THE INVESTMENT ASSOCIATION

A POCKET GUIDE TO INVESTMENT MANAGEMENT

Investment management in the UK, 2021-22

September 2022

ABOUT THE IA

The Investment Association (IA) is the trade body that represents UK investment managers and our members collectively manage £10 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 by funding businesses and infrastructure programmes**

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 world's leading centre for international investment management, larger than the next three European centres by size. IA members hold one third (33%) of the value of UK publicly listed companies. We use this collective voice to influence company behaviour and hold businesses to account.

The IA provides outreach and career opportunities to those looking for entry level jobs through an industry led scheme called Investment20/20. Investment20/20 provides training and routes into investment management for people from all backgrounds who may not have previously considered a career in financial services.

The IA also has a FinTech accelerator, Engine, which is boosting the investment management industry's adoption of new technologies and helping investment managers to identify new investment opportunities, work more efficiently and cut costs, ultimately benefiting our customers.

More information can be found at **www.theia.org**

FOREWORD

OUR LATEST INVESTMENT MANAGEMENT SURVEY SHOWS THE UK INVESTMENT INDUSTRY MAINTAINING RESILIENCE AND GROWTH AS IT EMERGED FROM THE PANDEMIC. ASSETS UNDER MANAGEMENT (AUM) BY IA MEMBERS ON BEHALF OF UK AND INTERNATIONAL CLIENTS CLIMBED TO A RECORD £10 TRILLION BY 2021'S YEAR-END. IT IS PARTICULARLY ENCOURAGING TO SEE THE UK INDUSTRY RETAIN ITS POSITION AS THE LEADING INTERNATIONAL CENTRE FOR INVESTMENT MANAGEMENT. IN 2021, WE CONTINUED TO INCREASE THE PROPORTION OF ASSETS MANAGED ON BEHALF OF CLIENTS FROM ACROSS THE WORLD, WHICH GREW TO NEARLY HALF OF TOTAL AUM. THE INDUSTRY NOW EMPLOYS 122,000 PEOPLE IN TOWNS AND CITIES ACROSS THE UNITED KINGDOM AND OUR COMMITMENT TO FURTHERING DIVERSITY AND INCLUSION IS PUTTING IN PLACE THE FOUNDATIONS TO ATTRACT THE NEXT GENERATION OF INVESTMENT MANAGERS.

In 2021, the growth of sustainable and responsible (S&RI) investing was a standout trend in our data with ESG integration now applied to nearly half of AUM. In the retail market funds under management in S&RI strategies grew by 62%, far outpacing the 11% growth of UK investor FUM overall. Another interesting finding was the extent to which a new generation of 'lockdown savers' started to invest through 2020-2021. Inflows to funds from UK retail investors in 2021 were £43.5 billion, the second highest on record. After very little movement for a decade, we have seen the proportion of assets managed on behalf of retail clients increase to 22% of total AUM.

IN THE RETAIL MARKET FUNDS UNDER MANAGEMENT IN S&RI STRATEGIES GREW BY

62%

THE UK IS ACKNOWLEDGED BY INDUSTRY LEADERS AS A GLOBAL CENTRE OF SUSTAINABLE AND RESPONSIBLE INVESTMENT EXPERTISE AND THIS STANDS US IN GOOD STEAD AS WE SEEK TO MANAGE A GROWING SHARE OF SUSTAINABLE INVESTMENT STRATEGIES.

Whilst 2021 was a positive year, we now face a very different operating environment. In February 2022, Russia invaded Ukraine. This tragic event continues to have profound consequences for the Ukrainian people and our firms were caught in the eye of the storm as we raced to implement the sanctions on Russian companies and to carry out an orderly programme of divestment. The ramifications of the war for the global economy have been far reaching, setting in motion a chain of events that resulted in European energy supply shocks, cementing persistent and rising inflation. We are now at the end of the era of rock bottom interest rates and the monetary policy orthodoxy of the last ten years. Looking back to the 1970s does not provide a playbook for central bankers and politicians and even the most experienced chief investment officers must navigate new market dynamics.

Investors are now experiencing a series of unfolding challenges. Portfolio managers face a test of their mettle not seen in a generation. Rising interest rates bring the spectre of recession and weaken the outlook for asset growth. It will become harder to maintain the 10% compound annual growth rate of AUM over the last 10 years. In this environment, investors will seek access to returns that are uncorrelated. This lends urgency to opening up access to alternative assets and private markets. Innovative new fund structures such as the Long-

term Asset Fund (LTAF) will increase investor choice and could prove to be the catalyst for democratising access to private assets for ordinary pension savers, enabling access to the illiquidity premium enjoyed by institutional investors.

Investors face strengthening headwinds into 2023 and their ability to put money aside each month will be constrained as the cost-of-living crisis bites. We have yet to see the full impact of the crisis on pension opt out rates but early surveys indicate that they are rising. In the retail funds market, outflows for the first half of 2022 are £12 billion, which indicates the scale of the challenge investors are facing. As we look ahead to next year's priorities, alongside delivering on our competitiveness and innovation agenda, we mustn't lose focus on the investor as we strengthen our commitment to supporting their financial inclusion and resilience.

As we gather ourselves to continue to weather the economic storm, our new government is racing to cement its growth and productivity agenda. For its part, the industry is considering how it can strengthen its support for that agenda, drawing on existing initiatives such as the LTAF while re-examining how stewardship and the capital markets more broadly can adapt to support UK competitiveness. Clearly, the future regulatory framework will help to determine how the UK system operates and the government, alongside our regulator, must continue to re-evaluate this framework looking not only through the lens of investor protection but also of competition and innovation. By delivering the Financial Services and Markets Bill and looking again at other tax and regulatory costs, the Government can help to support the UK's future as a competitive centre for portfolio management and one with ambitions to grow its share of fund administration.

In many ways, the disruption in geo-politics and the shift in the market cycle serves to re-enforce the areas of strategic importance that we have identified as an industry. Our commitment to investing responsibly and sustainably and to maintaining the UK's attractiveness as a global investment management centre remain. But it does require some careful re-calibration: in the sphere of sustainable investing, our attitudes to defence have evolved following the Russia/Ukraine war and our notions of a socially responsible company are becoming more important. More broadly, some of the old links of globalisation are breaking, causing new diplomatic and trading relationships to be forged. Amidst this, we shouldn't lose sight of our strength as a global centre and we must continue to make it easier for the best and the brightest in global investment talent to come to work here.

Indeed, the UK is acknowledged by industry leaders as a global centre of sustainable and responsible investment expertise and this stands us in good stead as we seek to manage a growing share of sustainable investment strategies. Our focus has also turned to the developing regulatory regime in the UK including the forthcoming Sustainability Disclosure Regulation and reporting initiatives such as TCFD. As S&RI regulation is rolled out at pace, we must call the attention of regulators to interoperability between the US, UK and the EU in this increasingly complex area. This is critical in promoting consistent global standards and meeting net zero commitments across jurisdictions.

I hope that you find the Survey interesting and informative and I welcome any thoughts on aspects of the industry that you would like us to explore in future editions.

Chris Cummings
CEO


INVESTMENT MANAGERS OWN
ONE THIRD
OF UK PLC
122,000
JOBS ACROSS THE UK INDUSTRY
MORE THAN
£700 BILLION
WORTH OF ASSETS MANAGED FROM SCOTLAND
£1.6 TRILLION
INVESTED IN THE UK ECONOMY
£4.6 TRILLION
MANAGED FOR OVERSEAS INVESTORS
OVER
£40 BILLION
INVESTED IN UK INFRASTRUCTURE
£10TRN
MANAGED BY IA MEMBERS IN THE UK
WORLD LEADING
INTERNATIONAL INVESTMENT HUB
62%
INCREASE IN RESPONSIBLE INVESTMENT FUNDS UNDER MANAGEMENT IN 2021

PART ONE:
LOOKING AFTER OTHER PEOPLE'S MONEY

The investment management industry has a central role in the economy channelling savings into investments. This gives it two key roles.

First, investment managers aim to grow investments for their clients, whether these are individual savers or institutions such as pension schemes. They do this by deploying 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 infrastructure, which can deliver returns over many years without exposing them to undue risk. Diversification is especially important at times of economic uncertainty and high inflation.

The second part of the industry's role reflects the actual investment: channelling funding into businesses, infrastructure programmes and other projects which use it to grow the economy. In doing so, investment manager activity contributes to efficient markets which price information correctly and allow buyers and sellers to transact. This facilitates both primary issuance when companies or governments are trying to raise money, and secondary trading of different instruments.

Segregated mandate

Some clients (usually large institutional clients) instruct investment managers to invest their money using bespoke investment strategies. Over half (53%) of the money managed by investment managers are under segregated mandates which can also provide pension fund trustees with more control over any associated shareholder votes.

Pooled investments

Some clients pool their money with other clients in funds which spread risk and create economies of scale. Just under half (47%) of the money managed by investment managers is pooled.

Institutional investors

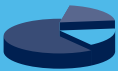
Organisations that invest money on behalf of others or for a long-term purpose, including pension funds, local government, charities and insurers. Nearly four out of every five pounds (77%) is managed for institutional investors.

Active strategies

'Active' management means that the investment manager is tracking the performance of their clients' investment portfolio and actively making regular adjustments to the assets within it in order to get better investment returns.

Index strategies

'Index' management is where the investment manager holds the equities or bonds that make up a particular index, like the FTSE100, in the same proportions. The returns will be similar to the overall performance of the chosen index.



Equities

Equity, often referred to as stocks and shares, is the ownership stake a shareholder holds in a company. If a company wants to raise capital, it can issue equity by listing the shares on markets such as the London Stock Exchange.

Fixed income

Fixed income refers typically to bonds, which are investments that pays interest. Governments and companies issue bonds when they need to borrow money from investors. The money is returned to the investor after a specified period of time.

Without efficient markets, market economies cannot grow effectively or may even destabilise. Investment managers thus contribute to sustainable growth in the economy, benefiting both clients and wider society.

As long-term holders of investments, UK investment managers hold UK equities for a number of 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 and the wider economy.

Investment managers exist to deliver good financial outcomes for people looking to invest their money, either directly with retail clients or through institutions such as pension schemes which manage money on behalf of pension savers. In total, IA members managed £10 trillion of client money in the UK at the end of 2021, up 6% on the previous year.

The majority of this money is managed for people who are looking to save for their families and secure their financial futures. At least 40% of all assets under management belong to workplace pension savers, and another 22% is managed for individual retail savers, most often through ISAs or personal pensions.

This money is managed using active or index strategies, or a combination of the two. Active management remains the most common approach with 68% of assets being managed by IA members on an active basis.

AT LEAST

40%

OF ALL ASSETS UNDER MANAGEMENT BELONG TO WORKPLACE PENSION SAVERS

Over the last decade we have also seen a growth in the use of index strategies with indexing accounting for nearly a third of total assets under management compared to one fifth (22%) a decade ago. However, this trend has levelled off since the pandemic struck. This suggests that investors are persuaded that active managers are well placed to navigate the current elevated levels of economic uncertainty. The majority of responsible and sustainable investment strategies are active and their strong performance in 2021 may also be having an impact.

Stocks and shares, which we refer to as equities, are the most common asset for the majority of investors with more than two fifths (42%) of investments made in equity markets. Bonds, which we describe as fixed income, are the next most popular asset class for investment with nearly one third (30%) invested in this asset.

PART TWO:
SUPPORTING THE ECONOMY

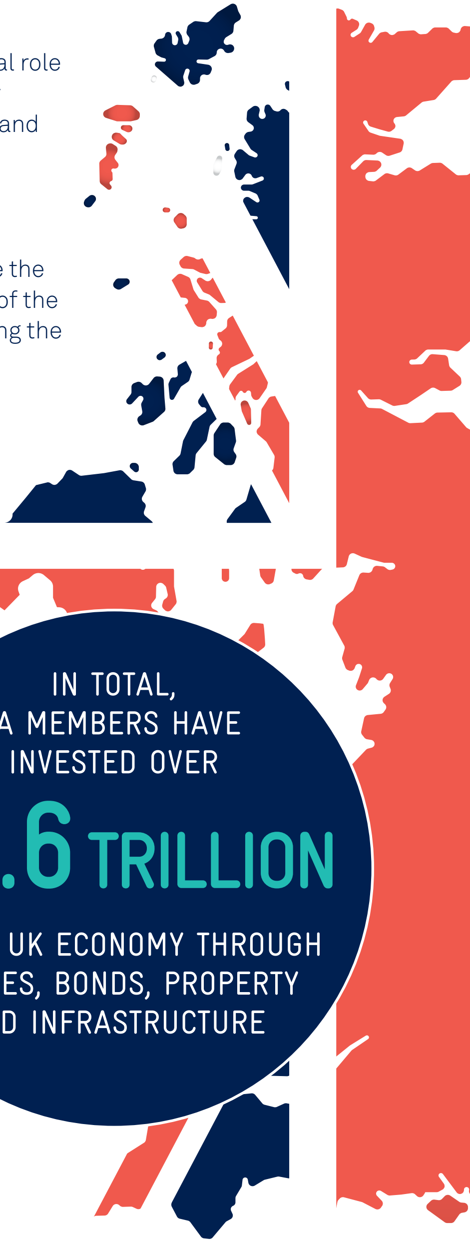
The investment management industry plays a pivotal role at the heart of the UK economy, looking after money belonging to savers in the UK and around the world and investing it in businesses and infrastructure.

In total, IA members have invested over £1.6 trillion in the UK economy through shares, bonds, property and infrastructure. This figure has held steady since the onset of the pandemic, underlining the importance of the investment management industry's role in supporting the UK economy through uncertain times.

Investment managers provide patient capital and take a long-term view because they are managing money for people who may not need to see the fruit of the returns on their investments for many years, or even decades, from now.

The most significant part of this investment in the UK economy comes through equities (£950 billion in 2021), providing the vital finance that businesses need. In total, the shares held by British investment managers make up 33% of the value of UK PLC. £440 billion was also invested in company debt (sterling corporate bonds) at the end of the last year.

This long-term support was particularly important to British businesses during the pandemic, when companies across the economy have needed fresh capital to weather the storm and



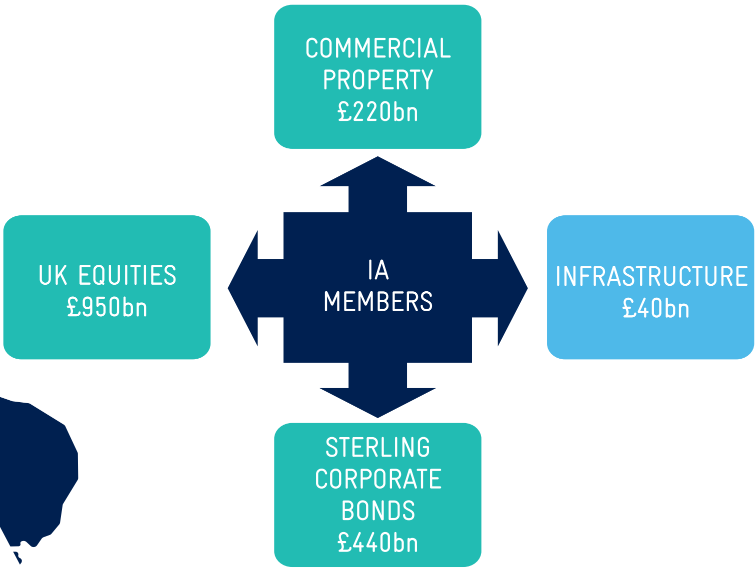
IN TOTAL,
IA MEMBERS HAVE
INVESTED OVER
£1.6 TRILLION
IN THE UK ECONOMY THROUGH
SHARES, BONDS, PROPERTY
AND INFRASTRUCTURE

THE SHARES HELD BY BRITISH INVESTMENT MANAGERS MAKE UP 33% OF THE VALUE OF UK PLC

to reshape their activity for the new world. Businesses have continued to need high levels of investment as they grapple with spiralling inflation in 2022. The investment management industry continues to work with companies to ensure they have sound business models which will produce long-term returns.

Investment management activity has historically focused on more traditional asset classes such as shares in listed companies and bonds but there is an increasing use of 'private markets'. Private markets are investments made in assets not otherwise traded on a public exchange or stock market. These encompass a range of investable opportunities such as directly lending to companies, and investing in infrastructure and natural resources.

IA MEMBER HOLDINGS IN UK ASSET CLASSES



GROWTH IN PRIVATE MARKETS HAS BEEN A HIGHLY SIGNIFICANT FEATURE OF INTERNATIONAL CAPITAL MARKETS, WITH ASSETS MORE THAN DOUBLING GLOBALLY IN THE FIVE YEARS SINCE 2016 FROM $4.5 TO

$10.3 TRILLION

Growth of private markets and listings reform

Over the past decade, growth in private markets has been a highly significant feature of international capital markets, with assets more than doubling globally in the five years since 2016 from $4.5 to $10.3 trillion.

Demand for private market investments is being driven by investors searching for opportunities to further diversify investment portfolios and seeking to achieve solid, long-term returns. Private markets have long presented an attractive source of investment opportunity for pension schemes and other institutional customers interested in diversified sources of return and income. However, private markets assets can also be less liquid than their public market counterparts, which has restricted access for a broader group of investors.

Private markets have also been pushed to the fore because the decreasing number of companies being publicly listed is leading investors to search for other opportunities.

A strong pipeline of listed companies is vital to the UK: it means that companies have a mechanism to find the funds they need to grow; spreads wealth by giving people around the country the opportunity to invest in successful businesses; and cements the UK's place as a leading financial centre.

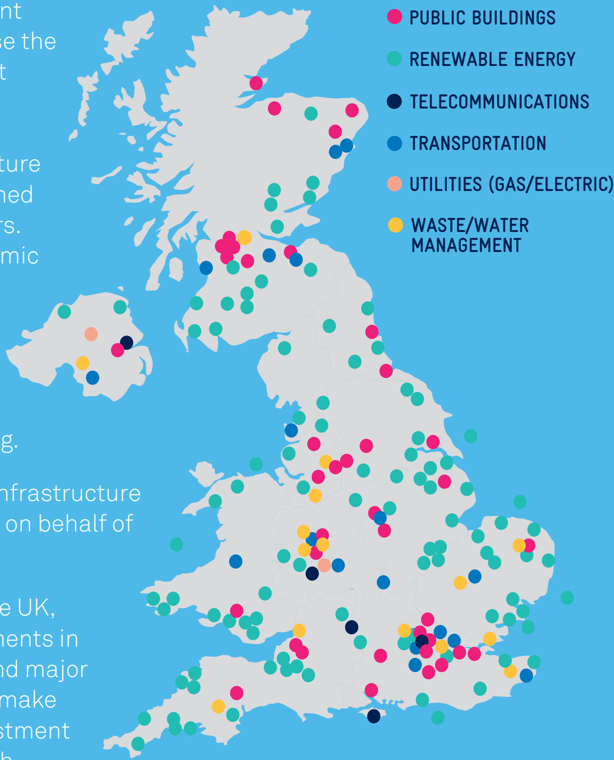
As the needs of companies looking to list changes, we need to consider whether the UK's listings regime should adapt. The IA supports the government's ongoing work in this area to attract a diverse range of high-quality, innovative companies from high growth sectors to list and operate in the UK. In particular, it will be important to ensure the UK is the leading global hub for sustainable investment. The impact of companies on the world around them can translate into risks which influence their future viability and need to be considered. Investors should look to the UK capital markets for companies that place equal weight on their material influence on people and the planet alongside financial performance to deliver outstanding long-term returns for savers and investors.

Investing in infrastructure

One of the ways in which investment managers can help us to modernise the UK economy is through investment in infrastructure projects. In 2021, UK investment managers held an estimated £40 billion in infrastructure projects, a figure which has remained broadly stable for the last few years. 70% of this investment is in economic infrastructure such as energy, transport and environmental projects. The remaining 30% is invested in projects which provide a social benefit, such as schools, hospitals or social housing.

The map here shows the types of infrastructure projects facilitated by IA members on behalf of their clients, spanning the UK.

These investments span across the UK, though notable clusters of investments in public buildings can be seen around major cities. Renewable energy projects make up a significant proportion of investment in UK infrastructure projects, which mainly consist of offshore and onshore windfarms.



Increasingly, members are also investing in nationwide initiatives including waste and water management services, national grids for the provision of fibre broadband and international transportation networks. Because they are nationwide, these projects do not appear on the map.

PART THREE:
NAVIGATING ECONOMIC UNCERTAINTY

A combination of Brexit, Covid-19 and the invasion of Ukraine have demonstrated the limits of the assumptions around enduring and deepening globalisation, while also contributing to supply-side interruptions that have fuelled a growing concern about the potential impact of inflation upon capital markets and investors. For the investment management industry, this creates a number of uncertainties for both the near and longer term about economic conditions as well as the assumptions underpinning an industry whose investment activity is profoundly global. The headwinds can be summarised in four main themes:

- **Likely consequences of rising interest rates**
- **Possibility of permanently higher inflation**
- **Potential for significant de-globalisation**
- **Overall implications for market returns and economic growth**

Structural shifts in the global economic, political and security environment may have created inflationary pressures that are enduring rather than transitory. This in turn will lead to a higher interest rate environment that has not been seen in a generation.

MAKING INVESTMENT DECISIONS OVER THE NEXT FEW YEARS, BASED ON ECONOMIC DATA FROM THE LAST 20 TO 30 YEARS, IS NOT NECESSARILY GOING TO BE AN ACCURATE GUIDE TO THE FUTURE

This creates significant challenges both in predicting the direction of markets and delivering the kind of returns that many investors have become used to over the past 30 years. Rising inflation and interest rates suggest we are heading into a lower return environment, and that poses challenges for the industry and savers. There are a lot of people who have never seen an environment like this within their adult life.

Making investment decisions over the next few years, based on economic data from the last 20 to 30 years, is not necessarily going to be an accurate guide to the future. Society will likely have to adjust to asset prices not enjoying the strong performance that they have returned for the last 20 years due to a low interest rate environment. This will mean an increased focus on investment strategies that can have some element of inflation proofing, including real assets and adaptations to multi-asset strategies.

PART FOUR:
FINANCING THE CLIMATE TRANSITION

Investment managers' long-term view means that they focus on threats like climate change which have the potential to undermine our economy and put at risk the value of investments.

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.

But 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.

The investment management industry is playing a vital role in financing the transition to a cleaner and more sustainable economy. To do this, investment managers are helping the companies they invest in to become more transparent about their impact on the environment and supporting businesses and government to create investable schemes that support low carbon growth.

2021 saw the continued increase in savers wanting to invest in a sustainable and responsible way, perhaps because of the increasing urgency of the climate debate, assisted by the UK hosting COP26, and because the pandemic has focused attention on the wider impacts of business decisions.

Definitions used by the Investment Association, as articulated in the IA Responsible Investment Framework

ESG Integration

The systematic and explicit inclusion of material ESG (Environmental, Social and Governance) factors into investment analysis and investment decisions. ESG Integration alone does not prohibit any investments. Such strategies could invest in any business, sector or geography as long as the ESG risks of such investments are identified and taken into account.

Exclusions

Exclusions prohibit certain investments from a firm, fund or portfolio. Exclusions may be applied on a variety of issues, including to align with client expectations. They may be applied at the level of sector, business activity, products or revenue stream, a company or jurisdictions/countries. Exclusions determine that a fund or mandate does NOT invest in certain things. It does not constitute an approach that is characterised by proactively allocating capital to specific assets. It may involve excluding investments from a certain sector or investments that derive a portion of their income from the sale of certain specified products.

Sustainability Focused

Investment approaches that select and include investments on the basis that they fulfil certain sustainability criteria and/or deliver on specific and measurable sustainability outcome(s). Investments are chosen on the basis of their economic activities (what they produce/what services they deliver) and on their business conduct (how they deliver their products and services).

Impact Investing

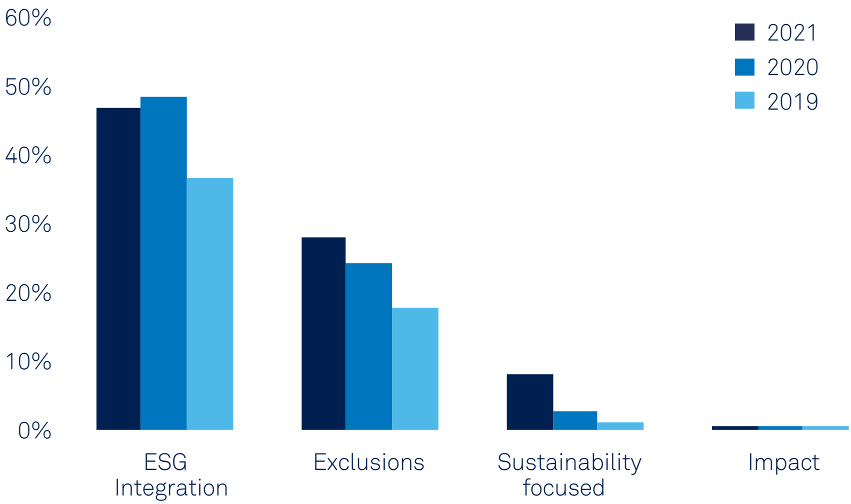
Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. There are four key elements:

1. Intentionality: Impact investments intentionally contribute to social and environmental solutions. This differentiates them from other strategies such as ESG investing, responsible investing, and screening strategies.
2. Financial Returns: Impact investments seek a financial return on capital that can range from below market rate to risk-adjusted market rate. This distinguishes them from philanthropy.
3. Range of Asset Classes: Impact investments can be made across asset classes.
4. Impact Measurement: A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance of underlying investments.

Stewardship

The responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

PROPORTION OF ASSETS UNDER MANAGEMENT BY RESPONSIBLE INVESTMENT CATEGORY (2019-2021)



Assets managed within sustainability focused strategies have risen quite substantially from 2.6% in 2020 to 8.2% in 2021. Assets subject to firm level or product level exclusions have seen a one percentage point rise to 26% in 2021. Impact investing remains a niche area of investment with a very small number of firms involved in these types of investments.

Looking at funds specifically, assets in funds with Responsible Investment (RI) characteristics rose by 62% over the year to £89 billion at the end of 2021, showing how important investing with environmental, social and governance considerations in mind has become.

The industry has its own role to play in this of course. In 2021 the IA was announced as the first supporting partner to the Net Zero Asset Managers initiative (NZAM), an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 at the very latest. Investment managers with £7 trillion of assets under management in the UK have now made these net zero commitments, representing nearly three-quarters of the AUM in the UK.

Tech innovation

Investment managers are constantly innovating to provide customers with the very best products and services, and to develop new technology which improves communication, helps to find new investment opportunities, or makes businesses more efficient. The pandemic has accelerated the conversation about the transformative role that technology will play over the longer term.

The UK needs to be recognised as an innovative market for investment management, which contributes to the high standards offered to consumers, and our international competitiveness. Innovation supports the evolution of the UK's international reputation as a world leading financial centre. In an age of investment management, where the sector is ever more important to its customers and the wider economy, the industry is about to undergo an exciting next stage of development.

Innovation is partly about the practical application of technological advances, and there is clear scope in areas such as the handling of data to drive further digitalisation. We are likely to soon see much greater participation and engagement by consumers in their investments as digitalisation unlocks

Tokenisation of assets and funds

Tokenisation of assets is the process of converting an underlying asset, be it tangible or intangible, into a digital 'token' to act as its proxy. The ownership rights of the asset are digitised. It is possible to tokenise a wide range of assets, from traditional financial assets like cash, equities and bonds to real assets like property, commodities and works of art. It is also possible to tokenise shares or units in investment funds.

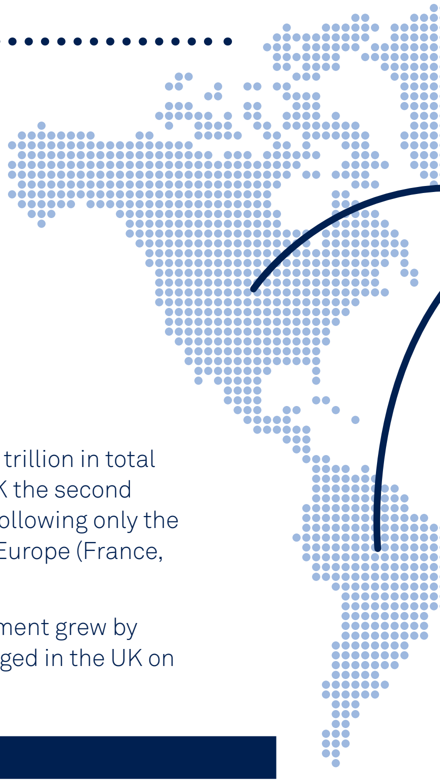
A tokenised fund, which may also be known as a digital fund, a BTF (blockchain-traded fund) or an on-chain fund, is one where shares or units in the fund are digitally represented and can be traded and recorded on a distributed ledger. It uses code to mimic the functionalities of a traditional fund and replaces shares or units with tokens.

opportunities for customisation. Tokenisation of capital markets will facilitate greater access to certain asset types, for example by enabling the ownership of property or infrastructure to be split into smaller pieces. The tokenisation of funds will improve transparency and unlock greater cost efficiencies for investors.

Some elements of change – particularly the modernisation of product and service delivery and capital markets infrastructures – are inevitable. They will likely bring significant long-term benefits in terms of operational efficiency and lower costs, with direct implications for the customer delivery experience, fees and diversity of asset classes available. The IA is working alongside government and regulators to try and put the UK at the forefront of international innovation in investment management.

The IA's FinTech accelerator, Engine, creates the conditions in which UK FinTech can flourish. Engine is boosting the investment management industry's adoption of new technologies and helping investment managers to identify new investment opportunities, work more efficiently and cut costs, ultimately benefiting our customers. An offshoot in Birmingham is now boosting the West Midlands' burgeoning FinTech sector.

PART FIVE:
GLOBAL REACH



UK investment management is world leading. The £10 trillion in total that UK investment managers look after makes the UK the second largest investment management centre in the world, following only the US in scale, and bigger than the next three centres in Europe (France, Germany and Switzerland) combined.

The total value of UK-managed assets under management grew by 6% between 2020 and 2021. Over £4.6 trillion is managed in the UK on

FOUR MEASURES OF A GLOBAL INDUSTRY

CUSTOMERS

46% of total assets managed in the UK are for overseas customers. Over half of those are in the rest of Europe.

MARKETS

77% of the shares managed in the UK are invested in overseas markets – for domestic and overseas customers.

COMPANIES

The UK attracts firms from around the world. Companies headquartered outside the UK are responsible for **60%** of total assets managed here.

ECONOMIC CONTRIBUTION

3.6% of total UK service exports from the investment management industry.

OVER

£4.6 TRILLION

IS MANAGED IN THE UK ON BEHALF OF OVERSEAS SAVERS

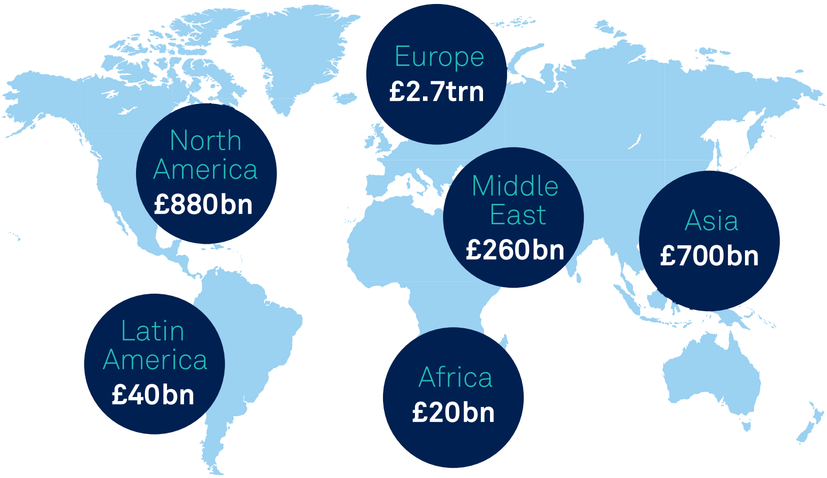
behalf of overseas savers, a rise of £400 billion pounds in a year. As at the end of 2021, overseas clients' assets accounted for 46% of total assets under management in the UK. The majority of this (59%) is managed on behalf of European clients with the largest markets in Netherlands, Germany and Sweden.

The UK is one of the most international centres in the world, both in terms of the customers and businesses we serve and the assets that we invest in.

The UK has many natural advantages which have helped us to build this position, among them our legal system, time zone and the English language. But the right regulatory system, skills and outlook are critical ingredients in maintaining our international competitiveness. The UK has immense international success to build on if we get this right. We already manage £2.7 trillion for clients in Europe; £880 billion for North American clients; and £700 billion for clients in Asia.

This brings immense benefits to communities all across the UK. The scale and success of the industry contributes directly to the economy: the industry is responsible for £6.1 billion of net exports in 2020, 3.6% of the total.

ASSETS MANAGED FOR OVERSEAS CLIENTS



There are many indirect benefits, too. Having a world leading investment management sector right here in the UK makes it easier for British savers to access the very best products and expertise. It also means that investment decisions are made geographically close to the UK businesses and infrastructure projects which rely on capital being channelled into them by investment managers.

But this position as a leading global centre is not automatic and other centres (notably Shanghai, Hong Kong and Singapore) are beginning to challenge. If the UK does not stay innovative and welcoming to international business, this enviable position is at risk of being lost.

Now is therefore the right time to cement the UK's reputation, making sure that we are more attractive not only than the traditional financial centres in Europe and North America, but also newer locations which might be perceived as more dynamic: today we are competing globally not just against established markets.

PART SIX:
OUR UK FOOTPRINT

The UK investment management industry provides high-quality jobs, with around 122,000 people working across the industry in the UK.

The roles in the investment management industry are varied and while traditionally it has been a great industry for people with STEM training, jobs in cutting edge areas like FinTech and sustainable investment are suitable for people from a wide range of backgrounds.

The IA provides outreach and career opportunities to those looking for entry level jobs through an industry led scheme called Investment20/20. Investment20/20 provides training and routes into investment management for people from all backgrounds who may not have previously considered a career in financial services. The scheme is supported by more than 60 investment management firms many of whom are household names.

Crucial to the future success of the UK's investment management industry is having a diverse pipeline of talent coming into the industry which is why Investment20/20 was established in 2013. Over 2,000 people have started their career in investment management through the programme, of which 44% are from ethnic minorities.

A SCOTTISH CENTRE OF EXCELLENCE

Investment management 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 as the second largest hub.

More than £700 billion of assets are managed in Scotland, a small increase on the previous year. Of UK-headquartered investment managers, nearly a fifth (19%) of assets are managed by firms headquartered in Scotland.

Around 14,000 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.

THE
INVESTMENT
ASSOCIATION

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

www.theia.org
@InvAssoc

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