

Regulatory scrutiny, investor trends, Brexit and other geopolitical factors have created a particular landscape in the asset management industry, requiring all key players to respond with actions and well thought plans. In this context, management companies have had to step up their game, enhance their services, be alert and flexible enough to be able to fulfil their mission to guide asset managers by lifting the regulatory burden off their shoulders, allowing them to focus on their core activities.

### **The rise of the Alts**

The low interest rates environment has prompted institutional investors to look for yield enhancement in Alternative Investments. This has resulted to significant investor flows into alternative asset classes such as real estate, private debt and infrastructure. This global shift into alternative assets, with investments forecasted to reach \$14 trillion by 2023, has made traditional UCITS ManCos to seek AIFM licenses and has brought supermanco's in the spotlight. Originally established in 2004, FundRock is a long standing UCITS ManCo and AIFM able to offer a one-stop shop solution to asset managers seeking to manage both Traditional and Alternative Assets. Anticipating this shift to Alternative Investments, we have over the last years enhanced our Alternatives department with chartered professionals and given particular focus on Alternatives Risk, Valuation and Portfolio Management functions.

### **The Brexit tale**

Regardless of the form of the UK's Brexit, it has already created massive uncertainty in the industry for asset managers who naturally want to ensure business continuity and resilience irrespective of the outcome. Management companies have had to analyse all scenarios and urgently develop solutions to assist managers with their contingency planning.

Nearly every asset manager has by now availed themselves of the FCA's Temporary Permissions Regime (TPR), taking comfort in the 3 year transition period. It needs however to be made clear that this is not a long term solution nor a reciprocal agreement. Some EU managers have already opted for a more robust solution by establishing UK Open Ended Investment Companies (OEICS) to be able to continue to access the UK investor base. On the other side, UK managers are moving assets to onshore European fund domiciles in order to allow the passporting approval to ensure they maintain a sturdy offering to EU investors. FundRock, with established ManCos/AIFMs in Luxembourg and Ireland and an Authorised Corporate Director business (the equivalent business in UK), is well equipped to offer viable

solutions. We have experience in supporting early mover managers who were quick off the mark to find solutions to insulate against geo-political uncertainty. We have developed solutions both Brexit outbound for UK managers accessing Europe and Brexit inbound for EU managers accessing the UK.

### **Substance, substance, substance!**

Regulators throughout Europe have been asking for more substance and have taken steps towards codifying what adequate substance is. This has increased pressure for self-managed funds and has put an end to letterbox entities. FundRock, operating across different jurisdictions, has welcomed the new regulations which, aligned with ESMA's focus, aim to ultimately create an equivalent regulatory framework across fund domiciles. With over 120 professionals across Europe, solely focused on third party management services we ensure that FundRock is well placed to provide asset managers all the necessary substance they need, paired with a solid governance framework.

Regulatory requirements have inevitably put pressure on smaller third party ManCo players as well as small and mid-sized asset managers and are expected to bring further consolidation activity in the broader sector. FundRock is strongly positioned to be one of the key players in the field with strong financials and a robust offering to the market.

### **Positive outlook**

Despite last year's uncertainty in the industry, FundRock managed to efficiently adapt to the market conditions and offer its clients value add solutions. With the acquisition of SEB Fund Services in Luxembourg and several new clients on board, FundRock had at the end of 2018 an AuM of €50.8bn for which the company acted as a full ManCo/AIFM provider which was further complemented by €21.8 bn of assets the company offered unbundled services to. FundRock continues to invest in technology, systems and people in order to remain the leading independent 3<sup>rd</sup> party ManCo with a robust pan-European offering.