



Introduction

Most of us in the institutional investment world would agree that the pace of change is rapid. If anything, the last ten years have added more complexity than any period in history. Greater regulation, product proliferation and competition for effective investment strategy and products have all contributed complexity to the sorts of decisions that funds must make.

Funds face some critical issues: how much risk to take, what types of risk, what types of return: absolute or relative; what types of strategy: mainstream or alternatives, beta or alpha.

Our lead article in this, the first issue of our new annual publication, considers the forces that are reshaping the investment industry, not least the increasing appetite of pension funds for alpha, leading to a proliferation of new products.

For our clients, this has placed an increasing strain on governance, which has become a dominant theme in our work with them and this is reflected throughout this publication. There is a growing realisation among many pension funds that their governance arrangements should be a first order priority, not only through responsibility to literally billions of individuals, but because it also poses an opportunity for wealth creation.

In October 2007, joint research conducted by Watson Wyatt and Professor Gordon Clark of Oxford University

demonstrated, by studying key aspects of the world's leading institutional investors, how strong governance can lead to superior performance.

This potential return advantage should be a strong motivator among other institutional funds to improve their governance and then align it with investment strategy.

Looking further into the future, our 2020 vision expert opinion survey, undertaken in December last year, sought to identify the drivers that will shape the future of the investment industry. There have been some interesting findings, of which I would like to highlight this: when asked what they most feared in the future, 62 per cent of respondents cited inadequate retirement incomes from defined contribution (DC). This is a very real concern, and in this publication we cast a look around the world to discover how a range of countries is responding to the DC dilemma and what we could learn from each other.

Our world is not getting any simpler. It is a cliché, but nevertheless true, that the only certainty is change.

Roger Urwin
Global Head, Investment Consulting