

EIC PRE-CONFERENCE POLL

October 2013



ABOUT THE SURVEY

Background and Purpose

- The purpose of this survey is to gather feedback from members in Europe on key issues that are affecting investors in advance of the EIC conference. The questions are linked to the most topical and interesting speakers at the conference, united by the overarching theme of the conference: “Beyond Austerity: Opportunities for European Investors in the Global Market.”
- Responses will contribute to an exciting media program before, during and after the conference.

Methodology

- On 8 October 2013, 7,000 CFA Institute members in Europe were invited via email to participate in an online survey. One reminder was sent to non-respondents on 16 October and the survey closed on 21 October 2013. 200 valid responses were received, for a response rate of 3% and a margin of error of $\pm 6.8\%$.

Respondent Profile

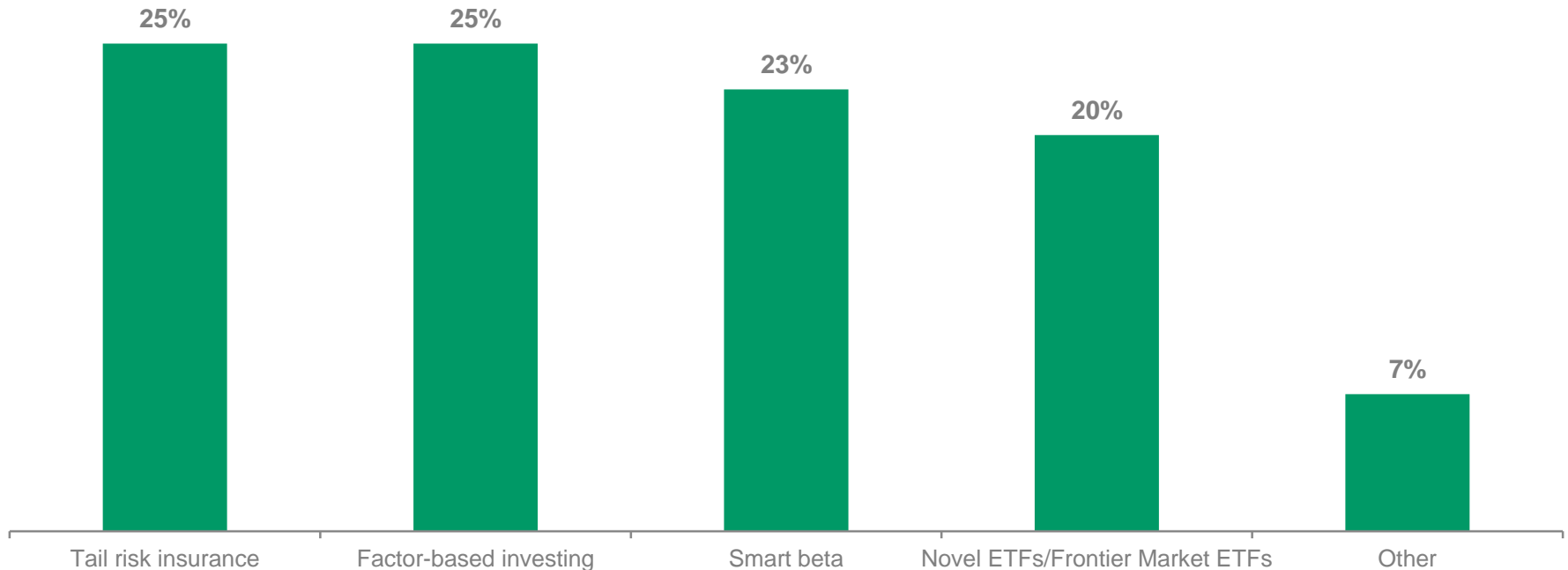
- The top job functions of respondents are portfolio manager (20%), research analyst (9%), risk manager (9%), strategist (7%) and investment banking analyst (6%). 50% of respondents listed other occupations and 8% of respondents did not provide an occupation.
- The majority of respondents are located in United Kingdom (20%), Germany (15%), Switzerland (12%), and France (6%).

SURVEY RESULTS

MOST INNOVATIVE TECHNIQUE/NOVELTY

Respondents are fairly divided when it comes to choosing the most innovative technique/novelty in investment; 25% said tail risk insurance, 25% said factor-based investing, 23% said smart beta, 20% said novel ETFs/Frontier Market ETFs and 7% indicated an 'other' option.

What is the most innovative technique/novelty in investment? (N=128)

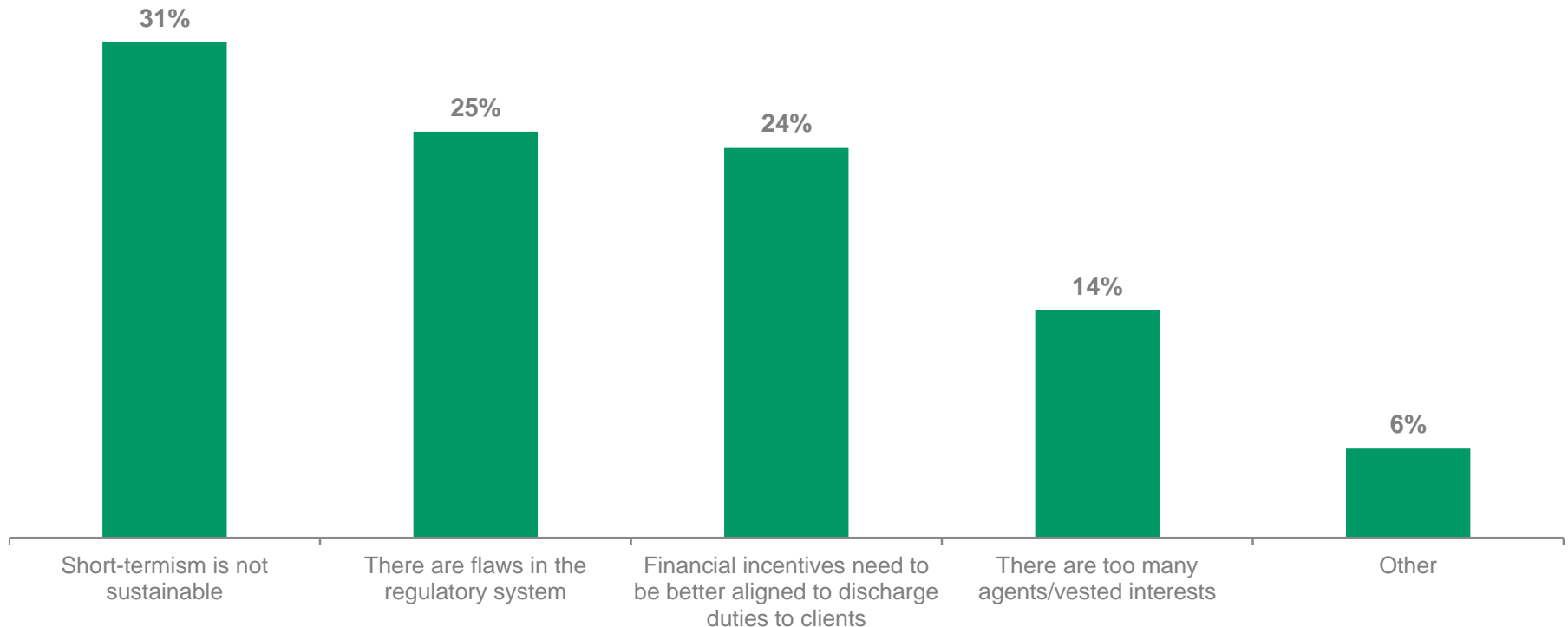


Excludes 36% who indicated 'Don't know'

LESSONS LEARNED

Respondents think the most important lesson learned from the financial crisis is that short-termism is not sustainable (31%). 25% indicated there are flaws in the regulatory system, 24% said financial incentives need to be better aligned to discharge duties to clients, and 14% said there are too many agents/vested interests. 6% of respondents wrote in an 'other' option.

What is the most important lesson learned from the financial crisis? (N=198)

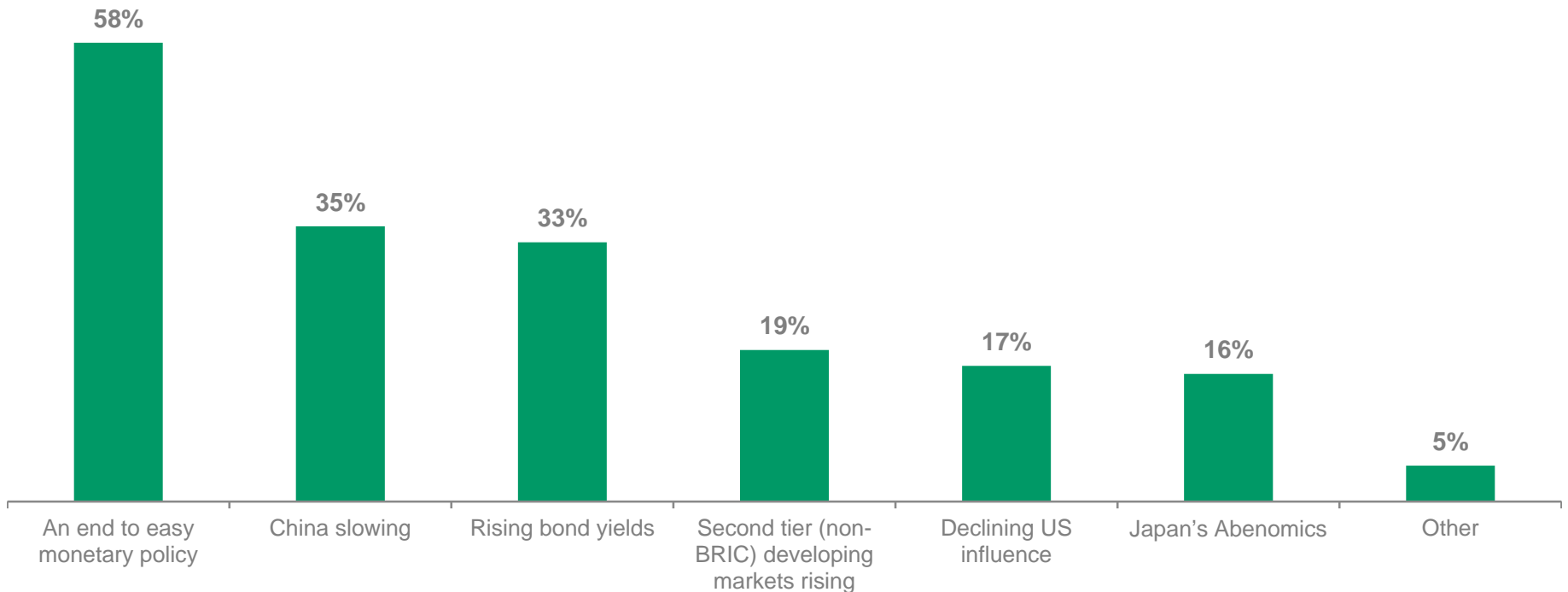


Excludes 1% who indicated 'Don't know'

EMERGING THEMES

58% of respondents think the most important emerging theme in the market right now is an end to easy monetary policy, followed by china slowing (35%) and rising bond yields (33%).

What are the most important emerging themes in the markets right now? (N=198)

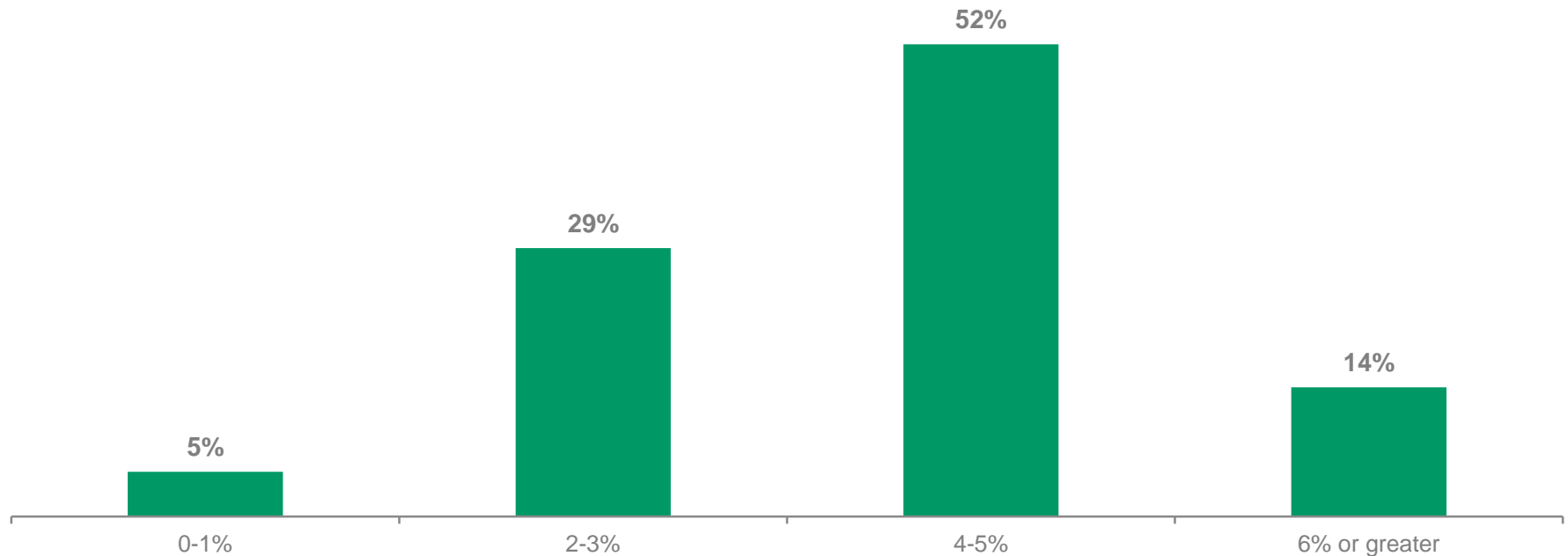


Excludes 1% who indicated 'Don't know'

EQUITY RISK PREMIUM

Over half of respondents (52%) think the equity risk premium will be between 4-5% for the next 12 months, followed by 29% who think it will be 2-3%.

What do you think the equity risk premium (expected investor return for accepting equity risk over the risk free rate) will be for the next 12 months?
(N=184)

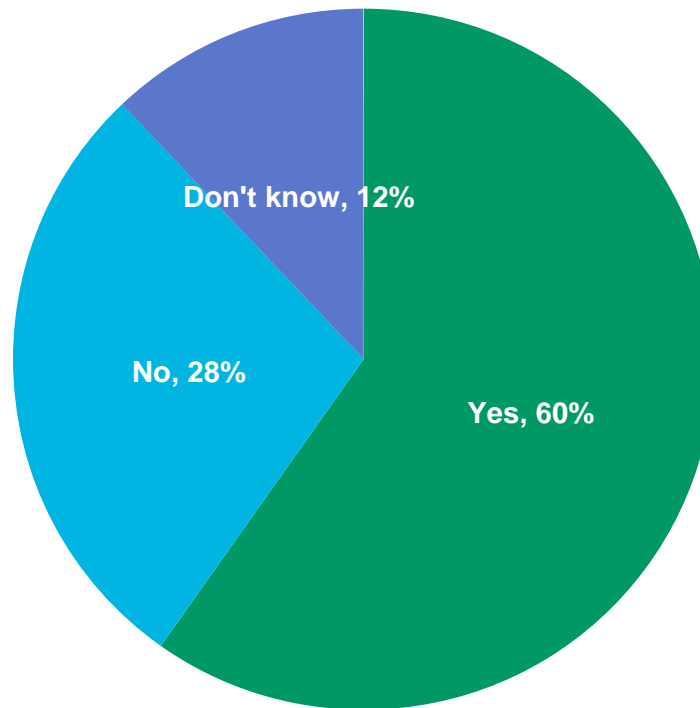


Excludes 8% who indicated 'Don't know'

SIZE OF MANAGED FUNDS

The majority of respondents (60%) think that the aggregate size of active management/actively managed funds is larger than what could be justified by financial performance. 28% do not think that is true, and 12% indicate 'don't know.'

Do you think the aggregate size of active management/actively managed funds is larger than what could be justified by financial performance? (N=199)

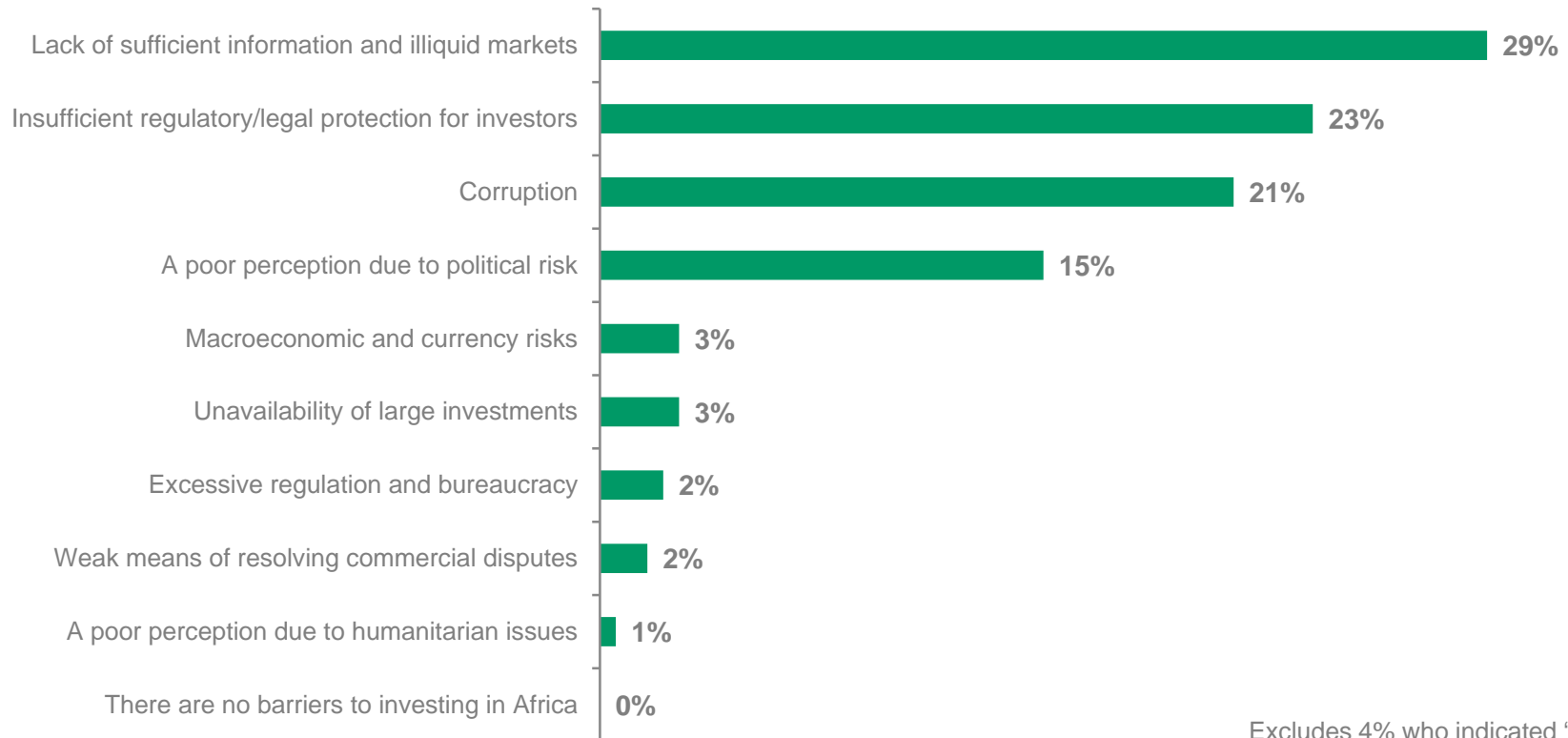


Excludes 12% who indicated 'Don't know'

BARRIER TO INVESTING IN AFRICA

Respondents indicate the largest barrier to investing in Africa as a lack of sufficient information and illiquid markets (29%) followed by insufficient regulatory/legal protection for investors (23%) and corruption (21%).

What is the largest barrier to investing in Africa? (N=193)

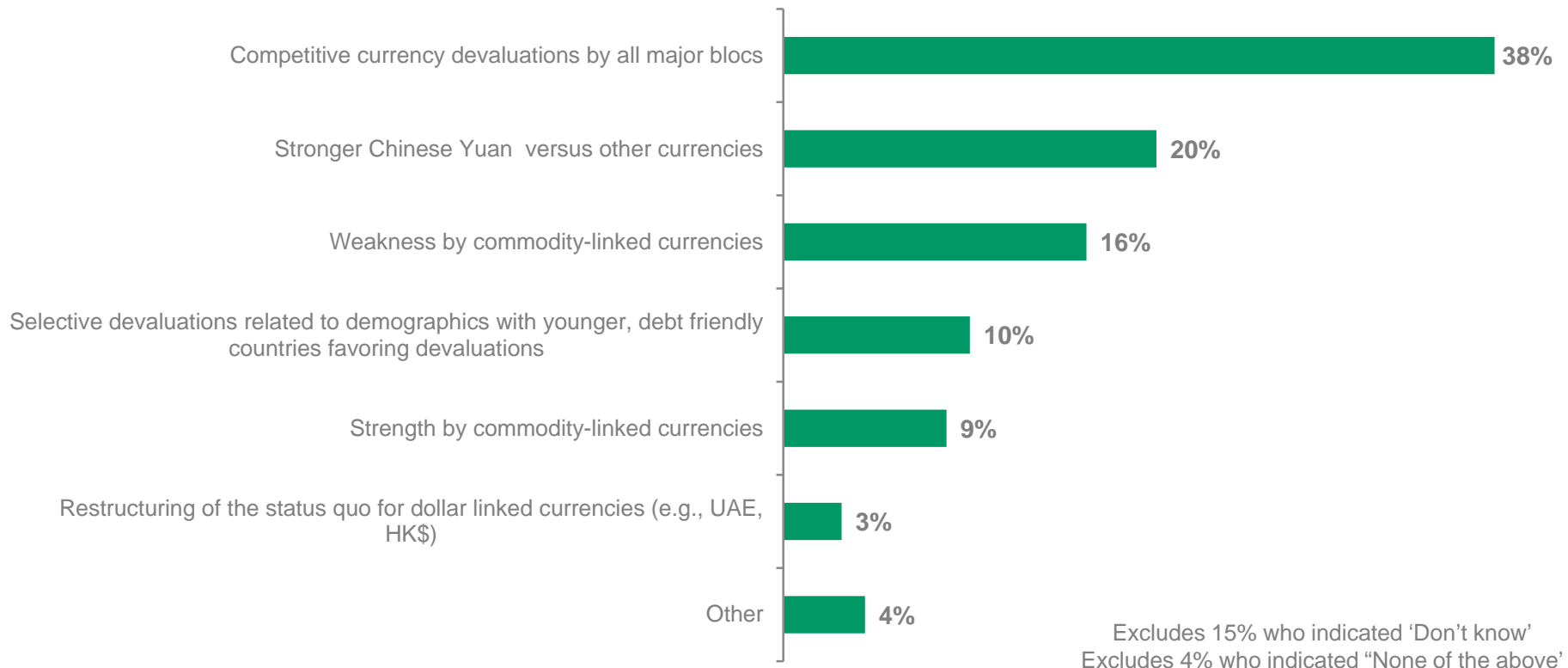


Excludes 4% who indicated 'Don't know'

OUTCOME IN INTERNATIONAL CURRENCIES

The majority of respondents (38%) indicate competitive currency devaluations by all major blocs is the most likely outcome in international currencies over the next 12 months, followed by a stronger Chinese Yuan (20%) and weaknesses by commodity-linked currencies (16%).

What is the most likely outcome in international currencies over the next 12 months? (N=161)



OPEN-END COMMENTS

COMMENTS

What is the most innovative technique/novelty in investment? – Other

- At the moment, I do not see anything truly innovative. And certainly none of the above could be labeled as such.
- Behavioural finance
- Diversification
- Investment seems to be in "back to basics" mode in instrument terms, but remains good at devising interesting labels
- Mean CVar
- Return of long term investing - by pension funds, value investors, followers of Warren Buffet, etc
- Structured derivatives
- There aren't any just old ideas dressed up in new marketing twaddle
- There has been no real Innovation

COMMENTS

What is the most important lesson learned from the financial crisis? – Other

- Central banking has failed
- Cheap money and currency debasement does not lead to long term sustainable growth
- Don't borrow money you can't pay back!
- Excess liquidity combined with low interest rates is very addictive and causes asset bubbles!
- Financial Crisis are a normal part of the economic cycle, each slightly different will repeat with a different flavor each generation
- It is the risk what is rewarded with return, better risk management leads to better yield
- Regulation fights the latest war. You cannot protect against greed. Human nature always prevails.
- The banking system has to be reformed
- The perils of interconnectedness
- Too much regulation and government intervention
- Without moral and ethical behavior, the crisis will repeat

COMMENTS

What are the most important emerging themes in the markets right now? – Other

- Crisis of the inflation culture
- Currency devaluation
- end of petro-dollar
- Europe is back ... at last on the news
- Eurozone crisis not completely over
- Low growth environment
- Situation of China's financial sector
- US government deadlock and potential default
- US monetary policy

What is the largest barrier to investing in Africa? – Other

- Almost all of the former reasons apply
- Lack of a satisfactory work ethic in the local workforce. This causes unacceptable disruptions and delays.
- Restricted markets
- very few alternatives to truly investable markets
- Very hard to just pick one of the above.

COMMENTS

What is the most likely outcome in international currencies over the next 12 months? – Other

- casual
- devaluation auf emerging market currencies due to Fed tapering
- no one knows
- Strength of selective emerging market currencies
- USD losing some significance as a reserve currency
- Volatility through policy paralysis
- weakness by current account deficit countries

Additional Comments

- The economic and financial crisis is not over. Nor is the need for austerity. Debt must be sustainable and budget deficits need to continue to reduce. Consequently, the disposable income / inflation gap will remain an important issue. More efficiencies are needed to reduce inflation. The biggest challenge in Europe will continue to be the necessary reform of the banking sector.
- We remain mired in the largest, most ambitious monetary policy experiment ever seen in the history of financial markets- how that is managed (it cannot be unwound) sets the tone for all investments. There has been very little "real" organic improvement in underlying economies, particularly in Europe, which forces Central Banks to maintain their role as insuring downside tail risk in markets.