



cutting through complexity

FINANCIAL SERVICES

# KPMG's Global Investment Management Practice

[kpmg.com/investmentmanagement](http://kpmg.com/investmentmanagement)

KPMG INTERNATIONAL



# Helping you grow

**The investment management industry is a vibrant market place where participants scour the globe for sources of wealth and attractive opportunities in traditional and alternative investments.**

Our member firms' combine their depth of local knowledge with our global network's cross-border experience to deliver practical, effective and insightful advice that cuts through the complexity of global investment management. Our network of professionals in Audit, Tax and Advisory are specialists in their fields and have deep experience in the issues and needs of investment management businesses.

KPMG's Global Investment Management practice of over 10,000<sup>1</sup> professionals offer specialized services to a wide range of industry clients at regional, national and global levels. With detailed knowledge of relevant country-specific regulatory and economic considerations, KPMG professionals deeply understand the business of investment managers and provide advice and added value to all

clients. Member firms' professionals have experience in a wide range of asset classes, ranging from equities and fixed income to real assets such as infrastructure and real estate and private equity investments. Quite simply, it's what we do every day.

## Our member firms' clients

**Investment managers serving the retail and or the institutional investor markets and specializing in both traditional and alternative investment products**

**Wealth managers serving private clients, high net worth investors and ultra high net worth investors**

**Family Offices**

**All kinds of fund investment vehicles:**

- **Mutual funds**
- **Hedge funds**
- **Real Estate funds**
- **Infrastructure funds**
- **Private Equity funds**

**Fund administrators**

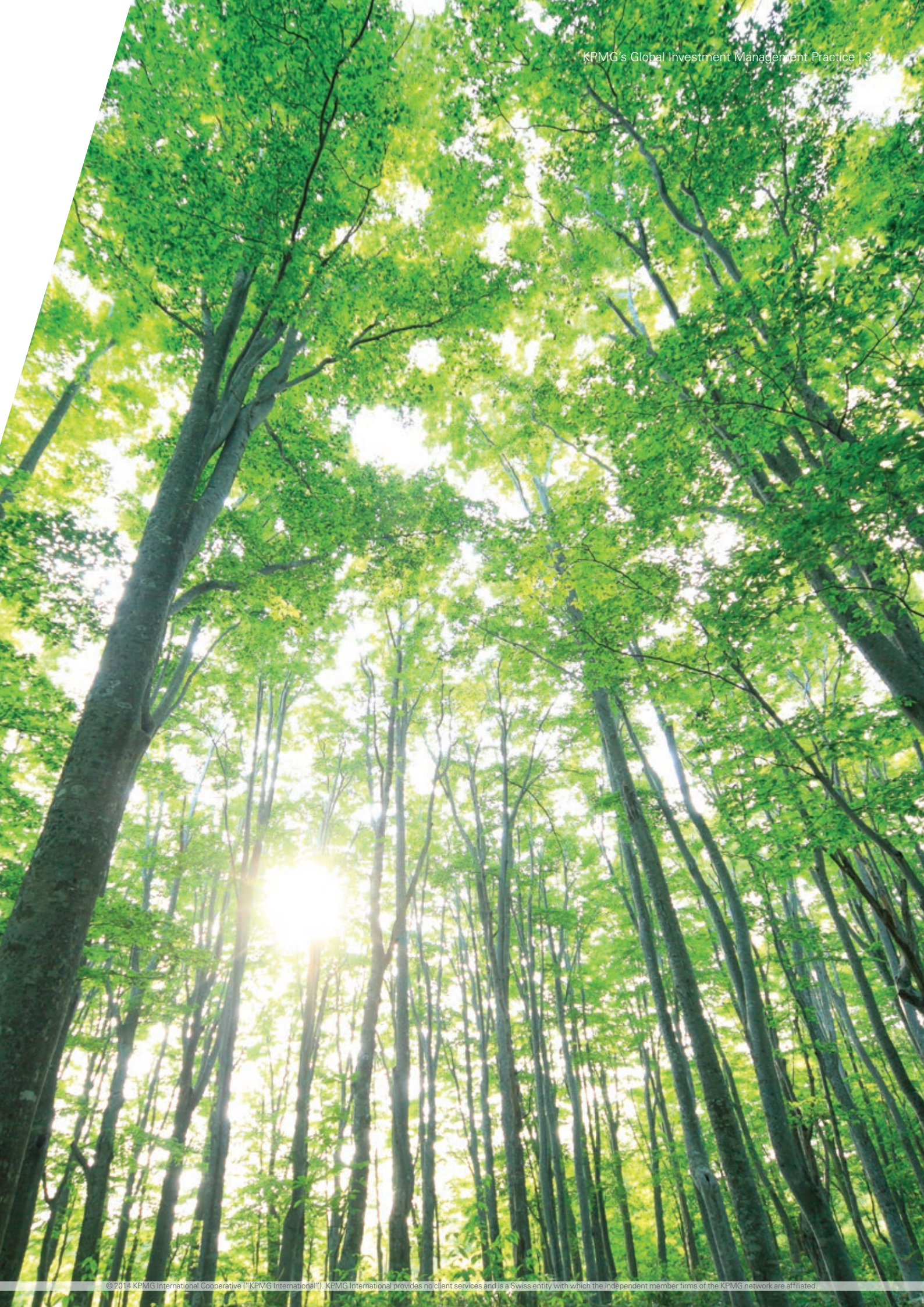
**Fund distribution platforms**

**Institutional investors:**

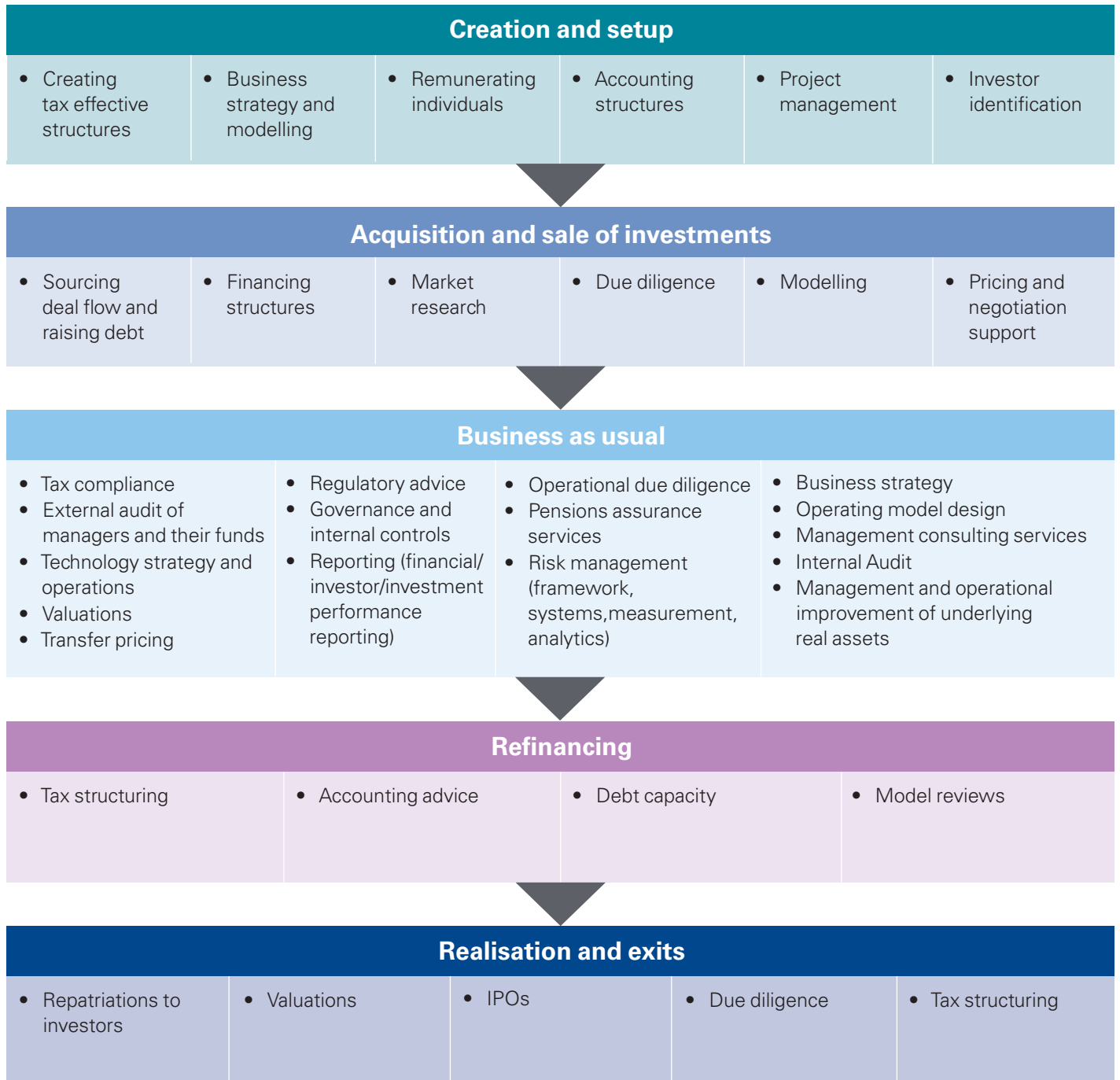
- **Pension/Superannuation funds**
- **Endowments**
- **Sovereign Wealth funds**

**We aim to provide you with a tailored service of the highest standard. KPMG member firms are focused on our objectives of building trusted relationships and delivering quality output through exceptional project teams that can support you from anywhere in the world, whatever your investment activity.**

<sup>1</sup> as of 31 December 2013



# KPMG's Global Investment Management services for managers and their funds



**Our firms' experienced international teams have a solid understanding of the investment management industry and a well established record of delivering results for investment management clients. This means our global network of professionals can advise you on your operational and strategic business challenges and opportunities, whether you operate in the traditional or the alternative investment management space.**



# Industry opportunities and challenges

The latest statistics on global assets under management (AUM) confirm the steady recovery of the investment management industry since the 2008 financial crisis. Although AUM and net new inflow figures are encouraging, most investment managers are having their margins squeezed by pressure on both fees and costs: the former driven down mainly by competition and the latter driven up by regulatory change, particularly in the US and Europe.

Margin compression and the question of how to secure growth are items that remain high on the agenda of global investment managers. This combination has led many firms to run strategic transformation programs. These programs seek not only to achieve operational efficiencies and cost savings, but most importantly, to transform the business and operating models to be as responsive as possible to investors' evolving needs, thereby ensuring customer loyalty. Transformation is not about short term fixes, it's about making the business sustainable over the long-term.

The industry mindset has switched from CEOs and Boards focusing on survival in the short term, to looking at how to grow, and make their businesses sustainable, over the next 10 to 20 years. In this new debate the key question is how megatrends such as demographics, technology and the environment will impact business in the future.

## **Sovereign Risk**

As many of the world economies continue to struggle against the long-term impacts of the recession, the investment management industry is closely watching a number of key economies where the potential for sovereign debt default and country risk rating downgrade could impact global financial markets. As a result, governments, trade associations and top industry players are increasingly working together to understand the

possible consequences and develop a strategic approach to mitigate further crisis. KPMG is actively examining improvements to the risk analysis landscape and is focusing on interconnectivity and the impact of seemingly benign factors as a cornerstone of improvements to its risk modeling framework.

## **The global reform agenda**

Following the global financial crisis many regulators are introducing an unprecedented amount of new and far reaching regulation. The new rules create a number of complexities for investment managers, ranging from changes to data and systems to distribution, communications and reporting. Some of the most prominent examples of far reaching new rules which transcend national borders include the US Foreign Account Tax Compliance Act (FATCA) and the European Alternative Investment Fund Managers Directive (AIFMD)

## **Divestments, acquisitions and business strategy**

In response to regulatory pressures and with an aim to refocus on their core business, many banking and insurance groups are continuing to divest from non-core subsidiaries, including investment management arms. This has generated an appetite for acquisitions on the part of opportunistic investment managers seeking further expansion both locally and/or internationally.

## **Optimizing the business and operational model**

With so many changes in the financial landscape, many CEOs have been asking themselves whether they have the optimal business and operating models to achieve their strategic and financial goals. Indeed, some CEOs and their executive teams have taken a step back to re-examine the financial goals defined for the business, the strategy employed to achieve them and the models in place to deliver that strategy.

One area that has rapidly risen to the top of the boardroom agenda is optimization of the cost base. In this environment, cost management is one of the few controllable profit drivers and often includes product rationalization, redesign of the sourcing model and improvements to existing tax structures.

## **Governance and risk**

Most investment managers know that – when understood and properly managed – risk can create business opportunities and deliver real value to their business. As a result, we are increasingly seeing senior management become highly engaged in understanding and challenging management information – particularly investment risk reporting – in order to make more informed business and strategic decisions.



Investors have also become more inquisitive about corporate governance and risk management procedures conducting extensive due diligence over managers' operations before they commit to any investments. This has become particularly important in the hedge fund space where, managers are going through an 'institutionalization' transformation process.

#### **Big data and analytics**

With the advance of technology and a growing universe of data, big data is being transformed into tangible value for astute investment managers. This includes gathering, analyzing and interpreting data to make better business decisions across all areas of the business. Among the great

advantages of big data is the ability to create a market segment of one. Extreme tailoring of product sets and product strategy based on individual customer behavior gleaned from social media and mobile footprint is but one example. Big data is also useful to get the most out of one's sales force by tailoring incentives, optimizing results and identifying new opportunities. Applied correctly, the analysis of big data can assist with a range of predictive capabilities including predicting tax and regulatory impact when entering new markets. At the same time cyber security remains a challenge placing data privacy and protection high on the agenda.

#### **Data architecture, quality and governance**

With all of the new requirements and reporting needs (business management, regulator, and customer reporting demands), data architecture, 'good' or 'golden' data and strong data governance are critical and most of the industry still falls short. This is relevant to all market segments – from large private equity houses to the independent asset managers and the investment management arms of the financial services conglomerates.



# Our involvement and commitment to the industry

**KPMG member firms actively participate in a number of industry events and various industry bodies, associations and regulatory bodies. Some examples of these include:**

<b>Globally</b>	<ul style="list-style-type: none"> <li>• active members of Alternative Investment Management Association (AIMA), Hedge Fund Association (HFA) and Managed Funds Association (MFA)</li> <li>• lead sponsors of Fund Forum International since 1994</li> </ul>
<b>Americas</b>	<ul style="list-style-type: none"> <li>• active members of AICPA Experts Panel for Investment Companies and Connecticut Hedge Funds Association</li> <li>• in Canada, active members of Canadian Securities Lending Association, GAIM Fund of Funds, Investment Funds Institute of Canada, Investment Industry Regulatory Organization of Canada, Mutual Fund Directors Forum, World Alternative Investment Summit Canada (WAISC), Canadian Private Equity &amp; Venture Capital Association (CVCA), Association for Corporate Growth (ACG), Women in Capital Markets (WCM), Commercial Real Estate Development Association (NAIOP), Real Property Association of Canada (REALPac), The Urban Land Institute, Commercial Real Estate Women (CREW), The Real Estate Forum, GTA Building Industry and Land Development Association (BILD), National Association of Real Estate Investment Trusts (NAREIT) and Real Estate Investment Trust Conference (RealREIT)</li> <li>• in the US, active members of AICPA Commodities Task Force, Investment Company Institute, National Council of Real Estate Investment Fiduciaries, National Investment Company Services Association, Securities Industry Association, Securities Industry and Financial Markets Association, Wall Street Tax Association, Private Equity CFO Association Advisory Board (PECFOA Advisory Board), Private Equity Growth Capital Council (PEGCC), American Hotel and Lodging Association, Association of Foreign Investors in Real Estate (AFIRE), National Association of Real Estate Investment Trusts (NAREIT), National Council of Real Estate Investment Fiduciaries (NCREIF), Pension Real Estate Association (PREA) and Real Estate Roundtable and Urban Land Institute (ULI)</li> <li>• sponsors of Dow Jones PE Analyst Conference, Latin Markets Private Equity Brazil Conference, Latin American Private Equity and Venture Capital Association (LAVCA), Merrill Lynch CFO Summit, Mid Atlantic Women in PE Conference, Women in Alternative Investments Summit, 100 Women in Hedge Funds, Hedge Fund Conferences, Information Management Network (IMN) Annual Winter Forum on Real Estate Opportunity &amp; Private Fund Investing, CREW Network Convention &amp; Marketplace, SNL REIT Board of Directors Summit, REITWise: NAREIT's Law, Accounting and Finance Conference, NAREIT SFO Workshop, Urban Land Institute Fall Meeting, Urban Land Institute Fall Meeting, NYU International Hospitality Industry Investment Conference and the NYU International Hospitality Industry Investment Conference</li> </ul>
<b>Asia Pacific</b>	<ul style="list-style-type: none"> <li>• in Australia, active members of Australia Association of Superannuation Funds (ASFA), Financial Services council (FSC), Australian Institute of Superannuation Trustees (AIST), Fund Executives Association Ltd (FEAL), Financial Services Institute (FINSIA), Australian Centre for Financial Studies (ACFS), Centre International Finance and Regulation (CIFR), Hedge Fund Association (HFA), Australian Venture Capital and Private Equity Association (AVCAL)</li> <li>• in Hong Kong, active members of the Hong Kong Venture Capital and Private Equity Association (HKVCA), Hong Kong Securities Institute (HKSI), Hong Kong Trustee Association (HKTA), Asian association for Investors in Non-listed Real Estate Vehicles (ANREV) and the Asia Pacific Real Estate Association (APREA) and sponsors of the Hong Kong Investment Funds Association Conference (HKIFA), Asia Venture Capital Journal Conference (AVCJ), Private Equity and Real Estate Conference (PERE) and the PEI Asia Forums</li> <li>• in China, active members of Asset Management Association of China (AMAC), China Association of Private Equity (CAPE), Shanghai Private Equity Associations, Beijing Private Equity Associations and industry policy committee of the China Private Equity. Venture Capital Association and work actively with municipal Asset Management Associations of Shanghai, Beijing, and Shenzhen, in arranging seminars and forums</li> <li>• in India, represented on Confederation of Indian Industries National Committee of Mutual Funds in India</li> <li>• in Singapore, active members of Investment Management Association of Singapore (IMAS), Singapore Venture Capital Association (SVCA) and Singapore Fund Administrators Association (SFAA)</li> </ul>



## Europe, Middle East & Africa and Offshore Locations

- active members of European Fund and Asset Management Association (EFAMA) and European Sustainable Investment Forum (EUROSIF) and sit on the accounting, tax and reporting committee of European Public Real Estate Association (EPRA) and the reporting and tax committee of European Association for Investors in Non-listed Real Estate Vehicles (INREV).
- in Bermuda, active members of the Bermuda Business Development Association's Asset Management Committee, Bermuda CFA Institute, Council of Institute of Chartered Professional Accountants of Bermuda and its committees and hold leadership positions in the industry committees addressing AIFMD and FATCA
- in the Cayman Islands, active members and board participants of Cayman Islands Society of Professional Accountants (CISPA), Cayman Islands Financial Services Association (CIFSA) and CFA Institute
- an associate member of German Investment and Asset Management Association (BVI)
- in Ireland, active members of Irish Fund Industry Association (IFIA), Financial Services Industry Association (FSIA) and the Green International Financial Services Centre (GIFSC)
- in Italy, an associate member of AIFI (Italian Private Equity and Venture Capital Association) and sit in the M&A commission.
- active members in Jersey and Guernsey Fund Associations and Jersey and Guernsey Societies of Chartered and Certified Accountants
- in Luxembourg, active members and on the board of Association of the Luxembourg Fund Industry (ALFI), Luxembourg Association for Risk Management (ALRiM), Luxembourg Institute of Directors (ILA) and a number of industry working groups at the CSSF
- in Malta, active members of Malta Fund Industry Association (MFIA), Institute of Financial Services Practitioners (IFSP) and Finance Malta
- in Netherlands, chair the committee of the Dutch Accounting Board for Investment Funds, active participant in the Dutch Fund Association and active member of INREV
- in Spain, active member of the Spanish Association for the Presentation of Management Results (Asociación Española de Presentación de Resultados de Gestión); Spanish Country Sponsor of the GIPS Standards and Inverco (Spain Investment Management Association)
- in Switzerland, on the board of the Commission of the CISA within the Swiss Institute of Certified Accountants and Tax Consultants and active members of SFAMA Swiss Funds & Asset Management Association and the Liechtenstein Investment Fund Association.
- in the UK, active participant in Association of Investment Companies (AIC), proactive with Financial Conduct Authority (FCA), Investment Management Association (IMA), sit on tax and finance committee of British Property Federation (BPF), leadership committee of Property Finance Forum (PFF) and investor and tax committee of Association of Real Estate Funds (AREF) and members of the Investment Property Forum
- lead sponsors RE-Invest Summit at MIPIM Europe (Real Estate)

Hedge Fund Service  
Awards 2011, 2012, 2013, 2014



MENA Fund Managers Fund  
Service Award 2014



Operational Risk &  
Regulation award



# Industry perspectives and insights around the world



**Frontiers in Finance**  
Published semi annually and available online, this is KPMG's financial services flagship publication which brings together the insights of our firms professionals around the world to provide informed perspectives on the critical issues facing financial services organizations.  
[kpmg.com/frontiersinfinance](http://kpmg.com/frontiersinfinance)



**The Cost of Compliance: 2013 KPMG/AIMA/MFA Global Hedge Fund Survey**  
The hedge fund industry continues to grapple with an environment of change and uncertainty. This report explores the challenges and opportunities hedge fund managers are facing on regulatory compliance and shines a light on some of the solutions being undertaken in the market. This report incorporates the views of 200 hedge fund managers representing approximately USD910 billion of assets under management (AUM).



**Investing in the Future**  
At KPMG, we believe the investment management industry opportunities. In this report, we discuss the implications the investment managers should consider addressing in response to the global megatrends that will be affecting the sector.  
[kpmg.com/investinginthefuture](http://kpmg.com/investinginthefuture)



**AIFMD Transposition Status**  
This report provides an overview by country of the impact of the Alternative Investment Fund Manager Directive (AIFMD) fund managers in the European Union.



**Evolving Investment Management Regulation**  
This annual report brings together key regulatory issues affecting asset managers and investors in the Americas, Asia-Pacific, Europe and the Middle East. Investment Managers are provided with insight into key trends and the impacts on the investment management industry.  
[kpmg.com/regulatorychallenges](http://kpmg.com/regulatorychallenges)



**Industry Insights: Key trends facing the investment management industry**  
This is an overview of the key areas influencing the investment management industry. These include geopolitical instability, regulatory change, changes to distribution models, due diligence and transparency and impact on new potential marketing players.



**Evolving Distribution Models in Asset Management**  
In this report, we look at the forces that are leading to a reshaping of distribution functions and how different elements of the model are changing. To supplement and challenge our own thinking, we interview CEOs and Heads of Distribution from a range of leading asset managers with US, European and Global footprints to gather their thoughts and perspectives.

Please visit our website for more  
[kpmg.com/investmentmanagement](http://kpmg.com/investmentmanagement)



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