

FUND SELECTION UNITS – 2020 UPDATE

Anatomy of a €270bn market opportunity for third-party asset managers

December 2020

Objectives and methodology of the research

Background and objectives of the research

This research report focuses on the third-party fund selection and asset management activities of the leading Fund Selection Units (“FSUs”) affiliated to leading fund distribution groups operating in France.

These FSUs share the following characteristics:

- They are all backed by large financial distribution groups (banks, insurance companies, private banks and financial planning networks) with a significant business base in (yet, not limited to) France;
- They operate on a multi-business line basis, including managing assets (through funds of funds and/or other formats) and providing advisory services to affiliated entities or external clients (e.g. third-party fund buy-lists, operational due diligence and fund validation);
- All of them manage and/or advise in excess of €1bn of third-party assets.

The objectives of the research are to provide third-party asset managers with:

- A quantitative analysis of the accessible (“competitive”) pool of assets with FSUs;
- An in-depth understanding of the trends in this key market segment for fund distribution;
- An analysis of key success factors;
- The review of their relative competitive position with FSUs.

The research was conducted over Q2 and Q3 of 2020 using the proven INDEFI methodology that relies both on quantitative and qualitative inputs obtained from key investment and fund selection decision-makers at FSUs.

Scope of analysis

The report focuses on the following third-party asset management products and services:

- Open funds (UCITS), including exchange-traded funds (ETFs) and liquid alternative (so-called Newcits) funds;
- Mandates and other forms of segregated products, the management of which is delegated to third-party providers (incl. tailor-made dedicated funds and sub-advised funds of mandates).

In geographical terms, the research primarily focuses on FSUs as “French” and “European” clients to third-party asset managers. Therefore, all third-party assets intermediated by FSUs from their European bases (Paris, London, Geneva, Milan,...) are included in the scope of the analysis, independently of the end-client location.

Objectives and methodology of the research (cont'd)

Asset classification rules

Third-party assets intermediated by FSUs are classified as assets under management (AuM) or assets under advisory (AuA).

AuM correspond to asset management services remunerated “in basis points”. They include the management of funds of funds, sub-advisory mandates and managed solution services (including discretionary portfolio management and the provision of model portfolios) performed on behalf of affiliated or third-party clients.

AuA typically correspond to services remunerated in fixed fees (fund rebates going to the distributor and not the FSU). They include the provision of fund buy-lists, asset manager and fund due diligence, etc.

Note: a growing number of FSUs / FSU teams in our panel are “pure” selection centres (i.e. absence of asset management capabilities). All assets intermediated should therefore theoretically qualify as AuA. They are however directly reported as AuM when the asset management service is performed within the same entity (asset manager) as the FSU. When it is performed by an independent entity (e.g. private bank, third-party client), assets are reported as AuA.

Open architecture computation rules

Open architecture is defined as the share of third-party assets intermediated (i.e. managed and/or advised) by FSUs.

Open architecture rates compute the amount of third-party assets divided by the total amount of assets managed / advised by a given FSU in the various product lines reviewed (funds of funds, sub-advisory mandates and managed solutions).

In order to avoid the double-counting of third-party assets, open architecture assets are computed only once, at the “closest” point of contact between the third-party asset manager and the FSU.

Example: when a discretionary portfolio manager invests in a fund of mandate delegated by the FSU, open architecture assets are only computed once at the sub-advisory mandate level.

We use the most “restrictive” definition of open architecture. When the analysed financial distribution groups own several asset management subsidiaries or operate a multi-affiliate asset management model, all group-affiliated asset managers are systematically reclassified as “in-house” for the purposes of quantifying open architecture at FSU level.

Qualification of the opportunity for third-party asset managers

For third-party asset managers, the distribution market opportunity is usually broken down into two segments:

- “Fund buyers”: professional investors (e.g. fund of funds or discretionary portfolio managers) making the choice of third-party products or managers (within the scope of a buy-list);
- “Fund sellers”: client / portfolio advisors promoting third-party products or managers to their own clients (within the scope of a buy-list or not) but not in control of the ultimate investment decision.

In this report, FSU-intermediated AuM are systematically categorised as a fund buying opportunity for third-party asset managers.

AuA numbers reported at the level of FSU intermediation are further split between:

- The “fund buyer” segment, when the assets are intermediated on behalf of a fund of funds manager, discretionary portfolio manager, institutional or corporate client; and
- The “fund seller” category, when the assets are distributed by the FSU client to end retail investors (e.g. private or retail bank, insurance company for unit-linked products, online platform).

Our 2020 panel includes FSUs affiliated to 20 leading integrated financial groups intermediating in excess of €340bn in assets as of Q3 2020

The 2020 INDEFI panel

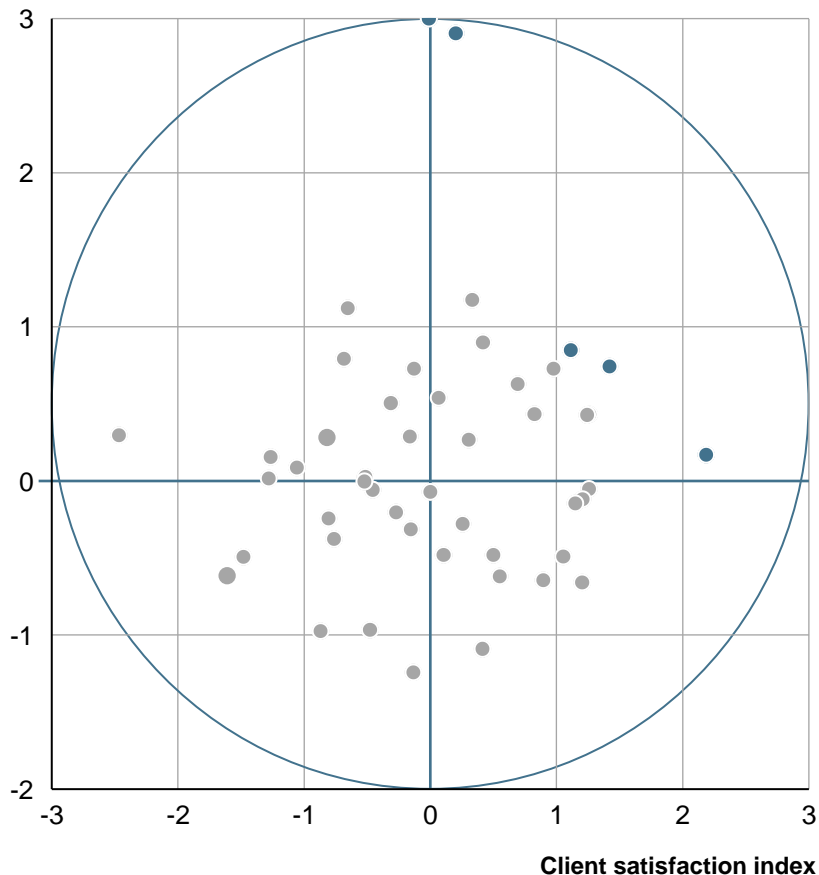
Fund selection unit	Ultimate majority shareholder
ABN AMRO Investment Solutions	ABN AMRO
Amundi AM	Crédit Agricole
Architas	Axa
EDRAM	Edmond de Rothschild
FundQuest Advisors	BNP Paribas
Lyxor AM	Société Générale
CA Indosuez Gestion	CA Indosuez / Crédit Agricole
Federal Finance	Crédit Mutuel Arkéa
Groupama AM	Groupama
LBP AM	La Banque Postale
Myria AM	UFF / Aviva
Rothschild & Co AM	Rothschild & Co
Vega IM	BPCE
AG2R La Mondiale Gestion d'Actifs	AG2R La Mondiale
Allianz GI	Allianz
Covéa Finance	Covéa
Generali Investments	Generali
La Française AM	Crédit Mutuel Nord Europe
Oddo BHF AM	Oddo BHF
OFI AM	MACIF

(*) Global Financial Institutions / Regional Financial Institutions.

The 2020 INDEFI FSU Radar

The INDEFI radar gives a synthetic view of the state of the relative relationship of asset managers in the FSU segment.

Sales effectiveness index



The INDEFI FSU Radar maps third-party asset managers' competitive position in a synthetic way, combining actual commercial positions and qualitative evaluations of commercial relationships.

53 asset managers

Aberdeen Standard Investments	Invesco
AllianceBernstein	Janus Henderson Investors
Allianz GI	JP Morgan AM
Amundi AM	La Banque Postale AM
Arkea IS (incl. Federal Finance and Schelcher Prince Gestion)	La Française AM
Aviva Investors	Lazard Frères Gestion
Axa IM	Lombard Odier IM
Bank of NY Mellon	Lyxor AM
BFT IM	M&G Investments
BlackRock (incl. iShares)	Muzinich & Co
BNPP AM	Natixis IM
Candriam IG	Neuberger Berman
Carmignac	NN IP
Columbia Threadneedle	Oddo BHF AM
Comgest	OFI AM
CPR AM	Pictet AM
Crédit Mutuel IM	PIMCO
Degroof Petercam AM	Robeco
DWS	Rothschild & Co AM
EDRAM	Russell Investments
Ellipsis AM	Schroders
Exane AM	State Street GA
Fidelity International	T. Rowe Price
Franklin Templeton (incl. Legg Mason)	UBS AM
Generali Investments	Vanguard
Groupama AM	Vontobel AM
HSBC Global AM	

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For any further information, feel free to contact:



Richard BRUYERE
Managing Partner

richard.bruyere@indefi.com
+33 6 1802 4864



Agnès LOSSI
Partner

agnes.lossi@indefi.com
+33 6 86 90 72 01



Clémence DROIN
Senior Project Manager

clemence.droin@indefi.com
+33 6 26 03 90 79

INDEFI

30, rue La Boétie

75008 Paris

France

www.indefi.com

