

FUND MANAGEMENT

SURVEY 2000

Fund Managers' Association

February 2001

FUND MANAGEMENT SURVEY 2000

Foreword

The UK is Europe's largest investment management centre and investment management is recognised as one of the UK's success stories. Its leading position in Europe cannot be taken for granted, and a less favourable regulatory environment could easily drive the business elsewhere. The investment management industry is a global one. Just over half of the firms replying to the survey, or their associates, have investment management operations in other countries besides the UK; these firms account for two-thirds of the assets managed by FMA members in the UK. The funds managed globally by our members and their international associates are £7,000 billion, of which £2,100 billion is managed in the UK.

Non-UK ownership is extensive, such firms accounting for 40 per cent of the assets managed by FMA members in the UK and for over half their staff. Furthermore, 80 per cent of total assets managed by FMA members in the UK are managed by firms that are a part of a banking or insurance group; "independent" fund management firms or groups, all either UK or US owned, account for 14 per cent of the assets managed in the UK and 17 per cent of assets managed globally. The market is thus highly competitive and accessible to overseas ownership and to groups whose main business is not investment management.

The investment management industry has considerable influence on other sectors in the economy. It is a major client of the London Stock Exchange and of the brokers, and the needs of fund managers and their clients effectively drive the development of the securities markets. It is an important customer of the banks for custody, payments and foreign exchange services. It also stimulates employment in the many service companies that supply it. Fund managers' asset allocation decisions have a major effect on the flow of funds to industry and on the balance of payments and the exchange rate.

Despite the large sums that it manages on behalf of clients and its role as a customer of other parts of the financial services sector, the investment management industry is small in terms of direct employment. The 69 firms replying to the survey employ just over 22,000 staff in the

UK, of whom 11,400 are engaged in the management, administration or selling of investments. The largest number of staff employed by any firm is 1,360. The relatively small number of staff employed means that, if the regulatory environment became unfavourable, the business could easily be transferred to other centres. In a highly competitive and global business, decisions on location will inevitably be based on commercial considerations. The continuation of a firm but fair regulatory environment is essential.

Acknowledgements

As always, we are grateful to members for the high response rate to our questionnaire and particularly to those members of staff who filled in the questionnaire. We are also grateful to the Association's Executive Committee and to David Hobbs (UBS Asset Management), John Parrott (Morley Fund Management) and Peter Stanyer (Merrill Lynch Investment Managers) for their advice on the content of this year's questionnaire.

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Chairman, Fund Managers' Association
February 2001

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FUND MANAGEMENT SURVEY

1 Introduction

1.1 This is the eighth Fund Management Survey. The investment management industry has grown rapidly since our first survey in 1992 and there has been considerable consolidation, particularly across borders. More information has become available on the sector over the period and it is now more closely followed than before. With growing internationalisation, the definition of the “UK” investment management industry has become less clear and changes in corporate structures have led to inconsistencies in the survey between one year and the next.

1.2 The Association therefore decided to undertake a much shorter survey in 2000, but one with a much clearer focus on the UK investment management industry in its wider international context. We did this by asking member firms to provide a figure not only for assets managed by the UK firm but, where they were part of a larger international group, for assets managed by the group world-wide. The questions on client-type and asset allocation were replaced by a request for a figure for funds sourced from the UK and for funds invested in UK assets. As in previous years, we asked for details of staff numbers.

2 Survey Details

The survey questionnaire was sent in July 2000 to the 76 firms that were members of the Association at the time. Sixty-nine replies were received, a response rate of 91 per cent. The firms replying probably account for 94 per cent of the total assets managed by members.

3 Assets Under Management

3.1 Members were asked to provide figures for assets under management for the UK firm and for the wider global group of which they were a part. The 69 firms that replied to the questionnaire reported assets under management by the UK firm of £2,019.9 billion at end-June 2000. The seven firms that did not reply are estimated to manage £122.5 billion, bringing the total managed by FMA members in the UK to £2,142.3 billion.

Table 1. Assets under Management - UK Firm
(end-June 2000)

	No of firms	Assets under management (£ bn)
Respondents	69	2,019.9
Non-respondents	7	122.5
Total	76	2,142.3

Note: figures for non-respondents are estimated from various sources.

3.2 Assets managed globally by the 69 respondents and their international associates totalled £6,955.1 billion, 3.4 times the £2,019.9 billion that they managed in the UK. As shown in Table 2, assets managed by the UK firm ranged from £0.5 billion to £124.9 billion, with a mean of £29.3 billion and a median of £19.1 billion.

Table 2. Assets under Management - UK Firm and International Group
(Summary Analysis)
(end-June 2000)

	Assets Managed by UK Firm (£ bn)	Assets Managed by International Group (£ bn)
Total	2,019.9	6,955.1
Highest	124.9	750.0
Average (mean)	29.3	100.8
Average (median)	19.1	32.9
Lowest	0.5	0.5

The difference between the mean and the median reflects the weight of the larger firms in the distribution of assets under management, with the largest five firms accounting for 27.3 per cent of assets under management and the largest ten accounting for 47.0 per cent.

- 3.3** Thirty-six respondents, described in Table 3 as belonging to 'international groups', either managed some of their funds from other countries besides the UK or were part of a group that also managed funds overseas. These firms, of which eight were UK-owned and 28 foreign-owned, accounted for two-thirds of the assets managed by FMA members, while the groups of which they were a part accounted for 90 per cent of the assets managed world-wide.

Table 3. Assets under Management - UK Firm and International Group
(end-June 2000)

	No of firms	Assets Managed by UK Firm		Assets Managed World-wide	
		(£ bn)	(%)	(£ bn)	(%)
International groups, of which:	36	1,338.0	(66.2)	6,273.2	(90.2)
<i>UK-owned</i>	8	572.2	(28.3)	1,230.1	(17.7)
<i>Foreign-owned</i>	28	765.8	(37.9)	5,043.1	(72.5)
Groups/firms managing assets only in the UK, of which:	33	681.9	(33.8)	681.9	(9.8)
<i>UK-owned</i>	27	583.5	(28.9)	583.5	(8.4)
<i>Foreign-owned</i>	4	80.8	(4.0)	80.8	(1.2)
<i>Joint UK/foreign ownership</i>	2	17.6	(0.9)	17.6	(0.3)
Total	69	2,019.9	(100.0)	6,955.1	(100.0)

4 Sources of Funds and Asset Allocation

Members were asked for a figure for funds sourced from the UK and for funds invested in the UK by the group of which they were a part or, where they were not part of an international group, by the UK firm alone. The results, based on replies from 64 firms, are summarised in Table 4. It should be noted that the figure for funds sourced from the UK does necessarily refer to the domicile of the ultimate owner of the assets but could refer to that of an intermediate owner, for example an insurance fund or unit trust.

Table 4. Sources and Uses of Funds - International Group
(end-June 2000)

	£ billion	%
Assets under management,	5,623.9	100.0
of which:		
Funds sourced from the UK	1,667.7	29.7
Funds invested in UK assets	1,262.5	22.4

Note: based on returns from 64 firms.

5 Ownership: Nationality

5.1 Table 5 shows the domicile of respondents' ultimate owner in relation to assets under management, both by the UK firm and, for the 36 firms which are part of a larger international investment management group, by the international group of which it is a part. UK-owned firms or groups accounted for just under 60 per cent of the assets managed by the UK firm and just over a quarter of the assets managed by their groups world-wide. US-owned firms accounted for 18 per cent of the assets managed by the UK firm and 40 per cent of the assets managed world-wide. The figures for EU-owned firms (other than UK) were 12 per cent and 20 per cent respectively.

Table 5. Nationality of Ownership - Assets under Management
(end-June 2000)

	No of firms		UK Firm		International Group	
	No	%	£ bn	%	£ bn	%
UK-owned	36	(52.2)	1,164.5	(57.7)	1,822.5	(26.2)
Foreign-owned, of which:	33	(47.8)	855.3	(42.3)	5,132.7	(73.8)
<i>US</i>	13.5	(19.6)	363.6	(18.0)	2,804.2	(40.3)
<i>EU</i>	8.5	(12.3)	246.6	(12.2)	1,361.9	(19.6)
<i>Other Europe</i>	5	(7.2)	129.2	(6.4)	624.1	(9.0)
<i>Other</i>	6	(8.7)	115.9	(5.7)	342.4	(4.9)
Total	69	(100.0)	2,019.9	(100.0)	6,955.1	(100.0)

Note: assets managed by two jointly owned firms have been evenly divided between the countries concerned.

- 5.2** Table 6 shows UK employment in relation to domicile of ownership. Here foreign-owned firms account for well over half of the staff employed - 60 per cent of total staff employed and 54 per cent of investment managers.

Table 6. Nationality of Ownership - UK Staff
(end-June 2000)

	No of firms		Total UK Staff		Investment Managers	
	No	%	No	%	No	%
UK-owned	36	(52.2)	8,881	(39.9)	1,700	(45.7)
Foreign-owned, of which:	33	(47.8)	13,355	(60.1)	2,016	(54.3)
<i>US</i>	13.5	(19.6)	6,572	(29.6)	775	(20.8)
<i>EU</i>	8.5	(12.3)	3,924	(17.6)	592	(15.9)
<i>Other Europe</i>	5	(7.2)	1,736	(7.8)	333	(9.0)
<i>Other</i>	6	(8.7)	1,123	(5.1)	316	(8.5)
Total	69	(100.0)	22,236	(100.0)	3,715	(100.0)

Note: staff employed by two jointly owned firms have been evenly divided between the countries concerned.

6 Institutional Ownership

Most of the Association's members are part of a wider financial services group. Table 7 shows that firms that are part of banking and insurance groups accounted for over 80 per cent both of assets managed by the UK firm and of assets managed globally. Firms or groups dedicated entirely to investment management, all of which are either UK or US owned, accounted for just 14 per cent of the assets managed in the UK and 17 per cent of assets managed globally. Only one of the ten largest UK investment management firms (on the basis of assets managed by the UK firm) is part of a dedicated investment management group: five are part of an insurance group and four are part of a banking group.

Table 7. Institutional Ownership
(end-June 2000)

	No of firms		Assets Managed by UK Firm		Assets Managed by International Group	
	No		£ bn	%	£ bn	%
Insurance group	18		838.5	(41.5)	1,962.1	(28.2)
Banking group	25		808.7	(40.0)	3,737.5	(53.7)
Fund management group	14		278.0	(13.8)	1,156.9	(16.6)
OPS firm (pension fund)	12		94.6	(4.7)	98.6	(1.4)
Total	69		2,019.9	(100.0)	6,955.1	(100.0)

7 Location

Table 8 analyses assets under management and staff according to the location of the firm's main UK investment management office. London is the main UK centre for investment management, accounting for 85 per cent of the assets under management and just over 80 per cent of total staff and of investment managers employed. Scotland accounted for 14.4 per cent of the assets under management and for a slightly higher proportion of total staff and investment managers employed (15.6 per cent and 17.6 per cent respectively). The 'other' category continues to fall and now accounts for less than 1 per cent of assets under management.

Table 8. Assets under Management and UK Staff - Location of Main UK Investment Management Office
(end-June 2000)

	No of Firms		Assets under Management		UK Staff		Investment Managers	
	No	£ bn	%	No	%	No	%	
London	55.5	1,715.0	(84.9)	18,014	(81.0)	3,027.5	(81.5)	
Scotland	11.5	291.6	(14.4)	3,474	(15.6)	652.5	(17.6)	
Other	2	13.3	(0.7)	748	(3.4)	35	(0.9)	
Total	69	2,019.9	(100.0)	22,236	(100.0)	3,715	(100.0)	

Note: figures for one firm with two main investment management offices - in London and in Scotland - have been divided evenly between the two centres.

8 UK Staff Numbers

Table 9 shows that investment management is relatively small in terms of staff directly employed, although it plays an important role in stimulating employment in other service sectors that supply it.

Table 9. UK Staff Numbers
(end-June 2000)

	Total	Investment Staff	Investment Managers	Investment Admin	Sales	Other
Total	22,236	11,384	3,715	5,604	2,290	8,629
Highest	1,360	722	225	538	221	1,160
Average (mean)	322	167	54	82	34	127
Average (median)	220	136	45	48	15	41
Lowest	2	2	2	0	0	0

Note: figures for the total and for investment managers are based on returns from 69 firms; figures for the other headings are based on returns from 68 firms.

Respondents employed 22,200 staff in the UK, of whom over half were employed in the management, administration or selling of investments. They employed a total of 3,715 investment managers. The highest number of UK staff employed by any firm

was 1,360 and the lowest was two. Mean employment was 322 and the median 220. The number of investment managers employed ranged from 2 to 225, with a mean of 54 and a median of 45.

Appendix

FUND MANAGERS' ASSOCIATION

(Members at end-December 2000)

Abbey National Asset Managers
Aberdeen Asset Management
ABN AMRO Asset Management
Aerion Fund Management
AXA Investment Managers
BAE Systems Pension Funds Investment Management
Baillie Gifford & Co
Barclays Global Investors
Baring Asset Management
BP Investment Management
Britannic Asset Management
British Airways Pension Investment Management
Capital International
Cazenove Fund Management
CCLA Investment Management
Chase Fleming Asset Management
Clerical Medical Investment Group
Colonial First State Investments
Co-operative Insurance Society
Credit Suisse Asset Management
Deutsche Asset Management
Dresdner RCM Global Investors
Edinburgh Fund Managers
The Equitable Life Assurance Society
Fidelity Pensions Management
Foreign & Colonial Management
Framlington Group
Franklin Templeton Investment Management
Friends Ivory & Sime
Gartmore Investment Management
Genesis Investment Management
Goldman Sachs Asset Management International
Govett Investment Management
HSBC Asset Management
Henderson Investors
Hermes Pensions Management
INVESCO Asset Management
Investec Asset Management

Kvaerner Pensions Investment Management
Lazard Asset Management
Legal & General Investment Management
Liverpool Victoria Asset Management
M & G
Martin Currie Investment Management
Merrill Lynch Investment Managers
J P Morgan Investment Management
Morgan Stanley Dean Witter Investment Management
Morley Fund Management
Murray Johnstone
Newton Investment Management
Old Mutual Asset Managers
Pension Services
Perpetual Portfolio Management
Pilkington Pension Services
Rio Tinto Pension Investments
Rothschild Asset Management
Royal & SunAlliance Investments
Royal London Asset Management
SSB Citi Asset Management
Schroder Investment Management
Scottish Equitable Asset Management
Scottish Life Investment Management
Scottish Widows Investment Partnership
Scudder Threadneedle Investments
Shell Pensions Management Services
Singer & Friedlander Investment Management
SLC Asset Management
Société Générale Asset Management
Standard Life Investments
State Street Associates
State Street Global Advisors
Tokyo-Mitsubishi Asset Management
TRW Investment Management
UBS Asset Management
Universities Superannuation Scheme

