PENSION SCHEMES COVER BACKS ON TAX

LEGAL ISSUES
BY JAMES REDGRAVE
EDITOR, ASSET INTELLIGENCE

Trust-based defined contribution (DC) pension schemes are amending their rules in the run up to next month, to restrict members from accessing the full range of retirement freedoms.

In addition to avoiding the administrative costs of running drawdown plans, schemes also fear legal reprisals from members who lose out on money in retirement by taking out the wrong type of drawdown, as a result of complex legacy tax law.

Certain members are entitled to more than the 25% tax free lump sum the law will guarantee everyone from the start of April, based on scheme rules offering a ‘protected lump sum limit’.

These limits were allowed under pre-2006 tax law, and enable members of relevant schemes to keep entitlements to tax-free benefits on their DC pots, based on the size their salaries, which could reach more than 25% of the total pot.

And any member from a scheme with such rules who was part of a bulk transfer into any other trust-based scheme prior to after 2006 is entitled to take the accrued tax free entitlement with them, even if their new scheme does not have protected lump sum limits. As a result of how tax law interacts with different drawdown products, the member would have to use specific drawdown structures in order to get the full tax free benefit.

Flexi-Access Drawdown plans (FADs) – which make all initial withdrawals tax free, until the member’s limit is reached, then taxes him at his marginal rate – offer the full enhanced tax free cash.

But if the member takes an Uncrystallised Funds Pension Lump Sum (UFPLS) drawdown arrangement – which spreads their tax free benefit across all withdrawals from the fund and are consequently popular for tax planning – they would lose any accrued tax free cash beyond the legally mandatory 25%.

Post-April, any scheme with rules that currently allow members to take all legal retirement options will be obliged to offer the full range of drawdown options to members and automatically transfer them into their preferred retirement arrangement.

If they fail to inform a member of his tax status and automatically transfer him into a scheme which loses him a potential benefit without communicating the loss to him, they could face lawsuits.

The new legal freedoms mean schemes cannot prevent members transferring out of their DC schemes at retirement into drawdown plans... (cont’d page 2)
NAPF MAKES CUSTODY CALL

The Financial Conduct Authority may expand its investment banking competition probe into other areas including asset management, clearing and execution services.

CUSTODY
BY JOE PARSONS, REPORTER, GLOBAL CUSTODIAN

The National Association of Pension Funds (NAPF) has argued the FCA’s investigation into competition in the investment banking sector should include custodial services.

The call follows the publication of an FCA review into competition in the wholesale sector, which found there was limited transparency over price and quality of services.

According to NAPF, issues over competition could include custody as it argues there are significant barriers to entry and increasingly narrow range of providers.

“Presently pension funds receive many ancillary services from a narrow pool of providers commonly bundled in with core custody services,” said Will Pomroy, policy lead corporate governance, NAPF.

“This means it is often difficult for funds to assess whether value for money is being achieved.

“What is clear is that there is limited innovation and often insufficient focus on client needs in this sector, and to that end we welcome the FCA’s signal that it may take a closer interest in the competitive dynamics in this market.”

The FCA may also expand its investigations into other areas including asset management, vertical integration of clearing and execution services, the impact of a reduction in the number of clearing members, and a lack of client clearing for over-the-counter (OTC) derivatives. Christopher Woolard, director of strategy and competition, FCA, said there are “unanswered questions”.

HBOS UK PENSION BOSS DEPARTS

MOVES
BY NICK REEVE, ASSISTANT EUROPEAN EDITOR, CIO

The head of investments at Halifax Bank of Scotland’s (HBOS) UK pension fund has left her role.

Larissa Benbow led the investment team for the HBOS Final Salary Pension Scheme from June 2011, having joined the £10.3 billion pension in 2008. She left her position last week.

It comes as the HBOS and Lloyds defined benefit pensions are set to come under the management of a newly-appointed outsourced chief investment officer.

Richard Cooper of Momentum Global Investment Management is understood to be taking over the combined £32 billion pool of assets. In 2013, Benbow helped arrange a £2 billion “safety net” in conjunction with sponsor Lloyds Banking Group, involving a cash-and-assets injection of more than £1 billion.

As part of the plan, Lloyds will make contributions into the fund from 2020 to help close its deficit. Harry Baines, chairman of the pension, said at the time of the arrangement that it would remove the need for a longer-term sponsor-funded recovery plan.

Lloyds bought HBOS in September 2008 at the height of the banking crisis, but was forced to negotiate a bailout from the UK government a month later. The government has been selling down its stake since September 2013, and now owns less than a quarter of shares, compared to its initial 43% stake.

Benbow is one of Asset International’s Chief Investment Officer magazine’s Forty Under Forty, having appeared on the list in 2012, 2013, and 2014. She has also worked at Sungard.

HBOS UK PENSION BOSS DEPARTS

MOVES
BY NICK REEVE, ASSISTANT EUROPEAN EDITOR, CIO

The head of investments at Halifax Bank of Scotland’s (HBOS) UK pension fund has left her role.

Larissa Benbow led the investment team for the HBOS Final Salary Pension Scheme from June 2011, having joined the £10.3 billion pension in 2008. She left her position last week.

It comes as the HBOS and Lloyds defined benefit pensions are set to come under the management of a newly-appointed outsourced chief investment officer.

Richard Cooper of Momentum Global Investment Management is understood to be taking over the combined £32 billion pool of assets. In 2013, Benbow helped arrange a £2 billion “safety net” in conjunction with sponsor Lloyds Banking Group, involving a cash-and-assets injection of more than £1 billion.

As part of the plan, Lloyds will make contributions into the fund from 2020 to help close its deficit. Harry Baines, chairman of the pension, said at the time of the arrangement that it would remove the need for a longer-term sponsor-funded recovery plan.

Lloyds bought HBOS in September 2008 at the height of the banking crisis, but was forced to negotiate a bailout from the UK government a month later. The government has been selling down its stake since September 2013, and now owns less than a quarter of shares, compared to its initial 43% stake.

Benbow is one of Asset International’s Chief Investment Officer magazine’s Forty Under Forty, having appeared on the list in 2012, 2013, and 2014. She has also worked at Sungard.
LPFA ENCOURAGES INFRA COMPETITION

INFRAS TEXT
BY NICK REEVE, ASSISTANT EUROPEAN EDITOR, CIO
UK public sector pensions should be competing with international investors for infrastructure assets, the deputy chairman of the London Pension Fund Authority (LPFA) has said.

Sir Merrick Cockell, former chair of the UK’s Local Government Association, made a plea for public funds to embrace active management and alternative assets, in a speech last month to other council pension fund staff.

He highlighted Canada’s public sector funds—including the Canada Pension Plan Investment Board and Ontario Teachers—as examples that the UK’s pensions should seek to emulate in terms of infrastructure and real estate investment.

“They are not just investing in projects, but making them happen,” he said. “This is something that UK funds should also have the opportunity to do. We have the collective size to be meaningful players and investors.

“Our local knowledge and relationships make us the perfect partners for many UK infrastructure projects.

“In times of low interest rates, we must find assets to invest in that provide a return that will reduce and ultimately eliminate our deficits. To do this we must be able to play on a bigger stage.”

He added that the LPFA was specifically interested in “transport, housing, commercial real estate, and regulated assets such as transmission or utility companies.”

CIPD WARNS ON LOWER PAID OPT OUT RATES

DEFINED CONTRIBUTION
BY JAMES REDGRAVE, EDITOR, ASSET INTELLIGENCE
Lower paid workers eligible for automatic enrolment are disproportionately likely to opt out of workplace schemes, according to Chartered Institute of Personnel & Development (CIPD) research.

A poll of 2,225 employees by the HR professionals’ trade organisation reveals 47 per cent of workers earning between £10,001 and £13,300 are not in a workplace pension plan, compared to 13 per cent of those earning more than £48,000.

The figures, from the CIPD’s ‘Employee Attitudes to Pay & Pensions’ survey, published this month, also show just 39 per cent of 18-24 year olds are in schemes, compared to 65 per cent on average across all age groups.

Of all eligible workers surveyed, 74 per cent had remained in their automatic enrolment schemes.

Member awareness of their defined contribution pots investments was also lower among the more poorly paid, with 55 per cent of respondents on average claiming to know where their money was invested, falling to 39 per cent for the £10,001-£13,300 bracket and 44 per cent for those earning £13,301-£22,000.

Investment performance was considered the most important information to receive regularly by the most respondents (32 per cent), followed by charges (31 per cent) and retirement options at state pension age (29 per cent).

A quarter of workers also wanted more information about how much they should be saving, while 19 per cent wanted to know more about their investment options.

TUC BOSS TO PROMOTE LONG-TERM THINKING

ECONOMY
BY NICK REEVE, ASSISTANT EUROPEAN EDITOR, CIO
Profit should not be seen as a dirty word, but more emphasis must be placed on long-term sustainability of business models, the Trades Union Congress’ (TUC) general secretary will argue this week.

Frances O’Grady speaks at the final session of the second day at the National Association of Pension Funds Conference, on Thursday 12 March, alongside Lady Susan Rice, president of the Scottish Council for Development and Industry, and Simon Walker, director-general of the Institute of Directors (IoD).

The imbalance of pay levels was highlighted by O’Grady at the start of this month, following Barclays Bank’s annual results.

She claimed then “it is hard to have a positive view of any organisation that pays its boss £5.5 million in a single year—a sum that would take a full-time worker on the minimum wage 465 years to earn”. And TUC Policy Adviser Janet Williamson told Asset Intelligence the union recognised the need for companies to make profits in order to support their workers and the growth of the economy, but that a new, longer-term mindset was needed.

“It’s about trying to find a model that works for all, and that’s what the TUC is focused on,” Williamson said. “We recognise that our members depend on successful businesses to ensure pay rises, but what they are getting at the moment is real pay cuts. Is that fair and sustainable?”

Williamson said the union was keen to promote the idea of long-term, sustainable profits over short-term thinking.

“We want to take into account long-term sustainability of profits, reform directors’ duties, and promote workers’ voices to support a long-term approach to investment,” she said.

O’Grady’s fellow panelists may be on the same page. Last week, the IoD published a survey of company directors from small and medium-sized businesses, in conjunction with think-tank the High Pay Centre, which highlighted excessive pay as a major threat to the public’s trust in larger companies.

The IoD’s Walker said “in some corners of corporate Britain pay for top executives may be on the same page. “There is a responsibility on the part of directors and boards to restore the link between long-term performance, accountability, shareholder return, and executive rewards,” he added.
ROW OVER TRADING COSTS

The National Association of Pension Funds says its members want to look more ‘holistically’ at costs and charges resulting from trades made in member portfolios.

TRADING COSTS
BY JOE MCGRATH, EDITOR, THE TRADE

The National Association of Pension Funds has reacted to the Financial Conduct Authority and the Department for Work & Pensions’ call for evidence on transaction costs for workplace pensions.

It comes just one month ahead of new obligations for independent governance committees and pensions scheme trustees to report annually on the charges involved in managing pension pots of scheme members – including trading costs.

In an interview with The TRADE, ahead of the publication of the report, Iain Cowell, investment director of the National Association of Pension Funds (NAPF), said pension funds are “not getting consistent data from their providers”.

He explained: “What we are doing at the NAPF is working with a core group of our members to help define what that content structure of reporting looks like.”

Today’s news comes two weeks after the Investment Association published its discussion paper on how asset managers should communicate costs and charges to their clients.

The IA’s director general had told The TRADE that his members are keen for ‘spread capture’ to be the key metric in identifying transaction costs.

However, the NAPF’s investment director, Iain Cowell, said his members would like to see a greater analysis – looking at costs from all angles.

He said: “We are looking at a much wider agenda and considering a much wider cost structure. The bid/offer spread is one area, but unlike the Investment Association, we look at it more holistically for the overall pension scheme.

“We very much support the IA’s approach and they have taken that position because of the nature of their members.” Cowell said that from the NAPF’s perspective, it is the trustees that have the responsibility to be able to do that analysis of the investment manager and pass on the benefit of that expertise and knowledge to the underlying members.

In a statement announcing the call for evidence, Christopher Woolard, director of strategy and competition at the FCA, said: “Trustees and IGs’ of workplace pension schemes need to have clear and transparent information as part of assessing value for money offered by pension schemes.

“We want clarity and consistency across the market and that is why we are asking for views on how costs and charges information should be disclosed.”

• See page 8 for a two page special on how pension funds are embracing third party solutions to get a better understanding of trading costs in portfolios.
The Momentum Diversified Target Return Fund targets returns comparable to equities with less risk.
For further information, please contact Russell Andrews. T: 020 7618 1803. russell.andrews@momentumgim.com

IS LONGEVITY RISK DYING?

Some academics believe there is a limit to human life expectancy. So what does this mean for pension liabilities?

LONGEVITY
BY NICK REEVE, ASSISTANT EUROPEAN EDITOR, CIO

Longevity may not always be the big risk to your portfolio it is now.

In 2009, David Dorr, then-CEO of life settlements trading platform Life-Exchange Inc., claimed: “We are at the apex of the longevity growth curve.” In the Journal of Structured Finance, he made the case that life expectancy is set to fall in the decades ahead.

Dorr cited the strain that a growing world population will place on resources, unsustainably high health care costs, poorer quality food and falling living standards as factors that could increase mortality and even cause life expectancy to “drop quite dramatically”.

It is important to mention that Dorr went on to talk of arbitrage opportunities for investors in his asset class—which essentially bets on people dying earlier than expected—but his paper nevertheless raises an interesting issue: what if people stop living longer?

There is already evidence that life expectancy is not increasing at the rate it once was.

First, the numbers. According to the World Bank, a Japanese person born in 2012 could expect to live 15 years longer than a compatriot born in 1960—an improvement of 3.6 months for every year.

But much of this improvement occurred in the 1960s and 1970s. Between 1987 and 2012, Japanese life expectancy from birth improved by 2.3 months per year, half the rate of the previous 26 years and behind Germany, Australia and the

UK. In the first 12 years of the 21st century even the average life expectancy in the US improved by more than Japan.

In the UK, there is similar evidence of improvements slowing. The Department for Work and Pensions reported last year that between 1973 and 2013, male life expectancy at age 65 improved by two months per year, from 13.1 years to 21.8 years.

Between 2013 and 2058, the rate of improvement is forecast to halve.

America’s mortality improvement rate is also declining, according to data from the Society of Actuaries. Although this figure is different to longevity, it backs up work by renowned scientist Jay Olshansky.

A professor at the University of Illinois and specialist in life expectancy and health, Olshansky has co-authored several research papers and articles arguing that the human body is not built to last.

In a 2005 co-authored report published in the New England Journal of Medicine, Olshansky and other academics argued that obesity trends in the US “threaten to diminish the health and life expectancy of current and future generations”.

The report stated: “Unless effective population-level interventions to reduce obesity are developed, the steady rise in life expectancy observed in the modern era may soon come to an end, and the youth of today may, on average, live less healthy and possibly even shorter lives than their parents.

“In fact, if the negative effect of obesity on life expectancy continues to worsen, and current trends in prevalence suggest it will, then gains in health and longevity...”
that have taken decades to achieve may be quickly reversed.”

So, does this mean longevity risk is dying?

David Blake, professor of pension economics at London’s Cass Business School, says it could be—but warns investors not to dump those hedging plans just yet.

“There is an upper limit to the human life span, and that appears to be around 115 years,” Blake says.

He adds that “more and more people are approaching that upper limit” as each generation ages.

“That suggests an increasing number of people will survive to higher ages and will be dying in the range of 100 to 115. If that’s going to happen, there is still a long time until longevity isn’t a risk.

“Pension funds in the next 20 to 30 years definitely have got to work with longevity.”

Medical advances such as nanotechnology and gene therapy could also push up the number of centenarians as a whole ages—although, as Olshansky has argued, it would require an unprecedented rollout across the world’s population to make a meaningful impact on longevity.

Blake is also cautious on these advances, but for a different reason. “The real risk to society is that life expectancy increases at a greater rate than healthy life expectancy—that is what is going to challenge social welfare budgets,” he says.

A quick estimate indicates that, to reach 115, a 65-year-old retiring today on an average US pension of £18,700 a year would place close to a million liability on his or her pension fund, without factoring in inflation.

“The big takeaway is that we all need to be saving like hell,” Blake concludes.

There is another school of thought on longevity—and in his trademark baggy jumper, ponytail and a long brown beard stretching comfortably over his chest, super-centenarian advocate Aubrey de Grey looks more like a believer in New Age than old age.

But he has a radical set of theories that would send shivers down the spines of most actuaries.

Described by Blake as a “wild card,” critics accuse the controversial author and theoretician of hunting publicity as much as he hunts for a “cure” to aging and degeneration.

Most famously, nearly 10 years ago, de Grey voiced his belief that the first human to live to 1,000 is already drawing a pension.

Whether you believe his theory or not, it’s worth considering it as a worst-case scenario. What’s the average total pension needed for a 65-year-old retiring today if he or she reaches 1,000? £17.5 million.

It might be worth calling your actuary.

• Interested in longevity risk? Don’t miss the plenary session with Imperial College’s Lord Winston at this year’s National Association of Pension Funds Investment Conference on Thursday 12 March at 09:15 AM.

...I have an idea that I think will save you a lot of money: greetings cards and funeral homes...

David Blake, professor of economics, Cass Business School

defined benefit pension trustees should probably look away now.

So, Sir Alan...

About this longevity risk hedge you’re planning. More of your pension fund members are retiring, but they’re not dying.

I have an idea that I think will save you a lot of money: greetings cards and funeral homes.

No, no, bear with me. It could work.

A UK high street greetings cards retailer, Clinton Cards, saw a 22% rise in sales of 100th birthday cards in the past 12 months, according to a press release.

People are living longer. Your pensioners are living longer. They all have families, right? And what do families buy old people? That’s right, birthday cards! And it gets better: There was a 48% rise in 95th birthday cards, so the 100th birthday cards are only going to sell better and better. The income from these companies could go a long way if you go big.

Tim Fairs, marketing director at Clintons, said that if these increases are anything to go by, we should expect his company to increase its range to include cards for people celebrating their 125th birthdays. Why are you laughing?

Okay, if the birthday thing doesn’t get you, the funeral homes will.

Another UK firm, Avalon, said in a press release that—no, I don’t get all my ideas from unsolicited emails. Avalon is a ‘leading provider of prepaid funeral plans,’ so it knows what it’s talking about.

In 12 months, it’s seen inquiries increase 300%, and the number of funeral plans written almost doubled in that time.

So, people are living longer, but also people are dying. What? No, I didn’t say people weren’t dying, that would be a stupid thing to say. My cat died only last month, and I’d rather not talk about it if you don’t mind.

These are two really lucrative markets, and buying related companies’ stock is so much cheaper than setting up your own insurance company to transact a longevity swap, like BT did. Add a bit of leverage and you’re as good as hedged!

What do you mean, I’m fired?

Nick Reeve

THE APPRENTICE: THE LONGEVITY PITCH
UNDER THE MICROSCOPE

As regulatory interest in trading charges heightens once more, all parties are seeking more from providers of transaction cost analysis

TRADING COSTS
BY JOE MCGRAH,T, EDITOR, THE TRADE

The importance of identifying and monitoring trading costs, which could hit portfolio returns, is beginning to dawn on some pension trustees for the first time.

And asset management groups are finding they need to pay much closer attention to transaction cost analysis as a result of enhanced regulatory responsibilities, fragmented liquidity and this heightened demand from clients.

Research conducted by independent consultants on behalf of The TRADE, found in-house systems are being replaced by ever more sophisticated third party tools as a result of the changing demands.

Independent researchers interviewed 36 companies across Europe to gauge the current thinking, including representatives from Axa Investment Management, Deutsche Bank, Invesco, Societe Generale and State Street.

Figures from Greyspark show spend on TCA is likely to increase significantly between 2015 and 2017, most notably in the fixed income (+25%), listed futures / options (+33%) and FX asset classes (+50%)

And, according to research by our consultants, around 60% of the firms interviewed said spend on external TCA vendors was growing by more than 5% each year.

A portfolio manager at Axa Investment Managers said:

"It's also good for compliance, for our clients and the COOs, it's an important piece of management information. It might direct your behaviour going forward, it's also a great management tool. Once a month we look through the results with the traders and discuss why we have certain results."

Buy-side buy in

There are numerous regulatory and economic reasons why TCA is attracting increased spend from asset managers.

Under changes to the rules from the first Markets In Financial Instruments Directive (MIFID 1) in 2007, it was companies on the sell-side that devoted time and resources to improving their analytics.

Fast forward to 2015 and the ever-looming prospect of MIFID II – due to come into force next year – is focussing the minds of asset managers who now need to show they have standardised controls to monitor the quality of their execution.

The European Securities and Markets Authority's (ESMA) technical advice to the European Commission, released in December, stipulated that clients "have the right to full disclosure when it comes to costs and charges".

ESMA said transaction costs could be "estimated on a best effort basis" and "based on a reasonable underlying set of assumptions."

Time to invest

Asset managers large and small have been responding, investing in their TCA systems.

Kristian West, managing director, equities at JP Morgan Asset Management said the company has been investing heavily in its analytics platform.

He explained: "We have huge amounts of data and five dedicated quants on the trading team globally whose role is to question our processes. The stuff we are working on now is around the analytics and the automation. Traditionally, it has been about venue selection, algo selection and so on. Traders should be much more informed and we want to use the analytics that these guys are building as much as possible."

In February, Ardevora Asset Management confirmed it too was investing in TCA as a result of changing client demand and regulatory changes.

Neil Bond, partner at Ardevora, said: "It is important so that we can see where we are doing a good and a bad job. Regulators want us to be able to demonstrate we are..."
doing the right thing and not just say we are doing the right thing. They want a decent TCA system in place to show we are keeping an eye on the brokers.” MIFID is not the only regulatory challenge that will affect change.

The ongoing Financial Conduct Authority review on unbundling fund research commissions, Basel III’s requirements on liquidity monitoring and last year’s best execution review have all been drivers of investment in Transaction Cost Analysis in the UK.

Closer scrutiny

It’s not just the asset managers either. Their clients are also being pressured to provide greater transparency on trading costs and execution.

Investment consultants – the companies which advise institutional investors such as pension funds and sovereign wealth funds on where they should be invested – are being asked to provide greater clarity too.

In a report by the Department for Business Innovation and Skills last year, the Law Commission called on the government to monitor the accuracy of the recommendations made by consultants.

Tighter regulation is affecting pension funds as well. From April 2015, workplace pension trustees in the UK are obliged to adhere to tougher governance standards on fund investment arrangements. These include an obligation to assess transaction costs and charges in a portfolio and appoint a chairperson with direct responsibility to monitor them. These regulations are predicted to be tightened still further in 2016.

Many are expected to turn to transition management specialists – such as Russell Investments or State Street - to do the leg work for them.

In Europe, the European Insurance and Occupational Pensions Authority is also pushing for greater transparency and standardisation in how transaction and trading costs are reported.

The result of all of this is that asset managers are also under pressure from their own clients to provide additional information when it comes to execution.

Those on the sell-side say they are noticing a change in attitude from buy-side dealing desks, with the former receiving requests for more detailed explanations on costs and execution.

In the research commissioned by The TRADE, a dealer at Liontrust – who asked to remain anonymous – said that his company was reviewing the quality of its brokers on a quarterly basis.

While some sell-side firms – notably some Tier 1 banks – have no appetite for the use of third-party TCA services, there are signs that these vendors are being to gain market share there also. A spokesman for Societe Generale said: “We use an external provider for some T+1 stuff, where it is of benefit to provide an independent view of the client. It’s such a low cost for us and to do what they do internally would cost us a lot more.”

Despite this, SocGen maintains that it would never switch to an external provider for all of its requirements because no one company offers real time TCA to the standards it would require. The best way to evaluate TCA is the subject of much debate.

Buy-side demand now stretches beyond headline macro-benchmarks such as Volume Weighted Average Price (VWAP) slippage, with fund managers wanting more detailed information on spread capture, venue analysis and HFT Latency.

In February, the Investment Association launched its discussion paper “Meaningful disclosure of costs and charges.”

Part of the report’s objective was to provide a template for transaction cost disclosure that can inform current regulatory work on the provision of transaction cost information.

In the report, the Investment Association called on fund managers to disclose estimates of the expected impact of transaction costs (including spreads, commissions and stamp duty) in their anticipated fund performance literature to clients. Daniel Godfrey, chief executive of the Investment Association, said: “Pricing on spread looks like a good and meaningful way of doing it.”

“Our view is that we have a responsibility to disclose and explain every factor that has an outcome on returns. That doesn’t mean for us to create a magic ratio because we don’t think one exists.

“It does mean ‘here are what the direct costs are, and here are what the historical costs have been.”

There is the performance that we have achieved and here is how it was delivered.”

Godfrey admits there are other ways of measuring cost which could give more data, but he said spread was the ‘fairest’ way to be transparent.

Others believe the argument is a little more complicated.

Per Loven, head of corporate strategy and product, EMEA at Liquidnet, said: “We have always looked at this on two levels.

Spread capture is part of the top execution cost in how you interact with the broker, which is part of transaction cost.

“Spread capture itself without taking market depth into consideration is ignoring the largest cost. Including market depth gives you the overall [picture].”

“Purely focussing on spread capture is giving you part of the picture.”

While much of the increased buy-side spend on TCA to date has been from an equities standpoint, regulatory directives will see this drive spill over into other asset classes too, notably fixed income and FX.

An employee at BNY Mellon-owned Pershing, told The TRADE’s researchers: “The FCA’s thematic review said that everyone has to pay more attention to the non-equity asset classes – fixed income and FX.

“You can feel a groundswell of opinion. We are getting clients asking us now about FX rates and fixed income. The market is trying to find a solution.”

These views were echoed by another trader at Danske Bank who said that the concept of TCA in currencies remains immature and noted that no one provider is currently providing a strong cross-asset offering.

And it’s not just in other asset classes where TCA spend is poised to increase.

 Globally, there are signs that spend on third party services are mirroring the trends in the UK.

In the US, the current market for third party equities TCA is twice the size of the UK, at between £20 and £25 million, according to a former senior director at Markit.

He said he would expect the growth rate – by the amount spent on third party services – to increase by between 10% and 15% in 2015.

What is clear is that the big winners here are the TCA providers who are benefitting from the accidental squeeze on buy side firms resulting from new regulations and resulting client pressures.

What is yet to emerge is how TCA providers will respond to the growing demand and how real-time and multi-asset class solutions will evolve to meet the insatiable appetite for analysis of cost and execution.
Leading pension funds are investing in cutting-edge technology to underpin the new investment model.

A recent State Street survey of 134 pension funds, conducted by the Economist Intelligence Unit, reveals how pension funds are transforming their operating models and technology infrastructures as they race to stay ahead in a fast changing investment climate.

Three trends are driving developments. Investment portfolios are being overhauled as pension funds seek new sources of growth in an environment of sustained low interest rates.

Regulatory demands are also forcing pension funds to become more transparent. Meanwhile, pressure to control costs and improve governance is causing many to bring more of their asset management in-house.

These trends are forcing pension funds to modernize. They are upgrading their technology infrastructures and, in this environment, 93 percent cite good data management as a strategic priority.

Fully Optimised
Multi-asset investment portfolios are becoming increasingly popular. By investing across a mix of alternatives, these multi-asset strategies can help pension funds boost returns and diversification.

Private equity is a particular focus: 60 per cent of respondents in our survey say they will increase their existing allocations here.

But the research reveals that other alternatives, such as real estate, hedge funds and infrastructure, are highly in demand.

Each of these new asset classes brings its own requirements in terms of performance attribution, risk modeling and regulatory reporting. But it’s assessing how these asset classes work together that makes multi-asset strategies particularly challenging.

Typically pension funds find themselves dealing with a number of analytical tools and data sources.

The challenge grows with the need to roll out new best-of-breed technologies to support each new asset class. Almost half (47 per cent) of pension funds in State Street’s survey believe that they will need to manage more technology platforms in the next three years.

Regulatory pressure
In addition to adapting to the requirements of the new investment model, pension funds must also deal with a constantly shifting set of regulatory requirements.

98 per cent of pension funds in the survey believe they need to improve their ability to meet regulatory requirements with three quarters (73 per cent) regarding this as a high priority.

Existing reporting infrastructures are already creaking under regulatory pressure for transparency in terms of risk exposure.

In fact, regulatory change has become “business as usual”. Pension funds therefore need to engineer the ability to adapt into their reporting systems.

The regulatory challenge can’t be solved simply by investing in better reporting tools, however.

The regulators are also asking fundamental questions about the provenance and integrity of data — where does it come from, and can it be trusted? Addressing these issues requires pension funds to develop a robust approach to data governance.

Insourcing & outsourcing
A third trend driving change is the trend for insourcing. In State Street’s survey, 81 per cent of respondents said that they expect to bring more asset management in-house during the next three years.

This move is largely driven by a desire to reduce cost, but pension funds are also seeking to get, improve governance and risk management.

Insourcing needs careful planning, however. Few pension funds have the in-house talent or tools to manage a full multi-asset portfolio. A blended model is therefore emerging, with pension funds managing some familiar asset classes in-house (such as equities and fixed income), while also collaborating closely with external asset managers who provide specialist expertise on other areas.

This combination of insourced and outsourced investment management requires a different type of operating model.

Existing reporting infrastructures are already creaking under regulatory pressure for transparency.

This is also an opportunity: those asset managers that can provide rich data to their clients in a convenient format will have a compelling advantage.

Engineered for change
Leading pension funds are making significant investments to keep pace with the above trends. They are looking to develop advanced analytics tools and adaptable reporting systems.

Underpinning these new tools, there is the need for a highly adaptable and integrated data infrastructure.

As pension funds diversify, embracing new operating models, excellence in data management becomes critical. Supported by the right infrastructure, pension funds can embrace change — using agile operating models to seize new investment opportunities while simultaneously creating value.

AGILE OPERATORS
Leading pension funds are investing in cutting-edge technology to underpin the new investment model.

A recent State Street survey of 134 pension funds, conducted by the Economist Intelligence Unit, reveals how pension funds are transforming their operating models and technology infrastructures as they race to stay ahead in a fast changing investment climate.

Three trends are driving developments. Investment portfolios are being overhauled as pension funds seek new sources of growth in an environment of sustained low interest rates.

Regulatory demands are also forcing pension funds to become more transparent. Meanwhile, pressure to control costs and improve governance is causing many to bring more of their asset management in-house.

These trends are forcing pension funds to modernize. They are upgrading their technology infrastructures and, in this environment, 93 percent cite good data management as a strategic priority.

Fully Optimised
Multi-asset investment portfolios are becoming increasingly popular. By investing across a mix of alternatives, these multi-asset strategies can help pension funds boost returns and diversification.

Private equity is a particular focus: 60 per cent of respondents in our survey say they will increase their existing allocations here.

But the research reveals that other alternatives, such as real estate, hedge funds and infrastructure, are highly in demand.

Each of these new asset classes brings its own requirements in terms of performance attribution, risk modeling and regulatory reporting. But it’s assessing how these asset classes work together that makes multi-asset strategies particularly challenging.

Typically pension funds find themselves dealing with a number of analytical tools and data sources.

The challenge grows with the need to roll out new best-of-breed technologies to support each new asset class. Almost half (47 per cent) of pension funds in State Street’s survey believe that they will need to manage more technology platforms in the next three years.

Regulatory pressure
In addition to adapting to the requirements of the new investment model, pension funds must also deal with a constantly shifting set of regulatory requirements.

98 per cent of pension funds in the survey believe they need to improve their ability to meet regulatory requirements — with three quarters (73 per cent) regarding this as a high priority.

Existing reporting infrastructures are already creaking under regulatory pressure for transparency in terms of risk exposure.

In fact, regulatory change has become “business as usual”. Pension funds therefore need to engineer the ability to adapt into their reporting systems.

The regulatory challenge can’t be solved simply by investing in better reporting tools, however.

The regulators are also asking fundamental questions about the provenance and integrity of data — where does it come from, and can it be trusted? Addressing these issues requires pension funds to develop a robust approach to data governance.

Insourcing & outsourcing
A third trend driving change is the trend for insourcing. In State Street’s survey, 81 per cent of respondents said that they expect to bring more asset management in-house during the next three years.

This move is largely driven by a desire to reduce cost, but pension funds are also seeking to get, improve governance and risk management.

Insourcing needs careful planning, however. Few pension funds have the in-house talent or tools to manage a full multi-asset portfolio. A blended model is therefore emerging, with pension funds managing some familiar asset classes in-house (such as equities and fixed income), while also collaborating closely with external asset managers who provide specialist expertise on other areas.

This combination of insourced and outsourced investment management requires a different type of operating model.

Existing reporting infrastructures are already creaking under regulatory pressure for transparency.

This is also an opportunity: those asset managers that can provide rich data to their clients in a convenient format will have a compelling advantage.

Engineered for change
Leading pension funds are making significant investments to keep pace with the above trends. They are looking to develop advanced analytics tools and adaptable reporting systems.

Underpinning these new tools, there is the need for a highly adaptable and integrated data infrastructure.

As pension funds diversify, embracing new operating models, excellence in data management becomes critical. Supported by the right infrastructure, pension funds can embrace change — using agile operating models to seize new investment opportunities while simultaneously creating value.

Disclaimer:
The views expressed in this material are the views of State Street Corporation through the period ended 2 March 2015 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking state-
ments. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. The informa-
tion provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor’s particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information. Investing involves risk including the risk of loss of principal. Diversification does not ensure a profit or guarantee against loss.

ASSET INTELLIGENCE | 11 MARCH 2015 | SPONSORED THOUGHT LEADERSHIP
The National Association of Pension Funds (NAPF) is warning “100 per cent of schemes have had their plans disrupted” by the Pensions Regulator dragging its heels over the level of communication required of trustees, for next month’s retirement freedoms.

The regulator is currently considering a version of the so called ‘2nd line of defence’ rules – which could require schemes to quiz members to gauge their knowledge of all potential risks associated with taking cash at retirement – for trust-based schemes.

The Financial Conduct Authority (FCA) has already published detailed 2nd Line guidelines for contract-based schemes, which do involve uncertainty over the 2nd Line communication requirements is one of several areas of confusion around the new rules. (see p1).

Jacqueline Reid, senior lawyer at Linklaters, said “very few” of her trust-based DC clients are planning to introduce the “full range of DC flexibilities from within their scheme”.

She added: “Whatever schemes decide to do, it’s important to check your scheme’s rules. If your scheme rules allow members more flexibility over the form of their benefits from 6 April than your scheme is administratively equipped to provide, you may be able to address this by providing transfers to other more flexible DC schemes instead.

“Whatever flexibilities you choose, or choose not, to provide, you must have a process in place to allow members to transfer out their DC benefits at any point up to retirement. In many schemes this will amount to a new retirement option.”

Required standards
The FCA document on 2nd Line, published on 27 February, states: “The new rules will require firms to give appropriate retirement risk warnings to consumers accessing their pension savings.

Firms must ask the consumer relevant questions, based on how the consumer wants to access their pension savings, to determine whether risk factors are present. “If they are, risk warnings must be given... These warnings may include setting out options the consumer has, such as shopping around.”

Internal annuities – whereby the annuity provider was the original pension provider – were 62 per cent of the total in Q4 2014, compared to 52 per cent in Q4 2013, indicating a portion of those who explored the open market for annuities were those who switched to drawdown. “The reduction in the number of annuity purchases is having a much bigger impact on those members who would have taken the open market option,” added Budge.

“The effect that this will have is to increase the percentage overall of internally bought annuities.”

• Don’t miss the ‘Solving the post-retirement challenge’ seminar on Friday 13 March at this year’s National Association of Pension Funds conference in Edinburgh.
A TRICKY BALANCING ACT

Is complexity overrated? Is diversification working? Might pensions have been better off sticking with the old ways? Asset Intelligence investigates

BALANCED FUNDS
BY NICK REEVE, ASSISTANT EUROPEAN EDITOR, CIO

“If it isn’t broken, why should we try to fix it?” queries the vice chair of trustees of the Hypothetical Pension Plan.

Another trustee pipes up: “Since Lehman Brothers imploded, it’s been a rough ride for everyone, but we’ve come through with a 50% return in seven years. I’m happy with that. If we can achieve that in those markets, what are you worried about?”

At the last meeting you were voted chair of trustees and the board said they wanted to follow you to a new era of investment and risk management. However, halfway through, you are feeling deflated.

You had a radical plan to overhaul an old-fashioned 60/40 portfolio and drag it into the 21st century. You’ve got piles of notes on infrastructure investment, private equity, and risk parity. But all your trustees want to know is, why change at all?

As a publication, CIO covers new and increasingly complex approaches to portfolio allocation and construction.

We report on innovative approaches to in-house management of assets, partnerships with hedge funds, and even taking direct stakes in companies—all of which have been employed by asset owners around the world. But we still want to know: has it all really been worth it?

Stand by your plan
If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?

If you had stood still through the turmoil of the post-Lehman Brothers period, would you actually have been any worse off?
“There was a period of high volatility in 2008, so the index would have reduced exposure before that,” Mikulskis explains. It was the same journey, but taking a smoother path.

The Sharpe ratio is higher for the volatility-controlled portfolio, indicating more attractive risk-adjusted returns, and it is this measure that consultants and analysts are most interested in (more on that later).

Ralph Frank, CEO at independent consultancy Charlton Frank, admits that a 50% gain is “in isolation a reasonably attractive return”, but doubts that many pension funds would have gone through the entire crisis period without asking serious questions of the 60/40 model.

Fairly early on, he argues, trustees and pension fund managers “would have been pretty concerned” following falls of roughly 30% or, in some cases, much more.

**Diversification risk**

Drilling down further into the construction of a “traditional” 60/40 portfolio, Frank warns of the lack of diversification provided by the Barclays Global Aggregate Bond index, but there is little scope left for more gains—as many investors have realised.

“If there is any major lesson, it is to look beyond the headline figures,” Frank says. “Credit spreads are pretty tight, equity valuations are high—how much further can these go?”

Claran Mulligan, head of manager research at Buck Consultants, agrees. “You could be happy with a 50% return, but there is more to it than that,” he says.

“The seven-year period in question came pretty much from the top of the equity market rally of 2001 to 2007, when the MSCI World would have trounced 60/40. In 2008 through 2014, we had one of the biggest bull runs in equity markets ever, but it’s extremely unlikely that will extrapolate into the next few years. Diversifying from equities into bonds would have helped returns, but it’s a very specific part of history. Over the longer term, you would expect equities to do better.”

What of risk parity? The burgeoning trend of allocating to levels of risk rather than traditional asset classes is gaining traction—particularly in the US.

Mikulskis also charted the performance of a risk parity index run by Salient Partners, a US-based specialist.

**Pros and Cons**

By this measure, risk parity trounced the opposition in the period under review with an 80.8% return.

It was less volatile than the traditional mode, and its Sharpe ratio of 0.75 shows the best risk-adjusted return, with the exception of the bond index. The only downside is the downside: the risk parity index’s maximum drawdown of 19.4% was second highest after the MSCI World.

But, while the Hypothetical Pension Plan trustees should not stick with the traditional path, Buck’s Mulligan warns that risk parity can both under- and outperform.

“Risk parity often has more interest rate exposure than in the Barclays Global Aggregate Bond index,” adds Frank, indicating that investors should be wary of such strategies as central banks are expected to raise core rates and government bond yields are expected to increase.

Running 60/40 in the last decade would not have got you the sack necessarily, but you might want to start getting other ideas into that portfolio before it’s too late—regardless of any trustee reluctance.

As Redington’s Mikulskis puts it, a 60/40 portfolio “might have done reasonably in terms of returns, but going forward there are certainly many smarter things you can do”. A good line to push back at the Hypothetical Pension’s trustees, perhaps.

But it’s not just the old-fashioned portfolios that should heed the words of our consultant commentators.

For anyone who thinks they came through the crisis period(s) unscathed, Mulligan has a few words of caution: “Going just on the last seven years is a dangerous game to play. You need to take the long-term view and not be swayed by immediate history.”

In other words: Well done for surviving the last seven years. Now get ready for the next seven—or more.
## Fund Performance

### Absolute Return

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nordea Stable Return</td>
<td>480.7</td>
<td>3.07</td>
<td>2.82</td>
</tr>
<tr>
<td>2. SLI GARS (UK)</td>
<td>306.4</td>
<td>4.94</td>
<td>23.1</td>
</tr>
<tr>
<td>3. SLI GARS EUR SICAV</td>
<td>232.6</td>
<td>-2.31</td>
<td>6.8</td>
</tr>
<tr>
<td>4. Insight Broad Opps</td>
<td>230.3</td>
<td>5.87</td>
<td>1.64</td>
</tr>
<tr>
<td>5. Schroder ISF EMD</td>
<td>208.9</td>
<td>4.91</td>
<td>3</td>
</tr>
</tbody>
</table>

### Alternatives

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. GMO Global Real Rtn</td>
<td>405.6</td>
<td>7.46</td>
<td>2.3</td>
</tr>
<tr>
<td>2. Invesco Perp GTR</td>
<td>217.4</td>
<td>7.84</td>
<td>0.9</td>
</tr>
<tr>
<td>3. Morgan Stanley DAP</td>
<td>215.9</td>
<td>-6.8</td>
<td>5.65</td>
</tr>
<tr>
<td>4. Old Mutual Global Eq</td>
<td>158.4</td>
<td>-</td>
<td>1.75</td>
</tr>
<tr>
<td>5. Daiwa SB US Reversal</td>
<td>151.5</td>
<td>-</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### Bonds - Global

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nomura Temp TRD</td>
<td>316.9</td>
<td>5.8</td>
<td>1.09</td>
</tr>
<tr>
<td>2. Amundi FBG Agg</td>
<td>281.8</td>
<td>12.6</td>
<td>3.03</td>
</tr>
<tr>
<td>3. BGF Fixed Inc Gl Opp</td>
<td>238.3</td>
<td>9.96</td>
<td>3.47</td>
</tr>
<tr>
<td>4. Nomura Foreign Bd</td>
<td>161.2</td>
<td>8.6</td>
<td>0.9</td>
</tr>
<tr>
<td>5. JPM Agg Bond</td>
<td>140.0</td>
<td>14.14</td>
<td>1.1</td>
</tr>
</tbody>
</table>

### Bonds - High Yield

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Neuberger B HYB</td>
<td>153.7</td>
<td>7.18</td>
<td>7.1</td>
</tr>
<tr>
<td>2. Deka Corp Bond HY</td>
<td>113.7</td>
<td>-3.3</td>
<td>0.41</td>
</tr>
<tr>
<td>3. UBAM Global HYS</td>
<td>103.9</td>
<td>10.8</td>
<td>0.88</td>
</tr>
<tr>
<td>4. ING Renta Fund E HY</td>
<td>88.6</td>
<td>-4.4</td>
<td>0.57</td>
</tr>
<tr>
<td>5. Amundi Euro HYB</td>
<td>83.2</td>
<td>4.3</td>
<td>1.72</td>
</tr>
</tbody>
</table>

### Bonds - Asia Pacific

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CMF Zhao li im Fiscal</td>
<td>725.0</td>
<td>-</td>
<td>0.75</td>
</tr>
<tr>
<td>2. Yinhua Credit Bond</td>
<td>372.0</td>
<td>12.2</td>
<td>1.1</td>
</tr>
<tr>
<td>3. CCB Principal Stable</td>
<td>287.5</td>
<td>-0.3</td>
<td>0.65</td>
</tr>
<tr>
<td>4. Harvest Total Bond</td>
<td>213.8</td>
<td>10.9</td>
<td>0.81</td>
</tr>
<tr>
<td>5. Nomura Japan Bond</td>
<td>146.9</td>
<td>-3.2</td>
<td>0.81</td>
</tr>
</tbody>
</table>

### Bonds - Europe

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parworld Track EMU</td>
<td>422.5</td>
<td>12.9</td>
<td>2.3</td>
</tr>
<tr>
<td>2. Portfolio LCR Alloc</td>
<td>394.3</td>
<td>3.9</td>
<td>1.06</td>
</tr>
<tr>
<td>3. AP7 Rantefond</td>
<td>376.8</td>
<td>11.8</td>
<td>2.55</td>
</tr>
<tr>
<td>4. iShares Euro CB</td>
<td>270.9</td>
<td>-0.3</td>
<td>1.41</td>
</tr>
<tr>
<td>5. DWS Vorsorge</td>
<td>263.5</td>
<td>10.1</td>
<td>0.69</td>
</tr>
</tbody>
</table>

### Commodities

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ETF Securities P Gold</td>
<td>194.2</td>
<td>5.6</td>
<td>3.03</td>
</tr>
<tr>
<td>2. ZKB Gold</td>
<td>59.9</td>
<td>5.9</td>
<td>3.54</td>
</tr>
<tr>
<td>3. ETF Securities Crude</td>
<td>54.2</td>
<td>-38.7</td>
<td>0.16</td>
</tr>
<tr>
<td>4. Swisscanto CSF</td>
<td>49.8</td>
<td>-33.12</td>
<td>0.25</td>
</tr>
<tr>
<td>5. Vontobel F Belvista</td>
<td>49.8</td>
<td>-14.9</td>
<td>0.3</td>
</tr>
</tbody>
</table>

### Equities - Asia Pacific

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nomura Nikkei ETF</td>
<td>880.8</td>
<td>0.1</td>
<td>12.7</td>
</tr>
<tr>
<td>2. ICBCCS Innovative</td>
<td>698.0</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td>3. Fullgoal CSI S Reform</td>
<td>605.3</td>
<td>-</td>
<td>0.6</td>
</tr>
<tr>
<td>4. China Universal</td>
<td>566.0</td>
<td>-</td>
<td>0.56</td>
</tr>
<tr>
<td>5. Nomura Nikkei 225</td>
<td>522.1</td>
<td>3.99</td>
<td>1.4</td>
</tr>
</tbody>
</table>

### BONDS GLOBAL

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nomura Temp TRD</td>
<td>316.9</td>
<td>5.8</td>
<td>1.09</td>
</tr>
<tr>
<td>2. Amundi FBG Agg</td>
<td>281.8</td>
<td>12.6</td>
<td>3.03</td>
</tr>
<tr>
<td>3. BGF Fixed Inc Gl Opp</td>
<td>238.3</td>
<td>9.96</td>
<td>3.47</td>
</tr>
<tr>
<td>4. Nomura Foreign Bd</td>
<td>161.2</td>
<td>8.6</td>
<td>0.9</td>
</tr>
<tr>
<td>5. JPM Agg Bond</td>
<td>140.0</td>
<td>14.14</td>
<td>1.1</td>
</tr>
</tbody>
</table>

### BONDS - HIGH YIELD

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Neuberger B HYB</td>
<td>153.7</td>
<td>7.18</td>
<td>7.1</td>
</tr>
<tr>
<td>2. Deka Corp Bond HY</td>
<td>113.7</td>
<td>-3.3</td>
<td>0.41</td>
</tr>
<tr>
<td>3. UBAM Global HYS</td>
<td>103.9</td>
<td>10.8</td>
<td>0.88</td>
</tr>
<tr>
<td>4. ING Renta Fund E HY</td>
<td>88.6</td>
<td>-4.4</td>
<td>0.57</td>
</tr>
<tr>
<td>5. Amundi Euro HYB</td>
<td>83.2</td>
<td>4.3</td>
<td>1.72</td>
</tr>
</tbody>
</table>

### BONDS - ASIA PACIFIC

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CMF Zhao li im Fiscal</td>
<td>725.0</td>
<td>-</td>
<td>0.75</td>
</tr>
<tr>
<td>2. Yinhua Credit Bond</td>
<td>372.0</td>
<td>12.2</td>
<td>1.1</td>
</tr>
<tr>
<td>3. CCB Principal Stable</td>
<td>287.5</td>
<td>-0.3</td>
<td>0.65</td>
</tr>
<tr>
<td>4. Harvest Total Bond</td>
<td>213.8</td>
<td>10.9</td>
<td>0.81</td>
</tr>
<tr>
<td>5. Nomura Japan Bond</td>
<td>146.9</td>
<td>-3.2</td>
<td>0.81</td>
</tr>
</tbody>
</table>

### BONDS - EUROPE

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parworld Track EMU</td>
<td>422.5</td>
<td>12.9</td>
<td>2.3</td>
</tr>
<tr>
<td>2. Portfolio LCR Alloc</td>
<td>394.3</td>
<td>3.9</td>
<td>1.06</td>
</tr>
<tr>
<td>3. AP7 Rantefond</td>
<td>376.8</td>
<td>11.8</td>
<td>2.55</td>
</tr>
<tr>
<td>4. iShares Euro CB</td>
<td>270.9</td>
<td>-0.3</td>
<td>1.41</td>
</tr>
<tr>
<td>5. DWS Vorsorge</td>
<td>263.5</td>
<td>10.1</td>
<td>0.69</td>
</tr>
</tbody>
</table>

### Commodities

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ETF Securities P Gold</td>
<td>194.2</td>
<td>5.6</td>
<td>3.03</td>
</tr>
<tr>
<td>2. ZKB Gold</td>
<td>59.9</td>
<td>5.9</td>
<td>3.54</td>
</tr>
<tr>
<td>3. ETF Securities Crude</td>
<td>54.2</td>
<td>-38.7</td>
<td>0.16</td>
</tr>
<tr>
<td>4. Swisscanto CSF</td>
<td>49.8</td>
<td>-33.12</td>
<td>0.25</td>
</tr>
<tr>
<td>5. Vontobel F Belvista</td>
<td>43.9</td>
<td>-14.9</td>
<td>0.3</td>
</tr>
</tbody>
</table>

### Equities - Asia Pacific

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nomura Nikkei ETF</td>
<td>880.8</td>
<td>0.1</td>
<td>12.7</td>
</tr>
<tr>
<td>2. ICBCCS Innovative</td>
<td>698.0</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td>3. Fullgoal CSI S Reform</td>
<td>605.3</td>
<td>-</td>
<td>0.6</td>
</tr>
<tr>
<td>4. China Universal</td>
<td>566.0</td>
<td>-</td>
<td>0.56</td>
</tr>
<tr>
<td>5. Nomura Nikkei 225</td>
<td>522.1</td>
<td>3.99</td>
<td>1.4</td>
</tr>
</tbody>
</table>
## EQUITIES - EMERGING MARKETS

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Pictet Emerging Inc</td>
<td>308.7</td>
<td>-0.05</td>
<td>3.5</td>
</tr>
<tr>
<td>2  KLP Aksje Fremvok</td>
<td>169.9</td>
<td>3.6</td>
<td>0.56</td>
</tr>
<tr>
<td>3  Nordea Stable EM</td>
<td>131.9</td>
<td>8.8</td>
<td>0.37</td>
</tr>
<tr>
<td>4  Fisher Inst EM Eq</td>
<td>119.8</td>
<td>7.35</td>
<td>0.7</td>
</tr>
<tr>
<td>5  Polunin CP Dev Coun</td>
<td>104.2</td>
<td>11.2</td>
<td>0.27</td>
</tr>
</tbody>
</table>

## EQUITIES - EUROPE

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Woodford EI</td>
<td>538.4</td>
<td>-</td>
<td>4.28</td>
</tr>
<tr>
<td>2  iShares EuroStoxx</td>
<td>400.9</td>
<td>-1.8</td>
<td>4.1</td>
</tr>
<tr>
<td>3  Lyxor EuroStoxx</td>
<td>246.6</td>
<td>-2.54</td>
<td>4.64</td>
</tr>
<tr>
<td>4  UBS Inst Fd Eq Euro</td>
<td>232.2</td>
<td>-1.49</td>
<td>1.25</td>
</tr>
<tr>
<td>5  Vanguard Eurozone</td>
<td>217.0</td>
<td>-0.41</td>
<td>3.53</td>
</tr>
</tbody>
</table>

## EQUITIES - GLOBAL

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  AP7 Aktiefond</td>
<td>769.1</td>
<td>-</td>
<td>19.5</td>
</tr>
<tr>
<td>2  Dodge &amp; Cox WW Glb</td>
<td>292.5</td>
<td>13.1</td>
<td>0.73</td>
</tr>
<tr>
<td>3  UBS Focus SICAV</td>
<td>257.4</td>
<td>-</td>
<td>0.26</td>
</tr>
<tr>
<td>4  Nomura Global High</td>
<td>212.6</td>
<td>5.45</td>
<td>1.39</td>
</tr>
<tr>
<td>5  Danke Invest Engros</td>
<td>197.5</td>
<td>6.3</td>
<td>1.4</td>
</tr>
</tbody>
</table>

## EQUITIES - NORTH AMERICA

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Vanguard S&amp;P 500</td>
<td>584.4</td>
<td>20.3</td>
<td>6.45</td>
</tr>
<tr>
<td>2  iShares Core S&amp;P 500</td>
<td>424.0</td>
<td>20.3</td>
<td>6.6</td>
</tr>
<tr>
<td>3  HSBC American Ind</td>
<td>293.5</td>
<td>21.6</td>
<td>1.68</td>
</tr>
<tr>
<td>4  Fidelity Funds Amer</td>
<td>249.7</td>
<td>24.6</td>
<td>4.9</td>
</tr>
<tr>
<td>5  HSBC S&amp;P 500</td>
<td>220.8</td>
<td>20.2</td>
<td>1.37</td>
</tr>
</tbody>
</table>

## EQUITIES - OTHER

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Fortune SG High End</td>
<td>361.2</td>
<td>-</td>
<td>0.36</td>
</tr>
<tr>
<td>2  JPM Global H'care</td>
<td>149.0</td>
<td>29.6</td>
<td>1.94</td>
</tr>
<tr>
<td>3  iShares Stox E600 Oil</td>
<td>146.9</td>
<td>-37.04</td>
<td>0.23</td>
</tr>
<tr>
<td>4  Guotai Food &amp; Bevera</td>
<td>133.4</td>
<td>-</td>
<td>0.19</td>
</tr>
<tr>
<td>5  BGF World Health S</td>
<td>128.4</td>
<td>32.1</td>
<td>1.9</td>
</tr>
</tbody>
</table>

## ABSOLUTE RETURN BOND

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Schroder ISF EMDAR</td>
<td>208.9</td>
<td>-1.97</td>
<td>4.6</td>
</tr>
<tr>
<td>2  Kames ARB</td>
<td>107.9</td>
<td>-0.18</td>
<td>1.5</td>
</tr>
<tr>
<td>3  BBVA Multiactivo</td>
<td>84.6</td>
<td>-3.3</td>
<td>0.3</td>
</tr>
<tr>
<td>4  Kapstream PARI</td>
<td>38.3</td>
<td>-3.6</td>
<td>1.2</td>
</tr>
<tr>
<td>5  Swiss Life PCTP</td>
<td>21.5</td>
<td>-2.9</td>
<td>0.47</td>
</tr>
</tbody>
</table>

## ABSOLUTE RETURN LOW VOLATILITY

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  BBVA Multiactivo M</td>
<td>113.6</td>
<td>-3.89</td>
<td>1.6</td>
</tr>
<tr>
<td>2  Kapstream Whole AR</td>
<td>60.4</td>
<td>-3.64</td>
<td>1.25</td>
</tr>
<tr>
<td>3  Premier Def Growth</td>
<td>54.4</td>
<td>-0.37</td>
<td>0.08</td>
</tr>
<tr>
<td>4  Premier D Gwth C</td>
<td>16.1</td>
<td>-0.35</td>
<td>0.25</td>
</tr>
<tr>
<td>5  Assenagon Div H</td>
<td>13.4</td>
<td>-</td>
<td>0.54</td>
</tr>
</tbody>
</table>

## ALTERNATIVES - GLOBAL MACRO

<table>
<thead>
<tr>
<th>Fund</th>
<th>Net New Flows Dec 2014 £mn</th>
<th>One Year TR %</th>
<th>Total AUM £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  MS Div Alpha Plus</td>
<td>215.9</td>
<td>-3.6</td>
<td>8.8</td>
</tr>
<tr>
<td>2  MS Global Balanced R</td>
<td>45.0</td>
<td>-3.9</td>
<td>1.3</td>
</tr>
<tr>
<td>3  GAM Star Global Rate</td>
<td>41.7</td>
<td>-2.5</td>
<td>1.8</td>
</tr>
<tr>
<td>4  Montlake North</td>
<td>31.2</td>
<td>-6.1</td>
<td>0.2</td>
</tr>
<tr>
<td>5  Crown Alpha GGM</td>
<td>17.1</td>
<td>-0.1</td>
<td>0.3</td>
</tr>
</tbody>
</table>
The GC News app is now available!

Visit the iTunes App Store to download today.