

Fund Managers' Return on Equity to Remain Below Pre-Crisis Levels, according to RBC Dexia / Accenture Survey

Three-quarters surveyed expect an increase in outsourcing over the next three years, driven by need for operational efficiency and more sophisticated products

LONDON, February 7, 2011 – A survey report released today by RBC Dexia and Accenture (NYSE: ACN) revealed that a majority of fund managers expect their company's return on equity to remain below pre-crisis levels, and a significant number are increasing their focus on cost reduction and product innovation initiatives.

More than half (59 per cent) of respondents forecast a return on equity of 15 per cent or less this year; and 14 percent of those respondents expect return on equity to be less than 10 percent. Prior to the 2008 financial crisis average returns for the funds managed by survey participants was 20 percent.

"Turmoil in the global financial markets has deeply affected the profitability of the investment management industry," said Rob Wright, Global Head, Product and Client Segments, RBC Dexia. "Falling market prices and a general move away from high margin products to highly liquid, low-fee products have driven down revenues. Our research suggests that fund managers are looking to solutions that allow them to concentrate on their core competencies and provide access to the latest technology necessary to securing front office performance."

The survey, which involved face-to-face and online interviews with approximately 100 fund managers at 80 companies in the United Kingdom, North America, Europe, Australia and the Middle East, also identified a rising trend in outsourcing among asset managers which is seen to help lower costs, improve service quality and support more advanced products to achieve growth.

"The backdrop of low-equity returns and pressure on fees and revenues have made efficient operations a priority for fund managers," according to Pascal Denis, a senior executive in Accenture's Financial Services group and managing director of the company's operations in Luxembourg. "At the same time, their clients are demanding new financial products which have greater clarity of risks, and they would also like to see risks mitigated. This means that products are complex, but in a different way than before the credit crisis.

"All of this is happening in combination with clients expecting to pay lower fees for financial products. Having efficient, scalable operations and access to the new technologies will be a key competitive factor for any fund manager in the years ahead," added Denis.

Cost and operational effectiveness key reasons for fund management outsourcing

At the same time, more than three-quarters (77 per cent) of respondents said they believe over the next three years the industry will see an increase in outsourcing – ranging from fund accounting and custody to back-office technology and risk management. And while respondents said cost was an

important consideration, they also stressed outsourcing is undertaken to deliver operational effectiveness reflected by the primary drivers cited in the research: cost reduction (95 per cent); operational flexibility (84 per cent); and service quality (78 per cent).

RBC Dexia's Wright said: "Our research indicates that certain outsourcing strategies could lead to cost savings of up to 20-25 per cent for some managers. This trend will appeal to many funds, which are looking to increase operational efficiency and are urgently looking to grow their businesses by launching new and innovative products faster or by expanding into new geographies."

A full copy of the report is available on RBC Dexia's website [here](#).

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