

9 June 2009

Press Release

Credible return solutions – not 'products' - will distinguish the winners in asset management and help meet client objectives

Newton's all change white paper identifies winning attributes for survival in asset management

Newton, part of BNY Mellon Asset Management, believes that asset managers that can provide credible return solutions that meet clients' objectives versus 'products', will emerge as the winners in the aftermath of the financial crisis.

This is just one of the key findings from a Newton white paper titled "The expected impact of all change on the asset management industry". The white paper is centered on Newton's all change theme, which explores the implications of the significant deleveraging brought about by the popping of the credit bubble, and identifies eight attributes which Newton believes will differentiate the winners within asset management in years to come.

Helena Morrissey, CEO of Newton, said: "This white paper analyzes the sea change that needs to take place in order for asset managers to adapt to the new environment."

"Over the last two decades the industry saw a shift towards a more distribution and product-driven model, in which credibility and success were typically associated with the size of a firm's assets under management. However, poor performance from some of the industry's top names, together with general disappointment with

absolute returns, has led to a trend reversal. In the future, we believe that the reputation and culture of an organization will depend more on its ability to deliver consistent investment performance in a clear and transparent manner. This 'back to basics' trend is to be welcomed, as the industry seeks to regain the trust of its clients. We will have achieved success when solutions to real needs are bought by consumers, instead of products being sold."

Complex financial instruments and black box models, which are perceived to have contributed significantly to the current financial crisis, have been widely discredited and investors and their advisers are turning to investment propositions that are transparent, simple and consistent. The white paper reveals that those asset managers with 'proven track records, tested processes, and robust and demonstrable risk management' will be highly prized and attract the most investor interest. Newton believes that just as people need and want a doctor or a lawyer, they should be able to seek out a money manager who they trust and with whom they build a long term relationship.

The attributes of winning asset management firms identified in the white paper include:

- 1) Delivery of strong and consistent investment performance
- 2) Organizational structures that attract and retain top investment professionals
- 3) Clear branding and a conviction about what the brand stands for
- 4) Close relationships with clients and an emphasis on service
- 5) Distribution efficiencies and scale, balanced by an investment-led focus
- 6) Ability to operate successfully within a much tighter regulatory framework
- 7) Simple and transparent investment approaches
- 8) Ability to deal successfully with the structural shift from DB to DC

Morrissey concluded: "The implications identified in our all change theme are profound and no economy, sector nor asset class is immune. It is clear that those companies that can anticipate and adjust their approach in the aftermath of the credit crisis will emerge as the winners. The purpose of this paper is to stimulate debate at the wider industry level around how the asset management industry can best do that."

Notes to Editors:

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136/Q2/2009