

INVESTMENT MANAGEMENT ASSOCIATION

# ASSET MANAGEMENT SURVEY

MAY 2005





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The IMA would like to thank all participants for their contributions.

Prepared by Jonathan Lipkin  
Investment Management Association, 2005

# 1

## KEY FINDINGS

This is the third annual survey undertaken by the IMA, covering 133 IMA members, with direct questionnaire responses obtained from 45 groups. The survey presents a snapshot of the UK asset management industry, providing data on various aspects, including overall size, client and ownership patterns, asset allocation, costs and use of soft commission. Where possible, comparisons with the previous survey have been made.

The key findings are explored in more detail in the main body of the report:

- As of the end of June 2004, assets managed by IMA members in the United Kingdom totalled £2.16 trillion. Survey respondents indicated that fewer than 20% are domiciled off shore, unchanged from a year earlier when adjusted for sample differences (matched samples were used, based on those respondents who provided information in both 2003 and 2004). In global terms, we estimate that IMA members – or their parent groups – are responsible for assets totalling around £7.87 trillion.
- Industry concentration is broadly unchanged, with the market share of the five largest groups standing at 28% and that of the ten largest at 46%.
- In terms of client type, 39% of assets managed in the UK are invested for Insurance Funds and 34% for Pension Funds. Investment by the public in Retail Funds remains the third largest source of client money (14% of total assets).
- Mandates continue to be dominated by the ‘Customised Benchmark’, but matched samples from 2003 and 2004 confirm that fewer assets are being managed according to this kind of mandate, with more using Peer Group and Passive mandates.
- Some 37% of assets managed in the UK are invested in Bonds, while 46% are in Equities. Although the balance between Equities and Bonds appears little changed in value terms, confirmed by matched samples, the evolution of asset prices in the year to June 2004 suggests that the overall share of Equities has fallen. In particular, our observation last year about the increasing proportion of Bonds held by Pension Funds is borne out by the findings. A matched sample points to a modest rise in Bond holdings by Pension Funds, amplified when account is taken of the changes in asset values.
- Weighted average profitability stood at 23%, an improvement from a year earlier (21%), confirmed by a matched sample. However, a majority of respondents still fail to meet the average profitability level, with median profitability at 17%.
- Respondents managing about £507 billion (one third of the sample) direct 100% of their business through execution only brokers.
- Over a half of respondents do not use soft commissions. Of those who do, matched samples, weighted by assets under management, show the proportion of commission subject to soft commission continuing to fall (3.8% in June 2004, from 4.5% in June 2003).
- In terms of goods and services received under soft commission arrangements, information feeds are the top service for over half of respondents, with research the second most preferred service.

## 2 METHODOLOGY AND DEFINITIONS

This year, the survey has been conducted in a single part: a questionnaire asking a number of questions about assets managed in the UK and globally.

The initial focus of the questionnaire form was the value of total assets managed within the UK regardless of fund or client domicile. We then asked for assets managed to be broken down by client type and further by mandate and asset allocation of each client type. The client categories are for the most part self-explanatory, and the mandate types are defined as follows:

**Passive** - managed against an index with tracking error of fifty basis points or less.

**Customised Benchmark** – managed against a blend of indices. There could also be single index mandates if the mandate is active rather than passive.

**Absolute Return** – managed according to a set target level of return: for example LIBOR plus 2%.

**Peer Group** – managed in relation to an identified group of comparable accounts or funds.

**Specialist** – specific asset class or geographic exposure, but also includes 'preservation of capital'.

We also asked for asset allocation across 13 categories:

**Equities** – UK, North American, European, Japanese, Emerging Markets and Other

**Fixed Income** - Government Debt, Investment Grade Bonds and High Yield Bonds

**Money Market** – Cash and Money Market

**Alternatives** – Property, Venture Capital and Other

A number of general points should be noted:

– Not all groups were able to supply information based on the assets managed in the UK; some responses are based instead on assets managed globally. Results have been separated accordingly and presented in the Appendices.

– Not all respondents were able to provide information for all questions, and not all questions have been answered on the same basis (some have been based on what the group manages globally and some based on UK assets). Response rates and coverage are indicated with each result.

– As in the past, the survey has been designed with comparability to the previous survey in mind. However, even where groups replied in both years, some may have responded to a question last year but not this year or vice versa, and they may have used global numbers this year and UK numbers last year. Where meaningful comparisons are possible, they have been made.

### 3

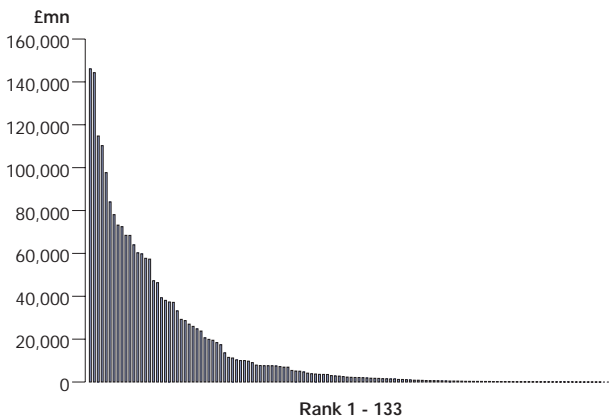
## SURVEY FINDINGS

### INDUSTRY SIZE

The survey covers 133 IMA member groups.<sup>1</sup> As of the end of June 2004, assets managed in the United Kingdom totalled £2.16 trillion (up from £1.99 trillion in 2003). Total assets managed globally by IMA members – either directly or as part of parent groups – are estimated at £7.87 trillion.

Industry concentration is illustrated in Chart 1. The five largest operators manage 28% of the UK market, a share broadly comparable to the largest five in the previous two years (29% in June 2002 and 28% in June 2003). After a modest fall from 2002-2003 (from 49% to 46%), the market share of the ten largest groups (shown in Chart 2) has stabilised, accounting for 46% of assets managed in the UK.

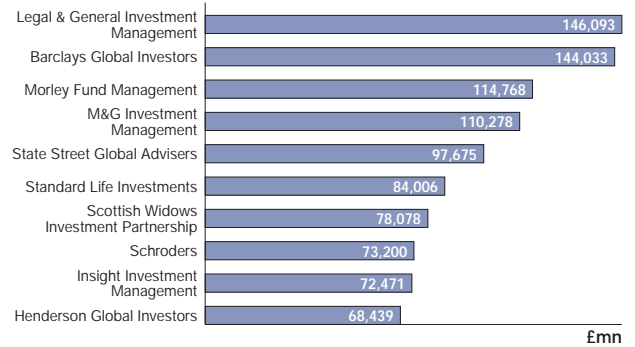
**CHART 1**  
Groups Ranked by Assets Managed in the UK



Only about 18% of assets under management in the UK are domiciled offshore, according to responses from 40 groups representing 66% of the industry. This is markedly lower than last year's response, which showed one third of assets under management in the UK domiciled offshore. However, there are considerable differences in the sample size and composition. Adjusting for the difference, the off-shore domicile rate is unchanged from the previous survey.<sup>2</sup>

### CHART 2

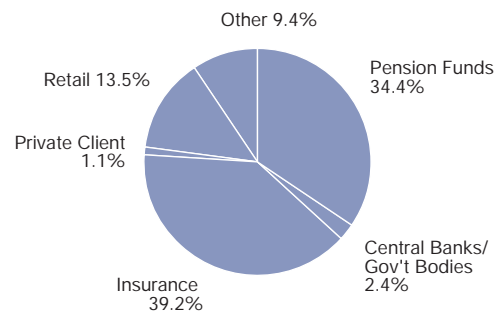
Assets Managed in the UK - Ten Largest Groups



### CLIENT TYPE

Respondents were asked to allocate assets under management across client types; responses from 32 groups managing £1.08 trillion in the UK are displayed in Chart 3.<sup>3</sup> Some 39% of assets managed in the UK are invested for Insurance Funds and 34% for Pension Funds. Investment by the public in Retail Funds remains the third largest source of assets, with 14% of the total.

**CHART 3**  
Assets Managed in the UK – Client Types  
(Sample size: £1.08 trn)



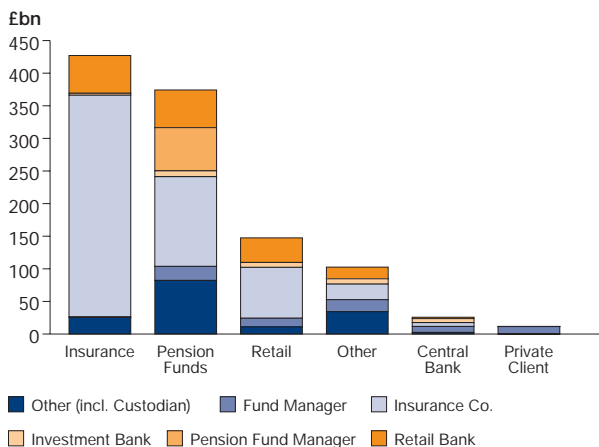
Unsurprisingly, groups owned by Insurance Companies dominate management of Insurance Funds, with 80% of the total. Insurer-owned managers also have 53% and 37% respectively of Retail and Pension Funds. Fund managers dominate Private Client and Government business. Chart 4 shows the picture in more detail.

<sup>1</sup> Direct responses were received from 45 groups managing £1.65 trillion in the UK (76% of £2.16 trillion) and £5.32 trillion globally (68% of £7.87 trillion). Other figures for total assets under management in the United Kingdom and globally were obtained from internal IMA sources. Details of the questionnaire can be found in Appendix 3.

<sup>2</sup> Using responses from 28 groups managing £1.24 trillion of assets in the UK in June 2004, we found that the proportion of UK domiciled funds as a proportion of funds under management was 81-82% in both years.

<sup>3</sup> Further client information is available in Appendix 2, covering groups that provided their client split based on assets managed globally.

**CHART 4**  
**Assets Managed in the UK –**  
**Client Type by Parent Type (Sample size: £1.08 trn)<sup>4</sup>**

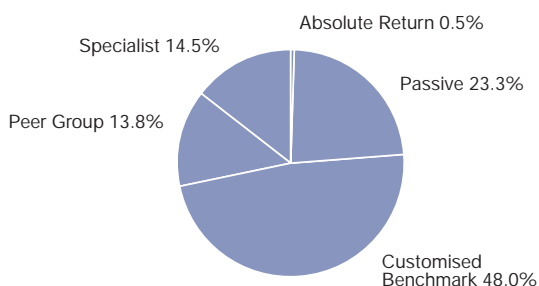


**CLIENT MANDATES**

Respondents were asked to provide mandate information based upon assets managed in the UK. This section analyses the responses from 28 groups managing £1.06 trillion in the UK for both UK and non-UK clients. We have included in Appendix 2 corresponding information from those groups who responded instead on the basis of assets managed globally.

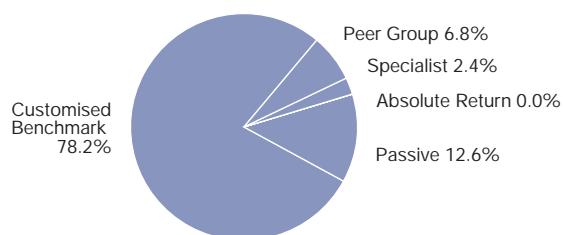
As Chart 5 illustrates, some half of assets are managed against a Customised Benchmark.<sup>5</sup> Passive was the second most common with 23%, followed by Peer Group, Specialist (both 14%) and Absolute Return (under 1%). Comparing this to last year's findings, the Customised Benchmark (53.9% last year) appears to be losing ground to Passive (18.0% last year) and Peer Group (8.2% last year) mandates. This is confirmed in a matched sample of 21 groups who responded in both years.

**CHART 5**  
**Client Mandates of Assets Under Management in the UK (Sample size: £1.06 trn)**



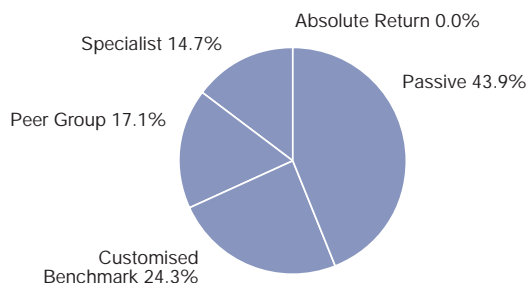
We can see in Chart 6 that almost 80% of Insurance Funds invest against a Customised Benchmark, leaving relatively minimal allocations to Passive 13%, Peer Group 7%, and Specialist 2%.

**CHART 6**  
**Client Mandates of UK Managed Insurance Funds (Sample size: £427 bn)**



Customised Benchmarks (24%) seem now to be used less in Pension Funds, accentuating an already existing contrast with Insurance Funds. At the same time, Passive mandates make a much larger contribution than in last year's survey, with 44%, as shown in Chart 7 (32% last year). A matched sample of the 21 groups who replied in both 2003 and 2004 shows Customised Benchmark mandates falling from 37% to 28%, while Passive Mandates rose from 42% to 45%.

**CHART 7**  
**Client Mandates of UK Managed Pension Funds (Sample size: £372 bn)**

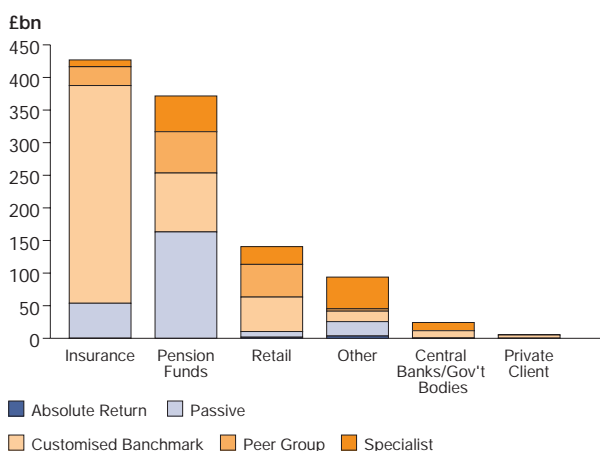


<sup>4</sup> For more details on ownership, see Charts 16 and 17.

<sup>5</sup> See 'Methodology and Definitions' section for explanation of this category.

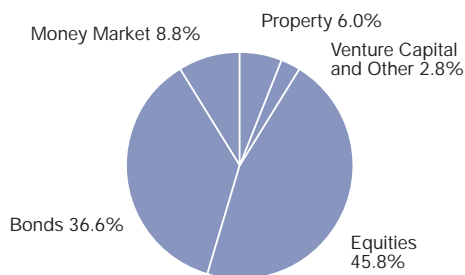
Chart 8 shows the mandate split for all client types, illustrating that Retail Funds still have a fairly broad mandate spread, with a near equal proportion split between Peer Group and Customised Benchmark.

**CHART 8**  
**Assets Managed in the UK – Client Mandates by Client Type (Sample size: £1.06 trn)**



**ASSET ALLOCATION**

**CHART 9**  
**Assets Managed in the UK – Asset Allocation (Sample size: £1.1 trn)**



Respondents were asked to provide asset allocation information based upon assets managed in the UK. This section analyses the responses from 32 groups managing £1.1 trillion in the UK. We have included in Appendix 2 corresponding information from those groups who responded instead on the basis of assets managed globally. Chart 9 shows assets under management in the UK broken down into Equities, Bonds, Money Market, Property and Venture Capital/Other.

In comparison with 2003 figures, the relative proportion of Equities and Bonds as measured by value is little changed (Bonds 36% in 2003; Equities 46%). However, some account needs to be taken of changing asset values over this period (June 2003-June 2004). In terms of Equities, the FTSE-100 rose by 11% (with the FTSE All-Share Index up 13%) and the FTSE World Index (excluding UK) also by 11%. Meanwhile, yields on UK ten-year gilt and US 10-year treasuries rose by around a percentage point.

The implication of rising Equity and falling Bond prices is that the 'little change' in overall asset allocation by value represents an erosion of the position of Equities and an increased share of Bonds as a proportion of assets under management as measured by volume. An examination of 23 groups who responded on asset allocations both in 2003 and 2004 confirms little change in terms of percentage share by value, reinforcing our conclusion of changing importance by volume.

Chart 10, outlining the Equity split, shows UK Equities contribute the majority at 56%. North American Equities make up less than 10% and Emerging Markets account for just 4%.

**CHART 10**  
**Assets Managed in the UK – Equity Allocation (Sample size: £504 bn)**

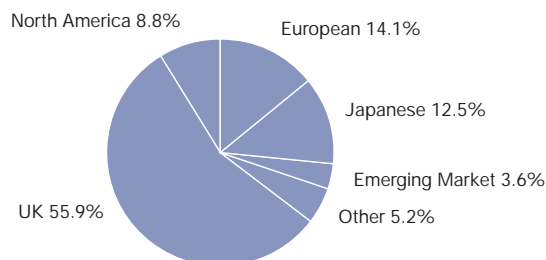
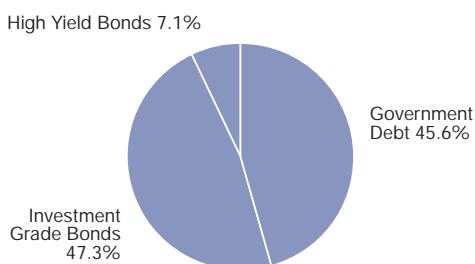


Chart 11 splits the Bond component of Chart 9 in more detail, with Government debt accounting for 46% and Investment Grade Bonds 47%. 7% is allocated to High Yield securities.

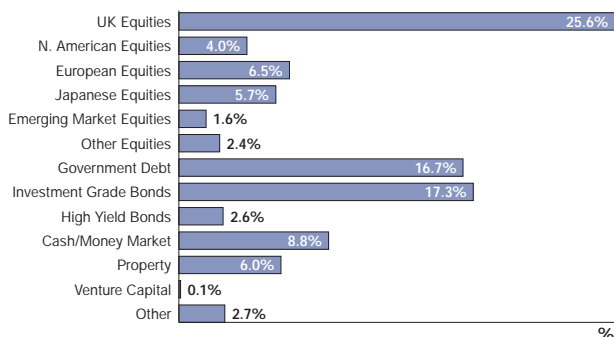


**CHART 11**  
**Assets Managed in the UK –**  
**Fixed Income Allocation (Sample size: £402 bn)**



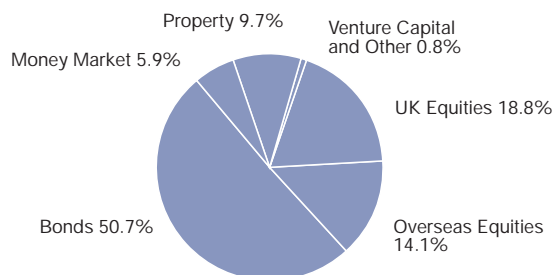
All categories of asset allocation have been included in Chart 12. UK Equities continue to dominate Equity allocation as well as total overall asset allocation for groups managing funds in the UK.

**CHART 12**  
**Assets Managed in the UK – Asset Allocation**  
**Across All Categories (Sample size: £1.1 trn)**



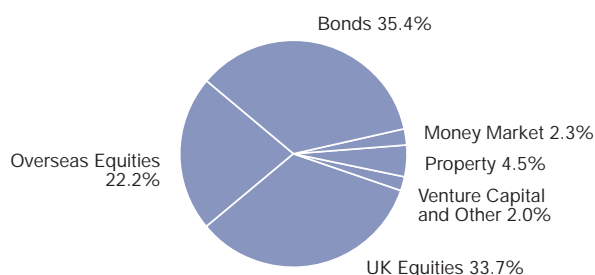
Groups managing £820 billion, or about 38% of total assets under management in the United Kingdom gave information on asset allocation by client type. This sample indicated that Insurance Funds have a continued reliance on Bonds, allocating 51% to the asset class, while Equities still occupy a relatively smaller position. See Chart 13 for more details.

**CHART 13**  
**Asset Allocation of UK Managed Insurance Funds**  
**(Sample size: £400 bn)**



With respect to Pension Funds, last year's survey identified the beginning of a trend which was eroding the usual contrast between the holdings of Insurance and Pension Funds as the latter increased their exposure to the Bond market. As Chart 14 illustrates, the headline figures from the overall sample this year show Pension Funds holding 35% of their assets in Bonds and just under 56% in Equities (32% Bonds/ 55% Equities last year). This supports the observation that the move towards Bonds is continuing, particularly given the evolution of asset values identified above.

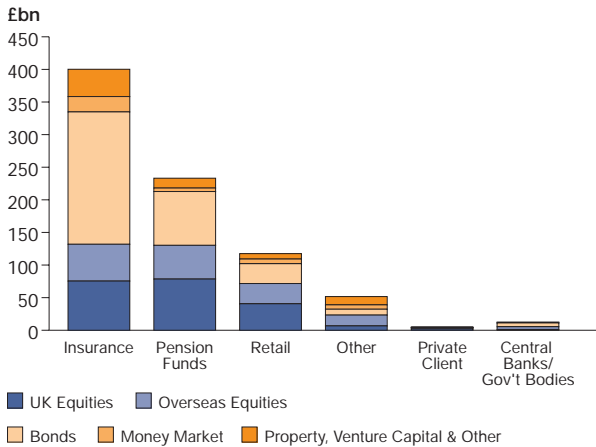
**CHART 14**  
**Asset Allocation of UK Managed Pension Funds**  
**(£233 bn)**



More marked evidence on Pension Funds is provided by a year-on-year comparison of the 14 groups (managing £499 billion of assets in the UK in 2004) that responded in detail to both the 2003 and 2004 survey. This shows the proportion of Equities falling from 60% to 56% and the share of Bonds rising from 36% to 38%.

A summary of asset allocation across all client types is presented in Chart 15.

**CHART 15**  
**Assets Managed in the UK – Asset Allocation by Client Type (Sample size: £820 bn)**



**OWNERSHIP**

Groups who form part of an Investment Bank continue to account for the largest proportion of global assets under management (28%).<sup>6</sup> Insurance Companies account for 21% and Fund Managers for 18%. This is illustrated in Chart 16. Increasingly, there are difficulties in dividing groups into a small number of categories, as larger groups in particular are engaged in a diverse range of financial service activities.

**CHART 16**  
**Assets Managed Globally By Parent Type (Sample size: £7.87 trn)**

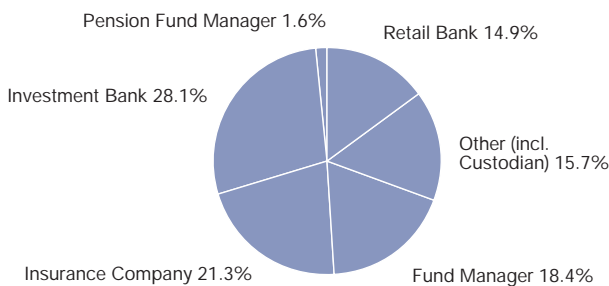
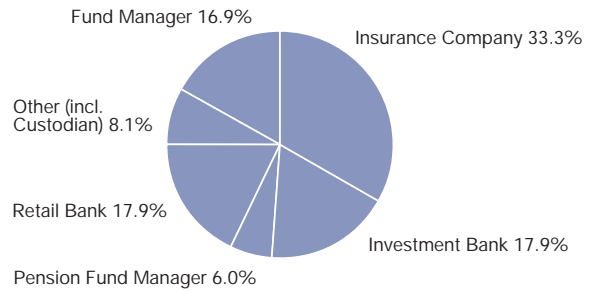


Chart 17 shows the comparable picture in terms of assets managed in the UK, where Insurance Companies continue to dominate, with five of the top ten asset management groups part of Insurance entities. Retail Banks and Investment Banks account for 18% and Fund Managers for 17%.

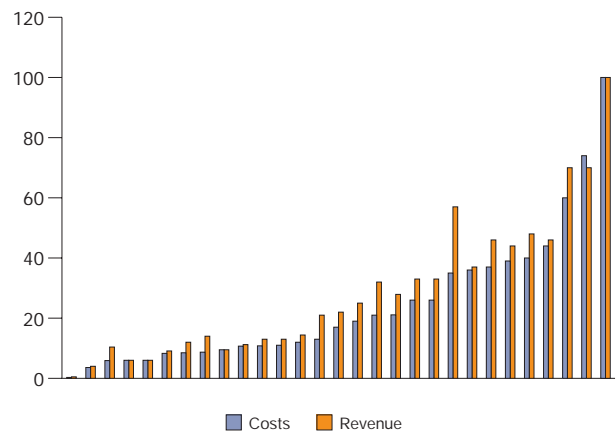
**CHART 17**  
**Assets Managed in the United Kingdom By Parent Type (Sample size: £2.16 trn)**



**COSTS AND REVENUE**

Twenty-nine groups managing £1.27 trillion of assets in the UK reported costs and revenue as a proportion of UK assets under management. The results are summarised in Chart 18.

**CHART 18**  
**Costs and Revenue by Group as a Proportion of Assets Managed in the UK (basis points)**



The weighted average revenue was 21 basis points, as a proportion of assets under management, while weighted average costs were 16 basis points. Weighted average operating profitability was 23%.<sup>7</sup> This is an improvement from last year (21%), and a matched sample of 22 groups managing £1.01 trillion in 2004 showed profitability increasing from 21% to 24%. However, as last year, some 70% (20 of the 29 respondents) do not meet the average profitability level, and many of the profitable groups tend to be the larger ones (see Table 1). Median profitability stood at 17%.

<sup>6</sup> Private banks are included in the 'Investment Bank' category.

<sup>7</sup> Profitability is calculated as the net of revenue and costs over revenue.

**TABLE 1:**  
**Operating Profitability**

Range	No. of Groups	AUM UK (£bn)
<0%	1	4
0 - 10	9	270
11 - 20	7	344
21 - 30	6	183
31 - 45	6	467

The weighted average of profitability has been broken down further across ownership types. Table 2 shows that managers owned by Insurance Companies and Retail Banks have the highest levels of operating profitability. The low level of weighted average profitability for Investment Banks should be treated with caution given that the proportion of funds within the respondent sample (1.7%) considerably under-represents Investment Bank ownership within the industry (18% of total UK assets under management – see Chart 17).

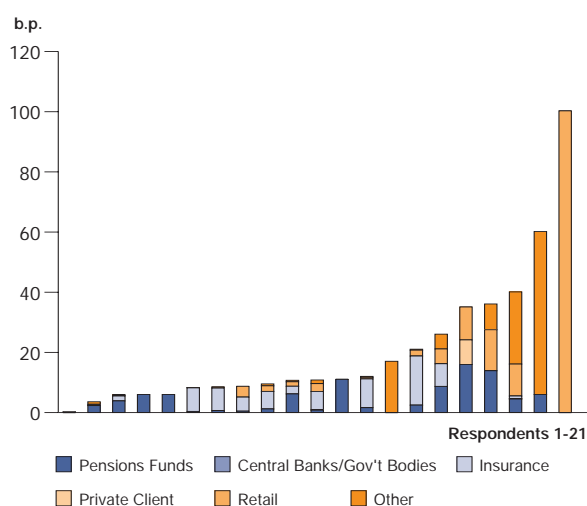
**TABLE 2:**  
**Weighted Average Profitability by Ownership Type**

Ownership type	Profitability	AUM UK (£bn)
Insurance Company	26.5%	663
Retail Bank	26.0%	229
Fund Manager	21.2%	112
Other (incl. Custodian)	16.9%	176
Pension Fund Manager	10.8%	66
Investment Bank	1.9%	22
<b>TOTAL</b>	<b>23.4%</b>	<b>1,268</b>

Chart 19 looks at costs, showing the client mix of each group (data available for 21 groups managing £926 billion in the UK). As last year, a number of lower cost groups have significant Insurance and Pension Fund

assets, while those groups with higher costs have a higher proportion of retail and other business. This is entirely as would be expected: asset management for institutional funds is a lower-cost activity for firms than the retail end of the market, where margins are eroded by overheads associated with administration and extensive use of intermediaries for distribution and sales.

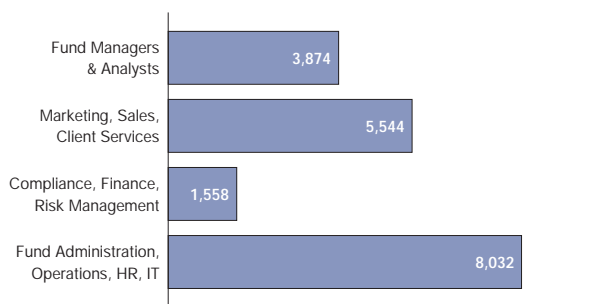
**CHART 19**  
**Costs by Group as a Proportion of Assets Under Management in the UK - Split by Client Types**



## STAFF

Staff numbers were gathered from 42 respondents representing 74% of UK assets under management or £1.6 trillion. The distribution of the 19,000 jobs is summarised in Chart 20.

**CHART 20**  
**Number of Staff by Job Role**



However, given the scale of administrative outsourcing, the number of staff directly employed by firms only captures one element of the employment generated by the asset management industry. Table 3 highlights proportions of fund administration outsourced to third party administrators. In total, there were 34 respondents, managing £1.28 trillion. Thirteen respondents to this question, covering £313 billion of assets, do not outsource any administration. At the other end of the scale, twelve respondents, managing £426 billion, outsource all fund administration.

**TABLE 3:**  
**Outsourcing of Fund Administration**

Outsourced to third party administrator (%)	Respondents	AUM UK (£bn)
0	13	313
1 - 25	8	533
26 - 50	0	-
51 - 75	1	7
76 - 100	12	426

### GIPS COMPLIANCE

Respondents were asked to state whether they were compliant with the Global Investment Performance Standards (GIPS) and whether the process was externally verified.<sup>8</sup> The majority of the 43 who replied answered 'Yes' or 'In progress', as shown in Table 4. Of those replying 'No', it would not be appropriate for most to be GIPS compliant given their client base.

**TABLE 4:**  
**GIPS Compliance**

	GIPS	Of those answering yes to GIPS, is there external verification?
In progress	5	
Yes	25	22
No	13	3

### SOFT COMMISSION ARRANGEMENTS

Respondents were asked to provide the proportion of business directed through execution only brokers. Of 39 respondents managing £1.51 trillion in the UK, 7 respondents managing about £507 billion (one third of the sample) direct 100% of their business through execution only brokers. Only 6 of the 39 respondents, managing £115 billion (8% of the sample), do not direct any business in this way. See Table 5.

**TABLE 5:**  
**Proportion of Business directed through Execution Only Brokers**

Proportion of business (%)	Number of Groups	AUM UK (£bn)
0	6	115
1 - 25	22	776
26 - 50	2	70
51 - 75	0	
76 - 99	2	40
100	7	507

Respondents were also asked to provide the proportion of total commissions subject to soft commission arrangements. Over a half do not enter into soft commission arrangements, as Table 6 shows. Only 9 of the 41 respondents managing £226 billion (some 10% of AUM in the UK) enter into such arrangements for more than 10% of all commissions paid.

**TABLE 6:**  
**Proportion of Total Commissions Paid Subject to Soft Commission Arrangements**

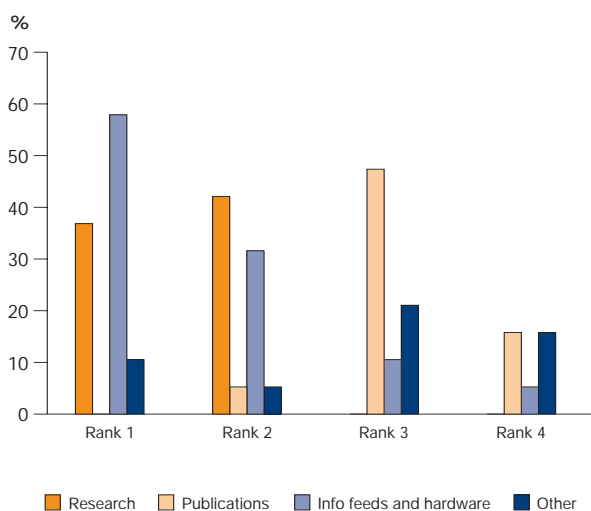
Proportion of commissions subject to soft commission (%)	Number of Groups	AUM UK (£bn)
0	23	778
1 - 10	9	322
11 - 20	9	226

<sup>8</sup> The GIPS, administered by the CFA Institute, are intended to provide internationally comparable measures of investment performance with the goal of increasing both transparency and standards. The UK version of GIPS is administered by the UK Investment Performance Committee (UKIPC).

Managing £1.23 trillion as of June 2004, 34 respondents provided soft commission figures for June 2003 and June 2004. After stripping out the 16 groups that had no soft commissions arrangements for both June 2003 and June 2004, the remaining 18 are on average using slightly more soft commissions than in June 2003 (9.2% of total commissions from 8.8%). However, by weighting each of the respondents' percentage use of soft commissions with their assets under management, we created a proxy for the value of business directed through soft commission arrangements. Among the 34, the average proportion of commissions subject to soft commission arrangements fell from 4.5% in 2003 to 3.8% in 2004. A fall also occurred between June 2002 and June 2003.<sup>9</sup>

The respondents using soft commissions ranked in order of importance the value of goods and services received under soft commission arrangements (1 being the most important and 4 the least). Chart 21 shows information feeds as the top service received for over half of respondents, with research the second most preferred service.

**CHART 21**  
Soft Commission Services Ranked by Percentage of Respondents



In terms of the balance between internal and external research, of 36 respondents, the average balance was 65% internal against 35% external. The distribution is shown in Table 7.

**TABLE 7:**  
Proportion of Internal Research

Proportion of internal research (%)	Number of groups
90+	7
70 - 89	15
50 - 69	7
30 - 49	2
<30	5

Finally, asked whether they would consider entering into commission sharing arrangements, were the regulatory/legal etc. uncertainties removed, 22 of 36 respondents said yes.

#### TRANSACTION COSTS

Some two thirds of respondents, 28 groups (out of a total of 39 responses), undertake transaction cost analysis as part of the firm's internal assessment of performance. Table 8 details the responses of 36 groups, showing the number of clients requesting transaction cost analysis and whether this figure is expected to increase.

**TABLE 8:**  
Proportion of Clients Requiring Transaction Cost Analysis

	<25%	25-50%	50-75%	>75%
Number of Groups	26	3	0	7
Expected to increase over the next year	17	2	2	

<sup>9</sup> From 5.8% to 5.3% using a like-for-like comparison. The sample population is not comparable with the 2003-2004 matched group.

## 4

## APPENDIX ONE: QUESTIONNAIRE RESPONDENTS

ASSETS MANAGED AS AT 30TH JUNE 2004, £mn

COMPANY	PARENT GROUP	PARENT TYPE	MANAGED IN THE UK	MANAGED GLOBALLY*
Legal & General Investment Management Ltd	Legal and General Group PLC	Insurance Company	146,093	148,450
Barclays Global Investors	Barclays PLC	Retail Bank	144,303	634,418
Morley Fund Management	Aviva PLC	Insurance Company	114,768	242,000
M&G	Prudential PLC	Insurance Company	110,278	170,000
State Street Global Advisors Limited	State Street Corporation	Custodian	97,675	650,000
Standard Life Investments	Standard Life Assurance Company	Insurance Company	84,006	96,027
Scottish Widows Investment Partnership	Lloyds TSB Group PLC	Retail Bank	78,078	102,000
Schroders plc		Fund Manager	73,200	99,960
Insight Investment Ltd	HBOS Group	Retail Bank	72,471	72,471
Henderson Global Investors	HHG PLC	Insurance Company	68,439	X
DWS Investments	Deutsche Bank AG	Investment Bank	61,380	386,015
Merrill Lynch Investment Managers	Merrill Lynch & Co, Inc	Investment Bank	60,311	269,235
Hermes Pensions Management		Pension Fund Manager	46,343	46,343
Axa Investment Managers	Axa Group	Insurance Company	43,763	211,932
Capital International	Capital Group International, Inc	Fund Manager	X	159,326
AEGON Asset Management	AEGON UK	Insurance Company	33,193	204,762
F&C Asset Management		Fund Manager	30,797	54,860
Baillie Gifford		Fund Manager	28,669	28,669
Goldman Sachs Asset Management	Goldman Sachs Group Inc	Investment Bank	25,424	207,279
Aberdeen Asset Management		Fund Manager	20,599	20,599
Gartmore Investment Management	Nationwide Mutual Insurance	Insurance Company	19,588	41,263
Baring Asset Management	ING	Insurance Company	18,739	18,739
Citigroup Asset Management	Citigroup Inc	Retail Bank	16,098	271,500
Britannic Asset Management	Britannic Group plc	Insurance Company	13,613	13,613

COMPANY	PARENT GROUP	PARENT TYPE	MANAGED IN THE UK	MANAGED GLOBALLY*
BP Investment Management		Pension Fund Manager	10,007	10,007
Aerion Fund Management Ltd	Lattice Group Pension Scheme	Pension Fund Manager	9,903	9,903
SG Asset Management	Societe Generale SA	Investment Bank	7,700	177,000
Martin Currie Investment Management	Martin Currie Ltd	Fund Manager	7,678	7,678
Liverpool Victoria Asset Management	Liverpool Victoria Friendly Society	Insurance Company	7,044	7,044
First State Investments	Commonwealth Bank of Australia	Retail Bank	6,886	38,322
CCLA Investment Management Ltd		Fund Manager	5,092	5,092
Lazard Asset Management	Lazard LLC	Investment Bank	3,872	37,887
Franklin Templeton Investment Management	Franklin Templeton Investments	Fund Manager	2,317	193,431
Aberforth Partners		Fund Manager	1,444	1,444
Odey Asset Management		Fund Manager	1,197	1,197
Glasgow Investment Managers Ltd		Fund Manager	693	693
Co-Operative Insurance Society	Co-Operative Group	Insurance Company	X	X
Investec Asset Management	Investec	Investment Bank	X	X
Newton Investment Management	Mellon Financial Corporation	Custodian	X	X
Pall Mall Partners		Fund Manager	X	X
Rathbone Unit Trust Management	Rathbone Brothers Plc	Fund Manager	X	X
Rensburg Fund Management		Fund Manager	X	X
Royal London Asset Management	Royal London Mutual Insurance Society	Insurance Company	X	X
Skandia Investment Funds	Skandia Insurance Company Ltd	Insurance Company	X	X
Threadneedle Asset Management	American Express	Diversified financial services	X	X

\* Either directly or as part of a larger group

X Request for non-disclosure or non-response

## 5 APPENDIX TWO:

### CLIENT MANDATE BY CLIENT TYPE (£mn)

UK CLIENTS		ABSOLUTE RETURN	PASSIVE	CUSTOMISED BENCHMARK
Pension Funds	UK basis	0.0	159,422.1	86,597.4
	Global basis	181.5	135.0	47,502.4
Central banks/ Gov't Bodies	UK basis	0.0	11.0	5,392.0
	Global basis	0.0	0.0	11,133.3
Insurance	UK basis	91.0	50,110.9	329,445.7
	Global basis	4,957.3	0.0	8,460.7
Private Client	UK basis	0.0	0.0	4,295.0
	Global basis	243.5	0.0	1,207.4
Retail	UK basis	792.3	8,489.2	46,120.2
	Global basis	2,446.7	0.0	2,331.3
Other	UK basis	203.0	17,905.8	9,172.0
	Global basis	4,672.2	93.7	16,788.2
Total	UK basis	<b>1,086.3</b>	<b>235,939.0</b>	<b>481,022.3</b>
	Global basis	<b>12,501.2</b>	<b>228.7</b>	<b>87,423.2</b>
<b>OVERSEAS CLIENTS</b>				
Pension Funds	UK basis	0.0	3,739.0	3,717.0
	Global basis	448.3	497.5	42,470.4
Central banks/ Gov't Bodies	UK basis	106.4	0.0	6,165.0
	Global basis	0.0	289.8	20,349.6
Insurance	UK basis	0.0	3,545.4	4,435.1
	Global basis	0.0	77.4	63,225.4
Private Client	UK basis	0.0	44.0	740.0
	Global basis	139.4	0.0	704.1
Retail	UK basis	943.4	187.6	6,716.5
	Global basis	1,852.8	2,588.0	132,726.8
Other	UK basis	3,356.5	4,133.6	6,869.6
	Global basis	13,065.3	283.2	88,068.2
Total	UK basis	<b>4,406.3</b>	<b>11,649.5</b>	<b>28,643.2</b>
	Global basis	<b>15,505.7</b>	<b>3,736.0</b>	<b>347,544.5</b>



PEER GROUP	SPECIALIST	TOTAL £MN (WHERE MANDATE DETAIL IS GIVEN)	OVERALL TOTAL £MN*
63,243.5	41,326.5	350,589.5	351,061.5
1,481.6	16,509.7	65,810.1	201,598.7
276.8	4,121.8	9,801.6	9,801.6
0.0	3,243.3	14,376.6	19,464.6
28,882.0	6,041.7	414,571.4	414,714.4
910.1	2,884.3	17,212.4	24,816.5
0.0	64.1	4,359.1	4,359.1
42.0	65.3	1,558.1	10,193.7
44,493.8	20,871.8	120,767.3	124,019.8
8,125.2	4,001.3	16,904.6	41,589.2
3,526.0	32,572.0	63,378.8	65,623.8
24,178.9	12,632.7	58,365.8	103,054.4
<b>140,422.2</b>	<b>104,997.8</b>	<b>963,452.7</b>	<b>969,580.2</b>
<b>34,737.8</b>	<b>39,336.7</b>	<b>174,227.6</b>	<b>400,717.0</b>
136.1	13,449.0	21,041.1	23,187.1
0.0	7,715.6	51,131.8	344,968.6
0.0	8,180.9	14,452.4	15,973.4
0.0	145.6	20,785.0	276,191.1
0.0	4,342.6	12,323.1	12,367.1
0.0	2,306.8	65,609.6	98,300.5
0.0	132.6	916.6	1,040.6
0.0	92.1	935.6	23,881.1
5,617.0	6,380.5	19,845.1	22,751.1
2,048.1	3,250.3	142,466.0	336,514.1
0.0	16,135.3	30,494.9	36,991.9
0.0	1,437.8	102,854.5	303,567.4
<b>5,753.1</b>	<b>48,620.9</b>	<b>99,073.1</b>	<b>112,311.1</b>
<b>2,048.1</b>	<b>14,948.3</b>	<b>383,782.6</b>	<b>1,383,422.8</b>

## ASSET ALLOCATION (£mn)

		UK EQUITIES	NORTH AMERICAN EQUITIES	EURO. EQUITIES	JAPANESE EQUITIES	EMERGING MARKETS EQUITIES	OTHER EQUITIES
<b>UK basis</b>		281,777.8	44,317.8	71,217.0	62,829.0	17,976.0	26,372.4
<b>Global basis</b>		111,475.2	342,863.1	61,900.8	52,380.6	15,480.0	139,754.5
<b>BY CLIENT TYPE*</b>		UK EQUITIES	NORTH AMERICAN EQUITIES	EURO. EQUITIES	JAPANESE EQUITIES	EMERGING MARKETS EQUITIES	OTHER EQUITIES
<b>Pension Funds</b>	<b>UK basis</b>	78,519.6	14,485.7	17,066.2	8,694.2	4,536.6	6,900.6
	<b>Global basis</b>	36,208.5	90,198.0	14,640.9	13,375.2	3,443.7	30,571.9
<b>Central Banks/ Gov't bodies</b>	<b>UK basis</b>	1,232.1	22.0	3,350.1	27.5	79.6	734.0
	<b>Global basis</b>	6,940.7	151,074.7	6,661.1	15,258.3	806.7	47,917.7
<b>Insurance</b>	<b>UK basis</b>	75,432.6	5,248.7	8,310.7	35,055.6	778.8	7,010.3
	<b>Global basis</b>	7,055.9	5,473.0	4,593.4	636.0	129.5	3,696.9
<b>Private Client</b>	<b>UK basis</b>	2,181.7	0.0	76.2	0.0	417.7	1,492.5
	<b>Global basis</b>	633.3	813.1	273.8	80.7	72.5	164.4
<b>Retail</b>	<b>UK basis</b>	40,641.0	3,704.2	12,362.8	8,874.8	2,719.3	3,334.4
	<b>Global basis</b>	12,314.1	62,810.1	17,218.2	3,943.0	4,918.0	32,136.1
<b>Other</b>	<b>UK basis</b>	6,708.1	610.3	6,382.3	3,574.0	2,427.6	3,557.1
	<b>Global basis</b>	15,404.9	26,925.3	6,711.2	2,783.6	1,346.6	13,827.1
<b>TOTAL</b>	<b>UK basis</b>	<b>204,715.1</b>	<b>24,070.8</b>	<b>47,548.4</b>	<b>56,226.1</b>	<b>10,959.5</b>	<b>23,028.9</b>
	<b>Global basis</b>	<b>78,557.4</b>	<b>337,294.1</b>	<b>50,098.6</b>	<b>36,076.8</b>	<b>10,716.9</b>	<b>128,314.2</b>

GOVERNMENT DEBT	INVEST. GRADE BONDS	HIGH YIELD BONDS	CASH/ MONEY MARKET	PROPERTY	VENTURE CAPITAL	OTHER	TOTAL
183,603.7	190,241.4	28,546.8	96,637.6	65,829.7	939.4	30,140.1	1,100,428.9
154,678.6	47,589.7	114,574.5	136,922.3	50,096.5	544.7	134,362.3	1,362,622.7

GOVERNMENT DEBT	INVEST. GRADE BONDS	HIGH YIELD BONDS	CASH/ MONEY MARKET	PROPERTY	VENTURE CAPITAL	OTHER	TOTAL
41,070.0	40,580.1	876.3	5,330.7	10,534.4	471.3	4,105.0	233,170.7
25,692.5	11,942.3	44,914.1	46,255.7	2,638.4	9.0	46,034.2	365,924.2
1,889.5	3,851.8	28.7	57.0	595.0	0.0	705.5	12,572.7
9,962.4	1,760.9	38,144.9	4,050.4	72.2	0.0	10,486.7	293,136.6
71,826.4	107,935.3	23,206.8	23,555.7	38,652.1	337.9	2,860.5	400,211.5
55,899.2	8,389.6	2,567.8	3,547.8	1,416.4	117.3	23,901.5	117,424.3
278.4	46.4	0.0	278.4	0.0	0.0	0.0	4,771.3
134.0	142.9	0.0	133.4	30.2	7.4	948.3	3,434.1
12,421.9	14,196.9	3,826.0	7,131.5	2,804.4	0.0	5,491.8	117,508.8
37,327.5	2,306.9	8,244.1	36,596.9	2,340.7	0.0	17,920.6	238,076.2
3,350.0	5,323.6	310.5	6,691.1	4,311.9	138.0	8,266.6	51,651.1
20,452.0	10,505.6	16,627.4	41,867.7	34,487.8	400.4	32,727.3	224,066.7
<b>130,836.3</b>	<b>171,934.0</b>	<b>28,248.2</b>	<b>43,044.4</b>	<b>56,897.9</b>	<b>947.2</b>	<b>21,429.4</b>	<b>819,886.1</b>
<b>149,467.6</b>	<b>35,048.0</b>	<b>110,498.2</b>	<b>132,451.9</b>	<b>40,985.7</b>	<b>534.2</b>	<b>132,018.6</b>	<b>1,242,062.3</b>

## 6

## APPENDIX THREE: SURVEY QUESTIONNAIRE

ASSET MANAGEMENT SURVEY 2004  
QUESTIONNAIRE

Completed by: \_\_\_\_\_

Contact details: \_\_\_\_\_  
\_\_\_\_\_

## Name of Company?

Is your company part of a larger group? If so, please provide the group name \_\_\_\_\_  
\_\_\_\_\_

Company type of parent group? (underline/circle)

Pension Fund Manager    Fund Manager    Insurance Co.    Investment Bank    Retail Bank    Custodian

Company type of subsidiary? (underline/circle)

Pension Fund Manager    Fund Manager    Insurance Co.    Investment Bank    Retail Bank    Custodian

## SECTION I – ASSETS UNDER MANAGEMENT: DOMICILE &amp; CLIENT TYPE

1    **Managed by the Group globally (ultimate parent company) as at 30th June 2004, £mn** \_\_\_\_\_*Please mark if you do not wish this figure to be disclosed*    2    **Managed within the UK as at 30th June 2004, £mn (note 1)** \_\_\_\_\_If you are unable to provide figures based on assets managed in the UK,  
please provide information based on global assets under management  
and indicate if global has been used*Please mark if you do not wish this figure to be disclosed*    2a    **Of the funds managed in the UK, what is the percentage domiciled in the UK?** \_\_\_\_\_3    **Managed on behalf of UK Clients, £mn:** \_\_\_\_\_3a.    *Of which - please answer as % of value per client type (note 2).*

	Pension funds	Central Banks/ Gov't bodies	Insurance	Private Client	Retail (note 5)	Other	TOTAL, £mn (note 6)
(i) Absolute Return	_____	_____	_____	_____	_____	_____	_____
(ii) Passive (note 3)	_____	_____	_____	_____	_____	_____	_____
(iii) Customised Benchmark	_____	_____	_____	_____	_____	_____	_____
(iv) Peer Group	_____	_____	_____	_____	_____	_____	_____
(v) Specialist (note 4)	_____	_____	_____	_____	_____	_____	_____
TOTAL, £mn	_____	_____	_____	_____	_____	_____	_____

**4 Managed on behalf of Overseas Clients, £mn:** \_\_\_\_\_

**4a. Of which - please answer as % of value per mandate type.**

	Pension funds	Central Banks/ Gov't bodies	Insurance	Private Client	Retail	Other	TOTAL, £mn
(i) Absolute Return	_____	_____	_____	_____	_____	_____	_____
(ii) Passive	_____	_____	_____	_____	_____	_____	_____
(iii) Customised Benchmark	_____	_____	_____	_____	_____	_____	_____
(iv) Peer Group	_____	_____	_____	_____	_____	_____	_____
(v) Specialist	_____	_____	_____	_____	_____	_____	_____
TOTAL, £mn	=====	=====	=====	=====	=====	=====	=====

**Client breakdown used (please mark):**

Assets managed in the UK

*Q.3 plus Q.4 should equal assets managed in the UK, Q.2 or Q.1 if Global AUM are used.*

Assets managed globally

**SECTION II - ASSET ALLOCATION, CLIENT TYPE, CLIENT MANDATES**

**5 Asset Allocation**

*Please provide the value per client type and if available the % split across asset type*

	Pension funds	Central Banks/ Gov't bodies	Insurance	Private Client	Retail	Other	TOTAL, £mn (note 7)
(i) UK Equities	_____	_____	_____	_____	_____	_____	_____
(ii) N. American Equities	_____	_____	_____	_____	_____	_____	_____
(iii) European Equities	_____	_____	_____	_____	_____	_____	_____
(iv) Japanese Equities	_____	_____	_____	_____	_____	_____	_____
(v) Emerging Mkts Equities	_____	_____	_____	_____	_____	_____	_____
(vi) Other Equities	_____	_____	_____	_____	_____	_____	_____
(vii) Gov't Debt (note 8)	_____	_____	_____	_____	_____	_____	_____
(viii) Invest. Grade Bonds	_____	_____	_____	_____	_____	_____	_____
(ix) High Yield Bonds	_____	_____	_____	_____	_____	_____	_____
(x) Cash/Money Market	_____	_____	_____	_____	_____	_____	_____
(xi) Property	_____	_____	_____	_____	_____	_____	_____
(xii) Venture Capital	_____	_____	_____	_____	_____	_____	_____
(xiii) Other	_____	_____	_____	_____	_____	_____	_____
TOTAL, £mn	=====	=====	=====	=====	=====	=====	=====

**Client breakdown used (please mark):**

Assets managed in the UK

*Q.5 totals should sum to either assets managed globally by the group (Q.1), or assets managed within the UK (Q.2).*

Assets managed globally

**SECTION III - PLEASE ASSUME ALL QUESTIONS RELATE TO MANAGEMENT OF ASSETS IN THE UK**

**6 What proportion of funds managed in the UK, do costs represent (see note 9)?** \_\_\_\_\_

*Please answer in basis points*

**7 What proportion of funds managed in the UK, does revenue represent?** \_\_\_\_\_

*Please answer in basis points*

**8 Number of staff employed as/in:**

- (i) Fund Manager \_\_\_\_\_
- (ii) Analysts \_\_\_\_\_
- (iii) Marketing, Client services, Sales \_\_\_\_\_
- (iv) Risk Management, Compliance, Finance \_\_\_\_\_
- (v) Fund accounting, Operations, HR, IT and Support \_\_\_\_\_

**9 What proportion of fund administration do you outsource to third party administrators?**

\_\_\_\_\_

**10 Is your firm GIPs compliant?**

\_\_\_\_\_

**10a Is the process externally verified?**

\_\_\_\_\_

**11 What is the average turnover figure (see note 10)?**

\_\_\_\_\_

**12 What is the proportion of business directed through 'execution only' brokers?**

\_\_\_\_\_

**13 What proportion of total commissions are paid subject to soft commission arrangements?**

\_\_\_\_\_

**14 Please rank in order of importance, the value of goods and services received by the firm under soft commission arrangements:**

- (i) Access to research \_\_\_\_\_
- (ii) Business subscriptions/Publications \_\_\_\_\_
- (iii) Information feeds and hardware \_\_\_\_\_
- (iv) Other (please specify) \_\_\_\_\_

**15 Is transaction cost analysis part of your firm's internal assessment of performance?**

\_\_\_\_\_

**16 What proportion of clients require regular feedback on measures of transaction costs, including for example, market impact costs?**

- (i) Up to 25%
- (ii) between 25% and 50%
- (iii) between 50% and 75%
- (iv) over 75%

**16a Do you expect this proportion to increase over the next year?**

\_\_\_\_\_

**17 What proportions of internally-generated and externally-generated research does your firm use? (note 11)**

\_\_\_\_\_

**18 If the regulatory/legal etc. uncertainties around "commission sharing" were removed, would your firm consider entering into such arrangements? (note 12)**

Yes

No

**Notes**

*Note 1 This covers all assets where the day to day management physically takes place in the UK, regardless of the domicile of the fund. Where funds are jointly managed in several locations, please only include the percentage of the fund that is managed in the UK.*

*Note 2 If you are unable to distinguish UK from overseas clients, please answer Q.3a based on all clients.*

*Note 3 Managed against an index with tracking error of fifty basis points or less*

*Note 4 Specialist mandates include 'preservation of capital' and specific asset classes or geographic exposure.*

*Note 5 Please include all unit trusts, OEICs, investment trusts and any other retail vehicles*

*Note 6 Please provide total per mandate type in Emn's if split by client type is unavailable*

*Note 7 Please provide total per asset type in Emn's if split by client type is unavailable*

*Note 8 Please include Government Index Linked securities*

*Note 9 Costs include: staff, sales and marketing, IT, premises, outsourcing and other operational expenses*

*Note 10 The lesser of purchases or sales, for a year, divided by average total assets during the year*

*Note 11 Answer as, say, 30/70 - i.e. 30% internally-generated research vs 70% externally-generated research.*

*Note 12 Tick appropriate box (yes or no).*



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