

MEMBER SURVEY ON THE IMPACT OF POLITICAL UNCERTAINTY ON THE ASSET MANAGEMENT INDUSTRY

February 2017



CFA Institute



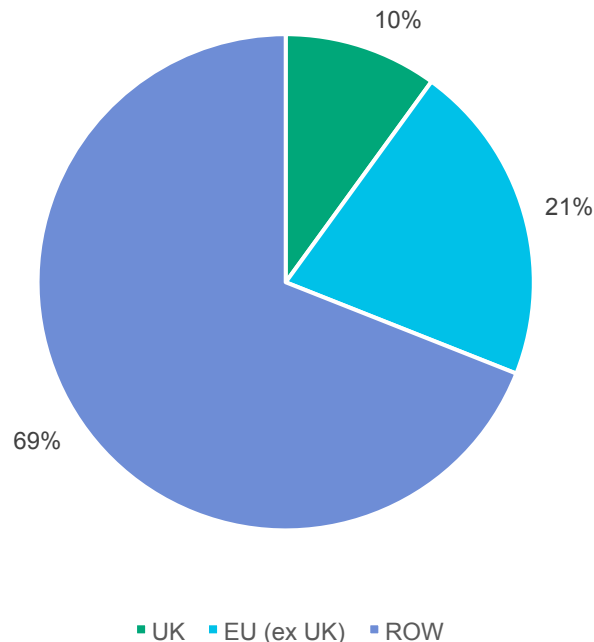
ABOUT THE SURVEY

METHODOLOGY

- An email invitation was sent to 45,000 randomly selected CFA Institute members (15,000 per region) to participate in an online survey.
- The survey was open from 6 February – 13 February 2017.
- 1,428* valid responses of members were received, for a response rate of 3% and a margin of error of $\pm 2.6\%$
- 10% (143 respondents) are from the UK, 21% (295 respondents) from other EU countries (excluding the UK), and the remaining 69% (990) are from the rest of the world (ROW).

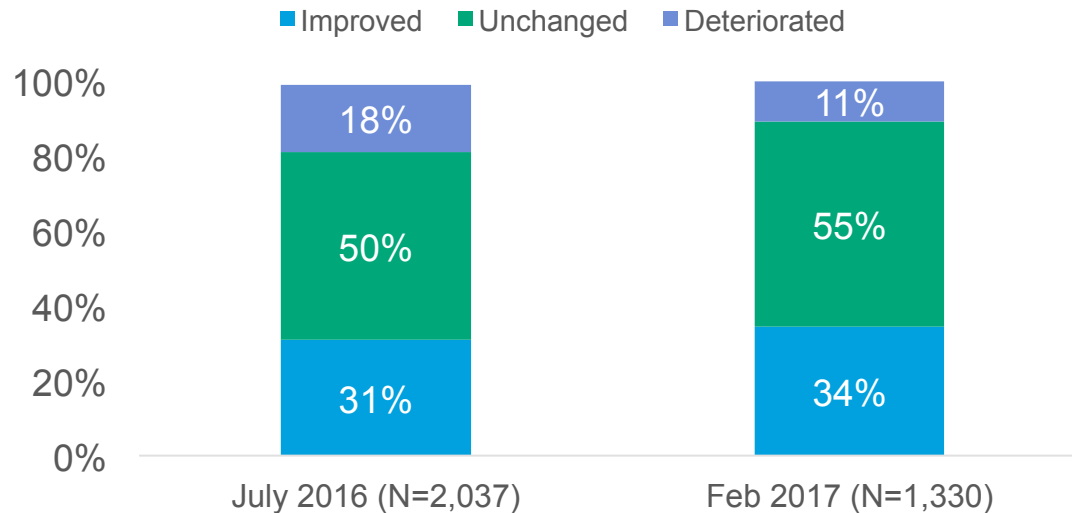
*Global results were not re-weighted

Respondent Breakdown, by Geography



THE IMPACT OF THE BREXIT VOTE ON COMPETITIVENESS OF FINANCIAL CENTERS

What impact, if any, has the Brexit vote (Brexit) had on the competitiveness of [respondent's country] as a financial center?

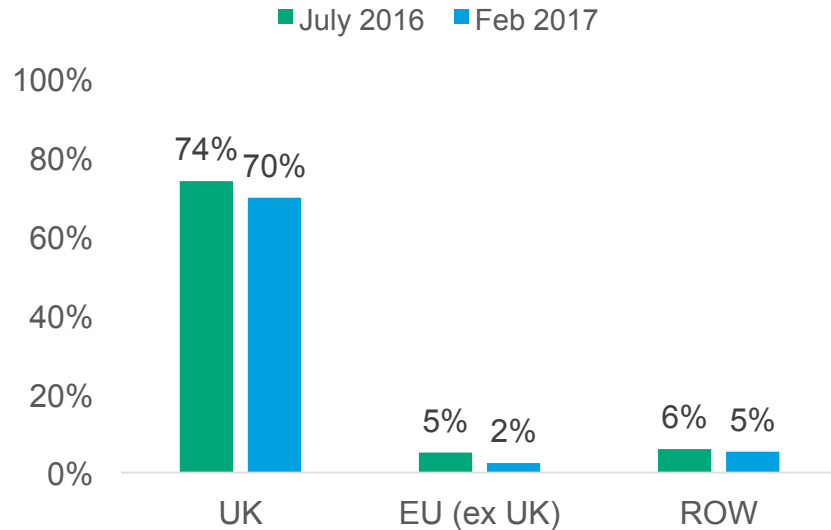


- 55% of respondents say that the competitiveness of their market as a financial center has remain unchanged as a result of the Brexit vote (up slightly from 50% in July 2016).

Question: What impact, if any, has the Brexit vote (Brexit) had on the competitiveness of {respondents' country} as a financial center?

THE IMPACT OF THE BREXIT VOTE ON COMPETITIVENESS, BY GEOGRAPHY

% of respondents indicating the Brexit vote has caused the competitiveness of their market to deteriorate

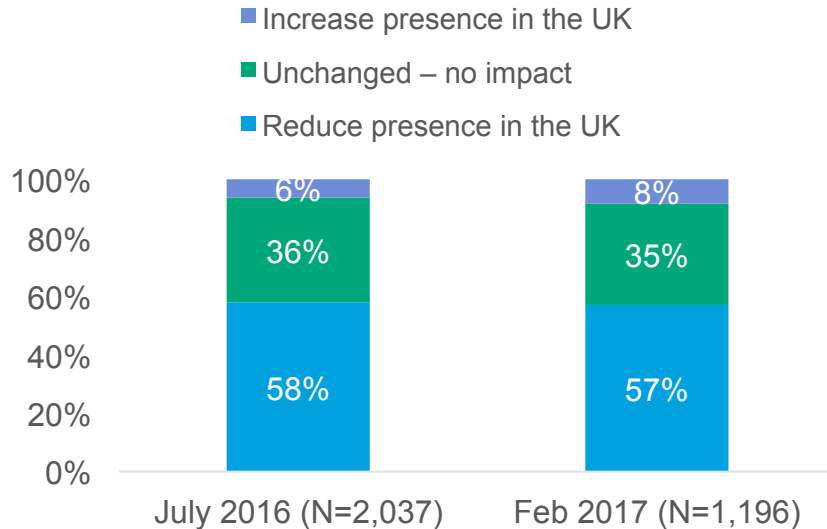


- 70% of respondents in the UK said Brexit has caused the competitiveness of their market to deteriorate, down slightly from 74% in July 2016.
- Very few respondents from elsewhere in the EU and the rest of the world (ROW) indicated the vote has caused the competitiveness of their market to deteriorate.

Question: What impact, if any, has the Brexit vote (Brexit) had on the competitiveness of {respondents' country} as a financial center?

EXPECTED REACTION FROM FIRMS WITH A STRONG UK PRESENCE

How do you expect firms in your local market with a strong UK presence to react to Brexit?

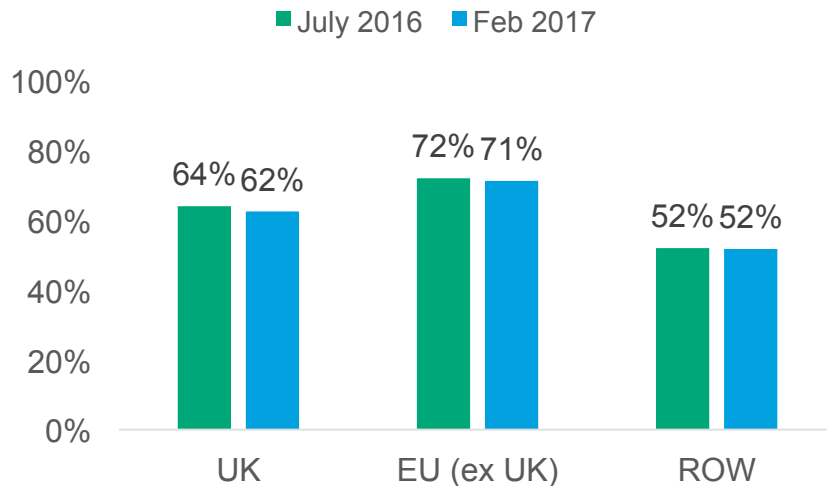


- Similar to the findings in July 2016, over half (57%) of respondents expect firms with strong UK presence to reduce their presence in the UK, and only a small proportions (8%) expect an increase.
- 35% expect firms' presence in the UK to be unchanged.

Question: How do you expect firms in your local market with a strong UK presence to react to Brexit?

EXPECTED REACTION FROM FIRMS WITH A STRONG UK PRESENCE, BY GEOGRAPHY

% of respondents expecting firms in their local market with a strong UK presence to reduce their presence in the UK as a result of Brexit

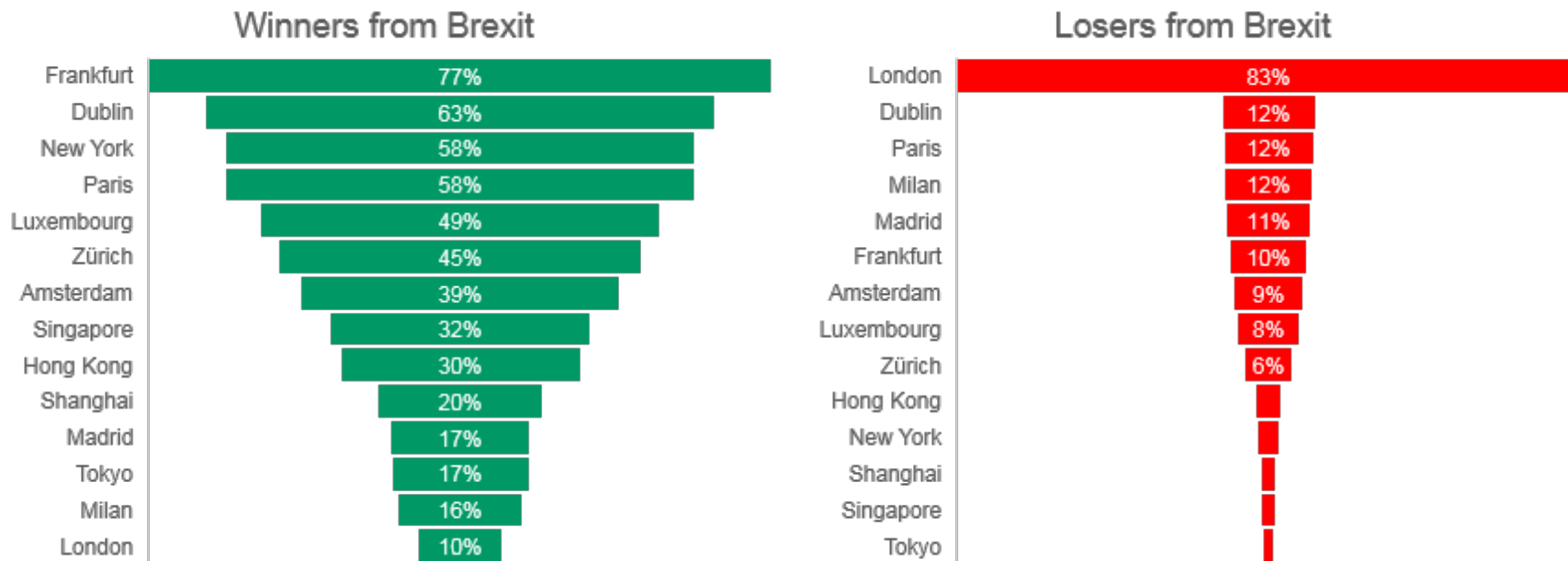


- Respondents in the EU (excluding the UK) are most likely to expect firms in their market to reduce their presence in the UK as a result of Brexit: 71% of those in the EU (ex UK), compared to 62% of those in the UK and 52% from the rest of the world.

Question: How do you expect firms in your local market with a strong UK presence to react to Brexit?

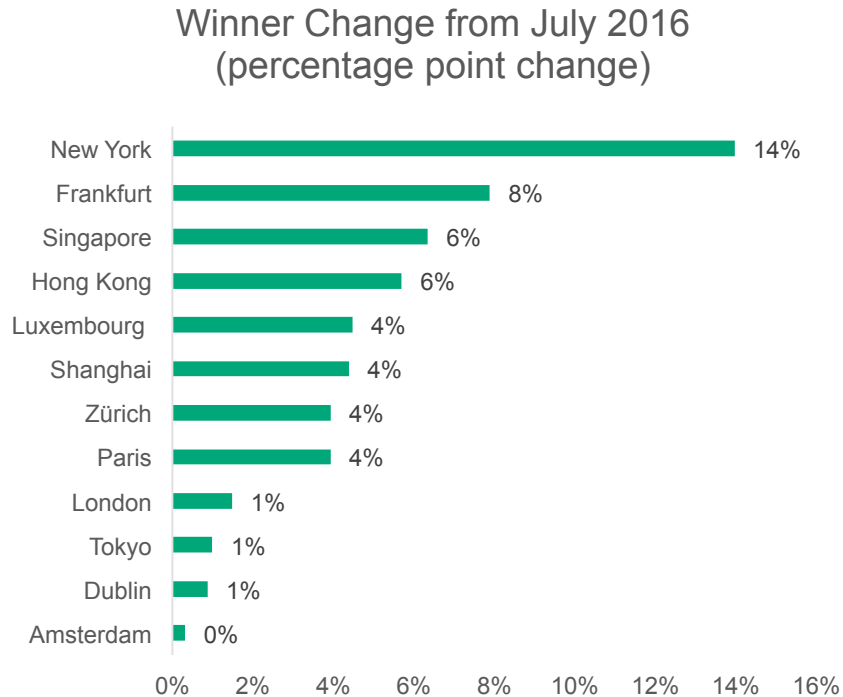
WINNERS AND LOSERS FROM BREXIT

Frankfurt, Dublin, New York, and Paris are considered the biggest likely winners from Brexit, while London is overwhelmingly the biggest loser.



Question: Who are the likely winners / losers from Brexit?
Base: 1,363 members

WINNERS AND LOSERS FROM BREXIT: CHANGE FROM JULY 2016

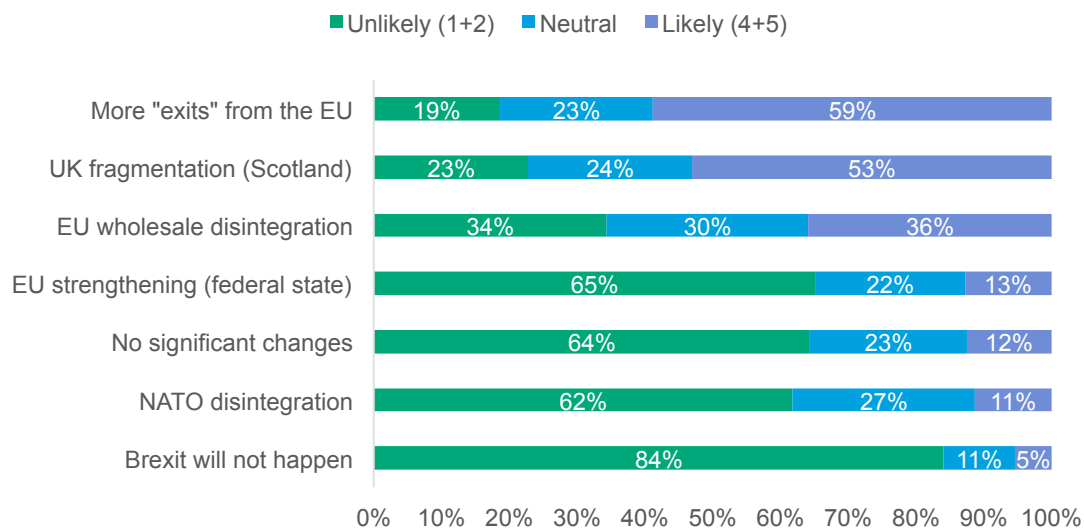


- Compared to July 2016, a higher proportion of respondents indicated New York is a winner from Brexit (44% vs. 58% in Feb 2017).
- Those in the UK were most likely to rate New York as a winner (66%).

Question: Who are the likely winners / losers from Brexit?
Base: 1,971 (July 2016) and 1,363 (Feb 2017)

POSSIBLE CONSEQUENCES OF BREXIT BY 2026

Likelihood of each of the following consequences of Brexit, by 2026



- 59% respondents think more “exits” from the EU by 2026 are likely, and 53% think UK fragmentation (Scotland) is likely.
- 84% think it is *unlikely* that Brexit will not happen.

Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.

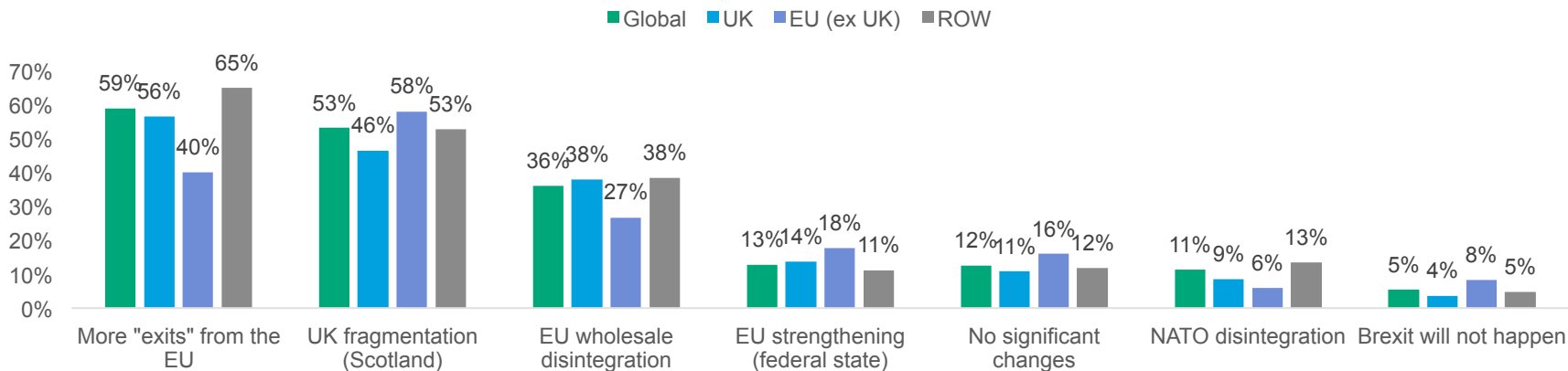
Scale: Not at all likely (1) to Very likely (5)

Base: 1,401 members (Feb 2017)

POSSIBLE CONSEQUENCES OF BREXIT BY 2026, BY GEOGRAPHY

Those in the EU (excluding the UK) are less likely than those in the rest of the world to say more exits from the EU are a likely consequence of Brexit by 2026.

Likelihood of each of the following consequences of Brexit, by 2026 (by geography)
Chart displays % likely (4+5)



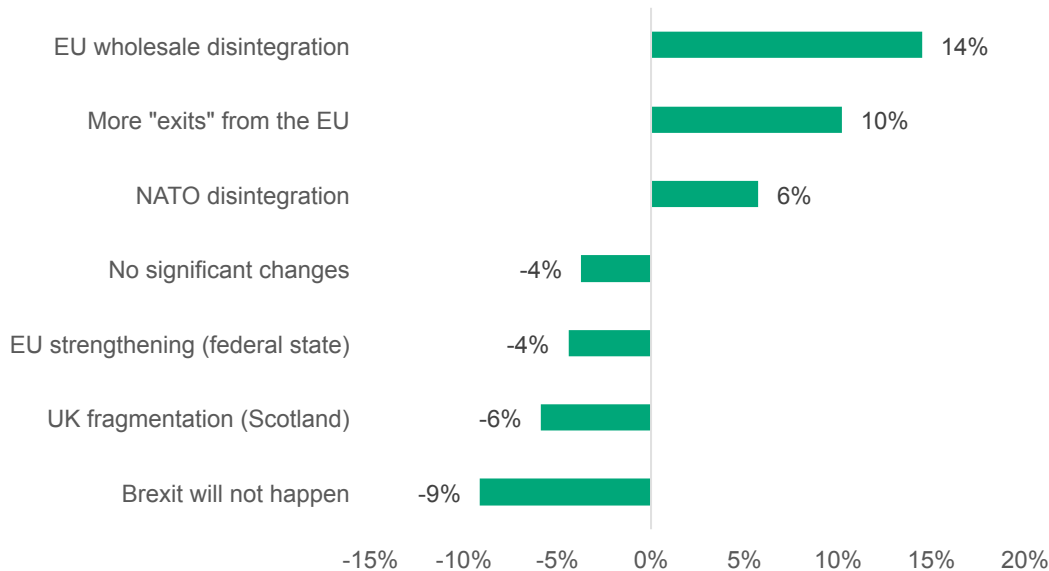
Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.

Scale: Not at all likely (1) to Very likely (5)

Base: 1,401 members

POSSIBLE CONSEQUENCES OF BREXIT BY 2026: CHANGE FROM JULY 2016

Likely (4+5) %-pt. change from July 2016

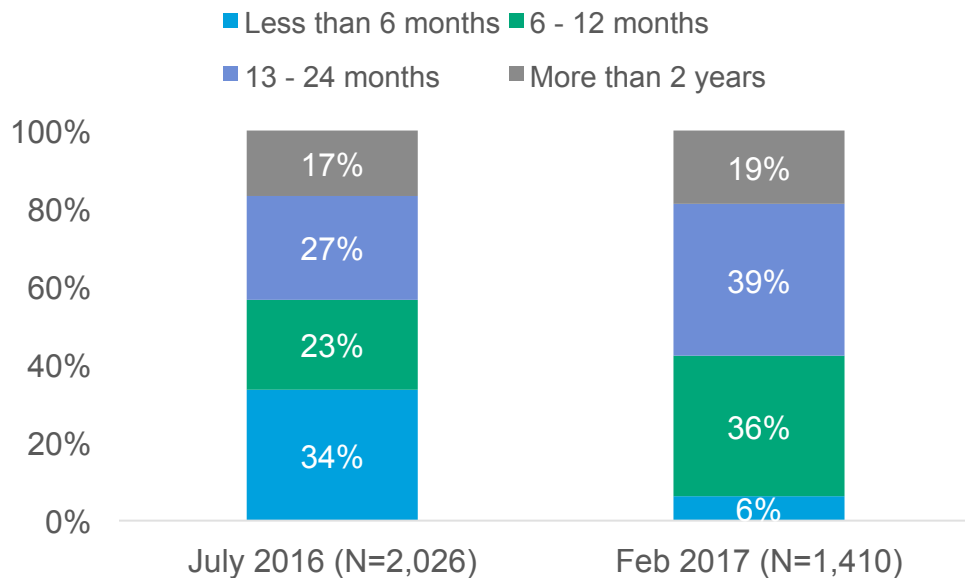


- Compared to July 2016:
 - a higher proportion of respondents think EU wholesale disintegration is likely (36% vs. 21%)
 - A higher proportion think more exits from the EU are likely (59% vs. 49%)
 - A lower proportion think it is likely that Brexit will not happen (5% vs. 15%)

Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.
Scale: Not at all likely (1) to Very likely (5)
Base: 2,027 members (July 2016) and 1,401 members (Feb 2017)

EXPECTED LENGTH OF UNCERTAINTY

For how many months do you expect Brexit uncertainty to remain in the markets?

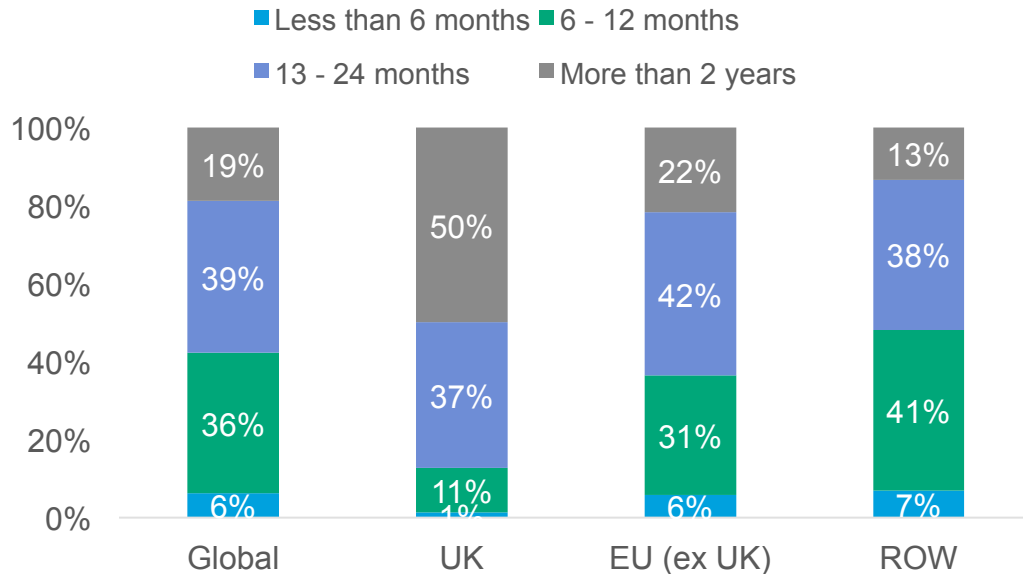


- The proportion of respondents who expect Brexit uncertainty to remain the markets less than 6 months fell significantly, from 34% in July to just 6% in February 2017.
- The majority of respondents (75%) expect the uncertainty to remain in the markets for 6-24 months, and only 19% expect it to remain more than 2 years.

Question: For how many months do you expect the Brexit uncertainty to remain in the markets?

EXPECTED LENGTH OF UNCERTAINTY, BY GEOGRAPHY

For how many months do you expect Brexit uncertainty to remain in the markets?



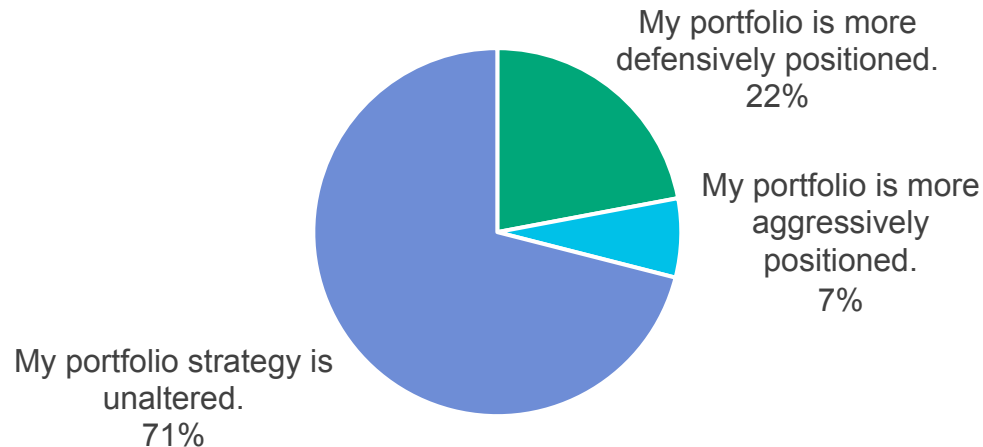
- Respondents in the UK are more likely to say the uncertainty will remain in the markets for a longer period of time, compared to those outside the UK.
 - 50% of respondents in the UK think uncertainty will remain longer than 2 years.

Question: For how many months do you expect the Brexit uncertainty to remain in the markets?
Base: 1,410 members

PORTFOLIO STRATEGY CHANGES AS A RESULT OF BREXIT UNCERTAINTY

71% of portfolio managers indicate their portfolio strategy has not changed as a result of the political uncertainty associated with Brexit.

How, if at all, has the position of your portfolio changed as a result of the political uncertainty associated with Brexit?

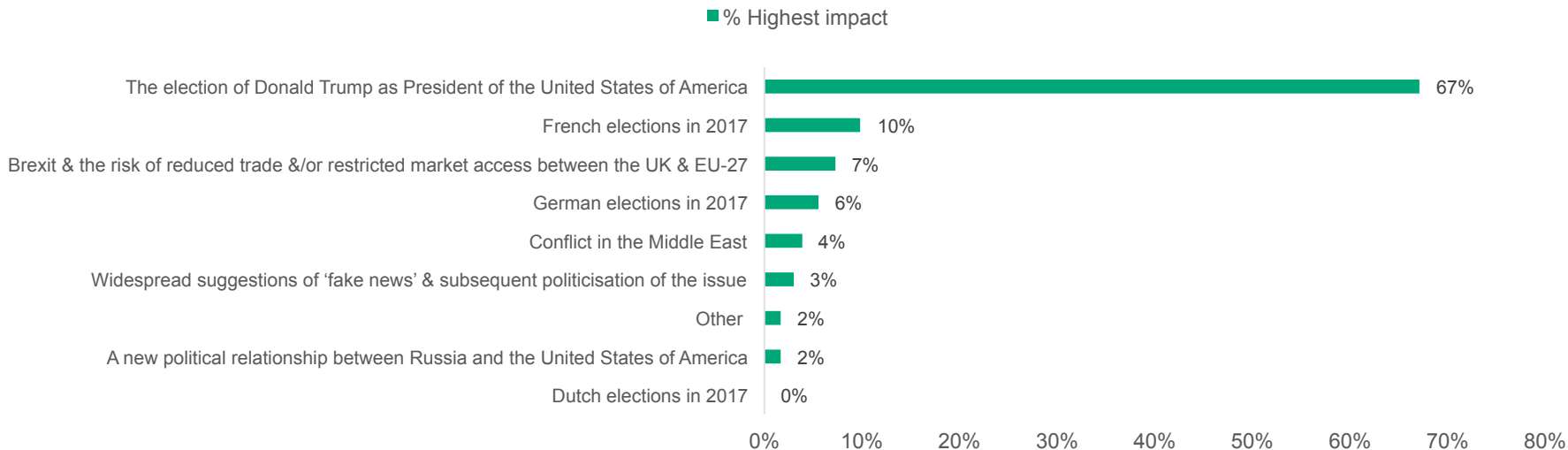


Question: How, if at all, has the position of your portfolio changed as a result of the political uncertainty associated with Brexit?
Base: 245 Portfolio Managers

IMPACT OF POLITICAL RISKS ON INVESTMENT STRATEGY

The political risk with the biggest impact on portfolio managers' investment strategies is the election of Donald Trump. The French elections in 2017 is the risk with the second biggest impact, more so for those in the EU (ex UK) than other areas of the world.

Political risks with the biggest impact on investment strategy



Question: Which of the following political risks will have the biggest impact on your investment strategy?
Base: 234 Portfolio Managers

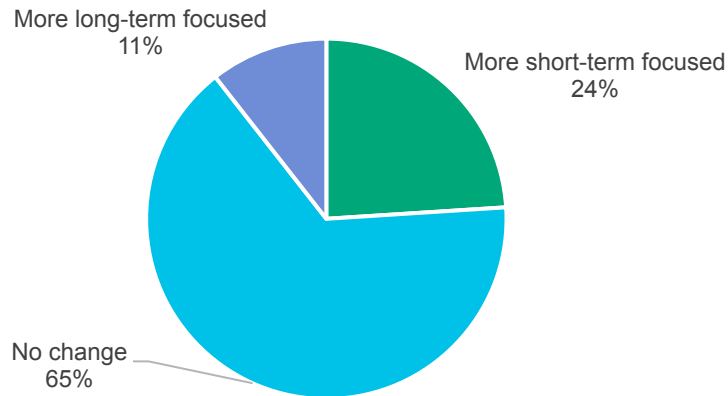
OTHER POLITICAL RISKS IMPACTING INVESTMENT STRATEGY

- China
- China bubble-burst
- China fx risk
- China moving militarily in Asia
- Conflict in East Asia
- disruption in China
- Greece debt default
- Ignoring ESG
- Introducing protectionistic practices
- Italian Banks/Politics
- Italian political uncertainty
- Persistence of low interest yields
- Political uncertainties in Brazil
- Possible further EU disintegration
- Protectionism of economies worldwide
- Tension between China and USA
- Unknown, unforeseen event occurs
- US relations with China and USD impact

INVESTMENT STRATEGY HORIZON CHANGES AS A RESULT OF BREXIT/POLITICAL RISKS

65% of portfolio managers indicate their investment strategy horizon has not changed as a result of Brexit and other political risks, while 24% say it has become more short-term focused.

How, if at all, has the horizon for your investment strategy changed as a result of Brexit and the political risks above?

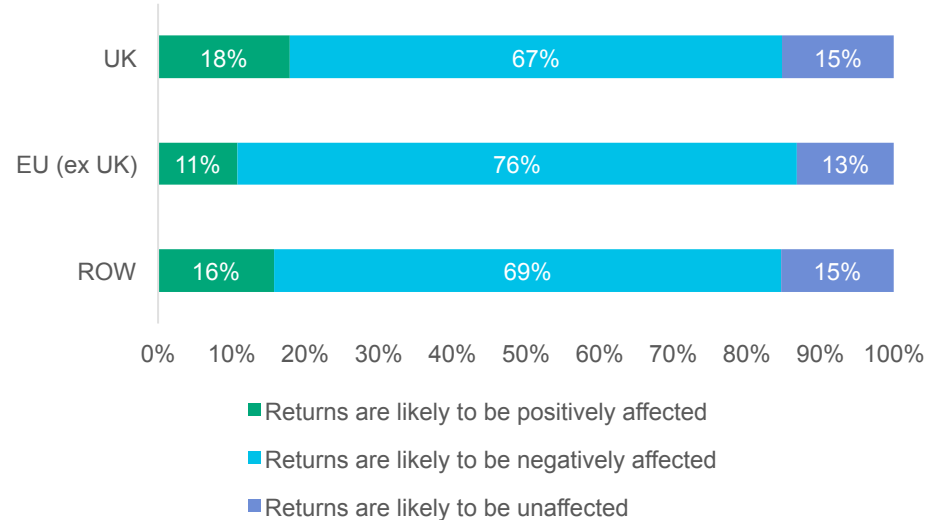
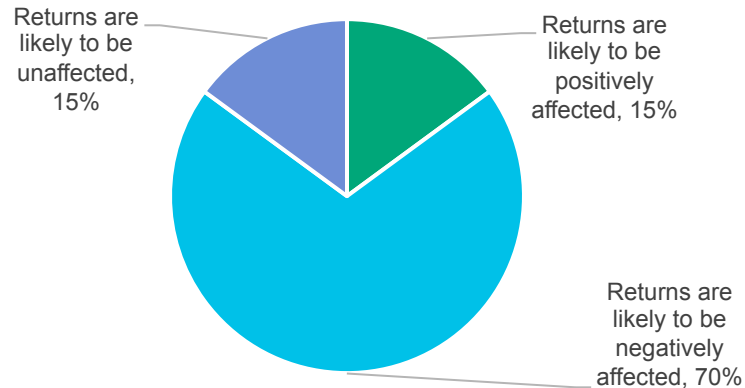


Question: How, if at all, has the horizon for your investment strategy changed as a result of Brexit and the political risks above?
Base: 246 Portfolio Managers

GEOPOLITICAL ENVIRONMENT: EFFECT ON INVESTMENT RETURNS

70% of respondents think investment returns over the next 3-5 years will be negatively affected by the current geopolitical environment. A higher proportion of those in the EU (excluding the UK) than the rest of the world think returns will be negatively affected.

How do you think investment returns over the next 3-5 years will be affected as a consequence of the current geopolitical environment?



Question: How do you think investment returns over the next 3-5 years will be affected as a consequence of the current geopolitical environment?
Base: 1,199 members