

Italian Mid Small Caps Monthly

- **Performance (+).** The Italian equity market (prices as at 17th December 2020) has risen 2.9% in the last month and is now down just 6.5% YTD. The FTSE Italy Mid-Cap index (+4.9% in the last month) has outperformed the main index by 2.0% (flat YTD on a relative basis), while the FTSE Italy Small Caps index (+8.4% in the last month) has outperformed the market by 5.5% in the last month and is 2.4% above 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 5.0% in the last month, performing in line with Italian mid-caps.
- **Estimates (+).** In light of the significant economic implications of the coronavirus pandemic, since the beginning of the year we have significantly cut our 2020E EPS estimates (-52.4%), while we have implemented a milder revision for 2021E (-29.9%), assuming a partial recovery. Our overall estimate revision for mid-caps (-50.8% YTD) has been broadly in line with large caps, while our revision for small caps has been greater (-89.8% YTD). Recent newsflow has been, on average, better than expected, so we have taken a more positive view in the last month on some mid-caps (+0.6% on 2021E EPS) as well as on small caps in our coverage (+1.6% on 2021E EPS).
- **Valuations (+).** If we compare YTD performance to the change in FY21 estimates over the same period, we 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 23.9% re-rating YTD, while the figures for mid-caps and small caps are 22.8% and 37.2% respectively. The re-rating has increased further in the last month, especially for small caps. This re-rating is consistent with the view that central banks will continue with their dovish approach and that vaccines will trigger a global recovery. On a P/E basis, our panel is trading at a 24.1% premium to large caps, slightly above the historical average premium (23%) and the level of one month ago (22.2%).
- **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 slightly improved compared to one month ago, coming in 3.3% lower than the 1Y average (it was -7.4% one month ago). Interestingly, liquidity for mid-caps has significantly improved compared to the 1Y average, showing a +24.6% change, while the same metric has increased by 17.5% for small caps. Average daily liquidity for our mid/small cap coverage has been Eu3,019k in the last month, up 6.0% on the corresponding period one year ago.
- **Investment strategy.** The market recovery has continued strongly in the last month and market sentiment remains fairly positive. During the weekend, not only did the FDA authorise a second coronavirus vaccine but U.S. lawmakers also almost reached agreement on a \$900 billion stimulus package. On the negative side, European countries began closing their borders to travellers from the UK to curb a new and possibly faster-spreading variant of the coronavirus. In other words, estimate direction has recently improved but it is easy to think that optimists may be disappointed in the coming months. Italian mid small caps performed very well in a month that witnessed the launch of three takeovers and a number of M&A deals. As shown in this report, we confirm our investment preference for companies whose businesses are related to digital transformation or ESG themes, those with visible revenue trends (and dividend yields), and selected names to play the post-vaccine scenario. As for liquidity, Assogestioni revealed that in 3Q20 PIR funds witnessed Eu178mn in outflows (Eu353mn outflows in 9M20), and the press recently indicated that the negative trend should have continued in October and November with outflows of Eu126mn and Eu135mn. In this report we have revised our 2020 assumption downward, from ~Eu100mn to ~Eu500mn in net outflows. However, looking forward to 2021, we expect interest in this product to regain momentum, as we see the mid-small equity class well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by asset gatherers. Notably, it was recently reported that the Italian government is looking into a tax credit on capital losses suffered in 2021 for PIR investments. This additional fiscal incentive would represent an important marketing tool.

by Intermonte Research Team

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Performance

Mid/Small caps strongly up in the last month, also in relative terms

The Italian equity market (prices as at 17th December 2020) has risen 2.9% in the last month and is now down just 6.5% YTD. The FTSE Italy Mid-Cap index (+4.9% in the last month) has outperformed the main index by 2.0% (flat YTD on a relative basis), while the FTSE Italy Small Caps index (+8.4% in the last month) has outperformed the market by 5.5% in the last month and is 2.4% above the main index in relative terms since the beginning of 2020.

Italian Market Indexes – performance analysis (prices as of 17th December 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	37,809	4.9%	7.7%	13.6%	-6.5%	-7.6%	11.6%	-11.0%	9.6%
FTSE Italia Small Cap	21,611	8.4%	14.1%	13.7%	-4.0%	-3.8%	24.1%	-8.2%	15.3%
FTSE Italia Star	43,609	4.8%	10.5%	23.2%	11.5%	11.0%	41.5%	18.9%	68.8%
FTSE AIM ITALIA	6,989	6.5%	4.5%	-0.2%	-10.5%	-12.2%	-14.5%	-26.2%	-23.6%
FTSE Italia All-Share	23,972	2.9%	11.1%	12.3%	-6.5%	-7.0%	17.1%	-1.8%	2.9%
FTSE MIB	22,012	2.7%	11.5%	12.4%	-6.4%	-6.8%	17.8%	-0.4%	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		2.0%	-3.4%	1.3%	0.0%	-0.6%	-5.5%	-9.2%	6.6%
FTSE Italia Small Cap		5.5%	3.0%	1.4%	2.4%	3.2%	7.0%	-6.4%	12.4%
FTSE Italia Star		1.9%	-0.6%	10.9%	18.0%	18.0%	24.5%	20.7%	65.9%

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 5.0% 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	132	2.1%	7.1%	8.1%	-5.7%	-5.5%	13.4%	0.4%	7.3%
MSCI Europe Small Cap	404	5.0%	12.4%	18.0%	1.0%	1.9%	28.9%	9.0%	24.1%

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 (%)
CFT	4.5	72	140%
SERI INDUSTRIAL	4.5	211	43%
IEG	2.5	78	39%
CREDITO VALTELLINESE	11.6	812	39%
GEOX	0.8	211	30%
GUALA CLOSURES	8.2	511	29%
SOMEK	17.8	123	29%
NOTORIOUS PICTURES	1.8	40	28%
INDEL B	22.9	134	26%
MAIRE TECNIMONT	1.8	586	24%
TOD'S	29.4	974	23%
BE	1.5	199	21%
ESPRINET	10.7	545	21%
ELICA	3.2	201	20%
CERVED	7.4	1,444	19%
AQUAFIL	4.6	197	19%
BRUNELLO CUCINELLI	36.2	2,464	17%
MONDADORI	1.6	405	17%
SAFILO	0.8	211	17%
OPENJOBMETIS	7.0	96	14%
FTSE Italia Mid Cap			5%
FTSE Italia Small Cap			8%
FTSE MIB			3%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
ePRICE	0.1	25	-14%
TESMEC	0.1	51	-10%
FINCANTIERI	0.6	938	-8%
FOS	2.6	16	-7%
ENAV	3.7	2,010	-5%
CATTOLICA	4.7	821	-4%
RETELIT	2.3	377	-4%
BANCA SISTEMA	1.7	133	-4%
DE' LONGHI	27.3	4,113	-4%
TECHNOGYM	9.2	1,856	-4%
TXT E-SOLUTIONS	7.4	96	-3%
WEBUILD	1.2	1,088	-3%
FILA	8.7	374	-3%
MARR	15.6	1,039	-3%
CEMENTIR	6.7	1,066	-3%
SALCEF GROUP	11.5	480	-3%
LU-VE	14.0	311	-2%
OVS GROUP	1.0	228	-2%
SERVIZI ITALIA	2.1	68	-2%
ACEA	17.3	3,686	-2%

Source: Factset

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SERI INDUSTRIAL	4.5	211	172%
ESPRINET	10.7	545	107%
SESA	97.3	1,508	104%
TINEXTA	20.7	977	78%
WIIT	160.0	424	74%
CREDITO VALTELLINESE	11.6	812	63%
DE' LONGHI	27.3	4,113	45%
RETELIT	2.3	377	44%
REPLY	95.1	3,556	37%
RENO DE MEDICI	1.0	384	24%
CFT	4.5	72	22%
EMAK	1.1	181	21%
FALCK RENEWABLES	5.6	1,629	17%
BE	1.5	199	17%
CYBEROO	4.6	44	16%
BRUNELLO CUCINELLI	36.2	2,464	15%
GUALA CLOSURES	8.2	511	13%
SALCEF GROUP	11.5	480	11%
ERG	21.2	3,190	10%
LU-VE	14.0	311	9%
FTSE Italia Mid Cap			-6%
FTSE Italia Small Cap			-4%
FTSE MIB			-6%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
TESMEC	0.1	51	-62%
SARAS	0.6	561	-59%
ePRICE	0.1	25	-56%
OVS GROUP	1.0	228	-50%
IGD	3.7	404	-41%
AUTOGRILL	5.6	1,420	-40%
FINCANTIERI	0.6	938	-40%
IEG	2.5	78	-40%
FILA	8.7	374	-39%
ELES	3.2	34	-39%
CELLULARLINE	4.4	96	-37%
CATTOLICA	4.7	821	-35%
IERVOLINO ENTERTAINMENT	4.0	90	-34%
BANCA IFIS	9.3	502	-33%
JUVENTUS	0.8	1,108	-33%
SAFILO	0.8	211	-31%
GEOX	0.8	211	-31%
ENAV	3.7	2,010	-30%
SOMEK	17.8	123	-29%
SERVIZI ITALIA	2.1	68	-29%

Source: Factset

Earnings Momentum

Overall estimates slightly up in the last month on 2021

In light of the significant economic implications of the coronavirus pandemic, since the beginning of the year we have significantly cut our 2020E EPS estimates (-52.4%), while we have implemented a milder revision for 2021E (-29.9%), assuming a partial recovery. Our overall estimate revision for mid-caps (-50.8% YTD) has been broadly in line with large caps, while our revision for small caps has been greater (-89.8% YTD). Recent newsflow has been, on average, better than expected, so we have taken a more positive view in the last month on some mid-caps (+0.6% on 2021E EPS) as well as on small caps in our coverage (+1.6% on 2021E EPS).

Italian Market – Intermonte changes to 2020 and 2021 estimates

EPS REVISION	Since January 1st 2020		Since 18/11/2020	
	% chg in EPS FY20	% chg in EPS FY21	% chg in EPS FY20	% chg in EPS FY21
Total Market	-52.4%	-29.9%	0.1%	1.1%
Total Market - Ex Energy	-42.8%	-24.7%	-0.2%	0.2%
Domestic	-55.0%	-31.5%	0.6%	1.6%
Non domestic	-48.3%	-27.4%	-0.5%	0.3%
Non domestic - Ex Energy	-16.0%	-10.1%	-1.2%	-2.1%
FTSE MIB	-53.1%	-30.3%	0.2%	1.2%
Mid Caps (our coverage)	-50.8%	-29.3%	-0.3%	0.6%
Small Caps (our coverage)	-89.8%	-41.2%	1.8%	1.6%
Intermonte Mid&Small Caps coverage	-54.7%	-30.5%	-0.2%	0.7%

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 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	20.9%
DE' LONGHI	186	224	20.5%
UNIPOLSAI	598	681	13.9%
SALCEF GROUP	44	49	13.2%
RENO DE MEDICI	31	34	9.5%
TINEXTA	47	50	5.9%
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	85	-64.0%

Source: Intermonte SIM

Valuation

Multiple re-rating has increased further 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 23.9% re-rating YTD, while the figures for mid-caps and small caps are 22.8% and 37.2% respectively. The re-rating has increased further in the last month, especially for small caps. This re-rating is consistent with the view that central banks will continue with their dovish approach and that vaccines will trigger a global recovery.

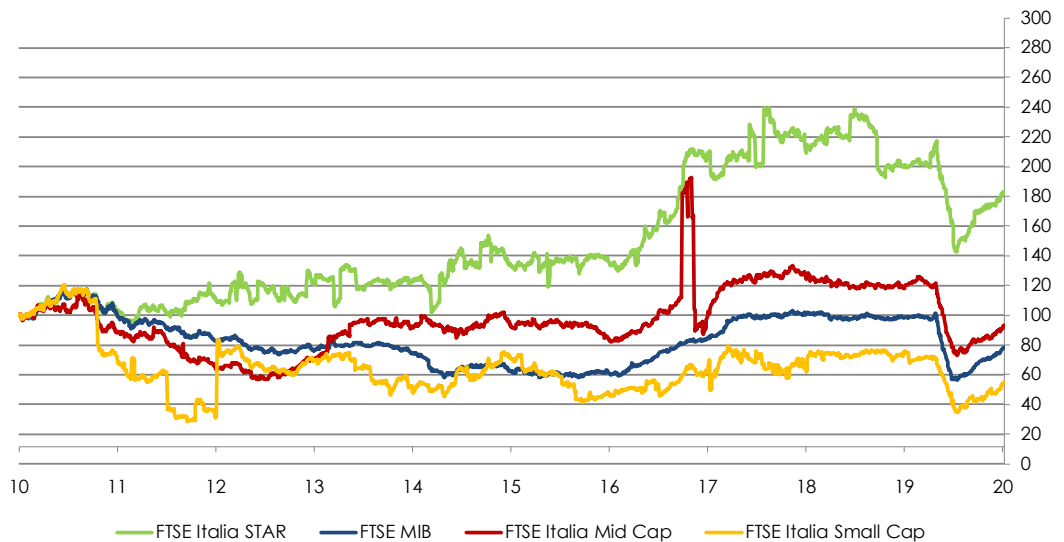
Italian Market – re/de-rating by index

Index	% Change YTD	on FY21 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-6.4%	-30.3%	23.9%
FTSE Italia Mid Cap	-6.5%	-29.3%	22.8%
FTSE Italia Small Cap	-4.0%	-41.2%	37.2%

Source: Intermonte SIM and Factset

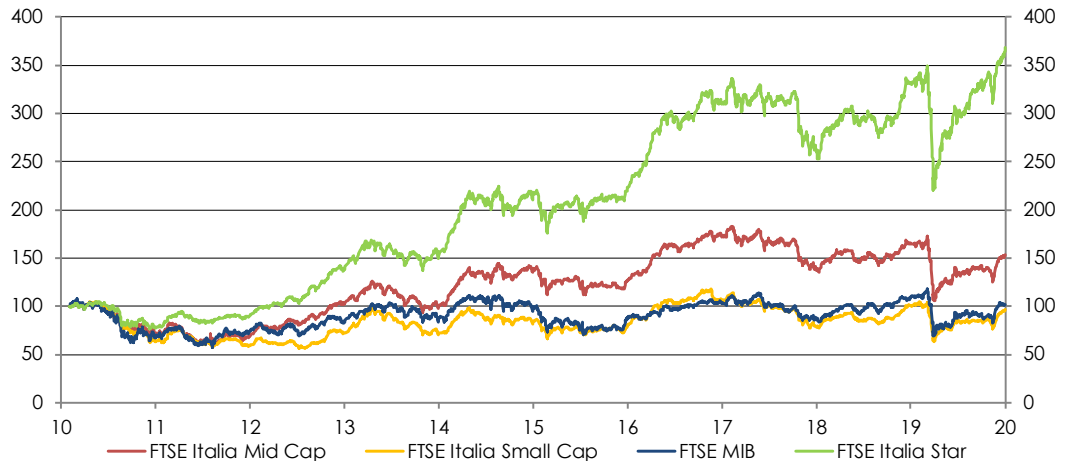
The following graph shows earnings direction over the last 10 years.

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)

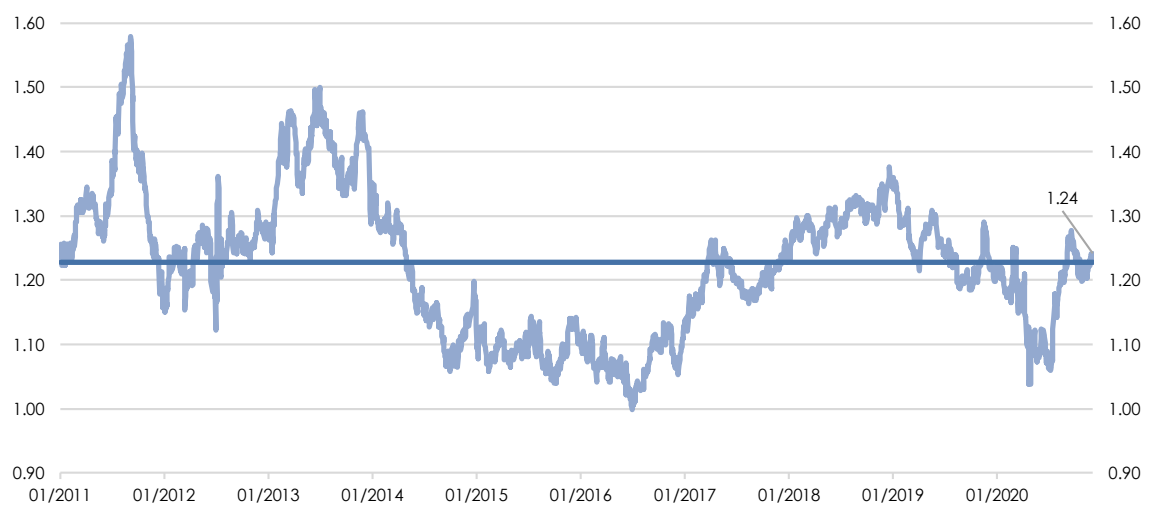


Source: Factset

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 24.1% premium to large caps, slightly above the historical average premium (23%) and the level of one month ago (22.2%).

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	23.3 x	14.5 x	-	15.9 x	-8.7%
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	32.8 x	18.1 x	-	19.8 x	-8.5%
FTSE Italy Small Cap	11.8 x	35.8 x	23.9 x	0.1 x	-0.1 x	nm	nm	0.0 x	0.0 x	nm	18.9 x	64.5 x	18.5 x	-	14.6 x	27.2%
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	20.0 x	15.4 x	6.2%	14.8 x	4.1%
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	41.1 x	29.4 x	62.8%	25.3 x	16.5%
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	30.5 x	19.0 x	30.9%	17.8 x	7.1%
France CAC Mid Cap	52.4 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	364.2 x	20.8 x	15.2%	54.9 x	-62.1%
France CAC Small Cap	44.6 x	n.m.	12.8 x	20.9 x	27.5 x	24.8 x	22.7 x	25.3 x	28.6 x	22.0 x	23.1 x	-409.5 x	25.6 x	38.3%	-18.9 x	-235.5%
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	21.7 x	15.2 x	4.5%	15.3 x	-0.6%
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	32.3 x	17.8 x	-1.4%	17.0 x	5.0%
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	39.7 x	18.9 x	30.2%	20.3 x	-6.7%
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	19.4 x	14.1 x	-21.8%	19.0 x	-25.4%

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 31/12/19	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%	(31%)	739.7%
TOD'S	35.6	-59.8	-268%	(29%)	239.1%
JUVENTUS	19.0	-30.8	-262%	(33%)	229.1%
GEOX	20.6	-27.0	-231%	(31%)	200.1%
AUTOGRILL	158.5	-106.1	-167%	(40%)	126.8%
CREDITO VALTELLINESE	70.6	43.1	-39%	63%	101.5%
FERRAGAMO	122.8	-21.2	-117%	(17%)	100.6%
CFT	5.3	1.1	-78%	22%	100.0%
WIIT	12.4	10.6	-14%	74%	88.7%
SESA	47.5	57.5	21%	104%	83.3%
SARAS	151.7	-59.3	-139%	(59%)	80.2%
TINEXTA	47.0	49.8	6%	78%	72.6%
RETELIT	23.8	17.1	-28%	44%	72.4%
BRUNELLO CUCINELLI	58.4	26.4	-55%	15%	69.6%
GUALA CLOSURES	24.8	15.4	-38%	13%	51.3%
SOGEFI	27.4	7.5	-73%	(22%)	50.7%
FALCK RENEWABLES	57.9	40.1	-31%	17%	48.3%
IMA	156.2	101.1	-35%	6%	41.4%
REPLY	128.5	127.8	-1%	37%	37.4%
LU-VE	30.6	23.1	-24%	9%	33.7%
SOMEC	17.3	7.0	-59%	(29%)	30.0%
DATALOGIC	65.6	36.8	-44%	(14%)	29.9%
ELICA	14.3	10.5	-26%	4%	29.8%
AQUAFIL	35.7	15.4	-57%	(27%)	29.8%
MEDIASET	280.8	142.4	-49%	(21%)	28.5%
INDEL B	14.0	11.0	-22%	6%	27.3%
NOTORIOUS PICTURES	7.7	3.6	-54%	(28%)	25.6%
DANIELI	113.8	69.6	-39%	(13%)	25.5%
DE' LONGHI	186.3	224.4	20%	45%	24.4%
SERVIZI ITALIA	13.9	6.6	-53%	(29%)	24.2%
FINCANTIERI	236.8	85.3	-64%	(40%)	23.9%
BE	12.8	11.9	-7%	17%	23.8%
IEG	13.0	5.1	-61%	(40%)	20.9%
BANCA IFIS	135.3	64.6	-52%	(33%)	19.0%
BREMBO	243.8	192.3	-21%	(2%)	18.7%
TECHNOGYM	109.1	66.5	-39%	(20%)	18.6%
ERG	121.5	112.3	-8%	10%	18.0%
B&C SPEAKERS	10.4	6.0	-42%	(25%)	17.5%
EMAK	18.9	19.7	4%	21%	16.9%
MAIRE TECNIMONT	95.9	54.7	-43%	(28%)	15.0%
RENO DE MEDICI	30.7	33.6	10%	24%	14.2%
CEMENTIR	103.0	91.6	-11%	(0%)	10.7%
OVS GROUP	59.2	24.1	-59%	(50%)	9.4%
SAES GETTERS	29.2	20.4	-30%	(21%)	8.7%
MONDADORI	42.1	28.4	-33%	(25%)	7.9%
AVIO	33.1	25.1	-24%	(17%)	7.2%
PIAGGIO	72.0	65.6	-9%	(2%)	6.4%
OPENJOBMETIS	12.5	9.3	-26%	(20%)	6.1%
ALKEMY	3.7	2.8	-25%	(19%)	6.0%
GEFRAN	10.2	7.7	-25%	(21%)	4.2%
ASTM	281.0	207.6	-26%	(23%)	3.1%
RAI WAY	72.9	65.7	-10%	(9%)	0.6%
CELLULARLINE	23.9	14.9	-38%	(37%)	0.6%
ASCOPIA VE	47.6	44.3	-7%	(7%)	0.1%
BANCA SISTEMA	33.6	30.4	-10%	(10%)	(0.8%)
EL.EN.	31.0	25.7	-17%	(18%)	(0.8%)
CERVED	124.8	108.0	-13%	(15%)	(1.5%)
ACEA	307.1	294.3	-4%	(6%)	(2.0%)
SALCEF GROUP	43.7	49.4	13%	11%	(2.0%)
MARR	70.3	56.3	-20%	(23%)	(3.4%)
CREDITO EMILIANO	194.0	175.2	-10%	(14%)	(3.9%)
GPI	8.3	8.0	-3%	(7%)	(4.2%)
FILA	64.5	42.8	-34%	(39%)	(5.8%)
FINE FOODS	12.3	11.9	-3%	(10%)	(6.6%)
ENAV	131.5	101.6	-23%	(30%)	(7.5%)

Source: Intermonte SIM

Liquidity

Average trading volumes up in the last month 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 slightly improved compared to one month ago, coming in 3.3% lower than the 1Y average (it was -7.4% one month ago). Interestingly, liquidity for mid-caps has significantly improved compared to the 1Y average, showing a +24.6% change, while the same metric has increased by 17.5% for small caps.

Average daily liquidity for our mid/small cap coverage has been Eu3,019k in the last month, up 6.0% 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	50.76	46.35	43.00	52.01	50.78	(2.4%)	(10.9%)
Top 20% by market cap	147.51	131.08	122.87	152.61	151.98	(3.3%)	(14.1%)
FTSE Italia Mid Cap							
All stocks	4.06	3.31	2.96	3.27	3.37	24.3%	1.4%
Top 20% by market cap	7.04	5.61	5.34	5.65	5.89	24.6%	(0.7%)
FTSE Italia Small Cap							
All stocks	0.45	0.38	0.32	0.35	0.35	29.3%	9.3%
Top 20% by market cap	0.88	0.88	0.72	0.75	0.80	17.5%	17.0%

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	2,938	15,699,123
AUTOGRILL	1,420	8,232,777
FERRAGAMO	2,640	7,269,348
BREMBO	3,603	5,357,795
TECHNOGYM	1,856	5,335,161
SARAS	561	5,324,506
FALCK RENEWABLES	1,629	5,120,805
UNIPOLSAI	6,265	4,915,532
ERG	3,190	4,698,561
REPLY	3,556	4,681,811
ANIMA	1,442	4,257,888
CREDITO VALTELLINESE	812	4,184,483
DE' LONGHI	4,113	4,066,473
CATTOLICA	821	4,003,256
MEDIASET	2,490	3,876,390
IREN	2,732	3,865,029
JUVENTUS	1,108	3,646,724
BRUNELLO CUCINELLI	2,464	3,491,286
CERVED	1,444	3,469,060
ASTM	2,917	3,344,024
ENAV	2,010	2,911,640
ACEA	3,686	2,812,035
TINEXTA	977	2,764,661
PIAGGIO	960	2,506,141
MARR	1,039	2,480,765
TOD'S	974	2,405,162
OVS GROUP	228	2,333,331
MAIRE TECNIMONT	586	2,060,592
WEBUILD	1,088	1,984,795
BANCA SISTEMA	133	1,847,994

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
UNIPOLSAI	2.2	6,265	0.283	0.160	7.2%	57%	
IEG	2.5	78	-0.223	0.180	7.1%	-81%	-23.1x
CELLULARLINE	4.4	96	0.334	0.300	6.8%	90%	-3.6x
IGD	3.7	404	0.500	0.228	6.2%	46%	-11.2x
BANCA IFIS	9.3	502	0.164	0.500	5.4%	306%	
DEA CAPITAL	1.2	307		0.060	5.2%		
ASCOPIAVE	3.6	833	0.184	0.180	5.1%	98%	-4.9x
BANCA SISTEMA	1.7	133	0.323	0.083	5.0%	26%	
CREDITO VALTELLINESE	11.6	812	0.359	0.560	4.8%	156%	
ACEA	17.3	3,686	1.332	0.820	4.7%	62%	-3.1x
SERVIZI ITALIA	2.1	68	-0.064	0.100	4.7%	-157%	-2.5x
ANIMA	3.9	1,442	0.437	0.180	4.6%	41%	
ENAV	3.7	2,010	0.127	0.170	4.6%	134%	-1.3x
IREN	2.1	2,732	0.164	0.095	4.5%	58%	-3.5x
CREDITO EMILIANO	4.5	1,491	0.522	0.200	4.5%	38%	
RAI WAY	5.6	1,512	0.243	0.240	4.3%	99%	-0.5x
WEBUILD	1.2	1,088	0.213	0.048	3.9%	22%	-1.8x
EMAK	1.1	181	0.119	0.039	3.6%	33%	-2.6x
ERG	21.2	3,190	0.697	0.750	3.5%	108%	-2.9x
SALCEF GROUP	11.5	480	0.903	0.406	3.5%	45%	-0.1x
CERVED	7.4	1,444	0.506	0.203	2.7%	40%	-2.9x
AVIO	11.5	303	0.871	0.306	2.7%	35%	1.3x
PIAGGIO	2.7	960	0.095	0.071	2.7%	75%	-2.3x
ASTM	20.8	2,917	0.830	0.500	2.4%	60%	-2.2x
IMA	68.0	2,938	2.145	1.500	2.2%	70%	-2.5x
GEFRAN	5.4	78	0.251	0.114	2.1%	46%	-0.6x
SAES GETTERS	23.9	474	0.367	0.500	2.1%	136%	3.5x
CEMENTIR	6.7	1,066	0.400	0.140	2.1%	35%	-0.8x
BE	1.5	199	0.077	0.031	2.1%	40%	-0.3x
DATALOGIC	14.5	847	0.310	0.300	2.1%	97%	-0.5x

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	15.6	1,039	nm	18.5	926%
BANCA IFIS	9.3	502	57.1	7.8	634%
AQUAFIL	4.6	197	69.6	15.3	357%
DOVALUE	9.6	766	46.7	13.3	251%
CYBEROO	4.6	44	68.1	21.4	218%
SAES GETTERS	23.9	474	64.9	25.8	152%
SOMECC	17.8	123	37.7	17.5	116%
GEFRAN	5.4	78	21.5	10.2	112%
ELES	3.2	34	56.0	27.1	106%
DATALOGIC	14.5	847	46.8	23.0	103%
CELLULARLINE	4.4	96	13.2	6.6	101%
OPENJOBMETIS	7.0	96	19.1	9.9	94%
PIAGGIO	2.7	960	28.2	14.6	93%
CATTOLICA	4.7	821	9.9	5.2	92%
B&C SPEAKERS	10.6	117	36.9	19.3	91%
ASTM	20.8	2,917	25.0	14.0	78%
CREDITO VALTELLINESE	11.6	812	32.3	18.8	71%
TECHNOGYM	9.2	1,856	46.7	27.9	68%
LU-VE	14.0	311	22.1	13.5	64%
BREMBO	10.8	3,603	28.9	18.3	58%
DANIELI	14.2	969	25.9	16.6	56%
ALKEMY	7.2	40	22.1	14.1	56%
FILA	8.7	374	16.0	10.3	55%
ENAV	3.7	2,010	29.2	19.8	48%
ELEN.	27.1	530	30.3	20.6	47%
TXT E-SOLUTIONS	7.4	96	25.0	17.3	44%
CEMENTIR	6.7	1,066	16.7	11.6	44%
RETELIT	2.3	377	31.2	22.0	42%
SESA	97.3	1,508	36.6	26.2	40%
MEDIASET	2.1	2,490	24.1	17.5	38%
SALCEF GROUP	11.5	480	12.7	9.9	29%
IERVOLINO ENTERTAINMENT	4.0	90	7.3	5.7	28%
FOS	2.6	16	15.6	12.4	26%
FALCK RENEWABLES	5.6	1,629	51.1	40.6	26%
INDEL B	22.9	134	15.1	12.2	24%
ESPRINET	10.7	545	19.1	15.4	23%
MONDADORI	1.6	405	17.4	14.3	22%
FINE FOODS	10.8	203	25.1	21.3	18%
DE' LONGHI	27.3	4,113	21.4	18.2	18%

Source: Intermonte SIM and Factset

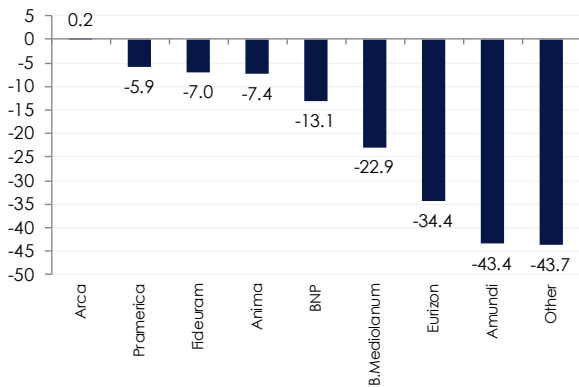
Update on the Individual Savings Plan (PIR)

PIR: official figures for 3Q20

	3Q20 (Eu mn)	2Q20 (Eu mn)	1Q20 (Eu mn)	4Q19 (Eu mn)	Net Inflows				Nr. Of Funds		Invested Capital	
					3Q19 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	at September 2020 # Funds	%	at September 2020 (Eu mn)	in %
Total	(178)	59	(234)	(380)	(354)	(1,097)	3,950	10,903	70	100.0%	16,843	100.0%
Newly established funds	(74)	29	(83)	(333)	(256)	(760)	3,403	7,864	45	64.3%	10,071	59.8%
Pre-existing funds	(104)	30	(151)	(48)	(98)	(337)	547	3,039	25	35.7%	6,773	40.2%
EQUITY FUNDS	(37)	(14)	(153)	(48)	(105)	(369)	349	2,260	28	40.0%	4,258	25.3%
o/w Italy Equity	(37)	(14)	(153)	(48)	(105)	(369)	349	2,260	28	40.0%	4,258	25.3%
BALANCED FUNDS	(107)	13	(33)	(237)	(218)	(587)	2,525	5,962	25	35.7%	7,765	46.1%
o/w Balanced Equity	(3)	6	(2)	(33)	(22)	(63)	181	279	2	2.9%	397	2.4%
o/w Balanced	(30)	9	(34)	(105)	(92)	(258)	752	1,849	9	12.9%	2,285	13.6%
o/w Balanced bonds	(74)	(1)	2	(99)	(104)	(267)	1,592	3,834	14	20.0%	5,083	30.2%
FIXED INCOME FUNDS	(1)	2	1	(3)	4	(20)	10	75	4	5.7%	215	1.3%
o/w Italy Bonds	(2)	(3)	1	(4)	5	1	(9)	13	2	2.9%	71	0.4%
o/w Europe Bonds	2	5	0	1	(1)	(21)	19	62	1	1.4%	50	0.3%
o/w Mixed	(1)	(0)	1						1	1.4%	95	0.6%
FLEXIBLE FUNDS	(32)	58	(50)	(92)	(35)	(121)	1,067	2,605	13	18.6%	4,605	27.3%

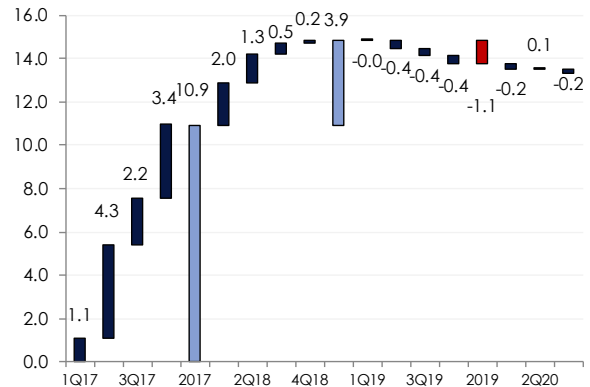
Source: Assogestioni, Quarterly Report, September 2020

PIR - Net inflows by asset manager (Eu mn, 3Q20)



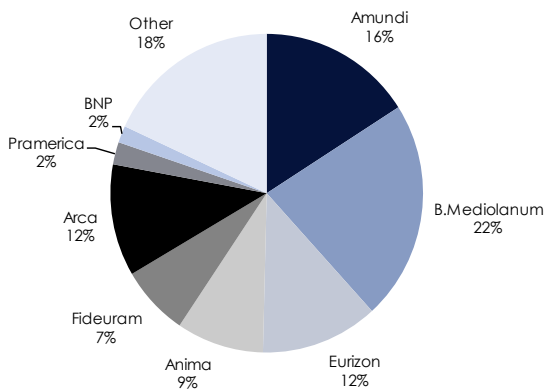
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



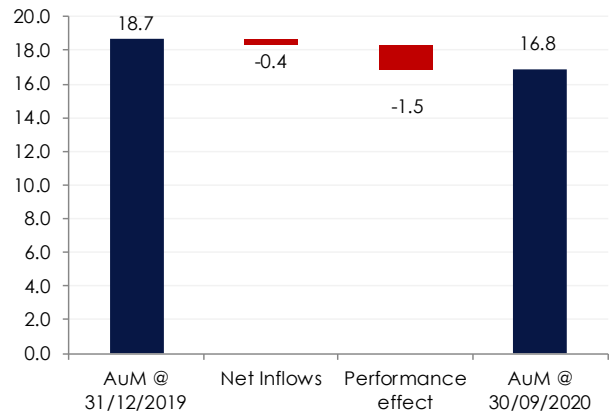
Source: Intermonte SIM estimates, Assogestioni

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 in negative territory again in 3Q20, as anticipated

As shown on the previous page, **Assogestioni released updated figures on 3Q20 PIR inflows** in its quarterly review on 19th November 2020. Net inflows amounted to negative Eu178mn (outflows) in 3Q20, with all the major players reporting negative numbers. The quarter therefore again showed negative numbers, following positive inflows in 2Q20. Year to date, outflows have reached Eu353mn.

The negative 3Q20 figures were partially anticipated by Sole 24 Ore's 'Osservatorio PIR', which reported outflows in the quarter of about Eu130mn. **Initial indications on October and November are even less favourable**, as 'Osservatorio PIR' reports outflows of Eu126mn and Eu135mn respectively, which would make November the worst month of the year.

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 are revising our 2020 net inflow assumption downward, i.e. outflows increasing from ~Eu100mn to ~Eu500mn. 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 see the mid-small equity class well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by investment houses. Importantly, according to recent press rumours, the government is studying a tax credit on capital losses for PIR investments suffered in 2021. This credit would have a maximum ceiling of 20% of the sums invested and would represent an important marketing tool.

Our main assumptions are as follows:

- For 2020, we assume Eu50mn of gross inflows from new PIR subscribers (down from Eu150mn), followed by Eu1000mn for 2021 (up from Eu850mn) 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 ~8% of Assets under Management in 2020 (previously 7%) and 3.5% in the following years.

PIR – Our assumptions

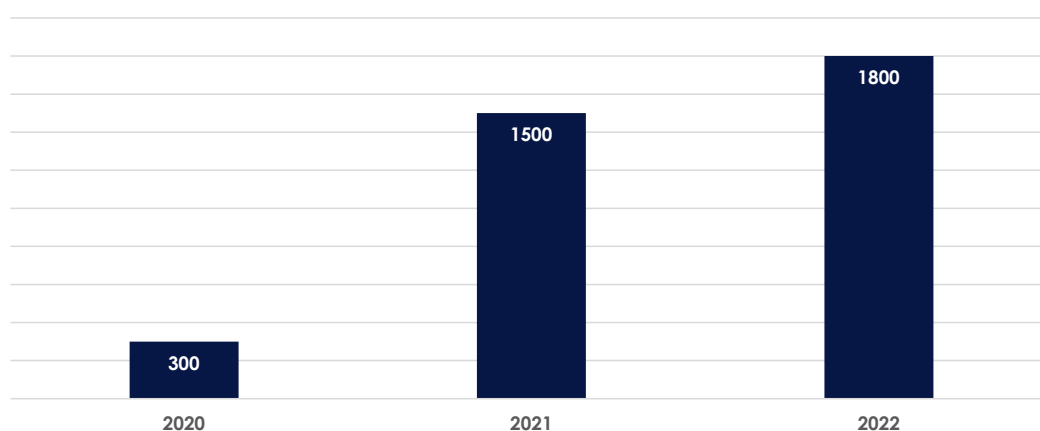
	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Mutual Funds AUM (Eu mn)	887,408	900,318	1,011,183	955,114	1,071,299			
PIR Net Inflows (Eu mn)			10,903	3,950	(1,097)	(499)	1,212	2,913
<i>YoY Growth</i>				-63.8%	<i>nm</i>	<i>nm</i>	<i>nm</i>	140.4%
o/w From Continuing Subs.			-	3,414	989	754	764	1,158
o/w From New Subscribers			10,903	1,325	-	50	1,000	2,350
o/w Transformation of Existing Funds/Exit from PIR			4,867	(788)	(2,086)	(1,303)	(553)	(595)

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