

2005 Transition Management Survey

Transition management remains popular among plan sponsors, and they continue to give high marks to the institutions that manage their transitions for them. Average scores in the 2004 survey, whether measured with a weighting based on value traded or simply unweighted, remained high, and survey responses gave few indications of any serious problems as evidenced by scores given or comments made. Continued client satisfaction has helped business growth. Among the managers profiled in this survey, the number of transitions was higher in 2004 than in 2003, typically by around 15%, with values traded also highlighting similar growth. Success has attracted imitation, with the number of institutions establishing or placing more emphasis on transition management continuing to grow.

However, under the overall “umbrella” title of transition management, it is clear that there are a number of distinct and different businesses struggling to establish a unique identity. These businesses have a range of objectives and priorities that is being met by various service providers, each of which, at this stage, is justified in calling itself a transition manager. Any analysis of transition management, whether in this survey or by individual plan sponsors, must take into account not only the whole industry, but also its diverse component parts. Without such granularity in approach, there exists a clear risk that managers will be selected for the wrong reasons, giving rise to disappointment on both sides.

The most obvious distinction in the business is that based on the size of transition. Within this year’s survey, responses were received from clients whose average transition was worth more than \$3 billion. However, for many, the average transition was worth less than \$50 million and, in some cases, less than \$10 million. Not surprisingly, the clients involved had significantly different views of what the primary requirements of success should be. The level of sophistication in the analysis (pre- and post-trade) and execution process that they might expect and require also varied considerably.

This is clearly illustrated in the priorities identified by the very largest (transition size >\$1 billion) and smallest (<\$50 million). Among the former group, the most important factor is the actual cost of the transition. This is followed by the way in which the manager reviews alternative trading strategies with the client, and its flexibility in responding to changing market conditions and the transition progresses. For the small clients, it is interesting to note that the actual cost of the transition is not one of the top three priorities. They are more concerned with the consistency of the result with pre-trade estimates (high costs are fine as long as the transition manager said they would be high), communication about the progress being made in execution, and the ability to interact effectively with managers and custodians. The other interesting highlight from the priorities is the limited amount of interest that exists in


hedging strategies and alternatives, often the most effective way of reducing overall transition costs.

The second factor that distinguishes clients is their general and specific levels of satisfaction. Among the largest clients, one-sixth found some aspect of service sufficiently disappointing to give a score of 3.0 or lower against a maximum of 7.0 and average scores of better than 5.50. In total, almost 5% of responses were at this relatively disappointing level. The area of greatest concern was consistency between pre-trade cost estimates and actual costs incurred. Perhaps it is a case of overpromising and underdelivering, but also an illustration of the fallacy of selecting a transition manager based on who is predicting the lowest cost. In addition, these transactions are, indeed, complex and not without risk to all parties. There were a good number of very

satisfied clients in this group. However, those serving the largest and most sophisticated clients must know that expectations are high in no small measure due to of the plethora of sales pitches that emphasize the unique ability of the vendor to handle the complex and manage risk in a sophisticated way.

The second group by size continues to benefit from the resources being put into the business and, in contrast to 2003, showed the best scores. Of clients with an average transition size of \$250 million to \$1 billion, less than 4% gave a score of 3.0 or less and scores at this level accounted for less than 0.5% of total responses. Interestingly, however, the small clients were not so well satisfied by the overall process in spite of giving generally high scores. Within this group, more than 9% of respondents found something that was disappointing and low scores (3.0 or below) amounted to 4% of the total. Interestingly, for these clients, the areas where scores were weakest were in pre- and post-trade reporting.

Among the managers profiled in the survey, only seven had responses from clients with average transition size of more than \$1 billion, while a further three had clients in the \$500 million to \$1 billion range. Only half of these 10 received enough responses to suggest that they have a continuous flow of business with this type of client. By contrast, most had some business with the smaller client group. When reviewing the profiles, it is important to recognize that, if a manager is not aspiring to serve the multibillion transition activity, it does not need—and would be foolish to develop—all of the sophisticated capabilities of those that do pursue those very large opportunities. Equally, clients with relatively small transitions need to know that they may neither need nor “qualify” for the most sophisticated capabilities, even if they select a

 Best in Class	
PRE-TRADE	
PREDICTED TRADING COSTS	HEDGING OPTION
Merrill Lynch	Merrill Lynch
State Street	Lehman
Russell	Russell
REVIEW OF ALTERNATIVE STRATEGIES	QUALITY OF REPORTING
Russell	Northern Trust
Morgan Stanley	Morgan Stanley
BNY	Lehman, State Street
EXECUTION	
COMMUNICATION OF EXECUTION PROGRESS	FLEXIBILITY W/ CHANGING CONDITIONS
Russell	Lehman
BNY	Russell
State Street	Northern Trust
POST-TRADE	
LEVEL OF ACTUAL TRADING COSTS	QUALITY OF REPORTING
BNY	BNY
State Street	Russell
Northern Trust, Russell	State Street
ACTUAL COSTS VS. PROJECTED COSTS	
BNY	
Russell	
State Street	
ORGANIZATION AND SUPPORT	
PERSONNEL PROVIDING ADVICE	INTERACTION W/ MANAGER & CUSTODIAN
Russell	State Street
BNY	Russell
Morgan Stanley	Royal Bank
QUALITY OF OPERATIONAL SUPPORT	
Russell	
BNY	
Morgan Stanley	

manager that offers them to some of its clients.

In terms of the service providers, it is clear that State Street is the most successful transition manager based on number of responses and the total value represented by them. State Street has created a powerful narrative around a combination of low-cost trading expertise grounded in passive asset management and operational scale and experience. The relationship advantage afforded by being a leading custodian obviously adds in some cases, but a surprisingly large proportion of business now is conducted with plan sponsors that do not use State Street as custodian. The only other provider to see a similar level of responses was Russell Investment Group. It, too, now finds its reputation and capability has spread well beyond its consulting clients. It also has a background in areas of asset management (funds of funds) that naturally creates transition management expertise. It has allied this to “thought leadership” in terms of research work. The capabilities are extremely highly regarded by clients who gave such good scores that Russell features among the Best in Class in almost all categories. Scores are equally good for large transitions (average >\$250 million) and smaller ones.

State Street’s success has not gone unnoticed by other custodian banks that have been busy building up transition management capabilities and are making progress. In terms of survey responses, Bank of New York, Northern Trust, and RBC would seem to be ahead, but Mellon and JPMorgan cannot be discounted based on overall business levels reported and capabilities described. Bank of New York achieved good scores from its clients (both large and small) that appear generally satisfied. Scores were sufficient to merit inclusion in the Best in Class lists in five areas, with particular strength in post-trade reporting. This paralleled the experience of both Russell and State Street, which also scored well here. While the reporting capabilities of all three providers are competitive, it would seem that, for many clients, “less may be more” when it comes to after-the-fact reviews. RBC and Northern Trust also appear to have clients that are well-satisfied with services. However, their scores saw them achieve fewer Best in Class mentions.

Aside from custodians, investment banks continue to have success in transition management and mention should be made of Barclays Global, which, though getting a smaller number of responses than many, did have the highest average size of transition management clients and, hence, arguably the most demanding. Investment banks receiving a good level of responses included Lehman, Morgan Stanley, and Merrill Lynch. However, the second-tier players such as CSFB and Dresdner appear to be making little progress in winning business from this client group and seem to be focused more on business available from money managers. Even Goldman Sachs, UBS, and Deutsche, though still seemingly major players overall in transitions, saw insufficient responses here to merit inclusion in the Best in Class lists. Performance of the investment banks in general was not as strong as might be expected. Lehman and Morgan Stanley were ranked among the Best in Class in four categories while Merrill achieved this status in two. Interestingly, Lehman (in the area of flexibility in dealing with changing conditions) was the only investment bank to achieve Best in Class ranking in the area of execution, logically its greatest strength. Equally, none achieved a mention in the area of post-trade. This might suggest that clients regard analysis from custodians as more credible than investment banks’ analyses of their own trading. Also, the level of sophisticated analysis that investment banks bring to bear may be working to their detriment.

Overall, eight providers achieved Best in Class in at least one of the 12 areas. These institutions are to be congratulated and commended on the level of satisfaction evidenced by clients. Clearly, competition remains fierce in the business and can only be good for plan sponsors in the future. **PS**

Stats

TOTAL NUMBER OF TRANSITIONS MANAGED

State Street	223	
Russell	195	
Lehman	49	
BNY	30	
Northern Trust	25	
Morgan Stanley	16	
Barclays	12	
Merrill Lynch	10	
Royal Bank	9	

VALUE OF TRANSITIONS MANAGED FOR RESPONDENTS

Russell	\$57,708.3	
State Street	\$56,410.1	
Lehman	\$14,853.0	
BNY	\$6,994.0	
Barclays	\$6,300.0	
Morgan Stanley	\$4,180.0	
Northern Trust	\$3,904.0	
Royal Bank	\$1,785.0	
Merrill Lynch	\$830.2	

AVG NUMBER OF TRANSITIONS PER RESPONDENT

Russell	4.8	
State Street	2.8	
Lehman	2.3	
Northern Trust	2.1	
Barclays	2.0	
BNY	1.8	
Merrill Lynch	1.7	
Morgan Stanley	1.6	
Royal Bank	1.1	

AVERAGE TRANSITION VALUE PER RESPONDENT

Barclays	\$525.0	
Lehman	\$303.1	
Russell	\$295.9	
Morgan Stanley	\$261.3	
State Street	\$253.0	
BNY	\$233.1	
Royal Bank	\$198.3	
Northern Trust	\$156.2	
Merrill Lynch	\$83.0	

Methodology

The listings that follow represent information that was given to *PLANSPONSOR* by transition managers. Each manager was asked to provide a brief description of its business model, scale of transition management business, strengths, and capabilities in the pre-trade, execution, and post-trade aspects of portfolio transitions.

Additionally, in February and March 2005, *PLANSPONSOR* solicited feedback from the institutional investment community on the portfolio transitions they completed and the transition managers they used in 2004. The questionnaire was developed in conjunction with Robert Kay of Global Securities Consulting Services (GSCS). Details of these responses are as follows:

- A total of 204 institutional clients representing 603 portfolio transitions responded to the questionnaire. In terms of total value, these respondents were responsible for completing more than \$167 billion in portfolio transitions in 2004.
- Of the respondents, 65% were corporate and public retirement plan sponsors as well as endowments and foundations. Another 22% were investment managers and consultants, and another 6% considered themselves to be both plan sponsor and investment manager.
- Nine transition managers received sufficient client feedback to qualify for Best in Class honors: Barclays Global Investors, BNY Transition Management, Lehman Brothers, Merrill Lynch, Morgan Stanley, Northern Trust, RBC, Russell, and State Street.

Once again, we would like to thank the transition managers that agreed to participate in this year's survey. Of course, we cannot go without thanking the transition management clients as well—without their input, this survey would provide significantly less insight.

Barclays Global Investors

ORGANIZATION

BGI provides transition management within a global investment manager, built around expertise and interest generated within the asset management business and among clients. As such, it is a fully integrated part of the investment management portfolio and trading businesses with its own dedicated resources.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: 400
 2004 value: <\$200 billion
 Equities: n/a
 N American securities: 40%
 N American clients: n/a

REPRESENTED STRENGTHS

- » integration within asset management, benefiting from expertise in both trading and investment management
- » risk management expertise based on full understanding of client objectives, and balances opportunity and transaction costs
- » utilization of multiple pools of liquidity with exclusive access to BGIS (affiliated broker/dealer)
- » acceptance of fiduciary responsibility to ensure that client interests clearly are paramount

PRE-TRADE

Estimates based on implementation shortfall methodology. Combines transaction costs (commissions, taxes, 50% of bid/offer spread, and market impact) and opportunity costs (tracking error for the time horizon of the transition measured from the close on the day prior to trading). Analysis incorporates hedging and equitization strategies where appropriate. Offers clients choices of approach and quantified basis for decision.

EXECUTION

Aim is to mitigate risks and minimize transaction costs. Proprietary Multi Period Optimizer identifies the transition path with lowest implementation shortfall. Uses portfolio optimization techniques, keeping cash exposure to a minimum. Uses tools from different brokers as well as ECN capabilities. Provides daily reporting.

POST-TRADE

Proprietary system measures all costs in an implementation shortfall framework that complies with the T Standard. This system leverages unique experience in trading research and BGI's own database of transition and portfolio trading activity. Details transaction costs and realized opportunity risk and compares to pre-trade estimates. Also reviews operational risk.

BNY Transition Management

ORGANIZATION

BNY Transition Management is an agency broker operating transition management within the securities trading and clearing unit of Bank of New York. Executes global multi-asset class transitions largely on an agency basis.

SCALE OF TRANSITION MGMT BUSINESS

2004 number*: >600
 2004 value*: >\$230 billion
 Equities: 63%
 N American securities: 85%
 N American clients: 95%

* conducted by The Bank of New York, its subsidiaries and affiliates

REPRESENTED STRENGTHS

- » team of professionals focused exclusively on transition management
- » expertise in risk management and cost minimization
- » access to large pools of liquidity in all publicly traded asset classes
- » nonconflicted agency execution role
- » global multi-asset class execution capabilities

PRE-TRADE

Primarily focuses on overall transition cost. Estimates market impact costs as well as opportunity cost through a proprietary model that incorporates bid/ask spreads, traded volume, volatility, and liquidity distribution, among other factors.

The trading strategies are customized to suit the characteristics of a transition as well as the objectives and constraints of the asset owner.

EXECUTION

Provides information on progress of execution daily, including mark-to-market information to provide portfolio oversight. Accesses liquidity from dealers where appropriate. Offers daily electronic transmission of execution data.

POST-TRADE

The post-trade report measures implementation shortfall with the attribution of the overall transition cost to its different components. In addition, the report measures the quality of execution by using different trading benchmarks.

Lehman Brothers

ORGANIZATION

A segregated business within Lehman Brothers providing integration across all asset classes. The team's members have expertise in risk control, equities/fixed-income trading, portfolio management, derivatives/structured products, legal, operational control, custodial services, and IT system design.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >300

2004 value: >\$150 billion

N American securities: ~65%

N American clients: ~65%

REPRESENTED STRENGTHS

- » fixed-income transition cost estimates are in a manner analogous to equities
- » unique non-linear trade slice optimization approach minimizes costs
- » customized risk assessments incorporate client's specific requirements
- » advanced trading capabilities, including extensive use of technology, research, and internal liquidity

PRE-TRADE

Comprehensive qualitative/quantitative approach to determine risks and optimal execution path across all asset classes. Unique implementation shortfall estimate based on verifiable quantitative modeling. Access to historical index pricing and proprietary risk models allows accurate forecast of the total cost of a fixed-income transition. The macro-to-micro structure of the pre-trade analysis incorporates economic factors, company-specific research, and market microstructures.

EXECUTION

Has distinct advantage when managing multi-asset class transitions. In equities, it uses algorithmic trading strategies and proprietary trading models to source the most efficient pools of liquidity. Its natural liquidity reduces costs through increased crossing opportunities. For fixed income, the ability to measure inherent transition risks through portfolio analytics and the use of index pricing offer clients an incomparable level of transparency.

POST-TRADE

Reports are a qualitative and quantitative analysis based on implementation shortfall methodology, client objectives, and operational success. Analysis includes performance attribution on implementation shortfall, identifying the largest contributors, and comparing to the estimates in pre-trade. Analysis is available by sector, liquidity bucket, etc. to compare to pre-trade analysis.

Merrill Lynch

ORGANIZATION

Global broker/dealer operating transition management as a group within its Global Markets and Investment Banking division.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: n/a

2004 value: >\$135 billion

Equities: 80%

N American securities: 69%

N American clients: 85%

REPRESENTED STRENGTHS

- » integrated structure between asset management and broker/dealer allowing best execution at low cost
- » access to global liquidity through a leading global dealer in all asset classes
- » ability to commit capital to trading to ensure timely execution of transition
- » leading technology for risk optimization and trading algorithms
- » competitive advantages in difficult transitions such as small-cap, emerging markets, or highly concentrated portfolios

PRE-TRADE

Implementation shortfall is the recommended basis for pre-trade estimation. This includes trading impact, market movement, opportunity cost, commissions/taxes, bid/ask spread costs, and tracking error. Through control of market exposures Merrill Lynch aims to keep market movement costs to zero. Tracking error is estimated using volatility and correlation models, and Merrill Lynch uses a proprietary model for risk management that creates optimal trading schedules to control cost in mathematically efficient manner.

EXECUTION

Best execution is sought through a variety of alternatives including both internal and external crossing networks. Brokers other than Merrill may be accessed, but the majority of open market trading is expected to be executed in-house. Principal bids may be considered and discussed with clients where advantageous; execution strategy is agreed upon with clients. Clients are kept informed between two and five times each day with updates. Online reporting capability but, in our experience, rarely used.

POST-TRADE

Post-trade analysis compares results with pre-trade estimates. Costs are broken into constituent components, with detail and transparency that is considered unmatched. This is available each day during the transition as well as on a summary basis once the transition is complete.

Morgan Stanley

ORGANIZATION

Separate unit of 35 people operating globally as an effective "joint venture" among global equity, fixed-income, and foreign exchange business units of a major broker/dealer. Individuals within the group essentially coordinate activities of the firm as a whole.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >500

2004 value: >\$300 billion

Equities: 84%

N American securities: 62%

N American clients: 56%

REPRESENTED STRENGTHS

- » sophistication of personnel and systems based on the breadth and depth of transition activity undertaken
- » state-of-the-art algorithmic trading capabilities supported by unparalleled systems, research, and personnel
- » trading capabilities of a global broker/dealer facilitating effective risk management and control of transaction costs in complex transitions

PRE-TRADE

Models implementation shortfall costs using 15 years of experience and proprietary research. Establishes a range of implementation options with costs and risks, and helps clients select the most appropriate. Produces realistic estimates in the bid process, avoiding the common practice of artificially understating expected costs for the purpose of winning business.

EXECUTION

Makes use of liquidity within the firm resulting from its leading position in global equities. However, uses algorithms to reassess crossing opportunities continuously rather than fixing a point in time. Does not use ECNs in terms of "posting" interest, believing it is better to have algorithms "search out" liquidity. Pays significant attention to FX exposure and execution management.

POST-TRADE

Uses implementation shortfall approach to assess performance. Measures actual result against target done at "zero cost" which is the de facto standard in the industry. Also able to provide analysis against a range of benchmarks at client request.

Northern Trust

ORGANIZATION

Transition management operates as part of Northern Trust Global Investment Group, the investment management business of a commercial bank that also focuses on custody, trust, and wealth management. The bank also has an introducing broker that handles some trades.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >300
 2004 value: \$45 billion
 Equities: 80%
 N American securities: 88%
 N American clients: 95%

REPRESENTED STRENGTHS

- » assumption of fiduciary role to align clients' interests with those of the manager
- » experienced multidisciplinary team operating as project managers on each transition
- » quality of execution through optimal use of crossing and using best-of-breed independent brokers for open market trading
- » comprehensive reporting capturing portfolio characteristics for global securities including both equities and fixed income
- » control of execution and operational risks utilizing custody and investment management experience

PRE-TRADE

Focuses on total costs, with reporting that highlights implicit and explicit costs. Provides clients with detailed analysis of costs and risks, including prudent cost estimates. Makes a single recommendation for approval based on a realistic and complete understanding of client priorities and requirements.

EXECUTION

Utilizes all available sources of liquidity including internal and external crossing. Selects appropriate venues based on analysis of portfolio characteristics and risk metrics. Manages to ensure exposures are maintained and provides daily progress updates.

POST-TRADE

Comprehensive reporting that reviews total costs quantified as implementation shortfall. This may be supplemented by analysis against optional additional client-determined benchmarks. Actual results are reviewed at summary and detailed level against pre-trade estimates.

RBC

ORGANIZATION

RBC's Global Services Portfolio Transition Management service specializes in the planning, management, and execution of diverse transactions, helping clients preserve capital, reduce costs, and manage the risks of fund restructuring and manager changes. RBC provides an end-to-end solution through the combined efforts of RBC Global Services' Trade Management Services Group and its network of best-in-class trade execution partners including RBC Capital Markets and other unrelated parties.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: 19
 2004 value: \$15.4 billion
 Equities traded: \$17.3 billion
 N American securities: 68%
 N American clients: 90%

REPRESENTED STRENGTHS

- » risk minimization through use of custom trading strategies tied to the needs and priorities of the client, not any particular trading desk or system
- » access to liquidity through a network of trading partners enabling rapid transitions with minimal cost and risk
- » preservation of sponsor anonymity to reduce risk of "information leakage"
- » single vendor, single accountability so clients can focus on core competencies
- » compensation is transparent and not commission-driven
- » operational experience offering full project management

PRE-TRADE

Consulting model is aligned with fiduciary concerns of the client. It is not tied to an in-house crossing system and compensation is not commission-driven. Free from selection bias, RBC chooses the most appropriate broker(s) for the transition. Protects investor identity, revealing only high-level portfolio information.

EXECUTION

RBC faces no conflicts of interest in managing trading, with a network of best-in-class trading partners—ensuring access to liquidity and minimizing costs. As a global custodian, RBC is also the natural focal point for information on trading, settlement, FX, cash flows, and corporate actions.

POST-TRADE

Provides effective oversight, and execution providers are held accountable. Performance is measured against pre-determined benchmarks and the client can rely on objective, transparent reporting without "gaming."

Russell Investment Group

ORGANIZATION

Russell's transition management business was established in 1980 to conduct manager transitions as part of Russell's multimanager and consulting business. Transition management became a stand-alone business in 1990 and is conducted as a fiduciary investment manager, not a transaction processor.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >500
 2004 value: \$400 billion
 Equities: n/a
 N American securities: 54%
 N American clients: 65%

REPRESENTED STRENGTHS

- » acts as an investment manager fiduciary with more than 25 years of experience handling a wide range of transitions
- » development of a large suite of risk models based on proprietary research and an extensive transition database that allows for thorough analysis of prospective costs
- » consistent innovation and introduction of leading-edge industry practices
- » facilitated the creation of the T Standard as a basis upon which the industry measures total transition performance
- » industry-leading project management by a cohesive, experienced team with low staff turnover
- » unrestricted and unbiased multi-broker execution designed to provide broadest possible liquidity.

PRE-TRADE

Uses quantitative models to estimate T Standard-compliant implementation shortfall costs using best available cost and risk models and a transition database developed from its own data and from transitions conducted by other providers.

EXECUTION

Uses unbiased agency approach designed to access all asset classes and liquidity sources including direct market access and risk-managed crossing as appropriate. Has access to all sell-side algorithmic trading expertise. The only agency FX solution provider with access to FXAll and FXConnect. As an investment manager, Russell has effective relationships with numerous custodians contributing to better execution and reporting.

POST-TRADE

Uses implementation shortfall approach to assess performance using T Standard-compliant systems. Utilizes technology connectivity to Russell WebTM, which is used to provide client reporting.

State Street Global Markets

ORGANIZATION

State Street Global Markets, the investment and research trading arm of State Street Corporation, provides specialized research and trading services. State Street Global Markets, LLC, its broker/dealer, provides transition management services including fiduciary oversight and unique execution capabilities.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >800
 2004 value: <\$600 billion
 Equities: 85%
 N American securities: approx 50%
 N American clients: approx 65%

REPRESENTED STRENGTHS

- » a dedicated and focused transition management team that combines technology investment and intellectual capital. There is significant repeat business (89% of clients from 2003 completed additional transitions in 2004)
- » global basket execution system provides real-time management of orders, with full market connectivity and algorithmic trading functionality
- » the scale of internal crossing facilitated by access to unique liquidity pools as well as allowing timely automated access to alternative sources
- » investment manager approach to fiduciary responsibility and risk management.

PRE-TRADE

Focuses on implementation shortfall measured as investment performance (actual transition return vs. benchmark transition return) during the transition. Considers commissions, taxes, market impact (beyond the spread), and opportunity costs caused by not being invested in the target portfolio.

EXECUTION

Execution strategy eliminates information leakage through accessing all market liquidity directly rather than through other brokers. Timely execution facilitated through use of internal crossing, natural order flow from transitions, and electronic trading. Where residual trading is required, this is done by State Street Global Markets. Reporting of executions is available in real time online, and information is sent automatically to clients at least daily.

POST-TRADE

Implementation shortfall used to measure all transitions. Results are compared with the "transition composite" maintained by State Street based on all its previous transitions. If results are consistent with past trends and the pre-trade estimate, then the transition is considered successful.

Abel Noser

ORGANIZATION

Offers transition management services as part of an agency brokering service executing in US equities. Developed to assist primarily plan sponsor clients that were users of its transaction cost analysis service and needed support on transitions.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >50
 2004 value: <\$10 billion
 Equities: 100%
 N American securities: 90%
 N American clients: 100%

REPRESENTED STRENGTHS

- » experienced team that has been active in managing transitions since 1984
- » quality of execution through optimal use of electronic platforms including direct market access, floor traders, and algorithmic trading capabilities
- » comprehensive reporting based on 20 years of experience in transaction cost analysis
- » client only pays broker commission, with no extra fees

CSFB

ORGANIZATION

Global broker/dealer operating transition management as a stand-alone group within the Securities Division. Situated to interact with all relevant components of CSFB.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >180
 2004 value: >\$140 billion
 Equities: 90%
 N American securities: 54%
 N American clients: 45%

REPRESENTED STRENGTHS

- » Sophisticated risk management strategies integrated with algorithmic trading systems
- » Global liquidity provider with crossing capabilities in all asset classes
- » Flexible business model offering creative and cost-effective solutions

Citigroup Global Transition Management

ORGANIZATION

Citigroup Global Transition Management (CGTM) draws on expertise from Citigroup's global resources in its equities, fixed income, and FX Trading groups. CGTM provides strategic review, planning, implementation, and analysis of transitions from dedicated teams in New York, London, and Sydney.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: <100
 2004 value: >\$50 billion

REPRESENTED STRENGTHS

- » true multi-asset class capability built on the expertise of Citigroup resources to provide direct access to liquidity and unmatched global execution capability
- » flexible approach to transition structures with unique, unbiased operating model
- » world-class analytics to facilitate strategic planning of transition, implementation, execution, and assessment while minimizing risk and shortfall to clients
- » dynamic, transparent reporting of pre-trade, execution, and post-trade process
- » operational experience offering full process management through a dedicated, experienced, single point of contact

Deutsche Bank

ORGANIZATION

Global broker/dealer operating transition management as a stand-alone group reporting to the Global Markets group. The group itself has experts in equities and fixed-income trading as well as risk control, derivatives, legal, etc.

SCALE OF TRANSITION MGMT BUSINESS

2003 number: >300
 2003 value: >\$600 billion
 Equities: 85%
 N American securities: 55%
 N American clients: 55%

REPRESENTED STRENGTHS


- » low cost for the client with no explicit fees being charged
- » performance-based pricing structures
- » ability to offer an array of execution strategies, without being biased toward a particular "preferred" option for institutional reasons
- » access to liquidity to facilitate "zero market awareness" trades
- » superior capabilities in understanding risk and operational control
- » willingness to guarantee implementation shortfall costs if requested

Goldman

ORGANIZATION

Global broker/dealer operating transition management as a group within its Pension and Insurance Group. Draws on expertise and experience within equities, fixed income, currency, and research areas.

SCALE OF TRANSITION MGMT BUSINESS

2003 number: >500
 2003 value: >\$200 billion
 Equities: n/a
 N American securities: 67% 
 N American clients: 65% 

REPRESENTED STRENGTHS


- » scale of individual deals completed with minimal market awareness
- » project management capability through dedicated teams
- » global trading capabilities in both equities and fixed income
- » research and analysis coupled with leading derivatives trading and risk management analysis
- » integrated risk platform for all asset classes
- » “go to” manager for complex transitions

Instinet/Lynch Jones & Ryan

ORGANIZATION

Agency broker operating transition management within the Plan Sponsor Services group of the firm. Makes use of Instinet Global Portfolio Trading capabilities to facilitate executions worldwide.

SCALE OF TRANSITION MGMT BUSINESS

2003 number: >400
 2003 value: <\$50 billion
 Equities: n/a
 N American securities: 
 N American clients: 100% 

REPRESENTED STRENGTHS





- » global agency trading expertise aimed at achieving best execution
- » impartiality and lack of conflicts of interest in completing transitions on behalf of clients
- » no hidden costs, with all charges reflected in the commissions applied

JPMorgan Transition Management Group

ORGANIZATION

Leading global investment bank providing comprehensive transition management services. Transition management group reports jointly to both the equities and credit and rates groups. The group leverages the firm’s leading analytics, trading, and custody services platform.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: 120
 2004 value: \$35 billion
 Equities: 60% 
 Fixed income: 40% 
 N American securities: 65% 
 N American clients: 60% 

REPRESENTED STRENGTHS



- » leading quantitative research and analytics team
- » advanced technology to measure/ manage the costs and risks of complex transactions
- » global trading expertise across multiple asset classes, with market-leading positions in fixed-income securities and currency
- » ability to trade all asset classes on either a principal or agency basis

Mellon Transition Management Services (MTMS)

ORGANIZATION

Operates as an effective joint venture between Mellon Capital Management, a quantitative index manager, and Mellon Global Securities Services, the asset servicing division of the bank. Has its own operations and IT staff. Combines risk and investment management skills with operational expertise.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: >100
 2004 value: <\$100 billion
 Equities: n/a
 N American securities: 70% 
 N American clients: 85% 

REPRESENTED STRENGTHS



- » dedicated, and experienced team with 25 years experience managing transitions, with particular understanding of portfolio risk
- » fully understands client objectives and constraints; flexible approach including OTC derivatives and advice on asset allocation implications
- » runs proprietary models on multiple occasions as client requirements are refined
- » offers comprehensive “outsourcing” of the process with operational efficiency

UBS

ORGANIZATION

Global broker/dealer operating transition management as a stand-alone group within equities division of the firm. In addition, the Plan Sponsor Services Group acts as a liaison with different elements of the firm but operates independently.

SCALE OF TRANSITION MGMT BUSINESS

2004 number: n/a
 2004 value: >\$550 billion
 Equities: n/a
 N American securities: 75% 
 N American clients: 70% 

REPRESENTED STRENGTHS

- » trading expertise and global reach, coupled with genuine independence of client-based and proprietary trading activity
- » risk management applied to trading in terms of liquidity access and market impact
- » administration and operations capability provided by a dedicated team approach
- » clearly defined and objective post-trade reporting
- » global reach as part of one of the world’s largest broker/dealers

For more information about this survey, detailed reports are available by transition manager, as well as the industry overall. Please contact Mike Stratton at (203) 769-2914 or mstratton@plansponsor.com for more information and pricing.