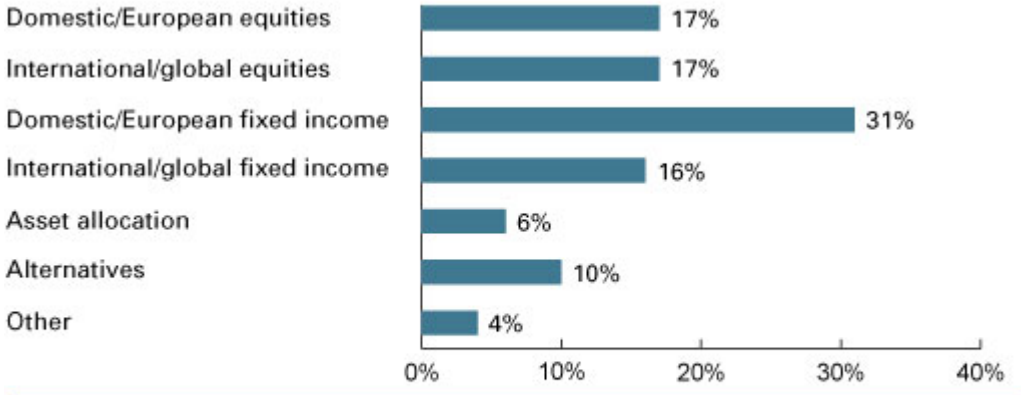
Continued Strong Outflows from Government Bonds Predicted

April 23, 2015

Investment fund intermediaries expect record-low returns in European government bonds to continue to fuel a dramatic shift of client assets into a wide range of products, including equities, emerging market and corporate bonds, multi-asset products, and alternative investments.

Although flows into fixed-income funds overall are expected to remain positive, 2014 Study results indicate that this growth will not be supported by net positive flows into traditional government bond funds. Against the backdrop of the European Central Bank kicking off its long-awaited government bond buying program, a full 62% of the fund distributors say they expect their clients to “significantly decrease” allocations to Domestic/European government bonds over the next three years.

European Intermediary Distributors’ Asset Mix – 2014



Note: Results are based on interviews with 199 individuals at European distributors in 2014. Percentages are Euro-weighted; assets are not projected and comprise intermediary distributors disclosing asset.
Source: Greenwich Associates 2014 European Intermediary Distribution Study

Distributors Add New Products to Meet Investor Deman:

- Distributors are looking for additional offerings to help clients maximize risk-adjusted returns through adding absolute-return and multi-asset strategies, and many are turning to income-generating equity funds to drive income streams.
- Equity products are also expected to be beneficiaries of the declining interest in government bonds.
- Our research shows that 75% of the distributors that responded expect to see significant increases in

allocations to emerging market equities, and 56% expect big increases in Asia Pacific equity allocations.

Distributors have also added products in all alternatives categories, but continue to look for significant opportunities to add more, especially in hedge funds, structured bond products and private equity.



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