

## IODS Patrimonial – Bulletin Q4 2016

### “Growth slow-down in 2016”

The IODS Patrimonial index, measuring the average performance of French households’ financial savings, gained 2.2% in the year of 2016, after having recorded a strong 3.4% in the year of 2015.

#### Nominal performance of French financial assets in 2016 (before tax)

	Sight and bank deposits	Life insurance and pension products	Securities*	IODS Patrimonial (nominal)
2016	0.8%	3.7%	1.6%	2.2%

\* Bonds, UCITS and listed shares

The real performance in 2016, taking into account inflation, recorded 1.6%, which falls clearly behind the figure of 2015 (+3.2%), but lags only slightly behind the annualised real performance of the index since its recording start at the end of 1995 (1.8%).

#### Real\* annualised performance of French households financial savings (before tax)

	IODS Patrimonial (in real terms)
2016	1.6%
2015	3.2%
Since the end of 1995	1.8%

\* after inflation (INSEE consumer price index, France)

The index evolution can be broken down according to two components:

- Unrealized gains or losses on the portfolio ( the “market effect”);
- Financial income originating from interest income, dividends and capitalized income from life insurance.

### **The market effect:**

After a difficult first half of 2016, with losses close to double digits for both the Stoxx Europe TMI<sup>1</sup> (- 9.5%) and the French CAC40 (- 8.6%), European stock markets rebounded strongly in the second half of the year, adding 9.8% respectively 14.7% in the case of the French blue chip index. In the wake of political uncertainty and with the Federal Reserve's changing interest policy, volatility on stock markets was very distinct. Strong capital gains could especially be recorded in the last quarter of 2016, and more specifically after the US elections.

With key ECB interest rates close to zero, continued bond purchases and no policy rate turnaround imminent, interest rates of European sovereign bonds as represented by the average euro area 10-year government bond yield fell considerably in the first three quarters of 2016 until completely reversing the trend in the last quarter by doubling yields to about 0.9%. Especially impressive was the French 10-year benchmark bond turnaround with a rise from as low as 0.18% in the third quarter to 0.75% at the end of the year leading to important unrealized capital losses on existing bond holdings.

The performance of UCITS, calculated from about 4 800 retail funds sold in France, has been negative until the very last quarter of the year where a gain of 1.5% could be observed. Life insurance asset valuations, similarly, were negative in the first half of 2016 before recording strong gains in the second half.

### **Financial income:**

Income distributed to households from life insurance has been sliding the whole year of 2016, from 10.5 billion euros in early January to 10 billion euros at the end of the year. Contrarily, dividend income continued to rise and reached 2 billion euros for the very first time in early 2016, staying stable all year long. With interest rates on regulated bank deposits either unchanged or considerably dropping in the case of the PEL<sup>2</sup>, from 2% in January to 1% in December, and with all sight and term deposit rates declining over the year, interest income fell for the fourth consecutive year standing at 3.7 billion euros at the end of 2016.

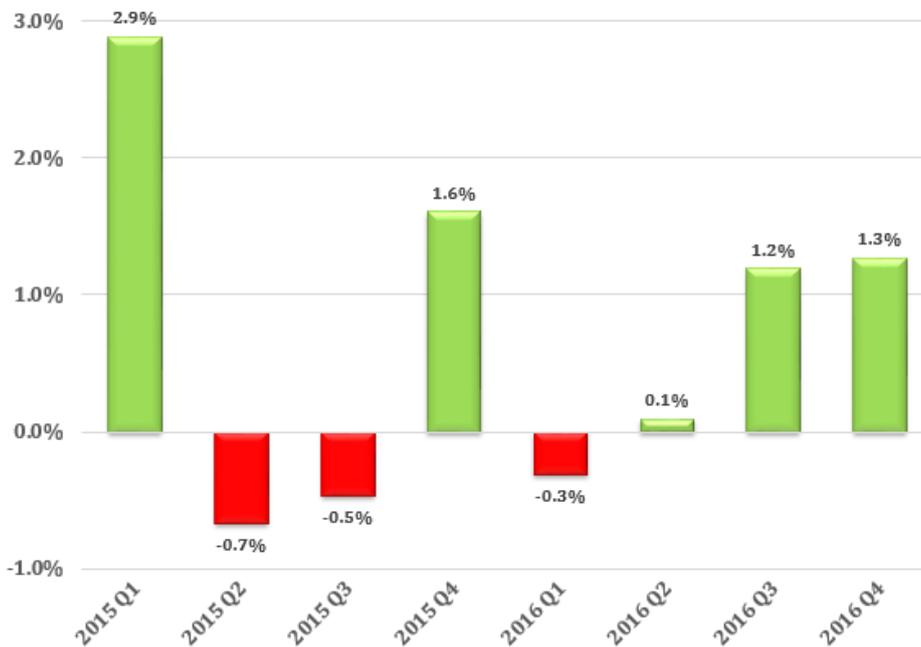
Altogether, income from financial assets has been falling consecutively over the past five years.

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<sup>1</sup> The STOXX Europe TMI represents the Western Europe region as a whole covering approximately 95 percent of the free float market capitalisation across 17 European countries.

<sup>2</sup> The PEL (Plan Epargne Logement) is a French real estate savings plan.

### IODS Patrimonial - Quarterly Returns in 2015 and 2016 -



#### About the IODS Patrimonial index

There are numerous financial indices available to measure the performance of their portfolio broken down by asset classes: many types of equity indices, bond indices, commodity indices etc. These indices are suitable benchmarks of the performance of specialized portfolios, but not of a portfolio composed of several asset classes. As a consequence, some balanced funds use a benchmark composed of a fixed linear combination of specialized indices. But a major component of asset management is strategic and tactic asset allocation of funds between various asset classes. Portfolio managers should be evaluated not only for their skills in stock-picking but also for their ability to implement an asset allocation suitable to clients' needs and with an efficient market timing when reallocating the portfolio.

Using numerous data sources on the composition and performance of investments of each category of investor and building on its expertise in index calculation, IODS has launched a series of indices on the overall performance of financial portfolios. The index formula is:

$$\frac{I_t}{I_{t-1}} = \frac{P_t - F_t - A_t + R_t - C_t}{P_{t-1}}$$

$I_t$  : Index at date  $t$

$P_t$  : Value of the portfolio at date  $t$

$F_t$  : Investment flow from date  $t-1$  to date  $t$

$A_t$  : Statistical adjustment on period  $t-1$  to  $t$

$R_t$  : Revenues of assets between date  $t-1$  and date  $t$

$C_t$  : Commissions and fees paid to financial intermediaries

## About IODS

Established in 2011, IODS (INSEAD OEE Data Services) is a partnership of the INSEAD Business School and the Observatoire de l'Épargne Européenne (OEE) to support European empirical research in finance by easing access to data sources and building analytical capabilities. IODS both provides an access to many European market and finance databases to finance researchers and offers its expertise for the processing of such data.

IODS also offers services to academics and professionals in the form of research work or the calculation of complementary data. Customers of IODS services include, amongst others, the World Federation of Exchanges, the European Commission and the OECD.

IODS possesses a special expertise and large quantities of data that enable the creation, calculation and diffusion of customized stock indices and wealth management indices per investor category and per country.

For more information or in order to obtain a user licence for the IODS Patrimonial wealth index, please contact:

*Didier Davydoff*  
+33 (0)1 43 12 58 08  
[d.davydoff@iods-data.eu](mailto:d.davydoff@iods-data.eu)

*Michael Klages*  
+33 (0)1 43 12 81 21  
[m.klages@iods-data.eu](mailto:m.klages@iods-data.eu)