

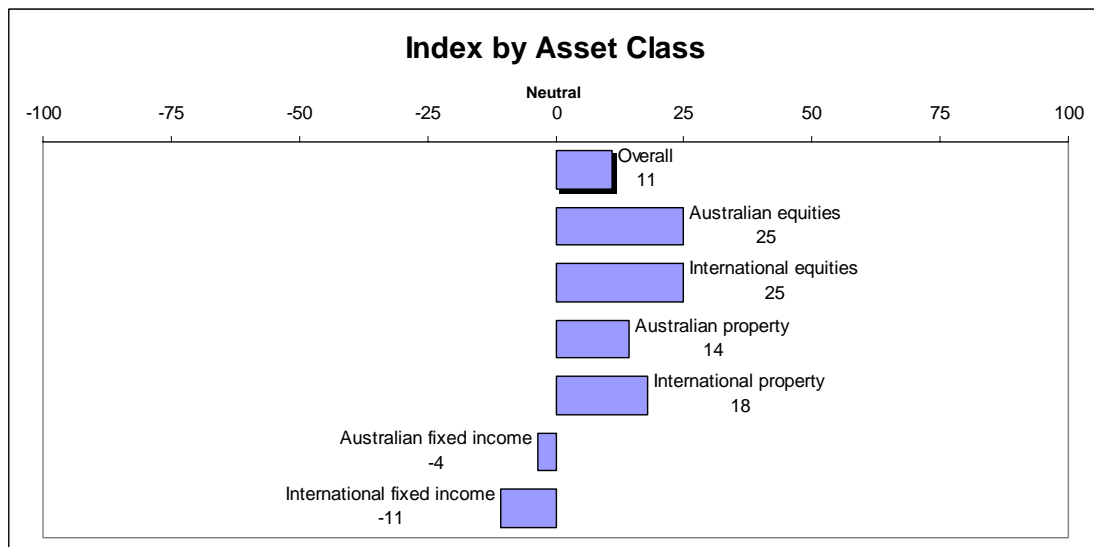
**FINANCIAL SERVICES COUNCIL  
CHIEF INVESTMENT OFFICER  
INVESTMENT INDEX # 01  
(Q1 FY11)**

**Key Findings**

The ‘**Financial Services Council Chief Investment Officer Investment Index**’ gauges the sentiment of Chief Investment Officers (CIOs) towards the investment environment over the next 12 months.

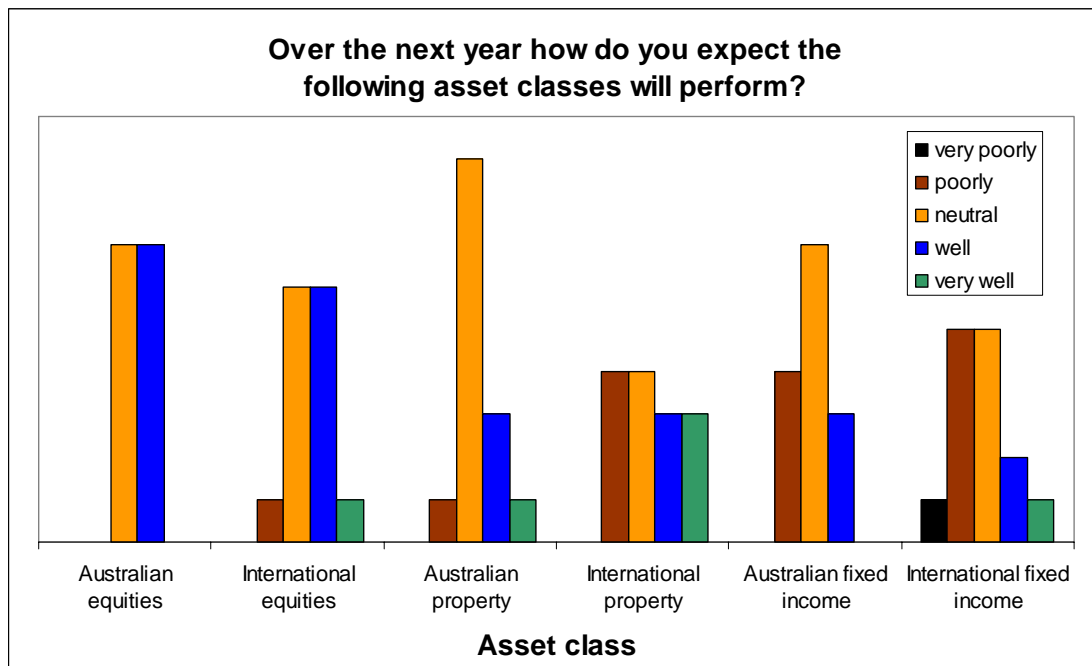
The inaugural Index measures **11** from a range of -100 to 100, where a score of 0 is considered neutral.

Responses indicate mild optimism among CIOs over the next 12 months. Volatility is expected to continue over the next year and longer term (five years) with the investment environment generally considered complex and fragile.



In terms of specific asset classes, Australian and international equities are expected to perform the best. Equity and property assets, both here and abroad, are expected to perform better than fixed income assets.

There is a slightly more positive sentiment towards Australian fixed income assets compared with international fixed income assets, while international property is expected to perform better than Australian property.



The range of sentiment expressed toward fixed income assets, both here and abroad, and international property varied considerably. But there was a consistency of views in respect to Australian equities, with all respondents expecting those assets to perform either neutrally or well.

### **Main factors contributing to optimism/pessimism**

While the general mood among CIOs is positive, concerns around the state of the US and European economies and their ability to drag themselves out of recession are weighing heavily on sentiment. These concerns are primarily related to the general fiscal challenges facing these economies. In particular, the impact of austerity measures and unease about sovereign risk are evident.

Negative international factors are weighing heavily on sentiment despite general optimism about the Australian economy.

### **Most significant short term risk factors (12 months)**

The most significant risk factors identified by CIOs over the next year are:

- Slower than expected US economic recovery;
- Further slowdown or possible default of European economies; and
- Regulatory headwinds.

Risk associated with Australia's increasing reliance on Asia (particularly China) also emerged as a theme.

### **Most significant long term risk factors (five years)**

Debt and deleveraging are considered the most significant potential sources of risk over the longer term. While not as prevalent, inflationary pressures are also considered potentially significant as economies move out of recession. A protracted recovery in both the US and European economies also remains a significant long term risk factor.

## **What is the 'Financial Services Council Chief Investment Officer Investment Index'**

The 'Financial Services Council Chief Investment Officer Investment Index' is based on a survey of Chief Investment Officers from a sample of Financial Services Council members. It is designed to gauge their response to a range of questions about the investment environment predominantly over the next 12 months but also considering longer investment timeframes.

## **How is the 'Financial Services Council Chief Investment Officer Investment Index' calculated**

The 'Financial Services Council Chief Investment Officer Investment Index' is calculated by combining the responses to a number of questions about the current investment environment. These questions are used to determine sentiment across six individual asset classes as well as sentiment on the investment environment as a whole. Its theoretical range is from -100 (worst possible sentiment) to +100 (best possible sentiment).

## **About the Financial Services Council**

The Financial Services Council represents Australia's retail and wholesale superannuation, funds management and life insurance industries. The Council has over 135 members who are responsible for investing more than \$1.3 trillion on behalf of more than 10 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Stock Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes industry best practice by ensuring members adhere to the Council's Standards and Guidance Notes.

## **Companies included in the 'Financial Services Council Chief Investment Officer Investment Index'**

- Aberdeen Asset Management
- Alliance Bernstein
- AMP Capital Investors
- Australian Unity
- Axa Australia
- BT Investment Management
- Equity Trustees Limited
- Goldman Sachs & Partners Australia
- ING Investment Management
- Invesco Asset Management Australia
- MLC Investment Management
- NABInvest
- Perpetual Investments
- Principal Global Investors
- Schroder Investment Management Australia
- UBS Global Asset Management