



INVESTMENT MANAGEMENT IN SCOTLAND

Investment management has a central role in the Scottish economy. Investment managers channel peoples' savings, often into pensions and ISAs, into businesses and infrastructure projects which are looking for capital to grow. In doing so they aim to provide returns to savers, which often helps to make sure that they are financially secure in later life.

The services that investment managers provide include significant expertise in risk management and giving access to a range of assets that would normally be out of reach for individual investors.

The ultimate goal is to provide clients with a basket of shares, bonds and other assets such as property and infrastructure, which can deliver returns over many years without exposing them to undue risk.

The industry's role goes beyond the actual investment in different assets. Investment managers help to ensure that capital markets work effectively for this investment to take place. In doing so, investment managers' activity contribute to efficient markets which price information correctly and allow buyers and sellers to transact.

A SCOTTISH CENTRE OF EXCELLENCE

Financial services in Scotland enjoy a centuries-old heritage.

Some of 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, and is the largest UK centre of investment management outside London.

The industry operates on a very large scale. £690 billion of assets are managed in Scotland, up £100 billion in the last year. Of UK-headquartered investment managers, over one fifth of assets are managed by firms with headquarters in Scotland.

Around 13,000 people work in investment management in Scotland, with high-quality jobs are spread across the nation.

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The Investment Association (IA) supports UK investment management, serving savers, investors and businesses in the UK and around the world. Our 270 members manage £9.4 trillion in the UK, providing the UK with an important economic contribution in the form of export earnings, tax paid, and jobs created.

FINANCING NET ZERO

Investment managers' long-term view means that they automatically focus on threats like climate change which have the potential to undermine our economy.

Climate change is one of the single biggest systemic risks facing society and the planet today. If this is not addressed it will fundamentally undermine the basis on which our economy, businesses and jobs are founded. For the sake of the ordinary savers and pension funds we serve, our industry is working alongside business and Government to protect the value of long-term investments made on behalf of savers.

For investment managers this isn't just a story about managing risk. As long-term investors, there is significant economic opportunity to be found in the new industries and technologies that are emerging to tackle climate change and to adapt to its impacts.

STEWARDSHIP

As long-term holders of investments, UK investment managers hold equities over many years. The industry therefore has an important responsibility to undertake stewardship activity over the companies they invest in to protect the value for their clients. Increasingly, this stewardship activity is focusing on wider issues, notably environmental sustainability in the context of accelerating climate change.

UK retail savers put almost £1 billion a month on average into responsible investment funds during 2020, showing how important investing with environmental, social and governance (ESG) considerations in mind has become.

Nearly half (49%) of all industry assets are now managed according to 'ESG integration' criteria, which involves the systematic and explicit inclusion of ESG factors into investment analysis and investment decisions. This figure has risen from 37% in just a year.

INFRASTRUCTURE

One of the important ways that investment managers support the economy is through funding infrastructure projects. In 2020, UK investment managers held an estimated £40 billion in infrastructure projects, a figure which is up £5 billion in the last two 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 and social housing.

Every city, town and village in Scotland benefits from investment in projects such as waste and water services, broadband upgrades, and transport networks.

