

ABOUT THE IA

The Investment Association is the trade body that represents UK investment managers, whose 250 members collectively manage over £7.7 trillion on behalf of clients.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital

Our members help to grow people's savings in a wide range of ways, including through authorised investment funds (schemes where several investors 'pool' their assets and invest in a professionally managed portfolio), pension funds, and stocks & shares ISAs. The UK is the second largest investment management centre in the world and manages over a third (37%) of investments across Europe.

Investment Association (IA) members hold in total over one third (35%) of the value of UK publicly listed companies. We use this collective voice to influence company behaviour and hold businesses to account.

More information can be found at

www.theia.org

INVESTMENT MANAGEMENT TODAY

The last year has seen the UK investment management industry remain in robust health, despite significant market and political uncertainties. Assets under management were unchanged at £7.7trn as our role in serving savers and the wider economy, both domestically and internationally, continues to broaden and deepen.



Our industry is world leading. The UK is the second largest investment management centre globally after the US, and perhaps the most international when measured in terms of customer base and range of activities. The £7.7trn looked after by UK investment managers is more than the next three largest centres in Europe (France, Germany and Switzerland) combined.

Almost two fifths of the assets we manage here in the UK are for international clients, contributing to export earning, tax revenue and helping to support 115,000 jobs across the sector. This achievement tops a decade of growth, and assets under management in the UK have more than doubled since the financial crisis.

THE UK INVESTMENT MANAGEMENT INDUSTRY SUPPORTS

115,000

JOBS ACROSS
THE SECTOR



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We have the opportunity to build further on this success. It will depend on us continuing to provide the very highest quality service for our customers across the world, and those right here in the UK. This means a steady focus on our most important role: helping people to grow their savings for the long term, and in particular helping them to plan for a prosperous later life. And it also means building on those areas where the UK is already strong: using technology to provide a better, cheaper and faster service; and acting as stewards of the companies and programmes we invest in.

Increasing numbers of retail savers are also choosing to use the services of an investment manager, and have more opportunities to do so thanks to the pensions freedom reforms and the extension of auto-enrolment.

This is an industry for everyone looking for ways to secure their future financial goals by investing in opportunities as diverse as companies from around the world, to the housing, transport, and green energy projects around Britain's coast. Opportunities which benefit not just individual savers, but everyone who works and lives in Britain today.

As an industry we contribute to that economic strength, too. Over 115,000 people now work in investment management. These jobs are right across the country, and make a particularly important contribution in our industry's traditional heartlands of Edinburgh and London.

I hope you find this pocket guide a useful snapshot of the role and importance of investment management today. Much more detailed insight and information about the roles of the industry can be found in our new 2018/19 Investment Management Survey, at www.theia.org.



Chris Cummings

CEO, The Investment Association





INVESTMENT MANAGERS OWN
A THIRD
OF UK PLC

AUM
DOUBLED
IN THE LAST
10 YEARS

115,000
JOBS ACROSS
THE SECTOR

A QUARTER
OF UK ASSETS
MANAGED BY
SCOTTISH-
HEADQUARTERED
FIRMS

£1.6
TRILLION
INVESTED IN THE
UK ECONOMY

£3.1
TRILLION
MANAGED FOR
GLOBAL
INVESTORS

£1.2
TRILLION
INVESTED FOR
UK SAVERS

LARGEST
EUROPEAN
INVESTMENT
HUB



£7.7 TRN
MANAGED BY
IA MEMBERS IN
THE UK

AT LEAST
£35
BILLION
INVESTED IN
INFRASTRUCTURE

PART ONE: GLOBAL REACH

The UK investment management industry is already world leading. The £7.7trn in assets managed by IA members makes the UK larger than the next three European centres combined (France, Germany and Switzerland). The wider ecosystem our industry stretches to is even larger: including private equity and hedge funds, a total of £9.1trn is managed in the UK.

Globally, the UK is second only to the US in terms of scale of assets under management. But measured



FOUR MEASURES OF A GLOBAL INDUSTRY



in terms of the range of overseas customers and breadth of activities, the UK is widely seen as the largest international centre.

Investment management has been one of the UK's leading success stories over the last ten years: IA members' assets under management have doubled in the last ten years, up from £4.7trn in 2008 to £7.7trn today.

This brings benefits to the whole country in terms of jobs created

and the £4.5bn in tax that the industry contributes each year.¹ Overall, investment management is responsible for 6% of all the services that Britain sells overseas (net service exports). It also makes it easy for UK savers to connect to the most diverse investment opportunities across the globe.

British investment managers look after savings for people from every continent. Two fifths (40%) of assets managed in the UK come from overseas: £3.1trn in total.



¹ Research conducted for the Investment Association by PwC

Today, over half of assets managed for overseas investors (£1.8trn) come from savers elsewhere in Europe. In future, the immense opportunity may be for the UK to become the natural home to help manage the savings for European savers, and for the growing numbers of middle-class investors all around the world.

Three key factors keep the UK investment world-leading:



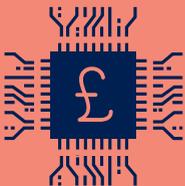
The London and Edinburgh financial clusters

mean that investment managers work in parallel with banks, and the specialist support services such as lawyers and auditors who support the sector. Increasingly, UK investment managers are benefitting from working alongside the UK's growing FinTech hub. This will help to drive competitiveness and innovation, leading to better products and services at lower cost.



A global outlook

makes this the natural home for firms to locate international activity. This is influenced by government policy, and expressed in the global experience, skills and mind-set of those working in the UK. This perspective has long been in place, but may become more important as the UK redefines its role in the world after Brexit.



Innovation

allows UK investment managers to respond to changing customer needs and market conditions. One example has been developing Liability Driven Investment (LDI) approaches for the defined benefit (DB) pensions market – that is, focusing on making sure that investments made today will pay for commitments in the future. New approaches like this can be exported as part of the industry's global offer.

PART TWO: SUPPORTING UK SAVERS

Investment managers exist to deliver good outcomes for their clients, whether these are individual savers or institutions such as pension schemes which manage money on behalf of individual pension savers.

This includes providing wider expertise in areas such as risk management, achieving economies of scale, and giving access to a wide range of assets that would normally be out of reach for individual investors. The ultimate goal is to provide customers with a basket of shares, bonds and other assets such as property, which can deliver returns over many years without exposing them to undue risk.

By doing this, investment managers sit at the heart of the British

economy because their activity helps to fund business, government and industries to grow and to provide more jobs. It also helps three quarters of UK households save for their future.



What is a fund?

A 'fund' pools the savings from many individual savers, and channels them into investments such as company shares, bonds, property or infrastructure.

As these investments grow in value, the returns are shared between all the savers.

Funds can help savers to access investments that are difficult for individuals to take advantage of on their own, both in the UK and across the world. They also help savers to invest in a much larger number of assets, spreading their risk and delivering economies of scale in cost.



Three factors mean that investment management has become particularly important for millions of UK savers and households in helping them grow their pensions, and savings such as ISAs:



AUTO-ENROLMENT

means that more people than ever are saving into a pension, helping them to prepare for a prosperous later life.



THE 'PENSION FREEDOMS' reforms made in 2015 give people more choice about how they use their money when they retire. They mean that people can keep their savings invested even after they have retired, potentially benefitting from further growth.



LOW INTEREST RATES means that many savers have chosen to invest into funds, which can deliver better returns than the typical savings accounts offered by banks.

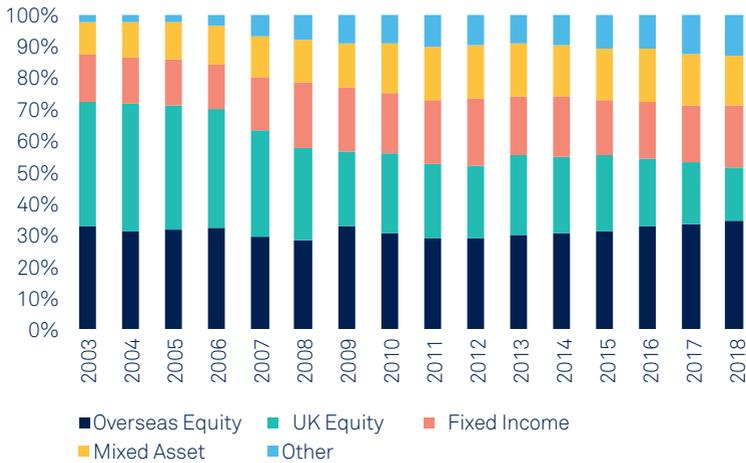


Several interesting trends can be seen in how UK savers are using investment funds:

- UK savers are increasingly opting to invest in shares and bonds from companies outside the UK. Investments in shares in particular are very global in nature. Over a third (35%) of funds under management for UK investors are invested in overseas shares.

- Over the last ten years, sales to funds investing in shares all around the world (as opposed to those restricted to specific regions) have been the highest of any overseas category, showing that UK savers are seeking a high level of geographic diversification in the companies in which they invest.

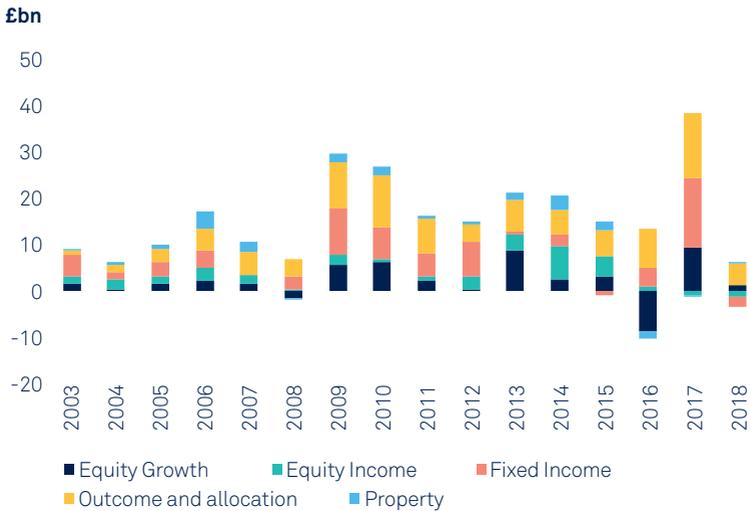
FUNDS UNDER MANAGEMENT BY TYPE OF ASSET (2003-2018)



- Savers are also increasingly looking to fund managers to decide on the allocation of shares, bonds and other investments rather than making these decisions themselves.

Consequently, funds investing in a mix of assets or targeting a particular outcome have grown in popularity. Sales to these funds from UK retail investors account for over two fifths (41%) of total net sales in the last 10 years.

NET RETAIL SALES BY INVESTOR OBJECTIVE (2003-2018)

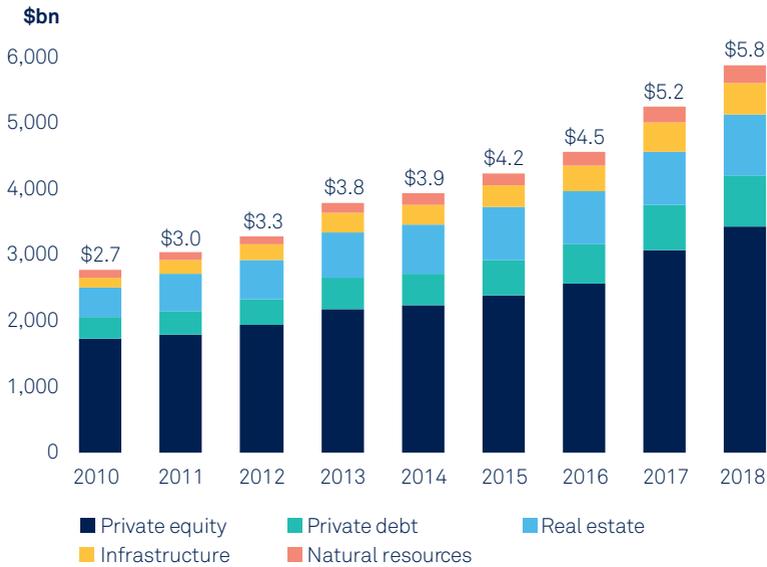


Institutions such as pension funds are also increasingly able to invest on behalf of savers in private markets, meaning the companies, property developments and infrastructure programmes which are not listed on the stock exchange but which can provide significant sources of growth, especially when interest rates are low. The total value of investments in private markets around the world has more than doubled since 2010, with

growth in infrastructure particularly strong and expected to continue.

The Investment Association has undertaken a significant amount of work to put forward proposals that would widen access to private markets further, particularly for Defined Contribution pension schemes. This would help to diversify sources of return as well as risk taken in investing for pension savers.

GROWTH IN GLOBAL PRIVATE MARKET ASSETS UNDER MANAGEMENT (\$BN, 2010-18)



Source: Preqin Global Alternative Assets Reports



Responsible investment

Investment managers are increasingly putting responsible and sustainable investment considerations at the heart of their decision making. This matters greatly to the growing number of savers and institutional investors who are concerned about both the financial and non-financial consequences of major societal issues, notably climate change.

The UK continues to be at the forefront of the responsible investment debate internationally. This is a long-term industry, and investment managers hold UK equities for six years or more

on average (source – Oxera, the contribution of asset management to the UK economy). This makes it vital that they know that the companies that they invest in will be well managed in the future, and that they are contributing to the wider sustainability of our economy and our planet.

Today, over a quarter (26%) of all assets are managed using some form of responsible investment approach. This is likely to increase as concerns about environmental change grow, and as consumers are able to see more clearly where their savings are invested.



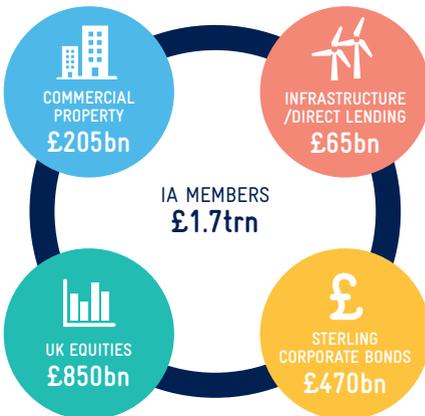
OVER A QUARTER
of investments use responsible
investment criteria

PART THREE: FUNDING THE BRITISH ECONOMY

Investment management is an indispensable part of the UK economy, providing vital funding for UK businesses and infrastructure and contributing to long-term growth and jobs – not just in our own industry, but in those that we fund to thrive and to expand.

**Investment managers channel
£1.7trn into the UK economy.**

IA MEMBER HOLDINGS IN UK ASSET CLASSES



The most significant part of this investment in the UK economy comes through equities (£850bn this year), providing the vital finance that businesses need to grow. In total, the shares held by British investment managers make up over a third (35%) of the value of UK PLC.

Almost half a trillion pounds was invested in company debt (sterling corporate bonds) at the end of 2018. Around £30bn was lent directly to businesses. This is a comparatively small amount but reflects a slowly increasing role for investment managers as companies look for new sources of finance since the decline of bank lending after the global financial crisis.

Small businesses are benefiting from this too, as there is growing interest from investors in the opportunities arising from lending to SMEs.

Investing in infrastructure

Investment managers make a tangible contribution to the world we live in through infrastructure investment. This supports the provision of the energy that households and businesses need, the transport that underpins our economy, and the homes and hospitals that society depends on.

By the end of 2018, investment managers had at least £35bn invested in UK infrastructure, a figure expected to increase in future years.

Three quarters of this investment is in economic infrastructure such as energy, transport and environmental projects. The remaining quarter is invested in projects which provide a social benefit, such as schools, hospitals or social housing.

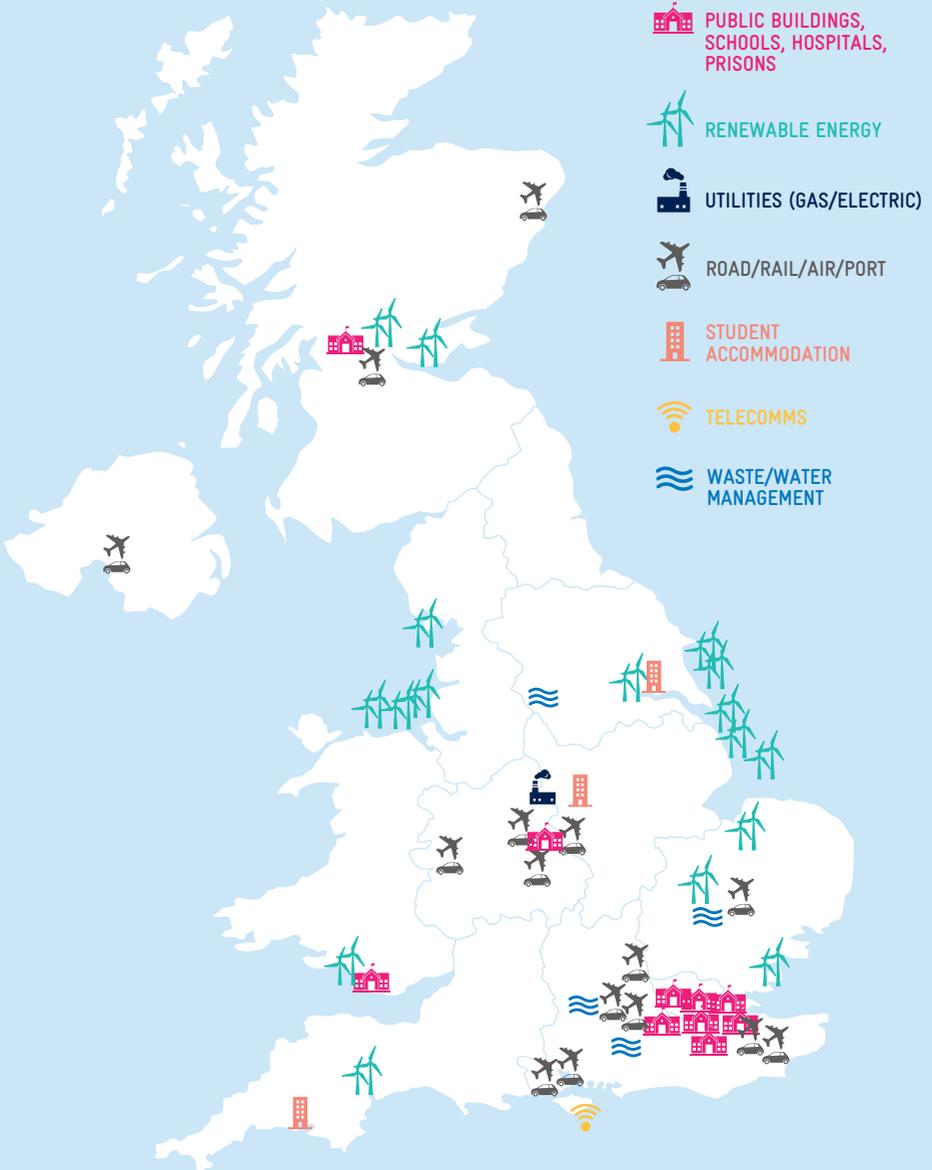


Overall capital market funding for social housing now stands at £6.7bn, the largest single source of finance in this area (Source – Homes and Communities Agency).

Investment in green energy projects is particularly important for pension schemes, which look for long-term and stable income streams.



SELECTION OF UK INFRASTRUCTURE
INVESTMENT FACILITATED BY IA MEMBERS



Supporting jobs around the UK

Investment management has made a significant contribution to record UK employment figures. Today, 115,000 people are employed across the industry. 40,000 of these jobs are directly in investment management firms, up 4% in the last year.

Our industry needs to recruit the very brightest and most committed young people to our industry. The Investment Association does this through Investment20/20, the industry's service for those looking for their first jobs in the industry, which encourages people from all walks of life to take advantage of the career opportunities offered in investment management.



A SCOTTISH CENTRE OF EXCELLENCE

The investment management industry has long been an essential piece of the Scottish economy, and a quarter (25%) of all assets managed by UK-headquartered firms are managed by firms with Scottish headquarters. In total, £530 billion is managed in Scotland.

Just under 15,000 people work in investment management in Scotland. Most employment is in Edinburgh's world-class financial services hub, but high quality jobs are spread across the nation.

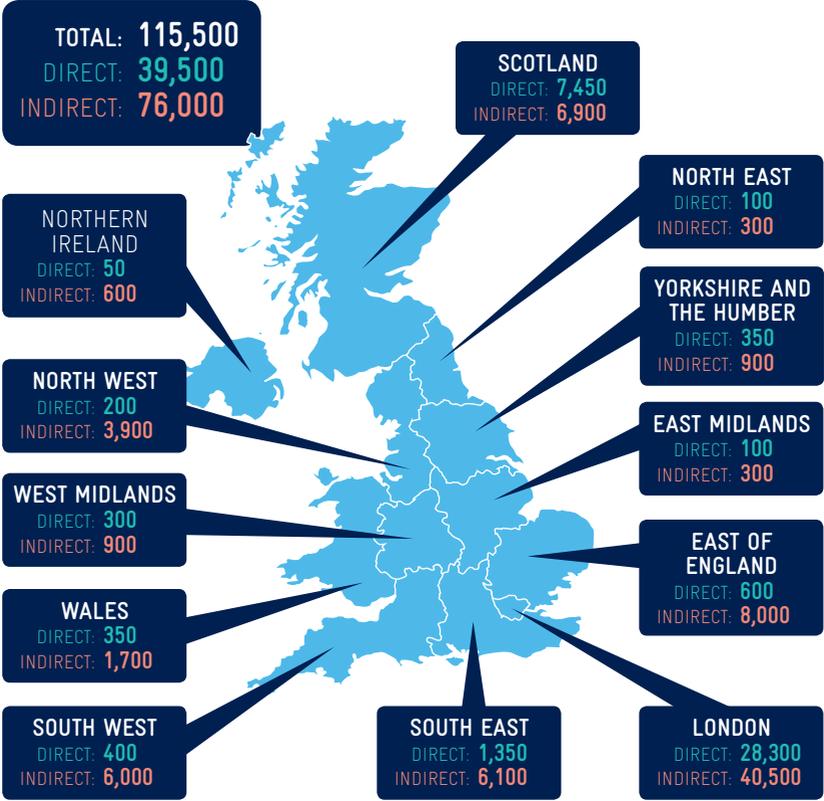
£530
billion
is managed
in Scotland

The text is positioned to the left of a stylized map of Scotland. The map is dark blue with a white saltire (X) overlaid on it, representing the Scottish flag.

In the last five years, Investment20/20 has supported over 1,350 trainees to start their careers in investment management, with three quarters of trainees going on to permanent jobs in the industry.

This focus on skills may become even more important in future, as the adoption of new technology means that investment management teams look for staff with this expertise.

DIRECT AND INDIRECT EMPLOYMENT IN ASSET MANAGEMENT IN THE UK



Source: IA estimates from information provided by members and publicly sourced information. All regional numbers have been rounded to the nearest 50 and therefore may not add to exact total



The Investment Association
Camomile Court, 23 Camomile Street, London, EC3A 7LL

www.theia.org

 @InvAssoc

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