

FTfm

# Plunging assets cast gloom over UK pensions

## FTfm survey

Fund managers have had a bad year with only four posting gains, says **Sophia Grene**

Woe has been widespread for the respondents to FTfm's annual pension survey. A drop of more than 25 per cent in assets managed for UK pension funds was needed to stand out from the crowd, while just four companies managed to grow their assets.

The order of the top three, Legal & General Investment Management, Barclays Global Investors and Insight Investment Management, is unchanged, but the gap between the two exponents of passive investment and Insight has narrowed significantly.

L&G's 11.6 per cent and BGI's 15.5 per cent drops in assets are not flattering, but in the context of plunging global markets, they do not necessarily point to client redemptions.

"Active management has delivered poor performance in the last 12 months," says Stephen Birch, head of manager research at consultant Hymans Robertson. "Asset flows have been to passive mandates and I see no reason why that trend would be broken."

Many active managers have seen their assets fall further, with most attributing the losses directly to market declines. Variations in outcome are as much down to the level of exposure to different markets as to over or underperformance, they say.

"This last year the changes [in assets under management] are due to what sort of manager you are," says Mark Miller, head of UK distribution at Fidelity International, which ended 2008 with a third less in UK pensions assets than it started with.

Virtually the whole of this decline was due to market movements, says Mr Miller, adding that Fidelity had seen significant inflows in the second half of 2008, with the trend continuing this year. Fidelity's ranking on the table was little

changed as it slipped one place from 17th to 18th.

Further up the table, there was more movement, as State Street Global Advisors slipped to sixth from fourth place, due to a 30 per cent drop in assets, while Hermes and BlackRock overtook it. Aberdeen Asset Management soared from 13th to seventh place on the back of a 3.3 per cent gain in assets.

Just two other companies besides Aberdeen and Insight posted gains in assets: M&G looked virtually the same at the end of 2008 as it did a year earlier, while Invesco Perpetual

'We're confident our strategies will recover as fundamentals drive the market again'

scraped a gain of 7.5 per cent. Despite this, its ranking slipped a place to 24th, due to the inclusion of three new survey respondents, M&G, F&C and Threadneedle. Their presence was offset by the failure of Capital International and Legg Mason to respond to the survey.

The active managers' losses were mostly expected, as their poor investment performance or

## The top UK pension fund managers

2008 ranking	2007 ranking	Pension Fund Manager	Combined value of pooled and segregated funds 2008 (£m)	2007 (£m)	% change	Value of segregated funds 2008 (£m)	2007 (£m)	% change	Value of pooled funds 2008 (£m)	2007 (£m)	% change
1	1	Legal & General Investment Mg'mnt	175,800	198,900	-11.6	12,800	9,700	32.0	163,000	189,200	-13.8
2	2	Barclays Global Investors	95,120	112,522	-15.5	32,444	37,846	-14.3	62,676	74,676	-16.1
3	3	Insight Investment Mg'mnt (Global)	68,719	51,600	33.2	53,834	37,690	42.8	14,885	13,910	7.0
4	6	Hermes Pensions Mg'mnt	26,680	33,442	-20.2	22,520	27,598	-18.4	4,160	5,844	-28.8
5	5	BlackRock	25,271	32,432	-22.1	16,727	21,838	-23.4	8,544	10,594	-19.4
6	4	State Street Global Advisors	23,943	35,661	-32.9	3,692	6,544	-43.6	20,251	29,117	-30.4
7	13	Aberdeen Asset Mg'mnt	22,368	21,650	3.3	17,743	20,355	-12.8	4,625	1,295	257.3
8	14	Standard Life Investments	20,338	21,284	-4.4	12,142	11,393	6.6	8,196	9,891	-17.1
9	15	BNY Mellon Asset Mg'mnt	20,090	21,863	-8.1	11,057	12,803	-13.6	9,033	9,060	-0.3
10	7	UBS Global Asset Mg'mnt	19,469	30,416	-36.0	11,092	15,883	-30.2	8,377	14,533	-42.4
11	11	Schroder Investment Mg'mnt	18,775	24,754	-24.2	10,498	14,205	-26.1	8,277	10,549	-21.5
12	8	AllianceBernstein	18,737	31,683	-40.9	16,637	29,336	-43.3	2,100	2,347	-10.5
13	-	M&G Investments	17,980	17,899	0.5	11,025	10,395	6.1	6,955	7,504	-7.3
14	-	Henderson Global Investors	17,954	24,454	-26.6	12,472	16,936	-26.4	5,482	7,518	-27.1
15	12	Baillie Gifford	17,192	23,727	-27.5	12,797	17,591	-27.3	4,395	6,136	-28.4
16	20	Axa Investment Managers	16,301	17,910	-9.0	15,665	16,218	-3.4	636	1,692	-62.4
17	9	Goldman Sachs Asset Mg'mnt	15,171	28,225	-46.2	12,842	24,714	-48.0	2,329	3,511	-33.7
18	17	Fidelity International	11,086	16,048	-30.9	5,589	8,805	-36.5	5,498	7,243	-24.1
19	22	Pimco Europe	9,684	10,433	-7.2	7,857	8,643	-9.1	1,827	1,790	2.1
20	21	JPMorgan Asset Mg'mnt	9,418	12,403	-24.1	4,703	7,123	-34.0	4,715	5,280	-10.7
21	19	Scottish Widows Inv Partnership	8,917	10,572	-15.7	7,004	7,815	-10.4	1,913	2,757	-30.6
22	-	Threadneedle Asset Mg'mnt	5,188	6,147	-15.6	3,955	4,471	-11.5	1,233	1,676	-26.4
23	-	F&C Asset Mg'mnt	4,259	5,015	-15.1	3,707	4,289	-13.6	552	726	-24.0
24	23	Invesco Perpetual	3,776	3,512	7.5	2,195	2,202	-0.3	1,581	1,310	20.7
25	-	Baring Asset Mg'mnt	3,750	3,780	-0.8	1,967	2,661	-26.1	1,782	1,119	59.3

Source: FT Research

high profile mandate losses have been covered and commented on in the press throughout the year. Many are now busy putting the past behind them and counting their blessings.

"We've had a tough year, but we're pretty bullish," says a spokesman for AllianceBernstein, which lost 40 per cent of its UK pension assets. The official, who preferred not to be named, says most of the

decline was due to poor investment performance.

Although AllianceBernstein does manage bonds, most of its international mandates are in global equities, in which its value strategy was hammered last year.

"We're confident our strategies will recover as fundamentals drive the market again, not emotion," says AllianceBernstein. The company, which aspires "to

create the most trusted investment firm in the world" has already launched new strategies, including a global credit fund and a Talf opportunity programme, to take advantage of investment opportunities arising from the US Term Asset-Backed Securities Loan Facility.

AllianceBernstein is not alone in its positive attitude. "Active managers are talking very bullishly and excitedly about the opportunities available at the moment," says Mr Birch. "The cynic says 'They would say that, wouldn't they?', but they weren't saying it nearly so loudly two years ago."

A more volatile market with lower overall returns does mean, in theory at least, there is more scope for active managers to add value by finding stocks likely to outperform, says Mr Birch.

However bullish the managers may be they will have seen revenues plunge in line with assets.

"The industry has tried to get away from there being a one-to-one link [between assets and revenues] with performance fees, but on the whole it is still there," says Mr Birch, but this need not spell disaster.

"In most instances this is a sufficiently high margin business for them to

withstand losses [of assets] without becoming loss-making."

One eyebrow-raising result is that of Goldman Sachs Asset Management, which saw its assets from UK pension funds almost halve. Looking more closely, this loss was concentrated in the segregated mandates, since its pooled funds were only a third lower over the year.

This is likely due to the well-publicised decision in April 2008 of the Mineworkers' Pension Scheme to end its global equities mandate with GSAM.

The mineworkers' business was GSAM's original foothold in the European asset management industry and its loss had a £4.5bn (£5.1bn, \$7.2bn) impact on the company's assets under management in 2008, according to an insider.

UBS Global Asset Management posted significant losses for the second year in a row, which will have added to the misery for its parent bank UBS. The Swiss bank has suffered from a sea of troubles in the past year, with reputational and financial damage due to exposure to Bernard Madoff's Ponzi scheme. The bank recently announced nearly 9,000 job cuts, but is reportedly planning to hang on to its asset management division.



Tough work: the UK Mineworkers Pension Scheme ended the global equities mandate run by GSAM last year, contributing to the company's drastic drop in assets

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