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TRANSITION MANAGEMENT SURVEY

RAISING THE BAR

According to a worldwide survey of more than 200 plan sponsors, Mellon Transition Management Services (MTMS) was top rated in the overall services categories of:

- Operational efficiency—Ranked #1
- Overall service—Ranked #1
- Analysis—Ranked #1

MTMS also ranked among the top five transition managers in the following overall services categories:

- Relationship management
- Reporting
- Fee structure



Mellon

RAISING THE BAR

Over the last 12 months there has been a considerable increase in the number of transitions, due in part to the mutual funds timing scandal in the US, which prompted many pension schemes and endowments to fire those managers implicated. A number of new firms have entered the transition management market, but this has merely added to the confusion amongst pension schemes. However, there are signs that some pension funds are becoming increasingly savvy about what they can expect and should demand from transition managers. This has led to improvements in service standards and cost transparency. Global Investor's second annual survey of transition managers measures the progress that has been made.

TRANSITION MANAGEMENT SURVEY

BEST OVERALL SERVICE

Company	Score
Mellon	9.17
JP Morgan	9.09
MLIM	9.00
State Street	8.97
Deutsche Bank	8.89
Goldman Sachs	8.60
Morgan Stanley	8.23
Bank of New York	8.00
Barclays Global Investors	7.43

BEST ANALYSIS

Company	Score
Mellon	9.17
Deutsche Bank	8.73
State Street	8.70
Morgan Stanley	8.59
JP Morgan	8.50
MLIM	8.44
Bank of New York	8.13
Barclays Global Investors	7.43
Goldman Sachs	7.30

BEST RELATIONSHIP MANAGEMENT

Company	Score
State Street	9.09
Deutsche Bank	9.06
Mellon	9.00
MLIM	8.78
Goldman Sachs	8.40
Morgan Stanley	8.23
Bank of New York	8.13
JP Morgan	7.86
Barclays Global Investors	7.36

BEST OPERATIONAL EFFICIENCY

Company	Score
Mellon	9.17
JP Morgan	8.91
Deutsche Bank	8.83
State Street	8.78
MLIM	8.78
Goldman Sachs	8.60
Morgan Stanley	8.41
Bank of New York	7.88
Barclays Global Investors	7.64

NORTH AMERICAN RESPONSES

Company	Score
1. (-) Mellon	87.8
2. (1) Deutsche Bank	87.6
3. (5) State Street	87.1
4. (4) JP Morgan	86.8
5. (3) Morgan Stanley	86.3
6. (-) Bank of New York	82.8
7. (-) Barclays Global Investors	75.9

BEST FEE STRUCTURE

Company	Score
Deutsche Bank	8.82
State Street	8.75
Mellon	8.67
Bank of New York	8.50
Morgan Stanley	8.41
JP Morgan	8.00
Goldman Sachs	7.90
Barclays Global Investors	7.86
MLIM	7.67

BEST REPORTING CAPABILITY

Company	Score
MLIM	9.00
State Street	8.81
Deutsche Bank	8.71
Mellon	8.67
JP Morgan	8.41
Morgan Stanley	8.32
Bank of New York	8.13
Goldman Sachs	7.60
Barclays Global Investors	7.43

TRANSITION MANAGEMENT SURVEY

MOST IMPORTANT FACTOR IN SELECTING A TRANSACTION MANAGER (1 = ESSENTIAL, 5 = IRRELEVANT)

Factor	Average
Trading capability	1.32
Total cost of transaction	1.39
Crossing capability	1.48
Operational risk management	1.70
Transparency	1.71
Confidentiality	1.73
Performance risk management	1.81
Track record	1.81
Client service	1.82
Neutrality	1.87
Expertise in asset class or specific market	1.88
Reporting	1.91
Project management	1.94
Performance guarantees	2.51
Derivative capability	2.55
Speed of response to RFP	2.83
Management of corporate actions	2.86
Consultant recommendation	3.69

OTHER FACTORS FELT TO BE IMPORTANT IN THE SELECTION PROCESS

	Number
Relationship	6
Willingness to take on fiduciary responsibility	3
Strong communication	2
Ability to issue derivative instructions (as opposed to execution of derivative trades)	1
Accurate estimates / Timely implementation	1
Cross asset capacity	1
Getting it right first time	1
Good track record	1
Information systems to monitor ongoing progression	1
International capabilities & fee flexibility	1
Personality of team members	1
Size of the firm	1
Technology	1
Ability to accept investment risk	1

Methodology

A total of 207 responses were received from pension plans across the globe. To qualify for the overall results, transition managers needed to receive a minimum of five responses.

OVERALL SERVICE RESULTS

To derive these results, respondents were asked to rate their transition managers out of 10 over a range of 10 services. The maximum possible score a transition manager could receive was 100. The score was then expressed as a percentage and an average taken over all responses for each transition manager.

REGIONAL BREAKDOWN

A regional breakdown was calculated using the same method, examining responses from North America, Europe and Asia.

WEIGHTED RESULTS

The weighted results give larger fund groups greater influence in the voting. A multiplier was applied to each questionnaire depending on the size of the responding portfolio.

- 1 = Less than US \$1 billion
- 2 = Between \$1 billion and \$5 billion
- 3 = Between \$5 billion and \$10 billion
- 4 = Greater than \$10 billion

RELATIVE SERVICE RANKINGS

Global Investor also asked respondents who had used more than one transition manager to rank them in 10 specific areas. Banks needed to receive a minimum of five votes to qualify for this area of the survey.

Ranking 1 is calculated by adding together all the first, second and third place rankings that a firm has received—with each first place position being worth three points, each second place being worth two points and every third place ranking worth one point.

These points were then added together to give a final score and expressed as a

percentage of the scores of all the companies that qualified. This is a quantitative result, showing the larger, more popular companies.

Ranking 2 is worked out differently. Of the total votes for each company, we multiplied the percentage representation of first, second and third places by three, two and one points and then added them together to give a final score. This was expressed as a percentage of all the scores of those banks that qualified. This result demonstrates how each bank performed individually and also how highly each bank is rated according to the pension schemes that placed them in the top three.