

Investment Managers Identify Their Priorities Over The Next Year

Monday 2 August, London. The impact of regulation especially the new UCITS IV directive topped the list of concerns among senior executives from the investment management industry, according to a survey taken at Investit's bi-annual Intelligence conference.

The conference, held in July 2010, was attended by 72 delegates from 17 investment management firms with £5.4 trillion of assets under management, and six third party administrators with £29 trillion of assets under custody and management.

Peter Ellis, Global Managing Director of Investit, said, "Regulation was a major issue for everyone in the room. Our research showed that 98% of the delegates highlighted regulatory change as a key priority with 90% indicating that the UCITS IV directive, which is due to be implemented in July 2011, was particularly important." This is not surprising given the wide ranging scope of the UCITS IV directive which covers management company passports, fund mergers, the notification process, master /feeder funds and rules surrounding key investor information.

In addition, over the next two to three years, fund managers will have to grapple with the Alternative Investment Fund Manager Directive as well as reforms regarding over the counter derivatives. The emphasis these new rules place on greater transparency explains why data management, client reporting, OTC derivatives, distribution and investment risk management continue to be significant areas of focus for asset managers. Data management was cited as a priority by 88% of the attendees, up from 79% at the last conference held in January while client reporting and risk management were cited by 76% of the attendees with OTC derivatives slightly behind at 74%.

Ellis said, "Data management is an issue that comes up every six months. It is an area that remains a key priority for investment managers because I do not think that they have fully come to grips with the issue in terms of what how they need to go about addressing it. One of the problems is that the focus has been on IT led solutions which can facilitate the process but what is really needed is a business led approach. This is necessary to establish the right culture and governance structure for data management across the business as a whole. IT can be accountable for the technology, but business managers need to take more ownership of the issue and be more accountable for the quality of the data."

As for other major issues for the industry, exchange traded funds (70%) and cost cutting (68%) featured prominently. The interest in ETFs is due to the growing popularity in the institutional space as fund managers are increasingly using these products to gain exposure to a wide range of assets. Cost cutting continues to be important against the background of economic uncertainty.

"Investment managers, though, are slightly less confident than they were six months ago," according to Ellis. "This is not surprising given what has happened in the Eurozone with Greece's debt problems and the public sector cuts in the UK."

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Looking ahead, Investit's next research projects will be in the areas of OTC derivatives, global distribution models for funds, and future trends in managing client relationships. Ellis said, "This is a reflection of investment managers, and their service providers, becoming much more global in their thinking and having to take a more solutions-driven approach to investment products. They are moving more towards multi-asset investment products and global distribution channels. This will have significant impact on the manufacturing and distribution functions, and on the infrastructure to support these areas."

About Investit Limited

Investit was founded in 1998 and provides consultancy, benchmarking, research and resourcing services to the investment management industry. We offer a unique range of consultancy services, from front to back office, and draw from five specialist practices: Investment, Client, Performance, Operations and Systems. Investit Intelligence is a subscription-based research service exclusively for the investment management industry. Our detailed research services allow investment managers to improve their knowledge of the market and respond positively and profitably to change. Investit Benchmark completes the offering with a range of market-leading IT and operations benchmarking services. For more information, go to www.investit.com.

For further information, please contact:

Clare Vincent-Silk

Principal

+44 (0)20 7933 9904

clare.vincent-silk@investit.com