

Concentration concerns



Concentration risk could well become the next big thing in fund governance, particularly for investors. 15 asset managers now hold 56.7% of all externally managed assets. And just a few recently merged and now debt laden entities, products of the PE boom, service their funds. That is also a worry as the PE

bubble has burst.

Such a large concentration of assets in the hands of a tiny number of mega managers and service providers has never happened in this industry before. It raises a number of governance issues and risk concerns which have not yet been addressed by the industry.

A handful of global names dominate in each of their respective investment sectors: mutual funds, private equity, hedge funds etc. As well as raising systemic risk concerns this lack of diversity cannot be good for the industry's creativity. It is worth noting that when externally managed assets were run by a much wider and diverse variety of fund managers there was a lot more innovation in the industry. It is a very long time since any genuinely new investment product came along. [Continued on page 15 >>](#)

ESG risk oversight



2023 could be a critical year for ESG risk oversight. There seems to have been a much greater focus on this topic in the last few months; a number of papers have been published on it recently, for example. Much of this work has been on emissions, particularly on how companies in funds' portfolios

are or should be measured.

Taxes on emissions are becoming more extensive. That applies particularly in the US where there isn't yet a federal carbon tax (although several states have their own). The risk of investing in companies with relatively high emissions continues to grow as the penalties are increased for doing so. This is going to become a bigger topic for fund boards to address. The legislation and penalties are only going to get stronger.

Fund directors would love to be presented with a simple and clear set of numbers, conforming to an agreed industry standard, which could be used to inform them how much carbon the holdings in a fund's portfolio emits. Unfortunately, it is not as simple as that. [Continued on page 12 >>](#)

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