

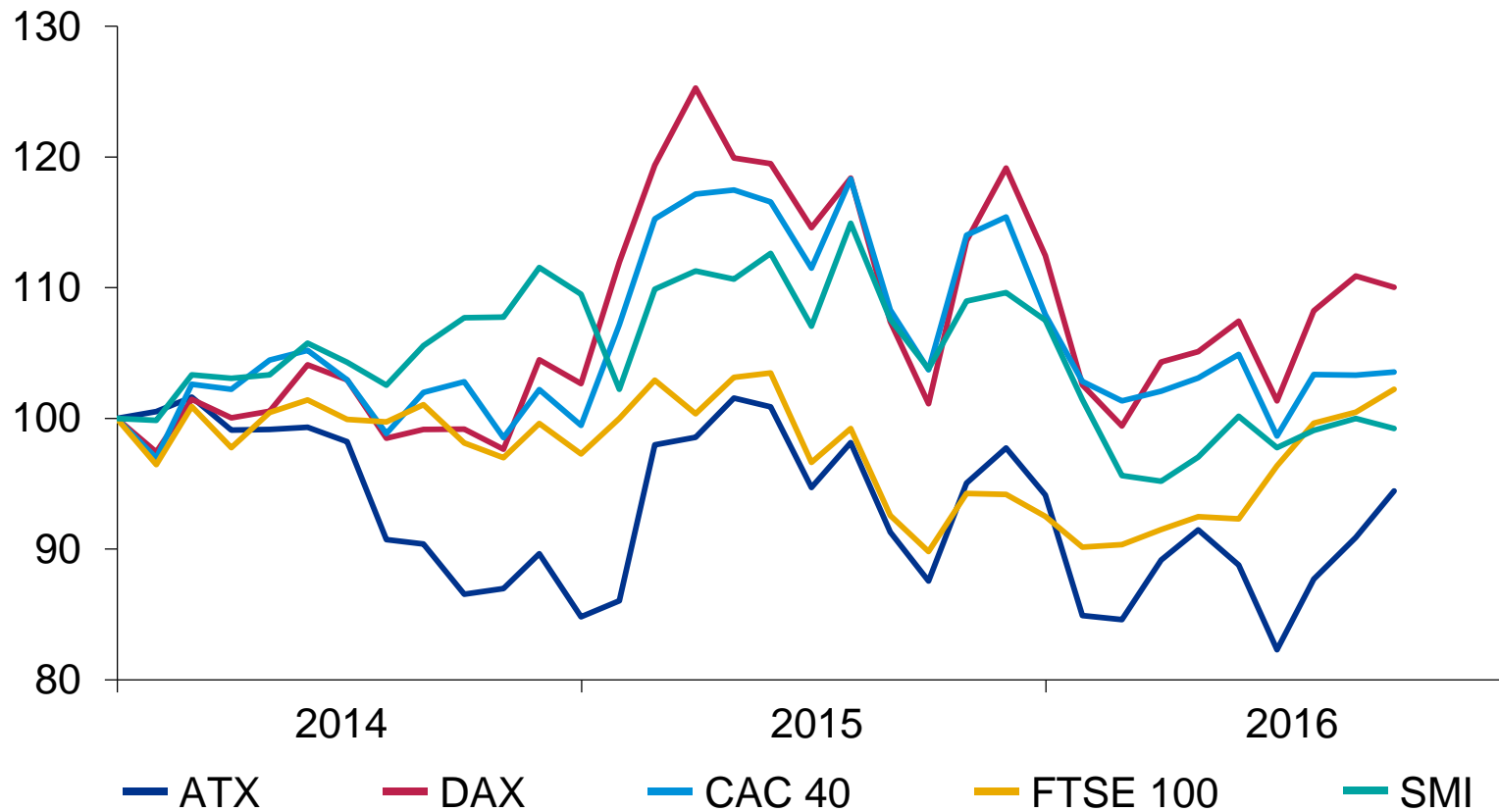
# Overview on current investment trends

**CIRA 2016 Annual Conference, Peter Kirkow**

—

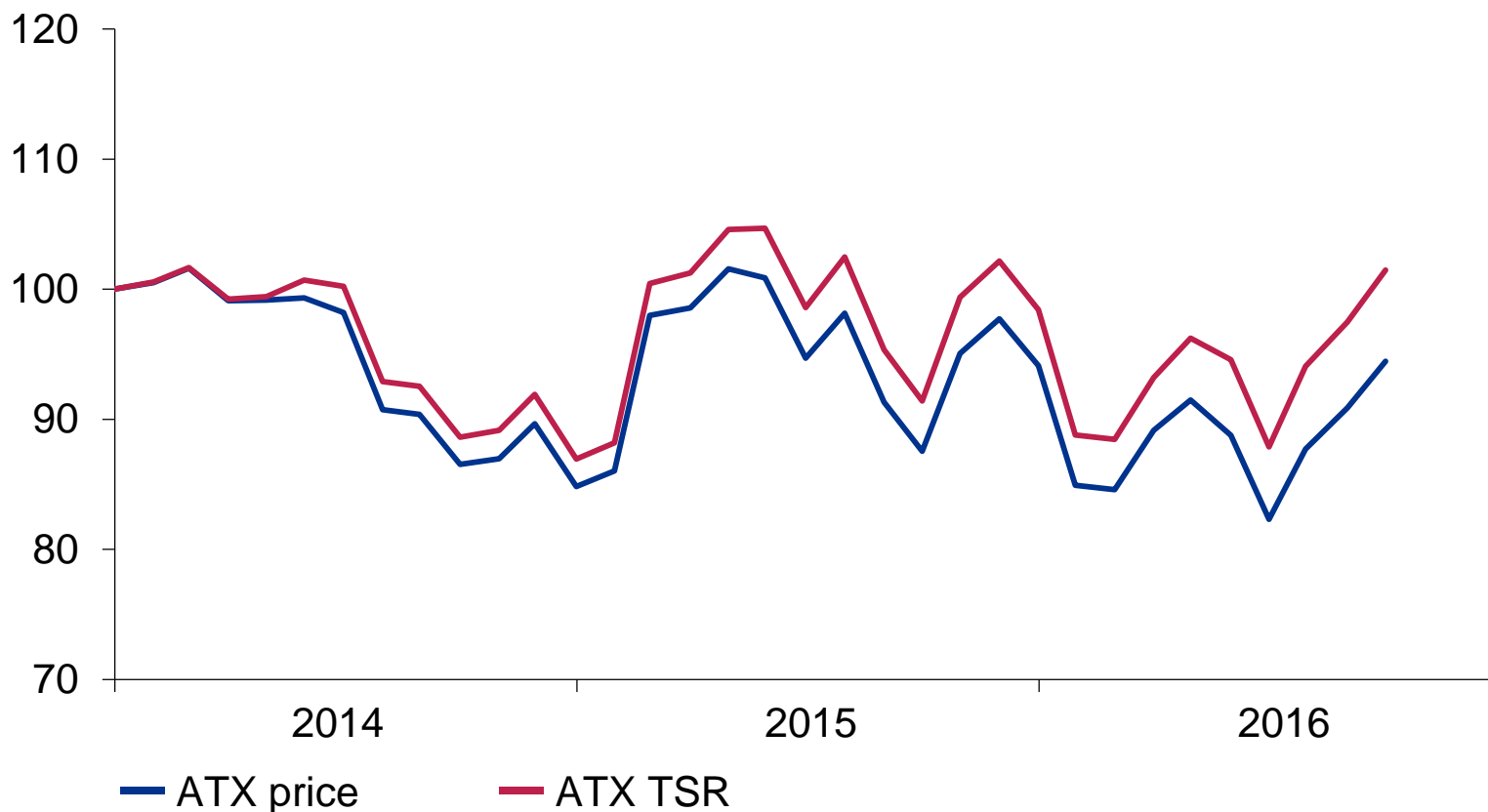
Vienna, 19 October 2016

# Performance of major European stock markets



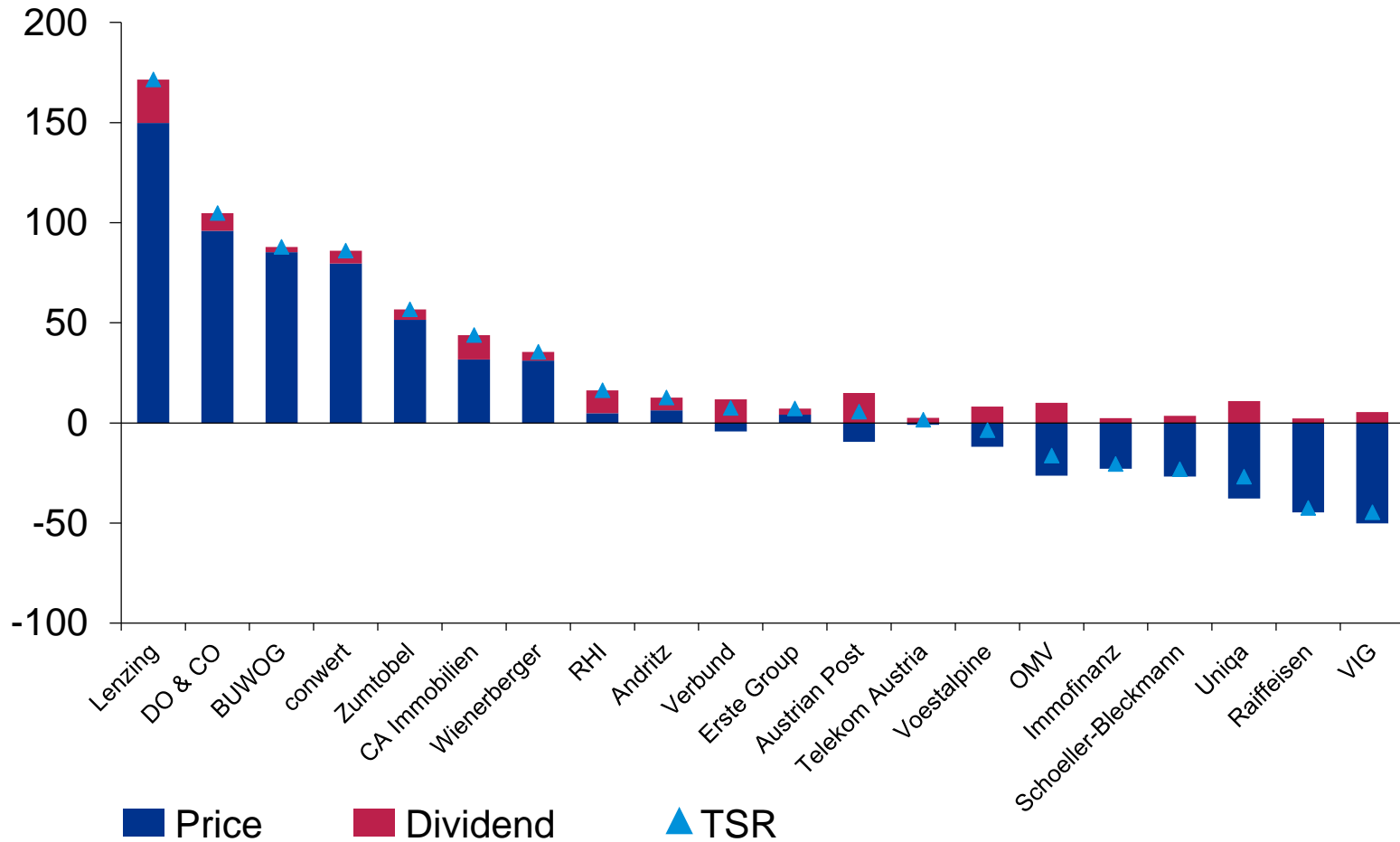
Note: Prices rebased as at 31 December 2013  
Source: Thomson Reuters Datastream

# ATX price and TSR performance



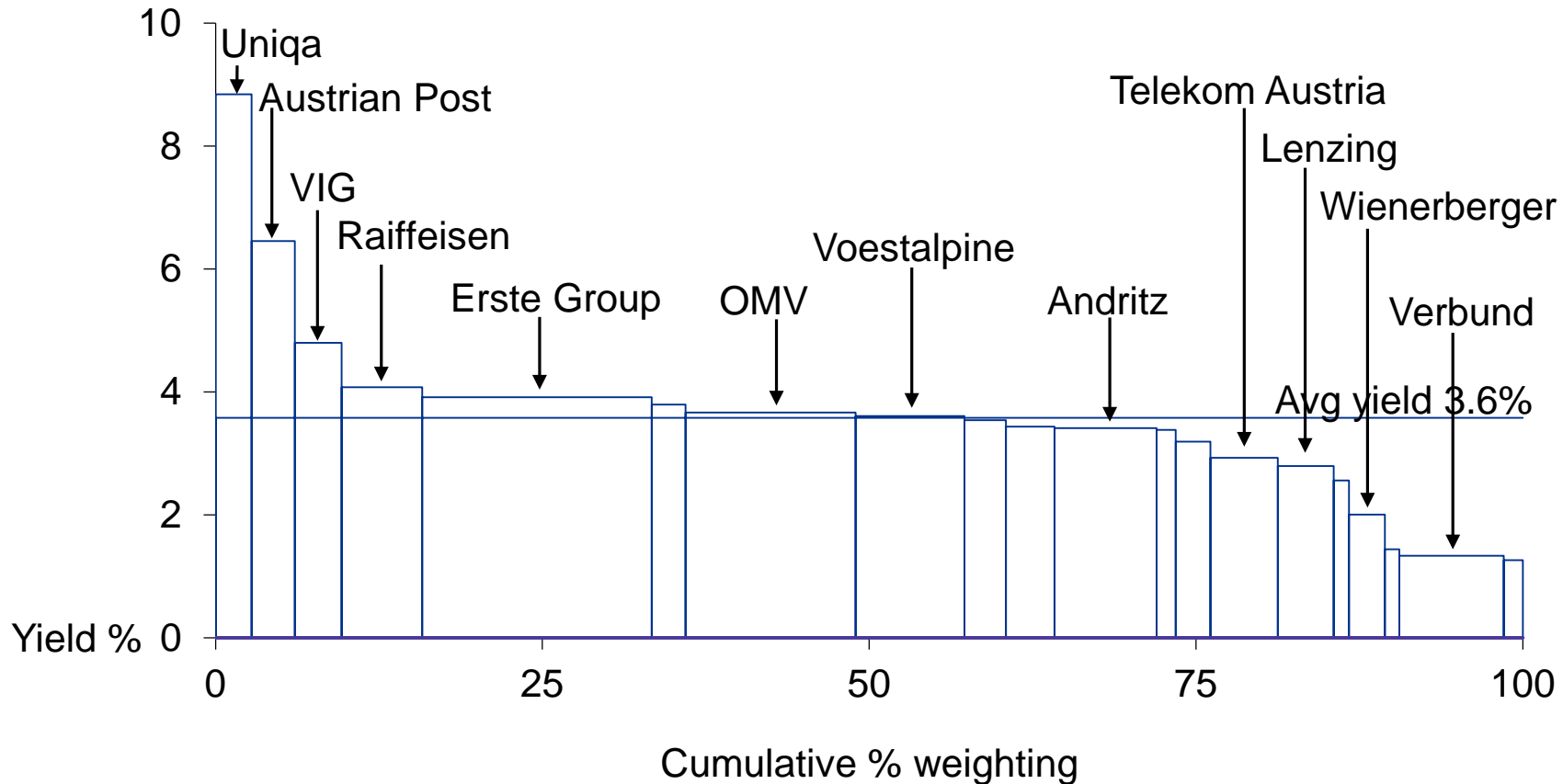
Note: Prices rebased as at 31 December 2013  
Source: Thomson Reuters Datastream

# Price and dividend components



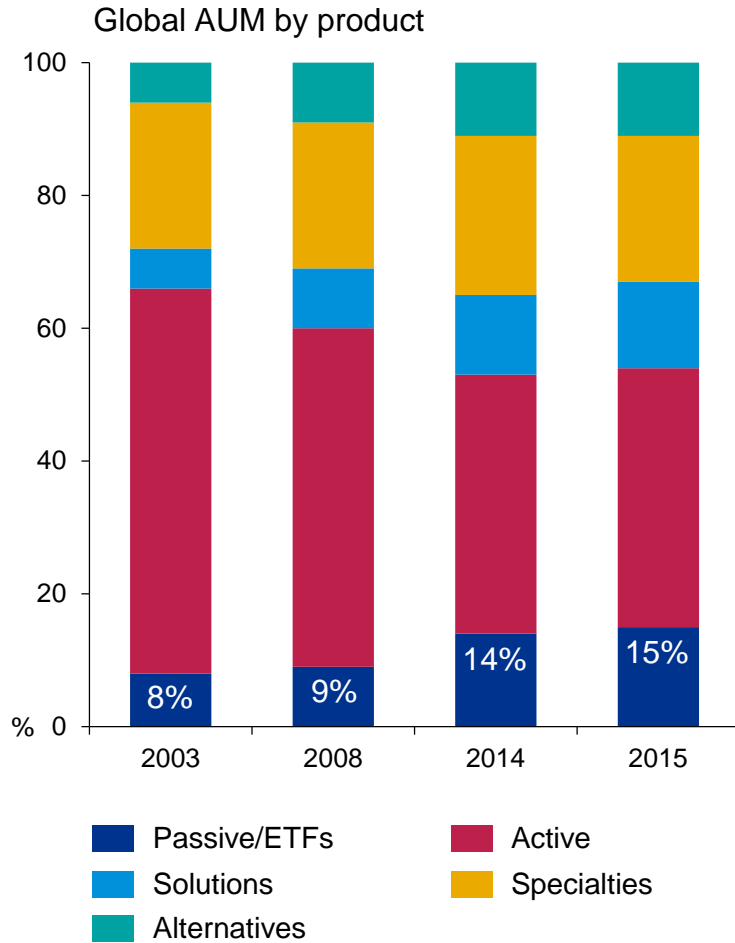
Source: Thomson Reuters Datastream

# ATX dividend yield 12/17 vs weighting 9/16



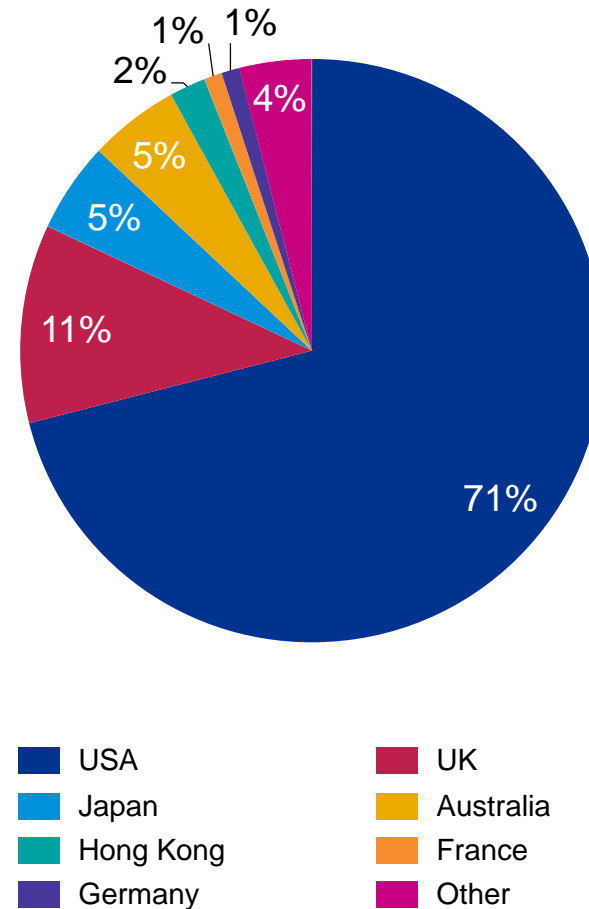
Source: Thomson Reuters Datastream

# Active vs passive funds



Source: BCG Global Asset Management Report 2016, December 2015 figures

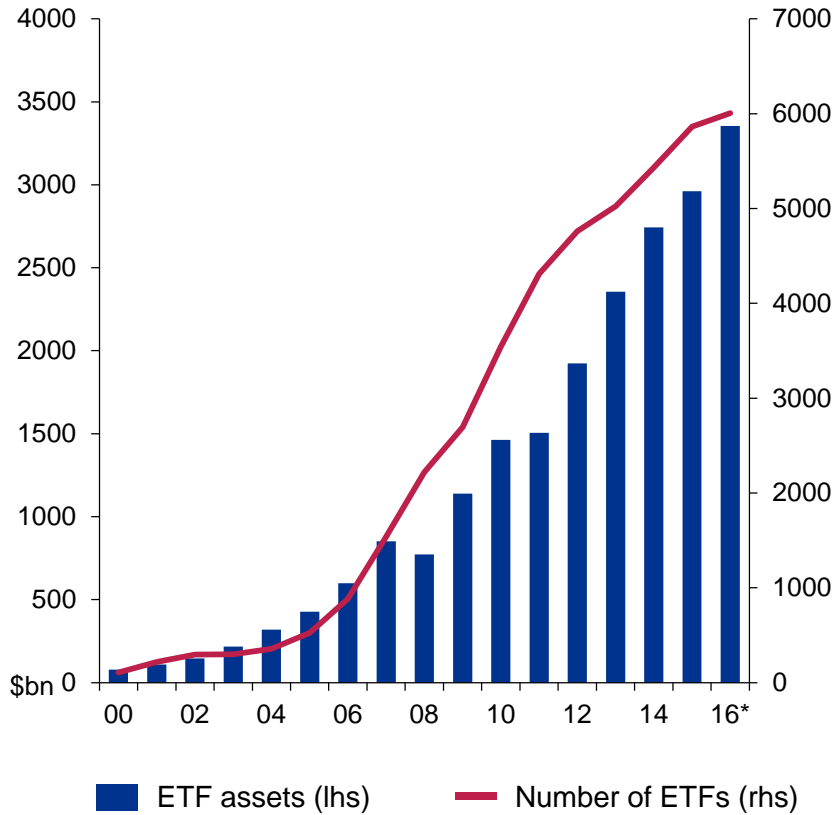
Index Fund Managers : AUM >\$20m



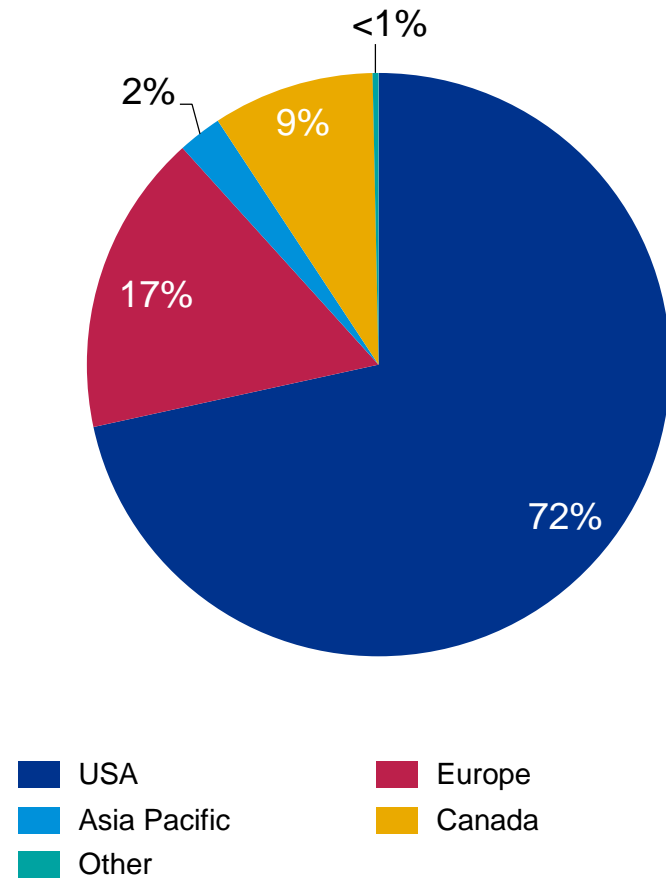
Source: Ipreo, Dominant style = index, August 2016

# ETFs overview

Growth in global ETF assets and total number of funds



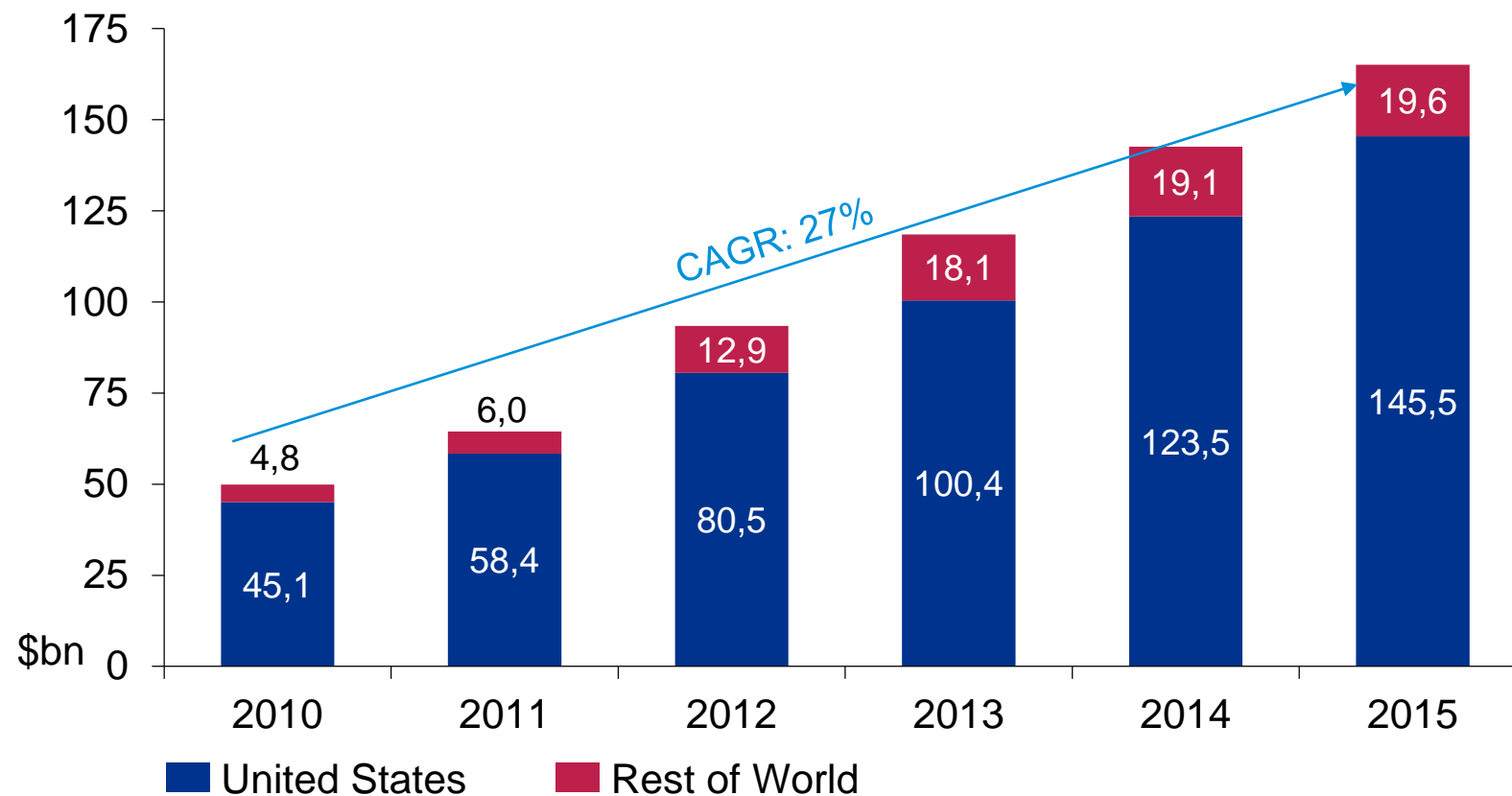
ETF assets by listing region



Source: BlackRock  
 \* 2016 as at end of August

Source: BlackRock August 2016

# Global activist hedge fund AUM

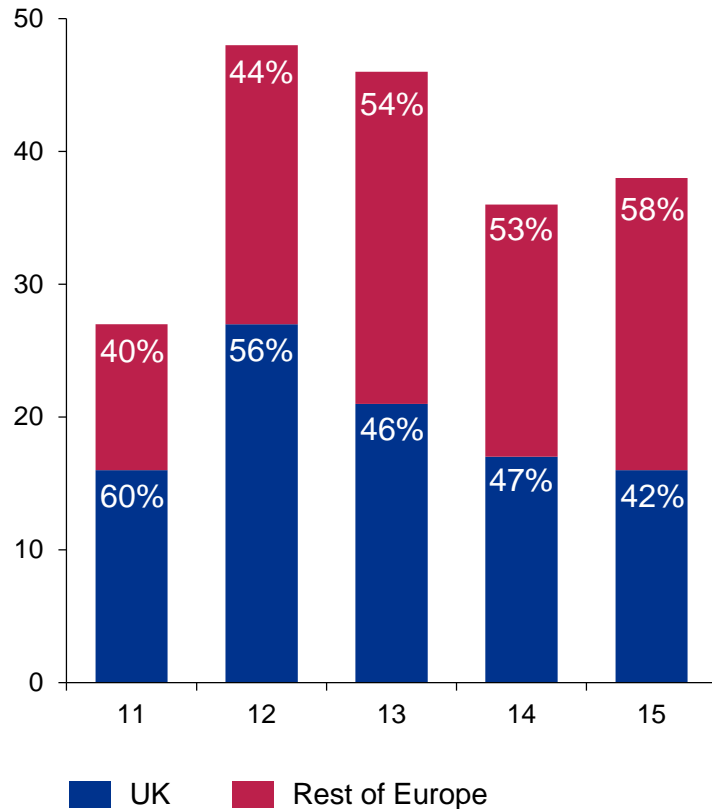


Source: Activist Insight, Makinson Cowell analysis

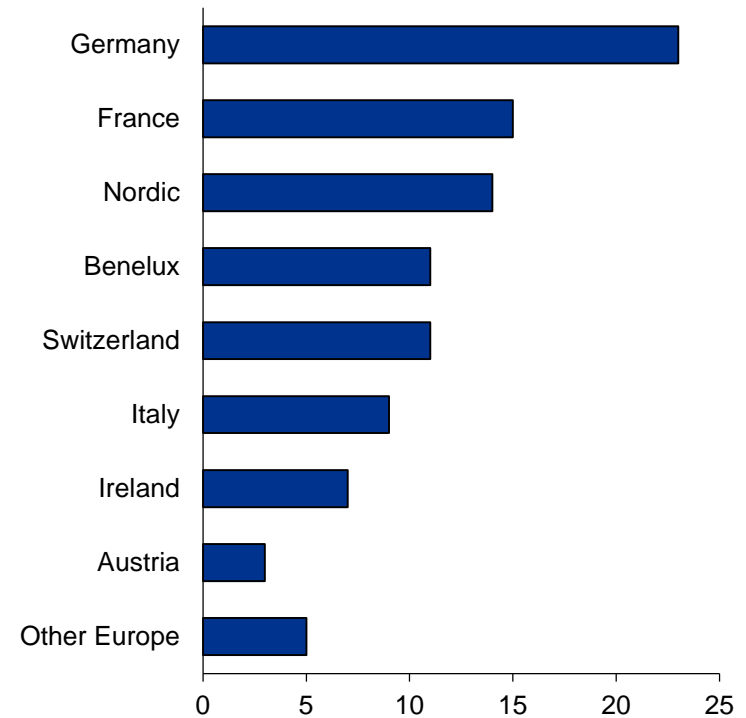


# European activist campaigns

Number of companies with activist actions



Total campaigns by country 2011-2015



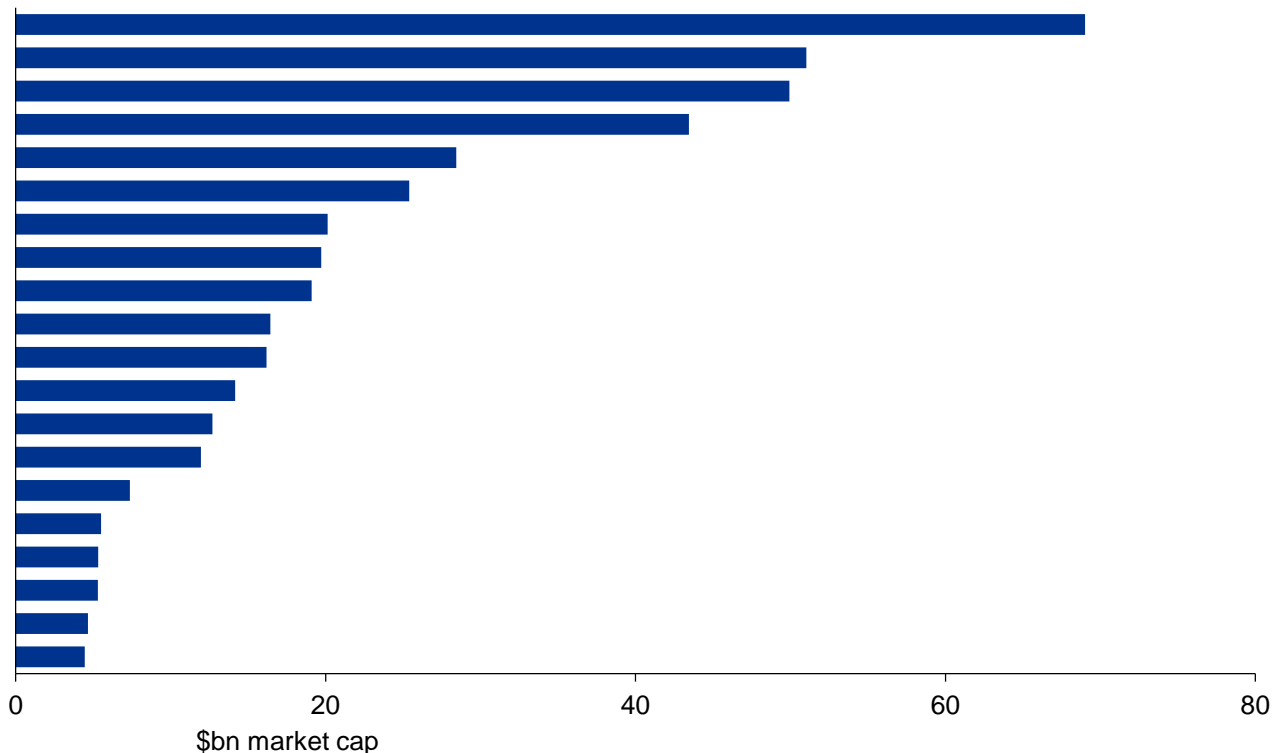
Source: Activist Insight

Source: Activist Insight

# Notable activist engagements

## Target

UBS  
Airbus  
Xstrata  
Danone  
Vivendi  
Nokia  
Carrefour  
Safran  
Danske Bank  
ThyssenKrupp  
Eni  
Adecco  
Kabel D  
DSM  
Sky D  
Lanxess  
TNT Express  
Celesio  
Bilfinger Berger  
Transocean

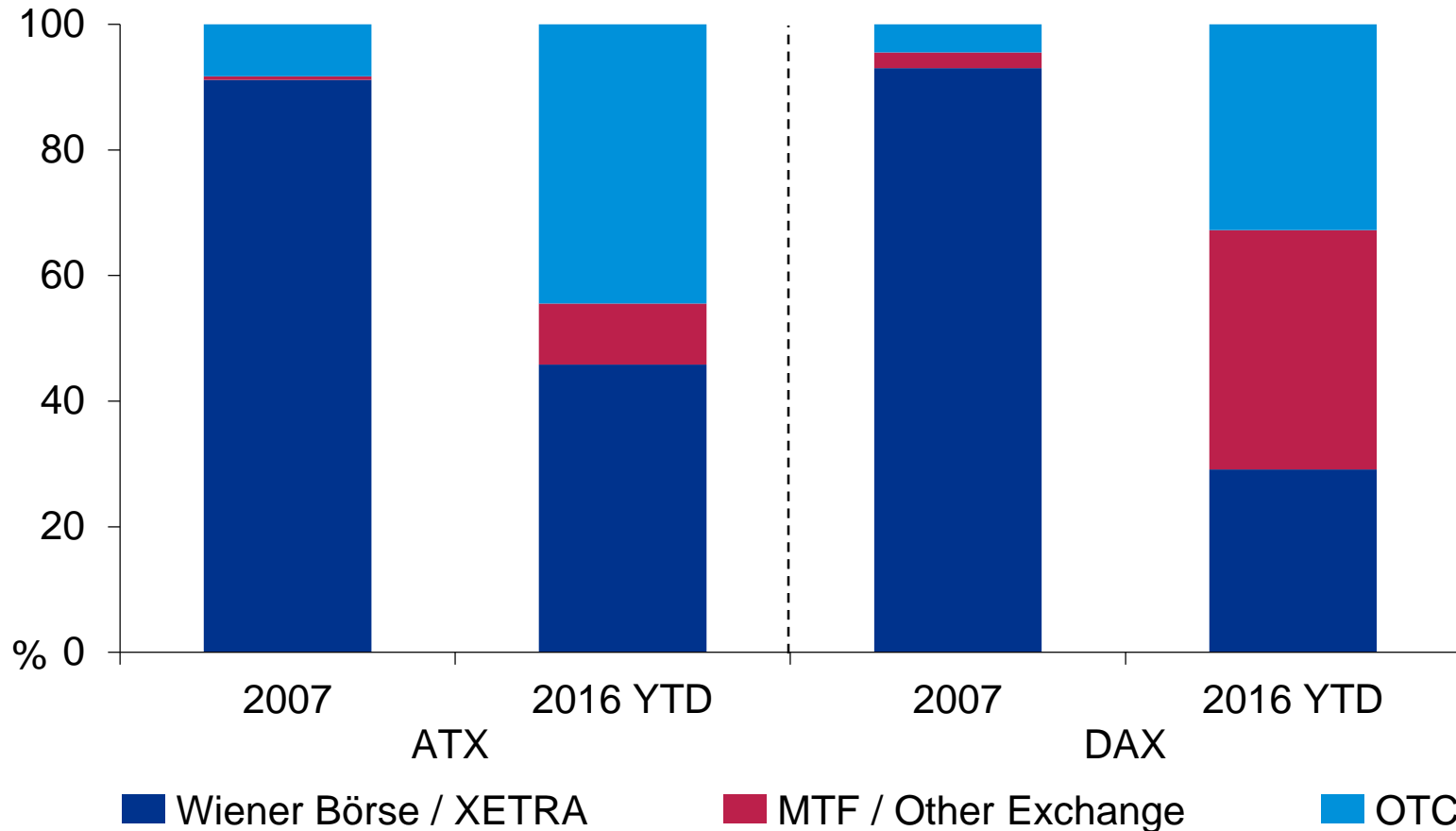


## Activist

Knight Vinke  
TCI  
Knight Vinke  
Trian  
Schoenfeld  
Third Point  
Knight Vinke  
TCI  
Cevian  
Cevian  
Knight Vinke  
Artisan Partners  
Elliott  
Third Point  
Odey  
Atlantic Investment  
JANA Partners  
Elliott  
Cevian  
Carl Icahn

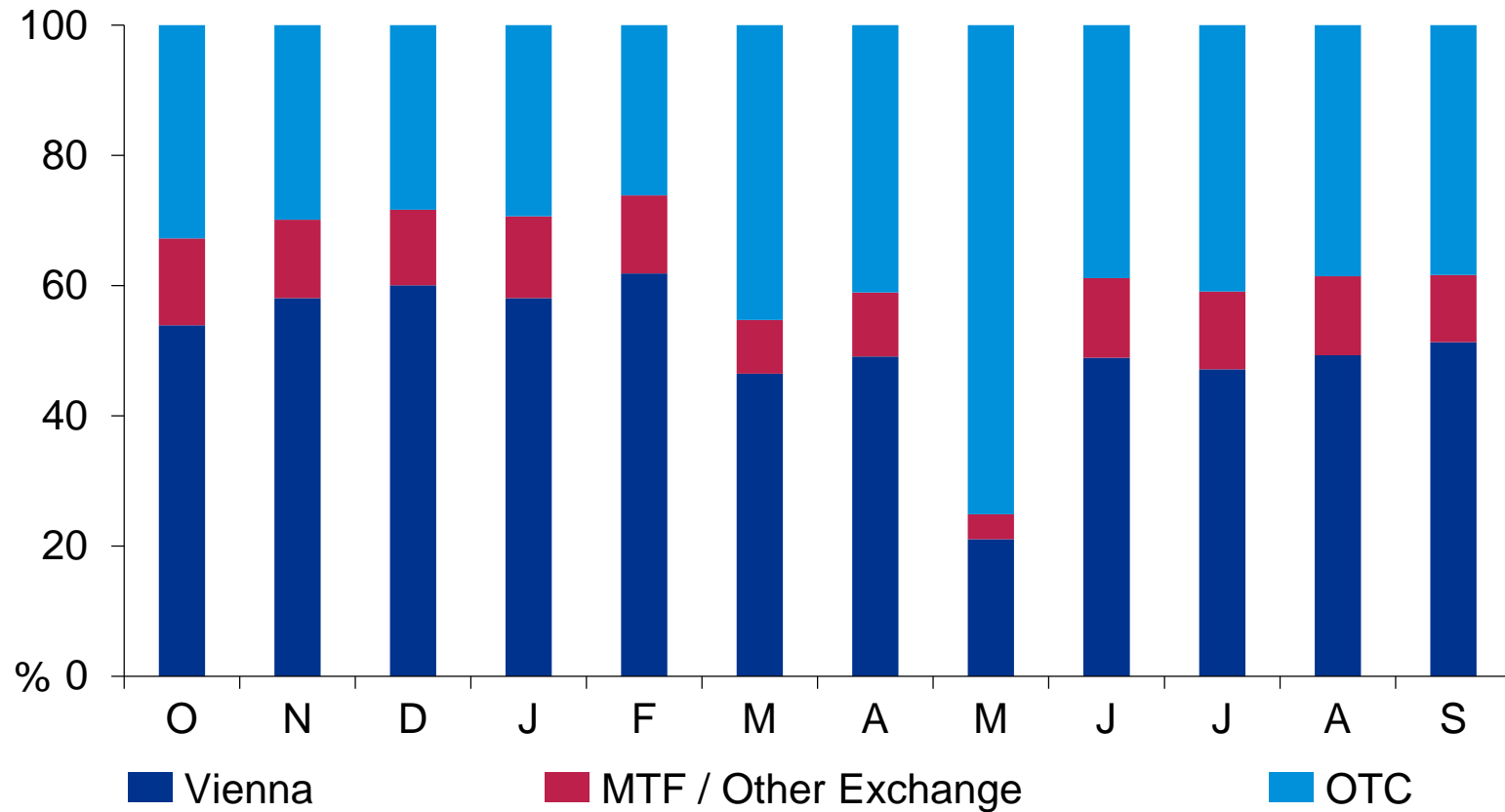
Source: Activist Insight, Datastream; market capitalisations as of December 3, 2015

# Shift of volumes to alternative trading venues



Source: Bloomberg, Fidessa, Thomson Reuters

# ATX trading by different venues



Note: Data calculated using the current constituents of the ATX  
 Source: Thomson Reuters Datastream

# Practices are changing

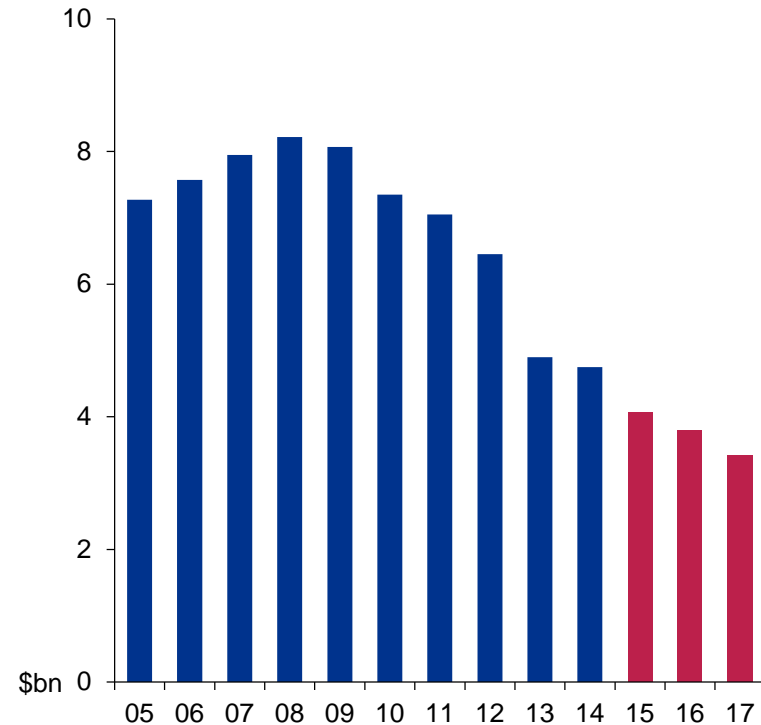
- MiFID II
  - set to take effect from January 2018 (previously January 2017)
  - research is “an inducement”
  - also mentioned in the context of conflicts of interest
  - corporate access is a type of research specific to one portfolio manager
- Across Europe, national market regulators still disagree on interpretation of MiFID II, and additional guidance is expected any day (was due in January 2016)
- Changes already in place for investment managers subject to UK requirements
  - UK rules changed in June 2014
  - previously dealing commission could be used to fund research
  - now only “substantive research”

**In future Investment managers will pay separately for research / corporate access**

# The cost of investment research

- About 60% of US and Europe's \$8bn annual brokerage commissions go towards research and advisory services (Greenwich Associates)
- Barclays, Citigroup, Credit Suisse and Deutsche Bank reported to be working with their clients on pricing
- UBS is reported to be pricing based on individual analyst popularity: "We are creating a marketplace for our analysts."
- But who does the superstar speak with first?
- A reduction in investment research teams expected
- Some investment banks may cease research

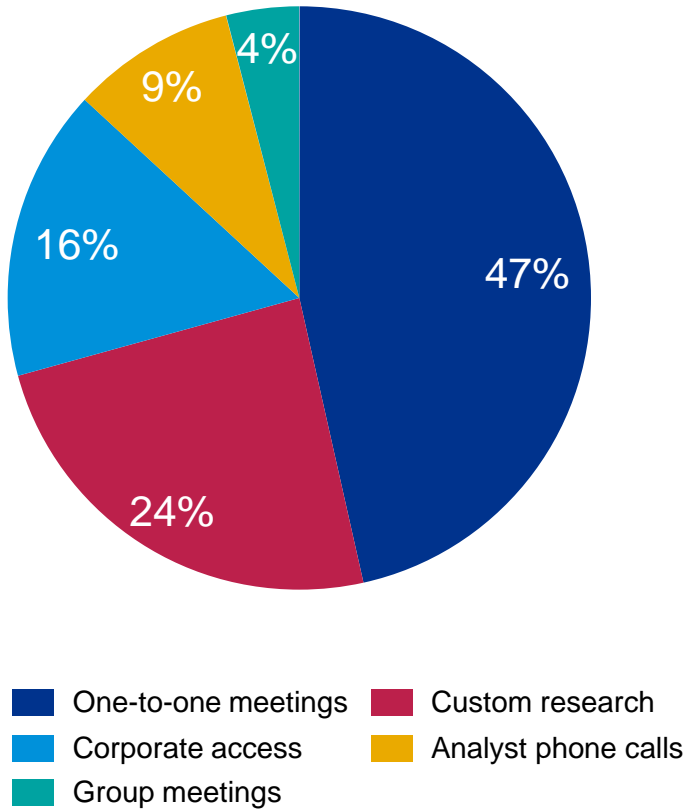
Estimated aggregate spending on investment bank research (US and Europe)



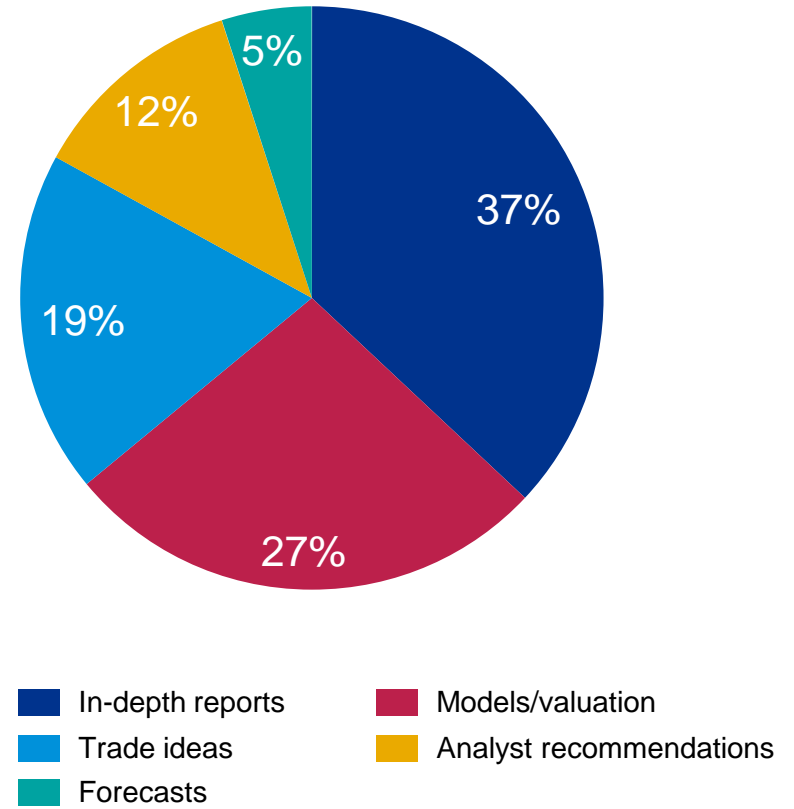
Source: Frost Consulting as reported in the Wall Street Journal 9 Feb, 2015

# Investment managers' preferences

Sell-side analysts: what do fund managers value most



Written research: what do fund managers value most



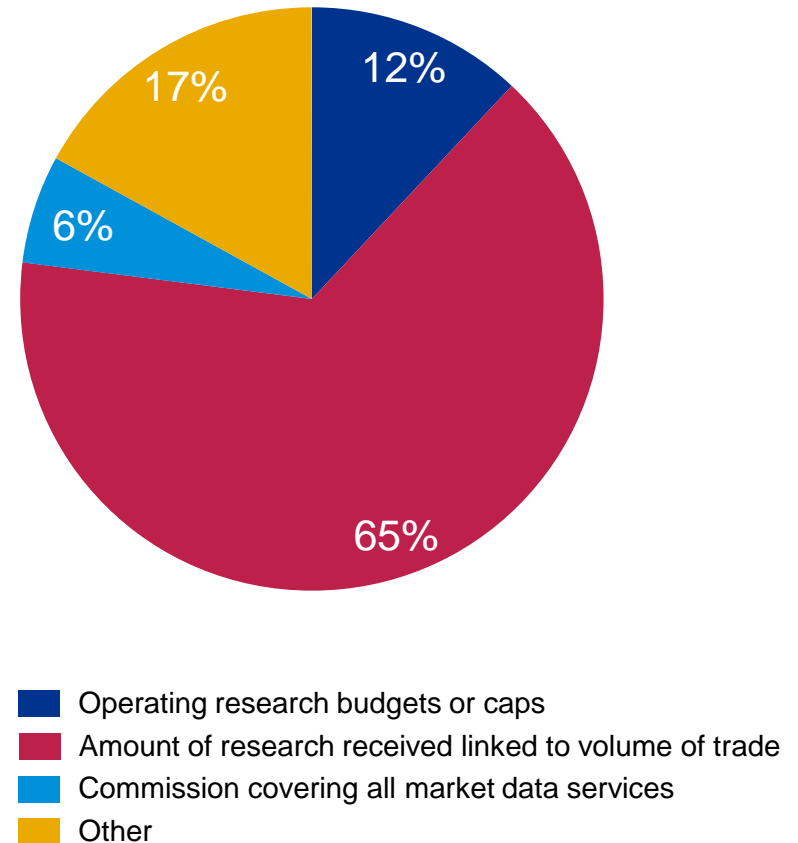
Source: CFA Survey 2015

Source: CFA Survey 2015

# A major transition

- Over the next year or two, there will be changes as investment banks, investment managers and their clients prepare for MiFID II
- Availability and cost of corporate access/roadshow support will change
- Some investment banks will stay in the market, others will drop out
- Effect on earnings consensus and SME coverage
- More independent investment research providers and roadshow-related services likely to emerge
- Investor relations teams will dedicate more time to targeting their investor meeting programs to ensure that dialogues take place with prioritized investors and management time is applied to best effect
- Investment firms' margins under further pressure

Survey of 17 investment managers feedback on FCA's thematic supervisory review



Source: FCA discussion paper on the use of dealing commission regime July 2014



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