

World Cup of Investment Management Conference

- 03/23/2006

Some 250 delegates convened in Barcelona Feb. 27-28 for IMN's World Cup of Investment Management. Attendees explored investor obsession with alpha as well as liability-driven investments as urgency grows on plugging the huge U.K. pension deficit. Also discussed was how plan sponsors should comply with the new accounting regulations and how to bolster returns. Boutiques and large fund management houses also saw their performance compared and delegates were urged to give hedge funds another chance. Managing Editor **Venilia Batista** filed the following stories:

Boutiques Perform Better

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Kevin Carter

Traditional boutique fund managers are more likely to perform better and retain clients than their larger competitors, delegates heard. "A lot of good talent has gravitated over to the hedge fund world [from traditional houses]," said **Kevin Carter**, head of European investment consulting at **Watson Wyatt**. "If you want true aggressive alpha you probably won't find it in large firms," he added.

Boutique firms pay more and have a culture where "is the kind of company [managers] want to work in," Carter explained. Quite often boutiques are employee-owned and managers have more freedom to make decisions in relation to a firm's business model. However, Carter said there could be a boutique model within a large firm, but "it needs outstanding management to achieve targets." For this to work, there should be a flat hierarchy and the business needs to be client-centred and have a longer-term horizon. Associate ownership and long-term incentives for fund managers are also a bonus, he concluded.

Is It Enough?

Guaranteed Minimum DC Returns May Arrive In The U.K.

- 03/23/2006



Chris Edge

A guaranteed minimum return may soon be applied to defined contribution schemes in the U.K., as new DC schemes continue to open, delegates heard. **Edwin Meysmans**, managing director at **Pensioenfond KBC**, said Belgian DC schemes already have to guarantee a 3.75% return so the investment risk is not entirely on the employee.

Chris Edge, ceo at **EPIC Investment Consulting**, told *GMM*, that minimum guaranteed returns for DC schemes is a good concept, but "the question is will it be enough to solve the current U.K. pensions deficit." He added that the U.K. "would need more than that [3.75%]," suggesting that only triple that amount would start to make a difference.

Meysmans explained that this guaranteed minimum return is already affecting the asset allocation of DC schemes in Belgium. Pension funds are reducing their equity allocations and increasing investments in property and bonds in order to obtain steady returns. KBC has already started a review process and will soon implement a new asset allocation. It has reduced its equity allocation to 50% from 57% and increased its bond exposure to 40% from 36% and property to 10% from 7% (GMM, 26/1). All its assets are managed internally.

Hedge Funds Should Be Given Another Chance

- 03/23/2006

Alan Saunders, senior adviser at **EPIC Investment Advisers**, told delegates that pension schemes should give hedge funds a second chance, after extensive negative press coverage over the asset class' underperformance last year. Institutions should invest in hedge funds to reduce volatility and diversify their portfolios, not just to outperform equity and "make a quick buck," he said.

Hedge funds should be looked at as a long-term investment, Saunders explained, adding that, in a market cycle for a traditional or indeed alternative asset class such as private equity, it is "too early to conclude that hedge funds have failed." The ideal pension fund allocation to alternatives, including hedge funds, private equity, commodities, infrastructure and derivatives, should be a minimum of 10%, he advised. He noted that U.K. local authorities are already becoming more adventurous with their asset mix, but current alternative allocations are still low compared to their European and U.S. counterparts.

Seen 'N' Heard

- 03/23/2006

* **SOMETHING NEW?** The number of delegates at the conference this year declined dramatically to just over 200 from 750 in 2004. Several delegates said the market is saturated with conferences with the same subject--liability-driven investments, commodities, hedge funds and portable alpha. "They're all about the same bloody thing," said an official at **Northern Trust Global Investors**.

* **HAVING A BALL.** Several **Janus Capital Group** employees enjoyed a game of football in the main exhibition area by their stand while waiting for conference sessions to end. The ball was a gift from **Credit Suisse**.