2nd Quarter 2017

instiHub

Extremes mark Q2 in the €413 billion EMEA sub-advisory industry

14TH AUGUST 2017

ANDREAS PFUNDER, FOUNDER, INSTIHUB ANALYTICS LIMITED

New and enhanced sub-advisory data

On 8th August, instiHub released data for the second quarter of 2017 to the subscribers of instiHub Public sub-advisory insights (iPsa), the unique EMEA sub-advisory sales lead generation and planning tool. Below we highlight emerging trends that are discernible from the underlying data.

During the quarter, we *increased the sub-advised fund coverage in our database by € 7.1 Bn*. Austria is now fully covered and one new sponsor was added in each, the UK, Belgium, France and Denmark. This *brings total assets in iPsa to € 413 Bn / US$ 471 Bn* of 3rd party, addressable sub-advisory market assets in over 1,100 funds whose investment advice is delegated by 94 sponsors in 15 markets to 436 sub-advisers.

The introduction of *new functionality into the data application* allows subscribers to track individual sub-adviser activities such as switches and appointments in aggregate and at individual fund level. Lastly, some fund asset values are now based on Morningstar data, enhancing our quality and collection process through triangulation against public sources.

Please refer to the instiHub Public sub-advisory insights factsheet for more details. Feel free to contact us on info@instihub.com for questions, subscription quotations or to book a demonstration with live data. On www.instihub.com you can find out more about us and read press articles.

A quarter of extremes

Caused by an extraordinary 6.7% appreciation of the Euro against the US Dollar, we see meagre and spectacular results at the same time. Since 39% of fund value AuM in our system is entered in US$, we'll incorporate $ into this quarter's highlights.

The overall dynamics in the industry were no less extreme and reminiscent of a barbell.

Asset Managers & Private Banks Gain €5 Bn

Bank Distributors Lose €4 Bn

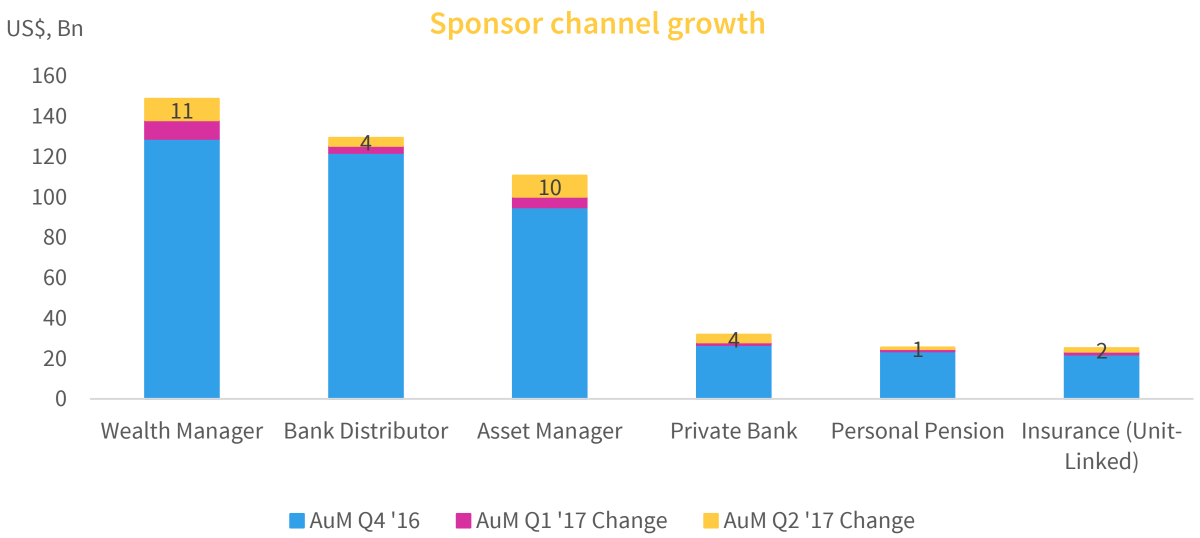
Private Banking sponsors expand fund ranges and assets, Bank sponsors contract them in Q2

The *Asset Manager sponsor channel* with a total of € 97 / $ 110.5 Bn in sub-advised funds added € 3.2 / $ 10.4 Bn to its assets. GAM experienced the strongest growth with $ 2.3 Bn in asset appreciation, followed by Mercer, BNP Paribas and NN Investment Partners with over $ 1 Bn each. This channel's 16.4% growth YTD is a persistent trend borne out of a need to broaden their offering to meet clients' demands in areas where they lack expertise inhouse.

Wealth Managers continued their strong performance: 8% asset growth in Q2, 15.4% or $ 20 Bn YTD. St. James's Place and UBS were the only two that managed to add more than $ 1 Bn each in this ten-strong, $ 148 Bn AuM segment. In SJP's case, AuM grew by $ 7 Bn.

The largest % growth came from sub-advisory programs run by *Private Banks* and their affiliated asset managers at 14% or $ 3.9 Bn for the quarter as they seek to build out their core for discretionary portfolio management. $ 1.5 Bn of this growth came from eight new fund launches. Fideuram introduced two new target maturity funds of which one, advised by Morgan Stanley, garnered $ 1 Bn during its subscription period. Lombard Odier expanded its co-branded sub-advised fund program by five new introductions, gathering $ 600 Mn during subscription. Aberdeen, Franklin Templeton and William Blair were all awarded mandates over $ 100 Mn.

Bank Distributors, the second largest channel, disappointed with Q2 below-average growth of 3.2% or 4 Bn in $ terms which translates into a 3.3% loss in € terms. OP Asset Management insourced two funds, together worth $ 1 Bn AuM, Santander and Fineco one fund each worth $ 700 Mn in total. Five bank affiliated sponsors still managed to grow their asset base by over $ 1 Bn over the quarter, $ 3.5 Bn of that driven by Italian, Dutch and Nordic investors.



Source: instiHub Public sub-advisory insights (iPsa).

Specialist investment areas come up top, US Equity continues to decrease

Nine sector groups grew by over $ 1 Bn in Q2: five in Fixed Income and four within Equities. Both *EM Fixed Income and Equity* are among the strongest growing areas with $ 1.7 Bn (13%) and $ 1.4 Bn (8%), respectively.

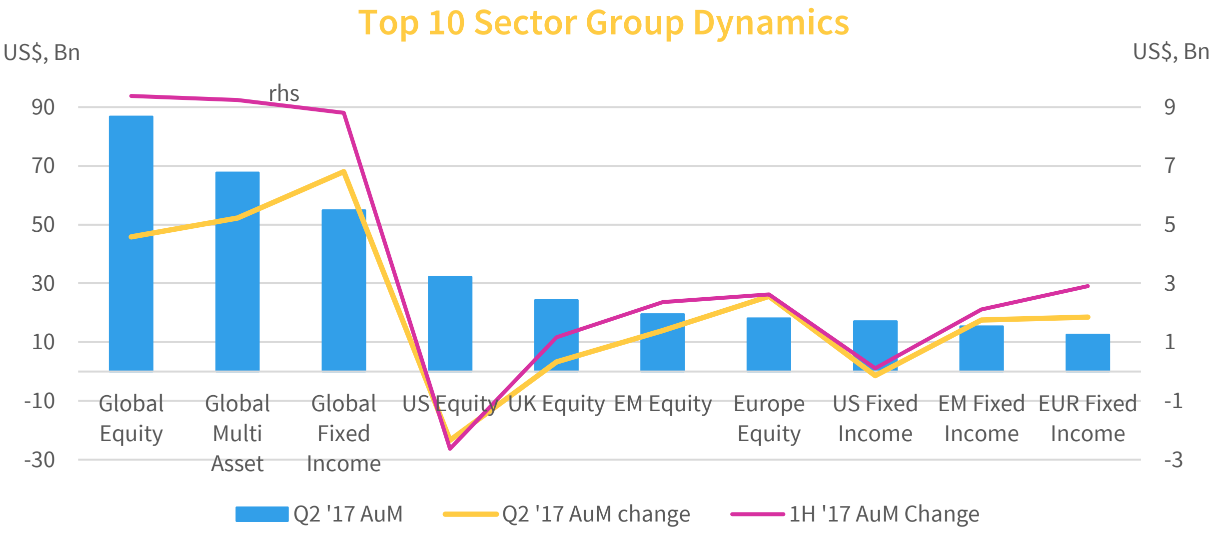
Within Fixed Income, it is *Global and Euro Corporate Bond* funds, in particular of specialist nature, that performed most impressively with growth of 26% or $ 3.5 Bn. A Credit Opportunity fund sub-advised by Atlanticomium and available to GAM's institutional and wealth management clients, added $ 1.3 Bn, building further on its $ 812 Mn Q1 success.

Direct Loans stood out as another specialist fixed income area with $ 1 Bn growth from sponsors NN Investment Partners and J. Safra Sarasin.

Within Equities, specialist products were also among the strongest with *thematic sub-advised fund growth* in the water, ecology and food sectors. Key driver was BNP Paribas / Parvest with a $ 1.1 Bn gain.

Meanwhile, the rotation into *European Equities* continued. Above average growth was evident in both, $ and € terms with $ 2.6 Bn (16%, $) / € 1.3 Bn (9%, €) for the quarter. Sub-advisers Janus Henderson, BlackRock and Pzena Investment Management benefited with growth of above $ 300 Mn each.

US Equity continues to hold its top position as the sector with the steepest loss: $ 2.3 / €4 Bn, extending its decline from Q1. Nordic investors were responsible for $ 2 Bn of the decline. Investors are not alone in reconsidering their US allocations. Sponsors also generated a high level of switch activity between sub-advisers. Russell, among others, removed and appointed six different sub-advisers in three of their US Equity funds in response to a changing investment environment and in search for better performance.



Source: instiHub Public sub-advisory insights (iPsa).

High level of activities involving 25% of sub-advisers, resulting in 2% asset turnover

instiHub's Q2 data shows 82 or 7% of the sub-advised funds having experienced at least one activity impacting 108 sub-advisers or 25% of the firms we track. These activities which include fund launches and closures, outsourcing, insourcing and switches between sub-advisers, resulted in 2% of asset turnover during the quarter. Annualised, these statistics translate into 100% of sub-advisers experiencing changes in 28% of funds, shifting 8% of total assets – in other words: anything but a slow moving industry. Here some details behind these numbers from our Q2 data:

Activity	**Number of funds involved**	**€ Value (AuM)**
Fund launch	11	800 Mn
Fund closure	16	302 Mn (largest: 117 Mn)
Newly outsourced to 3rd party sub-adviser	1	41 Mn
Insourced from 3rd party sub-adviser	5	2.2 Bn – all > 100 Mn
Switches	10	967 Mn
Appointments within multi-managers	15	2.1 Bn
Removals within multi-managers	24	1.7 Bn

Source: instiHub Public sub-advisory insights (iPsa).

Contact us *if you wish to explore the sub-advisory space in detail, experience the tool and data through a demo or simply* download the factsheet *of* instiHub Public sub-advisory insights. Email: info@instihub.com.

Note: data used in this article and in our sub-advisory data services are based on public sources, and, in the case of assets for some of the funds we track, sourced from Morningstar. The accuracy of this data is beyond instiHub's control, however we exercise great care during data collection, scrubbing, indexing and processing with systematic data quality assurance checks in place. Despite this, neither instiHub Analytics Limited, nor any of its directors and employees, accept any responsibility for the accuracy of the data or for the outcome of any decisions readers and users take on the back of the intelligence.