



PENSION OBSERVER

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It's 2010. Do You Know Who Your Brokers Are?

By Ankur Khanna

As pension funds and their investment managers investigate new opportunities in the rapidly growing universe of agency broker offerings and an array of firms compete for new business with improved technologies and connectivity, a great deal of broker oversight will be necessary to assess order routing opportunities on a level playing field.

There has been a fundamental shift in the market structures of exchanges since the financial crisis of 2008, both from a liquidity standpoint and also volatility on an international scale. In the past, brokers prided themselves on how creative they were in putting together blocks. The NYSE controlled upward of 70% of the order flow. Fast forward to today's market and the decisions have grown much more complicated. There is no one venue that controls the majority of the order flow. You now have exchanges, buy-side only crossing networks, electronic communication networks (ECN's), alternative trading systems (ATS's) and dark pools.

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We've Got the Whole World in Our Hands: Evolution of Global Investing

By Danielle Fischer

A timeline of cartographic history, or the history of maps, is a clear indication of the evolutionary nature of how civilizations have viewed the world. Through centuries of exploration and discovery, the world map evolved from a simple and distorted perception into the complex illustration that we recognize today.

Similar to how early civilizations viewed the world, investors have in the past viewed the global investable universe as simple and somewhat distorted. In other words, investors have not entirely captured the global investable marketplace in their portfolios, in terms of both geography and market capitalization. Initially, many investors were satisfied with their domestic equity returns and had disproportionately large allocations to the U.S. versus its share of world GDP ("home-bias"). Starting in the 1970s, and in the decades that followed,

the world became more accessible and liquid. Investors increasingly sought to increase their total return with the diversified source provided through international developed markets. Today, investors are also beginning to incorporate emerging markets and international small cap companies into their overall global

equity investment allocations. While progress has been made, investors may continue to expand their equity allocations and seek higher total returns by taking advantage of the entire global market capitalization. (See table on page 4.)

The gap between historical equity asset allocations and what was investable globally should not be necessarily attributed to the investor, but perhaps to the evolution of benchmarks. As benchmarks evolved to match trends in global investing, they became better representations of the global equity market capitalization. So, as investors

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