

A woman with blonde hair and glasses, wearing a black suit over a white collared shirt, stands on a rooftop. She is holding a black briefcase. The background shows a city skyline with several skyscrapers under a clear sky. The rooftop has a wooden deck.

Total assets managed by the world's largest 500 fund managers grew by 19 per cent in 2006 to US\$63.7 trillion, according to the Pensions & Investments/ Watson Wyatt research. This rate of growth compares to a more moderate rate of 10 per cent in 2005.

Global fund management assets grow rapidly



The research also reveals that assets of the top 20 fund managers grew by 23 per cent during 2006 and now total US\$25 trillion, which represents 39 per cent of total assets.

Buoyant markets in 2006 were the biggest driver of asset gains. The larger firms were the main beneficiaries of growth, although certain boutique firms, particularly those running alternative assets, also added significant assets during the year. Another feature of the year was increasing concentration and ongoing consolidation in the industry.

According to the survey, there are now 11 European-based investment managers in the top 20, managing 56 per cent of these assets, while the remaining nine managers in the top 20 are US-based. During 2006, asset growth among these European managers was 29 per cent while US managers achieved 16 per cent. This trend is reflected in the rest of the ranking and for the second time since the inception of the survey, European managers' assets exceeded the total value of assets managed by North American-based firms, while Japanese managers' assets remained static.

While the weak US dollar has played a role in this trend, those managers that have offered liability-driven investment or diversity products, or both, have attracted assets and a proportion

of these are 'global' firms doing business in Europe. Another trend during the past five years is that the market has tended to favour 'value' over 'growth' managers. It is, however, possible that this cycle may be turning.

On a five-year view, the survey shows that the top 20 firms have been reasonably stable, with 13 asset managers still in place. This contrasts markedly with the bottom 250, where only 38 per cent of those managers present in 2001 still remain in the ranking. Furthermore, 200 of the original 500 managers have dropped out of the ranking since 2001.

As globalisation forces asset management firms to innovate and reinvent themselves and their offerings, there will be the inevitable churn; so far larger firms, with arguably 'stickier' clients and more product diversity, would seem to have been less prone to big changes in fortune.

While there have been some ranking changes in the top 20 during the past five years, UBS has retained the top position throughout and now has assets worth around US\$2.5 trillion. Some of the movements up the ranking during this time include BGI (7 to 2), Capital Group (12 to 7) and State Street Global (6 to 3). The biggest falls over this five-year period came from Invesco (19 to 36), Morgan Stanley (18 to 24) and Crédit Suisse (4 to 11).

During 2006, passive assets grew by 22 per cent, somewhat above aggregate growth, suggesting that funds added to their passive core during the year.

According to the survey, the compound annual growth rate (CAGR) of passive assets since 1996 was almost 19 per cent, while during the same period the CAGR of the total 500 was almost 11 per cent.

The asset management industry is gradually changing shape due to a number of forces. First, globalisation is driving significant change and those firms that have global products are more likely to succeed in future. Secondly, those that innovate with remuneration and ownership structures to help attract and retain true investment talent will be best placed to attract institutional assets. Thirdly, investors are now demanding more value for money and better aligned remuneration structures, so those firms that show leadership in this area will be more attractive to do business with.



Figure 1 | Top 20 asset managers

Rank	Manager	Country	Total assets (US\$ millions)
1	UBS	Switzerland	2,452,475
2	Barclays Global Investors	UK	1,813,820
3	State Street Global	US	1,748,690
4	AXA Group	France	1,740,000
5	Allianz Group	Germany	1,707,665
6	Fidelity Investments	US	1,635,128
7	Capital Group	US	1,403,854
8	Deutsche Bank	Germany	1,273,500
9	Vanguard Group	US	1,167,414
10	BlackRock Group	US	1,124,627
11	Crédit Suisse	Switzerland	1,092,906
12	JPMorgan Chase	US	1,013,729
13	Mellon Financial	US	995,237
14	Legg Mason	US	957,558
15	BNP Paribas	France	817,482
16	ING Groep	Netherlands	792,162
17	Natixis	France	769,981
18	AIG Global Investment	US	730,921
19	Crédit Agricole	France	704,367
20	Aviva	UK	700,789

Ranked by total global assets under management as at 31 December 2006.
 Source: Pensions & Investments/Watson Wyatt global 500 survey