

Which top five asset classes will be most/least suited to meet the needs of DB plan sponsors over the next 5 years?

Chapter 1: page 4: figure 1.1

Asset Manager and Pension Fund Surveys

| | <i>Most</i> | | | | <i>Least</i> | | | |
|--|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| <i>Asset Manager responses:</i> | | | | | | | | |
| Liability driven investments | 73% | 82% | 45% | 70% | 3% | 9% | 0% | 4% |
| Portable alpha | 66% | 82% | 55% | 70% | 0% | 3% | 0% | 1% |
| Hedge funds | 59% | 62% | 64% | 60% | 10% | 12% | 9% | 10% |
| Structured products (eg derivatives) | 49% | 53% | 18% | 47% | 10% | 15% | 0% | 10% |
| Private equity | 39% | 53% | 55% | 44% | 6% | 9% | 0% | 6% |
| | <i>Most</i> | | | | <i>Least</i> | | | |
| <i>DB Plan Sponsors's responses</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Global equities | 57% | 50% | 50% | 54% | 5% | 17% | 20% | 10% |
| Emerging market equities | 45% | 56% | 40% | 47% | 9% | 17% | 20% | 13% |
| Real estate | 48% | 28% | 70% | 46% | 5% | 11% | 0% | 6% |
| Manager of manager mandates | 45% | 33% | 50% | 43% | 9% | 17% | 20% | 13% |
| Private equity | 34% | 61% | 40% | 42% | 11% | 11% | 10% | 11% |

Which products will require maximum innovation for DB Institutional clients?

Chapter 1: page 5: figure 1.2

Asset Manager and Pension Fund Surveys

| <i>Asset Managers responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|---|----------------------|--------------------------|----------------------------|----------------------|
| Portable alpha | 51% | 71% | 45% | 56% |
| Liability driven investments | 49% | 55% | 45% | 50% |
| Structured products (eg derivatives) | 36% | 55% | 27% | 40% |
| Hedge funds | 26% | 29% | 27% | 27% |
| Tactical asset allocation | 22% | 35% | 9% | 24% |
| <i>DB Plan Sponsors responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Structured products | 14% | 33% | 40% | 22% |
| Portable alpha | 18% | 28% | 30% | 22% |
| Indexed (inflation linked) bonds | 14% | 22% | 30% | 18% |
| Liability driven investments | 18% | 17% | 10% | 17% |
| Hedge funds | 7% | 17% | 40% | 14% |
| Tactical asset allocation | 16% | 11% | 10% | 14% |

Which products will most/least meet the needs of DC plan holders over the next 5 years?

Chapter 1: page 6: figure 1.3

Asset Manager and Pension Fund Surveys

| | <i>Most</i> | | | | <i>Least</i> | | | |
|--|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| <i>Asset Manager responses:</i> | | | | | | | | |
| Liability-driven or age-based target date retirement funds | 63% | 66% | 50% | 63% | 1% | 9% | 0% | 3% |
| Tactical asset allocation investment advice products | 57% | 77% | 13% | 60% | 10% | 9% | 38% | 11% |
| Lifestyle funds/personal retirement funds | 53% | 60% | 50% | 55% | 4% | 14% | 0% | 7% |
| Customised investment plans/managed accounts | 47% | 63% | 75% | 53% | 4% | 6% | 0% | 4% |
| Fund of funds | 27% | 26% | 13% | 25% | 19% | 29% | 13% | 21% |
| | <i>Most</i> | | | | <i>Least</i> | | | |
| <i>DB Plan Sponsors's responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Liability-driven or age-based target date retirement funds | 35% | 82% | 30% | 45% | 8% | 9% | 0% | 6% |
| Tactical asset allocation investment advice products | 50% | 36% | 40% | 45% | 4% | 9% | 0% | 4% |
| Lifestyle funds/personal retirement funds | 31% | 73% | 30% | 40% | 12% | 9% | 0% | 9% |
| Customised investment plans/managed accounts | 27% | 45% | 60% | 38% | 15% | 9% | 0% | 11% |
| Fund of funds | 35% | 0% | 40% | 28% | 12% | 27% | 10% | 15% |

Which products will require maximum innovation for DC plan holders?

Chapter 1: page 7: figure 1.4

Asset Manager and Pension Fund Surveys

| <i>Asset Manager responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|----------------------|--------------------------|----------------------------|----------------------|
| Liability-driven or age-based target date retirement funds | 52% | 39% | 57% | 48% |
| Lifestyle funds/personal retirement funds | 35% | 36% | 29% | 35% |
| Customised investment plans/managed accounts | 30% | 39% | 29% | 33% |
| Tactical asset allocation investment advice products | 26% | 45% | 14% | 31% |
| <i>DB Plan Sponsors's responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Liability-driven or age-based target date retirement funds | 24% | 27% | 10% | 22% |
| Tactical asset allocation.investment advice products | 16% | 18% | 20% | 17% |
| Lifestyle funds/personal retirement funds | 16% | 27% | 0% | 15% |
| Fund of funds | 20% | 0% | 10% | 13% |

What will be the key sources of competitive advantage in the global marketplace?

Chapter 1: page 11: figure 1.8

Asset Manager and Pension Fund Surveys

| <i>Asset manager responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|---|----------------------|--------------------------|----------------------------|----------------------|
| Consistently good investment performance | 92% | 83% | 91% | 90% |
| Organisational stability | 73% | 69% | 71% | 70% |
| High quality investment process | 62% | 58% | 65% | 60% |
| A clear business strategy and the required execution capabilities | 51% | 50% | 45% | 50% |
| Strong risk management culture | 52% | 48% | 53% | 50% |
| <i>Pension funds' responses</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| High quality investment process | 80% | 95% | 86% | 84% |
| Consistently good investment performance | 78% | 68% | 64% | 73% |
| Organisational stability | 70% | 47% | 71% | 65% |
| Strong risk management culture | 62% | 53% | 64% | 60% |
| A clear business strategy and the required execution capabilities | 50% | 53% | 50% | 51% |

What will drive the decisions of clients pursuing their investment goals over the next 5 years?

Chapter 2: page 16

Asset Manager Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|---|---------------|-------------------|---------------------|---------------|
| <i>Institutional DB & DC Clients:</i> | | | | |
| Under-funded status of pension funds | 79% | 91% | 73% | 82% |
| Regulatory/accounting changes affecting the volatility of P&L | 70% | 57% | 45% | 64% |
| Client interest in alpha returns rather than market exposure | 56% | 69% | 73% | 61% |
| Availability of new products focusing on asset/liability management | 66% | 51% | 36% | 59% |
| Longer term outlook in the equity markets | 63% | 46% | 55% | 58% |
| Demand for unconstrained high alpha mandates | 57% | 49% | 45% | 54% |
| Increased risk appetite in a low return environment | 51% | 51% | 55% | 52% |
| Disillusionment with mainstream asset classes | 49% | 54% | 45% | 50% |
| Move from final salary (DB) to personal pension (DC) schemes | 46% | 51% | 55% | 48% |
| Longer term outlook in the bond markets | 57% | 29% | 36% | 48% |
| <i>Retail Clients:</i> | | | | |
| Losses suffered in 2000-2003 bear market | 79% | 84% | 33% | 77% |
| Industry trend away from 'product sale' to 'packaged solutions' | 61% | 65% | 36% | 69% |
| Longer term outlook in the equity markets | 72% | 48% | 89% | 67% |
| Increased risk appetite in a low return environment | 62% | 58% | 55% | 61% |
| Client interest in alpha returns rather than market exposure | 51% | 39% | 27% | 59% |
| Inadequate government provision of retirement services | 63% | 42% | 55% | 58% |
| Global/regional economic prospects | 54% | 61% | 45% | 56% |
| Move from final salary (DB) to personal pension (DC) schemes | 62% | 45% | 27% | 55% |
| Availability of new products focusing on lifestyle/age-based profiles | 66% | 61% | 45% | 55% |
| Disillusionment with mainstream asset classes | 54% | 65% | 56% | 55% |

What will be the key goals that your clients aim to achieve over the next 5 years?

Chapter 2: page 18

Asset Manager Survey

| <i>Institutional DB & DC Clients:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|----------------------|--------------------------|----------------------------|----------------------|
| More intelligent asset allocation | 80% | 94% | 64% | 83% |
| Separation of alpha and beta | 78% | 80% | 73% | 78% |
| Liability matching | 82% | 77% | 27% | 76% |
| Search for highest absolute returns | 66% | 69% | 91% | 69% |
| Consistent returns & capital protection | 71% | 60% | 64% | 67% |
| Minimise financial statement volatility | 66% | 54% | 45% | 61% |
| Cross-border investment opportunities | 29% | 34% | 55% | 33% |
| Low risk tolerance | 29% | 17% | 36% | 27% |
| Product simplicity | 23% | 29% | 18% | 24% |
| Flexibility to react to unforeseen events | 29% | 11% | 27% | 24% |
| <i>Retail Clients:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Consistent returns & capital protection | 86% | 84% | 78% | 85% |
| Search for highest absolute returns | 78% | 65% | 78% | 74% |
| Comfortable retirement | 61% | 77% | 67% | 66% |
| More intelligent asset allocation | 61% | 68% | 44% | 62% |
| Product simplicity | 56% | 61% | 56% | 57% |
| Tax efficiency | 58% | 52% | 56% | 56% |
| Flexibility to react to unforeseen events | 40% | 29% | 33% | 37% |
| Low risk tolerance | 36% | 35% | 22% | 35% |
| Money for a 'rainy' day | 33% | 23% | 22% | 29% |
| Cross-border investment opportunities | 26% | 23% | 56% | 28% |

Which asset classes will be most/least suited to meet the needs of DB Institutional Clients over the next 5 years?

Chapter 2: page 20

Asset Manager Survey

| | <i>Most</i> | | | | <i>Least</i> | | | |
|--------------------------------------|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Liability driven investments | 73% | 82% | 45% | 70% | 3% | 9% | 0% | 4% |
| Portable alpha | 66% | 82% | 55% | 70% | 0% | 3% | 0% | 1% |
| Hedge funds | 59% | 62% | 64% | 60% | 10% | 12% | 9% | 10% |
| Structured products (eg derivatives) | 49% | 53% | 18% | 47% | 10% | 15% | 0% | 10% |
| Private equity | 39% | 53% | 55% | 44% | 6% | 9% | 0% | 6% |
| Indexed (inflation linked) bonds | 46% | 47% | 18% | 44% | 10% | 9% | 9% | 10% |
| Tactical asset allocation | 41% | 56% | 0% | 42% | 6% | 12% | 0% | 7% |
| Global equities | 30% | 65% | 55% | 42% | 24% | 6% | 0% | 17% |
| Index-plus equities | 39% | 44% | 36% | 40% | 8% | 12% | 0% | 8% |
| Manager of manager mandates | 30% | 44% | 36% | 34% | 15% | 24% | 9% | 17% |
| Real estate | 29% | 38% | 36% | 32% | 15% | 18% | 9% | 15% |
| Emerging market equities | 29% | 44% | 18% | 32% | 6% | 6% | 9% | 6% |
| Commodity funds | 33% | 29% | 18% | 30% | 9% | 12% | 9% | 10% |
| High yield bonds | 25% | 26% | 36% | 26% | 14% | 15% | 0% | 13% |
| Emerging market bonds | 21% | 38% | 9% | 25% | 15% | 6% | 0% | 11% |
| Currency funds | 21% | 29% | 0% | 22% | 13% | 9% | 9% | 11% |
| Regional equities | 20% | 18% | 9% | 18% | 24% | 38% | 36% | 21% |
| Indexed equities | 20% | 15% | 18% | 18% | 21% | 59% | 27% | 32% |
| Investment grade bonds | 18% | 18% | 9% | 17% | 21% | 32% | 0% | 22% |
| Cash/money market funds | 5% | 9% | 0% | 6% | 29% | 29% | 18% | 28% |

Which products will be most/least suited to meet the needs of DC Institutional Clients over the next 5 years?

Chapter 2: page 22

Asset Manager Survey

| | <i>Most</i> | | | | <i>Least</i> | | | |
|--|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Liability-driven or age-based target date retirement funds | 63% | 66% | 50% | 63% | 1% | 9% | 0% | 3% |
| Tactical asset allocation investment advice products | 57% | 77% | 13% | 60% | 10% | 9% | 38% | 11% |
| Lifestyle funds/personal retirement funds | 53% | 60% | 50% | 55% | 4% | 14% | 0% | 7% |
| Customised investment plans/managed accounts | 47% | 63% | 75% | 53% | 4% | 6% | 0% | 4% |
| Fund of funds | 27% | 26% | 13% | 25% | 19% | 29% | 13% | 21% |
| Socially responsible investment products | 18% | 26% | 13% | 20% | 25% | 26% | 0% | 24% |
| Sovereign retirement funds | 8% | 9% | 0% | 7% | 19% | 31% | 25% | 23% |

Which mass customised products will be the most/least suited to the needs of retail clients over the next 5 years?

Chapter 2: page 24

Asset Manager Survey

| | <i>Most</i> | | | | <i>Least</i> | | | |
|--|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Alternative investments | 59% | 76% | 50% | 63% | 5% | 3% | 0% | 4% |
| Structured products | 53% | 61% | 50% | 55% | 10% | 12% | 0% | 10% |
| Liability-driven or age-based target date retirement funds | 45% | 61% | 50% | 50% | 9% | 3% | 10% | 7% |
| Income/capital protected funds | 51% | 58% | 20% | 50% | 8% | 12% | 0% | 8% |
| Retirement income distribution products | 36% | 52% | 40% | 40% | 6% | 9% | 0% | 7% |
| Enhanced annuities | 26% | 36% | 20% | 28% | 8% | 9% | 0% | 7% |
| Low risk funds | 26% | 9% | 30% | 21% | 21% | 21% | 10% | 20% |
| Cash plus | 27% | 6% | 20% | 21% | 18% | 27% | 10% | 20% |

Which products will require the most innovation?

Chapter 3: page 28

Asset Manager Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|---------------|-------------------|---------------------|---------------|
| <i>DB Institutional Clients:</i> | | | | |
| Portable alpha | 51% | 71% | 45% | 56% |
| Liability driven investments | 49% | 55% | 45% | 50% |
| Structured products (eg derivatives) | 36% | 55% | 27% | 40% |
| Hedge funds | 26% | 29% | 27% | 27% |
| Tactical asset allocation | 22% | 35% | 9% | 24% |
| <i>DC Institutional Clients:</i> | | | | |
| Liability-driven or age-based target date retirement funds | 52% | 39% | 57% | 48% |
| Lifestyle funds/personal retirement funds | 35% | 36% | 29% | 35% |
| Customised investment plans/managed accounts | 30% | 39% | 29% | 33% |
| Tactical asset allocation investment advice products | 26% | 45% | 14% | 31% |
| <i>Retail:</i> | | | | |
| Liability-driven or age-based target date retirement funds | 49% | 39% | 40% | 45% |
| Structured products | 39% | 42% | 40% | 40% |
| Alternative investments | 29% | 48% | 20% | 33% |
| Retirement income distribution products (eg IRAs in the USA) | 21% | 32% | 30% | 25% |
| Income/capital protected funds | 29% | 19% | 10% | 24% |
| Enhanced annuities | 23% | 23% | 20% | 23% |

What principal changes in manufacturing will you make to accommodate the needs of your clients over the next 5 years?

Chapter 3: page 30

Asset Manager Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|---------------|-------------------|---------------------|---------------|
| Superior investment process | 61% | 58% | 64% | 61% |
| Superior expertise in absolute return strategies | 56% | 69% | 64% | 60% |
| Superior expertise in customised solutions for clients | 48% | 61% | 64% | 53% |
| Improved capability to deliver 'all weather' portfolio | 51% | 47% | 27% | 48% |
| Multi-manager platforms providing 'best of breed' products | 47% | 53% | 36% | 48% |
| Superior expertise in asset-liability management | 47% | 53% | 27% | 47% |
| An expanded product range | 43% | 47% | 45% | 44% |
| Larger pool of highly talented investment professionals | 48% | 31% | 45% | 43% |
| Higher quality investment research | 40% | 42% | 55% | 41% |
| Superior expertise in use of derivatives | 41% | 36% | 36% | 39% |
| More effective R&D capability for new products | 43% | 28% | 27% | 38% |
| Superior expertise in alternative asset classes | 40% | 33% | 27% | 37% |
| Lower cost manufacturing | 26% | 14% | 0% | 21% |
| Greater centralisation of manufacturing capability | 18% | 6% | 0% | 13% |

What principal changes in distribution will you make to accommodate the needs of your clients over the next 5 years?

Chapter 3: page 32

Asset Manager Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|---------------|-------------------|---------------------|---------------|
| Improved client relationship managements | 82% | 89% | 91% | 84% |
| Stronger links with pension consultants | 64% | 67% | 64% | 65% |
| Greater reliance on prominent distributors | 57% | 69% | 55% | 60% |
| Greater use of open architecture | 56% | 53% | 45% | 55% |
| Wider range of products incorporating performance-related fees | 57% | 50% | 45% | 54% |
| Lower cost distribution | 55% | 39% | 36% | 49% |
| Greater reliance on direct sales | 51% | 47% | 27% | 48% |

What principal changes in business management practices will you make to accommodate the needs of your clients over the next 5 years?

Chapter 3: page 34

Asset Manager Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|---------------|-------------------|---------------------|---------------|
| Sharper focus on client service | 80% | 89% | 64% | 81% |
| Superior leadership capability at senior level in the business | 83% | 72% | 73% | 79% |
| More strategic approach to business growth | 74% | 75% | 73% | 74% |
| More effective capabilities in executing business plans | 64% | 75% | 64% | 67% |
| Greater accountabilities in all areas of business activity | 63% | 67% | 55% | 63% |
| Sharper link between performance & compensation | 65% | 44% | 45% | 58% |
| Greater transparency in all activities | 44% | 42% | 27% | 42% |
| Stronger focus on ethics | 24% | 28% | 27% | 25% |

What will be the dominant sources of competitive advantage in the global marketplace?

Chapter 3: page 36

Asset Manager Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|---|---------------|-------------------|---------------------|---------------|
| Consistently good investment performance | 92% | 83% | 91% | 90% |
| Organisational stability | 73% | 69% | 71% | 70% |
| High quality investment process | 62% | 58% | 65% | 60% |
| A clear business strategy and the required execution capabilities | 51% | 50% | 45% | 50% |
| Strong risk management culture | 52% | 48% | 53% | 50% |
| Ability to attract, retain and deploy the best talent | 47% | 50% | 55% | 49% |
| Admired brand | 48% | 42% | 82% | 49% |
| Recognition as 'cutting edge' innovators/research house | 44% | 33% | 73% | 43% |
| Ability to deliver superior client service | 46% | 36% | 18% | 41% |
| Being highly respected by pension funds, foundations and endowments | 31% | 53% | 9% | 35% |
| Being highly respected by pension consultants | 35% | 42% | 18% | 35% |
| Ability to manage risks | 31% | 31% | 36% | 32% |
| Ability to produce absolute returns consistently | 31% | 28% | 36% | 31% |
| Value for money' fee structure | 31% | 22% | 0% | 26% |
| Global presence | 22% | 36% | 27% | 26% |
| Ability to attract alliance partners and manage relationships | 25% | 25% | 0% | 23% |
| Being highly respected by third-party distributors | 20% | 25% | 0% | 20% |
| Being highly respected by individual investors | 19% | 14% | 9% | 17% |
| Ability to deal with derivatives | 17% | 14% | 0% | 15% |
| Being highly respected by regulators and governments | 11% | 6% | 0% | 9% |

What are the key factors that will drive your decisions about the choice of different asset classes over the next 5 years?

Chapter 4: page 40

Pension Fund Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|---------------|-------------------|---------------------|---------------|
| <i>DB Plan Sponsors:</i> | | | | |
| Medium term outlook in the bond markets | 72% | 41% | 83% | 67% |
| Global/regional economic prospects | 65% | 53% | 67% | 63% |
| Medium term outlook in the equity markets | 63% | 53% | 75% | 63% |
| New products availability focusing on asset/liability management | 49% | 53% | 50% | 50% |
| Regulatory/accounting changes affecting volatility of pension funds' P & L | 49% | 53% | 17% | 44% |
| Growing interest in portable alpha | 35% | 65% | 50% | 44% |
| Under-funded status of pension funds | 51% | 53% | 17% | 44% |
| Disillusionment with mainstream asset classes | 30% | 53% | 50% | 39% |
| Increased risk appetite in a low return environment | 33% | 41% | 50% | 38% |
| Changing demographics | 35% | 41% | 33% | 36% |
| <i>DC Plan Sponsors:</i> | | | | |
| Medium term outlook in the equity markets | 71% | 40% | 82% | 67% |
| Medium term outlook in the bond markets | 63% | 60% | 64% | 62% |
| Global/regional economic prospects | 67% | 40% | 55% | 58% |
| New products availability focusing on lifestyle/age-based profiles | 50% | 90% | 27% | 53% |
| Increased risk appetite in a low return environment | 54% | 40% | 55% | 51% |
| New products availability focusing on asset/liability management | 53% | 41% | 54% | 51% |
| Changing demographics | 42% | 60% | 36% | 44% |
| Inadequate government-provided retirement income support | 40% | 60% | 36% | 40% |
| Potential retirement income shortfall from employee savings (DC) schemes | 40% | 58% | 18% | 38% |
| Growing interest in portable alpha | 33% | 20% | 64% | 38% |

As DB plan sponsors, which asset classes will most/least meet your funding needs over the next 5 years?

Chapter 4: page 42

Pension Fund Survey

| | <i>Most</i> | | | | <i>Least</i> | | | |
|----------------------------------|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Global equities | 57% | 50% | 50% | 54% | 5% | 17% | 20% | 10% |
| Emerging market equities | 45% | 56% | 40% | 47% | 9% | 17% | 20% | 13% |
| Real estate | 48% | 28% | 70% | 46% | 5% | 11% | 0% | 6% |
| Manager of manager mandates | 45% | 33% | 50% | 43% | 9% | 17% | 20% | 13% |
| Private equity | 34% | 61% | 40% | 42% | 11% | 11% | 10% | 11% |
| Portable alpha | 30% | 61% | 50% | 40% | 9% | 11% | 0% | 8% |
| Tactical asset allocation | 41% | 33% | 20% | 36% | 11% | 17% | 0% | 11% |
| Index-plus equities | 32% | 39% | 50% | 36% | 9% | 11% | 20% | 11% |
| High yield bonds | 41% | 11% | 50% | 35% | 11% | 17% | 10% | 13% |
| Investment grade bonds | 32% | 44% | 20% | 33% | 16% | 11% | 30% | 17% |
| Structured products | 27% | 39% | 40% | 32% | 14% | 11% | 0% | 11% |
| Liability driven investments | 23% | 44% | 10% | 26% | 16% | 11% | 10% | 14% |
| Commodity funds | 23% | 28% | 20% | 24% | 9% | 17% | 10% | 11% |
| Currency funds | 20% | 28% | 30% | 24% | 14% | 17% | 10% | 14% |
| Hedge funds | 18% | 33% | 30% | 24% | 16% | 17% | 10% | 15% |
| Emerging market bonds | 23% | 17% | 30% | 22% | 11% | 22% | 20% | 15% |
| Regional equities | 27% | 11% | 10% | 21% | 14% | 17% | 20% | 15% |
| Indexed (inflation linked) bonds | 16% | 17% | 30% | 18% | 20% | 11% | 20% | 18% |
| Indexed equities | 20% | 11% | 10% | 17% | 14% | 39% | 20% | 21% |
| Cash/money market funds | 9% | 6% | 20% | 10% | 16% | 33% | 0% | 18% |

Which generic products will best meet the funding needs of DC plan holders over the next 5 years?

Chapter 4: page 44

Pension Fund Survey

| | <i>Most</i> | | | | <i>Least</i> | | | |
|--|---------------|-------------------|---------------------|---------------|---------------|-------------------|---------------------|---------------|
| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Liability-driven or age-based target date retirement funds | 35% | 82% | 30% | 45% | 8% | 9% | 0% | 6% |
| Tactical asset allocation.investment advice products | 50% | 36% | 40% | 45% | 4% | 9% | 0% | 4% |
| Lifestyle funds/personal retirement funds | 31% | 73% | 30% | 40% | 12% | 9% | 0% | 9% |
| Customised investment plans/managed accounts | 27% | 45% | 60% | 38% | 15% | 9% | 0% | 11% |
| Fund of funds | 35% | 0% | 40% | 28% | 12% | 27% | 10% | 15% |
| Socially responsible investment products | 12% | 9% | 20% | 13% | 12% | 18% | 20% | 15% |
| Sovereign retirement funds | 8% | 9% | 0% | 6% | 12% | 27% | 20% | 17% |

Which products require maximum innovation?

Chapter 4: page 46

Pension Fund Survey

| <i>DB Plan Sponsors:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|----------------------|--------------------------|----------------------------|----------------------|
| Structured products | 14% | 33% | 40% | 22% |
| Portable alpha | 18% | 28% | 30% | 22% |
| Indexed (inflation linked) bonds | 14% | 22% | 30% | 18% |
| Liability driven investments | 18% | 17% | 10% | 17% |
| Hedge funds | 7% | 17% | 40% | 14% |
| Tactical asset allocation | 16% | 11% | 10% | 14% |
| Private equity | 7% | 28% | 10% | 13% |
| <i>DC Plan Sponsors:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Liability-driven or age-based target date retirement funds | 24% | 27% | 10% | 22% |
| Tactical asset allocation.investment advice products | 16% | 18% | 20% | 17% |
| Lifestyle funds/personal retirement funds | 16% | 27% | 0% | 15% |
| Fund of funds | 20% | 0% | 10% | 13% |

From your perspective as a client, what are the top five factors that will have maximum influence on your decision when awarding mandates to asset managers over the next 5 years?

Chapter 4: page 48

Pension Fund Survey

| | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|---|---------------|-------------------|---------------------|---------------|
| High quality investment process | 80% | 95% | 86% | 84% |
| Consistently good investment performance | 78% | 68% | 64% | 73% |
| Organisational stability | 70% | 47% | 71% | 65% |
| Strong risk management culture | 62% | 53% | 64% | 60% |
| A clear business strategy and the required execution capabilities | 50% | 53% | 50% | 51% |
| Value for money' fee structure | 56% | 16% | 43% | 45% |
| Ability to produce absolute returns consistently | 34% | 32% | 21% | 31% |
| Ability to attract, retain and deploy the best talent | 20% | 42% | 14% | 24% |
| Recognition as 'cutting edge' innovators/research house | 20% | 37% | 21% | 24% |
| Global presence | 22% | 26% | 21% | 23% |
| Being highly respected by pension funds, foundations and endowments | 22% | 26% | 7% | 20% |
| Being highly respected by pension consultants | 20% | 21% | 14% | 19% |
| Ability to deliver superior client service | 24% | 21% | 0% | 19% |
| Ability to deal with derivatives | 20% | 11% | 7% | 16% |
| Admired brand | 18% | 16% | 0% | 14% |
| Being highly respected by regulators and governments | 12% | 21% | 0% | 11% |
| Being highly respected by individual investors | 12% | 5% | 7% | 10% |

How will the asset management industry change over the next 5 years?

Chapter5: page 52

Asset Manager and Pension Fund Surveys

| <i>Asset Managers' responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|---|----------------------|--------------------------|----------------------------|----------------------|
| Increased regulation | 65% | 61% | 82% | 65% |
| Greater use of derivatives | 62% | 67% | 55% | 63% |
| Further consolidation | 65% | 61% | 45% | 63% |
| Decoupling of manufacturing and distribution | 51% | 61% | 73% | 55% |
| Large fund managers developing proprietary multi-manager platforms | 49% | 53% | 45% | 50% |
| Proliferation of independent boutiques | 49% | 50% | 45% | 49% |
| Performance-based fees | 48% | 44% | 36% | 46% |
| Investment banks venturing into fund management via structured products | 44% | 47% | 9% | 42% |
| Pensions consultants venturing into multi-manager platforms | 35% | 50% | 36% | 39% |
| Increased domination of distribution by banking and insurance intermediaries | 37% | 25% | 36% | 34% |
| Investment banks venturing into pensions advice | 24% | 33% | 0% | 24% |
| <i>Pension Funds' responses:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Greater use of derivatives | 82% | 74% | 50% | 75% |
| Increased regulation | 76% | 74% | 57% | 72% |
| Further consolidation | 66% | 68% | 50% | 64% |
| More products with performance-based fees | 58% | 63% | 79% | 63% |
| Proliferation of independent boutiques | 64% | 53% | 93% | 54% |
| Large asset managers developing proprietary multi-manager platforms | 64% | 26% | 71% | 45% |
| Investment banks venturing into fund management via structured products | 40% | 42% | 29% | 39% |
| Pensions consultants venturing into multi-manager platforms | 40% | 21% | 43% | 36% |
| Greater reliance on performance-based incentives for investment professionals | 36% | 37% | 21% | 34% |
| Investment banks venturing into pensions advice | 38% | 26% | 29% | 34% |

What will be the optimal back-office functions in the next 5 years?

Chapter 5: page 54

Asset Manager Survey

| <i>Will be outsourced:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
|--|----------------------|--------------------------|----------------------------|----------------------|
| Derivatives pricing and processing | 32% | 17% | 0% | 25% |
| Independent valuation of investments | 21% | 6% | 9% | 16% |
| Shareholder services | 16% | 14% | 0% | 14% |
| Tax planning | 13% | 17% | 9% | 13% |
| Performance measurement & investor reporting | 14% | 8% | 18% | 13% |
| Proxy voting | 14% | 6% | 9% | 11% |
| Custody and settlement | 13% | 0% | 9% | 9% |
| Risk management services (eg VAR analysis) | 8% | 11% | 9% | 9% |
| Regulatory compliance | 8% | 3% | 0% | 6% |
| <i>Has been outsourced:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Custody and settlement | 69% | 89% | 82% | 75% |
| Independent valuation of investments | 47% | 53% | 27% | 47% |
| Shareholder services | 34% | 36% | 55% | 37% |
| Proxy voting | 31% | 47% | 18% | 34% |
| Derivatives pricing and processing | 25% | 33% | 18% | 27% |
| Tax planning | 23% | 33% | 9% | 25% |
| Performance measurement & investor reporting | 14% | 17% | 0% | 13% |
| Risk management services (eg VAR analysis) | 3% | 8% | 0% | 4% |
| Regulatory compliance | 3% | 6% | 9% | 4% |
| <i>Remain in-house:</i> | <i>Europe</i> | <i>N. America</i> | <i>Asia Pacific</i> | <i>Global</i> |
| Regulatory compliance | 80% | 83% | 91% | 82% |
| Risk management services (eg VAR analysis) | 86% | 69% | 64% | 80% |
| Performance measurement & investor reporting | 67% | 69% | 55% | 66% |
| Tax planning | 44% | 25% | 55% | 40% |
| Proxy voting | 37% | 42% | 45% | 39% |
| Shareholder services | 37% | 33% | 18% | 34% |
| Derivatives pricing and processing | 29% | 28% | 36% | 29% |
| Independent valuation of investments | 22% | 33% | 36% | 26% |
| Custody and settlement | 17% | 6% | 9% | 13% |