

The Impact of Brexit on the UK Fund Management Industry

State Street Institutional Survey
December 2018



Methodology

- State Street commissioned PollRight* to conduct a survey of professional investors on the potential impact of Brexit on UK fund managers.
- Respondents comprised institutional and alternative investors such as hedge funds, real estate and private equity**. In total, 100 individuals participated.
- For the purposes of analysis, respondents were grouped into three geographical sectors: UK, Continental Europe and the rest of the world.
- The research was conducted between 26th October and 5th November 2018.

*PollRight is a market research agency specialising in business-to-business research. As Citigate Dewe Rogerson's in-house research department, it has been at the forefront of research-led PR for over 20 years, encompassing bespoke business omnibus surveying, desk research and analysis and data visualisation.

** Countries covered by survey included UK, US, Europe, Central & South America, Middle East, Asia, Africa and Oceania.

State Street Brexometer Survey

Summary of Findings

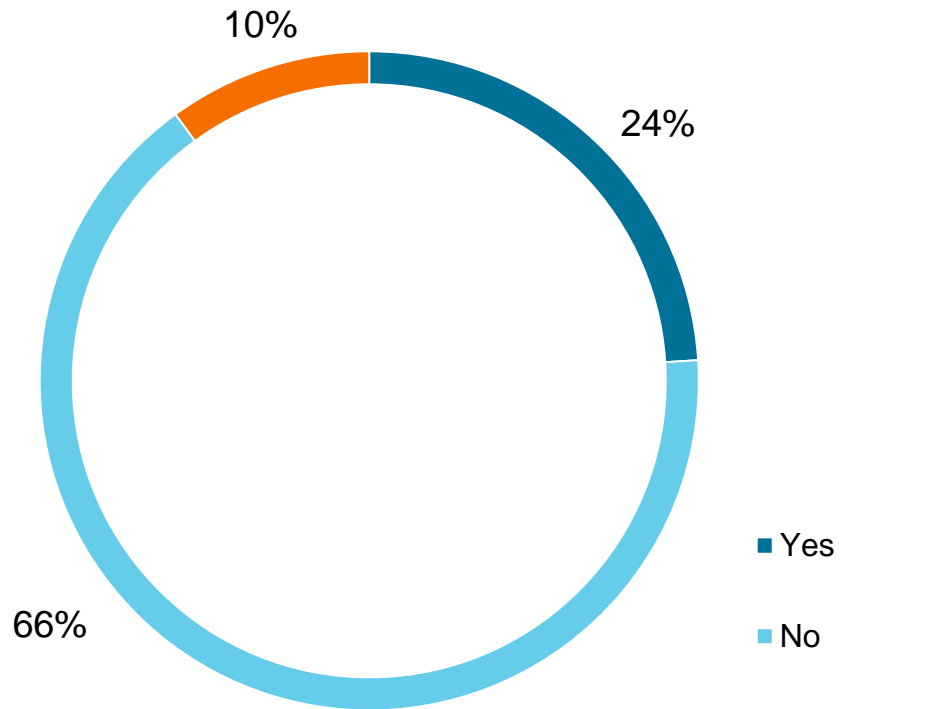
- While overall sentiment paints a negative outlook for UK fund management after Brexit, there is a strong representation of respondents who remain positive in their outlook for European presence within the UK and London specifically.
- Nearly a quarter (24%) of investors believe that more European-based fund managers will look to open offices in the UK after Brexit. More than a fifth (22%) of investors believe that Brexit will lead to a greater number of American or Asian fund managers opening offices in the UK.
- The main reason given by professional investors as to why non-UK based fund managers might expand their operations in the UK post Brexit, is the belief that the UK is home to a huge amount of investment management expertise and knowledge which they want access to. This was highlighted by 84% of respondents.
- Over a third (34%) of investors believe that there will be an increase in M&A activity by European fund managers considering buying UK firms to have a presence in the UK post-Brexit. 7% of European-based investors believe that this increase will be “significant”.

Summary of Findings

Continued

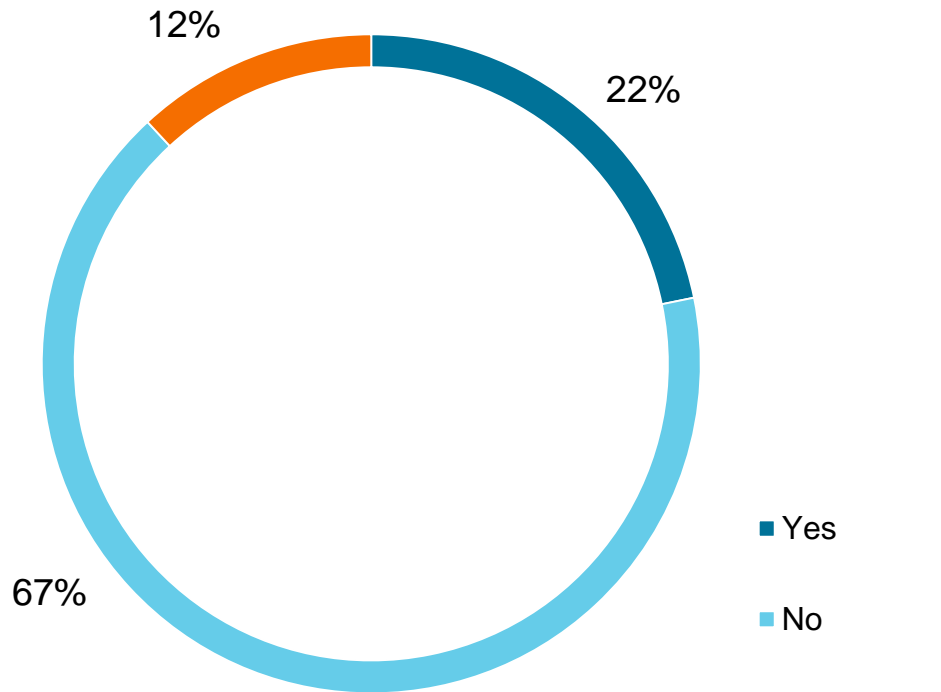
- One in six (17%) investors expect UK investment managers to oversee an increase on the £9.1trn of assets recorded at the end of 2017 within a year of Brexit taking place. Interestingly, those based in continental Europe (19%) are more confident of this happening than those based in the UK (15%).
- The fund structures that investors believe will prove most popular for European and other foreign fund managers looking to launch UK products or expand their operations in to the UK are Investment Trusts (44%), ETFs (43%), Unit Trusts (21%) and finally OEICs (20%).
- One in eleven (9%) fund managers are currently considering launching a UK fund range to protect existing UK investors in their non KU-based European fund ranges. Of this number, two thirds are already in discussions with existing administrators to begin the process. 27% of investors already have a UK Fund range.

As a result of Brexit, do you think more non-UK European-based fund managers (with no current physical presence in the UK) will look to open offices in London / UK?



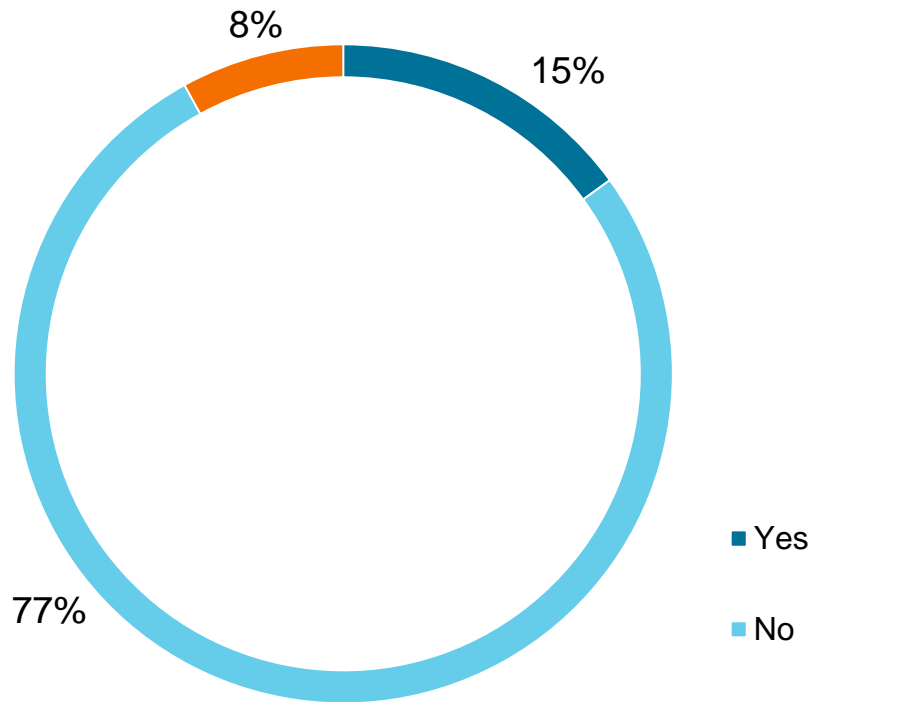
24%
think more European-based fund managers will look to open offices in the UK after Brexit

As a result of Brexit, do you think that more American or Asian-based fund managers with no current physical presence in the UK will look to open offices in London / UK?



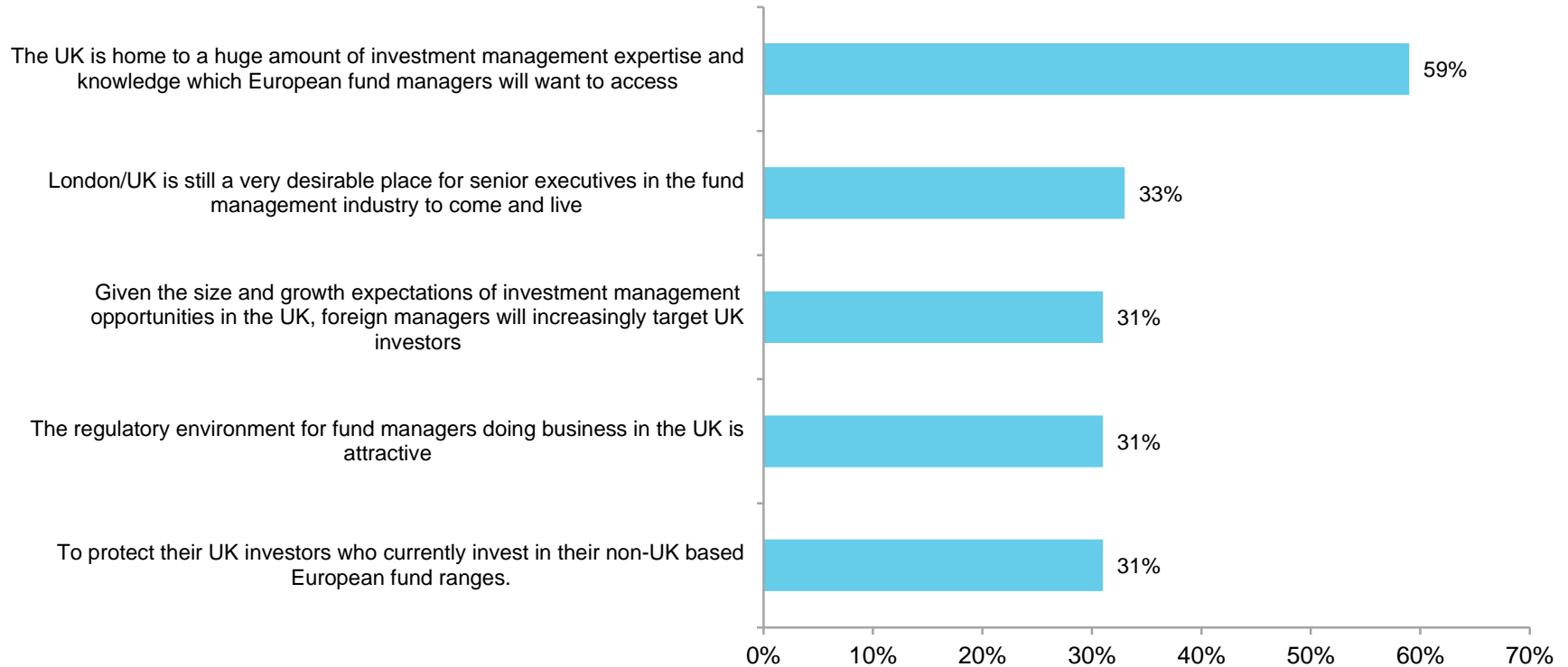
22%
think more American or Asian fund managers will look to open offices in the UK after Brexit

As a result of Brexit, do you think many non-UK European-based fund managers who already have offices in London / UK, will add to the number of people they employ here?



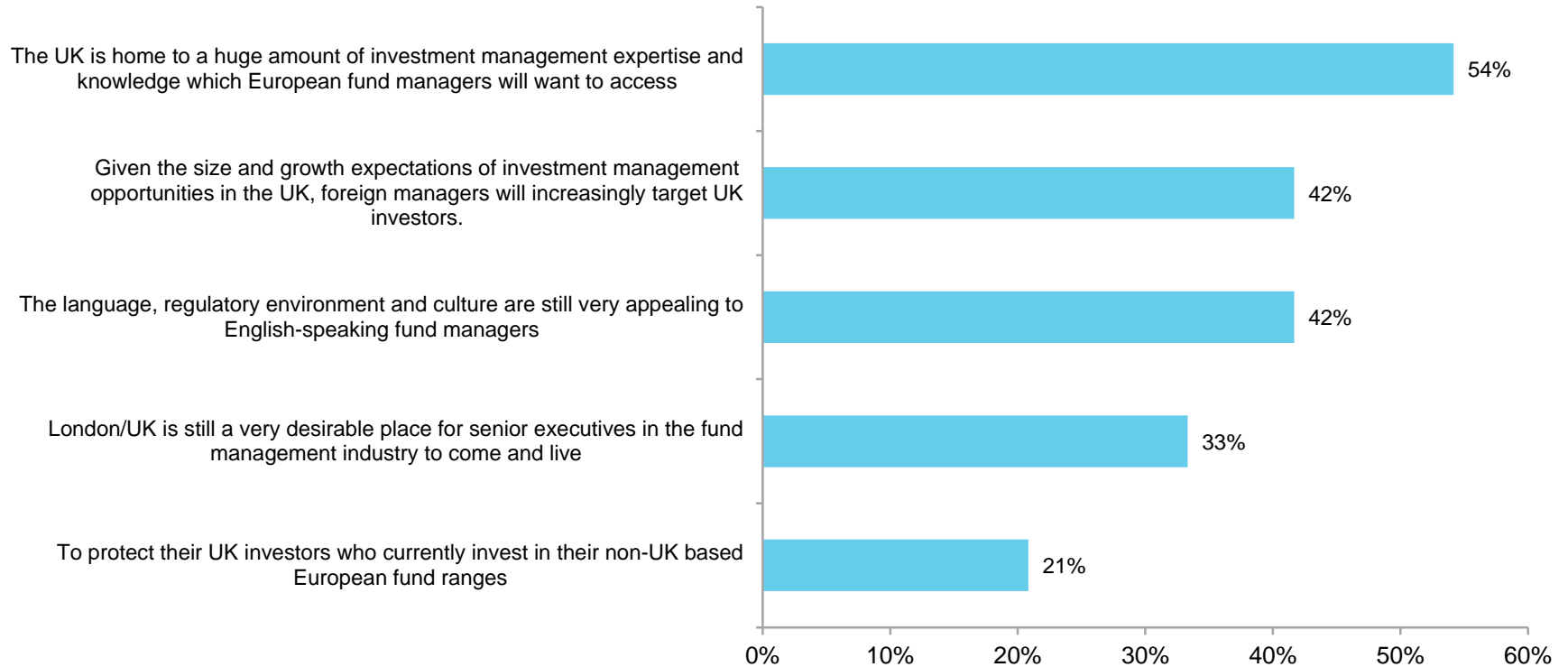
15%
Believe existing European fund managers will add to their UK office post-Brexit

If you think European fund managers will expand their operations in the UK post-Brexit, why is this?

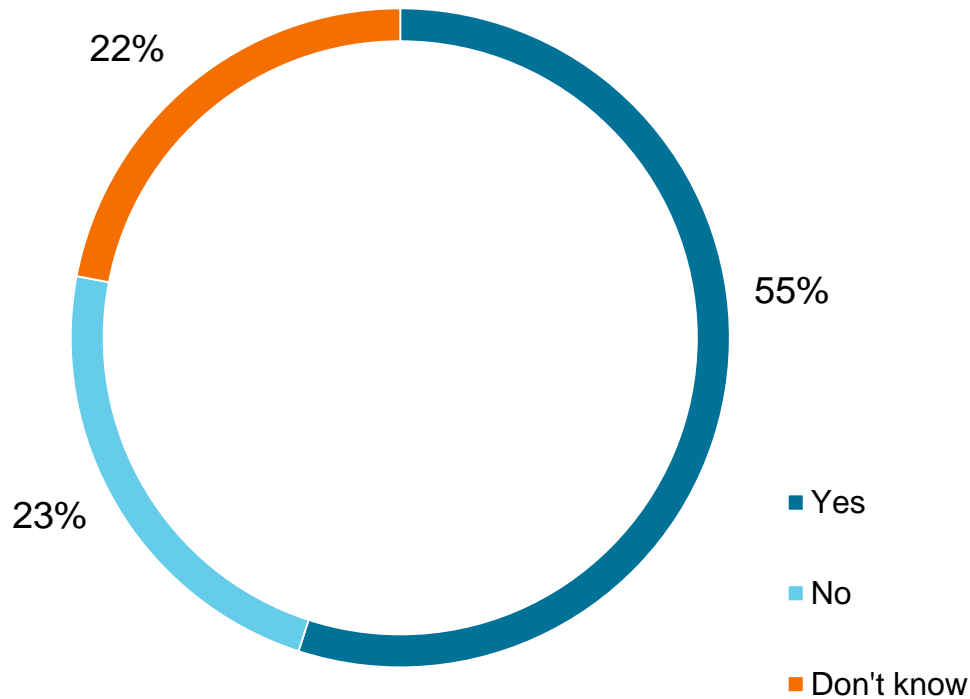


Why do you think that more American or Asian based fund managers with no current physical presence in the UK will look to open offices in London / UK?

(Only those who selected “yes” in Q6)

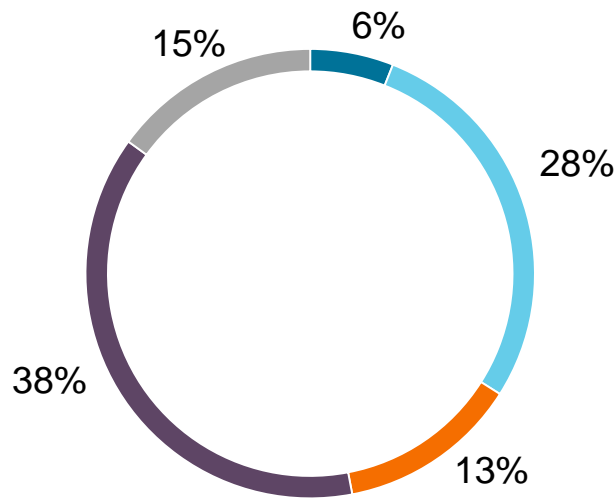


As a result of Brexit, do you think that the UK authorities will make it more appealing for fund managers to open an office in London / the UK?

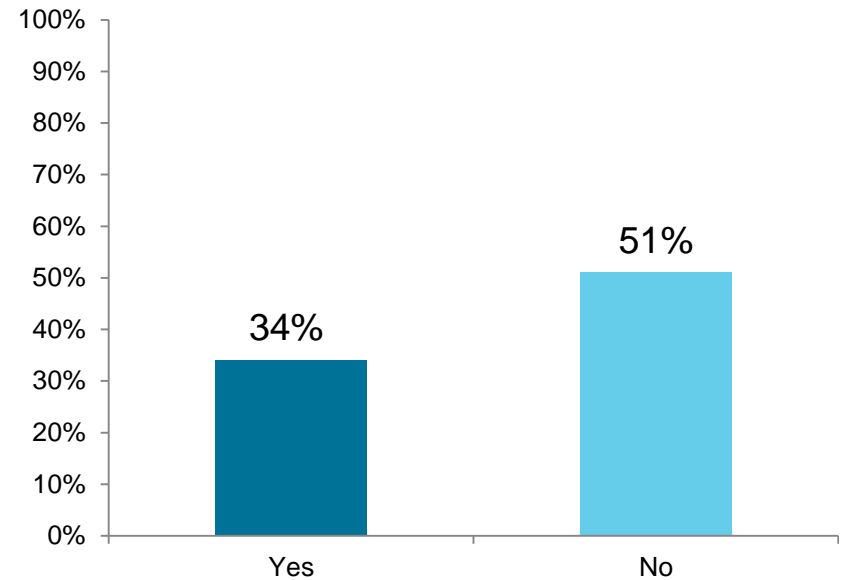


55%
Believe UK authorities will make it more appealing to open London offices post-Brexit

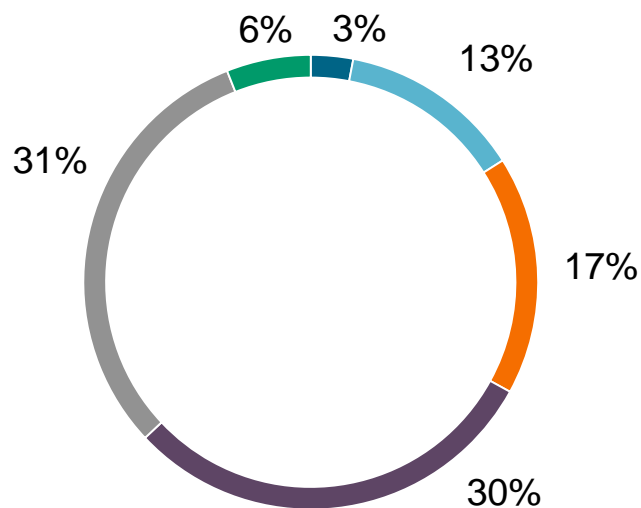
As a result of Brexit, do you think there will be an increase in merger and acquisition activity by European fund managers considering buying UK firms to have a presence in London / the UK?



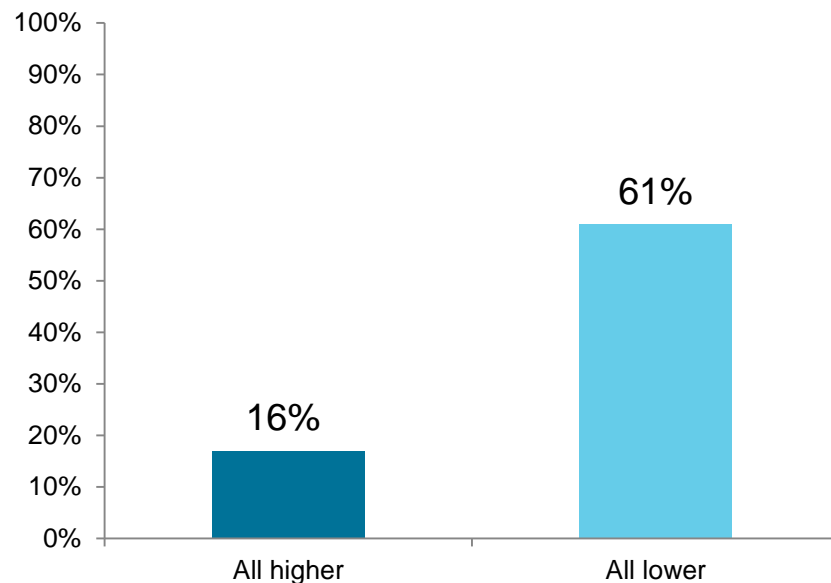
- Yes, a significant increase
- Yes, a slight increase
- No, activity will remain the same
- No, there will be a decrease
- Don't know



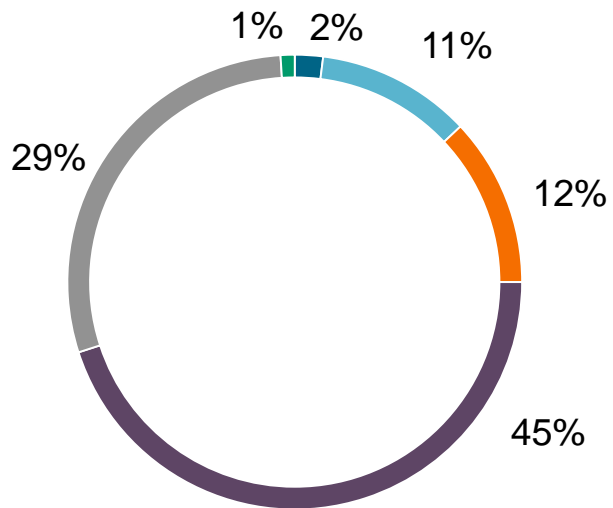
Investment managers in the UK oversaw a record £9.1tn of assets at the end of 2017 – up 12% on the previous year. Assuming there is no market correction, how do you think this will have changed one year after Brexit?



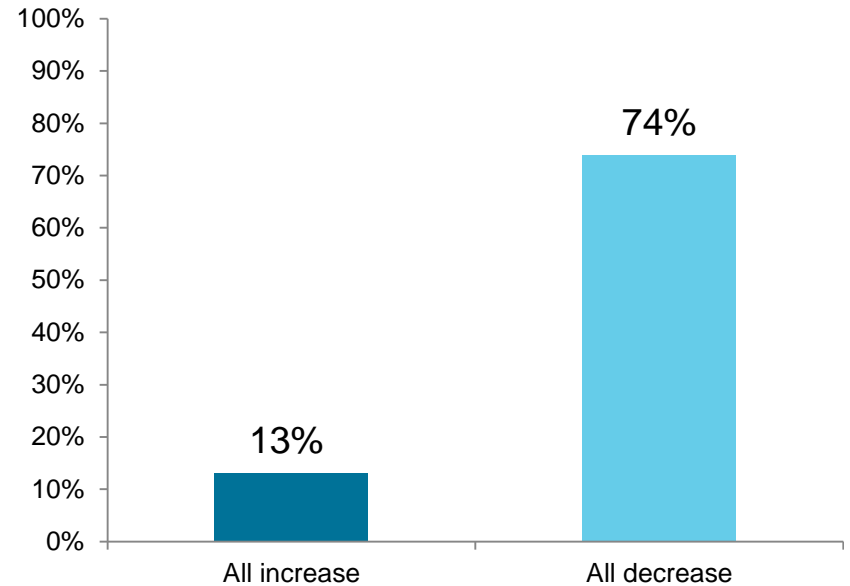
- It will be significantly higher
- It will be slightly higher
- About the same
- Slightly lower
- Significantly lower
- Don't know



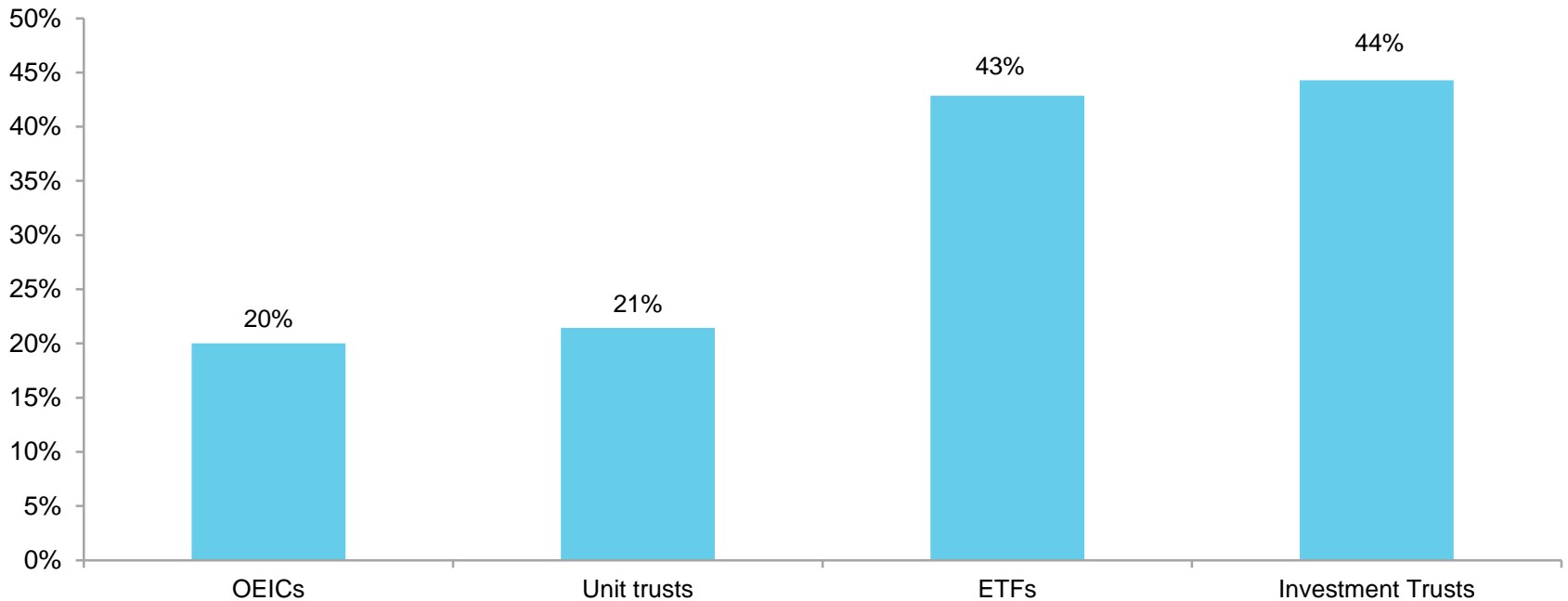
The UK has by far the largest value of assets under management in Europe, accounting for around 36% of the region's total. How do you see this changing over the next three years?



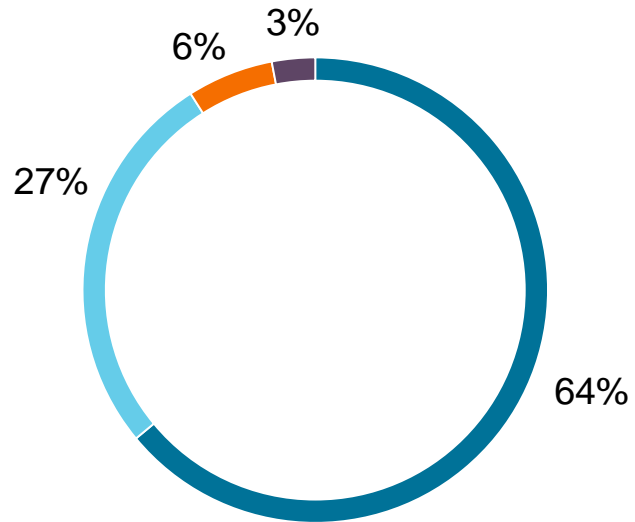
- Increase dramatically
- Increase slightly
- Stay the same as today
- Fall slightly
- Fall dramatically
- Don't know



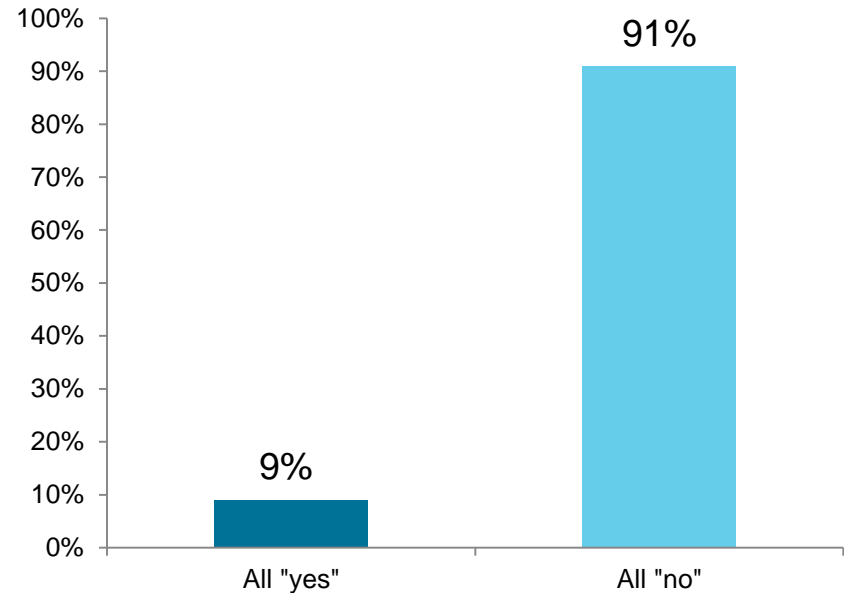
Which of the following UK fund structures do you think will prove most popular for European and other foreign fund managers looking to launch UK products and / or expand their operations in the UK?



Are you considering launching a UK fund range to protect existing UK investors in your Non UK-based European fund ranges?



- No - we don't have any UK investors
- No - we already have a UK Fund range
- Yes - we are already in discussions with existing administrators
- Yes - we will be starting discussions shortly



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Expiration date: 11/30/2019

Tracking Number **2326243.1.1.GBL.INST**