



For Immediate Release

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Institutional Investment Managers Post Gains in Retail Market, According to New Benchmarking Analysis

NEW YORK, July 31, 2014 – Institutionally oriented managers are boosting revenue at a faster rate in the retail market than their retail-oriented counterparts as investors and their advisors shift focus to non-traditional investment strategies, according to the 11th annual Performance Intelligence survey. This year's benchmarking analysis surveyed 90 money managers worldwide who invest an aggregate US\$25 trillion for institutions and individuals.

Institutional managers increased revenue by 25% in 2013 from the retail channel, compared with an 11% gain for retail-focused managers, according to the new analysis, *Performance Intelligence: 2014 Survey Results*. In 2012, revenue from the retail channel rose 10% for institutional managers and 7% for their retail counterparts. By contrast, in both 2011 and 2010 retail managers generated more revenue growth for the retail market than institutional managers, according to the analysis.

The global survey participants largely came from the U.S. Institute and European Institute, members-only forums established by Institutional Investor's conference division for CEOs and their executive teams of leading investment management firms. Casey, Quirk & Associates, a leading management consultant to investment management firms worldwide, conducted the analysis in partnership with McLagan, the leading provider of compensation consulting services and pay and performance data for the investment management industry. They surveyed privately held, publicly traded and wholly or partly owned firms with assets under management ranging from below US\$50 billion to over US\$1 trillion in assets.

"The retail channel is driving growth in the global investment management industry," said Jeffrey Levi, partner at Casey Quirk. "Recent revenue gains by institutional managers in the retail market offer compelling evidence that strategies favored by institutions – including non-traditional fixed income, emerging markets debt and equity, alternatives, and multi-asset class solutions – increasingly are making their way into the portfolios of retail investors."

As they seek to offer institutional strategies to their clients, retail fund sponsors without those capabilities are hiring institutional subadvisors to manage the portfolios, and pursuing acquisitions to gain skills they lack, Levi said.

Overall, the global investment management industry reached new highs last year for revenue, US\$302 billion, and professionally managed assets under management (AUM), US\$58 trillion, according to the benchmarking analysis. Operating margins have returned to their pre-financial crisis peak, a median 35%, according to the analysis.

AUM growth was 13.4%, driven by strong capital markets and seven-year high net inflows of 3.2%. However, the growth projections through 2018 in the benchmarking analysis are forecast to be more modest: 1.6% net inflows and 5.6% capital appreciation annualized.

“Slower growth ahead and the shift to more unconstrained and multi-asset class strategies among institutional and individual investors will test investment firms as they seek to identify and retain the technical talent needed to succeed in this new environment,” said Adam Barnett, head of the asset management practice at McLagan.

“Even as North America and Europe continue as centers of the global investment management business, our survey respondents indicate that Asia Pacific will be the region with the largest organic growth rate over the next five years,” said Fred Bleakley, director of the U.S. and European Institutes.

About U.S. and European Institutes

The U.S. Institute, founded in 2000, is an exclusive membership organization that brings together senior officials from the leading investment management firms in the United States. The U.S. Institute provides this innovative group with a unique platform to meet with peers, share ideas and stay ahead of their competition. The European Institute, formed in 1988, is an exclusive private membership that brings together senior representatives from the investment management divisions of banks, insurance companies, and leading independent firms in Europe. For more information on the U.S. and European Institutes please visit www.iimemberships.com.

About McLagan

McLagan helps financial services companies make better decisions by applying market pay and performance information to their business problems. Clients include virtually every leading global financial services firm, including investment, commercial and retail banks, securities firms, investment management organizations, hedge funds, and insurance companies. For more information please visit www.mclagan.com.

About Casey, Quirk & Associates LLC

Casey Quirk is a management consultant that focuses solely on advising investment management firms. Casey Quirk’s work with senior leadership teams includes broad business strategy reviews, investment positioning and strategy, market opportunity evaluations, organizational design, ownership and incentive structuring, and transaction due diligence. In the past five years, Casey Quirk has advised a majority of the 50 largest investment management organizations worldwide. For more information please visit www.caseyquirk.com.

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