

# *Strategies for a new growth cycle*

## Asset Management News

*Insights from PwC's global  
asset management practice*

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30%

Our CEO Survey showed that many firms (over 30%) were seeking to position themselves for future growth through acquisitions.

## Introduction



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*As the business cycle turns, so the asset management industry is once more gearing up for growth. Confidence has generally returned to pre-crisis levels, as the sector's CEOs told us when interviewed for the PwC's<sup>1</sup> 14th Annual Global CEO Survey,<sup>2</sup> published in January; they were also more optimistic than their peers in other sectors.*

Yet the credit crisis has left its scars. For a start, the aftermath of the crisis has reignited the debate over scale. Evidently scale means different things to different firms. As we look forward, managers will have to understand how the need for scale affects their businesses and adapt their strategies accordingly.

Regulation is the clearest consequence of the crisis. As we explain later in this issue, we firmly believe that the approaching wave of regulation provides an opportunity to re-examine strategy, rather than simply being a compliance nightmare.

Our CEO Survey also showed that many firms (over 30%) were seeking to position themselves for future growth through acquisitions. A large number of them are seeking acquisitions in emerging markets. Certainly M&A has a greater role to play in implementing growth strategies today than previously, as the last 12 months' high number of transactions show.

For real estate, as one corner of the asset management market, this optimism is still varied. In Asia, confidence is back at pre-crisis levels, but in Europe and the United States the market's problems are deeper. Here, managers need strategies for adapting to harsh conditions.

However, it's evident that asset managers generally see themselves at the beginning of another growth cycle. Most asset classes are recovering, confidence is returning and assets under management are rising. But no two business cycles are the same and today's sources of growth are different from yesterday's. CEOs would be wise to consider this as they review their growth strategies.

***For real estate, as one corner of the asset management market, optimism is still varied. In Asia, confidence is back at pre-crisis levels, but in Europe and the United States the market's problems are deeper. Here, managers need strategies for adapting to harsh conditions.***

<sup>1</sup> "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network.

<sup>2</sup> 14th Annual Global CEO Survey, PwC, 26.01.11 ([www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey))

# Gearing up for renewed growth

*The asset management CEOs interviewed in PwC's 14th Annual Global CEO Survey were confidently gearing up for growth, primarily seeing pensions and emerging markets as drivers of expansion*



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Our 14th Annual Global CEO Survey,<sup>3</sup> published in January 2011, showed asset management chief executive officers (CEOs) as among the most optimistic of their peers at a time when confidence generally had recovered to pre-crisis levels. The 31 asset management CEOs who took part in the survey were, however, cautious about the challenges of increasing regulation and competition for talent.

Sixty-eight per cent of asset management CEOs were 'very confident' about their company's growth prospects over the next three years, which is higher than in any of the other financial services sectors and some way ahead of the 51% average for the survey population as a whole. The remaining 32% were 'somewhat confident' about the outlook for their companies.

Much of this confidence clearly stems from the huge market potential opened up by an ageing population, not just in the developed world, but in Asia as well. While this potential has been evident for some time, the financial crisis has created further openings for asset managers by accelerating the pressure on defined benefits pension plans and putting even greater strains on already hard-pressed public pension provisions.

To encourage workers to invest their growing savings in fund products, asset managers will need to provide investment vehicles that combine reasonably secure

income with sufficient yield to pay for longer retirements. Our survey indicated that asset managers are increasing investment in new product development and customer relationship management. More than 50% were stepping up product innovation, as well as upgrading their customer profiling and other systems capabilities to support growth initiatives.

## **Emerging market growth**

Further opportunities stem from the increasing level of affluence in China, India and other emerging markets.

Three-quarters of asset management CEOs in our survey believed that emerging markets would drive growth in their companies. Nearly all expected an increase in revenue from their Asian operations over the next 12 months, and some 80% anticipated growth in the Middle East and Latin America.

More than 30% of asset management CEOs were looking to make a cross-border acquisition to support their growth plans over the coming year. Emerging markets featured strongly in the target regions for acquisitions, with 40% planning an acquisition in Eastern Europe and 30% looking to buy a business in Asia or Latin America.

## **Threats to growth**

Our survey revealed that asset management CEOs see over-regulation as the greatest threat to growth. There are clearly challenges in implementing a wave of new directives, including the US Dodd-Frank Act, European Union Alternative Investment Fund Managers Directive (AIFMD) and the latest update of the Undertakings for Collective Investment in Transferable Securities (UCITS IV). Asset managers also face wider legislative developments such as the US Foreign

<sup>3</sup> 14th Annual Global CEO Survey, PwC, 26.01.11  
([www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey))

*Technology will be a crucial competitive differentiator, helping to give firms the edge in controlling costs, improving efficiency and responding to evolving investor demands.*



Account Tax Compliance Act, as well as the potential fallout from moves to control systemic risk within the banking sector.

As growth picks up in the sector, so will the competition for talent. Among asset management CEOs 65% saw the availability of key skills as a significant concern and 36% believed that it was the biggest threat to their growth prospects.

### ***Key competitive differentiators***

Our survey confirmed that asset managers are emerging from the financial crisis with renewed confidence. However, success will be hard to achieve. Customers are becoming savvier and more price-

conscious. Regulation is increasing expenses and opening up asset managers to greater investor and market scrutiny.

Technology will be a crucial competitive differentiator, helping to give firms the edge in controlling costs, improving efficiency and responding to evolving investor demands. Greater transparency will also be critical in attracting funds by providing a clear indication of the strategy, risk appetite and performance of the funds, and helping to assure investors that businesses are properly controlled and governed.

If we go back to the 1980s and look at the beginnings of the great expansion in the asset management industry, we see a picture of the investment adviser as a relatively small entity, generally focused on providing investment advice to institutional accounts or high-net-worth individuals.

## Why scale still matters

*Understanding what scale means to you, and how to achieve it, is becoming critical for success*



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The importance of scale in the asset management industry has been a topic of discussion and, at times, debate throughout the past 30 years. Yet the events of the past two years — namely, the financial crisis of 2008; large, game-changing acquisitions in the fund space; and looming sea change to the financial regulatory framework — have led asset managers to rethink their views on scale. For the purposes of this article, let's look at some historical perspectives on the asset management industry and see how they may have affected the debate. We can also explore whether the right question to ask is "Why is scale important?" or "What do I achieve with greater scale?"

If we go back to the 1980s and look at the beginnings of the great expansion in the asset management industry, we see a picture of the investment adviser as a relatively small entity, generally focused on providing investment advice to institutional accounts or high-net-worth individuals. Two events then largely drove the industry's significant growth. First, high interest rates in the US enabled the creation and massive expansion of the money market funds segment. As equity

markets rallied and expanded a few years later, fund complexes successfully crossed money market assets into equity-focused retail mutual funds. Professional investment management was now open to the masses. The second key event was the use of technology. This enabled the distribution and processing of funds, as well as the more efficient servicing of shareholders.

While one could argue that other developments — such as the introduction of defined contribution plans along with their use of mutual funds as primary investment options — were more critical to the success of the investment management industry, the turning point was clearly the recognition that mutual funds could be successfully and profitably distributed to a broad array of investors.

### **Distributors and manufacturers**

During the early growth period asset managers could enter the industry relatively quickly with few barriers to entry. Many forms of organisation developed and, early on, they all prospered if they delivered competitive investment performance. However, as markets became more volatile the industry went through several peaks and troughs. This led to a thinning of the ranks and the beginnings of a division into two distinct models of asset managers. Asset management firms began to become either distributors or manufacturers. Distributors have a diversified product range and large sales/distribution networks covering all market segments. Manufacturers focus on managing assets. They may advise, or sub-advise, a large number of diversified products but generally do not drive their distribution, relying instead on specialist distributors.

The past 30 years have proved a few important principles:

1. Scale alone does not ensure success;
2. Investment performance is critical to ongoing success; and
3. Strong service quality ensures customer loyalty and can override lagging short-term investment performance.

### **Understanding what scale means**

So where does scale come in? The migration to a distributor versus manufacturer model has reemphasised the need for scale and clarified that it means different things to different organisations. If your organisation's strategy is to compete as a distributor, scale means having access to a broad array of investment products and a distribution network with well-developed penetration of multiple segments such as institutional, high-net-worth, retirement and retail channels, as well as highly efficient back office support, either internally or outsourced. If your organisation's strategy is to manufacture, scale means having sufficient assets under management to demonstrate a track record, and the ability to manage large amounts of capital to attract institutional investors. Additionally, it means having robust operating systems support, either internal or outsourced, to ensure that assets under management are well controlled and adequately segregated.

With recent events reigniting the debate over scale, it is critical to determine how your organisation wants to operate. Many organisations sit on the boundary between distributors and manufacturers. Revisiting your strategy, and assessing the resources and operations/technology investments needed to achieve your goals, ensures that they are appropriately aligned with your operations. While this may seem obvious, many organisations have not tackled this decision-making process and risk entering the new financial services environment without a clear way forward. They will not benefit from scale because they have neither understood what scale means to them, nor how they will use it to drive their future growth.

# Seeing regulation as a strategic opportunity

*The approaching wave of new regulations can be a strategic opportunity rather than a compliance nightmare*



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When combined, the upcoming changes in regulation are so far reaching that they provide a natural opportunity for managers to review their strategies. As regulations alter the basic rules for operating in many regions, managers need to re-examine fundamental issues such as who their investors are, who their local regulators are (or could be), how they distribute and where they are based. In short, managers need to ask themselves some strategic business questions.

A few managers are already reviewing their strategies in light of the new regulations – and many more are not. Yet time is short. With the first of the new regulations, the US Dodd-Frank Wall Street Reform, due to be introduced in the summer, managers have six months in which to put together coordinated strategic responses to regulatory change. The alternative is to comply with each new regulation individually with little regard to the overall strategic implications for the business.

Some asset managers are already considering making early strategic choices. A number of alternatives managers, for example, are seriously considering whether they wish to continue accepting investments from European investors.

## **Regulatory impacts**

While the individual regulations driving change have been drawn up independently, they have similar implications. For example, the Dodd-Frank reform and EU Alternative Investment Fund Managers Directive both, among other things, require alternative managers to give far more

transparency, which has implications for operating models. For different reasons, they may also lead managers to question how they do business in the US or EU.

In Australia and the UK, the Future of Financial Advice legislation and the Retail Distribution Review, respectively, will align the interests of independent financial advisers and other product distributors far more closely with those of retail investors. Both sets of legislation will have far-reaching impacts on the way funds are distributed.

Two further regulations that will have considerable implications are the EU UCITS IV Directive and the US Foreign Account Tax Compliance Act (FATCA). The UCITS Directive provides opportunities for managers to make their fund range and management company structures more efficient, while FATCA imposes requirements to disclose information about US investors.

## **Finding the opportunity**

In order to transform the approaching regulatory wave from a compliance nightmare into a business opportunity, managers need to review the overall impact of all the regulations on their own businesses and on the marketplace as a whole. They need to analyse the implications for their operating model, and consequently their people and information technology. Above all, they need to consider how to gain strategic advantage.

Results of such a review will range from reaffirming to redefining business strategy. They may lead to re-engineering the entire management company structure, withdrawing from a particular geographical area or introducing an entirely new line of business. At the very least, this will ensure a coordinated response to regulation that both takes into account the operating model and is in line with the business model.

# M&A's route to growth

*As asset managers seek growth and protection of profitability following the financial crisis, mergers and acquisitions will play an important role*



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As the dust of the financial crisis clears, and new financial regulations crystallise, many asset managers are considering making acquisitions. Seeking to access growth and to diversify their sources of revenue, some are looking to acquire footholds in fast-growing markets such as certain countries in Asia, Latin America and Eastern Europe, while others are looking to acquire alternative investment managers.

More than 30% of asset management CEOs surveyed in PwC's 14th Annual Global CEO Survey, published in January 2011 and reviewed earlier in this publication, were looking to make a cross-border acquisition to support their growth plans over the coming year. Emerging markets featured strongly in the target regions for acquisitions, with 40% planning an acquisition in Eastern Europe and 30% looking to buy a business in Asia or Latin America.

The asset management industry's sources of growth are changing at a time when it is facing significant uncertainty and increased supervision. Consequently, acquisitions currently provide an alternative way to reposition businesses to access growth. As acquisitions require a greater initial financial commitment, a robust pre-clearance due diligence method and the difficult process of merging two cultures, they involve much greater risk than growing organically. Even so, a significant increase in the number of transactions appears likely due to an unusually strong combination of M&A catalysts.

## Current drivers of M&A

Regulation and the harsher post-crisis business environment are two of the key reasons why asset management firms are being put up for sale. Financial institutions' strategies to shore up their capital ratios are leading to sales of asset managers, although a number of these deals are currently in the pipeline. Additionally, tougher rules for alternatives managers in the United States, Europe and Asia are likely to encourage some to sell to other, often larger firms. Some independent asset managers have additional motivations for selling, such as not having any obvious succession to current management. What all of this adds up to is a period in which a number of asset managers are available to be acquired.

Meanwhile, acquisitive asset managers are eager to access new growth opportunities. An area of potentially greater growth is in emerging markets, where retail and pensions savings markets are immature, and capital markets are expanding. There also appears to be growing demand for alternative investment products. And acquisitions can also deliver both geographical and product diversifications, which protect levels of revenue and profitability. We have, for example, seen alternative asset managers acquiring long-only managers and there have been a number of high-profile acquisitions of asset managers in emerging markets.

## Recent transactions

Such motivations have driven a string of recent acquisitions. In fast-growing emerging markets, Hong Kong's Lloyd George Management,<sup>4</sup> US-based Emerging Markets Management and Brazil's Gávea Investimentos<sup>5</sup> have recently been bought by, respectively, BMO Financial Group, Ashmore Group<sup>6</sup> and JPMorgan Asset Management. Acquisitions of alternative investment managers have included Man Group's purchase of GLG Partners<sup>7</sup> and Royal Bank of Canada's acquisition of BlueBay Asset Management.<sup>8</sup>

# 30%

*More than 30% of asset management CEOs surveyed in PwC's 14th Annual Global CEO Survey, published in January 2011 and reviewed earlier in this publication, were looking to make a cross-border acquisition to support their growth plans over the coming year.*



In Asia, it is also likely that China's home-grown asset management companies may enter the West, or consolidate their positions there, and mergers and acquisitions are likely to play an important role in this. They have shown their desire to expand internationally by opening offices in Hong Kong, and need to diversify the range of capital markets in which they invest by including Europe and the US.

As asset managers seek ways to grow and protect profitability in today's world, mergers and acquisitions often offer a faster route to achieving these objectives, and the increasing volume of transactions appears to suggest that for many this is the chosen strategy. For this reason, the number of asset management deals looks likely to continue rising.

4 Announcement concerning shareholding in LGM, Lloyd George Management, 11.01.2011

5 Highbridge announces purchase of majority interest in Gávea Investimentos, JPMorgan, 27.10.2010

6 Proposed acquisition of a majority interest in Emerging Markets Management, L.L.C., Ashmore Group, 24.02.2011

7 Acquisition of GLG Partners, Inc., Man Group, 17.05.2010

8 RBC to acquire BlueBay Asset Management, RBC, 18.10.2010

# Reward and retention become key to M&A strategy

*The growing number of individual incentive arrangements has made remuneration and retention arrangements of critical importance to M&A strategy*



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Over the past few years the number of individual incentive arrangements in asset management has increased substantially, making due diligence exercises far more complex than before. Historically, the idea of 'special arrangements' was the privilege of sales teams in the form of commission plans but it is now not uncommon to see targeted bonus arrangements for executives, individual portfolio managers and investment teams, together with multiple long-term incentive plans operating within a single business.

While these may have evolved in a sensible fashion for the business, they can all prove to be major headaches for both vendors and purchasers when a business is acquired (see previous article: M&A's route to growth). Subtle differences in the minutiae of design come to the fore, including whether an arrangement is discretionary or contractual and whether the plan carries special provisions on a change of control. In addition, the arrangements will highlight differences in incentive arrangements between those operating for the acquired executives and those of the acquirer. These differences can lead to major issues, particularly if the business is to be integrated.

## **'Change of control' events**

Added to this, any acquirer can bet good money that the articulation of change of control events for the purposes of reward schemes, together with the subsequent treatment, has been high on most management teams' list of priorities. As we continue to emerge from the financial crisis, many captive asset management businesses have become increasingly uncertain about their future ownership structure and have introduced measures

to provide maximum comfort and certainty for their employees.

In some cases, this has driven a move away from generic change of control provisions to elaborate definitions, including the sale of all or part of a business, corporate restructuring, reallocation of parent company assets to other providers and a change of control at the parent company level.

On triggering a change of control, full vesting of outstanding incentive and equity awards is not uncommon. This can cause problems for an acquirer where the value of the business it is buying is tied up in the existing management team and other key employees. This is a time at which the new shareholders want maximum retention value in the hands of these key people – yet it is precisely the time where large, often life-changing, sums of money crystallise, leaving zero retention value on the table.

In most cases, this means 'double payments' are unavoidable, as substantial new retention arrangements need to be implemented immediately, whether in the form of brand new arrangements or tempting offers to entice individuals to 'reinvest' some of their proceeds.

On the flip side, this might work in the favour of a purchaser looking to take on a business where the value lies in the asset books rather than the people. Crystallisation of benefits can easily be quantified and will have a direct impact on the transaction price. This then leaves the new acquirer free to give retention awards to specific individuals who may be critical to integration.

There is also an emerging trend to increase protections for employees in the event of redundancy or termination under a new regime – i.e. the corporate event itself can unlock more generous provisions than would be the case had the business continued unchanged.

All of this complexity means that due diligence on remuneration arrangements, together with the associated thinking around the future structure of rewards, must be a priority for any acquirer.

# Seizing opportunity from the changing pensions landscape

*As the effects of longevity and the repercussions of the economic crisis on retirement plans materialise, there are considerable opportunities for asset managers*



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Across much of the globe, the last few years have presented a very significant economic challenge. In Europe the effects of this on retirement planning are just becoming evident. Across both the public and private sectors people will need to work longer. In the public sector governments cannot afford to allow swathes of the workforce to retire at 60 on well-funded 'defined benefits'-style schemes. And in the private sector workers will not have a sufficient savings pot to reflect the lifestyles they have seen previous generations of retirees enjoy.

We at PwC have previously written on the emerging trend in the UK of a move to an average retirement age of 72, and now expect a similar development in continental Europe.<sup>9</sup>

So what are the implications of this for the asset management industry in Europe and worldwide? And how are these beginning to develop in the marketplace?

Pensions and retirement in the UK and Europe are being publicly discussed more than they have been for generations as we contend with the challenges of increasing longevity, as well as changing patterns and expectations of retirement – while contending with one of the most significant periods of economic uncertainty in several decades in Europe and America.

## **Products for the future**

Given these changes, debate is beginning about the nature of products that will be required for the future. Will these products be supplied by the traditional financial services companies? And what sorts of products will be needed so that all segments of the population can accumulate sufficient savings to fund their retirements?

Taking the example of countries such as UK, Singapore and New Zealand, we are

seeing a number of interesting developments for products, such as:

- Much more flexible drawdown of accumulated 'pension' savings
- A move away from fixed retirement dates
- Recognition of the need to transfer accumulated savings between generations
- Changing taxation regimes that make other, non-pensions, means of saving attractive for retirement

All these changes bring opportunities for asset managers. In the UK, for example, we have seen the first moves to offer equity-based savings products on the basis of lifetime savings, marketed as the 'Workplace Individual Savings Account', where employers offer employees the option of paying part of their salaries into tax-efficient savings accounts every month.

## **Worldwide opportunities**

Moving on from the specifics of the changes that will be required for flexible accumulation and 'decumulation' products (i.e. products which convert pension assets into income), there is likely to be a significant change in the financial services companies servicing these markets. The principal driver of this will be an extension of the passive versus active debate. In many of the 'old' economies such as Europe, we anticipate that a few large-scale high-volume, low-margin providers will dominate the market, as private employers and the public sector seek products with low annual management charges and safe investment strategies.

This will lead to a considerable shake up in markets. There will be significant opportunities for new entrants coming into new markets with very clear market offerings. This trend will be evident throughout Europe and other economies as, perhaps, the well-capitalised Asian insurers and asset managers seek opportunities beyond their core markets.

In summary, we foresee a real reshaping of the pension and retirement market for the next generation of 'pensioners'; and real opportunity for those providers who respond to these changes. The opportunity is clear, but so is the threat!

10%

The year 2010 saw renewed growth in the industry. After a flat 2009, the number of cross-border funds launched increased by 10%.

## Cross-border distribution grows

*As cross-border distribution expands rapidly in Europe and Asia, managers need to adapt their distribution strategies to specific target markets*



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The cross-border fund industry has rebounded strongly from the difficulties of 2008/9 and is becoming increasingly competitive, as national asset managers, especially from outside Europe, launch cross-border platforms for the first time. What's more, existing cross-border promoters launched a flurry of additional fund products in the second half of 2010. Early indications in 2011 are that this trend continues and may even increase throughout the rest of the year, driving significant change for both fund manufacturers and distributors, especially with the introduction of UCITS IV.

Throughout 2009 there was much discussion about the level of cross-border fund rationalisation that may take place; however, the net result was zero industry rationalisation. The year 2010 saw renewed growth in the industry. After a flat 2009, the number of cross-border funds launched increased by 10%,<sup>10</sup> and the extent of their distribution footprints expanded, as more asset managers (located in and outside Europe) created Europe-based fund products.

### **American and Asian distributors**

Two geographic regions supplying new entrants to the cross-border market are of particular note. A number of Asian asset management firms have established Europe-based UCITS funds for distribution not only into Europe, but also into Asia. Driving this trend are three core factors: there has been growing demand for emerging market products from European investors, Asian funds are not able to access the European investor markets, and UCITS funds' strong global brand and reputation means that multiple

markets, both in and out of Europe, can be targeted with these fund products.

The other region supplying new players to the cross-border industry is the Americas. North American asset managers, especially hedge fund managers, are increasingly creating sophisticated UCITS and Europe-based alternative funds, while several large asset managers from Latin America have also launched European funds.

The new American entrants are often packaging alternative strategies into fully regulated products such as UCITS, especially to target European institutional and high-net-worth investors. Similar to Asian managers, launching UCITS permits these American asset managers to market within the EU, and with much greater ease in Asia and Latin America. Regarding alternative funds, 2010 witnessed significant growth of Irish Qualifying Investor Fund and Luxembourg Specialised Investment Funds, partly from American managers seeking more regulated vehicles to sell to Europe-based institutional investors.

### **'Sophisticated' UCITS**

In the midst of this activity, the very strong trend throughout 2010 and into 2011 has been the creation of more 'sophisticated' cross-border funds (mainly UCITS). In spite of the fact that today such funds only represent 3% of the entire cross-border UCITS market; approximately 30% of all cross-border UCITS established in 2010 were of the more 'sophisticated' variety.<sup>11</sup> We believe this trend will continue, leading to continuing discussions within the industry and at European Commission level about the appropriateness of the UCITS brand for such strategies.

The growth of 'open architecture' as a model of distribution has slowed recently and looks to be in reverse as third-party distributors grapple with increasing demands from investors, the need for greater levels of information, transparency and customer support, as



well as increasing regulation and best practice requirements surrounding point of sale activities. In its place, 'guided' or 'selective' architecture is growing as distributors look to streamline and simplify their processes. Selectivity is becoming an important theme across many fund distribution networks.

Recent market dynamics are driving new trends in distribution and forcing fund promoters to rethink their strategies for efficiently and successfully marketing funds across borders. Many factors need

to be evaluated and tailored for each target market. These include: the importance of branding; how to strengthen relationships with distributors; the need for enhanced transparency and distributor and investor support; the level of retrocession paid; and whether to outsource sales activities or enhance proprietary teams. Smaller fund promoters will need to be creative and develop more dynamic strategies focused on multiple factors.

# Tapping retail demand for hedge funds

*As hedge fund strategies in retail wrappers successfully gather assets in the US and Europe, there are a number of challenges to consider*



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With several publicly offered hedge funds now exceeding US\$1 billion in assets, the stage is set for more to be launched. Such is the demand for these products that many managers are overcoming long-held objections to them. Indeed, many now view them as a valuable way to diversify their investor bases.

Through the public market, hedge funds are tapping into both retail investors and institutional investors such as smaller pension funds. Retail investors are buying as they seek alternatives to traditional long-only funds. Institutional investors, for their part, increasingly want the protection offered by regulated products after the financial crisis and related scandals.

By launching publicly offered vehicles, hedge fund managers are not only diversifying their revenue bases but also enhancing the persistency of their assets. For example, closed-end fund offerings provide what is essentially 'permanent capital' and are exchange traded. Even the open-end mutual fund format can deliver a less volatile investor base. These vehicles also open up distribution channels that are only accessible to regulated vehicles (e.g. defined contribution pension assets).

For hedge fund managers, entering the regulated space also provides an opportunity to leverage the brand, allowing them to build broader businesses. In this way, they can grow assets in investment strategies beyond those they are known for.

At the same time, deterrents to joining the regulated world are falling. After all, alternatives managers will have to register with the Securities & Exchange Commission (SEC) anyway from the summer of 2011, and many are already augmenting their compliance infrastructure accordingly.

## **Challenges to overcome**

For many managers, tapping large markets for regulated products without cannibalising the higher-margin non-regulated products is the biggest challenge. Fortunately, many alternative strategies have to be modified before they can be offered as regulated products. The Investment Company Act of 1940, Internal Revenue Code and SEC regulations applicable to regulated funds all effectively impose limitations that force modifications. These include:

- Leverage restrictions, especially regarding certain derivatives
- Diversification requirements
- Liquidity requirements – relating to the portfolio as a whole and to periodic distributions
- Asset type limitations (e.g. physical commodities, operating companies that are pass-through vehicles)

As these constraints restrict managers' investment flexibility, the different product offerings are often clearly differentiated. By the same token, the limitations make some strategies very difficult to carry out in a regulated product environment.

*For hedge fund managers, entering the regulated space provides an opportunity to leverage the brand, allowing them to build broader businesses. In this way, they can grow assets in investment strategies beyond those they are known for.*



Where it is possible to package strategies as regulated products, the manager will face other challenges such as:

- Developing new distribution channels, networks and relationships
- Introducing greater portfolio and organisational transparency
- Upgrading operations to produce more frequent (and perhaps more robust) net asset values and to monitor compliance with Securities and Exchange Commission and Internal Revenue Services regulations
- Expanding governance, including managing relationships with a board of directors or trustees

As daunting as they might seem, the already developed infrastructures at third-party service providers such as fund administrators greatly ease the transition. Some even have turnkey solutions that allow managers to launch funds within existing legal structures that already have boards, compliance officers, accounting agents, administrators and custodians. To some degree, many alternative managers have already been addressing these challenges, so they may not be so significant a deterrent to launching a first regulated offering.

Clearly, the entry into the regulated marketplace requires thorough consideration as to product structuring, marketing and management. Even so, the increasing number of extremely successful product offerings from hedge fund managers suggests that more alternative managers will find that the potential rewards of entering the public marketplace outweigh the incremental costs.

# Repositioning the depositary offering

*Europe's AIFMD is presenting depositaries with strategic choices that carry important implications both for them and the wider asset management sector*



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The European Union's Alternative Investment Fund Management Directive (AIFMD) is expected to come into force in April 2013 and seeks to regulate alternative investment fund managers.<sup>12</sup> However, the Directive also introduces more onerous obligations at the level of the individual Alternative Investment Fund (AIF), requiring alternative investment managers to appoint independent depositaries to perform certain supervisory duties and to keep the investments of the fund safe. Beyond what is currently provided by most prime brokers, this presents an opportunity for depositaries to target alternative fund managers. Yet the liability regime will be an important consideration for depositaries considering doing so.

Depositaries for alternative investment funds in Europe have, until now, been subject only to local regulatory rules, with much divergence in individual territories' regulatory regimes. The AIFMD seeks to eliminate these discrepancies and to introduce a harmonised regulatory regime for alternative funds across Europe. In the future, investors will have clarity on exactly what their depositary duties are. The Directive is far more prescriptive than local rules, requiring enhanced processes and expertise, together with a re-engineering of depositary operating models to cater for new relationships, services and fee models.

## **Directive requirements**

The Directive differentiates between financial instruments that can be held in custody and other assets. For non-custody assets such as over-the-counter securities, private equity and real estate, the depositary must verify ownership of, and maintain a record of, such assets. Many depositaries are already doing this under local legislation, but the AIFMD specifically addresses the mechanism used to verify assets, and may require more rigorous procedures.

Under AIFMD, there will also be new depositary responsibilities. They will have to monitor cash flows, make sure that all subscription payments have been received and check that all cash has been booked in relevant cash accounts.

It is likely that the Directive will require the depositary to exercise more control, and to perform more frequent and independent monitoring of activities carried out by the fund administrators, custodians and transfer agents. All depositary functions will become more specialised, given the increased complexity of the products, funds and relationships involved. Depositaries will, therefore, need to invest heavily in processes, controls, resources and expertise.

## **Depositary liability**

Custody and safekeeping duties may be delegated to sub-custodians and prime brokers, provided a number of criteria are satisfied. The depositary must accept liability in the event of the loss of assets, even when safekeeping has been delegated. Some depositaries may, therefore, withdraw from certain markets or be more selective about entering unfamiliar markets.

<sup>12</sup> Taking stock – AIFMD News Edition 7, PwC, Winter 2010

# AIFMD

*will redefine the relationships between fund managers, funds and their service providers and, as a result, depositaries will need to carefully manage the reorganisation of their operating models, services and fee models.*



The depositary will not be deemed liable where it can prove that a loss was due to an external event beyond its control. In certain cases, the depositary can also discharge itself of liability by sub-delegation — but there must be a written contract between the depositary and the third party that explicitly transfers the liability. In reality, it remains to be seen whether such third parties, which already operate on slim margins, would accept such liability and how these arrangements would be managed.

### **Wider implications**

Depositary costs are likely to rise substantially due to the required investment in resources and processes and the substantial insurance policies

needed to protect against losses. The extent to which these costs can be passed on to funds and investors remains to be seen, but it is likely that the environment will favour larger depositaries that can leverage scale to address increased costs. Depositaries will need to assess their cost structures and fee models in order to remain competitive. Some will withdraw from the industry and M&A activity is expected to increase. In fact, the Directive's liability regime could, ultimately, contribute to a substantial increase in systemic risk. This is because the number of depositaries willing to accept these new terms of business is likely to shrink, so reducing competition and increasing concentration risk.

AIFMD will redefine the relationships between fund managers, funds and their service providers and, as a result, depositaries will need to carefully manage the reorganisation of their operating models, services and fee models. Depositaries need to think strategically about the key considerations should they choose to service this new client base. They must plan for one course or another, with an awareness of all possible consequences.

The population of Asia is expected to grow by 25% by 2050 and ageing of the population will be at its most rapid between 2010 and 2030.

25%

# Promoting an Asian fund passport

*Asian governments are prepared to move forward in developing a fund passport that would transform how funds are distributed in the region*



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After the release in November 2010 of a report prepared jointly by PwC and the Financial Services Council of Australia outlining the case for establishing an Asian fund passport (a cross-border vehicle which would recognise registered funds within the Asia-Pacific market in much the same way as UCITS does in Europe),<sup>13</sup> we understand that work has started between countries which are interested in developing a single market for Asia's investment funds.

Based on a survey of fund management industry bodies, industry participants and member firms of the PwC network throughout Asia, the report showed that the region's fund managers strongly endorsed such an initiative. The Prime Minister of Australia, the Hon Julia Gillard MP, officially launched the Report at an APEC meeting in Japan. The initiative also won the backing of ministers. Following the APEC finance ministers' meeting, a joint ministerial statement said: "(we) welcome efforts to facilitate cross-border marketing of fund management services within Asia".<sup>14</sup>

Operating in a similar way to Europe's UCITS vehicles, an Asian fund passport would allow a complying fund or other collective investment vehicle in a nation that signed up to the passport framework to offer that product in each of the other signatory nations. Some 86% of survey participants endorsed the development of a passport. It is currently expensive and

inefficient, and in some cases impossible, for fund managers to operate across Asia.

## **The economic and demographic fundamentals**

Establishment of a passport is considered important for the growth and prosperity of Asia's asset management industry and, in turn, its ability to support economic growth. Asia's economic and demographic fundamentals support the view that it will be the 'future growth engine' of the global asset management industry.

The region's GDP growth rate is forecast to be double the rate of the rest of the world. Within the region, there are many developing economies with a need for investment capital to fund this economic growth. There are also developed economies with established pension systems and/or high savings rates that have funds available to invest.

Asia accounts for USD2.757 trillion<sup>15</sup> (13%) of global funds under management (FUM), but nearly two-thirds (60%) of the world's population. In addition, Asia's middle class has experienced terrific growth relative to other regions over the last 20 years.

The population of Asia is expected to grow by 25% by 2050<sup>16</sup> and ageing of the population will be at its most rapid between 2010 and 2030.<sup>17</sup> Increased levels of savings and investments will be needed in order to fund the retirement of this ageing population while avoiding unsustainable pressure on government finances. Many economies have established pension and sovereign wealth funds in order to help fund the costs of these growing and ageing populations throughout retirement.

<sup>13</sup> Asia Region Funds Passport, PwC, 11.2010

<sup>14</sup> 2010 APEC Finance Ministerial Meeting Joint Statement, APEC, 06.11.2010

<sup>15</sup> Asia Region Funds Passport, PwC, 11.2010

<sup>16</sup> World Population Prospects: The 2008 Revision, Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, 07.10.2010

<sup>17</sup> Pensions in Asia/Pacific: Ageing Asia must face its pension problems, OECD, 07.01.2009



### **Passport benefits**

According to the report, some of the benefits of a passport include:

- **Increased investor choice.** A passport would provide broader investor choice arising from direct access to otherwise inaccessible markets, instruments and offshore expertise. Concentration in domestic equities is very high across the region. Greater product variety would provide retail investors with greater diversification, and the ability to participate in the growth of offshore markets.
- **Access to capital.** Regionally, economies are at varying stages of development. Emerging markets are undergoing significant expansion and have intensive capital requirements. Mature economies with well-established pension systems have the assets and capital to help fund this demand.

- **Improved efficiency and cost reductions.** Cross-border capital flows will allow fund managers to access larger client savings pools and achieve economies of scale. Greater fund size would help drive competition and place downward pressure on the fees paid by investors. Direct access to offshore funds rather than through an intermediary would help to eliminate extra layers of fees and commissions.
- **Retention of fund management jobs regionally.** Increased growth in the region's funds management industry will lead to employment growth and retention of expertise in Asia.

### **Regulatory frameworks**

While there are diverse legislative and taxation requirements across the region, it was encouraging to note that most jurisdictions do have similarities in their regulatory frameworks. For example, each jurisdiction requires the licensing of the promoter or issuer of the fund, the registration or approval of the fund itself and the registration or vetting of the offer documents.

This will provide a strong platform for establishing an Asia Region Funds Passport.

### **Europe may provide some answers**

The increasing presence of UCITS- funds across Asia provides evidence that products that are established within an acceptable framework are very mobile.

The region can look to the UCITS framework as a starting point for establishing its own passport. However, to be competitive the region will need to be innovative in both the design and ongoing operation of the Asia Region Funds Passport.

### **Conclusion**

The region is ready to act. While there are definitely complex challenges that we will need to overcome as we move forward, they are not insurmountable and the benefits could be substantial. An Asian fund passport would transform the way funds are distributed in the region.

# Europe's fund industry moves to gain efficiency from UCITS IV

*With only a few months to go before UCITS IV's implementation, the Directive's practical implications are becoming apparent*



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The UCITS IV Directive will be implemented in all European Union Member States on 1 July 2011, and will apply to all UCITS domiciled in Europe. Its sole optional transitional provision will be the 'grandfathering' of the Key Investor Information Document (KIID) requirements,<sup>18</sup> which must be observed by 1 July 2012.

But Europe's asset managers have also been analysing the opportunities arising from the Directive's voluntary measures. These raise the possibility of achieving greater efficiency through fund mergers, master-feeder pooling funds and the management company passport.

Naturally, managers are currently concentrating on the KIID. While the 'grandfathering' period is optional, some Member States will immediately demand KIIDs for their local funds. Even if such local requirements are not imposed on cross-border funds distributed in these Member States, marketing issues may arise. For example, it may be unacceptable for a local distributor to approach new investors with different documents depending on the country of domicile of the distributed UCITS. (The distributor might use a KIID for local funds and a simplified prospectus for UCITS domiciled abroad).

In order to avoid potential marketing risks, promoters of cross-border UCITS domiciled in countries granting such grandfathering periods, and in particular the top 50 cross-border management groups, are considering not taking advantage of this transitional provision. Consequently, KIID production and dissemination are top priorities.

## **Cutting fund ranges**

Looking beyond the compulsory, and seeking to improve efficiency, a minority of fund promoters are also now planning to rationalise their European UCITS ranges. They are doing so for cost, tax and regulatory reasons. A small number are also considering introducing master-feeder strategies, although many operational and tax questions remain unanswered.

While cross-border fund mergers were originally deemed too risky due to the absence of European tax harmonisation, a few firms are currently changing their minds. In particular, they appear keen to merge funds if the UCITS funds that will disappear are sold in only a small number of countries.

## **Difficulties of rationalising management companies**

The one UCITS IV measure that seems to be in less favour is the Management Company passport. Considered as presenting an opportunity to rationalise European asset management activities in the run up to adoption of the Directive in 2009, the passport has lost part of its appeal in the short term at least – with the exception of some specific cases. This may be explained by the fact that its implementation is difficult to achieve due to political, tax, social and operational challenges. Additionally, the passport does not cover alternative funds. Asset managers need to wait for the Alternative Investment Fund Managers Directive to be implemented before alternative funds will also have a single passport. (Management companies will, however, need to comply with the new Markets in Financial Instruments Directive-like requirements imposed by UCITS IV.)

So Europe's asset management industry is moving to take advantage of the UCITS IV Directive. Evidently, there are some compulsory measures that managers have to comply with. But managers are also seeking the most straightforward ways to squeeze cost out of their fund ranges.

<sup>18</sup> UCITS IV: Time for change, PwC/EFAMA, 06.2010

# Ammonites, extinction events and the real estate fund management industry

*The real estate fund industry is in a period of prolonged pressure that may lead to consolidation*



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For the real estate fund industry in the United States and the United Kingdom, a period of pressure has continued largely uninterrupted to date since the liquidity crisis in the summer of 2007. This pressure became global in the aftermath of the collapse of Lehman Brothers and the bailout of AIG over the weekend of 14 and 15 September 2008. What is the likelihood that this could lead to a mass extinction similar to that experienced by marine life 215 million years ago?

PwC recently published a paper based on a presentation at last year's PwC European Real Estate Client conference. The paper looked at how the theory for mass extinction in marine life, Press-pulse: a general theory of mass extinction? might apply to real estate.<sup>19</sup> It drew a comparison between the long period of pressure faced by marine animals that led to extinction, and what is currently being faced by the real estate fund industry. Below are some of the factors applying pressure:

## Debt

The significant amount and complexity of bank debt that has to be refinanced over the next two years poses a problem that needs to be overcome. With growing levels of syndicated loans and commercial mortgage-backed securities, rather than bilateral debt, the process of negotiation will be complex and the outcome uncertain. With banks also adapting to the introduction of Basel III, there is likely to be a period of significant uncertainty in the real estate funding markets.

## Provision for old age

Provision for old age creates two of the major sources of equity capital for real estate investment – pension funds and life insurance companies. Both face significant changes. As defined benefit plans make way for defined contribution products, so the real estate asset management industry will have to create new products in order to maintain the level of investment. At the same time, introduction of EU Solvency II legislation will lead to particular issues connected to the way real estate market risk is modelled. Again, this may lead to a period of uncertainty.

## Regulation

Direct regulation of the real estate sector will be a major consideration in the future. Most obviously, the EU Alternative Investment Fund Managers Directive (AIFMD) lays down rules for alternative investment managers, including real estate fund managers. Issues also arise from the interaction of the AIFMD with other regulation. In particular, managers

regulated by the AIFMD will be caught by the European Commission's proposed European Market Infrastructure Regulation (EMIR), which seeks to regulate over-the-counter derivatives. Businesses that are caught will be required to post cash collateral to cover margin calls on derivatives. This is not the only regulatory change on the horizon. Managers with US investors in their funds may also find themselves caught by the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

## Changing tenant behaviour

Aside from the commercial challenges faced by tenants, there are changes to regulation that will potentially become drivers of behaviour. Changes in the accounting treatment of leases are potentially significant. The proposed model will eliminate off-balance sheet accounting. Another driver of changing tenant behaviour will be the developing focus on sustainability. A broad range of stakeholders, including regulators and investors, are ensuring that sustainability will in future require measurement and performance reporting, well beyond broad mission statements.

## Investor behaviour

Managers are facing pressure on fees and revenues from a variety of sources. Assets under management have fallen, those managers with disappointed investors are facing pressure to revise their fee structures and others face their products coming to a natural end. As they seek to raise new funds, managers will face some challenges in dealing with investor bases that have become significantly more demanding as a reaction to events over the last three years.

Over the next two years, real estate fund managers are likely to remain under significant pressure, which may lead to consolidation, with clear winners and losers.

<sup>19</sup> This is an extract from: Ammonites, extinction events and the real estate fund management industry, PwC, 11. 2010

# 2011

*With building pressure for consolidation, in future years we may look back on 2011 as a transformational year for the property industry.*

## Emerging Trends in Real Estate Europe: Adapt or die

*The way things are now could be the way they are for a long time to come, leaving managers with a choice: adapt or die*



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The real estate industry needs to ‘adapt or die’ according to Emerging Trends in Real Estate® Europe 2011,<sup>20</sup> published by the Urban Land Institute (ULI) and PwC in February. The eighth annual report is based on surveys and interviews with well over 600 of the industry’s leading authorities, including investors, developers, financiers, and fund managers. It will not be the turnaround year that the European real estate industry had hoped, with the industry facing major challenges in 2011 and beyond. Economic austerity will mean that the occupational market remains weak, with the risk that sovereign debt could give rise to further crisis. Regulation will create an increasing direct and indirect burden for the real estate industry. The lending market seems weaker than ever and the mountain of debt to be refinanced is a year closer. Although capital is returning to the market, investors are becoming more demanding. With building pressure for consolidation, in future years we may look back on 2011 as a transformational year for the property industry. Real estate professionals face a challenging time. The winners will be those who are best able to manage their assets, rather than those who are able to pick winning cities. Above all, survival will depend upon the ability to adapt to the changing demands of investors.

“Caught in a climate of uncertainty, confusion, fear, and mistrust, Europe’s real estate industry is in the process of redefining itself. The industry must respond to these changes to survive,” urge Emerging Trends Europe interviewees.

“This is the most confusing business environment that I have ever been through in my entire career,” said one veteran fund manager. “No one has any answers. But you have got to adapt. The key thing to remember is to look forward and not back. If you are not doing that, then you are missing the best opportunities in a generation to invest in property in some form – either debt or equity.”

### Improvements anticipated

Improvements in the availability of real estate equity are anticipated this year, and this is expected to come from an increasing number of investors from Asia Pacific, institutions and private equity funds. But as is the case with so many positive trends today, they do not constitute unqualified good news. Equity, which is now choosier and risk averse, will be funnelled towards a smaller slice of the industry, ensuring that the capital-raising environment is set to be tough for a while yet. Interviewees anticipate that it is the well-established firms with defensive strategies that will benefit, while for niche or new players, life will remain difficult in 2011. This is just one way the market will continue to divide between the haves and the have-nots over the coming months. The division being seen in the industry even extends to employment prospects. The industry will continue to downsize in 2011, interviewees say, and as firms prioritise resources, there will be those in the industry who find their skills in demand and those who find they are totally unequipped for the new climate.

What this year’s survey reveals is that hope has been replaced with acceptance that the way things are now could be the way they are for a long while to come, and the choice is stark: adapt to this new world or die.

<sup>20</sup> Emerging Trends in Real Estate® Europe – PwC/Urban Land Institute, 04.02.2011

# Asia Pacific takes real estate recovery crown

*The Emerging Trends in Real Estate® 2011 surveys show Asia Pacific recovering far more quickly than the United States*



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In Asia Pacific and the United States the outlook for real estate markets is recovering, albeit at very different rates, according to the recently published Emerging Trends in Real Estate® 2011 surveys for the two regions.<sup>21</sup> While strong economic activity in China and India is likely to drive a robust recovery in Asia, the improvement is more tentative in the United States.

Prepared by PwC and the Urban Land Institute (ULI), these surveys each canvassed the views of several hundred internationally renowned real estate professionals. They found many Asian real estate markets back at pre-crisis levels, while US assets were thought likely to reset at 30–40% below 2007 peaks.

Asia's markets are now clearly expected to be the global leaders in terms of recovery and growth, according to the reports. By contrast, after three years of dislocation and unprecedented loss, US respondents now only hint at hopeful signs of tempered real estate market improvements.

## Asia touches pre-crisis levels

Many, if not most, Asian economies have rebounded to pre-crisis levels, and real estate markets, although mostly slower, are headed toward some semblance of normalcy. The distress that was so widely predicted a year ago for most of the region's largest markets has by and large failed to materialise. The survey noted that steady activity by buyers indicates that Asia's real estate markets are strong enough to grow into the high expectations current pricing trends imply, particularly because of the shortage of both housing and commercial properties that persists in many areas.

The economies and financial systems in Asia Pacific have gradually improved over the years. The demand for property, especially in the emerging markets, has been growing. Following the second round of quantitative easing by the US Federal Reserve Board, more funds are expected to flow into Asia Pacific markets, and property would be an alternative choice of investment after equities.

## United States lowers expectations

In the United States, survey respondents indicated a lowering of performance expectations, anticipating high single digit returns for core properties and mid-teen returns for higher risk investments. Without ample leverage and attendant risk, real estate assets cannot sustain higher performance, according to survey respondents. The survey found that lenders with strengthening balance sheets would finally step up foreclosure activity and dispositions of properties during 2011 and 2012, helping values reset 30–40% below their peaks.

The market is predicting extreme bifurcation as the capital flight to quality creates a greater separation between the trophy and less desirable assets, the report noted. Well-located and well-tenanted properties that can generate strong cash flow over the next several years are exactly what buyers and lenders want, according to survey respondents. As a result, prime apartments and office buildings in gateway cities are generating the most attention from the increasing pent-up sidelined capital.

On the whole, survey participants regard Asia as the part of the world that is showing the most growth in terms of the real estate industry. "The area's economic expansion should be the key driver to help propel commercial real estate investments and developments across the region," Emerging Trends says.

<sup>21</sup> Emerging Trends in Real Estate® 2011: US, Canada and Latin America edition, PwC/Urban Land Institute, 11.2010  
Emerging Trends in Real Estate® 2011: Asia Pacific edition, PwC/Urban Land Institute, 12.2010

€700bn

Now any organisation can enter the market, using the PPI either to enter the €700bn Dutch pension market or to penetrate the rest of the European Union.

# The Netherlands' new pension-pooling vehicle

*A new highly efficient pension-pooling vehicle offers asset managers their first chance to enter the Dutch market directly, as well as being a convenient vehicle for the wider EU*

In the Netherlands, a new pension vehicle offers the opportunity for asset management companies and other organisations to enter the market for the first time. Until the Premium Pension Institution (PPI) was introduced in January 2011, only pension funds and life insurance companies could access the Dutch pension provider market. However, now any organisation can enter the market, using the PPI either to enter the €700bn Dutch pension market or to penetrate the rest of the European Union.

The PPI allows asset management companies and banks to enter the lucrative Dutch pension market directly as pension providers. Before the PPI, they were only able to manage the assets of pension funds and insurance companies.

## **An efficient vehicle**

A lean and mean pension vehicle, the PPI has limited scope. As a pension scheme manager, it cannot bear any risks – neither investment risk, nor insurance risk, nor longevity risk. This means that the PPI is only allowed to carry out pure defined contribution or defined benefit schemes where, for instance, the employer bears the investment risk. Additionally, because it is not allowed to bear longevity risk, the PPI cannot provide lifelong pension annuities. If such a lifelong annuity is required, the pension capital must be transferred to an insurer at the pensionable age.

Such limited scope has benefits, however. The PPI's solvency requirements are limited to €225,000 for operational risks. These low solvency requirements result in little supervision by the authorities, which makes the PPI easy to govern and results in low administrative costs.

The pension market in the Netherlands and the rest of the EU is large and changing. Disappointing investment performance and high costs have undermined the image of pension funds and insurance companies. Employers are, therefore, looking for alternatives to their current pension fund or pension insurance contracts.

## **A pan-European alternative**

The PPI can, as a new and legacy-free pension provider, fulfil this need. Since the PPI is a so-called European Institution for Occupational Retirement Provision (EIORP), it has an EU-passport. Several other EU countries have introduced EIORPs as well. This EU-passport means that the PPI can act as a single pension carrier for multinationals' pension schemes throughout Europe, making it an ideal pension-pooling instrument.

Furthermore, a PPI has the same tax advantages as a pension fund. No corporate tax is due and source taxation on investment returns such as withholding tax can be reclaimed. So the PPI is a tax-efficient, simple and unique way for asset management companies to enter the pension market directly. The first new players have already announced the introduction of their PPIs. And many more will certainly follow.



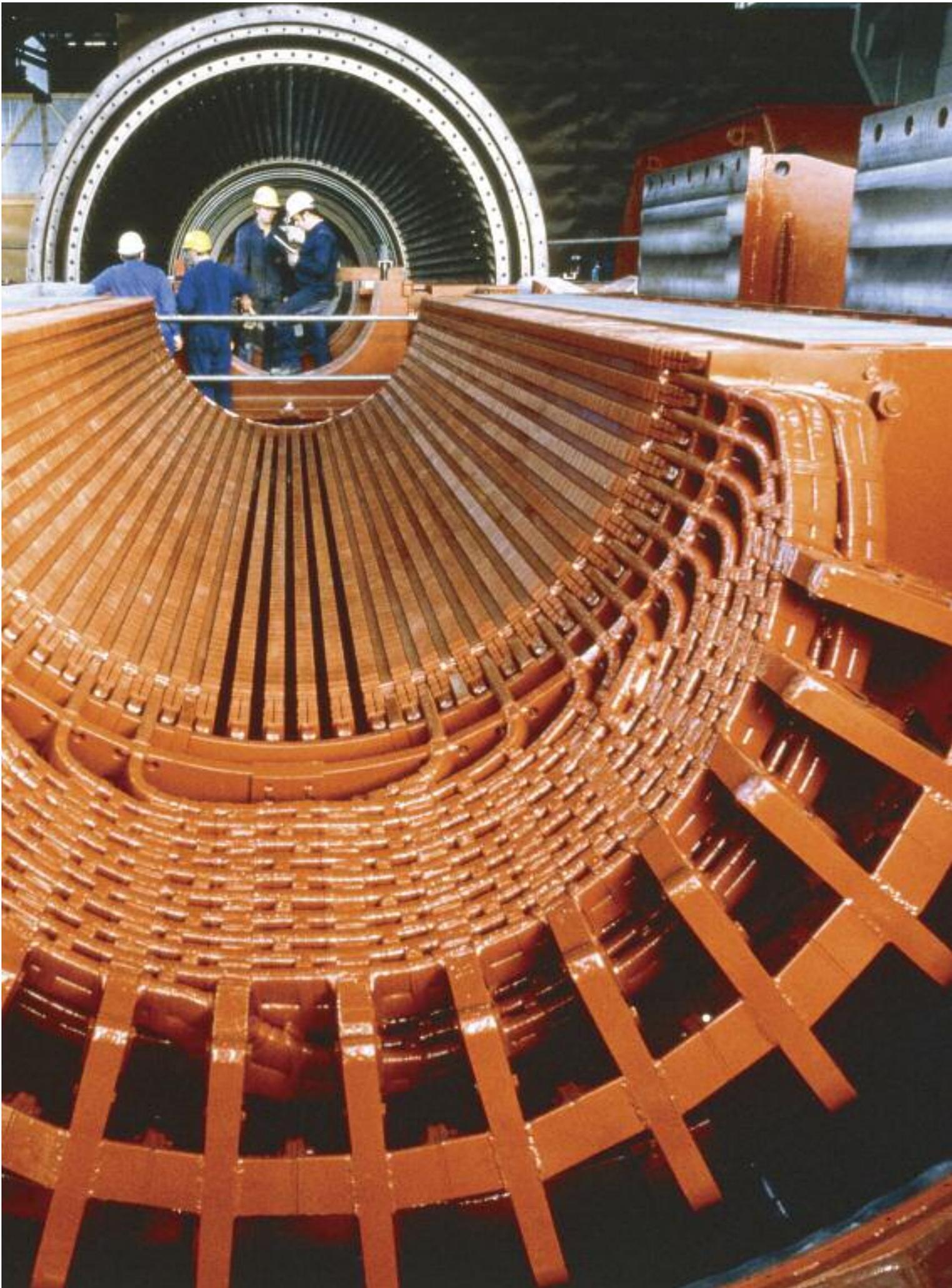
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