



BNY MELLON

The Search for Growth

Michael Cole-Fontayn, CEO, BNY Mellon Depository Receipts

The BNY Mellon-Economist relationship is significant, because it brings together a \$1 trillion asset management complex and ideas with asset servicing businesses somewhere in excess of \$25 trillion under management for the world's central banks, sovereign wealth funds, government authorities and pension funds. And together, we believe that we have pretty good insight into where and how financial assets are moving and being allocated, and significant organizations are thinking about risk. And The Economist is, in our view, the leading financial publication that backs its events with very good event management and the combination of the two allows us to create some very compelling thought pieces for our clients and friends around the world to help understand some of the risks and challenges the global economy is facing.

There are three ways out of the current challenges the global economy faces: we either inflate our way out, declare default, or better still, we grow our way out. So the Search for Growth is absolutely required and compelling and necessary. And I think we would all rather grow our way out of these current challenges. And The Economist and the Economist Intelligence Unit and all their research together with the BNY Mellon network of clients and connections brings together some of the leading thinkers and helps us assess and deliberate around these challenges, and really helps us benchmark as to where we are in the current economic cycle and cycles around the world.

We know there is a global economic challenge, but equally there are regional challenges, there are country challenges, and together this is an event, an opportunity to take a deep dive. And because of the global nature, we also aspire to take this event around the world and certainly will be spending time in Japan, Korea, Australia and China with The Economist to take a deeper dive in this Search for Growth.

Rob Mitchell, Contributing Editor, Economist Intelligence Unit

Really what we were trying to discover was what these respondents thought were the best opportunities, the best prospects for growth, economic and market growth, for their business over the next year. So we were interested in looking at the sectors that they thought would be most promising, the regions and the asset classes as well. And I would say that really our findings could be grouped into four key buckets, if you like.

The first around emerging markets. Clearly, a lot of excitement around emerging markets, and when we asked our respondents about where they thought growth was likely to come from over the next year, it's emerging markets that are dominating that discussion. But I think at the same time there's still a tension, because a lot of these investors are also worried about these markets overheating. So there's lots of concerns about rising inflation, lots of worries that investors could be overpaying for assets in these markets.

There's a related story around commodities. Again, when we asked respondents about where the biggest sources of growth will be in terms of asset classes, it's emerging market equities, followed by commodities. Those are the kind of the two leaders, really, in terms of the where they see the best prospects. And also when we asked respondents about where they think they're going to see growth in terms of sectors, it's sectors that have some relationship to commodities that lead the pack. So it's mining and metals, it's oil and gas, it's agriculture. And yet at the same time, despite all this enthusiasm for commodities, again there are some real worries about bubbles forming in this market, and the fact that commodity markets could be overheating.

A third theme is around developed markets. Now, clearly compared with emerging markets, this is a very different story. And I think what our survey shows is really an increasing divergence between the stronger developed markets, so Germany in particular, the U.S. to some extent, as well, and the weaker developed markets, and so that's in particular the peripheral countries of the Eurozone and Japan. And that divergence appears to be broadening.

And I think the final category of findings that I would point to is around this theme of global governance. We looked at, in our scenarios, a number of different issues related to multi-lateral decision making, such as the conclusion to the Doha round of trade negotiations, finding a successor to the Kyoto Protocol on climate change. And these were all things that respondents to our survey thought would be extremely beneficial if they could actually happen, but at the same time, they thought they're very unlikely. And I think this speaks to almost a sort of breakdown in multi-lateral decision making at an international level.

We're almost on a cusp of a change, I think really, and I would say that the recommendation for investors would be: vigilance is absolutely essential. You have to look at the early indicators, you have to look at how some of these things are emerging, and don't follow the herd, basically. The consensus isn't always right. And I think we've seen that in the past. It's a very interesting time. We look at what's happening in commodity markets for example. Real volatility starting to emerge there. Real risk of inflation in emerging markets. I think things could change. And the important thing, the key thing, for investors is to be very vigilant.

Unless otherwise stated herein, all references to assets under management, assets serviced and assets under custody and administration are correct as of March 31, 2011.

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