MAGELLAN ADVISORY PARTNERS

Multi-Asset Newsletter Q3 2019

Consolidation of Players

Our industry sources feel the multi-asset industry is approaching a crucial juncture where only the best and strongest multi-asset businesses will survive. General consensus suggests there will only be room for a handful of larger players to survive and prosper, and these will need to offer a comprehensive range of solutions across multi-asset, from systematic/quant through to multi-alternatives solutions.

Our hiring data reinforces the view that major players are attempting to consolidate their market positions by making senior hires from other well-known competitors. For example, in 2019 James Eliot joined Investec from JP Morgan Asset Management, Aymeric Forest joined Aberdeen Standard from Schroders, Hartwig Kos joined DWS from Syz (Oyster Funds), and Merrick Styles joined Schroders from Barings.

Compensation – Best vs the Rest

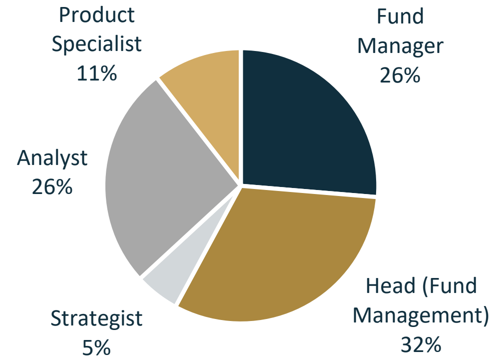
Well regarded multi-asset fund managers are becoming increasingly sought after, which explains the increasing premium for acquiring such talent. Senior fund managers at leading multi-asset houses have seen an increase in both total compensation and the size of their deferred compensation pots as firms try to retain key staff.

The opposite trend is true of portfolio managers managing multi-asset strategies at lesser known or respected houses. In these firms, we have seen compensation levels stagnate with team heads struggling to get replacement hiring budgets approved when they suffer turnover on their teams.

Overweight on Seniority

Team heads and fund managers comprise 58% of all hires year-to-date. The gravitas of these hires aids traction with both the institutional and retail markets, so the desire for a "name", following, or buy rating can be high up a client's requirement list. This trend has led to an increase of average years' experience in teams across the multi-asset peer group.

Conversely, 2019 has seen a lack of hiring in the research and client portfolio management functions. We anticipate hiring for these roles will materialise once new team heads have settled in and set out their respective business strategies.

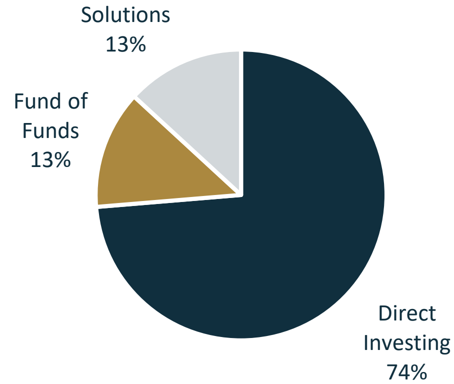


Solutions the Solution?

Customised solutions continue to be a big driver in the growth of multi-asset as an autonomous asset class.

Year-to-date, 13% of hires have been solutions-focused roles combining many of the fund management responsibilities with client-facing and portfolio construction duties.

Not only has this been important for growing assets in the UK DB fiduciary market, but also further afield with Asian pension schemes.

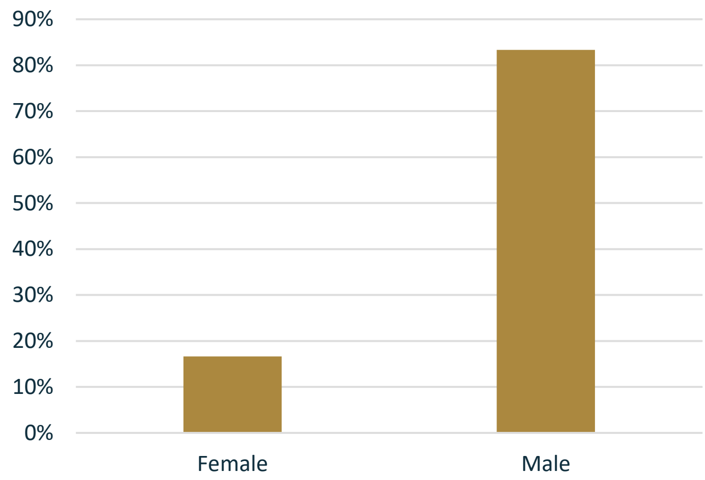


Gender Diversity

Gender diversity continues to be a primary concern for the asset management sector and multi-asset is no exception.

Only 17% of hires this year have been female candidates, versus a peer group average of 21% female staff on incumbent teams.

Clients continue to press search firms for female representation on short lists and will often fast track high-quality female candidates to improve their team's gender diversity.

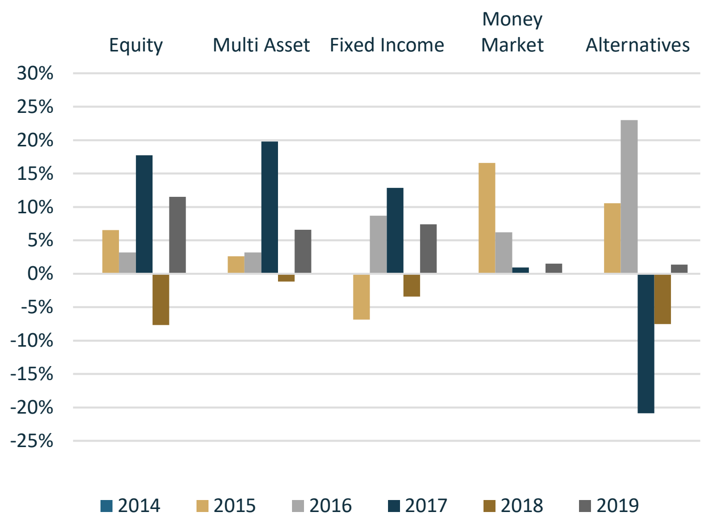


Asset Flows

Asset flows into multi-asset strategies have risen 6.6% this year, compared to outflows of 1.1% on the previous year. Demand for multi-asset continues to rise in places like Germany, the Nordics, and Switzerland, where historically there was less traction.

Outside of Europe, demand continues from Asian and US clients with niche strategies performing well in certain geographies. For example, emerging market multi-asset strategies are currently seeing strong interest in the Far East.

Many firms are looking to develop their multi-alternatives offerings, with leading players focusing on systematic/factor-based solutions alongside a suite of absolute/total return strategies.



Source: EFAMA