

INVESTMENT OPERATIONS OUTSOURCING SURVEY 2009

DRIVING RESEARCH INTO INVESTMENT OPERATIONS OUTSOURCING TRENDS

Strong debate has taken place over the past few years around the future of investment operations outsourcing. Committed to understanding these evolving trends and the associated solutions required by the market place, Northern Trust has played an active role in contributing to research across the industry. Working with CityIQ in 2006, 2008 and more recently in 2009 demonstrates our continued commitment to thought-leadership in this field.

OUTSOURCING HAS NOT YET REACHED MATURITY

When CityIQ last surveyed the market in 2008, the survey revealed that the outsourcing of back-office functions had become an established element of the investment management market place with most respondents considering the outsourcing market to have reached maturity. However, when CityIQ surveyed the market in 2009, again in partnership with Northern Trust, the majority of participants now felt the contrary. The market is still maturing and the significant downturn in financial markets is likely to result in further pressures to outsource.

Respondents from over 40 participants representing a broad range of UK and international firms, were canvassed on areas ranging from factors influencing the decision-making process to experiences once functions had been outsourced. Their responses revealed that although outsourcing was harder than expected it is still regarded as being the right thing to do with service levels often exceeding those anticipated.

The survey findings were presented on 14 July 2009 in conjunction with a panel discussion around "Outsourcing – Back to the future" involving industry experts, including Northern Trust's Toby Glaysher, Head of Global Fund Services, UK.

KEY TRENDS IDENTIFIED

Market downturn to increase pressure to outsource in a market that is still immature

Since the last survey the financial markets have experienced significant downturn with many firms facing unprecedented challenges. There is strong feeling that this downturn will increase pressure to outsource investment operations as fund managers look to further reduce costs and focus resources on their core business.

Strategic reasons, risk reduction and a desire to cut costs remain strong drivers

A desire to focus on their core business, reduce their operational risk and minimize future costs were strong drivers for respondents who had, or were considering outsourcing. There was a clear match between perceived benefits and those experienced, with respondents having been able to concentrate more on their core business and reduce operational risk since outsourcing some of their back-office functions.

"Northern Trust is committed to understanding the evolving trends in investment operations outsourcing so we can provide our clients with the right solutions."



Toby Glaysher
Head of Northern
Trust's Global
Fund Services, UK

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Relationships are key to developing successful long-term partnerships

The outsourcing market is all about relationships. A recurring theme in the results is the strength of relationships and trusting your outsourcing provider. Respondents are clear that selecting a partner who has strong executive commitment and cultural fit is crucial, and that relationship management is the most important contributor to developing a successful long-term partnership.

Strong appetite for outsourcing

There are now more individuals in the market with direct experience of outsourcing at least some of their back-office functions, with the appetite for outsourcing growing by 13% in 2009. As a result more people have an idea of what works and what doesn't – which can only be good for the industry in the longer term. With strong demand for both 'one stop shop' and component outsourcing solutions, it looks like outsourcing will continue to grow strongly.

AN EXPERIENCED INVESTMENT OPERATIONS OUTSOURCING PARTNER

With a deep understanding of evolving market trends, Northern Trust tailors our outsourcing services to our clients' ongoing needs. We currently provide full and component investment operations outsourcing services on our strategic global platform to over 16 clients, including Hermes Fund Managers Limited who selected Northern Trust in 2008. This was the largest investment operations outsourcing deal supported across a single global platform to be reported in 2008 and includes the provision of outsourcing services for middle office investment operations, fund administration and custody.

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