FTfm

Executive pay
Asset managers face pressure over bonuses

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Special report
Exchange traded funds

As index-tracking funds grow more popular around the world and while ETF assets have increased nearly 10-fold over the past decade to $3.3tn, regulators have begun asking questions about the appropriateness of investors crowding into the market.

FTfm's supplement takes a closer look at the market and examines where the industry might be heading as more products are launched and competition among providers grows — David Bromley

INSIDE FTFM

Products are on average four times cheaper than actively managed alternatives

Passive seizes third of US market

MADISON MARRIAGE

The pressure exerted on active fund managers by the fast-growing passive investment industry has intensified, with index-tracking funds increasing their share of assets in the US by $2tn since 2013.

Passive funds now account for a third of mutual fund assets, up from a quarter in just three years, according to figures compiled for FTfm by Morningstar, the data provider.

Active funds, by contrast, have seen their hold on the US investment industry decline steadily since 2013, despite total assets rising 14 per cent to $9.8tn over that period.

Amin Rajan, chief executive of Create Research, the asset management consultancy, said the growing strength of the passive market in the US was "very worrying" for active managers.

"Passive fund houses are scoring direct hits at the revenue streams of active managers. There are fears that some investors may never return to active once they switch."

Haley Tam, asset management analyst at Citi, the US bank, said big active fund houses are alert to the challenges posed to their business models by the popularity of passive funds, which are on average four times cheaper than actively managed alternatives.

"The bigger players are thinking about this and they are all [trying to combat it]," she said. "I am not surprised [the market share of passive funds] has gone up that quickly. [Since 2013] US interest rates have stayed low, and so investors have asked why pay 50 basis points for a corporate bond fund when the yield is less than that."

The data show that passive funds have increased their share of the US mutual fund market in every month over the past year, taking their total assets to $5tn.

Traditional active fund houses including Franklin Templeton, Legg Mason, Janus Capital and Fidelity have attempted to fend off the threat posed by the growth of passive investing by launching their own benchmark-tracking products, or acquiring smaller passive specialists.

But there are doubts about how successful these attempts to take a slice of the passive market will be, given the size of fund houses such as

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MassMutual merger revives Barings name

CHRIS NEWLANDS

MassMutual, the US life insurance company, has completed the merger of its four asset management businesses to create a $275bn investment company, which will carry the historic 254-year-old Barings name.

The merger, which Tom Finke, the chief executive and chairman of the new entity, said would result in a small number of job cuts, will lead to the group vacating its three offices in London and moving staff into one building. The company will also group its employees in Hong Kong into one building.

The four businesses to be merged are Babson Capital Management, the bond specialist, Wood Creek Capital Management, the private equity house, Cornerstone Real Estate Advisers and Baring Asset Management.

The company names and logos of the four units will disappear from today to become Barings, a name that first appeared as a bank in London in 1762 and much later became synonymous with Nick Leeson, the former derivatives broker whose fraudulent trading triggered its collapse in 1995.

Dutch bank ING bought Barings, including its asset management operations, in 1995 for the nominal sum of £1. Baring Asset Management as well as the right to use the Barings name was sold to MassMutual in 2005.

Mr Finke said: "It is a new chapter for the Barings name, which has moved on a long way."

NEWS

INSIDE

Emerging market funds hit high

INVESTMENT STRATEGY

€9bn invested in EM-focused European mutual funds in July

ATTRACTA MOONEY AND ALIYA RAM

Sales of European mutual funds that invest in emerging markets hit a 42-month high in July as investors looked to take advantage of a rally in the asset class.

Almost €9bn was invested in emerging markets-focused mutual funds in July, according to figures for European-domiciled funds from Morningstar, the data provider.

It marked the highest levels since January 2013, when investors placed €10.7bn into emerging market funds just a few months before the US's "taper tantrum" that would result in billions being withdrawn from developing market debt funds.

Ali Masarwah, editorial director for Europe, the Middle East and Africa at Morningstar, said investors have returned to the asset class this year in an attempt to escape low yields in developed markets and take advantage of potential growth in some emerging market countries.

"People are desperately seeking yields and emerging market bonds are still relatively attractive," he said. "There is also the fact that [fund] flows follow performance. Emerging markets are outperforming global markets. It is really remarkable."

Ali Masarwah: 'People are desperately seeking yields' — Kerim Okten/Bloomberg

The MSCI Emerging Market index, a benchmark that includes large and mid-cap companies in 23 countries, is up by more than 16 per cent this year. It lost more than 20 per cent in 2015.

Emerging markets fell out of favour in 2013 after the US Federal Reserve began gradually reducing the amount of money it was feeding into the economy, leading to a spike in US Treasury yields — and leaving developing market bonds less attractive.

This combined with concerns about falling commodity prices and the strength of the US dollar against local currencies, both of which hurt emerging markets.

Alexis de Mones, a portfolio manager at Ashmore, the London-listed fund manager that has seen its share price rally on the back of the rebound in emerging markets, said sovereign wealth funds, insurance companies and central banks have also returned to the market this year.

"We think there is huge remaining pent-up demand for emerging market bonds, and it is not just from people that are captured in mutual fund data," he said.

Morningstar's figures showed a strong rebound in emerging market bond funds since March, with almost €5.7bn flowing into the products in Europe in July alone.

Gary Greenberg, head of emerging markets at Hermes Investment Management, the £26bn fund house, said: "[The investor interest in emerging markets] is mostly a search for yield and that search for yield has spilled over into equity markets. The question now is: can emerging market profits justify the recovery that we have seen?"

David Hauner, head of emerging market strategy at Bank of America Merrill Lynch, warned earlier this month that a "bubble" is "highly possible" in emerging markets next year.

However, the International Monetary Fund said it expects the pace of gross domestic product growth in emerging markets to increase every year for the next five years while developed markets stagnate.

Roy Scheepe, senior client portfolio manager of emerging market debt at NN Investment Partners, the Dutch fund house, agreed: "European investors will continue to invest into emerging market debt funds as the differential between the yield of developed markets bonds and emerging markets is still significant."

Hedgies offer fee cuts and clawbacks

ATTRACTA MOONEY

Hedge funds are cutting fees for long-term investors and giving back money to pension funds if returns decline. This follows criticism that alternative managers are charging too much for bad performance.

According to a study of 120 alternative houses, three-quarters of hedge funds offer or are considering offering a sliding-scale fee, where management fees decline as the fund's assets increase.

Some investors are also being offered lower fees if they agree to remain invested in the fund for a certain period of time, as the industry moves away from the traditional model of charging a 2 per cent management fee and a 20 per cent performance fee.

Jiri Krol, deputy chief executive of the Alternative Investment Management Association, the trade body that carried out the research, said hedge funds are looking at different ways to create a better alignment between themselves and investors.

45%
Percentage of hedge funds that lost money for investors in 2015

"The industry is growing up and institutionalising. Managers are very interested in building a much more long-term relationship with their investors and creating a more sustainable business that will hopefully allow them to develop better returns for their investors," he said.

Alternative managers have been forced to re-examine their business models after some institutional investors, including the largest public pension fund in the US, the California Pension Employees' Retirement System, scrapped their hedge fund investments amid concerns they were being charged too much for disappointing performance.

About 45 per cent of all hedge funds lost money for investors in 2015, according to figures from HFR, the research company. Investors pulled an estimated $25bn from hedge funds in July, according to eVestments, the data provider.

Third of US market is passive

continued from page 1

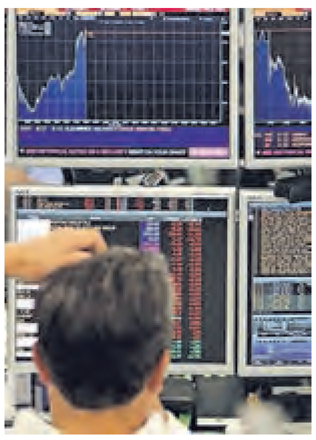
BlackRock and Vanguard, which dominate the index-tracking industry.

The chief executive of a large US active management house, who requested anonymity, said: "These large traditional fund managers can't get into the exchange traded fund business. Unless you are a gorilla like BlackRock or State Street, you can't compete there."

Other fund houses that have chosen to remain entirely active have instead launched public attacks on the passive industry.

Kevin Murphy, equity fund manager at Schroders, Europe's second-largest listed asset manager, which only runs active funds, wrote in a recent blog post: "Index-tracking funds are the dictionary definition of 'dumb money'. They undertake no research. They do not care about the quality of a business or its management team or whether or not it has debt or whether or not it is cheap."

Pekin Singer Strauss, a US active investment boutique that oversees $800m of assets, said in its April quarterly letter to investors: "Like all financial-product fashions, today's excessive interest in passive investments has generated a rush through the passive investing doors that creates significant risks.



'Index-tracking funds are the dictionary definition of "dumb money"'

"Most long-term investors are better off relying on the capable hands of a trusted, and active, investment adviser."

Although asset management specialists expect the passive market to continue to take market share in the US, they echo concerns about the impact of the growth of index-tracking strategies on markets.

Mr Rajan said: "Bigger inflows into passive funds will expose them to concentration risk and momentum risk. The former arises when a stock value rises simply because it is included in the index, irrespective of its intrinsic value. The latter arises when herding causes massive overshooting by indices in upward and downward directions.

"Indices are becoming 'dumb' as they gain in popularity, making a reversal inevitable eventually. No one knows at what stage indices become seriously dumb."

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NEWS

BlackRock issues warning about climate change

INVESTMENT STRATEGY

Investors must adapt portfolios to combat global warming

CHRIS FLOOD

Investors can no longer ignore climate change and should act to protect their portfolios as extreme weather events become more common and governments step up their efforts to fight global warming, according to BlackRock.

The world's largest asset manager said governments and investors had been slow to appreciate the problems related to global warming but that this must change.

"Investors can no longer ignore climate change. Climate factors have been under-appreciated and underpriced because they have been perceived to be distant [problems]," said Ewen Cameron-Watt, a senior director at BlackRock.

Climate-aware investing was possible "without compromising on the traditional goals of maximising investor returns", said Mr Cameron-Watt.

In a new research paper published on Tuesday, BlackRock suggested investors should incorporate measures of fossil fuel usage, water consumption and carbon emissions as a percentage of annual sales into their assessments when they decide which companies to invest in.

It also said that raising carbon prices — a dollar per tonne estimate of the amount of pollution emitted by companies — would encourage businesses to adopt greener approaches and allow investors to better recognise the climate change risks embedded in portfolios.

Reaching an agreement on an accurate price for carbon remains highly problematic, however.

Around 1,000 of the world's largest companies now report estimated carbon prices but these vary widely between and within different industries. Companies in the utilities sector report carbon prices up to $306 a tonne whereas healthcare, information technology and financial companies all report carbon prices well below $50 a tonne.

BlackRock advises raising carbon prices — Andres Leighton/AP Photo/

'Investors can no longer ignore climate change. Climate factors have been under-appreciated and underpriced'

Mr Cameron-Watt said current market prices did not reflect the social costs of burning fossil fuels.

Evidence that companies are rewarded by investors for taking action to fight global warming are mixed.

According to an analysis of companies in the MSCI World index by Hermes, the UK fund manager, there is no clear evidence to suggest that those with attractive environmental characteristics outperform their less green competitors.

In its research paper BlackRock also expressed support for reductions in government subsidies for the extraction and burning of fossil fuels.

"This could help nudge consumers and businesses towards more efficient energy use," said Mr Cameron-Watt.

Some large investors have said that they are concerned about companies' fossil fuel exposure as governments around the world work to reduce global temperatures, potentially rendering the most pollutive industries less valuable.

G20 leaders reaffirmed their commitment to phase out inefficient fossil fuel subsidies that encourage wasteful consumption at their latest summit in the Chinese city of Hangzhou.

Movers & shakers

● **Robeco**, the Dutch investment manager, has appointed **Gilbert Van Hassel** as chief executive of its €124bn institutional asset management arm, which was split into a standalone unit earlier this year. Mr Van Hassel served as global chief executive of ING Investment Management until 2013.

● **Eastspring Investments** has named **Phil Stockwell** as chief executive of its Singapore business, the central investment hub of the $140bn Asian asset management arm of Prudential, the UK-listed insurer. Mr Stockwell, currently chief operating officer at Eastspring, will succeed Jackie Chew, who has moved to a new internal audit role for Prudential.

● **M&G** has appointed **Nas Islam** as head of investment risk. Mr Islam is moving to the £255bn investment arm of Prudential from Henderson, the Anglo-Australian asset manager.

● **James Dilworth** has joined **BNP Paribas Investment Partners** as global head of sales, a newly created role at the €352bn asset management arm of the French bank. Mr Dilworth worked until recently as chief executive of Deutsche Asset Management's operations in Germany.

● **Hermes** is cementing its infrastructure team with the addition of **Robert Wall** as a partner. Mr Wall joins the £26bn UK-based asset manager from CPPIB, the Canadian pension fund manager.

Gilbert Van Hassel

James Dilworth

Christine Cantrell

● **Mark Bathgate** has moved to **BlueBay** as a portfolio manager in the investment-grade team. Mr Bathgate was co-founder of ABD Investment Management, a hedge fund manager, before joining the $55bn fixed income investment manager.

● **BMO Global** has hired **Christine Cantrell** as UK sales director for ETFs. Ms Cantrell previously worked for State Street. **Alfredo Uras** has also joined from Pioneer Investments as a sales executive in Italy for the £160bn asset management arm of BMO, the Canadian financial services group.

● **Bruno Taillardat** has moved to **Amundi**, the €1tn French asset manager, as head of smart beta. Mr Taillardat previously worked for Unigestion, the Swiss investment boutique.

● Four new faces in the distribution and client relations team at **Aviva Investors**, the £319bn asset management arm of Aviva, the UK insurer. **Rémi Casals** joins as head of European institutional client solutions from Rogge Global while **Nigel Cosgrove** has moved from Standard Life Investments as head of European institutional client relationships and service. **Jennifer Stillman** has been named global head of consultant relations after moving from Hermes, while **Tjeerd Voskamp** joins as head of European wholesale client solutions from Schroders.

FINANCIAL TIMES Monday 12 September 2016

The skiing James Bond of Swedish pensions

AP7
Launched **1998**
Assets under management **Skr300bn** ($36bn)
Employees **25**
Headquarters **Stockholm**

RICHARD GROTTHEIM

Chief executive of the AP7 fund is proud of his country's welfare system

ALIYA RAM

There is a word in Swedish for people like Richard Grottheim: livsnjutare.

It refers to someone who loves life and lives it to the extreme. The chief executive of Sweden's $35bn default premium pension scheme is a classic example, according to a friend from university, who recites Mr Grottheim's love of fine wine, rich food and a particular incident when he skied down the slopes of Jämtland dressed as James Bond.

"He plays along with ideas," says the friend. "If we had a musketeer theme [for a dinner party], he would go all out and dress up perfectly."

But when I speak to Mr Grottheim, those days seem far away. After six years as a policymaker at the Swedish central bank and another sixteen at one of the country's main pension funds, the 57-year-old struggles to think of a favourite book or movie to characterise his life outside work.

"I have a favourite central banker," he offers optimistically.

We talk ahead of a decision on pension reforms in Sweden, which has one of the world's most generous retirement systems. The vagaries of the premium pension, set up in the late 1990s to supplement Sweden's main income-linked retirement pot, fascinate Mr Grottheim and he returns regularly to the theme.

"Is the premium pension too complicated? Yes, it is. Because choosing among 800 private funds — it is an impossible task for the average Swede."

Mr Grottheim has been at AP7 ever since it was established in the aftermath of the country's 1990 financial crisis. Its raison d'être was to improve the lot of Swedish pensioners by giving them more control to make riskier investments with a small portion of their savings.

CV

Born *1959* Stockholm

Total pay *Skr3.4m* ($402,000)

Education BSc in business administration and economics, Stockholm University

Career *1985-86* Economist, Götabanken
1986-93 Partner, Aragon Fondkommission
1993-99 Head of monetary and foreign exchange department, Swedish central bank
2000-10 Executive vice-president, AP7
2010 to present Chief executive, AP7

Mr Grottheim remembers AP7 as a high-stakes experiment by the government of the day. The point, he says, was to reduce the political risk and cost of Sweden's pension system. "It was really a challenge because we [had not recruited] very many people. We had an office, but no computers. It was an entrepreneurial project."

In the beginning, Mr Grottheim was second-in-command to Peter Norman, a former colleague at the Riksbank who would later become minister for financial markets. When Mr Norman left for government, Mr Grottheim took the top job under his watch. AP7 has since seen total investment returns of 14.5 per cent and a doubling of assets under management.

Mr Grottheim is frank about the revolving door between politics, central banking and the private sector in Sweden. He says he plans to stay in the investment world when his job is done at AP7 but admits that he often has "informal" meetings with central bankers. This fact makes it surprising when he later argues that inflation targets should be lowered in a world with slower wage growth.

"I can have my own opinion," he says simply.

"The Swedish financial market is quite small. I have been in this market for 30 years," he adds later.

When asked whether he misses his job at the central bank, Mr Grottheim argues that the social impact of managing a default pension scheme is huge in a country proud of its welfare provision. "Being part of, or trying to create, a good pension fund for them has been, for me, very important."

Unlike the main income-linked state pension, which is divided between the first, second, third and fourth AP funds to manage, the premium pension can be allocated to any number of privately managed funds run by banks or independent asset managers.

But in reality the majority of Swedes do not make an active decision and their money falls to AP7 to manage. The company is private, but has become a bulwark of the retirement system. "We have 33, 34 per cent of the capital, and 43 per cent of the individual[s]," he says. "Most young people don't care about their pension, so they default into our fund."

Next week, the Ministry of Finance will decide if the number of funds that offer alternatives to AP7 should be restricted. If so, the company could gain even more influence over pensions in Sweden.

Mr Grottheim is adamant that competition has needlessly complicated the decision-making process for savers, most of whom still leave their money to AP7 in the end. He is critical of the financial advice industry the system has spawned since the beginning of the century.

"Competition is driving the market in the wrong direction," he says. "Everyone knows that if you invest pension money, which [has] a 30, 40, 50-year time horizon, it is not so important what kind of fund you have." Better, he says, to keep it simple.

The cost, competition and independence of Sweden's pension funds have been in the crosshairs of public debate for years. So too has been the role the funds play in influencing corporate governance.

AP7 has a blacklist of around 50 companies and is launching a legal case against Volkswagen, the German carmaker found to have cheated emissions tests. Like the other AP funds, AP7 is known as a hotbed of pension fund activism.

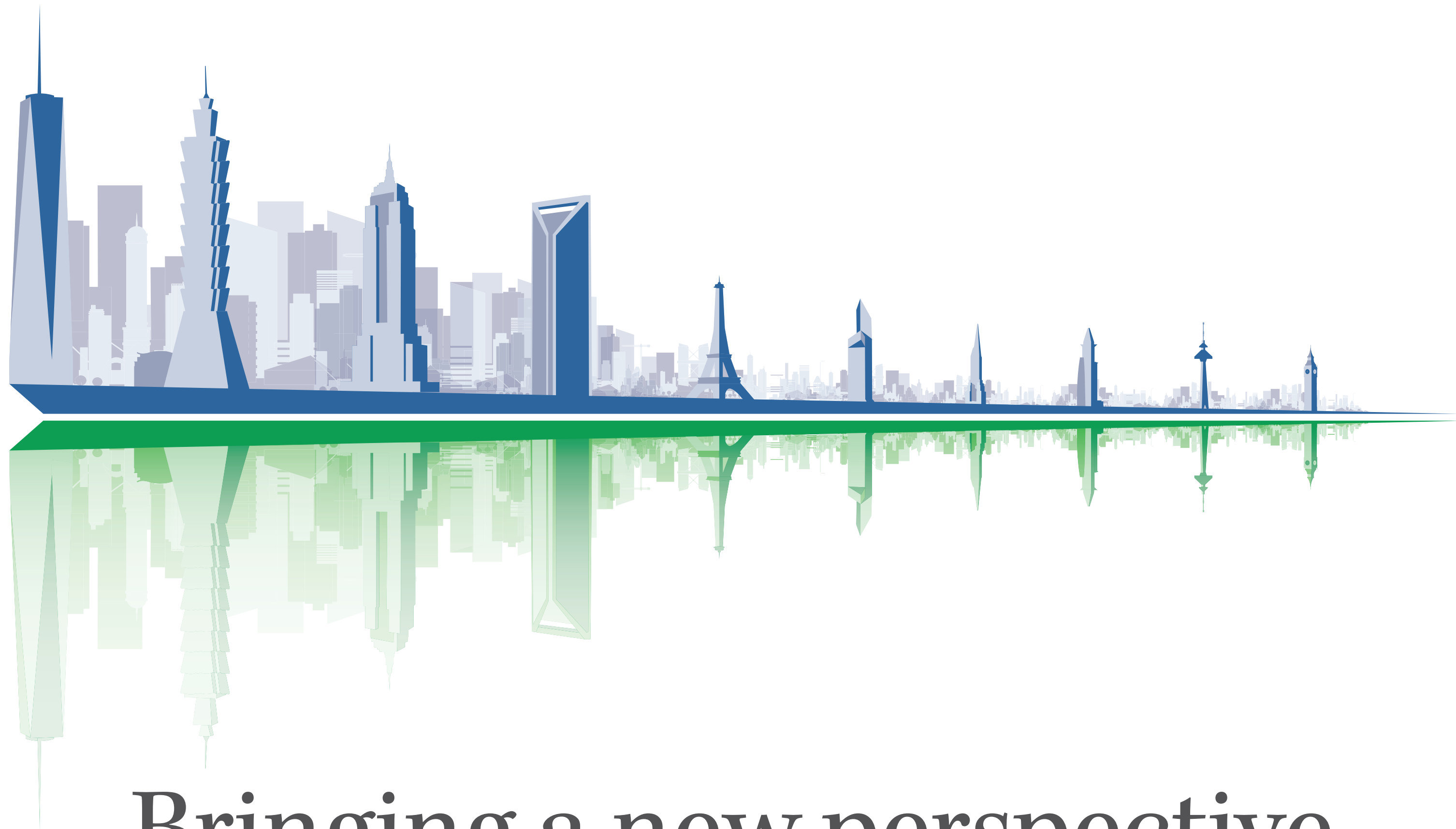
"Sometimes there are verified breaches on human rights and then my opinion is that you need to leave your investment because it is under the lowest decency level," he says.

He argues for divestment and is openly vociferous about companies that have breached international agreements on human rights — a hint of the old livsnjutare, perhaps.

"We can't invest in [Walmart] because they have a labour market policy that is not in line with the UN directive and they don't care actually," he says angrily of the US supermarket chain that has been criticised for employing child labour in developing countries.

As our interview winds down, Mr Grottheim talks about his interests outside work, which are focused on economics and politics, though he says he still likes skiing (albeit without the tuxedos and martinis of his early days).

And then, just as I am about to hang up, he remembers his favourite author: thriller writer John Grisham.



THE BIG PICTURE

Asset managers face pressure over bonuses

Ability of fund houses to police pay in other sectors is in doubt, say *Madison Marriage* and *Attracta Mooney*

Asset managers have been behind a push against excessive pay packages at a number of big companies this year, contributing to shareholder revolts at Goldman Sachs, the investment bank, WPP, the advertising group, Deutsche Bank and BP, the energy company.

The question on the minds of corporate governance and remuneration experts is whether large asset management companies could soon face shareholder revolts of their own due to how they pay their top executives.

According to FTfm analysis of the 20 largest listed fund houses in the US and Europe, last year asset management chief executives on average received variable pay that was 15 times larger than their salaries.

The share prices of the same fund companies, on average, fell 10 per cent last year.

A number of chief executives have also seen their total earnings double or triple over the past five years. This includes Henderson boss Andrew Formica, whose pay has risen 112 per cent since 2011 to £6.4m; Schroders' Michael Dobson, whose pay has jumped 277 per cent to £8.9m; and Investec's Hendrik du Toit, whose pay has increased 137 per cent to £8.1m.

Luke Hildyard, policy officer at the UK's Pensions and Lifetime Savings Association, an organisation that represents 1,300 retirement funds, is in the process of drawing up voting guidelines for members on how to assess appropriate levels of variable to fixed pay.

The asset management industry is therefore likely to face more pressure from pension funds over its pay practices in future, he says.

"Even by the standards of large corporations, performance-related pay packages that are 15 times the size of base salary are extraordinarily high and suggest the asset management sector is not engaging with debates around the merits of bonuses and incentive payments as much as it could.

"These pay packages also raise valid questions about whether asset managers are compromised to some degree in their role as stewards of responsible pay practices at the companies they invest in."

An asset management analyst at a large European fund house, speaking on condition of anonymity, also questions why chief executives in the industry tend to earn more if their company oversees higher levels of assets.

He says: "Executive pay seems more a function of size than performance. The question is: should size be that relevant; should assets under management correlate with executive pay?"

Until now, shareholder dissent over executive pay at many of the world's largest asset management companies has been muted.

Just 4 per cent of BlackRock's own shareholders voted against its executive compensation plan this year.

This is despite Larry Fink, its chief executive, earning nearly triple the $10m paid to the average S&P 500 chief executive in 2015, and more than double the $12.5m paid on average to the chief executives of the largest listed US fund companies.

Mr Fink also received the highest ratio of variable to fixed pay. His variable pay, which included a $9.1m cash bonus and an $11.9m long-term incentive award, was nearly 30 times larger than his fixed salary. Overall his pay increased 8 per cent year on year to $26m, despite BlackRock's share price falling 4.5 per cent last year.

BlackRock declined to comment. The New York-based fund company previously told FTfm that executive pay levels for 2015 reflected profit growth of 3 per cent.

> 'Even by the standards of large corporations, performance-related pay packages that are 15 times the size of base salary are extraordinarily high'

At T Rowe Price, which oversees $777bn, just 5 per cent of its shareholders rejected its executive pay package, despite chief executive James Kennedy receiving variable pay that was nearly 24 times larger than his salary for 2015.

A spokesperson for the company, the share price of which fell 17 per cent last year, says: "Having a significant portion of compensation performance based, with a low base salary relative to overall compensation, ensures that the compensation earned by our chief executive is dependent on the company's annual and longer-term performance, as well as our stock price. We believe our compensation decisions are consistent with the long-term interests of our stockholders."

There are signs that asset managers are beginning to feel pressure from pension funds, which are taking a more aggressive approach to monitoring bonuses at large listed companies.

PGGM, the second-largest Dutch pension scheme, which last year voted against three-quarters of pay proposals in the US, says it has not yet decided on what an appropriate multiple of fixed to variable pay is.

But a spokesperson for the €189bn scheme, which voted against BlackRock's remuneration report this year, adds: "It is very likely that a reasonable multiple is, at best, in the low single-digit range."

The Local Authority Pension Fund Forum, which represents 70 pension schemes in the UK, is similarly pushing for large companies to keep variable pay "to a minimum". Its guidelines state that variable pay should be an "added reward for exceptional performance, not an expected supplement to the annual wage".

The organisation adds: "Variable payouts that are in excess of the negotiated rate for the job serve to increase pay volatility and create cost uncertainties for shareholders. Placing greater emphasis on the fixed component of pay, in our opinion, will reduce complexity and lead to more straightforward and understandable remuneration schemes, both for shareholders and for the executives themselves."

The questions over appropriate pay practices for asset management companies comes one month after it emerged that Neil Woodford, Brit-

Variable pay
Fines are better than bonuses

Daniele Nosenzo, associate professor at Nottingham university's School of Economics, argues that variable pay structures can improve performance, but it is fines rather than bonuses that have the most impact.

His 2011 study, which carried out a series of tests on more than 100 volunteers, found that threatening workers with fines rather than offering bonuses makes people work harder.

"There are different ways in which you can implement variable pay. My research more generally points out that it is relatively better to use negative incentives than positive incentives," he says.

Prof Nosenzo also argues that paying "very high bonuses to very few people may be detrimental" to businesses. This is because the workers who do not receive large bonuses could become less motivated to perform well.

"People do care about differences in pay. These big spreads can have a negative impact on performance," he says.

However, the academic adds: "I believe pay for performance works better [than only fixed pay]. If you imagine a setting where everyone gets a fixed salary or where they get paid for performance, it would be very surprising that there would not be a difference in performance between the two."

THE BIG PICTURE


BlackRock's Larry Fink (left), Neil Woodford (above left) and Henderson's Andrew Formica (above right)
Peter Foley/Bloomberg; Rosie Hallam/FT

'There is some serious doubt whether [large bonuses] will continue'

Asset management pay

	Fund company	CEO pay change (%) year on year	Share price change (%) 2015	CEO pay change (%) since 2011
1	Ashmore	245	-8	-48
2	Henderson	50	45	112
3	Jupiter	31	24	n/a
4	Schroders	9	11	277
5	Man Group	6	9	n/a
6	Aberdeen AM	-9	-33	27
7	GAM	-46	-7	n/a

Source: annual reports and regulatory filings

ain's best-known fund manager, has eliminated bonuses for staff at his company, arguing such payments are "largely ineffective" in influencing the right behaviour.

Azimut, the Italian asset manager, is the only other known example of a fund house that exclusively pays its senior employees salaries.

Several academic studies have found that bonuses do not improve performance. Research from the School of Economics at the University of Nottingham in 2011 found that fines were more effective than payouts in getting the most out of employees.

Last year, John Cryan, Deutsche Bank's co-chief executive, also said bonuses did not make finance professionals work harder.

Asset management executives tend to defend the high ratio of variable to fixed pay in the industry. They say it helps fund companies remain operationally flexible in years of weak market performance.

Saker Nusseibeh, chief executive of Hermes Investment Management, says: "It is far better to pay higher salaries and lower bonuses because everything we know from behavioural psychology shows bonuses distort behaviours. But from a business point of view, variable pay is better. It is simply a way of controlling the cost base."

Tim Wright, head of the rewards practice at PwC, the consultancy, believes the growing number of threats to asset managers' profitability — including the rising popularity of cheap passive funds and the difficulty of consistently beating the market — is likely to force asset managers to change how they approach executive pay.

He also questions how seriously fund companies can police pay in other sectors, which is one of their roles as shareholders of publicly listed companies, if pay levels in asset management appear too high.

"There is some serious doubt about whether [large bonuses] will continue over the course of this year. There will be pressure to keep pay under control. There is increased uncertainty in the markets. Some [companies] will do really well and some will do badly. Overall I would expect this year to be a fair amount tougher in terms of pay," he says.

"The biggest focus is whether or not people are being paid fairly for the value they are giving the organisations. Most concerns are around rewards for failure or where there are large increases in pay that are not backed up by performance. It makes it more difficult for asset managers to criticise [other companies] if they don't practice what they preach."

OPINION

Commodities investing only a mother could love

THE LAST WORD

Stephen Foley

Savers can leverage investments by holding commodities producers instead of commodities — Naashon Zalk / Bloomberg

The man who runs this summer's best-performing large US mutual fund did a smart thing at the start of the year. Shanquan Li, manager of the Oppenheimer Gold & Special Minerals fund, switched out a large holding of gold, which he owned through an exchange-traded fund, for stakes in some of the world's big gold mining companies. As the gold price rose, those mining shares rose by even more. Between the Memorial day and Labor day holidays, when gold was up 9.3 per cent, Mr Li's fund was up 27.4 per cent.

His outperformance is a timely reminder that savers can leverage their investment dollars by holding commodities producers instead of the underlying commodity — if they can stomach the extra risk. The S&P/TSX Global Gold index of mining stocks has doubled in the past year, five times the gain of the gold price itself, but over the past five years the index is down 45 per cent, nearly twice the losses.

That makes sense. Miners' earnings reflect commodity prices minus the costs of getting the product out of the ground, so higher prices drop straight to the bottom line and lower prices sharply reduce — or wipe out — profit margins.

After several years where investors have sworn off commodities investments of all types, sickened by the headline-grabbing volatility in oil and gold and the terror of a slowdown in Chinese demand, the fund management industry is sure to seize a marketing opportunity in the current period of calm.

Where the fashion has previously been to design tradeable products for investing directly in commodities, there is a strong case to be made for funds that invest in mining and oil exploration company equities.

> There is a long-term, buy-and-hold case for natural resources equities: these stocks are perennially unloved, structurally under-owned and cheap

Flows follow performance, so Mr Li and his peers in the commodities sector can expect new money to manage, but the case is not so much a short-term one. Who knows where gold or oil or purified terephthalic acid will be next month or next year?

There is a long-term, buy-and-hold case for natural resources equities, on the grounds that these are stocks that are perennially unloved, structurally under-owned and therefore cheap.

That case was neatly summed up by the veteran investor Jeremy Grantham, founder of GMO, the Boston fund manager, in a piece of analysis that landed just as clients returned to work after Labor day, under the title: "An investment only a mother could love".

Natural resources equities are unloved for exactly the reasons discussed above. They are highly volatile and tied to commodity prices that, despite all the spreadsheet cells filled and ink spilled, are effectively impossible to predict. That is plenty enough uncertainty to turn off the typical value investor, and miners do not easily attract growth investors, either. Only a mother . . .

And yet, as Mr Grantham (writing with Lucas White, his GMO colleague) points out, natural resources equities have done rather well over the long run. The markets are long-term rational. Investors are compensated for the extra risks.

"The equity risk premium is the main reason for preferring the equity markets to other means of gaining commodity exposure," Mr Grantham says. "While oil prices have risen just slightly in real terms since the 1920s, oil and gas companies have generated real returns of more than 8 per cent per year. That is a pretty healthy equity risk premium."

Industrial metals miners exhibit the same outperformance over the long term, versus commodities prices, and the premium is even larger than it appears, since direct commodities investing involves storage and transportation costs, among other headaches.

There is plenty of evidence that commodities diversify a portfolio, since there is little correlation between natural resources equities and the rest of the stock market over any three- or five-year period. GMO even found that, over ten years, natural resources look like they might be negatively correlated, although there is not enough data to be sure. It would make sense, though. High commodities prices are ultimately a drag on the economy.

Long-term outperformance and diversification benefits argue strongly for a higher weighting to natural resources stocks than investors get by simply buying the market. They have accounted, on average, for about 13 per cent of the S&P 500, but the average masks huge variation. At the moment, after the oil price collapsed and many US frackers flirted with insolvency, the sector weighting is down to 5 per cent.

That looks like a big opportunity for investors, and for the fund management industry.

Stephen Foley is the FT's US investment correspondent

READERS WRITE...

Bonus culture in asset management 'out of control'

The idea that bonuses encourage performance is laughable. I do not know one asset manager who doesn't do his or her best to have good stable performance no matter what they are paid.

However, the industry has highly volatile profits and is highly competitive for staff. The best way to pay staff is indeed variable: a (tiny) percentage of firm profit for all senior staff, paid in shares and locked for five years, plus a percentage of fund revenues for fund managers — *A Fund Manager, via FT.com*

I see nothing wrong with the level of the total compensation listed here. Leaders should receive market-based compensation — *American Peasant, via FT.com*

Are there any years when these people don't get their bonuses? If not, then it's not really a bonus, is it? — *ColdFeet, via FT.com*

Ninety per cent of the asset management business is a racket and 90 per cent of the salaried managers (including top managers) have zero skill. For this 90 per cent, positive fund performance is little more than an artefact of central bank-created market bubbles and sheer luck — *ceteris paribus, via FT.com*

So?! Nobody is forcing you to invest in them — *TexasView, via FT.com*

Bonuses for delivering what? — *PaperClip, via FT.com*

Angry about salaries being too high? They seem rather reasonable. CEOs get paid in accordance to the impact even their smallest decision can have on group profitability. They are also paid for the damage they could do if they chose to leave and compete — *Equivocation, via FT.com*

● You can comment on FTfm articles online or via email at **ftfmreaders@ft.com**. Comments may be edited for length and clarity

Global warning

On ft.com/ftfm

Investors can no longer ignore climate change and should act to protect their portfolios, according to BlackRock — Ian Dicks

FTfm

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Please help by filling in the survey, either on paper or online at **www.ft.com/ftfmsurvey**. We understand your time is valuable and have designed the survey to take no more than around 5-10 minutes to complete.

Your reply will be treated in the strictest confidence – the results will only be used in statistical format and you will not be contacted by any other company. As a token of our appreciation, every reader who completes and returns a questionnaire by Monday 31st October 2016 may enter the free prize draw to win £200 (or local equivalent).

Thank you in advance for your help.

Chris Newlands
Editor, FTfm

Reasons for reading FTfm

1. Which of the following best describes your readership of FTfm (print) and usage of FTfm online?

- I only read the FTfm print edition ☐
- I only visit FTfm online ☐
- Both ☐

2. If you visit FTfm online, how do you access the content…? Please tick all that apply

Via desktop browser ☐ Via tablet ☐ Via mobile ☐

3. Which of the following apply to your reasons for reading FTfm generally? (please tick all that apply)

	FTfm	Financial Times
Information on individual fund managers	☐	☐
Information on fund management companies	☐	☐
News about industry developments or products	☐	☐
Information on pensions issues	☐	☐
Information on what competitors are doing	☐	☐
Private investment interest	☐	☐
Professional investment trends/ideas	☐	☐
Comment & opinion	☐	☐
Information on regulation developments	☐	☐

4. For the following content areas included in FTfm please state how important you consider them for business reading?

	Very important 5	4	Neutral 3	2	Not very important 1
Face to Face interview	☐	☐	☐	☐	☐
Movers & shakers	☐	☐	☐	☐	☐
Opinion page	☐	☐	☐	☐	☐
Analysis	☐	☐	☐	☐	☐
Industry News	☐	☐	☐	☐	☐
The last word	☐	☐	☐	☐	☐
New funds	☐	☐	☐	☐	☐
Columnists	☐	☐	☐	☐	☐
Special Reports	☐	☐	☐	☐	☐
New Investment Strategies/ideas	☐	☐	☐	☐	☐
European fund industry	☐	☐	☐	☐	☐
Asian fund industry	☐	☐	☐	☐	☐
US fund industry	☐	☐	☐	☐	☐
Pension fund management	☐	☐	☐	☐	☐
ETFs	☐	☐	☐	☐	☐
Retail savings industry	☐	☐	☐	☐	☐
Wealth management	☐	☐	☐	☐	☐
Hedge funds / alternative investment	☐	☐	☐	☐	☐
Regulation / governance	☐	☐	☐	☐	☐
Sustainable investment / SRI	☐	☐	☐	☐	☐
Fund distribution	☐	☐	☐	☐	☐
Asset servicing	☐	☐	☐	☐	☐
Private Equity	☐	☐	☐	☐	☐

5. Which of these best describes your readership of the Financial Times Print Edition on a Monday? (please tick one only)

- I specifically buy/read the Financial Times on a Monday for FTfm ☐
- I buy/read the Financial Times on a Monday anyway ☐
- I do not buy the FT on a Monday, but read an office copy of FTfm ☐
- I don't buy/read the Financial Times, however I access FTfm content from another source e.g. FT.com on a tablet or computer or smartphone ☐

6. How often do you usually read/look at the FTfm section of the Financial Times?

- Weekly (ie every issue) ☐
- 2-3 times a month ☐
- Once a month ☐
- Once a quarter ☐
- Less Often ☐

7. How many people (other than yourself) usually read your copy of FTfm?

- Just me ☐
- One other person ☐
- 2-3 other people ☐
- 4-5 other people ☐
- 6 or more people ☐

8. How well does each of these statements relate to your views of FTfm, for each, please indicate how much you agree or disagree, using a 5 point scale.

	Agree strongly 5	Agree slightly 4	Neither agree nor disagree 3	Disagree slightly 2	Disagree strongly 1
FTfm covers subject areas that you cannot find anywhere else	☐	☐	☐	☐	☐
FTfm offers insightful analysis of asset management issues	☐	☐	☐	☐	☐
I trust the content of FTfm	☐	☐	☐	☐	☐
FTfm's editorial is authoritative	☐	☐	☐	☐	☐
FTfm improves my understanding of competitor activity	☐	☐	☐	☐	☐
FTfm is a must read	☐	☐	☐	☐	☐
I think my business benefits from me reading FTfm	☐	☐	☐	☐	☐
I would recommend FTfm to friends / colleagues	☐	☐	☐	☐	☐
The breadth of FTfm's coverage is a key attraction	☐	☐	☐	☐	☐
FTfm helps inform my decision making	☐	☐	☐	☐	☐
FTfm saves me time by giving me access to the information I need	☐	☐	☐	☐	☐

9. Please rate (in order of importance) the regions you have most interest in for fund/asset management content

1. Most important – 7 least important

- UK ☐
- Europe ☐
- Asia ☐
- USA ☐
- South America ☐
- Middle East ☐
- Africa ☐

FTfm online and FT.com usage

10. How often do you access FTfm online?

- Several times per day ☐
- 6-7 days per week ☐
- 4-5 days per week ☐
- 2-3 days per week ☐
- Once a week ☐
- Several times a month ☐
- Once a month ☐
- Less often ☐
- Never (Skip to Q14) ☐

11. Which of the following sections of FTfm online do you find most useful?

- News ☐
- Editor's choice ☐
- ETFs Section ☐
- Special reports ☐
- Comment ☐
- View from America ☐
- The Last Word ☐
- FTfm videos ☐
- Face to Face Interview ☐
- Movers and shakers ☐
- FTfm email Briefings ☐
- Funds Data ☐

12. How often do you watch FTfm video online?

- Regularly ☐
- When prompted by print promotion ☐
- When prompted by the FTfm email alert ☐
- When of interest ☐
- Never ☐

13. What features would encourage you to visit FTfm online more often? (please tick all that apply)

- Daily comment ☐
- More frequent videos ☐
- Daily News ☐
- Daily Email alerts ☐
- Live Blogs ☐
- Analysis of sector performance ☐
- Audio Podcasts ☐
- Increased social media coverage i.e. stories started via LinkedIn ☐
- Other, please specify…. ☐

____

14. If you subscribe to the FTfm email alerts, how useful do you find them?

- Very useful ☐
- Somewhat useful ☐
- Neutral/Don't know ☐
- Not very useful ☐
- Not at all useful ☐
- Do not subscribe to the email alert ☐

15. Have you ever done any of the following?

- Purchased an item or used a service due to advertising you've seen on FTfm ☐
- Visited a company's website due to advertising you've seen on FTfm ☐
- Talked to friend/family/colle agues about a company or service you've seen advertising on FTfm ☐
- None of the above ☐

16. Do you remember seeing advertising for any of the following brands in FTfm?

- Aberdeen ☐
- Black Rock ☐
- Allianz ☐
- Franklin Templeton Investments ☐
- JP Morgan ☐
- MFS ☐
- Natixis ☐
- PIMCO ☐
- Vanguard ☐
- Mirae Asset Financial Group ☐
- Insight Investment Management Limited ☐
- Northern Trust Corporation ☐
- Amundi Asset Management ☐
- iShares ☐
- Banque Pictet & Cie SA ☐
- Robeco Groep N.V. ☐
- ING Groep N.V. ☐
- BNP Paribas ☐
- Lyxor Asset Management ☐

17. How often do you visit the following areas on FT.com?

	Several times per day	Once a day	Several times a week	Once a week	Several times a month	Once a month	Less often	Never
Markets	☐	☐	☐	☐	☐	☐	☐	☐
Markets Data	☐	☐	☐	☐	☐	☐	☐	☐
Commodities	☐	☐	☐	☐	☐	☐	☐	☐
Currencies	☐	☐	☐	☐	☐	☐	☐	☐
Equities	☐	☐	☐	☐	☐	☐	☐	☐
FT Trading room	☐	☐	☐	☐	☐	☐	☐	☐
Alphaville	☐	☐	☐	☐	☐	☐	☐	☐
Emerging Markets	☐	☐	☐	☐	☐	☐	☐	☐
Lex	☐	☐	☐	☐	☐	☐	☐	☐

Other Print/Digital services accessed

18. Which of the following news and data sources to you use? (please tick all that apply)

DIGITAL

	News	Data
Citywire.com	☐	☐
Economist.com	☐	☐
Efinancialnews.com	☐	☐
Fundinfo.com	☐	☐
Ignites.com	☐	☐
IgnitesEurope.com	☐	☐
IgnitesAsia.com	☐	☐
institutionalinvestor.com	☐	☐
IPE.com	☐	☐
Lipperweb.com	☐	☐
Morningstar.com	☐	☐
Pensions-expert.com	☐	☐
PWMnet.com	☐	☐
Reuters.com	☐	☐
Trustnet.com	☐	☐
WSJ.com	☐	☐
FTAdviser.com	☐	☐
Other, please specify….	☐	☐

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PRINT

	News	Data
Bloomberg Markets	☐	☐
Hedge Fund Journal	☐	☐
Institutional Investor	☐	☐
International Herald Tribune	☐	☐
The Economist	☐	☐
The Banker	☐	☐
Financial Adviser	☐	☐
Investment Adviser	☐	☐
Pensions Expert	☐	☐
Financial News	☐	☐
Funds Europe	☐	☐
IPE (Europe)	☐	☐
PWM (Professional Wealth Management)	☐	☐
Wall Street Journal Europe	☐	☐
Other, please specify….	☐	☐

____

19. How familiar are you with each of the following Asset Management and financial service firms? Please indicate how familiar you are, regardless of whether you use / have used them.

	Very familiar	Somewhat familiar	Know just by name	Never heard of
Aberdeen	☐	☐	☐	☐
Black Rock	☐	☐	☐	☐
Allianz	☐	☐	☐	☐
Franklin Templeton Investments	☐	☐	☐	☐
JP Morgan	☐	☐	☐	☐
MFS	☐	☐	☐	☐
Natixis	☐	☐	☐	☐
PIMCO	☐	☐	☐	☐
Vanguard	☐	☐	☐	☐
Mirae Asset Financial Group	☐	☐	☐	☐
Insight Investment Management Limited	☐	☐	☐	☐
Northern Trust Corporation	☐	☐	☐	☐
Amundi Asset Management	☐	☐	☐	☐
iShares	☐	☐	☐	☐
Banque Pictet & Cie SA	☐	☐	☐	☐
Robeco Groep N.V.	☐	☐	☐	☐
ING Groep N.V.	☐	☐	☐	☐
BNP Paribas	☐	☐	☐	☐
Lyxor Asset Management	☐	☐	☐	☐

20. Which of the following asset management and financial service brands do you currently use?

- Aberdeen ☐
- Black Rock ☐
- Allianz ☐
- Franklin Templeton Investments ☐
- JP Morgan ☐
- MFS ☐
- Natixis ☐
- PIMCO ☐
- Vanguard ☐
- Mirae Asset Financial Group ☐
- Insight Investment Management Limited ☐
- Northern Trust Corporation ☐
- Amundi Asset Management ☐
- iShares ☐
- Banque Pictet & Cie SA ☐
- Robeco Groep N.V. ☐
- ING Groep N.V. ☐
- BNP Paribas ☐
- Lyxor Asset Management ☐

21. Which of the following asset management and financial service brands would you consider using in the future?
Please include all brands you currently use

- Aberdeen ☐
- Black Rock ☐
- Allianz ☐
- Franklin Templeton Investments ☐
- JP Morgan ☐
- MFS ☐
- Natixis ☐
- PIMCO ☐
- Vanguard ☐
- Mirae Asset Financial Group ☐
- Insight Investment Management Limited ☐
- Northern Trust Corporation ☐
- Amundi Asset Management ☐
- iShares ☐
- Banque Pictet & Cie SA ☐
- Robeco Groep N.V. ☐
- ING Groep N.V. ☐
- BNP Paribas ☐
- Lyxor Asset Management ☐

22. Which of the following social media platforms do you use to access fund management news? (please tick all that apply)

- Twitter ☐
- Facebook ☐
- LinkedIn ☐
- Other, please specify…. ☐

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- None of the above ☐

About you

The following questions are for profiling purposes only. Please be assured the information will be reported in aggregate only and will not be used to market services or products to you.

23. Are you...?

- Male ☐
- Female ☐

24. Which age group are you in? (please tick one only)

- Under 25 ☐
- 25-34 ☐
- 35-44 ☐
- 45-54 ☐
- 55-64 ☐
- 65+ ☐

25. Where do you currently reside?

- UK ☐
- Continental Europe ☐
- North America ☐
- South America ☐
- Asia Pacific ☐
- Middle East ☐
- Africa ☐
- Other, please specify…. ☐

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26. Are you..?

- Employed or self-employed (full time/part time) . . . . ☐
- Not working – retired (please go to end of questionnaire) . . . . ☐
- Prefer not to say (please go to end of questionnaire) . . . . ☐
- Other (please go to end of questionnaire) . . . . ☐

27. Which of the following best describes your position/job title?

- Owner . . . . ☐
- Partner . . . . ☐
- CEO/ President/ Chairman/ MD . . . . ☐
- CFO/ Financial Director/ Treasurer/Chief Investment Officer . . . . ☐
- Other board level director . . . . ☐
- Senior Management (Department head or equivalent) . . . . ☐
- Other Managerial level/ executive. . . . . ☐
- Technical specialist . . . . ☐
- Money/Portfolio manager . . . . ☐
- Administration/ clerical . . . . ☐
- Consultant . . . . ☐
- Elected representative. . . . . ☐
- Pension fund director / trustee . . . . ☐
- Other, please specify…. . . . . ☐

____

28. Which of these best describes the industry sector of your organisation?

- Financial services (if yes go to Q31, if no go to end of questionnaire) ☐
- Professional services. . . . . ☐
- Other service sectors (retail, tourism) . . . . ☐
- Manufacturing/Engineering/Utilities. . . . . ☐
- Charity/Not for profit organisation . . . . ☐
- Government/health . . . . ☐
- Education. . . . . ☐
- PR/Advertising/Media . . . . ☐
- Other, please specify…. . . . . ☐

____

29. What is your role within the Financial Services industry?

- CFO/CIO/Other C-suite title. . . . . ☐
- Pension Fund Trustee . . . . ☐
- Pension Fund Manager (in-house) . . . . ☐
- Institutional Fund Manager . . . . ☐
- Third Party Consultant. . . . . ☐
- Retail Fund Manager. . . . . ☐
- Wealth Manager/Private Banker . . . . ☐
- Other Portfolio Manager . . . . ☐
- High Net Worth Advisor. . . . . ☐
- Financial Advisor/IFA. . . . . ☐
- Fund Selector/Buyer . . . . ☐
- Hedge Fund Manager. . . . . ☐
- Private Equity Fund Manager . . . . ☐
- Other Alternative Investment Fund Managers . . . . ☐
- Broker/Dealer. . . . . ☐
- Fund Accountant. . . . . ☐
- Fund Administrator . . . . ☐
- Fund Distributor. . . . . ☐
- Regulation and Compliance . . . . ☐
- Finance (Accounting, Administration) . . . . ☐
- PR/Marketing . . . . ☐
- Sales . . . . ☐
- Other, please specify…. . . . . ☐

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Name ______________________________

Email ______________________________

☐ Please tick this box if you would like to take part in future FT research projects.

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B

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2. To enter the Prize Draw, simply complete the entire survey and submit the responses by 5pm GMT October 31st 2016. This Prize Draw is only available to entrants who are over 18 years of age, excluding directors and employees of The Financial Times Limited ("FT"), their associated companies, agencies and immediate family. The Prize Draw shall be void where prohibited by local law. All national and local laws and regulations shall apply.
3. Only one entry per person is permitted. Multiple or incomplete entries will be deemed to be invalid. Incomplete entries will not be eligible. All entries become the FT's property and will not be returned.
4. **Prize:** Once prize of £200 (or local equivalent) ("Prize"). The Prize will be awarded to the first selected eligible entry drawn at random on November 7th 2016. The winner will be notified within 5 working days of the Prize Draw date.
5. The winner will be required to confirm acceptance of their Prize within 5 working days and may be required to complete and return an eligibility form. If the Prize is declined, or unclaimed by the winner, or if the winner cannot be contacted from the details supplied, a supplementary winner may be drawn at FT's discretion and will be notified by letter/email. The original entry that was drawn will be forfeited.
6. The name of the winner will be available after November 21st 2016 upon receipt of an SAE to Global Research, The Financial Times Ltd, Number One Southwark Bridge, London, SE1 9HL.
7. Except where prohibited by law, entry constitutes permission to use winners' name, prize won, hometowns and likenesses for online posting, and/or any advertising and publicity without additional compensation.
8. The Prize Draw is final and no correspondence will be entered info. No cash equivalent to the Prize is available and the Prize is non-transferable. FT gives no warranty or guarantee in relation to the Prize or as to the number of entrants who take part in the Prize Draw.
9. FT reserves the right to cancel or amend these Terms and Conditions or change the Prize (to one of equal or greater value) as required by the circumstances.
10. These terms and conditions shall be governed by and construed in accordance with English law. Disputes arising in connection with this Agreement shall be subject to the non-exclusive jurisdiction of the English courts.

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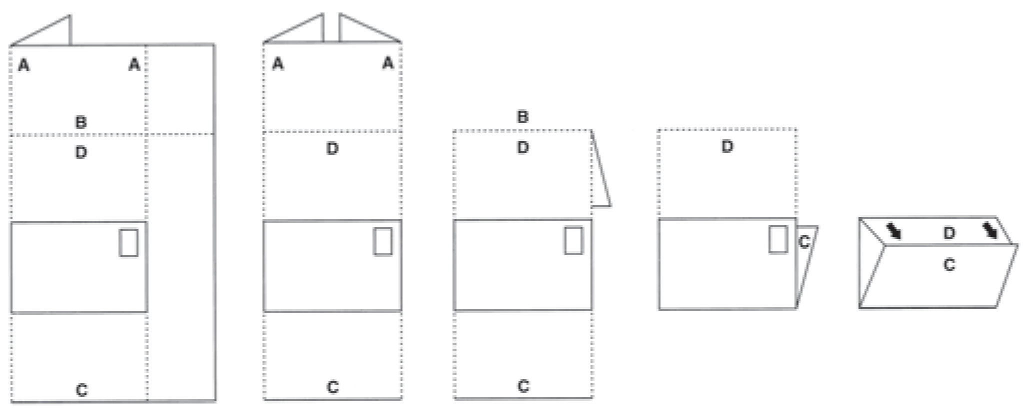

Fold page along dotted line A. First left side

Then right side

Fold along line B

Fold C upwards then fold flap D down

Tuck flap D into flap C

(INSERT FLAP HERE)

C

OPINION

Bank of Japan stars in its own disaster movie

VIEW FROM THE US

John Dizard

A few years ago, obsessive numerologists and supermarket tabloids peddled the notion that the Mayan calendar predicted the world would end during 2012. There was even a fairly successful Hollywood disaster movie, *2012*, distributed at the end of 2009.

Now the macro investors, who attempt to generate returns by predicting how large-scale economic or political events will affect markets, have their own *2012* to worry about, coming up on September 21. That is when the Bank of Japan makes public its "comprehensive assessment" of the effectiveness of its negative interest rate policy, which it has been working on since the end of July.

The fear in the market is that Haruhiko Kuroda, the central bank governor, and his colleagues will decide quantitative easing has not been working. Then, the gloomsters say, the BoJ will slow down its purchases of Japan government bonds, exchange traded funds, and other securities, and civilisation will come to a miserable end, somewhat as it did in *2012*.

As asset managers and bankers gradually returned from their holidays at the end of August, apprehension about September 21 spread like ripples in pond scum.

One macro manager let out a nervous guffaw when I asked whether one should be short or long risk assets in anticipation. "Be short or be out," he said ominously. "Yes, there could be a contagion from a move up in yen rates to rates in the rest of the world. After all, developed world rates have moved in parallel since the beginning of quantitative easing."

So every speech and scrap of comment from BoJ board members is being parsed and re-parsed by analysts and journalists looking for inner meaning and hidden implications.

One of the problems with this effort is that it would appear that members of the board disagree with each other about what to do next. After all, why would there have to be any reassessment, comprehensive or otherwise, if there were a consensus that negative rates were working to perfection?

Mind you, until July Japan's negative interest rate policy had been working just fine for the macro speculators. As they say, the trend is your friend, and from the announcement of the negative interest rate policy on January 29 until the end of July, the macro people were very happy with "the BoJ trade".

This consisted of systematically front-running the BoJ's predictable asset purchases, most frequently by taking long positions in the Japanese government bond market and waiting for those to be bought by the central bank.

Macro investors have their own '2012' to worry about — Alamy

As Jim Bianco, founder of Bianco Research points out: "In the 15 months that ended in July, 10-year Japanese government bonds went up in price by about 50 per cent. At such low nominal rates, you get supercharged price moves thanks to the long duration. There was a lot of money made by the JGB longs."

> The fear in the market is that Haruhiko Kuroda and his colleagues will decide quantitative easing has not been working

The other component of the BoJ trade was a short position in the yen, which could be done either as a currency hedge or as a separate speculation. When the negative interest rate policy started in late January, the yen was at 119 to the dollar; recently it has been around 102.

So the whole negative interest rate exercise has to be chalked up as a win-win for the speculative community. The BoJ might have found that tolerable as a minor unintended consequence of a policy that clearly led to a revival of economic growth and an end to deflation. Unfortunately, growth is still anaemic, and Japan has slipped back into deflation.

Some of the air has already been let out of the Japanese government bond bubble, and since the end of July the yield on 10-year Japanese government bonds has moved from negative 28 basis points to negative 3bp. The yen has been trading in a tight range in recent weeks, and is poised menacingly just above ¥100 to the dollar.

There are many uncertainties about the conclusions of that comprehensive assessment, but we can be fairly sure the BoJ will not break down like one of those guilt-stricken perpetrators you see in courtroom dramas. There will be no general admission of the failure of its macroeconomic policy. That is not what central bankers do.

And Governor Kuroda said earlier this month: "Needless to say, there is still ample space for further cuts in the negative interest rate, and for an increase in the size of the 'quantity' dimension." That would appear to suggest the most likely outcome is for continued asset purchases by the BoJ.

Based on the recent history of central banking, the September 21 statement will probably be a finely crafted compromise among the board members that looks to outsiders like an internally contradictory mishmash.

Even that could be taken badly by markets that are foolishly hoping for unconditional reassurance and love from the BoJ. Let us hope there is no real-world remake of *2012*.

Noisy lobbyists are shouting that the pension sky is falling

VIEWPOINT

John Ralfe

Some commentators are warning that the Bank of England's extraordinary monetary actions to kick-start the UK economy are undermining the whole system of companies' defined benefit pensions.

They claim that the latest round of quantitative easing, the move to push long-term interest rates even lower, means bigger pension deficits and bigger deficit contributions, which forces perfectly good companies into bankruptcy.

Calls for the government to urgently "do something" seem to boil down to allowing companies to break their pension promises, by giving lower annual inflation increases or no increases at all.

Although companies can, rightly, change the terms of future pension promises, it is a crucial principle that they must meet their past promises. And it is not clear why scheme members should take a haircut while nothing changes for shareholders and lenders.

It is just scaremongering to shout that the pension sky is falling. There is no crisis in DB pensions, so there is no need for crisis measures.

Those companies that have chosen not to de-risk their pensions in recent years by moving from equities to bonds, but continue betting on financial markets, will see their deficits increase. And, yes, they will have to increase the size of their annual cash payments, which the UK pensions regulator should enforce properly.

But most of the 6,000 companies with DB schemes will be able to increase their deficit contributions, either by borrowing to refinance their pension debt, or by cutting dividends to shareholders.

If a company is on the brink of going bust it can apply to the regulator to reduce its pension promises, using a tried and tested legal mechanism that is currently happening for Halcrow, the engineering consultancy with 3,300 pension scheme members.

Any company with liabilities greater that its assets, and which cannot raise money from shareholders, is surely insolvent, and should enter the process of administration.

A good business will be bought from administration and, freed of pensions, will flourish, with no job losses or hit to the real economy. If the business is not viable even without pensions, it will be liquidated, just like BHS, the UK retailer.

Pension scheme members will be picked up by the Pension Protection Fund lifeboat, and receive compensation at a lower level than their full pension promise. Since it opened in 2006, the PPF has taken on more than 800 schemes and 220,000 people, paid for by levies charged to all DB pension schemes.

> There is no crisis in defined benefit pensions, so there is no need for crisis measures

The good news is that the regulatory system requiring companies to fund their schemes to pay all pension promises, with compensation for members if they cannot, is working pretty much as it was intended to.

The UK would face a pensions crisis only if the PPF risked being swamped by big schemes with big deficits it could not fund through increasing levies. But the PPF's 2016 annual report shows a healthy £4bn surplus and it expects to be self-sufficient by 2030.

Crucially, the UK parliament set up the PPF with a built-in safety valve to handle the risk of being overwhelmed. In extremis, it can cut the compensation it pays to balance its books, freezing pension increases and, if necessary, going further and cutting nominal compensation paid.

If compensation were cut, the pain would be borne by everyone in the PPF in a co-ordinated and consistent way, rather than individual companies making ad hoc changes.

The noisy lobbyists warning about QE and pensions should look at the bigger picture. Without QE, company borrowing costs would be much higher and share prices much lower. More companies would already have gone bust, and the UK economy could be in serious recession — a real, not an imagined, crisis.

John Ralfe is an independent pension consultant

NEWS

Performance fees questioned again

REGULATION

Policymakers challenge the notion that the charges motivate outperformance

ALIYA RAM

AllianzGI's performance fee revenue almost doubled to €607m last year — Alamy

Top 20 European mutual funds by AUM with performance fees

	Name	Fund size (€)	Performance fee (%)	Total returns 1 Yr (%)
1	Carmignac Patrimoine A EUR Acc	24,221,250,659	10	-3.62
2	FvS SICAV Multiple Opportunities I	10,044,492,868	10	5.32
3	PrivatFonds: Kontrolliert	9,636,866,686	25	-0.91
4	Ethna-AKTIV A	8,556,107,493	20	-5.20
5	LGT Premium Strategy GIM (EUR) B	7,807,319,816	20	-2.85
6	First Eagle Amundi International AHE-C	6,892,242,749	15	5.68
7	Old Mutual Global Eq AR I € Hgd Acc	6,726,338,181	20	4.12
8	Amundi Fds Bd Global Aggregate AE-D	6,687,477,335	20	-0.24
9	Carmignac Investissement A EUR Acc	5,084,371,874	10	-8.81
10	BlueBay Investment Grade Bd B EUR (Pf)	5,048,083,480	20	3.17
11	Amundi Patrimoine C	4,825,885,056	20	-4.86
12	Henderson Gartmore UK Abs Ret I H Acc	4,280,290,807	20	2.20
13	DekaFonds CF	4,155,788,379	25	-8.89
14	JPM Europe Eq Plus A (acc) (perf) EUR	3,885,564,143	10	-11.87
15	Deutsche Concept Kaldemorgen FC	3,868,378,678	15	1.70
16	Henderson Horizon PanEurpEq A2 EUR Acc	3,840,910,353	10	-12.23
17	Mediolanum BB Coupon SC L A	3,832,723,594	5	-4.84
18	Amundi 6 M I A/I	3,771,040,631	15	0.28
19	Pioneer Fds Emerg Mkts Bd A EUR ND	3,722,972,620	15	5.92
20	Russell Emerg Mkts Eq C	3,689,876,226	20	-1.62

Source: Morningstar

Three years after Europe's asset management industry narrowly escaped new rules that would have restricted the use of performance fees, senior policymakers are again raising questions about the suitability of the charges.

Fund managers levy performance fees on investors when they beat market benchmarks. The fees are usually in the high double digits and are added to fixed management charges as a percentage of total assets.

The aim of these charges is to motivate fund managers to generate higher returns for investors. But there are question marks around whether performance fees truly motivate fund managers to outperform.

According to data from Morningstar, the data provider, analysed by FTfm, the largest European mutual funds that apply performance fees have underperformed funds without such charges over the past one, three and five years.

Senior policymakers are also concerned that these fee structures allow portfolio managers to take a slice of returns in good times, without an equivalent penalty for underperformance in bad times.

"Fund managers are in a win-win scenario a lot of the time," says Sharon Bowles, former chairwoman of the European Parliament's economic and monetary affairs committee, an influential panel of lawmakers in the EU, and a member of the House of Lords in the UK.

"We don't mind performance fees, provided that if it turns out that you were pretty rubbish, there is a way of getting that [money] back."

Performance fees have become more prevalent among mutual fund companies trying to maintain revenues in the aftermath of the financial crisis, according to Fitz Partners, a consultancy that specialises in fund charges.

Its data show that more than a 10th of European mutual funds have performance fees — and more than three-quarters of these have charged the fee in their last accounting period.

Results from some of Europe's largest asset managers show that these fees have boosted earnings significantly. AllianzGI, Schroders and the asset management divisions of Deutsche Bank and UBS reported higher revenues last year from performance fees. AllianzGI's performance fee revenue almost doubled to €607m.

Critics also argue that performance fees encourage fund managers to make short-term, risky investments, which do not pay off for investors over full business cycles.

"Performance should be measured over five or even 10 years," says Ms Bowles. "If you are a pension fund you want to know your cumulative [returns] over longer periods."

According to the Morningstar data, the 20 largest European funds with performance fees returned an average of 6.2 per cent cumulatively over the past five years, compared with a 7.7 per cent return from the 20 largest European funds without such fees.

Over the past year the largest 20 funds with such charges delivered negative returns on average, compared with a small return of 1.1 per cent for those without. By comparison, the S&P 500 index of US equities gained 3.2 per cent over the same period.

Europe's largest fund that applies a performance fee, run by Carmignac Gestion, the French asset manager, has significantly underperformed rival products in the same asset class.

Carmignac's €24bn Patrimoine A fund, which charges a 10 per cent performance fee, returned -3.6 per cent, 5.6 per cent and 4.7 per cent over one, three and five years respectively. This compares with a return of 6.6 per cent, 7.3 per cent and 7.4 per cent for the Stable Return fund run by Nordea, the Scandinavian asset manager, over the same time periods.

"The fund's total expense ratio remains lower than its peers," said Didier Saint-Georges, managing director at Carmignac.

"Normally you would expect investors not to buy funds that have such misleading structures," says Sven Giegold, the German MEP who was behind the unsuccessful push in 2013 for changes to the way performance fees are applied.

"When the market goes up, the returns look like they have gone up, so no one thinks that over a longer period the performance fee has killed your earnings," he says.

According to James Hughes, deputy head of Cicero, the lobbying group, new EU legislation aimed at improving transparency around performance fees could cause investors to move away from such products as they become more aware of the impact of the charges.

The new rules, which fall under the second iteration of the Markets in Financial Instruments Directive that will come into force in 2018, will force fund managers to disclose the total fees they have charged and the cumulative effect of these fees on returns.

> 'We don't mind performance fees, provided that if it turns out that you were pretty rubbish, there is a way of getting that [money] back'

"The extra disclosure requirements in Mifid were very controversial," he says.

But Mr Giegold believes the transparency changes are not enough without tighter regulation over the methodology behind performance measurements. "If [fund outperformance is measured] over very short periods of time, that is what creates the problem," he says.

He says that plans to curb lucrative performance fees, which were voted down by the European Parliament in 2013, might be revived. They were shelved by Jonathan Hill, the financial services commissioner who departed his role following the UK's vote to leave the EU.

Mr Hughes, however, believes that regulations coming into effect for retail funds, known as Priips, as well as Mifid II, will block any attempts to take rules on performance fees further. "There is not that much appetite to look at these rules again while Mifid and Priips are coming into force," he says.

Nonetheless, some fund managers are taking the initiative to structure performance fees in a way that will avoid possible regulatory changes in the future.

Equitile, a boutique fund house, cancels management fees when performance fees are levied so that fund managers are forced to weigh up whether a riskier trade is worth the lost flat-fee revenue on total assets under management.

Andrew McNally, Equitile's chief executive, says fund managers should have to measure long-term performance and should not be allowed to regularly reset the so-called "watermarks" they must beat in order to charge performance fees. "If the economy has crashed and everyone is having gruel then you shouldn't get a performance fee. If everyone is having gruel, so should you."

Orbis, the $25bn fund house, follows a model used in Norway to counteract the "heads I win, tails you lose" system that fund companies are often accused of benefiting from. Its portfolio managers charge a high additional fee from investors when they outperform, but are also penalised when they underperform.

Dan Brocklebank, fund manager at Orbis, says that performance fees structured correctly are less risky than management fees because investors do not have to pay when there are poor returns. "Performance fees won't improve performance per se," he says. "They will help ensure that interests are aligned between clients and the manager, but they have to be structured well."

FTfm

Guide to data

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The funds published on these pages are grouped together by fund management company.

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to US dollars. Yields % allow for buying expenses. Prices of certain older insurance linked plans are subject to capital gains tax on sales. Some Property Unit Trusts are limited to investors who are UK tax exempt.

All dealings are subject to individual Trust Deed rules. The sale prices for these funds are estimates.

Guide to pricing of Authorised Investment Funds.

Compiled with the assistance of the IMA. The Investment Management Association, 65 Kingsway, London WC2B 6TD. +44 (0)20 7831 0898. All funds within this section, whether OEICs or unit trusts are authorised in the UK by the Financial Services Authority. The prices quoted should only be used as a guide.

OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.

Share Classes: Separate classes of share are denoted by a letter or number after the name of the fund. Different classes are issued to reflect a different currency, charging structure or type of holder.

Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.

Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.

Exit Charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: The time shown alongside the fund manager's/operator's name is the time of the unit trust's/OEIC's valuation point unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

The symbols are as follows: ✠ 0001 to 1100 hours; ♦ 1101 to 1400 hours; ▲ 1401 to 1700 hours; # 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

Yield: Funds comprising mainly of bonds normally quote a gross redemption yield after all charges but before tax has been deducted. Funds mainly made up of equities normally quote a yield representing the estimated annual payout net of tax for basic rate taxpayer. For further information contact the management company.

Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time.

Forward pricing: The letter F denotes that that managers/operators deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent report, scheme particulars, prospectus and key features document may be obtained free of charge from fund managers/operators.

* Indicates funds which do not price on Fridays.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Prospectus data, price histories, charges and risk analytics on the funds within these pages is available online at www.ft.com/funds.

ACPI Select UCITS Funds PLC (IRL)

Regulated

Fund	Bid	Offer	D+/-	Yield
ACPI Balanced UCITS Fund USD Retail	$ 14.78	-	0.00	-
ACPI Balanced UCITS Fund EUR Retail	€ 11.02	-	-0.01	-
ACPI Balanced UCITS Fund GBP Retail	£ 11.20	-	0.00	0.00
ACPI Balanced UCITS Fund USD Institutional	$ 10.00	-	-	-
ACPI Balanced UCITS Fund EUR Institutional	€ 10.00	-	-	-
ACPI Balanced UCITS Fund GBP Institutional	£ 10.00	-	-	-
ACPI Horizon UCITS Fund	$ 13.39	-	0.03	0.00

Abbey Life Assurance Company Limited (UK)

100 Holdenhurst Road, Bournemouth BH8 8AL 0345 9600 900
additional fund prices can be found @ www.abbeylife.co.uk

Insurances

Fund	Bid	Offer	D+/-	Yield
Life Funds				
Prop. Acc. Ser 2	1423.90	1498.80	0.00	-
Selective Acc. Ser 2	1703.70	1793.40	-6.30	-
American Ser. 4	1994.10	2099.00	5.30	-
Custodian Ser. 4	521.90	549.40	-2.70	-
Equity Ser. 4	604.20	636.00	-3.70	-
European Ser 4	636.60	670.10	-0.50	-
Fixed Int. Ser. 4	983.40	1035.20	-10.10	-
Intl Ser. 4	502.40	528.90	-0.20	-
Japan Ser 4	430.70	453.40	-1.00	-
Man. Ser. 4	1835.00	1931.50	-6.50	-
Money Ser. 4	524.70	552.30	0.00	-
Prop. Ser. 4	1028.90	1083.00	0.00	-
Custodian Ser 5	500.20	526.50	-2.60	-
International Ser 5	481.50	506.80	-0.20	-
Managed Ser 5	1758.60	1851.10	-6.20	-
Money Ser 5	513.70	540.80	0.00	-
Property Ser 5	986.00	1037.90	-0.10	-
Pension Funds				
American	2369.70	2494.40	5.60	-
Equity	5365.90	5648.30	-30.50	-
European	1308.10	1376.90	-0.60	-
Fixed Int.	1844.80	1941.90	-22.20	-
International	1091.60	1149.00	-0.60	-
Japan	465.70	490.20	-1.00	-
Managed	4847.50	5102.70	-18.30	-
Property	2635.30	2774.00	0.00	-
Security	1480.80	1558.70	0.00	-
Selective	2179.80	2294.50	-16.80	-
Formerly Hill Samuel Life Assurance Ltd				
100 Holdenhurst Road, Bournemouth, BH8 8AL 0345 6023 603				
Managed Ser A (Life)	1742.80	1844.20	1.10	-
Managed Ser A (Pensions)	1179.60	1241.60	1.20	-
Formerly Target Life Assurance Ltd				
100 Holdenhurst Road, Bournemouth, BH8 8AL 0345 6023 603				
Managed (Life)	1766.80	1859.80	1.70	-
Managed Growth (Life)	559.70	589.20	1.80	-
Managed (Pensions)	7082.70	7455.50	9.00	-
Managed Growth (Pensions)	697.10	733.80	2.70	-

additional fund prices can be found on our website

Algebris INVESTMENTS

Algebris Investments (IRL)

Regulated

Fund	Bid	Offer	D+/-	Yield
Algebris Financial Credit Fund - Class I EUR	€ 140.14	-	0.92	0.00
Algebris Financial Income Fund - Class I EUR	€ 117.48	-	0.83	0.00
Algebris Financial Equity Fund - Class B EUR	€ 96.19	-	1.09	0.00
Algebris Asset Allocation Fund - Class B EUR	€ 98.70	-	0.30	0.00
Algebris Macro Credit R EUR Acc	€ -	-	-	-
Algebris Macro Credit RD EUR Inc	€ -	-	-	-

Amundi Funds (LUX)

5 Allee Scheffer L-2520 Luxembourg + 44 (0)20 7074 9332
www.amundi-funds.com

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Bd. Euro Corporate AE Class - R - EUR	€ 19.54	-	-0.03	0.00
Bd. Global AU Class - R - USD	$ 28.00	-	-0.06	0.00
Eq. Emerging Europe AE Class - R - EUR	€ 26.83	-	-0.24	0.00
Eq. Emerging World AU Class - R - USD	$ 93.24	-	0.30	0.00
Eq. Greater China AU Class - R - USD	$ 630.25	-	3.68	0.00
Eq. Latin America AU Class - R - USD	$ 395.55	-	0.57	0.00
Gl. Macro Bds & Curr Low Vol AHG - GBP	£ 98.92	-	0.08	0.00

The Antares European Fund Limited

Other International

Fund	Bid	Offer	D+/-	Yield
AEF Ltd Usd (Est)	$ 590.31	-	3.29	-
AEF Ltd Eur (Est)	€ 591.39	-	3.26	0.00

Arisaig Partners

Other International Funds

Fund	Bid	Offer	D+/-	Yield
Arisaig Africa Consumer Fund Limited	$ 12.42	-	-0.05	0.00
Arisaig Asia Consumer Fund Limited	$ 68.84	-	0.15	-
Arisaig Global Emerging Markets Consumer Fund	$ 10.61	-	-0.01	0.00
Arisaig Global Emerging Markets Consumer UCITS	€ 12.17	-	-0.04	0.00
Arisaig Global Emerging Markets Consumer UCITS STG	£ 13.04	-	0.01	0.00
Arisaig Latin America Consumer Fund	$ 25.28	-	0.04	-

ARTEMIS The Profit Hunter

Artemis Fund Managers Ltd (1200)F (UK)

57 St. James's Street, London SW1A 1LD 0800 092 2051

Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Artemis Capital R ACC	1295.81	1368.50	-9.65	-
Artemis European Growth R Acc	276.23	291.46	-1.89	-
Artemis European Opps R Acc	85.54	90.24	-0.59	-
Artemis Global Emg Mkts I GBP Acc	105.63	-	0.17	-
Artemis Global Emg Mkts I GBP Dist	102.91	-	0.17	-
Artemis Global Energy R Acc	27.68	29.33	0.66	0.44
Artemis Global Growth R Acc	208.00	219.54	-1.06	0.95
Artemis Global Income R Acc	107.26	113.32	-0.24	3.36
Artemis Global Income R Inc	83.43	88.15	-0.19	3.45
Artemis Global select R Acc	85.41	90.11	0.06	0.00
Artemis High Income R Inc	79.04	84.33	-0.10	5.94
Artemis Income R Acc	375.15	397.46	-1.62	3.86
Artemis Income R Inc	214.95	227.73	-0.93	3.99
Artemis Monthly Dist R Inc	68.18	72.33	-0.25	-
Artemis Pan-Euro Abs Ret GBP	114.56	-	0.54	-
Artemis Strategic Assets R Acc	78.55	83.12	0.71	0.00
Artemis Strategic Bond R M Acc	89.66	95.31	-0.18	3.86
Artemis Strategic Bond R M Inc	56.27	59.82	-0.11	3.93
Artemis Strategic Bond R Q Acc	89.75	95.41	-0.18	3.87
Artemis Strategic Bond R Q Inc	56.50	60.06	-0.11	3.95
Artemis UK Select Fund Class R Acc	440.53	466.77	-1.58	-
Artemis UK Smaller Cos R Acc	1238.14	1334.62	8.29	0.92
Artemis UK Special Sits R Acc	561.86	596.81	-1.24	-
Artemis US Abs Ret I Acc	108.17	-	0.21	0.00
Artemis US Equity I Acc	135.46	-	0.19	0.37
Artemis US Ex Alpha I Acc	148.29	-	0.50	0.02
Artemis US Extended Alpha I Hedged Acc	£ 1.07	-	0.00	-
Artemis US Select I Acc	134.45	-	0.33	0.21
Artemis US Select I Hedged Acc	£ 1.04	-	0.00	-
Artemis US Select I Inc	119.84	-	0.29	0.18
Artemis US Smlr Cos I Acc	147.04	-	0.51	-

Artisan Partners Global Funds PLC (IRL)

Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Tel: 44 (0) 207 766 7130

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Artisan Partners Global Funds plc				
Artisan Global Equity Fund Class I USD Acc	$ 14.92	-	-0.10	0.00
Artisan Global Opportunities I USD Acc	$ 13.68	-	-0.05	0.00
Artisan Global Value Fund Class I USD Acc	$ 17.12	-	-0.01	0.00
Artisan US Value Equity Fund Class I USD Acc	$ 12.41	-	0.01	0.00
Artisan Global Opportunities Class I EUR Acc	€ 18.27	-	-0.08	0.00

Ashmore Sicav (LUX)

2 rue Albert Borschette L-1246 Luxembourg

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Ashmore SICAV Emerging Market Debt Fund	$ 102.63	-	0.08	8.00
Ashmore SICAV Emerging Market Frontier Equity Fund	$ 151.97	-	-0.14	1.11
Ashmore SICAV Emerging Market Total Return Fund	$ 88.66	-	0.06	6.26
Ashmore SICAV Global Small Cap Equity Fund	$ 138.63	-	0.42	0.00
EM Mkts Corp.Debt USD F	$ 91.14	-	-0.06	7.92
EM Mkts Loc.Ccy Bd USD F	$ 85.22	-	0.09	-

aspect capital

Aspect Capital Ltd (UK)

Other International Funds

Fund	Bid	Offer	D+/-	Yield
Aspect Diversified USD	$ 413.83	-	-2.74	0.00
Aspect Diversified EUR	€ 246.91	-	-1.78	0.00
Aspect Diversified GBP	£ 128.32	-	-0.91	0.00
Aspect Diversified CHF	SFr 117.25	-	-0.88	0.00
Aspect Diversified Trends USD	$ 126.20	-	0.37	0.00
Aspect Diversified Trends EUR	€ 125.53	-	0.35	0.00
Aspect Diversified Trends GBP	£ 131.78	-	0.40	0.00

Atlantas Sicav (LUX)

Regulated

Fund	Bid	Offer	D+/-	Yield
American Dynamic	$ 3688.98	-	-0.33	-
American One	$ 3456.96	-	6.41	0.00
Bond Global	€ 1439.84	-	2.44	0.00
Eurocroissance	€ 915.51	-	12.83	-
Far East	$ 742.37	-	13.32	0.00

Bank of America Cap Mgmt (Ireland) Ltd (IRL)

Regulated

Fund	Bid	Offer	D+/-	Yield
Global Liquidity USD	$ 1.00	-	0.00	0.61

Barclays Investment Funds (CI) Ltd (JER)

39/41 Broad Street, St Helier, Jersey, JE2 3RR Channel Islands 01534 812800

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Bond Funds				
Sterling Bond F	£ 0.51	-	0.00	-

Baring Asset Management (UK)

Authorised Funds

Fund	Bid	Offer	D+/-	Yield
UK Authorised Unit Trust				
Baring Eastern Trust GBP Acc	818.50	-	-3.80	0.00
Baring Eastern Trust GBP Inc	803.20	-	-3.80	0.00
Baring Europe Select Trust GBP Inc	3239.00	-	-21.00	-
Baring European Growth Trust GBP Inc	1123.00	1184.00	-3.00	0.85
Baring German Growth Trust GBP Acc	685.50	-	-6.70	0.91
Baring German Growth Trust GBP Inc	624.60	-	-6.10	0.91
Baring Global Growth Trust GBP Inc	447.30	471.10	-3.40	0.00
Baring Japan Growth Trust GBP Acc	164.80	173.60	-1.40	0.01
Baring Korea Trust GBP Acc	303.10	321.10	-3.40	0.00
Baring UK Growth Trust GBP Inc	261.40	276.30	-1.80	1.32
Baring Strategic Bond Fund GBP Inc	117.60	123.70	-0.20	0.33
Baring Dynamic Capital Growth Fund GBP Acc	702.90	742.20	-3.20	2.18
Baring Dynamic Capital Growth Fund GBP Inc	274.90	290.20	-1.20	2.21
UK Authorised Open-Ended Investment Company				
Baring Multi Asset Fund GBP Acc	165.30	-	-0.40	1.22
Baring Multi Asset Fund GBP Inc	156.60	-	-0.40	1.02
Common Investment Fund				
Baring Targeted Return Fund GBP Acc	154.30	154.80	-0.30	2.90
Baring Targeted Return Fund GBP Inc	116.40	116.80	-0.30	2.95

BlackRock (JER)

Regulated

Fund	Bid	Offer	D+/-	Yield
BlackRock UK Property	£ 40.95	-	-0.15	3.48
Blackrock UK Long Lease	£ 1075.79	-	-1.26	-
BLK Intl Gold & General	$ 7.19	7.58	-0.19	0.00

BLI - Banque de Luxembourg Investments S.A.

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
BL-Equities Europe B	€ 6220.79	-	-36.45	0.00
BL-Equities America B	$ 5893.63	-	-18.07	0.00
BL-Equities Japan B	¥ 15110.00	-	-29.00	0.00
BL-Emerging Markets B	€ 167.30	-	-0.27	0.00
BL-Global Equities B	€ 771.62	-	-4.09	0.00
BL-Global 30 B	€ 1432.75	-	-4.16	0.00
BL-Global 50 B	€ 1722.24	-	-7.04	-
BL-Global 75 B	€ 2341.51	-	-12.36	0.00
BL-Global Flexible EUR B	€ 155.74	-	-1.19	0.00

BONHOTE

Fund	Bid	Offer	D+/-	Yield
Other International Funds				
Bonhôte Alternative - Multi-Arbitrage (USD) Classe (EUR)	€ 6478.00	-	75.00	1.94
Bonhôte Alternative - Multi-Performance (USD) Classe (EUR)	€ 9820.00	-	275.00	0.81

Brown ADVISORY
Thoughtful Investing.

Brown Advisory Funds plc (IRL)

http://www.brownadvisory.com Tel: 020 3301 8130

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Brown Advisory US Equity Growth Fund USD B	$ 22.98	-	-0.08	0.00
Brown Advisory US Equity Value Fund USD B	$ 12.15	-	-0.05	0.92
Brown Advisory US Flexible Equity SRI Fund USD B	$ 15.31	-	-0.04	-
Brown Advisory American Fund USD B	$ 16.21	-	-0.07	0.32
Brown Advisory US Smaller Companies Fund USD B	$ 19.58	-	-0.05	0.00
Brown Advisory US Small Cap Blend Fund USD B	$ 13.37	-	-0.05	0.00
Brown Advisory US Flexible Equity Fund USD B	$ 11.44	-	-0.03	0.00
Brown Advisory Global Leaders Fund	$ 10.26	-	-0.04	0.00

CCLA

CCLA Investment Management Ltd (UK)

Senator House 85 Queen Victoria Street London EC4V 4ET

Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
The Public Sector Deposit Fund				
The Public Sector Deposit Fund-share class 1 ♦ F	100.00	-	0.00	0.36
The Public Sector Deposit Fund-share class 2 ♦ F	100.00	-	0.00	0.00
The Public Sector Deposit Fund-share class 3 ♦ F	100.00	-	0.00	0.00
The Public Sector Deposit Fund-share class 4 ♦ F	100.00	-	0.00	0.30
The Public Sector Deposit Fund-share class 5 ♦ F	100.00	-	0.00	0.00

CCLA Investment Management Ltd (UK)

Senator House 85 Queen Victoria Street London EC4V 4ET

Property & Other UK Unit Trusts

Fund	Bid	Offer	D+/-	Yield
CBF Church of England Funds				
Investment Inc	1453.07	1469.14	-0.18	3.78
Investment Acc	3051.98	3085.74	-0.39	-
Global Equity Inc	170.53	172.42	0.11	4.31
Global Equity Acc	258.48	261.34	0.17	-
UK Equity Inc	156.91	158.33	2.36	4.05
UK Equity Acc	240.41	242.59	3.62	-
Fixed Interest Inc	179.92	180.82	-0.93	3.96
Fixed Interest Acc	564.18	567.01	-2.92	-
Property Fund Inc	129.18	133.51	0.04	5.75

CCLA Fund Managers Ltd (UK)

Senator House 85 Queen Victoria Street London EC4V 4ET

Property & Other UK Unit Trusts

Fund	Bid	Offer	D+/-	Yield
COIF Charity Funds (UK)				
Investment Inc	1324.76	1339.42	0.70	3.62
Investment Acc	13111.54	13256.56	6.91	-
Ethical Invest Inc	203.44	205.69	0.12	3.73
Ethical Invest Acc	269.78	272.76	0.15	-
Global Equity Inc	160.98	162.76	0.46	4.41
Global Equity Acc	246.86	249.59	0.71	-
Fixed Interest Inc	148.21	148.95	-0.36	4.14
Fixed Interest Acc	876.08	880.47	-2.13	-
Property Inc	110.93	114.65	0.04	5.77
Local Authorities Property Fd (LAMIT) (UK)				
Property	279.17	302.71	-0.03	4.81

CG Asset Management Limited (IRL)

Northern Trust, George's Court, 54-62 Townsend Street, Dublin 2, Rep of Ireland
00 353 1 434 5098

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Capital Gearing Portfolio Fund Plc	£ 29337.47	29337.47	-99.66	0.56
CG Portfolio Fund Plc				
Real Return Cls A	£ 196.90	196.90	-3.24	1.47
Dollar Fund Cls D	£ 153.52	153.52	1.12	1.37
Capital Value Fund Cls V	£ 142.57	142.57	-0.50	-

Canada Life Investments

Canada Life Investments (UK)

1-6 Lombard Street, EC3V 9JU. Dealing 0345 606 6180

Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Asia Pacific B Acc	902.60	-	-8.93	1.09
Balanced B Acc	164.76	-	-0.88	1.76
Corporate Bond B Inc	219.35	-	-1.79	3.72
European B Acc	280.67	-	-1.73	1.88
Global Bond B Inc	108.94	-	-0.49	2.57
Global Equity B Acc	715.91	-	0.13	1.60
Global Equity Income B Inc	140.69	-	-0.44	3.43
Global High Yield Bond B Inc	97.41	-	-0.01	4.72
Global Infrastructure B Acc	137.64	-	0.41	2.08
Global Resource B Acc	105.35	-	1.03	0.49
Japan B Acc	59.22	-	-0.39	0.70
Portfolio III B Acc	117.65	-	-0.83	-
Portfolio IV B Acc	119.27	-	-0.78	2.18
Portfolio V B Acc	119.64	-	-0.69	1.46
Portfolio VI B Acc	119.59	-	-0.76	1.50
Portfolio VII B Acc	115.85	-	-0.79	1.30
North American B Acc	1088.38	-	2.42	1.31
Strategic Return B Acc	114.36	-	-1.57	-
Total Return B Acc	105.45	-	0.00	1.53
UK Equity B Acc	109.00	-	-0.82	1.71
UK Equity & Bond Income B Inc	243.87	-	-1.58	4.26
UK Equity Income B Inc	433.02	-	-3.10	3.98
UK Government Bond B Inc	51.51	-	-0.75	1.65

CANDRIAM INVESTORS GROUP
A NEW YORK LIFE COMPANY

Candriam Investors Group (LUX)

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Candriam Eqts L Australia Cap	A$ 1024.64	-	-9.32	0.00
Candriam Eqts L Sust World Cap	€ 289.74	-	-1.09	0.00
Candriam Bds Euro Cap	€ 1195.16	-	3.81	-
Candriam Bds Euro Infl Linked Cap	€ 146.46	-	-0.64	0.00
Candriam Qt-Eqts Europe Cap	€ 2236.88	-	-7.01	0.00
Candriam Qt-Eqts USA Cap	$ 2486.71	-	9.18	0.00

Candriam Investors Group (BE)

FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Candriam Sust Euro Bonds Cap	€ 376.39	-	-1.36	-
Candriam Sust North America Cap	$ 42.35	-	-0.03	0.00
Candriam Sust World Cap	€ 26.82	-	-0.10	0.00

Candriam Investors Group

Other International Funds

Fund	Bid	Offer	D+/-	Yield
Candriam Eqts L Emerging Mkts Cap	€ 714.35	-	-1.82	0.00
Candriam Eqts L Euro 50 Cap	€ 520.89	-	-1.38	0.00
Candriam Eqts L Europe Cap	€ 939.90	-	-4.92	0.00
Candriam Eqts L Japan Cap	¥ 18394.00	-	-74.00	0.00
Candriam Bonds Credit Opportunities	€ 196.69	-	-0.04	-
Candriam Bds Euro Conv. Classic Cap	€ 3595.79	-	-0.71	0.00
Candriam Bds Euro Corp ExFin Cap	€ 172.95	-	0.45	0.00
Candriam Bds Euro Gov.Cl.Cap	€ 2387.42	-	-12.14	-
Candriam Bds Euro High Yield Cap	€ 1067.03	-	-0.05	-
Candriam Bds Euro High Yield R Cap	€ 118.97	-	0.00	0.00
Candriam Bds Euro Long Term Cap	€ 8714.79	-	-63.66	0.00
Candriam Bds Euro Sh.Term Cap	€ 2095.62	-	1.32	0.00
Candriam Bds International Cap	€ 1032.45	-	0.86	-
Candriam Bds USD Cap	$ 981.15	-	-3.84	-
Candriam Total Return Bond Cap	€ 134.16	-	-0.07	-

CAPITA
Asset Services

Capita Asset Services (UK)

40 Dukes Place, London EC3A 7NH
Order Desk and Enquiries: 0345 922 0044

Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
CF Heartwood Cautious B Acc ✠	134.68	-	-0.07	0.32
CF Heartwood Cautious Income B Inc ✠	112.62	-	0.03	2.97
CF Heartwood Growth B Acc ✠	155.84	-	0.08	0.70
CF Heartwood Balanced Income B Inc ✠	114.84	-	0.17	3.69
CF Heartwood Balanced B Acc ✠	133.44	-	0.09	0.55
CF Heartwood Defensive Multi Asset Fund B Accumulation	113.33	-	-0.09	0.03
CF Richmond Core ✠	194.06	-	0.74	0.00
CF Seneca Diversified Growth A ACC	231.61	-	0.24	1.52
CF Seneca Diversified Growth B ACC	137.74	-	0.15	2.38
CF Seneca Diversified Growth N ACC	136.11	-	0.14	2.12
CF Seneca Diversified Income A INC	90.67	-	0.04	5.13
CF Seneca Diversified Income B INC	108.01	-	0.05	-
CF Seneca Diversified Income N INC	106.80	-	0.05	-
Investment Adviser - DSM Capital Partners				
The Westchester ✠	$ 28.39	-	-0.10	0.00
The Westchester Class 1 GBP Acc	£ 23.11	-	0.03	-
The Westchester Class 2 GBP Acc	£ 23.18	-	0.02	-
Investment Adviser - Morant Wright Management Limited				
CF Morant Wright Japan A ✠	319.12	-	-1.28	0.16
CF Morant Wright Japan A Inc ✠	313.84	-	-1.26	0.16
CF Morant Wright Japan B ✠	340.90	-	-1.36	0.69
CF Morant Wright Japan B Inc ✠	318.96	-	-1.28	0.67
CF Morant Wright Nippon Yield ACC A ✠	330.51	-	-1.90	2.12
CF Morant Wright Nippon Yield ACC B ✠	344.05	-	-1.97	2.11
CF Morant Wright Nippon Yield Fund A Inc ✠	282.84	-	-1.63	2.16
CF Morant Wright Nippon Yield Fund B Inc ✠	294.54	-	-1.69	2.15

Castle Trust GROUP

Castle Fund Administrators Limited (GIB)

932 Europort, Gibraltar GX11 1AA
Tel: +350 200 40466
www.castlefundadministrators.com

Other International Funds

Fund	Bid	Offer	D+/-	Yield
Inspirato Fund No. 2 PCC Limited - Cell A	£ 38952.86	-	-309.12	0.00
Inspirato Fund No. 2 PCC Limited - Cell B	£ 97158.80	-	-680.78	0.00
Inspirato Fund No. 2 PCC Limited - Cell C	$ 92680.55	-	-551.12	0.00
Inspirato Fund No. 2 PCC Limited - Cell D	£ 96121.88	-	-2046.99	0.00
The Global Financial Infrastructure Fund	£ 92036.55	-	-7570.84	0.00
The Global Technology Infrastructure Fund	£ 89337.66	-	-10151.64	0.00
The London, Key Cities & Counties Social Infrastructure Fund	£ 92305.62	-	-7063.68	0.00
The Vaccicure Fund	£ 100000.00	-	-	-

Cavendish Asset Management Limited (1200)F (UK)

Chelsea House, Westgate, London W5 1DR
IFA Enquiries 020 8810 8041 Admin/Dealing 0870 870 7502

Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Cavendish Opportunities Fund B Class	1100.00	-	17.00	1.50
Cavendish Opportunities Fund C Acc	1152.00	-	18.00	1.50
Cavendish Worldwide Fund B Class	345.70	-	-1.60	0.84
Cavendish Worldwide Fund C Acc	357.10	-	-1.70	0.90
Cavendish AIM Fund B Class	186.40	-	2.90	0.64
Cavendish Asia Pacific Fund B Class	194.00	-	-0.90	1.42
Cavendish Asia Pacific Fund C Acc	202.70	-	-0.90	1.39
Cavendish European Fund B Class	166.40	-	-0.60	-
Cavendish Japan Fund B Class	185.40	-	-1.30	0.64
Cavendish North American Fund B Class	222.30	-	-0.20	-
Cavendish Technology Fund B Class	353.00	-	-1.30	-
Cavendish UK Balanced Income Fund B Class	144.40	-	-0.30	4.85
Cavendish UK Select Fund B Class	152.90	-	-0.50	-

Cedar Rock Capital Limited (IRL)

Regulated

Fund	Bid	Offer	D+/-	Yield
Cedar Rock Capital Fd Plc	$ 395.22	-	-6.81	0.00
Cedar Rock Capital Fd Plc	£ 473.74	-	-14.32	0.00
Cedar Rock Capital Fd Plc	€ 369.41	-	-4.98	0.00

Charles Schwab Worldwide Funds Plc (IRL)

Regulated

Fund	Bid	Offer	D+/-	Yield
Schwab USD Liquid Assets Fd	$ 1.00	-	0.00	0.01

Chartered Asset Management Pte Ltd

Other International Funds

Fund	Bid	Offer	D+/-	Yield
CAM-GTF Limited	$ 319501.51	319501.51	-3227.04	0.00
CAM GTi Limited	$ 791.62	-	38.82	-
Raffles-Asia Investment Company	$ 1.73	1.73	0.09	4.97

Cheyne Capital

Cheyne Capital Management (UK) LLP (IRL)

Regulated

Fund	Bid	Offer	D+/-	Yield
Cheyne Convertibles Absolute Return Fund	€ 1360.06	-	0.36	0.00
Cheyne Global Credit Fund	€ 122.92	-	0.05	0.00
Cheyne European Mid Cap Fund	€ 1081.59	-	0.96	0.00

Cheyne Capital Management (UK) LLP

Other International Funds

Fund	Bid	Offer	D+/-	Yield
Cheyne European Event Driven Fund	€ 132.72	-	6.54	0.00