

Investment View

Absolute return is most popular performance target for multi asset funds

Author: NN Investment Partners

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- **One in three institutional investors (32%) say absolute target return is most appropriate**

Absolute return is the most popular performance target among institutional investors for multi asset funds, according to new research¹ from NN IP.

The research highlights investors' preference for steady, risk-adjusted returns, with nearly one in three (32%) saying an absolute target return, such as 'Cash plus X%' is the most appropriate benchmark for multi-asset strategies. A fifth (22%) cite a benchmark based on the average performance of peer funds and 14% prefer a pre-set target return such as 10% per annum. One in four (24%) say any kind of benchmark is irrelevant.

Nearly half (43%) say they are considering investing in long/short multi asset funds with no benchmark or a 'cash-plus' target this year.

Investors were evenly divided on their preferred fee structure, with 38% citing a fixed fee with a performance related element and 37% a fee based on a fixed percentage of total AUM; 16% prefer a pure performance fee.

Nearly two in five (38%) institutional investors say they like multi asset funds because they provide better risk-adjusted exposure in a low economic environment. Seven out of 10 (71%) believe risk-adjusted multi-asset strategies are now a necessary complement to fixed income portfolios in the current low yield environment.

Valentijn van Nieuwenhuijzen, Head of Strategy, Multi Asset at NN Investment Management (NN IP), says: "Controlling risk has become highly important to investors following the global financial crisis. They want decent returns but wish to limit the downsides too. We allocate risk in our portfolios, creating the right balance between safer assets, which offer limited upside but downside protection and higher risk assets that might deliver strong growth. This way, we respond quickly to opportunities while creating a level of robustness against unexpected shocks, meeting clients' wishes for risk-adjusted returns."

When asked about the acceptable range of volatility for global multi asset funds, 45% of institutional investors believe it should be no more than plus/minus 10%, 34% say no more than plus/minus 5%, and 10% say plus/minus 4%.

ENDS

1. *Findings revealed in NN IP's own research carried out in a worldwide survey by Citigate Dewe Rogerson amongst 226 international institutional investors, February 2015*

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