



Investment Product Development

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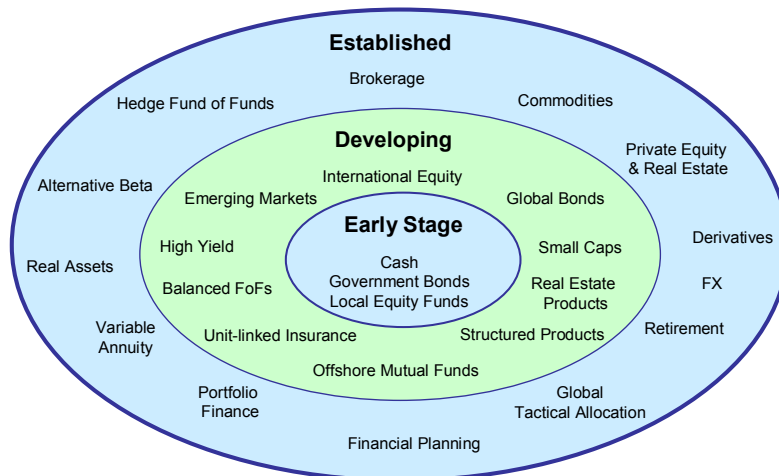
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Investment Product Evolution – Citi’s Retail Perspective



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

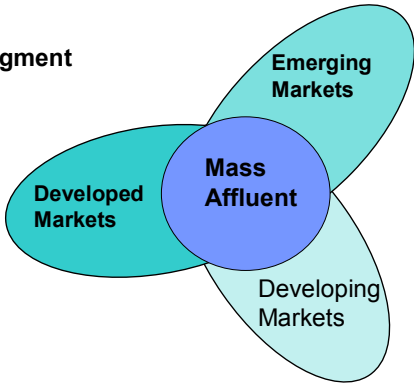


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Trends Driving Product Innovation citi

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

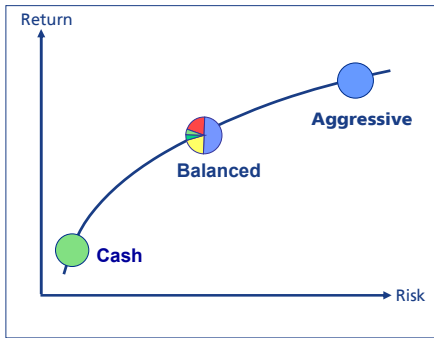


- Mass Affluent Investment Needs Increasingly Similar But Regional Factors Continue to Impact Product Development.
- Successful Products Adopted by Mass Affluent Across Markets.

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Wealth Building Remains Primary Investment Objective citi

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

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Addressing the Challenges
<ul style="list-style-type: none"> • Changing Regulatory Environment <ul style="list-style-type: none"> - Staying informed • Increasing Product Complexity <ul style="list-style-type: none"> - Can be managed as long as underlying investment thesis is solid • Fees <ul style="list-style-type: none"> - Fee pressure on the distributor yet to be determined • Product Development <ul style="list-style-type: none"> - Partnerships with key product providers

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