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## Cerulli surveys global DC trends

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By Editor Test      Thu, Mar 7, 2013

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Global defined contribution (DC) assets should reach US\$13.7 trillion by 2016, according to the latest report from Cerulli Associates. By then, Australia will be the third-largest market after the United States and the United Kingdom.

In other Cerulli findings:

The United Kingdom is the only market with assets in excess of US\$1 trillion that is expected to have double-digit growth. Asia ex-Japan shows immense potential with Korea and Taiwan registering the strongest growth rates across the region. China, Hong Kong, and Thailand are expected to grow more than 10%.

Europe has the greatest immediate potential for growth. The region is forecast to have more than US\$6.8 billion in assets under management in 2013. The United Kingdom and the Netherlands have the greatest potential, but Poland also offers huge opportunities. Managers can tap growth in disparate markets, but local knowledge, language skills, and after-sales service are needed to access the addressable assets. While it is possible to identify common themes, much also depends on a country's regulatory environment and investment heritage.

"Performance is considered an important attribute by most European trustees and consultants, but low fees act as a trump card in competitive tenders in Italy," says Barbara Wall, director at Cerulli Associates. "In Germany it is steadiness of returns and a coherent investment strategy that win. In the Netherlands and the Nordic region expertise in proven alpha niches is a competitive advantage, whereas in France it is an association with an insurance company that holds sway."

In other findings:

- In the United States, United Kingdom, and Latin America, consultants are the most important gatekeepers. In contrast, their role is less significant in Asia and continental Europe, where banks and insurance companies are the primary gatekeepers. Auto-enrollment in the United Kingdom opens the door to platforms, which will be particularly appealing to employers keen to outsource complex and time-consuming processes.
- In the United States, as income from defined benefit schemes dwindles, consultants' interests in DC plans clashes with retirement specialist advisors. Advisors are moving up-market from small plans and have developed fee-for-service models. Cerulli research indicates that there are more than 3,000 specialist advisors in the United States, of which about 600 teams demonstrate consultant-like characteristics. Opportunities for consultants in Brazil, meanwhile, are likely to mushroom as rules on international investing are liberalized.
- Pressure on fees is one trend that is close to being universal. Most of the investors polled in the

Nordic region, the United Kingdom, and the Netherlands told Cerulli the crisis has prompted them to negotiate fees more vigorously. These same interviewees also said they were prepared to share extra returns with managers who could deliver stable performance. Continuity in returns was the common requirement and a key to new business.

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