

MOVING TOWARDS A NEW ARCHITECTURE

- Key Highlights from Pioneer Investments' Fourth European Colloquia Series, London 2010

London/ Dublin, February 10, 2010 – “With economies on a recovery track and a rebound in the financial markets it is tempting to think about what John Maynard Keynes once said in the thirties, “The end of the world has been postponed yet again.” Even if that is the case, the new scenario has changed and therefore the need to think about the different world we are moving to!” said, **Roger Yates, CEO, Pioneer Global Asset Management S.p.A.**, opening the 4th European Colloquia Series Conference of Pioneer Investments titled ***Towards a New Architecture***, recently held in London.

Highlighting the opportunities and risks in the financial and regulatory landscape which has significantly changed, the three leading Nobel Laureates presented their outlook on what the possible post- crash financial architecture would look like and the challenges in the regulatory coordination.

“There are substantial macroeconomic risks and a bumpy ride is ahead of us with significant unresolved uncertainty,” said **2001 Nobel Prize Winner Michael Spence**. He emphasized on the speed of China's emergence as a dominant and influential force and added “the opportunities are greatest in countries where there is a continued focus on longer term growth - right now that means the major developing countries & and the financial and business entities that engage with these markets.”

Spence further added that there has been an over emphasis on regulatory failure and said that according to him the regulatory reforms will not remove periodic systemic risks; therefore it is important that the areas of risk management and dynamic asset allocation incorporate the probabilities of extreme event.

Eric Maskin, Nobel Laureate 2007 stressed, “Although financial crises tend to be recurrent, there are indeed ways to dampen their impact and to prevent at least some of them from occurring.” Maskin highlighted with the specifics of the financial sector vs. other sectors and the consequent need for the right incentives, regulations and rules both for the financial markets overall and within the companies. “Many proposals in the current regulatory debate on both sides of the Atlantic, for example on better controlling leverage and on better information flows, are up to the point,” he said.

Emphasizing on the role of asset managers, **Robert Merton, 1997 Nobel Prize Winner** said, “asset managers have a very important part to play in securing market transparency and in providing new more appropriate solutions in the areas of long-term savings.” He also insisted on the need for a risk management technology oriented towards a more systematic use of hedging opportunities and towards improving our understanding of prospective risks, but with the humble awareness that modeling will always be behind the unfolding of the innovation pattern. He said that systemic risks could arise from the superposition of multiple economic activities, even when each of those activities, taken by itself, is benign or even a positive contribution to the financial system.

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Helping to understand customer's perspective in this changing environment, eminent economists like **Christian Gollier, Director of the Toulouse School of Economics** and **Luigi Guiso, Professor of Economics at the European University Institute** provided their valuable contribution on how the asset management industry can help meet these needs.

Insisting on the opportunities that long-term investors have vs. short term ones, **Christian Gollier** provided input on how institutional players can capitalize on such advantage, especially through strategic asset allocation. He also remarked on the implication of long termism as a socially desirable approach.

Luigi Guiso, Professor of Economics at the European University Institute showed that the quality of processes and the quality of relationships are key to reconfirm investors trust. He said that active managers can and should leverage on independence, transparency and accountability and this he said would be the true basis to restore trust.

Stressing the importance of the need to "nudge" investors into making the right decisions, **David Laibson, Professor from Harvard College** said, "the ideal way would be to provide automatic solutions to investors that can help avoid risk of inappropriate allocation."

Lastly, both Spence and Merton expressed their views on the trade-off between the need for regulation and the freedom to innovate. As a player in an industry, such as asset management, which has been historically subject to significant regulation, **Giordano Lombardo, Deputy CEO, Pioneer Global Asset Management S.p.A.** said, "We believe that it is possible to be innovative even in a framework of high regulatory requirements."

He said, "Default solutions and other welcomed long-term solutions must be integrated with a renewed emphasis on dynamic asset allocation and a better understanding of short-term market terms. With regard to this, we have been working for several years now with **Dr. Robert F. Wescott, President of the Washington, DC-based consultancy Keybridge Research LLC** who is an important contributor & advisor to our Global Asset Allocation Committee."

He concluded, "The findings drawn above are extremely important to us, we are thus committed to contribute to progress in areas such as transparency, and risk management and its significance in helping us achieve our client's goals."

Pioneer Investments' European Colloquia is an annual international forum on global economic issues that brings together leading Nobel Laureates and eminent economists to discuss topics high on the agenda of global economic thinking as well as debate current challenges and new macroeconomic trends.

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About Pioneer Investments

Pioneer Investments is a global investment management group (the "Group") with €175.823 billion of total assets under management as at end of December 2009. We provide a wide range of investment solutions including mutual funds and structured products to clients that include institutions, corporations, intermediaries and private investors around the world. With offices in 31 countries, the Group employs approximately 2,000 staff.

The Group has over 80 years experience in traditional investments, providing appropriate investment strategies to our clients and partners. Our flagship mutual fund, Pioneer Fund, is the third oldest mutual fund in the US and exemplifies Pioneer Investments' history of consistently managing money and helping investors pursue their financial goals. From our global investment centres in Dublin, Boston and Singapore, we apply our bottom up investment process supported by our own internal fundamental and quantitative research capabilities.

We believe that the route to adding value is experienced portfolio managers working in concert with dedicated career analysts generating proprietary research; the addition of a strong quantitative discipline provides screening and risk management strengthens our process.

Pioneer Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies ("PGAM"). PGAM is a wholly owned subsidiary of UniCredit S.p.A.

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