MEDIOBANCA RESEARCH DEPARTMENT:
18TH ANNUAL SURVEY OF ITALIAN MUTUAL FUNDS AND SICAVS (2009 SURVEY)

The survey covers a year marked by a major financial crisis, in which funds worldwide suffered drastic reductions. In 2008 funds suffered losses amounting to €1,200bn in Europe and €3,000bn in the United States. Italian funds were in the red to the tune of €24bn, which, when added to the amount of the redemptions for the year, led to a record decline of €91bn in the value of assets under management. This bears out the strongly regressive trend in the Italian funds industry since 2000. Overall, assets under management as at year-end 2008 had virtually halved in value since 1999. Over the same period, equity funds had declined by 85%. The Italian mutual funds industry slid to tenth position worldwide (having been fourth as recently as 2004), and funds under management now account for just 13.6% of GDP, compared with 41.9% in 1999.

The 1,079 funds (which represent over 90% of the system) ended 2008 having recorded the worst performance in their entire history, losing 8.4% of their value. This is attributable to the exceptional losses on shares due to trading and writedowns, which amounted to €19.5bn.

Operating costs remained constant in relative terms, at 1.2% of assets under management for the average of all funds, but still at high levels, virtually double that of the US funds, for example. The turnover rate continues to be high, having increased from 1.5x to 1.8x in 2008, and recording the highest level in the past eight years for the equity component (where the assets were rotated every five months; the average for US funds is just under two years).

Returns over the long term continue to be disappointing, if compared with the risk-free rate. In the last ten years, the average annual yield on 12-month BOTs has been more than 2.5 percentage points higher than the return on funds. Over €75bn of value has been destroyed by open-ended funds alone. Comparison at the international level, to be taken with the appropriate dose of caution, nonetheless shows that the presence of one year (2008) to be considered as exceptional in the history of the funds industry in all countries was still sufficient to destroy wealth everywhere (with the exception of UK funds).

Some distinguishing features of 2008 included the following:

- the loss recorded by the Italian funds was sizeable, at €24.1bn, but limited to just 7.6% of the assets under management as at year-end 2007. The deficit reported by non-Italian funds (based on Mediobanca Research Department estimates) is much larger: 20% for the aggregate of European funds (€1,200bn), and 25% for the aggregate of US funds ($3,000). The reduced impact which the crisis had on the Italian funds is essentially due to the low proportion of funds invested in equities, at 12%, compared with an average of 30% for the European funds and 40% for the US funds;
- investment in government securities and bonds has become prevalent among the Italian funds, accounting for almost two-thirds of the total. Although this reduces the risk, it also limits average yields over the long-term. It is instructive that the only fund system that has actually managed to create wealth over the past five years is the UK industry, more than 60% of the funds in which are invested in equities (over half of which in domestic equities);
- Italian pension funds continued to post mediocre returns: if the year 2000 is 100, against a 24.4% increase in the staff severance indemnity position, closed occupational pension funds reported a 13.7% yield and open funds a cumulative loss of 11.7%; an assessment of how efficient this instrument is therefore continues to be problematic, and cannot be mitigated by the fact that tax benefits are allowed by the state and additional contributions paid by the employers.

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