

IPREO SPECIAL REPORT

# LONG TERM OWNERSHIP ANALYSIS

## IBEX35

## INTRODUCTION

Ipreo analysed the aggregated institutional ownership in IBEX35 companies over the period Q1 2013 to Q1 2017 using publicly available data vs same data set for Italy, Scandinavia, Germany France and Belgium, focusing on:

- ▶ Top holders, buyers and sellers
- ▶ Investment analysis by region and investment styles of investors
- ▶ Largest hedge fund ownership
- ▶ Largest activist holders

## SUMMARY BY INVESTMENT STYLE

**Index** investment in Spain has risen by 100% since 2013, the highest rate of increase ahead of 88% for Italy and 87.7% for Scandinavia.

**Growth** investment over 5 years has risen by 28.4%, second highest rate of increase after Italy.

**Value** investment rose by 20.5% behind the rate of increase for Italy and Belgium.

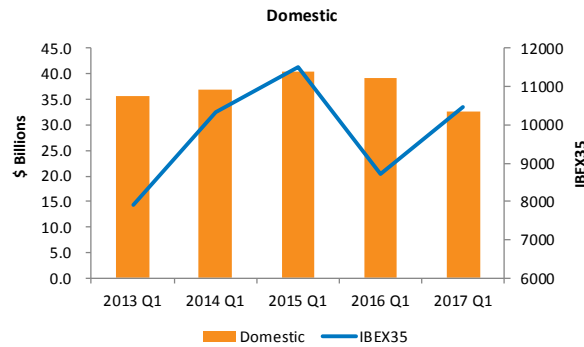
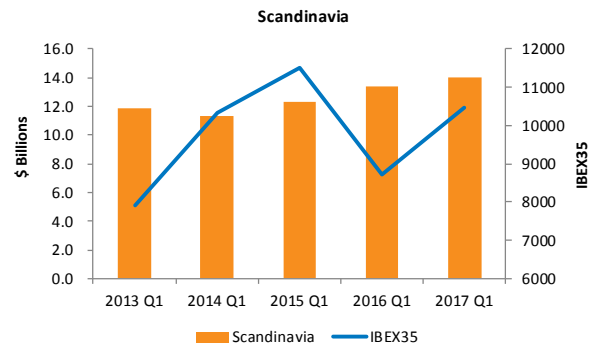
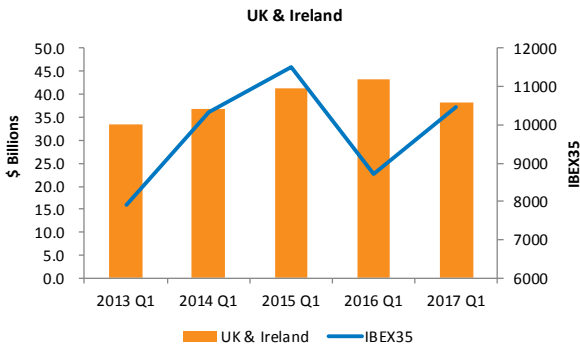
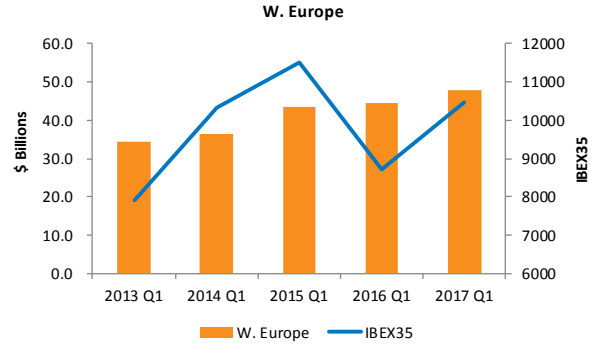
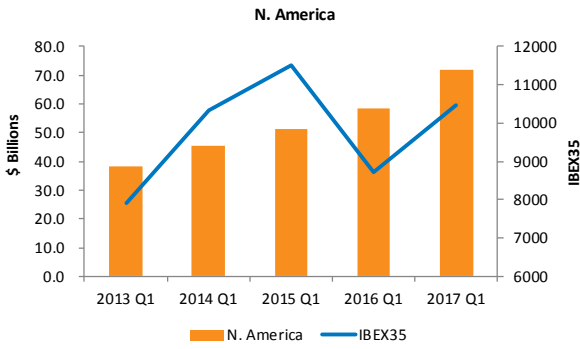
## REGIONAL- IBEX35

- ▶ Investment into Southern Europe as a whole saw **net inflows** of +\$9.8B, the second successive quarter of net inflows as for Western Europe.
- ▶ Between 2013 and 2017, IBEX has seen net inflows from all regions, excluding **domestic**. That has not meant year on year increase: both **domestic** (-\$6.5B) and **UK & Irish** (-\$5.1B) investors were net sellers of IBEX stock (reducing 2016 exposure by 16.8% and 11.7% respectively to Q1 2017). The rest of the regions have been continuously buying since 2013 but the latter have reduced exposure between Q1 2016 and Q1 2017.
- ▶ IBEX ownership is dominated by **North American** investors and as of 2017 this region held \$71.7B of IBEX stocks representing 33.6% of publicly filed institutional ownership. North America has heavily increased its presence in IBEX since 2013, a net increase of +88.4% to 2017. The increase has been at the expense of domestic ownership as this region has overall been a net seller since 2013. Notably, North America has been by far the largest net buyer of IBEX 35 equities (88.4% up vs a mere 40% for Western European investment into the index).
- ▶ **Western European** investments in IBEX saw a steady rise in 2014 and 2016, a sharp rise in 2015 repeated in the year to Q1 2017. It has sharply outpaced **UK and Ireland** and domestic investors as #2 investor after North America – but it has fallen far behind North America. In 2013 Western European investment (excluding domestic and Scandinavian) made up 22.5% of institutional ownership of the index, North American 24.8%. As of 2017 that reads 23.5% and 35.1% respectively, putting North America way ahead.
- ▶ Conversely, **domestic** ownership has fallen sharply in both percentile and currency terms. Domestic institutions made up 23.3% of institutional filings and were second only to North America. They now stand fourth behind North America, Western Europe and the UK & Ireland at just 15.9%. This trend has been reflected in Ipreo's proprietary work where domestic investors continue to decrease their exposure to IBEX stocks and were net sellers of Spanish equities in 2017, as per Ipreo's fund and proprietary data.
- ▶ **UK & Ireland** ownership took a hit in 2017 to fall sharply to \$38.3B from \$43.4B a year earlier, a net decrease of -11.7%. When compared to 2013, this region is the fourth largest net buyer of IBEX stock with a net increase of 14.7%, behind North America, Western Europe, and Scandinavia. UK ownership has decreased across several indices in Europe including FTSE MIB and BEL20 and the region has been a net seller of Western European equities since 2016.

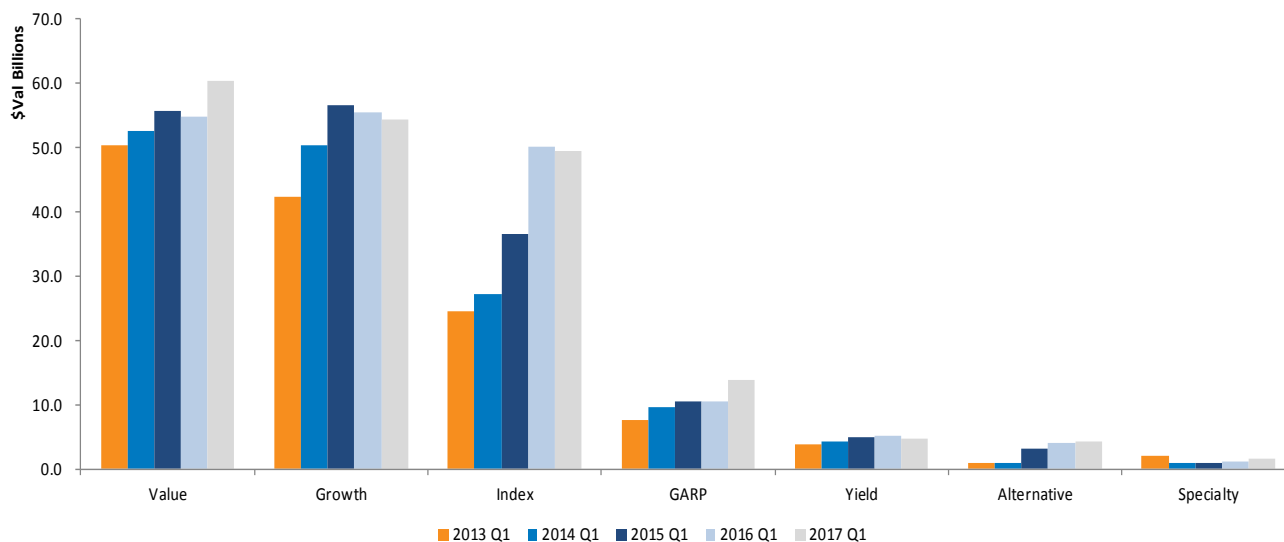
## SUMMARY BY REGION

Spain has seen an increase of 33.1% in ownership in 5 years – the highest increase for any market in this survey other than Italy. It has seen:

- ▶ The 2nd highest rate of increase in **North American** inflows (up 88.4% vs 96.7% for Italy)
- ▶ The highest rate of increase in **Western European** investment (up 39%)



## STYLE ANALYSIS -IBEX35



► Of the style demography **Value** and **Growth** investment dominate the IBEX landscape accounting for over 60% of the ownership. Nonetheless, **GARP** and **Alternative** have been the only two styles that have remained in positive ground for the entire review period (Q1 2017 – Q1 2013).

► **Value** is the largest holding investment style constantly holding more than 30% of the ownership through the 5-year review period. Value grew steadily from 2013 until 2015 as this region reduced exposure in 2016 (-\$1.0B) to stand as the second largest seller behind **Growth** (-\$1.1B). However, **Value** was the top supporter of IBEX in Q1 2017 adding +\$5.7B to top holdings by style with 32.0% of the total ownership representing \$60.5B.

► **Growth** ownership is the only style selling for two consecutive periods (2017 and 2016), shedding -\$1.2B and -\$1.1B respectively. This investment style increased investment from 2013 until 2015 and has been reducing exposure since.

► Behind **Growth**, **Index** is the third largest investment style. The latter has significantly increased its presence in IBEX since 2013 and was the second largest seller in 2017 behind **Growth**, shedding -\$0.7M. It is important to highlight that **Index** posted heavy inflows in IBEX in Q1 2016 (+\$13.6B) when **Growth** and **Value** were decreasing exposure.

► **GARP**, **Yield**, **Alternative**, and **Specialty** combined account for approximately 13.1% of the ownership as of Q1 2017. Of the latter, **GARP** has been the only one buying significantly in Q1 2017, adding +\$3.5B and has been in an upward trend since Q1 2013. The remaining styles remained largely flat with minor changes over the review period.

## STYLE ANALYSIS- IBEX35 AND FTSE MIB

► **Value** inflows in Southern Europe overall have been positive, with **Amundi Asset Management** driving these inflows, making major buys in **Telefonica**, **Banco Santander** and **IDT (Industria de Diseno Textil)** along with smaller buys in **CaixaBank** and **UniCredit**. Its only major sale was in **BBVA**.

## TOP HOLDERS, BUYERS AND SELLERS

Top Holders	\$M EUM	2017 Q1	Change	2016 Q1	2015 Q1	2014 Q1	2013 Q1	Style	Country
The Vanguard Group, Inc.	2,443,503.8	10,833.9	484.5	10,349.3	3,634.3	4,698.6	2,956.1	Index	USA
Norges Bank Investment Management (Norway)	590,249.4	9,516.9	-135.8	9,652.8	8,919.8	8,127.5	8,622.9	Value	Norway
BlackRock Fund Advisors	1,678,622.2	8,629.2	758.4	7,870.8	6,543.8	4,990.9	3,839.8	Index	USA
Lyxor Asset Management SAS	57,964.0	7,625.4	1,422.7	6,202.7	5,226.3	3,302.9	4,461.9	Index	France
Capital World Investors (U.S.)	611,565.6	6,650.4	3,120.2	3,530.2	4,688.3	4,552.2	3,382.7	Value	USA
BlackRock Advisors (U.K.), LTD	163,168.6	3,999.6	-41.7	4,041.3	2,503.7	2,104.9	2,299.6	Index	UK
Qatar Investment Authority	47,854.0	3,882.4	-537.3	4,419.7	4,419.7	4,262.0	3,687.9	Growth	Qatar
Capital Research Global Investors (U.S.)	423,369.1	3,823.1	2,554.9	1,268.2	1,464.5	1,435.7	1,247.8	GARP	USA
Amundi Asset Management S.A.	98,993.0	3,755.9	331.0	3,424.9	3,383.6	3,312.4	3,413.5	Value	France
State Street Global Advisors, LTD	118,901.8	3,261.9	-711.8	3,973.7	2,380.0	1,615.6	1,508.5	Index	UK
BlackRock Asset Management (Deutschland) AG	45,270.8	2,767.5	543.8	2,223.6	2,055.2	1,475.9	1,313.9	Index	Germany
Dimensional Fund Advisors, L.P. (U.S.)	354,817.4	2,392.4	103.0	2,289.4	1,834.6	1,546.9	1,285.0	Value	USA
Deutsche Asset Management Investment GmbH	113,562.0	2,380.6	963.6	1,416.9	1,039.2	951.2	600.8	Value	Germany
Fidelity Management & Research Company	842,886.3	2,273.3	409.9	1,863.4	1,514.6	1,624.0	1,524.6	Growth	USA
Mellon Capital Management Corporation	176,216.7	2,272.0	-643.8	2,915.8	2,652.8	435.4	290.2	Index	USA
<b>Total:</b>		<b>74,064.5</b>	<b>8,621.8</b>	<b>65,442.7</b>	<b>52,260.4</b>	<b>44,436.1</b>	<b>40,435.2</b>		

Top Buyers	\$M EUM	2017 Q1	Change	2016 Q1	2015 Q1	2014 Q1	2013 Q1	Style	Country
Capital World Investors (U.S.)	611,565.6	6,650.4	3,120.2	3,530.2	4,688.3	4,552.2	3,382.7	Value	USA
Capital Research Global Investors (U.S.)	423,369.1	3,823.1	2,554.9	1,268.2	1,464.5	1,435.7	1,247.8	GARP	USA
Lyxor Asset Management SAS	57,964.0	7,625.4	1,422.7	6,202.7	5,226.3	3,302.9	4,461.9	Index	France
Deutsche Asset Management Investment GmbH	113,562.0	2,380.6	963.6	1,416.9	1,039.2	951.2	600.8	Value	Germany
BlackRock Fund Advisors	1,678,622.2	8,629.2	758.4	7,870.8	6,543.8	4,990.9	3,839.8	Index	USA
BlackRock Asset Management (Deutschland) AG	45,270.8	2,767.5	543.8	2,223.6	2,055.2	1,475.9	1,313.9	Index	Germany
J.P. Morgan Asset Management (UK), LTD	103,856.7	2,270.1	506.8	1,763.3	1,279.8	761.6	397.7	Growth	UK
Henderson Global Investors, LTD (U.K.)	61,070.9	1,352.1	498.0	854.1	956.2	960.1	514.9	Growth	UK
The Vanguard Group, Inc.	2,443,503.8	10,833.9	484.5	10,349.3	3,634.3	4,698.6	2,956.1	Index	USA
RREEF America, LLC	14,799.8	1,005.1	446.3	558.8	363.7	261.8	57.7	Specialty	USA
Wellington Management Company, LLP	463,129.0	720.7	428.0	292.7	182.8	217.9	420.6	Value	USA
Fidelity Management & Research Company	842,886.3	2,273.3	409.9	1,863.4	1,514.6	1,624.0	1,524.6	Growth	USA
BlackRock International, LTD	19,651.9	551.6	357.1	194.6	428.9	454.3	585.4	Value	UK
Amundi Asset Management S.A.	98,993.0	3,755.9	331.0	3,424.9	3,383.6	3,312.4	3,413.5	Value	France
INVESCO Asset Management, LTD (U.K.)	78,693.7	1,342.0	327.6	1,014.4	926.6	1,028.1	554.3	Value	UK
<b>Total:</b>		<b>55,980.9</b>	<b>13,153.0</b>	<b>42,827.9</b>	<b>33,687.8</b>	<b>30,027.4</b>	<b>25,271.7</b>		

Top Sellers	\$M EUM	2017 Q1	Change	2016 Q1	2015 Q1	2014 Q1	2013 Q1	Style	Country
BlackRock Investment Management (U.K.), LTD	329,503.3	1,752.5	-2,157.8	3,910.3	4,605.0	6,206.7	6,380.7	Growth	UK
State Street Global Advisors, LTD	118,901.8	3,261.9	-711.8	3,973.7	2,380.0	1,615.6	1,508.5	Index	UK
Mellon Capital Management Corporation	176,216.7	2,272.0	-643.8	2,915.8	2,652.8	435.4	290.2	Index	USA
Qatar Investment Authority	47,854.0	3,882.4	-537.3	4,419.7	4,419.7	4,262.0	3,687.9	Growth	Qatar
Alken Asset Management, LTD	4,108.0	144.6	-530.4	675.0	604.9	242.8	756.9	Deep Value	UK
Carmignac Gestion	22,830.9	300.0	-527.8	827.8	1,080.6	858.3	1,091.7	Growth	France
Causeway Capital Management, LLC	23,419.8	293.6	-366.6	660.2	556.4	424.5	315.2	Value	USA
HSBC Global Asset Management (U.K.), LTD	58,261.4	205.8	-340.3	546.0	679.7	653.1	472.4	Growth	UK
T. Rowe Price Associates, Inc.	579,161.0	669.0	-336.8	1,005.7	773.9	310.8	248.0	Growth	USA
Eurizon Capital S.A.	6,177.2	227.6	-293.5	521.1	283.7	228.9	191.7	Index	Luxembourg
Fidelity International Limited - FIL Investment Services (U.K.), LTD	94,422.5	1,977.6	-268.9	2,246.5	1,995.1	2,144.6	1,252.1	Growth	UK
DBX Advisors, LLC	12,377.3	443.8	-265.9	709.6	322.8	12.1	0.9	Index	USA
Jennison Associates, LLC	96,553.6	759.5	-262.6	1,022.1	803.2	745.7	855.4	Growth	USA
MFS Investment Management	265,548.6	1,172.8	-249.5	1,422.2	1,404.7	1,724.9	1,995.0	Value	USA
Schroder Investment Management, LTD	101,476.0	550.9	-245.9	796.9	885.5	692.0	1,064.4	GARP	UK
<b>Total:</b>		<b>17,913.8</b>	<b>-7,738.8</b>	<b>25,652.7</b>	<b>23,448.2</b>	<b>20,557.4</b>	<b>20,110.9</b>		

## TOP HOLDERS, BUYERS AND SELLERS- IBEX35

### Top Holders – IBEX35

▶ IBEX35 top 15 holders is dominated by **North American** (7 holders) and **Continental European** (5 holders) investors, holding an aggregate of 12 of the 15 positions. Strong presence from the aforementioned regions in the top holders list is in line with the overall regional trend where North America and Western Europe are the two largest holding regions, with investors controlling 33.6% and 23.5% of ownership respectively. Top holder is Index US-based investor **The Vanguard Group** holding \$10.8B in IBEX stock after adding +\$0.5M between 2016 and 2017. Vanguard has consistently increased its exposure to Spanish equity since 2013 although decreasing slightly between 2015 and 2014, -\$1.1B, to then recuperate with strong buying between 2016 and 2015 (+\$6.7B). The strong buying from Vanguard between 2016 and 2015 is clearly reflected at a style and regional level where both Index and North America were buying IBEX equity between 2016 and 2015.

▶ **Norges Bank Investment Management** is the second largest holder of Spanish equity. The Value investor has been buying since 2015 (although slightly reducing exposure between 2016 and 2017). Norges has recently been allowed to increase the proportion it can invest in equities from 60% to 70% of total assets, meaning another \$90B is available for investment.

### Buyers – IBEX35

▶ **North America** leads investment in IBEX stocks and makes up 7 of the Top 15 buyers. Following North America, **UK & Ireland** and **Western Europe** each hold 4 positions in the table. The top 15 holders added a net +\$13.2B between 2016 and 2017, to hold \$56.0B in Ibex stocks.

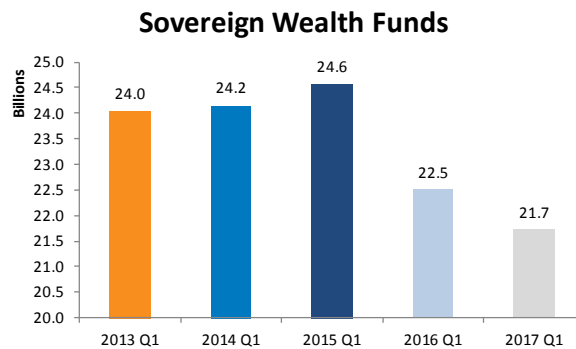
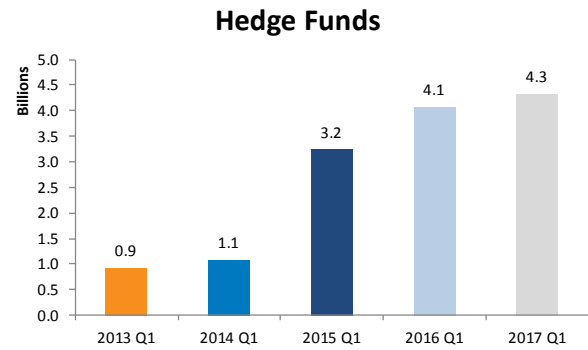
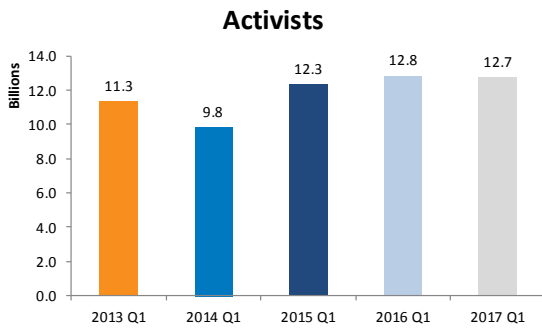
▶ The top two buying investors actually belong to the same parent company, **Capital Group**, and subsidiaries **Capital World Investors** and **Capital Research** doubled their previous holdings with an additional +\$5.8B between 2016 and 2017 to hold a combined aggregate of \$10.5B as of 2017. In addition, these two entities are also within the Top 15 holders standing at rank # 5 and # 8, respectively. The Capital Group's buying trend fluctuated between 2015 and 2016 when they were actually net sellers of Spanish stock, shedding a combined -\$1.4B.

▶ Notably, 6 of the top 15 buyers follow a **Value** strategy, in line with the style analysis where **Value** is the top holder and buyer in the review period (+\$5.7B).

### Sellers – IBEX35

▶ **Growth** investment dominates the top 15 seller table for the IBEX, where 7 investors follow this investment style, reducing a collective -\$4.4B in exposure to Spanish stock. Growth selling out of IBEX is a trend observed in the review period where this investment style shed a net -\$1.2B. Investment from Growth-orientated institutions is largely driven by the top two Growth sellers, **BlackRock Investment Management** and **Qatar Investment Authority**, disposing of a combined -\$2.7B. The divestment posted by BlackRock and Qatar accounts for more than half of the selling seen within the top sellers.

## ACTIVISTS, HEDGE FUNDS, SOVEREIGN WEALTH FUNDS



### Activist – IBEX35

▶ Overall, investment from Activist investors saw a setback in 2017 of -\$84.5M representing a decrease of -0.7% when compared to 2016. The net selling of the top 10 activist holders is due to large sales from two investors, **Norges Bank** (-\$13.8M) and **P. Schoenfeld** (-\$122.8M).

▶ Activist investment in IBEX is dominated by a single Norwegian investor, **Norges Bank Investment Management**. The sovereign wealth fund, which is also the second largest holder of Spanish equities in Q1 2017, is the top activist investor seen through public filings in Ibex 35 holding 74.4% of all activist holdings. After Norway, **North America** has 6 of 10 investors in the activist table although it is the third largest by size, only holding 10.3% of the activist ownership (\$1.3B). Conversely, **UK & Ireland** has the least number of holders in the top 10 activist table but dominates by size of investment, \$1.9B which represents 15.0% of the activist ownership. Notably, top UK & Ireland activist is **TCI Fund Management** which alone accounts for \$1.8B of holdings in Ibex stocks and is also the largest hedge fund holder in IBEX.

### Hedge Funds - IBEX35

▶ Hedge fund investment in Spanish equity has significantly increased since 2013. As a result, we see Alternative investment increasing continuously since 2013 to stand as its highest level with an investment of +\$4.3B after an additional investment of +\$312.8M or +9.4% between 2016 and 2017.

▶ Top ten Alternative investors account for 84.4% of all hedge fund holdings seen through public data, with all but one posting net buying in the review period. **UK** dominates with 68.8% of all investment coming from this region. **United States** follows with 24.6% of all holdings and two investors in the top 10 table, namely **AQR Capital** and **Scopus Asset Management**. **Switzerland, France,** and **Italy** hold a combined 6.1% of Hedge fund holdings followed by **Rest of World** investors with a small position of 0.5%.

### SWFs: IBEX35

▶ Four sovereign wealth funds are seen through public data holding Spanish stock. Of these, **Norges** is the largest holder with an investment of \$9.5B representing 60.9% of the aggregate SWF holdings. The remaining three investors, **Qatar, GIC,** and **Temasek**, classified under Rest of World, hold an aggregate \$6.1B or 39.1% of the SWF ownership. Notably, SWF ownership fell in the review period as the holders divested -\$680.5M between 2016 and 2017. This investor group had been buying since 2013 but fell back to 2015 levels in 2017 reducing exposure by -4.2%.

## ABOUT IPREO

### We work as an extension of our clients' Investor Relations team

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