

Investment managers expanding despite falling confidence

Wednesday 6 July, London. Senior executives from the investment management industry are less confident of the business environment than they were in January, according to a survey taken at Investit's bi-annual industry conference.

The near universal business response is to expand into new regions, while trying to understand which of their products are profitable.

The conference, held on Thursday 30 June 2011, was attended by 70 delegates from 21 investment management firms with £5.4 trillion of assets under management, and 4 third-party administrators with £32.8 trillion of assets under custody and management.

In January 2011, 97% of respondents to the survey conducted at each bi-annual Investit Intelligence Conference, expressed confidence about the year ahead.

At the June event, that figure had dropped to 77%, with 23% either 'easing of the power' or 'braking hard'. Looking further ahead, 53% expected confidence among investment management businesses to weaken rather than strengthen.

Firms are responding to a slowdown in their home markets by competing overseas. Peter Ellis, Managing Director at Investit, said, "This response is entirely consistent with work we have been doing with US and Japanese based firms to ensure they have the right products and operational platforms to support their new sales initiatives in Europe and the Middle East. We are also working with our European clients looking to do more in the US and emerging markets, and our Investit Intelligence service members are asking for a more global service to support their continued globalisation. We took the opportunity at the conference to introduce Boston-based Jackie Alvarez and Gina McCafferty who have now recently joined as co-heads of our Intelligence research service."

Delegates at the June conference were asked to vote for their top priorities in the year ahead. 'Regulatory change', 'data management' and 'product profitability' were the top three priorities respectively for the second conference in a row. Product profitability was one of the research topics presented at the conference and members of the Intelligence service have asked Investit to return to the topic of data management for the latest round of research.

John Robertshaw, who wrote the Intelligence paper on product profitability, believes that investment management firms will need to do a lot more work to understand costs. "While revenue is fairly simple to allocate to products and clients, investment firms are not good at allocating cost. This is partly because tracing operational activity back to the client is difficult; it is also because frankly a lot of people in the firm do not really want to know. But as margins come down, owners will want to know where profits come from... and where revenue is going. Our work with finance teams suggests this will be a permanent change, not a quick project everyone forgets when markets rebound."

About Investit

Investit was founded in 1998 and provides consultancy, benchmarking, and research helping investment firms to develop better products and services, to win and keep clients, and improve their operating platforms so revenues from products and clients become profits for owners.

The Investit Intelligence member service 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.

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