Cerulli Quantitative Update

Latin American Distribution Dynamics 2012

Exploring Institutional Opportunities for Global Asset Managers

CERULLI ASSOCIATES
Global Analytics

Overview

This report, in its seventh iteration, focuses on the distribution and product development trends in the six major Latin American asset management marketplaces, including Argentina, Brazil, Chile, Colombia, Mexico, and Peru with an emphasis on the emerging opportunities for international firms in each. All firms covered are registered locally, and their products are offered publicly in their respective countries. This report is developed in partnership with Latin Asset Management (www.fundpro.com) and provides the strategic advice necessary for evaluating the business potential of these markets, and guidance on how to pursue successful strategies in each.

Charts include mutual fund and pension fund data cuts by variables such as distribution channel, investment objective, asset class, exposure to cross-border vehicles, and net new flows. Comparative intraregional favorability ratings round out the report.

Key Reasons to Buy This Report:

- Measure demand for cross-border products and benchmark strategies against peers
- Rank asset managers by country
- Evaluate detailed regional underlying holdings data of pension funds, mutual funds, and insurers
- Learn local and regional regulations impacting distribution
- Gauge demand for passive and active strategies of institutional investors when allocation abroad

Answer These and Other Critical Questions:

1. Which Latin American countries present the greatest opportunity? What are the growth drivers in each region and each country?
2. How much will Latin American institutional investors be allocating abroad in five years?
3. How are local regulations evolving to allow institutional investors to invest more overseas?
4. What is the demand for equities vs. fixed income?
5. What is the opportunity for ETFs?
6. What is the outlook for cross-border fund distribution?
7. Is now the time to consider entry into the Brazilian market?

LATIN ASSET MANAGEMENT

208 pages, 157 exhibits

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from

CERULLI QUANTITATIVE UPDATE:
LATIN AMERICAN DISTRIBUTION DYNAMICS 2012:
EXPLORING INSTITUTIONAL OPPORTUNITIES FOR GLOBAL ASSET MANAGERS

EXHIBIT 6.05

Brazilian Mutual Fund AUM Marketshare by Distribution Channel, 2007-2011

Sources: Anbima, CVM, Latin Asset Management, Cerulli Associates

Distribution Channel	2007	2008	2009	2010	2011
Direct sales to institutions	44.5%	48.7%	45.4%	49.9%	52.6%
Retail bank agencies	30.2%	27.9%	24.7%	21.9%	18.9%
Private bank	14.1%	13.1%	16.8%	16.0%	14.9%
Direct sales to individuals	9.3%	8.6%	10.8%	10.3%	11.7%
Brokerage	1.2%	0.8%	1.2%	0.9%	0.8%
Independent advisory	0.5%	0.7%	0.9%	0.9%	1.0%
Insurance	0.2%	0.1%	0.3%	0.1%	0.1%

- Mutual fund AUM sold via the retail banking segment took yet another major hit in 2011, shedding three points of marketshare. Since 2007, the retail channel has lost more than 11 points of marketshare.
- Meanwhile, institutional investors continue to gain in importance for the fund management industry, with the segment reaching almost 53% of marketshare. This segment is the most stable, as Brazilian corporate investors and pension funds have long been buyers of fixed-income mutual funds.
- Affluent clients are served by private banks, boutique asset managers, and independent advisors, and these distributors have become as a group the second most-important channel behind the institutional segment, with 28% of the market.

Key Implication: Most of the mutual-fund market growth is coming on the backs of institutional and affluent investors. Retail investors are not in a savings mood as banks are overwhelming them with incentives to borrow and spend (with debit cards).

EXHIBIT 7.25

Largest 10 Cross-Border Fund Vendors by AFP Assets Under Management by Asset Class, 2011 (US$ millions)

Sources: SAFP, Latin Asset Management, Cerulli Associates

Rank	Manager	AUM	Equity	Fixed Income
1	Fidelity	$6,712.4	$4,921.4	$1,791.0
2	Franklin Templeton	$4,565.5	$4,465.1	$100.5
3	Vanguard	$4,393.8	$4,393.8	
4	iShares	$3,440.6	$3,440.6	
5	Investec	$2,425.8	$901.8	$1,524.1
6	Schroder	$2,226.6	$1,029.0	$1,197.6
7	Dimensional	$1,879.1	$1,879.1	
8	State Street	$1,670.6	$1,670.6	
9	Julius Baer	$1,622.9	$57.5	$1,565.5
10	BNP Paribas	$1,603.6	$880.9	$722.7
11	Aberdeen	$1,506.4	$1,506.4	
12	Pictet	$1,405.1	$171.0	$1,234.2
13	BlackRock	$1,301.1	$359.4	$941.7
14	Axa	$1,297.1		$1,297.1
15	Henderson	$1,266.1	$1,266.1	
16	Robeco	$1,151.4	$424.0	$727.4
17	Pioneer Group	$1,062.2	$140.2	$922.0
18	JPMorgan	$976.3	$883.2	$93.1
19	HSBC	$600.0	$508.4	$91.5
20	UBS	$560.3	$143.3	$417.0
	Others	$3,788.6	$2,573.9	$1,214.7
	Total	**$45,455.3**	**$31,615.4**	**$13,839.9**

- Managers with good-performing large-sized funds both in fixed income and equities can be counted on the fingers of one hand, as shown by the fact that Fidelity, Investec, Schroders, and BNP have been able to maintain significant investments in both asset classes.
- This is always an advantage because of the tendency of AFPs to deal with fewer managers, and therefore have more options to choose from with a single manager. Obviously, specialists in an asset class have their advantages, but in the case of changes in asset allocation, they are less prepared to take part in rebalancing.

Key Implication: The local multi-brand distributors—such as Celfin, LarrainVial, Vision Advisors, and Compass—are a good example of how to compose a fund offering for AFPs because they usually have a global manager, a specialist in fixed income and another in equity, as well as a couple of more specialized firms.

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