

EUROPE

SUB-ADVISORY OPPORTUNITIES

2017 MARKET INTELLIGENCE REPORT

INSIGHTS AND ANALYSIS TO EXPAND DISTRIBUTION

Sub-advisors captured 32% of flows into active funds in 2016 and now manage over €520 billion across Europe

- Will MiFID II encourage vertical integration among wealth managers and reshape demand for third party funds and sub-advisory?
- Which distributors and wealth managers are looking for sub-advisors?
- How can managers adapt to rising demand for multi-asset, outcome-oriented solutions, and risk-based model portfolios?
- Is sub-advisory growing in the institutional market via DGFs and LDI solutions?
- Which strategies are most in demand and how are client preferences changing?
- Will the ban on commissions in Denmark lead to more sub-advisory or fund-of-funds?
- Who are the fastest growing, “under the radar” sponsors?
- What best practices are managers implementing to win business?
- How much assets can be raised in the next five years, and through which markets?

EUROPE SUB-ADVISORY OPPORTUNITIES

Expanding distribution in a €520 billion market

Regulation, market forces, cost pressures, and new technologies continue to transform distribution for both third party fund managers and sub-advisors. Wealth managements firms are pursuing vertical integration across the value chain, with a greater focus on proprietary products but also more reliance on sub-advised and fund-of-fund structures. Growing use of outcome-oriented solutions, multi-asset strategies, and risk-based model portfolios are also changing product and distribution requirements.

Amidst these developments, the European sub-advised fund market continues to expand at a strong pace, with assets rising 15% since the end of 2015 to €522 billion as of June 2017. More remarkably, sub-advised funds captured 32% of total inflows into actively-managed funds in Europe during 2016.

Potentially €300 billion of new assets will go to sub-advisors in Europe during the next five years. Most of this will benefit active managers at a time when industry sales tilt towards index funds and ETFs. Asset managers thus are taking several steps to pursue growth in the sub-advisory market. This includes realigning retail and institutional sales teams, building the technology and service infrastructure to ensure more efficient sharing of real-time information and comply with MiFID II, and retooling product and service capabilities to deliver customized strategies and outcomes.

To help expand sub-advisory and third-party fund distribution in a rapidly changing environment, this report offers unique insights driven by the most comprehensive sub-advisory database on more than 1,700 sub-advised funds from nearly 180 sponsors.

The study includes profiles on more than 30 of the largest sponsors of sub-advised funds, their sub-advisors, and how they are developing their platforms. It also analyzes new funds introduced in 2016 and the first half of 2017, how demand and client preferences are changing, and where the opportunities will be found in the future.

The analysis also includes insights from a panel of senior asset management and distribution executives, and gleaned from extensive interviews across the industry during the past two years, to determine the major drivers of sub-advisory and third-party fund demand.

We provide examples of the broadening use of sub-advisory solutions not only in retail and wealth management channels, but also through institutional solutions such as Diversified Growth Funds and Liability Driven Investing.

How did a UK wealth advisor build a £3bn delegated platform in just three years?

Which institutional provider in Italy has sub-advised €7bn to 30 managers since 2013?

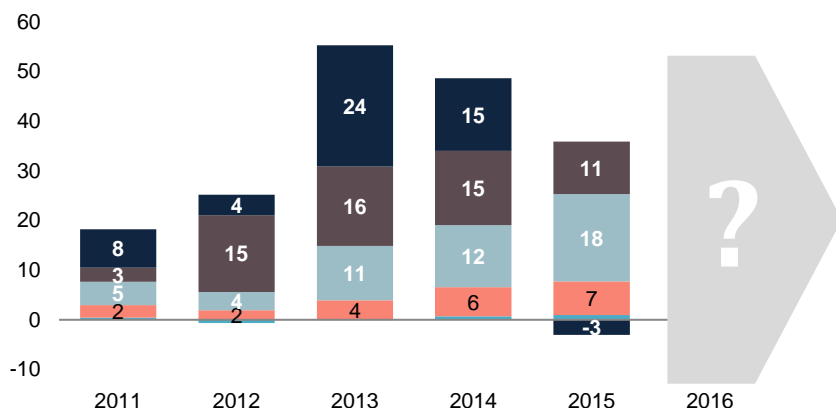
New sub-advised funds raised €24bn during the past 18 months. Where did the money go?

How can innovative client solutions ensure risk-based outcomes, using sub-advisors and third party funds?

ESSENTIAL FIELD GUIDE FOR DISTRIBUTION EXECUTIVES

Comprehensive 117-page analysis
Business intelligence with 59 charts and tables
Unique insights on sources of growth

Sub-Advised Flows by Fund Type, € Billion



INVESTMENT STRATEGIES
in demand, past and future

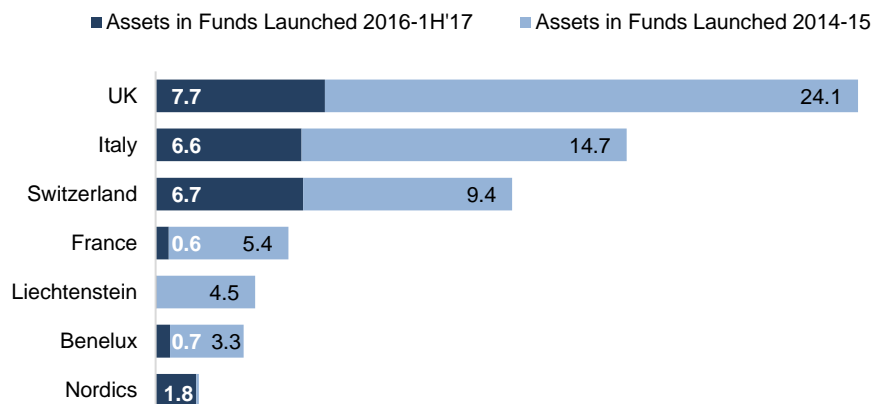
MARKET SIZING for
strategic planning and
distribution decisions

NEW FUND DEVELOPMENT themes
and asset potential

IDENTIFY MARKETS AND SPONSORS offering the greatest
sources of sub-advisory business

REGULATORY opportunities and
threats

New Sub-Advised Fund Assets by Market, € Billion as of June 2017



Sub-Advisors by AUM and Strategy (Selected Sponsor)

Sub-Advisor	AUM €M	# Funds	Strategies
Morgan Stanley	1,308	2	High Yield bond
Colchester Global Investors	1,075	2	Emerging bond
Goldman Sachs	330	2	Global bond
Nykredit Asset Management	291	2	Europe bond
Marathon	234	2	Global equity
Maj Invest	229	2	Global equity, Denmark

EXTENSIVE MAPPING of partnerships
in an easy to understand and
commercially useful format

PRACTICAL DETAILS to target
opportunities, prepare for sales
meetings, to build relationships, and
benchmark progress

EUROPE

SUB-ADVISORY OPPORTUNITIES

At least €300bn will be outsourced in the next 5 years
Capture the opportunity

Who will benefit?

- Sales, distribution, business development, marketing, and relationship management professionals
- Market research, product development, and strategic planning leaders at investment companies
- Asset management CEOs and senior executives making decisions on business strategy
- Distributors seeking to understand innovative approaches and sub-advisors used by the competition

ORDERING THE REPORT

- Color Printed Copy and PDF
- Up to 3 hours of strategic advisory and consulting

Consulting includes client presentations, conference calls, custom analytics using the sub-advisory database, new research on related themes, and distribution support.

Contact:

+1 (347) 746-9895 / info@impactvesting.com

About the author and IMPACTVESTING LLC

IMPACTVESTING was founded by Jag Alexeyev to help asset managers access the fastest growing segments of the investment industry.

A research and consulting firm specializing in global distribution, non-US sub-advisory, product innovation, alternative investments, and ESG strategies, IMPACTVESTING brings more than 20 years of experience advising the executives of 100+ investment companies globally.

EUROPE SUB-ADVISORY OPPORTUNITIES

CONTENTS

- Page 5 EXECUTIVE SUMMARY**
Preface and Methodology
- 11 SUB-ADVISED FUND MARKET EXCEEDS €520 BILLION**
Re-Inventing the Sub-Advisor to Address Evolving Client Needs
32% of Actively-Managed Fund Inflows in 2016 Went to Sub-Advised Products
Market Potential: €230 Billion of Net Gains in Five Years
- 18 TOP 50 SPONSORS OF SUB-ADVISORY BUSINESS**
Identifying the Best Partners for Long-Term Asset Growth
The Largest Sub-Advisors in Europe
- 22 CATALYSTS SUPPORTING GROWTH**
Regulation, Market Forces, Costs, and Client Needs
MiFID II to Reshape Fund Distribution
Vertical Integration: Rethinking Third Party Funds and Sub-Advisory
Winning Sub-Advisory Business: Delivering What Buyers Want
Manager Selection Case Study: An Emerging Market Portfolio
Sticky Business: Mandate Turnover Less than 5%
Insourcing Limited to 1% of Assets
- 34 INNOVATION AND NEW FUNDS**
Income, Multi-Asset, and Alternatives Drive New Fund Activity
United Kingdom: Top Launches (2016-1H'17)
Italy: Top Launches
Switzerland: Top Launches
Nordics: Top Launches
Benelux and France: Top Launches
- 44 THEMES DRIVING THE SUB-ADVISORY BUSINESS**
Outcomes, Model Portfolios, Multi-Asset, Risk, Costs, and Technology
Pensions, DGFs, and LDI: A Growing Role for Sub-Advisory
The €3 Billion Multi-Manager Multi-Asset Strategy as a Microcosm of Trends
UK Firm Creates £3 Billion Sub-Advised Platform in Just Three Years
A €7 Billion Institutional Multi-Manager Sprouts in Italy
Retail Risk-Profile Funds Powered by a €6 Billion Swiss Pension Platform
ESG and Sustainable Investments Get a Seat at the Table

58 MARKET POTENTIAL: COUNTRIES AND REGIONS

- UK: Among the Most Dynamic Sub-Advisory Markets in Europe
- Italy: Large Sponsors Expand as New Entrants Grow Rapidly
- Switzerland: Wealth Managers, Retail Banks, and Institutional Platforms
- Nordics: Diverse Partners and Needs Across Channels
- Benelux and France: Room to Grow
- Spain and Other Markets
- Alternative Investment Platforms

67 THE LEADING SPONSORS OF SUB-ADVISED FUNDS

ABN AMRO	68
Barclays	71
Danske Invest.....	73
Fideuram.....	74
Generali	75
.....	77
.....	78
.....	79
.....	80
.....	82
.....	83
.....	84
.....	86
.....	88
.....	90
.....	91
.....	93
.....	94
.....	95
.....	96
.....	97
.....	99
.....	101
.....	102
.....	105
.....	107
.....	108
.....	110
.....	113
UBS.....	114
Zurich Invest	115

For the full list of sponsors in the report, please contact:

+1 (347) 746-9895

info@impactvesting.com

≈

**EUROPE
SUB-ADVISORY
OPPORTUNITIES**

2017 Market Intelligence
Report

116 CONCLUSIONS & RECOMMENDATIONS: THINK GLOBALLY