Task 1 Reading Guide

What is Investment Management?

- Investment management companies, such as Fidelity, handle financial assets on behalf of their clients
  - This involves developing strategies for asset portfolios in line with their client's preferences, and in turn, executing trades (i.e. buying and selling assets) to achieve the strategy's objectives
  - Depending on the firm, investment management companies can serve institutional investors (e.g. pension funds, governments, retirement plans) and / or individuals
- The type of assets under management ranges from traditional asset classes such as equities (stocks), bonds and real estate through to alternatives such as private equity
- Investment managers typically follow a process to properly create and manage a portfolio for their clients:
  - 1) Determine the client's objective from a return, risk tolerance and time horizon perspective (i.e. what is their annual return objective, how much volatility are they able to tolerate, and how long do they want to hold their investments)
  - 2) The manager selects a number of asset classes that can deliver on the client's objectives
  - 3) The manager creates a portfolio of assets with specific weightings that optimise for the client's desired risk and return profile (e.g. 70% stocks, 20% bonds, 10% alternatives)
  - 4) As the portfolio is monitored by the investment manager, the portfolio is rebalanced periodically (i.e. the % weightings of assets are changed) to account for unexpected returns from certain assets over time and changes in client preferences
  - 5) The manager is responsible for reporting to the investor about the portfolio's performance over time
- From a compensation perspective, investment management companies are typically paid a management fee, which takes the form of a percentage of the value of the portfolio. These fees are typically on a sliding scale, whereby the percentage fee is lower for clients with a greater amount of assets under management
  - Some funds may also charge a performance fee (also known as a variable management fee), which is an additional % fee based on how the fund performs against a benchmark (e.g. S&P 500 index for a stock portfolio)

The Various Divisions of Investment Management

	Asset Management	**Sales & Marketing**	**Operations & Business Strategy**	**Technology**	**Client Services**
Overview	Responsible for providing a full suite of investment management services including Equity Research, Fixed Income and Multi-Asset	Responsible for providing consultative investment guidance to clients and acting as a liaison for the investment manager	Responsible for the day-to-day processes of running an investment management firm, and its overall strategy	Responsible for developing and implementing the technology systems underpinning the operations of the investment manager	Responsible for supporting clients throughout their entire fund management journey with the firm
Value to Clients	▪ Provide detailed investment research ▪ Design portfolio strategies for clients ▪ Execute on trades ▪ Monitoring of investments ▪ Provide in-depth reporting & analysis	▪ Provide consultative guidance & influence investment flows ▪ Manage high-net-worth client accounts ▪ Act as a liaison between the firm and clients / leads	▪ Provide the foundation to all internal and external business processes ▪ Optimise business strategy to deliver value for clients ▪ Ensure firm continuity via HR, finance & compliance functions	▪ Design and deliver new tech solutions for clients and internal operations ▪ Use data science & cloud computing to optimise solutions ▪ Utilise the latest cybersecurity tech to protect clients' assets & the firm	▪ First point of call of support for clients ▪ Provide clients with market news and important developments ▪ Answer everyday account and fund questions

How is Investment Management different to Investment Banking?

- Investment management companies manage financial assets on behalf of its clients in order to execute on investment strategies that meet their growth objectives
    - Investment managers add value through performing rigorous analysis to ensure investment strategies continuously suit the preferences and objectives of clients, and deliver superior risk-adjusted returns
    - Graduates are able to develop an 'investor mindset' quickly, bolstered by a broad-based knowledge of asset classes, analytical skills and the ability to take a macro view and create strategies around investment objectives
- Investment banks advise institutional clients on executing change-of-control transactions (e.g. mergers and acquisitions) and raising money from debt and equity capital markets
    - Investment bankers add value by negotiating and advising on attractive change-of-control transactions, and by raising both debt and equity capital on favourable terms for their clients
    - Graduates are able to develop an eye-for-detail and deep analytical capabilities, attributable to expansive use of financial modelling, Excel and PowerPoint