

September 12, 2014



**Dear clients and colleagues,**

Compared to their European counterparts, we believe it is fair to say that Italians are amongst the most prudent populations in Europe. Italian households are in relatively good shape when looking at their net worth, debt level and savings.

At 64%, Italian household's debt relative to their disposable income is in much better shape than the European average of 98%. Even if households' saving rates as a percentage of disposable income have been coming down in recent quarters, Italians save 3 percentage points more than the European average. All of which are characteristics that are appealing to the asset management industry.

Azimut Holding is an Italian-based financial company that focuses primarily on the sale of asset management products through a network of 1516 financial advisors. The group started in 1989 and has been listed on the Milan stock exchange since 2004. One of Azimut's differentiating factors is its shareholding structure. Around 1200 individuals working within the group hold 25% of the company and 75% of each participant's shares are locked up until retirement. This structure is an essential component in the alignment of interests between financial advisors and shareholders.

In recent years, Azimut has successfully expanded in growth to include countries in Asia and Latin America. This international expansion has enabled the group to enlarge its distribution channels and helps in the launch of new products.

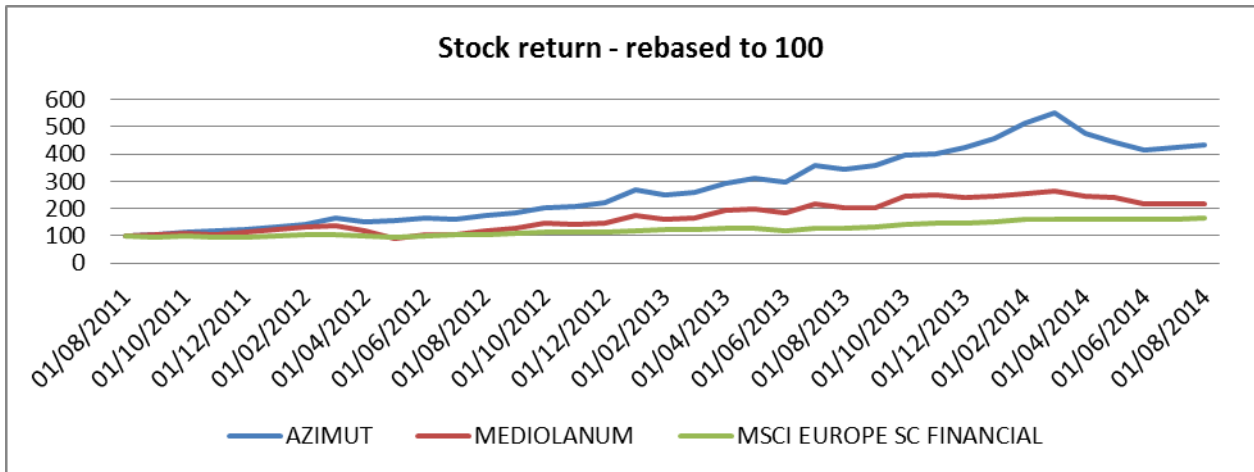
Thanks to its resilient and flexible business model, Azimut has demonstrated a strong ability to gather inflows while improving its business mix. Moreover, the group has continuously managed to achieve strong client retention and keep its recurring fees stable. It remains the number 1 network in Italy for net inflows per financial advisor and one of the top ranked for average portfolio per advisor.

Over the past 10 years, independent asset managers such as Azimut have gained significant market shares in the mutual fund industry. Based on the Italian Investment Association, independent managers have gained 10 percentage points whereas domestic banks have seen a decline of 30 percentage points. During that time frame, Azimut has outpaced its peers and managed to grow its assets and increase its market share by three-fold.

We believe that Azimut will continue to outperform the overall fund management industry. As savers confidence rebounds, we expect a stronger demand for mutual fund products at the expense of deposits. As shown below, Azimut has been a strong performer in comparison to other European financial companies.

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Sources: Bloomberg, GACM

### The Global Alpha Team

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