



## Winter 4 Series



# The Asset Manager Relationship

Needs & priorities in investors' relationships with asset managers

# Contents

---

3

Five key takeaways

4

Background and methodology

5

CoreData

# FIVE KEY TAKEAWAYS

1

Cyber-security and data protection is gaining importance among institutional investors. They are classing a cyber security or data breach to be as significant as an increase in fees and a greater cause of alarm than a fund manager change, when considering whether to review a mandate.

2

Cyber security concerns are more pronounced among smaller organizations with under \$250m in AuM (68%) and those who have between \$750m but under \$3bn (66%). Increasing fees also cause greater alarm among smaller groups (64%) while a change in fund manager is considered more significant by the larger institutions (63%).

3

Institutional investors review managers either on a quarterly (40%) or an annual (30%) basis. They have a considerable number of managers to monitor as more than a quarter of all investors globally give money to more than 20 managers, with 21% having between 11 and 20 and 28% between 6 and 10.

4

The data indicates these legacy relationships do have an impact on how long investors retain managers. In fact, the majority of the relationships underpinning the majority of large mandates have been in place for five years or more (36% 5-10 years; 30% over 10 years).

5

An existing relationship means new mandates can be awarded within a month (41%). Having no existing relationship understandably has an impact on this process and 45% say it takes up to three months. However, it does take longer for almost four in 10 (38%).



## BACKGROUND & METHODOLOGY

Institutional investors are tasked with managing some of the largest sums of money in the world. They hold the future of their beneficiaries in their hands and therefore they need all the tools and support available in their efforts at making the right investment decisions.

Our research finds that globally, institutional investors outsource the management of around 60% of their assets to third party asset managers. Therefore, the relationship between asset managers and institutional investors is a vital building block of the world's wealth, both current and future.

This report aims to dissect how institutional investors interact with asset managers, what they expect out of them and how the managers fit into the institutions' bigger picture. It also examines the investors' tolerance for underperformance and crucially, the factors which would trigger a mandate review.

The findings in this report are based on data collected in November 2019 from 117 institutional investors globally, who oversee about £250bn in assets under management.

A Dutch investment consulting firm recently published an article discussing the notion of 'RuM' – that is relationships under management. The consultancy stresses the importance of managing relationships with outsourced asset managers to ensure high levels of operational due diligence.

Many institutions have limits on the amount of money they can assign a single asset manager. For example, the Government Pension Fund Global – The Norwegian sovereign wealth fund, cannot invest more than 0.5% of its portfolio's net asset value in a single external manager.

This means institutional investors need to manage relationships with many managers at the same time. This is where protocols and processes come into play to ensure accountability. However, outside of the formal processes, the internal investment professionals are constantly reviewing and monitoring their investments to make sure the managers are not falling foul of expectations.

An additional dimension investors need to consider is that they need to justify their decisions to their superiors, sponsors or trustees, which adds another layer of pressure.

# CoreData

## About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Colombia, Sweden, Malta, Singapore, South Africa and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



## Headquarters

---

### AUSTRALIA

CoreData Pty Limited  
Suite 7, Level 9, 66 Hunter St  
Sydney, NSW, 2000  
T: +61 2 9376 9600  
E: [coredata@coredata.com.au](mailto:coredata@coredata.com.au)

### UK

CoreData Research Ltd  
6 Foster Lane, London ECV 6HH  
United Kingdom  
T: +44 (0)207 600 5555  
E: [info\\_uk@coredataresearch.com](mailto:info_uk@coredataresearch.com)

### US

CoreData Research LLC  
15 Court Square, #450  
Boston, 02108  
T: +1 (857) 239 8398  
E: [info\\_us@coredataresearch.com](mailto:info_us@coredataresearch.com)

### PHILIPPINES

CoreData Research Services Inc.  
Unit E-1608 Philippine Stock Exchange Centre,  
Exchange Rd, Ortigas, Pasig City, 1605  
T: +63 2 667 3996  
E: [info\\_ph@coredataresearch.com](mailto:info_ph@coredataresearch.com)