



## **Institutional Investors and Austrian Stocks in 2018**



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International institutional investors remain the largest group of investors in the ATX Prime with around 65% after an eventful year 2018, although there have been some shifts in the investor landscape in the past business year. The adverse climate on international capital markets also dampened the positive development of Austrian stocks. This was followed by a phase of portfolio reshuffling by domestic and foreign institutional asset management companies. These influencing factors as well as a number of transactions within the Austrian leading index and one delisting affected the changed composition and capitalization of the ATX Prime. It was, above all, Austrian investors and primarily investment funds and banks that were supportive of the leading index in this difficult environment, with foreign investors – mainly from the US, Norway, Netherlands, Switzerland and Poland – cutting back their relative holdings in Austrian stocks. The relative inflows identified came from investors in Great Britain, Spain, France, Germany but also China and Australia.

The Vienna Stock Exchange was unable to avoid the difficult situation on the stock and capital markets in 2018 despite good corporate earnings, a sustained attractive interest rate and currency environment, and general inflows of capital from institutional investors. Global insecurities regarding political developments, new policies and reshuffling in investment portfolios, and a general focus on safe investment strategies resulted in a lower exposure of investors in the ATX Prime.

This caused shifts within the three most important investment regions of the ATX Prime. At 24.5%, US institutional investors ranked at the top of all identified institutional investments compared to 28.4% in the preceding year. Austrian institutional investors had a generally supportive overall effect and widened their share from 20.7% to 23.5% of all identified institutional investment portfolios. British investors achieved a relatively strong gain for the third successive time and their share went up from 15.2% to 16.7% of all identified positions. This makes the British one of the most stable international investors despite the Brexit turmoil. Investors from Spain, France, Germany, China and Australia also invested higher volumes, while developed markets that traditionally invest heavily in the ATX Prime like Norway, Poland, Switzerland, Netherlands and Finland substantially reduced their relative shares year on year.

Austrian investors generally maintained constant levels of holdings in the ATX Prime compared to international investors and even raised their share to 23.5%. If one includes Austrian institutional investors together with Austrian non-financials<sup>1</sup> and private investors, Austrian investors account for over 47.8% of total free float and are therefore still the largest investor group in the ATX Prime.

Despite the shifts, Austrian stocks continue to be appealing to investors that pursue value or growth investment strategies. Passive investment strategies that precisely track the trends of stocks in the ATX Prime are growing in significance.

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<sup>1</sup> Companies whose main business is the production of goods and nonfinancial services.



## **US investors on decline, British and domestic investors support market development**

The capitalization of the free float of Austrian stocks in the ATX Prime decreased over the course of the year 2018 from EUR 55.9 to EUR 48.5 billion. This was due mainly to sluggish price trends on stock markets and the changed free float capitalization triggered by a changed ATX composition.

Austrian private investors continue to make up the largest group of domestic investors in the free float, accounting for a share of EUR 8.9 billion (2017: 9.6 billion) or 18.4%. Investments and direct equity investments by Austrian non-financial companies reached EUR 7.9 billion (2017: EUR 7.2 billion) or 16.3% of free float. The remaining EUR 31.7 billion (65.3%) are held by institutional investors.

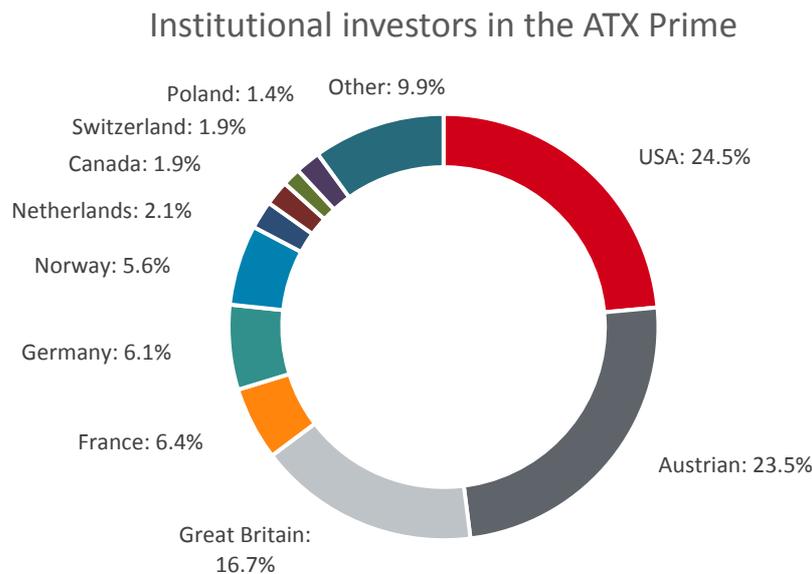
Of the EUR 31.7 billion held by institutional investors, more than EUR 27.0 billion were identified and allocated: EUR 20.7 billion or 76.5% of this amount are accounted for by international investors, with the remaining EUR 6.4 billion or 23.5% by Austrian institutionals. The latter breaks down into investment funds (EUR 3.4 billion), banks (EUR 2.0 billion) and insurance companies (EUR 1.0 billion).

## **Higher concentration in top 3 regions – larger inflows from smaller regions**

An analysis of the relative changes to the ownership structure of the ATX Prime free float shows a mixed trend with respect to type and strategy of the respective institutional investors. This dynamic had already been observed in the preceding year. Last year's stock market exhibited a higher concentration of investments in the home market once again, although there were some shifts among the largest traditional investment regions. Apart from the relative cutbacks made by American asset managers in conjunction with a stronger share of Austrian institutionals, the relative stability of British investors was remarkable. Furthermore, Norwegian investors were overtaken by French and also German investors, and smaller traditionally less represented markets like Spain, China or Australia showed a greater interest. The top position held by American investors continues to be sustained by the passive asset management companies like Blackrock, Vanguard but also by the quantitative small cap specialist Dimensional. In total, the top three investment regions – US, Austria and Great Britain – managed more than two thirds of all identified institutional holdings in ATX Prime stocks.



The regional composition of institutional investors in the ATX Prime presently breaks down as follows:



\* Among others, these include Belgium, Sweden, Denmark, Hong Kong, Spain, Middle East  
December 2018, Source: Ipreo by IHS Markit

### Countries, regions and institutional investors: the movements in detail

Although the relative share of US investors decreased by 13.9% to 24.5%, they remain the clear leaders in a ranking of institutionals. Second place in the ranking by country continues to be held by Austria. However, the relative share of this investor group rose substantially from 20.7% to 23.5%. Institutional investors in Great Britain were a mainstay of support despite the Brexit turmoil and went up from 15.2% of all identified holdings to 16.7%. The purchases were made by a broad cross-section of British investors – across all sizes and industries as well as investment styles. The current largest British investors at present are JPMorgan, Blackrock, Schroder and INVESCO.

There were major shifts within the group of European investors (excluding Austria and Great Britain). While relative outflows from Norway, Poland, Holland and Switzerland occurred, the share of investors from France, Germany, Spain, China and also Australia widened significantly. The Norwegian sovereign fund (“Government Pension Funds” of Norges Bank) is still the largest individual shareholder in the ATX Prime, even though Norway’s share in the ATX Prime declined by more than 13% to 5.6%. Also noteworthy is the fact that the runners up to the Norwegian sovereign fund, which is also index based, are Vanguard and Blackrock two further passively managed funds. With Fidelity, Amundi and JPMorgan, only three mostly actively managed international asset managers are among the top 10.



## Top 10 institutional investors

- 1 Norges Bank Investment Management (Norway)
- 2 The Vanguard Group, Inc. (USA)
- 3 BlackRock Fund Advisors (USA)
- 4 Erste Asset Management GmbH (Austria)
- 5 Fidelity Management & Research Company (USA)
- 6 Erste Sparinvest Kapitalanlagegesellschaft mbH (Austria)
- 7 J.P. Morgan Asset Management (UK), LTD (UK)
- 8 Amundi Asset Management S.A. (France)
- 9 Dimensional Fund Advisors, L.P. (USA)
- 10 Raiffeisen Kapitalanlagegesellschaft mbH (Austria)

Basis ATX Prime, December 2018

Source: Ipreo by IHS Markit

## Investment style: passive investors gaining ground – value and growth still predominant

The historically significant investment styles of ‘value’ and ‘growth’ retained their prominent position also in 2018. At the end of the year, growth investment styles accounted for 35.4% (35.5% in the previous year) of investments in the ATX Prime, and value investments made up 30.3% (30.8%) of investments. Significant increases were posted by the share of passive investment strategies: these rose from 16.4% to a new record level of 18.3%. The share of GARP investors (growth at a reasonable price) that pursue a combination of value and growth strategies decreased to 6.5%. With the exception of ‘specialty’ investors (+37.5% to 2.2%) that pursue a special investment strategy, the remaining investment strategies decreased in relative terms. Slightly less significant are currently the deep value strategy (long-term value increase), which holds a share of 3.0%, and the yield strategy (focus on dividends) with 0.6%. The share of hedge funds (from 3.8% to 3.6%) declined slightly again in line with decreasing M&A activities.

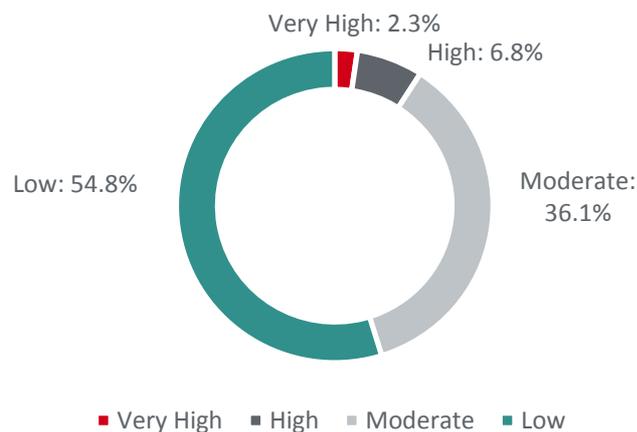
Two trends continued also in this year. In line with the global trend toward passive investments through ETFs (index funds traded on the stock market) or optimized (enhanced) index strategies – which from a global perspective have been seeing disproportionate large inflows of capital for years – proactive communication on the theme of corporate governance is gaining significance in the effort to attract actively managed funds. As the share of active fund managers is steadily decreasing, investments that take into account ESG criteria by prominent institutional investors in individual stocks may be an opportunity for targeted investor relations activities.



## Portfolio turnover ratio at high level

The portfolio turnover ratio indicates how often institutional investors reshuffle their overall portfolio on average per year. This indicator is derived from data made available to the public with a time lag and does not contain OTC trading or dark pool trading. For this reason, actual portfolio switching within portfolios and investment firms is likely to be higher. Still, the figure is an important indicator of the general trend in investment activity. After the steady decline of active investors (with a higher and/or very high turnover ratio) on the financial market of Vienna until the year 2010, the turnover ratio in phases of higher volatility and also in times of crisis started to rise again. The level recorded in December 2018 shows that it went up again to 12.4% (from 9.0%) and thus remains at a historically relatively high level.

Portfolio Turnover Ratio of ATX Prime Investors



Basis: ATX Prime, December 2018

Source: Ipreo by IHS Markit

## About the Study

Since the year 2007, the financial service company Ipreo by IHS Markit has been conducting surveys for the Vienna Stock Exchange on the composition, investment strategies and portfolio turnover of investors on the Vienna Stock Exchange. The data collected refers to transactions in stocks included in the ATX Prime. For the analysis, Ipreo relies on its large proprietary database that contains, among other information, the fund flows from direct contacts with more than 2,500 institutional investors. The reporting date for the most recent Ipreo annual study entitled “Institutional Ownership of the ATX Prime” is 31 December 2018. The survey is highly informative, as it identified and allocated in detail more than 90% of Austrian free float.