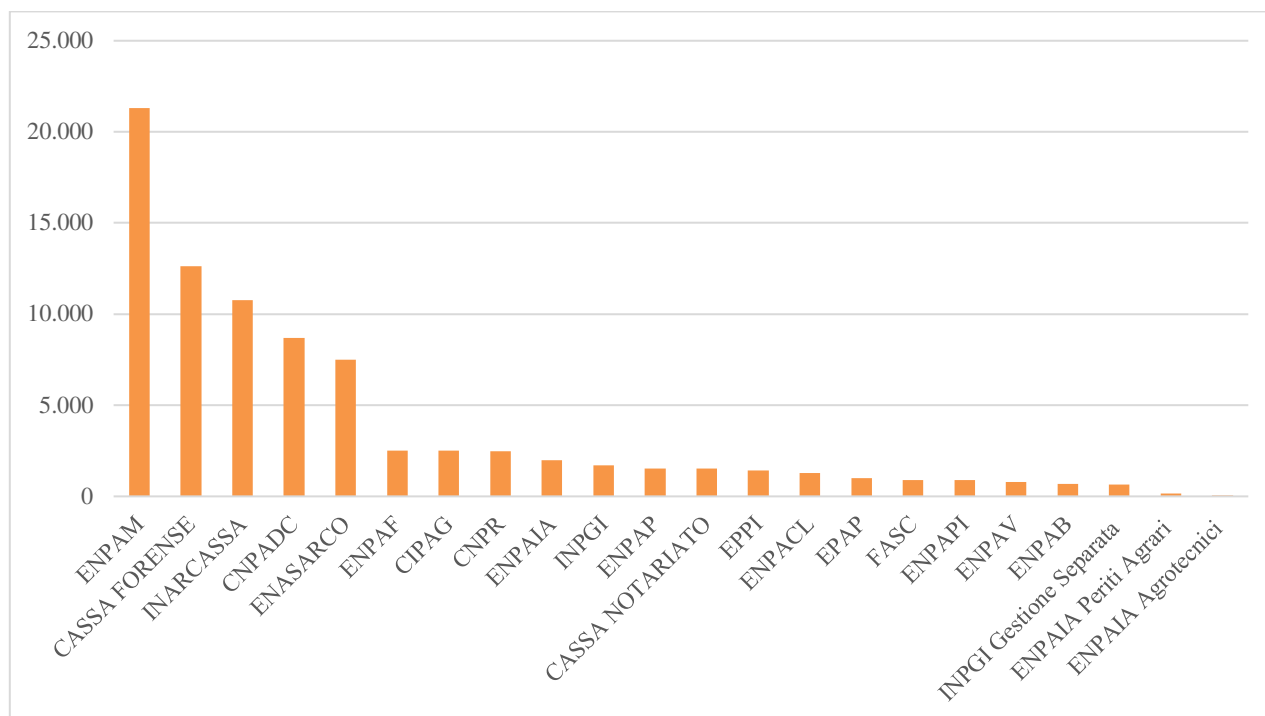
Assets and Net Worth - The 19 privatized schemes had **82,924,185,936 euros' worth of assets**. The resources available to these institutional investors therefore continued to grow in a consistent and significant way by **5.3%**, - 0.8% with respect to 2017 (+ 6.1%) (see **Table 8.2** and **Figure 8.2**).

Below is the ranking of the schemes and their percentage growth compared to the previous year. The only scheme that suffered a reduction in its total assets was **INPGI** with an **8.9%** decrease compared to 2017. On the contrary, the scheme with the largest asset growth was **ENPAP**, **+11.6%**. The table shows that ENPAF outperformed with respect to CIPAG and CNPR and with respect to 2017.

Table 8.2 - The Schemes for Liberal Professions by total assets (in millions of euros)

	Scheme	Assets	% var.		Scheme	Assets	% var.		Scheme	Assets	% var.
1	ENPAM	21,295	5.7%	9	ENPAIA	1,966	1.69%	17	ENPAPI	885	0%
2	CASSA FORENSE	12,633	7.58%	10	INPGI	1,704	-8.88%	18	ENPAV	788	8.39%
3	INARCASSA	10,751	5.23%	11	ENPAP	1,538	11.68%	19	ENPAB	677	5.78%
4	CNPADC	8,705	8.18%	12	CASSA NOTARIATO	1,535	1.09%	20	INPGI G. Separata	643	4.21%
5	ENASARCO	7,516	2.82%	13	EPPI	1,429	8.27%	21	ENPAIA Periti Agrari	174	5.45%
6	ENPAF	2,502	4.69%	14	ENPACL	1,273	8.87%	22	ENPAIA Agrotechnicians	37	8.82%
7	CIPAG	2,498	2.39%	15	EPAP	984	5.88%				
8	CNPR	2,485	1.34%	16	FASC	898	2.27%		Total	82,924	5.32 %

Figure 8.2 - The Schemes for Liberal Professions by total assets (in millions of euros)



In 2018, the **net worth** of privatized schemes amounted to **71,740,733,145** euros, with a 4.87% increase with respect to 2017 (**68,406,926,659** euros). **Table 8.3** illustrates the schemes with a growth in their net worth by over **7%** (vs. 2017 when the survey only focused on the ones with a growth by over 8% due their higher performance for that year). The number of schemes that exceeded this threshold was particularly small and fell sharply compared to the previous year when as many as 9 funds had a growth by more than 8%. Even though ENPAP had been the leading scheme in terms of growth for more than two years, the increase in its net worth was only equal to 3.7% (vs. +17.43% in 2017 and + 45% in 2016). EPAP obtained a negative result (-0.29%) with respect to the 15.24% increase in 2017.

Table 8.3 - Changes in the assets of Schemes for Liberal Professions in 2018 vs. 2017

Schemes with a net asset growth by over 7%			
Scheme	Assets 2018	Assets 2017	% var.
ENPAIA Agrotecnici	3,777,714	3,205,108	17.87%
ENPACL	1,212,624,337	1,115,821,847	8.68%
ENPAV	653,302,019	608,115,960	7.43%

Before moving on to investments, it is necessary to reiterate that, in 2018 too it was difficult to analyze the financial statements of privatized schemes because of the lack of standards to draft these accounts and, above all, of a clear identification of the companies mandated to manage even significant parts of their resources; this lack of transparency was also found with regard to membership. As in previous years, it was not always easy, maybe a little bit easier, to understand where and how the assets of these privatized schemes were invested. Apart from the persistent absence of minimum and shared accounting standards, in some cases it was impossible to obtain the

details of UCITs investments because the data were limited to part of the funds in which they had participated in the accounting period.

Consequently, it was not possible to trace INARCASSA's investments even for significant amounts of its assets. In other cases, the available data were presented in such a way that it was not easy to understand which securities were directly held by this scheme and which were instead outsourced to asset management companies.

As already pointed out in previous editions, it is necessary to have more detailed information, not so much and not only for the purposes of this Report, but above all to allow members and other stakeholders to better understand how their pension and welfare savings and contributions are managed.

Investments - The data related to the investment of the largest part of the 82.924 billion euros' worth of assets of the 19 privatized schemes show, in line with previous years, their preference for *direct investments*, accounting for **80.58%** of the total (93.14% of net assets). In essence, also because of their governance and their competencies, these funds showed a very modest propensity to act as independent institutional investors and to directly buy and sell the most appropriate financial instruments to honor their institutional commitments to members. Of the 82.9 billion of assets, *direct investments* amounted to **66,816,174,301 euros**, while mandated *indirect investments* amounted to **16,107,825,468 euros**.

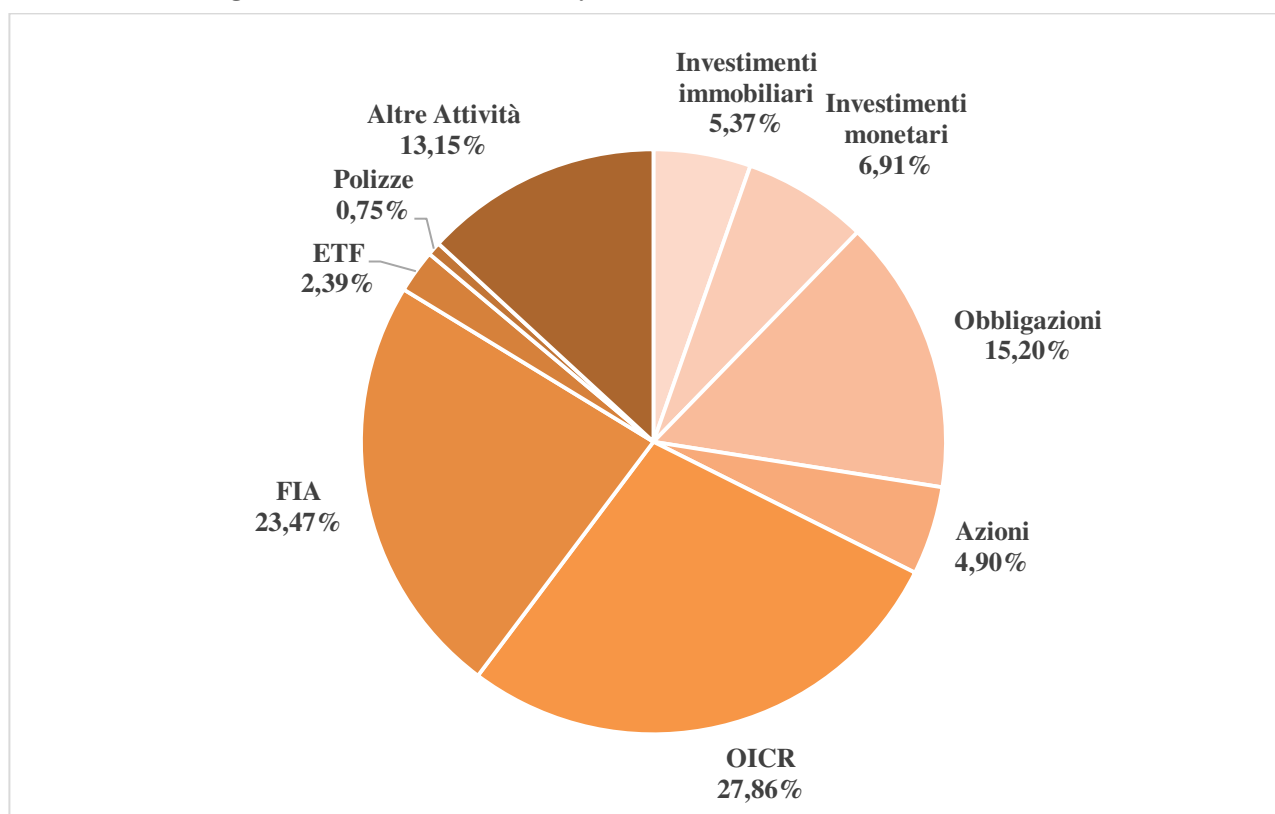
Direct investments - The 66.8 billion euros' worth of direct investments illustrated in *Figure 8.4*, were concentrated on the following asset classes: **a)** real estate investments (5.37%); **b)** monetary investments (6.91%); **c)** bonds (15.20%); **d)** equity (4.90%); **e)** policies (0.75%); **f)** UCITS (27.86%); **g)** FIAs (23.47%); **h)** ETFs (2.39%); **i)** other assets (13.15%).

It is important to bear in mind that, in this Report, the participations in SICAVs and ad-hoc investment funds of these Schemes are qualified as direct investments (and not as mandated indirect investments), which is the case for both UBS SICAV held by ENPAP and for the Quaestio Capital Fund in the CIPAG portfolio. For further information on the criterion for the allocation of the investment instruments, please refer to the methodological note in the appendix.

The analysis shows that UCITs remained the investment instruments preferred by these Schemes, almost equally followed by alternative financial instruments (FIAs). The two instruments alone accounted for more than 50% of their direct investments.

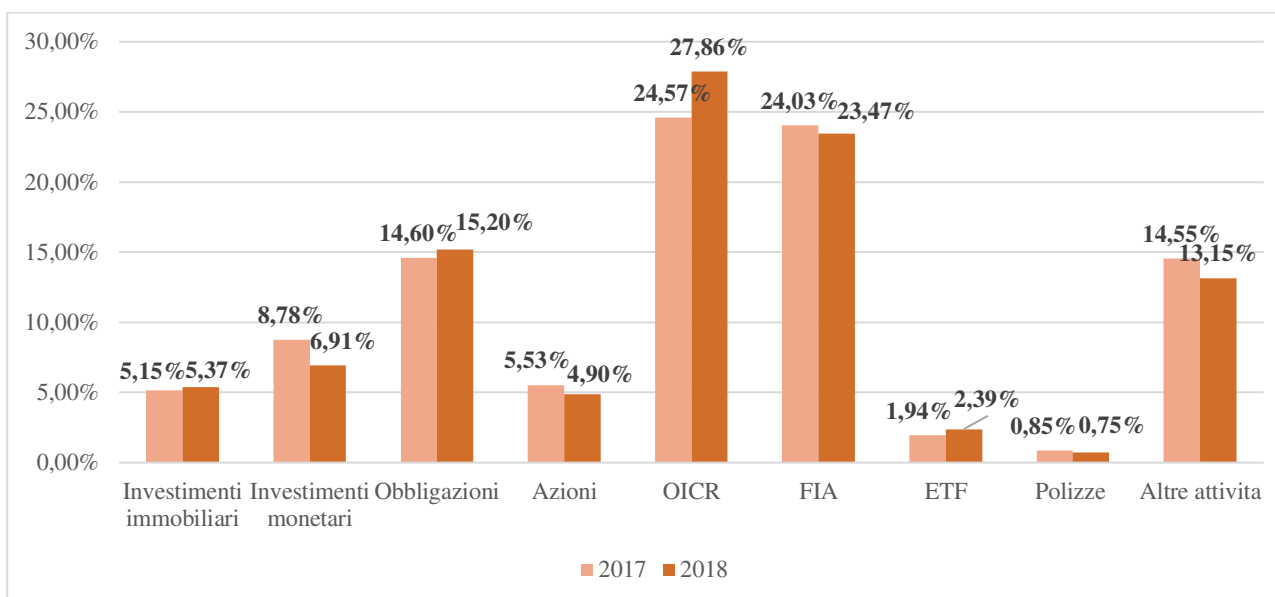
Compared to 2017 (*Figure 8.4.1*), real estate investments remained stable (5.37%) vs. 5.35% in the previous year and ETF investments grew up to 2.38% (vs. 1.94% in 2017). On the contrary, monetary investments decreased, losing almost 2 percentage points compared to the previous year (6.91% in 2018 vs. 8.78% in 2017).

Figure 8.4 - Direct investments by the Schemes for Liberal Professions in 2018



Real-estate investments - Monetary investments - Bonds - Equity - UCITS - FIAs - ETF - Policies - Other assets

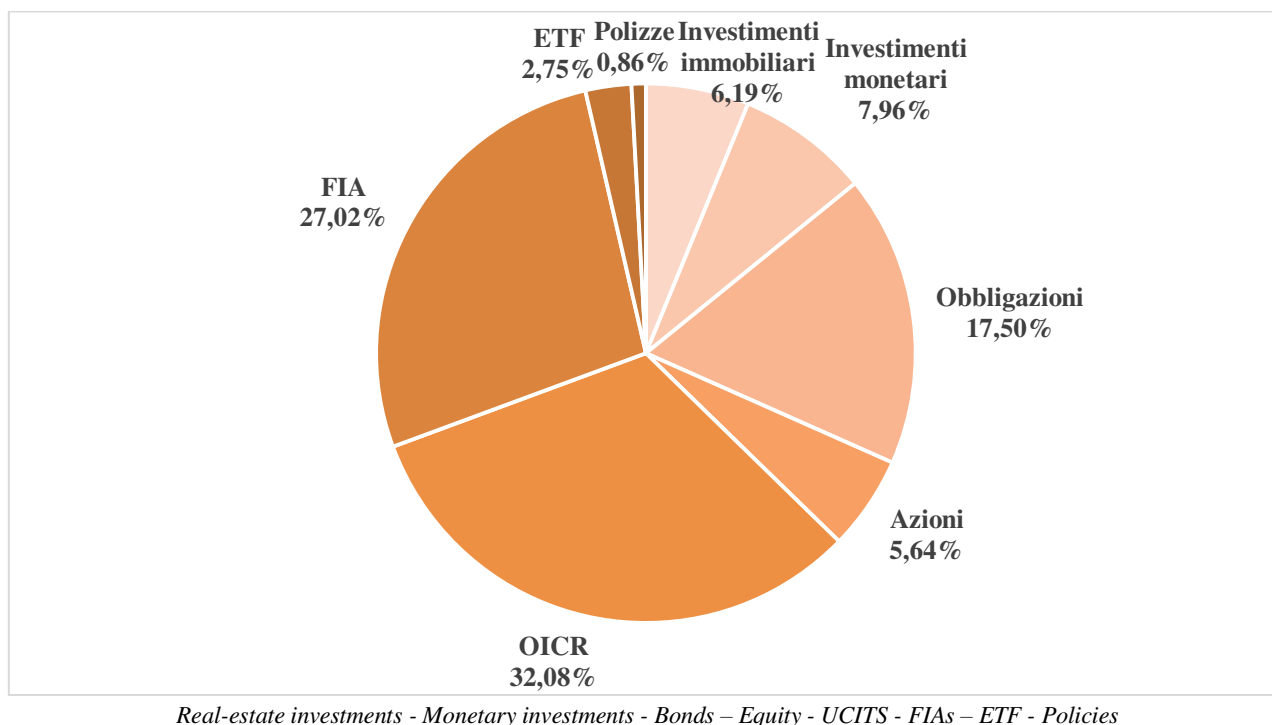
Figure 8.4.1 - Comparative analysis of direct investments in 2017-2018



Real-estate investments - Monetary investments - Bonds - Equity - UCITS - FIAs - ETF - Policies - Other assets

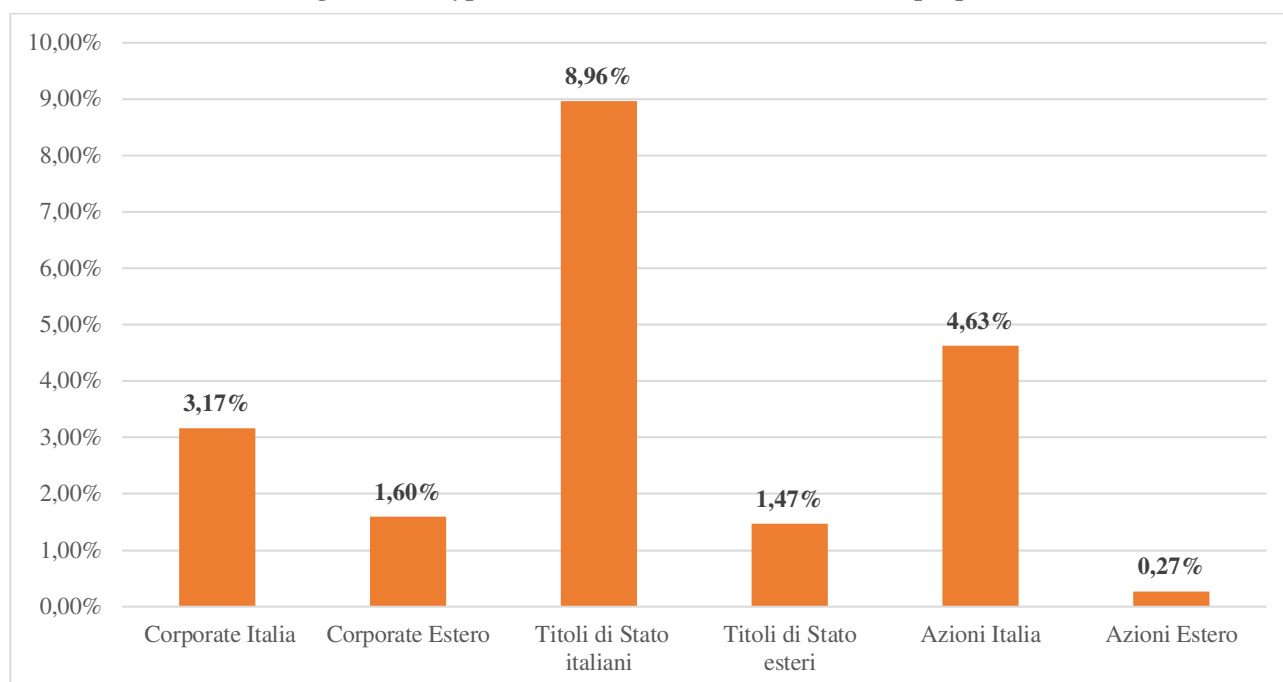
Compared to the previous pie chart that does not include "other assets", which by definition are not investments, the investments by the Schemes can be reclassified as illustrated in **Figure 8.5**. In this case, the combined share of **UCITs** and **FIAs** increased from about 50% to almost **60%** of total **direct investments**.

Figure 8.5 - Direct investments of the Schemes for Liberal Professions without other assets in 2018



Equities and bonds - Traditional financial instruments (equities and bonds) still accounted for **20.10%**, a significant share of total direct investments. **Figure 8.6** shows the detailed equity and bond investments. **Italian government bonds** remained the leading instruments with **8.96% of total direct investment and more than 40% of equity and bond investments**. Instead, Italian corporate bonds and foreign corporate bonds respectively accounted for **3.17%** and for **1.60%** of total direct investments (with a clear preference for investments in the domestic economy). The Scheme with the largest investment on this type of bonds was INARCASSA (but the detailed data for this type of investment are not available, as already explained above).

Figure 8.6 – Types of shares and bonds for investment purposes



Italian corporate bonds - Foreign corporate bonds - Italian Treasury Bills - Foreign Treasury Bills - Italian equity - Foreign equity

Investments in the Bank of Italy and Cassa Depositi e Prestiti - For the purposes of this Report, the "shares" of the Bank of Italy held by these pension schemes are considered as equity shares, even though they are not exactly so. The comparison of the amount of these "shares" with the total number of shares invested by these schemes shows that the ***total interest in the Bank of Italy was equal to 34.34% of the equity portfolio of these funds***. Of course, each Scheme had a different shareholding (*Table 8.4*).

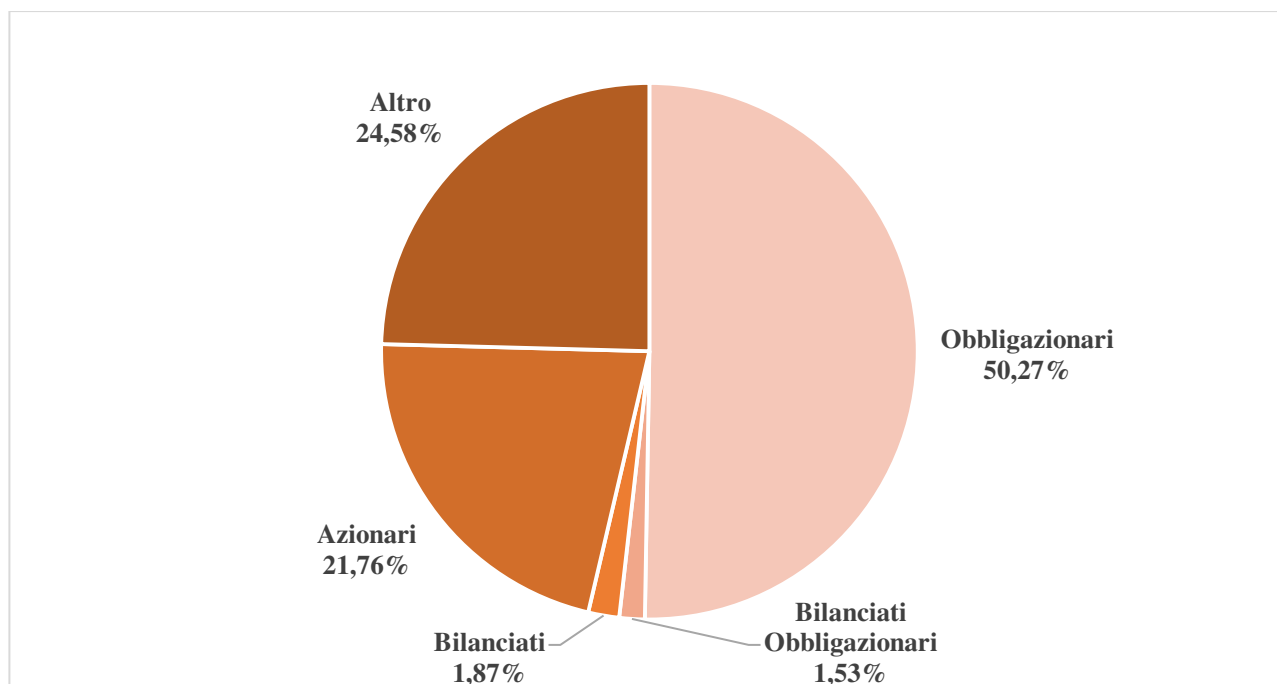
Three Schemes invested in **Cassa Depositi e Prestiti** (Cassa Forense, Fondazione ENPAIA and ENPAF) for a total of 159 million euro (with a predominant share for Cassa Forense, equal to 140 million euros).

Table 8.4 – Interests in the Bank of Italy

Scheme	Interest in the Bank of Italy
CASSA FORENSE	€ 225,000,000
CNPADC	€ 150,000,000
CNPR	€ 37,500,000
ENPACL	€ 70,000,000
ENPAM	€ 225,000,000
ENPAP	€ 10,000,000
FASC	€ 20,000,000
ENPAIA	€ 150,000,000
ENPAIA AGROTECHNICIANS	€ 1,500,000
ENPAIA AGRICULTURAL ENGINEERS	€ 10,000,000
INARCASSA	€ 225,018,000
Total	€ 1,124,018,000

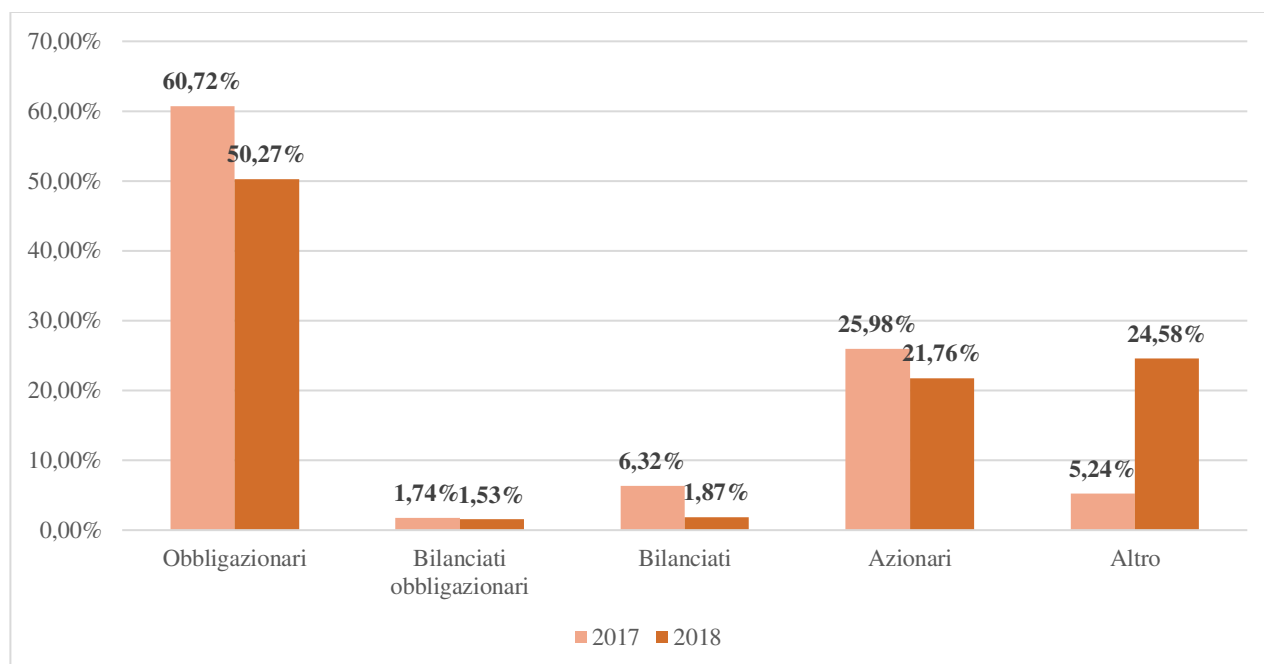
UCITs direct investments - Investments on traditional UCITs (bond, equity or balanced) amounted to **18.61 billion euros** (about 15 in the previous year), but the details on these investments for each scheme were available only for 16.85 billion euros. The preferred UCITs investments were bonds, accounting for 50.27%, followed at a considerable distance by those classified as "other" equal to 24.57% (total/absolute return or in any case without benchmark) and by "equity" equal to 21.76% (**Figure 8.7**). The comparison with 2017 in **Figure 8.8** shows that these schemes increasingly adopted "mixed" solutions (not related to equity, bond or balanced funds).

Figure 8.7 - Traditional UCITs by type of underlying investment



Other - Bond - Balanced Bond – Balanced - Equity

Figure 8.8 - Traditional UCITs by type of underlying investment in 2017 vs. 2018



Bond - Balanced bonds – Balanced – Equity - Other

Table 8.5 shows the top 5 managers of ***traditional UCITs*** by AUM and by type of investment. It is important to bear in mind that, given the lack of some detailed accounting data, ***more than 500 million euros invested*** could not be linked to any professional management company. Of course, if such a large amount of assets were attributable to one or more managers, the ranking would be significantly different. However, the ranking did change with respect to the previous year: the leader of the ranking became Quaestio Capital due to the Global Diversified II Fund held by CIPAG, Pictet climbed from the third to the fifth position and Franklin Templeton left the ranking.

Table 8.5 - Ranking of the top 5 managers of traditional UCITs direct investments

Management company	Bonds	Balanced bonds	Balanced	Equity	Other	TOTAL
Quaestio Capital	5,191,912	0	0	306,298,780	1,719,229,939	1,724,421,851
BlackRock	461,812,683	95,172,443	0	221,985,108	42,808,087	821,778,321
Amundi	578,036,834	0	0	140,457,259	83,881,642	802,375,735
Allianz Global Investors	597,676,768	0	0	140,572,220	36,595,244	774,844,232
Pictet & Cie	612,726,559,93	0	0	86,717,154	7,413,116	706,856,830

Direct investments in Alternative Investment Funds - FIAs - The FIA investments by the Schemes amounted to **15.68 billion euros** (more than one fifth or 23.47% of all direct investments), but the detailed data for each fund was only available for **14.69 billion euros**. The data show that, unlike other institutional investors, these Funds preferred this type of investment classified as "alternative".

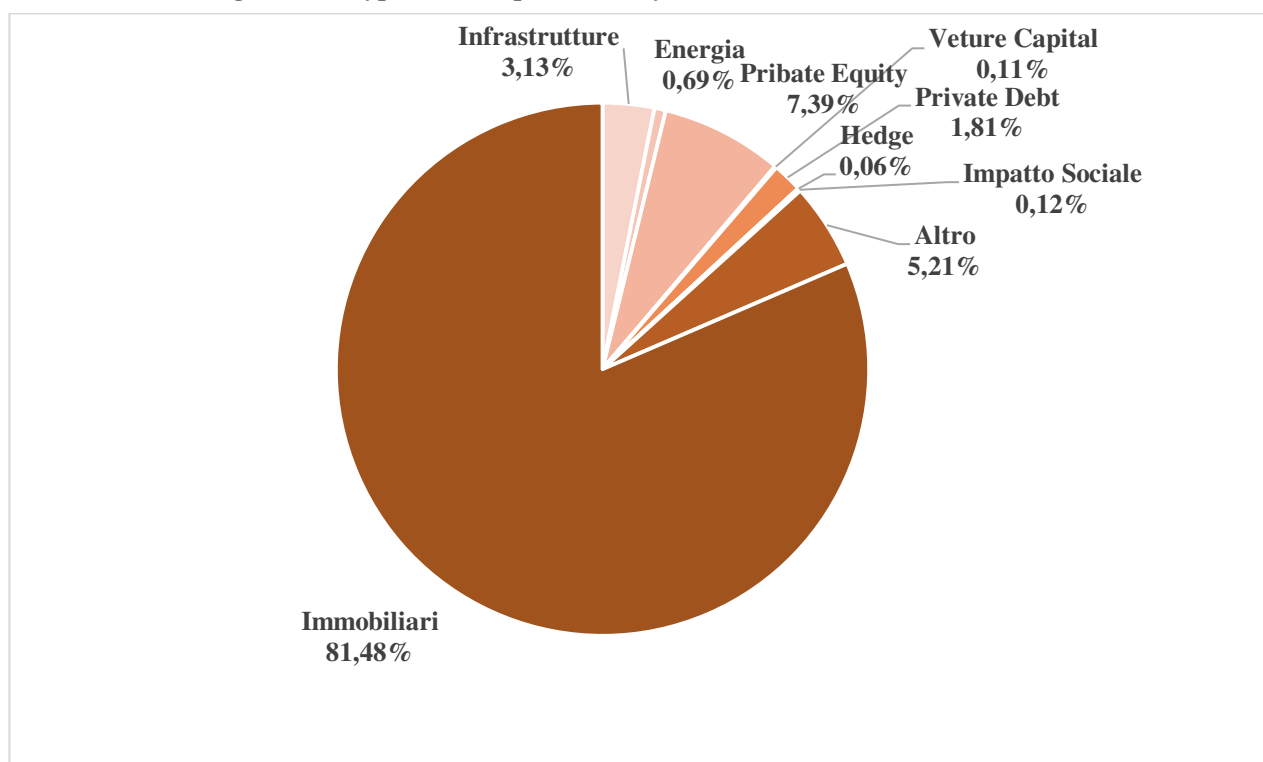
In this particular context, FIAs became a "conventional" form of investment, almost very close to traditional UCITs in terms of assets under management. **Figure 8.9** shows the composition of FIA real estate and securities investments and, for the latter, the breakdown by type of alternative investment as percentage of the total.

The FIA investments were largely concentrated in the real-estate sector (81.48%), followed by private equity funds (7.39% vs over 6% in 2017) mainly invested in SMEs and large companies (traditional private equity), infrastructure (3.13%), energy (0.69%), private debt (1.81%). The share of the remaining investments was small. The category "FIA securities - Other" amounted to 5.21% and includes all the alternative investments that did not fall into the categories indicated above.

The Scheme that invested the most on FIAs was ENPAM for a total of **4,168,473,631** euros.

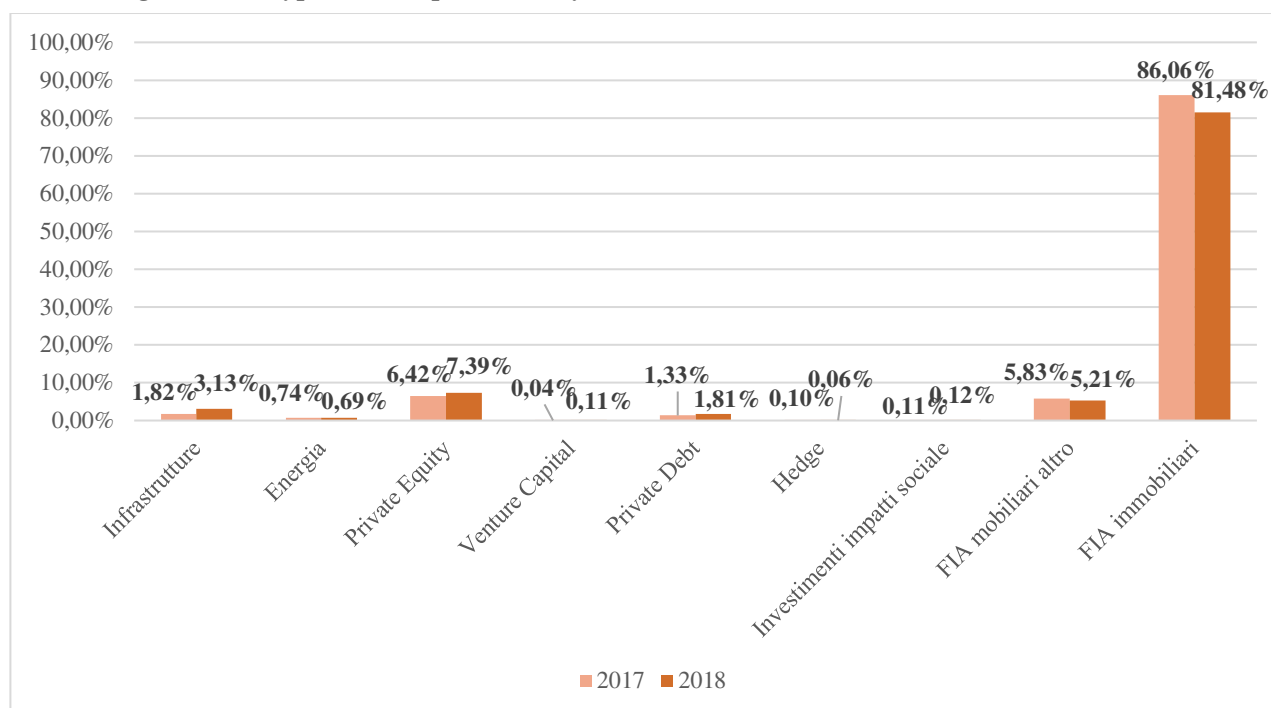
Figure 8.10 illustrates the comparison with the previous year and shows that, in 2018, these funds preferred alternative private equity and infrastructural investments.

Figure 8.9 - Types of FIAs purchased by the Schemes for Liberal Professions



Infrastructure – Energy - Private Equity - Venture Capital - Private debt – Hedge - Social Impact – Other - Real estate

Figure 8.10 - Types of FIAs purchased by the Schemes for Liberal Professions in 2017 vs. 2018



Infrastructure – Energy - Private equity - Venture capital - Private debt – Hedge - Social impact investments - Other securities FIAs - Real-estate FIAs

Table 8.6 lists the top 5 alternative investment management companies by assets under management in which the privatized schemes invested. Similarly to the Figure on the types of FIA investments, this Table shows the preference of these Schemes for FIAs in the *real-estate* sector. The ranking did not substantially change compared to 2017. Idea Fimit retained its leading position (now called DeA Capital Real Estate), while the other asset management companies "exchanged" places: Investire Sgr fell to the third place and Fabrica Immobiliare climbed to the second.

Table 8.6 - Top 5 FIA managers by AUM

Management company	Social impact investments	Securities FIAs other	Real-estate FIAs	TOTAL
DeA Capital Real Estate SGR	0	0	2,686,383,362	2,686,383,362
Fabrica Immobiliare SGR S.p.A.	0	0	2,319,181,532	2,319,181,532
InvestiRe SGR	5,983,365	0	2,075,837,027	2,081,820,392
Antirion SGR s.p.a.	0	0	1,835,456,381	1,835,456,381
Prelios	0	2,000,000	986,612,605	988,612,605

Exchange Traded Funds - ETFs - For the first time, this edition of the Report includes ETFs. In fact, even though they are not the preferred investment instruments of these schemes, ETFs accounted for 2.39% of total direct investments. **Table 8.7** below lists the top 5 ETF managers by total amount invested.

Table 8.7 – The top 5 ETF managers

Management company	Total
iShares	637,564,242,10
Lyxor sgr s.p.a.	250,961,302,78
Vanguard	245,448,054,47
Invesco	145,067,307,00
UBS Global AM	112,333,647,78

Indirect investments - Management mandates - The assets mandated to management companies amounted to **16.10 billion euros** (down compared to 17.49 billion euros in 2017). **Table 8.8** shows the main characteristics of these management mandates: the top management companies chosen by Privatized Schemes in terms of number of mandates and assets under management; the percentage of AUMs for each individual manager vs. the total number of mandates outsourced to management companies and the average value of the mandates.

Table 8.8 - The top 5 managers of the Schemes for Liberal Professions by AUM

Management company	N. of mandates	AUM	% Resources	Average mandate
State Street GA	4	1,855,626,641	11.47%	463,906,660
Blackrock	2	1,424,883,708	8.80%	712,441,854
Legal & General	1	1,333,553,863	8.24%	1,333,553,863
Credit Suisse AM	5	1,214,769,260	7.51%	242,953,852
Amundi	7	1,160,071,783	7.17%	165,724,540

The **2018 AUM ranking** is similar to that of the previous year with State Street GA in the first place but Amundi got the fifth position and Credit Suisse climbed to the fourth place. In terms of *number*

of mandates, Amundi was the leader of the ranking with 7 mandates (one less than in 2017), followed by Eurizon Capital with 6 mandates, better than in 2017 and Credit Suisse AM and State Street GA with 5 and 4 mandates respectively. Allianz Global Investor ranked fifth (4 mandates as State Street GA), but had the twelfth place in terms of number of resources invested. This is reflected in the market shares of management mandates.

The average mandate was equal to **199 million euros**, with a minimum of 1.5 million euros' worth of assets under management for Duemme (the last in the ranking that replaced AXA IM) and a maximum of 1.85 billion for State Street.

The following graphs (*Figures 8.11* and *8.12*) show the ranking of the top 5 managers by number of mandates and by assets under management.

Figure 8.11 - The top 5 managers of the Schemes for Liberal Professions by number of mandates

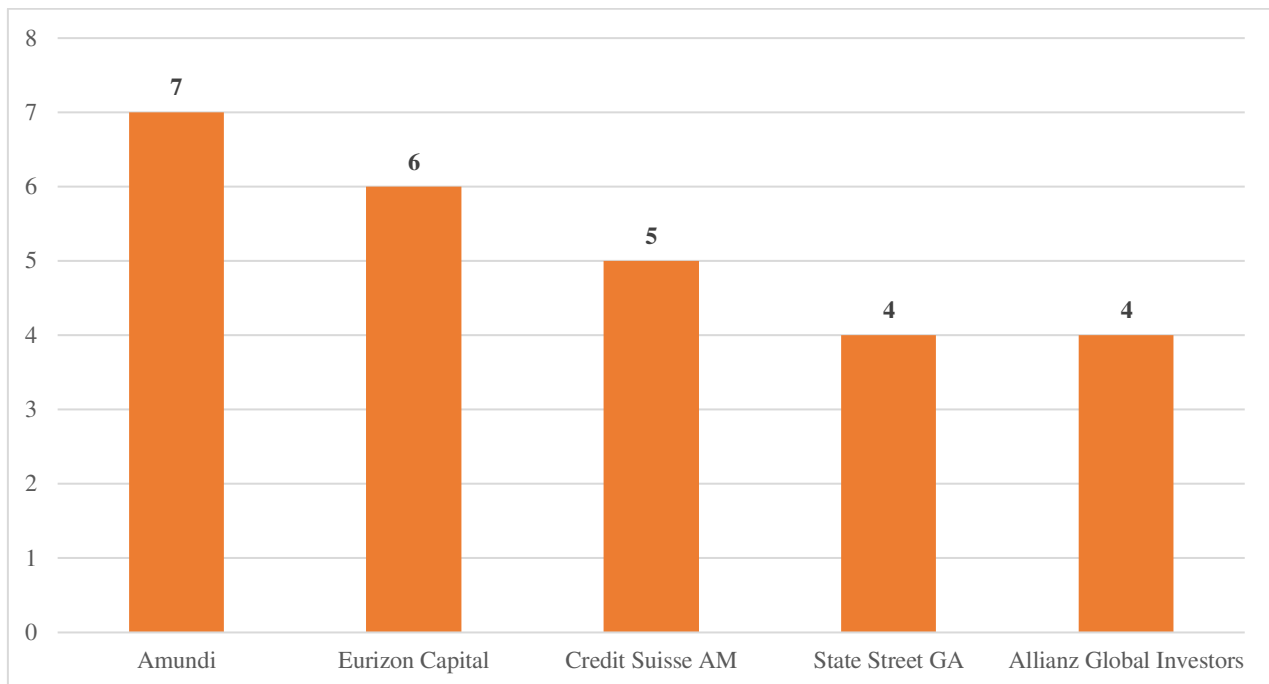
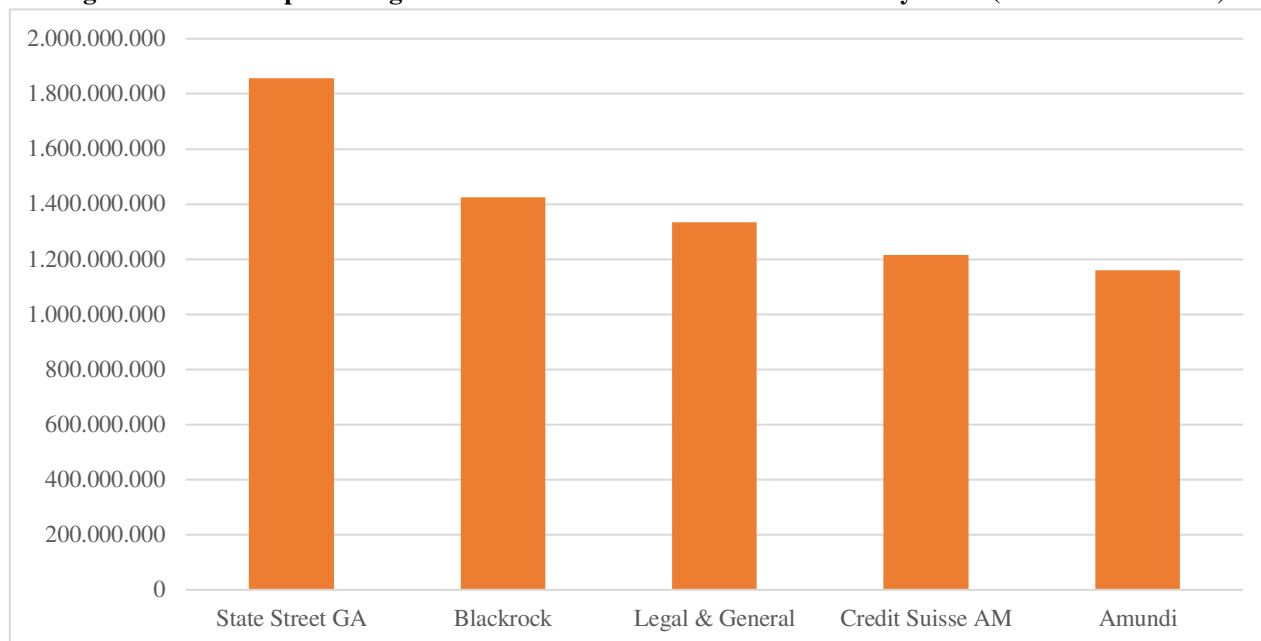


Figure 8.12 - The top 5 managers of the Schemes for Liberal Professions by AUM (in millions of euros)



Direct investment in the real domestic economy -The data related to the investment in the "*real domestic economy*" allow us to understand how much of the pension and welfare savings was used to directly support the Italian economy, both at a general level and with respect to the number of members or future members of the privatized schemes, through the injection of new resources into the system and the support for initiatives designed to strengthen employment and the development of the professional sectors they represent.

As in previous years, the investments made by the Schemes for Liberal Professions were evaluated by classifying the domestic financial investments according to their impact on the real domestic economy as follows:

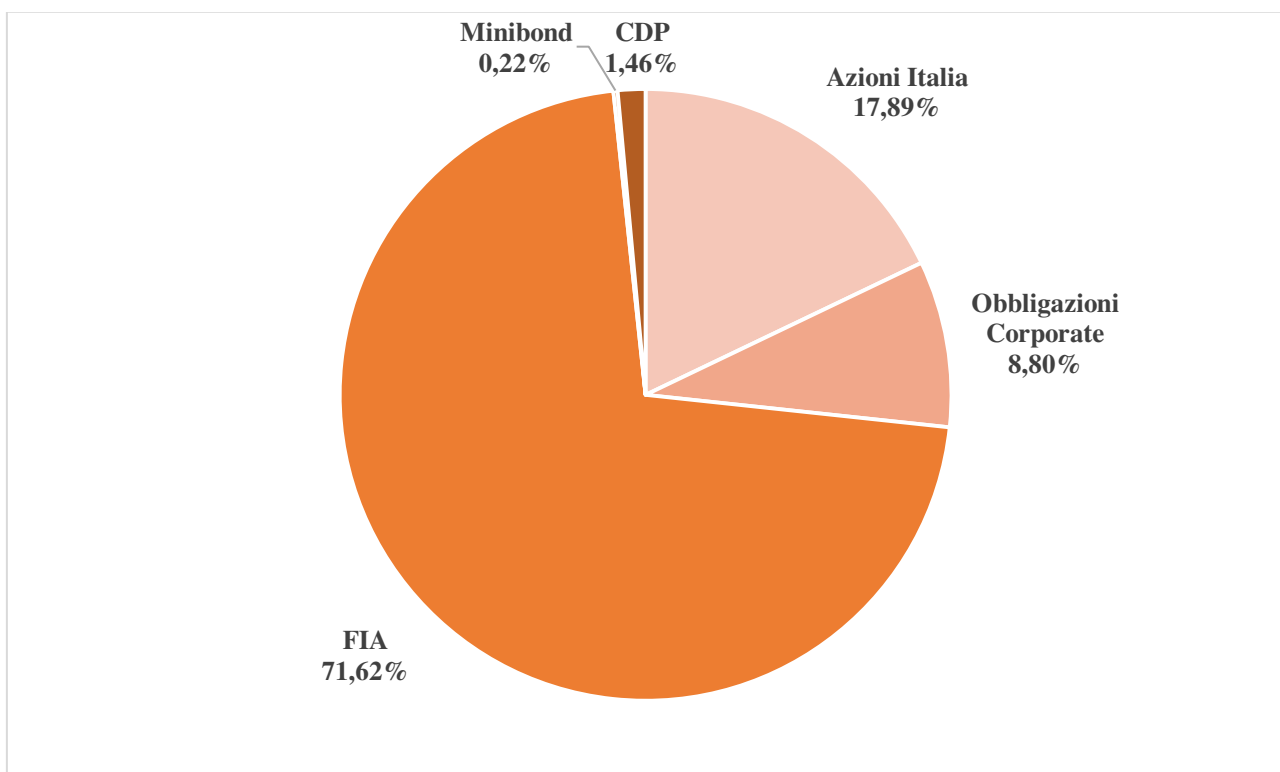
- Real-estate FIAs and other alternative Italian FIAs;
- Institutional investments in Cassa Depositi e Prestiti;
- Shares of listed and unlisted Italian companies (**net of the "shares" invested in the Bank of Italy**);
- Italian corporate bonds (excluding government bonds) and Minibonds.

The total amounted to **10.89 billion euros**, 16.31% of the total direct investments of these pension funds. The investments in the "real" economy were mainly (about 90%) investments in real-estate FIAs and on shares of Italian-based companies. Corporate bonds played a particularly limited role, compared to the still significant amount of government bond investments, as described above. The propensity to purchase Minibonds was very low and mainly limited to Cassa Forense and ENPAV. Again, the figures reported are reasonably underestimated due to the lack of transparency for total investments in the accounts. **Figure 8.13** illustrates the breakdown of these items vs. the total investments in the "real" domestic economy made by all the Schemes for Liberal Professions. As mentioned above, FIAs were the main form of investment to support the Italian economy with 71.62%, especially in the real-estate compartment and ENPAM and Cassa Forense were the two largest investors. For example, Cassa Forense invested a lot of resources in the CICERONE fund

(999,947,205.72 euros) that was created and designed to be used exclusively by Cassa Forense (managed by Fabbrica Immobiliare) with 40 residential and office real-estate assets acquired by this Scheme in 2014/2015 in the North and the South of Italy. On the other hand, EMPAM mainly invested in the Ippocrate fund (the real-estate fund of DeA Capital Real Estate), with real estate assets especially in the commercial and commercial office building sector.

In addition to FIAs, the real domestic economy was also supported by investments on Italian corporate shares (17.89%) and Italian corporate bonds (8.80%). As mentioned above, the investments on government bonds (which also finance the domestic economy), the direct and capital real estate investments and the interests in the Bank of Italy were excluded. But the domestic economy was also supported by the investments in CDP, that accounted for 1.46%, because of the institutional role actually played by this Organization. As previously pointed out, the so-called Minibonds and investments related to Non-Performing Loans were not extensively utilized and amounted to 0.22% of the total number of instruments used to support the domestic economy.

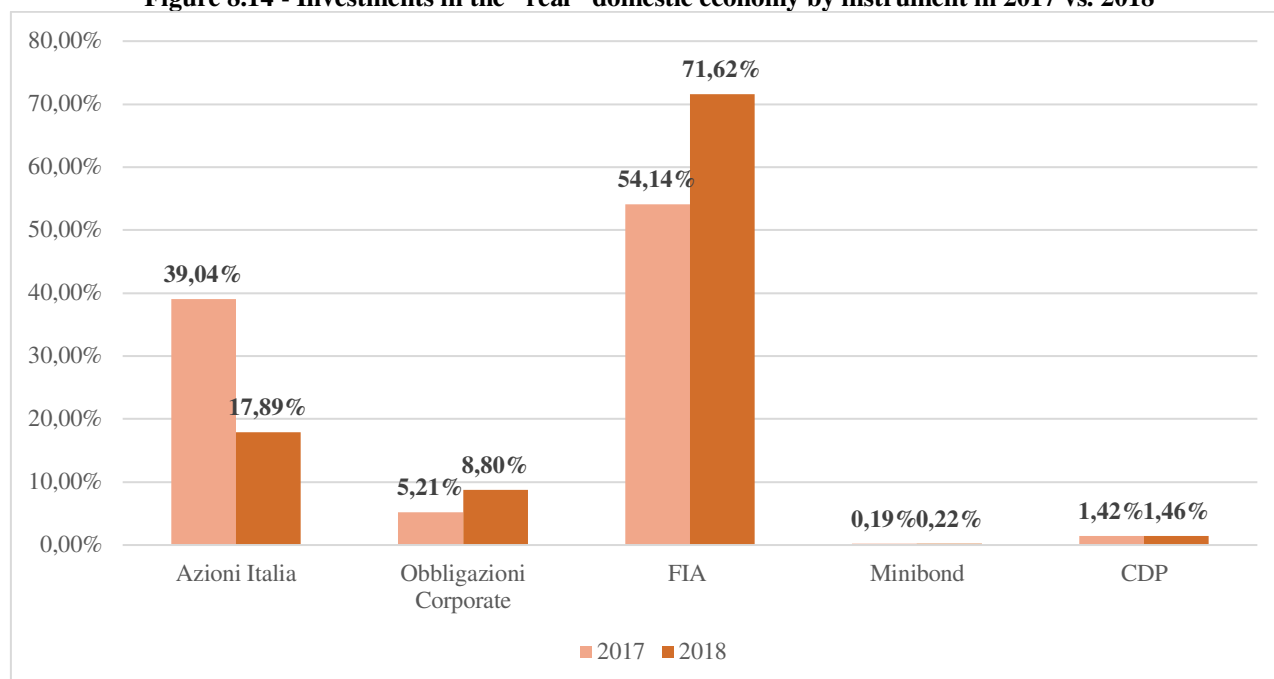
Figure 8.13 - Investments in the "real" domestic economy by instrument



Minibonds – CDP - Italian equity - Corporate bonds - FIAs

Figure 8.14 shows the graph with a comparison with respect to the previous year and describes what has already been said about the preference of these schemes for FIA investments over corporate shares.

Figure 8.14 - Investments in the "real" domestic economy by instrument in 2017 vs. 2018



Italian equity - Corporate bonds - FIAs - Minibonds - CDP

Below is a brief description (for further details, please refer to the reserved area on the website) of the subjects who concurred to managing the assets of these Schemes, i.e. custodian banks and advisors; unlike for pension funds, the administrative activities conducted for members and supervisors were directly and internally managed by these schemes.

Custodian Bank - Fifteen Privatized Schemes resorted to a Custodian Bank even without any regulatory requirement. The main ones are Banca Finnat Euramerica, BNP security service, So.Gen.SS and DEPObank.

Advisor - Almost all the funds had an advisor mainly for investment consulting and asset allocation requirements. There was growing demand for support for asset liability management (ALM). In some cases, there were two advisors, the second usually dedicated exclusively to risk budgeting.

The complete list of custodian banks and financial advisors for each Fund is available in the reserved area of the Itinerari Previdenziali website, as well as the rankings of all managers by AUM and by number of mandates.

The complete list of custodian banks and financial advisors for each Scheme is available in the reserved area of the Itinerari Previdenziali website, as well as the rankings of all managers by AUM and by number of mandates.

9. Supplementary Health-Care Funds and Schemes

In 2018, these institutional investors showed again an *increase* both in their *number of funds* and in their *number of members* and, therefore, in their *assets*, thanks to many collective labour agreements that provided for the establishment or the strengthening of supplementary health care solutions for workers and their families in different sectors. Social parties played a major role in this achievement, which is the only positive note in this sector. In fact, unlike all other institutional investors, despite their 13 million members (more than complementary pension funds), these funds do not have any reference legislation or supervisory authority and, on top of that, it is also difficult to find some basic information about them. In fact, apart from the data obtained directly from our annual survey, the figures related to 2017 and 2018 are only estimates. Even today, these funds are not required to publish their accounts and their statistical data and, except for some best practices, there is still a lack of transparency towards their members. As a result, it was not possible to carry out a comprehensive analysis of their members, beneficiaries, contribution revenues and benefit expenditure, nor of their assets, reserves, provisions and of their investments. The following data were obtained directly from these Funds and Schemes and, until 2016, from the Registry of Healthcare Funds managed by the Directorate for Healthcare Planning of the Ministry of Health (*Table 9.1*).

Table 9.1 - Registry of the Health Funds of the Ministry of Health number of funds and of members

Anno *	Fondi attestati			Situazione iscritti						
	Totale n° attestati	Tip. A	Tip. B	N° iscritti lavoratori dipendenti	N° iscritti lavoratori non dipendenti	N° iscritti familiari lavoratori dipendenti	N° iscritti familiari lavoratori non dipendenti	Totale lavoratori	Totale familiari dei lavoratori	Totale iscritti**
				a	b	c	d	e=a+b	f=c+d	g=e+f
2010	255	47	208	1.647.071	414.904	983.593	266.906	2.061.975	1.250.499	3.312.474
2011	265	43	222	3.209.587	461.424	1.264.534	211.088	3.671.011	1.475.622	5.146.633
2012	276	3	273	3.724.694	506.169	1.290.336	310.744	4.230.863	1.601.080	5.831.943
2013	290	4	286	4.734.798	539.914	1.373.444	266.245	5.274.712	1.639.689	6.914.401
2014	300	7	293	5.141.223	565.199	1.563.015	224.387	5.706.422	1.787.402	7.493.824
2015	305	8	297	6.423.462	535.893	1.862.206	332.931	6.959.355	2.195.137	9.154.492
2016	335	12	323	6.680.504	1.074.038	1.908.962	251.955	7.754.542	2.160.917	10.616.847
2017	311	9	302							12.900.000
2018	320									12.900.000

Fonte: elaborazioni Centro Studi e Ricerche Itinerari Previdenziali su dati Anagrafe dei fondi sanitari del Ministero della Salute. Le cifre in verde sono stime del Ministero della Salute in riferimento al 2017 e del Centro Studi e Ricerche Itinerari Previdenziali in riferimento al 2018. *Si intende l'anno fiscale di riferimento, di conseguenza i dati si riferiscono a quanto attestato dall'Anagrafe dei Fondi Sanitari nell'anno successivo. **Nel totale iscritti per l'anno 2016 sono compresi anche 701.388 pensionati (di cui 173.672 familiari).

Funds – Membership - Year Total n of registered Funds - Type A-B - n. of registered employed workers - n. of registered non-employed workers - n. of family members of employed workers - n. of family members of non-employed workers - total n. of workers - total n. of family members - total n. of members.

*Source: data processed by the Study and Research center of Itinerari Previdenziali; the data were obtained from the Registry of Healthcare Funds of the Ministry of Health. The figures in green are estimates of the Ministry of Health for 2017 and of the Study and Research center of Itinerari Previdenziali for 2018. *It means the reference fiscal year, therefore the data refer to the data provided by the Registry of Healthcare Funds for the following year. **The total n. of members for 2016 also includes 701,388 pensioners (of whom 73,672 family members).*

Number of certified Funds - The latest data provided by the Registry of the Ministry of Health¹, show that, in 2017, the number of **certified Funds** was equal to **311** (they are defined as “certified” because they were not subjected to controls, but because their activity was certified on the basis of a series of documents), - 24 with respect to 2016, of which **302** Schemes pursuant to art. 51 of the Framework Law on Income Taxes and Mutual Aid Companies, and 9 set up pursuant to Art. 9 of Legislative Decree n. 502/1992. In reality, other initiatives were launched during that year and therefore this decline was not explained. In 2018, the number of operational Funds was estimated to be **320**.

Table 9.1.1 - Registry of Healthcare Funds of the Ministry of Health amount of benefits provided

Anno	Ammontare generale e parziale dichiarati		
	Ammontare generale	Ammontare parziale (20%)*	Ammontare parziale/ammontare generale
	<i>l</i>	<i>m</i>	<i>m/l</i>
2010	1.614.346.536	491.930.591	30,47%
2011	1.740.979.656	536.486.403	30,82%
2012	1.913.519.375	603.220.611	31,52%
2013	2.111.781.242	690.892.884	32,72%
2014	2.159.885.997	682.448.936	31,60%
2015	2.243.458.570	694.099.832	30,94%
2016	2.329.791.397	753.775.116	32,35%
2017	2.400.000.000	780.000.000	32,50%

Fonte: elaborazioni Centro Studi e Ricerche Itinerari Previdenziali su dati Anagrafe dei fondi sanitari del Ministero della Salute. Le cifre in verde sono stime in attesa di conferma da parte del Ministero della Salute. *Si riferisce a Enti, Casse e SMS, i quali sono tenuti a dedicare almeno il 20% delle risorse a precisi ambiti come odontoiatria e non autosufficienza.

Total and partial stated amount – Year - Total amount - Partial amount - Partial amount/Total amount. Source: data processed by the Study and Research center of Itinerari Previdenziali; the data were obtained from the Registry of Healthcare Funds of the Ministry of Health. The figures in green are estimates and to be confirmed by the Ministry of Health. * It refers to Entities, Schemes, and Mutual Aid Companies that are required to allocate at least 20% of their resources to specific sectors such as dentistry and long-term care.

Number of members - For the year 2016, the latest available data provided by the Ministry of Health, the number of members (workers and pensioners) amounted to about **8.3 million**, while the number of dependent family members was about **2.3 million**, for a total of over **10.6 million**. For 2017 and 2018, in the absence of data and taking into consideration the new initiatives, it is possible to estimate a total number of members equal to 12.9 million people. In 2016, the number of pensioners was equal to 701,388 (173,672 of whom were family members); this calculation was not made for the following years.

Contributions and benefits - The Registry of the Ministry of Health does not provide information on contribution revenues, but it does provide some data on **pension benefit** expenditure. In 2016, the Registry reported a pension benefit expenditure equal to **2.3 billion euros**, an increase by 3.9% compared to 2015. It is possible to speculate that this level of expenditure reached about 3 billion euros due to large health funds that became fully operational such as the East Fund or MetaHealth and to new initiatives.

Similarly, neither the Registry nor the funds provide any information on the amount of assets and reserves or on the criteria for their use. **Table 9.2** shows a list of the main **40** organizations including

¹ In general, the Ministry of Health processes the aggregated data with a delay of about two years.

health schemes operating for individual companies or groups, for category of workers or sectors following new negotiated agreements and the main Mutual Aid Societies which are estimated to account for at least 80% of all the assets of the 320 supplementary health care schemes and funds.

Total assets - In the absence of official data, the analyses conducted estimated that the assets of Supplementary Healthcare Funds reached approximately 4 billion euros in 2017 and over 4.5 billion in 2018, also considering their cash balances and their performance. The difference between contributions and benefits alone was 183 million euros for the 23 funds surveyed the previous year, while it exceeded 260 million in 2018 (**Table 9.3**).

Table 9.2 - Main health funds and mutual aid societies in Italy

ANIA – Employed workers of the Insurance Sector – LTC	FASDAC – Executives of Commercial Companies
ASDEP - Employed workers of Public entities (INPS, INAIL, ex INPDAP, ACI)	FASDAPI - Executives and Middle Managers of Industrial SMEs
ASEM - Executives of the Energy and Multiservice Sector	FASI - Executives of Product and Service Companies
ASSIDA - Executives of the Telecom Group	FASIE - Employed workers if the Energy and Oil sectors
ASSIDAI - Executives and Middle Managers of Industrial Companies	FASIF - Employed workers of the FCA and CNH Industrial Groups
ASSILT - Employed workers of the Telecom Group	FISDE - Employed workers of the ENEL Group
CADGI - Employed workers of the IBM Group	Fondo Altea - Employed workers in the Stone, Wood, Bricks, Concrete and Handles Sectors
CADIPROF - Employed workers of Professional Enterprises	Fondo Assistenza Banco Popolare Group
CAMPA – Mutual-Aid Society for Professionals, Artists and Self-employed workers	Fondo Assistenza UBI Banca Group
CASAGIT – Journalists	Fondo Assistenza Sanitaria Integrativa ExxonMobil Executives
CASDIC - Employed workers of the Credit Sector - LTC	Fondo Est - Employed workers in the Retail, Tourism and Services Sectors
CASPIE - Employed workers of Banking, Financial, Industrial, Retail and Public organizations	Fondo FIA - Employed workers in the Agricultural Sector
Cassa Galeno – Doctors and Dentists	Fondo Sanitario Integrativo Intesa Sanpaolo employed workers
Cassa Mutua Nazionale - Employed workers of Banche di Credito Cooperativo	Insieme Salute – Mutual-Aid Societies
Cassa Sanitaria BNL - Employed workers of the BNL e BNP Paribas Groups	mètaSalute - Employed workers in the Metalworking Sector
Cassa Solidarietà Aziendale Luxottica employed workers	QuAS – Middle Managers
Coopersalute - Employed workers of Distribution Cooperative Enterprises	San.Arti. – Artisans
EMAPI – Mutual-Aid Society for Italian Professionals	Sanimpresa - Employed and self-employed workers and/or Small Entrepreneurs in the Lazio Region
Ente Mutuo Regionale – Entrepreneurs, Professionals registered with Confcommercio in Lombardy	Società Nazionale di Mutuo Soccorso Cesare Pozzo
FASCHIM – Workers in the Chemical, Lubricant, LPG, Mining and Insulating Material Sectors	UNI.C.A. - Cassa assistenza sanitaria UniCredit employed workers
<i>Source: Itinerari Previdenziali</i>	WILA - Employed workers of Artisan Companies based in Lombardy

Table 9.3 lists the Funds that comply with operational transparency requirements and therefore publish their accounts on their websites or at least disclose their statistical data. So, we were able to analyze the available accounts of some important Healthcare Funds and Mutual Aid Societies that account for more than 50% of all the funds in terms of membership and more than 45% in terms of benefits.

Table 9.3 - Healthcare Funds and Schemes: members, contributions and benefits in 2018

	Members	Contributions (millions of €)	Benefits (millions of €)
Self-managed			
ASSIDA	n.a.	14.20	14.15
ASSILT	n.a.	57.03	50.81
CADIPROF	499,578	37.45	29.19
CAMPA	44,361	15.81	13.60
CASAGIT	50,000	80.00	67.50
Ente Mutuo Regionale	18,989	15.60	13.70
FASCHIM	128,074	37.00	0.00
FASDAC	36,393	122.34	97.75
FASI	128,364	331.84	322.86
FASIE	62,878	18.16	15.59
FACI	202	0.16	0.02
FISDE	62,912	38.19	33.86
Fondo Assistente Gruppo BP	30,531	19.02	18.33
Fondo Intesa Sanpaolo	86,433	149.11	150.55
Insieme Salute	18,232	3.10	2.42
UBI Banca	6,206	7.89	8.57
Poste Vita	131,749	16.25	16.11
Caspop	12,913	19.02	18.33
Insured ⁽¹⁾			
ASSIDAI	n.a.	67.85	n.a.
Coopersalute	55,011	6.00	3.47
Fondo Est	1,552,768	n.a.	n.a.
Luxottica	2,445	0.27	0.19
EMAPI	894,000	28.88	27.59
mètaSalute	1,201,243	187.10	171.56
San.Arti.	516,278	66.38	20.13
Sanimoda	n.d.	12.12	n.d.
UniCredit (Uni ca)	57,409	74.81	68.75
LTC Funds ⁽²⁾			
ANIA	60,995	7.78	2.17
Total	5,607,964	1,433.35	1,167.18

(1) In the case of insured funds, the benefits correspond to the premiums paid. The amount of benefits paid out was not only missing for all funds, but it would also be misleading, since it does not correspond to their benefit expenditure. (2) For funds exclusively targeted to LTC, the significant difference between contribution and benefits is linked to the characteristics of the insurance, which presupposes annual provisions for the entire life of the member in view of future benefits.

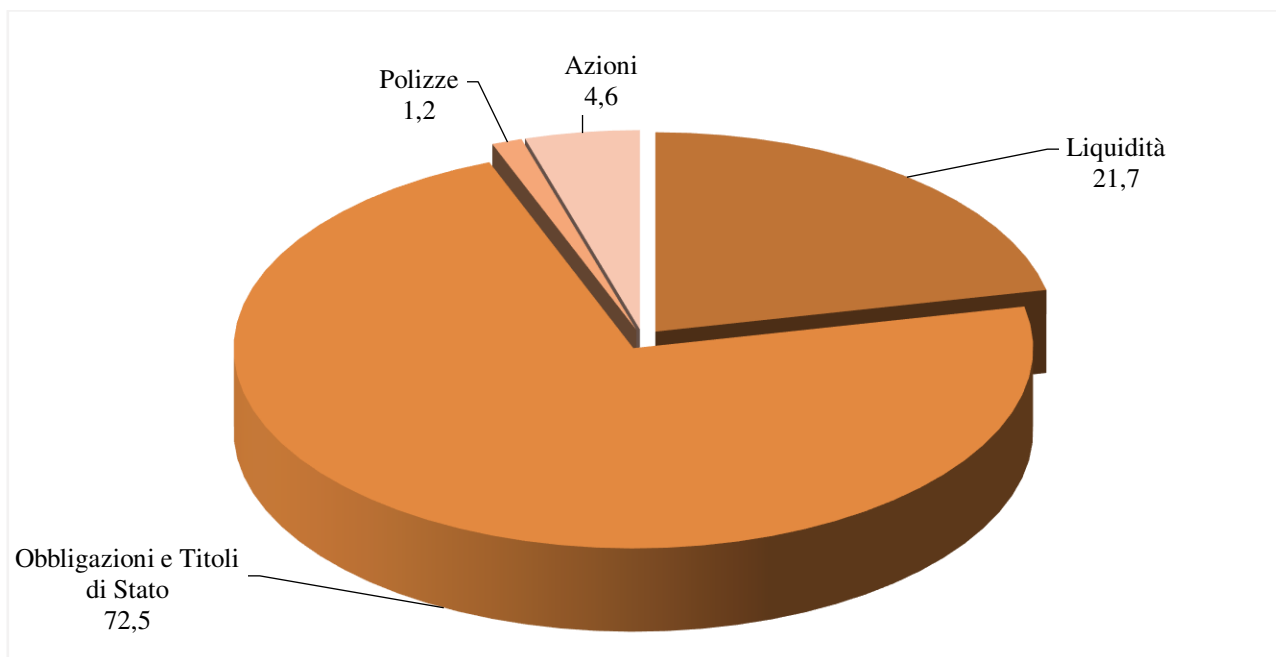
The benefit/contribution ratio - The benefit/contribution ratio was on average 89% for the funds surveyed, which suggests a good use of these funds on the part of the insured communities. Moreover, we managed to statistically calculate the average contribution and identified at least 4 contribution classes; needless to say that the average benefits of the aforementioned funds are in line with the contributions paid.

- < 300 euros per year: 9 funds;
- from 300 euros to 800 euro per year: 4 funds;
- from 800 euros to 2000 euro per year: 3 funds;
- higher than 2000 euros: 2 funds.

The assets of the funds considered in **Table 9.3** (net of Coopersalute, Fondo Est and mètaSalute) amounted to **793 million euros** and accounted for 17.6% of the total, as indicated in Chapter 1 (**Table 1.2**). Where possible, assets have been broken down into investment categories (**Figure 9.1**).

Management - The choice between direct management and mandated asset management depends on many variables, primarily on whether the fund is self-managed or insured, on the size of the fund and on its organization. In general, these funds prefer *indirect management* solutions by outsourcing this function to management companies or underwriting *insurance contracts*, but in many cases, they also manage their assets *directly* through UCITs, SICAVs and ETFs. **Figure 9.1** shows the positioning of these Funds with respect to their investment risk. Despite the few available data, it is possible to see that their investments were mainly targeted to bonds and government bonds for about 72.5%² of their assets, to liquidity for another 21.7% and to capitalization policies for 1.2%, while the equity investments only accounted for 4.6%.

Figure 9.1 – Breakdown of assets by type of instrument



Policies - Equity – Liquidity - Bonds and Government bonds

² However, for funds that invest on investment vehicles, the breakdown of assets by category is not always present in the financial statements, so it was not possible to take them into account.

This is a logical and coherent choice for two reasons:

- Healthcare Funds mainly operated with a short-term horizon and need to adopt conservative approaches in order to maintain their capital and the liquidity of their investments;
- These funds are small: it is no coincidence that only larger funds (such as Fondo Intesa) have more articulated management solutions that also include equity investment, albeit to a limited extent.

Finally, the analysis of the 2018 financial accounts confirm once again that it is absolutely necessary to provide for reserves to guarantee benefits to face unfavourable trends in terms of claims, a practice not yet well established; however, some provisions do exist but they are rather allocated to deal with the backlog of settlements of past claims and of refunding requests. However, some funds apparently have more significant provisions.

Methodological Note

The sample - The Report analyzes all Occupational Pension Funds (33 in 2018) and all the Schemes for Liberal Professions (excluding ONAOSI), the main Pre-existing Pension Funds (49 autonomous funds out of a total of 251 funds, equal to 96% of the total number of members and 89% of total assets) and the major Banking Foundations (the first 27 out of 88, accounting for 85% of total assets).

Data - The main data fed into the database for institutional investors used to draft this Report come from the financial accounts and from the disclosures published on the websites, if available. The detailed data that cannot be obtained from official documents are provided directly by the Entities at the specific request of the Itinerari Previdenziali Study and Research Centre. However, the data related to the directly purchased investment funds may be not complete since not all organizations provide these details.

Classification of investments – This Report classifies the investments made by Italian institutional investors in the sample analyzed on the basis of the different management method implemented (direct or indirect). The methodology applied consists in dividing the main asset items, as shown in the accounts, between direct investments and managed investments (mandated to professional managers). The classification principle used to distinguish an indirect investment (or investment under management) from a direct investment is the different legal approach to the management of individual or collective resources: an investment is defined as *indirect* if the management approach has an "individual" character, targeted to the client; therefore, the relationship between the Fund or the Scheme and the asset management company is based on a specific *management mandate* that defines the investment guidelines and, if necessary, the benchmark, the target and the risk budget; on the contrary, an investment is defined as *direct* if the management approach has a "collective" nature, in the sense that the management company does not depend directly on the indications provided by a single organization in making its own investment choices, (this is the case, for example, of UCIT and FIA investments and so on). However, there may be "*hybrid*" *cases of ad hoc collective investment instruments* (mutual funds or SICAVs) *set up for one or more entities* which, from a legal point of view, can be undoubtedly classified as direct investments but which, from a substantial point of view, could be considered as indirect investments due to the individual nature of their financial proposal. In this Report, these are qualified as *indirect investments*, because there is no real management mandate and also because of the different application of the accounting principles that are related to these investments; in fact, in this case, only the acquisition and final data of the dedicated OICR investments are reported; instead in the case of a mandate, the organization or the institutional investor is required, on the basis of the accounting principles, to illustrate in the management report all the transactions finalized by the management company (acquisitions, sales, coupons, dividends, etc.).

If the management companies of these "platforms" delegate (in whole or in part) the management of resources to other professional managers, the following procedure is followed: the assets under management are attributed to the company that set up the "platform"; however, if details of any sub managers are available, this will be specifically indicated in the text and, in particular, in the notes to the rankings of "direct" managers.

