

Italian Mid Small Caps Monthly

- **Performance (-).** The Italian equity market (prices as at 16th November 2020) has risen 9.4% in the last month and is now down just 9.6% YTD. The FTSE Italy Mid-Cap index (+6.5% in the last month) has underperformed the main index by 2.9% (-1.4% YTD on a relative basis), while the FTSE Italy Small Caps index (+4.7% in the last month) has underperformed the market by 4.7% in the last month and is 2.8% below the main index in relative terms since the beginning of 2020. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 6.5% in the last month, performing in line with Italian mid-caps.
- **Estimates (=).** In light of the significant economic implications of the coronavirus outbreak, since the beginning of the year we have significantly cut our 2020 EPS estimates (-52.7%), while we have implemented a milder revision for 2021 (-31.1%), assuming a partial recovery. Our overall estimate revision for mid-caps (-51.2% YTD) has been broadly in line with large caps, while our revision for small caps has been greater (-90.6% YTD). In the last month, 3Q20 results have been, on average, better than expected, so we have taken a more positive view on some mid-caps (+3.9% on 2020 EPS but just +0.1% on 2021 EPS) while we have trimmed estimates for our small caps coverage (in reality, the forecast reduction is mainly related to a specific situation).
- **Valuations (=).** If we compare YTD performance to the change in FY21 estimates over the same period, we can see that the YTD fall in market prices is much more limited than the cut to our FY21 estimates, implying a significant re-rating. Specifically, FTSE MIB stocks have recorded a 22% re-rating YTD, while the figures for mid-caps and small caps are 18.8% and 30.3% respectively. The re-rating has increased slightly in the last month. This re-rating is consistent with the view that central banks will continue with their dovish approach. On a P/E basis, our panel is trading at a 22.2% premium to large caps, broadly in line with the historical average premium (23%) and with the level one month ago (22.9%). The rising number of companies reporting an expected net loss this year is making this indicator less meaningful at the present time.
- **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 declined on the previous month, coming in 7.4% lower than the 1Y average. Interestingly, liquidity for mid-caps has remained stable compared to the 1Y average, while the same metric has decreased by 4% for small caps. Average daily liquidity for our mid/small cap coverage has been Eu2,385k in the last month, down 14% on the corresponding period one year ago.
- **Investment strategy.** On Monday, the US company Moderna reported promising preliminary results from its coronavirus vaccine trial. The announcement came just a week after similar news from Pfizer and BioNTech. Even if the two companies still have to obtain FDA authorisation, and the soonest that coronavirus vaccines could possibly become widely available would be in the spring, global stock markets witnessed a violent rotation. In this context, the fact that in the meantime, the United States and Europe are suffering a devastating explosion of new cases of Covid-19 is suggesting central banks will maintain a dovish approach. Our portfolio suffered from this rotation to some extent. All in all, the situation remains volatile, but we are cautiously taking a more constructive view on the market (in our valuations, equity risk premium goes from 5.5% to 5.0%), especially in light of reassuring overall 3Q20 reporting. As shown in this report, we see attractive investment situations, particularly among small caps that were not involved in the stock rotation or among companies that exposed to the booming Chinese/Asian demand. Apart from that, we do not recommend walking away from quality stocks, but prefer to add some names to play the post-vaccine scenario. As for liquidity, the picture remains mixed and we have reduced our PIR estimates for the year, still expecting positive inflows in 4Q20. It is worth noting that regarding "Alternative PIR", the first ELTIF funds that are fully compliant with the "Relaunch Italy" decree have been launched but no official inflow data is available yet.

by Intermonte Research Team

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Performance

Mid/Small caps underperformed large caps in last month

The Italian equity market (prices as at 16th November 2020) has risen 9.4% in the last month and is now down just 9.6% YTD. The FTSE Italy Mid-Cap index (+6.5% in the last month) has underperformed the main index by 2.9% (-1.4% YTD on a relative basis), while the FTSE Italy Small Caps index (+4.7% in the last month) has underperformed the market by 4.7% in the last month and is 2.8% below the main index in relative terms since the beginning of 2020.

Italian Market Indexes – performance analysis (prices as of 16th November 2020)

Index	Price (Eu)	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
FTSE Italia Mid Cap	35,971	6.5%	3.7%	17.4%	-11.0%	-10.4%	2.2%	-14.1%	6.5%
FTSE Italia Small Cap	19,733	4.7%	3.6%	17.3%	-12.4%	-7.0%	10.7%	-15.7%	3.3%
FTSE Italia Star	41,691	3.5%	9.3%	27.2%	6.6%	10.5%	32.1%	14.6%	66.4%
FTSE AIM ITALIA	6,385	-1.6%	-4.7%	-3.9%	-18.2%	-17.6%	-28.4%	-32.7%	-30.8%
FTSE Italia All-Share	23,175	9.4%	5.9%	25.6%	-9.6%	-9.7%	11.7%	-5.4%	-1.5%
FTSE MIB	21,317	9.9%	6.4%	26.5%	-9.3%	-9.6%	12.9%	-4.0%	-2.3%
Relative Performance vs FTSE Italy All Share		% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
FTSE Italia Mid Cap		-2.9%	-2.2%	-8.2%	-1.4%	-0.7%	-9.5%	-8.7%	8.0%
FTSE Italia Small Cap		-4.7%	-2.3%	-8.3%	-2.8%	2.7%	-1.0%	-10.4%	4.8%
FTSE Italia Star		-5.9%	3.4%	1.6%	16.2%	20.2%	20.4%	19.9%	67.8%

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 6.5% in the last month, performing in line with Italian mid-caps.

European Market Indexes – performance analysis

Index	Price (Eu)	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
MSCI Europe	129	6.2%	6.0%	18.0%	-7.5%	-5.3%	6.7%	-0.5%	3.4%
MSCI Europe Small Cap	385	6.5%	8.7%	26.9%	-3.7%	1.5%	14.7%	5.4%	18.6%

Source: Factset

For individual stocks, in the following tables we have ranked 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 (%)
AUTOGRILL	5.2	1,333	58%
TECHNOGYM	9.7	1,953	50%
IGD	3.6	401	26%
SARAS	0.5	511	23%
ENAV	3.8	2,075	21%
CREDITO EMILIANO	4.5	1,481	21%
MARR	15.5	1,030	20%
FILA	8.7	373	20%
BREMBO	10.5	3,513	19%
WEBUILD	1.2	1,098	18%
SOGEFI	1.1	130	17%
MEDIASET	1.9	2,274	17%
ePRICE	0.1	26	17%
GEFRAN	5.0	72	16%
B&C SPEAKERS	9.8	108	16%
ESPRINET	8.8	447	16%
CREDITO VALTELLINESE	8.2	575	15%
CATTOLICA	4.8	844	15%
CEMENTIR	6.9	1,093	15%
BANCA IFIS	8.8	474	12%
FTSE Italia Mid Cap			6%
FTSE Italia Small Cap			5%
FTSE MIB			10%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
IEG	1.8	55	-21%
CFT	1.9	30	-16%
RENO DE MEDICI	0.9	352	-9%
DE' LONGHI	27.6	4,161	-9%
SERI INDUSTRIAL	3.1	149	-8%
REPLY	95.2	3,562	-6%
GPI	6.6	105	-6%
ERG	21.0	3,157	-4%
WIIT	160.0	424	-4%
CELLULARLINE	4.2	91	-4%
FALCK RENEWABLES	5.3	1,536	-3%
TINEXTA	20.6	970	-3%
ELICA	2.7	173	-2%
OVS GROUP	0.9	215	-2%
SAES GETTERS	22.0	437	-2%
TXT E-SOLUTIONS	7.7	100	-2%
GUALA CLOSURES	6.4	398	-2%
CERVED	6.3	1,225	-1%
SALCEF GROUP	11.8	493	-1%
FINE FOODS	9.9	186	0%

Source: Factset

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SERI INDUSTRIAL	3.1	149	92%
SESA	86.0	1,333	80%
TINEXTA	20.6	970	77%
WIIT	160.0	424	74%
ESPRINET	8.8	447	69%
RETELIT	2.4	389	49%
DE' LONGHI	27.6	4,161	47%
REPLY	95.2	3,562	37%
CREDITO VALTELLINESE	8.2	575	15%
SALCEF GROUP	11.8	493	14%
RENO DE MEDICI	0.9	352	13%
FALCK RENEWABLES	5.3	1,536	11%
LU-VE	14.1	312	10%
ERG	21.0	3,157	9%
EMAK	1.0	159	6%
IMA	68.0	2,936	6%
CEMENTIR	6.9	1,093	2%
CYBEROO	4.0	39	2%
BE	1.2	165	-3%
ACEA	17.9	3,804	-3%
FTSE Italia Mid Cap			-11%
FTSE Italia Small Cap			-12%
FTSE MIB			-9%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SARAS	0.5	511	-63%
IEG	1.8	55	-58%
ePRICE	0.1	26	-54%
TESMEC	0.2	20	-54%
OVS GROUP	0.9	215	-53%
SOMEK	12.6	87	-50%
CFT	1.9	30	-50%
GEOX	0.6	157	-49%
IERVOLINO ENTERTAINMENT	3.3	74	-45%
ELES	2.9	31	-44%
AUTOGRILL	5.2	1,333	-44%
NOTORIOUS PICTURES	1.4	31	-44%
TOD'S	23.5	779	-43%
SAFILO	0.7	179	-42%
IGD	3.6	401	-41%
MAIRE TECNIMONT	1.5	478	-41%
CELLULARLINE	4.2	91	-40%
FILA	8.7	373	-40%
AQUAFIL	3.8	164	-39%
BANCA IFIS	8.8	474	-37%

Source: Factset

Earnings Momentum

Overall estimates unchanged in the last month

In light of the significant economic implications of the coronavirus outbreak, since the beginning of the year we have significantly cut our 2020 EPS estimates (-52.7%), while we have implemented a milder revision for 2021 (-31.1%), assuming a partial recovery. Our overall estimate revision for mid-caps (-51.2% YTD) has been broadly in line with large caps, while our revision for small caps has been greater (-90.6% YTD). In the last month, 3Q20 results have been, on average, better than expected, so we have taken a more positive view on some mid-caps (+3.9% on 2020 EPS but just +0.1% on 2021 EPS) while we have trimmed estimates for our small caps coverage (in reality, the forecast reduction is mainly related to a specific situation).

Italian Market – Intermonte changes to 2020 and 2021 estimates

EPS REVISION	Since January 1st 2020		Since 17/10/2020	
	% chg in EPS	% chg in EPS	% chg in EPS	
	FY20	FY21	FY20	% chg in EPS FY21
Total Market	-52.7%	-31.1%	1.3%	3.5%
Total Market - Ex Energy	-43.0%	-25.4%	4.3%	3.8%
Domestic	-55.5%	-33.2%	-3.4%	3.2%
Non domestic	-48.3%	-27.9%	8.5%	3.9%
Non domestic - Ex Energy	-15.4%	-8.6%	14.8%	4.7%
FTSE MIB	-53.3%	-31.6%	1.7%	4.2%
Mid Caps (our coverage)	-51.2%	-29.8%	3.9%	0.1%
Small Caps (our coverage)	-90.6%	-42.7%	-60.9%	-7.1%
Intermonte Mid&Small Caps coverage	-55.2%	-31.2%	0.3%	-0.6%

Source: Intermonte SIM

For individual stocks, the following tables rank the biggest changes to our 2020 adjusted net profit estimates YTD.

Intermonte Mid & Small Cap Coverage - largest changes to 2020 est. (up/down) YTD

Stock	Restated Net Profit 21 as of 31/12/19	Restated net profit 21 last estimate	% chg from 31/12/19
Upward Revision			
SESA	48	57	19.2%
UNIPOLSAI	598	681	13.9%
TINEXTA	47	50	5.9%
SALCEF GROUP	44	46	5.6%
DE' LONGHI	186	196	5.2%
TXT E-SOLUTIONS	5	5	2.7%
Downward Revision			
SAFILO	4	-28	-771.0%
TOD'S	36	-60	-267.8%
JUVENTUS	19	-31	-262.3%
GEOX	21	-27	-231.3%
AUTOGRILL	158	-106	-166.9%
SARAS	152	-59	-139.1%
FERRAGAMO	123	-21	-117.2%
CFT	5	1	-78.5%
SOGEFI	27	7	-72.7%
FINCANTIERI	237	77	-67.7%

Source: Intermonte SIM

Valuation

Multiple re-rating has increased in the last month

If we compare YTD performance to the change in FY21 estimates over the same period, we can see that the YTD fall in market prices is much more limited than the cut to our FY21 estimates, implying a significant re-rating. Specifically, FTSE MIB stocks recorded a 22% re-rating YTD, while the figures for mid-caps and small caps are 18.8% and 30.3% respectively. The re-rating has increased slightly in the last month. This re-rating is consistent with the view that central banks will continue with their dovish approach.

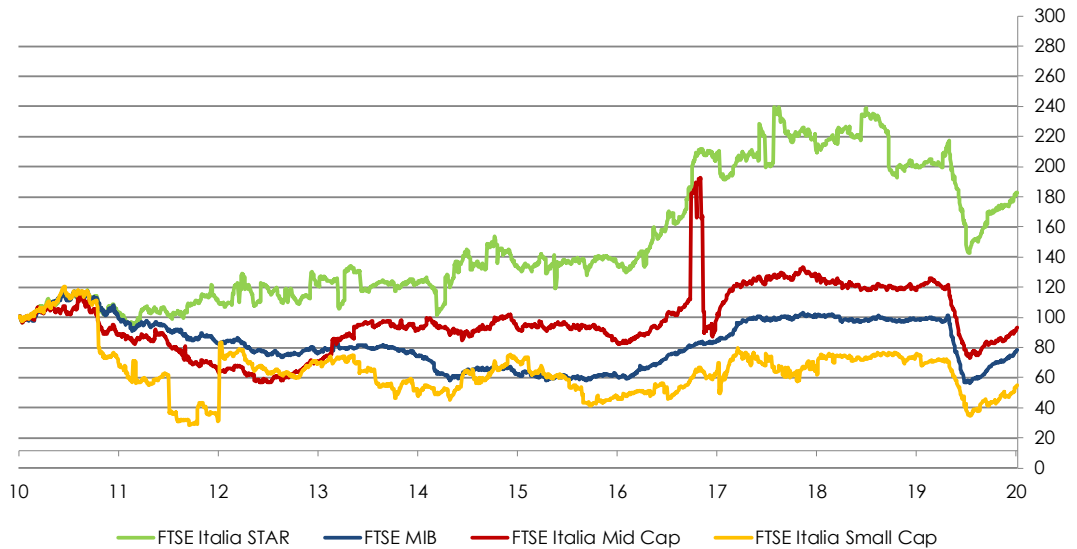
Italian Market – re/de-rating by index

Index	% Change YTD	on FY21 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-9.3%	-31.6%	22.3%
FTSE Italia Mid Cap	-11.0%	-29.8%	18.8%
FTSE Italia Small Cap	-12.4%	-42.7%	30.3%

Source: Intermonte SIM and Factset

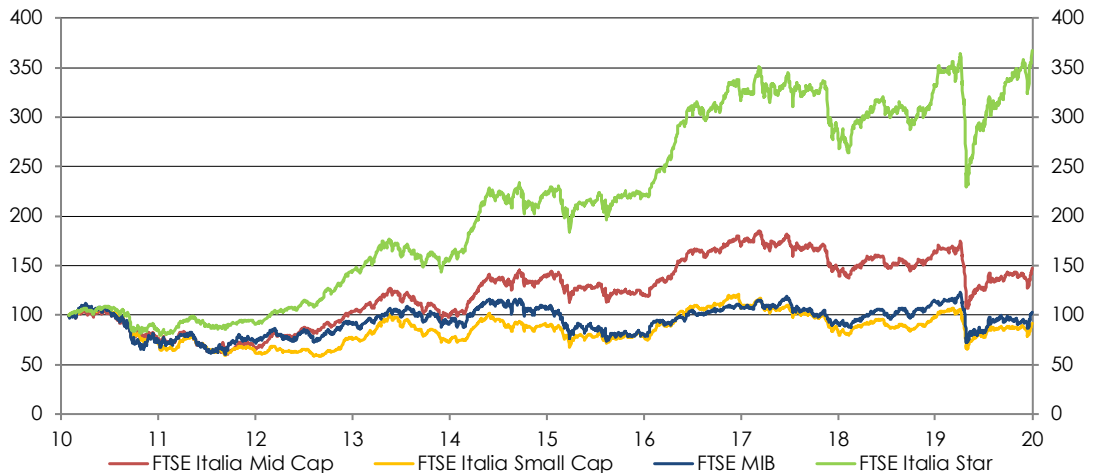
The following graph shows earnings direction over the last 10 years.

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)

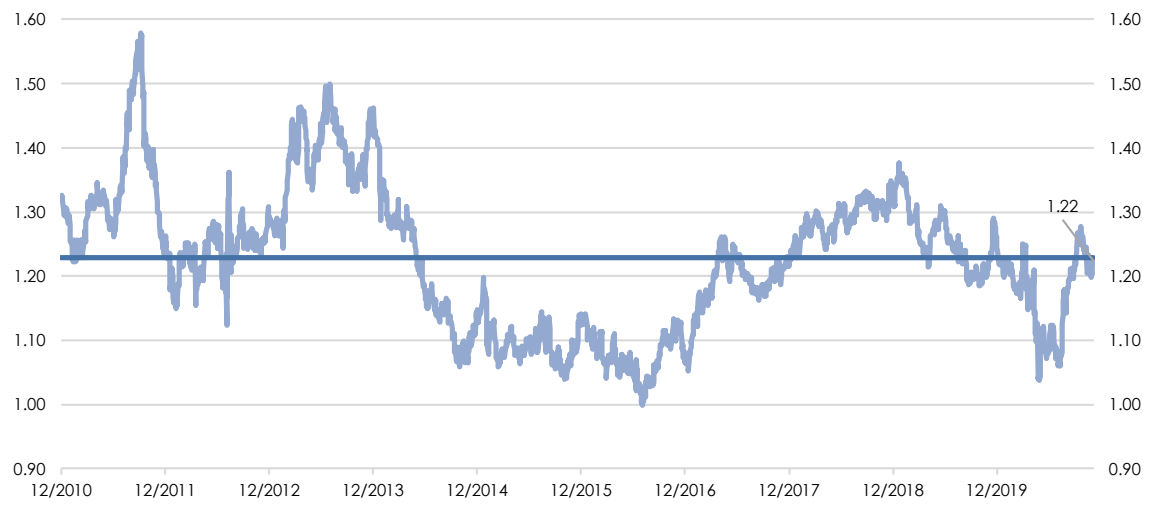


Source: Factset

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 22.2% premium to large caps, broadly in line with the historical average premium (23%) and with the level of one month ago (22.9%). The rising number of companies reporting an expected net loss this year is making this indicator less meaningful at the present time.

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 2020, 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	23.1 x	14.3 x	-	15.9 x	-9.9%
FTSE Italy Mid Cap	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	31.4 x	17.6 x	-	19.6 x	-10.3%
FTSE Italy Small Cc	11.8 x	35.8 x	23.9 x	23.7 x	119.2 x	nm	nm	50.3 x	-17.8 x	nm	18.9 x	63.3 x	17.6 x	-	39.3 x	-55.3%
Germany DAX (TR)	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	19.5 x	15.0 x	5.1%	14.7 x	2.0%
Germany MDAX	-77.3 x	15.2 x	17.1 x	28.3 x	26.6 x	23.7 x	18.1 x	23.0 x	22.5 x	18.9 x	21.1 x	95.9 x	27.6 x	57.2%	30.6 x	-9.7%
France CAC 40	15.8 x	12.3 x	11.3 x	15.4 x	16.5 x	17.7 x	16.0 x	16.0 x	15.9 x	15.0 x	15.6 x	29.9 x	18.4 x	28.7%	17.6 x	4.4%
France CAC Mid €	52.2 x	17.0 x	13.9 x	17.6 x	22.2 x	24.8 x	19.7 x	19.7 x	29.6 x	15.7 x	15.1 x	274.5 x	19.7 x	12.3%	45.9 x	-57.0%
France CAC Smal	46.0 x	n.m.	13.0 x	21.5 x	27.8 x	24.5 x	22.9 x	25.5 x	28.8 x	21.9 x	23.0 x	-240.0 x	23.5 x	33.5%	-2.1 x	-1233.5%
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	21.1 x	14.5 x	1.5%	15.2 x	-4.2%
FTSE 250	14.3 x	13.6 x	12.5 x	14.6 x	17.4 x	17.1 x	15.3 x	15.3 x	13.9 x	12.7 x	13.3 x	28.8 x	17.1 x	-2.5%	16.5 x	3.4%
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	39.9 x	18.3 x	27.9%	20.3 x	-9.7%
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	17.9 x	12.9 x	-26.5%	18.7 x	-30.9%

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 31/12/19	Restated net profit 21 last estimate	% Chg in Net Profit 21	Share Price perf. YTD	De-rating(-) Re-rating(+)
SAFILO	4.2	-28.4	-771%	(42%)	729.4%
JUVENTUS	19.0	-30.8	-262%	(36%)	226.3%
TOD'S	35.6	-59.8	-268%	(43%)	224.9%
GEOX	20.6	-27.0	-231%	(49%)	182.4%
AUTOGRILL	158.5	-106.1	-167%	(44%)	123.1%
FERRAGAMO	122.8	-21.2	-117%	(23%)	94.2%
WIIT	12.4	10.6	-14%	74%	88.7%
RETELIT	23.8	17.1	-28%	49%	77.1%
SARAS	151.7	-59.3	-139%	(63%)	76.6%
TINEXA	47.0	49.8	6%	77%	71.3%
SESA	47.5	56.7	19%	80%	61.3%
CREDITO VALTELLINESE	70.6	43.1	-39%	15%	54.1%
BRUNELLO CUCINELLI	58.4	30.2	-48%	(5%)	43.2%
FALCK RENEWABLES	57.9	40.1	-31%	11%	41.5%
DE' LONGHI	186.3	196.0	5%	47%	41.4%
IMA	156.2	101.1	-35%	6%	41.3%
SOGEFI	27.4	7.5	-73%	(32%)	40.4%
REPLY	128.5	127.8	-1%	37%	37.6%
LU-VE	30.6	23.1	-24%	10%	34.1%
FINCANTIERI	236.8	76.6	-68%	(35%)	33.0%
CFT	5.3	1.1	-78%	(50%)	28.7%
GUALA CLOSURES	24.8	15.4	-38%	(12%)	26.1%
SERVIZI ITALIA	13.9	6.6	-53%	(28%)	25.2%
DANIELI	113.8	69.6	-39%	(14%)	24.5%
TECHNOGYM	109.1	66.5	-39%	(16%)	22.8%
MEDIASET	280.8	142.4	-49%	(28%)	21.6%
AVIO	33.1	25.1	-24%	(5%)	19.8%
DATALOGIC	65.6	36.8	-44%	(24%)	19.4%
EMAK	18.9	16.7	-12%	6%	18.0%
RENO DE MEDICI	30.7	29.2	-5%	13%	17.9%
AQUAFIL	35.7	15.4	-57%	(39%)	17.4%
ERG	121.5	112.3	-8%	9%	16.8%
BREMBO	243.8	192.3	-21%	(5%)	16.3%
ELICA	14.3	10.5	-26%	(11%)	15.4%
BANCA IFIS	135.3	64.6	-52%	(37%)	15.2%
CEMENTIR	103.0	91.6	-11%	2%	13.2%
B&C SPEAKERS	10.4	6.0	-42%	(30%)	11.8%
NOTORIOUS PICTURES	7.7	3.6	-54%	(44%)	10.3%
SOMEK	17.3	7.0	-59%	(50%)	9.4%
SALCEF GROUP	43.7	46.1	6%	14%	8.4%
INDEL B	14.0	10.7	-24%	(17%)	7.5%
BE	12.8	11.9	-7%	(3%)	4.2%
OVS GROUP	59.2	25.5	-57%	(53%)	4.0%
PIAGGIO	72.0	65.6	-9%	(6%)	3.2%
IEG	13.0	5.1	-61%	(58%)	3.0%
BANCA SISTEMA	33.6	30.4	-10%	(7%)	2.6%
SAES GETTERS	29.2	20.4	-30%	(28%)	2.6%
MAIRE TECNIMONT	95.9	54.7	-43%	(41%)	1.7%
ACEA	307.1	294.3	-4%	(3%)	1.0%
RAI WAY	72.9	65.7	-10%	(9%)	0.9%
GEFRAN	10.2	7.7	-25%	(27%)	(1.9%)
ASTM	281.0	207.6	-26%	(28%)	(1.9%)
CELLULARLINE	23.9	14.9	-38%	(40%)	(2.2%)
MONDADORI	42.1	28.4	-33%	(36%)	(3.3%)
ALKEMY	3.7	2.8	-25%	(28%)	(3.8%)
ASCOPIAVE	47.6	44.3	-7%	(11%)	(4.0%)
MARR	70.3	56.3	-20%	(24%)	(4.1%)
CREDITO EMILIANO	194.0	175.2	-10%	(14%)	(4.4%)
ENAV	131.5	101.6	-23%	(28%)	(5.2%)
OPENJOBMETIS	12.5	9.3	-26%	(31%)	(5.7%)
FILA	64.5	42.8	-34%	(40%)	(5.9%)
IGD	89.4	60.2	-33%	(41%)	(8.7%)
ELLEN.	31.0	25.7	-17%	(27%)	(9.5%)
TESMEC	9.5	5.6	-41%	(54%)	(12.3%)
FINE FOODS	12.3	11.9	-3%	(18%)	(14.1%)

Source: Intermonte SIM

Liquidity

Average trading volumes remain quite weak

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 declined on the previous month, coming in 7.4% lower than the 1Y average. Interestingly, liquidity for mid-caps has remained stable compared to the 1Y average, while the same metric has decreased by 4% for small caps.

Average daily liquidity for our mid/small cap coverage has been Eu2,385k in the last month, down 14% on the corresponding period one year ago.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn)				3Y	% Changes	
	1M	3M	6M	1Y		1M vs 1Y	3M vs 1Y
FTSE MIB							
All stocks	47.88	40.03	44.38	51.71	50.58	(7.4%)	(22.6%)
Top 20% by market cap	135.43	112.75	125.88	151.30	151.49	(10.5%)	(25.5%)
FTSE Italia Mid Cap							
All stocks	3.22	2.65	2.93	3.23	3.35	(0.4%)	(18.0%)
Top 20% by market cap	4.85	4.63	5.25	5.59	5.84	(13.2%)	(17.1%)
FTSE Italia Small Cap							
All stocks	0.34	0.34	0.32	0.36	0.35	(4.2%)	(5.3%)
Top 20% by market cap	0.86	0.75	0.75	0.79	0.79	8.4%	(5.5%)

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)
IMA	2,936	10,761,545
FERRAGAMO	2,437	8,841,913
AUTOGRILL	1,333	8,057,848
UNIPOLSAI	6,197	5,948,078
BREMBO	3,513	5,739,569
SARAS	511	5,729,656
FALCK RENEWABLES	1,536	5,446,230
TECHNOGYM	1,953	5,395,638
REPLY	3,562	5,333,203
CATTOLICA	844	5,223,128
ANIMA	1,354	5,124,801
ERG	3,157	4,960,486
JUVENTUS	1,062	4,542,225
DE' LONGHI	4,161	3,967,468
IREN	2,740	3,916,938
MEDIASET	2,274	3,863,834
ASTM	2,726	3,563,269
BRUNELLO CUCINELLI	2,039	3,388,045
ENAV	2,075	3,181,611
CERVED	1,225	3,136,354
CREDITO VALTELLINESE	575	2,979,874
ACEA	3,804	2,915,699
OVS GROUP	215	2,877,621
PIAGGIO	929	2,852,761
MARR	1,030	2,313,439
TOD'S	779	2,123,718
WEBUILD	1,098	2,041,961
MAIRE TECNIMONT	478	2,010,379
TINEXTA	970	1,978,065
BANCA SISTEMA	138	1,860,420

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 2021 vs 2020, and the highest 2020 dividend yields can be found in the following tables.

Intermonte Mid & Small Cap Coverage – dividend yield 2020

Stock	Price (Eu)	Mkt Cap (Eu mn)	EPS 20	DPS 20	Yield 20 %	PayOut 20 %	Net Debt/EBITDA 20
DEA CAPITAL	1.1	292		0.120	10.9%	nm	
IEG	1.8	55	-0.223	0.180	10.1%	-81%	-23.1x
UNIPOLSAI	2.2	6,197	0.283	0.160	7.3%	57%	
CELLULARLINE	4.2	91	0.334	0.300	7.1%	90%	-3.6x
CREDITO VALTELLINESE	8.2	575	0.359	0.560	6.8%	156%	
IGD	3.6	401	0.500	0.228	6.3%	46%	-11.2x
BANCA IFIS	8.8	474	0.164	0.500	5.7%	306%	
ASCOPIAVE	3.4	797	0.184	0.180	5.3%	98%	-4.9x
ANIMA	3.7	1,354	0.437	0.180	4.9%	41%	
BANCA SISTEMA	1.7	138	0.323	0.083	4.8%	26%	
SERVIZI ITALIA	2.2	69	-0.064	0.100	4.6%	-157%	-2.5x
ACEA	17.9	3,804	1.332	0.820	4.6%	62%	-3.1x
IREN	2.1	2,740	0.164	0.095	4.5%	58%	-3.5x
CREDITO EMILIANO	4.5	1,481	0.522	0.200	4.5%	38%	
ENAV	3.8	2,075	0.127	0.170	4.4%	134%	-1.3x
RAI WAY	5.6	1,518	0.243	0.240	4.3%	99%	-0.5x
WEBUILD	1.2	1,098	0.213	0.048	3.9%	22%	-1.8x
ERG	21.0	3,157	0.697	0.750	3.6%	108%	-2.9x
SALCEF GROUP	11.8	493	0.892	0.401	3.4%	45%	0.3x
EMAK	1.0	159	0.097	0.031	3.2%	32%	-2.6x
PIAGGIO	2.6	929	0.095	0.071	2.8%	75%	-2.3x
ASTM	19.4	2,726	0.830	0.500	2.6%	60%	-2.2x
BE	1.2	165	0.077	0.031	2.5%	40%	-0.3x
CERVED	6.3	1,225	0.511	0.153	2.4%	30%	-2.8x
DATALOGIC	12.7	745	0.310	0.300	2.4%	97%	-0.5x
AVIO	13.2	348	0.871	0.306	2.3%	35%	1.3x
GEFRAN	5.0	72	0.251	0.114	2.3%	46%	-0.6x
SAES GETTERS	22.0	437	0.367	0.500	2.3%	136%	3.5x
IMA	68.0	2,936	2.145	1.500	2.2%	70%	-2.5x
CEMENTIR	6.9	1,093	0.400	0.140	2.0%	35%	-0.8x

Source: Intermonte SIM and Factset

Intermonte Mid & Small Cap Coverage – EPS growth, 2021 vs 2020

Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 20	P/E 21	EPS Growth
MARR	15.5	1,030	nm	18.3	926%
BANCA IFIS	8.8	474	53.8	7.3	634%
OVS GROUP	0.9	215	53.5	8.4	536%
AQUAFIL	3.8	164	57.8	12.7	357%
DOVALUE	9.3	746	45.4	12.9	251%
CYBEROO	4.0	39	59.9	18.8	218%
SAES GETTERS	22.0	437	59.9	23.8	152%
SOMECC	12.6	87	26.7	12.4	116%
GEFRAN	5.0	72	19.9	9.4	112%
ELES	2.9	31	51.2	24.8	106%
DATALOGIC	12.7	745	41.1	20.2	103%
CELLULARLINE	4.2	91	12.6	6.3	101%
OPENJOBMETIS	6.0	82	16.3	8.4	94%
PIAGGIO	2.6	929	27.2	14.1	93%
CATTOLICA	4.8	844	10.2	5.3	92%
B&C SPEAKERS	9.8	108	34.1	17.8	91%
ASTM	19.4	2,726	23.4	13.1	78%
CREDITO VALTELLINESE	8.2	575	22.9	13.3	71%
TECHNOGYM	9.7	1,953	49.1	29.3	68%
LU-VE	14.1	312	22.2	13.5	64%
BREMBO	10.5	3,513	28.2	17.8	58%
DANIELI	14.0	937	25.6	16.4	56%
ALKEMY	6.3	35	19.4	12.4	56%
FILA	8.7	373	16.0	10.3	55%
ENAV	3.8	2,075	30.2	20.4	48%
EL.EN.	24.2	474	27.1	18.4	47%
TXT E-SOLUTIONS	7.7	100	26.0	18.1	44%
CEMENTIR	6.9	1,093	17.2	11.9	44%
RETELIT	2.4	389	32.2	22.7	42%
MEDIASET	1.9	2,274	22.0	16.0	38%
SESA	86.0	1,333	32.4	23.5	38%
IERVOLINO ENTERTAINMENT	3.3	74	6.0	4.7	28%
INDEL B	18.1	106	12.6	9.9	27%
FOS	2.8	17	16.7	13.3	26%
FALCK RENEWABLES	5.3	1,536	48.2	38.3	26%
ESPRINET	8.8	447	15.6	12.7	23%
MONDADORI	1.3	345	14.8	12.1	22%
SALCEF GROUP	11.8	493	13.2	10.8	22%
FINE FOODS	9.9	186	23.0	19.5	18%

Source: Intermonte SIM and Factset

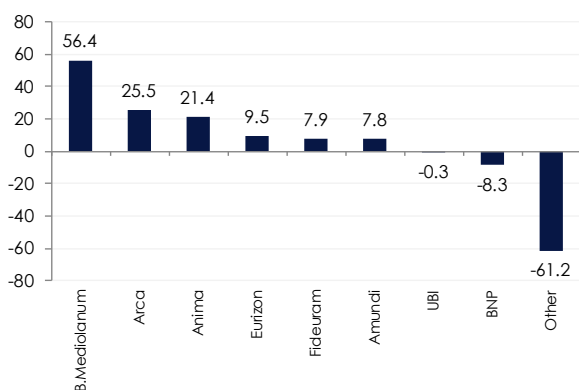
Update on the Individual Savings Plan (PIR)

PIR: official figures for 2Q20

	Net Inflows							Nr. Of Funds		Invested Capital	
	2Q20 (Eu mn)	1Q20 (Eu mn)	4Q19 (Eu mn)	3Q19 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	# Funds	%	(Eu mn)	in %
Total	59	(234)	(380)	(354)	(1,097)	3,950	10,903	72	100.0%	16,767	100.0%
Newly established funds	29	(83)	(333)	(256)	(760)	3,403	7,864	44	61.1%	9,983	59.5%
Pre-existing funds	30	(151)	(48)	(98)	(337)	547	3,039	28	38.9%	6,784	40.5%
EQUITY FUNDS	(14)	(153)	(48)	(105)	(369)	349	2,260	29	40.3%	4,235	25.3%
o/w Italy Equity	(14)	(153)	(48)	(105)	(369)	349	2,260	29	40.3%	4,235	25.3%
BALANCED FUNDS	13	(33)	(237)	(218)	(587)	2,525	5,962	26	36.1%	7,752	46.2%
o/w Balanced Equity	6	(2)	(33)	(22)	(63)	181	279	2	2.8%	395	2.4%
o/w Balanced	9	(34)	(105)	(92)	(258)	752	1,849	10	13.9%	2,290	13.7%
o/w Balanced bonds	(1)	2	(99)	(104)	(267)	1,592	3,834	14	19.4%	5,067	30.2%
FIXED INCOME FUNDS	2	1	(3)	4	(20)	10	75	4	5.6%	213	1.3%
o/w Italy Bonds	(3)	1	(4)	5	1	(9)	13	2	2.8%	71	0.4%
o/w Europe Bonds	5	0	1	(1)	(21)	19	62	1	1.4%	47	0.3%
o/w Mixed	(0)	1						1	1.4%	95	0.6%
FLEXIBLE FUNDS	58	(50)	(92)	(35)	(121)	1,067	2,605	13	18.1%	4,567	27.2%

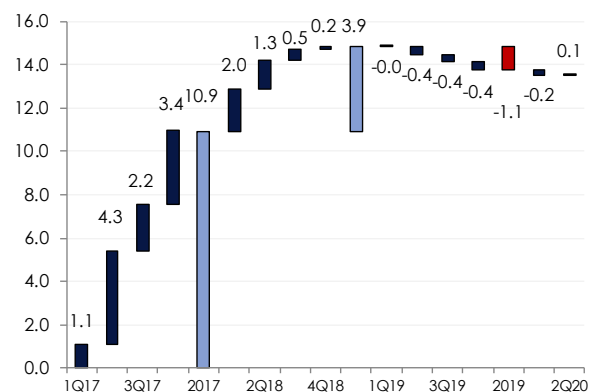
Source: Assogestioni, Quarterly Report, September 2020

PIR - Net Inflows by asset manager (Eu mn, 2Q20)



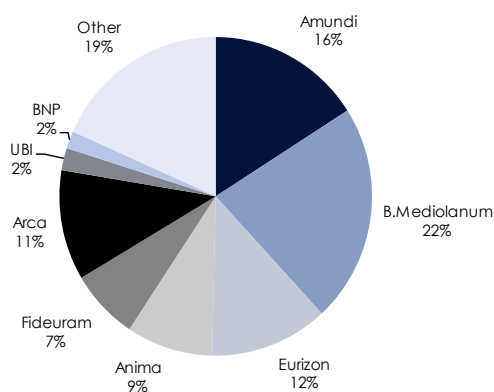
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



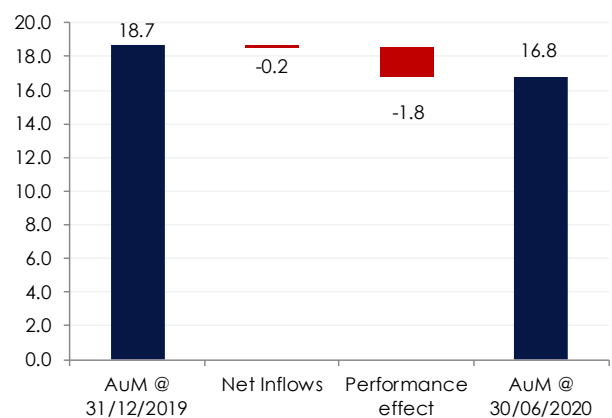
Source: Intermonte SIM estimates, Assogestioni

PIR - Market share by asset manager (on AuM at 30/06/20)



Source: Assogestioni

PIR - Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR inflows back to positive territory in 2Q20 but trend likely to reverse in 3Q20

As shown on the previous page, **Assogestioni released updated figures on 2Q20 PIR inflows** in its quarterly review on 2nd September 2020. Net inflows amounted to Eu58.7mn in 2Q20, with all the major players reporting positive numbers, partially offset by outflows registered by smaller players. The quarter therefore showed a significant improvement on the last quarter of 2019 (Eu-380mn) and the first quarter of 2020 (Eu-234mn).

While 2Q20 represented a positive step towards a recovery, **initial indications on July, August and September were less favourable**, as *il Sole 24 Ore's* 'Osservatorio PIR' reported outflows of Eu24.3mn, Eu18.5mn and Eu86mn respectively, with year-to-date inflows estimated at Eu-301mn (outflows). Official Assogestioni data on 3Q20 should be released at the end of November.

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 has 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 are revising downward our 2020 net inflow assumption, from ~Eu150mn of inflows to ~Eu100mn of outflows. 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.

Our main assumptions are as follows:

- For 2020, we assume Eu150mn in inflows from new PIR subscribers, followed by Eu850mn for 2021 and 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 ~7% of Assets under Management in 2020 (previously 6%) and 3.5% in the following years.

PIR – Our Assumptions

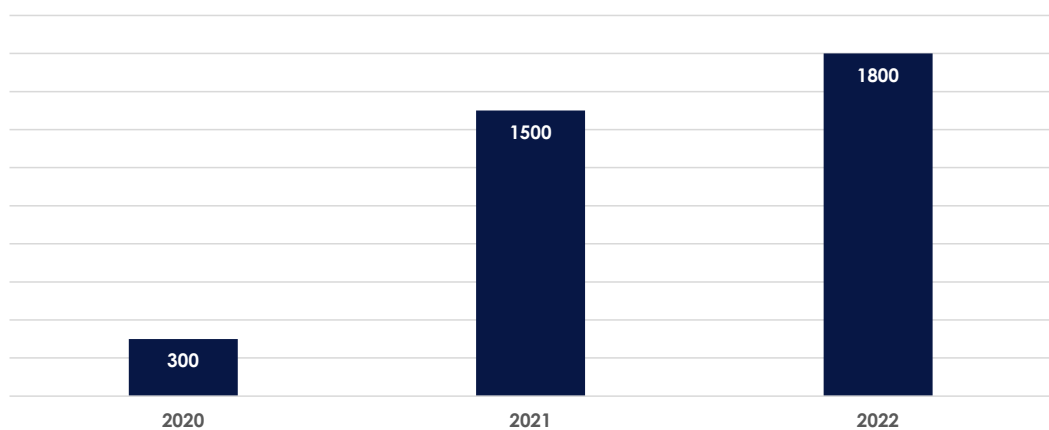
	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Mutual Funds AUM (Eu mn)	887,408	900,318	1,011,183	955,114	1,071,299			
PIR Net Inflows (Eu mn)			10,903	3,950	(1,097)	(96)	1,237	3,016
<i>YoY Growth</i>				-63.8%	<i>nm</i>	<i>nm</i>	<i>nm</i>	143.7%
<i>o/w From Continuing Subs.</i>			-	3,414	989	894	954	1,276
<i>o/w From New Subscribers</i>			10,903	1,325	-	150	850	2,350
<i>o/w Transformation of Existing Funds/Exit from PIR</i>			4,867	(788)	(2,086)	(1,140)	(567)	(610)

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.

Alternative PIRs – Our estimates (Eu mn)



Source: Intermonte SIM