



2005 EUROPEAN INSTITUTIONAL ASSET MANAGEMENT SURVEY

European Institutional Asset Management Survey 2005

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a FOREWORD

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This is the sixth edition of the European Institutional Asset Management Survey. The survey sets out to gain insights into the thinking of institutional investors in Europe. For this survey, the definition of an “institutional investor” is quite wide, and is defined by any organisation that manages balance sheet assets. This year, 85% of the respondents were Pension Funds and Insurance type companies, however, Banks, Foundations and Corporations also participated in the survey. As was also the case in last year’s survey, the survey is based on respondents in France, Germany, Italy, Belgium and The Netherlands. This year they have investment assets of €400bn, and are responsible for a total of 470 relationships with external investment managers.

There are several innovations in this survey which make it unique reading for both those that offer external management services and those who receive them. The study has focused on what we have called ‘alternative alternative’ assets, and provides fresh information about how institutions look at and buy new growing types of investment products.

Also new in this year’s survey is more detailed analysis than has been previously provided on how respondents’ behaviour is driven. Although buying behaviour of investment products and services differs from one country to another, this difference is not the only cause of behaviour. What also matters are the type of organisation (pension plan, insurance company etc). But also of importance is the size: large or small.

We are very grateful to the respondents for providing their time and views for this survey. To thank them for their participation, we have provided each respondent with a confidential tailored benchmark showing how their responses compared to those of similar institutions.

We are grateful also to Magnus Spence, Director of European Research for Financial Research Corporation (FRC) for having carried out the analysis of this year’s findings. Lastly, we are most grateful to the sponsors of this study: AFG (Association Française de la Gestion Financière), Af2i (Investisseurs Institutionnels) Euronext, SSG Management Consulting, and BVI.

I hope you find this survey of interest. I invite you to contact me or Magnus Spence (magnus.spence@frcnet.com) with any questions or feedback.

Blake Turvey



Head of Corporate Development
INVECO Continental Europe
blake_turvey@par.invesco.com

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b KEY CONCLUSIONS

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Some 'alternative alternatives' will grow in popularity by 50%

Institutional investors in the European countries we have polled are investing less through 'classic' equity investment. Instead they are increasingly using alternative investments that now make up an average of 12% of investment assets, up from 8% in 2003.

But it is not the traditional alternatives (such as hedge funds, private equity, property) that are the source of this growth. It is vehicles such as structured products, options/futures and ETFs that are the growth area. We have called these and other similarly new and/or complex vehicles the 'alternative alternatives'. Some of them are certainly in fashion. Structured products are used by a third of institutions already. We expect that the number of institutions using ETFs of one form or another will increase by 50% this year. One could even say that 'alternative alternatives' are becoming a new tradition, since half of the institutions in this survey are using one or more of them.

We can be quite precise about what the 'alternative alternatives' products of the future will be, since this survey has focused on this area: *Index based structured products* and *European Equity ETFs*. These products are used by 13% and 12% respectively of the institutions in our survey. But we predict that in the near future the number using each of them will grow by half as much again to 18%.

Size matters

In exploring the needs of institutional investors in key European countries (which is the purpose of this survey), it is conventional wisdom that these needs are best analysed by country. And this is often true. For example, French institutions in this survey are twice as likely to use multi-strategy hedge funds than institutions in any of the other countries polled.

But we say that conventional wisdom is no longer adequate. As this survey clearly reveals, other ways of analysing institutional needs are required. An insurance company from one country can sometimes have more in common with an insurance company in another country than it does with a pension fund next door. In other words, it is the type of an institution which may drive its needs and behaviour, perhaps even more than its nationality. Here are some examples. Pension funds delegate proportionately six times more of their assets to external managers than do insurance companies. Insurance companies are three times more likely to want an external manager for their cash assets than are other institutions.

But we go further: we say that size is also a key factor. Large institutions tend to have needs in common, irrespective of their nationality or even their type. Here are some examples of size mattering based on the respondents we polled:

- Large institutions place significantly more weight than do the small on the importance of the stability of investment team when selecting external managers.
- Proportionately three times more large institutions use index based structured products than small ones.
- A small institution is four times less likely to use options/futures than a large one.
- A small institution will tend to delegate to an external manager four times more in relation to its assets than a large institution.
- Even though they are relatively small in number, the large institutions in our survey delegate to external managers four times more assets in absolute terms than the many small institutions put together.

European Institutional Asset Management Survey 2005

b KEY CONCLUSIONS *continued*

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Performance matters, sometimes

Performance does matter. But it matters most when institutions are dealing with external managers. When they address their own internal needs, for example in constructing their portfolios to maximise their return in a risk controlled manner, institutions in Europe are not as obsessed by the search for alpha as some might have us believe.

When selecting external managers performance is now the most important criteria, while it was second in the previous two years. Poor performance is overwhelmingly the factor which will prompt an institution to change an external manager. When evaluating external managers relative performance also matters.

However, when they consider their other needs, beyond the reach of external suppliers, comparing performance becomes less important. When setting their own investment objectives, it is still performance that matters, but here it is usually absolute performance, not relative, that counts. When they look at the complex and varied needs of their portfolios they are increasingly being to drawn beta- focused products such as ETFs.

Nearly a third of the institutions that use a structured product (bought most often for performance reasons) also use an ETF (very seldom bought with performance as the key driver). Sometimes performance matters, sometimes other factors are as important, or even more important. Any one institution can have complex and sometimes even conflicting, needs. Performance is just one of their goals, and not the only one.

External management will grow

A larger than usual number of institutions expect growth in the proportion of their assets allocated to external managers in the coming year.

Where will growth come from? Pension funds currently use external management the most. Perhaps because of this, they are not the ones who will apparently drive growth in future: only two in ten Pension funds think there will be growth in usage of external managers. It is other types of institutions such as insurers and the large institutions (who use external managers proportionately less at present) who tend to predict growth more frequently. This may be a clue for asset management marketers looking to pinpoint opportunities for themselves in the coming year.

There will still be 'classic' equity and fixed interest mandates arising, that is clear. But many opportunities for external managers are likely to be more specialised. Many institutions will look for either alpha opportunities, for example in some 'classic' equity investment. Or they will be searching for beta - and will ask for ETFs, or indexed management of some form. Or they will be looking for ways of achieving a total absolute return. Managers who do not have convincing stories around these reference points may experience some difficulty in achieving the openings which this market appears to offer.

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c SUMMARY OF FINDINGS

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1 *Investment Assets*

Investment in equity shifts to alternative assets

Institutional investors in Europe are investing more in equity each year through alternatives, and less through what we have called 'classic' equity investment. The institutions in our survey invest 20% in 'classic' equity in 2005, down from 25% in 2003. Since 2003, the most significant growth has been in the allocation to the alternative asset classes, which have grown on average from 8% to 12% of assets. This growth in alternative assets is expected to increase during the rest of 2005.

2 *Hedge Funds*

French institutions love Hedge funds particularly Multi Strategy

Hedge Fund investing averages around 1% of assets. They are used more in France than other countries in the survey. The most popular type is Multi Strategy, which is used by one in five institutions, mostly for risk control and diversification reasons. Usage will not grow in the short term. If you are looking for buyers of hedge funds, go to the pension funds, and medium sized institutions, not the insurance companies and large institutions.

3 *'Alternative Alternative' Assets*

Structured products are high fashion

What we call 'Alternative alternative' investing is in fact now mainstream: over half of institutions are using one or more of the products we have put into this category, which includes new or complex assets that are difficult to categorise. Structured products are the most popular : a third of Institutional investors in Europe are now investing in structured products, and this is expected to remain the case in 2005. Exchange Traded Funds' (ETFs) popularity is likely to double: one in four institutions will be using them in the coming year.

4 *Structured Products*

Indexed based Structured Products are the N°1

The most popular form of Structured Products are Indexed based products, which are used by 13% of institutions in our survey. This is a big growth area - usage is predicted to rise to 18% in the short term future. Although less used in Germany, Indexed based products are used widely across other countries, mostly by the very large institutions. Other structured products such as CDO/CDLs are also likely to grow in popularity but mostly with the larger institutions.

5 *Exchange Traded Funds*

European Equity ETF popularity will grow by 50%

The most popular Exchange Traded Funds (ETFs) are European equities, which are used by 12% of institutions in our survey. This is a growth area - popularity is predicted to rise by half again to 18% in the short term future, driven primarily by their ease of use and their low price. Equity based ETFs are particularly popular in France, and among insurance companies. There is little demand for the remaining types of ETFs.

European Institutional Asset Management Survey 2005

c SUMMARY OF FINDINGS *continued*

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6	<i>Securities Lending</i>	Large institutions do most Securities lending Securities lending is permitted at one in three institutions. It is most prevalent among the very large institutions where nearly half are allowed to do it. Securities lending is mostly allowed against bonds.
7	<i>Performance Attribution</i>	Performance attribution comes increasingly from investment managers There seems to be a strong trend for a growing number of institutions to look to receive this service from their investment manager. Two thirds of institutions are provided with performance attribution data.
8	<i>Investment Horizon</i>	Investment horizons are getting longer and shorter at the same time Trend one: most European investors are long term in their outlook, but the number of institutions thinking this way are not growing as they once did. Trend two: a minority of institutions are very short termist, and this number may even be growing. The longest term investors tend to be the Pension funds, nearly twice as many of which have an investment horizon of over 10 years as other types of institutions. There appears to be little relationship between the investment horizon and how institutions invest, which is odd.
9	<i>Investment Objectives And Voting Policy</i>	Large firms have quite distinct investment objectives Overall the most important objective that is pursued when setting investment policy is 'Absolute Performance', but we find that large companies are much more driven by the Investment Horizon than smaller firms. Large firms often have voting policies, but the small seldom do. Only 12% of firms have a defined voting policy for shareholder annual general meetings. These are mostly the larger firms.
10	<i>Investment Consultants</i>	Excluding pension funds, investment consultants are not used much The most frequent users of investment consultants are the pension funds, while other types of institutions are half as likely to use them. There has been a steady but small growth in the use of investment consultants each year since 2002. Consultants are used mostly to help set asset allocation, and to select external managers, in that order of frequency.

European Institutional Asset Management Survey 2005

c SUMMARY OF FINDINGS *continued*

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11	<i>External Managers: Usage</i>	The larger the firm, the lower proportion of its assets go to an external manager. Large institutions tend to delegate significantly less of their assets to external managers than smaller ones. But because they are so big, when these institutions do use external managers it is in very meaningful absolute amounts. There are five managers used by each institution, and they give them half of their assets on average, most frequently in the form of segregated mandates. There seems to be a growth in the number of external managers being employed by each institution.
12	<i>External Managers: Change</i>	Institutions see strong growth prospects for external management More institutions than in any year since 2001 see growth in external management in the coming year. This view is held across the market, although pension funds are less certain of this growth than other types of institutions. It is insurers and others who do not currently use external management so much that most frequently predict its growth.
13	<i>External Managers: Asset Allocation</i>	Asset classes delegated to external managers vary widely by country External managers are used by at least some respondents for virtually all asset classes. Four in ten use them for Pan-European Equity, Euro Governments Fixed Income and Cash. Small cap equity is the least likely class to be delegated. There are big country differences in what external help is used for, the French for example use external managers a lot for cash, but the German respondents, in this study, never do.
14	<i>External Managers: Selection</i>	Performance really does matter Performance is the most important selection criterion. This may be a slight change on previous years when the top ranking criterion was risk control, which still remains a very close second. Criteria vary by country: French institutions seem to be more interested in the financial strength of external managers, while German institutions favour the clarity of the investment process, for example.
15	<i>External Managers: Fees</i>	Performance fees are wanted There is demand for performance fees - only half of institutions want a traditional fully fixed fee formula to continue for balanced mandates. But institutions have seen no change in fees this year, either up or down.
16	<i>External Managers: Constraints</i>	Constraints on external managers are here to stay External managers must expect to be told what to do, and must learn to live with constraints to their investment freedoms. 8 in 10 institutions give detailed directives or constraints in delegating to an external Investment manager.

European Institutional Asset Management Survey 2005

c SUMMARY OF FINDINGS *continued*

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- 17 *External Managers: Evaluating* **After being appointed, managers are evaluated against risk levels, performance, and their process**
Managers who take greater than budgeted risk will most often be evaluated on this first among the criteria used to judge them. Close second in the ongoing evaluation criteria comes relative performance, followed by sticking to the process. There is great variety in how managers are evaluated, depending on the country, type of firm and size. Institutional investors note improvements in the quality of reporting, levels of information they receive, performance, and commission transparency. But managers have done less well in terms of the stability of their key personnel.
-
- 18 *External Managers: Breaking Relationships* **Pension funds change managers most often**
Pension funds and large firms are likely to end relationships most often. Insurance companies appear to be the most loyal clients. Unsatisfactory performance plays the most important role in any decision to break a relationship with an external manager. Failure to control risk is the second most important factor. We estimate that relationships end on average every five years.
-
- 19 *Sample* **The sample was spread well**
There were 98 financial institutions from France, Germany, Italy, Belgium and The Netherlands that acted as respondents to this survey. They are insurance companies and pension funds and other types of institutional investors. In total the respondents had Investment Assets of €402bn, or an average of approximately €4bn per respondent and a median of €0.6bn. The survey was conducted between June and September 2005.
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European Institutional Asset Management Survey 2005

1 INVESTMENT ASSETS

Investment in equity shifts to alternative assets

Institutional investors in Europe are investing more in equity each year through alternatives, and less through what we have called 'classic' equity investment. The institutions in our survey invest 20% in 'classic' equity in 2005, down from 25% in 2003. Since 2003 the most significant growth has been in the allocation to the alternative asset classes, which have grown on average from 8% to 12% of assets. This growth in alternative assets is expected to increase during the rest of 2005.

As can be seen in figure 1.1 equity investing in what we have called the 'classic' approach has declined for the third year running in our survey. As we describe below there has been growth in other classes which contain equity (such as ETFs), so it would be wrong to conclude that equity as a whole is falling.

There has been little growth in what we call 'classic' fixed interest in recent years. As we show below there are many fixed income products that we have called alternatives that are growing.

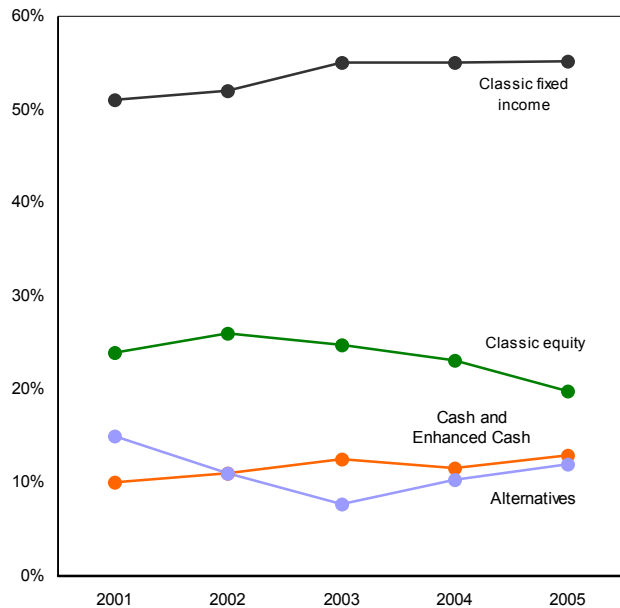
Cash has remained stable at 13% of assets. Enhanced cash makes up 3% of this, the same proportion as we observed last year.

Alternative investments are growing fast, from 8% (2003) to 12% now.

There are considerable differences in the portfolios of the respondents by country, as can be seen in figure 1.2. Cash is proportionately highest in France. Enhanced cash is mostly used in France. Italy shows the highest appetite for fixed income excluding cash, and French institutions use it least. Germany reveals the lowest appetite for equity, with Benelux portfolios showing the highest equity content.

Alternatives is the one asset class which all countries hold in broadly similar proportions - it varies from 10% in Benelux to 13% in Italy and Germany.

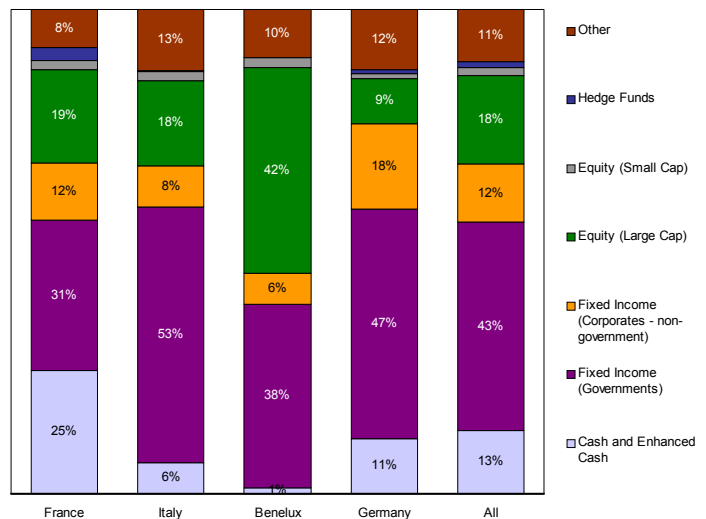
1.1 Investment asset allocation 2001-2005
Average % of assets



"Alternatives is the one asset class which all countries hold in broadly similar proportions"

1.2 Investment asset allocation by country
Average % of assets

98 respondents



European Institutional Asset Management Survey 2005

1 INVESTMENT ASSETS *continued*

Alternative asset growth is being driven primarily by what we have called 'other' assets, as can be seen in figure 1.3. Growth is not apparently coming from Real Estate, which remained similar to last year, Private Equity appears to be negligible in our surveys. And hedge funds have not grown as much as many had predicted they would - they are just over 1% of assets on average in our sample (we have explored usage of Hedge Funds further in section 2).

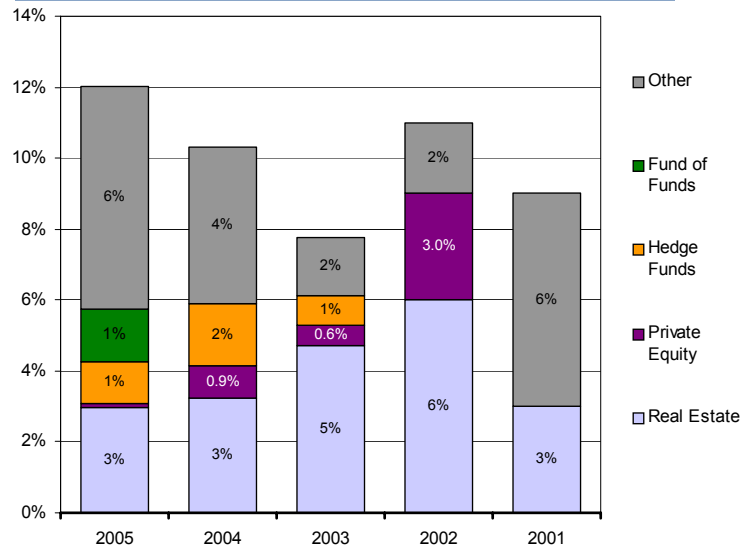
We had not previously recorded usage of Fund of Funds until this year, but it turns out they represent 1.5% of investment assets.

Included in 'other' assets are several new types of investment, such as Structured Products and Exchange Traded Funds. We have explored these in more depth in sections 3-5 that follow. We have called them *alternative alternative* assets. These types of assets are often difficult to categorise using classic terminology (equity/fixed interest etc), since either their complexity (for example a mixture of asset types), or their new form of packaging, can make them difficult to categorise. For example, is an equity-based ETF best categorised as equity, or as an 'other' asset? The uncertainty around such definitions suggests to us that, if anything, we have underestimated the 'other' investing that might exist.

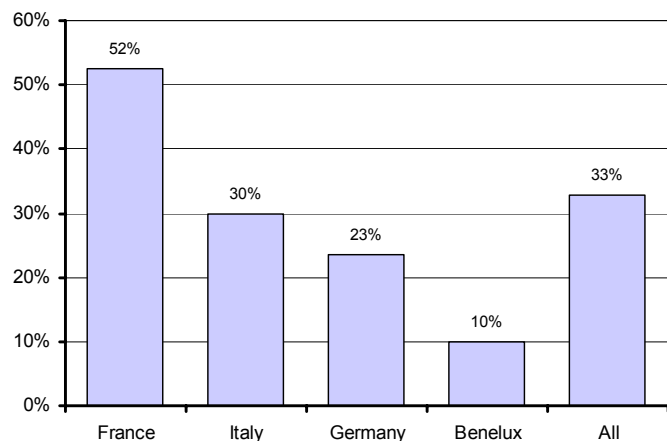
"If anything, we have underestimated the 'other' investing that might exist. "

So, new asset classes bring about new challenges to researchers. But one such challenge has always existed: how do you categorise *balanced portfolios* without double counting? Our questioning process aimed to avoid this problem. What we find is that large amounts of assets are held in balanced portfolios, especially in France, as can be seen in figure 1.4. Over 50% of French assets surveyed are balanced. This is unusual - in Benelux for example it appears more rare.

1.3 Alternative investment assets 2001-2005
Average % of assets



1.4 Investment assets managed in balanced portfolios by country
Average % of assets



European Institutional Asset Management Survey 2005

1 INVESTMENT ASSETS *continued*

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Compared to previous years, fewer institutions are predicting changes in their asset allocation in the near future (figure 1.5). Many predict a reduction in cash, and also in Domestic Government fixed interest investment. Many predict growth in 'other' assets.

In both 2003 and 2004 we observed significant numbers of institutions predicting an increase in classic equity investment. But in both years the actual outcome was an overall reduction. So, a note of caution - these predictions should be treated as guesses, not commitments.

1.5 Predictions of increase or decrease in investment asset allocation in future 2003-2005 % of respondents

	Predictions made in					
	2005		2004		2003	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Cash						
Cash	8%	20%	3%	28%	13%	22%
Enhanced cash	11%	4%	21%	12%		
Fixed Income						
Governments						
Domestic Governments	6%	13%	11%	13%	13%	16%
Euro Governments	17%	6%	23%	21%	28%	9%
Global Governments	3%		4%	8%	15%	10%
Domestic Investment Grade	5%	4%	19%	13%	45%	6%
Corporates (non-government)						
Euro Investment Grade Corporates	12%	4%	29%	20%	43%	7%
Global Investment Grade Corporates	6%	2%	14%	3%	33%	8%
High Yield Corporates	7%	1%	18%	11%	23%	3%
Emerging Markets	6%		21%	5%	21%	3%
Equity						
Large Cap						
Domestic	12%	5%	16%	8%		
Pan-Europe	17%	5%	19%	8%		
Euro	16%	2%	11%	2%		
US	7%	5%	7%	12%		
Japan	7%	1%	21%			
Asia	5%	1%	17%			
Global	4%	2%	16%	4%		
International (World Ex. Domestic)	1%		6%	6%		
Emerging Markets	6%		4%			
Small Cap						
Domestic	4%	2%	7%	14%		
Pan-Europe	3%	1%	25%			
Euro	4%		13%			
US	2%		6%	19%		
Japan	3%		17%			
Asia	1%		17%			
Global	3%		17%	8%		
International (World Ex. Domestic)	1%		9%	9%		
Emerging Markets	1%					
Alternatives						
Real Estate	18%	5%	11%	11%	18%	8%
Private Equity	8%	1%	31%		14%	
Hedge Funds	11%	3%	32%	2%	38%	4%
Fund of Funds	8%	1%				
Other	19%	3%	8%	4%	25%	4%

European Institutional Asset Management Survey 2005

2 HEDGE FUNDS

French institutions love Hedge funds particularly Multi Strategy

Hedge Fund investing averages around 1% of assets. They are used more in France than other countries in the survey. The most popular type is Multi Strategy, which is used by one in five institutions, mostly for risk control and diversification reasons. Usage will not grow in the short term. If you are looking for buyers of hedge funds, go to the pension funds, and medium sized institutions, not the insurance companies and large institutions.

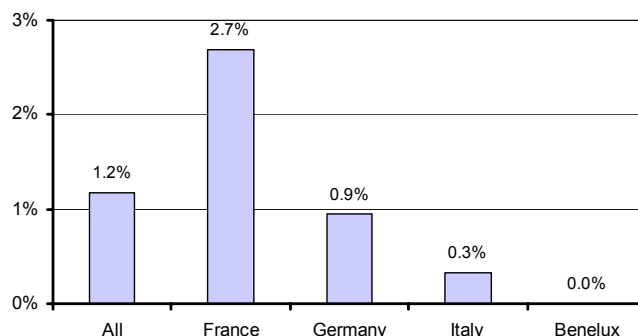
As we described in section 1 (see figure 1.3), around 1% of assets are in this type of investment, and this has not grown from previous years among the institutions we have polled.

French institutions in our survey have proportionately three times greater an allocation to hedge funds than do those of other countries, as can be seen in figure 2.1. None of the respondents in Benelux used hedge funds, but this should obviously not be taken to mean that no institutions in these countries use them.

The size of the institution certainly appears to be a driver of the proportion of assets allocated to hedge funds. Figure 2.2 shows that those institutions who allocate the highest proportion to hedge funds tend to be smaller institutions.

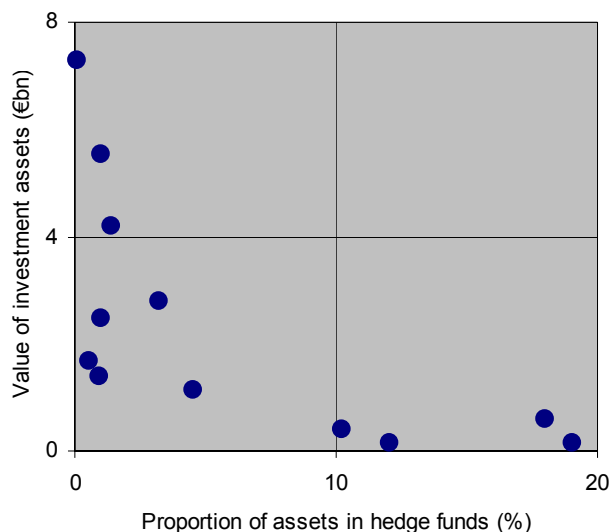
25 of the 98 institutions in the survey (26%) told us they used hedge funds, but only 13 of them had assets shown under the 'hedge funds' category in their allocation - the rest clearly categorise hedge funds in another category, probably equity. We therefore will focus the rest of this section more on the number of institutions that use hedge funds than the proportion of their assets they allocate.

2.1 Allocation to hedge funds by country
Average % of assets



"French institutions have proportionately three times greater an allocation to hedge funds"

2.2 Allocation to hedge funds vs. total investment assets



European Institutional Asset Management Survey 2005

2 HEDGE FUNDS *continued*

The most popular type of hedge fund are multi-strategy funds. 22% of institutions in our survey use them, followed by long short equity funds, used by 11% of institutions in our survey.

The most enthusiastic users of hedge funds in our survey are French institutions, as is clearly shown in figure 2.3. 51% of all French respondents are users of Multi Strategy hedge funds, and 21% are users of long short equity hedge funds.

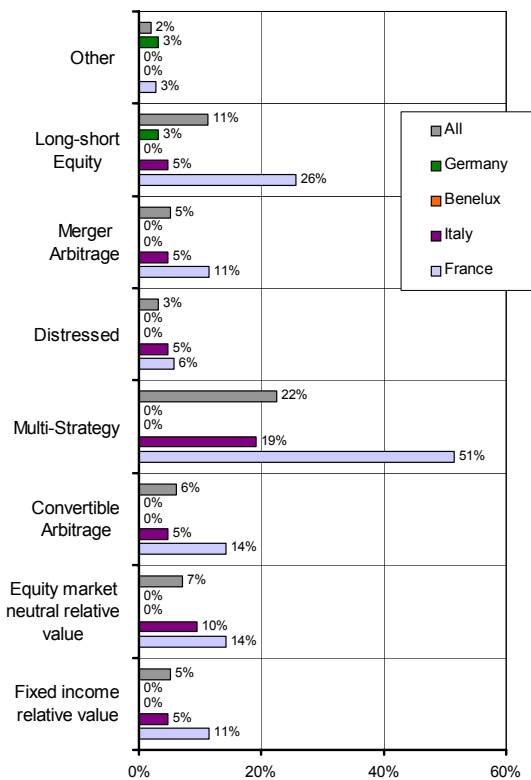
We also saw at least some usage of all other types of hedge funds in France: Fixed income relative value, Equity market neutral relative value, Convertible Arbitrage, Distressed, and Merger Arbitrage funds.

In Italy there was evidence of at least some usage of hedge funds, the most popular being multi-strategy funds. This was in contrast to Germany and Benelux where virtually no respondents indicated use of hedge funds.

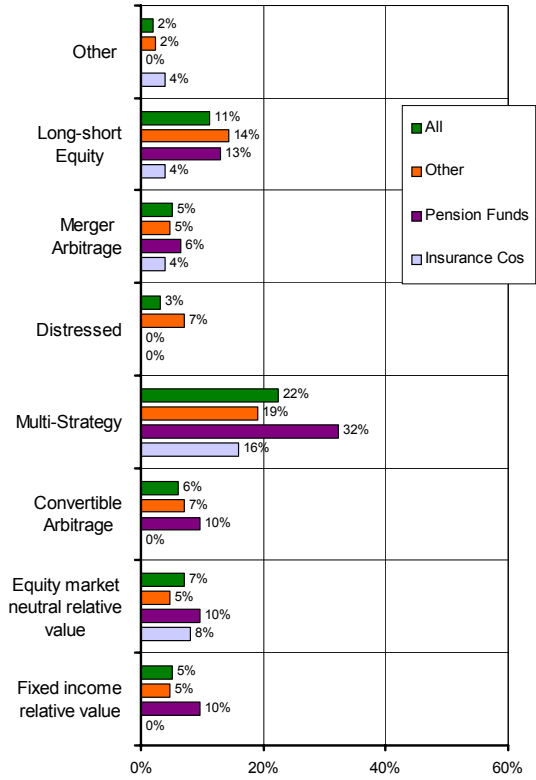
Hedge funds are currently slightly more popular with pension funds than other types of users, as can be seen in figure 2.4. 32% of pension funds have multi-strategy funds, compared to only 16% of insurance companies, for example.

We have not shown this in chart form, but the very large institutions use hedge funds less often than do the medium sized ones. Multi-strategy funds are used by 33% of the medium sized, but only 13% of the large institutions. And only 7% of the large firms use long short equity funds, compared to 25% of the medium sized firms.

2.3 Current usage of Hedge Fund types by Country
% of respondents



2.4 Current usage of Hedge Fund types by Sector
% of respondents



European Institutional Asset Management Survey 2005

2 HEDGE FUNDS *continued*

Hedge funds are used for a wide variety of reasons. The popular multi strategy funds are used for risk control and diversification purposes most of all. Other examples of the reasons given for usage of this product are shown in figure 2.5.

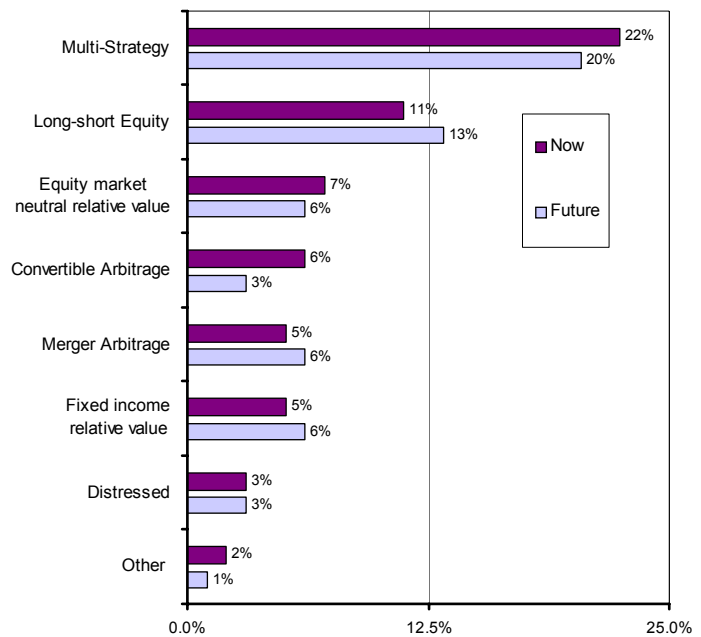
"We found no evidence that there will be any growth in the popularity of hedge funds"

We found no evidence that there will be any growth in the popularity of Hedge Funds by this year's respondents. Figure 2.6 shows that the number of institutions indicating their likely usage of the different types of products will remain similar in the near future to the current numbers.

2.5 Examples of reasons given for usage of multi strategy Hedge Funds

- Control of risk compared to monostrategy products
- Diversification and decorrelation
- Flexible
- Low risk
- Product used with a small account
- Profitability & volatility
- Variety of drivers of performance

2.6 Current and predicted 2005 usage of hedge fund types % of respondents



European Institutional Asset Management Survey 2005

3 ALTERNATIVE ALTERNATIVE ASSETS

Structured products are high fashion

What we call 'Alternative alternative' investing is in fact now mainstream: over half of institutions are using one or more of the seven products we have put into this category, which includes new or complex assets that are difficult to categorise. Structured products are the most popular: a third of Institutional investors in Europe are now investing in structured products, and this is expected to remain the case in 2005. This demand exists in particular among very large institutions and those who seek high performance and diversification. Exchange Traded Funds (ETFs) popularity is likely to double: one in four institutions will be using them this year.

By *alternative alternative* assets we mean seven new or complex asset types that are difficult to categorise: structured products, options/futures, ETFs, ABS, SRIs, Certificates and Warrants. 56% of the respondents to our survey are using one or more of these. Note we are not looking here at the *traditional* alternative assets such as Real Estate and Private Equity (see section 1) or Hedge Funds (see sections 1 and 2).

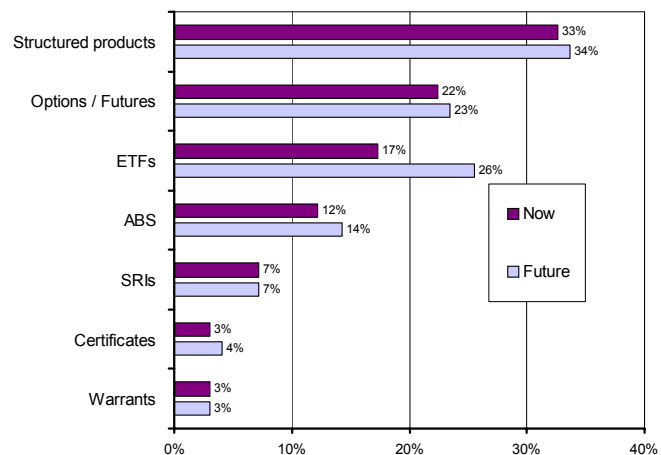
For reasons we gave in section 1, we recognise that there are significant asset allocation categorisation issues around these 'alternative alternative' assets. We have therefore tended to measure their usage in this and the following sections by referring to the number of institutions that use them, rather than to the proportion of assets that they represent.

33% of Institutional investors in our survey are now investing in structured products. As can be seen in figure 3.1, Options and Futures are the second most popular alternative alternative asset type, with one in five institutions using them in 2004, and a small increase is expected during 2005.

Exchange Traded Funds (ETFs) have attracted 17% of investors, and another 9% are expecting to join them in 2005. ETFs are therefore predicted to show the largest growth of popularity among the alternative alternative assets we have identified in this survey.

By alternative alternative assets we mean new or complex assets types that are difficult to categorise such as structured products, options/futures, and ETFs.

3.1 Current and predicted 2005 usage of 'alternative alternative' assets % of respondents



"ETFs have attracted 17% of investors, and another 9% are expecting to join them in 2005"

European Institutional Asset Management Survey 2005

3 ALTERNATIVE ALTERNATIVE ASSETS *continued*

Other alternative alternatives used include Asset Backed Securities (ABS) (12% of the sample), Socially Responsible Investments (SRIs) (7%), Certificates (3%), and Warrants (3%).

Institutional Investors are driven to use the alternative alternative products for a variety of reasons. This is shown in figure 3.2. Structured products are used because they offer performance/high returns, and because they offer diversification. According to a minority of investors structured products are also used because they offer a guarantee over the capital invested. No one told us they found structured products easy to use, or low cost.

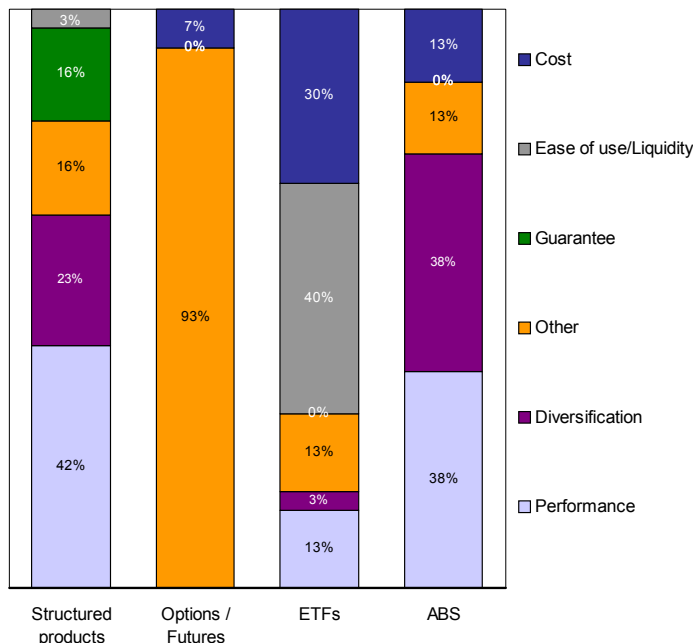
"Nearly a third of the institutions that use a structured product also use an ETF"

But the reasons that Options/Futures are used are different. Users of options are attracted by reasons (most of which we have categorised under the heading of 'other') such as the cover they provide against variations in rate, the equity portfolio optimisation, the hedging characteristics of options, and the overlay control they offer.

In contrast, users of ETFs are driven primarily by the ease of use of this product (which includes their liquidity) and by their low cost. ABS are attractive for their performance and their diversification.

Alternative alternative assets may respond to quite different needs, but nonetheless any one institution can want several types at the same time. Nearly a third of the institutions that use a structured product also use an ETF. One possible explanation could be the 'core beta/alpha satellite' portfolio construction often discussed by today's industry commentators. In other words, sometimes performance matters, sometimes other factors are as important, or even more important. We conclude that any one institution can have complex needs which could be further explored in future surveys.

3.2 Reasons for using most popular 'alternative alternative' assets
% of respondents to the question



European Institutional Asset Management Survey 2005

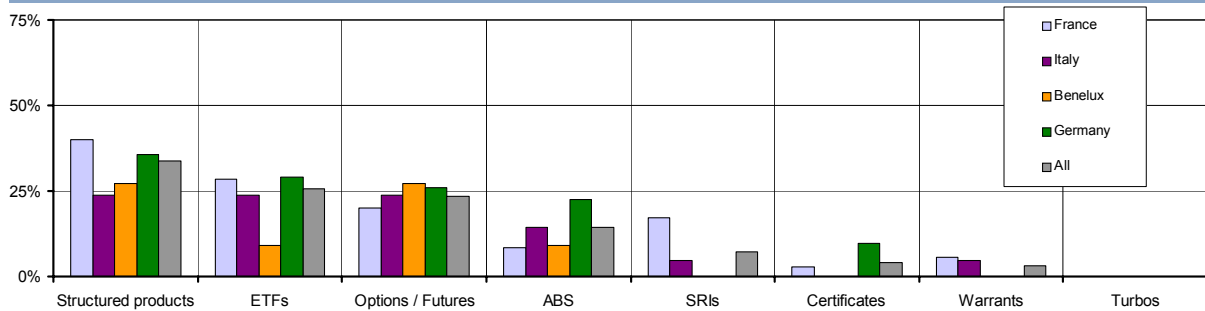
3 ALTERNATIVE ALTERNATIVE ASSETS *continued*

Figures 3.3 to 3.5 show the usage that respondents indicated they would be making in future in 2005 of these products by country, sector and size of institution.

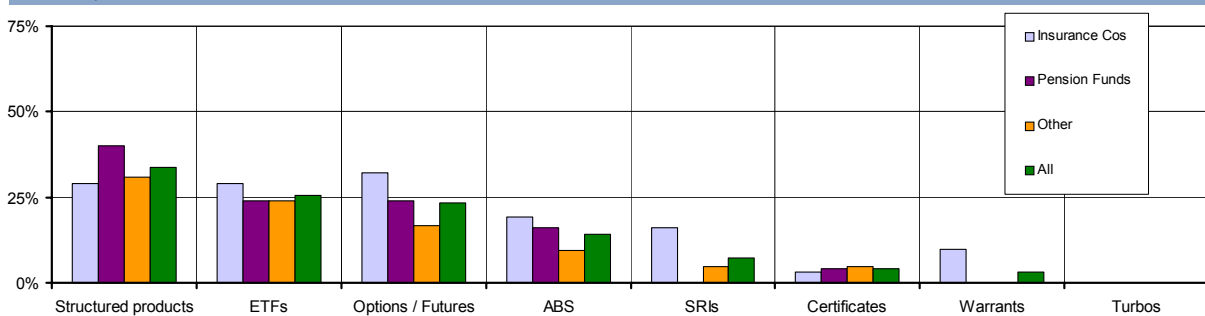
Structured products will be used widely across all the countries we have surveyed, and across all types of sectors, as can be seen below. The same is broadly true of ETFs, although we can see that there is less tendency to use them in Benelux than other countries.

The most significant variation in buying behaviour is by the size of the institutions. Alternative alternatives are primarily of interest to the very large institutions. This is particularly true of Options: four times as many large institutions use them than small ones. But note that ETFs are wanted by all sizes of institutions. The large institutions in our survey do not appear to be interested in Certificates: most interest in these is in Germany.

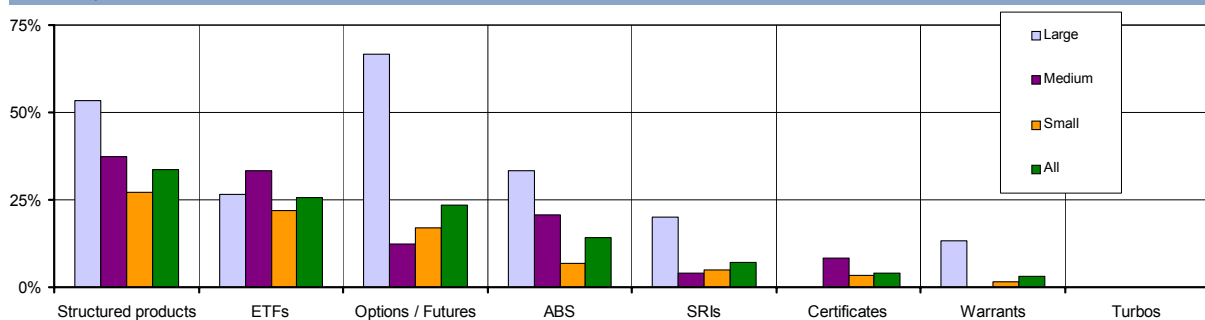
3.3 Predicted 2005 usage of 'alternative alternative' assets by country
% of respondents



3.4 Predicted 2005 usage of 'alternative alternative' assets by sector
% of respondents



3.5 Predicted 2005 usage of 'alternative alternative' assets by size of institution
% of respondents



European Institutional Asset Management Survey 2005

4 STRUCTURED PRODUCTS

Indexed based Structured Products are the N°1

The most popular form of Structured Products are Indexed based products, which are used by 13% of institutions in our survey. This is a big growth area - usage is predicted to rise to 18% in the short term future. Although less used in Germany, Indexed based products are used widely across other countries, mostly by the very large institutions. Other structured products such as CDO/CDLs are also likely to grow in popularity but mostly with the larger institutions.

We have asked respondents who use Structured Products to go on to tell us which Structured Products they use. We invited them to tell about their buying now and in future of Indexed based products, Structured swaps, Structured mutual funds, Collateralised debt and loan obligations (CDO/CLO) and Others.

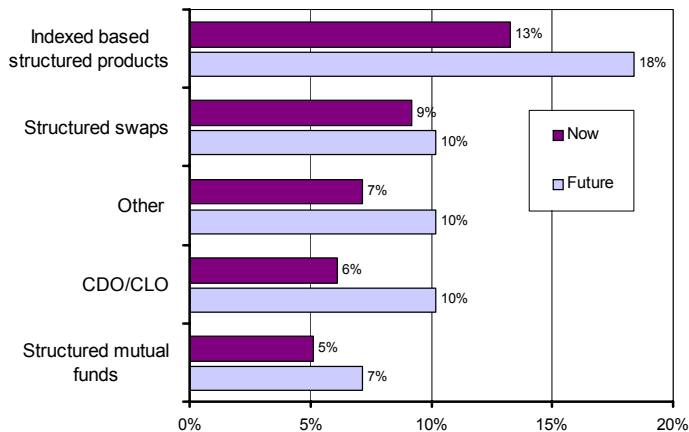
As can be seen in figure 4.1, the most popular structured products using these headings are Indexed based products, which are used by 13% of respondents in 2004. More said they would start to use them this year, making a predicted total of 18% of institutions that will use Indexed based Structured Products by the year end.

After this come structured swaps, used already by 9% of institutions, with a small degree of additional growth expected during 2005.

Growth from small bases is expected for both the Structured mutual funds, and CDO/CLO categories. Other types of Structured Products are popular, hardly surprising since the scope of this area is very wide. Some of those mentioned to us include Bonds Linked With Equities, Bonds With Cancellation Rights, Callables, Multi-Callables and Indexation Commodities. We were also offered several acronyms which meant more to the respondent than they did to this analyst, for example: CSM, EMTN, and TMTN / BMTN.

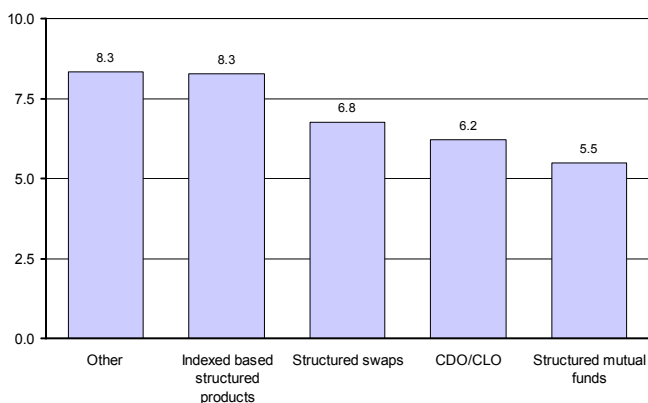
Structured products tend to have an average maturity of five to eight years, as shown in figure 4.2. The longest maturity are Indexed based Structured Products (8.3 years) while the shortest are Structured Mutual funds, at 5.5 years.

4.1 Current and predicted 2005 usage of Structured Products
% of respondents



"18% of institutions will use Indexed based Structured Products"

4.3 Average maturity of Structured Products
Number of years



However, these averages should be treated with caution, since they do not show the wide variation in range that lies behind them. We were told of Structured Mutual Funds with maturity of as little as 3 years, and as much as 10, for example.

European Institutional Asset Management Survey 2005

4 STRUCTURED PRODUCTS *continued*

There is variation in how structured products are used from country to country, as shown in figure 4.3. The French institutions are the only ones who use Structured Mutual Funds, for example. The French in our sample are less enthusiastic about buying CDO/CLO than other countries appear to be, although we are aware of much CDO product emanating from French banks. Italian respondents are the most enthusiastic about structured swaps. Indexed based products are apparently less used in Germany, where there seems to be greater enthusiasm for CDO/CLO and other types of Structured Products.

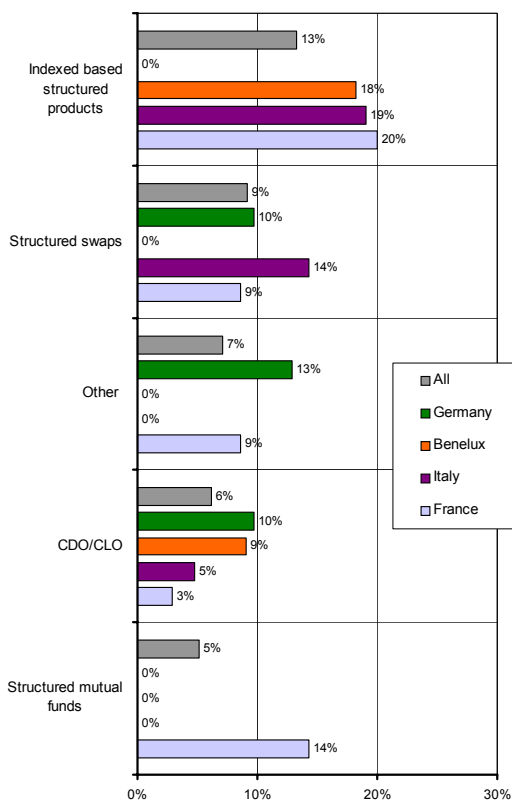
There is great variation in the usage of Structured Products by size of institution, as shown in figure 4.4. The larger institutions are the main users of Structured Products, as we have identified in section 3. But what we can also show here is that they are significantly the most prominent users of CDO/CLOs, and of Structured swaps.

Indexed based products are also mostly used by the larger institutions (27% use them), but medium sized firms are also among the users (17% use them). The users of the 'other' Structured Products we have described are all medium and small firms.

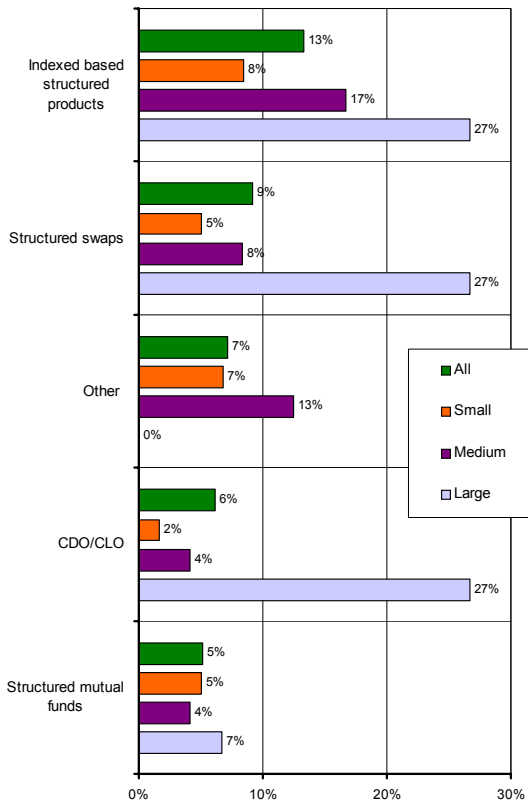
"Indexed based products are mostly used by the larger firms"

Structured Products appear to be slightly more popular among insurers than other types of institutions. For example, 19% of insurers in our survey use Indexed based products, compared to 12% of Pension funds. And 13% of insurers use Structured swaps, compared to 8% of pension funds.

4.3 Current usage of Structured Products types by Country *% of respondents*



4.4 Current usage of Structured Products types by size of institution *% of respondents*



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5 EXCHANGE TRADED FUNDS

European Equity ETF popularity will grow by 50%

The most popular Exchange Traded Funds (ETFs) are European equities, which are used by 12% of institutions in our survey. This is a growth area - popularity is predicted to rise by half again to 18% in the short term future, driven primarily by their ease of use and their low price. Equity based ETFs are particularly popular in France, and among insurance companies. There is little demand for the remaining types of ETF.

We have asked respondents who use ETFs to go on to tell us which types they use, now and in future. Questions focused on ETFs based around American equities, Bonds, Domestic equities, European equities, Sector-based equities and Style based funds, and any Others.

As can be seen in figure 5.1, the most popular, using these headings are European Equity ETFs, used by 12% of respondents in 2004. More said they would start to use them this year, making a predicted total of 18% of institutions that will be using them by the end of 2005.

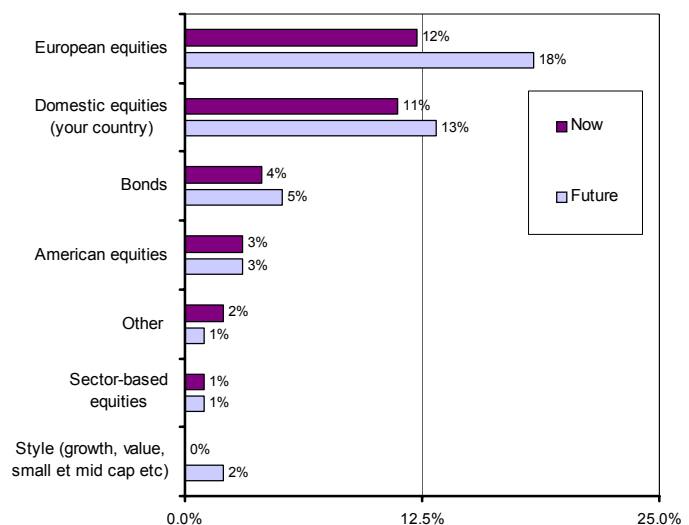
After this come Domestic Equity ETFs, with 11% of institutions. This is expected to grow to 13% this year. Bond ETFs are next most popular, used already by 4% of institutions, with a small degree of additional growth expected during 2005. American equity ETFs are used by only 3% of institutions.

Very few respondents used sector based or style based ETFs. Other funds we were told about included an Asian invested fund. No one mentioned commodity based ETFs.

Interestingly ETFs seem to be used by those with a longer term investment horizon than is the case for other investment products. The average investment horizon of all those in our survey was just over six years, as we describe in more detail in section 8. However those using ETFs are longer term in approach - their average horizon is over 7 years. This compares to just over six years for those using structured products and hedge funds.

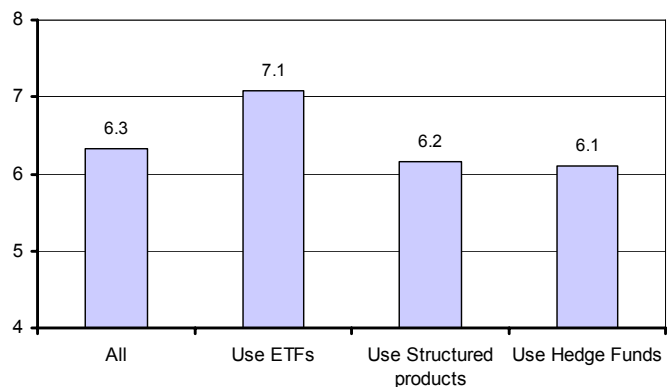
"Very few respondents used sector based or style based ETFs"

5.1 Current and predicted 2005 usage of ETFs
% of respondents



"ETFs seem to be used by those with a longer term investment horizon"

5.2 Average investment horizons of institutions that use alternative products
Number of years



European Institutional Asset Management Survey 2005

5 EXCHANGE TRADED FUNDS *continued*

In section 3 we reported that ETFs are popular across many countries. But here we show that demand in each country varies by product. French institutions are particularly keen on certain types of ETF. They like European Equity ETFs - 23% of all institutions in France in our survey use these. In Germany, where the popularity of this product is second strongest, only 13% of institutions use these types of ETFs.

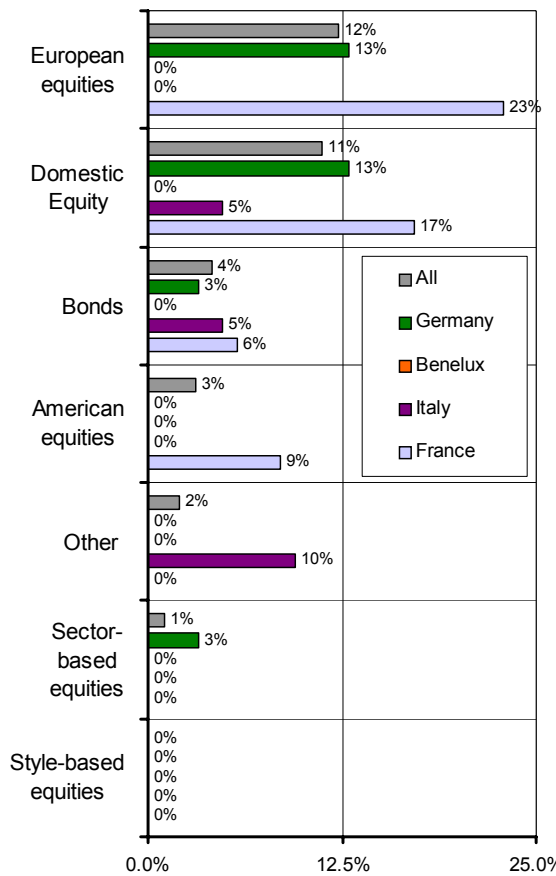
French institutions are also particularly fond of Domestic (i.e. in their case, French) equity ETFs. 17% use them. Popularity for these is also high

in Germany, where 13% of our sample use them. ETFs are not especially popular in Italy - we observed some usage of domestic and bond ETFs, but little more than this.

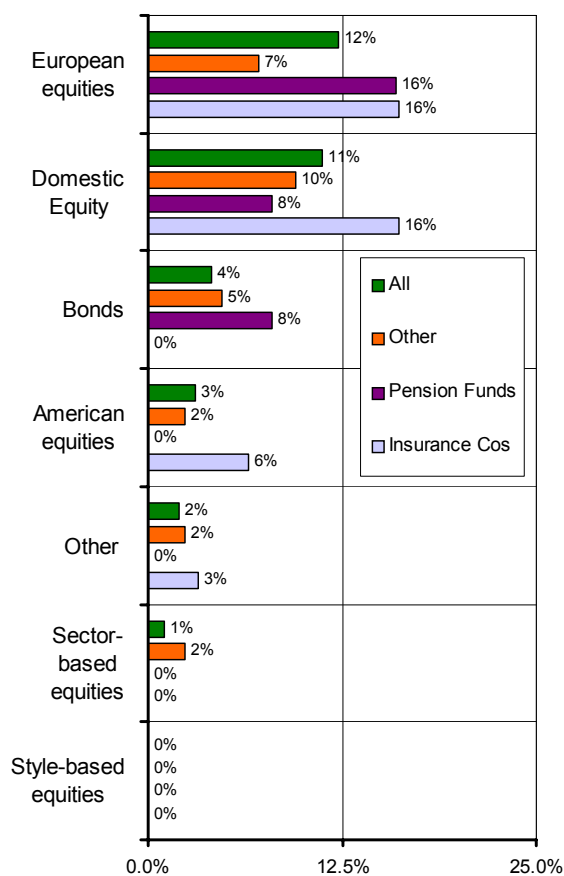
"In particular it is French institutions that like European Equity ETFs "

ETFs are used by all types of organisations. European equity ETFs are equally popular among Insurance companies and Pension funds - 16% of each type of institution uses them.

5.3 Current usage of ETF types by Country
% of respondents



5.4 Current usage of ETF types by size of institution
% of respondents



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5 EXCHANGE TRADED FUNDS *continued*

Domestic equity ETFs are more popular it seems among Insurance companies. 16% use them, but only 8% of pension funds. In contrast, 8% of pension plans use Bond based ETFs, while insurers do not use them at all. The few institutions that use US ETFs are primarily insurance companies.

Size of institution does not seem to drive demand for ETFs. The same proportions of large and medium sized institutions use European Equity ETFs for example. But this type of ETF is half as likely to be found in the portfolios of smaller institutions.

"European Equity ETFs are half as likely to be found in the portfolios of smaller institutions"

The popular European Equity ETFs are used for a variety of reasons. As we described in section 3 (see figure 3.2), ETF usage is driven primarily by their ease of use and their low price, and this is certainly also true of European Equity ETFs. Figure 5.5 shows a range of the reasons given for their usage. Ease of use (which includes liquidity) and cost are mentioned, but so also are the returns available, the transparency, and the access to external managers which they offer.

Quoted tracker funds are bought mostly on the Euronext Exchange by institutions in France, Italy and Benelux, as shown in figure 5.6, while German respondents to this question used only Deutsche Borse. USA and Asian exchanges are seldom used for this purpose. 10% of the respondents to this question used more than one exchange.

5.5 Examples of reasons given for usage of European Equity ETFs

- Choice Of The External Investment Manager
- Cost Structure / Liquidity
- Costs, Transparency
- Large Market & Good Profitability
- Markets And Segment Can Be Traded Efficiently
- Passivation
- Piloting Of Tactical Asset Allocation
- Revenue / Costs
- Transparency, Low Fees, High Income

5.6 Exchange where quoted trackers are purchased, by nationality of institution % of respondents who answered this question

Exchange	France	Italy	Benelux	Germany
<i>Euronext</i>	90%	60%	100%	
<i>Deutsche Borse</i>				100%
<i>Other European stock exchanges</i>	10%	40%		
<i>USA</i>	10%			
<i>Asia</i>		20%		

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6 SECURITIES LENDING

Large institutions do most Securities lending

Securities lending is permitted at one in three institutions. It is most prevalent among the very large institutions where nearly half are allowed to do it. Securities lending is mostly allowed against bonds.

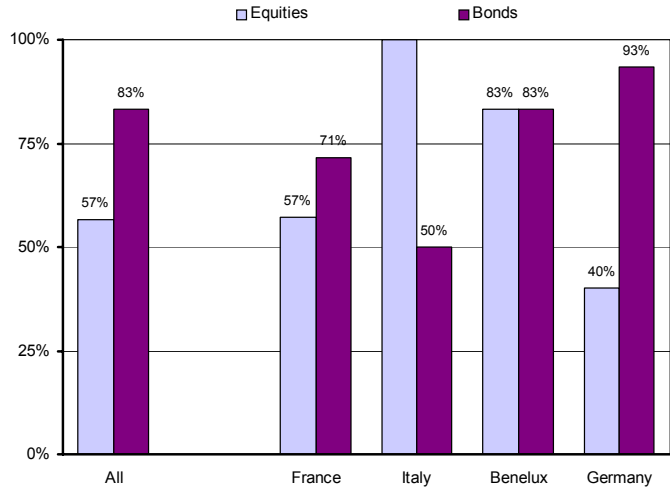
As shown in figure 6.1, Insurance companies are not so keen on it - only 25% allow it. Fewer than one in five French and Italian institutions in our sample are allowed to do securities lending, while in Germany and Benelux the majority are allowed to do it. These proportions may not be representative of the wider market.

"Securities lending is mostly allowed against bonds"

Securities lending is mostly allowed against bonds, as shown in figure 6.2. 83% of institutions that do Securities lending think this way. 57% allow it against equities. (Approximately a third of the institutions allow it against both bonds and equities).

The level permitted for securities lending is shown in figure 6.3. 60% is the average maximum level permitted for of equities, and 49% for bonds. These averages should be treated with caution, since the range of responses varied widely from 1% to 100% in both cases.

6.2 Types of securities on which lending is permitted
% of respondents answering question

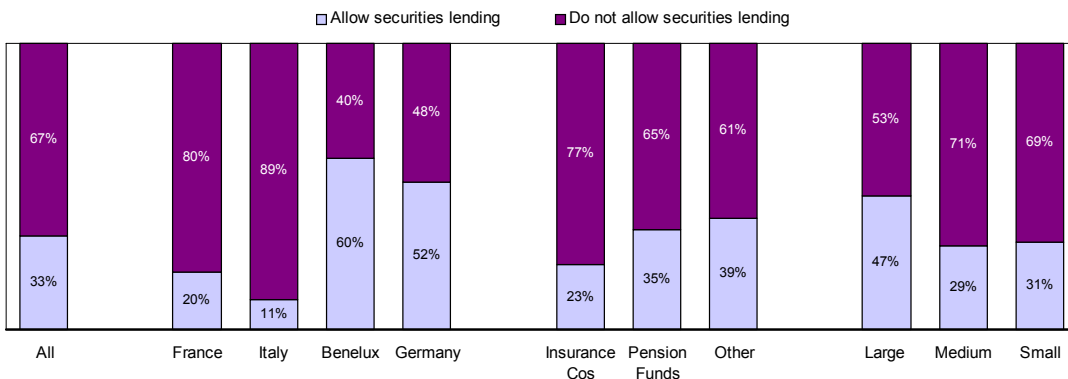


6.3 Level permitted for Securities Lending by Type of security
% of security

	All	France	Italy	Benelux	Germany
Equities	60%	37%	0%	60%	78%
Bonds	49%	6%	0%	60%	65%

6.1 Securities lending activity

% of respondents answering question



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7 PERFORMANCE ATTRIBUTION

Performance attribution comes increasingly from investment managers

There seems to be a strong trend for a growing number of institutions to look to receive this service from their investment manager. Two thirds of institutions are provided with performance attribution data.

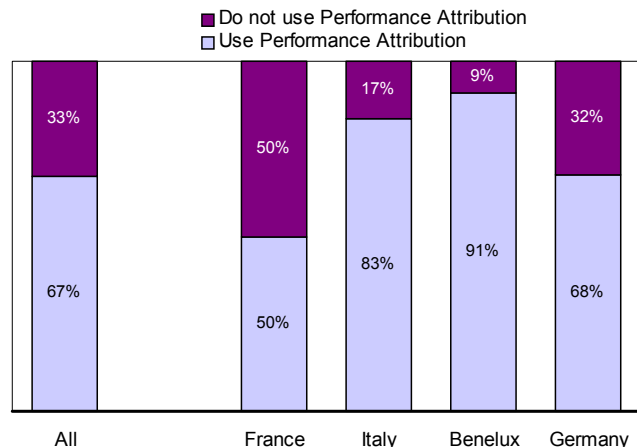
Performance attribution varies widely by country. Figure 7.1 shows that far fewer institutions have this service in France (50%) than in Benelux (91%) or Germany (68%).

They are given this service by a range of providers, but the most common is their investment manager (58% say this). 30% told us they receive it from an internal department. Others are given data this year by their custodian, or by an external performance analyst. One in five institutions who receive performance attribution told us in this year's survey that they receive performance attribution from more than one of these sources.

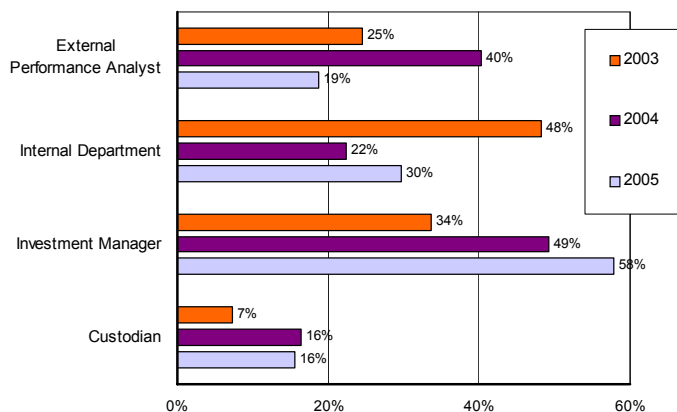
"Far fewer institutions have this service in France (50%) than in Benelux (91%)"

The equivalent measures in previous EIAMS surveys shown in figure 7.2 reveals an apparently clear trend to receive performance attribution more and more from investment managers. Other trends are confused - for example it appears from the data that external performance analysts are falling from favour this year, and that internal departments are recovering lost ground. But these trends must be observed over a longer time period to be sure.

7.1 Usage of performance attribution by country
% of respondents to this question



7.2 Providers of performance attribution 2003-2005
% of respondents who use performance attribution



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8 INVESTMENT HORIZON

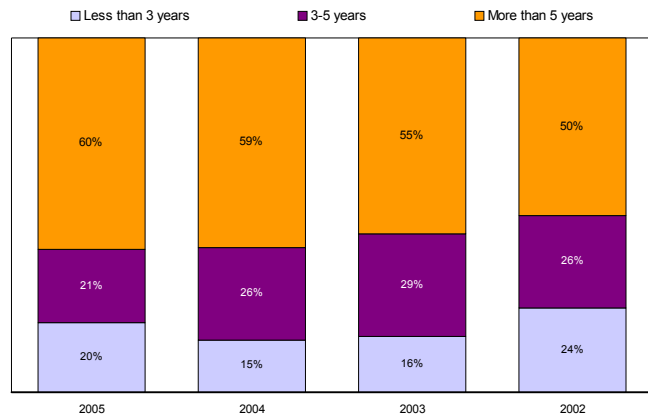
Investment horizons are getting longer and shorter at the same time

Trend one: most European investors are long term in their outlook, but the numbers thinking this way are not growing as they once did. Trend two: a minority of institutions are very short termist, and this number may even be growing. The longest term investors tend to be the Pension funds, nearly twice as many of which have an investment horizon of over 10 years. There appears to be little relationship between the investment horizon and how institutions invest, which is odd.

As can be seen in figure 8.1, 60% of respondents consider their investment horizon to be 5 years or more, while in 2002 only 50% of investors held this view. However this trend may have stalled - there was no meaningful change in 2005.

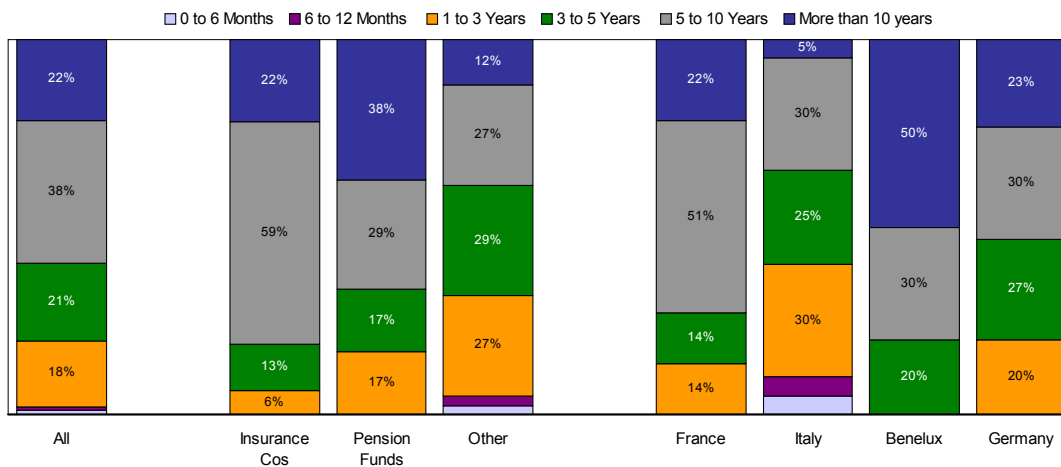
And the number of very short term investors may also be growing - 20% of investors describe their natural investment horizon as being less than 3 years - this is an increase over 2004.

8.1 Average Investment Horizon 2002-2005
% of respondents



In 2005 we found wide variety of horizon from sector to sector as shown in figure 8.2. The longest term investors tend to be the pension funds: 38% have an investment horizon of more than 10 years, compared to only 22% of insurance companies, and 12% of the other types of institutions.

8.2 Average Investment Horizon By Sector and by Country
% of respondents



European Institutional Asset Management Survey 2005

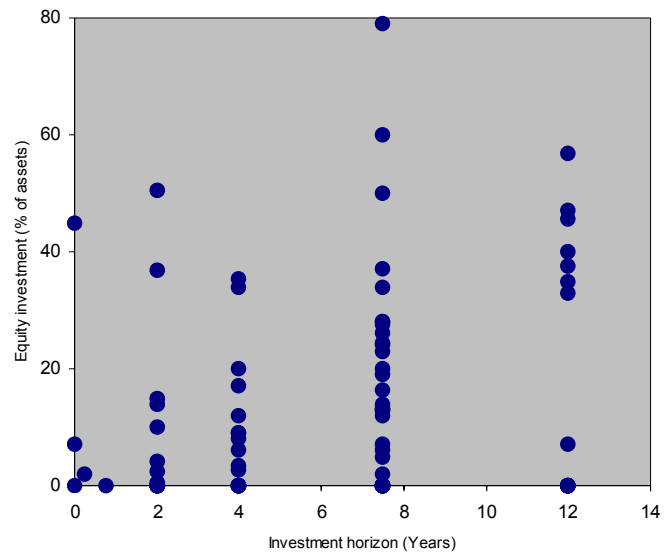
8 INVESTMENT HORIZON

French institutions are the longest term in their approach, with 73% investing over a horizon of more than 5 years. The shortest term respondents came from Italy, where only 35% had a similar time horizon.

There appears little relationships between the investment horizon and the type of investments that are used. We have compared investment horizons to equity investing in figure 8.3. The correlation that one might expect to see between a long term horizon and high equity investment is in fact quite low. We have also looked at how investment horizon may influence the allocation to other asset classes, and found no obvious correlation in these either.

In order to complete the analysis in figure 8.3, we converted ranges to average number of years: so, for example, a respondent saying their horizon was 3-5 years was then analysed as having a 4 year (i.e. the mid-point) horizon. On this basis, the average investment horizon of the respondents was 6.3 years.

8.3 Average Investment Horizon vs. Equity Investment



"The average investment horizon of the respondents was 6.3 years"

European Institutional Asset Management Survey 2005

9 INVESTMENT OBJECTIVES AND VOTING POLICY

Large firms have quite distinct investment objectives

Overall the most important objective that is pursued when setting investment policy is 'Absolute Performance', but we find that large companies are much more driven by the Investment Horizon than smaller firms.

'Absolute Performance' is selected by 37% of respondents as the most important objective, followed by 'Level of Risk', selected by 32%.

The other factors ('Relative Performance', 'Investment Horizon' and 'Liquidity') have considerably fewer adherents (see figure 9.1).

This varies by country to some extent: Italian institutions are more concerned than other countries with level of risk, for example. Pension funds are less performance driven, and are more concerned than other types of respondent in Relative Performance. The most interesting variation is that large companies are much more driven by the Investment Horizon than smaller firms.

9.1 The most important objective that is pursued when setting investment policy
% of respondents

	All	By Country				By Sector			By Size of Institution		
		France	Italy	Benelux	Germany	Insurance Cos	Pension Funds	Other	Large	Medium	Small
Absolute Performance	37%	34%	19%	27%	55%	39%	24%	43%	27%	46%	36%
Level of Risk	32%	34%	48%	27%	19%	29%	28%	36%	20%	17%	41%
Relative Performance	16%	14%	19%	9%	19%	10%	24%	17%	20%	25%	12%
Investment Horizon	12%	20%	5%	27%	3%	23%	16%	2%	33%	8%	8%
Liquidity	4%	3%	5%		6%	3%	4%	5%		8%	3%

Large firms often have voting policies, but the small seldom do.

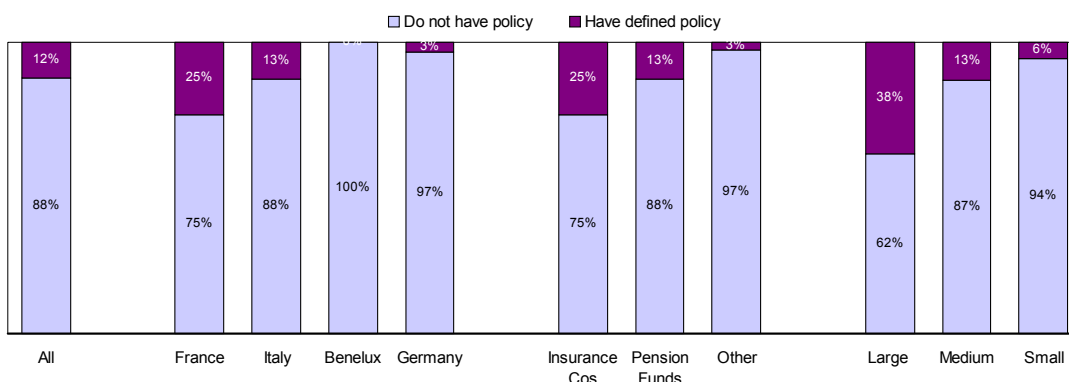
Only 12% of firms have a defined voting policy for shareholder annual general meetings. These are mostly the larger firms.

As is shown in figure 9.2, this varies by country. French firms are more likely to have a voting

policy than those in Benelux or Germany, for example. More Insurance companies tend to have policies than Pension funds, and other types of firms.

Those most likely to have a policy are large firms: we were told by 38% that they had a defined policy, while only 6% of small firms had one.

9.2 Existence of defined a voting policy for shareholder annual general meetings
% of respondents answering question



European Institutional Asset Management Survey 2005

10 INVESTMENT CONSULTANTS

Excluding pension funds, investment consultants are not used much

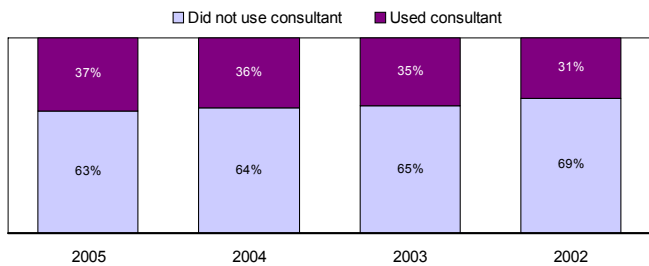
The most frequent users of investment consultants are the pension funds, while other types of institutions are half as likely to use them. There has been a steady but small growth in the use of investment consultants each year since 2002. Consultants are used mostly to help set asset allocation, and to select external managers, in that order of frequency.

36% of institutions use investment consultants, while in 2002, 31% did, as shown in figure 10.1. The most prominent users of investment consultants are pension plans - 63% of this type within our sample use one. Among other types of institutions' usage of investment consultants was half this. Pension funds use external management most, so it seems that usage of consultants is driven by usage of external management. This in turn suggests that usage of consultants will grow among other types of institutions as their need for external management grows (see section 11).

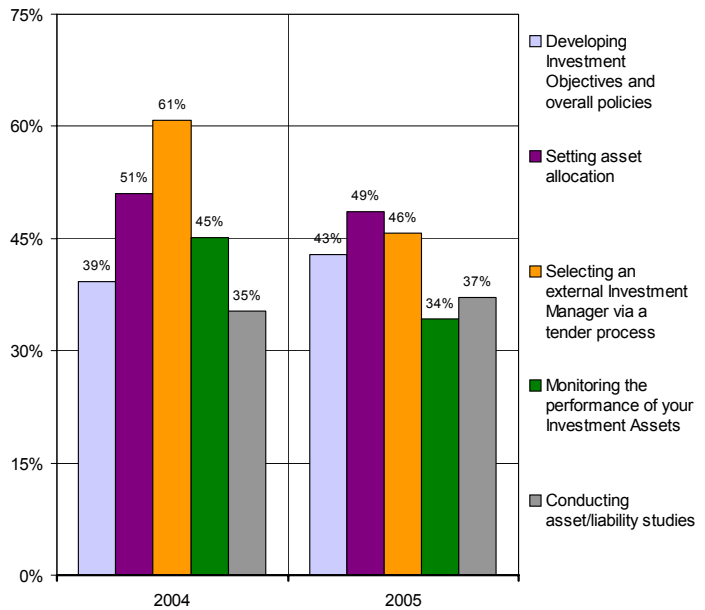
There appears to be some variety of usage by country, with German institutions using consultants less than other countries we surveyed, as can be seen in figure 10.2.

Consultants are used mostly to help set asset allocation, as is shown in figure 10.3. This is a change from our finding in 2004, when consultants' most frequent task was to select external investment managers.

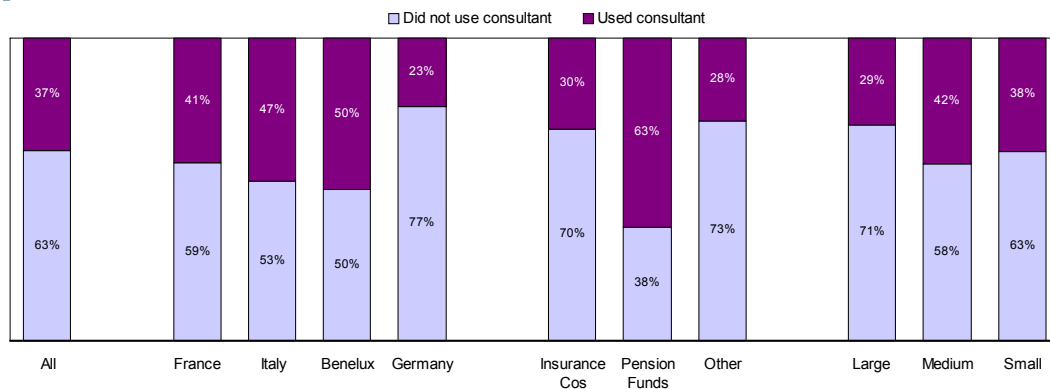
10.1 Usage of investment consultants 2002-2005
% of respondents



10.3 What investment consultants are employed to do
% of respondents that use consultants



10.2 Usage of investment consultants by country, sector and size of institution
% of respondents



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11 EXTERNAL MANAGERS: USAGE

The larger the firm, the lower proportion of its assets go to an external manager.

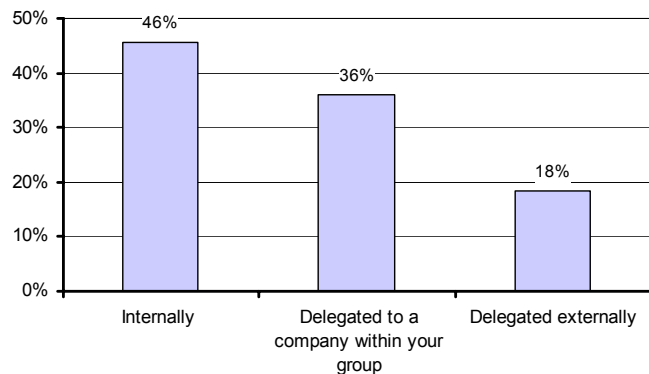
Large institutions tend to delegate significantly less of their assets to external managers than smaller ones. But because they are so big, when these institutions do use external managers it is in very meaningful absolute amounts. There are five managers used by each institution, and they give them half of their assets on average, most frequently in the form of segregated mandates. There seems to be a growth in the number of external managers being employed by each institution.

As shown in figure 11.1, respondents to this survey told us that 18% of their assets are delegated externally. Most assets are managed internally, or are delegated to another group member.

Numbers in this section are calculated on a *weighted* average basis. In previous years we used a simple average basis for this calculation, which tended to lend greater influence to the more numerous and smaller respondents (in terms of assets) of the survey. The equivalent simple average proportion of assets managed externally this year is 49% (which is similar to the number we reported last year).

As can be seen in figure 11.2, there is a great difference between the tendencies of small and large institutions to use external management: smaller institutions externally delegate 55% of

11.1 Investment Assets analysed by Internal or External Management
Weighted % of investment assets

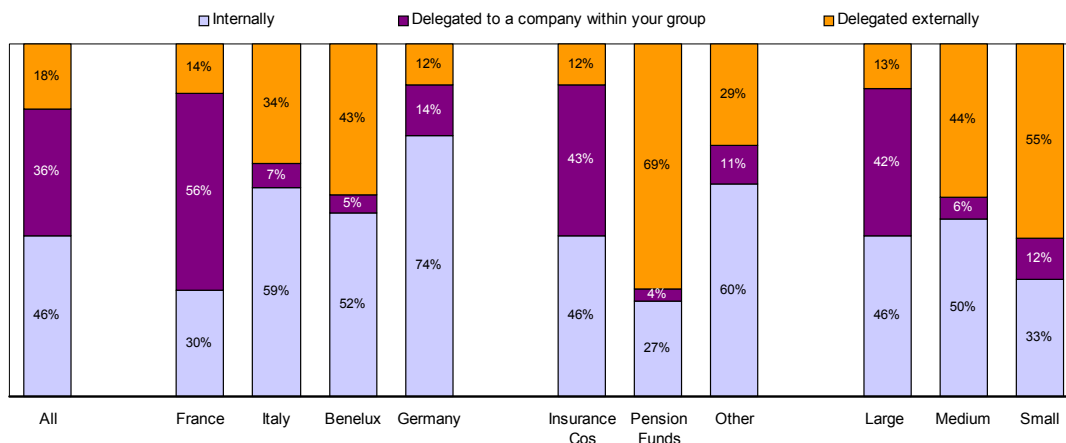


the assets in our survey, but the larger ones delegate only 13%.

Figure 11.2 also reveals that only a relatively small amount of assets of German institutions in our survey are given to an external manager. (The same can also be said about institutions in France, but mainly because many of the respondents in that country were large. On a *simple average* basis over 50% of the French assets are delegated externally.)

Benelux and Italian institutions use an internal manager for the highest proportion of their assets. Pension funds are much greater users of external management than other types of institutions.

11.2 Investment Assets analysed by Internal or External Management by country, sector and size of institution
Weighted average % of investment assets



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11 EXTERNAL MANAGERS: USAGE *continued*

If the large organisations delegate only 13% of their investment assets to external managers, does this imply that they are not an attractive market opportunity for external management groups? No. Large institutions may delegate four times less in proportionate terms than small ones do (see figure 11.2), but when looking in absolute terms at the volume of assets which they delegate, the reverse is true of our sample: four times more assets are delegated from the large than the small institutions. This is shown in figure 11.3. The investment assets of the large institutions are so vast to start off with (83% of our sample), that even a small proportion externally delegated becomes a large absolute amount.

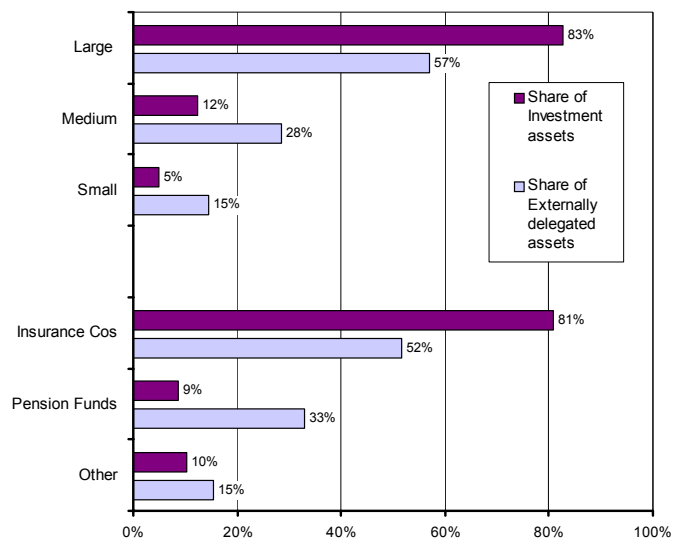
The same can be said of Insurance companies, who only externally delegate 12% of their investment assets. Because they represent 81% of the assets we have observed, they also represent 53% of the market opportunity available to external managers.

These statistics are valid for our survey, but it would be wrong for us to go on to say that this means the rest of the market behaves in the same way. What we would conclude from these measures however is that those seeking to win mandates should not ignore the large firms, and nor should they ignore the insurance companies. If they do focus on smaller institutions, and there may be several good reasons for doing this, they should be aware that they are limiting themselves to a small proportion of the market.

81% of those that use an external manager used them for segregated mandates, as shown in figure 11.4. The second most popular investment vehicle is Pooled or Commingled funds - 56% of the institutions used external managers for these.

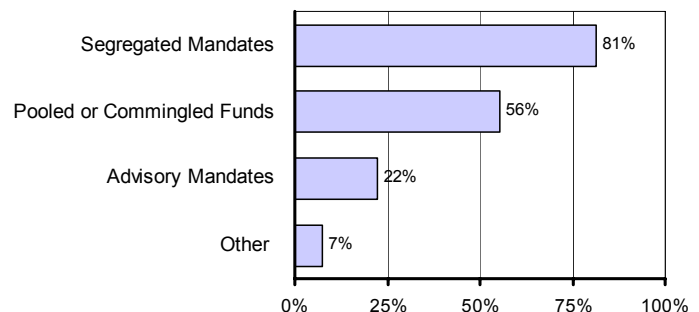
There were a minority of users of external managers for advisory mandates and other vehicles. Over half of the institutions have more than one type of vehicle needing external input, which explains why the numbers in figure 11.4 add to more than 100%.

11.3 Share of externally managed assets and share of investment assets by sector and size of institution
Weighted % of assets



"Those seeking to win mandates should not ignore the large firms"

11.4 Usage of external managers by type of Investment vehicle
% of respondents who answered this question



European Institutional Asset Management Survey 2005

11 EXTERNAL MANAGERS: USAGE *continued*

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There is a growth in the number of managers used. Figure 11.5 shows how many managers of different types of mandates were used by respondents in 2004 and 2005. In segregated mandates, this year's survey reveals a growth in the number of institutions with 3-5 managers, and a reduction in the number who have only single manager relationships.

Similarly, in pooled funds, there are fewer single managers, and more multi-manager relationships this year compared to last year. This does not appear to be the case for advisory mandates, but the number of users of advisory relationships is small, and this makes interpretation of trends here difficult.

Overall, we have observed across all the respondents to this survey some 470 institution-external manager relationships (by *relationship* here we mean *mandate or agreement*). 50% of these relationships are segregated mandates, and another 41% are pooled or commingled funds.

Allowing for the fact that not all of the respondents to this survey do use an external manager (see section 19), we estimate an average of over five external manager relationships of all types per institution. There will be overlap: any one asset management group may in reality supply more than one of these relationships for any one institution.

11.5 Number of external investment managers per investment vehicle 2005 and 2004
% of respondents who answered question

	Responses	Number of managers	2005	2004
Segregated Mandates	66	1-2	39%	46%
		3-5	33%	25%
		>5	27%	29%
			100%	100%
Pooled or Commingled Funds	45	1-2	24%	32%
		3-5	29%	30%
		>5	47%	38%
			100%	100%
Advisory Mandates	18	1-2	72%	68%
		3-5	17%	5%
		>5	11%	26%
			100%	100%

"This suggests an average of over five external manager relationships per institution"

European Institutional Asset Management Survey 2005

12 EXTERNAL MANAGERS: CHANGE

Institutions see strong growth prospects for external management

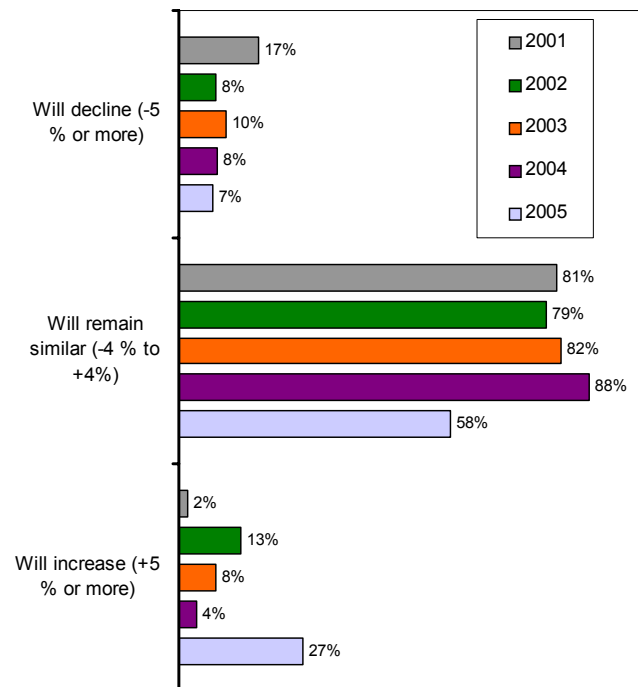
More institutions than in any year since 2001 see growth in external management in the coming year. This view is held across the market, although pension funds are less certain of this growth than other types of institutions. It is insurers and other types of firm who do not currently use external management so much that most frequently predict its growth.

This survey sees the largest number since 2001 of institutions who expect change in the proportion of Investment Assets allocated to external managers in the coming year. Figure 12.1 shows how respondents divide over time between those who see growth, fall, or no change, in their externally allocated assets. 27% believe that there will be growth in this measure in the coming year. The largest previous growth was 13% in 2002.

Figure 12.2 shows how the respondents this year can be analysed by region, sector and size. It shows that there is little variation in any of these dimensions. 3 in 10 French and German institutions see growth in usage of external managers, but only 2 in 10 Italian institutions do.

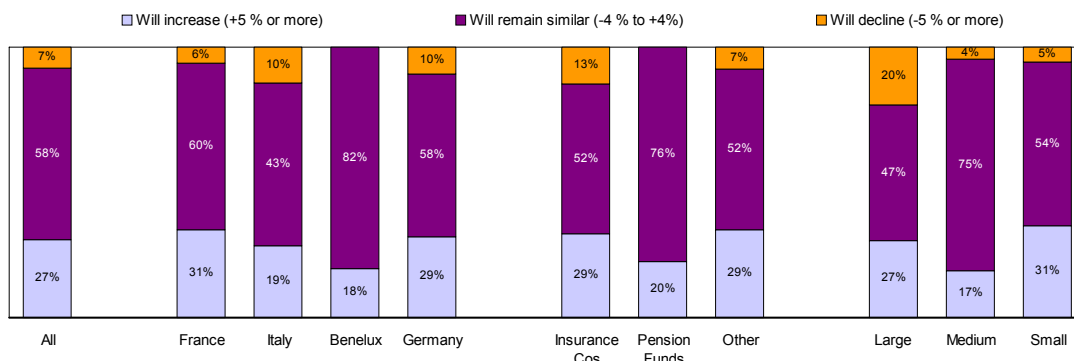
Pension funds use external management the most (see section 12). Perhaps because of this, they are not the ones who will drive growth in future: only 2 in 10 Pension funds think there will be growth, while other types of institutions such as insurers (who use it little at present) tend to see growth more frequently.

12.1 Expected change in the proportion of Investment Assets allocated to external managers in the coming year 2001-2005
% of respondents



Those who say they predict growth in usage of external management, will want services in the following asset classes. In Fixed Interest Euro Governments and Euro Investment Grade Corporates. In Large Cap they will want Domestic, Pan European, US and Euro. Also Small Cap Euro, Hedge Funds and Other alternatives.

12.2 Expected change in the proportion of Investment Assets allocated to external managers in the coming year by country, sector and size of institution
% of respondents who answered this question



European Institutional Asset Management Survey 2005

13 EXTERNAL MANAGERS: ASSET ALLOCATION

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Asset classes delegated to external managers vary widely by country

External managers are used by at least some respondents for virtually all asset classes. Four in ten use them for Pan-European Equity, Euro Governments Fixed Income and Cash. Small cap equity is the least likely class to be delegated. There are big country differences in what external help is used for, the French for example use external managers a lot for cash, but the German respondents, in this study never do.

We invited respondents to tell us what usage they made of External Managers via mandates/mutual funds by asset class. The summary of their responses this year compared to previous years is shown in figure 13.1. The table gives the proportion of the number of institutions (note: not proportion of assets) that use an external manager for each class, along with a coloured highlight to show the category of hotspots of demand.

Asset classes which have been hotspots of demand for external management consistently since 2003 are : Domestic Governments Fixed Income, Euro Governments Fixed Income, Euro Investment Grade Corporates Fixed Income, Pan-Europe Equity and Real Estate .

In this year the hotspots of demand in order of demand (greatest first) are Pan-European Equity, Euro Governments Fixed Income, Cash, Euro Investment Grade Corporates Fixed Income, Domestic Equity, Euro Equity and US Equity. These are all asset classes that more than 30% of respondents told us they are currently using an external manager for.

This year appears different to last year in several important respects. There has been an apparent rise between 2004 and 2005 in the usage of external managers for Domestic Equity.

There also appear to be declines since 2004 in the usage of Euro Governments Fixed Income, Domestic Investment Grade Fixed Income, Euro Investment Grade Corporates Fixed Income, High Yield Corporates Fixed Income, Asia Equity and in Private Equity. (Before placing reliance on comparisons we make between data from different surveys, see our cautionary note in section 19).

13.1 Usage of External Managers via mandates/mutual funds by asset class 2003-2005 % of respondents

Asset Class	2005	2004	2003
Cash			
Cash	37%	38%	48%
Enhanced Cash	24%	23%	
Fixed Income			
<i>Governments</i>			
Domestic Governments	28%	28%	22%
Euro Governments	39%	51%	32%
Global Governments	20%	19%	15%
Domestic Investment Grade	12%	22%	17%
<i>Corporates (non-government)</i>			
Euro Investment Grade Corporates	32%	43%	28%
Global Investment Grade Corporates	26%	22%	11%
High Yield Corporates	13%	23%	9%
Emerging Markets	12%	16%	10%
Equity			
<i>Large Cap</i>			
Domestic	31%	25%	16%
Pan-Europe	40%	43%	25%
Euro	31%	31%	18%
US	30%	31%	17%
Japan	28%	31%	16%
Asia	17%	28%	14%
Global	20%	17%	9%
International (World Ex. Domestic)	13%	11%	6%
Emerging Markets	15%	22%	14%
<i>Small Cap</i>			
Domestic	13%	17%	6%
Pan-Europe	15%	19%	7%
Euro	14%	19%	12%
US	7%	13%	12%
Japan	6%		
Asia	4%		
Global	6%	12%	2%
International (World Ex. Domestic)	4%	7%	2%
Emerging Markets	4%		
Other assets			
Real Estate	22%	27%	25%
Private Equity	13%	20%	21%
Hedge Funds	23%	29%	19%
Fund of Funds	11%		
Other	11%	11%	3%

"There has been an apparent rise in the usage of external managers for Domestic Equity"

European Institutional Asset Management Survey 2005

13 EXTERNAL MANAGERS: ASSET ALLOCATION *continued*

Figure 13.2 shows the proportion of the 98 respondents that use external managers in each asset class. French institutions are much more likely to want to use an external manager for cash asset classes than those of other countries. 80% of the French respondents said they would use an external manager for Cash assets, and 60% for Enhanced Cash. French institutions also most frequently use external managers for what we class here as the 'other' asset classes, in particular for Hedge Funds.

German institutions are unusual in this survey in not wanting to use external managers to help with their cash or fixed interest classes. They, like the Italians in our survey, do not use external

managers for small cap equity investing.

The sector which uses external managers most for both cash and equity classes is Insurance. Pension funds are particularly keen to get help with Euro Government Fixed Interest, and Pan European Equity.

There do not appear to be significant differences according to size of institution in the classes that external managers are required to help with. It is worth noting, however, that for both High Yield Corporate and Emerging market Fixed Interest large institutions are the more frequent user of external managers than smaller ones.

13.2 Usage of External Managers via mandates/mutual funds by asset class by country, sector and size of institution % of respondents

Asset Class	All	By Country				By Sector			By Size of Institution		
		France	Italy	Benelux	Germany	Insurance	Pension	Other	Large	Medium	Small
		Cos	Funds	Other	Large	Medium	Small				
Cash											
Cash	37%	80%	24%	18%	3%	58%	40%	19%	40%	29%	39%
Enhanced Cash	24%	60%	5%	18%		35%	24%	17%	20%	21%	27%
Fixed Income											
Governments											
Domestic Governments	28%	31%	33%	36%	16%	35%	40%	14%	27%	33%	25%
Euro Governments	39%	37%	33%	37%	35%	35%	40%	31%	27%	42%	41%
Global Governments	20%	34%	14%	9%	13%	32%	20%	12%	33%	42%	8%
Domestic Investment Grade	12%	9%	19%	9%	13%	13%	20%	7%	20%	21%	7%
Corporates (non-government)											
Euro Investment Grade Corporates	32%	40%	29%	27%	26%	32%	32%	31%	33%	42%	27%
Global Investment Grade Corporates	26%	29%	24%	18%	26%	23%	28%	26%	27%	46%	17%
High Yield Corporates	13%	23%	10%	9%	6%	26%	4%	10%	27%	17%	8%
Emerging Markets	12%	20%		9%	13%	16%	4%	14%	20%	13%	10%
Equity											
Large Cap											
Domestic	31%	40%	29%	18%	26%	39%	32%	24%	47%	29%	27%
Pan-Europe	40%	54%	19%	59%	32%	42%	56%	29%	40%	33%	42%
Euro	31%	46%	38%	27%	10%	48%	36%	14%	40%	42%	24%
US	30%	46%	29%	45%	6%	39%	40%	17%	33%	29%	29%
Japan	28%	46%	24%	18%	13%	29%	32%	24%	33%	25%	27%
Asia	17%	31%	5%	27%	6%	26%	20%	10%	33%	25%	10%
Global	20%	43%	14%	9%	3%	32%	20%	12%	33%	25%	15%
International (World Ex. Domestic)	13%	23%	10%	18%	3%	16%	20%	7%	20%	21%	8%
Emerging Markets	15%	29%		27%	6%	23%	8%	14%	20%	17%	14%
Small Cap											
Domestic	13%	29%		18%	3%	23%	16%	5%	13%	17%	12%
Pan-Europe	15%	26%		18%	13%	26%	20%	5%	20%	25%	10%
Euro	14%	29%	10%	18%		26%	16%	5%	20%	25%	8%
US	7%	17%		9%		16%	8%		13%	8%	5%
Japan	6%	14%		9%		13%	8%		13%	8%	3%
Asia	4%	9%		9%		10%	4%		13%	8%	
Global	6%	11%		9%	3%	10%	4%	5%	13%	13%	2%
International (World Ex. Domestic)	4%	9%		9%		10%	4%		13%	8%	
Emerging Markets	4%	9%		9%		10%	4%		13%	8%	
Other assets											
Real Estate	22%	23%	14%	27%	26%	29%	20%	19%	53%	29%	12%
Private Equity	13%	23%	10%	9%	6%	19%	12%	10%	33%	21%	5%
Hedge Funds	23%	46%	19%	9%	6%	29%	24%	19%	33%	29%	19%
Fund of Funds	11%	23%	14%			23%	4%	7%	13%	17%	8%
Other	11%	17%		9%	13%	13%	8%	12%	7%	8%	14%

Colour code
 >50%
 >20%

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Figure 13.3 shows the ratio of how many institutions use external managers as a proportion of the number who invest in each asset class in the first place. So, if 40 respondents tell us they invest in a particular asset class, and 20 of them subsequently tell us they use external managers for this asset class, the ratio of usage will be 50%. This is not a sophisticated measure, since it gives equal weight to an institution that uses an external managers for all its investment in that asset class, to one which uses an external manager for just a small proportion.

"When an institution invests in Small Caps, it is almost certain to want outside help"

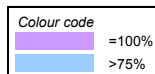
But nonetheless, figure 13.3 is a useful indicator of where hotspots of demand are by this measure. What comes through is that when an institutions tend to use external managers for more exotic bonds (Global Investment Grade Corporates, High Yield Corporates, and Emerging Markets). The same is true of the exotic large cap equity classes (Japan, Asia, Global, International, and Emerging Markets) where help is very often called upon.

When an institution invests in Small Caps, it is almost certain to want outside help to some extent; but it is very unlikely to do this in the first place as we showed in section 1.

Asset classes where institutions are particularly unlikely to look for outside help include cash, and certain fixed interest classes (Domestic Governments, Domestic Investment Grade, Euro Governments, Euro Investment Grade Corporates. Fund of Funds score the lowest ratio of any asset class by this measure.

13.3 Usage of External Managers as proportion of investors by asset class by country % of respondents

Asset Class	By Country				
	All	France	Italy	Benelux	Germany
Cash					
Cash	47%	88%	29%	67%	8%
Enhanced Cash	73%	90%	50%		
Fixed Income					
<i>Governments</i>					
Domestic Governments	56%	60%	50%	100%	44%
Euro Governments	60%	70%	43%	83%	60%
Global Governments	100%	100%	60%	50%	
Domestic Investment Grade	56%		44%		33%
<i>Corporates (non-government)</i>					
Euro Investment Grade Corporates	59%	78%	42%	67%	60%
Global Investment Grade Corporates	100%	100%	83%	100%	100%
High Yield Corporates	100%	100%	67%	100%	50%
Emerging Markets	100%	100%		100%	75%
Equity					
<i>Large Cap</i>					
Domestic	85%	100%	60%	100%	100%
Pan-Europe	79%	89%	80%	67%	78%
Euro	71%	89%	73%	75%	25%
US	73%	88%	86%	67%	40%
Japan	100%	100%	100%	67%	75%
Asia	90%	100%	100%	100%	25%
Global	100%	100%	60%		33%
International (World Ex. Domestic)	100%		100%		
Emerging Markets	100%	100%		67%	50%
<i>Small Cap</i>					
Domestic	78%	80%		100%	
Pan-Europe	100%	100%		100%	100%
Euro	100%	100%	100%	100%	
US	100%	100%		100%	
Japan					
Asia					
Global	100%	100%			100%
International (World Ex. Domestic)					
Emerging Markets	46%	43%	67%	40%	44%
Other assets					
Real Estate	75%	100%	50%	50%	100%
Private Equity	100%	88%	100%		100%
Hedge Funds	80%	100%	67%		
Fund of Funds	16%	20%		50%	20%



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14 EXTERNAL MANAGERS: SELECTION

Performance really does matter

Performance is the most important selection criterion. This may be a slight change on previous years when the top ranking criterion was risk control, which still remains a very close second. Criteria vary by country: French institutions seem to be more interested in financial strength of external managers, while German ones favour the clarity of investment process, for example.

The most important criteria when selecting an external Investment Manager in 2005 are *Performance* followed by *Risk control*. In third place is *clarity of investment process*, and fourth was *understanding of the organisation's particular goals and needs*.

This is different to both 2004 and 2003, when the most important criterion was *risk control*. *Understanding of the organisation's particular goals and needs* has also gone up one place in the rankings. *Quality of reporting* has fallen slightly since 2004.

Client service scores consistently as being in the top 10 criteria, but not in the top 5. *Level of investment management fees* does not score in the top 5, and nor has it done in the past.

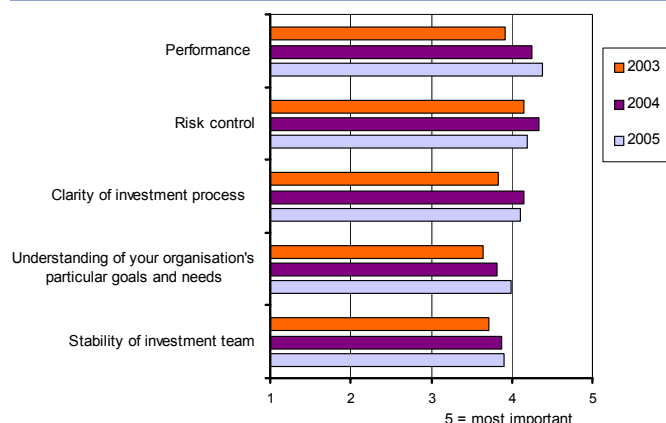
"It would not take much change for the fifth most important criterion to become the most important."

There is very little difference between these criteria in terms of scores. It would not take much change for the fifth most important criterion to become the most important. This is shown in figure 14.2, which shows how narrow is the margin between the top five average scores which are the basis for our rankings. 69% of the respondents said that *Performance* deserved their highest score for importance, but many other criteria were also scored highly as well. Very seldom was *Performance* scored at a higher score than all other criteria.

14.1 Criteria when selecting an external Investment Manager 2003-2005
Degree of importance (Ranking)

	2005	2004	2003
Performance	1	2	2
Risk control	2	1	1
Clarity of investment process	3	3	3
Understanding of your organisation's particular goals and needs	4	6	6
Stability of investment team	5	4	4
Quality of reporting	6	5	5
Client service	7	10	8
Level of investment management fees	8	8	9
Financial strength of external manager	9	7	7
Ability to provide advisory service	10	12	13
Professional rating of external manager	11	11	12
Segregation of fund management function	12	9	10
Presence in your country: sales office presence	13	13	11
Product innovation	14	17	19
Reputation of asset manager (brand)	15	14	14
Total size of AuMs of external manager	16	16	15
Presence in your country: investment team presence	17	19	17
GIPS/AIMR compliance	18	15	16
Fitch asset manager rating	19	18	18
Existing commercial relationship (banking, insurance)	20	20	21
Non-competitor	21	21	20
Parent group is domestic	22	22	22
Parent group is international	23	23	23

14.2 Top five criteria when selecting an external Investment Manager 2003-2005
Degree of importance (Average scores)



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14 EXTERNAL MANAGERS: SELECTION *continued*

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Criteria do vary by country, as is shown in figure 14.3 which also shows variance by sector and size category.

French institutions are not as interested as those from Germany in the *clarity of investment process*, for example. The French and Italian respondents are much more interested in the *Financial strength of external manager*. In Italy, performance does not hold top ranking, but second. The key factor in the country still suffering from Parmalat issues is *risk control*. *Understanding of your organisation's particular goals and needs* is also important to Italian respondents.

The Italians are also much more interested in *fees*, and much less insistent on having their *needs* understood. German respondents are more interested in *clarity of investment process* and *quality of reporting*.

Understanding of your organisation's particular goals and needs is given most importance by 'institutions that are neither Insurers nor Pension funds. Pension funds place greater importance than other sectors on *stability of investment team*. Insurers are most concerned with the *clarity of investment process*.

Large institutions are most concerned with *stability of investment team*, and much less concerned with *understanding of your organisation's particular goals and needs* than are those in the other size categories. The large seem slightly more interested in *fee levels* than the smaller institutions.

14.3 Top 10 criteria when selecting an external Investment Manager by country, sector and size of institution
Degree of importance (Ranking)

	By Country					By Sector			By Size of Institution		
	All	France	Italy	Benelux	Germany	Insurance Companies	Pension Funds	Other	Large	Medium	Small
Performance	1	1	2	2	1	1	1	1	1	1	1
Risk control	2	2	1	5	3	3	2	2	3	2	2
Clarity of investment process	3	6	4	3	2	2	4	3	4	3	3
Understanding of your organisation's particular goals and needs	4	5	9	1	4	6	7	4	9	5	4
Stability of investment team	5	4	7	4	7	4	3	5	2	6	5
Quality of reporting	6	7	8	7	5	5	5	7	5	4	6
Client service	7	9	10	8	6	7	8	6	8	7	8
Level of investment management fees	8	11	5	6	8	9	6	10	6	9	7
Financial strength of external manager	9	3	3	12	16	8	10	8	7	10	10
Ability to provide advisory service	10	10	14	10	9	10	11	9	12	8	9

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15 EXTERNAL MANAGERS: FEES

Performance fees are wanted

There is demand for performance fees - only half of institutions want a traditional fully fixed fee formula to continue for balanced mandates. But institutions have seen no change in fees this year, either up or down.

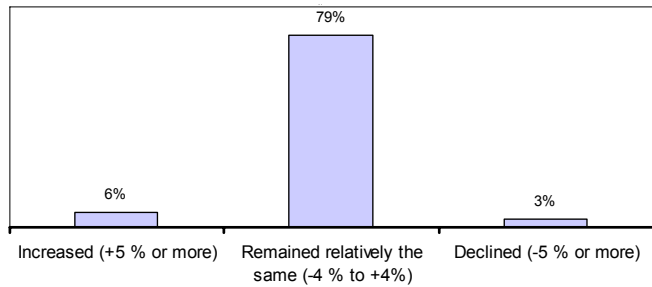
There have been no significant changes in fees charged to institutions during the year, they have told us. As is shown in figure 15.1, 79% saw there being no changes in fees at all in the period, and this did not vary by region or by sector.

There is a preference for fixed fees among European institutions, as is summarised in figure 15.2. However this is true of fixed interest and cash mandates, but for balanced containing large proportions of equity, half of the institutions favour a fee that is performance based or which contains performance elements.

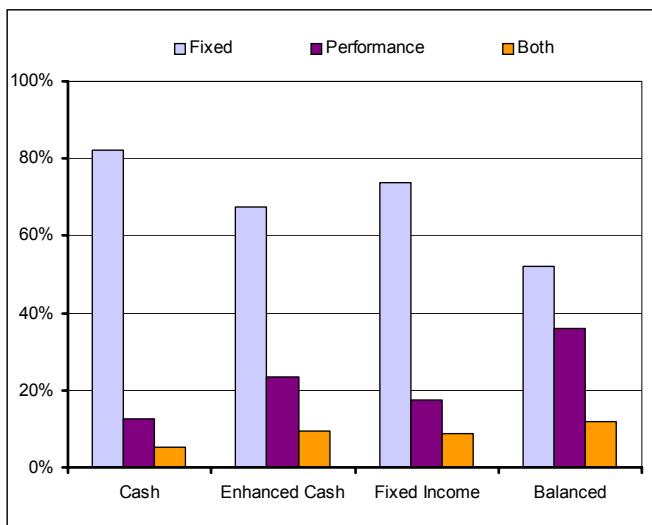
"Only 17% of the Italian respondents want to see a fully fixed fee for balanced mandates"

There are some variations by country to how this question is answered. Italian institutions are particularly favourable to performance fees, or to a combined fixed and performance fee. This can be seen in the figure 15.3. Only 17% of the Italian respondents want to see a fully fixed fee for balanced mandates, and half want a combined fixed and performance fee.

15.1 Perceived changes to fund management fees over the year 2004 % of respondents



15.2 Preference on compensation of External Investment managers % of respondents to question



15.3 Preference on compensation of External Investment managers by country % of respondents to question

	Fee type	All	France	Italy	Benelux	Germany
Cash	Fixed	82%	80%	67%	100%	93%
	Performance	13%	17%	11%		7%
	Both	5%	3%	22%		
Enhanced Cash	Fixed	67%	61%	50%	100%	82%
	Performance	23%	30%	17%		18%
	Both	9%	9%	33%		
Fixed Income	Fixed	74%	81%	67%	86%	67%
	Performance	17%	15%	17%		25%
	Both	9%	4%	17%	14%	8%
Balanced	Fixed	52%	57%	17%		59%
	Performance	36%	38%	33%		36%
	Both	12%	5%	50%	100%	5%

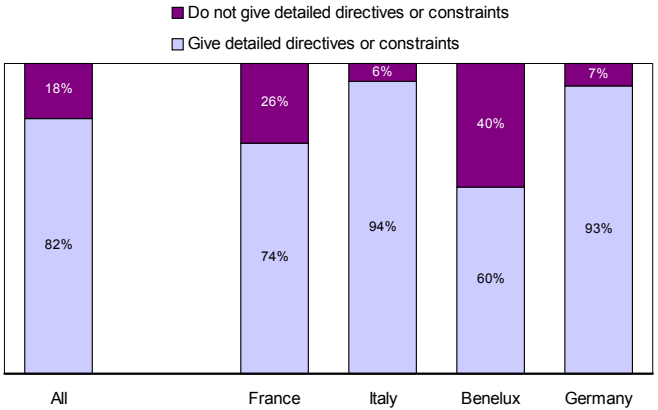
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Constraints on external managers are here to stay

External managers must expect to be told what to do, and must learn to live with constraints to their investment freedoms. 8 in 10 institutions give detailed directives or constraints in delegating to an external Investment manager.

On average across the sample 82% said that they do supply constraints. In France, it is a slightly lower proportion who insist on giving directives. German institutions in our sample are more than 90% likely to give detailed directives or constraints in delegating to an external Investment manager.

16.1 Usage of detailed directives or constraints in delegating to an external Investment manager % of respondents



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17 EXTERNAL MANAGERS: EVALUATING *continued*

Large companies in our survey tended to place most importance on relative performance (with respect to a benchmark), but small firms evaluate mostly with respect to given risk budget.

We have invited respondents to provide a score card to evaluate the recent performance of their external managers. The results are shown in figure 17.3, which shows the overall score across the sample, and also each individual country score. The criteria which respondents were invited to use are shown, from highest to least.

The quality of reporting is the most improved area according to institutions. This shows a significant increase according to all countries except Benelux. In this as in the other areas of evaluation, there is considerable consensus between the countries on the scores.

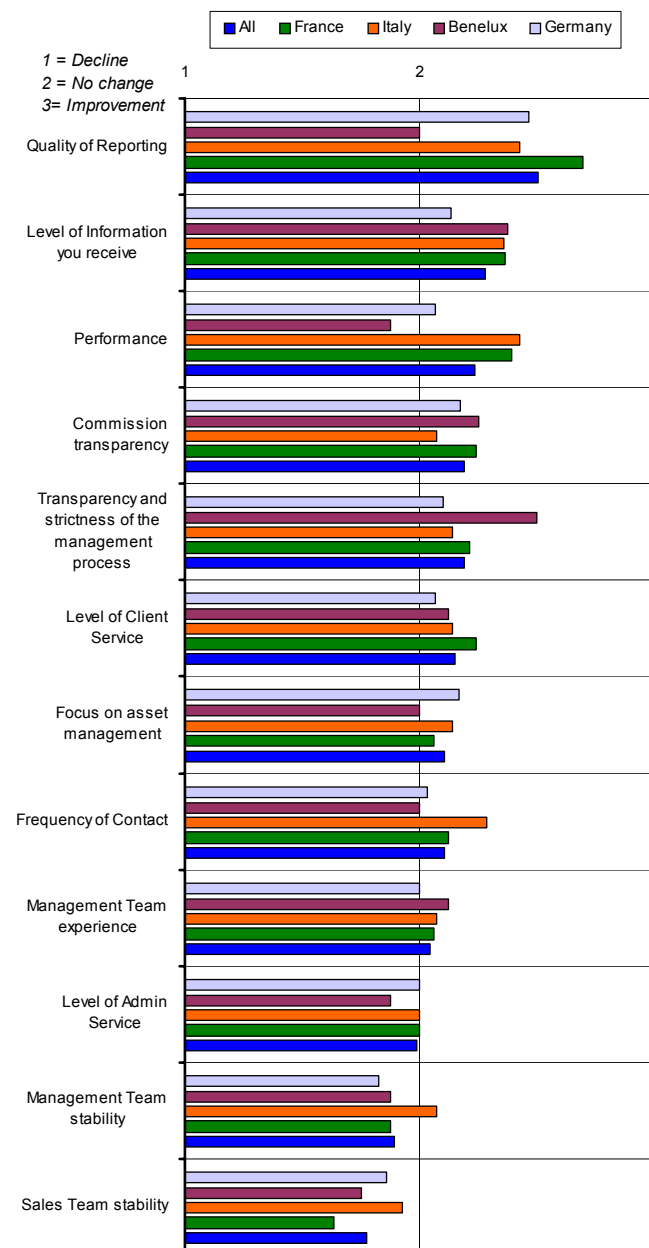
"The quality of reporting is the most improved area according to institutions."

Linked to this is the *level of information received*, which is the second most improved area of External Managers activity. *Performance*, meaning investment performance here, is the third highest evaluated area, only the Benelux countries differing from this consensus.

Transparency and strictness of the management process and *level of client service* are also scored well. *Focus on asset management*, *Frequency of contact* and *management team experience* score as being areas which have broadly neither improved nor declined.

The three worst scoring areas, and these indicate declines in performance, are the *Level of admin service*, *management team stability* and *sales team stability*.

17.3 Evaluation of External Managers by key criteria
Average scores measuring change in recent performance



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18 EXTERNAL MANAGERS: BREAKING RELATIONSHIPS

Pension funds change managers most often

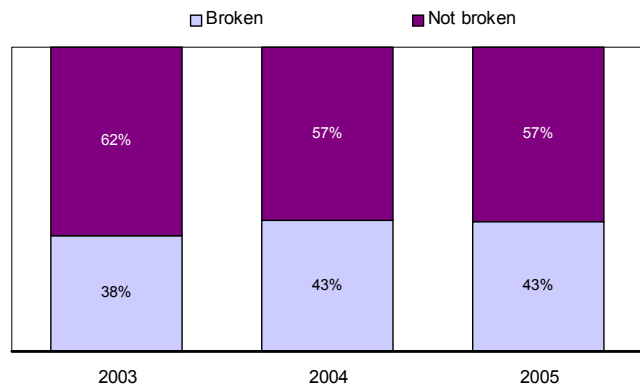
Pension funds and large firms are likely to end relationships more often than others. Insurance companies appear to be the most loyal clients. Unsatisfactory performance plays the most important role in any decision to break a relationship with an external manager. Failure to control risk is the second most important factor. We estimate that relationships end on average every five years.

Our respondents continue to end relationships with their managers with consistent frequency, as is shown in figure 18.1. This year 43% of them told us they had broken a relationship in the previous 12 months, the same proportion as in 2004, and slightly higher than in 2003.

"Small firms are more likely to be loyal clients than large"

In section 11 we estimated that there are in the region of five external manager relationship /mandates per institution . If we also assume that when we are told here by an institution that when a relationship has ended, that this applied to at least one of the its relationships, this in turn means that on average each institution has to seek new suppliers for at least one in five of its relationship/mandates each year.

18.1 Breaking of relationship with an external manager in past year
% of respondents answering this question

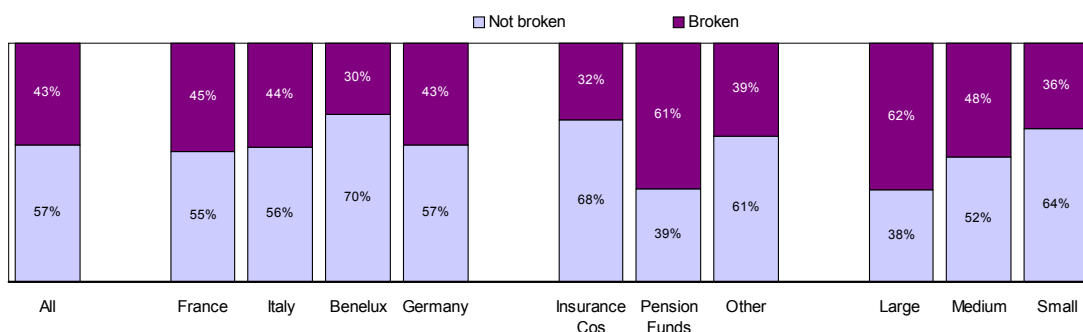


Or put another way, this suggests that the average length of an institutional-external manager relationship is approximately five years.

The type of institution with the tendency to end relationships most frequently are large institutions, 61% of which told us they ended a relationship in the past year, significantly above the overall average. Figure 18.2 also shows that pension plans also show this tendency - 61% of them ended a relationship in the same period.

The longest term relationships are with Insurance companies - only 32% of them ended a relationship recently, possibly because they have fewer to start with. Small firms in our sample are also more likely to be loyal clients. Clients in Benelux in our sample also reveal themselves to be long termist. In other countries there appear to be no differences on average in this tendency.

18.2 Percentage of external Investment Manager relationships ended by country, sector and size of institution
% of respondents answering this question



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18 EXTERNAL MANAGERS: BREAKING RELATIONSHIPS *continued*

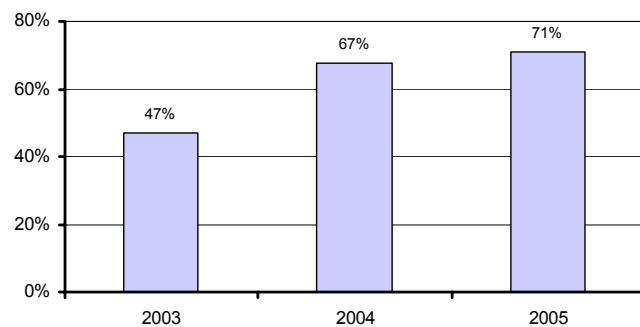
We asked the respondents to tell us what played a role in their decision to break a relationship with an external manager. We were told that the four important factors were, *unsatisfactory performance, failure to control risk, lack of clarity in fund management policy and change of investment strategy or asset re-allocation*. Other factors which can be seen listed in figure 18.3, were scored as being not important.

Of these four factors, overwhelmingly the most important was the first, *unsatisfactory performance*. 71% of the respondents to this question ranked this as being the most important factor. All types of respondent ranked this as their number one factor, as can be seen in figure 18.3.

Last year 67% said the same thing, as can be seen in figure 18.4. If 2003 data is also shown it appears that there is a trend towards *unsatisfactory performance* becoming an increasingly important factor in the decision to end a relationship.

The average hides some variance between segments of the respondents. In figure 18.3 we have highlighted the four most important factors for each group, and sorted them according to the overall average. This shows well how each segment deviates from the average.

18.4 Importance of Unsatisfactory Performance in the decision to remove an External Manager
% of respondents scoring this as the most important factor



Pension Plans and institutions in Italy both tend to place importance on *change of investment strategy or asset re-allocation*.

Insurance companies were the only ones to see *level of costs* as a relationship breaking issue.

French respondents, Insurance companies, and large firms, all told us that *excessive turnover of contact personnel* was important. There is a clear message here to those who are supplying the market in these areas to be aware that it is not just what they do in the investment factory that matters to their clients, but also what they do in their client relationship management.

18.3 Factors which play a role in the decision to remove an External Manager *Degree of importance (Ranking)*

	All	By Country				By Sector			By Size of Institution		
		France	Italy	Benelux	Germany	Insurance Companies	Pension Funds	Other	Large	Medium	Small
Unsatisfactory Performance	1	1	1	1	1	1	1	1	1	1	1
Failure to control risk	2	5	2	9	2	2	4	2	2	2	4
Lack of clarity in fund management policy	3	2	5	2	4	5	3	3	3	5	2
Change of investment strategy or asset re-allocation	4	6	3	4	3	7	2	4	9	3	3
Deviation from Investment Constraints or mandate	5	10	4	7	6	11	5	5	8	7	7
Reorganisation of Investment Manager's group	6	7	12	5	5	9	7	6	6	10	6
Level of Costs	7	9	6	6	8	4	9	7	5	9	8
Inadequate reporting/contact	8	4	9	8	9	6	10	8	7	11	5
Inability of Investment Manager to advise on investment strategy or asset allocation	9	11	8	11	7	8	12	9	10	6	10
Excessive Turnover of Portfolio Manager	10	8	10	3	11	10	6	12	11	4	11
Excessive Turnover of Contact personnel	11	3	11	12	12	3	8	11	4	8	12
Internal reorganisation of your group	12	12	7	10	10	12	11	10	12	12	9

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19 SAMPLE

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The sample was spread well

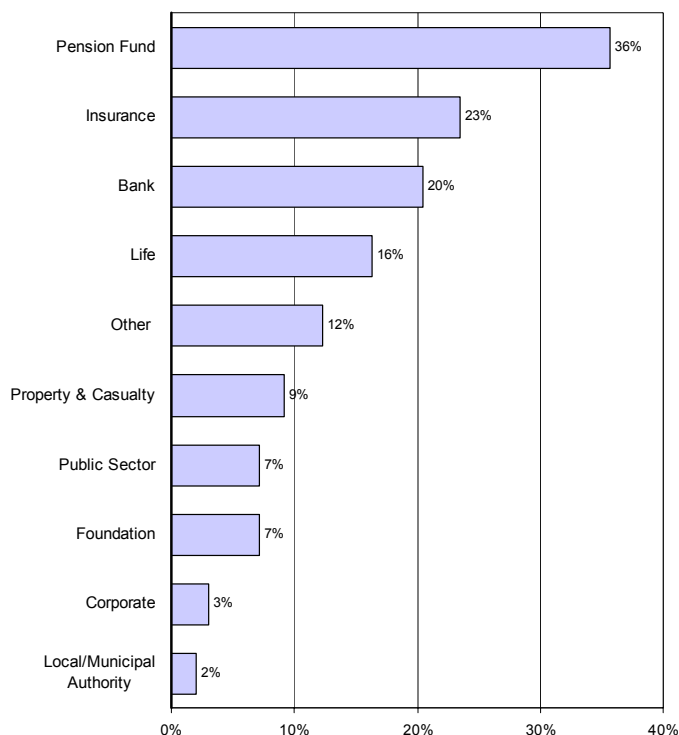
There were 98 financial institutions from France Germany and Italy, Belgium and the Netherlands that acted as respondents to this survey. They are insurance companies and pension funds and other types of institutional investor. In total the respondents had Investment Assets of €402bn, or an average of approximately €4bn per respondent and a median of €0.6bn. The survey was conducted between June and September 2005.

The intention was to identify and interview a cross section of different types, country and size of institutions in a way that was comparable to the five previous annual surveys in this series. However, the sample should not be taken as being an accurate representation of the market as a whole.

35 came from France, 31 from Germany, 21 from Italy, and 11 from Belgium and The Netherlands (Benelux) as shown in figure 19.1. In Benelux the sample size is small, and so we have refrained from forming conclusive views about this region.

The respondents came from a range of sectors as shown in figure 19.2. 36% of the 98 said they were Pension funds and 48% were Insurance type companies. Many institutions described themselves as being more than one type, some being several. For example, 10 organisations were both pension funds and insurance companies. This explains why the numbers in figure 19.2 do not add to 100%.

19.2 Sample by type of institution
% of respondents (total 98)



"Many institutions described themselves as being more than one type, some being several."

19.1 Sample AuM and numbers of respondents

	France	Italy	Benelux	Germany	All
Respondents	35	21	11	31	98
Total Investment Assets (€bn)	225	63	26	88	402
Average Investment Assets (€bn)	6.6	3.1	2.4	2.8	4.2
Median Investment Assets (€bn)	0.6	0.9	0.3	0.7	0.7

European Institutional Asset Management Survey 2005

19 SAMPLE

We have summarised the sample by type of institution in various places in the study. We have chosen to group them as Pension Funds (25 of the 98 in the sample), Insurance Companies (31) and 'Others' (42). Where an institution was more than one type, we have assessed its likely predominant type in order to assign it to one group. All those 10 referred to above who said they were both Insurers and Pension Funds were categorised as Insurers.

In various places in the study we have categorised the institutions by size. We did this using their total investment assets. Those with less than €1bn were classed as small (59 of the 98 in the sample), those with more than €5bn were large (15), and remainder were medium (24).

Where there are averages or totals shown, these are all simple averages. With the exception of the data in section 11 (EXTERNAL MANAGERS: USAGE), where we have gone to pains to explain this exception, we have not weighted the responses in any way, (i.e. the responses of a small institution are given as much weight as those of a large one.)

9 of the 98 respondents managed all of their assets internally, while a further 2 delegated assets only to other members of their group. All of the remaining 87 respondents delegated assets to an external manager to some extent.

This is the sixth edition of EIAMS. One must be careful in comparing the outputs of surveys from different years because however hard one may try to make them similar in structure they inevitably have different samples. We have not ignored this risk, but have chosen to make comparisons from year to year only when we feel that this risk is acceptable, or where our use of language is carefully geared to making this risk clear.

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