

RBC Dexia Survey: Fund Competition To Intensify As Third Party And Foreign Funds Gain Favour

London, February 22, 2010 – RBC Dexia Investor Services said today that, according to its latest survey, international competition in the fund market is set to intensify over the next 12 months as demand for third party funds increases, and as transparency and performance outweigh domiciliation in fund selection criteria.

More than four out five respondents (82%) expect to see an increase in buying behaviour for third party funds over the coming year, against only 41% who count third party funds as a key proponent of their value proposition at present. The evolution of UCITS is seen as a key driver for the change, together with burgeoning interest in open architecture, which a little under half of respondents (48%) considered to be an important market trend. However, around a third (29%) of participants still cites risk management as an obstacle to third party investment.

In a sign that industry efforts to remove barriers to cross-border fund distribution are succeeding, only one in four respondents thought that investors would stay with national funds in the next 12 months. Furthermore, 72% of the fund managers and promoters polled agreed that investors will favour protection and transparency over national or offshore considerations, with a further 64% feeling that investors would focus more on a fund's returns than its jurisdiction.

"The resilience of the fund market is apparent in our latest survey, and it is marked by a clear trend towards the internationalisation of investment strategies in a quest for higher returns," said Rob Wright, Global Head of Product & Client Segments at RBC Dexia. "But investors have become more cautious, and as the choice of funds increases, so too does the need for security and transparency. Competition will continue to heat up as the range of choices to investors widens and the fund market evolves to meet their needs."

Other trends evidenced by the poll include:

Resilient investor appetite for both traditional and alternative strategies

Despite the financial crisis, investors are not reluctant to invest, with respondents almost equally divided between those retreating to more traditional classes of investment (49%) and those still seeing the benefits in alternative funds. Despite this commitment to the market, investors were also found to be more cautious, with 74% agreeing that greater information transparency was an important trend.

Investors comfortable with complexity alongside improved analytics

Almost three quarters of respondents considered that the success of UCITS and the increase in fund choice had introduced new complexities to fund distribution, but they also thought that these changes were manageable. Underlining this trend, online reporting topped the rankings of desirable fund ordering platform elements, with 80% of respondents considering it an important feature. Other elements considered important by 70% or more participants were cost, processing speeds and the ability to compare funds.

In November and December 2009, RBC Dexia Investor Services surveyed 94 global fund promoters and distributors handling assets under management ranging from under €500 million to €1.5-2 billion.

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Our unique offshore and onshore solutions, combined with the expertise of our 5,300 professionals in 16 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management practices.

Equally owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.5 trillion in client assets under administration.

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