

PRESS RELEASE

IWA market players redefine relationship with discretionary fund managers and upgrade segmentation as they prepare for life beyond RDR

Over 65% of independent wealth advisors (IWA) are increasingly selecting discretionary fund managers that provide them with a more active role in the shaping of their investment proposition, according to independent industry insight on 40 institutions across UK, Hong Kong and Singapore markets. The advisors, who collectively manage in excess of USD8 billion, cited top reasons for this trend include the changing regulatory landscape (such as RDR in the UK), a desire to target higher net worth clients, pressures on margin protection and a need to demonstrate better involvement in the investment process to merit their value.

This trend will be a stark reminder to investment managers that IWAs will not just purely be a passive distribution arm to end-HNWs. **“The advisors surveyed recognise that a proactive involvement in the investment process will support their ability to charge better fees to their premium clients,”** said Sebastian Dovey, managing partner at Scorpio Partnership. This core finding was part of a research program in the first quarter of 2011 that was conducted on behalf of Momentum Global Investment Management, a specialist global investment manager concentrating on the UK and APAC HNW markets.

The research outlined a number of additional key insights into the issues between independent wealth institutions and asset managers. These include:

1. Over 80% of independent wealth advisors are in the final stages of converting their fee-based business model in anticipation of RDR.
2. There is a clear trend in favour of goals-based wealth management which takes account of both the investors' financial assets and liabilities.
3. 78% of advisors currently use multiple platforms to carry out their private client business but all accept they would prefer a single common platform to streamline their activities.
4. Advisors have seen their top line asset-based fee revenues reduced from 150 to 100bps in the past 24 – 36 months. They expect this trend to continue and reach 75bps by 2013 – 2015.
5. Firms seeking to increase business volume from the HNWs must upgrade their product capability to offer tax-efficient investments through SIPPs, insurance-linked investments and QROPS (Qualifying recognised overseas pensions schemes).

“I don't see how any firm that doesn't shift to a fee based service will survive the RDR. Furthermore, the business model shift to an ad valorem fee aligns our interests much more closely with (our client's) interests.”

[MD at UK independent wealth advisor managing over GBP150m]

For immediate release

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The research process also re-affirmed the broadly accepted trend that independent advisors shifting to a fee-based model are actively upgrading their market segmentation to move into either the upper end of the mass affluent sector (typically individuals with GBP250,000 in net investable assets) or the HNW sector (typically individuals with GBP1m in net investable assets). “The economics of the wealth management advisor model is such that it is not truly viable for client business with assets below GBP250,000.” noted Dovey.

Momentum Global Investment Management undertook the research as part of a progressive thought leadership program being implemented to deepen their industry knowledge of the state of play in the market. The full key findings of the research are available at Momentum and Scorpio Partnership on request.

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NOTES TO EDITORS

About Scorpio Partnership

Scorpio Partnership is the leading insight and business consultancy to the global wealth industry.

The firm specialises in understanding the wealthy and the financial institutions they interact with. We have developed four transformational disciplines – **SEEK**, **THINK**, **SHAPE** and **CREATE** – each designed to enable business leaders to strategically assess, plan and drive growth. The solutions Scorpio Partnership develops regularly win awards for its institutional clients and help them financially profit.

Our discipline teams leverage expertise in:

SEEK

- Client research
- Advisor research
- Market mapping
- Company/Intermediary research
- Brand identity audits

THINK

- Product/Service development
- Business case development
- Concept solutions
- M&A diligence
- Brand identity development

SHAPE

- Market entry solutions
- Media and Event solutions
- Training and Education solutions
- Sales & Marketing campaigns
- Brand identity solutions

CREATE

- Campaign management
- Change management
- Strategic marketing
- M&A implementation
- Specialist consulting

Scorpio Partnership has conducted more than 300 global assignments across wealth for institutions in the banking, fund management, regulation, IT and technology, insurance and charity sectors.

Scorpio Partnership has been voted best global consultancy to the wealth management industry for the three consecutive years and more recently was shortlisted for Agency of the Year *. The firm is independent and owned by management.

For more information go to www.scorpiopartnership.com

*Wealth Briefing, Financial Services Forum

NOTES TO EDITORS

About Momentum

Momentum Global Investment Management:

- A specialist global investment manager;
- Focused on delivering bespoke investment solutions to institutions and wealth managers;
- Investment solutions are managed on a multi asset, best of (manager) breed basis, using active and passive instruments;
- Asset allocation and portfolio construction / modelling is a key focus as the key element in value creation.
- Incorporated in the UK and FSA regulated for more than 10 years.

Momentum Group:

- The parent company of which Momentum Global Investment Management is a wholly owned subsidiary
- A leading life insurance and investment group, employing more than 10,000 people;
- Well known for its product innovation, outstanding service delivery, and commitment to independent financial advice;
- Listed on the Johannesburg Stock Exchange, as MMI Holdings, with a market capitalisation of circa GBP2.5 billion;
- Recipient of many awards, including recently: Excellence in Client Service (UK), Top Performing Hedge Fund of Funds (Europe), Financial Intermediaries Association of Southern Africa (“FIA”) Investment Product Supplier of the year (three years in a row), World Finance Insurance Company of the Year (South Africa), and a number of Raging Bull awards in South Africa for top investment performance

Clients and Assets under Management:

- MMI’s investment businesses manage assets totalling more than GBP 20 billion, with a staff exceeding 600;
- Within MMI, Momentum GIM is responsible for managing the global assets of the Group and its clients;
- Clients domiciled in the UK, Europe, the Channel Islands, Africa and the Middle and Far East;
- Global assets managed by Momentum GIM exceed GBP 2 billion.