



17 November 2008

RETAIL INVESTORS AND THE STOCK MARKET: WHICH POSSIBLE RELATIONSHIP WITH LISTED COMPANIES? BORSA ITALIANA THIRD REPORT ON SHAREHOLDING IN ITALY

Borsa Italiana today presents its third report on the main features and financial behaviour of retail shareholders.

Differently from previous reports (2001 and 2003), this time Borsa Italiana analysis focuses on the relationship between Italian listed companies and their retail shareholders. The aim is to describe the current state of this relationship and what could be done to improve it.

For the realisation of this report Borsa Italiana worked in partnership with Emittenti Titoli SpA.

These are the main results of the analysis:

Number of Italian shareholders in Italy and its recent evolution

Over the last five years about 3 millions of households (16% of total Italian households) have directly invested in shares. At the beginning of 2008, 7% of Italian households (1,3 millions) owned shares. Since 2001 Italian

households have been interested by an evolution of their economic and financial behaviour, along with a selection process among shareholders.

As a result of this selection process, weakest investors in terms of socio-demographic characteristics, asset allocation expertise and social background have temporarily or definitely moved away from direct shareholding. On the contrary, those who still own shares distinguish themselves for a more sophisticated profile for what concerns socio-demographic characteristics, saving capability, a more optimist perception of their own economic situation and of Italian country, degree of autonomy in their asset allocation choices, relation with intermediaries.

Financial portfolio, shareholding and trading activity

Retail shareholders' financial portfolio presents a significant degree of diversification. On average, the incidence of direct shareholding is equal to 22% of their total financial assets. Direct shareholding confirms to be a long-term experience: 55% of shareholders first approached the stock market before year 2000 and only 1% during the last twelve months.

About 34% of shareholders own only one listed share and 62% not more than two. Listed shares owned directly mainly belong to Blue Chip companies (84%), followed by SMEs companies (25%) and foreign ones (17%).

For what concerns the frequency of trading, the average number of trades in the last twelve months is equal to 16 (12 in 2003).

Borsa Italiana confirms to be the main market of trading for retail shareholders: only 9% of them has traded financial instruments on other markets than Borsa Italiana in the last three years.

About 12% of retail shareholders chooses Internet as trading channel for trading activity: trading *online* mainly regards Italian listed shares (80%), followed by Government bonds (23%) and mutual fund shares (20%).

Almost 60% of retail shareholders collects information about the company of which they own shares; for them, Borsa Italiana website is the second source for this information (28%) after newspapers (61%).

There is still too much confusion about some basic financial notions (only 50% of the sample distinguishes between listed and not listed instruments, while only 20% believes to know the difference between trading on a regulated market or not). As a matter of fact, this category of investors requires further educational activity.

Current and potential relationship with listed companies

The overall degree of participation of retail investors in the company life of which they are or have been shareholders in the last three years results to be still limited, as long as the level of knowledge of the rights deriving from their *status* of shareholders.

There is still room for the improvement for this relationship. Retail shareholders believe that there are some activities which may improve significantly the degree of their participation to company life: the possibility to attend meetings with financial analysts (50%); the creation of a *club* dedicated to minority shareholders (48%) or simply the organisation of events dedicated to them (47%); taking part or simply watch shareholders' meetings online (48%), or eventually online vote (45%).

According to the relevance of the *shareholder identification* topic in the recent *Shareholders' rights Directive* (2007/36/CE), 56% of retail shareholders would not be contrary if listed companies were periodically informed about the identity of its minority shareholders.

Companies listed on Borsa Italiana equity markets, considered as a whole, distinguish themselves for a high recognizability, resulting from a mix of indicators such as visibility, image and propensity to investment among shareholders. Italian equity market Brand Equity index (estimated

according to GfK Eurisko model) is very high, especially if compared to the ones of other sectors of activity such as banking or insurance.

Methodological notes to the Report

The Report consists of two complementary sections:

- the first one, *desk phase*, based on the results of a survey conducted by GfK Eurisko (Multifinanziaria Retail Market) aims to quantify to quantify the number of Italian shareholders among the Italian population, to describe its evolution over time and the main features of retail investors.
- the second one, developed on the basis of the first one, consists of a survey realised by GfK Eurisko in spring 2008 among 700 Italian households holding listed shares directly or having traded them during the previous three years. It is aimed to describe retail shareholders' behaviour and to analyse the actual and potential relationship between Italian listed companies and their retail shareholders.

FOR FURTHER INFORMATION:

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