

# Pensions&Investments

## Cogent study: 36% of institutional investors to dump stocks

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Institutional investors are likely to reduce their holdings in U.S. public equities significantly over the next three years, according to Cogent Research's Institutional Investor Brandscape 2011 study.

Thirty-six percent of fund executives surveyed plan to decrease U.S. equity allocations, while only 9% anticipate an increase in the holdings, said Christy White, Cogent principal and co-founder. Non-profits are less drastic, with about one-fourth saying they will decrease, while 19% plan to increase their mandates. Most of the equity decrease will come from active strategies, Ms. White said.

“One of the fascinating things we saw was half of investors said they're going to make changes to U.S. public equities, mainly active managers,” Ms. White said in a telephone interview. “It's sort of an interesting variable, and has huge ramifications for broad managers.”

The study was compiled from responses of 650 executives from defined benefit pension plans, foundations and endowments, each with \$20 million or more in investible assets. Survey participants in the study said they played a direct role in the evaluation and selection of investments or asset managers.

Alternatives appear to be the big winner over the next three years, with a net 20% of respondents planning to increase their holdings in the asset class. A lot of movement also is expected in fixed income but not much change in net assets, with about 40% of respondents each saying they will increase or decrease holdings.

Corporate plans are much more likely to decrease holdings in U.S. equity and increase allocations to fixed income; public and non-profit plans are expected to moderately decrease equity holdings with more substantial anticipated increases into alternatives, said Linda York, Cogent director of syndicated research.

“This could be driven by the fact that public pensions are being more aggressive and are under significantly more pressure to deliver, as their overall funding status is much lower than that reported by corporate pensions in our study,” Ms. York wrote in an e-mail.

The study highlights problems that large broad-based money managers could face. With more money leaving equities for alternatives, niche managers could become the beneficiaries while large broad managers may have to alter strategies in product development, Ms. White said.

“There's potential for a lot of movement in the U.S. market occurring in the next three years,” Ms. White said.

The survey was conducted from mid-September to mid-October.

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