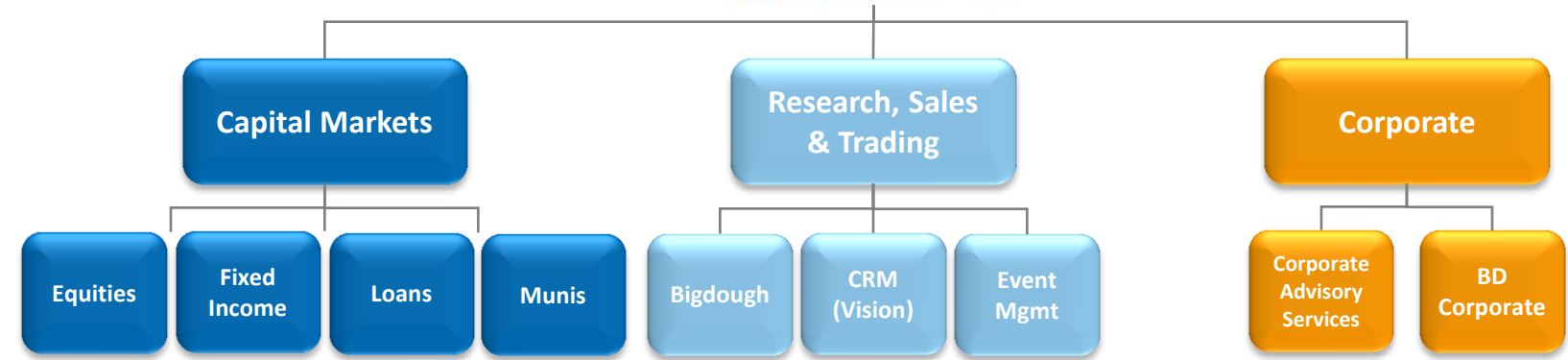


# Institutionelle Investoren Trends in Deutschland

**DIRK & IR Club  
Regionalkreistreffen Nord  
10 April 2014**

**ANDREAS POSAVAC – DIRECTOR CORPORATE**

[Andreas.Posavac@ipreo.com](mailto:Andreas.Posavac@ipreo.com)



- New issuance workflow software, investor prospecting solutions and superior intelligence and analytics across equity, fixed income and municipal markets
- Serving the majority of bulge-bracket investment banks
- Most commonly used means of communication in the capital markets

- Industry standard for institutional contacts and profiles to enable better investor prospecting, efficient roadshow and event management and ongoing content management
- Over 470 clients
- Significant and growing penetration of both bulge-bracket and Tier II sell-side firms

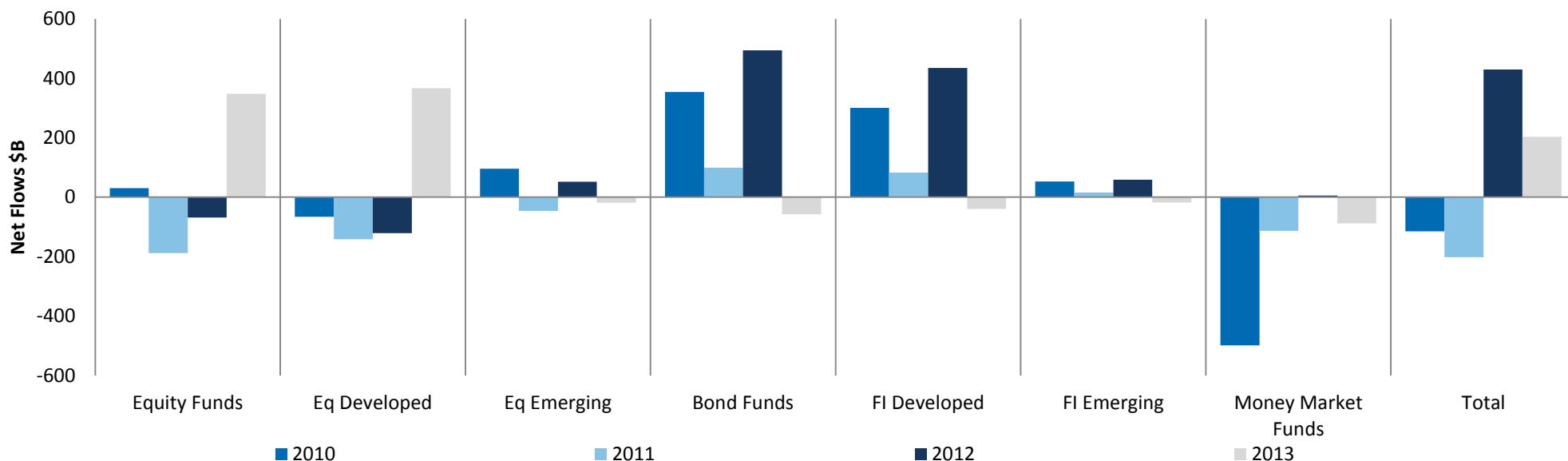
- Global leader in market intelligence, technology and superior customer service
- Over 1,250 corporate clients globally
- Gaining market share among large-cap public companies
- Competitive differentiation from geographic localization and interpretative analytics



- Massive capital inflows over last year
- US & UK AuM's more than tripled
- Passive investments with overproportional growth vs. other styles
- Growth aspect outpaces value & yield
- Focus on Blue Chips but Pan-European Small and Micro corporates in focus
- OTC & Dark Pool trading
- Increase of active investors and engagement
- Increased attention to ESG criteria and fixed income IR
- No-Broker policies on rise
- Come back to „Europe“ theme



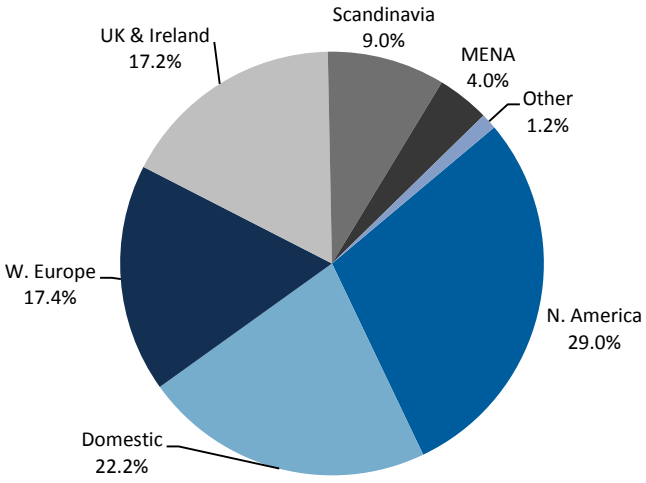
- Capital inflows over last months
- UK- & US based investors increase exposure
- Passive investors & ETFs with more allocation, value over growth preference from sell side
- Industrials, Consumer Services attractive
- Emerging Markets & Russian exposure considered slight risk
- DAX/MDAX Long vs. French Short play
- Increased attention on ESG and Fixed Income Investor Relations
- Heightened demand for active communication and information



- Massive capital inflows over last year, all asset classes
- First major rotation into equities from debt since 2006
- Highly selective asset allocation/rotation, Germany in focus for inflows within Europe, Emerging Markets Funds with outflows
- International Equity Funds: inflows in 58 of last 65 weeks
- Equity, ETF and selective value stocks in Germany expected to remain healthy in 2014

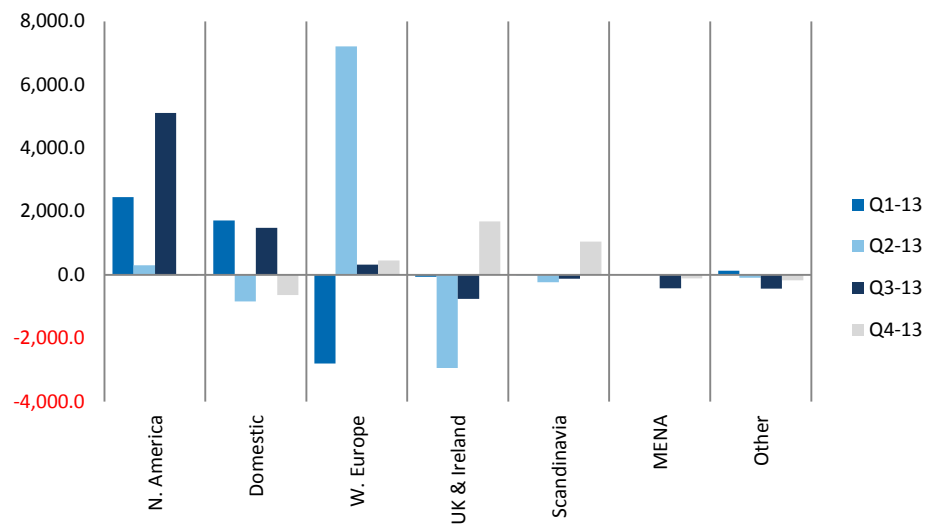
Institutional Investment Flow

Ownership by Region

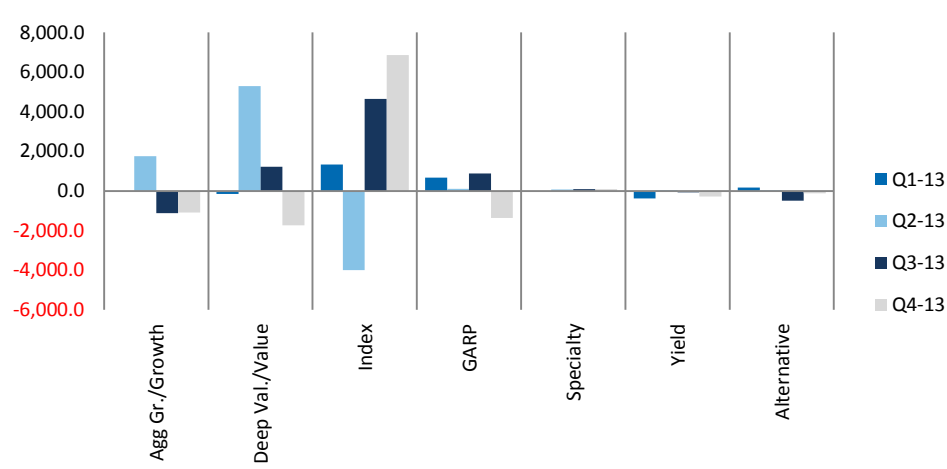


- Germany in focus of global fund managers due to strong economy
- EM, Russia and foreign sales exposure seen as potential downside risk
- Value and Index strategies with largest inflows and potential
- Improved domestic backdrop, retail also positive
- German consumption larger growth driver as exports (!)

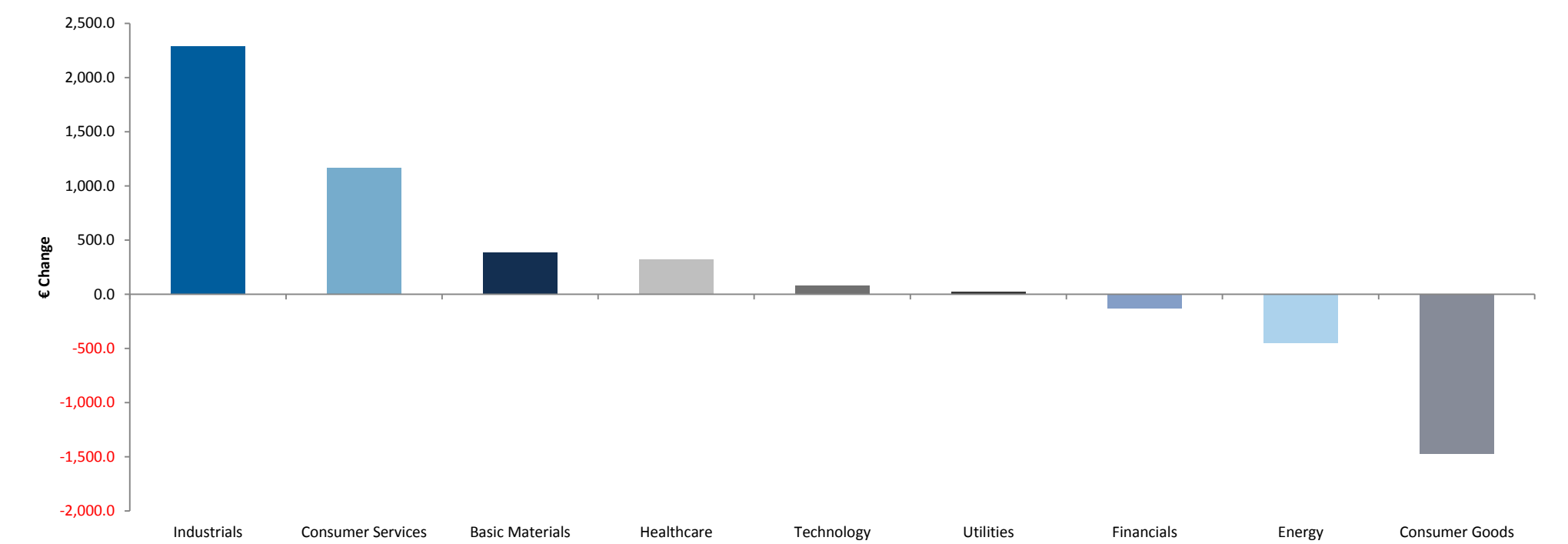
Net Change (€M Value) by Region



Net Change (€M Value) by Style



# GERMANY: MOST BOUGHT & SOLD SECURITIES



BOUGHT Securities	Industry	Change €M
Siemens AG	Industrials	1,163.6
BASF SE	Basic Materials	1,059.1
Deutsche Wohnen AG	Consumer Services	977.3
ProSiebenSat.1 Media AG	Consumer Services	890.8
Bayer AG	Healthcare	817.5
		<b>4,908.3</b>

SOLD Securities	Industry	Change €M
Daimler AG	Consumer Goods	-1,697.9
GSW Immobilien AG	Financials	-749.3
Linde AG	Basic Materials	-681.4
Bayerische Motoren Werke AG	Consumer Goods	-643.3
Kabel Deutschland Holding AG	Consumer Services	-606.5
		<b>-4,378.5</b>

- Heidelberg Cement, Gagfah, DMG Mori Seiki, TUI, Airbus, Wincor, Linde, Pro7 as top picks

TOP HOLDERS	Country	Style	Turnover	Equity Assets (€M)	Value (€M)	Change (€M)	% Portfolio	% Portfolio Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	346,503.1	26,034.6	-179.4	7.5	-0.7
Qatar Investment Authority	Qatar	Growth	Low	55,246.4	13,256.4	-108.7	24.0	-0.8
Deutsche Asset & Wealth Management Investment Gmb	Germany	Value	High	42,191.8	11,594.2	-183.3	27.5	-1.6
Capital World Investors (U.S.)	United States	Value	Low	405,656.9	11,443.3	-382.7	2.8	-3.2
Deka Investment GmbH	Germany	Value	Low	23,480.3	11,427.8	298.3	48.7	2.7
Allianz Global Investors Europe GmbH	Germany	Growth	Medium	37,321.2	8,923.1	-247.4	23.9	-2.7
Credit Suisse AG (Asset Management)	Switzerland	Value	Low	55,723.0	7,557.2	2,628.9	13.6	53.3
Capital Research Global Investors (U.S.)	United States	GARP	Low	284,639.2	7,081.7	-427.6	2.5	-5.7
Union Investment Privatfonds GmbH	Germany	GARP	Low	27,205.2	6,995.9	-247.6	25.7	-3.4
APG Algemene Pensioen Groep N.V.	Netherlands	Yield	Low	91,702.8	6,020.1	-24.7	6.6	-0.4
				<b>110,334.3</b>	<b>1,125.9</b>			
TOP BUYERS	Country	Style	Turnover	Equity Assets (€M)	Value (€M)	Change (€M)	% Portfolio	% Portfolio Chg
Credit Suisse AG (Asset Management)	Switzerland	Value	Low	55,723.0	7,557.2	2,628.9	13.6	53.3
Harris Associates, L.P.	United States	Value	Medium	68,305.4	3,137.2	1,314.2	4.6	72.1
BNP Paribas Asset Management (France)	France	Growth	Medium	23,754.4	3,410.3	1,216.6	14.4	55.5
Fisher Investments	United States	GARP	Low	32,551.0	1,554.6	942.1	4.8	153.8
Cevian Capital AB	Sweden	Alternative	Low	6,775.9	1,809.5	767.2	26.7	73.6
Société Générale Gestion	France	Growth	Medium	14,223.3	929.2	627.7	6.5	208.2
MFS International (U.K.), LTD	United Kingdom	Growth	Low	29,783.3	1,855.0	621.2	6.2	50.4
Northern Cross, LLC	United States	Value	Low	35,374.5	3,603.3	601.3	10.2	20.0
Invesco Advisers, Inc.	United States	Growth	Low	128,228.7	1,527.6	430.5	1.2	39.2
Alken Asset Management, LLP	United Kingdom	Deep Value	High	5,496.2	1,112.1	419.4	20.2	60.6
				<b>26,496.1</b>	<b>9,569.2</b>			
TOP SELLERS	Country	Style	Turnover	Equity Assets (€M)	Value (€M)	Change (€M)	% Portfolio	% Portfolio Chg
Warburg Invest Kapitalanlagegesellschaft mbH	Germany	Growth	Low	468.2	133.5	-1,248.5	28.5	-90.3
Thornburg Investment Management, Inc.	United States	GARP	Medium	45,806.3	2,233.0	-755.4	4.9	-25.3
Scout Investments, Inc.	United States	Growth	High	6,631.7	518.4	-740.0	7.8	-58.8
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	75,708.5	325.8	-687.4	0.4	-67.8
DJE Kapital AG	Germany	GARP	High	4,657.8	995.6	-575.2	21.4	-36.6
Morgan Stanley Investment Management Inc.	United States	Growth	Medium	48,472.8	547.1	-529.5	1.1	-49.2
Odey Asset Management, LLP	United Kingdom	Growth	High	8,292.7	950.1	-515.5	11.5	-35.2
MFS Investment Management	United States	Value	Low	165,690.2	4,853.7	-492.2	2.9	-9.2
Franklin Mutual Advisers, LLC	United States	Value	Low	45,487.2	1,313.5	-482.0	2.9	-26.8
Capital Research Global Investors (U.S.)	United States	GARP	Low	284,639.2	7,081.7	-427.6	2.5	-5.7
				<b>18,952.4</b>	<b>-6,453.2</b>			

*Includes Investors with EUM greater than \$100M; Excludes Passive/Index Investors*

"Value is set to **outperform growth** after a 7-year trend reversal in Germany. We favour the value stocks that are still low-but-persistent noncyclical growers. We see an almost 50% undervaluation"

"Issuers **should use all different channels of communication** available to them to keep us informed in these times. Most and foremost we expect 1-o-1's, non-deal roadshows, conference calls and ongoing email communication"

"We **continue to favour the DAX within our global asset allocation** while also recommending a short bund, long DAX trade. Equity investors ought to play alongside German reflation themes, one of our key indicators is German propensity to buy – to date it remains upbeat"

"We think that some of the German outperformance might reverse given the **deteriorating EM/China outlook**, FX headwind and recovery in periphery"

"An experienced analyst can tell a lot from the way a manager answers or reacts to a particular question. We **want to meet companies regularly on non-deal roadshows** especially, as on deal-roadshows they are restricted to speak only about the prospectus."

"Germany's **underperformance** is clearly due to the companies' high **exposure to emerging markets**, high **ex-Euro sales** and a greater optimism on peripheral market recovery. Germany is attractive but we recommend to stay cautious."



"Although Germany's economy has been considered an export led one, **consumption has played a much bigger role in driving growth** from 2013. This is a huge change for the direction of European growth."

"In **one-on-one meetings you can detect aspects that numbers do not really show**. It is best if companies host a roadshow in conjunction with their treasury team, prior to an issue. At the very least, companies will simply invite debt holders to the same meetings they organize for equity holders."

"We as investors are interested in the company's **attitude to improving their credit rating and equity story**, whether or not we agree with an external rating company. If the company refinances the bank debt, we want to know on what terms, as much as that is legally possible"

Source: Ipreo Research 2013/14



## Environmental, Social, Governance

- Addition of extra-financial criteria for investment decision, analysis and stewardship

## Active Communication & Engagement Process

- To mitigate Principal/Agent problem and ensure best practice & int'l standards & drive returns

## In-House ESG-Teams & Standards

- Split of investment and vote decision within investors (Universal Owners)
- Declining direct influence of Advisors

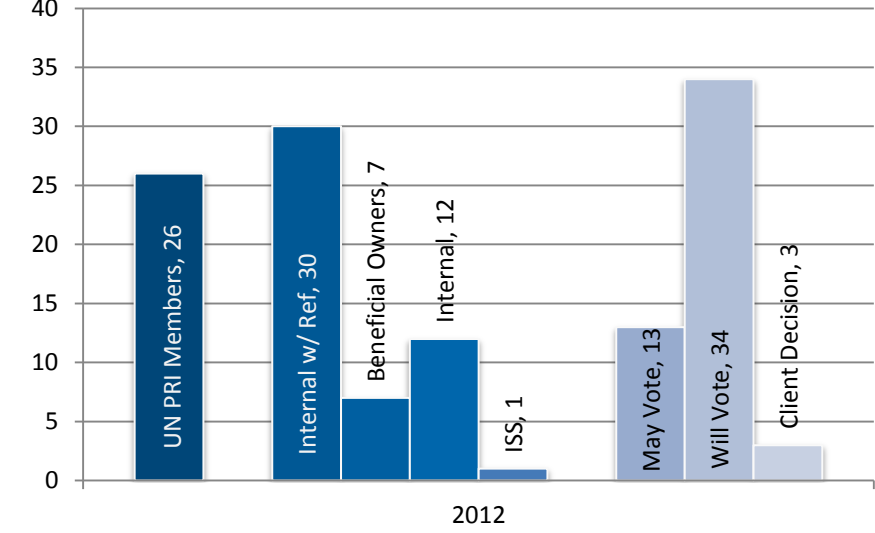
## SRI & Enhanced Index Strategies AuM on rise

- SRI Strategies (+46%) vs. Market (+28%)
- Institutional Engagement in Europe (+17%)

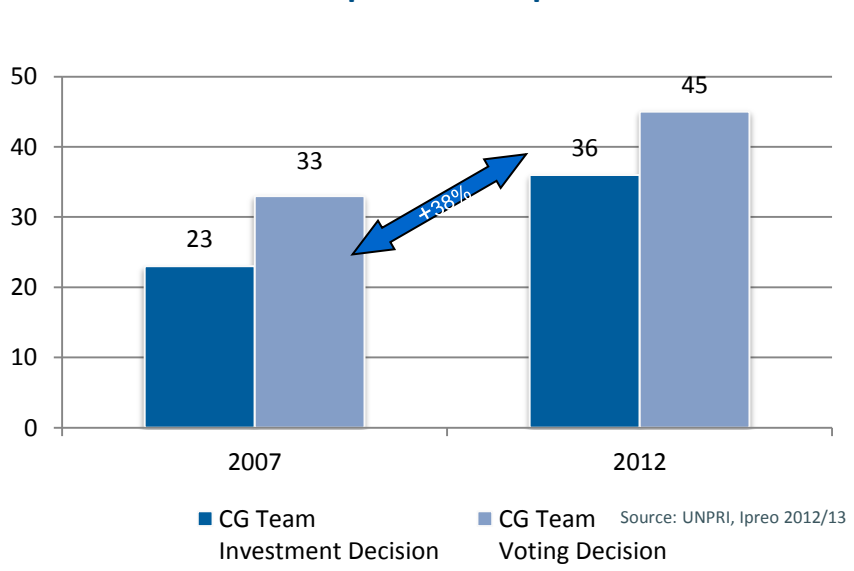
## ESG-Dynamic across the Market

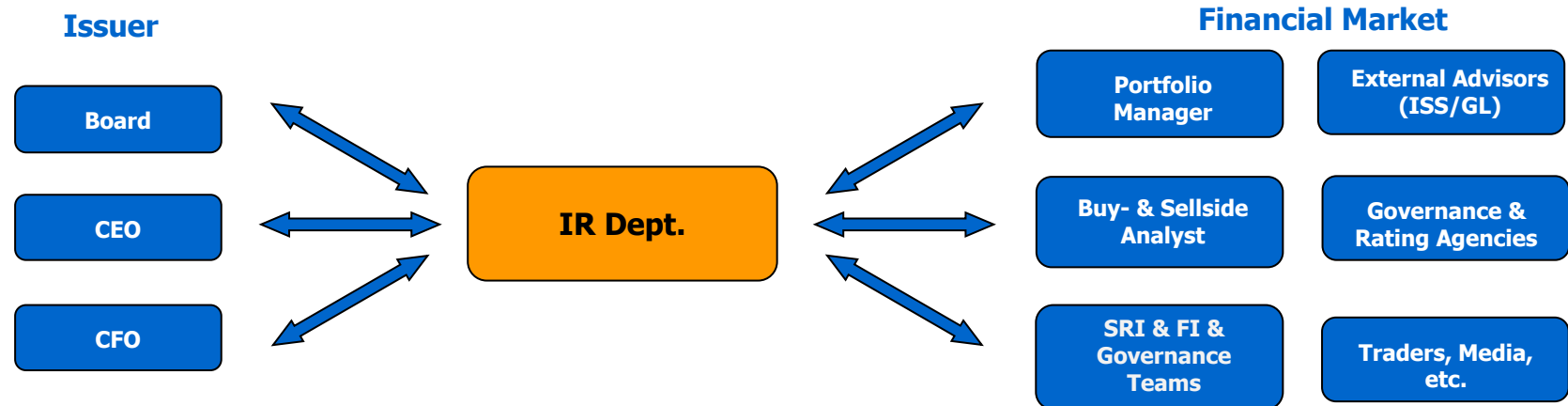
- Active Management, Activism, Engagement also on SRI/ESG topics
- Research & Ratings & other Initiatives

DAX Top-50 Int'l Investors – Governance Overview



DAX ESG Team Development of Top-50 Int'l Investors





## Increased Complexity & Requirements -> „Understand Trends“

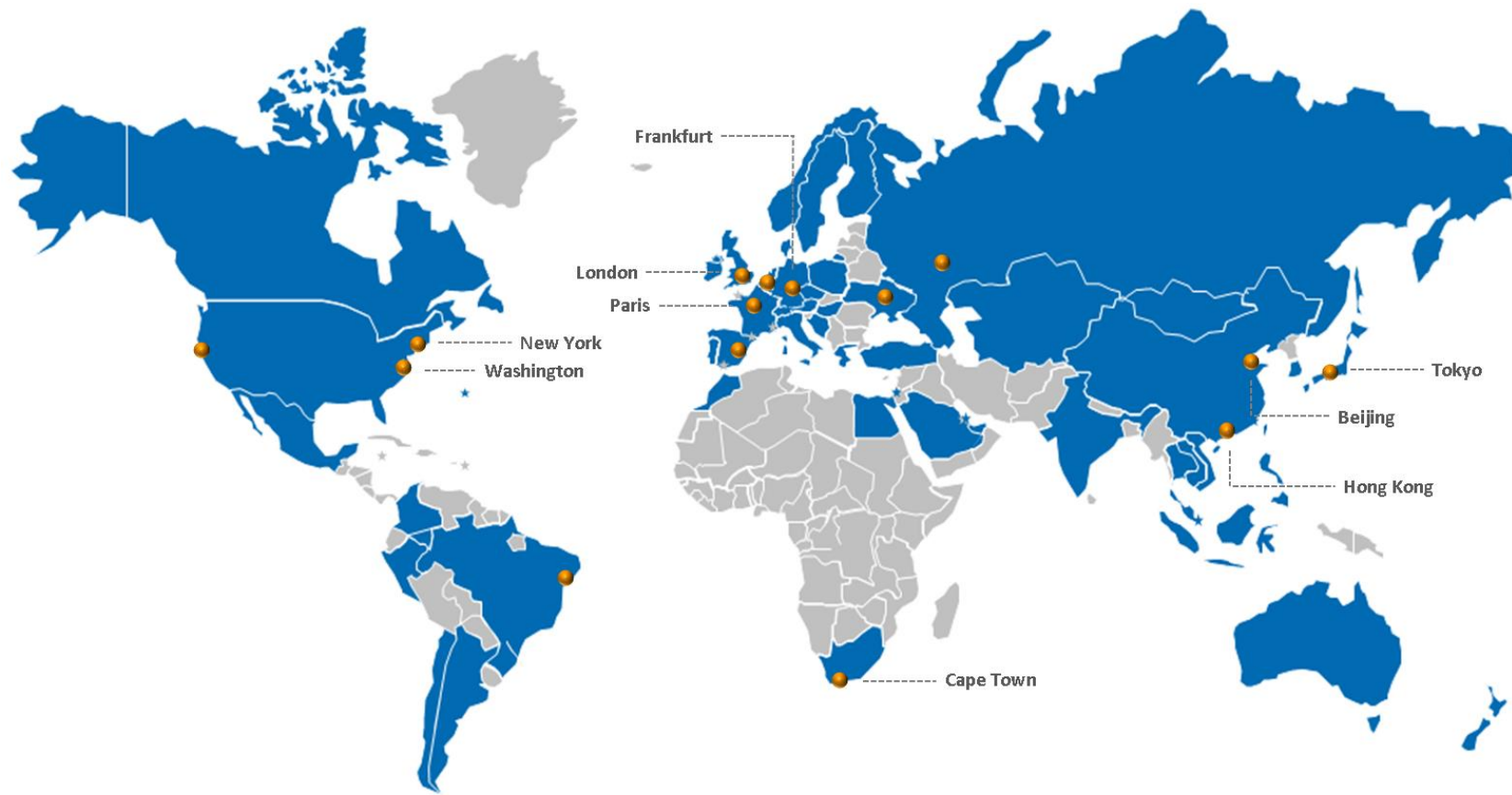
Proactive communication becomes more complex with news stakeholders and themes

## Limited Transparency and Information -> „Assess Resources & External Requirements“



IR & management often receive little information on trading patterns, shareholder structure trends and changes, combined with impact and scenario analysis on ESG topics

## Importance of Personal Contact / Active IR Rises -> „Meetings, Calls, Roadshowing“

Passive investing and alternative (OTC) trading increases, new players and topics enter the market, sell side coverage decreases, hence proactive and targeted outreach to stakeholders is essential



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**Ipreo Clients**   
**Ipreo Team** 

## AXA / ALLIANCE BERNSTEIN Group:

### ESG-Integrated in Portfolio Management

- For Outperformance (+50% Best-In-Class)
- Multi-Modelling (e.g. Influence of women in board, ESG-factors and Co2 on portfolio)
- Client-Specific Modelling possible

### 47th Largest Institutional Investor in EUR.

- Will Vote Shares
- Internal Guidelines

### Engagement Philosophy

- Top Roadshow Target for IR but also management and department chiefs



#### Gründe für Nein-Stimmen und Enthaltungen



#### Abstimmungsteilnahme auf 2448 Hauptversammlungen



Quelle: AXA IM, Stand 31. Dezember 2011

#### Engagement Framework



#### Possible Actions



**BLACKROCK, VANGUARD, STATE STREET, L&G, AQR, LSV, ACADIAN, D.E.SHAW etc.**

## **Among the largest Institutional Investor (on Group Basis)**

- Active & Passive Funds
- Enhanced-Index Bias for Mandates and Segregated Accounts
- The downside of a potential index inclusion

## **Active ESG Team w/ internal Guidelines and Policies**

- No General Roadshow Target, but SRI/Governance Meeting
- IR / Management immunity

## **Other Critical Elements**

- Lending Counterpart
- Different ESG-Strategy Integration
- Turnover / Volume
- Trading Venues
- Shorting

## HERMES EQUITY OWNERSHIP

### 120th largest EUR Investor

- But advises and represents several large global pension funds in engagement & voting (e.g. Norges Bank, UniSup, BT)

### Active Engagement Policy

- Investment Decision, Active Voting and Engagement
- Activist if severe governance issues

### Thought Leader in Investment Community

- Steering Committees member and very transparent
- Corporate Governance Advisory (sparring-partner)

### Q3 2012/13 Engagement Outline

- Over 200 campaigns in EUR in Q3/Q4
- Transparent split of ESG Criteria (see right)

