

# Client Reporting Pulse Check

October 2009



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## **I. Project Objectives and Research Methodology**

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# I. Project objectives

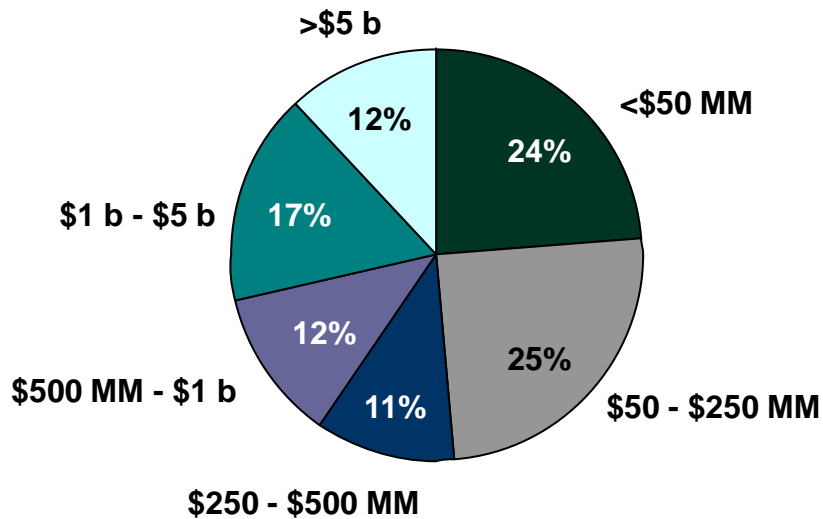
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Chatham Partners partnered with Assette to gather unfiltered information about the client reporting needs of institutional investors. Chatham surveyed 120 decision makers at public pension funds, corporate pension funds, endowments, foundations, and other investors with the primary objective of gaining insight to the following areas of inquiry:

- 1) Satisfaction with client service provided by asset managers and aspects of service delivery that require improvement
- 2) Satisfaction with the monthly / quarterly reports currently provided by asset managers and aspects of client reports that require improvement
- 3) Prevalence of errors in monthly / quarterly reports currently provided by asset managers
- 4) Importance of online access to portfolio information
- 5) Preferred method for delivery of monthly / quarterly reports
- 6) Importance of including specific data elements on monthly / quarterly reports

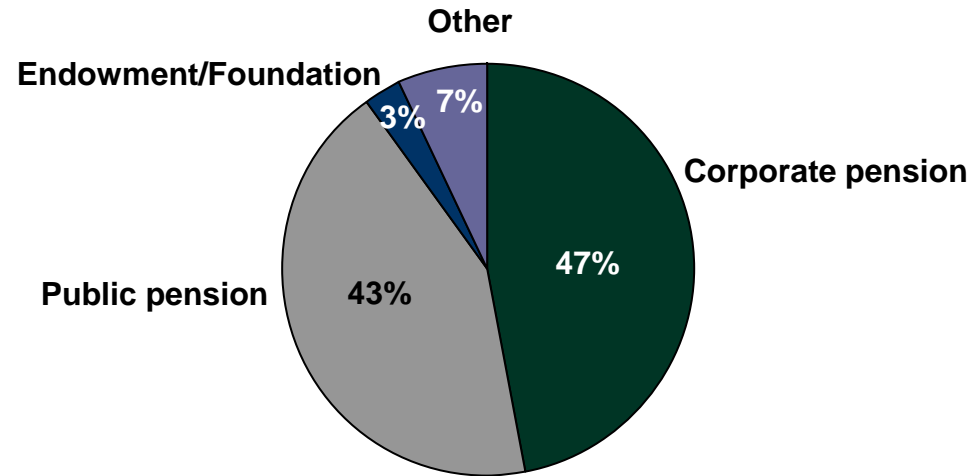
## I. Institutional investor demographic profile

What is the approximate asset size of your plan?



Base: 120

How would you classify your plan?



Base: 120

## II. Executive Summary

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## II. Executive Summary

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- Opportunity remains for institutional asset managers to provide a differentiated service offering to their clients, as only 59% of institutional investors surveyed indicate that they are very satisfied (7,6) with the overall level of client service provided by their asset managers. Additionally, larger respondents (>\$1 b in assets) express a lower satisfaction level than smaller respondents. When asked what their asset managers could do to improve client service delivery, investors most frequently provided suggestions related to improving the flow of information to clients including, providing more frequent and targeted communication and improving the timeliness of reporting.
- There is also room for improvement in the client reports typically provided by asset managers. Only 46% of institutional investors are very satisfied with the client reporting provided by their asset managers, and 17% of investors rate the reporting they receive a “4” or below. Additionally, only 3% of larger respondents (>\$1 b in assets) rate their satisfaction with client reports a “7”. Investors also provide relatively low scores for “client reports convey a high quality brand image” (45% top 2 box) and “timeliness of reporting meets your requirements” (53%).
- It is not uncommon for investors to find errors in client reports. 21% of investors surveyed have detected errors in the client reports provided by their asset managers over the past 12 months, and more than a third of larger respondents (>\$1 b in assets) have noticed errors. Errors most often include incorrect calculations (58%), missing or misclassified information (37%), incorrect benchmark comparisons (16%), typos (16%), and inaccurate dates (11%).

## II. Executive Summary (cont.)

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- Institutional investors' reporting needs are clearly defined. The vast majority of respondents indicate that it is very important to include a portfolio summary with account values at the start and end of the period (91%), rates of return for the period, year-to-date, and last 1, 3, 5 years (90%), and comparisons relative to benchmarks (87%) on client reports. Other desired elements include: attribution information (65%), allocations by assets, sectors, regions / countries (65%), summary of investment holdings (53%), and portfolio manager commentary (53%). Conversely, the results of this analysis suggest that aggregated currency conversions (17%), details regarding investment professionals (23%), and transaction details (39%) are much less important to institutional investors.
- Investors also have distinct preferences with respect to the delivery of client reports. Over two-thirds of respondents surveyed (69%) prefer to receive reports via e-mail with a PDF attachment. Additionally, online access to portfolio information is very important to 40% of investors surveyed. However, receiving a hard copy of the report also continues to be important to many respondents (33%).



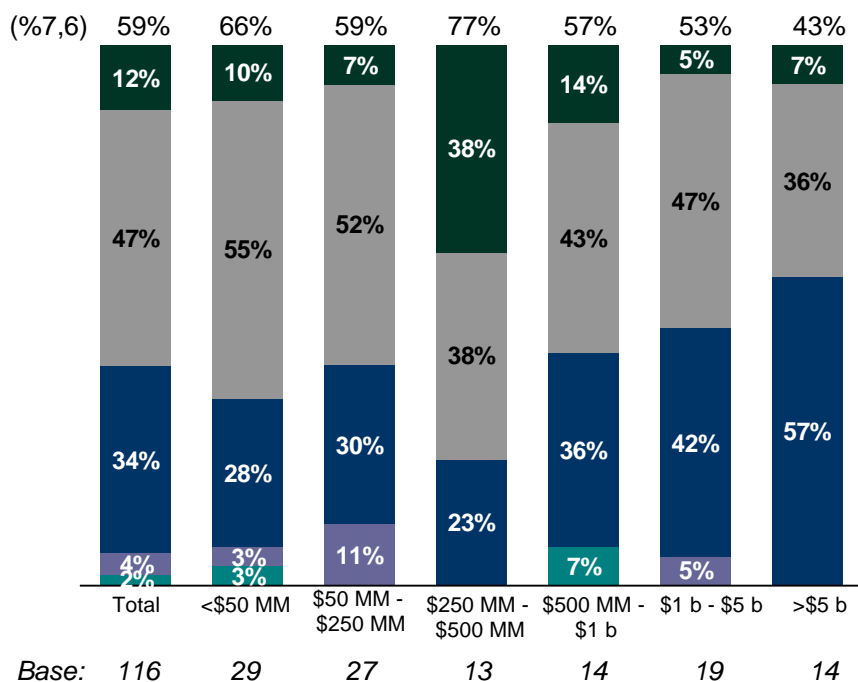
### III. Summary of Findings

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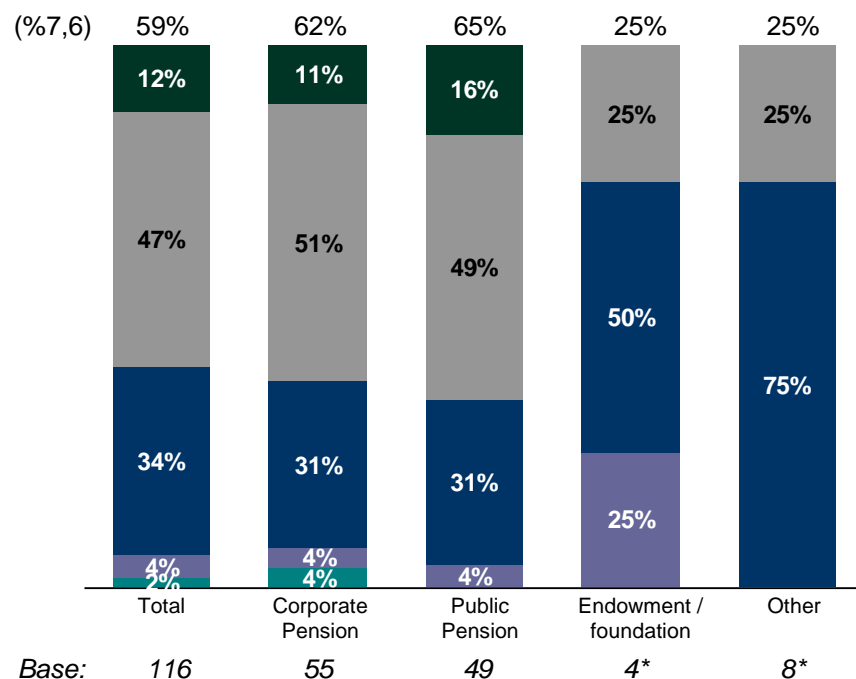
### III. Satisfaction with client service

- Only 59% of respondents indicate that they are very satisfied with the level of service they receive from their asset managers.
- Larger respondents (>\$1 b in assets) are less likely to be very satisfied with the overall level of client service they receive compared to smaller respondents.

**Satisfaction with asset managers' overall level of client service – By Assets**



**Satisfaction with asset managers' overall level of client service – By Plan Type**

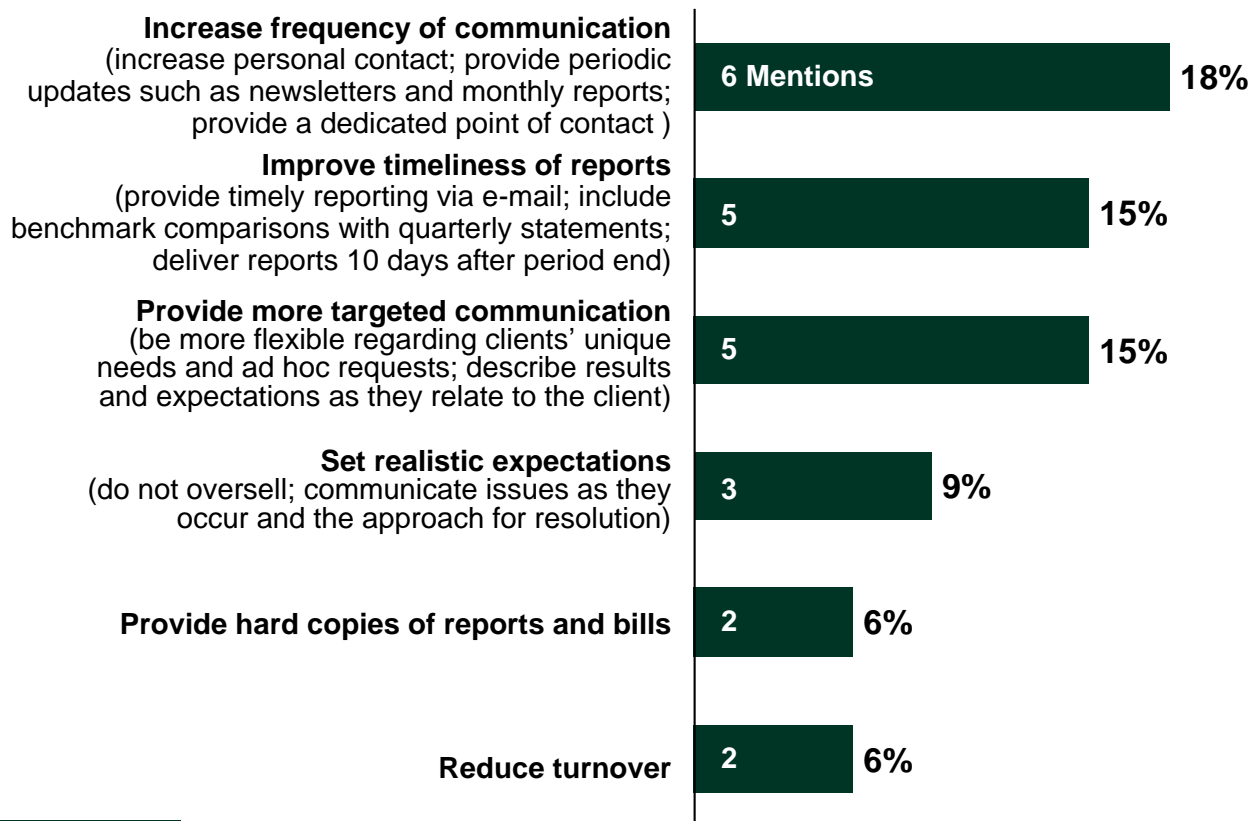


7 (Very Satisfied) 6 5 4 % 3,2,1 (Very Dissatisfied)

### III. Client service recommendations

- Institutional investors most frequently suggest that investment managers increase the frequency of communication with their clients to improve client service (mentioned by 18% of respondents).
- Respondents also suggest improving the timeliness of reports (15%) and providing more targeted communication (15%).

#### What recommendations do you have to help your asset managers improve their level of client service?

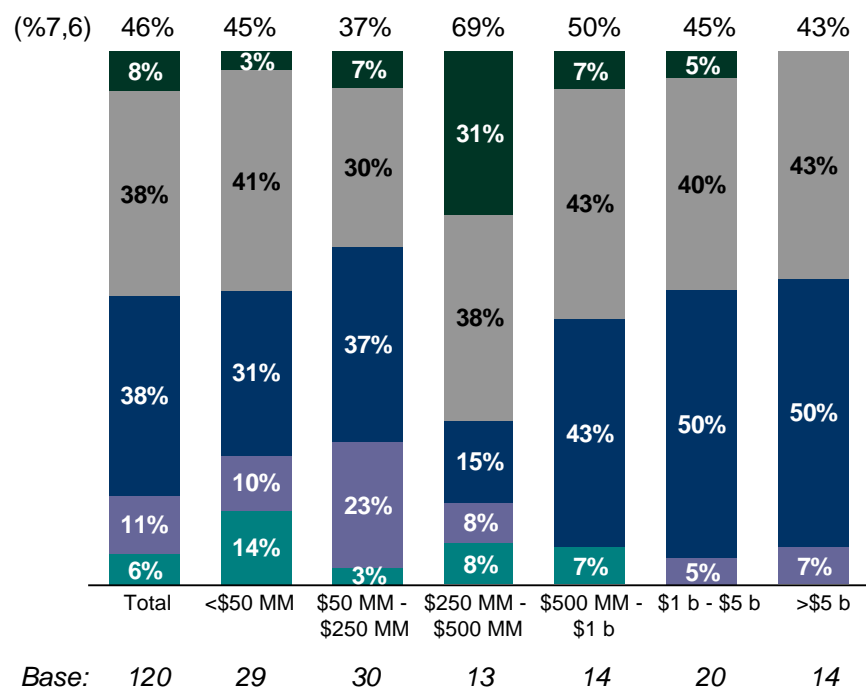


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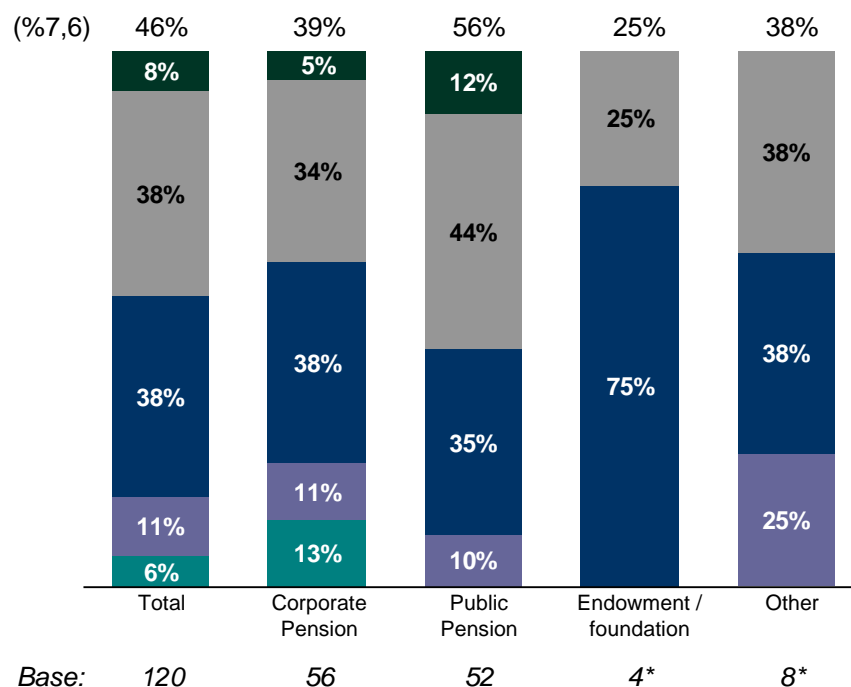
### III. Satisfaction with monthly / quarterly reports

- Overall, less than half (46%) of respondents are very satisfied with the information they receive from their asset managers via monthly / quarterly reports.

**Satisfaction with monthly / quarterly client reports – By Assets**



**Satisfaction with monthly / quarterly client reports – By Plan Type**

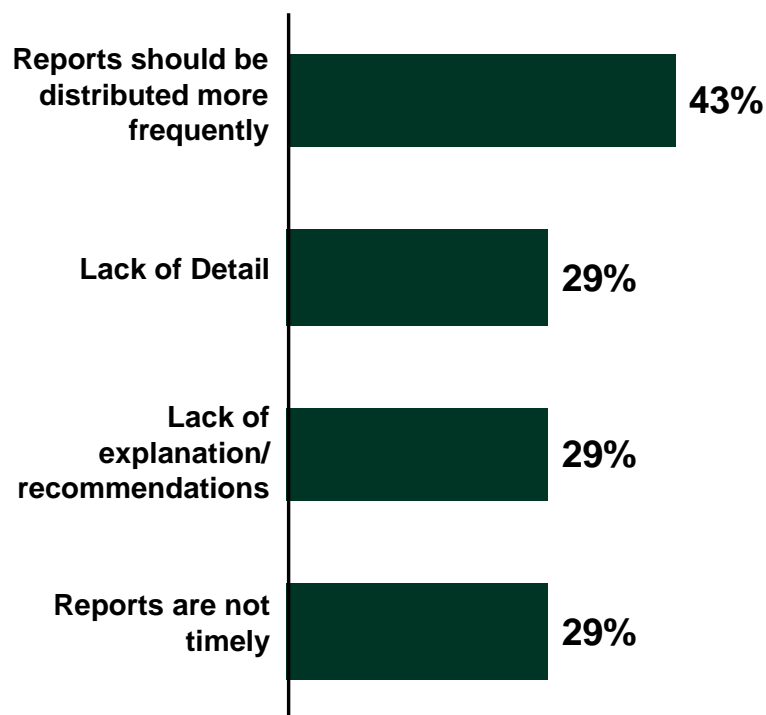


■ 7 (Very Satisfied) ■ 6 ■ 5 ■ 4 ■ % 3,2,1 (Very Dissatisfied)

### III. Aspects of client reports that require improvement

- Respondents who are dissatisfied with the monthly / quarterly reports they receive from their asset managers most often mention frequency of distribution (43%) as an area for improvement.
- Insufficient detail, lack of explanation / advice, and timeliness are also mentioned as areas of concern.

#### Which aspects of the monthly / quarterly reports that you receive from your asset managers do not meet your expectations?



Base\*: 7

*Sometimes the monthly report is not frequent enough. When I get anxious, that's when I go online.*

**Corporate pension, <\$50 MM**

*I have noticed the following problems with reports: Frequency; timeliness; explanation of return relative to indexes; future expectations and/or sell/buy considerations.*

**Corporate pension, <\$50 MM**

*The report does not include any recommendations.*

**Corporate pension, <\$50 MM**

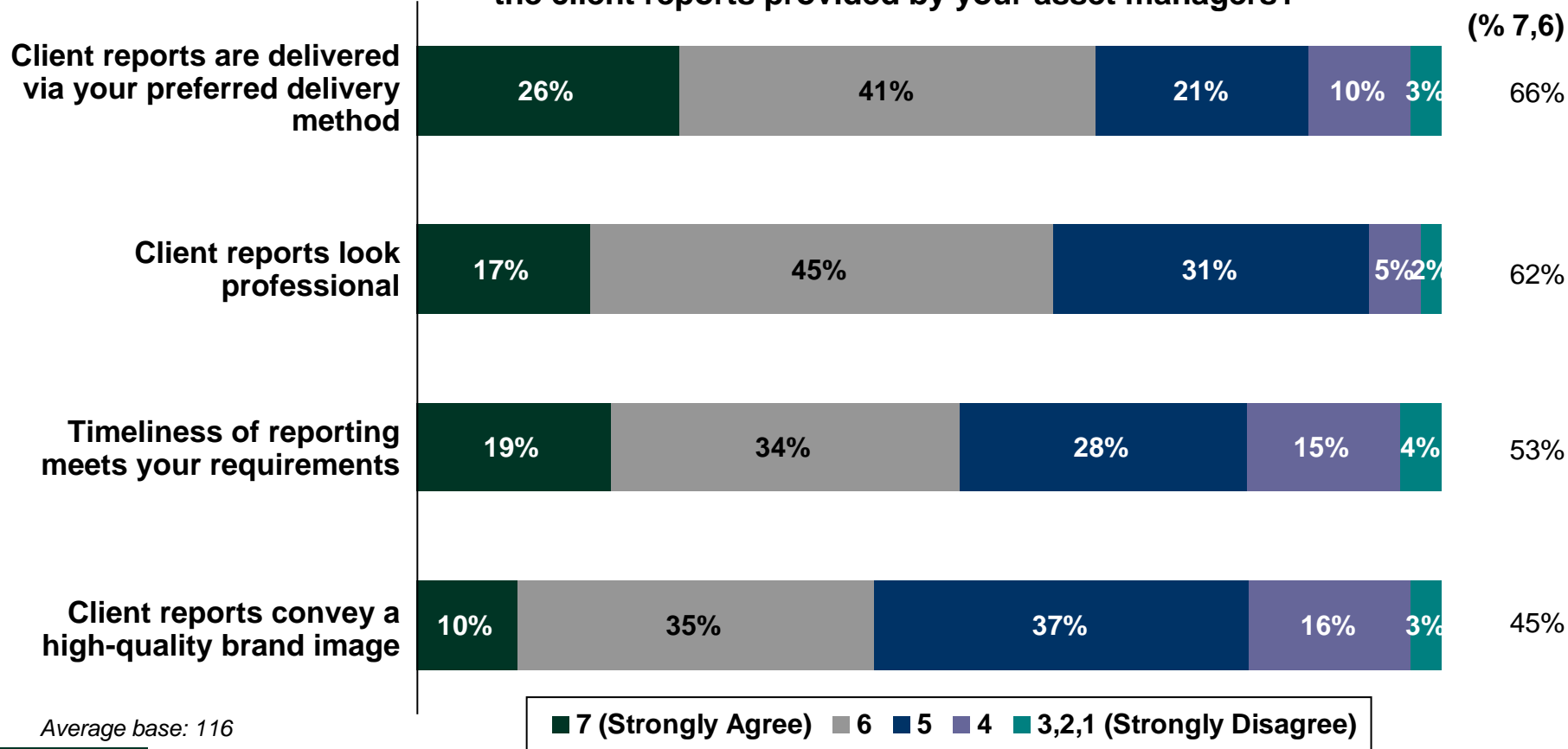
*All reports should be monthly. Reports also do not give enough information.*

**Corporate pension, \$250 - \$500 MM**

### III. Investor impressions of client reports

- Only 45% of respondents believe that the reports they receive from their asset managers convey a high quality brand image, and only 53% indicate the timeliness of reports meets their requirements.
- There is also room for improvement with respect to report aesthetics and delivery method, with approximately a third of respondents suggesting that these aspects could be improved.

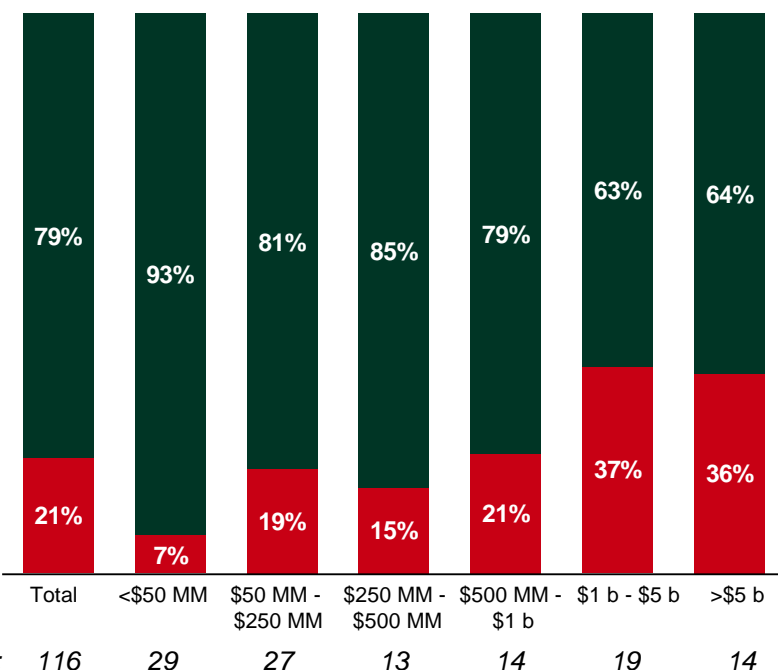
**To what extent do you agree with the following statements about the client reports provided by your asset managers?**



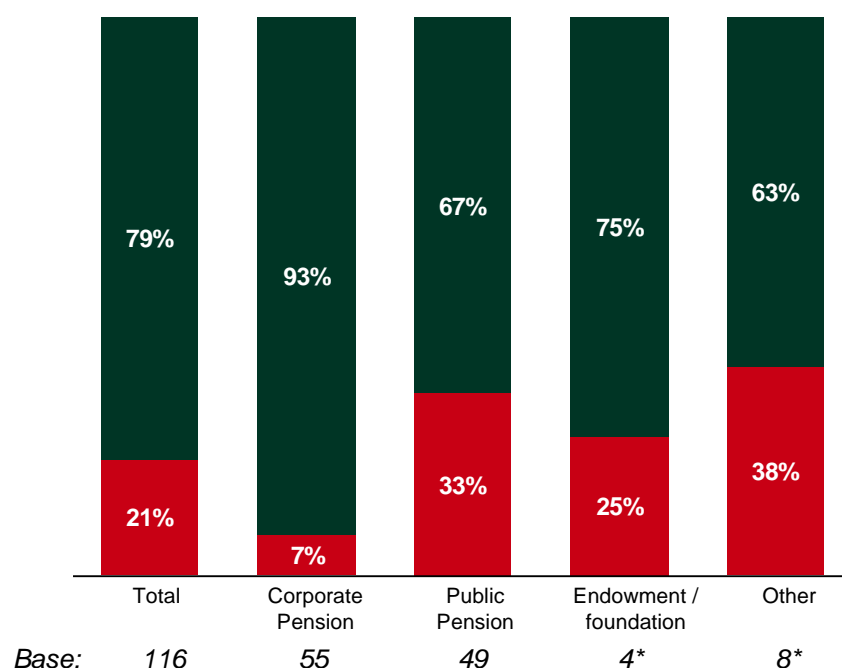
### III. Errors in client reports

- Overall 21% of respondents report finding errors in the client reports provided by their asset managers.
- Larger plans are more likely to notice errors, as more than a third of clients with >\$1b in assets indicate that they have noticed errors in the past year.

Have you detected errors in the client reports furnished by your asset managers over the past 12 months? – By Assets



Have you detected errors in the client reports furnished by your asset managers over the past 12 months? – By Plan Type

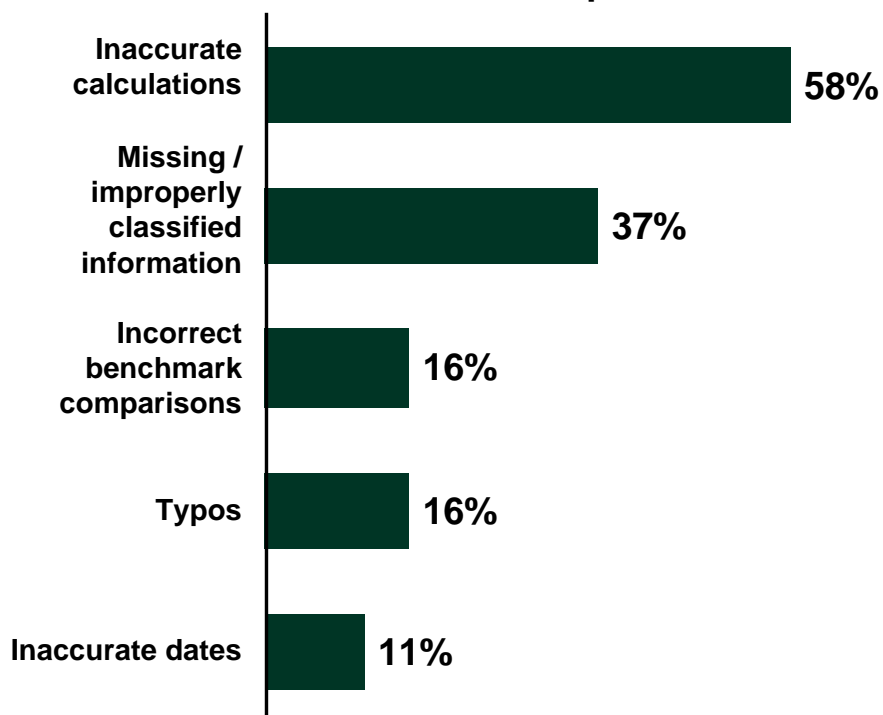


■ No  
■ Yes

### III. Errors in client reports (cont.)

- 58% of investors who reported errors in the client reports furnished by their asset managers noticed inaccurate calculations.
- Missing or improperly classified information was also mentioned as an error by 37% of respondents.

#### Please describe the errors that you have detected in client reports



Base\*: 19

*The few that I recall have been relatively small. For example, reports have stated (in the narrative) that an investment manager outperformed when the data clearly showed underperformance; in addition, misstating the performance of the benchmark due to a simple error has also occurred.*

**Public pension, \$50 - \$250 MM**

*Occasional error in return number.*

**Public Pension, \$250 - \$500 MM**

*Not all of the information was included on the reports.*

**Endowment, \$250 - \$500 MM**

*People included that left the firm. Miscalculation of attribution.*

**Public Pension, \$1 - \$5 b**

*The errors I have encountered are nothing substantial. At one point, the report group neglected to make a change that we requested and failed to include information we requested.*

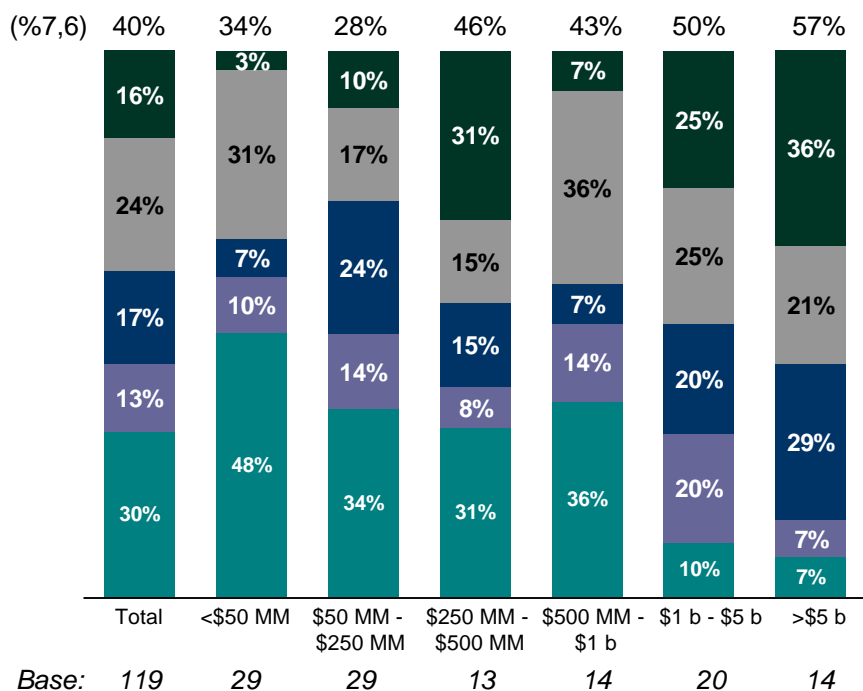
**Public pension, >\$5 b**



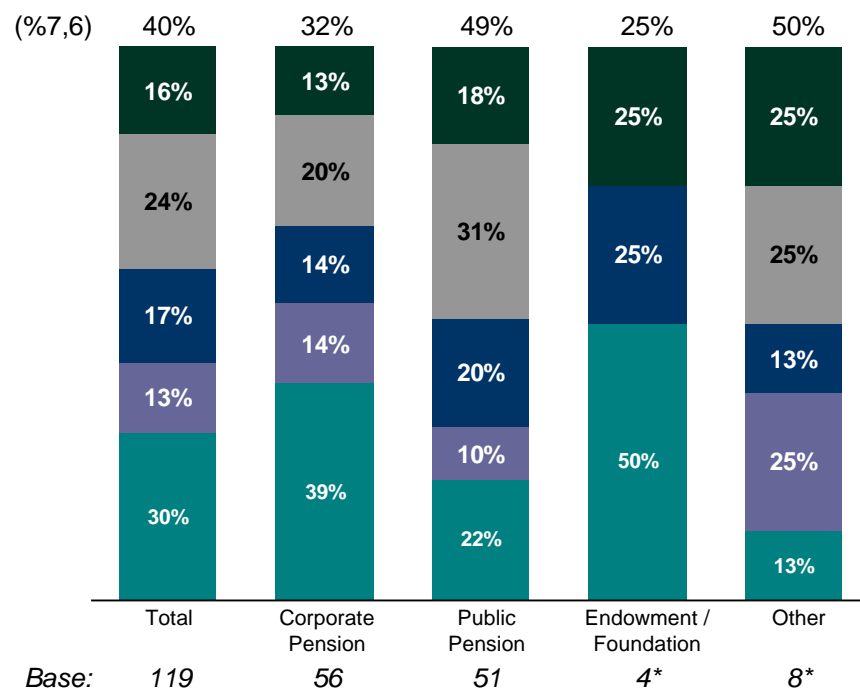
### III. Importance of online access

- 40% of respondents indicate that it is important to have online access to portfolio information.
- Online access is most important to the largest plans (>\$1 b in assets).
- Online access is more important for public pension plans compared to corporate pension plans.

**Importance of online access to portfolio information through Web portal – By Assets**



**Importance of online access to portfolio information through Web portal – By Plan Type**

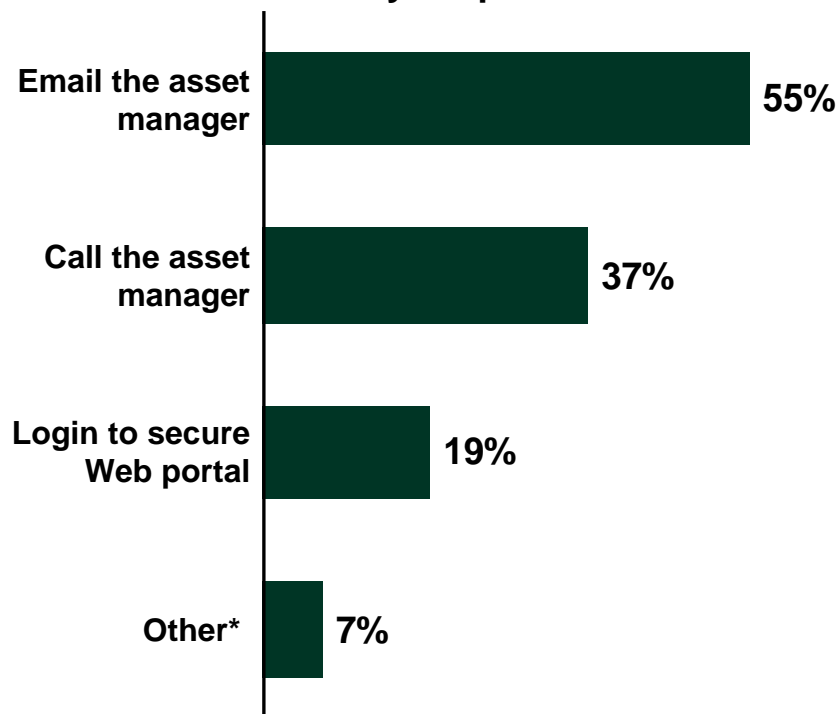


■ 7 (Very important) ■ 6 ■ 5 ■ 4 ■ % 3,2,1 (Not important)

### III. Preferred method for obtaining information from asset managers

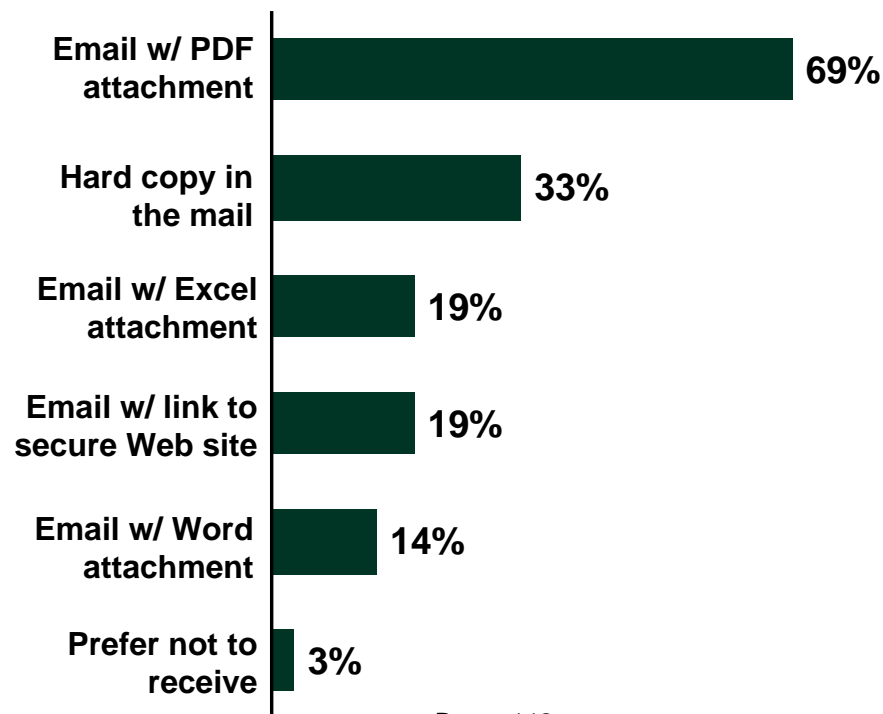
- The majority of respondents (55%) prefer to e-mail their asset managers for answers to questions about their portfolios. Calling the asset manager is also frequently mentioned (37%).
- More than two-thirds of respondents (69%) prefer to receive monthly / quarterly reports via an e-mail with a PDF attachment. Respondents also frequently mention a desire to receive a hard copy (33%).

**What is your preferred method for obtaining answers to routine questions about your portfolio?**



Base: 120

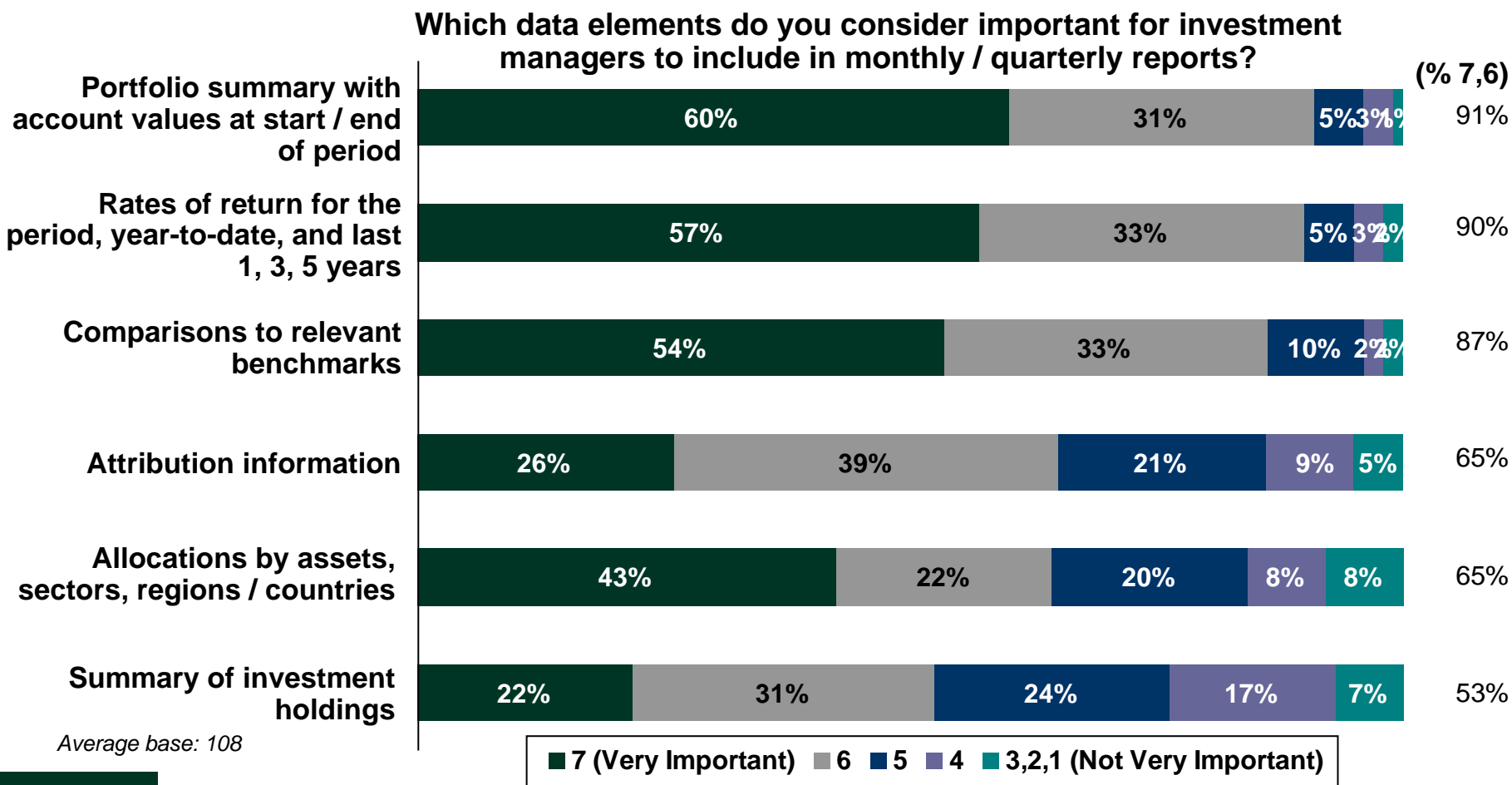
**What is your preferred method(s) of receiving monthly / quarterly reports?**



Base: 118

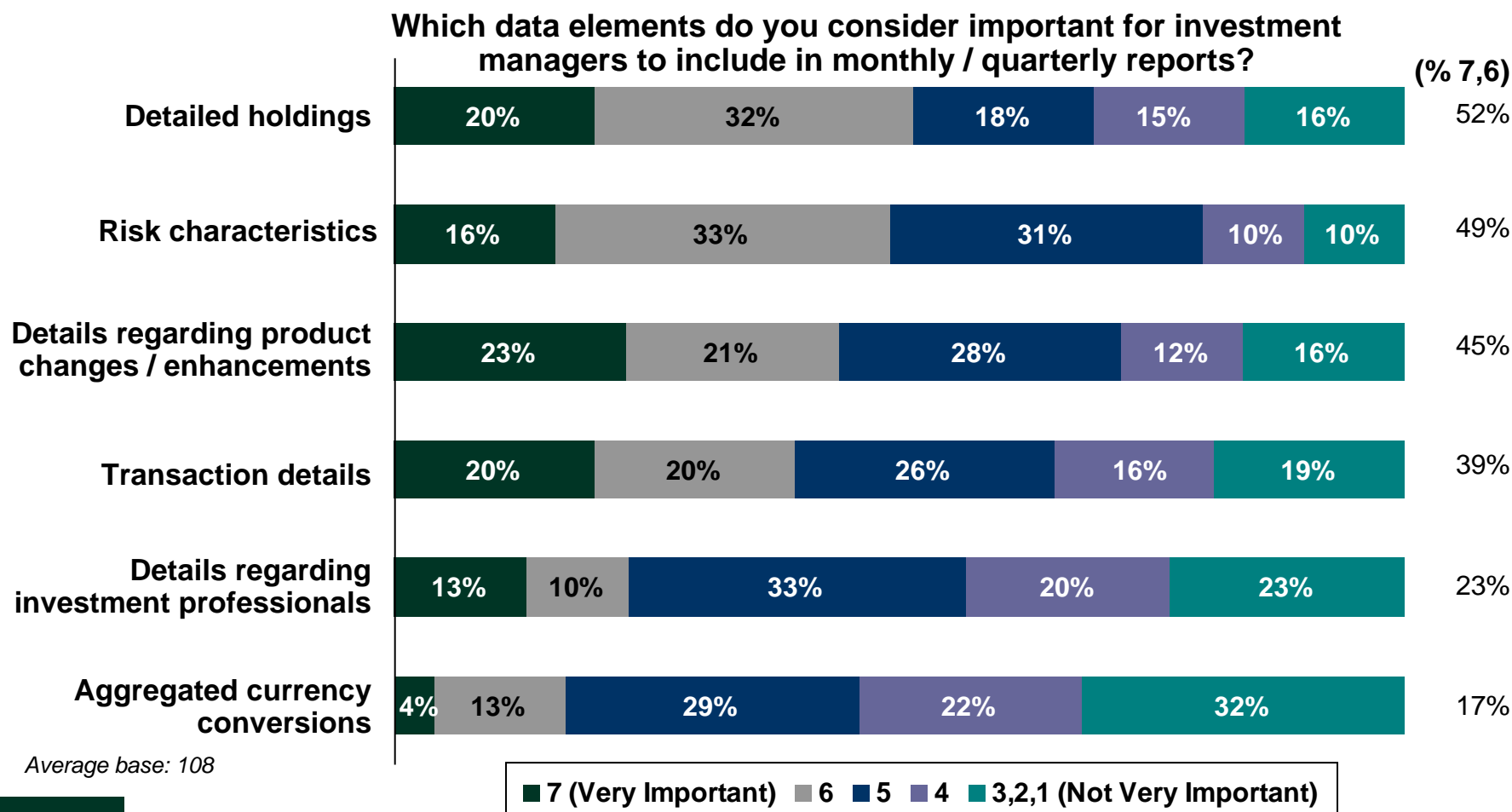
### III. Importance of specific data elements

- There are three data elements that are clearly most important to institutional investors:
  - Portfolio summary with account values at start / end of period (91% top 2 box)
  - Rates of return for the period, year-to-date, and last 1,3,5 years (90%)
  - Comparisons to relevant benchmarks (87%).



### III. Importance of specific data elements (cont.)

- Conversely, aggregated currency conversions and details regarding investment professionals are much less important to investors.
- Only 17% and 23% of respondents, respectively, indicate that these data elements are very important.

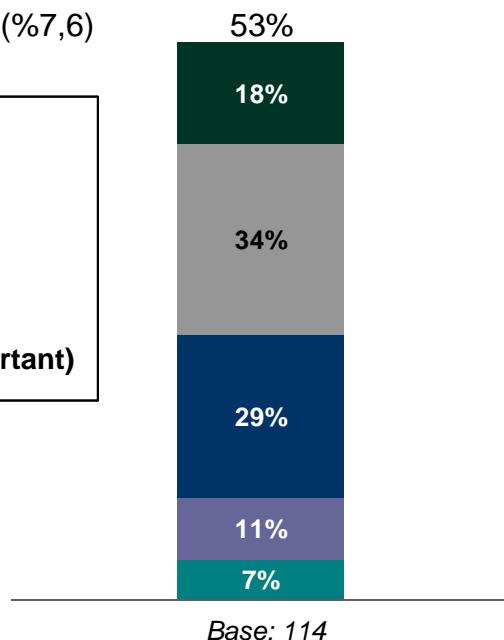
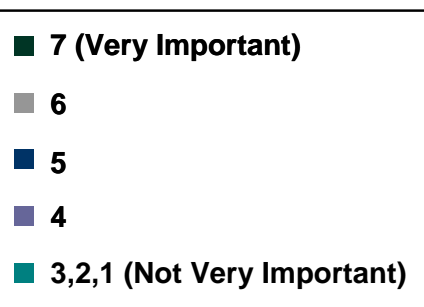


### III. Importance of portfolio manager commentary

- More than half (53%) of respondents believe it is very important to include portfolio manager commentary in client reports.

**What level of importance do you place on portfolio manager commentary in monthly / quarterly reports?**

(%7,6)



*It is important to understand what the manager believes were the drivers of our under performance.*

**Public pension, \$1 b - \$5 b**

*We greatly value the insights of our managers. Also, communication becomes even more critical in volatile markets, and monthly / quarterly reports can play an important role in aiding the communications effort.*

**Public pension, >\$5 b.**