

UK: A GLOBAL INVESTMENT HUB

May 2018

THE
INVESTMENT
ASSOCIATION

PROUD TO SUPPORT



**INVEST
IN
GREAT**

BRITAIN & NORTHERN IRELAND



The UK's position as the leading European centre for investment management is indisputable. Over a third of all European assets are managed from the UK, more than in France, Germany and Switzerland combined. Nearly 100,000 people are employed by the industry across the country, contributing to one of Britain's most successful export industries.

Supported by an effective, fair and principled regulatory regime, the UK has developed a world-class financial centre, bringing together talent and capital in unparalleled concentration.

Working with the Investment Association and other important partners across London and the UK, the

Government is committed to strengthening the UK's position as an investment hub and making it one of the most attractive places in the world for the investment management sector.

**Rt Hon Dr Liam Fox MP,
Secretary of State for International Trade**



THE UK IN THE AGE OF ASSET MANAGEMENT

THE UK GOVERNMENT AND POLICYMAKERS RECOGNISE THAT THE UK IS UNIQUELY PLACED TO SERVICE THE GROWING DEMAND FOR ASSET MANAGEMENT ACROSS THE WORLD.

The Chancellor Philip Hammond announced the publication in December 2017 of a new long-term strategy to ensure that the UK asset management industry continues to thrive.

The government-led plan, called 'Investment Management Strategy II', includes actions, to be taken forward in close collaboration with the industry, on skills, harnessing FinTech solutions, mainstreaming innovative investment strategies, and continuing a coordinated programme of international engagement.

The UK Government has a Minister dedicated to the financial services industry. The City Minister, John Glen MP, has proudly described himself as "a Champion for the UK's asset management industry".

The City Minister chairs an Asset Management Taskforce to bring together the government, the industry's regulator and members of the Investment Association to help the UK asset management industry to "stay ahead".

The Taskforce's first objective is to maintain a thriving UK asset management industry that can make the best of global trading opportunities. Mr Glen says he supports the industry, **"not just because I'm the City Minister, but because it's clear to me that the industry's unique strengths at home and abroad make the UK the best place to do business."**



INTRODUCTION

THE UK IS A LEADING GLOBAL FINANCIAL SERVICES CENTRE, AND THE MOST INTERNATIONALLY FOCUSED FINANCIAL MARKETPLACE IN THE WORLD

36%

of total assets managed in Europe are in the UK

6%

asset management as percentage of net UK services exports

£1.4tn

is managed for European clients

£2.6tn

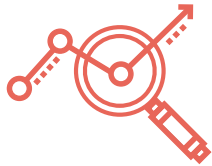
of total assets managed in the UK is on behalf of overseas clients

ASSETS UNDER MANAGEMENT IN THE UK

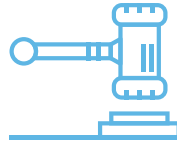


THE UK ASSET MANAGEMENT INDUSTRY IS A GLOBAL CENTRE OF EXCELLENCE

THE UK IS THE SINGLE MOST ATTRACTIVE DESTINATION FOR THE RELOCATION OR EXPANSION OF ASSET MANAGEMENT OPERATIONS. MORE ASSETS ARE MANAGED IN THE UK THAN IN THE NEXT THREE LEADING EUROPEAN COUNTRIES COMBINED. THE UK ASSET MANAGEMENT INDUSTRY IS THE LARGEST IN EUROPE AND SECOND IN THE WORLD ONLY TO THE UNITED STATES.



The UK's mature markets have a strong focus on long-term investment, fostering growth through investor stewardship and engagement with companies and passing the benefits of stable economic growth to investors.



Our regulatory and legal systems are world-renowned for their fairness and transparency.



We are unique in our concentration of skills and talent, and benefits from a central time zone and from one of the most widely used languages in the world.



The UK Government oversees a fair and predictable tax system. We have one of the most competitive tax regimes in the world for both funds and asset managers. Most UK funds pay no tax and their investors can benefit from one of the most extensive tax treaty networks in the world.



Our state-of-the-art support services in front, middle and back office facilitate significant cost efficiencies.

“ Asset management is taking on an ever greater importance. ”

Christopher Woolard,
Executive Director of Strategy
and Competition at the Financial
Conduct Authority

LONDON: THE WORLD'S LEADING CENTRE

THE Z/YEN GLOBAL FINANCIAL CENTRES INDEX IS THE PRINCIPAL INSTRUMENT FOR MEASURING THE ATTRACTIVENESS OF FINANCIAL CENTRES. LONDON IS THE HIGHEST RANKED CITY IN THE WORLD.



- | | | | |
|---|-----------|----|---------------|
| 1 | London | 6 | Shanghai |
| 2 | New York | 7 | Toronto |
| 3 | Hong Kong | 8 | San Fransisco |
| 4 | Singapore | 9 | Sydney |
| 5 | Tokyo | 10 | Boston |



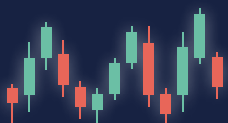
93,500

PEOPLE IN DIRECT AND INDIRECT
EMPLOYMENT IN ASSET
MANAGEMENT IN THE UK



40%

INITIAL PUBLIC
OFFERINGS OF SHARES
FUNDED BY ASSET MANAGERS



60%

CAPITAL MARKET
FINANCING FOR UK BUSINESSES
FUELLED BY ASSET MANAGERS



65%

NEW BOND ISSUANCE
FUNDED BY ASSET
MANAGERS



The UK has a world leading asset management industry. Its success is intrinsic to the UK economy and the government is committed to generating a competitive business environment that enables firms to thrive

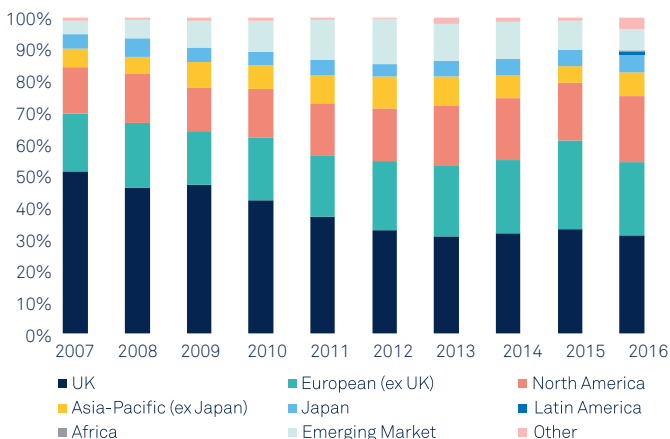
**John Glen MP,
City Minister, HM Treasury**



AN INTERNATIONAL INDUSTRY

UK ASSET MANAGERS INVEST INTO MARKETS ACROSS THE WORLD, PROVIDING A DIVERSE OFFERING AND OPPORTUNITIES FOR GLOBAL EXPOSURE.

UK-MANAGED EQUITIES BY REGION (2007-2016)



Shifting investor attitudes, the growth of financial technology solutions and intensifying global competition will require investment managers who are innovative and adaptable in order to attract future investors. Clients will demand a broader range of products, a more tailored service and much greater use of technology to give them more control over their investments.

Governments in developed countries are seeking to shrink their balance sheets and use private sector solutions to fund investments to fill growing infrastructure gaps. This trend is likely to mean a rising demand for financing from capital markets.

The UK's investment management centre is ideally placed to respond to these trends.

1 in 5

WORKERS IN THE UK ASSET MANAGEMENT INDUSTRY ARE INTERNATIONAL



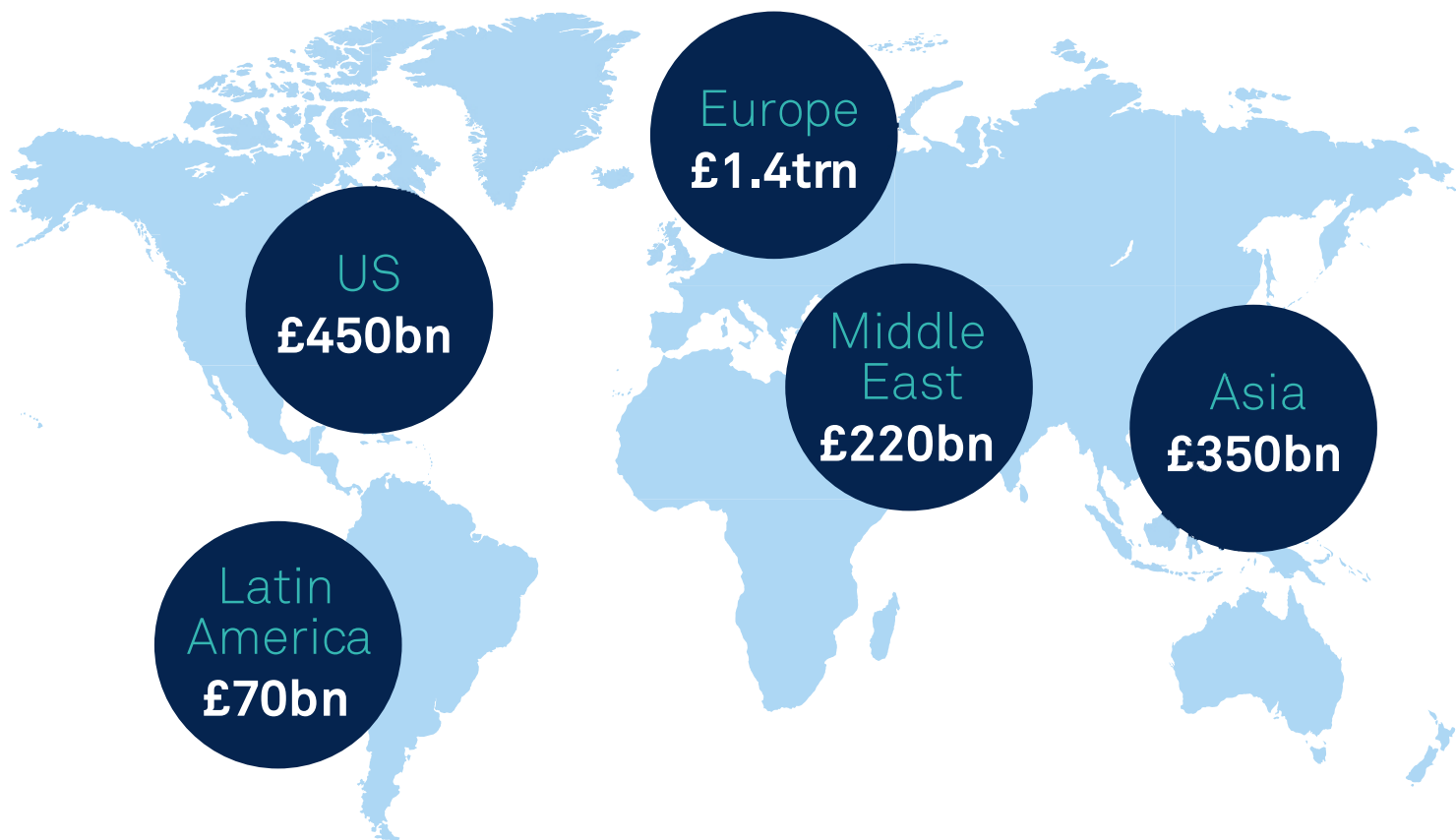
1 in 10

WORKERS IN THE UK ASSET MANAGEMENT INDUSTRY ARE EUROPEAN NATIONALS

Source: Analysis of IA data.

ASSETS MANAGED FOR OVERSEAS CLIENTS

OF THE £6.9 TRILLION MANAGED BY IA MEMBERS, ALMOST HALF IS MANAGED FOR OVERSEAS INVESTORS, HALF OF WHICH IS FOR CLIENTS FROM EUROPE. THIS IS BROKEN DOWN BELOW.



INNOVATION IN A CHANGING WORLD

Next-door to the historic City of London, in an area once outside London's ancient walls, another world-class hub is developing. The district of Shoreditch and the surrounding Silicon Roundabout has developed as the home to some of the world's most innovative technology start-ups. It is now attracting the world's tech giants.

But this success story extends beyond the capital. Locations such as Bristol, Bath, Manchester and Reading also account for significant proportions of FinTech employment.

The proximity of technology and financial services hubs provides the perfect environment for the creation of innovative FinTech hubs. This is the case in Scotland's major cities such as Aberdeen, Glasgow and Edinburgh, where hubs of technological and financial services expertise sit side-by-side.

Active support from government and regulators has enabled the UK to foster a favourable environment for innovation and establish a world-class FinTech ecosystem. The UK's attractiveness for FinTech investors has been supported by a range of policy measures such as the FCA's Project Innovate and regulatory sandbox initiatives.

According to a report by EY, there were more people working in UK FinTech than in New York FinTech, or in the combined FinTech workforces of Singapore, Hong Kong and Australia.

The Investment Association will soon be launching a specialist FinTech Accelerator for the asset management industry. The new IA Accelerator – named VeloCity – will be part of the UK asset management industry's work to boost innovation and speed up the adoption of new emergent technology across the sector.



A SCOTTISH CENTRE OF EXCELLENCE

SCOTLAND IS THE UK'S SECOND LEADING EUROPEAN FINANCIAL CENTRE.

Financial services in Scotland enjoy a centuries-old heritage which developed alongside London's financial centre. Some of the UK's and the world's largest investment management businesses were established and are still headquartered in Scotland.

Edinburgh in particular plays a key role in UK investment management. Almost a quarter (24%) of the assets managed by UK-headquartered investment managers are represented by managers with headquarters in Scotland.

Assets managed in Scotland represented a tenth (9%) of total assets managed by Investment Association members, accounting for £620 billion of total assets. In addition, 6 of the world's 10 largest asset servicing companies have operations in Scotland.

Scotland offers a unique local talent pool which benefits from a cluster of world-class professionals in banking, finance, legal, accountancy and other professional services working in close proximity to some of the UK's most respected universities.

Scotland is also establishing itself as a world leader in technological innovation and the twin strengths of financial services and technology mean it is quickly establishing a reputation as a FinTech Hub.

While Scotland has its own government with its own bodies, such as Scottish Enterprise to promote skills and trade, it operates in the same regulatory environment as the rest of the UK. Many UK and international investment managers locate in both Scotland and London.

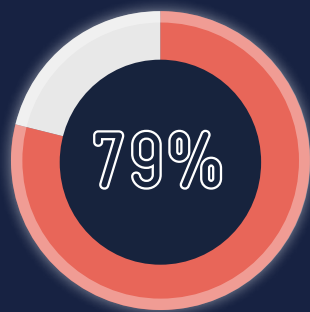


Scotland is a major centre for asset management in the UK, combining a long-established financial services sector, a highly skilled workforce and outstanding locations and quality of life.

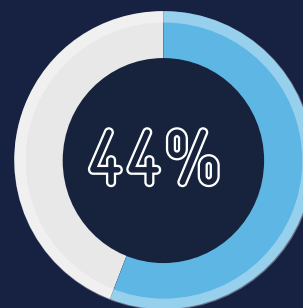


Keith Brown MSP, Cabinet Secretary for the Economy, Jobs and Fair Work

INSTITUTIONAL INVESTMENT EXPERTISE

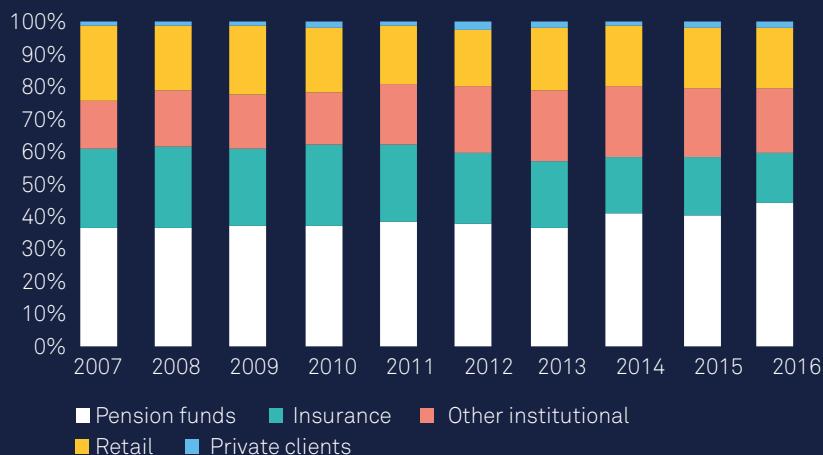


of assets managed in the UK are managed on behalf of institutional clients

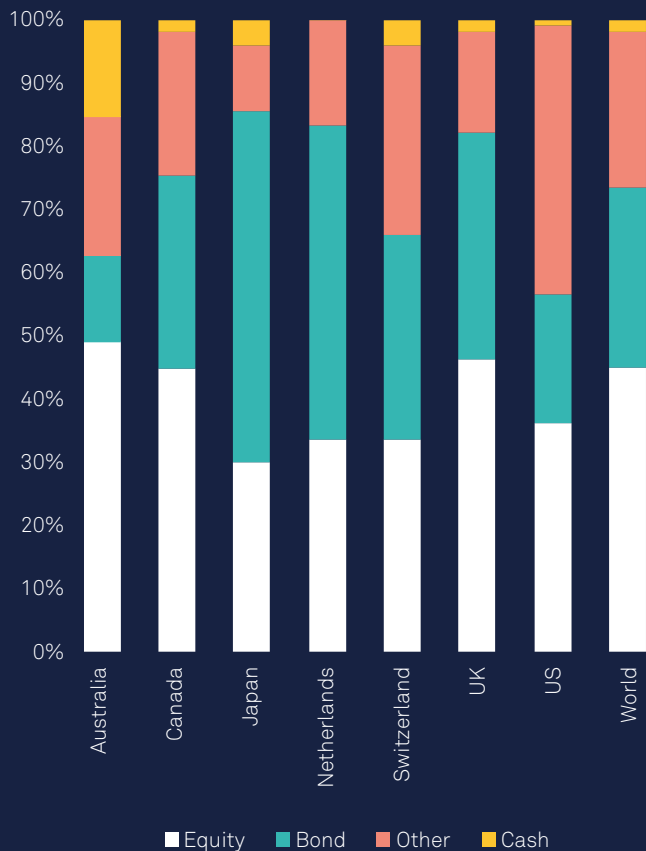


of total assets under management in the UK is on behalf of pension funds. This is the largest client type in the UK

ASSETS MANAGED IN THE UK BY CLIENT TYPE 2007 - 2016



ASSETS ALLOCATION 2017



LONDON IS THE LEADING CENTRE FOR MANAGEMENT OF SOVEREIGN WEALTH FUND ASSETS IN EUROPE AND NORTH AMERICA

16%

The UK and US each accounted for 16% of total sovereign wealth fund investment over the period from 2007 to 2014

9

of the largest twenty sovereign wealth funds have offices in London, compared to seven in New York

5x

The UK attracts more than five times more sovereign wealth fund investment than the US when compared to the size of its economy

HELPING YOU TO SET UP IN THE UK

Department for International Trade

The Department for International Trade's (DIT) One Stop Shop is a bespoke service designed to give investors a soft landing in the United Kingdom.

A free, impartial and transparent service, the One Stop Shop enables investors to access DIT's wide network of stakeholders across the UK. This network brings together the public and private sector contacts needed to make a success of investment in the UK.

The One Stop Shop aims to connect investors to companies which can solve some of the biggest problems facing investors, including the visa process, FCA approvals, establishing bank accounts and recruiting staff.

Any company interested in establishing operations in the UK is encouraged by the UK Government to contact DIT representatives in their local market. The Investment Association can also make direct referrals to DIT's One Stop Shop.

For further information please contact –
Giles Strachan, Senior Client Relationship Manager
The Department for International Trade
Tel: +44 7342 088 185
Email: giles.strachan@trade.gsi.gov.uk
invest.great.gov.uk

Scottish Development International (SDI)

SDI works with both domestic and overseas companies and organisations, to achieve mutually beneficial investment in Scotland. We aim to grow the Scottish economy by encouraging inward investment in Scotland, and by helping Scottish-based companies to expand internationally.

We understand that each business is different, with its own set of goals and aspirations. If you plan to either establish or expand operations in Scotland, we will work diligently alongside you to find the best location for your business while highlighting and minimising risks.

Our comprehensive support includes:

- providing detailed information on Scotland's financial services sector
- planning a fact-finding visit to Scotland
- financial support
- recruitment assistance
- helping you find the right property
- building your profile, and showcasing your business
- an ongoing support service

For further information please contact –
Fraser Clark, Scottish Development International
Tel: +44 131 313 6048
Email: fraser.clark@scotent.co.uk
www.sdi.co.uk



Financial Conduct Authority

The Financial Conduct Authority (FCA) runs an asset management authorisation hub to support new firms by assisting when they apply for authorisation, throughout the authorisation process and afterwards.

The authorisation hub will not lower entry standards to the market and entrants will need to meet the same rigorous standards as current firms before they receive authorisation.

The hub offers new firms pre-application meetings, dedicated case officers and access to a website portal. This will make it easier for firms to understand how the UK regulator works, make a complete submission, and transition to regulatory supervision.

The user friendly system is based on four principal objectives:

- To clarify expectations - and support firms with better guidance on regulations and processes.
- To make information easier to access via a dedicated portal for investment managers on the FCA's website.
- To foster better engagement between the FCA and new entrants.
- To provide end-to-end support for firms moving through the start-up cycle.

For further information please visit –
www.fca.org.uk/firms/asset-managers-authorisation

The Investment Association

The Investment Association is the industry body that represents investment managers in the UK.

We promote UK investment management, actively engaging with policymakers and other stakeholders in the UK and around the world to shape the investment landscape and ensure that our members are able to deliver the best outcome for savers and investors.

The Investment Association is the leading forum in the UK for the investment management industry to network and share knowledge.

If you are interested in joining The Investment Association please email
membership@theia.org

WIDE RANGING MEMBERSHIP

- LARGE FIRMS WITH £50BN+ AUM
- SMALL AND MEDIUM-SIZED FIRMS
- TRADITIONAL FUND MANAGERS
- SPECIALIST BOUTIQUE / PRIVATE CLIENT MANAGERS
- OCCUPATIONAL PENSION SCHEME MANAGERS

The Investment Association (IA)

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THE
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