

Transition management



**BLACKROCK'S
TRANSITION
MANAGEMENT
TEAM IN EMEA
CO-HEADS
JUSTINE
ANDERSON AND
PETER LOEHNERT
SHARE THEIR
THOUGHTS ON
THE CURRENT
TRANSITION
MANAGEMENT
ENVIRONMENT**

Reading the changing landscape

Which trends did you observe in transition management in 2015?

Last year we undertook transitions across all asset classes. However, emerging markets, both debt and equity as well as high-yield debt, stood out. These asset classes can provide additional challenges that require specialist trading teams and the right risk and investment management technology. We also saw continued interest from clients seeking a long-term, exclusive partnership that allows them to make transition management a core part of their investment process. With ever-growing focus on costs, efficiency and transparency this is a scalable solution that is increasingly attractive to many of our clients, particularly as the current environment requires investors to take a more active approach to their portfolios.

Which factors are important when evaluating and selecting a transition manager?

There are so many: size and experience of the team, longevity and track record in the industry, access to liquidity, technology and systems to name but a few. We would always encourage a client to conduct thorough due diligence. It is crucial to come onsite to get a 'real world' view of the quality of the team and the process. It is only when you actually see the scale of an operation, meet the people, count the traders and interrogate the systems that clients can make a genuine value for money comparison and have confidence in their decision.

In evaluating cost, is there a particular area that requires greater attention?

Clients have long been aware of the need to look very carefully at the true costs of trading equities and bonds as opposed to simply comparing commission rates. An area that is still often overlooked is FX, which can be a significant component of implementation shortfall. It is so important to understand how FX is traded during a transition, what the risk contribution is and whether there are ways to mitigate that risk. We would always advocate a multi-counterparty approach for execution. Our experience has been that this can lead to significant cost savings for

clients. Given the size of the FX transactions that can occur in a transition, it is especially important to be able to source a wide range of prices and put banks into competition.

You won the European Pensions Transition Management Firm of the Year for two years in a row. To what do you attribute BlackRock's success?

Our philosophy has always been that the ability to provide transition management services at a consistently high level requires a significant commitment to the business in terms of both people and technology. BlackRock's transition management team stands out by its size and level of experience. The team has access to purpose-built multi-asset systems and to a fully connected global trading network, which is leading the way in electronic trading. For our clients, this means that they can be confident that the key elements of a transition: project management, risk management and execution, are always fully supported no matter how complex the transition or which asset classes are involved. As a result, we have been the go-to provider for complex events for many years. Clients place enormous value on the simplicity of our business model and our fiduciary approach to everything we do.

What do you think will be a key theme for the transition management industry in 2016?

Many of the themes prevalent in 2015 will continue into 2016. A new interest rate environment, increased regulation and a strong focus on broadening investment strategies will continue to drive significant portfolio change and thus the need to mitigate any impact on performance. Understanding the evolving market structure and navigating both liquidity and volatility risk will no doubt remain challenging. From a provider's perspective, it means further innovation and an even closer partnership with our clients to help them achieve their goals. ■

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