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RBC DEXIA
INVESTOR SERVICES

Fund managers recognise administrators as critical bridge to new markets as UCITS continues to drive global growth

An RBC Dexia Investor Services survey of 110 fund management companies in 23 countries, managing €15,746 billions assets, looks at the evolution of the global market for UCITS funds

London, 8 September, 2008:

Fund managers are recognising administrators as critical catalysts in the prospective future growth of the UCITS market, increasingly looking to them as conduits to distributors and innovation partners providing an ever broader range of services, according to a new survey of fund management companies.

Latest research entitled 'Global Fund Distribution – Bridging New Frontiers'¹ has shown that 54% of respondents believe that administrative services underpinning distribution alliances will be critical to the future success of UCITS funds. The survey also found that nearly half the respondents considered administrators making introductions to potential distributors in new markets a critical service for the future growth of their cross-border business.

Administrators are also being called upon to develop more robust management information systems which can give accurate and timely readings on key areas across the business, says the survey, such as new funds, new business, attrition, revenues, profits and losses. Fund management companies want to see a single dashboard that can provide 'heat maps' on service quality, accuracy and timeliness – especially the premier division clients who are becoming ever more demanding.

UCITS III has reshaped the dynamics of the fund business with 82% of respondents saying that UCITS has delivered rapid product development and 77% of respondents indicating that UCITS has improved their ability to do cross-border business. The success of UCITS has relied on a number of services provided by third-party administrators in Dublin and Luxembourg. More than one in four respondents highlighted administrators' important role as transfer agent, registrar, administrative agent, legal adviser or paying agent. Under these headings, a variety of functions are covered, including outsourcing deals, ranging from custody at one end to product development at the other.

¹ The research entitled '**Global Fund Distribution – Bridging New Frontiers**', carried out by CREATE-Research, surveyed 110 fund companies domiciled in 23 countries, managing a total of €15,746 billions assets. The survey provides an overview of the impact of the UCITS framework on the funds industry, looking into the continued globalisation of asset management and the evolving relationship between manufacturer, distributor and third party administrators.

PRESS RELEASE

The first has centred on savings in operational and capital costs, alongside access to state-of-the-art technology platforms. In contrast, the second has centred on creating a new business model for the new age, which discriminates between doing business and running the business. Under it, outsourcing of the back-office activities is not a panacea, but part of a strategic initiative to separate components that thrive on internal expertise and those that are best driven by external expertise.

Setting out as custodians at the outset, administrators have evolved into innovation partners, enabling fund managers to focus on their core capabilities, while allowing outside experts to deal with exceptions and complexity. Managers are left to deal with much less hassle in their non-core areas, while enjoying economies of scale in them.

Tony Johnson, Global Head of Sales and Relationship Management at RBC Dexia, commented:

“Third-party administrators have played a key role in the success of UCITS III funds, evolving from custodians to innovation partners that support global distribution and deliver operational excellence. Fund management companies are now looking to their administrators to be enablers who will bridge the gap to new markets under the UCITS framework. With the advent of UCITS IV our role will become even more critical as we become one-stop-shops for fund management companies looking for solutions to increasingly complex challenges.”

Amin Rajan, Chief Executive of Create Research and author of the report, commented:

“Fund management companies are making increasingly complex demands on third party administrators, propelling them into the role of enablers with the UCITS framework, offering the prospect of a platform for global expansion.

“Outsourcing non-core activities to third party administrators and distributors will enable fund managers to focus on improving returns, while driving out systemic inefficiencies in the industry. This increasingly important role may well bring new players into UCITS markets who had until now stayed out due to lack of access to distribution channels.”

To download a copy of the ‘Global Fund Distribution – Bridging New Frontiers’ go to www.rbcdexia.com/newsurvey

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