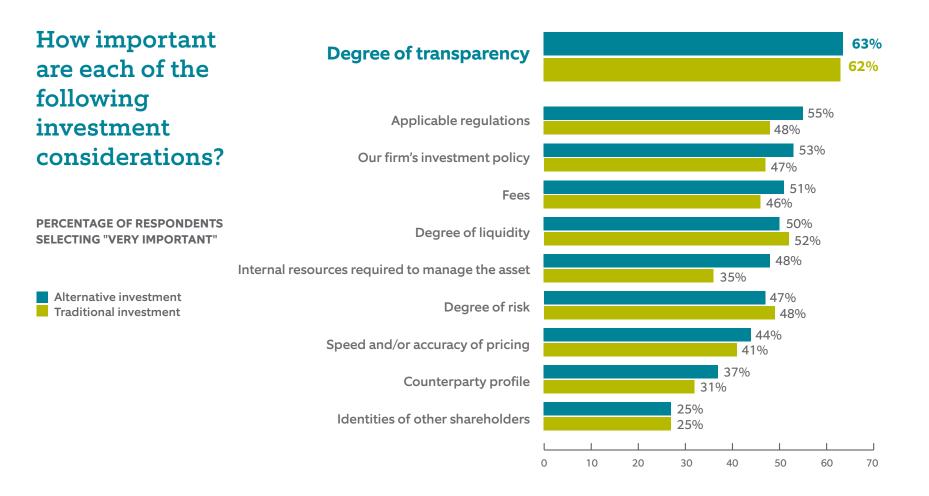


THE RISE OF TRANSPARENCY CONSIDERATIONS IN ASSET ALLOCATION

Investor priorities have shifted since the 2008 financial crisis, but one trend is clear: transparency has become paramount. A global EIU survey of asset managers and institutional investors, sponsored by Northern Trust, suggests that transparency has leapt in importance following the financial crisis. Despite evidence of this in pre-and post-investment considerations, best practices have been slow to catch on.

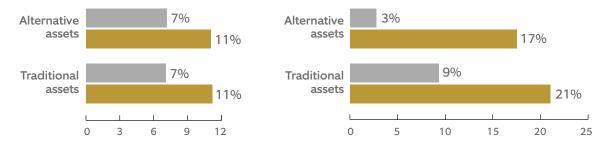
THE GROWING IMPORTANCE OF TRANSPARENCY

The majority of survey respondents agree transparency is very important for both alternative and traditional investment considerations, both pre- and post-investment.



PERCENTAGE OF RESPONDENTS SAYING TRANSPARENCY IS MOST IMPORTANT: Once an investment is made, transparency becomes even more important for both alternative and traditional assets. The financial crisis has magnified the importance of post-investment transparency more than any other investment consideration.

Post-crisis



Growing concern about transparency regarding investments is influenced by...



Portfolio risk management

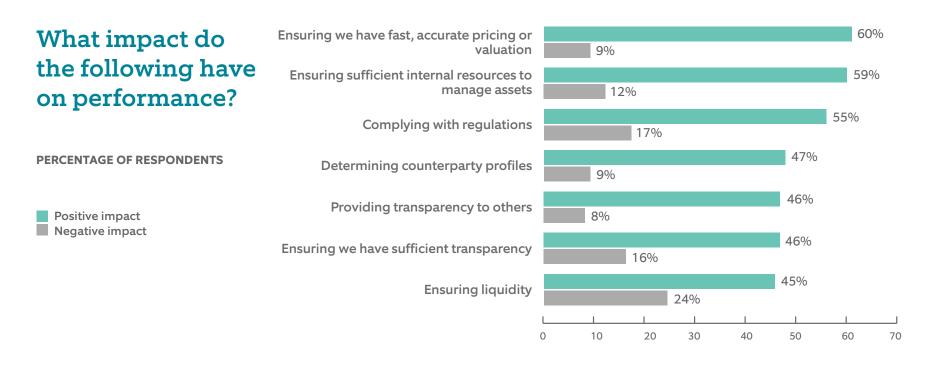






LEADERS SEE STRONG POSITIVE IMPACT FROM TRANSPARENCY AND COMPLIANCE

Nearly half of the respondents report positive impacts on performance from the cost and resources dedicated to ensuring transparency in their portfolio and in providing transparency to others.

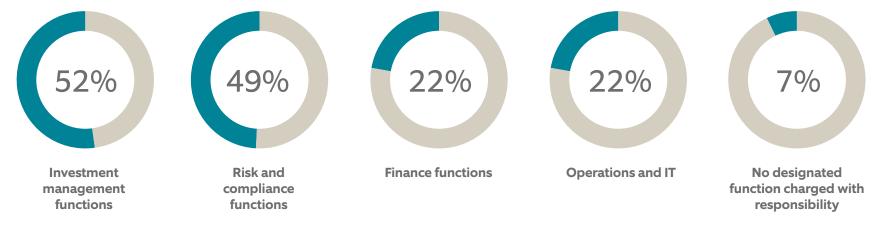


WHO TAKES RESPONSIBILITY FOR TRANSPARENCY?

Despite its importance, the responsibility for ensuring transparency is in flux throughout asset management organizations.

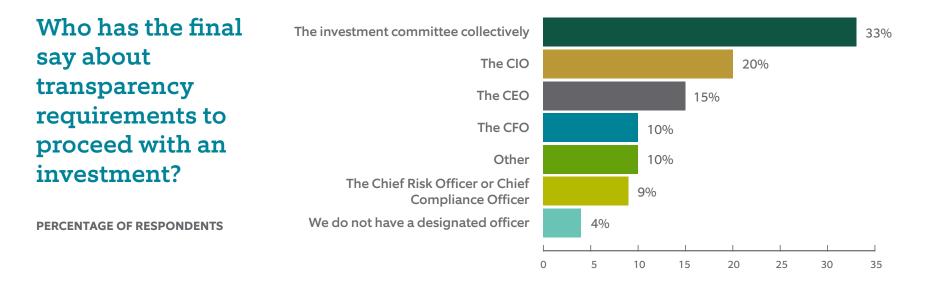
Who is in charge?

Responsibility for ensuring that existing and potential investments are adequately transparent falls to:



Figures do not add up to 100% because respondents could select more than one answer.

The survey finds that front office is primarily responsible for assessing if there is sufficient transparency to **proceed with an investment**. However, there is no consensus for which executive is allocated the final say, indicating that there is no industry best practice that guides this decision making.



Unless otherwise stated, all data has been sourced from the Economist Intelligence Unit survey, February 2017.

About the survey

The Economist Intelligence Unit (EIU), with sponsorship from Northern Trust, surveyed 200 senior asset management and institutional investor executives employed by several different types of asset management organizations ranging from private equity firms and hedge funds to multilateral funds. The respondents are engaged in a variety of functional roles with equal representation from North America, Asia-Pacific and Europe and the remainder from the Middle East. Half the sample is comprised of organizations with over \$5bn in global assets under management. For purposes of this survey alternative investments were defined as investment products built on any of the following: debt; hedge funds; infrastructure; natural resources such as land, water, or forests; private equity; real estate; or funds of funds of any of the above.

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