

Italian Mid Small Caps Monthly

- **Performance (+/-).** The Italian equity market (prices as at 17th March 2021) has risen 4.6% in the last month and is up 9.2% YTD. The FTSE Italy Mid-Cap index (+5.2% in the last month) has outperformed the main index by 0.7% (+2.8% YTD on a relative basis), while the FTSE Italy Small Caps index (+1.4% in the last month) has underperformed the market by 2.0% in the last month, although it remains 2.9% above the main index in relative terms since the beginning of 2021. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 2.2% in the last month, underperforming Italian mid-caps.
- **Estimates (=).** Since the beginning of the year we have raised our 2021E EPS estimates (+6.6%), while we have implemented a milder revision for 2022E (+4.5%). On 2021, our overall estimate revision for mid-caps has been slightly positive (+0.4% YTD), while our revision for small caps has been more significant (-8.4% YTD), mainly due to protracted Covid effects on a selected number of industries. It is worth pointing out that, looking at our mid/small cap coverage, overall estimate revisions on 2022 have been positive (+3.5% YTD). In the last month, estimate revisions have been slightly positive for mid-caps (+0.6%/+1.9%) and slightly negative for small caps (-1.5%/-0.9%).
- **Valuations (+).** If we compare YTD performance to the change in FY21 estimates over the same period, we can see that mid and small caps have continued to re-rate. Specifically, FTSE MIB stocks have recorded a 4.6% re-rating YTD, while mid-caps and small caps have re-rated by 7.7% and 13.7% respectively. On a P/E basis, our panel is trading at a 27% premium to large caps, above the historical average premium (17%) and the level one month ago (21%).
- **Liquidity (+).** Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) has improved compared to one month ago, coming in 22% higher than the 1Y average (it was -1.2% below one month ago). Interestingly, liquidity for mid-caps has witnessed an even better trend, showing a +39.6% change, while for small caps the same metric has improved compared to the 1Y average, by 53.0%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.9mn in the last month, down 20% on the corresponding period one year ago.
- **Investment strategy.** The market has continued its positive trajectory and overall valuations are quite demanding compared to historical levels. In the last month global markets, as well as the Italian market, experienced a rotation from growth to value stocks. At the same time, two new takeover bids were launched fuelling market speculation. The combination of these factors is probably the reason why some depressed or forgotten small caps were among the best performers in the last month. We consider this trend to be short-lived. Even if we take global fears on real interest rates into serious consideration, looking at our small cap coverage we still believe that earnings direction will remain the main driver of performance. We therefore confirm our investment preference for companies whose businesses are related to digital transformation or ESG themes, expected to be the main beneficiaries of European fiscal policies. In addition, we recommend stocks with visible revenue trends (and dividend yields), and selected names to play the post-vaccine scenario. Regarding mid/small cap liquidity, unfortunately the year has started well below our expectations for PIR funds, but we expect interest in this product to regain momentum in the coming months, as we believe the mid/small equity class is well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by asset gatherers. Notably, Alternative PIRs (also called PIR SME) could be another important instrument, partly thanks to the additional fiscal incentive recently introduced by the Budget (a tax credit on capital losses accrued on new investments during 2021).

by Intermonte Research Team

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Performance

Mid-caps extended their positive performance, Small Caps underperformed

The Italian equity market (prices as at 17th March 2021) has risen 4.6% in the last month and is up 9.2% YTD. The FTSE Italy Mid-Cap index (+5.2% in the last month) has outperformed the main index by 0.7% (+2.8% YTD on a relative basis), while the FTSE Italy Small Caps index (+1.4% in the last month) has underperformed the market by 2.0% in the last month, although it remains 2.9% above the main index in relative terms since the beginning of 2021.

Italian Market Indexes – performance analysis (prices as of 17th March 2021)

Index	Price (Eu)	% Change								
		1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	
FTSE Italia Mid Cap	42,641	5.2%	12.8%	21.5%	11.9%	63.0%	10.9%	0.7%	36.6%	
FTSE Italia Small Cap	24,085	2.6%	11.4%	27.2%	12.1%	67.2%	20.7%	2.8%	40.5%	
FTSE Italia Star	48,420	1.4%	11.0%	22.7%	8.5%	81.5%	38.5%	28.6%	100.7%	
FTSE AIM ITALIA	8,252	2.3%	15.9%	23.4%	13.2%	35.6%	-5.1%	-12.6%	-1.4%	
FTSE Italia All-Share	26,420	4.6%	10.2%	22.5%	9.2%	58.4%	14.4%	5.1%	30.5%	
FTSE MIB	24,281	4.8%	10.3%	23.0%	9.2%	58.5%	15.4%	6.2%	30.5%	
Relative Performance vs FTSE Italy All Share		% Change								
		1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	
FTSE Italia Mid Cap		0.7%	2.6%	-1.0%	2.8%	4.6%	-3.6%	-4.4%	6.1%	
FTSE Italia Small Cap		-2.0%	1.2%	4.7%	2.9%	8.8%	6.2%	-2.3%	10.0%	
FTSE Italia Star		-3.2%	0.8%	0.2%	-0.6%	23.1%	24.0%	23.5%	70.1%	

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 2.2% in the last month, underperforming Italian mid-caps.

European Market Indexes – performance analysis

Index	Price (Eu)	% Change								
		1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	
MSCI Europe	141	2.2%	7.0%	14.6%	6.3%	44.3%	9.5%	10.7%	22.7%	
MSCI Europe Small Cap	448	2.2%	10.9%	24.6%	8.6%	75.4%	25.1%	19.1%	45.3%	

Source: Factset

For individual stocks, in the following tables we rank the best and worst performers over two periods: the last month and the year to date.

Intermonte Mid & Small Cap Coverage – best and worst performers, 1M

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
CERVED	9.60	1,875	35%
AUTOGRILL	6.48	1,647	32%
ASTM	25.70	3,611	27%
OVS GROUP	1.39	315	25%
CATTOLICA	5.14	895	24%
MEDIASET	2.66	3,140	18%
EL.EN.	33.95	667	18%
ALKEMY	9.80	55	18%
DANIELI	20.65	1,360	16%
ENAV	4.32	2,339	14%
IERVOLINO ENTERTAINMENT	3.58	86	12%
DATALOGIC	18.22	1,065	12%
GEFRAN	7.12	103	12%
ANIMA	4.52	1,667	11%
MAIRE TECNIMONT	2.50	823	11%
BANCA IFIS	11.46	617	11%
SOGEFI	1.37	165	11%
BANCA SISTEMA	2.04	164	10%
TOD'S	30.58	1,012	10%
BRUNELLO CUCINELLI	37.80	2,570	9%
FTSE Italia Mid Cap			5%
FTSE Italia Small Cap			3%
FTSE MIB			5%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
RAI WAY	4.73	1,287	-10%
ESPRINET	10.12	515	-10%
ePRICE	0.07	22	-10%
IGD	3.53	389	-10%
CYBEROO	5.68	55	-9%
RENO DE MEDICI	1.05	398	-7%
BREMBO	10.65	3,556	-6%
SARAS	0.66	628	-6%
SERI INDUSTRIAL	4.88	231	-5%
JUVENTUS	0.80	1,061	-5%
ELES	3.92	42	-5%
RETELIT	2.18	357	-5%
SAES GETTERS	21.20	431	-5%
LU-VE	15.35	341	-4%
SAFLO	0.92	253	-4%
WIIT	153.50	407	-4%
ERG	24.20	3,638	-4%
SESA	110.60	1,714	-3%
TXT E-SOLUTIONS	6.96	91	-3%
INDEL B	25.00	146	-3%

Source: Factset

Intermonte Mid & Small Cap Coverage – best and worst performers YTD

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
TESMEC	0.12	73	51%
WEBUILD	1.73	1,554	46%
DANIELI	20.65	1,360	44%
ALKEMY	9.80	55	38%
MAIRE TECNIMONT	2.50	823	37%
OVS GROUP	1.39	315	32%
FINCANTIERI	0.72	1,220	31%
DATALOGIC	18.22	1,065	30%
DE' LONGHI	33.22	5,002	29%
CERVED	9.60	1,875	29%
EL.EN.	33.95	667	28%
MEDIASET	2.66	3,140	27%
CEMENTIR	8.46	1,346	27%
BANCA IFIS	11.46	617	25%
ASTM	25.70	3,611	25%
GPI	9.30	148	25%
DEA CAPITAL	1.39	371	23%
ENAV	4.32	2,339	20%
BANCA SISTEMA	2.04	164	20%
SOMECC	21.40	148	20%
FTSE Italia Mid Cap			12%
FTSE Italia Small Cap			12%
FTSE MIB			9%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
RAI WAY	4.73	1,287	-13%
TXT E-SOLUTIONS	6.96	91	-12%
FALCK RENEWABLES	5.93	1,727	-10%
ePRICE	0.07	22	-10%
IERVOLINO ENTERTAINMENT	3.58	86	-9%
CELLULARLINE	4.50	98	-9%
SAES GETTERS	21.20	431	-8%
IEG	2.41	74	-8%
ESPRINET	10.12	515	-6%
WIIT	153.50	407	-6%
CYBEROO	5.68	55	-5%
JUVENTUS	0.80	1,061	-2%
IGD	3.53	389	-2%
BREMBO	10.65	3,556	-1%
RETELIT	2.18	357	-1%
BE	1.46	197	0%
GUALA CLOSURES	8.25	512	0%
IREN	2.17	2,826	2%
ERG	24.20	3,638	3%
CY4GATE	8.97	135	4%

Source: Factset

Earnings Momentum

Mid Cap estimates for 2021 slightly up in the last month

Since the beginning of the year we have raised our 2021E EPS estimates (+6.6%), while we have implemented a milder revision for 2022E (+4.5%). On 2021, our overall estimate revision for mid-caps has been slightly positive (+0.4% YTD), while our revision for small caps has been more significant (-8.4% YTD), mainly due to protracted Covid effects on a selected number of industries. It is worth pointing out that, looking at our mid/small cap coverage, overall estimate revisions on 2022 have been positive (+3.5% YTD). In the last month, estimate revisions have been slightly positive for mid-caps (+0.6%/+1.9%) and slightly negative for small caps (-1.5%/-0.9%).

Italian Market – Intermonte changes to 2020 and 2021 estimates

EPS REVISION	Since January 1st 2021		Since 18/2/2021	
	% chg in EPS	% chg in EPS	% chg in EPS	% chg in EPS
	FY21	FY22	FY21	FY22
Total Market	6.6%	4.5%	-0.1%	0.2%
Total Market - Ex Energy	5.7%	5.0%	-0.1%	0.1%
Domestic	3.5%	3.0%	-1.2%	0.9%
Non domestic	2.4%	2.4%	-0.9%	0.1%
Non domestic - Ex Energy	-1.4%	3.9%	-0.7%	-0.4%
FTSE MIB	7.4%	4.6%	-0.2%	0.0%
Mid Caps (our coverage)	0.4%	4.2%	0.6%	1.9%
Small Caps (our coverage)	-8.4%	-1.6%	-1.5%	-0.9%
Intermonte Mid&Small Caps coverage	-0.5%	3.5%	0.4%	1.6%

Source: Intermonte SIM

For individual stocks, the following tables rank the biggest changes to our 2021 adjusted net profit estimates YTD.

Intermonte Mid & Small Cap Coverage - largest changes to 2021 est. (up/down) YTD

Stock	Restated Net Profit 21	Restated net profit 21	% chg from
	as of 31/12/20	last estimate	31/12/20
Upward Revision			
CREDITO VALTELLINESE	43	58	33.4%
CEMENTIR	92	117	28.0%
MAIRE TECNIMONT	55	69	25.9%
EL.EN.	26	30	14.9%
FINCANTIERI	85	97	13.5%
DE' LONGHI	224	254	13.3%
FERRAGAMO	-21	-19	11.9%
FINE FOODS	12	13	10.8%
ESPRINET	35	38	7.9%
TOD'S	-60	-55	7.7%
Downward Revision			
IEG	5	-14	-374.4%
AUTOGRILL	-106	-224	-111.5%
SAES GETTERS	20	9	-54.8%
CYBEROO	2	1	-33.9%
SARAS	-59	-79	-32.4%
MARR	56	39	-30.8%
FALCK RENEWABLES	40	33	-18.5%
GEOX	-27	-32	-17.3%
GEFRAN	8	7	-8.7%
BANCA SISTEMA	30	28	-8.0%

Source: Intermonte SIM

Valuation

Mid and Small Caps have undergone a larger re-rating than Large Caps YTD

If we compare YTD performance to the change in FY21 estimates over the same period, we can see that mid and small caps have continued to re-rate. Specifically, FTSE MIB stocks have recorded a 4.6% re-rating YTD, while mid-caps and small caps have re-rated by 7.7% and 13.7% respectively.

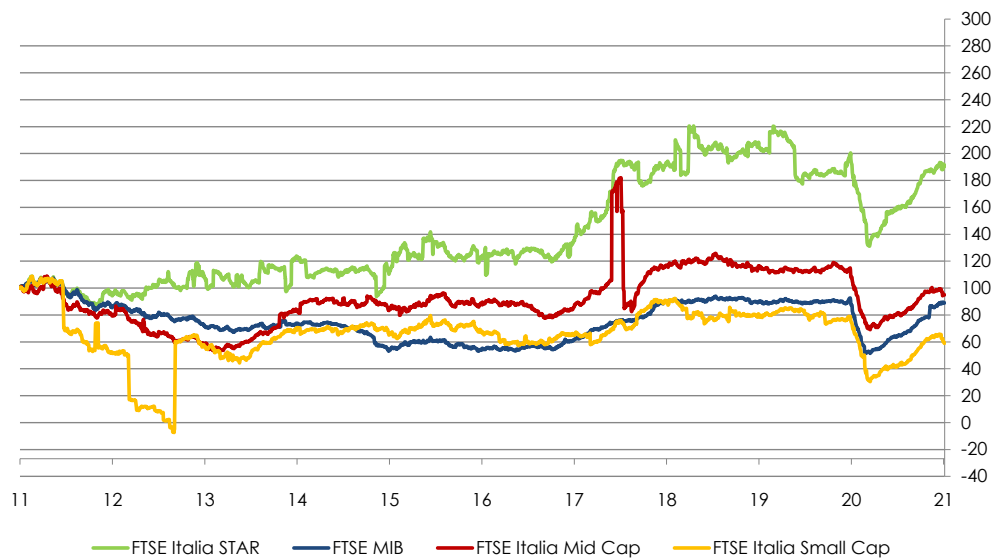
Italian Market – re/de-rating by index

Index	% Change YTD	on FY21 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	9.2%	4.6%	4.6%
FTSE Italia Mid Cap	11.9%	4.2%	7.7%
FTSE Italia Small Cap	12.1%	-1.6%	13.7%

Source: Intermonte SIM and Factset

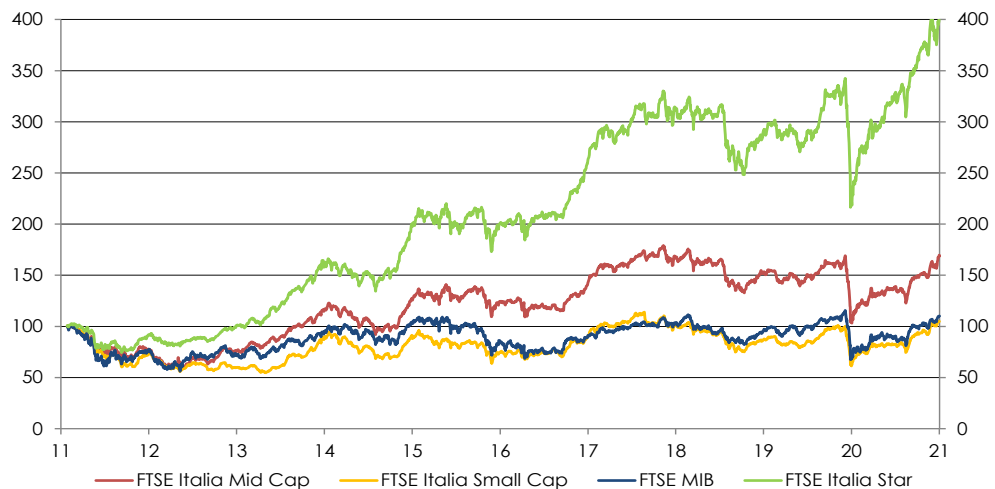
The following graph shows earnings direction over the last 10 years.

Italian Market Indices – EPS estimates for the last 10 years (base 100)



Source: Factset

Italian Market Indices – performances for the last 10 years (base 100)



Source: Factset

In addition to our analysis of the main Italian market indices, we have also compared valuations for our panel of Italian mid/small caps against the main FTSE MIB index.

On a P/E basis, our panel is trading at a 27% premium to large caps, above the historical average premium (17%) and the level of one month ago (21%).

Intermonte Mid & Small Cap Panel – next twelve months' P/E relative to FTSE MIB, last 10 years



Source: Intermonte SIM and Factset

The table on the next page shows the stocks in our mid/small cap coverage that have posted the largest re-ratings/de-ratings since January 2021, based on 2021 estimates.

European Market – valuations

	P/E 09	P/E 10	P/E 11	P/E 12	P/E 13	P/E 14	P/E 15	P/E 16	P/E 17	P/E 18	P/E 19	P/E 20	P/E 21	P/E21 vs Italian Equivalent	Last 10Y Avg	Premium vs Avg
FTSE MIB	14.5 x	14.9 x	12.8 x	11.4 x	11.4 x	18.8 x	19.7 x	16.7 x	n.m.	15.7 x	11.9 x	21.8 x	14.7 x	-	15.8 x	-6.8%
FTSE Italy Mid Ca	9.5 x	18.0 x	17.3 x	15.4 x	15.4 x	22.0 x	20.2 x	16.6 x	18.4 x	19.2 x	19.5 x	52.2 x	21.6 x	-	22.0 x	-2.2%
FTSE Italy Small C	11.8 x	35.8 x	23.9 x	66.6 x	63.7 x	nm	nm	23.8 x	22.2 x	nm	13.9 x	59.5 x	20.1 x	-	38.5 x	-47.8%
Germany DAX (T)	15.3 x	12.7 x	11.6 x	11.6 x	14.6 x	16.6 x	12.6 x	15.0 x	13.9 x	13.8 x	14.8 x	19.2 x	16.0 x	8.8%	14.8 x	8.1%
Germany MDAX	-75.5 x	15.1 x	17.1 x	28.4 x	26.6 x	23.7 x	18.0 x	22.9 x	22.4 x	18.8 x	21.0 x	47.2 x	34.7 x	61.1%	26.4 x	31.7%
France CAC 40	15.5 x	12.4 x	11.3 x	14.1 x	16.0 x	17.5 x	16.0 x	16.1 x	16.0 x	15.2 x	15.9 x	28.5 x	19.5 x	32.3%	17.5 x	11.3%
France CAC Mid	54.8 x	17.0 x	13.9 x	17.5 x	22.2 x	24.6 x	19.4 x	19.3 x	29.2 x	15.2 x	14.6 x	-364.3 x	22.0 x	2.0%	-18.0 x	-222.0%
France CAC Smx	41.3 x	n.m.	12.8 x	21.1 x	26.3 x	24.4 x	22.6 x	25.5 x	28.9 x	24.0 x	26.1 x	-8.6 x	36.2 x	80.2%	22.6 x	59.9%
FTSE 100	15.8 x	12.3 x	10.9 x	12.1 x	15.0 x	14.6 x	15.3 x	18.6 x	14.7 x	13.1 x	12.6 x	21.0 x	15.0 x	1.7%	15.2 x	-1.5%
FTSE 250	15.3 x	14.5 x	13.2 x	15.0 x	17.8 x	18.5 x	16.1 x	15.9 x	14.2 x	12.8 x	13.2 x	40.2 x	20.8 x	-3.6%	18.4 x	12.7%
IBEX 35	12.5 x	12.0 x	10.7 x	29.3 x	19.9 x	19.9 x	19.0 x	15.9 x	13.5 x	13.8 x	13.1 x	34.6 x	19.0 x	28.9%	19.8 x	-4.2%
IBEX MEDIUM	19.1 x	17.4 x	11.2 x	18.3 x	28.6 x	18.1 x	20.5 x	18.9 x	20.9 x	17.0 x	13.8 x	20.6 x	15.1 x	-30.1%	19.2 x	-21.4%

Source: Intermonte SIM and Factset

Intermonte Mid & Small Cap Coverage – YTD de-rating/re-rating on 2021 estimates

Stock	Restated Net Profit 21 as of 31/12/20	Restated net profit 21 last estimate	% Chg in Net Profit 21	Share Price perf. YTD	De-rating(-) Re- rating(+)
IEG	5.1	-14.0	-374%	(8%)	366.7%
AUTOGRILL	-106.1	-224.4	-111%	18%	129.9%
TESMEC	5.6	5.6	0%	51%	50.9%
SAES GETTERS	20.4	9.2	-55%	(8%)	46.8%
WEBUILD	106.7	106.7	0%	46%	46.4%
DANIELI	69.6	69.6	0%	44%	43.6%
SARAS	-59.3	-78.5	-32%	11%	43.4%
ALKEMY	2.8	2.8	0%	38%	38.4%
MARR	56.3	39.0	-31%	7%	38.2%
OVS GROUP	24.1	24.1	0%	32%	32.0%
DATALOGIC	36.8	36.8	0%	30%	30.1%
CYBEROO	2.2	1.5	-34%	(5%)	29.2%
CERVED	108.0	108.0	0%	29%	28.9%
BANCA SISTEMA	30.4	28.0	-8%	20%	28.0%
MEDIASET	207.7	207.7	0%	27%	27.4%
ASTM	207.6	205.3	-1%	25%	25.9%
BANCA IFIS	64.6	64.7	0%	25%	24.8%
GPI	8.0	8.0	0%	25%	24.7%
GEFRAN	7.7	7.0	-9%	16%	24.3%
SOGEFI	7.5	7.0	-6%	16%	22.2%
GEOX	-27.0	-31.7	-17%	5%	22.1%
PIAGGIO	65.6	63.9	-3%	19%	21.8%
ENAV	101.6	101.6	0%	20%	20.0%
SOMEC	7.0	7.0	0%	20%	19.9%
FINCANTIERI	85.3	96.8	13%	31%	17.4%
AMBIENTHESIS	5.0	5.0	0%	16%	16.3%
ELES	1.3	1.3	0%	16%	16.0%
EMAK	19.7	19.7	0%	16%	15.8%
DE' LONGHI	224.4	254.4	13%	29%	15.5%
SAFILO	-28.4	-28.4	0%	15%	15.3%
SERI INDUSTRIAL	8.9	8.9	0%	14%	14.3%
FILA	42.8	40.9	-5%	9%	13.6%
ELEN.	25.7	29.5	15%	28%	13.0%
AQUAFIL	15.4	15.4	0%	12%	12.4%
AVIO	25.1	25.1	0%	12%	12.3%
DOVALUE	57.6	57.6	0%	12%	12.3%
CATOLICA	158.7	158.7	0%	12%	12.0%
LU-VE	23.1	22.8	-2%	10%	11.7%
MAIRE TECNIMONT	54.7	68.9	26%	37%	11.5%
UNIPOLSAI	680.7	716.8	5%	16%	10.7%
CREDITO EMILIANO	175.2	184.2	5%	16%	10.5%
INDEL B	11.0	11.0	0%	10%	10.1%
SALCEF GROUP	49.4	49.4	0%	9%	9.4%
MONDADORI	28.4	28.4	0%	9%	9.1%
ELICA	10.5	10.5	0%	9%	9.1%
FOS	1.3	1.3	0%	9%	9.0%
SERVIZI ITALIA	6.6	6.6	0%	9%	9.0%
ANIMA	169.1	182.0	8%	16%	8.9%
B&C SPEAKERS	6.0	6.0	0%	9%	8.7%
RENO DE MEDICI	33.6	33.6	0%	9%	8.7%
FALCK RENEWABLES	40.1	32.7	-19%	(10%)	8.4%
SESA	57.5	57.6	0%	7%	7.1%
TECHNOGYM	66.5	68.6	3%	9%	5.9%
NOTORIOUS PICTURES	3.6	3.6	0%	5%	5.2%
REPLY	127.8	133.7	5%	8%	3.5%
ERG	112.3	112.9	1%	3%	2.9%
IREN	247.8	247.8	0%	2%	2.2%
BRUNELLO CUCINELLI	26.4	27.6	4%	6%	1.5%
TINEXTA	49.8	52.1	5%	6%	1.3%
ACEA	294.3	304.9	4%	5%	1.3%
ASCOPIAVE	44.3	46.3	5%	5%	0.7%
GUALA CLOSURES	15.4	15.4	0%	0%	0.2%
BE	11.9	11.9	0%	0%	0.1%
BREMBO	192.3	189.6	-1%	(1%)	0.0%
RETELIT	17.1	16.9	-1%	(1%)	(0.2%)
TOD'S	-59.8	-55.2	8%	7%	(0.2%)
CEMENTIR	91.6	117.3	28%	27%	(0.8%)
IGD	60.2	60.2	0%	(2%)	(2.1%)
JUVENTUS	-30.8	-30.8	0%	(2%)	(2.1%)
WIIT	10.6	10.6	0%	(6%)	(5.7%)
FINE FOODS	11.9	13.2	11%	5%	(6.0%)
FERRAGAMO	-21.2	-18.7	12%	5%	(6.4%)

Source: Intermonte SIM

Liquidity

Average trading volumes up MoM for mid and small caps

Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) has improved compared to one month ago, coming in 22% higher than the 1Y average (it was -1.2% one month ago). Interestingly, liquidity for mid-caps has witnessed an even better trend, showing a +39.6% change, while for small caps the same metric has improved compared to the 1Y average, by 53.0%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.9mn in the last month, down 20% on the corresponding period one year ago.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn)					% Changes	
	1M	3M	6M	1Y	3Y	1M vs 1Y	3M vs 1Y
FTSE MIB							
All stocks	58.56	52.79	49.34	48.00	50.20	22.0%	10.0%
Top 20% by market cap	169.57	156.21	141.96	138.87	148.51	22.1%	12.5%
FTSE Italia Mid Cap							
All stocks	4.16	3.53	3.31	2.98	3.29	39.4%	18.3%
Top 20% by market cap	8.68	7.22	6.93	6.22	6.95	39.6%	16.1%
FTSE Italia Small Cap							
All stocks	0.46	0.41	0.39	0.34	0.35	37.8%	20.3%
Top 20% by market cap	1.22	1.08	0.98	0.80	0.81	53.0%	35.4%

Source: Factset

For individual stocks, the following table ranks liquidity in our mid/small cap coverage.

Intermonte Mid & Small Cap Coverage – most liquid stocks

Stock	Market Cap (Eu mn)	6M Avg Volume * Avg Price (Eu)
AUTOGRILL	1,647	10,658,718
FERRAGAMO	2,822	6,814,697
FALCK RENEWABLES	1,727	6,556,266
TECHNOGYM	2,029	6,355,021
ERG	3,638	6,227,938
SARAS	628	6,129,908
CREDITO VALTELLINESE	849	5,796,695
BREMBO	3,556	5,744,785
CERVED	1,875	5,521,703
REPLY	3,853	4,914,319
ASTM	3,611	4,831,165
ANIMA	1,667	4,687,237
UNIPOLSAI	7,125	4,661,305
DE' LONGHI	5,002	4,546,460
IREN	2,826	4,542,374
TINEXTA	1,050	3,762,294
MEDIASET	3,140	3,711,343
ESPRINET	515	3,450,468
BRUNELLO CUCINELLI	2,570	3,359,583
CATTOLICA	895	3,087,744
MAIRE TECNIMONT	823	3,006,287
ENAV	2,339	2,976,488
SESA	1,714	2,958,812
JUVENTUS	1,061	2,893,042
MARR	1,204	2,855,752
ACEA	3,829	2,832,361
OVS GROUP	315	2,735,885
WEBUILD	1,554	2,714,392
TOD'S	1,012	2,606,434
PIAGGIO	1,150	2,451,500

Source: Factset

Criteria for investing in mid/small caps

Italian Mid & Small Cap Coverage - geographical breakdown of sales (FY20)

Stock	Italy	Europe (incl. Russia, UK, Turkey)	North America (incl. Mexico)	South America	Asia (incl. China, India, South East Asia)	RoW (Africa, Middle East, Australia, Japan)
Intermonte Coverage	52.9%	22.9%	10.0%	1.0%	5.9%	7.3%

Source: Company data and Intermonte SIM (financial companies excluded from the sample)

A ranking of stocks with the highest expected earnings growth for 2022 vs 2021, and the highest 2021 dividend yields can be found in the following tables.

Intermonte Mid & Small Cap Coverage – dividend yield 2021

Stock	Price (Eu)	Mkt Cap (Eu mn)	EPS 21	DPS 21	Yield 21 %	PayOut 20 %	Net Debt/EBITDA 20
CATTOLICA	5.1	895	0.911	0.450	8.8%	49%	
CELLULARLINE	4.5	98	0.671	0.350	7.8%	52%	-1.8x
BANCA IFIS	11.5	617	1.201	0.800	7.0%	67%	
IGD	3.5	389	0.545	0.228	6.5%	42%	-10.1x
UNIPOLSAI	2.5	7,125	0.258	0.160	6.4%	62%	
CREDITO VALTELLINESE	12.1	849	0.820	0.630	5.2%	77%	
ANIMA	4.5	1,667	0.468	0.220	4.9%	47%	
ENAV	4.3	2,339	0.187	0.210	4.9%	112%	-1.6x
RAI WAY	4.7	1,287	0.225	0.225	4.8%	100%	-0.7x
ACEA	18.0	3,829	1.432	0.841	4.7%	59%	-3.1x
MAIRE TECNIMONT	2.5	823	0.210	0.116	4.6%	55%	-0.9x
IREN	2.2	2,826	0.190	0.100	4.6%		-3.5x
SERVIZI ITALIA	2.3	73	0.206	0.103	4.5%	50%	-2.1x
NOTORIOUS PICTURES	1.8	41	0.159	0.079	4.4%	50%	-1.1x
DOVALUE	10.8	867	0.721	0.468	4.3%	65%	-1.4x
ASCOPIAVE	3.8	897	0.198	0.165	4.3%	84%	-4.8x
DEA CAPITAL	1.4	371		0.060	4.3%	#VALORE!	
BANCA SISTEMA	2.0	164	0.348	0.087	4.3%	25%	
PIAGGIO	3.2	1,150	0.179	0.134	4.2%	75%	-1.7x
SALCEF GROUP	12.8	574	1.166	0.525	4.1%	45%	0.3x
GEFRAN	7.1	103	0.486	0.292	4.1%	60%	-0.1x
CREDITO EMILIANO	5.1	1,695	0.554	0.200	3.9%	36%	
EMAK	1.3	209	0.121	0.048	3.8%	40%	-2.2x
AMBIENTHESIS	0.8	74	0.054	0.028	3.5%	53%	-1.0x
ASTM	25.7	3,611	1.461	0.900	3.5%	62%	-2.9x
B&C SPEAKERS	11.3	124	0.549	0.357	3.2%	65%	0.5x
ERG	24.2	3,638	0.751	0.750	3.1%	100%	-3.0x
AVIO	12.7	336	0.922	0.388	3.0%	42%	1.1x
CERVED	9.6	1,875	0.553	0.276	2.9%	50%	-2.4x
WEBUILD	1.7	1,554	0.216	0.048	2.8%	22%	-1.6x

Source: Intermonte SIM and Factset

Intermonte Mid & Small Cap Coverage – EPS growth, 2022 vs 2021

Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 21	P/E 22	EPS Growth
SOGEFI	1.4	165	23.1	7.9	191%
SAES GETTERS	21.2	431	50.7	21.5	135%
TESMEC	0.1	73	13.0	5.5	135%
SERI INDUSTRIAL	4.9	231	25.9	11.9	117%
ELES	3.9	42	33.5	18.1	84%
SOMECC	21.4	148	21.0	12.1	73%
CY4GATE	9.0	135	38.3	22.3	72%
ELICA	3.4	214	20.3	11.9	70%
BRUNELLO CUCINELLI	37.8	2,570	93.2	56.5	65%
BANCA IFIS	11.5	617	9.5	5.8	65%
OVS GROUP	1.4	315	13.1	8.1	62%
MARR	18.1	1,204	30.9	20.3	52%
FINCANTIERI	0.7	1,220	12.6	8.4	51%
ALKEMY	9.8	55	19.3	12.9	50%
DOVALUE	10.8	867	15.0	10.1	50%
SERVIZI ITALIA	2.3	73	11.2	7.5	49%
GUALA CLOSURES	8.3	512	36.1	24.5	47%
NOTORIOUS PICTURES	1.8	41	11.5	8.0	44%
INDEL B	25.0	146	13.3	9.4	41%
CREDITO VALTELLINESE	12.1	849	14.8	10.6	40%
FALCK RENEWABLES	5.9	1,727	52.9	38.6	37%
ENAV	4.3	2,339	23.0	17.2	34%
WIIT	153.5	407	38.4	29.0	32%
B&C SPEAKERS	11.3	124	20.5	15.8	29%
AQUAFIL	5.5	233	18.1	14.0	29%
RELATECH	2.9	95	20.3	15.9	27%
LU-VE	15.4	341	15.0	11.9	26%
EL.EN.	34.0	667	22.6	18.0	26%
FILA	10.0	430	12.4	9.9	25%
CELLULARLINE	4.5	98	6.7	5.4	25%
PIAGGIO	3.2	1,150	17.9	14.5	23%
RETELIT	2.2	357	21.1	17.1	23%
BREMBO	10.7	3,556	18.3	14.9	23%
SESA	110.6	1,714	29.7	24.7	20%
FINE FOODS	11.0	207	19.6	16.3	20%
AVIO	12.7	336	13.8	11.5	20%
CATTOLICA	5.1	895	5.6	4.7	20%
CEMENTIR	8.5	1,346	11.5	9.6	20%

Source: Intermonte SIM and Factset

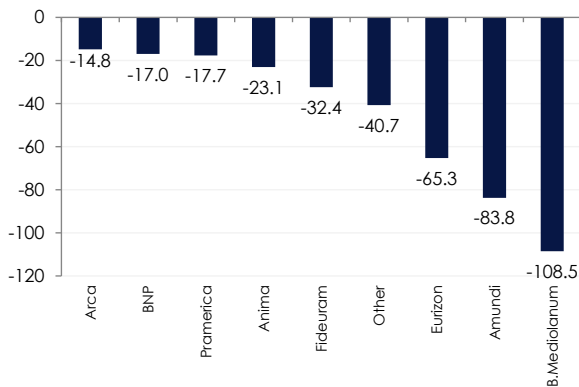
Update on the Individual Savings Plan (PIR)

PIR: official figures for 4Q20

	Net Inflows								Nr. Of Funds		Invested Capital	
	4Q20 (Eu mn)	3Q20 (Eu mn)	2Q20 (Eu mn)	1Q20 (Eu mn)	4Q19 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	# Funds	%	at December 2020 (Eu mn)	in %
Total	(403)	(178)	59	(234)	(380)	(1,097)	3,950	10,903	71	100.0%	17,824	100.0%
Newly established funds	(245)	(74)	29	(83)	(333)	(760)	3,403	7,864	46	64.8%	10,547	59.2%
Pre-existing funds	(158)	(104)	30	(151)	(48)	(337)	547	3,039	25	35.2%	7,277	40.8%
EQUITY FUNDS	(74)	(37)	(14)	(153)	(48)	(369)	349	2,260	28	39.4%	4,694	26.3%
o/w Italy Equity	(74)	(37)	(14)	(153)	(48)	(369)	349	2,260	28	39.4%	4,694	26.3%
BALANCED FUNDS	(194)	(107)	13	(33)	(237)	(587)	2,525	5,962	26	36.6%	8,046	45.1%
o/w Balanced Equity	(11)	(3)	6	(2)	(33)	(63)	181	279	2	2.8%	425	2.4%
o/w Balanced	(66)	(30)	9	(34)	(105)	(258)	752	1,849	9	12.7%	2,368	13.3%
o/w Balanced bonds	(117)	(74)	(1)	2	(99)	(267)	1,592	3,834	15	21.1%	5,254	29.5%
FIXED INCOME FUNDS	(3)	(1)	2	1	(3)	(20)	10	75	4	5.6%	217	1.2%
o/w Italy Bonds	(2)	(2)	(3)	1	(4)	1	(9)	13	2	2.8%	72	0.4%
o/w Europe Bonds	0	2	5	0	1	(21)	19	62	1	1.4%	52	0.3%
o/w Mixed	(2)	(1)	(0)	1					1	1.4%	94	0.5%
FLEXIBLE FUNDS	(132)	(32)	58	(50)	(92)	(121)	1,067	2,605	13	18.3%	4,866	27.3%

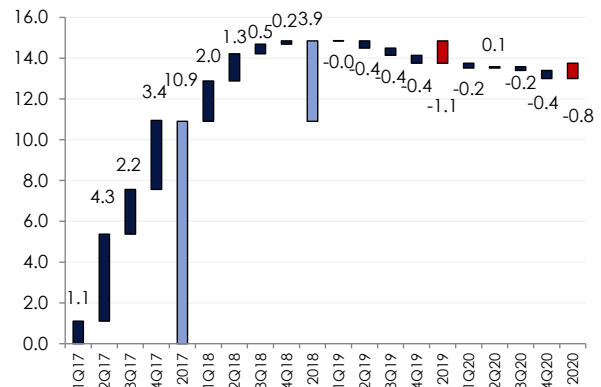
Source: Assogestioni, Quarterly Report, February 2021

PIR - Net inflows by asset manager (Eu mn, 4Q20)



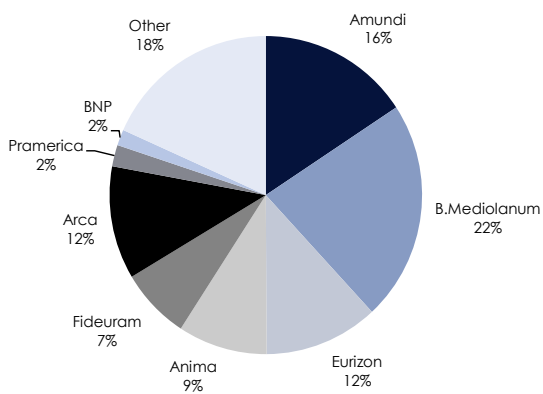
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



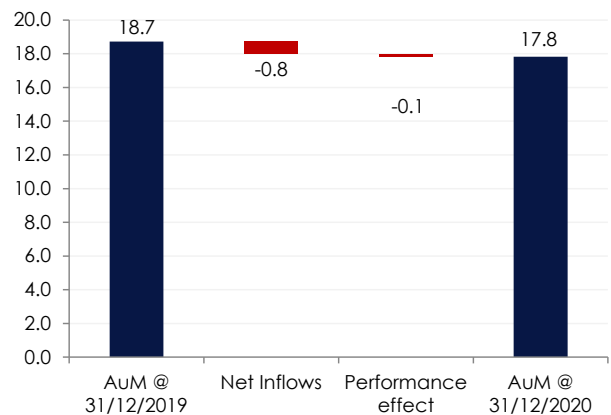
Source: Intermonte SIM estimates, Assogestioni

PIR - Market share by asset manager (on AuM at 30/09/20)



Source: Assogestioni

PIR - Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR inflows starting 2021 in negative territory, but good prospects remain thanks to fiscal incentives

Assogestioni released updated figures on 4Q20 PIR inflows in its quarterly review on 17th February 2021. Net inflows amounted to a negative Eu403mn (i.e. outflows) in 4Q20, with all the major players reporting negative numbers. The quarter therefore again showed negative numbers, following positive inflows in 2Q20. In 2021, outflows reached Eu759mn.

According to the figure released by Sole 24 Ore's 'Osservatorio PIR', **2021 started with a negative figure for PIR, with outflows in the order of Eu161mn in January 2021**. However, we expect interest in this product to regain momentum in the coming months, as we believe the mid/small equity class is well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by asset gatherers.

As a reminder, the features of PIR 3.0 are as follows: at least 70% of the fund must be invested in securities issued by listed Italian or EU companies having stable organisation in Italy; of this 70%, 25% (i.e. 17.5% of the total fund) must be invested in securities that are not on the main index (FTSE MIB in the case of Italian-listed stocks). The principal novelty in the new regulation is a mandatory minimum investment of 5% of the 70% (or 3.5% of the total fund) in small caps that are not listed on either the FTSEMIB or the FTSE MID indexes. This measure is likely to channel flows into a universe of small companies that are expected to obtain particular benefits from renewed investor interest. The new regulation also allows Italian pension funds to invest up to 10% of their assets in PIR funds. The fiscal benefit (unchanged) still relates to the elimination of capital gains tax after the investment is maintained in the fund for at least 5 years.

A recent report published by Assogestioni (October 2020) gave its findings on PIR fund subscriptions by small retail investors: as at YE19, the average/median cumulative investment per capita was only Eu16,383/Eu10,553, with only 3% of total subscribers reaching the maximum annual allowance of Eu30,000 per year.

"Alternative PIR" officially launched, August decree increased maximum investment per annum from Eu150k to Eu300k:

the Alternative PIR is a wrapper with tax benefits similar to PIR (i.e. tax exemption of capital gains for investments held for at least 5 years) and in turn is capable of investing in ELTIFs, private equity funds or private debt funds. Because of the investments in illiquid assets (closer to the real economy but riskier), affluent investors are the target clients. The maximum investible amount per year is Eu300k per person (vs Eu30k for PIR) up to a cumulative maximum of Eu1.5mn per person. Moreover, the concentration limit (i.e. max cumulative investment in a single stock) has been set at 20% (10% being the limit for regular PIR funds).

Investor interest is likely to be high (inflows of Eu3-5bn a year estimated by Assogestioni). These alternative instruments would indeed be suitable for overcoming market volatility given their long-term commitment and are complementary to PIR funds in a broader sense (they are designed for semi-professional rather than retail investors). We believe the introduction of Alternative PIRs could also represent a smart solution to the current impasse at EU level over ELTIF, as the new Alternative PIRs are entitled to buy ELTIF funds, thereby indirectly benefitting ELTIFs.

ALTERNATIVE PIR vs. PIR 3.0

	PIR 3.0	Alternative PIR
Investor Target	Retail Investors	Semi-institutional investors
Main Investment Focus	Mid and Small Caps	Small and Micro Caps, Privately held SMEs
Type of Fund	Open-end Funds	Closed-End Funds, such as ELTIF, private equity funds, private debt funds
Max per capita investment	Eu30,000 a year (max Eu150,000)	Eu300,000 a year (max Eu1.5mn)
Concentration limit	Up to 10%	Up to 20%
Investment Criteria	At least 70% of the fund must be invested in securities issued by listed Italian or EU companies having stable organisation in Italy; of this 70%, 25% (i.e. 17.5% of the total fund) must be invested in securities that are not on the main index (FTSE MIB in the case of Italian-listed stocks) and 5% (or 3.5% of the total fund) in small caps that not listed on either the FTSEMIB or the FTSE MID indexes.	At least 70% of the fund must be invested in securities issued by Italian or EU companies having stable organisation in Italy that are small caps not listed on either the FTSEMIB or the FTSE MID indexes.
Fiscal benefits	Zeroing capital gains tax after maintaining the investment in the fund for at least 5 years	Zeroing capital gains tax after maintaining the investment in the fund for at least 5 years

Source: Intermonte SIM

Our Estimates for PIRs

In this report we adjust our estimates following preliminary January data. In the long term, our assumptions are based on expectations that interest in this product will remain fairly high thanks to the fiscal benefit and, from a distributor point of view, to the fact that it can count on long-term commitment from the investor. In particular, we continue to expect a strong 2021 in terms of inflows, as we consider the mid/small equity class to be well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by investment houses.

Our main assumptions are as follows:

- For 2021, we assume Eu0.8bn (down from Eu1.0bn) of gross inflows from new PIR subscribers, followed by Eu2.4bn for 2022;
- For continuing subscribers, we expect that overall inflows in year two will amount to a portion of the sum set aside in the first year (from 35% to 40% in our model); in the remaining years (i.e. from the third to the fifth year) we expect stable inflows, equivalent on average to 60% of the investments made in the second year;
- Finally, we calculate the amount of capital that will be withdrawn by investors who decide to exit the fund before the five-year time limit (for whatever reason) at ~4% of Assets under Management in 2021 and beyond.

PIR – Our assumptions

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E
Mutual Funds AUM (Eu mn)	887,408	900,318	1,011,183	955,114	1,071,299			
PIR Net inflows (Eu mn)			10,903	3,950	(1,097)	(759)	1,001	2,836
<i>YoY Growth</i>				-63.8%	<i>nm</i>	<i>nm</i>	<i>nm</i>	183.4%
<i>o/w From Continuing Subs.</i>			-	3,414	989	754	744	1,064
<i>o/w From New Subscribers</i>			10,903	1,325	-	-	800	2,350
<i>o/w Transformation of Existing Funds/Exit from PIR</i>			4,867	(788)	(2,086)	(1,513)	(543)	(578)

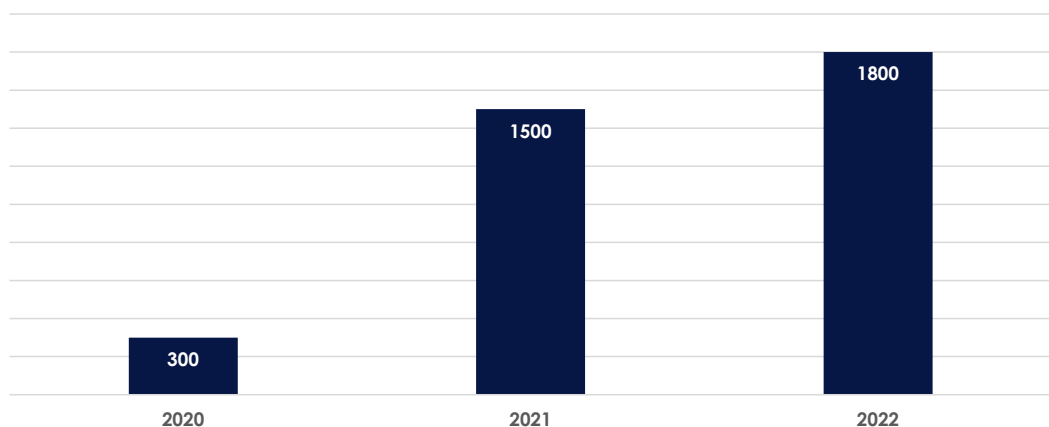
Source: Intermonte SIM

Our Estimates for Alternative PIRs

On publication of the June report, we also added our estimates on the inflows expected for Alternative PIRs. Several important Italian asset managers have now launched their new funds, mostly ELTIF, compliant with the Alternative PIR regulation and definition (and subject therefore to the fiscal benefits). Based on our expectations for ELTIF, we foresee inflows of Eu300mn in 2020, Eu1.5bn in 2021, and Eu1.8bn in 2022, thus reaching cumulative AuM of Eu3.6bn by YE22. For the moment, our estimates are more cautious than the Assogestioni forecast for this product, which is for inflows of between Eu3bn and Eu5bn per year.

We flag up an important piece of news for Alternative PIRs: in the final days of December, an amendment was added to the Budget giving subscribers of PIR funds set up from 1 January 2021 the right to a tax credit on any capital losses accrued on investments made by 31 December 2021. This credit has a ceiling of 20% of the amount invested and is usable over a 10-year period. We think the tax credit could represent a further important marketing instrument for PIR, improving visibility on our estimates for 2021.

Alternative PIRs – Our estimates (Eu mn)



Source: Intermonte SIM