

PRESS RELEASE

International wealth managers are de-coupling from benchmarks in the wake of the Eurozone crisis

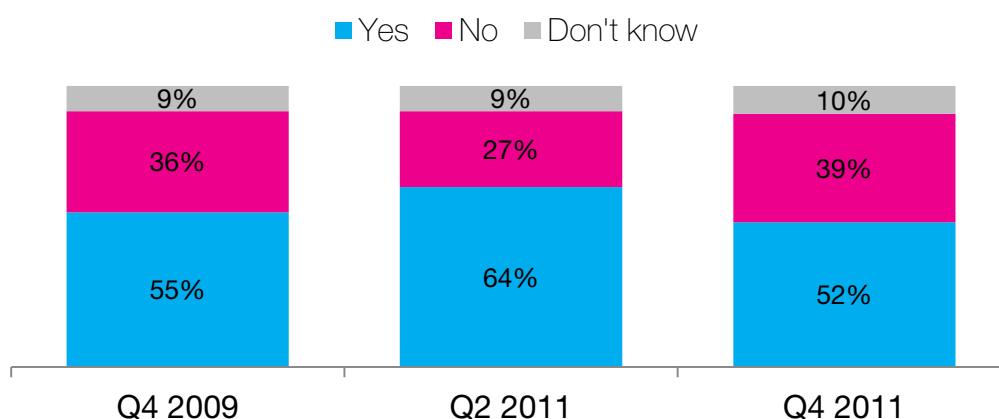
London – 39% of international wealth managers are reporting their discretionary mandates no longer conform to their model portfolios, an increase of 12% since May. Indeed, the number of wealth managers that have moved into tactical investment territory for their high-net-worth clients is at its highest level since Q4, 2009, when 36% had de-coupled discretionary portfolios from their benchmarks.

The last six months has seen wealth managers shifting their investment strategies in an increasingly complex economic environment. Many have reduced equity and fixed income exposure and moved money to the sidelines in cash.

Looking ahead over the next six months, there are indications that risk appetite is returning:

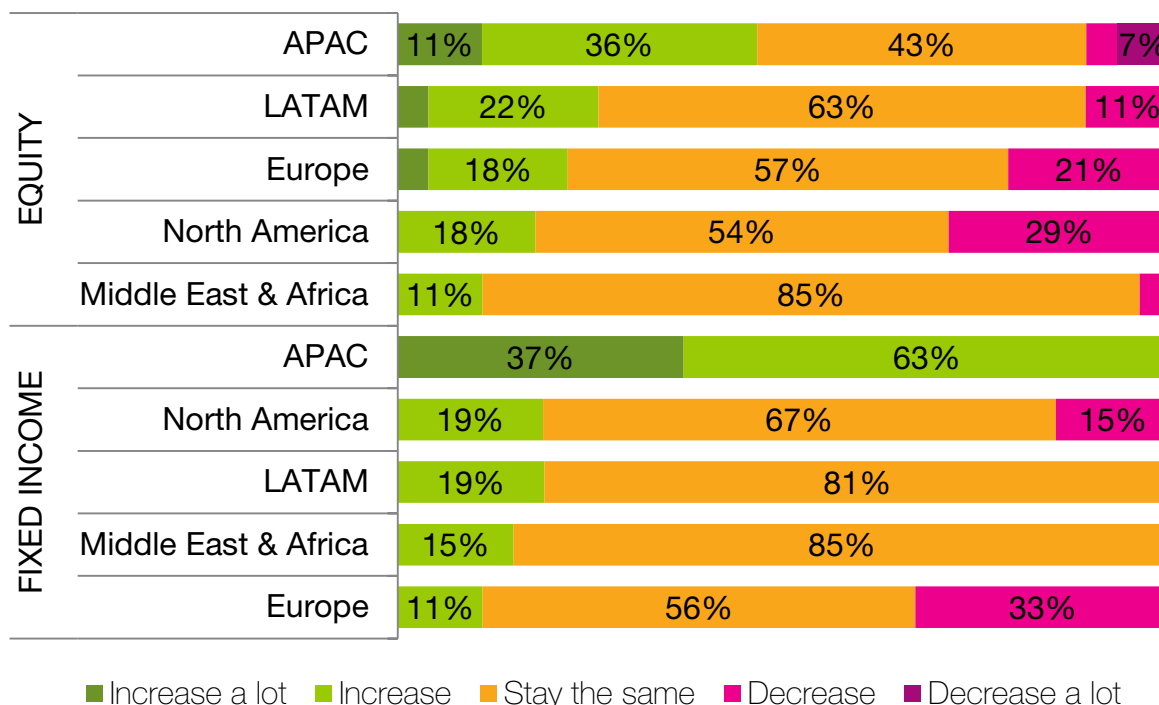
- 44% expect to increase their allocation to equities significantly;
- 47% are looking to increase their allocations to Asia Pacific equities and 26% expect to increase their allocation to Latin America;
- 24% are reducing their fixed income allocations, particularly to government bonds;
- Allocations to Europe are being cut, with 33% reducing fixed income exposure and 21% reducing equity exposure in the region.

Figure 1: Do your discretionary portfolios currently conform to the appropriate benchmark portfolio?



Source: HNW Asset Allocator IV, Scorpio Partnership, LPEQ

Figure 2: In 6 months time, do you think your allocation in these markets will increase or decrease?



Source: *HNW Asset Allocator IV*, Scorpio Partnership, LPEQ

These are the findings of the fourth semi-annual report *HNW Asset Allocator* report by Scorpio Partnership, sponsored by LPEQ, the European listed private equity association.

The research was carried out between October and November 2011 and included senior investment professionals from 31 international wealth management firms that together manage USD6.8 trillion in high-net-worth assets. This is equivalent to 40% of all private client assets managed by wealth management firms worldwide. The participants included universal banks, private banks, private client asset managers, and multi-family offices.

Other key findings of the research include:

- Alternative investment allocations currently represent 20% of balanced portfolio allocation. Within alternatives, 27% of respondents plan to increase their allocation to real estate and 19% will increase their private equity exposure. By contrast 30% of the respondents plan to decrease their gold allocation, and 19% will reduce their exposure to hedge funds.
- 50% expect to increase their allocation to private equity this year as a source of long-term investment returns. Private equity has the highest perceived risk/return expectations within the alternative asset class, with 42% of respondents indicating they use listed vehicles to access the asset class.

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The research concludes that since 2009, when the first survey was undertaken, wealth managers have reassessed their wealth management strategies across all asset classes in response to changing economic and market factors. The search for investment returns presents a complex challenge that wealth managers are approaching with due caution, but there are signs they plan to increase their appetite to risk in order to achieve that return – evidenced by the planned increase in equity allocation and reduction to gold.

“International wealth managers are faced with the daunting task of preserving capital and generating return in this environment. If respondents are true to their plans, we should see a marked increase in equity, private equity and real estate exposure when we next conduct the survey in Q2 2012.” says Catherine Tillotson, managing partner of Scorpio Partnership.

The full report *HNW Asset Allocator IV: asset allocation in shifting word* is published today by Scorpio Partnership.

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NOTES TO EDITORS:

1. Scorpio Partnership (www.scorpiopartnership.com) is the leading insight and business consultancy to the global wealth industry. The firm specialises in understanding the wealthy and the financial institutions they interact with.
2. LPEQ (www.LPEQ.com) is the European listed private equity trade body, founding in 2006 to increase awareness, understanding and interest in Listed Private Equity among investors, advisors, analysts and market commentators. Visit www.LPEQ.com.

LPEQ commissions and publishes proprietary research, and supports academic research, on the Listed Private Equity sector and its investors.

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