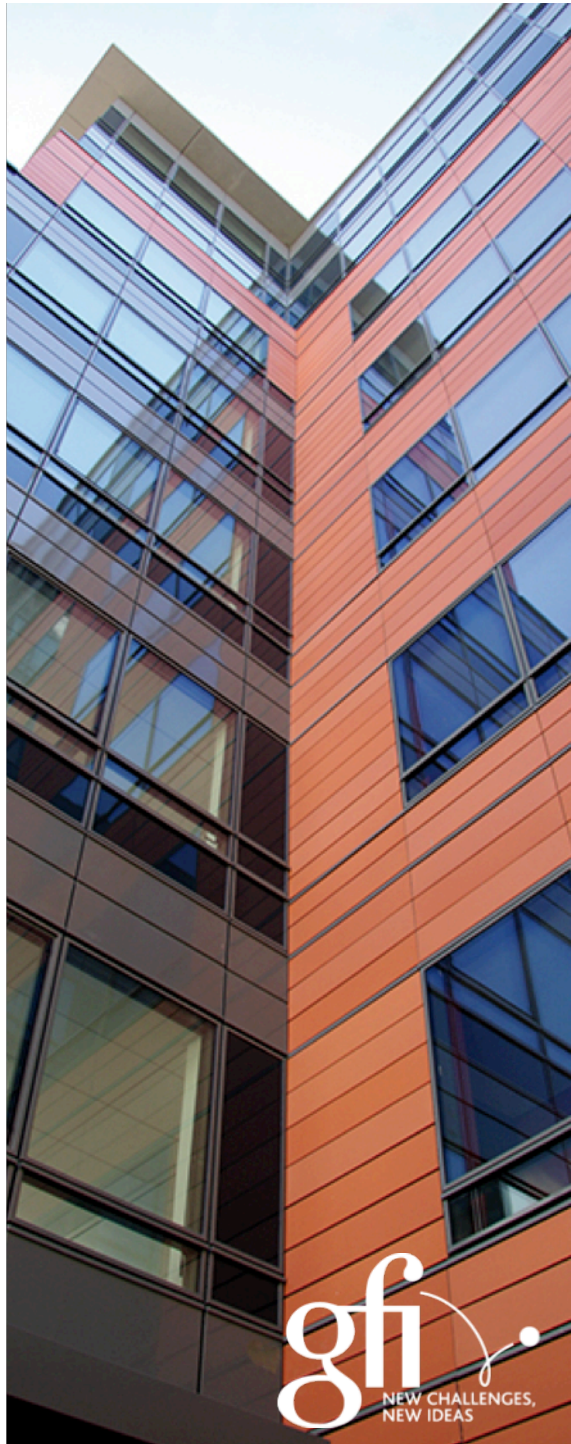


## Managing funds distribution : a profitable strategy !

**Between regulatory pressure and competition, management companies and insurance companies are constantly seeking for increased profitability, sustainable over the long term. Implementing sound distribution is a leverage with proven track record !**



Today's management companies and insurance companies need to cope with two types of pressures simultaneously:

- On the one side regulatory constraints, requiring enhanced transparency within distribution processes, both on the final investors side and on the trailer fees perceived by the distribution network (MIFID).
- On the other side facing a need for increasingly seeking profitability in a highly competitive market environment.

Both concerns meet when putting in place the necessary controls and reporting to comply with regulatory pressure could impact negatively the ROI, often in a dramatic way. In addition, insurance companies now face enhanced competition, as online comparators lead investors directly towards the cheapest products.

No doubt there is a growing market for investment funds and insurance products. Encouraged by both a looming fear over pension systems potential failure and market increased volatility, despite a lower tax-related incentive, retail investors demand over saving products increases steadily. These investments however are required to present a lower risk profile and to be adapted to increasingly customized requirements. Such requirements have significantly spread, from 'high-net-worth individuals' towards the 'man-in-the-street'.

In order to satisfy such demand, investment vehicles and actors tend towards higher specialization. Consequently, the distribution models map changes into multi-networks schemes. Distribution partnerships are booming. Within each network, actors try to

differentiate from one another, showing a counseling rather than a sales image, offering increasingly complex investment vehicles.

Within this context, Luxembourg sees great benefits in the unique centralized approach of distribution around a single transfer agent, applied for over 20 years. Thanks to this architecture, all required data for efficiently managing distribution are in a single repository, ready-to-use.

Thanks to a powerful distribution management solution such as COGIT TradeFees, the management company or insurance company ensures:

- An outstanding service level with their distribution partners through correct and timely payment of trailer fees, no matter how complex the contracts are.
- No double-payments, even in cases where distributors use sub-distributors, embedded trailer fees are automatically adjusted and managed by the system. This is key to avoid retroceding too much and seeing the remaining management fee shrunk down to nothing at the end of the period!
- Compliance with ESMA regulations and MIF II Level 2 measures, related to eligibility of fees and commissions submitted to 'inducement' rules (CESR 07-228b). The latest are duly justified through complete audit trail tracing over all calculations within the system, and applied to all fees and charges.
- Precise and systematic monitoring over each branch and final agent within the distribution network, allowing for analyzing the revenue share generated from each distributor and sub-distributor, the profitability of all distribution service providers used and comparing distributors performances with one another at all times.
- Eventually, in such cases where the management company would also manage funds of funds, and would be entitled to receiving retros-in from those investments in underlying funds, the system would offer the global profitability view over all retrocessions both paid and received. Having the big picture at a glance is a key step when seeking to improve ROI!