

The logo for K&L GATES is displayed in white, uppercase letters within a dark red rectangular box. The background of the slide features a stylized financial chart with teal bars and a red line graph, overlaid on a blue digital background with binary code (0s and 1s) and horizontal light streaks.

K&L GATES

13 December 2017

The Outlook for the European Asset Management Industry

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TOPICS

- Trends in UCITS and AIF at European level
- EU messages to asset managers
- How asset managers are addressing the evolving landscape in Europe





TRENDS IN UCITS AND AIF AT EUROPEAN LEVEL



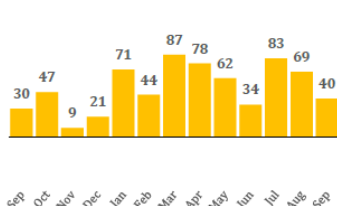


LATEST EFAMA INVESTMENT FUND INDUSTRY FACT SHEET

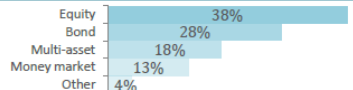
EFAMA INVESTMENT FUND INDUSTRY FACT SHEET ⁽¹⁾

SEPTEMBER 2017 DATA

UCITS Net Sales



Share of Net Assets by UCITS Type

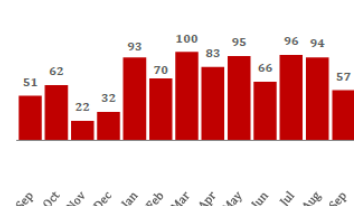


Net Sales in 2017

UCITS	September	August	YTD
Equity	16.0	4.6	103.8
Bond	20.5	24.0	240.0
Multi-asset	15.0	14.3	128.2
Money Market	-12.9	24.7	71.9
Other	1.6	1.3	25.0
Total	40.3	68.8	569.0

AIF	September	August	YTD
Equity	6.3	2.5	9.1
Bond	-2.1	3.5	19.1
Multi-asset	1.0	4.4	32.8
Money Market	0.1	0.4	-2.6
Real Estate	3.2	1.5	19.8
Other	7.9	12.4	106.5
Total	16.5	24.8	184.7
Grand Total	56.8	93.6	753.6

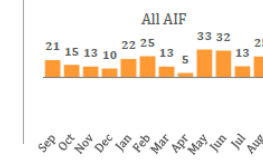
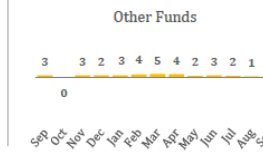
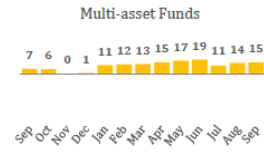
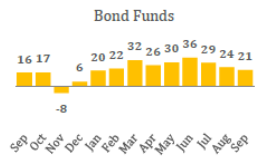
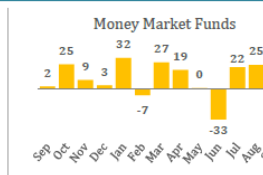
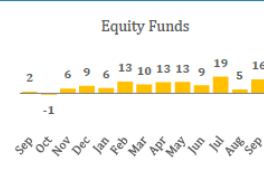
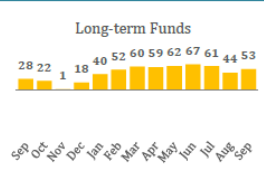
Net Sales of UCITS & AIF



Net Assets

Category	September	%Δ ⁽²⁾	End 2016
UCITS	9,475	1.8%	8,661
AIF	5,857	0.7%	5,502
Total	15,332	1.4%	14,164

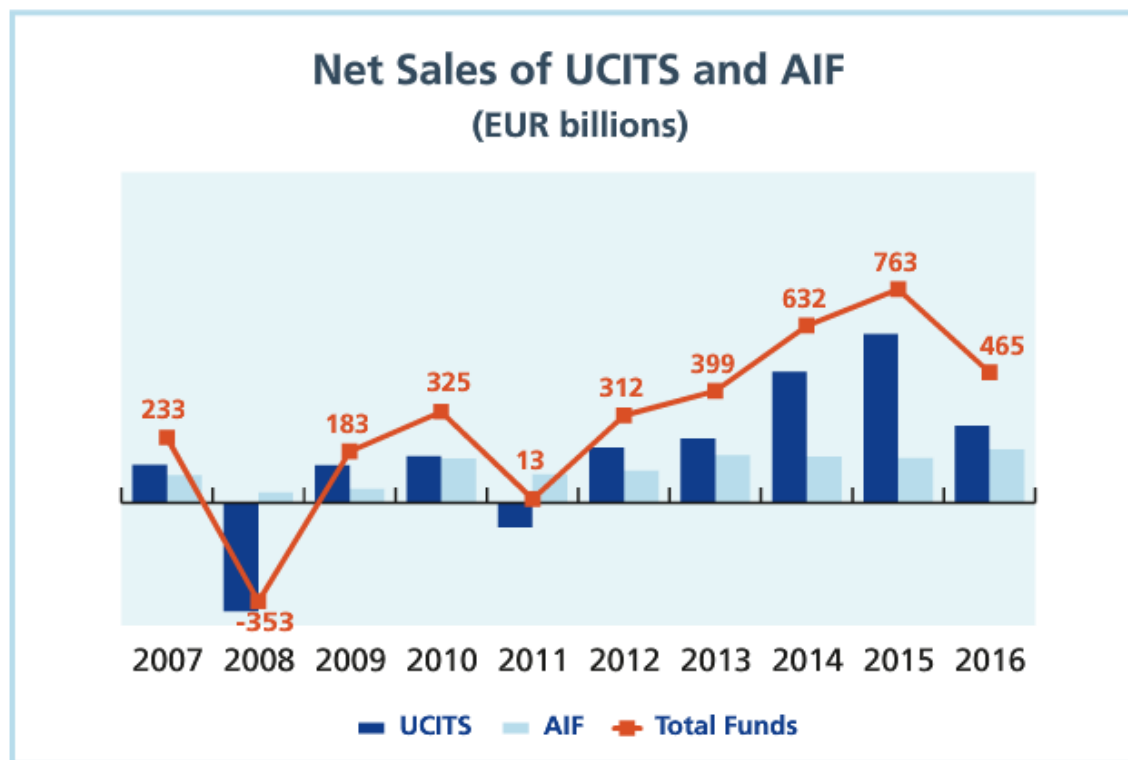
Net Sales of UCITS



(1) All data is presented in euro billions and is collected from participating national associations representing more than 99% of European investment fund assets. All UCITS and AIF are classified according to regulatory definitions. (2) Percentage change compares net assets at end September 2017 and end August 2017.

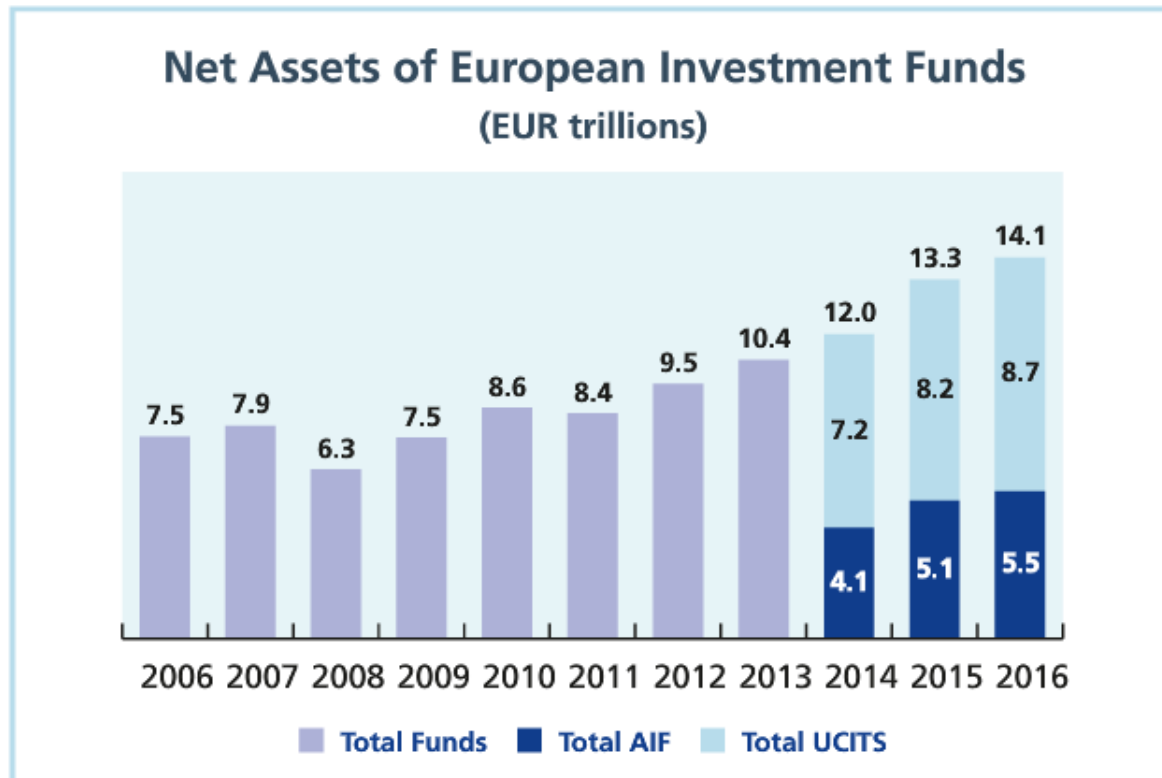


NET SALES OF UCITS AND AIF



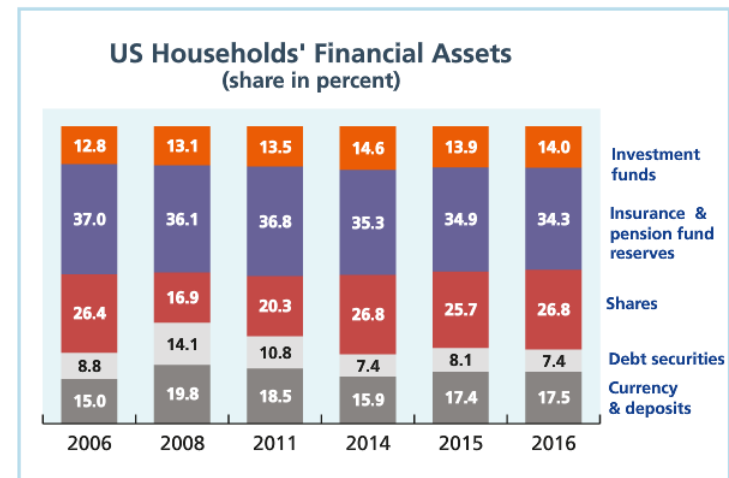
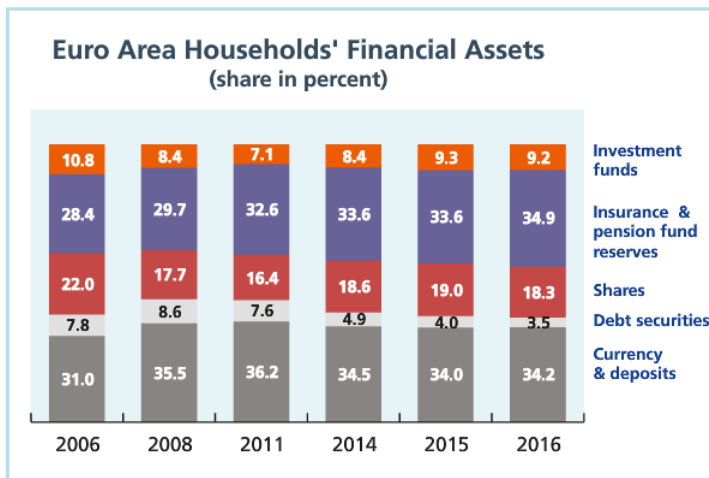


NET ASSET GROWTH OF UCITS AND AIF



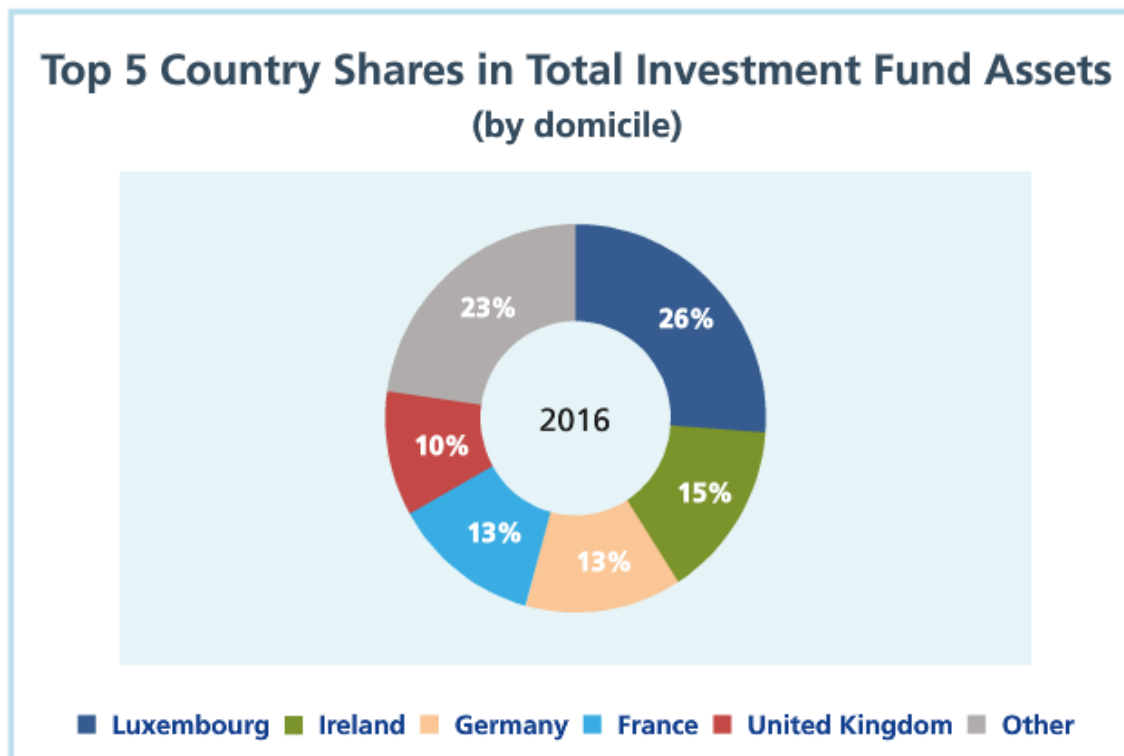


OWNERSHIP OF INVESTMENT FUNDS IN THE EURO AREA VS U.S.





CONCENTRATION OF EUROPEAN UCITS AND AIF





EU MESSAGES TO ASSET MANAGERS





BACKDROP

- Demographic time bomb: encouraging more people to invest more and earlier
 - Governments shifting from pay as you go to funded pensions
 - Need for more trust and transparency
 - Further digitalization to attract millennials and make fund market more accessible
- Brexit and regulatory arbitrage





WHAT ARE EU REGULATORS SAYING TO ASSET MANAGERS?

- Need to increase attractiveness of savings products
 - Introduction of Pan-European Pension Product (PEPP)
 - Responsible investing
 - Rebuilding trust: regulatory scrutiny on transparency
 - Focus on costs and charges
 - European Commission formal request to ESAs to report on the cost and past performance of the main categories of retail investment, insurance, and pension products
 - Capital Markets Union (CMU)



WHAT ARE EU REGULATORS SAYING TO ASSET MANAGERS?

- Supervisory Convergence and minimising regulatory arbitrage
 - European Commission proposal to strengthen coordination of supervision of ESAs and extend ESMA's powers
 - Further integration towards full CMU
 - Reform EU's financial industry supervisory structure
 - Product intervention powers in “exceptional circumstances”
 - ESMA Opinions to support supervisory convergence in the areas of investment management, investment firms and secondary markets in the context of the UK withdrawing from the EU
 - Opinions warn against “letter-box” entities
 - Mixed industry reaction
 - Reiteration of current principles or threat to delegation model?
 - Some concern that ESMA goes beyond existing legal practices



HOW ASSET MANAGERS ARE ADDRESSING THE EVOLVING LANDSCAPE IN EUROPE





KEY MARKET DYNAMICS THAT WILL TRANSFORM THE INDUSTRY

- Changing buyers' market
- Digitalization
- Asset managers funding the future
- Multi-asset driven solutions





HOW ASSET MANAGERS ARE ADDRESSING THE EVOLVING LANDSCAPE IN EUROPE

- Digitalization
 - Automating asset management solutions
- Key differentiators over the next 10 years
 - Customer ownership ‘obsessed’ solution providers
 - Product providers at scale
 - Innovative ‘alpha generators’
- Contingency planning post-Brexit
 - Geared towards continuing to do business on a global basis against the rise of nationalism





THANK YOU

