

Multi-Market Growth Insights

Key Findings of the State Street 2018 Fund Strategy Survey

July 2018



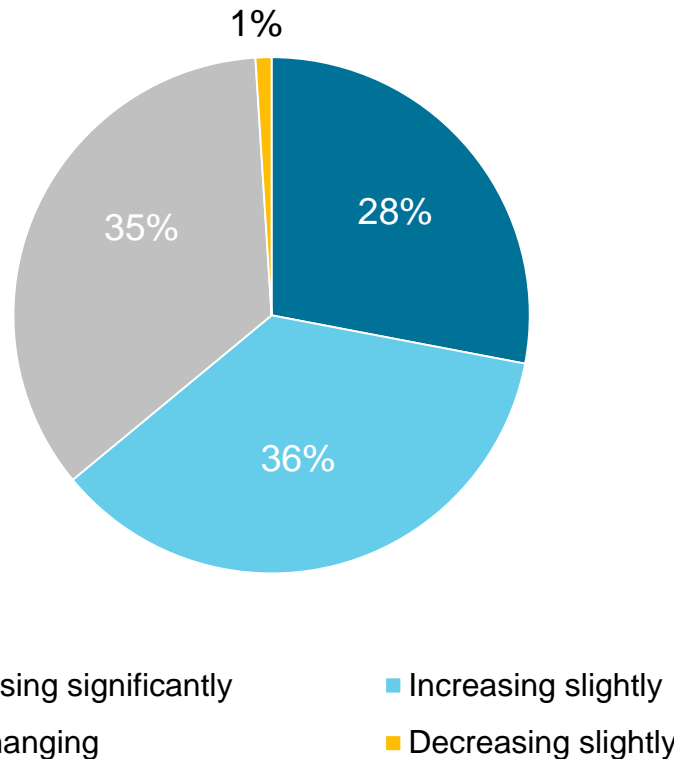
State Street 2018 Fund Strategy Survey

- This global survey explores how asset managers are approaching the selection of fund vehicles and domiciles to advance their growth strategies.
- It also examines managers' appetite to launch cross-border funds, the factors shaping their decisions and the expected impact of regulatory and technology change on the distribution landscape.
- Oxford Economics conducted the survey on behalf of State Street during May and June of 2018, garnering 250 responses from 15 countries. Respondents represented asset management firms that are distributing product outside their home markets or considering doing so.

Appetite to Launch Cross-Border Funds

Nearly two-thirds (64%) are increasing their appetite for cross-border product launches over the next five years.

Appetite to Launch Cross-Border Products

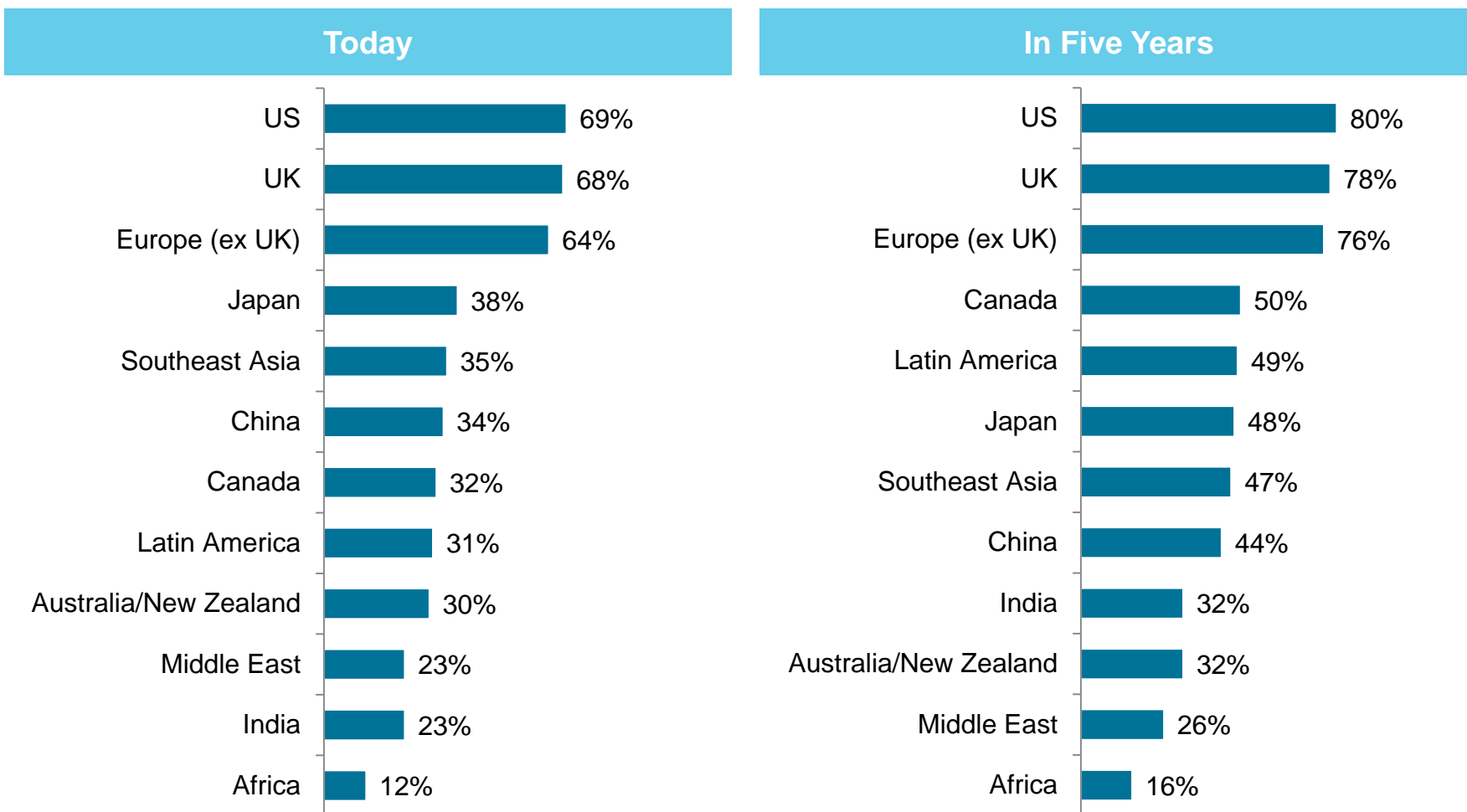


Q. Over the next five years, is your appetite to launch products for cross-border distribution changing?

Source: State Street 2018 Fund Strategy Survey

Regional Distribution Markets

The US, UK and Europe are the top distribution markets for our study participants



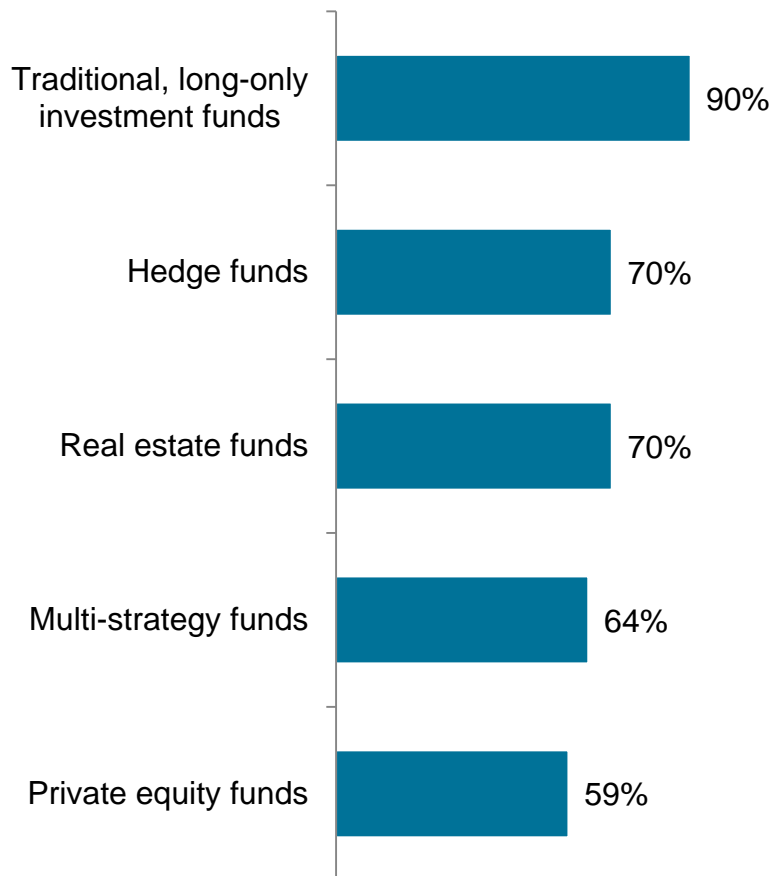
Q: In which of the following regional market(s) does your firm have distribution today, and in which do you expect it will have distribution in five years' time? Select all that apply.

Source: State Street 2018 Fund Strategy Survey

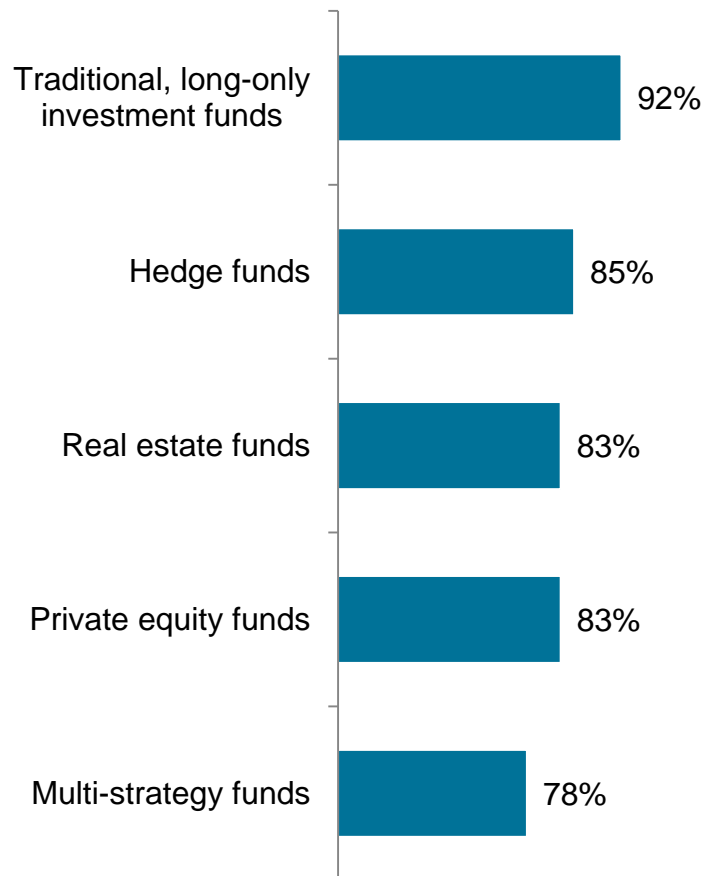
Product Offerings to Investors

Alternative strategies expected to see strong growth over the next five years

Top 5 Strategies Offered to Investors Today



... and Expected to Offer in Five Years



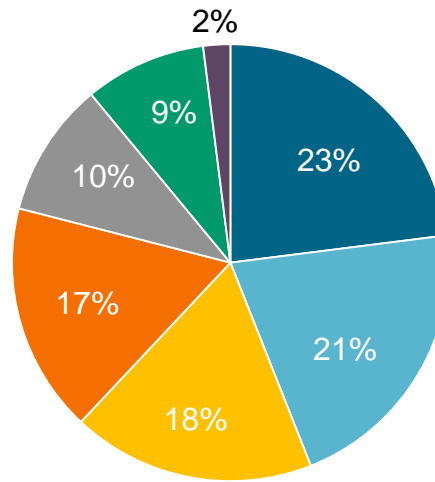
Q: Of the following fund types, which does your firm offer to investors today and which do you expect it will offer in five years' time? Select all that apply.

Source: State Street 2018 Fund Strategy Survey

Key Challenges for Product Launch

Managers cite regulation and brand awareness as their biggest challenges in launching products

Top Challenges in Launching New Products



- Understanding the impact of local regulations on our strategy
- Building brand awareness
- Accelerating our time to market
- Gathering intelligence on the market segment(s) we are targeting
- Identifying the optimal legal structure to use for our products
- Selecting the right domicile
- Other

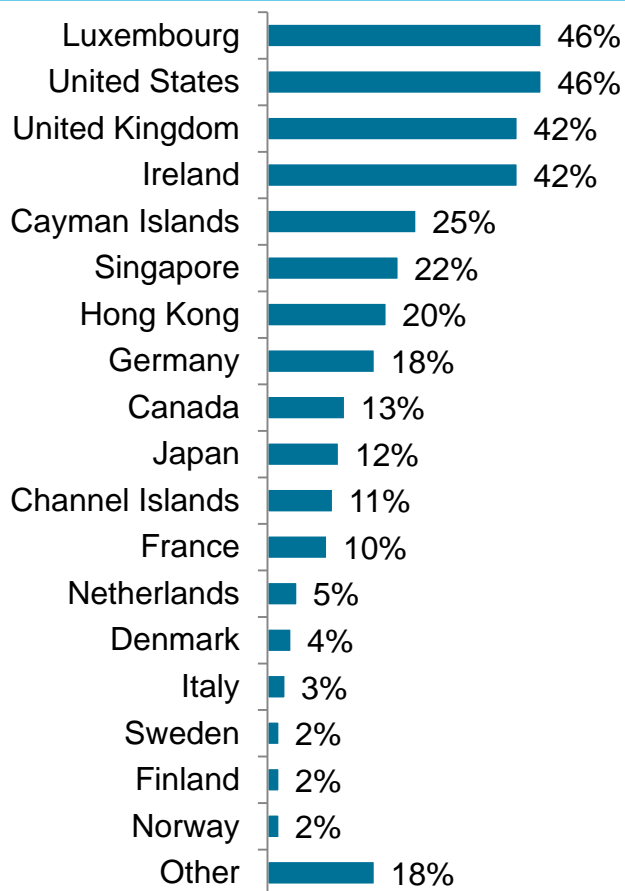
Q: What is the biggest challenge for your firm when launching new products? (Select one.)

Source: State Street 2018 Fund Strategy Survey

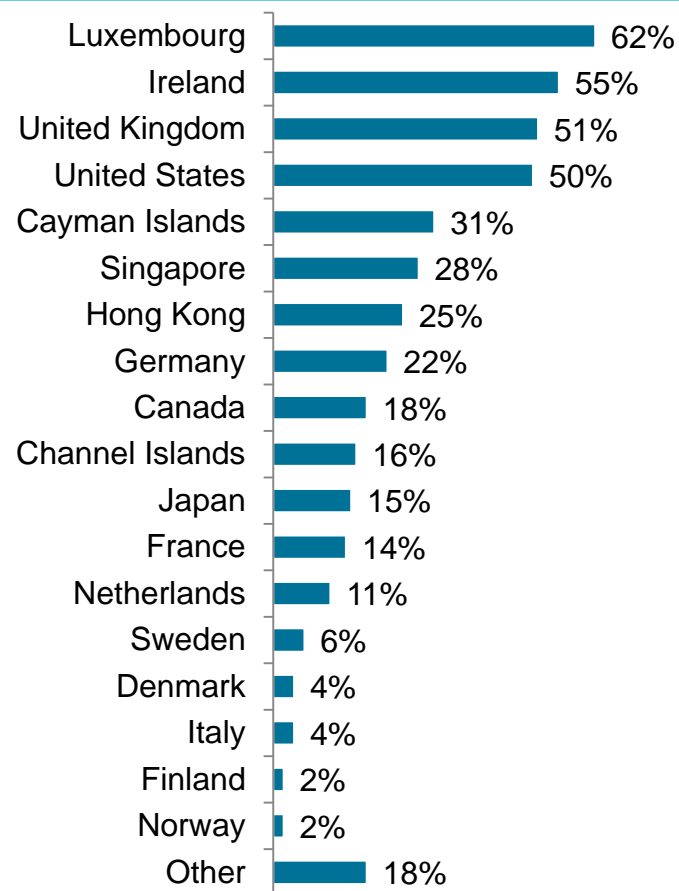
Domiciles for Product Distribution

Luxembourg is the current and future domicile of choice for product distribution

Domiciles for Distribution - Today



Domiciles for Distribution – Five Years



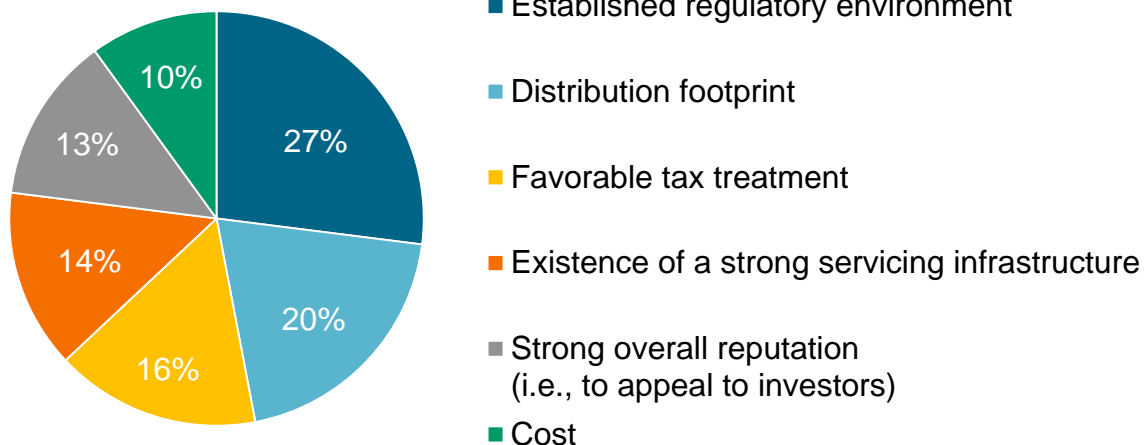
Q: Which domiciles does your firm use for its products today and which do you expect it will use in five years' time? Select all that apply.

Source: State Street 2018 Fund Strategy Survey

Domicile Selection

Regulatory environment and distribution footprint are the top factors driving domicile selection

Key Decision Factors in Domicile Selection



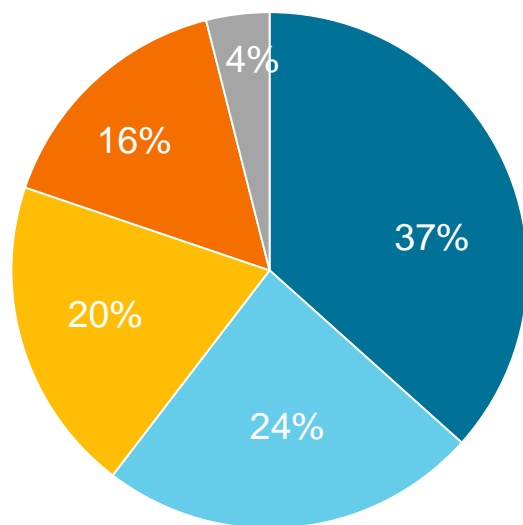
Q: What is the most important decision factor for your firm when selecting a domicile for a new product? (Select one.)

Source: State Street 2018 Fund Strategy Survey

Key Regulatory Challenges

Trade and transaction reporting cited as the top regulatory challenge

Top Regulatory Challenge



- Trade and transaction reporting (e.g., MIFIR, EMIR, SFTR)
- Governance and transparency (e.g., board reporting, fact sheets)
- Tax and financial reporting
- Regulatory reporting and filing requirements (e.g., AIFMD, PRIIPS/MIFID)
- Analytics from regulatory reporting

Q: Which of the following are key regulatory priorities for your firm over the next five years? (Please rank up to three.)

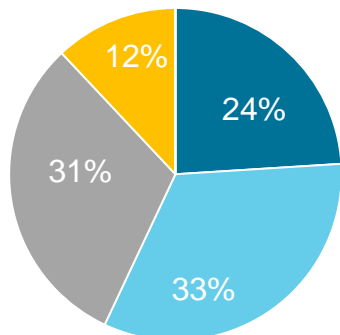
Source: State Street 2018 Fund Strategy Survey

Technology and Distribution Data

More than half (57%) of asset managers fear technology-driven new entrants; vast majority (88%) see distribution-related data as a challenge

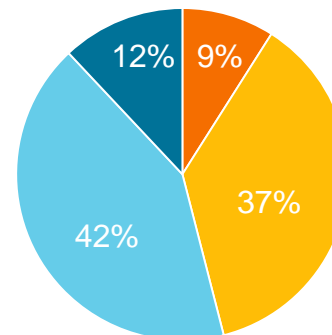
Technology-Driven Disruption

"The pace of industry disruption will increase, as new technology-driven challengers threaten incumbents' distribution models."



- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree

Management of Distribution Data



- Severe challenge
- Moderate challenge
- Slight challenge
- No challenge

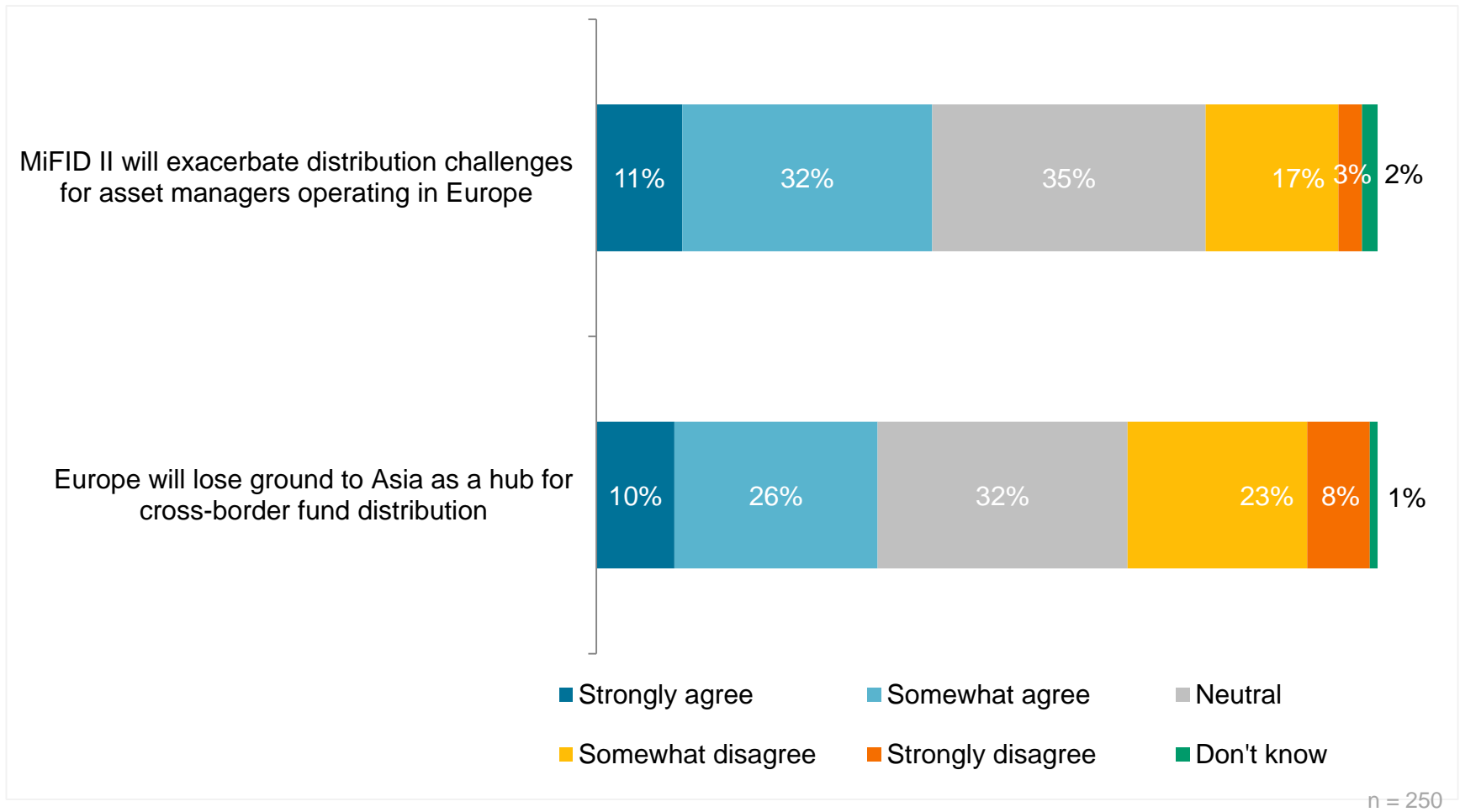
Q: Please rate your level of agreement or disagreement with the following statements, over the next five years.

Q: What degree of challenge does your firm currently face in managing its distribution-related data?

Source: State Street 2018 Fund Strategy Survey

MiFID II and European Competitiveness

While 43% of asset managers believe MiFID II will make more difficult the product distribution in Europe, 36% of them say Europe will decrease its dominance in cross-border distribution



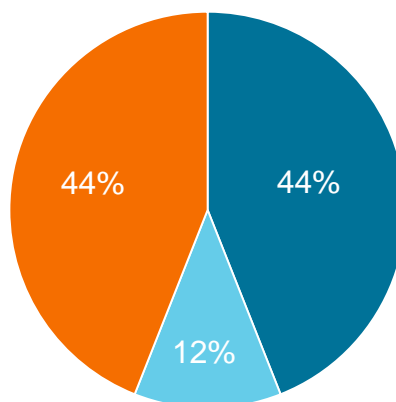
Q: Please rate your level of agreement or disagreement with the following statements, over the next five years.

Source: State Street 2018 Fund Strategy Survey

Direct Sales

Nearly half of our respondents expect to increase their percentage of direct sales, while only 12% expect the opposite

In Five Years



- Yes, we will increase our percentage of direct sales
- Yes, we will decrease our percentage of direct sales
- No change

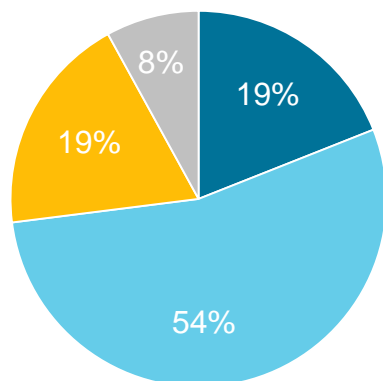
Q: Approximately what percentage of your firm's sales are direct (i.e., not intermediated through an advisor or consultant)? Do you expect that your percentage of direct sales will change over the next five years?

Source: State Street 2018 Fund Strategy Survey

Post-Brexit Strategy

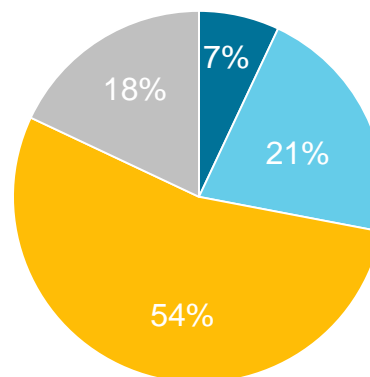
In response to Brexit, the majority of asset managers are reshaping distribution strategy and expect to increase hiring in new locations over the next five years

Revise Distribution Strategy



- Already taken action
- In the process of taking action
- Expect to take action within five years
- No action taken or expected

Hire Staff in a New Location



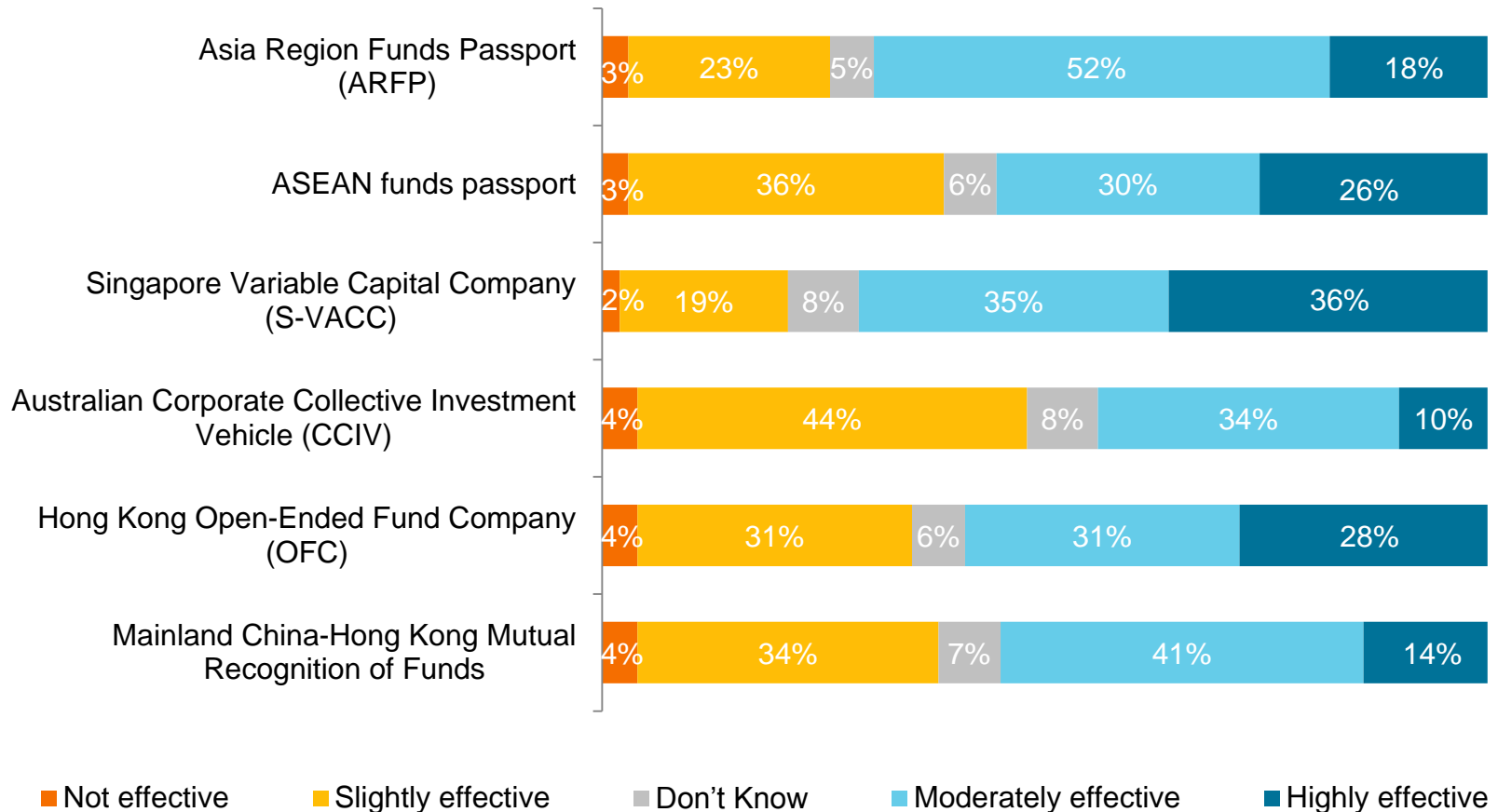
- Already taken action
- In the process of taking action
- Expect to take action within five years
- No action taken or expected

Q: In consideration of Brexit, has your firm taken any of the following actions?

Source: State Street 2018 Fund Strategy Survey

Cross-Border Initiatives in APAC

Managers consider S-VACC, ARFP and OFC the most effective cross-border distribution initiatives in APAC



Q: How effective do you believe each of the following initiatives will be to foster the growth of cross-border investing activity in APAC over the next five years?

Source: State Street 2018 Fund Strategy Survey

Appendix

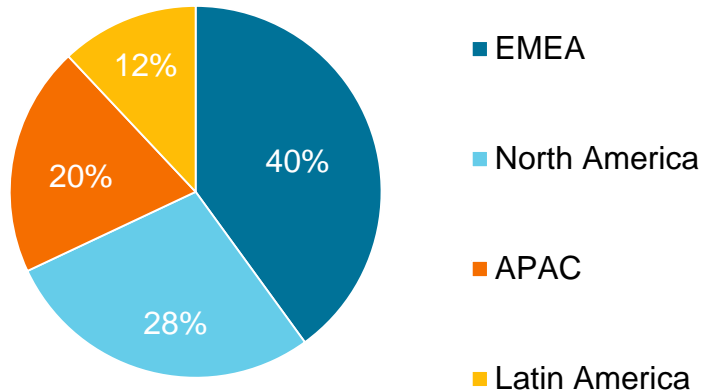
Respondent Demographics



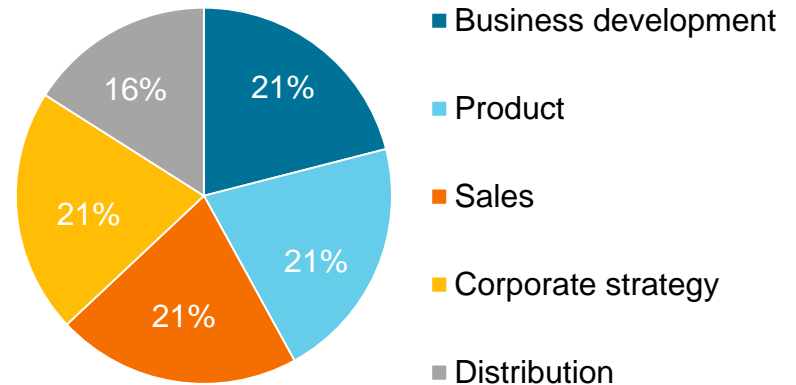
Respondent Sample

Region and Functional Area

Region



Functional Area



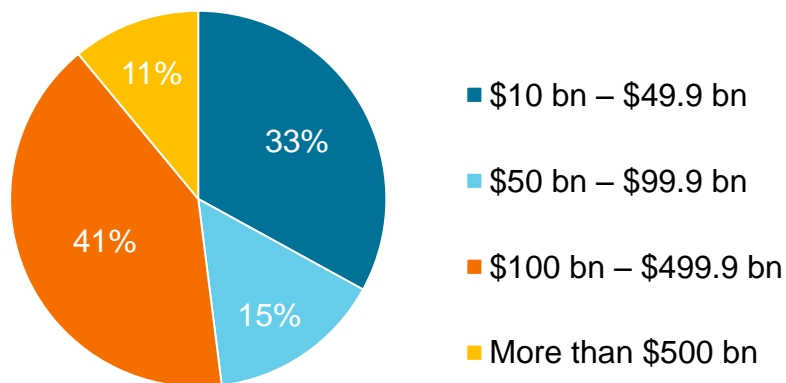
Q: In what country are you located? Which best describes your functional area?

Source: State Street 2018 Fund Strategy Survey

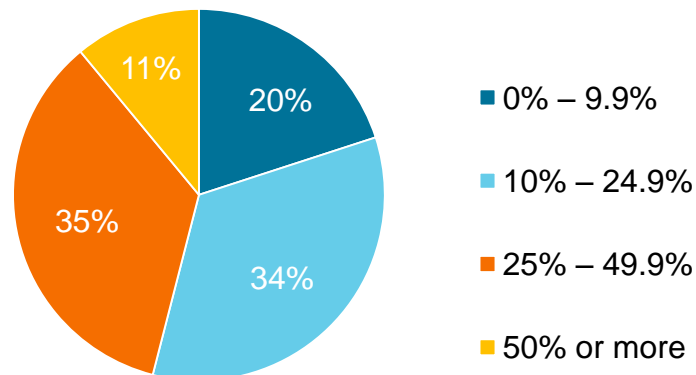
Respondent Sample

Size and percentage of cross-border offering

Asset Under Management (AuM)



% of Cross-Border Product Offering



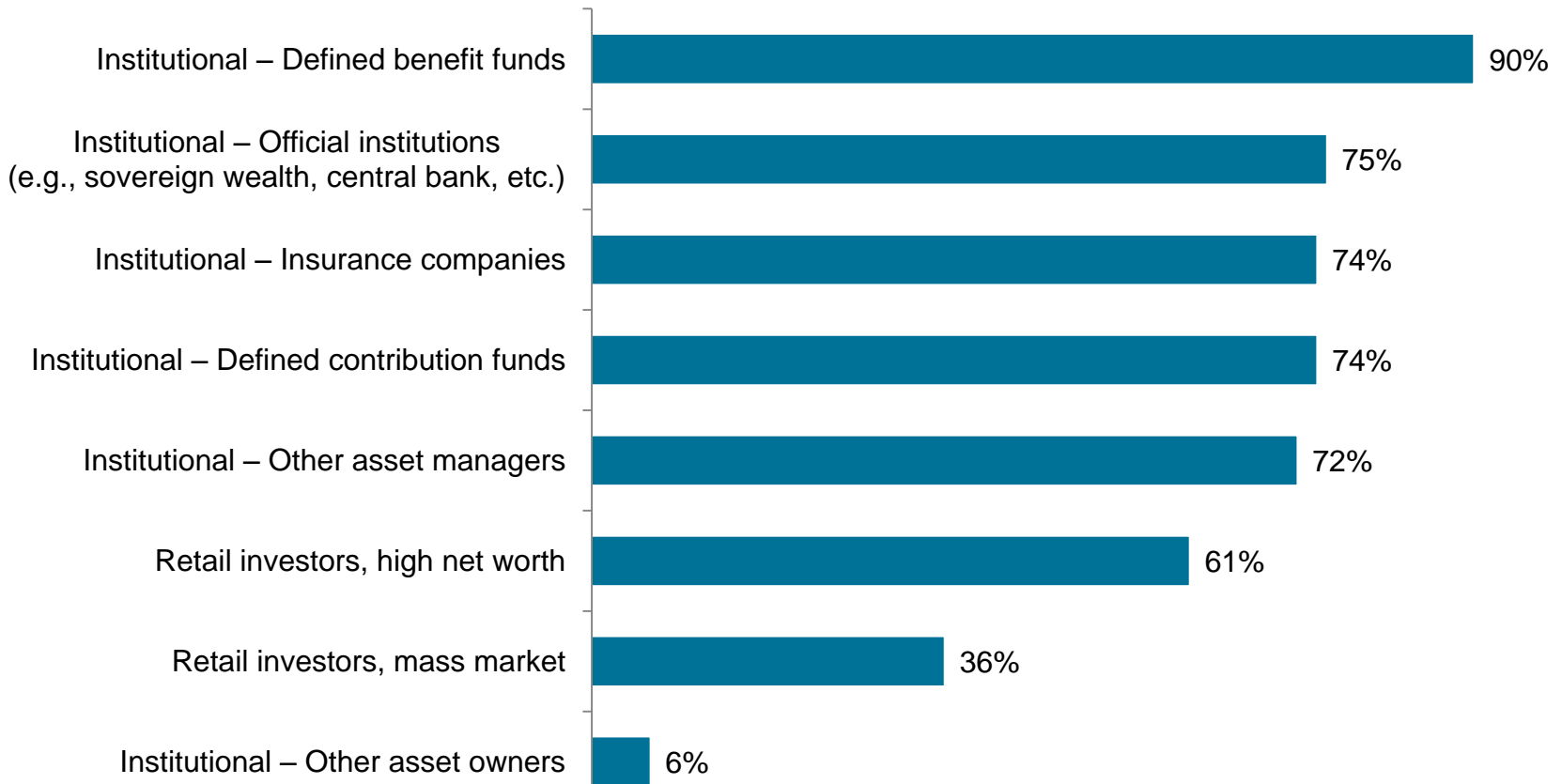
Q: What is the total of your firm's assets under management as of year-end 2017? Of that total, approximately what percentage do cross-border products represent?

Source: State Street 2018 Fund Strategy Survey

Client Segment Targets for Distribution

DB pension schemes and official institutions are the main target segments for asset managers for product distribution

Segments for Product Distribution



Q. Which of the following segments does your firm target for the distribution of products? (Select all that apply.)

Source: State Street 2018 Fund Strategy Survey

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