



# 2019 Transition Management Survey

## *Most changes due to manager performance*

Change is inevitable. Whether due to an asset allocation makeover or a management restructuring, asset owners seek out providers who can make the moves for them. And lately, these institutional investors are more upbeat about the services they are getting. A few years ago, scandals rocked the transition management universe, so pension funds and other large players wondered whether they could trust these guides to overhauling their operations. In 2013, for instance, the Securities and Exchange Commission (SEC) imposed remedial sanctions and a cease-and-desist order on a TM provider for concealing fees in transactions.

But our survey of TM clients shows that a lot of distrust has gone away. The amount of clients that mostly trust TM providers rose to 73% this year from 63% in 2018, and the amount that completely trust them nudged up to 10% from 9%. Over the past seven years, the trust level has risen 33% on average.

That marks a steady improvement. In 2015 and 2016, 59% “mostly trusted” their TM provider, and just 3% completely trusted them. Remarkably, not one respondent over the past two years has reported “no trust” in the TM industry.

The importance of getting the right transition managers is a constant theme among asset owners. The Callan Institute advocates setting up a “pre-selected, pre-contracted pool of providers” as it allows the fund sponsor to amass “multiple perspectives on strategies.” In a report, the group characterized this pool as “a virtual ring fence around information leakage because the managers operate under nondisclosure agreements.” Plus, it added, such a pool helps screen out biases.

A lot of respondents in our survey already have a coterie of preapproved providers, to be ready when needed. Some 71% do, with half of them official panels of providers and the other half unofficial.

The objectives of a fund in engaging a transition manager is to reduce unnecessary costs and unrewarded risks in making shifts. A problem is when there is a welter of differing portfolio characteristics, such as investments in different nations. Sometimes, derivatives can iron out the differences.

In our survey, the use of outside consultants to aid in the transitions has grown to 45% from 36%. That said, a majority (55%) don’t use consultants.

This year, the chief reason for change is manager performance, with asset allocation second. The number of transitions is slightly down in 2019,

to 5.8 on average, compared to 6.5 last year.

Given such a volume, Callan recommends that plans be proactive. The organization advocates that “fund sponsors evaluate transition managers before they need them, and build a pool of them to be prepared when a transition event occurs. Success comes to those who are prepared.” We asked, in our survey, how many potential providers do respondents ask to complete a pre-transition questionnaire. The answer fell roughly into thirds, with 31% asking one provider, 38% asking two, and another 31% asking three or more.

Our league tables of TM providers show that, in the US, **BTIG** is the champ when it comes to client satisfaction. On a 1 to 5 scale, where 1 is unsatisfied and 5 is very satisfied, **BTIG** rates a 5.0. Second place goes to Fidelity with 4.82 and third to Citi (4.75). Globally, Citi was No. 1 with 4.77, followed by BlackRock (4.72), and Northern Trust (4.60).

In terms of performance compared to a benchmark, in the US, the top three were **BTIG** (5.0), Macquarie (4.8), and Citi (4.75). And globally, the leading trio was Macquarie (4.67), BlackRock (4.59), and Citi (4.57).

Picking the right transition manager is enormously important, certainly. And pulling that off is a major benefit. —*CIO*

## Methodology

The 2019 Transition Management Survey was conducted from mid-August to mid-September 2019 and asked clients of transition management services about their strategies for and experience with selecting transition managers. By the survey’s close, 179 qualifying responses were collected, representing 227 evaluations of 14 different managers.

In order to be included on any league table, managers needed at least 10 total responses; nine firms reached this minimum. After qualifying for inclusion, respondents were grouped into four regions (i.e., U.S., Canada, Europe/UK/Middle East/Africa, and Asia/Pacific) for reporting. Managers receiving at least five responses in a region qualified for listing in that table. Managers garnering at least five responses in each of any two regions were also eligible for a “global” rating. Six managers qualified for global ratings while three others were considered regional (qualifying in just one region). All scores are unweighted averages.



Art by Nan Lee

# 2019 Transition Manager League Tables: USA Providers

## Percentage of “Extremely Satisfied” Clients

Rank		"Extremely Satisfied"
1	BTIG	100.0%
2	Fidelity	90.9%
3	Abel Noser	90.0%
4	Citi	75.0%
5	BlackRock	73.3%
6	Northern Trust	64.3%
7	State Street	62.5%
8	Macquarie	58.3%
	All Respondents	73.6%

## Assessment of Performance vs Pre-trade Estimate

5 = “always below”; 1 = “always above”

Rank		Performance vs. Pre-trade estimate
1	BTIG	4.36
2	Northern Trust	3.71
3	Abel Noser	3.56
4	Fidelity	3.55
5	BlackRock	3.43
6	Macquarie	3.36
7	State Street	3.31
8	Citi	3.25
	All Respondents	3.54

## Disclosure of Performance vs Benchmarks

5 = “complete disclosure”; 1 = “no disclosure”

Rank		Disclosure of performance vs benchmarking
1	BTIG	5.00
2	Citi	4.75
3	BlackRock	4.67
3	Macquarie	4.67
5	Fidelity	4.64
6	Northern Trust	4.50
7	State Street	4.47
8	Abel Noser	4.40
	All Respondents	4.61

## Overall Satisfaction

5 = “extremely satisfied”; 1 = “not at all satisfied”

Rank		Overall satisfaction
1	BTIG	5.00
2	Fidelity	4.82
3	Abel Noser	4.80
4	Citi	4.75
5	BlackRock	4.73
6	Northern Trust	4.57
7	State Street	4.38
8	Macquarie	4.33
	All Respondents	4.65

## Transition Complexity

5 = “extremely complex”; 1 = “very simple”

Rank		Transition Complexity
1	State Street	3.79
2	Citi	3.75
3	BTIG	3.73
4	Fidelity	3.55
5	BlackRock	3.40
6	Macquarie	3.33
7	Northern Trust	3.00
8	Abel Noser	2.90
	All Respondents	3.45

## Number of Regions Qualified and Responses

Qualified providers	Number of responses
Abel Noser	11
BlackRock	15
BTIG	11
Citi	12
Fidelity	11
Macquarie	12
Northern Trust	14
State Street	17
All Respondents	99



Art by Nan Lee