

## Financial Career Insight Series: Investment Management Overview

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**Investment Management** is all about managing money, including investment in equities, fixed income, property and hedge funds, on behalf of clients. Investment Management is also known as Fund Management and Asset Management. The individuals responsible for managing money in this fashion are usually called Fund Managers in the UK, and Portfolio Managers in the US. Asset Management is often referred to as the 'Buy Side', because it buys investment products with the aim of making profit for investors. Another important role within Investment Management is the Research Analyst providing ideas and information to Asset Managers, who will then make decisions on the portfolios that they manage.

An important and immediate distinction to be made is the difference between Institutional Asset Management and Private Client Asset Management. The sectors, roles, skill-sets and application processes are very different.

### Institutional Asset Management

Institutional Asset Management firms are in some ways very similar to Investment Banks (see the Investment Banking Insight document) in terms of the sheer size of their business, the way the firm is structured with clear Front Office and Back Office departments and formal graduate and internship programmes. Similarly applicants are required to stipulate the business channel they wish to work in when they apply and graduates also need to make early applications principally before the end of October to join the programme the following summer.

The interview and hiring process is also similar to Investment Banking with the latter described elsewhere.

Graduates may have to choose between an Analyst stream, where the roles focus on researching companies and markets and making recommendations to internal Fund Managers or a Commercial stream, where the roles are more client facing. Each stream would likely have an 18 month or so rotation programme before final destinations are jointly chosen. However, all this will differ to a degree from firm to firm.

It is worth mentioning that Institutional Asset Management firms also have Trade Execution desks as Fund Managers do not execute trades themselves but pass on to the traders to do so. So if you are interested in trading at an Investment Bank, Investment Management may provide an alternative, longer term option although, it should be noted, any trading roles would be quite limited in number and not immediately available via a graduate programme.



**Hedge Funds** also fall into the definition of Institutional Asset Management. The name 'Hedge Fund' comes from the idea that money managers can 'hedge' their bets to ensure they make money, whether the market goes up or down. What distinguishes a Hedge Fund from a traditional fund is its willingness to push the boundaries of normal investment techniques to achieve unusually high returns. London is the leading Hedge Fund capital of the world with over 100 such firms based here. Most Hedge Fund Managers are highly successful former traders or Fund Managers, who have decided to go it alone. Graduates would normally need at least two years' experience before moving into this area but if they do the rewards can be very high. Excellent quantitative skills are required.

Generally speaking Institutional Investment Management provides an interesting alternative to Investment Banking with the latter quite challenged by, post financial crisis, smaller balance sheets and onerous regulation.

### **Private Client Asset Management**

This sector of the Investment Management industry also goes by the name Wealth Management or, in the UK, Stockbroking. The sector looks after the financial well-being of individuals known as 'Private Clients' or 'High-Net-Worth' individuals. The firm structure, required skill-set and application process is completely different to its institutional cousin.

Having said the above, Investment Banks do also have Wealth Management arms catering for the financial needs of rich individuals and such firms would follow normal Investment Bank hiring procedures and timelines but the bulk of the Private Client sector sits outside Investment Banking.

There are over 100 Private Client Asset Management firms in the UK. The number of different roles is far less than in Investment Banking. The classic role is one whereby you develop your own individual business within your firm. You build up, and are responsible for, a portfolio of Private Clients. You advise on, and manage, their investment activities using the resources of the firm.

Required skills include:

- Business Development
- Relationship Management
- Networking
- An interest in financial markets generally

As a Wealth Manager you need to be able to understand your client's financial needs i.e. a 40 year old client has very different needs and risk profile than a 70 year old. You need to be able to make investment decisions using the client's money. You manage his financial portfolio. If you perform well over time your client will be pleased with your performance and will direct other clients your way. This is how you build up your business.



The best way to approach such firms is to target fifty or so Wealth Management firms (see the 'Financial Company Target List' Insight document) and look at those firms' websites for career opportunities. You are also in a position to make speculative and direct approaches to such firms with no obvious vacancies showing. This approach is not practically possible with the large Institutional Investment Managers and Investment Banks. With the general absence of formal graduate programmes in the Private Client world, this facilitates much later applications than with Investment Banking. Applying after the New Year and later is perfectly acceptable.

Similarly, there are not many formal Internship schemes to apply to in the Private Client sector which means informal applications and approaches can be made at any time. It is likely that you will need to use networking skills here. Networking is a big topic in itself. See the relevant 'links' on the Financial Career Master Resources Guide. Contacting financial individuals like this is also another great 'story' to use at interview about what motivated you to target this industry.

#### **Quick Tips:**

- Understand the Institutional Asset Management and Private Client distinction.
- Applications to the Institutional group need be made well before year-end and applications to the Private Client group can be made well after year-end. Given this timing difference a dual application approach can be considered depending on your career ambitions.
- Networking with University Alumni and more is especially appropriate to break into the Private Client side.
- Have a rigorously developed and formatted CV. See 'Financial Market CVs' Insight document.
- Start to follow the financial markets via Opening City Doors fortnightly [Market Update](#) and free blog '[The Daily Shot](#)' – you will need this information at interview.

#### **Additional Resources relating to this topic:**

[eFinancial Careers Asset Management](#)

[Smart job hunting](#) (You Tube Video)

[Opening City Doors](#)

[Vault Guide To Investment Management](#)

