Key Findings

European Platforms: Challenges, Growth Opportunities and Regulation

Complimentary for research participants

Thank you for your participation.

The following key findings are from a survey of European platforms and their clients and are exclusively for research participants. Your insight and time are greatly appreciated and we look forward to your continuing support.

This survey is a joint research collaboration between Luxembourg trade association The Fund Platform Group and Cerulli Associates, an independent asset management research firm. The survey was conducted by Cerulli and Cerulli assembled the key findings document.

The survey was conducted over a two month period throughout July and August 2014 among some of the most influential platform groups, fund buyers and fund sellers across Europe. It sought the opinions of key players in the platform industry, regarding future developments, challenges and growth outlook.

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VIEW FINDINGS

Cerulli Research Initiatives

Platform Evolution

Competing themes in a competitive market

Key Take Aways

- The majority of the asset management industry believes that there will be greater consolidation in the European platform market over the next three years.
- A growing number of distribution channels and overall industry expansion is expected to fuel a growth in European platform assets.
- European platforms are considering expanding into other markets in Europe and Asia.

The evolution of European fund platforms has been one of impressive and rapid expansion in recent years. So much so, that the European platform market has in excess of £820 billion (US$1.28 trillion) in assets under administration (AUM). Cerulli has identified a number of key trends that present opportunities and challenges within the European platform space including the competing themes of expansion and consolidation.

Consolidation around the European platform market over the next three years is the dominant view among our survey respondents, and was shared by 75% of participants. It indicates a continuation of a trend that is already taking place. This is supported by the fact that over one-third of those surveyed (36.2%) believe that 70% of funds in European open architecture platforms will be held by the top 10 managers of assets under management (AUM) in 2015. As a result, Cerulli expects to see greater consolidation in this sector.

This has been dubbed a “winner takes all” scenario, but can also be seen as part of the intense competition currently taking place within the European platform industry. The chief executive officer (CEO) of one European financial institution says, “Consolidation will, or can be, part of the solution of greater competition.” This has been reflected among banks and insurers which control many of the largest platforms in Europe. A growing number of them are including a wider range of products from rival providers within open-architecture.

Consolidation within the context of the European platform space does not just mean standing still: growth is very much part of the equation. Those who believe that growth in European platform assets will be fuelled by an increasing number of distribution channels and overall industry expansion stood at just below one-third at 31.3%

New channels have resulted in more overall growth and appearance of several new players which is all positive news for this nascent industry. The EU platform market is seeing leaders emerging. Some larger custodians are competing with ICSD platforms while smaller independent players are about to reach a pan-european scale. These new leaders are expanding agressively at the cross-border level and are gaining marketshare from local competitors in multiple markets.

Many levels of growth
Those who forecast growth as a result of industry restructuring also put in a strong showing at 27.1%. This is a result of continual change within the platform space but can also be attributed to those who believe that it has been influenced by regulatory changes (20.8%). Where this all leads is a moot point. That European platform assets will stay the same is suggested by 18.8% of participants. The good news is that only 2.1% expect a fall in assets. This appears to suggest that all the changes taking place have opened up a number of opportunities for the European platform industry rather than stumbling blocks.

Expansion is also evident among platforms looking to grow their businesses abroad. A growing number are considering expanding into other European markets (34.6%), but even more are mulling a move into Asia (46.2%). This reflects a real development in prospects for new and foreign markets and is expected to shift the dynamics of platform numbers. Those platforms already operating across several countries include Allfunds Bank, MFEX, BNP Paribas and RBC Dexia.

On the fund seller side, almost one-half (47.6%) of those surveyed expect the number of global agreements with platforms to increase in 2015, and this can be explained by the rise in the number of new channels. Less that 10% of those who answered the survey expect this number to decrease. This again, represents the nature of growth in this area.

For fund buyers, the top two stand-out issues provided by platforms in order of importance are low cost services and quality of client support. This is followed by transaction, execution and settlement issues, and a strong fund database. Overall, this is not a surprising development, given that fund buyers, such as private banks, wealth managers, and fund of fund managers, aim to access quality products and select those best suited to their own clients while seeking operational efficiency and providing a better client experience.

Target impact
The impact of T2S, the European platform for securities settlement, on the shape of future fund business is clear: nearly 90% said “moderately,” with the remaining 10% saying “massively.” When asked where these changes are expected to occur, operational efficiency ranked the highest by some way, which is understandable given that the strength of a system is a key building block for a pan-European domestic settlement marketplace. One financial technology expert says, “Detailed discussions on the wider impact of T2S are starting to happen, and already some important issues are being raised. For example, buy side firms may well be able to get better information from T2S to control risks around securities settlement.”

That European distribution platforms will be paid an explicit fee as opposed to fund manager rebates in the next 3-5 years was confirmed by nearly 70% of participants. This reveals a shift to something closer and in-line with changing regulation. Disparities in fees and costs exist because of Europe's fragmented post-trade infrastructure which originates from different national standards and practices.

As a result, major platforms in the United Kingdom have formed a new industry organization—U.K. Platform Group—to represent their interests and to work with bodies such as the Financial Conduct Authority (FCA) and the Treasury. It plans to tackle issues relating to regulation, tax, savings policy, and consumer services as well as driving best practice in the market.

In parallel to the local fund platform associations, the Fund Platform Group is a Pan-European organization that aims to represent their interest at the EU level, to set-up best practises, to establish high professional standards and facilitate the efficient and secure distribution of investment funds to end investors.

All this bodes well for the European platform industry. It is therefore not just self-promotion for the managing director of one platform to claim that, "The constant consumer themes of wanting access, clarity, investment management, best of breed solutions, and advice from a qualified, trusted advisor will determine the positive global development of platforms."

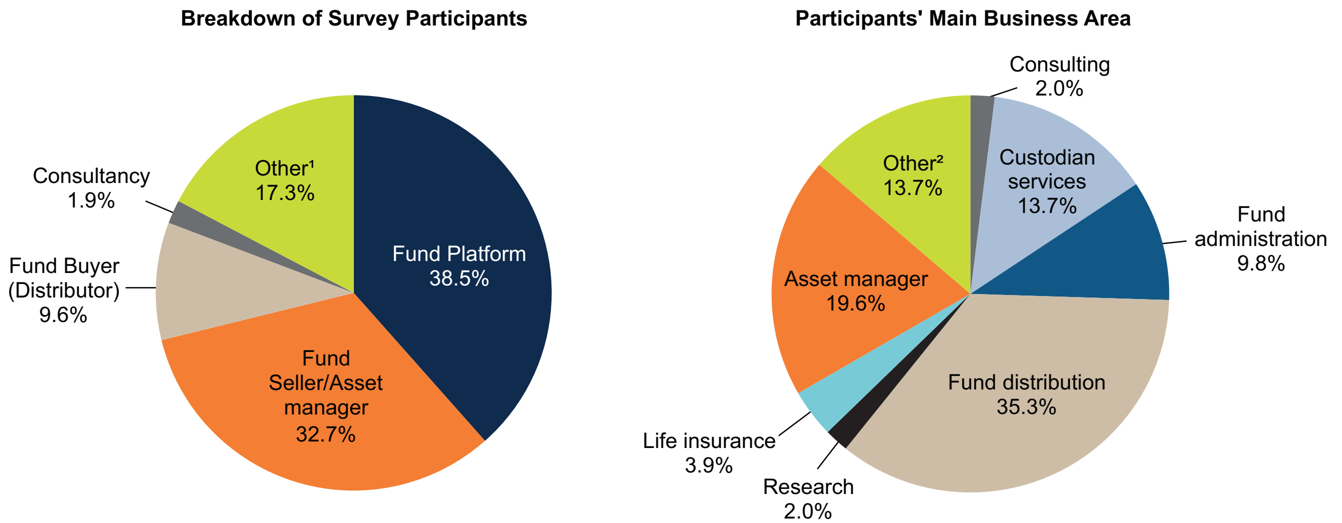
EXHIBIT 1

Breakdown of Survey Participants and their Main Business Area

Sources: Cerulli Associates, Fund Platform Group

[1]Others includes; Professional organisation, Fund trading, Platform technology supplier, Service provider, and Retail bank. [2]Others includes; Lobbying, Technology, Trailer fee, Reporting and Data Management, Retail banking, Full service fund desk providing distribution contract negotiation and administration, trade execution and custodian services.

Analyst Note: For the second chart no respondents chose; Fund auditing, Fund communication, Risk analysis and due diligence or Solvency II reporting.



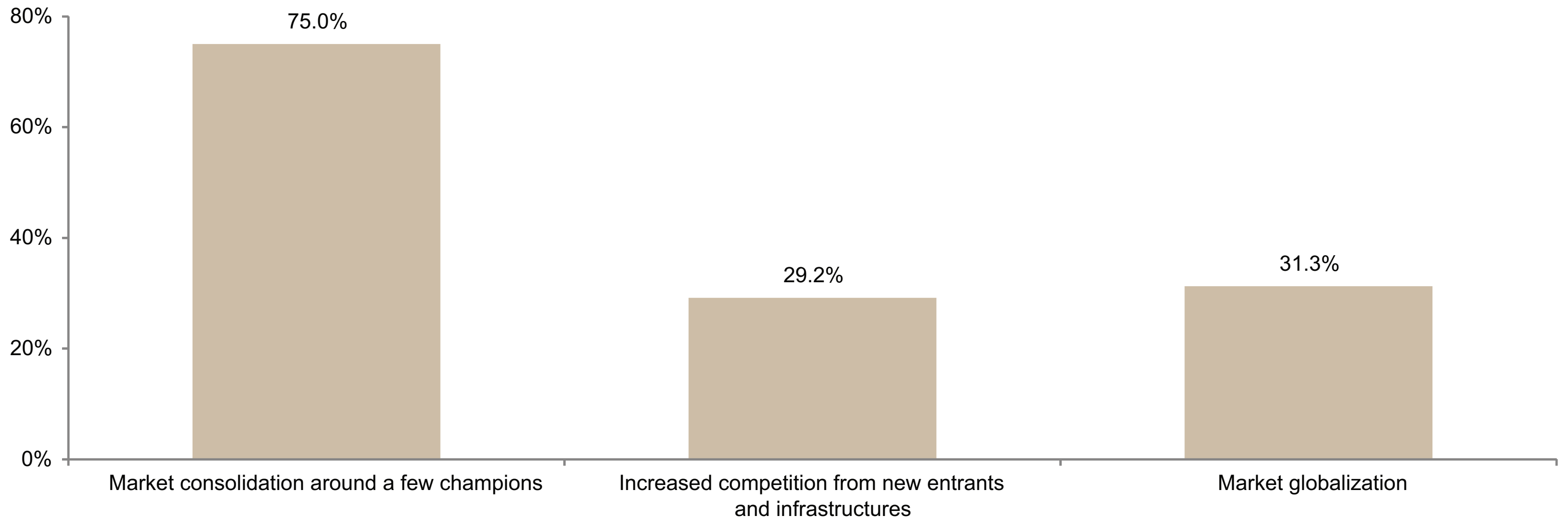
Survey Participants

The survey questions were agreed between the Fund Platform Group and Cerulli Associates and administered via Cerulli's bespoke survey platform. The survey had 52 respondents. Fund platforms made up the lion's share of respondents at 38.5%. Fund sellers accounted for 21.2%, asset managers 11.5%, fund buyers 9.6%, and consultancies 1.9%. Others, which included professional organizations, fund trading, platform technology suppliers, service providers, and retail banks made up the remaining 17.3%. Those who answered questions on services offered by businesses which use platforms included fund distribution with 35.3%, asset management 19.6%, custodian services 13.7%, fund administration 9.8%, life insurance 3.9%, research 2%, and consultancies 2%. Others, which included lobbying, technology, trailer fee, reporting and data management, retail banking, and accounting made up the remaining 13.7%.

EXHIBIT 2
Future of the European Platform Market over the Next Three Years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked "What in your opinion, will we see happening to the European platform market over the next three years?". They were allowed to choose more than one option.

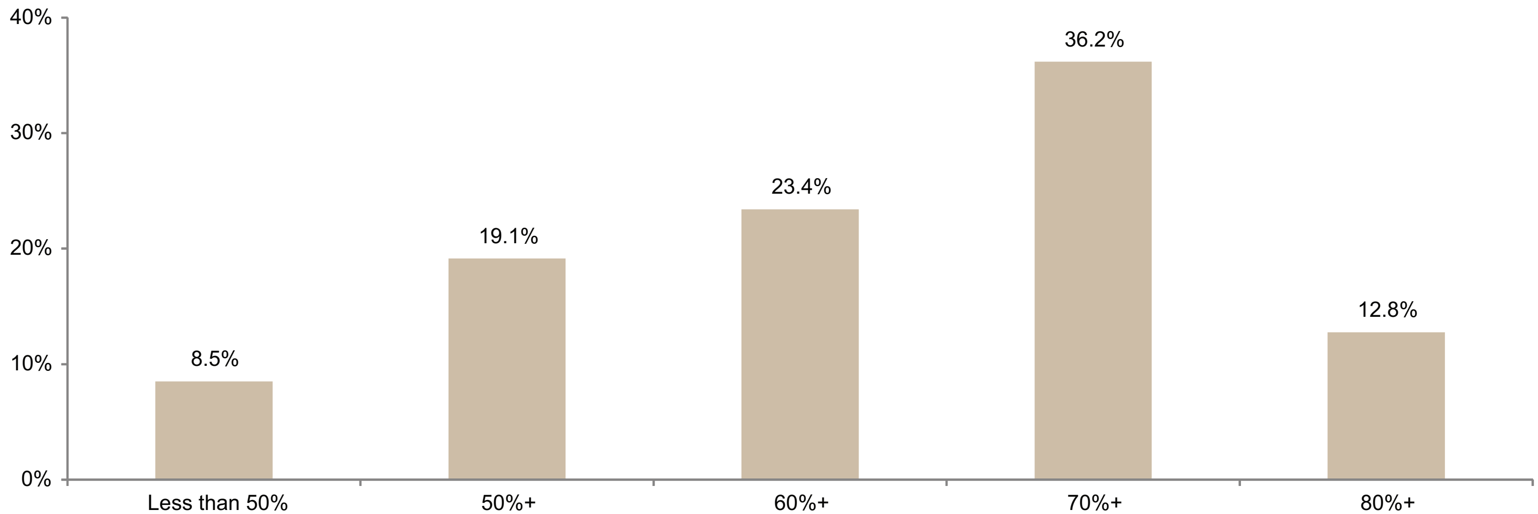


• Market consolidation around a few leading players over the next three years is the dominant view.

Key Implication: This indicates the continuation of a trend. Leading fund players are expanding agressively at the crossborder level and are gaining marketshare from local competitors in multiple markets. Others are more lethargic but sooner or later they will realize that staying still is equivalent to going backwards. About 30% of participants expect competition from new entrants and infrastructures. That is particularly true in the UK market where RDR has given a boost to platform assets, both in the B2B and D2C space. The latter in particular is seeing a wave of new players with varied business models. Not everyone will be succesful.

EXHIBIT 3
Proportion of Funds in Open Architecture European Platforms that Will be Held by the Top 10 Managers (by AUM) in 2015
Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "In your opinion, what proportion of funds in open architecture European platforms will be held by the top 10 managers (by AUM) in 2015?"



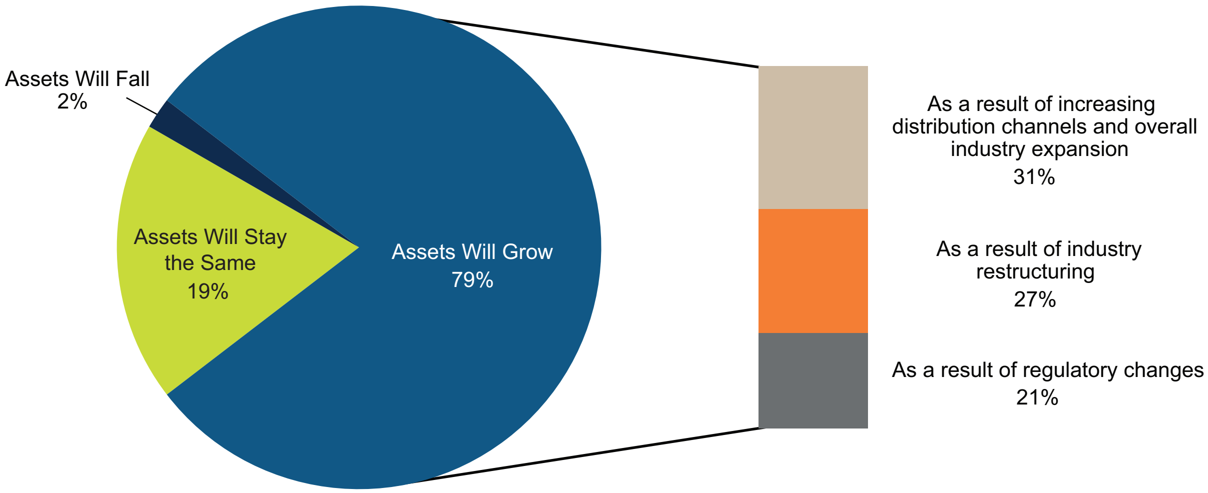
• 70% or more of funds in open architecture European platforms will be held by the top 10 managers by AUM in 2015.

Key Implication: The European platform market is becoming a game of giants. Platforms' streamlining of operations is the primary driver. Fund selection units prefer to work with fewer players and establish deeper relationships. At the same time platform assets under management are expected to rise with fund groups queueing to display their wares in these visible shop windows. This all suggests solid prospects for third party products, but at the same time a winner takes all mentality will persist.

EXHIBIT 4
Future of European Platform Assets Over the Next Three Years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked "What is your expectation of the European platform assets over the next 3 years?"



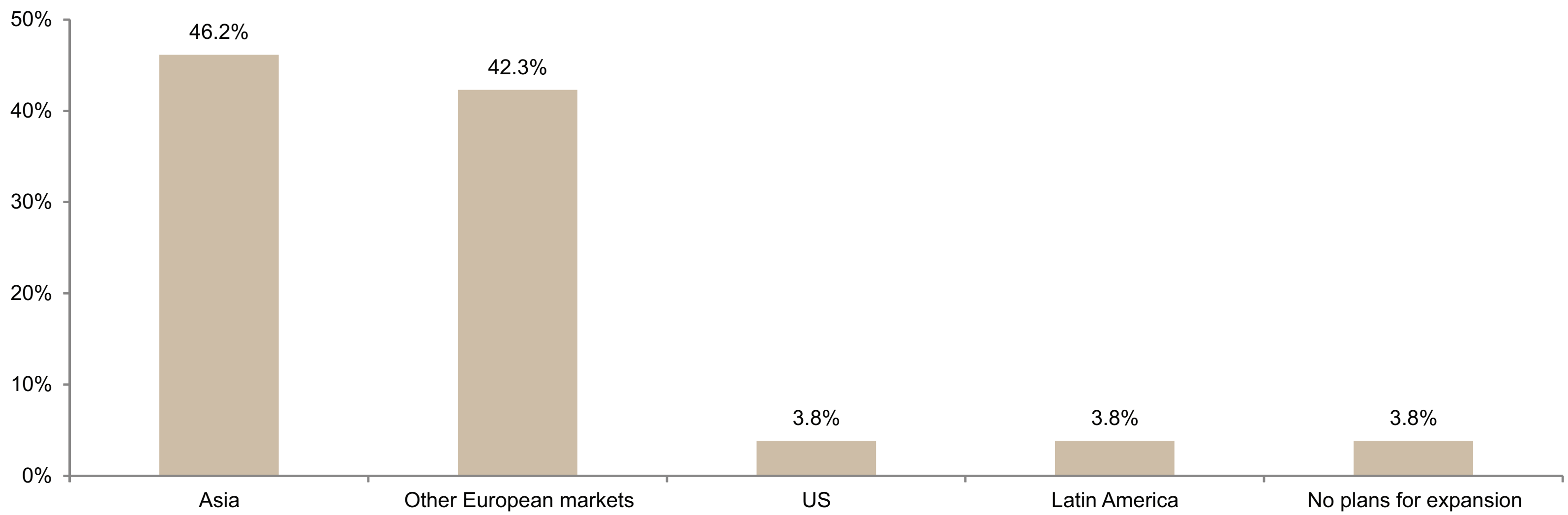
- Assets are predicted to grow over the next three years mainly thanks to increasing distribution channels and overall industry expansion

Key Implication: New channels mean overall growth and prospective new players. A full 21% of participants predict that regulatory changes will lead to asset growth. But a note of caution needs to be sounded when it comes to the impact of regulatory vicissitudes, as these could work for or against the various companies and business models.

EXHIBIT 5
Markets that European Platforms are Considering Expanding to

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a European platform, where are you considering expanding to?". No respondents chose 'Middle East'.



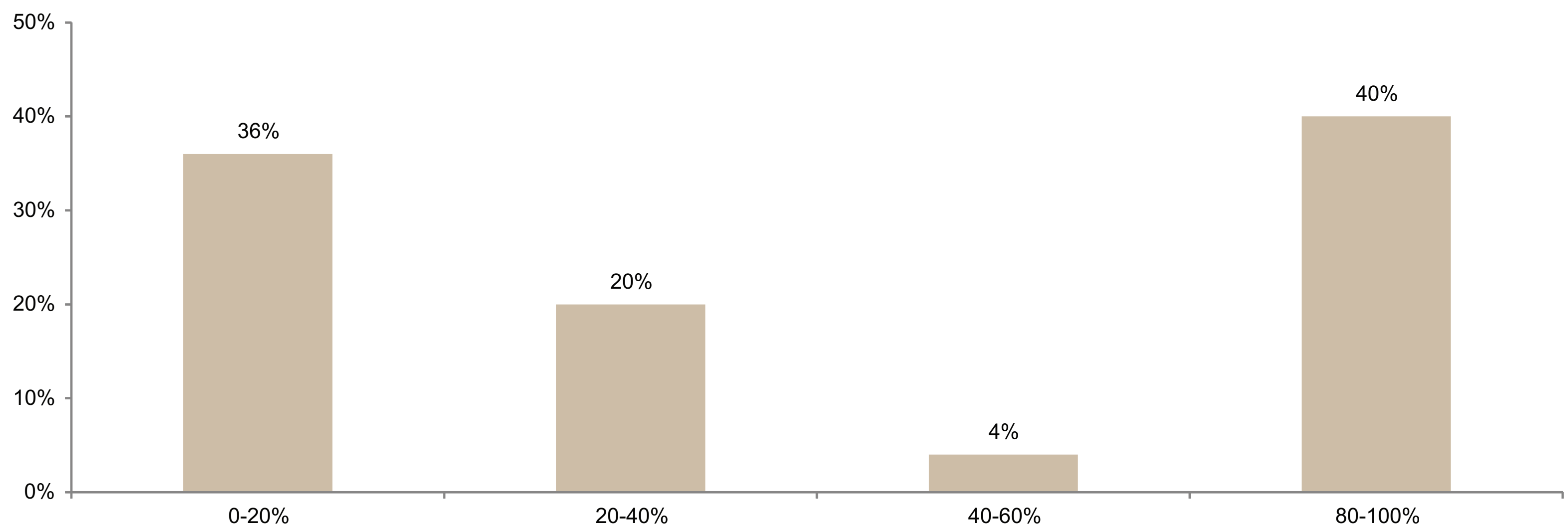
- Asia is the number one target for European platforms but there is still ample opportunities to explore within Europe itself. Other regions present significant barriers to entry.

Key Implication: Asia is experiencing a rapid expansion of private weath. At the same time local asset management industries are gradually maturing and learning to cooperate. Platform assets are growing fast and European players are jostling for a piece of that pie. There are numerous cross-country aggreements that highlight the fact that markets are becoming increasingly interconnected. Cross-border sales opportunities can only increase.

EXHIBIT 6
Percentage of Third Party Fund Assets Distributed by Platforms and Private Banks

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund platform or a private bank, what Percentage of your assets under administration are third party?"



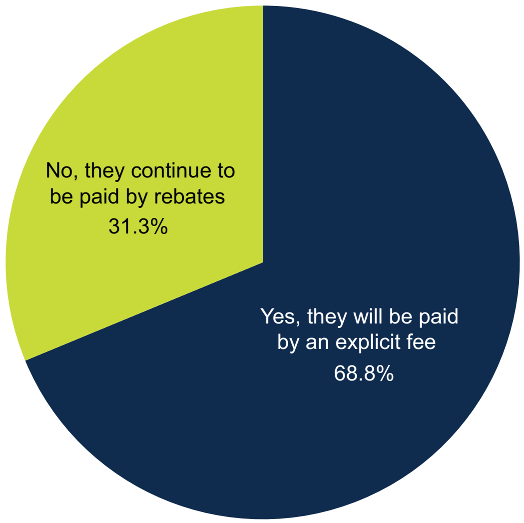
• The percentage of assets under management that are third party account for a top end of nearly 100% or a maximum bottom end of 20%

Key Implication: Business models vary significantly. The struggle between proprietary and third-party products is never ending. Sales people are communicating clients' demand for access to the best of breed among managers. But the large captive managers are conscious of profit margins and want to sell proprietary products. But once you open the door of open acrhitecture (even in guided form) it's hard to close it.

EXHIBIT 7
Percentage of Participants who Believe that Platforms will be Paid by an Explicit Fee as Opposed to Fund Manager Rebates in the Next 3-5 Years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "Based on upcoming regulations, do you believe that European distribution platforms will be paid by an explicit fee as opposed to fund manager rebates in the next 3-5 years?"



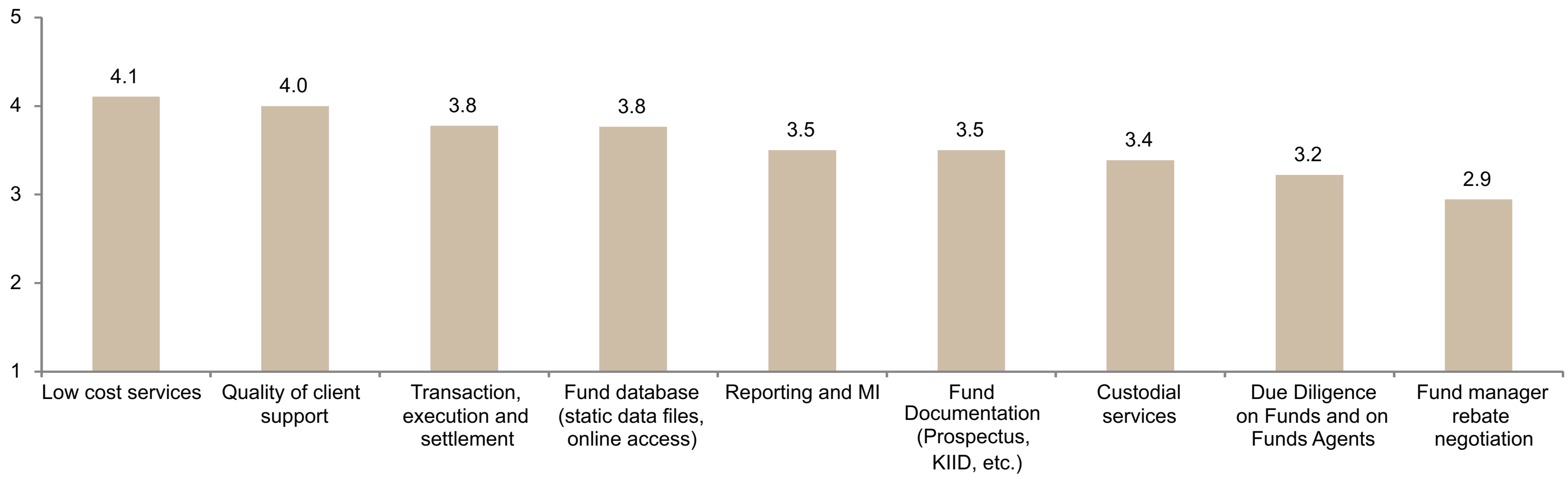
• European distribution platforms will be paid by an explicit fee as opposed to fund manager rebates in the next 3-5 years.

Key Implication: Players in Continental Europe are playing a waiting game. But deep down they know regulatory developments point to radical change. They have therefore been debating and testing alternative compensation models such as advisory fees and service charges.

EXHIBIT 8
Platform Services Ranked by Fund Buyers According to Order of Importance by 2017

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund buyer, please rank the following services provided by platforms in order of importance by 2017 (1= Least important, 5 = Most important)".

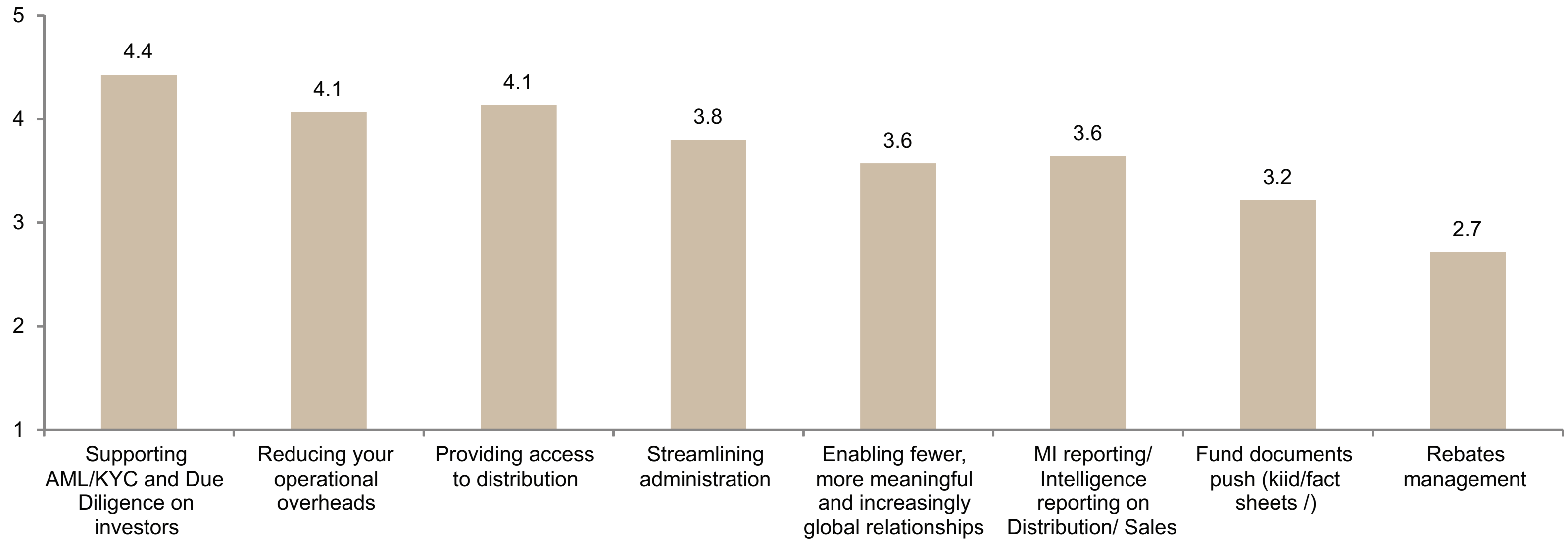


- For fund buyers, the top two stand-out issues in order of importance are low cost services and quality of client support.
- These are followed by transaction, execution and settlement issues as well as fund database.

Key Implication: Fund buyers, such as private banks, wealth managers and fund of funds managers, aim to access quality products and select those best suited to their own clients while seeking operational efficiency and providing a better client experience. The priority of these issues shows they are focusing on factors that matter the most at the customer servicing level.

EXHIBIT 9
Platform Services Ranked by Fund Sellers According Order of Importance by 2017
Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund seller, please rank the following services provided by platforms in order of importance by 2017 (1= Least important, 5 = Most important)".



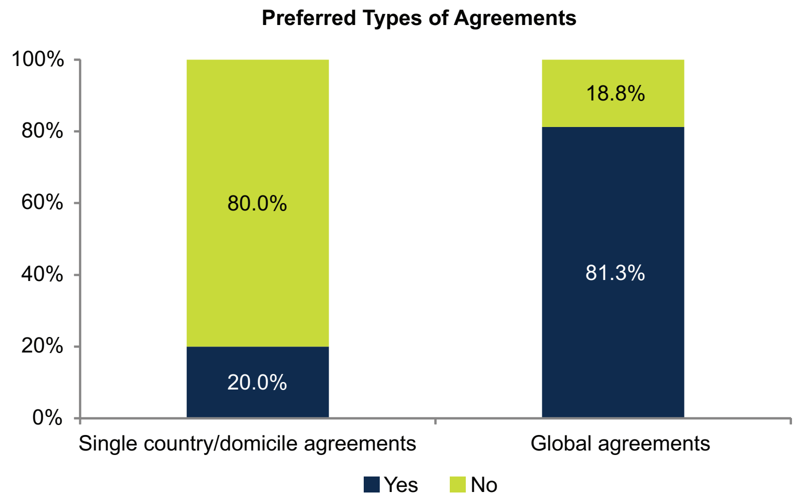
- Supporting know your customer and investor due diligence are ranked by fund sellers as the most important platform services.
- Reducing operational overheads and providing access to distribution come equal second.

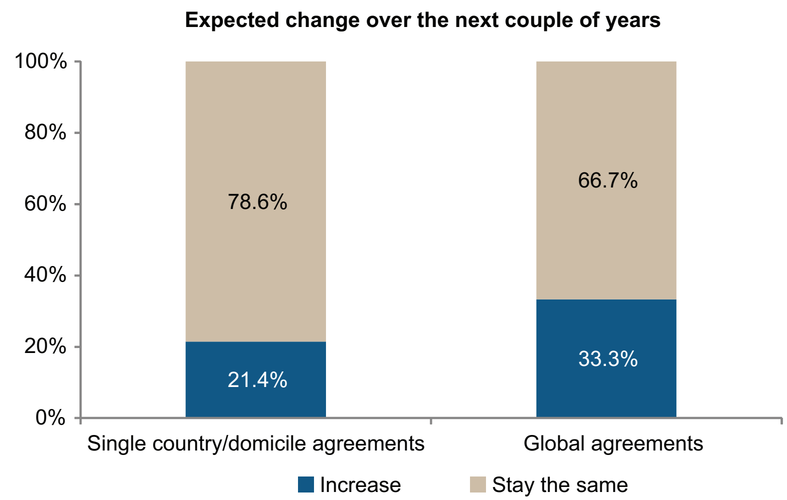
Key Implication: While platforms offer a valuable outsourcing solution at a time of regulatory upheaval, what really matters to fund sellers over the long term is distribution. This is where platforms can differentiate their proposition by offering high quality supporting services.

EXHIBIT 10
Fund Buyers' Preferred Type of Agreements with Platforms and Expected Change Over the Next Couple of Years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund buyer, wha type of arrangement do you prefer to set up with platforms and do you expect it to change in 2016? ". For the second part of the question no respondent chose "Decrease".





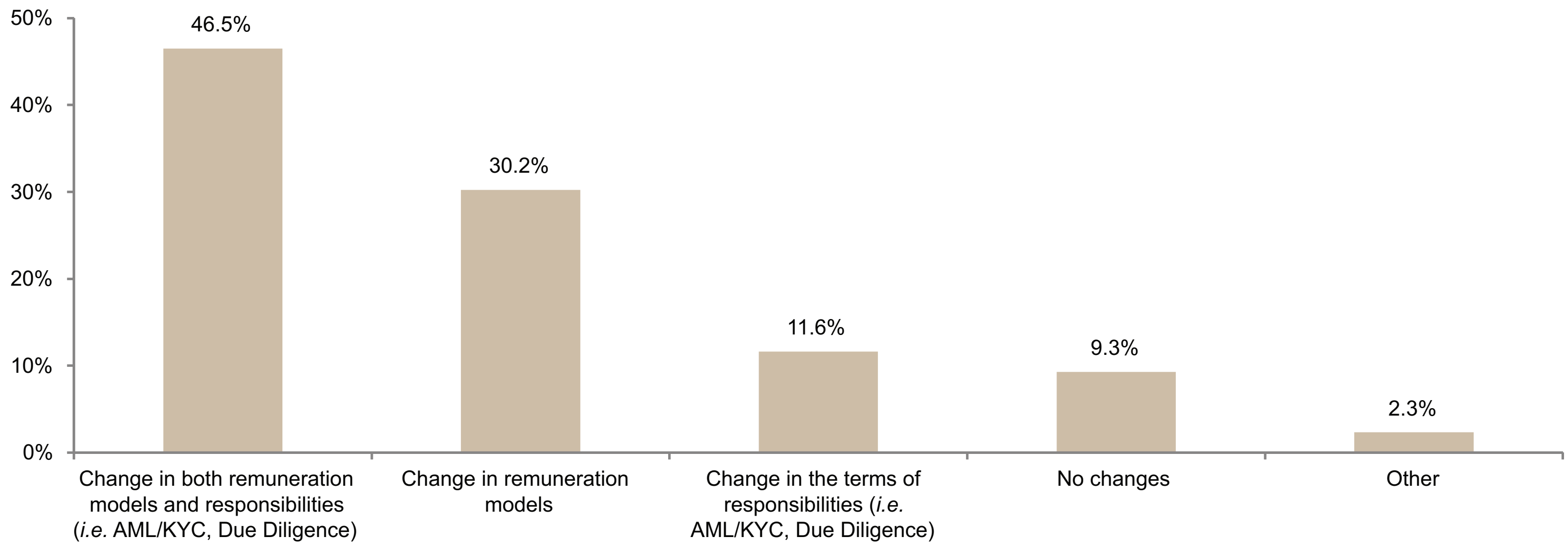
- Global agreements dominate the fund buyers preferred types of arrangement with platforms

Key Implication: Cost pressures and demand for a constant flow of information between fund buyers and sellers have encouraged the uptake of preferred partnerships. The dominance of global agreements enables asset managers to exploit cross-market relationships while making the process more centralised, cost effective and efficient.

EXHIBIT 11
Agreement Terms Between Fund Sellers and Platforms that Upcoming Regulation is Expected to Change

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "Due to upcoming regulations, do you expect a change of the terms in the agreements between fund sellers and platforms?"



- Close to 50% of respondents expect a change in agreement terms between fund sellers and platforms in relation to remuneration models and responibilities such as AML/KYC and due dilligence.

Key Implication: We established earlier that most people in the industry expect rebates to be banned. But industry observers often forget that a plethora of lesser, more technical aspects are also being shaped.

Retail Regulation

Searching for meaning in a shifting maze

Key Take Aways

- MIFID II has been identified by the asset management industry as the regulation which will have the greatest impact on a firm's cost base.
- Following new regulations, there is expected to be a change in terms of agreement between funds and fund platforms.
- Three-quarters of respondents expect a shift toward passive funds with the introduction of MIFID II.

Excessive regulation is often cited as holding back the forward charge of financial innovation. With the twin goals of improving performance and reducing the risk of market failure, there has been no shortage of regulations to address the world of retail investment and European fund platforms. Analyzing the trend and impact of regulations provides a critical picture of current developments. A number of concerns have been raised, in particular with the Markets in Financial Instruments Directive (MIFID) II, but the main response has been one of uncertainty—which does not benefit any form of investment.

In a recent Cerulli survey of financial institutions, MIFID II was identified as the regulation with the greatest estimated impact on a firm's cost base and cited second on revenue generating potential. This has been a long-standing trend and has cast a shadow over the retail investment sector for some time. For the greatest impact on the cost base, MIFID II is followed by the Fair and Accurate Credit Transactions Act (FACTA), the Alternative Investment Fund Managers Directive (AIFMD) II, the Undertakings for Collective Investment in Transferable Securities (UCITS) V, Solvency II, the Retail Distribution Review (RDR), and the Packaged Retail Investment Products (PRIPs). For the greatest impact on revenue generating potential UCITS V just beats MIFID II to the top spot, and is followed by AIFMD, RDR, PRIPS, FATCA, and Solvency II.

The problem with MIFIDII

MIFID II is clearly a directive that will continue to stir debate. It compels firms to reveal to each and every client the complete breakdown of costs and charges paid. For asset managers and private banks this not only includes their own charges, but also third-party payments such as fund management fees and the cost of other financial instruments.

Beside the transparency or ban on management fees retrocession to the distributors, the transparency and un-bundling of research fees leads to problems for the asset managers. One asset manager says this is, "not in the best interests of investors," claiming that it will result in the publication of less research material and is likely to lead to poorer investment outcomes. The manager went on to point out that asset managers will have to bear the increased costs for doing their own research which may stifle competition and could drive some out of business. A German manager also warned that asset managers could see 20% to 30% of their profits wiped out if the estimated £1 billion (US$1.57 billion) spent in total by firms on research each year is absorbed into the MIFID II profit and loss (P&L) account. Another observed that the impact of MIFID II will be greater on the European continent where high street banks, rather than wealth managers, are the dominant distributors of funds and structured products. This all adds up to a worrying picture.

The MIFID II minefield played out and weaved its way into many different answers to our survey, and contributed to several inconclusive results, largely because of the directive's uncertain impact. Interestingly, when asked whether MIFID II will result in the reduction of third party distribution of funds, the result was almost evenly split: with "yes" on 52% with "no" at 48%.

Almost three-quarters of respondents (73%) expect a shift toward passive funds with the introduction of MIFID II. This answer, however, appears less decisive when compared with those who disagreed and who made up over one-quarter of those surveyed. A full "yes" accounted for a mere 2.1%. This seems to suggest respondents expect a move to passive funds due to the costs associated with meeting MIFID II's notification requirements as stated in Article 17(2). But the picture remains far from clear.

Counting the cost

Following the introduction of a new regulation, nearly one-half (46.5%) of respondents expect a change of the terms in agreements between funds and fund platforms. More than 30% of respondents forecast a change in remuneration models, while a change in the terms of responsibilities is lowest at 11.6%. A straight 'no' is only 9.3%. Without being entirely convincing, this suggests a shifting landscape between funds and fund platforms propelled by regulatory changes together with other factors. On-going debate suggests MIFID II's regulations could be softened as it progresses through the EU's legislative process or when it is written into national legislation. The final consultation closes in March 2015.

For fund platforms, when it comes to a shift in AUM, most or all assets under administration that are third party is heavily supported, indicating a push towards a top end of holdings. Though at the other end, a small percentage of third party administration also accounts for a similar number of support, suggesting that AUM that are third party will be solely third party or only partially, with little in between.

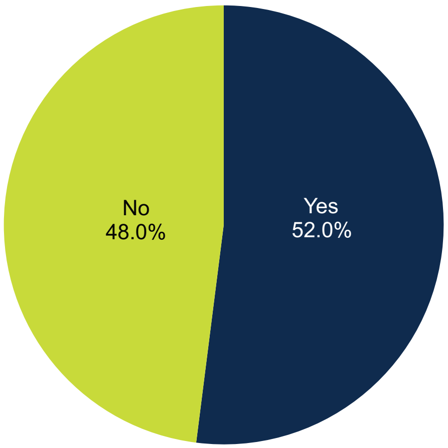
Those asset managers who have not changed their remuneration structure in light of recent regulatory changes but will review remuneration in the future accounted for 64.7% of respondents. Those who answered "no" to changes in their remuneration structure and "no" to plans to review remuneration accounted for 17.6%. And those that reviewed and changed their remuneration policy outside the considerations of regulatory pressure was 11.8%. Although this presents a move toward a change in remuneration, it is not entirely convincing, and begs the question, "In which situation for fund sellers does remuneration become an issue?"

A picture of deep uncertainty surrounding regulation and how it impacts on the retail investment market suggests more information is needed to fully understand the multi-layered aspect of these directives. But, there is a clear impetus for the regulatory authorities to work with the retail financial sector so that all segments fully understand their roles. With such a shift of culture all parties will be sure to benefit.

EXHIBIT 12
Percentage of Participants who Believe MIFID II will Reduce Distribution of 3rd Party Funds

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "Do you believe MIFID II will reduce distribution of 3rd party funds?"



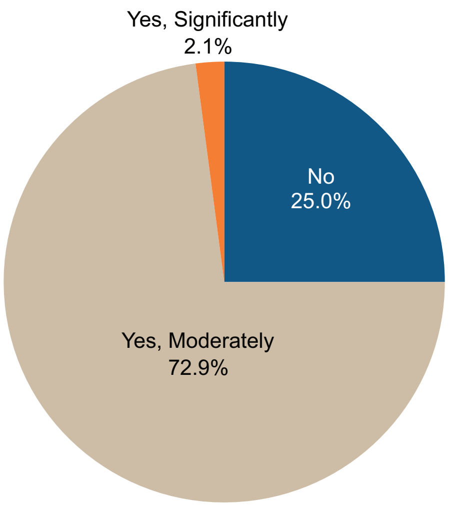
- When asked whether MIFID II will reduce third party distribution of funds, the view is very evenly split.

Key Implication: If ever there was an uncommitted, uncertain picture, created by regulation this is it. Participants are waiting to see how regulation and market developments play out in this area. It is clear here that MIFID II has tried to cope with a wide variety of distribution models across Europe, with mixed success. It is important to distinguish between short term and long term effects. In the short term a full blown rebate ban would hurt Continental markets. But Cerulli is convinced that the industry will be able to shake-off unwanted side effects over the long term. Markets like France and Spain are so dominated by large banks and bias that only a radical regulation can create the conditions for a healthier environment.

EXHIBIT 13
Percentage of Participants who Expect MIFID II to Drive a Switch Toward Passive Funds

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "Do you expect MIFID II to drive a switch toward passive funds?"

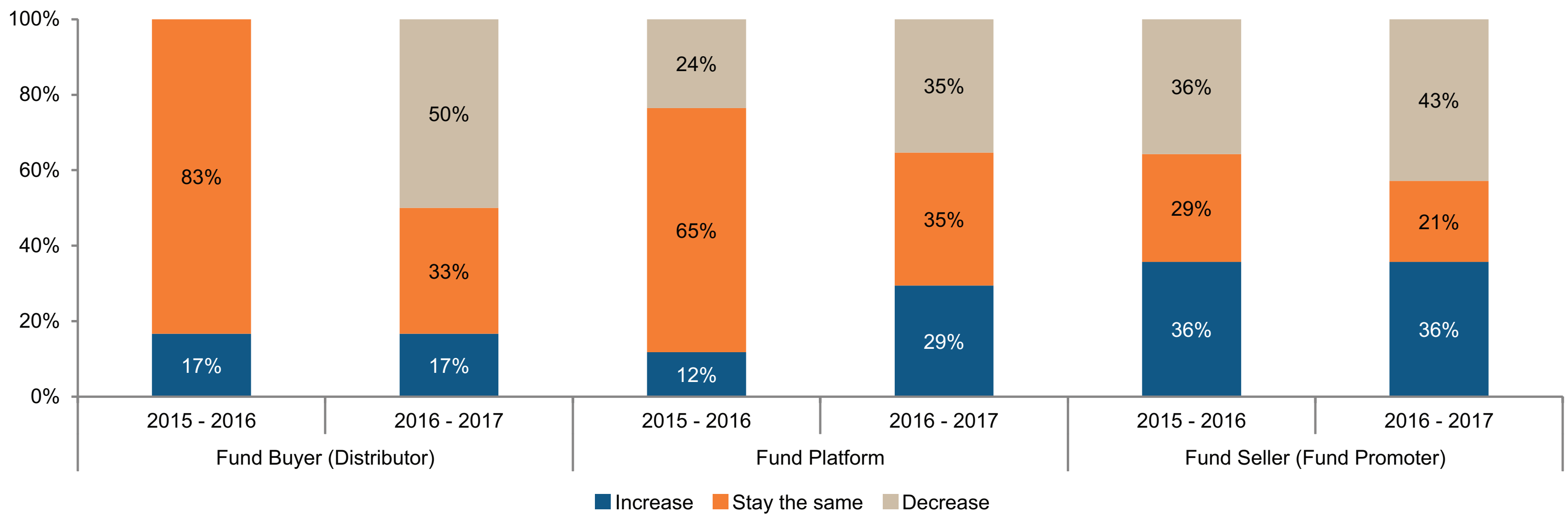


- The vast majority of participants believe that MIFID II will facilitate the penetration of passive funds. yet they say this will be a moderate pace. The respondents appreciate that the speed of change will ultimately depend on the final shape of MIFID II and other regulatory initiatives.

Key Implication: One way to predict the future is to look at markets where similar regulations have been enacted. In the United Kingdom RDR has spurred the growth of passive funds which are predicted to grow from about 12% of investors' portfolios to 20% over the next few years. Vanguard, the ultra low cost asset manager, has recognized the opportunity and positioned itself aggresively in several markets. Other players have followed. It's no coincedence that a price war has errupted among the passive players as a strategic move now can bring multiple beneftis over the long term.

EXHIBIT 14
Expected Change to Profit Margins as a Result of Regulatory Pressure
Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "how do you expect your profit margins to change as a result of upcoming regulations?"



- The future for fund sellers and platforms is looking increasingly polarised. The percentage of participants who believe that profitability will remain the same is being squeezed by the two extremes of optimistic and pessimistic players.
- Fund buyers are the most pessimistic about the outlook for profit margins; little wonder given that banking has been the regulator's punch bag in recent years.

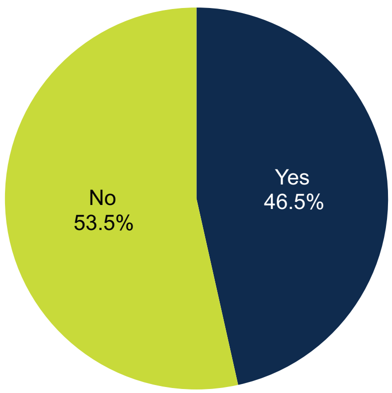
Key Implication: The responses by fund sellers' and platforms' have been influenced by improving investor sentiment. The more 'risk on' a market gets the higher the demand for high margin products. Healthy inflows have been masking negative regulatory effects.

EXHIBIT 15
Rebate Banning Regulation in Europe by Level of Penetration and Effects for the End Investor

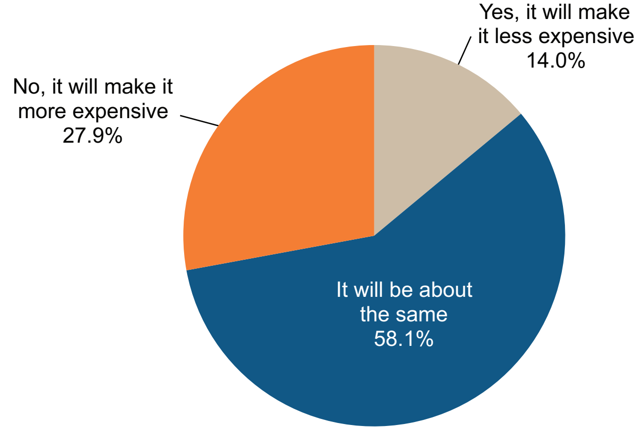
Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "Do you think that banning rebates (e.g. RDR, MIFID II) makes fund investments less expensive for end retail investors and do you think rebates will continue to be the dominant compensation model for distribution in Continental Europe after 5 years?"

Percentage of participants who believe rebates will continue to be the dominant compensation model for distribution in Continental Europe after 5 years.



Percentage of participants who think a ban on rebates will make fund investments less expensive for end retail investors



- Opinions are split among those that anticipate rebates to continue being the dominant compensation model and those that do not.

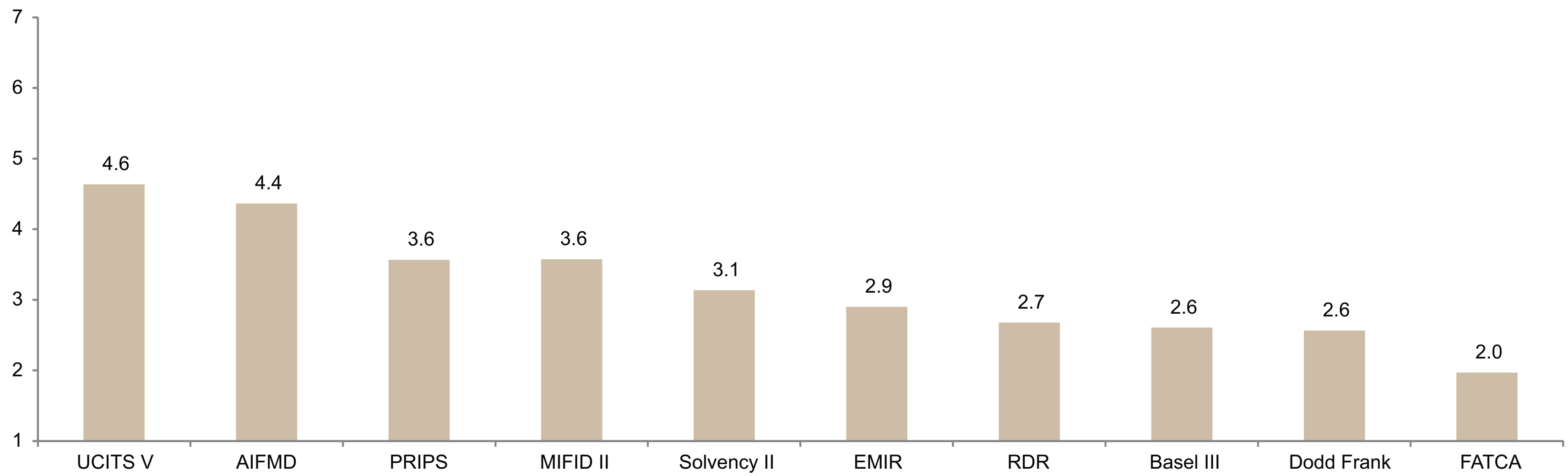
- Respondents do not predict a significant change in the overall price that end investors pay for fund investments if rebates are banned.

Key Implication: Developments in the UK market post-RDR shine a light on what could happen in mainland Europe. The average price paid by the end investor is currently higher in the UK. Advisors are increasing their fees from roughly 50 basis points toward 100 basis points and platforms are increasing theirs from an average 0.25% to 0.35%. At the other extreme end managers' fees are in free fall. One could argue that the end client should, to a certain extent, pay more as the quality of advice and the level of advisory services have improved because of RDR.

EXHIBIT 16
Regulations Ranked According to how Beneficial they Will Be to the Asset Management Industry

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "Please rank the following regulations according to how beneficial you think they will be to the asset management industry: (7 = most beneficial, 1 = not at all beneficial)".



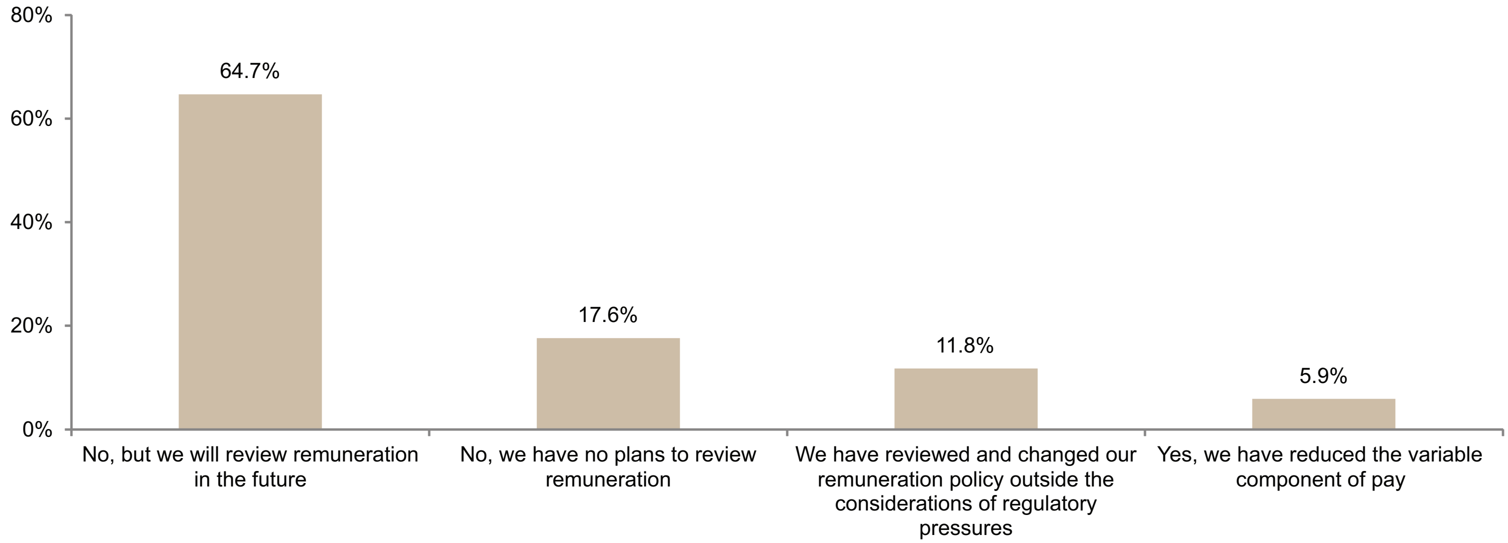
- Turning the regulation debate on its head, UCITS V and AIFMD are cited as the top two regulations that will benefit the asset management industry.
- Conversely Dodd Frank and FATCA are deemed the least beneficial.

Key Implication: The long awaited UCITS V Directive was finally published on 28 August 2014 and came into force on 17 September 2014. Member states have until 18 March 2016 to fully transpose the new rules into national law. The positive outlook could be that the changes introduced by UCITS V are not as extensive as those under UCITS IV in 2009, although asset managers will still need to make some changes to the way they conduct their business. UCITS V follows the approach of the AIFMD and characterizes scheme property into two basic kinds: financial instruments and other assets. Financial instruments are set out in Annex C of MIFID II and break down into listed shares, money market instruments and units or shares in collective investment. Other assets are defined as any asset which is not a financial instrument and would include unlisted shares, certain types of debt and some derivatives.

EXHIBIT 17
Percentage of Fund Sellers who have Changed their Remuneration Model in Light of Recent and Upcoming Regulatory Changes

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund seller, have you changed your remuneration structure in light of recent & upcoming regulatory changes?" No respondents selected: "Yes, but variable pay remains about the same".



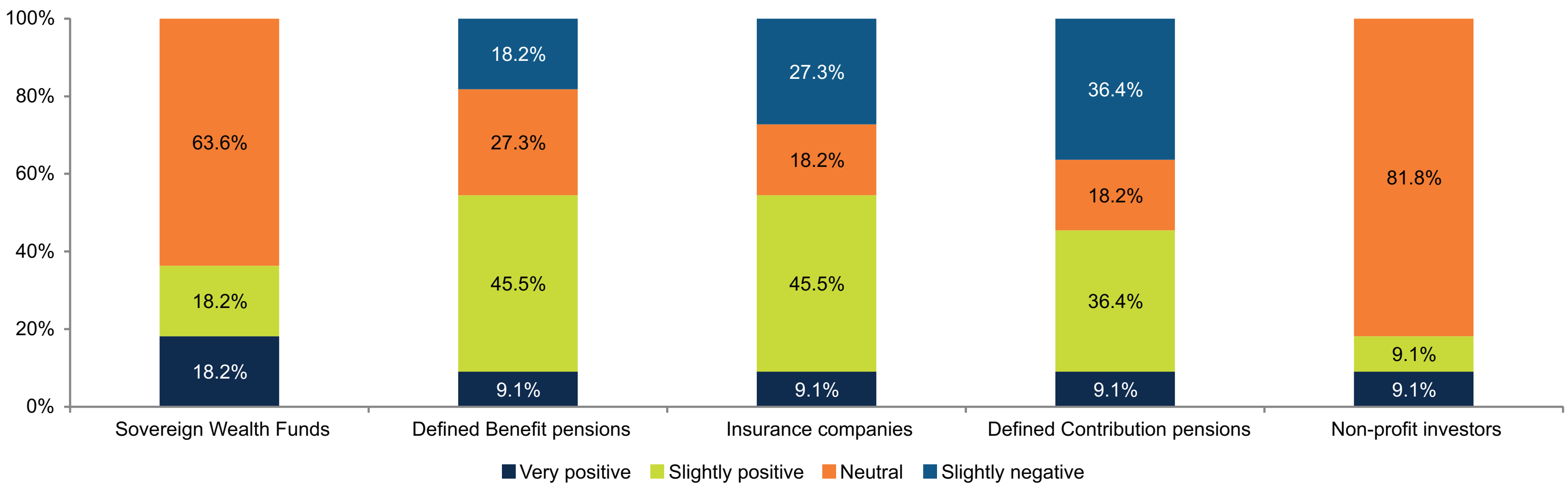
- A full 64.7% of fund sellers that have not changed their remuneration structure in light of recent regulatory changes intend to review remuneration in the future. However, 17.6% have no plans to review remuneration.
- A smaller percentage—11.8%—have reviewed and changed the remuneration policy outside the considerations of regulatory pressures.

Key Implication: The remuneration issue is hotly debated and here presents a picture of a gradual change in attitudes toward regulatiory pressure.

EXHIBIT 18
Fund seller's expected impact of Solvency II on their firms ability to win new business with the following institutional clients over the next 3 years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund seller, how do you expect Solvency II to impact your firm's ability to win new business with the following institutional clients over the next 3 years?". No respondent chose 'Very negative'.



- Insurance companies may look to use segregated account structures more. Their superior transparency and reporting can provide for more generous capital treatment under Solvency II, which is especially important for alternative asset classes such as hedge fund- and private equity strategies, which otherwise attract hefty capital charges.

- Providers, such as Thomson Reuters or Silverfinch/Fundsquare, are launching various data service solutions to help insurers, asset managers, fund administrators and custodians meet Solvency II disclosure and reporting obligations.

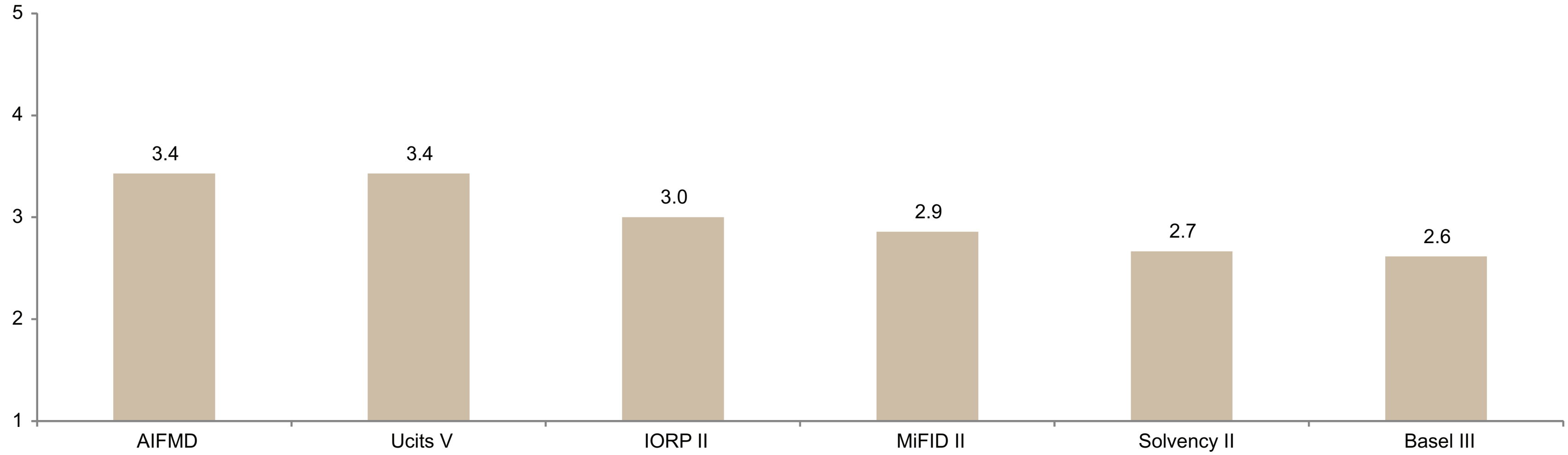
Key Implication: The ability to provide full transparency and full look-through to the underlying securities will be important for asset managers to win business with insurance companies under Solvency II. Insurers are increasingly looking for platforms able to provide this facility ahead of the 2016 implementation date.

EXHIBIT 19

Anticipated Impact of Selected Regulations on Fund Sellers' European Institutional Business over the Next 3 Years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund seller, what is the anticipated impact of the following regulations on your European institutional business, over the next 3 years? (5 = extremely positive and 1 = extremely negative)".



- Managers have changed their tune after bemoaning Brussels' Alternative Investment Fund Managers Directive when first planned back in 2009. The promise of an alternative funds cross-border passport seems alluring, even if 58% of managers in a recent poll expected initial compliance costs to exceed €250,000.

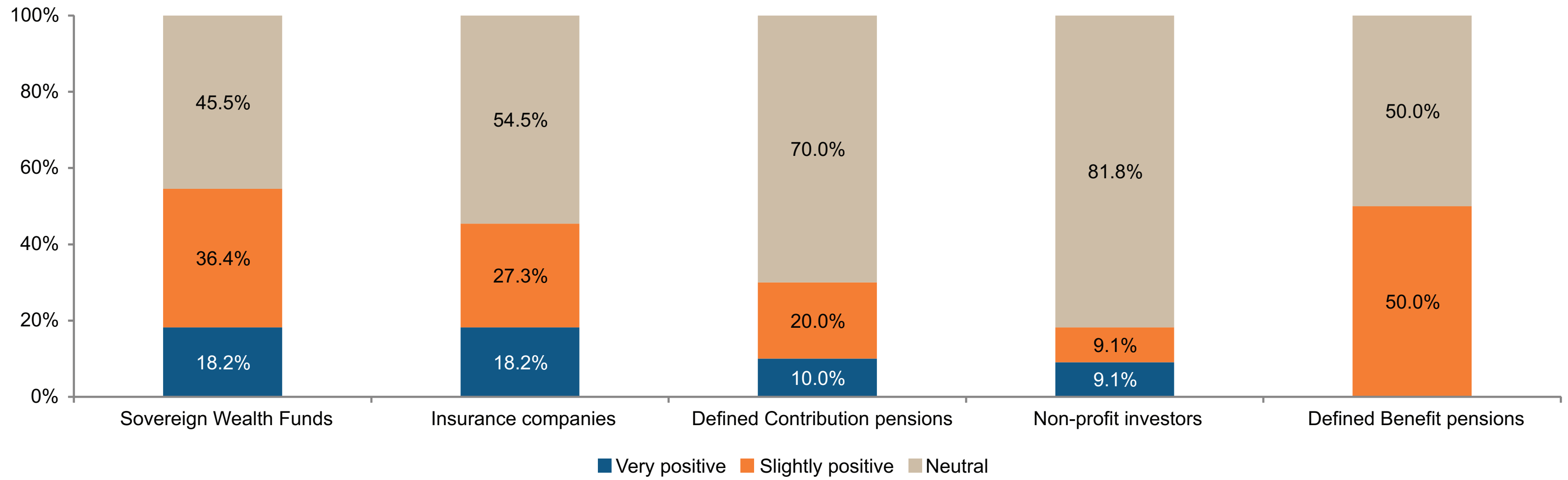
- Many managers' views on Solvency II, taking effect from 2016, are quite the opposite to AIFMD. The reporting and disclosure requirements European insurers have to regulators spells intense pressure for data on underlying managers. Expect yet more squeezing on non-mainstream managers to disgorge data to an extent unthinkable before the 2008 crisis.

Key Implication: Regulation remains a truly mixed bag for Europe's institutional asset managers. Pan-European rules, and national watchdogs implementing them, ensure investment managers must sweat a little, in terms of extra disclosure, if they are to reap a reward.

EXHIBIT 20
Expected Impact of AIFMD on Fund Sellers' Ability to Win New Business with Selected Institutional Clients over the Next 3 Years

Sources: Cerulli Associates, Fund Platform Group

Analyst Note: Respondents were asked: "If you are a fund seller, how do you expect AIFMD to impact your firm's ability to win new business with the following institutional clients over the next 3 years?". No respondent chose 'Slightly Negative' or 'Very Negative'.



- If these predictions prove true, it will be sovereign funds and insurers wanting regulated, onshore alternative managers with freedom extending beyond UCITS strictures on their products. Little surprise AIFMD adherence is not widely expected to help sell to defined contribution funds, which typically demand the liquidity only UCITS rules provide.

- It is perhaps disappointing managers do not expect AIFMD compliance to do a lot to vacuum up new defined benefit (DB) allocations. The AIFMD 'halfway house' between UCITS regulation and offshore non-regulation was expected by some managers to be alluring to DB schemes.

Key Implication: The intention behind the directive was to regulate almost all Europe's alternative fund managers. Poul Nyrup Rasmussen, the left-wing politician behind AIFMD, has achieved his goal. In so doing he ultimately gratified the managers who originally berated him, as the AIFMD is viewed as at least slightly positive for selling products to each institutional segment in Europe.