



# BETTER FINANCE

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20th March 2018

## CEPS - ASSET ALLOCATION IN EUROPE: What challenges and opportunities lie ahead?

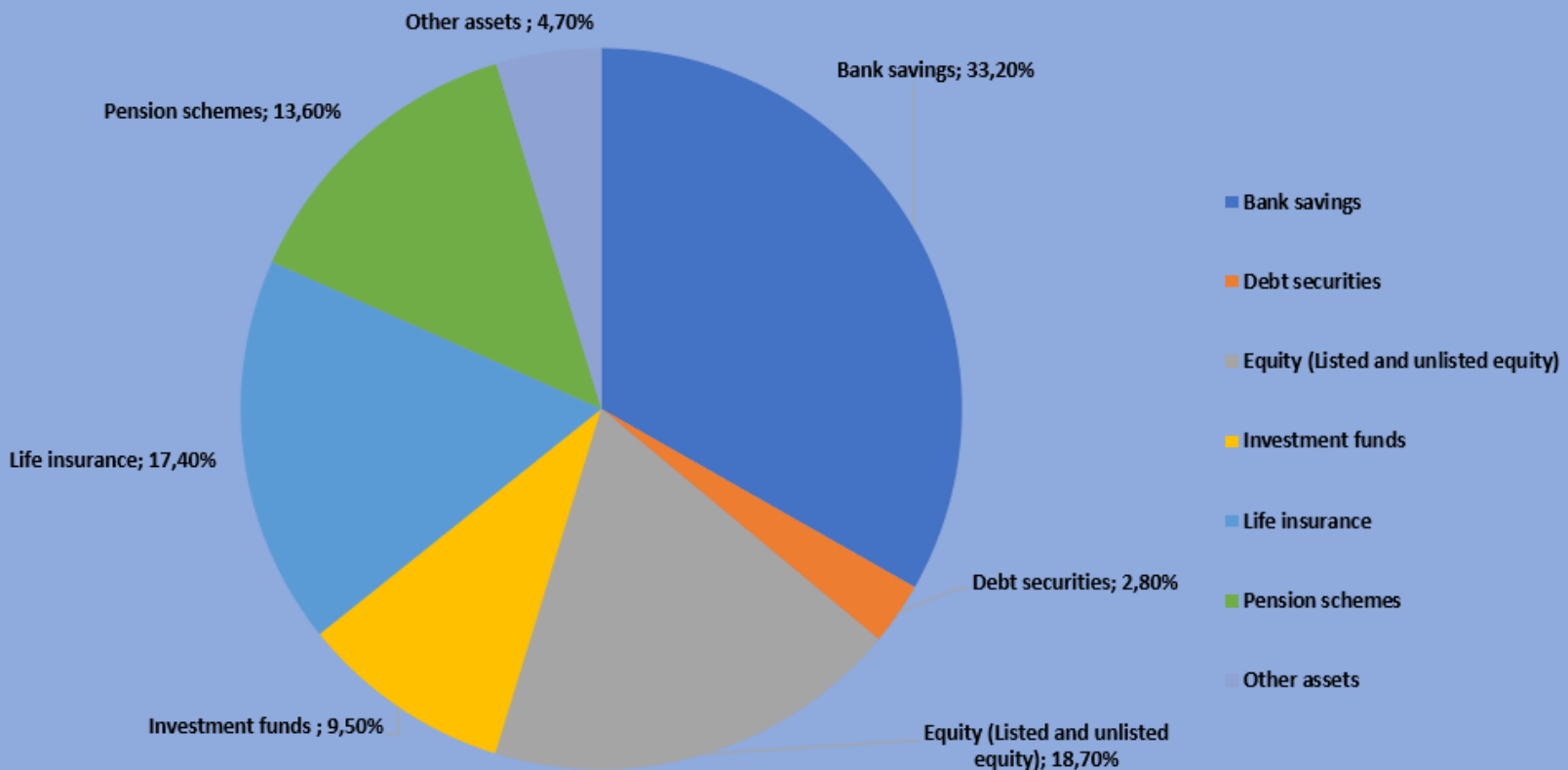
# Financial Assets Allocation comparing Households/ Insurers/ Pension Funds

- **Euro area Households assets:**
  - Real Estate : 57 %
  - Financial: 43 %
- **Euro area Insurers financial assets**
- **Euro area Pension funds**

# Financial Assets Allocation

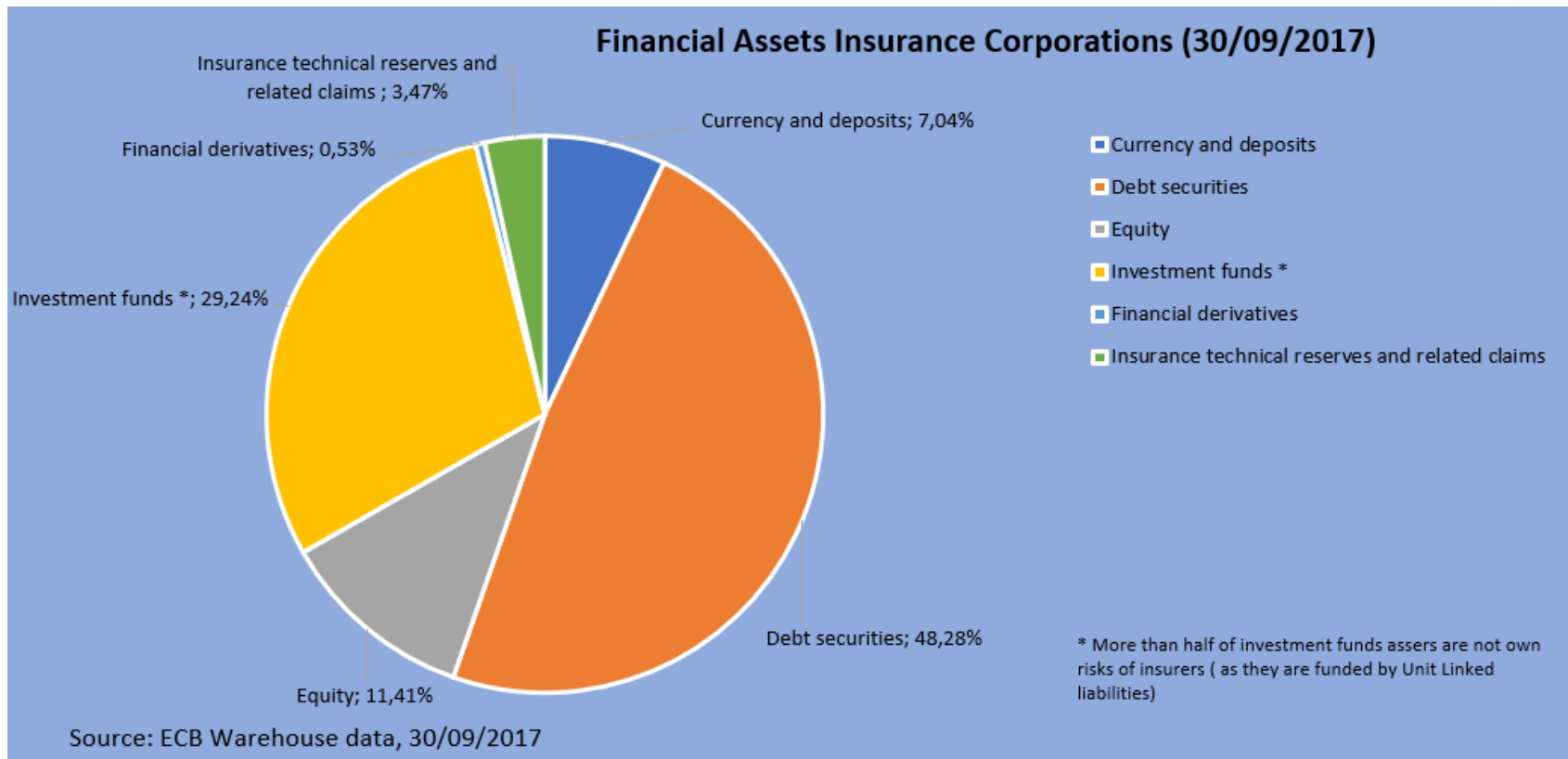
## Euro area Households

### Breakdown of Euro area Households Financial Assets ( 30/09/2017)



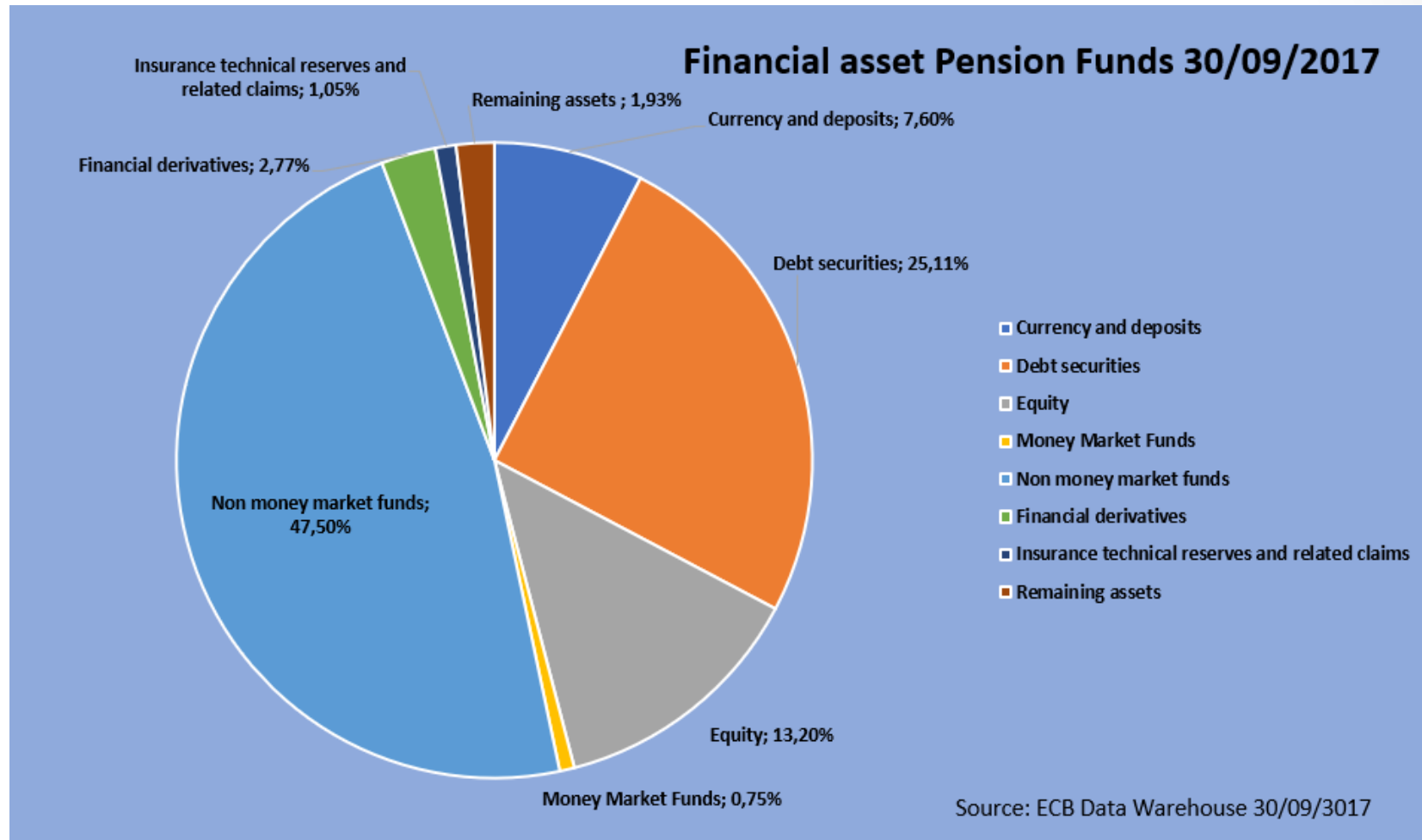
Source: ECB Warehouse Data 30/09/2017

# Financial Assets Allocation Euro area Insurers

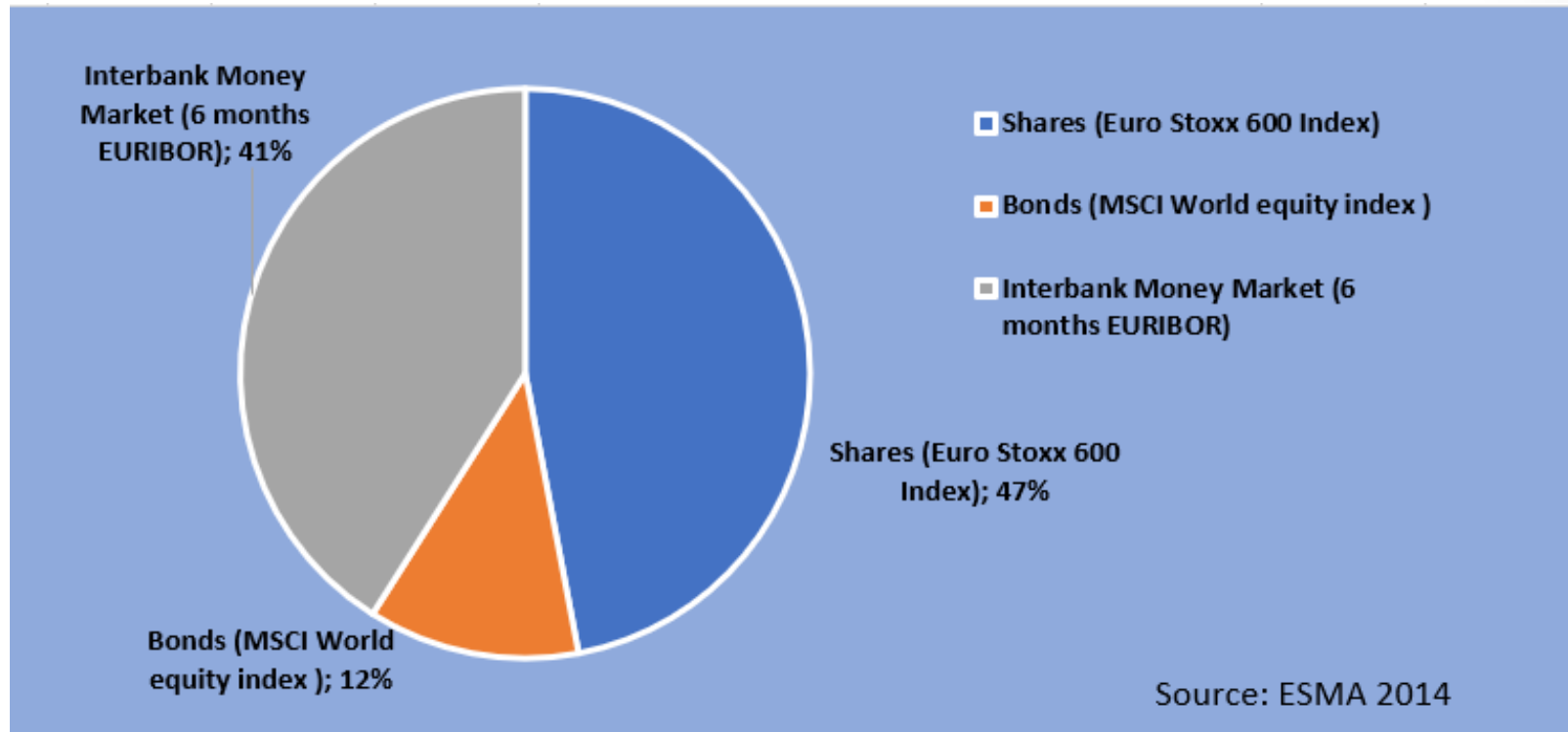


# Financial asset allocation

## Euro area Pension funds

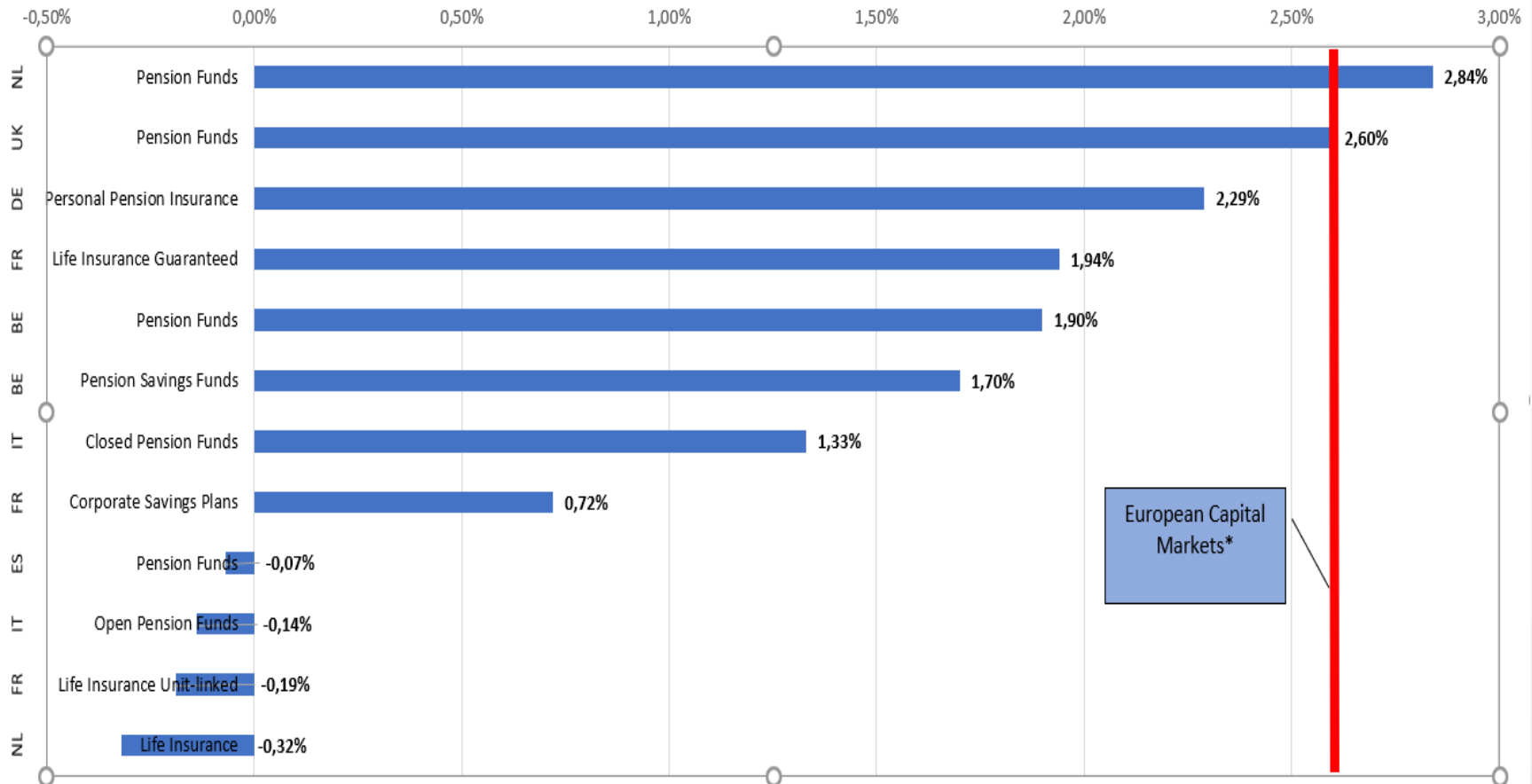


# The view of the supervisor to compute Retail Investor Returns



# Pension returns

Real geometric average annual net returns of Pension Savings (%)  
(2000-2016\*\* before tax)



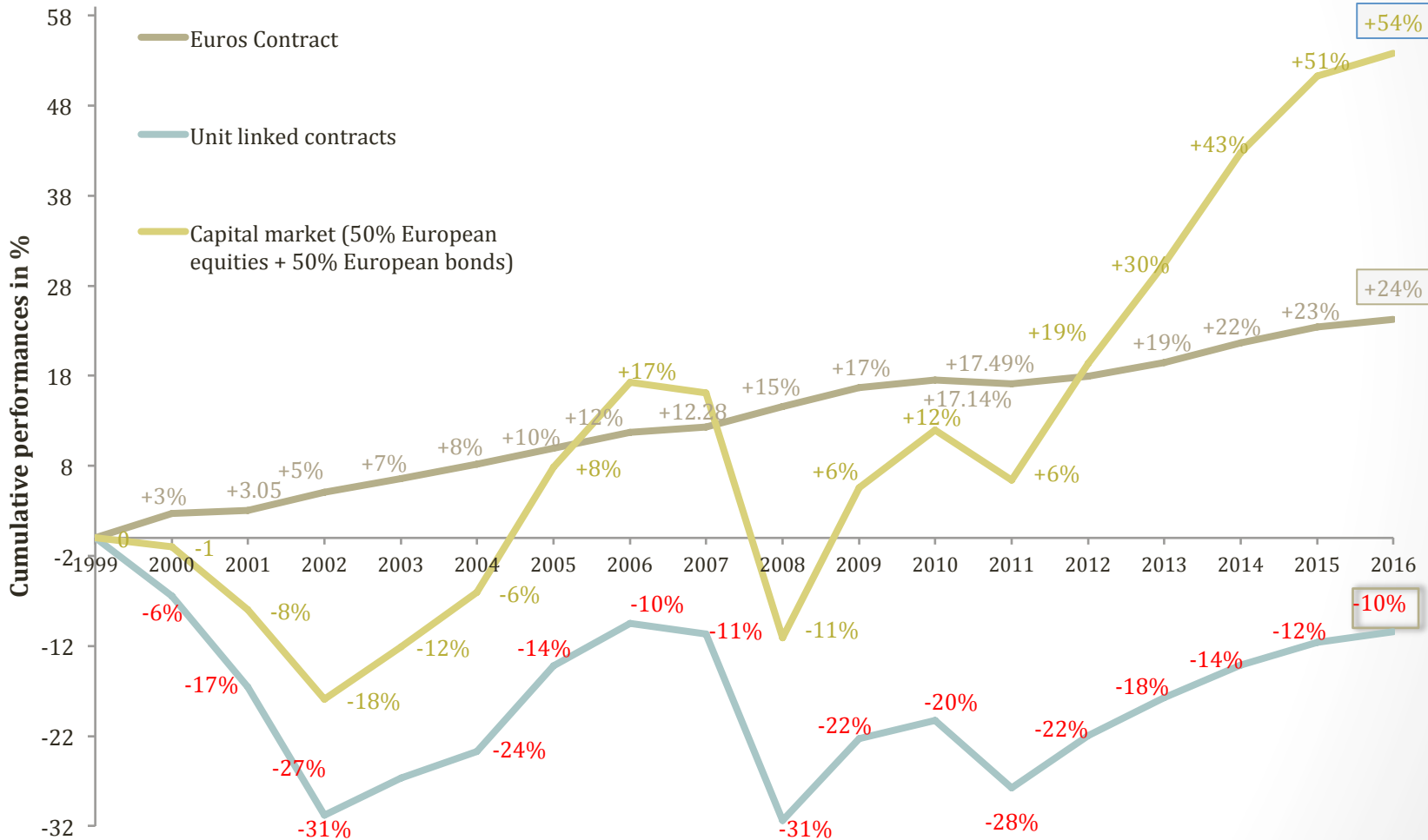
\* 50% equity-50% bonds rebalanced  
Source: BETTER FINANCE Research

\*\* UK- 2000-2015

# France – Insurance Life products' real performance



## France Insurance Life Products' long term real performance





# Some BETTER FINANCE CMU actions for direct retail investments (2015)

- Revive the equity culture:
  - Rehabilitate equity investing as the simplest, most effective and most liquid long term investment product and individual share ownership by ensuring a level-playing field for simple securities at the retail point of sale
  - For politicians, policy makers, industry and media to stop condusing « equity markets » with their large cap component only, by referring from now on to broad – » all-tradable »- indices instead of narrow-blue chip-ones, e.g including small and mid-cap issuers, and not only the big ones.
  - Promote best practices of employee share ownership
  - Basic financial mathematics and capital markets ( shares and bonds) basic to be part of school curricula; financial institutions to have at least a part of the use of their financial education resources supervised by independent foundation
- Eliminate barriers to individual shareholder engagement; in particular ensure free, simple and easy cross-border voting for individual investors, enforce actual voting rights for shareholders in nominee/ omnibus accounts, and full rights of association for individual shareholders of any EU domiciled listed company
- Improvement of the Summary Prospectus for shares and bonds
- Easily accessible, free and comprehensive trade data for individual equity investors within a reasonable time delay not only from regulated markets but also from the other ( MTFs, SIs, dark pools, OTC...) which together now represent more than half of equity trades.

# Some BETTER FINANCE CMU Actions for indirect retail investments (2015)

- Improve and harmonize disclosures for all long term and retirement savings products
  - PRIIPs KID extended to all retail long-term and pension investment products
  - Standardized disclosure of past performance compared to objective market benchmark:
  - Disclosure of total fees and commissions to the end investor, both direct and indirect
- ESAs must better comply with their legal duty to analyse and report on long-term and pension investors trends : performances and prices
- ESAs must better enforce EU investor protection rules: prevent misselling, biased advice, toxic products
- Really simple, safe and performing retirement savings vehicle to protect long-term purchasing power of savings : allow direct equity and ETF investments in the « alternative » options of the PEPP.
- Improve the governance of collective schemes: at least half of the schemes' supervisory bodies should be designated directly by the pension schemes' participants;