

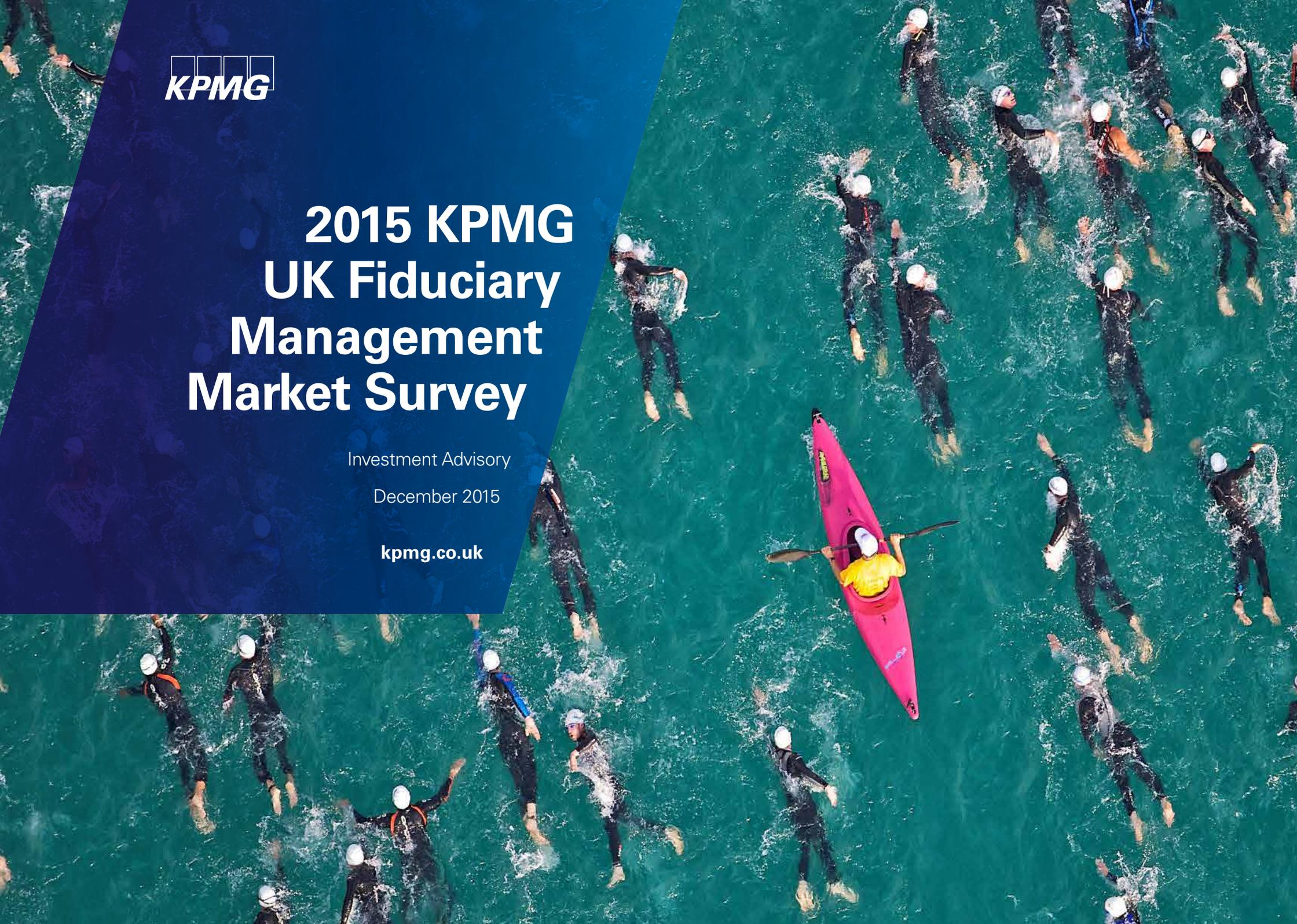


2015 KPMG UK Fiduciary Management Market Survey

Investment Advisory

December 2015

kpmg.co.uk



My perspective on the FM market over the year is primarily one of steady development and progression. But two things stand out:

The first is that the size of the FM market today has grown more than the most optimistic Fiduciary Manager expected when we surveyed them in 2011 - total assets under Fiduciary Management now exceed £100 billion. To put this in perspective: Fiduciary Managers collectively now have enough money to buy every single bond issued by the Irish government.

The second is the increase over the year in the number of larger schemes awarding Fiduciary Management mandates for a portion of their assets - for example for a Private Equity allocation or a Credit allocation. This can be seen in the data: the number of partial FM mandates increased by 16% but assets under management of partial FM mandates increased by much more, reflecting the substantial girth

Background

The survey results presented are based on the responses we received from 13 of the more established fiduciary managers operating in the UK market, with data as at 30 June 2015*.

- Aon Hewitt
- BlackRock
- Cambridge Associates
- Cardano
- Charles Stanley Pan Asset
- Goldman Sachs Asset Management
- JLT
- Mercer
- Kempen Fiduciary Management (Formerly MIN UK)
- P-Solve
- Russell Investments
- SEI
- Towers Watson

Note: * Two respondents reported data as at 31 March 2015 due to corporate restrictions on 30 June 2015 data. This is not expected to materially alter the figures or conclusions in this report.

We have relied on the information provided to us by the Fiduciary Managers to be correct.

We thank each provider for their input in this exercise.

KPMG Survey highlights

2011

Expectation for **future market growth set**

When we launched the survey in 2011, we asked Fiduciary Managers for their estimates for how large the Fiduciary Management industry would be in three years time. Responses ranged from £15bn to £100bn.

The actual size of the market now lies above the higher end of these expectations.

2012

Consultancies' assets under management expanding

In 2012, implemented consultants accounted for 77% of the total FM market AUM (increasing by £9bn over the year to 30 June 2012)

2013

Smaller mandates dominating growth

In terms of the number of mandates, those under £250m accounted for 88% of the market in 2013

2014

Highlighted **lack of competition** in tender exercises

75% of new mandates were awarded without a fully competitive tender in 2014

2015

What might we see going forward?

- Increased focus in DC market
- Development of offering for small clients
- More Fiduciary Management pooled funds blurring the line between Fiduciary Managers and traditional asset managers
- Movement between providers or out of Fiduciary Management

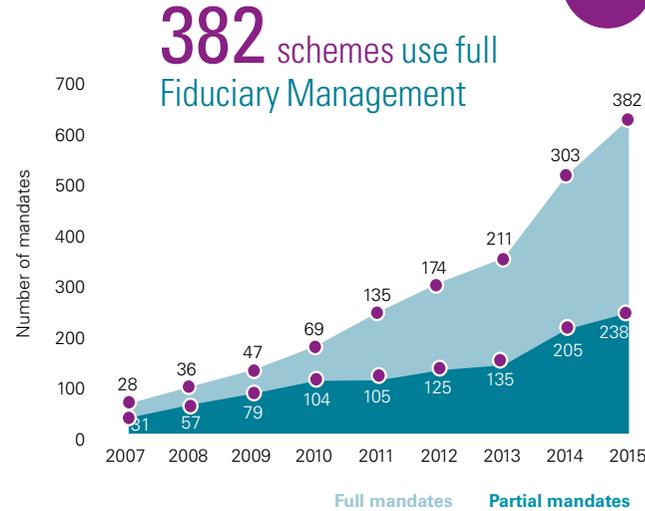
onwards

2015 KPMG Fiduciary Management Market Survey

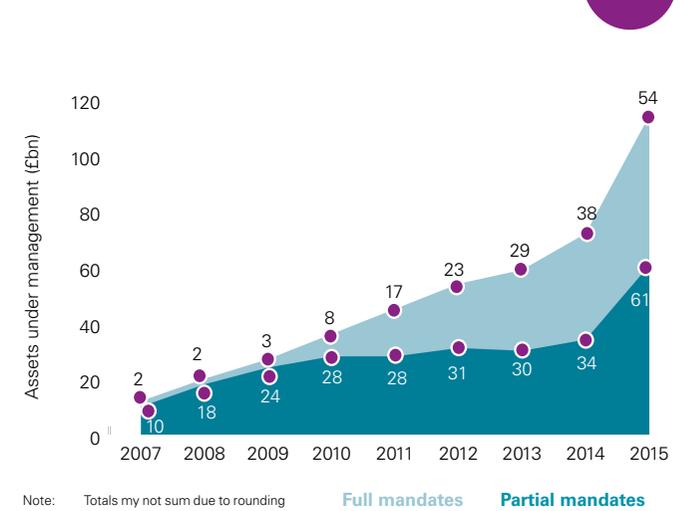
2015 Highlights

MARKET SIZE

Growth in the number of mandates



Growth in assets under management



Number of mandates by type



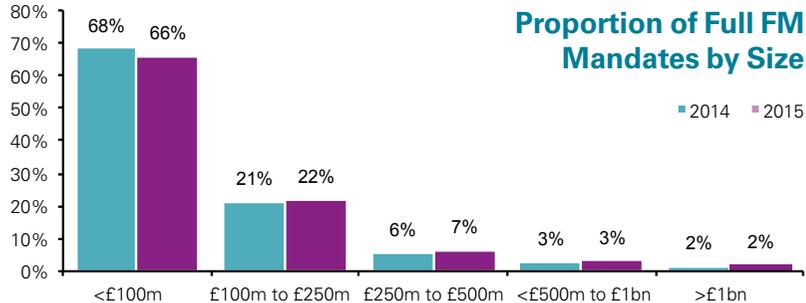
consultants

continue to provide the majority of mandates

Note: From 2014 to 2015 a number of jointly run FM mandates were reclassified as Investment Manager clients from Consultant clients, by the two companies involved.



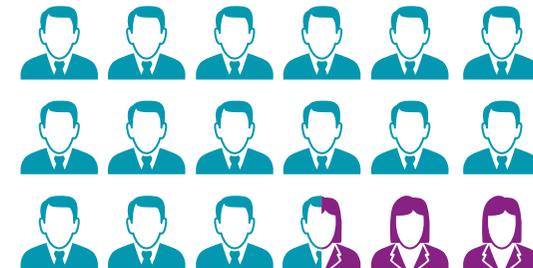
MARKET BREAKDOWN



23%

of new appointments this year were advised by an independent third party

INDEPENDENT ADVICE



13% of schemes use an independent provider to monitor their FM mandate

Source: Fiduciary providers and KPMG calculations.
Additional Notes: Unless labelled for full or partial mandates, data/comments are shown for full FM mandates only. Where data was not available for a specific question from a fiduciary manager, this manager was excluded from that part of our analysis. This is not expected to have a material impact on the figures.

Definitions

Fiduciary Management mandate definition

The management of UK based defined benefit pension scheme assets under a Fiduciary Management Agreement contract, or an Investment Management Agreement contract.

To be included, a mandate must allow the Fiduciary Manager the potential to act independently on the key investment decisions.

Mandate definitions

Full Delegation

All of the assets of the scheme are under the advice remit and management of the Fiduciary Manager.

Partial Delegation

Not all of the assets of the scheme are under the advice remit or management of the Fiduciary Manager.

Independent advice definition

A party or individual unconnected to the Fiduciary Manager who provides written advice to the Trustees.

KPMG Fiduciary Management Services – where do we fit in?

Governance Assessment

Helping Trustees decide whether or not FM is appropriate, and if so which governance structure is right for them.

Mandate & Guidelines Set-up

Setting up a mandate correctly is crucial to agree what the FM provider can and cannot do. We help Trustees design the framework for their Fiduciary Manager.

Fiduciary Manager Selection

Providing advice throughout the process, from setting criteria to assisting with selection exercises.

One-Off Reviews

Assess the manager's progress since inception, and provide insight into its capabilities.

Ongoing Monitoring & Reporting

Help Trustees get the most out of their manager by independently checking its progress against objectives, providing independent challenge where necessary.



Contact us



Anthony Webb FIA | KPMG

Head of Fiduciary Management,
Investment Advisory

KPMG LLP (UK)
15 Canada Square
London E14 5GL

Anthony.Webb@kpmg.co.uk
+44 (0)20 7311 8508
+44 (0)75 5758 7509



Faye Mullen CFA | KPMG

Consultant

KPMG LLP (UK)
1 Sovereign Square
Leeds LS1 4DA

faye.mullen@kpmg.co.uk
+44 (0)113 231 3076

www.kpmg.com/uk/investmentadvisory

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