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SURVEY OF ITALIAN PIR (PIANI INDIVIDUALI DI RISPARMIO)

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(1) UNDERSTANDING PIR: THE PRODUCT (1/5)

Main data & Statistics on PIR:

- PIR (Piani Individuali di Risparmio) are medium – long-term Investment solutions that offer **fiscal incentives** under some specific conditions of portfolio allocation and investment holding period:
  - **Only physical persons residents in Italy can subscribe to PIR** *(with the exception of institutional Pension Funds who have a reduced fiscal incentive)*
  - **Two types exist:** Ordinary PIR Funds (since 2017 - AuM of € 17.8bn) and Alternative PIR Funds (more heavily weighted towards SMEs and targeting more sophisticated investors introduced in 2021 - AuM of € 1.5bn). There are 80 PIR Funds split into 66 Ordinary Funds and 14 Alternative Funds
  - **Total PIR AuM** reached € 19.3bn in Q1 2023
  - **Tax incentive:** if instruments are kept for 5+ years (starting phase: from 2017 to 2022) all financial incomes deriving from the investment are tax-exempt (capital gains, interests and dividends) vs. standard 26% taxation in Italy. PIR instruments are also exempt from inheritance tax; capital losses on investments held for 5+ years are eligible for a tax credit

Sources: Istat, Banca d'Italia, Consob, Istat, Equita PIR Monitor as of Q1 2023, Borsa Italiana

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(1) UNDERSTANDING PIR: THE PRODUCT (2/5)

- **Investment limits to benefit from fiscal incentives**: a maximum of € 40k a year per investor, with a total amount of € 200k for Ordinary PIR and € 300k a year, with a total amount of € 1.5m for the Alternative PIR. In addition, a single name cannot represent more than 20% of the PIR total investment
- **Main operators of Ordinary PIR**: Mediolanum (22,9%), Intesa Group (20,6% - including 12,4% for Eurizon and 8,2% for Fideuram), Amundi (14,7%), Arca (13,1%), and Anima (9,5%), with all the remaining players under 2%
- **Main operator of Alternative PIR**: Intesa Group (75,6%)

Note:

Italy stands as the 8th largest economy in the world as Total GNP, while its Stock Exchange ranks around the 19th position in the world for Market Capitalization; its secondary market volumes for SMEs is the largest in Europe

Sources: Istat, Banca d'Italia, Consob, Istat, Equita PIR Monitor as of Q1 2023, Borsa Italiana

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(1) UNDERSTANDING PIR: ITALIAN HOUSEHOLDS FINANCIAL WEALTH & PIR STOCK (3/5)

Stock of PIRs in the Capital Markets & Wealth of Italian Households:

- **Main objective of PIR:** support medium-long-term equity finance investments for SMEs and the real economy transfering households savings into SME Equities
- PIR Funds require that **at least 70% of the investment is made in Equity or Debt of an Italian (or Italy-based) company. At least 25% of this amount must be directed towards non-FTSE MIB companies, and at least 5% on non-FTSE MIB & FTSE mid-cap**
- **Total Italian Households Financial Wealth** amounts to ca. € 5.2 trillions: among which, 14,7% are in **Mutual Funds**, representing around **€ 0.8 trillion**. Close to a third of those Funds (31.9%) are Equity Funds amounting to ca. € 245bn. Among Mutual Funds, the PIR Funds represent € 19.3bn, of which, **€ 5.5bn are Equity Funds. This amount translates barely to 0,1% of the Total Italian Households Financial Wealth**
- According to Equita, as of 1H2022 **Ordinary PIR Funds** (€ 17.5bn) are invested as follows: **€ 8.2bn in Italian stocks (47%** down from 50% in 2021); **€ 5.5 bn in corporate bonds of domestic issuers** (31% from 29%); **€ 3.8bn in cash/Italian and foreign government bonds** (22% from 21%)

Sources: Istat and Banca d'Italia (as of 31/12/2021), Assogestioni, Equita PIR Monitor
*Note: *** According to Assogestioni data on Equity Funds as of Q1 2023, 31.9% of Mutual Funds were Equity Funds*

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(1) UNDERSTANDING PIR: ITALIAN HOUSEHOLDS FINANCIAL WEALTH & PIR STOCK (4/5)

As of end 2021, Equity PIR Funds for € 5,5bn plus an additional equity part of balanced PIR Funds account for a total of € 8.2bn. This amount goes into the equity financing of Italian listed companies; of this total, € 3.7bn are invested into Italian Mid-Cap, € 0.7bn into Small-Cap and € 0.3bn into EGM (Euronext Growth Milan)

Sources: Istat and Banca d'Italia (as of 31/12/2021), Assogestioni, Equita PIR Monitor
*Note: *** According to Assogestioni data on Equity Funds as of Q1 2023, 31.9% of Mutual Funds were Equity Funds*

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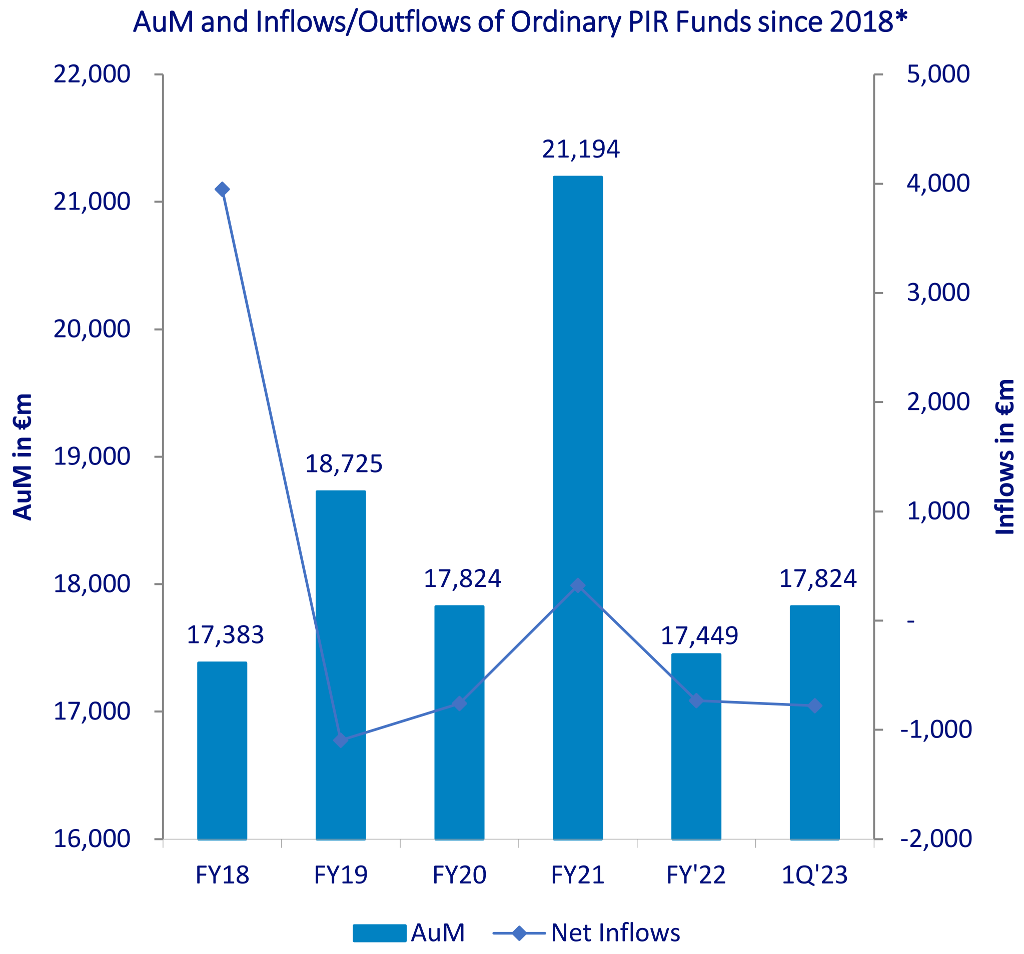
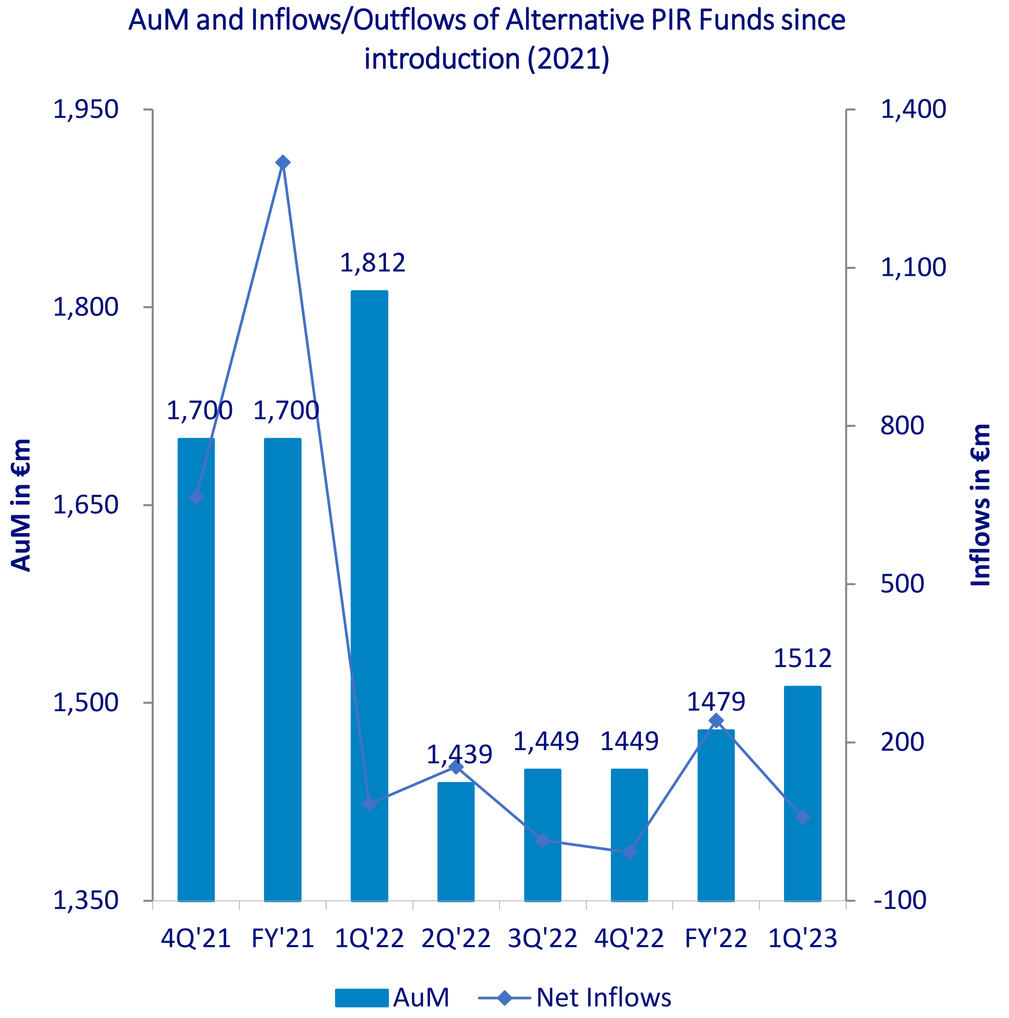
(1) PIR FLOWS AND AUM (5/5)





Sources: Equita PIR Monitor

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

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(2) ITALIAN HOUSEHOLDS' WEALTH & PIR STOCK AS OF 12/31/2021(1/2)

Total Stock of Assets of Italian Households: **€ 11.4 trillions** *of which:* Financial Assets of Italian Households: **€ 5.2 trillions**

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Stock of Financial Liabilities of Italian Households: **€ 1.0 trillion** (mostly made up of € 774bn in Loans)

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Net Wealth of Italian Households: **€ 10.4 trillions**

Stock of Italian HouseholdsFinancial Assets	Amount in € Bn	Percentage
Deposits & Bills	1,627	31%
Mutual Funds	768	15%
Bonds	227	4%
Loans	10	0.2%
Shares & Participations	1,248	24%
Derivatives	<1	0.01%
Insurance Reserves	1,211	23%
Other Accounts	146	2.8%
Total	*5,237*	*100%*

of which: Mutual Funds in Equity: 245bn *(31,9%)****

of which: PIR Funds: 19.3bn (2,5%)

of which: Equity PIR Funds: 5.5bn (0,7%)

€ 8.2bn of Ordinary PIR Funds AuM are invested in Italian Stocks, of which:

- € 3.7bn in Mid-Caps
- € 0.7bn in Small-Cap
- € 0.3bn in EGM

Sources: Istat and Banca d'Italia (as of 31/12/2021), Assogestioni, Equita PIR Monitor

*Note: *** According to Assogestioni data on Equity Funds as of Q1 2023,* ***31.9% of Mutual Funds AuM were classified as «Equity»***

X% As percentage of Financial Assets of Households

X% As percentage of «Mutual Funds» of Households

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(2) PIR & THEIR ROLE IN EQUITY FINANCE FOR THE REAL ECONOMY – THE MACRO FRAMEWORK (2/2)

Italian Households Disposable Financial Assets of : € 5,237bn

- Others:105bn (ca. 2%)

Government

- Govies: 227bn (ca. 4%)

Banks

- Deposits: 1,627bn (ca. 31%)

Capital Markets

- Total CM Investments ca. 3,278bn – 63%
  - *o/w: FIC Investments (ca. 1,785bn – 34%)*
  - *o/w: EQD Investments (ca. 1,493bn – 29%)*
    - Insurance & Pension Funds: ca 23%
    - Equities: ca 24% - 1,248bn
    - Mutual Funds: ca 15% - 768bn

100%

100%

31,9%

EQD Mutual Funds: 245bn

Total Equity Investments of Households: 1,493bn (ca. 29%)

CMU

RIS

Increased Stocks in SMEs Equity Finance

PIR Funds: 19.3bn

of which: Equity PIR Funds: 5.5bn

Equity in Mixed PIR Funds

Current Stocks in SMEs Equity Finance: € 4.7bn**

How much goes into "Equity Finance" for the Real Economy?

- Out of ca. **€ 1.5 trillion in Equity Investments from Households, € 4.7bn of PIR Funds goes into Equity Finance of Italian SMEs**
- In the context of the **Capital Market Union (CMU)** and the new **European Retail Investment Strategy (RIS)** a significant goal remains to leverage on the large Italian and European Households and Institutional (Foundations, Pension Funds, etc…) savings to support and increase SMEs equity finance

Sources: Istat, Banca d'Italia, Consob, Istat, Equita PIR Monitor

*Note: * 10 years average of savings on Gross Disposable income Ratio, according to Consob in 2022, which is around 1 percentage point lower than Eurozone average*

*** Includes Mid-Cap for € 3.7bn, Small-Cap for € 0.7bn and EGM for € 0.3bn*

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(3) FOCUS ON ITALIAN SMEs: THE OUTLOOK FOR PIR (1/3)

On Italian SMEs:

- Definition of SMEs (PMI) in Italy and the EU
  - **€ 500m Market Cap for three consecutive years**
  - Differs from European Commission definition: based on **FTEs below 250 and balance sheet below € 43m**

- Italian SMEs candidate for potential listing / IPO
  - According to Statista, as of end of 2021, there were ca. **20,000 SMEs with a turnover over € 10m in Italy**
  - The EU had around 200,000 SMEs of a similar size, hence Italy would weight ca. 10% of the total EU potential market
  - According to Banca d'Italia in early 2021, around **over 2,000 SMEs were eligible for listing**

- Weight of listed Italian SMEs in terms of Market Capitalization
  - **SMEs represented 334 of the 414 companies listed on Borsa Italiana** as of end of 2022
  - **Euronext Growth Milan – GEM** represented 190 companies with a **total Market Cap of € 10.6bn** (€ 44m average) out of a total of € 625bn for Borsa Italiana: 1,7%
  - Euronext Milan represented the remaining 143 PMIs amounting for around € 35,8bn
  - **Total Market Cap of Italian SMEs as of beginning of 2023 was at € 46.1bn representing around 7,4% of the listed Italian market**

Sources: Equita PIR Monitor, Statista, Consob (Italian PMI definition), Borsa Italiana, ECB, Milano Finanza, Assogestioni, Osservatori.net, Banca d'Italia

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(3) FOCUS ON ITALIAN SMEs: THE OUTLOOK FOR PIR (2/3)

- Contribution of SMEs to the Italian Economy vs. PIR investments into SMEs Equity
  - Italian SMEs contribute to 41% of the Italian GDP
  - PIR AuM in SMEs Equity account for only € 4.7bn, that is less than 0,1% of the Financial Wealth of Italian Households

Sources: Equita PIR Monitor, Statista, Consob (Italian PMI definition), Borsa Italiana, ECB, Milano Finanza, Assogestioni, Osservatori.net, Banca d'Italia

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(3) FOCUS ON ITALIAN SMEs: THE OUTLOOK FOR PIR (3/3)

PIR outlook & Italian SMEs:

- 2022 has seen strong PIR outflows: According to **Equita's** PIR observatory, a significant portion of PIR investors have been driven essentially by the fiscal incentive, and were **not interested in keeping the product in the Long-run**
- Since 2022 any investors have been reluctant to invest into PIR given the **low perceived profitability of PMI**, towards which the PIR is heavily weighted, namely compared to Government bonds: There have been record inflows in the new PIR Bond Fund launched in 2023 by Eurizon compared to significant outflows from Equity PIR
- According to **Intermonte**, an Italian independent broker, in late June 2023, € 1,5bn in outflows from PIR Funds are expected for 2023. The Government would be looking into ways to allow investors to hold more than one PIR which so far has represented an important constraint for their development
- **Assogestioni** the Italian association of Asset Managers, is advocating for a change in regulation to simplify access to Capital Markets & support the PIR by adopting fiscal incentives as an essential tool for the further development of Italian SMEs
- On April 11th 2023, the Italian Government has approved a new «Simplification Law» (DDL nr. 674 Interventi a sostegno della competitività dei capitali*) where **relevant innovations to simplify the listing process of SMEs** and incrisis liquidity in the Italian primary and secondary equity markets have been now taken, coherently with the **«Green Book» of the MEF** (2022) and the main axes of the Capital Market Union

Sources: Equita PIR Monitor, Statista, Consob (Italian PMI definition), Borsa Italiana, ECB, Milano Finanza, Assogestioni, Intermonte
*Note: * DDL interventions to support the competitivity of capitals*

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STATE OF THE ART (1/2)

- Created in 2017 with the sponsorship of Mr. Pietro Carlo Padoan and of Fabrizio Pagani, respectively, Minister of Economy and Finance (MEF) and Head of the Secretariat of the MEF of the Renzi Government, PIRs have been designed to be an innovative "tool" to bring households and institutional savings into SME's equity finance. Similar "tools" with favorable fiscal conditions to encourage individuals to invest in Equity Finance already existed since 2014 in France with the PEA-PME (Equity Savings Plans for SMEs) with around € 2.4bn in stock value at the end of 2022 while the total PEA (Equity Savings Plans) AuM were above € 100bn, or in the UK with the stocks and shares ISA (Individual Savings Account), which also allows investments in the AIM (Alternative Investment Market) segment since 2013, and has a current value of AuM worth around £200bn
- Along with their "journey", the Italian legislator has made life more complex and cumbersome for PIR investors by fragmenting and making this product more regulated and complex
- The fiscal advantage of no taxation on capital gains compared to the standard 26% taxation on financial private assets has clearly been a strong incentive to boost PIRs and make them work at their start
- The elapse of the mandatory holding period to exploit the tax incentive has come in 2022 (2017-2022): since then, the increased interest rates and the possibility to "cash in" the capital gains have determined severe outflows from the PIR
- As of today, a sensitive passage is ongoing. Intermediaries (Banks, SGRs…) have often "advised" their clients to cash in the tax-free capital gains and to run away from PIR to buy new "more complex" investment products. This dynamic added to the much-increased yield of Govies has determined negative net inflows for the last few months, amounting already to € 779m for Q1 2023

Sources: Equita PIR Monitor, gov.uk, HM Revenue and Customs, Banque de France

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STATE OF THE ART (2/2)

- TO DOs GOING FORWARD:
  - PIR has been and must remain as a resilient success for Equity Finance: in fact, it has been put at risk already too often and too much. To remain compelling, they must now stabilize and be better perceived
  - PIR have to remain simple and fiscally incentivized to attract liquidity for the SME in Italy and provide liquidity to the secondary market of GEM – Growth Equity Milano, but it is not enough at all given its limited total amount
  - PIR must also remain organically embedded and coherent with the ELTIF, CMU and RIS frameworks

but... PIRs ARE NOT ENOUGH...

The EU & Italian context must incentivize and promote more capacity of Independent Financial Analysis to facilitate and support more efficient wealth allocation from “comfort zones” as Govies, deposits and induced-products of investment towards larger real economy investments via better, liquid, and stronger equity finance. **More financial analysts are urgently necessary for doing the job!**

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THANK YOU

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