



BNP PARIBAS
SECURITIES SERVICES

Funds

Trends

March 2009



Contents

- 1. Asset Management Trends**
- 2. Role of Regulation**
- 3. Industry Efficiency & UCITS IV**
- 4. Improve Risks management and Investor protection**



The current environment will accelerate pre-existing trends

- *The “Outcome” orientation preferred over relative performance*
 - The Retirement opportunity : Investable assets for individuals over 55 will reach over 70% of total assets by 2020
 - Needs for Investment managers to shift from a product view in accumulation mode to a customer need view in income/risk mg mode
 - Insurance have started to focus on principal protected or income oriented solutions
 - Focus on benchmarks will fade away
 - Other popular Outcome like inflation indexed, target retirement date , Tax Minimization
- *Cheaper Beta ,more demanding Alpha, Asset Liability Management solutions*
 - Broader asset classes for Alpha: commodity, real assets, structured products
 - ETF's : synthetic or non synthetic
 - Pension plan sponsors requiring more sophisticated solutions
- *Convergence of Retail and institutional Demands*
 - Due diligence, track record , independent , Global reporting , marketing , client service
- *Alternatives will probably survive*
 - focusing on institutional demand and accepting more transparency/regulation



Segments growing

1. *Income Generation funds*
2. *Risk-management oriented funds*
3. *Low leverage Alternatives*
4. *Outcome –oriented funds*
5. *ETF's,Enhanced Index*

Darwinian environment

1. *Playing Scale*
2. *Building Multi-boutiques*
3. *Building focused investment management shop*
4. *Robust and resilient Alpha/Alternatives*
5. *Align performance/pricing/cost model*



Role of Regulation





UCITS IV main measures

5 main measures focusing mainly on creating an efficient European playing field for Asset management

Increase Industry Efficiency

Fund mergers

Management Company Passport

Master-feeder

Increase Cross-border Distribution

Notification Procedure

Increase Investor Protection

Key Investor Document



Potential further directions?

Safety & Risk mitigation will become a priority in current context



Hedge Funds
Framework

OTC Derivatives
Clearing

Depository banks
Framework

Portfolio
Risk Framework

Pricing policy

Fund Administrators
Framework