



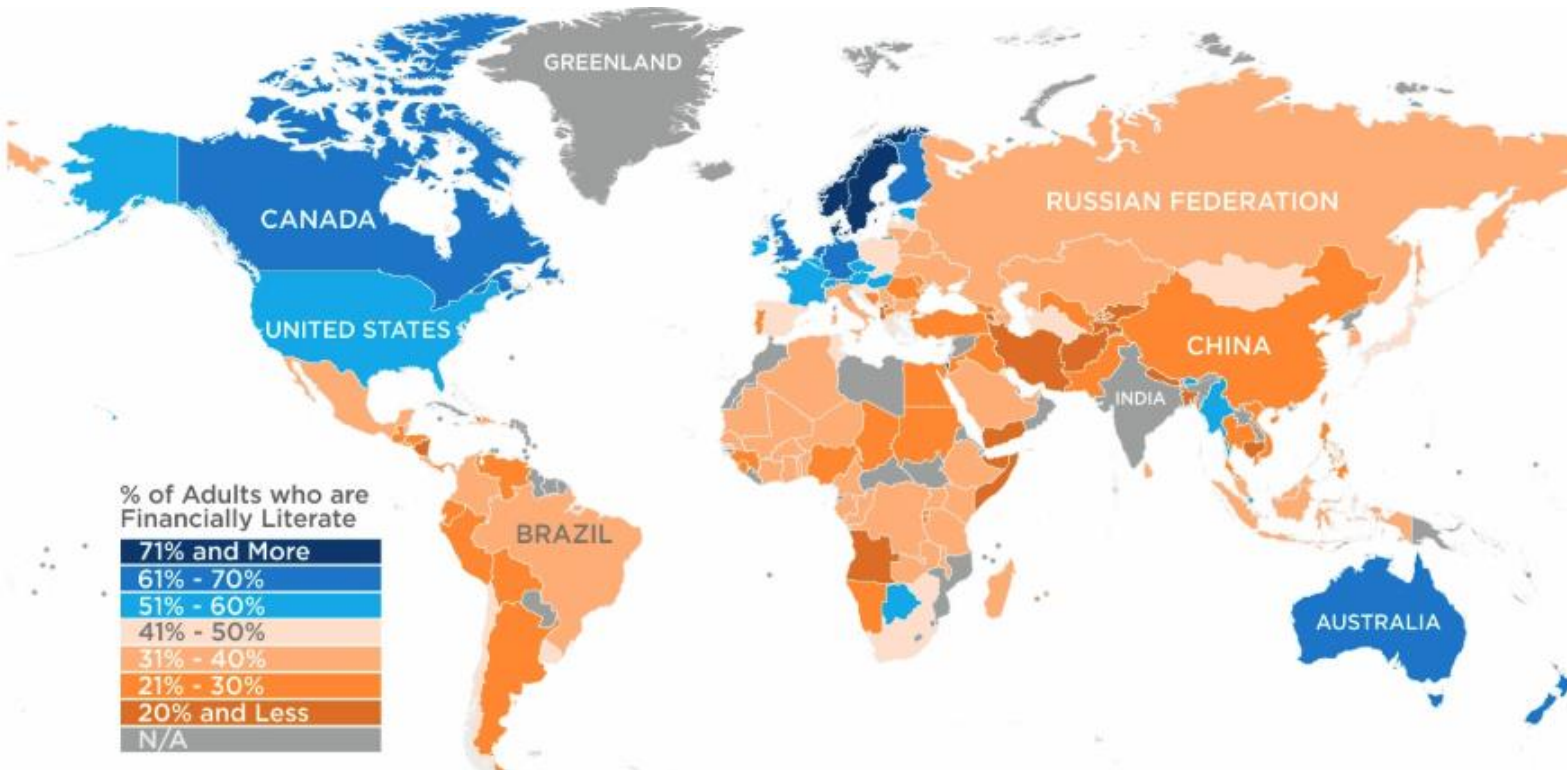
October 8th, 2025

From Knowledge to Outcomes: Why Behaviour, Uncertainty, and Selection Drive Long-Term Investment Success

Luca Matassino

Chief Business Officer,
Mediolanum International Funds

Financial Literacy Around The World



Article & Sources:
<https://howmuch.net/articles/financial-literacy-around-the-world>
Global Financial Literacy Excellence Center (GFLEC) - <http://gflec.org/>



howmuch.net

- Only **33%** of adults worldwide are considered **financially literate**
- **Men** outperform **women** by **18%**
- In the **US**, **57%** of adults are **financially literate**, ranking **14th** globally.
- Among **US Gen Z** (ages 18–24), only **36–42%** are considered **financially literate**.
- In countries where financial education is mandatory, the results improve – **education is the starting point, not the end point.**

The Investor Return Gap – 2024 Insights*



Average equity
fund investor



9th

Consecutive
year under
performing

Average equity
holding period



4.79

Years

Guess Right Ratio

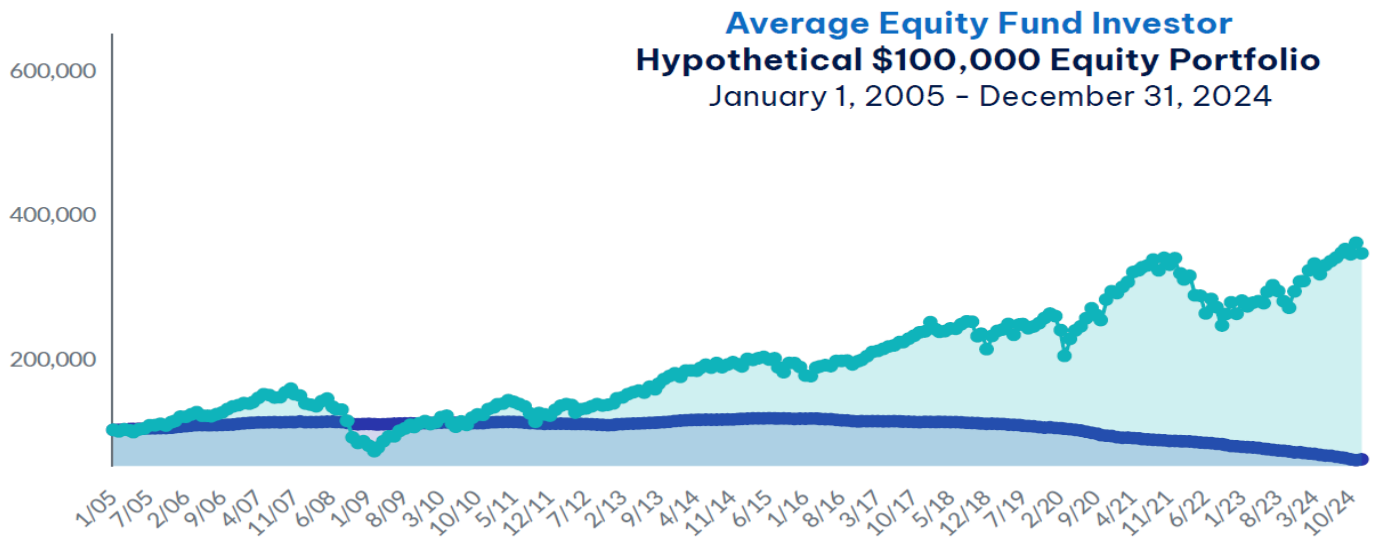
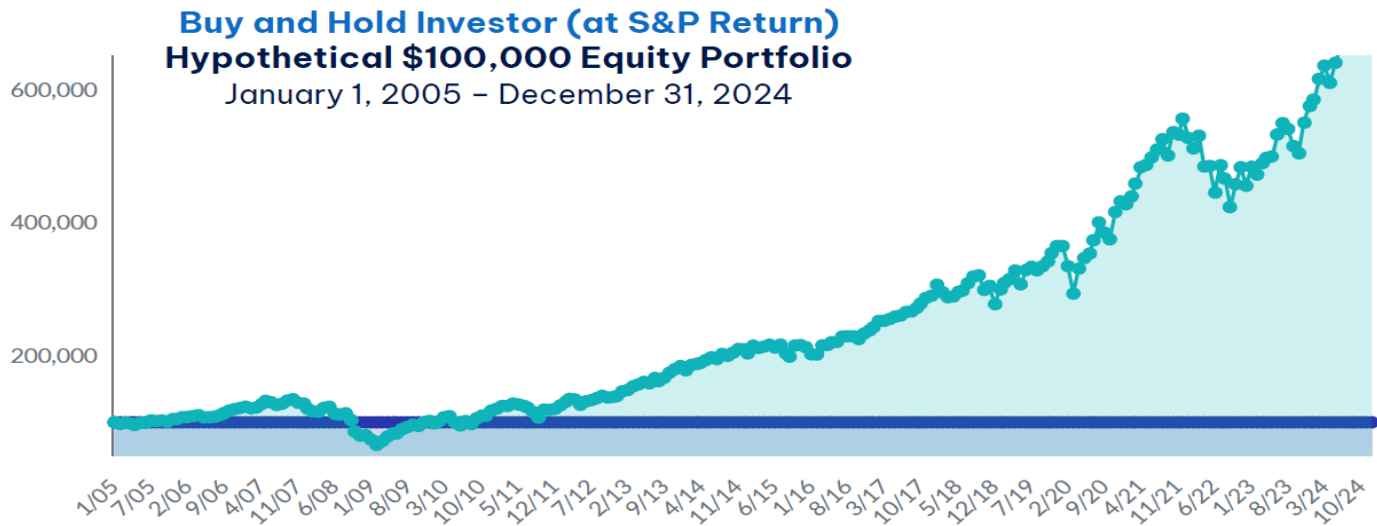
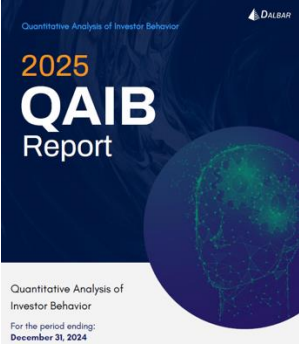


25%

Lowest in 20
years



The Investor Return Gap in 20 years – 2024 Insights*



Investor Return Gap

\$371.889



October 8th, 2025

Ireland's Financial Services Strategy and the EU Savings and Investment Union

Robert Troy

TD, Minister of State
at the Department of Finance



October 8th, 2025

Beyond the Noise: Financial Literacy as a Tool for Better Investment Decisions

Prof. Gianni Nicolini

Professor of Finance,
University of Rome Tor Vergata

Agenda

- 1** Financial Literacy, Financial Education, and Financial Well-being
- 2** Financial Literacy and Investment Decisions: Some Evidences
- 3** Financial Literacy in Europe
- 4** The Cost of Ignorance



Financial Literacy, Financial Education, and Financial Well-being

Financial Education



Financial Literacy

Knowledge + *Skills* + *Attitude*



Financial Behavior



Financial Well-being

*“Financial well-being can be defined as a state of being wherein a person can **fully meet current and ongoing financial obligations**, can **feel secure** in their financial future, and is **able to make choices** that allow **enjoyment of life**.” (CFPB 2015)*



Financial Literacy, Financial Education, and Financial Well-being

Financial Education



Financial Literacy

Knowledge + Skills + Attitude



Financial Behavior

-Stock market participation

Yoong (2010); Van Rooij, Lusardi and Alessie (2011); Arrondel, Debbich, Savignac (2012); Sivaramakrishnan et al. (2017); Thomas and Spataro (2018); Bucher-Koenen et al. (2023)

-Asset Allocation

Agnew (2004) Abreu and Mendes (2010) Bianchi (2018) Lu et al. (2021)
Yang et al. (2024)

-Credit cards

Kenner et al. (2001); Grable and Bagweel (2003); Lyons and Hunt (2003); Jones (2005); Lyons (2007); Robb and Sharpe (2009); Robb (2011); Hamid and Loke (2021); Nicolini and Leonelli (2021); Seldal and Nyhus (2022); Chen et al. (2024); Giannikos et al. (2025)

-Pension Planning

D'Ambrosio (2003); Clark et al. (2004); Lusardi (2004); Lusardi and Mitchell (2006, 2008); Behrman et al. (2010); Almenberg and Säve-Söderberg (2011); Jappelli and Padula (2015); Li et al. (2019); Kalmi et al. (2018); Garcia Mata (2021); Chen and Chen (2023); Simone and Coppola (2024)

-Fraud detection

De Liema et al. (2020); Engels et al. (2021); Wei et al. (2021); Isaia et al. (2024)

-Savings

Lusardi (2008); Jappelli and Padula (2013); Jamal et al. (2015); Morgan and Long (2020); Peiris (2021); Ananda et al. (2024); Núñez-Letamendia et al. (2025)

-Subprime mortgage delinquency

Gerardi et al. (2010, 2013); Kim et al. (2020); Chhatwani (2022)

-Overindebtdness

Lusardi and Tufano (2009); Gathergood (2012); Santos and Abreu (2013); Angel and Heitzmann (2015); French-McKillop (2016); Gutierrez-Nieto et al. (2017); Cao-Alvira et al. (2021); Świecka (2025)

Financial Literacy and Investment Decisions:

Some Evidences



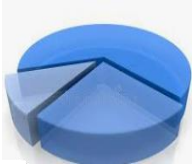
-Stock market participation

Yoong (2010); Van Rooij, Lusardi and Alessie (2011); Arrondel, Debbich, Savignac (2012); Sivaramakrishnan et al. (2017); Thomas and Spataro (2018); Bucher-Koenen et al. (2023)

Higher the financial literacy is...

... more likely investors **participate the stock market**

... more investors are prone to **plan for the future**



-Asset Allocation

Agnew (2004) Abreu and Mendes (2010) Bianchi (2018) Lu et al. (2021) Yang et al. (2024)

... more investors **diversify their portfolios**

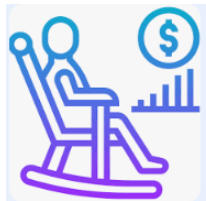
... **higher the annual returns is, hold riskier position**
when expected returns are higher, they more actively
rebalance their portfolio (to manage risk)



-Savings

Lusardi (2008); Jappelli and Padula (2013); Jamal et al. (2015); Morgan and Long (2020); Peiris (2021); Ananda et al. (2024); Núñez-Letamendia et al. (2025)

... **more the people save**



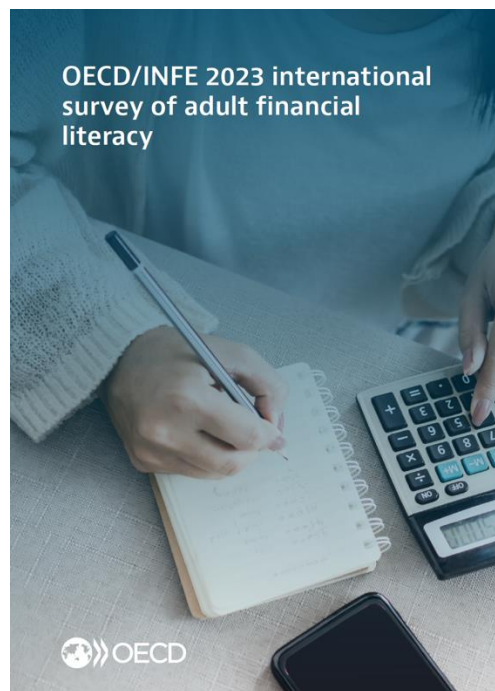
-Pension Planning

D'Ambrosio (2003); Clark et al. (2004); Lusardi (2004); Lusardi and Mitchell (2006, 2008); Behrman et al. (2010); Almenberg and Säve-Söderberg (2011); Jappelli and Padula (2015); Li et al. (2019); Kalmi et al. (2018); Garcia Mata (2021); Chen and Chen (2023); Simone and Coppola (2024)

... more people are **saving for retirement**

... more people are prone to **start a private pension plan**

Financial Literacy in Europe



Source: OECD/INFE 2023 “International Survey of Adult Financial Literacy” https://www.oecd.org/en/publications/2023/12/oecd-infe-2023-international-survey-of-adult-financial-literacy_8ce94e2c.html

Source: European Commission (2023) “Monitoring the level of financial literacy in the EU” <https://europa.eu/eurobarometer/surveys/detail/2953>

Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

+

**Financial
Behavior**

(0-9)

+

**Financial
Attitude**

(0-4)

= (0-20)

100

0



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

Five brothers are going to be given a gift of 1,000€ in total to share between them. Now imagine that the brothers have to wait for one year to get their share of the 1,000€ and inflation stays at 3%. In one year's time will they be able to buy:

1

- A** More with their share of the money than they could today
- B** The same amount
- C** Less than they could buy today

Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

Five brothers are going to be given a gift of 1,000€ in total to share between them. Now imagine that the brothers have to wait for one year to get their share of the 1,000€ and inflation stays at 3%. In one year's time will they be able to buy:

1

A

More with their share of the money than they could today

B

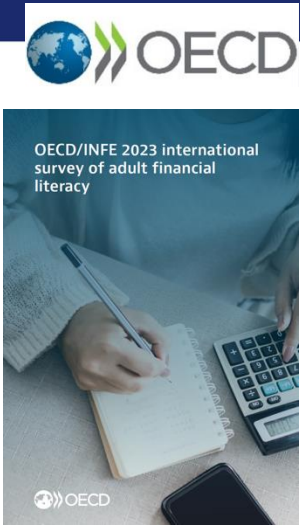
The same amount

C

Less than they could buy today



Financial Literacy in Europe



Financial Knowledge

Financial Behavior

Financial Attitude

(0-7)

Five brothers are going to be given a gift of 1,000€ in total to share between them. Now imagine that the brothers have to wait for one year to get their share of the 1,000€ and inflation stays at 3%. In one year's time will they be able to buy:

1

A

More with their share of the money than they could today

B

The same amount



C

Less than they could buy today

Inflation



69.5%



90.3%



58.1%



65.2%



68.9%

Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

You lend 25€ to a friend one evening and he gives you 25€ back the next day. How much interest has he paid on this loan?

2

OPEN ANSWER



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

You lend 25€ to a friend one evening and he gives you 25€ back the next day. How much interest has he paid on this loan?

2

OPEN ANSWER

“Zero (No interest)”



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

You lend 25€ to a friend one evening and he gives you 25€ back the next day. How much interest has he paid on this loan?

2

OPEN ANSWER

Interest

“Zero (No interest)”



86.9%



93.5%



76.4%



97.6%



90.5%



Financial Literacy in Europe



Financial
Knowledge

(0-7)

Financial
Behavior

Financial
Attitude



3

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the **end of the first year**, once the interest payment is made?



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the **end of the first year**, once the interest payment is made?

3

OPEN ANSWER



“102€”

Financial Literacy in Europe



Financial
Knowledge

(0-7)

Financial
Behavior

Financial
Attitude

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the **end of the first year**, once the interest payment is made?

3

OPEN ANSWER

Simple Interest

“102€”



55.7%



81.4%



53.1%



49.6%



63.2%



Financial Literacy in Europe



Financial
Knowledge

Financial
Behavior

Financial
Attitude

(0-7)

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the end of **five years**, once the interest payment is made?

4

A More than 110€

B Exactly 110€

C Less than 110€

D Impossible to tell from the information given



Financial Literacy in Europe



Financial
Knowledge

(0-7)

Financial
Behavior

Financial
Attitude

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the end of **five years**, once the interest payment is made?

4



A

More than 110€

B

Exactly 110€

C

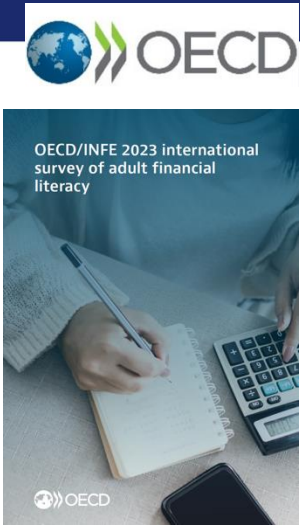
Less than 110€

D

Impossible to tell from the information given



Financial Literacy in Europe



Financial Knowledge

Financial Behavior

Financial Attitude

(0-7)

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the end of **five years**, once the interest payment is made?

4



A

More than 110€

B

Exactly 110€

C

Less than 110€

D

Impossible to tell from the information given

Compound Interest



44.5%



73.3%



28.3%



41.3%



44.6%



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

An investment with a high return is likely to be high risk

5

A

True

B

False



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

An investment with a high return is likely to be high risk

5



A

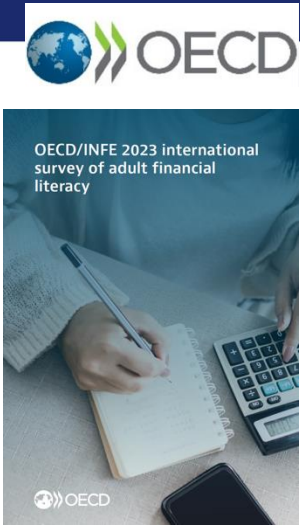
True

B

False



Financial Literacy in Europe



Financial Knowledge

(0-7)

Financial Behavior

Financial Attitude

An investment with a high return is likely to be high risk

5



A

True

B

False

Risk-Return



78.7%



84.0%



59.7%



84.8%



88.8%



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

High inflation means that the cost of living is increasing rapidly

6

A

True

B

False



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

High inflation means that the cost of living is increasing rapidly

6



A

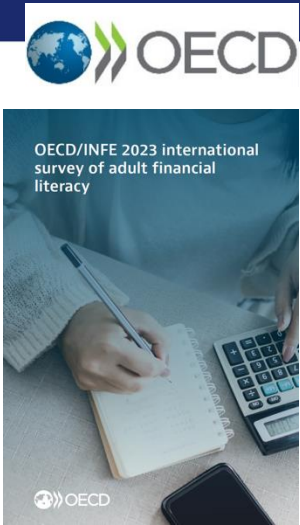
True

B

False



Financial Literacy in Europe



Financial Knowledge

(0-7)

Financial Behavior

Financial Attitude

High inflation means that the cost of living is increasing rapidly

6

Inflation



A

True

B

False



86.6%



96.7%



67.9%



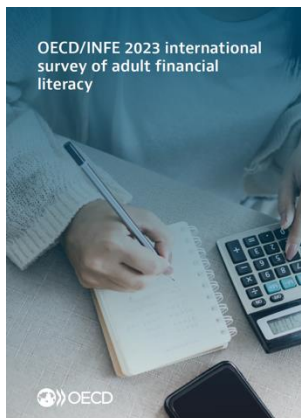
89.5%



97.8%



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares

7

A

True

B

False



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares

7



A

True

B

False



Financial Literacy in Europe



**Financial
Knowledge**

(0-7)

**Financial
Behavior**

**Financial
Attitude**

It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares

7



A

True

B

False

Diversification



55.7%



84.1%



37.1%



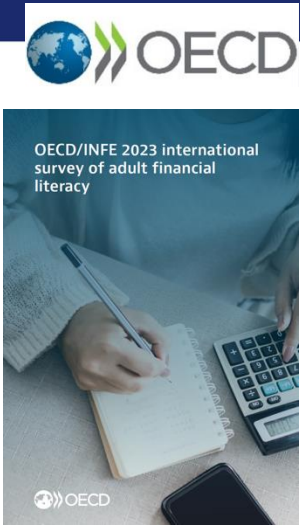
52.0%



62.4%



Financial Literacy in Europe



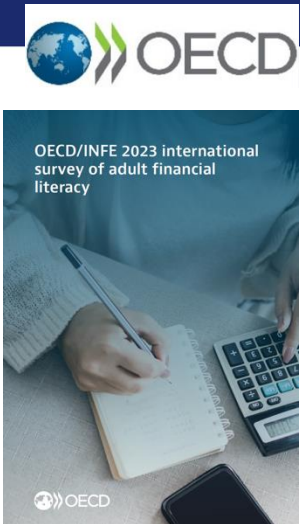
Percentage of adults reaching the minimum target score on financial knowledge
(at least 5 out of 7)



(Scale 0-100)



Financial Literacy in Europe



Financial Knowledge

Financial Behavior

Financial Attitude

(0-9)

(Scale 0-100)



62.0%



74.0%



52.0%



60.0%



73.0%

Average

- 1) Being responsible for **day-to-day money** decisions
- 2) Make a plan to manage income and expenses
- 3) Keep note of your **spending**
- 4) Keep **money for bills** separate from day-to-day spending money
- 5) Make a **note of upcoming bills** to make sure you don't miss them
- 6) Use a banking app or money management tool to **keep track of your outgoings**
- 7) Arrange **automatic payments** for regular outgoings
- 8) Actively **savings** (in the last 12 months)
- 9) Avoiding **borrowing to make ends meet** (in the last 12 months)

52.4%

77.5%

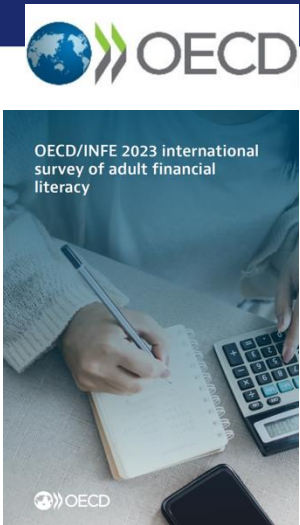
35.1%

46.5%

76.9%

% Reaching minimum
(6 out of 9)

Financial Literacy in Europe



Financial Knowledge

Financial Behavior

Financial Attitude

(0-4)

“I find more satisfying to spend money than to save it for the long term”

Agree

1

2

3

4

5

Disagree



58.0%

65.0%

57.0%

70.0%

58.0%

(Scale 0-100)

“I tend to live for today and let tomorrow take care of itself”

Agree

1

2

3

4

5

Disagree

Financial Literacy in Europe



63%



64%



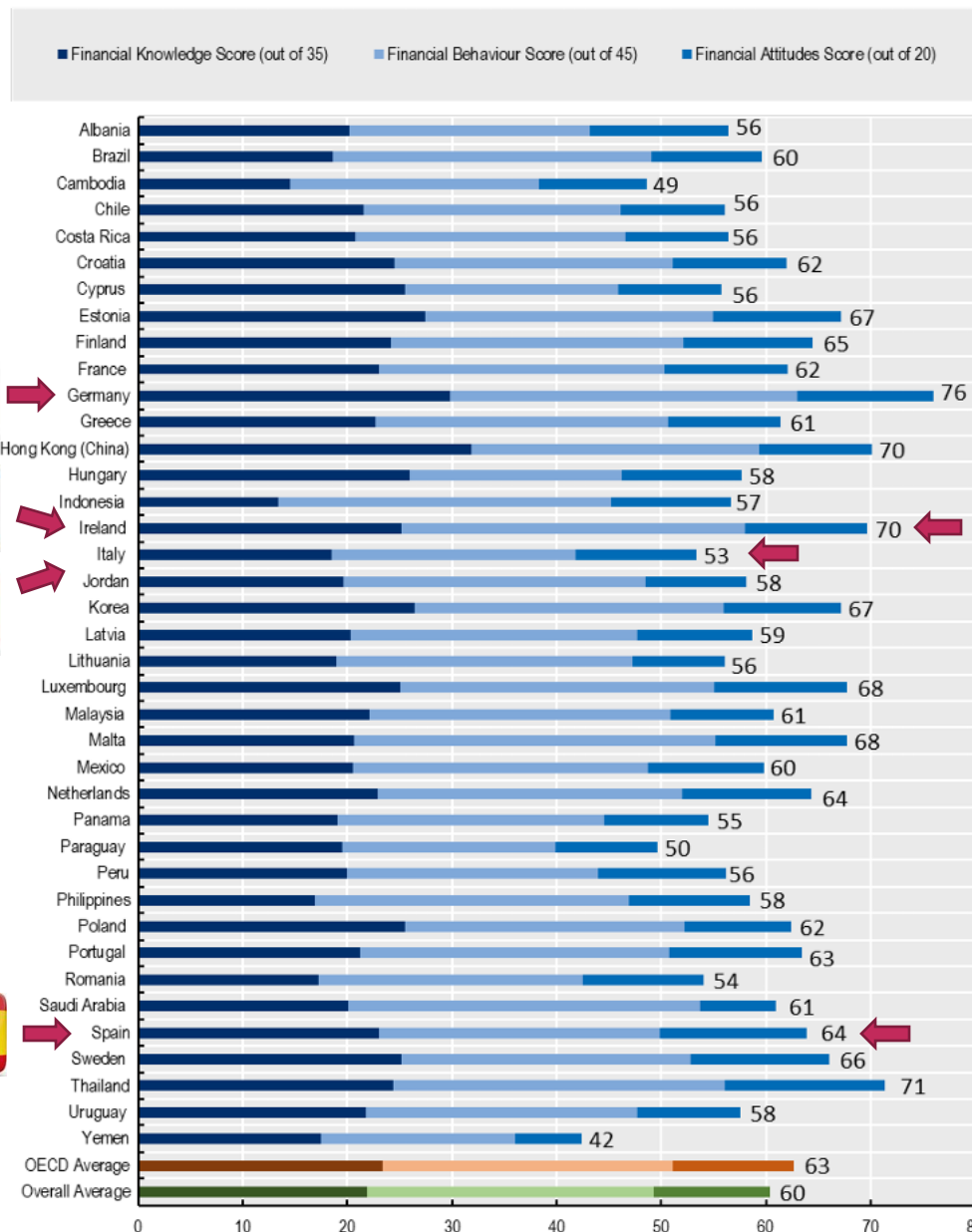
76%



70%



53%



Contents Areas

- **Financial knowledge**
(Time value of money, Interest on a a loan, simple interest calculation, compound interest calculation, risk and return, inflation)
- **Financial behavior**
(Keep tracks of money in the short term, Actively saving, Did not borrow to make ends meet, Sought advice, Closely watches personal financial affairs, Makes considered purchases, Pays bills on time)
- **Financial attitude**
(“I find it more satisfying to spend money than to save it for the long term”, “I tend to live for today and let tomorrow take care of itself”, “Money is there to be spent”)

Financial Literacy in Europe



OECD/INFE 2023 international
survey of adult financial
literacy



Flash Eurobarometer 525
**Monitoring the level of financial
literacy in the EU**



Survey requested by the European Commission,
Directorate-General for Financial Stability, Financial
Services and Capital Markets Union and coordinated
by the Directorate-General for Communication
Fieldwork conducted by Ipsos European Public Affairs



Fieldwork
29/3-5/4/2023



Financial Literacy in Europe



Financial Knowledge

+

Financial Behavior



Five brothers are going to be given a gift of 1,000€ in total to share between them. Now imagine that the brothers have to wait for one year to get their share of the 1,000€ and inflation stays at 3%. In one year's time will they be able to buy:

A More with their share of the money than they could today

B The same amount

 **C** Less than they could buy today



69.5%

65.0%



90.3%

68.0%



58.1%

59.0%



65.2%

61.0%



68.9%

61.0%

Inflation



Financial Literacy in Europe



Financial Knowledge

+

Financial Behavior

Imagine that someone puts 100€ into a “no fee, tax free” savings account with a guaranteed interest rate of 2% per year. They don’t make any further payments into this account and they don’t withdraw any money. How much would be in the account at the end of **five years**, once the interest payment is made?

Compound interest



A More than 110€

B Exactly 110€

C Less than 110€

D Impossible to tell from the information given



44.5%

45.0%



73.3%

56.0%



28.3%

39.0%



41.3%

37.0%



44.6%

47.0%

Financial Literacy in Europe



Financial Knowledge

+

Financial Behavior

An investment with a high return is likely to be high risk

Risk-Return



A

True

B

False



78.7%



66.0%*



84.0%

60.0%*



59.7%

68.0%*



84.8%

69.0%*



88.8%

75.0%*

* The EU survey question was not a true/false question but proposes three options "More risky..." , "Less risky..." , "As risky as..."

Financial Literacy in Europe



Financial Knowledge

+

Financial Behavior



If interest rate rise, what will typically happen to bond prices?

Bond prices



A They will fall

B They will rise

C They will stay the same, s there is no relationship between bond prices and the interest rate



-

-

-

-

-

20.0%

21.0%

26.0%

18.0%

24.0%



Financial Literacy in Europe



Flash Eurobarometer 525
Monitoring the level of financial literacy in the EU

Financial Knowledge

+

Financial Behavior



An investment in a wide range of “company shares” is likely to be:

A

More risky than an investment in a single share



B

Less risky than an investment in a single share

C

As risky as an investment in a single share

Diversification



-

-

-

-

-



56.0%

64.0%

55.0%

51.0%

60.0%



Financial Literacy in Europe



Financial Knowledge

+

Financial Behavior



- 1) Before I buy something, I carefully consider whether I can afford it
- 2) I keep track and monitor my expenses
- 3) I set long-term financial goals and strive to achieve them

4) Presence of emergency funds	22%	21%	20%	23%	40%
--------------------------------	-----	-----	-----	-----	-----

5) Private pension product	31%	25%	20%	29%	36%
----------------------------	-----	-----	-----	-----	-----

6) Life insurance

7) Non-life insurance

8) Mortgage

9) Loans

10) Investment products (stocks, bonds, funds)

11) Cryptocurrencies	24%	33%	28%	23%	18%
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Financial Literacy in Europe



Financial Knowledge	+	Financial Behavior	=	Financial Literacy
Low Mid High		Low Mid High		Low Mid High
24 50 26		8 28 56		18 64 18
22 46 3		6 29 65		16 61 24
26 49 25		7 30 62		19 64 18
27 54 19		10 30 60		22 65 13
22 47 31		9 31 60		17 64 19



Financial Literacy in Europe



How confident are you that investment
advice you receive from your
bank/insurer/financial advisor is primarily
in your best interest?



14% 31% 32% 6%



11% 33% 31% 11%



12% 31% 34% 4%



12% 33% 31% 7%



19% 28% 35% 6%

	Very confident	Somewhat confident	Not too confident	Not at all confident	Not applicable	Don't know
EU27	6	32	31	14	11	6
BE	4	31	28	17	12	8
BG	7	37	29	15	8	4
CZ	14	40	22	9	8	8
DK	9	38	24	11	10	7
DE	11	31	33	11	10	5
EE	2	27	44	12	7	7
IE	6	35	28	19	8	4
EL	3	18	30	26	14	9
ES	7	31	33	12	11	6
FR	4	34	28	17	11	6
HR	7	38	30	13	7	5
IT	4	34	31	12	14	5
CY	3	17	36	21	17	7
LV	4	20	44	16	8	8
LT	4	30	29	13	10	13
LU	5	36	32	14	8	6
HU	4	30	33	20	8	4
MT	6	35	26	17	11	5
NL	4	28	28	11	19	9
AT	11	35	32	13	4	5
PL	3	23	34	23	9	8
PT	6	40	22	10	16	6
RO	8	38	34	11	6	3
SI	3	28	43	17	4	6
SK	8	35	23	12	14	8
FI	7	52	23	7	4	6
SE	4	33	31	18	5	8

Financial Literacy in Europe



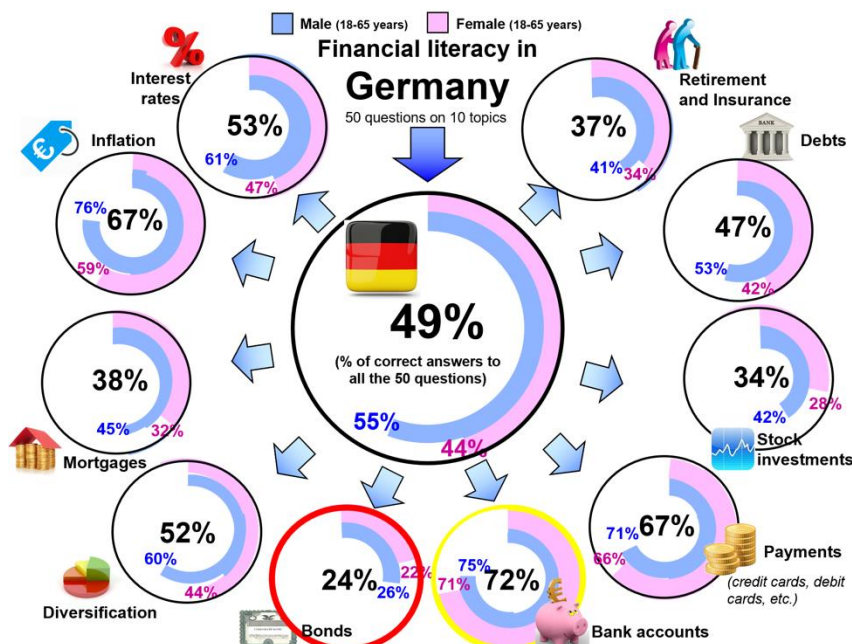
Inflation (Time value)	90%	58%	65%	69%	63%	58%
Interest (concept)	93%	76%	97%	91%	85%	-
Simple Interest	81%	53%	50%	63%	57%	69%
Compound Interest	73%	28%	41%	45%	42%	29%
Risk-Return	84%	60%	85%	89%	74%	-
Inflation (Definition)	97%	68%	90%	98%	52%	-
Diversification	84%	37%	52%	62%	63%	41%



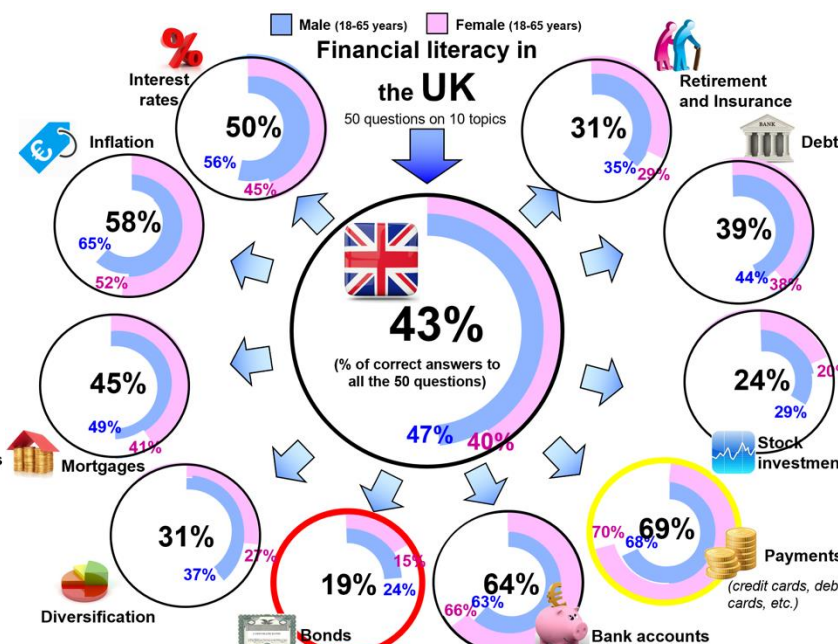
Financial Literacy in Europe



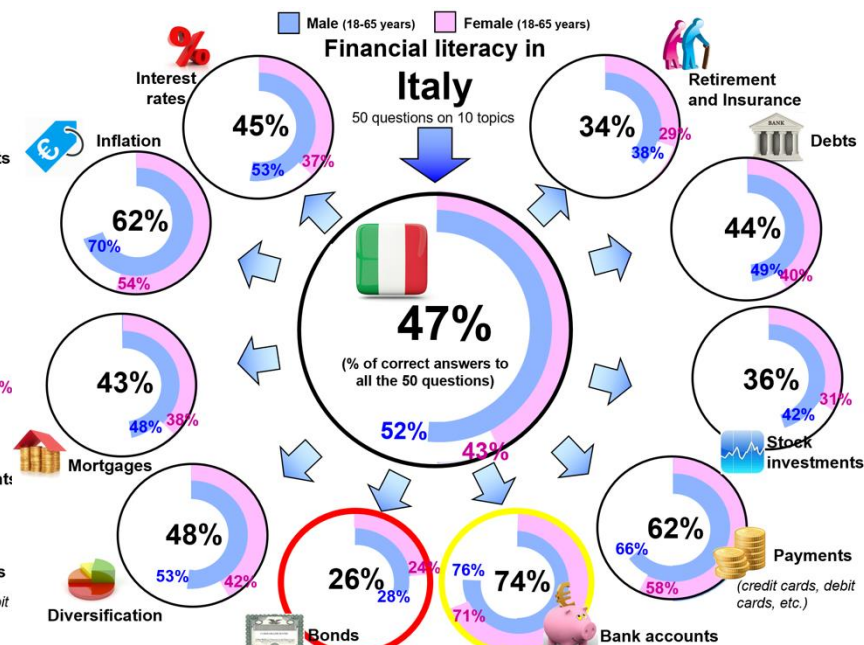
(2019)



(2019)



(2019)



Source: Nicolini, G. (2019). Financial Literacy in Europe: Assessment Methodologies and Evidence from European Countries (1st ed.). Routledge.
<https://doi.org/10.4324/9780429431968>

The Cost of Ignorance



Financial Literacy is (on average) low

(Compound interest, Bond prices, Diversification, Risk-Return)



1

Fin Literacy and lack of stock market participation (lack of returns)

2

Fin Literacy and better risk-adjusted performance on investment portfolios

3

Fin Literacy and the risk of fraud (ignorance on risk-return)

4

Fin Literacy and “trust-based” Vs “knowledge-based” relationship with financial advisor

5

Fin Literacy and lack of savings for retirement (ignorance of the pension system)



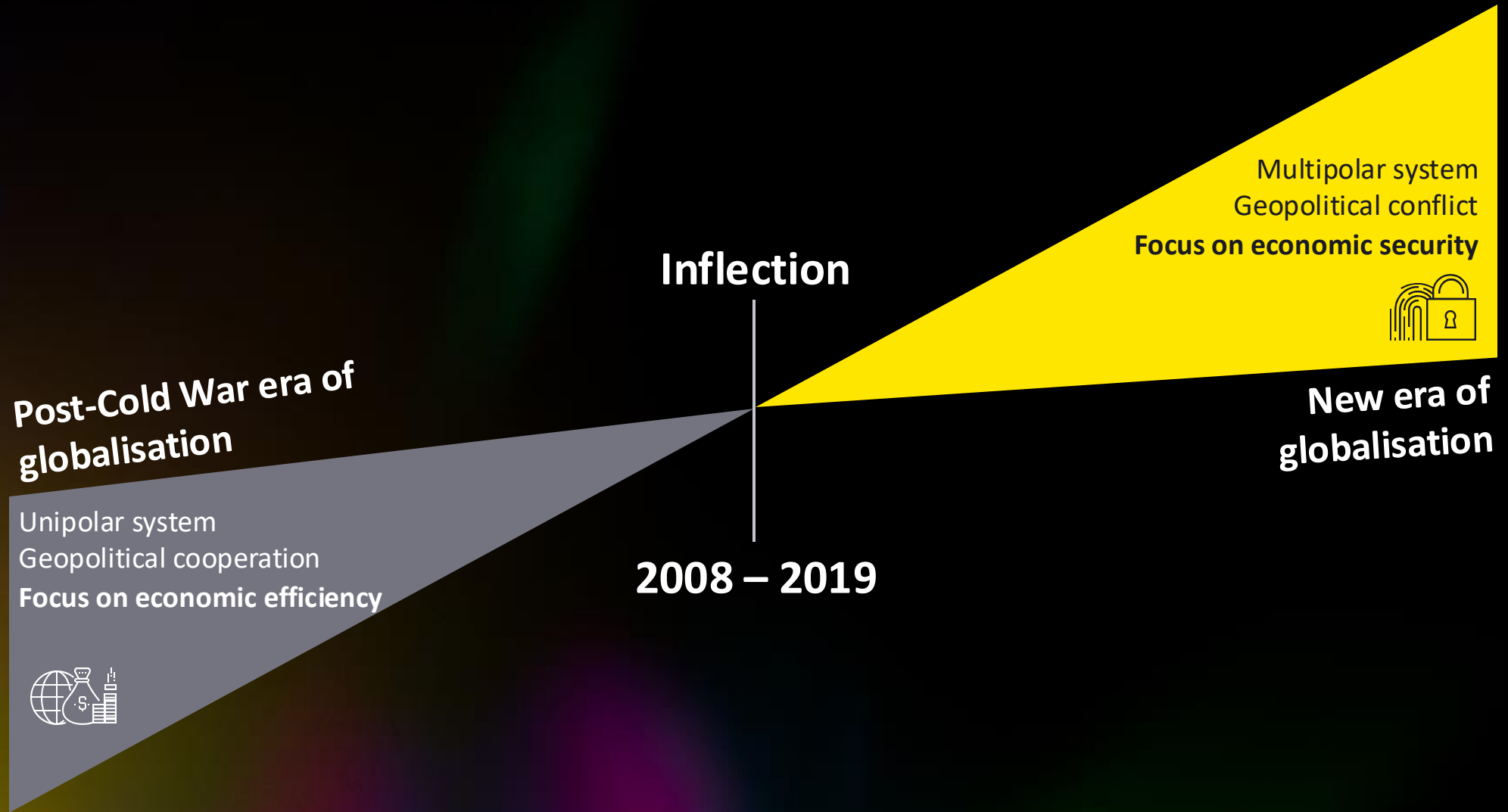
October 8th, 2025

How to thrive amidst geopolitical turbulence

Simon Coveney

EY Ireland Geopolitical Strategy Unit and Former
Tánaiste

A new era of globalisation is here to stay



Our understanding of political risk is underpinned by the following pillars

Political risk

The *probability* that political decisions, events or conditions at the geopolitical, country, regulatory or societal level will **impact** the performance of a company, market or economy.

Four pillars of political risk

Geopolitical

The foreign policies of countries or international relations...

For example...

- US-EU-China relations
- Regional relations
- Trade or investment policies
- Cybersecurity risks

Country

Political environment and government, institutional, or legislative stability...

- Leadership developments
- Policy change
Industrial policies
- Institutional changes or reforms

Regulatory

Rules or implementation of environmental, health and safety, financial and other regulations...

- Cyber, Data privacy and/or localisation
- Regulatory approach
- Sector regulations
- Human capital regulation

Societal

Tensions between groups, from trade unions to consumer bodies, and public activism such as boycotts or protests...

- Consumer activism or boycotts
- Labor strikes
- Socioeconomic tensions

Understanding what's driving US policy

Transition from elections to policymaking

- ① Populist policy influences
- ② Taxation conundrums
- ③ Demographic divides

Economic competition and sovereignty

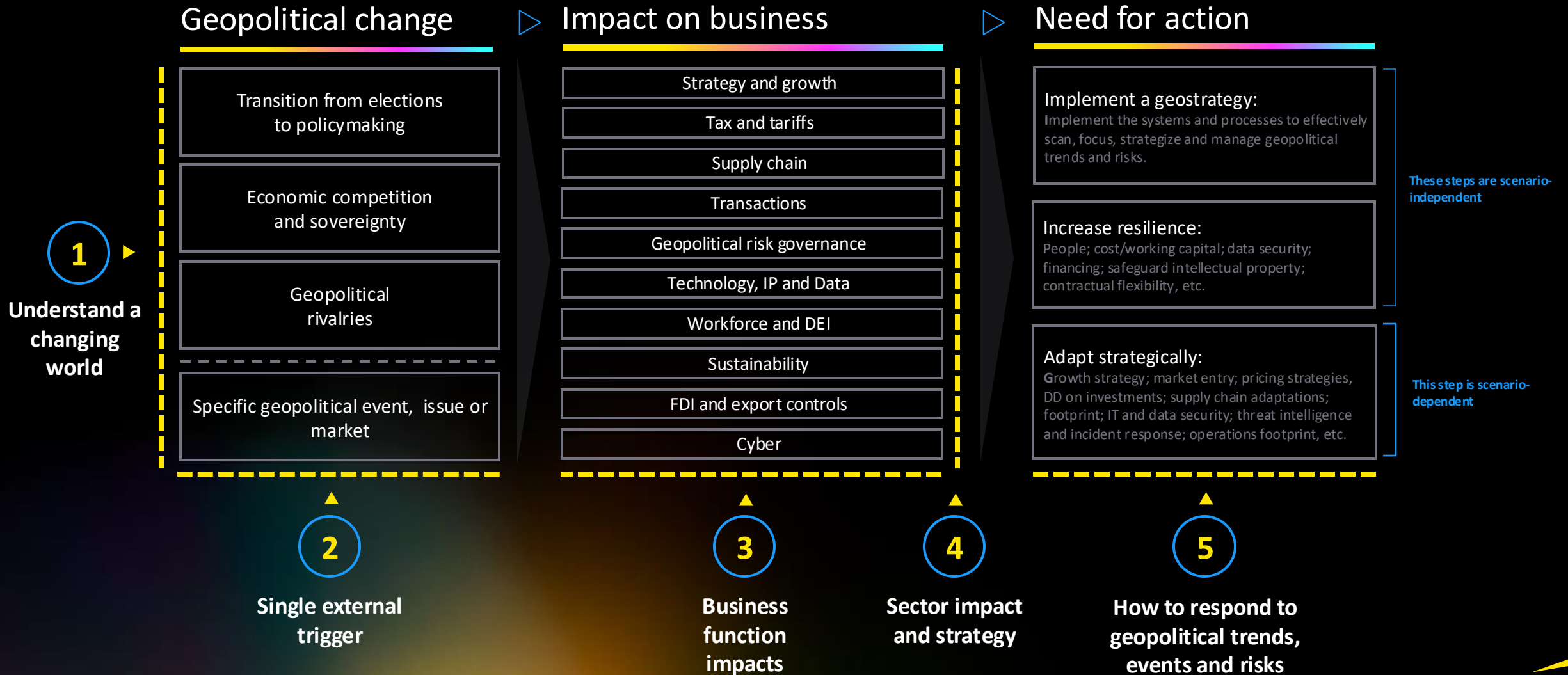
- ④ De-risking and dependencies
- ⑤ Digital sovereignty
- ⑥ Climate and competition

Geopolitical rivalries

- ⑦ New geo-energy dynamics
- ⑧ Emerging market integration
- ⑨ Wars and conflicts
- ⑩ Astro-politics and the space economy

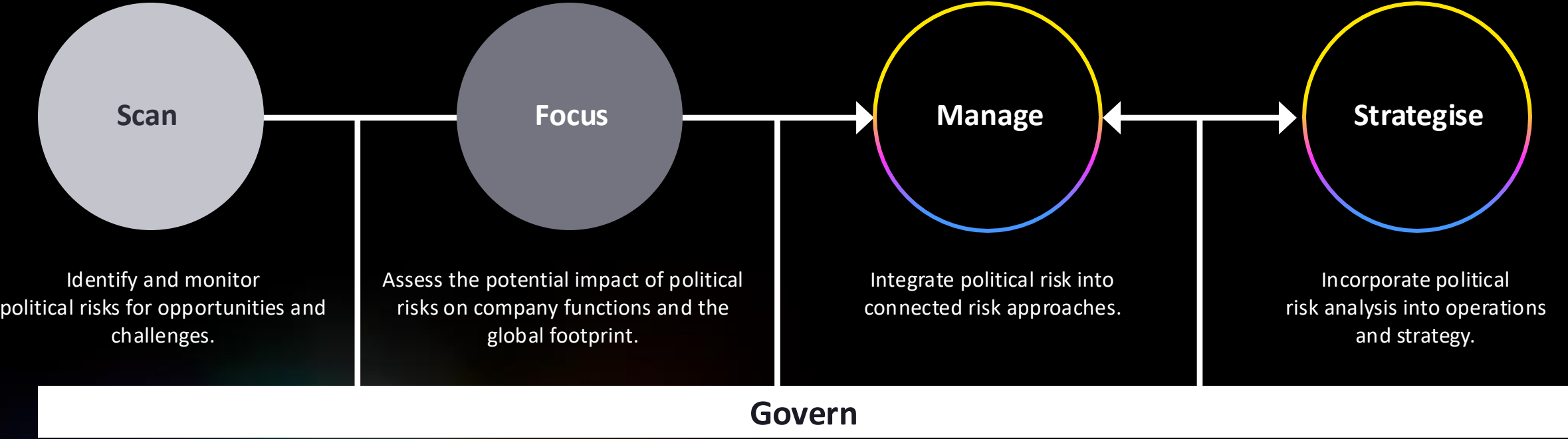
Top 10 geopolitical
developments in 2025

Geopolitical trends and triggers can impact businesses in multiple ways



The evidence shows that organisations with a Geostrategy outperform their peers

EY-P geostrategy framework



Establish a cross-functional geostrategic team based on the fundamentals of ownership, communication and trust.

EY Geopolitical Strategy Team

Get in touch to discuss how our team can support your organisation



Aidan Meagher
Partner, Co-Head of
Geopolitical Strategy



Simon MacAllister
Partner, Co-Head of
Geopolitical Strategy



Simon Coveney
Consultant
Geopolitical Strategy

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

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EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their ecosystems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized — helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

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October 8th, 2025

The Morningstar Active/ Passive Barometer

Eugene Gorbatikov and Monika Calay

Analyst, Manager Research at Morningstar
Director, Manager Research at Morningstar

Introduction – Monika Calay

Active Passive Barometer– Eugene Gorbatikov

Case Studies– Monika Calay

Q&A

Europe Active/Passive Barometer

Eugene Gorbatikov

What is the Active/Passive Barometer?

- Morningstar's Active/Passive Barometer evaluates active funds against a "benchmark" of passive funds.
- Passive benchmark:
 - Investable, net of fee alternative to active funds.
 - Asset-weighted average return.
- The European version included 30,500 unique open-end mutual funds and ETFs that accounted for approximately half of the assets in the European fund market as of June 2025.
- Compares average active/passive returns.



How to Use the Active/Passive Barometer



Identify durable trends



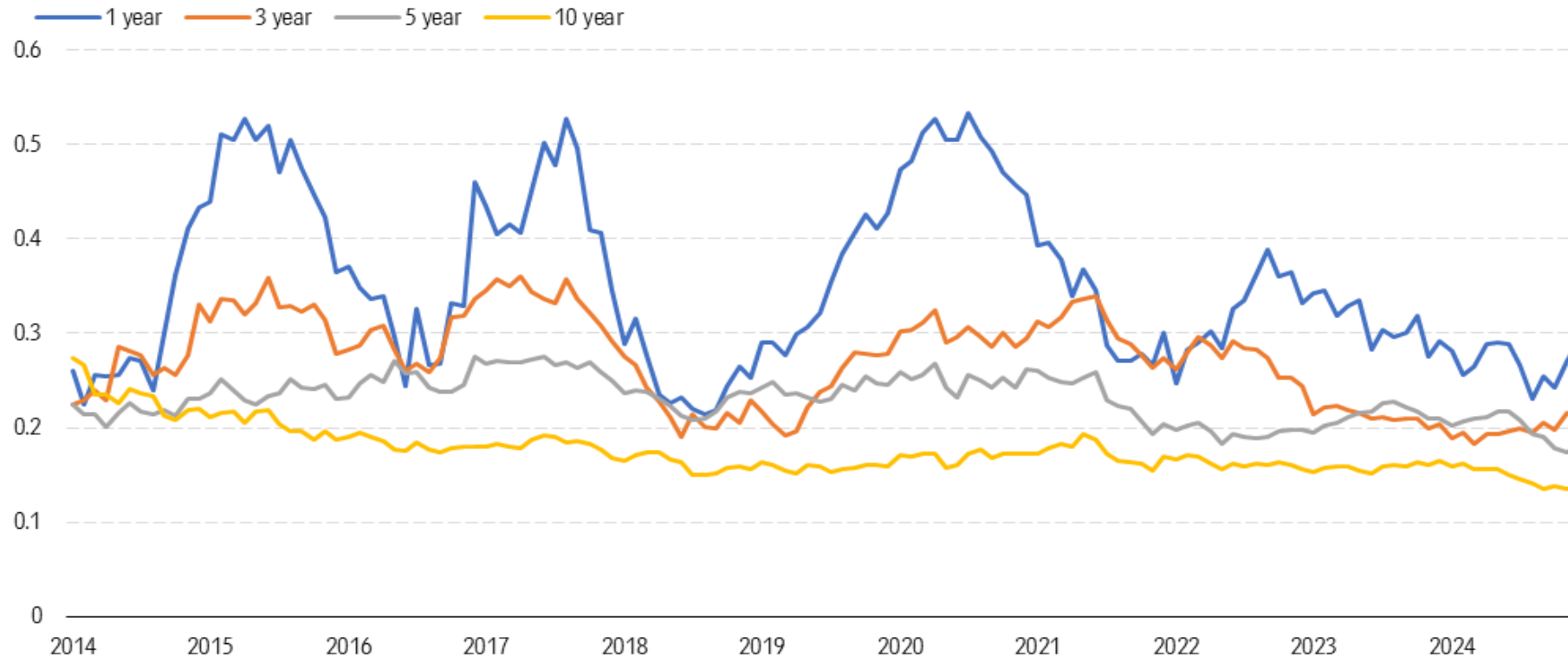
Establish base rates and
put odds in your favour



Precise measurement \neq
precise expectations

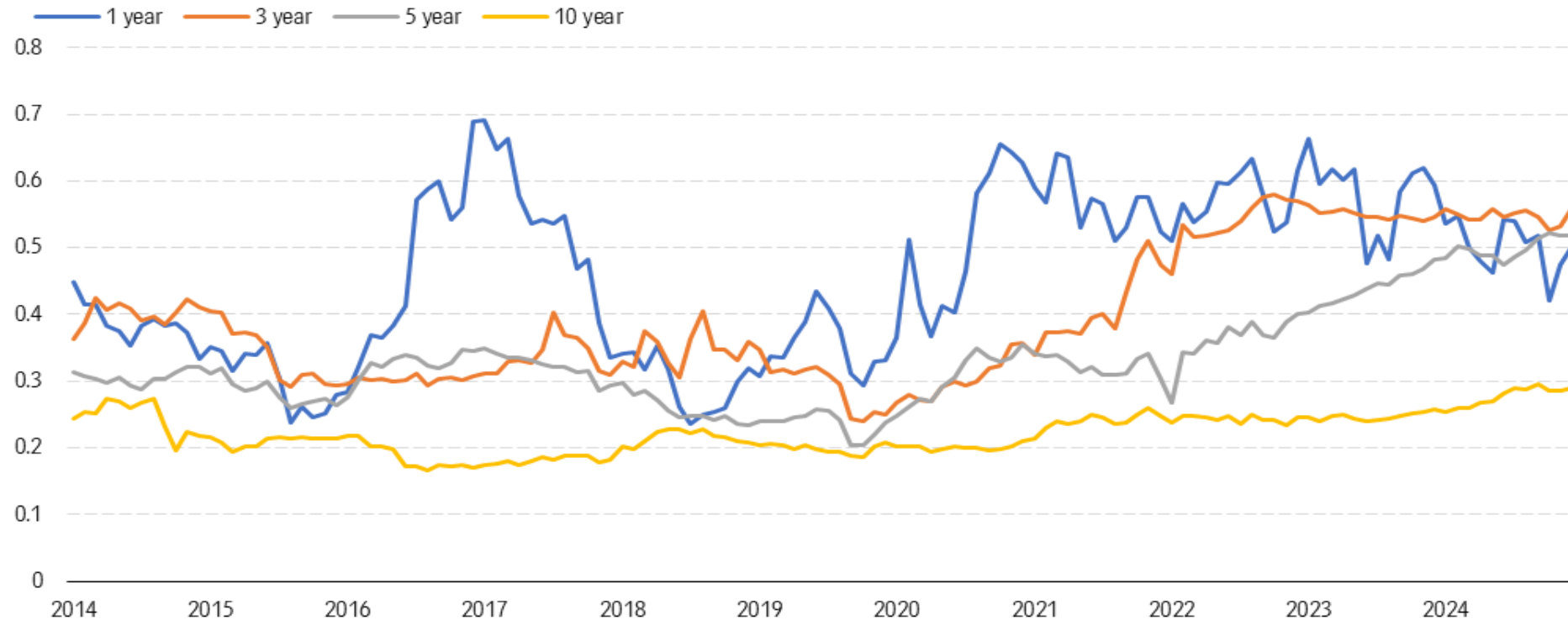
Mid-Year 2025 European Active/Passive Barometer Results - Equity

- The success rate of active managers over one year for the 38 equity categories examined stood at 29.0% in June 2025, broadly unchanged from 28.8% at the end of 2024 and 29.2% a year earlier in June 2024.



Mid-Year 2025 European Active/Passive Barometer Results – Fixed Income

- The success rate of active managers over one year for the 21 fixed-income categories examined came in at 50.1% in June 2025. This was down from 54.1% at the end of 2024 and 59.4% a year earlier in June 2024.



The Long-Term View

- Success rates are noisy in the short-term. 10-year success rates offer a more durable signal.
- The compounding benefits of low fees add up over time and ups the odds in favour of passive funds.
- However, the success rate of active funds increases in less-liquid equity markets.

Exhibit 5 Active Equity Funds' Success Rate by Category (%)

Category	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year
Asia ex-Japan Equity	14.1	11.2	22.2	26.9	20.1	-
Asia-Pacific Equity	27.9	16.3	11.3	14.2	9.0	-
Asia-Pacific ex-Japan Equity	36.2	15.2	14.8	8.3	7.9	-
Brazil Equity	72.7	8.3	10.0	8.8	3.7	-
China Equity	9.7	5.2	15.8	49.2	35.7	-
Denmark Equity	93.5	76.7	57.1	50.0	44.8	24.1
Europe Equity Income	14.7	18.8	8.0	0.0	12.7	-
Europe ex-UK Equity	30.3	20.9	22.1	12.5	16.9	27.6
Europe Large-Cap Blend Equity	35.3	20.3	13.5	7.1	5.3	5.7
Europe Large-Cap Growth Equity	23.3	18.4	22.5	10.4	17.5	-
Europe Small-Cap Equity	26.9	14.7	22.1	34.3	16.9	-
Eurozone Large-Cap Equity	23.5	7.1	9.3	4.7	3.3	7.2
Eurozone Small-Cap Equity	12.2	2.1	5.7	24.4	26.9	-
Finland Equity	5.3	0.0	32.0	8.6	2.9	25.0
France Equity	42.4	4.5	1.7	3.4	2.5	4.2
Germany Equity	12.3	5.0	4.6	4.8	11.1	8.6
Global Emerging Markets Equity	29.9	39.2	29.5	22.8	17.6	16.8
Global Equity Income	28.9	49.5	21.4	37.5	-	-
Global Large-Cap Blend Equity	24.6	12.0	11.4	3.8	2.2	2.4
Global Large-Cap Value Equity	34.2	25.2	20.9	3.0	2.2	-
India Equity	52.9	44.7	43.1	48.9	44.6	-
Italy Equity	29.2	16.3	16.4	12.2	16.4	-
Japan Large-Cap Equity	45.3	39.5	33.5	19.6	9.7	3.8
Latin America Equity	46.3	32.6	15.3	20.2	22.5	22.2
Nordic Equity	96.1	40.4	24.5	8.6	6.8	15.6
Norway Equity	51.9	64.2	54.0	46.9	34.6	49.0
Pacific ex-Japan Equity	25.0	0.0	12.5	8.3	14.3	33.3
Spain Equity	13.5	5.9	14.9	13.1	14.3	8.8
Sweden Equity	40.4	40.4	36.2	26.7	18.7	-
Switzerland Equity	48.6	37.1	31.2	25.9	13.9	11.1
Switzerland Small/Mid-Cap Equity	18.3	49.2	36.5	40.4	36.7	-
UK Equity Income	11.4	17.8	13.0	32.1	-	-
UK Large-Cap Equity	46.5	36.3	27.5	11.0	15.0	14.2
UK Mid-Cap Equity	34.8	11.8	8.3	9.1	22.2	-
US Large-Cap Blend Equity	20.8	18.3	12.8	4.4	2.0	2.7
US Large-Cap Growth Equity	34.2	15.3	2.5	0.0	0.0	-
US Large-Cap Value Equity	20.3	32.9	37.5	13.8	10.7	12.8
US Small-Cap Equity	43.5	52.2	37.1	34.4	22.0	-

The Long-Term View

- Active funds are most likely to succeed in bond markets than in equity markets.
- But here also, we see a pattern where passive options have improved chances in markets that are highly liquid, such as the government bond market.

Exhibit 6 Active Fixed-Income Funds' Success Rate by Category (%)

Category	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year
CHF Bond	64.8	47.7	47.9	32.2	21.6	13.4
EUR Bond - Long Term	27.3	36.0	39.3	32.3	14.9	-
EUR Corporate Bond	46.7	61.9	56.8	42.2	41.0	-
EUR Corporate Bond - Short Term	47.0	65.4	59.8	35.7	-	-
EUR Diversified Bond	43.3	59.5	57.0	25.2	8.2	5.9
EUR Government Bond	32.1	42.5	35.5	15.6	16.9	12.4
EUR Government Bond - Short Term	32.5	40.5	23.4	18.6	18.5	-
EUR High Yield Bond	43.8	46.0	34.7	35.4	-	-
EUR Inflation-Linked Bond	16.2	31.8	34.9	10.7	2.9	-
EUR Money Market	68.6	83.7	76.5	43.8	24.2	-
GBP Corporate Bond	54.7	59.0	59.4	33.7	30.3	-
GBP Government Bond	53.3	35.1	38.2	9.3	3.7	3.6
GBP Inflation-Linked Bond	25.0	35.3	33.3	17.4	5.0	33.3
Global Diversified Bond	52.4	41.1	23.5	14.7	13.1	1.9
Global Corporate Bond	28.3	38.5	43.9	30.0	-	-
Global Government Bond	69.8	55.3	59.5	32.1	63.2	-
Global Emerging Markets Bond	68.6	59.7	63.5	32.0	-	-
Global Emerging Markets Bond - Local	38.5	48.1	57.3	42.1	-	-
USD Corporate Bond	77.1	69.6	72.9	22.0	-	-
USD Diversified Bond	43.5	49.5	42.7	18.9	3.0	-
USD Government Bond	89.3	75.9	65.6	12.9	5.9	-

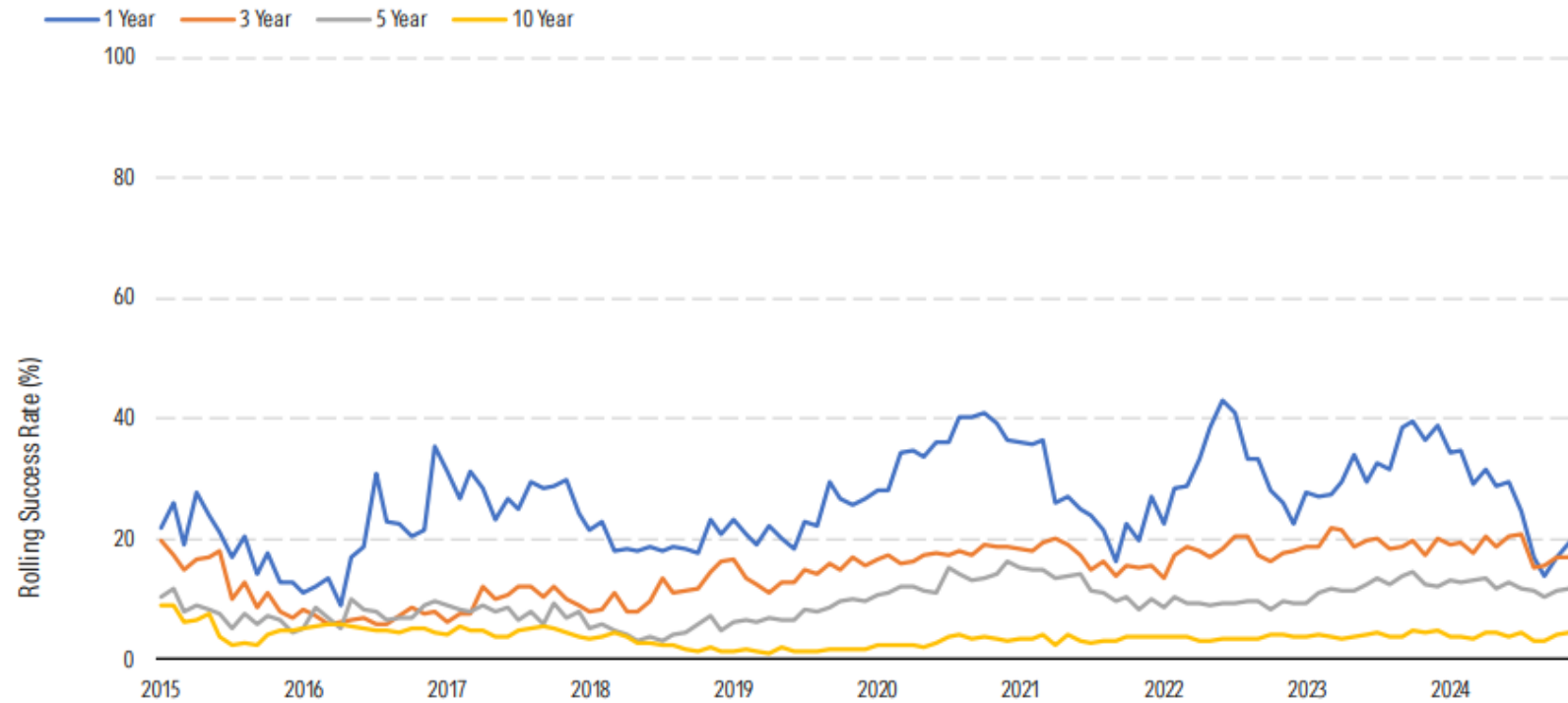
Source: Morningstar Direct. Data as of June 30, 2025.



Case Studies

Case Study 1: U.S. Large-Cap Blend Equity Funds

Rolling Success Rates for Surviving Active US Large-Cap Blend Equity Funds

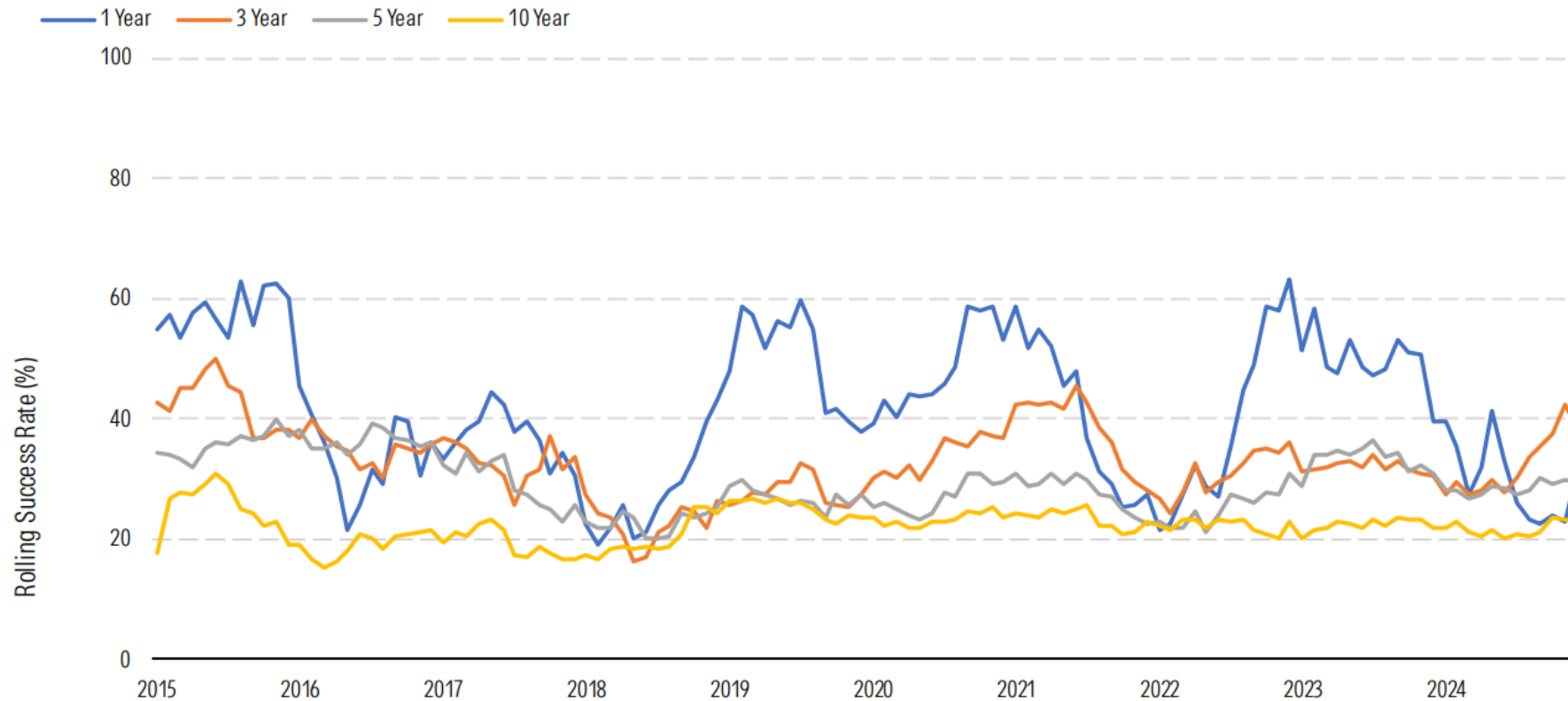


Source: Morningstar Direct. Data as of June 30, 2025.

Source: Morningstar Direct. Data as of June 30, 2025.

Case Study 2: Global Emerging Markets Equity Funds

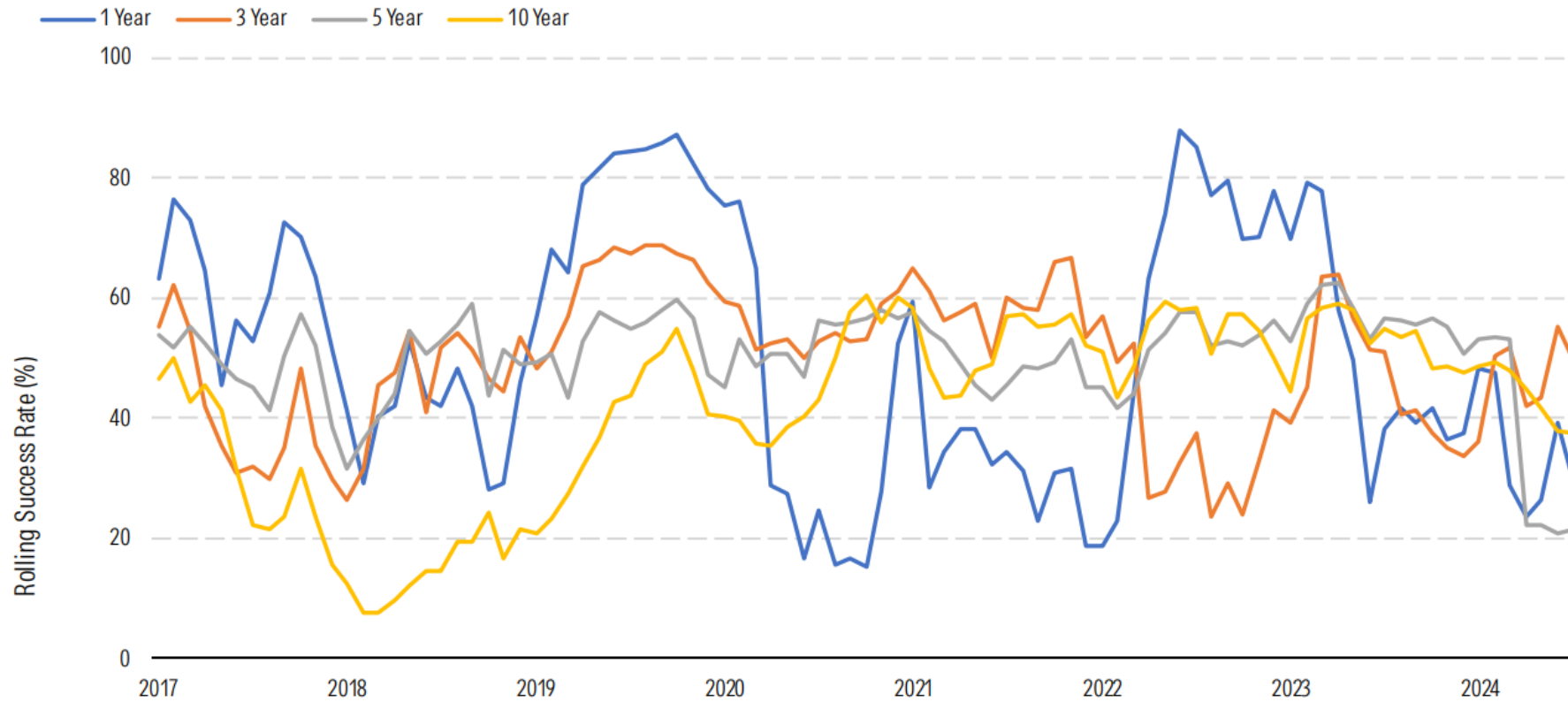
Rolling Success Rates for Surviving Active Global Emerging Markets Equity Funds (%)



Source: Morningstar Direct. Data as of June 30, 2025.

Case Study 3: Global Equity Income

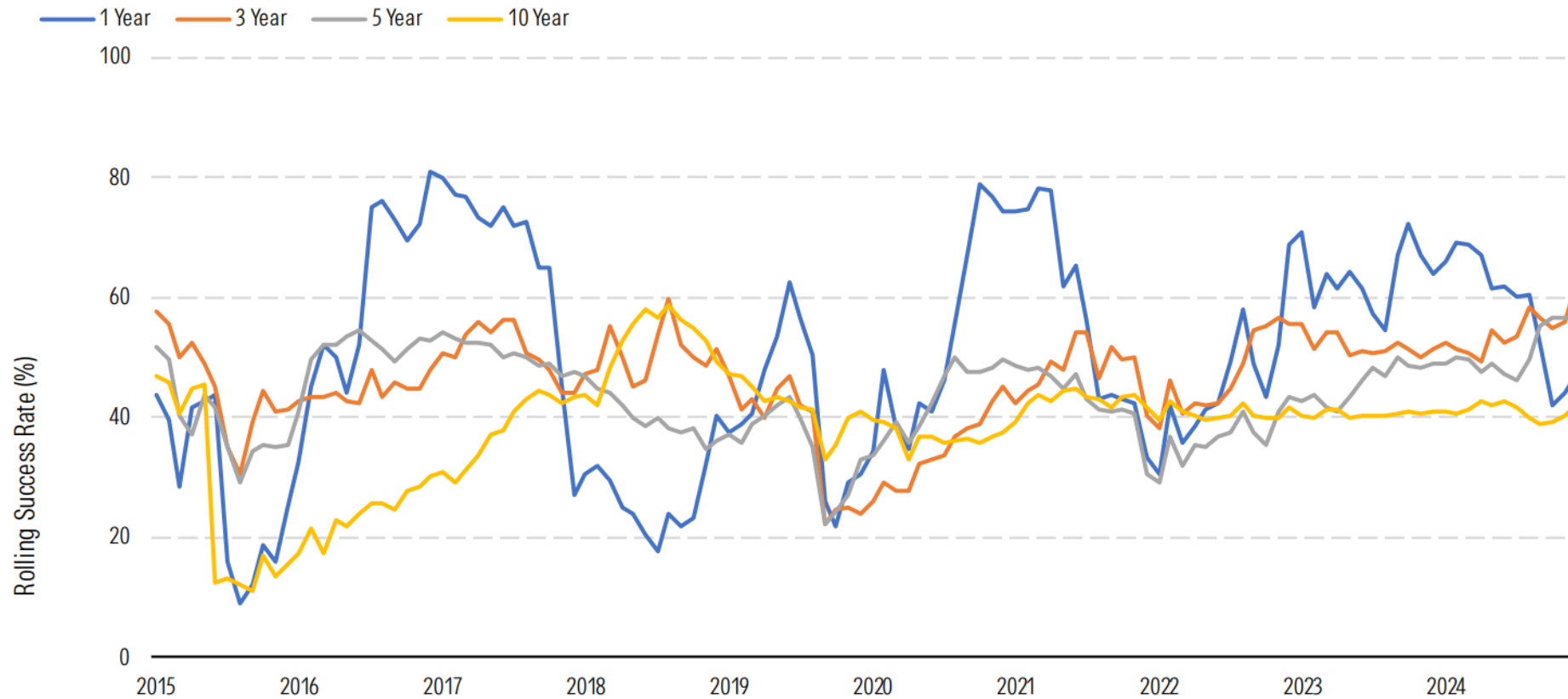
Rolling Success Rates for Surviving Active Global Equity Income Funds (%)



Source: Morningstar Direct. Data as of June 30, 2025.

Case Study 4: EUR Corporate Bond Funds

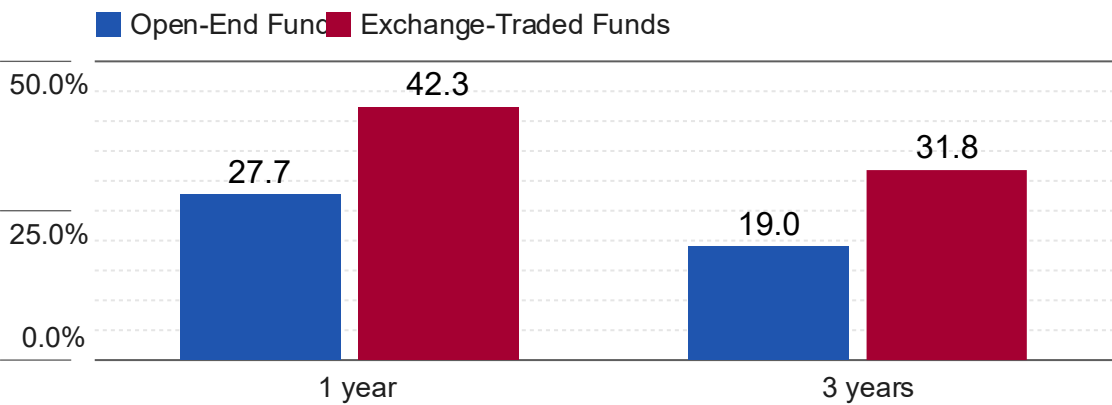
Rolling Success Rates for Surviving Active EUR Corporate Bond Funds (%)



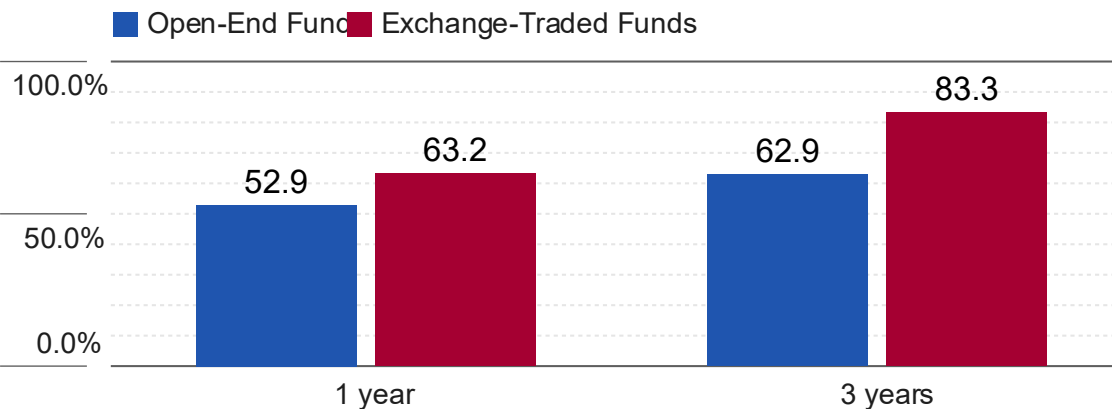
Source: Morningstar Direct. Data as of June 30, 2025.

Case Study 5: Active ETFs

Success Rates, Equity



Success Rates, Fixed Income



The jury is still out on the performance of active equity ETFs versus their passive peers, given their relatively short track record. However, initial data suggests active equity ETFs have achieved better success ratios and higher survivorship ratios, on average, than their open-end active counterparts. Success rate refers to the proportion of funds in a given category that both survive and outperform the average of their passive peers over the evaluation period. One of the persistent challenges for active funds is that higher fees eat into performance, making it harder to deliver net outperformance over time. Active ETFs, with their lower fees, experience less fee drag, which can help them deliver better performance compared to similar open-end mutual funds.

While the cohort of actively-managed ETFs is still young, which limits the data available for performance comparisons, initial results appear reassuring. Over the trailing one and three years, active ETFs have produced significantly higher success rates, compared to their open-end fund counterparts, in a select group of representative Morningstar categories. These numbers also highlight that active management (be it in open-end or ETF form) is generally much more successful at generating index-beating returns in fixed income compared to equities. The bond market is ripe with inefficiencies that active managers are better able to exploit, and the recent market environment of volatile interest rates and high dispersion of outcomes between bond sectors and individual issuers has also been favorable to active management.

Key Takeaways

- Follow long-term trends.
- Seek better odds of success and excess return potential.
- There is no more reliable predictor of fund performance than fees.

Questions?

Appendix

Morningstar Direct's Active Passive Barometer Methodology for Active ETFs

Morningstar Categories included in the Active Passive Barometer

- US Large Cap Blend Equity
- Eurozone Large-Cap Equity
- Europe Large-Cap Blend Equity
- Global Emerging Markets Equity
- Japan Large-Cap Equity
- UK Large-Cap Equity
- Asia-Pacific ex-Japan Equity
- Pacific ex-Japan Equity
- Global Large-Cap Blend Equity
- EUR Corporate Bond - Short Term
- Global Emerging Markets Bond
- EUR Diversified Bond
- USD Corporate Bond
- Global Corporate Bond
- EUR Money Market
- EUR Corporate Bond

Source: Morningstar Direct.

Data as of June 30, 2025. The charts compare the success rates of active ETFs and OEFs within the same categories.

The sample includes only categories that appear in the Active Passive Barometer report and that contain at least one valid active ETF as of June 2022 (i.e., three years prior to the sample end date in June 2025).

As a result, the sample comprises 26 equity ETFs for the 1-year horizon and 22 for the 3-year horizon, and 19 fixed-income ETFs for the 1-year horizon and 12 for the 3-year horizon. The OEF sample consists of all active OEFs from the same categories.





October 8th, 2025

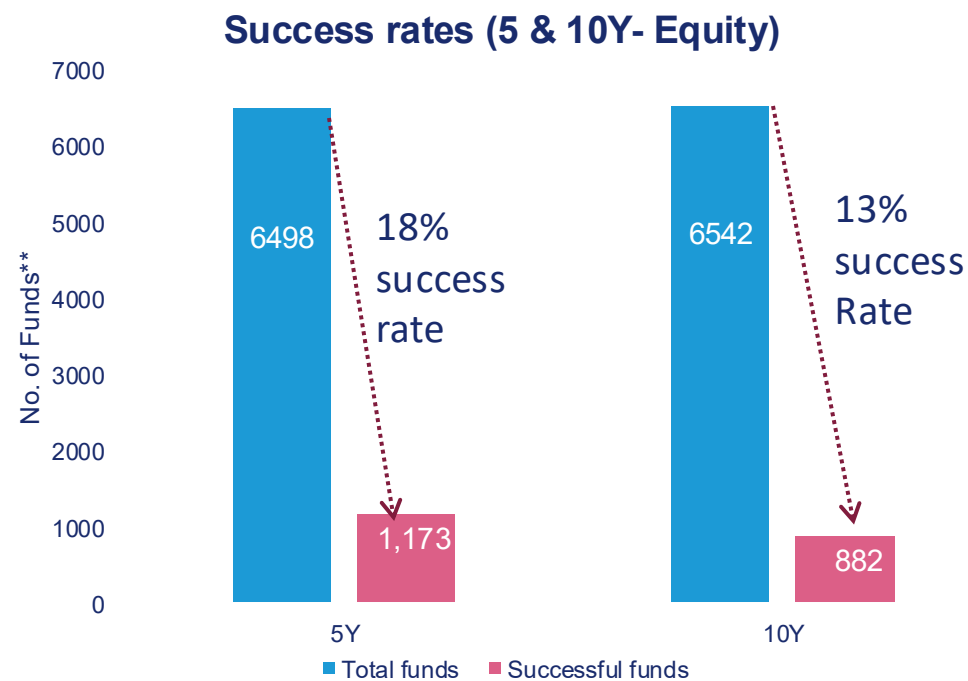
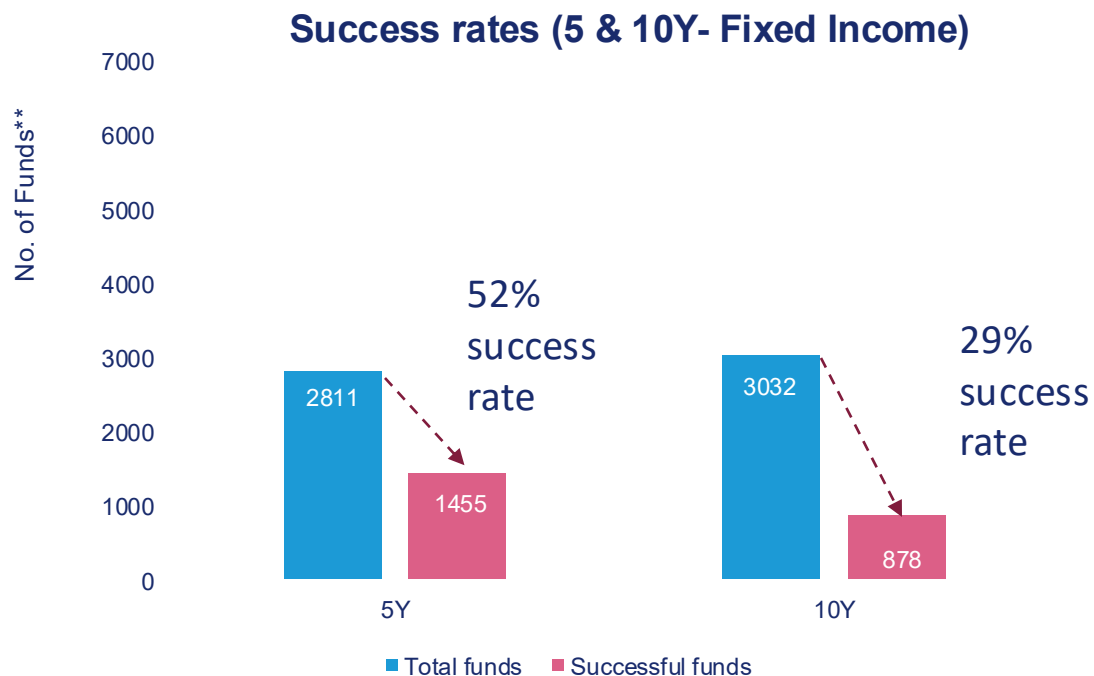
Compounding Alpha: The Long-Term Power of Active Management

Giorgio Carlino

Head of Multi-Management,
Mediolanum International Funds

Managers Who Add Value Do Exist

- Evidence shows that outperforming managers exist in both fixed income and equity markets
- Higher success rate* is seen across fixed income sectors, suggesting it is easier to pick a winner in Fixed income than in Equity



Past performance is not an indication of future results.

Your investment may go down as well as up

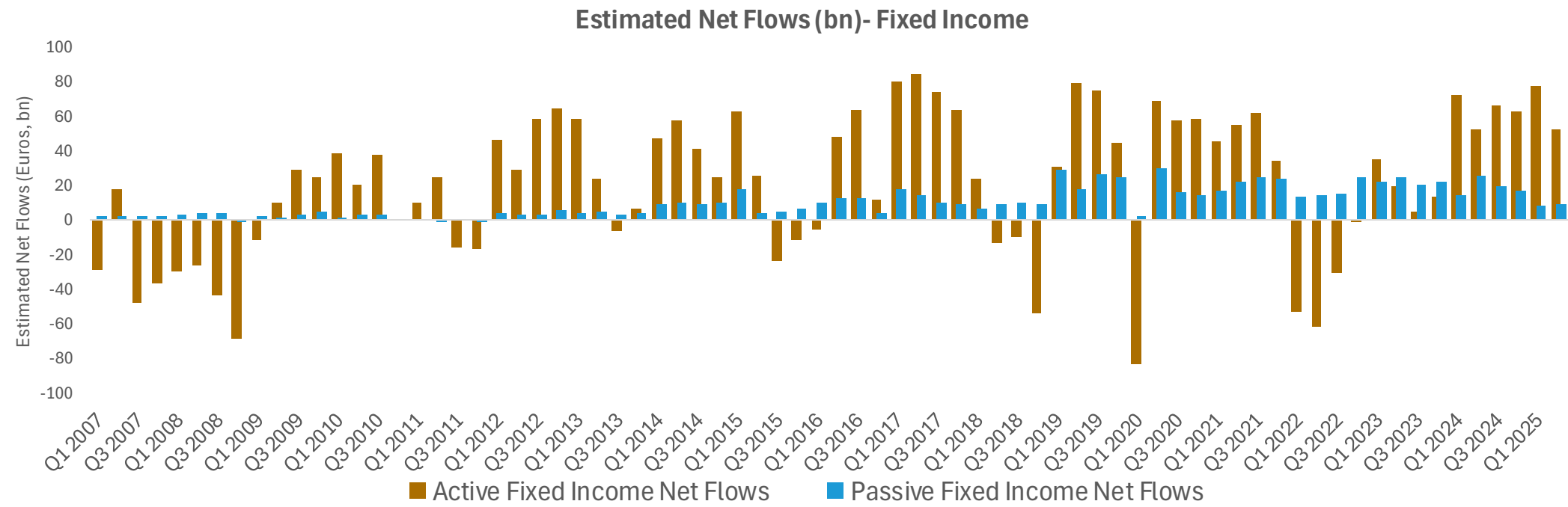


Source: Morningstar, MIFL. * Morningstar calculation of success rate = percentage of funds that outperformed their asset weighted passive composite, net of fees.

**Total number of active fixed income and equity funds at the beginning of the 5- and 10-year periods, as reported by Morningstar in their research: *European Active/Passive Barometer Report: Mid-year 2025*.

Active versus Passive Fixed Income Flows

Higher success rate in fixed income active has driven more flows into the area historically

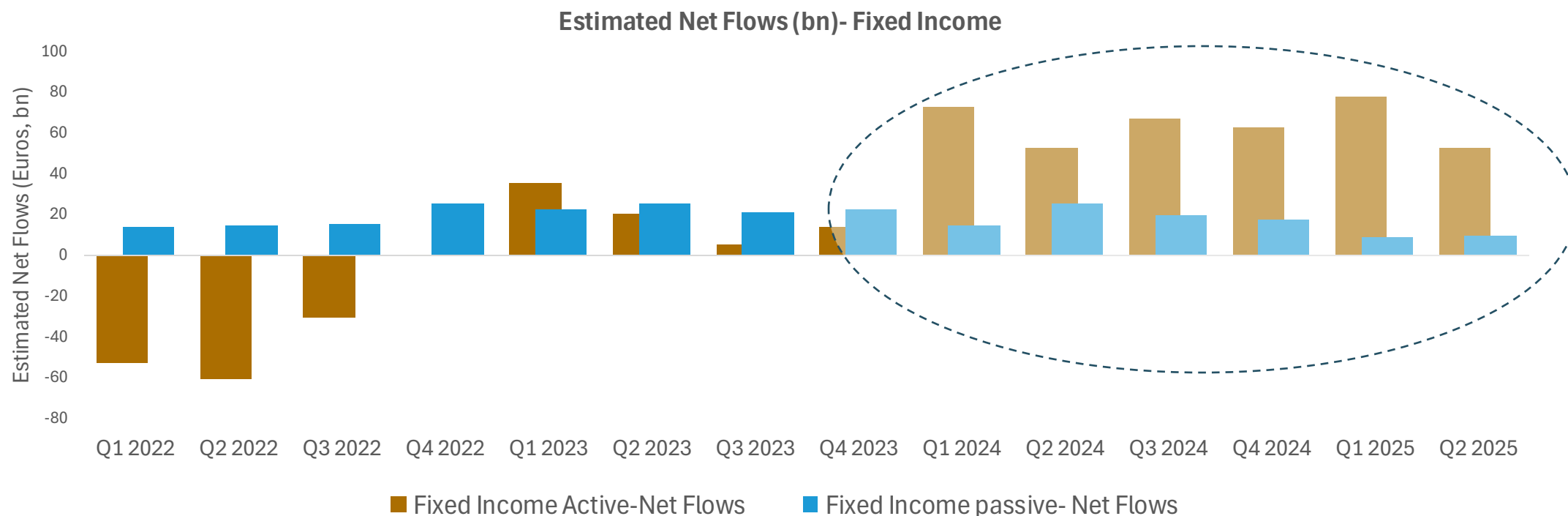


Past performance is not an indication of future results. The value of your investment may fall or rise.

Source: MIFL and Morningstar. Data from Morningstar which includes quarterly estimated net flows into active and passive fixed income funds in European market (Market: Europe Open Ended & ETF & Money markets excluding Funds of funds excluding Feeder). From Q1 2007-Q2 2025

Active versus Passive Fixed Income Flows

Especially in the past couple of years, higher success rate coupled with uncertainty (geopolitical tensions, tariff uncertainty, etc) have driven significant flows into Fixed income active.



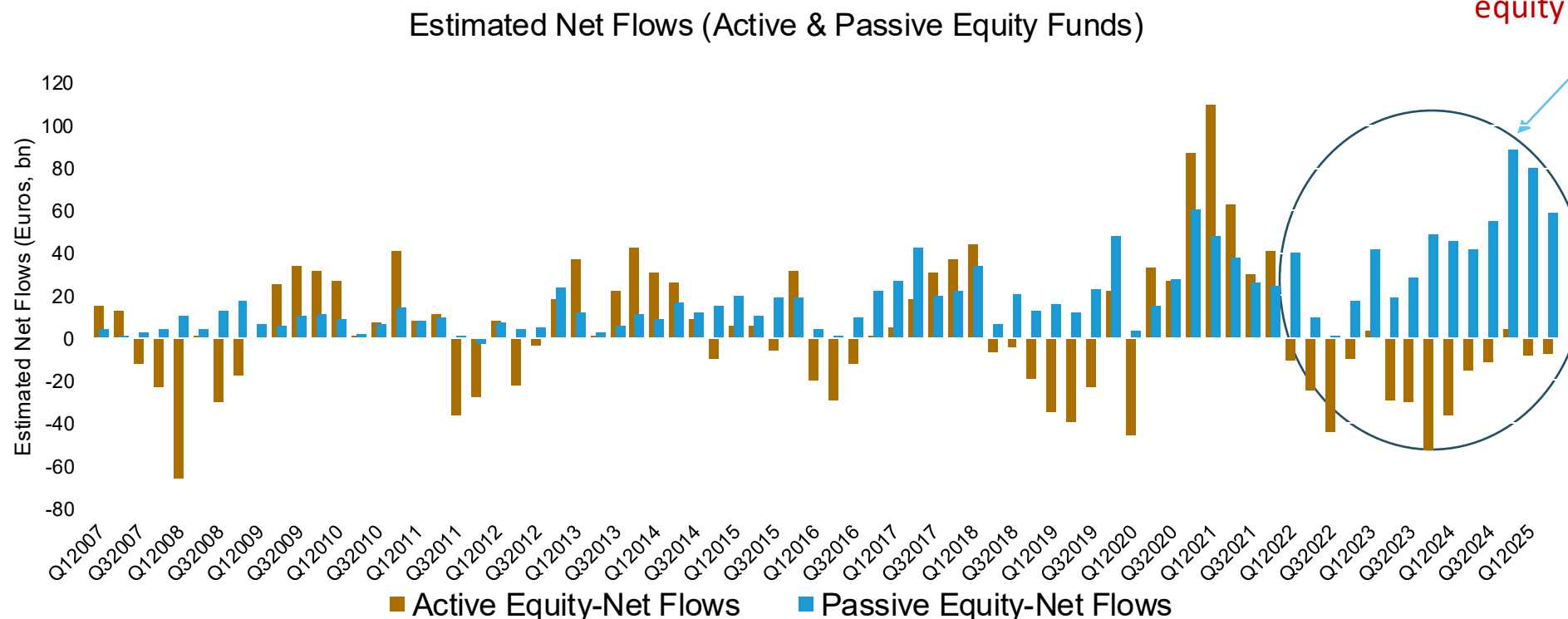
Past performance is not an indication of future results. The value of your investment may fall or rise.

Source: MIFL and Morningstar. Data from Morningstar which includes quarterly estimated net flows into active and passive fixed income funds in European market (Market: Europe Open Ended & ETF & Money markets excluding Funds of funds excluding Feeder). From Q1 2007-Q2 2025

Active versus Passive Equity Flows

- Unlike fixed income, what we see in equity is very different.
- We've seen outflows from active equity into passive in recent years, signalling active equity has been out of favour since 2022

Trend: Flows out of active equity funds, into passive equity in recent years.



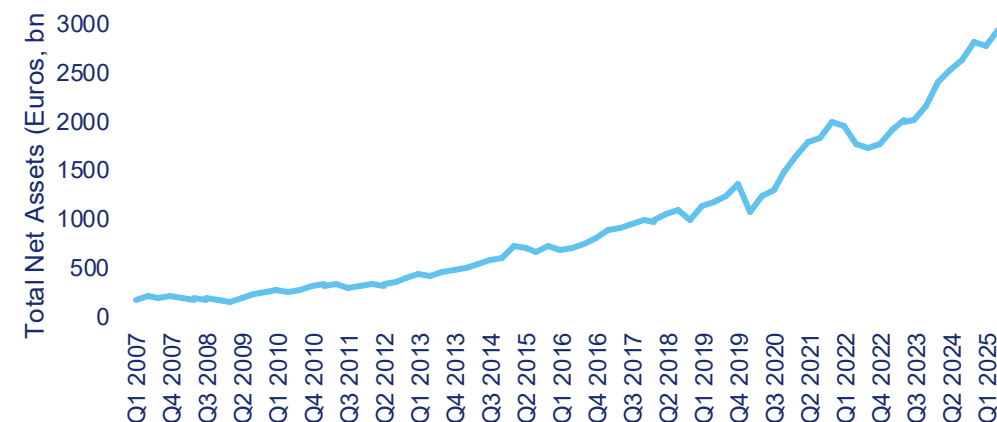
Past performance is not an indication of future results. The value of your investment may fall or rise.

Source: MIFL and Morningstar. Data from Morningstar which includes quarterly /estimated net flows into active and passive equity funds in European market. (Market: Europe Open Ended & ETF & Money markets excluding Funds of funds excluding Feeder). From Q1 2007-Q2 2025

Why have Flows been Negative for Active Equity Managers?

- **The rise of passive investing:** Increase in both the number and size of passive strategies
- The “**bandwagon effect**” has been a driving force:
 - ❑ As more investors have shown a preference for passive strategies, herd behaviour has reinforced this trend, leading to increased participation.
- **The complexity of active equity:** Active equity investing is not simple, requiring significant time, effort, and expertise to identify winners. This is not for everyone.

The rise of passive investing - Total Net Assets (Euros, bn)



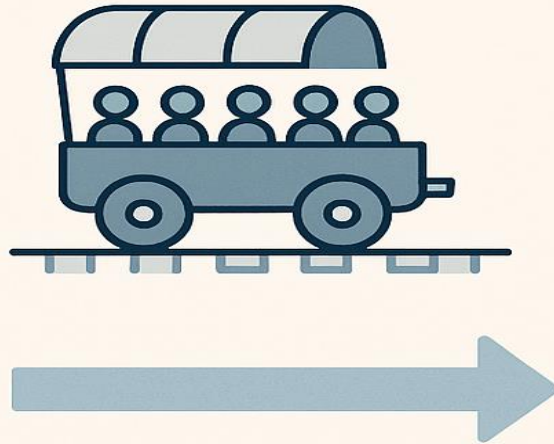
Source: MIFL and Morningstar. Data include quarterly Total Net Assets of passive equity funds in European market. Market: Europe Open Ended & ETF & Money markets excluding Funds of funds excluding Feeder. From Q1 2007-Q2 2025



Past performance is not an indication of future results. The value of your investment may fall or rise.

Easy way or hard way?

EASY WAY



**Passive
Investing**

HARD WAY



**Active
Investing**

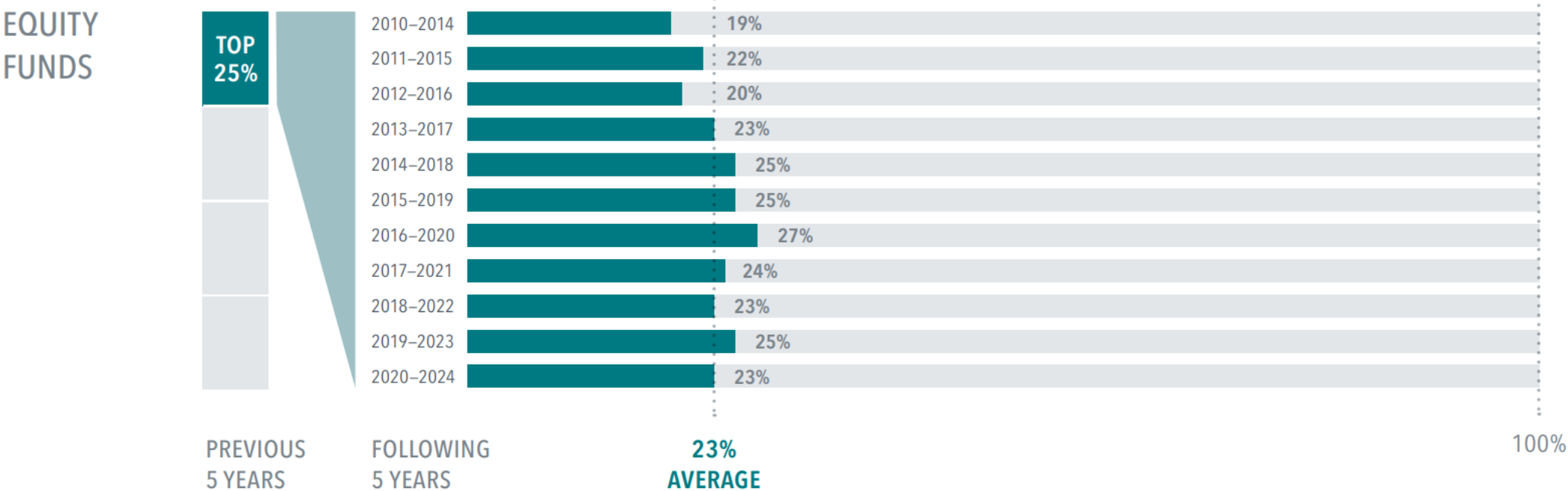


**Past performance
is not an indication
of future results**

Active Investing: Simply screen on past performance is not enough to select winners!

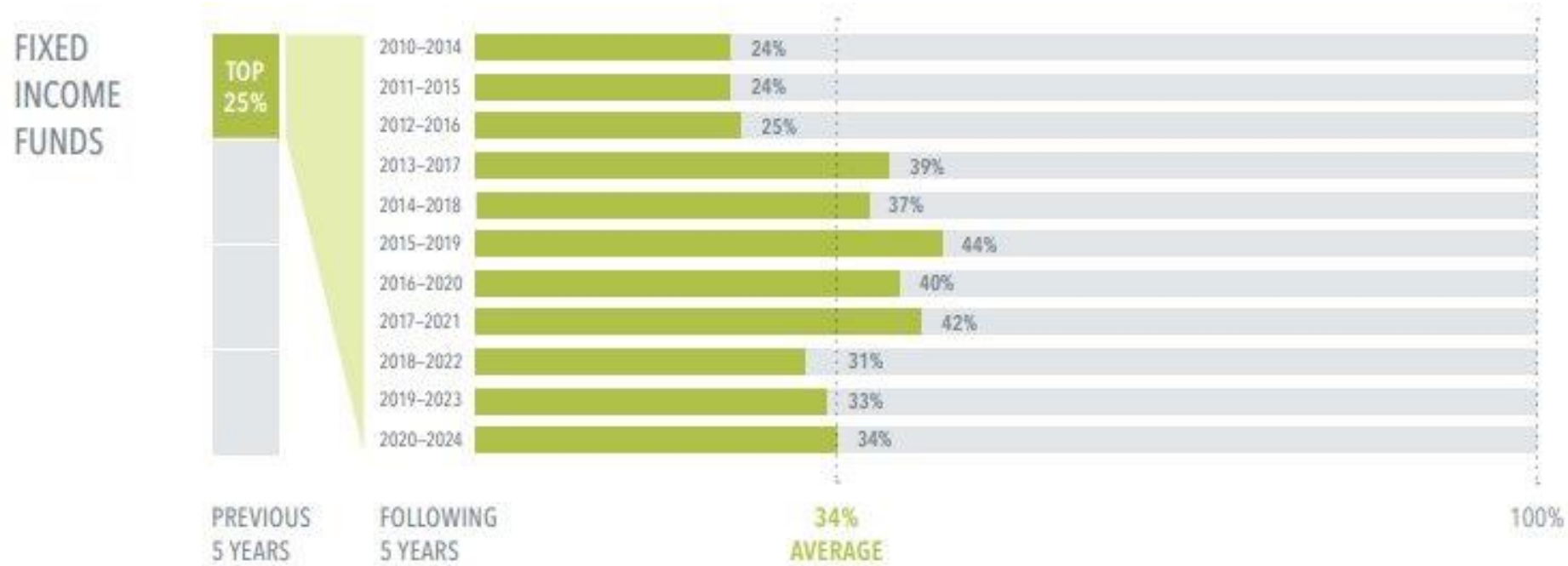
A Fund's Past Performance Is Not Enough to Predict Future Results

Percentage of funds that were top-quartile performers in consecutive five-year periods



Source: Dimensional Fund Advisor. Data include all US domiciled funds in both fixed income and equity markets.

Same in Fixed income!



Source: Dimensional Fund Advisor. Data include all US domiciled funds in both fixed income and equity markets.

A 28-year journey of adding value for our clients at Mediolanum



Highly Skilled & Well-resourced Multi-Manager Team

- 18 investment professionals
- >10 years of average industry experience
- Majority are CFA/CAIA/ACCA/PhD qualified



Cutting-edge Systems

- 5.5 million per year investment in systems* that support our decision-making processes
- 4 million investment in data & research*



Extensive Fund Selection Process

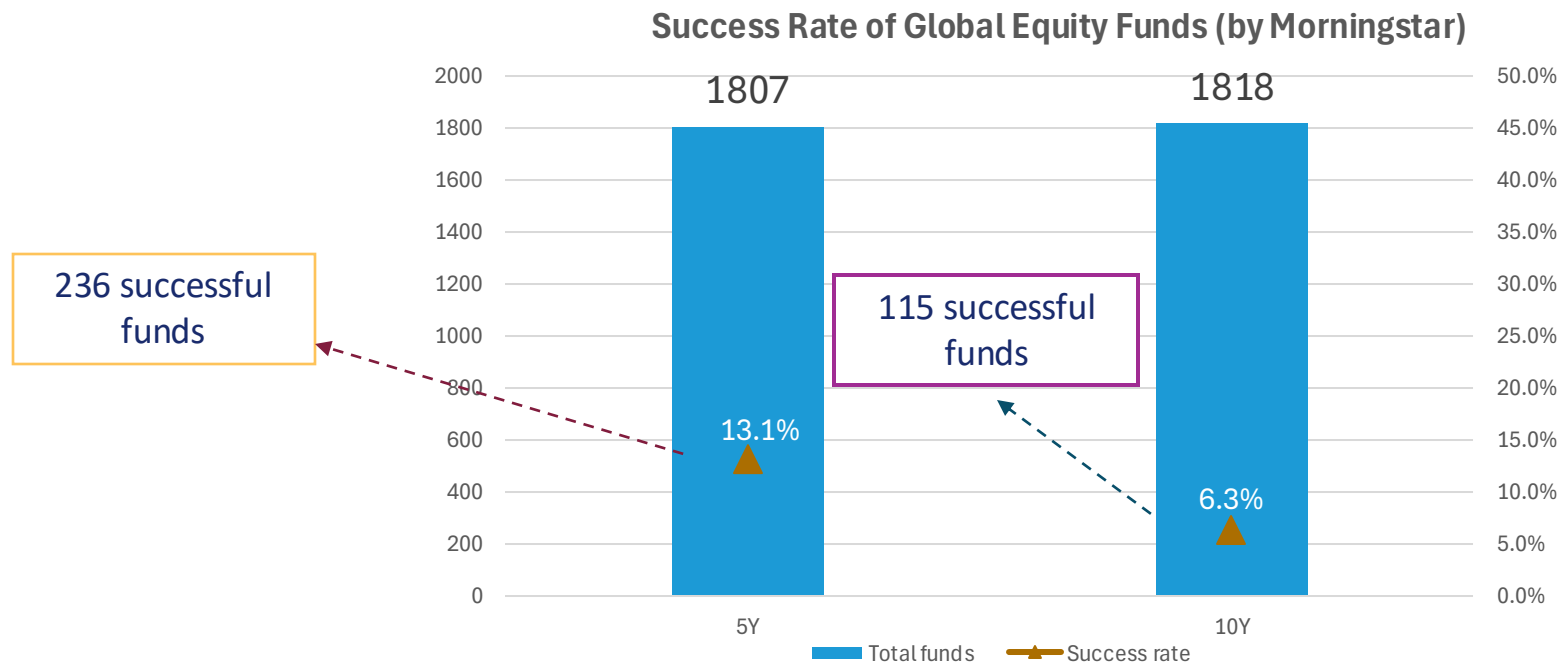
- c.130 funds/strategies under coverage
- >260 meetings with managers per year**
- Differentiating process, focus on identifying a manager's EDGE instead of solely on past performance
- 3-6 months of due diligence process prior to selection of a manager

* 2025 estimate

** Using 2024 figure

A Case Study: Global Equity Strategies

- Global equities has been a **challenging area** for identifying successful active managers.
- Among the three global equity categories (Morningstar), with 1807 strategies that were active 5 years ago in the European market, only 13% or 236 funds achieved outperformance.



Past performance is not an indication of future results. The value of your investment may fall or rise.



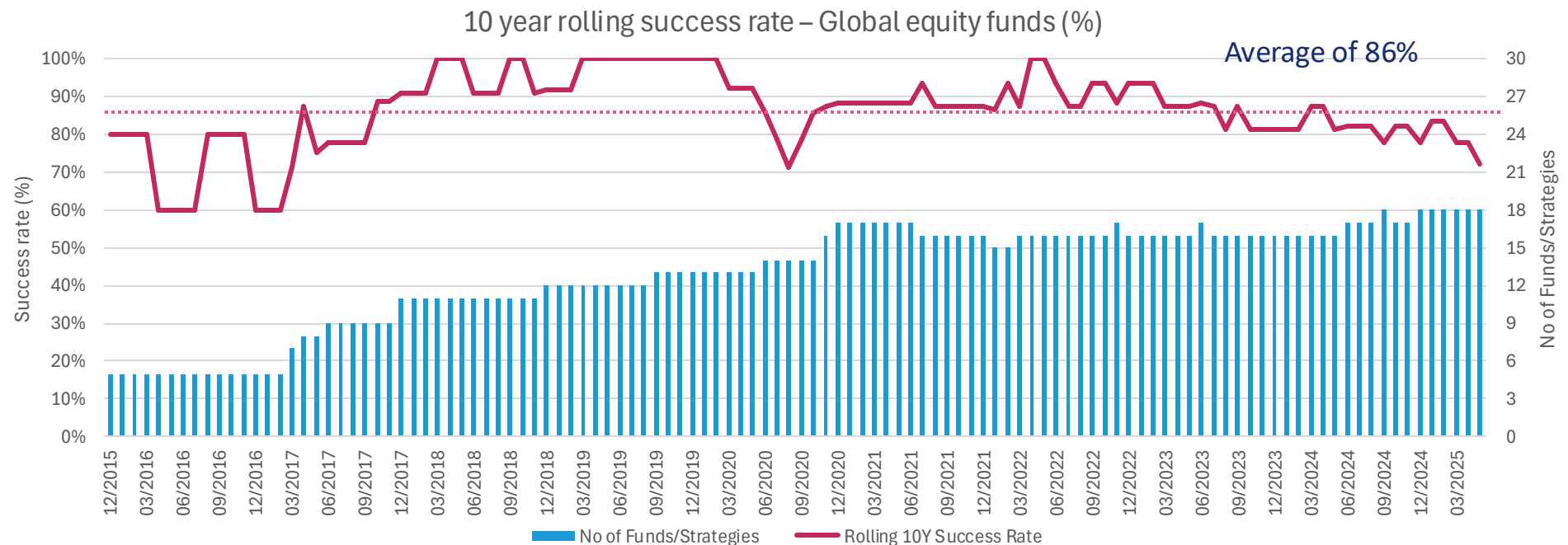
Source: Morningstar and MIFL. Data from *European Active/Passive Barometer Report: Mid-year 2025*. Three global categories featured in the report are Global Large Cap Blend, Global Large Cap Value, Global Equity Income. Morningstar calculation of success rate = percentage of funds that outperformed their asset weighted passive composite, net of fees.

Mediolanum's Experience With Global Equity Funds

- We analysed 27 **global equity funds**: 19 that are currently in our buy list, 8 that we sold over the years. 18 of those have data for at least one 10-year period.
- Graph shows 10- year rolling success rate[†] of these 18 strategies. Average 10-year rolling success rate[†] of 86%, most recent 10-year success rate[†] of 72%

Past performance is not an indication of future results. The value of your investment may fall or rise.

There may be losses of the capital invested. Past performance, simulations or forecasts are not a reliable indicator of future performance.



Source: Managers, MIFL. Strategies and assigned Strategic Asset Allocations (SAAs)' returns are reported in Euros, gross of fees, from 05/2005 to 05/2025.

Success rate is determined as follows: for example, the success rate for June 2020 reflects the percentage of funds that have outperformed their assigned benchmarks over the 10 years ending in June 2020. This rate is calculated when there are at least 5 funds or strategies with a 10-year performance record. The data may also include extended track records of funds or strategies that share the same investment approach and portfolio managers.

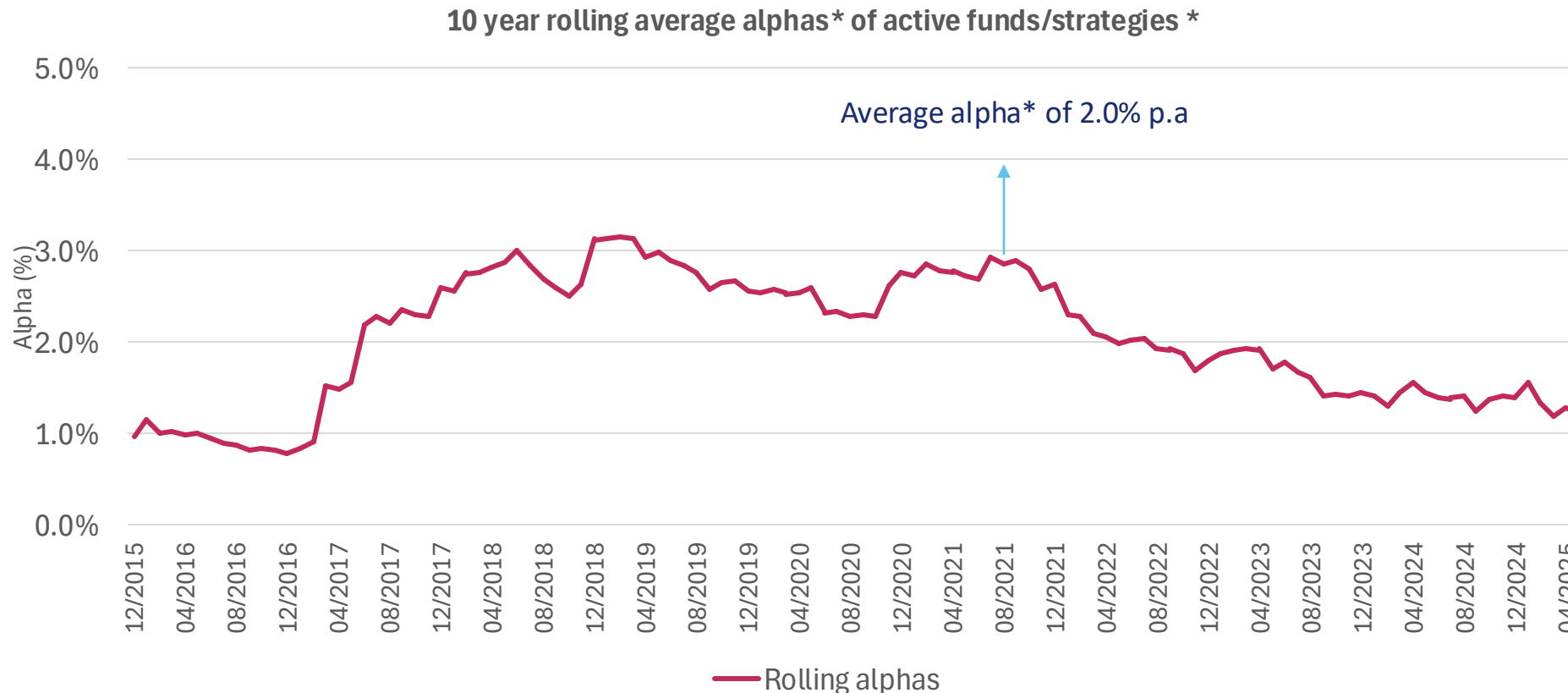
[†] The reported success rates include performance data from periods prior to our selection of these managers. While this reflects the overall quality of the strategies, it does not imply that all outperformance occurred during our holding period. Average time we have held these strategies is 3.5 years.



Mediolanum Experience with Global Equity strategies

Alphas = Manager returns -
SAA returns

These managers have achieved an average alpha* of 2.0% per annum.



Past performance is not an indication of future results. The value of your investment may fall or rise.

There may be losses of the capital invested. Past performance, simulations or forecasts are not a reliable indicator of future performance.

Source: Managers and MIFL. Strategies and assigned SAAs' returns are reported in Euros, gross of fees, from 05/2005 to 05/2025.

Alpha is calculated by subtracting average 10-year benchmark returns from strategies' average 10-year returns, requiring at least 5 funds/strategies with a 10-year track record. Data may include extended records of similar strategies with the same approach and the same managers.

*The reported alphas include performance data from periods prior to our selection of these funds/strategies. While this reflects the overall quality of the strategies, it does not imply that all outperformance occurred during our holding period. Average time we have held these strategies is 3.5 years. Alphas are reported gross of fees for both strategies and benchmarks.

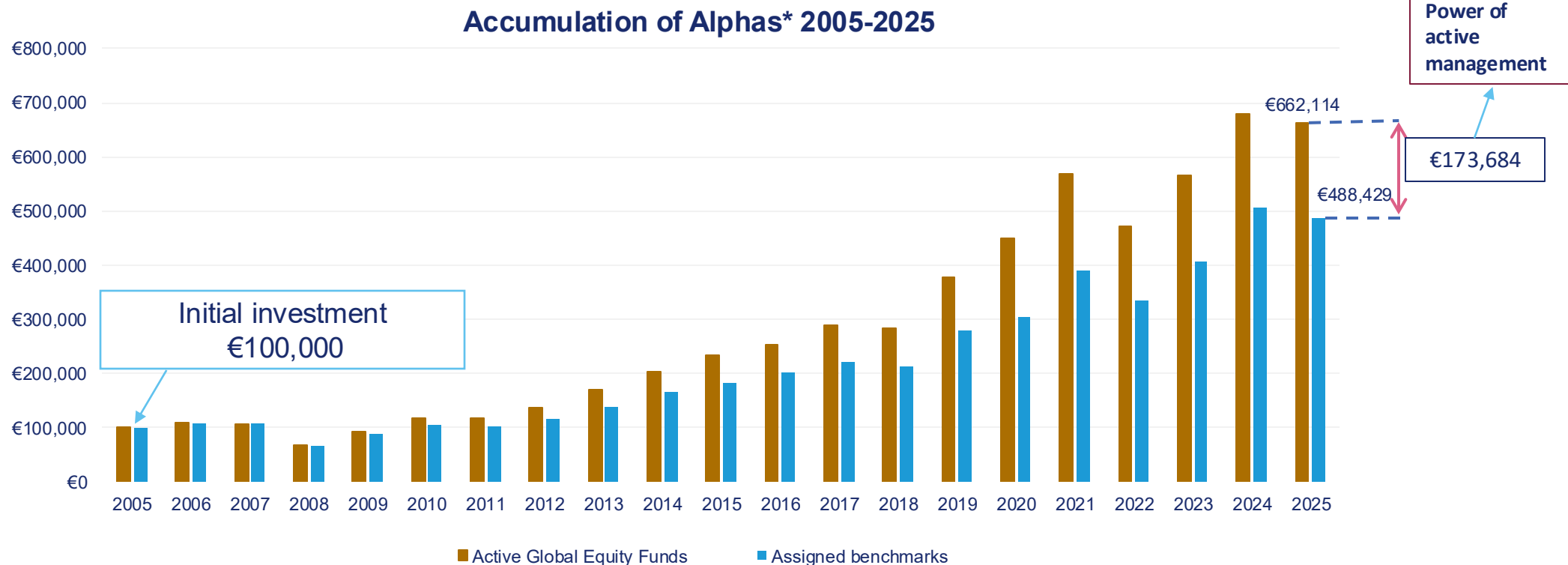


Compounding Effect Of Global Equity Strategies' Alphas

Data below shows the accumulation of alphas* should we have invested in these 27 strategies at end of 2005.

Past performance is not an indication of future results. The value of your investment may fall or rise.

There may be losses of the capital invested. Past performance, simulations or forecasts are not a reliable indicator of future performance.



Source: Managers and MIFL. Funds and assigned SAAs' returns are reported in Euros, gross of fees, from 05/2005 to 05/2025.

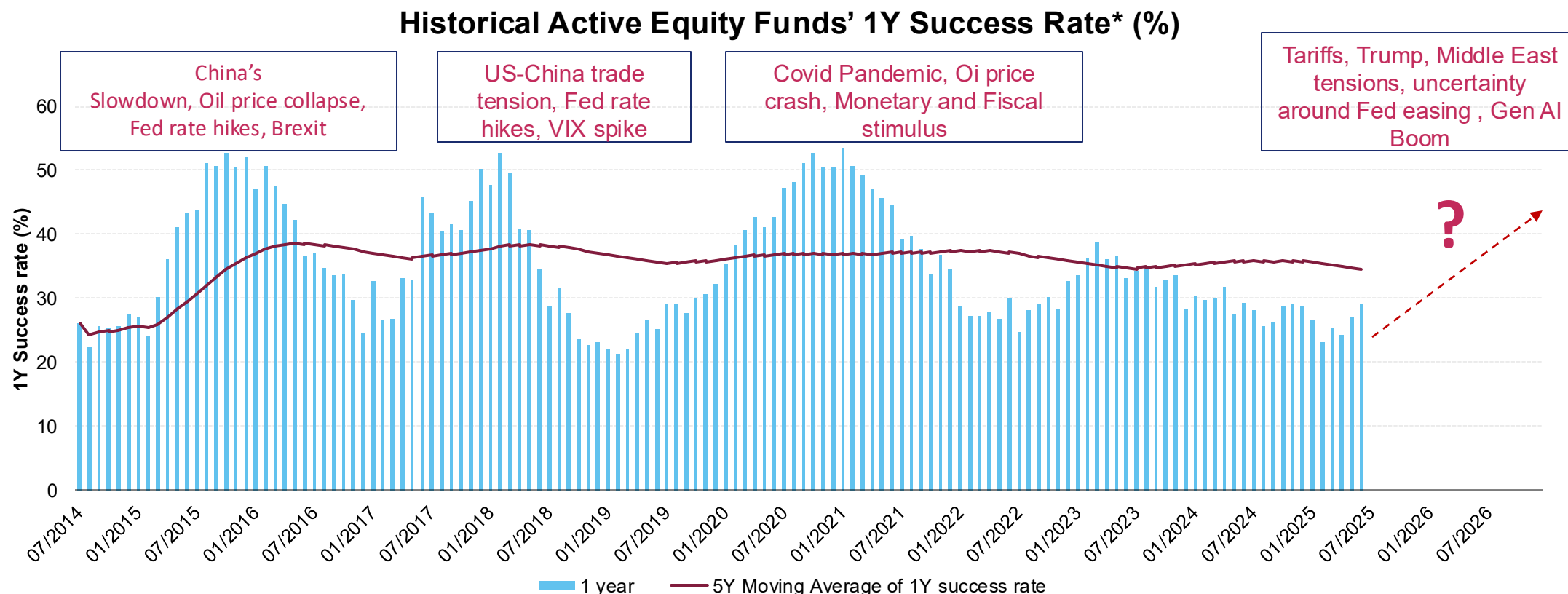
Alpha is calculated by subtracting average 10-year SAAs returns from strategies' average 10-year returns, requiring at least 5 funds/strategies with a 10-year track record. Data may include extended records of similar strategies with the same approach and the same managers.

*The reported alphas include performance data from periods prior to our selection of these funds/strategies. While this reflects the overall quality of the strategies, it does not imply that all outperformance occurred during our holding period. Average time we have held these strategies is 3.5 years. Alphas are reported gross of fees for both strategies and benchmarks



Success Rate* of Active Equity Managers during Stressed Periods

Higher success rate* for active equity were seen during periods of crisis and uncertainty



Past performance is not an indication of future results. The value of your investment may fall or rise.



Source: Morningstar and MIFL. From Morningstar research *European Active/Passive Barometer Report: Mid-year 2025*.

* Morningstar calculation of success rate = percentage of funds that outperformed their asset weighted passive composite, net of fees.

Summary

- It remains crucial to acknowledge that many **active managers are capable of delivering outperformance.**
- Finding these managers requires the expertise of professional fund selectors who possess the necessary resources and skills. **Professional advice is critical to success**
- The **strength of active management lies in the compounding effect of alpha generation.**
- Current climate of growing uncertainty, could this signal a burgeoning opportunity for active managers?



Disclaimers

- This **material is a marketing communication** and should not be sufficient to take a decision to invest in the promoted fund. Before making any investment decisions, please refer to the relevant fund Prospectus and to the Key Information Document which are available www.mifl.ie in order to consider the fund's investment objectives, risks, charges and expenses.
- This marketing material was prepared by Mediolanum International Funds Limited on [October 8th, 2025]
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October 8th, 2025

From Risk to Resilience: Financial Literacy as the Foundation for Strategic Investing in Volatile Times

Furio Pietribiasi

CEO, Mediolanum International Funds