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[ASSET MANAGEMENT

Scotland - Centre of Excellence





Dean Buckley

Scotland – Centre of Excellence

Dean Buckley, Managing Director, Scottish Widows Investment Partnership

Scotland is renowned as a centre of excellence in investment management. With around £750bn of assets managed directly in the country, it's one of Europe's leading financial centres, and the UK's second financial hub after London.

Many prominent names in the industry – among them Aberdeen Asset Management, AEGON Asset Management, Baillie Gifford, Standard Life Investments and, of course, our own Scottish Widows Investment Partnership – make Scotland their headquarters. Others, such as Bank of New York Mellon, Franklin Templeton Investments, BlackRock International and the Commonwealth Bank of Australia, maintain a sizeable presence here. In fact, there are contributions from industry players of all shapes and sizes. In recent years there has been an especially strong rise in the number of boutique firms and small-scale wealth managers. It's a remarkably diverse sector.

All told, Scottish investment management firms employ more than 13,000 people – close to 14 per cent of the country's financial services workforce. The range of specialist expertise is considerable, with some companies focusing on institutional clients such as pension funds, investment trusts and charities, and others on managing funds for individual clients.

This expertise has helped Scotland grow from a UK asset management centre to one with an international reach, able to draw its talent from all over the world. Recent years have seen the country attract a growing number of industry professionals from continental Europe, the US, Japan and elsewhere.

Talent aside, there are other reasons for Scotland's emergence as a global investment management centre. While the country's

existing financial services infrastructure is perhaps the most obvious, academic strength and lower operational costs have also played their part. Those looking to start up their own firms have often found the costs involved in setting up in Scotland to be considerably lower than in many comparable regions.

For the financial services industry as a whole, the last few years have been challenging, with the global financial crisis continuing to present its unique set of difficulties. While output in the sector has fallen from its 2007 peak, in 2009 it was 70 per cent higher (in real terms) than in 1998 – a far greater percentage increase than for the wider Scottish economy. And financial services remains a vital contributor to the national economy, accounting for around 8 per cent of Scotland's GDP. Meanwhile, Scottish Enterprise estimates that by 2020, financial services' share of employment in Scotland will have grown to 20.3 per cent from the current 18.6 per cent – a further indication of the importance of the sector.

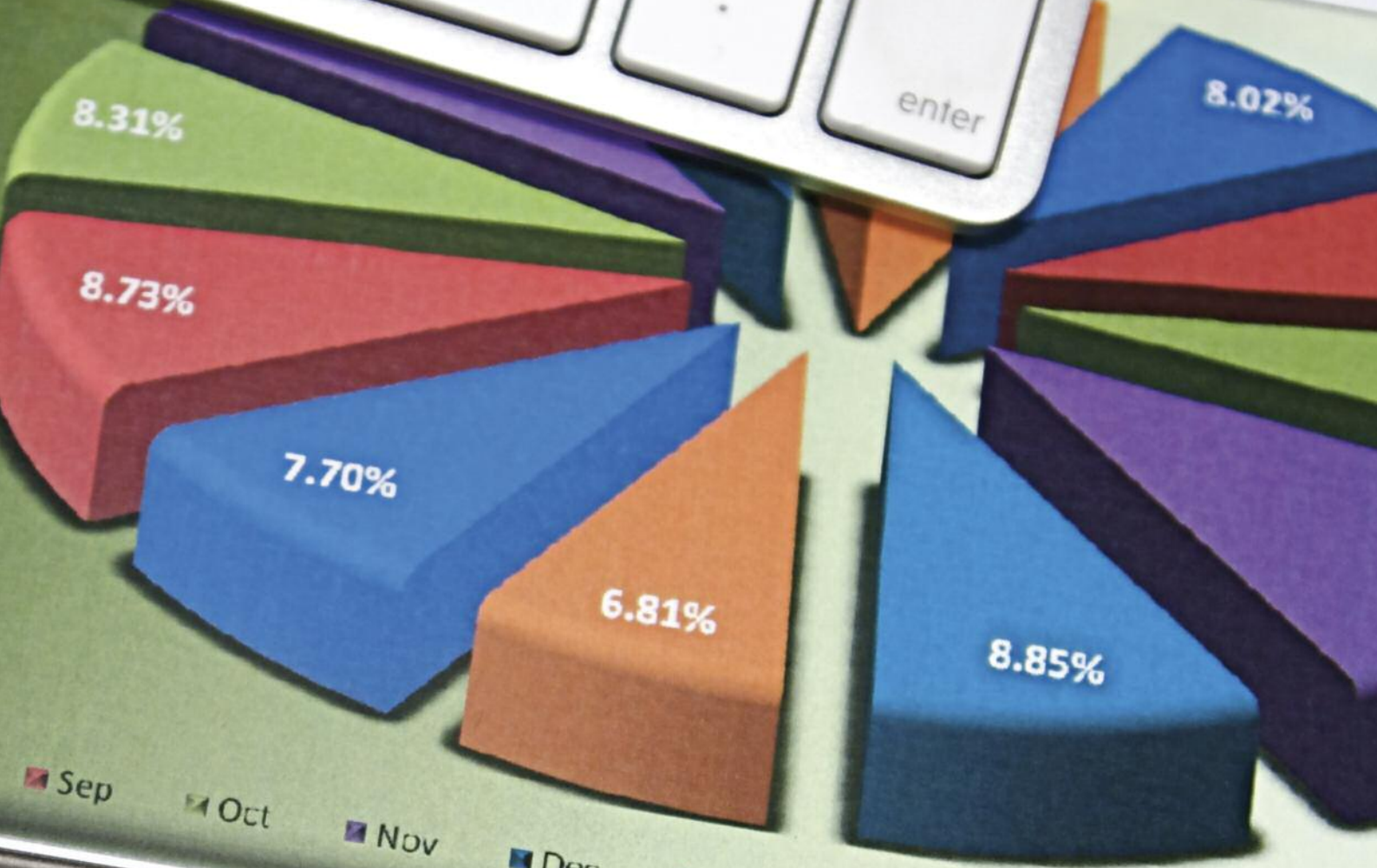
Given the recent difficulties experienced by the financial services industry and the uncertainty over the outlook for the global economy, optimism is not a mood one might naturally summon. Yet the resilience of the fund management industry, much like the financial markets themselves, can never be underestimated. Scotland's investment managers have survived the downturn remarkably well – and we continue to look to the future with great optimism.

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Great Assets

Dean Buckley, Managing Director,
Scottish Widows Investment Partnership

When Lloyds TSB (now Lloyds Banking Group) acquired Scottish Widows in 2000, its incumbent investment management group, Hill Samuel, was based in London. If anything, Hill Samuel was slightly bigger than Scottish Widows' fund management function – and because of this, many expected the head office of the merged entity to be sited in the City. Instead, many of Hill Samuel's senior investment professionals chose to relocate to Scotland. While we did maintain an office in London, and continue to do so, we have never regretted our decision to choose Edinburgh for our head office.

Eight years later, in the wake of its merger with HBOS in 2008, Lloyds was faced with a similar decision. The merged group included two substantial fund management groups: SWIP and Insight Investment – and once more, Edinburgh was settled on as the head office location. More recent events at Lloyds Banking Group, including the appointment of a new chief executive, have reaffirmed us as the centre of excellence for the group's asset management activity.

At the same time, our presence stretches far beyond the UK. SWIP is Scotland's largest manager of fixed-interest assets, and the fifth largest in the UK. And we're keen to spread our net even wider. Earlier this year we opened an office in New York to better exploit the opportunities in the world's largest fixed-income market. The

global nature of our business is reflected in the geographical spread of our operations, the markets in which we invest and our client base.

But while we continue to branch out across the globe, our roots remain firmly in Scottish soil.

Over the past few years dozens of SWIP staff have relocated to Edinburgh, and more than 80 per cent of our staff are based in the city. It's easy to understand why. In terms of educational facilities, transportation links, cultural attractions and quality of life, many of our employees find Scotland a great place to raise their families. And for those who have ties elsewhere in the UK, family and friends can often be just a short flight away.

One of the great strengths of the Scottish fund management industry has been its

innovation. Indeed, a Scotsman, Robert Fleming of Dundee, is credited for pioneering the entire investment trust movement in the 1870s. SWIP has followed in this tradition, having launched a number of ground-breaking products, particularly in the fixed-interest arena. And our dedicated Investment Solutions unit continues to design bespoke investment packages for clients with complex investment needs.

The plans SWIP has set for the months and years to come are ambitious and stretching, and require us to make a lot of key decisions – everything from the people we recruit to the companies we invest in. I am confident that Scotland will continue to provide us with a business-friendly environment that will help us to make those decisions wisely.

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