

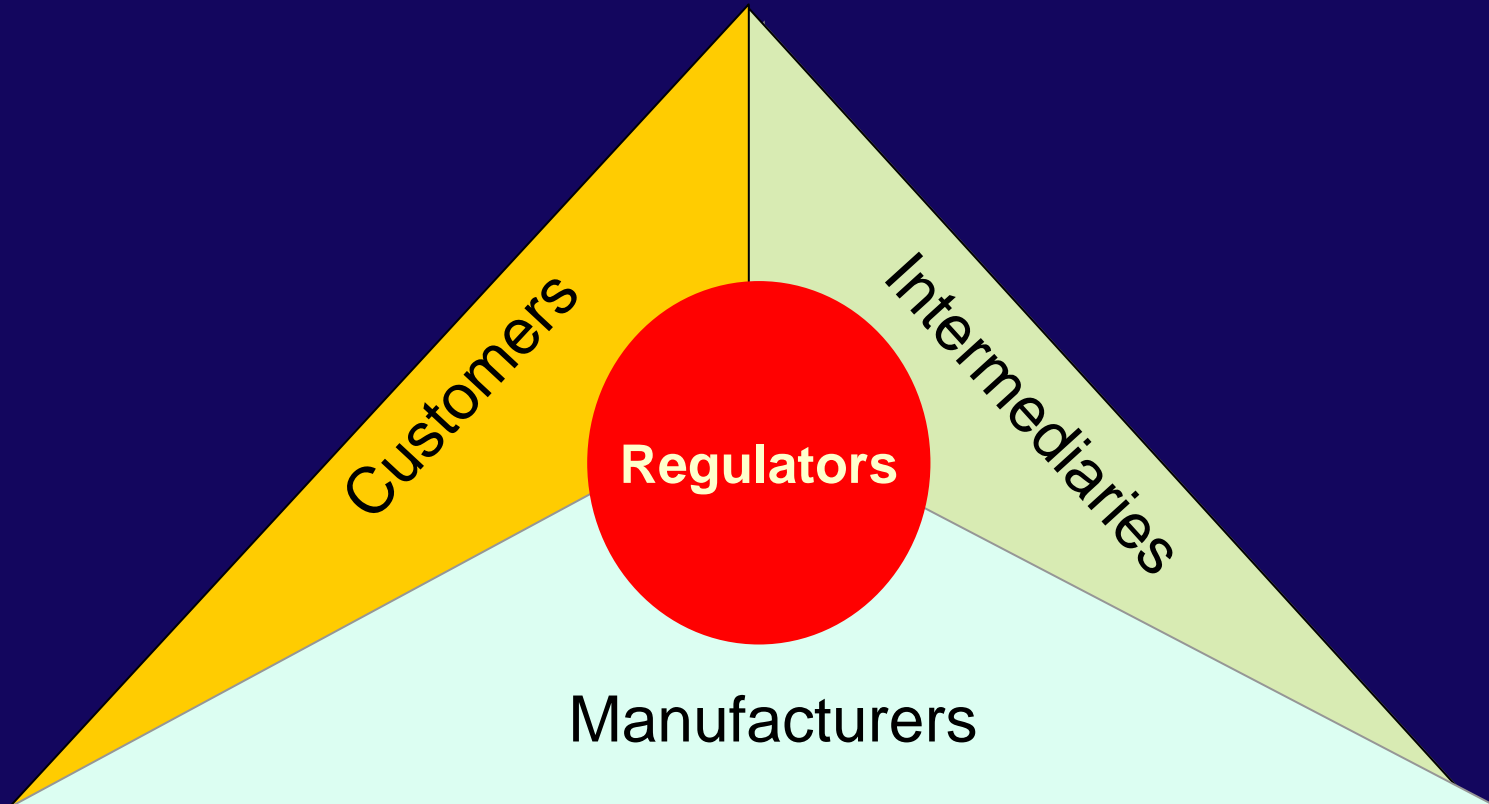
Investment Management in 2010: A Perspective

Elizabeth Corley

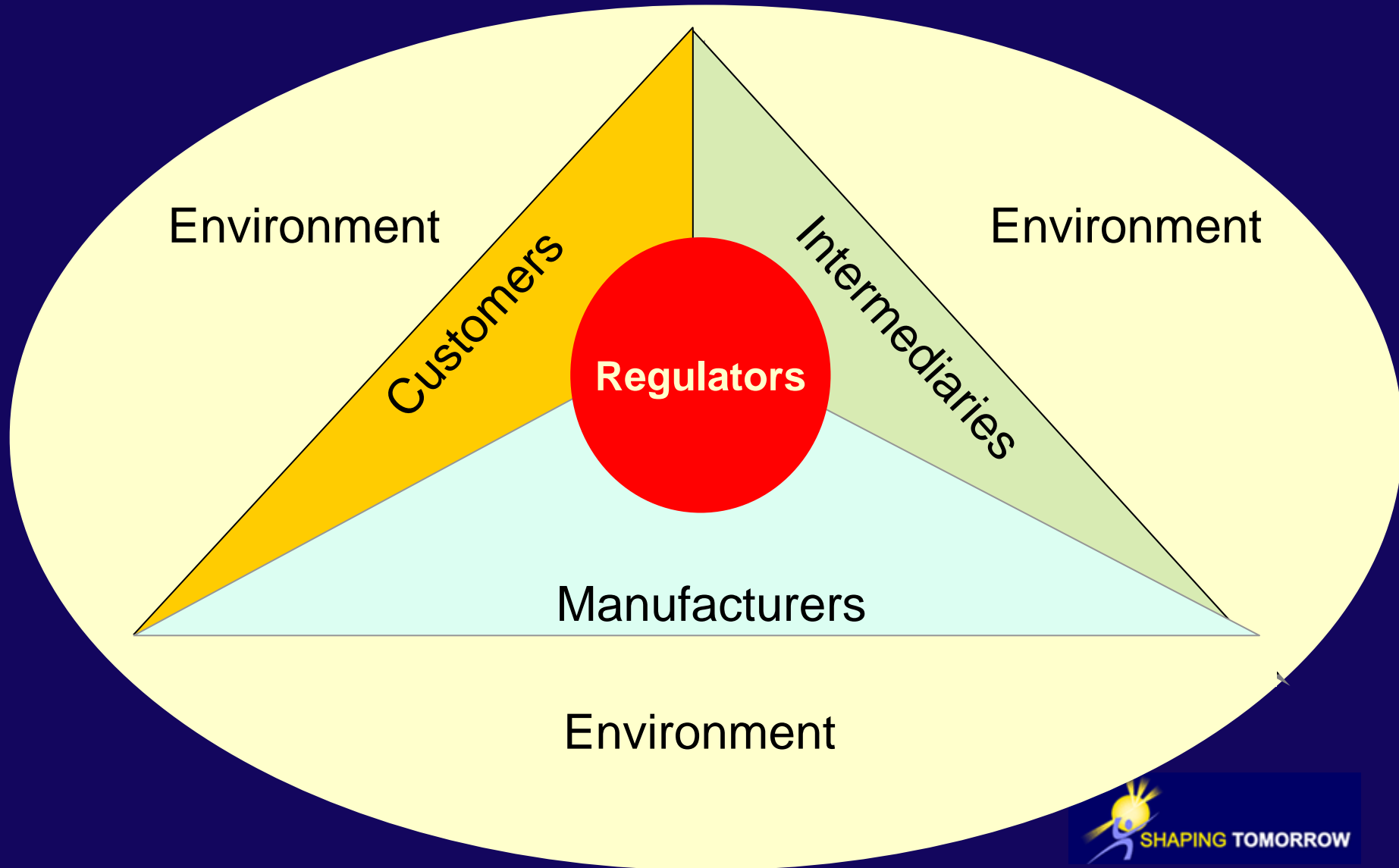
10th May 2004



The Investment Management Industry



The Investment Management Industry



Environment

- **Relatively benign economic conditions**
 - Interest rates
 - Growth
- **Positive demographic / socio-political trends**
- **European expansion ...**
... but centre of growth shifts to Asia
- **Shocks and scandals**
 - Trust and confidence
 - Risk tolerance

Customers – direct investors

- **Low understanding**
- **Low interest**
 - Inertia and indifference
- **Role of personal financial press**

Customers – direct investors

- **Low understanding**
- **Low interest**
 - Inertia and indifference
- **Role of personal financial press**
- **Investor discontent**
- **Overload of information**
- **“Risk is out”**

Customers – corporates / pension funds

- A Board Room Issue
- Changing product needs
- Declining DB provision
- Role of consultants under scrutiny
- Information demands

intermediaries



Financial
Advisors



Customer
Advisors



Account
Representatives



IFA's



Investment
Consultants



Financial
Planners



Tied Agents

Intermediaries

- **Restructuring and concentrating**
- **Increasing service demands**
- **Advice versus Selling**
 - Cost
 - Skills
- **Behaviours shape industry**
- **Investment managers do not control distribution**

Regulators

- **Growing role**
- **Political and public interest agendas**
- **Impact of Europe**
- **Consultation a double-edged sword**
- **Industry is on notice**

Investment Managers

- **Traditional products under attack**
 - Alternatives
 - Specialists / Boutiques
 - Capital Markets
- **Oversupply in a scale business**

Oversupply

Fund Size	# of Funds	TER
<\$5m	521	3.61%
<\$10m	370	2.25%
<\$25m	593	2.02%
<\$50m	424	1.78%
<\$100m	328	1.77%
<\$250m	278	1.71%
>\$250m	231	1.63%

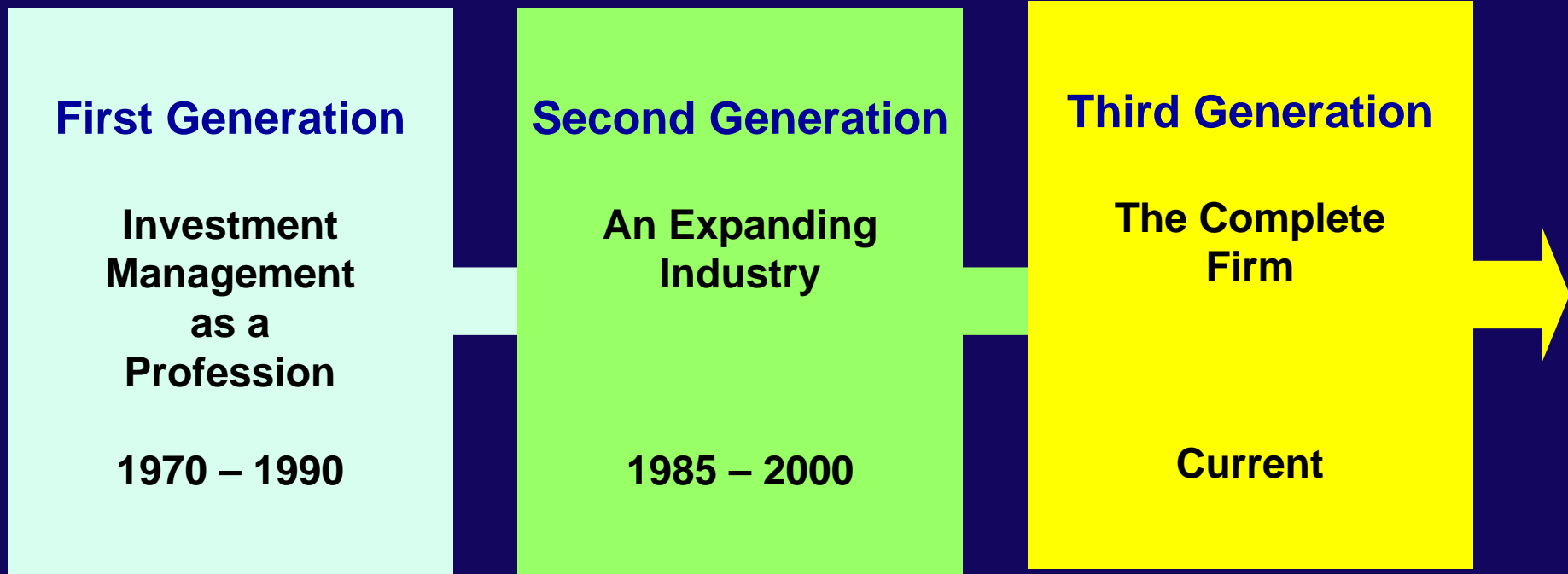
Source: Fitzrovia (Oct 2003), Actively Managed Luxembourg Equity Funds



Investment Managers

- **Traditional products under attack**
 - Alternatives
 - Specialists / Boutiques
 - Capital Markets
- **Oversupply in a scale business**
- **Talent retention**
- **Reputation**
- **Cost of compliance**
- **Remote from end customer**
- **Sensitive to market movements**

Three Generations of Investment Management



Source: Success in Investment Management, Merrill Lynch & Casey, Quirk & Acito



Investment Management in 2010

- **Cohesive Culture**
- **Clear Vision & Strategy**
- **Resource priorities clear**
- **Equity participation “boutique feel”**
- **Market-proof product range**
- **Exit from non-strategic markets**
- **R&D function linked to client needs**
- **Constructive Industry Collaboration**

Investment Management in 2010

- **Strategic decisions left unmade**
- **Resources stretched & average delivery**
- **Continued key staff turnover**
- **“Them and us” pervades industry**
- **“Same old, same old”**
 - Market bails out returns
 - Products and solutions
- **Selective disposals**
- **Bad can be good for nimble and lean**

THE BAD



Investment Management in 2010

- Scandals and industry intervention
- Increased regulation
- Fire sale disposals
- Capital markets competition
- Industry infighting
- Weak representation
- Lack of consumer trust
- Savings flow to 'non-investment' products
- Slow growth
- Depressed profitability irrespective of products

THE UGLY



Investment Management in 2010

Actions for 2004

- **Strategic honesty**
- **Relentless follow-through**
- **Not accepting average as good**
- **Work on united culture and actions**
- **Technology investment that matches strategy**
 - Turning information to advantage
 - Client relevant services
- **Bringing client thinking inside**
- **Working as a united industry**

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