Warwick Economics Society



Divisional Starter Packs – Asset Management

contact@warwickeconomicssociety.com

https://www.linkedin.com/company/warwick-economics-society

@warwickeconsoc

Contents

2. General asset management overview

2. How asset managers raise capital

3. Types of asset management

3. Day to day tasks & the investment process

4. Skills you will need & typical pathway

4. Biggest asset management firms

5. Things to note & how to prepare as a student

6. Debunking jargon

6. Resources & interview prep

Asset Management Starter Pack

What is Asset Management?

Asset Management is the practice of increasing total wealth over time through acquiring, maintaining, and trading investments that have potential to grow in value. It often involves the use of equities, bonds, property, cash and alternatives to assist clients in growing their wealth. Decisions are made in line with a client's objectives and risk appetite.

Typical holding period: months to decades, depending on mandate

Main objective: Grow and protect client capital, in line with a stated strategy and risk profile.

How Asset Managers Raise Capital:

Management fees

- A percentage of assets under management (AUM), charged annually regardless of performance
- Usually ranges from under 0.1% for passive index funds to 1-2% for actively managed strategies

Performance fees

- An additional cut of the returns generated above an agreed benchmark or hurdle rate
- This is more common in hedge funds

Scale and distribution

- Growing AUM through strong performance, new products and distribution partnerships
- Cross-selling wealth planning, custody or advisory services alongside core management

---

Types of Asset Management

Active Management

Fund managers pick investments aiming to beat a benchmark

Passive Management

Tracking an index (e.g. S&P 500) at low cost, minimal manager intervention

Wealth Management

Managing investments and financial planning for individuals and families

Alternative Investments

Private equity, hedge funds, real estate, infrastructure and commodities

Multi-Asset

Blending equities, bonds, cash and alternatives into a single diversified portfolio

ETF Management

Building and running exchange-traded funds that track indices or strategies

---

Day to Day as an Asset Manager:

- **Investment research** - evaluating companies, sectors or asset classes to identify attractive investment opportunities and support portfolio decisions
- **Financial modelling** - building and maintaining models to forecast company or asset performance and support buy/sell decisions
- **Risk management** - assessing a portfolio's exposure to market, credit and liquidity risk, and monitoring it against mandate limits
- **Portfolio construction** - constructing and rebalancing portfolios to reflect the fund's strategy, risk tolerance and client objectives
- **Client reporting** - preparing performance reports and updates for clients, trustees or investment committees
- **Trading and execution** - placing and monitoring trades, working with dealing desks to execute efficiently and at the best price
- **Market monitoring** - tracking macroeconomic trends, interest rates and geopolitical events that could affect portfolio positioning

---

The investment process (broken down):

1. Client onboarding and mandate agreed (objectives, risk profile, constraints)
2. Asset allocation strategy set (equities, bonds, alternatives, cash)
3. Investment research and idea generation
4. Due diligence and valuation of individual opportunities
5. Portfolio construction and trade execution
6. Ongoing monitoring and risk management
7. Performance review and rebalancing
8. Client reporting and relationship management

Skills you will need: (standard)

Technical

- **Financial modelling**
- **Excel**
- **Data analysis / Bloomberg terminal familiarity**

Commercial

- **Market awareness**
- **Macroeconomic understanding**
- **Risk awareness**

Soft skills

- **Communication**
- **Attention to detail**
- **Time management**
- **Team working**

Typical pathway

1. **Intern / Analyst (0 - 2 years)**
2. **Associate (2 - 5 years)**
3. **Senior Associate / Assistant Portfolio Manager (5 - 9 years)**
4. **Portfolio Manager / Director (9 - 12 years)**
5. **Senior Portfolio Manager / Managing Director (12+ years)**

Biggest Asset Management firms

Global firms

- **BlackRock**
- **Vanguard**

- **Fidelity Investments**
- **State Street Investment Management**
- **J.P. Morgan Asset Management**

European firms

- **Amundi**
- **BNP Paribas Asset Management**
- **Legal & General Investment Management (LGIM)**
- **Schroders**

Alternative asset specialists

- **Blackstone**
- **Brookfield**
- **Carlyle**

Things to note about Asset Management

- Highly competitive, especially at the largest firms
- Performance is constantly measured against benchmarks and peers
- Regulation is significant - understanding compliance matters
- Client relationships and trust are central to the business
- Recruitment can begin early - internships and spring weeks matter, so be proactive

---

How to prepare as a student

- Become proficient in Excel
- Apply for spring weeks and internships
- Network with alumni working in the industry
- Read financial news daily
- Follow markets and major fund launches or closures
- Practise commercial awareness

Debunking jargon

A quick-reference glossary for terms you'll hear constantly but rarely see explained plainly.

AUM (Assets Under Management)

The total market value of the investments a firm manages on behalf of its clients

Alpha

Returns generated above what the market or benchmark would have delivered - a measure of manager skill

Beta

A measure of how much an investment moves in line with the broader market

Benchmark

An index or standard (e.g. S&P 500) used to judge whether a fund's performance is good or bad

NAV (Net Asset Value)

The value of a fund's assets minus its liabilities, often expressed per share or unit

Mandate

The agreed rules and objectives a client sets for how their money should be managed

Active vs Passive

Active means a manager picks investments to try to beat the market; passive means simply tracking an index

Diversification

Spreading investments across different assets to reduce the risk of any single one causing large losses

Drawdown

The drop in value from a portfolio's peak to its lowest point before it recovers

Liquidity

How quickly and easily an investment can be converted into cash without affecting its price

Hurdle rate

The minimum return a fund must achieve before performance fees kick in

Basis point (bp)

One hundredth of a percent (0.01%) - the standard unit for quoting fees and small rate changes

---

Resources

News

- **Financial Times**
- **Bloomberg**
- **Reuters**

Interview Prep

- Vault Guide to Investment Management
- CFA Institute study materials (useful even before formally enrolling)
- Firm-specific research: fund factsheets, annual reports and recent commentary