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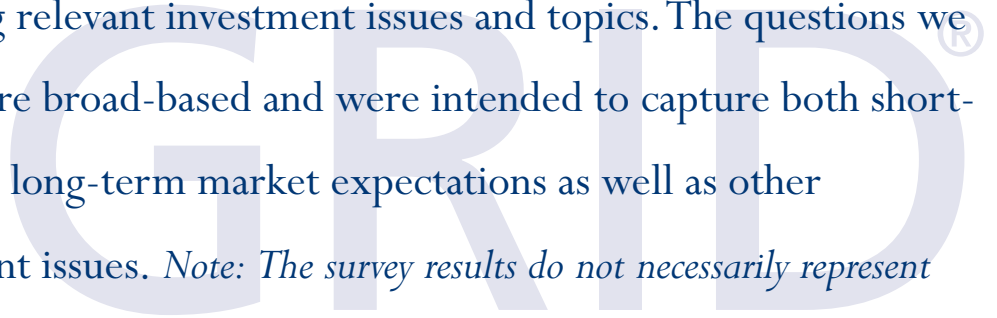
Utilizing its GRID[®] database, Yanni Partners has conducted a survey to share the thoughts of investment managers regarding relevant investment issues and topics.

MEASURING UP

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Investment Manager Survey of Expected Investment Returns & Industry Trends

As a nationally recognized investment consulting company, Yanni Partners enjoys a unique position within the institutional investment world. We are able to serve as a link between the investment management community and our clients (plan sponsors). To demonstrate this link, we have conducted a survey of a select group of investment managers culled from Yanni Partners' GRID[®] (Graphical Ranking of Investment Descriptors) database. The purpose of the survey is to share the thoughts of the managers regarding relevant investment issues and topics. The questions we asked were broad-based and were intended to capture both short-term and long-term market expectations as well as other investment issues. *Note: The survey results do not necessarily represent Yanni Partners' views.*



Methodology

In conducting this survey, an initial group of investment managers was selected from the Yanni Partners' proprietary database of over 1,200 firms. The managers were directed via a secure website link to an online questionnaire. The online questionnaire asked the managers to provide their capital markets expectations over the next 1-year, 5-year, and 10-year time periods. The categories included Equity (Large Cap, Small Cap, and International), Fixed Income (Core, High Yield, Non-Dollar), Alternative Investments (Hedge Funds, Venture Capital, Buyout/Private Equity, Real Estate, and Convertibles), and Economic Data.

In addition, we asked the managers to answer the following qualitative questions:

- What unconstrained asset allocation mix would you recommend for pension plans?
- What is the general trend in management fees charged?
- What percentage of new business comes from placements involving a consultant?
- What percentage of current clients employs the services of a consultant?
- What changes have you made internally to handle risk management issues such as Enron?

Once the questionnaire was completed, we aggregated the information and compiled the results. All responses of the investment managers were kept confidential.

Results

The following section provides the results of the survey. Within each category, we provided the historical return for that category and the manager forecasts listing the median, lowest, and highest manager response over the next 1-, 5-, and 10-year time periods.

Questions
Observations

T A B L E O N E
Equity Return Forecasts

	1-YEAR				5-YEAR				10-YEAR			
	Historical ¹ (%)	Median (%)	Low (%)	High (%)	Historical ² (%)	Median (%)	Low (%)	High (%)	Historical ³ (%)	Median (%)	Low (%)	High (%)
LARGE CAP												
Core (S&P 500)	-11.9	7.6	0.0	14.6	10.7	8.0	0.5	15.0	13.0	8.4	3.3	15.0
Growth (BARRA Growth)	-12.7	9.0	0.0	15.0	11.1	8.0	-0.4	17.0	12.3	10.0	4.0	20.0
Value (BARRA Value)	-11.7	9.0	-4.0	14.0	9.5	8.0	2.9	13.0	13.1	8.0	0.0	13.0
SMALL CAP												
Core (Russell 2000)	2.5	10.5	4.0	25.0	7.5	10.0	4.0	18.0	11.5	10.0	6.0	18.0
Growth (Russell 2000 Growth)	-9.2	10.0	0.0	25.0	2.9	10.9	1.0	20.0	7.2	11.1	7.0	20.0
Value (Russell 2000 Value)	14.0	10.0	4.0	20.0	11.2	10.0	5.0	15.0	15.1	10.0	7.0	18.0
Technology (NASDAQ)	-20.9	7.0	-10.0	30.0	8.8	10.0	0.0	25.0	12.9	11.5	4.0	25.0
INTERNATIONAL												
Developed (MSCI EAFE)	-21.5	10.0	3.0	15.0	0.9	8.3	3.0	12.0	4.6	8.5	5.0	15.0
Emerging (IFC Emerging Mkts)	1.8	10.0	4.0	18.0	-5.0	10.8	5.0	28.1	2.4	9.5	6.0	18.0

Key Observations:

- Within Large Cap, Growth has the highest 10-year median return forecast.
- Within Small Cap, Growth and Technology have the highest 5- and 10-year median return forecasts.
- Developed International Equity has higher median return expectations over the next 1, 5, and 10 years than the domestic market (S&P 500).
- All Small Cap styles (Core, Growth, and Value) have higher median return expectations over the next 1, 5, and 10 years than all Large Cap styles.
- The NASDAQ Index has higher median return expectations over the next 5 and 10 years than all Large Cap styles.
- Small Cap Core has the highest median return forecast over the next year versus all equity categories.
- The NASDAQ Index has the highest median return forecast over the next 10 years versus all equity categories. It also exhibits the widest range, with a low forecast of 4% and a high forecast of 25%.

Notes:

- ¹ Trailing 1-year return as of 12/31/01.
- ² Trailing 5-year return as of 12/31/01.
- ³ Trailing 10-year return as of 12/31/01.

T A B L E T W O
Fixed Income Return Forecasts

	1-YEAR				5-YEAR				10-YEAR			
	Historical ¹ (%)	Median (%)	Low (%)	High (%)	Historical ² (%)	Median (%)	Low (%)	High (%)	Historical ³ (%)	Median (%)	Low (%)	High (%)
FIXED INCOME												
Core (LB Aggregate)	8.4	5.0	2.0	8.9	7.4	5.2	0.0	8.0	7.2	6.0	5.0	7.0
High Yield (CSFB High Yield)	5.8	9.0	3.0	20.0	3.2	8.0	3.0	15.0	7.8	8.0	3.0	12.0
Non-Dollar (Salmon World ex-US)	1.3	4.0	2.6	8.0	1.1	5.0	2.6	12.0	5.5	5.5	4.9	9.0

Key Observations:

- High Yield has the highest median return expectations over the next 1-, 5-, and 10-year time periods.
- Core Fixed Income has higher median return expectations over the next 1, 5, and 10 years than Non-Dollar Fixed Income.
- Both Core and Non-Dollar Fixed Income exhibit increasing median return expectations over the time period, while High Yield projected returns decrease.

Notes:

- ¹ Trailing 1-year return as of 12/31/01.
- ² Trailing 5-year return as of 12/31/01.
- ³ Trailing 10-year return as of 12/31/01.

T A B L E T H R E E

Alternative Investments Return Forecasts

ALTERNATIVE INVESTMENTS	1-YEAR				5-YEAR				10-YEAR			
	Historical ¹ (%)	Median (%)	Low (%)	High (%)	Historical ² (%)	Median (%)	Low (%)	High (%)	Historical ³ (%)	Median (%)	Low (%)	High (%)
Convertibles (FB Convertible)	-8.3	7.0	0.0	10.0	9.7	6.5	0.0	12.0	11.5	6.5	5.0	12.0
Real Estate (NCREIF)	7.4	6.9	-5.0	12.0	12.2	8.0	-2.0	12.0	8.1	8.0	3.0	12.0
Hedge Funds (CSFB/Tremont)	4.4	8.0	-12.0	10.0	11.1	8.0	-15.0	11.0	11.6	8.0	0.0	10.0
Venture Capital (Venture Economics*)	-32.4	8.0	-10.0	30.0	37.9	9.5	-5.0	30.0	27.4	11.0	0.0	30.0
Buyout/Private Equity (Venture Economics*)	-14.8	15.0	8.0	16.8	8.0	11.9	8.0	15.0	12.6	11.1	8.0	15.0

Key Observations:

- Buyout/Private Equity has the highest median return expectations over the next 1, 5, and 10 years.
- Convertibles and Buyout/Private Equity exhibit decreasing median return expectations over the time period, while Real Estate and Venture Capital exhibit increasing median return expectations.

- Hedge Fund median return expectations remain constant over the 1-, 5-, and 10-year time periods.
- Real Estate, Hedge Funds, and Venture Capital all have negative return forecasts over the next 1-5 years as part of the range of responses.

Notes:

¹ Trailing 5-year return as of 12/31/01. Venture Capital and Buyout/Private Equity trailing 5-year returns as of 9/30/01.

² Trailing 5-year return as of 12/31/01. Venture Capital and Buyout/Private Equity trailing 5-year returns as of 9/30/01.

³ Trailing 10-year return as of 12/31/01. Venture Capital and Buyout/Private Equity trailing 10-year returns as of 9/30/01. Hedge Funds trailing 8-year returns as of 12/31/01.

*Source: Thomson Financial Venture Economics/NVCA

T A B L E F O U R

Economic and Investment Data Forecasts

ECONOMIC AND INVESTMENT DATA	1-YEAR			5-YEAR			10-YEAR		
	Median (%)	Low (%)	High (%)	Median (%)	Low (%)	High (%)	Median (%)	Low (%)	High (%)
Inflation (CPI)	1.9	0.0	2.6	2.5	1.0	3.5	2.5	1.5	3.5
GDP (Nominal)	3.3	1.5	4.0	3.3	2.0	5.9	3.0	1.0	5.7
Earnings Growth (S&P 500)	13.5	3.0	40.0	10.0	2.9	30.0	8.0	3.0	20.0
P/E Ratio (S&P 500)	23.0	18.0	50.0	20.0	17.5	30.0	19.5	15.0	25.0
Unemployment Ratio	5.5	4.0	6.2	5.0	4.0	6.5	5.0	4.0	6.5
10-Year Gov't Yield	5.5	4.8	7.9	5.5	4.5	7.0	5.5	4.5	8.0
Dollar-Yen Exchange Rate	135.0	120.0	150.0	130.0	115.0	190.0	125.0	115.0	170.0

Key Observations:

- Inflation median return expectations increase from 1.9% for the next year to 2.5% for the 10-year forecast.
- The GDP median forecast decreases from 3.3% for the next year to 3.0% for the 10-year forecast.
- Earnings Growth of the S&P 500 decreases from the median forecast of 13.5% for the next year to 8.0% for the 10-year median forecast.
- The P/E Ratio declines from the median forecast of 23.0 for the next year to 19.5 for the 10-year median forecast.
- The median forecast of the 10-year Treasury Yield remains constant over the 1-, 5-, and 10-year time periods.

QUESTION: *What unconstrained asset allocation mix would you recommend for pension plans?*

Survey Response: (Table 5)

TABLE FIVE			
General Asset Allocation Mix			
	Median (%)	Low (%)	High (%)
Equity	65.0	60.0	95.0
Fixed Income	35.0	0.0	40.0
Cash	0.0	0.0	5.0

QUESTION: *What is the general trend in investment management fees charged?*

Survey Response: (Table 6)

TABLE SIX		
Investment Management Fees		
Decreasing Fees	=>	18.5%
Flat-to-Decreasing Fees	=>	25.9%
Flat Fees	=>	48.2%
Flat-to-Increasing Fees	=>	3.7%
Increasing Fees	=>	3.7%

Key Observation:

- These responses support the general feedback we receive from both investment managers and plan sponsors. Increased competition from other investment managers, as well as index products and increased scrutiny from plan sponsors seeking improved risk-adjusted returns, support this trend of flat-to-declining fees.

QUESTION: *What percentage of new business comes from placements involving an investment consultant?*

Survey Response: (Table 7)

TABLE SEVEN			
Investment Consultant New Business Placements			
	Median (%)	Low (%)	High (%)
% of New Business From Consultants	75.0	0.0	100.0

Key Observation:

- The responses support the idea that investment consultants continue to play a key role in the selection of investment managers for plan sponsors.

QUESTION: *What percentage of current clients employs the services of an investment consultant?*

Survey Response: (Table 8)

TABLE EIGHT			
Percentage of Plan Sponsors Utilizing Consultants			
	Median (%)	Low (%)	High (%)
% of Plan Sponsors Utilizing a Consultants	65.0	5.0	100.0

Key Observation:

- These responses support the idea that investment consultants continue to play a key role in assisting plan sponsors.

MEASURING UP

Yanni Partners

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QUESTION: *What changes have you made internally to handle risk management issues such as Enron?*

Partial Listing of Survey Responses:

- We put tighter controls on our accounting screens and pick apart the financial statements and eliminate any company with off-balance sheet liabilities that are not plain vanilla.
- Risk control remains an important element in our investment process and no one position represents too much risk in the overall portfolio.
- No changes in risk management in response to Enron. We have proactively sought to limit our exposure to individual issuers and remain highly diversified.
- We have not made significant internal changes since our normal investment process already includes an understanding of a company's accounting practices.
- Greater focus on cash flow relative to reported earnings and greater focus on leverage ratios and debt/equity ratios.
- We have not made changes to our investment process due to risk management issues such as those revealed by Enron. This was an integral part of our risk management process before the recent events unfolded.
- Increased focus on research of all off-balance sheet items; increased skepticism of inadequate disclosures; increased emphasis on management integrity; and avoidance of financial risk.

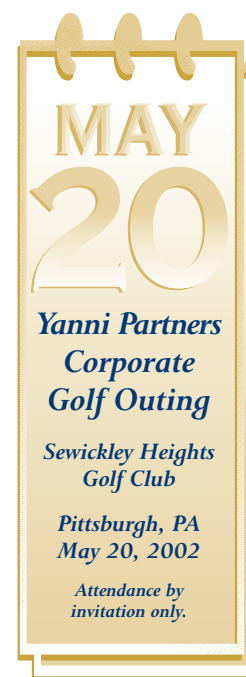
- It has not been necessary to change our risk management guidelines post Enron because we are constantly reassessing the inherent risk in all companies.
- Significantly more emphasis on cash flow as opposed to reported EPS. Avoid exposure to issues with significant off-balance sheet exposure.
- We have not modified our process as a result of Enron.

In general, 83% of the managers responded that they had not made significant changes to their risk management in response to the Enron situation.

Summary

Overall, the results of the survey provide a partial view into the investment management community and the average short-term and long-term capital markets forecasts. From historical data, we can identify periods when one style or asset class strategy is dominant and the particular economic conditions that correspond to these dominant cycles. In estimating such trends moving forward, it is logical to ascertain the current economic environment and apply presumed changes to it. Forecasting ex-ante returns, however, is far from an exact science and thus the expected returns must be viewed in proper context. Also, risk must be taken into account since common sense suggests that returns alone should not be the sole criteria in any investor's asset allocation decision. Yanni Partners integrates these diverse investment managers' views with our own capital markets assumptions to provide comprehensive informed solutions to each client's unique needs.

Calendar of Events



Yanni Partners provides a full range of consulting services vital to the management of various portfolios. Our ultimate goal is to offer a basis for improved investment monitoring and performance.

Yanni Partners is registered as an investment advisor and as a NASD registered broker/dealer. Yanni Partners is also a member of the Securities Investors Protections Corporation (SIPC).

If you have any questions or comments concerning this issue of "Measuring Up," please contact:

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