



## Investment Product Development

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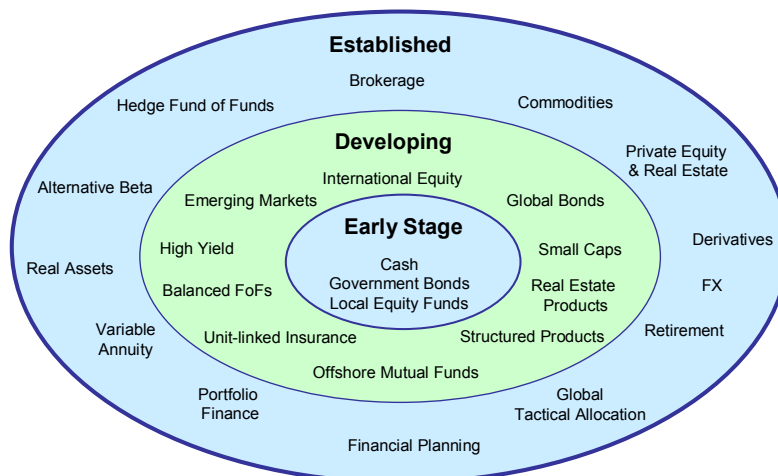
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### Investment Product Evolution – Citi’s Retail Perspective



- Mutual Funds Provide the Investment Base for All Businesses
- Progressive Commoditization of Early Generation Investment Products



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### Trends Driving Product Innovation citi

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- Growing Mass Affluent Segment
- Aging Population
- Evolving Middle Class
- Regulatory Changes

- Mass Affluent Investment Needs Increasingly Similar But Regional Factors Continue to Impact Product Development.
- Successful Products Adopted by Mass Affluent Across Markets.

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### Wealth Building Remains Primary Investment Objective citi

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- Mass affluent clients seek absolute return
- Do not actively differentiate between Alpha & Beta

**European Fund Market – Balanced Approach**

- Low volatility and predictable returns
- Traditional asset classes
- Long-term investment horizon

**Asian Fund Market – Barbell Approach**

- Current market opportunities
- New asset classes
- Shorter-term investment horizon

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### Investment Product Development

Key Drivers	Current Product Opportunities	Challenges for the Distributor
<b>Strategic Needs-Based</b> Internal	<ul style="list-style-type: none"> <li>• Alternatives</li> <li>• Discretionary portfolios</li> <li>• Retirement/Post-Retirement</li> </ul>	<ul style="list-style-type: none"> <li>• Systems, liquidity, minimums</li> <li>• Fiduciary, taxes</li> <li>• Evaluating current demand</li> </ul>
<b>Market Opportunities</b> Product Providers	<ul style="list-style-type: none"> <li>• Distressed securities</li> <li>• Market or securities arbitrage</li> </ul>	<ul style="list-style-type: none"> <li><i>Real or Exaggerated</i></li> <li>• Retail packaging</li> <li>• Complexity</li> </ul>
<b>Regulatory/Economic Changes</b> Product Providers	<ul style="list-style-type: none"> <li>• UCITS III</li> <li>• China/Russia/Brazil</li> </ul>	<ul style="list-style-type: none"> <li>• Education</li> <li>• Interpreting regulations</li> </ul>

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### Addressing the Challenges

- Changing Regulatory Environment
  - Staying informed
- Increasing Product Complexity
  - Can be managed as long as underlying investment thesis is solid
- Fees
  - Fee pressure on the distributor yet to be determined
- Product Development
  - Partnerships with key product providers

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