



Central European University

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Capstone Project Summary

Simon Peter Mair

“Investigating the Competitive Landscape of Fund Data Providers (FDPs) in Europe Through the Lens of an Asset Manager”

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Introduction and Purpose of the Capstone Project

This document provides a 3-page summary of the Capstone project completed for the MS Finance Program at Central European University. My project was conducted in collaboration with a large multinational asset management company, which wanted to gain detailed insights into the competitive landscape of fund data providers (FDPs) in Europe. FDPs such as Morningstar, FE fundinfo, and the London Stock Exchange Group (LSEG) are companies offering comprehensive data, marketing, and regulatory services to fund managers and therefore, they are very important partners for my client.

One important task of the project was to compare the services of different FDPs, helping my client understand the strengths and weaknesses of some of the major players in this industry. Moreover, the capstone project also aimed to highlight the market dynamics in the FDP sector characterized by recent M&A activities, as the asset manager I represent wanted to carefully

comprehend potential changes in this market to be able to proactively adapt to those. The overarching goal of this capstone project was to help my client better understand the market for third-party fund data providers in Europe, enabling this asset manager to ensure an efficient allocation of resources to service these providers, enhance sales opportunities, and guarantee client satisfaction.

Findings: Comparison of FDP Services

This section of the Capstone project thoroughly examined the services of three of the most important FDPs in Europe: FE fundinfo, LSEG, and Morningstar. All the companies offer extensive fund data services due to recent acquisitions they completed. Nevertheless, it is evident that each of these leading FDPs has unique strengths, catering to distinct aspects of fund management needs. From an asset manager's perspective, FE fundinfo stands out as the only provider with an exclusive specialization in fund data, while LSEG and Morningstar also provide services relating to other financial asset classes. Morningstar's appeal lies in its extensive data platform that provides advanced analytical tools to clients as well as in its long tradition in the fund data industry, providing the company with an excellent reputation. LSEG is notable for its sophisticated fund marketing tools as well as its financial data platform Refinitiv, which the company acquired in a major \$27 billion deal in 2021.

Findings: Competitive Forces in the FDP Industry

The main takeaway from this section was that the FDP industry in Europe has undergone significant consolidation throughout the last few years. The largest companies frequently acquire smaller ones, not only to strengthen their own market position but also to offer extended and enhanced services to their customers. For asset managers, this market consolidation, on the one

hand, simplifies the collaboration with FDPs. While it was common to work with many different small companies in the past, they can now focus on their partnerships with a few large players, offering comprehensive services. On the other hand, of course, this consolidation also provides some additional bargaining power to the remaining large companies in the FDP market, which is a potential disadvantage for their customers as they might be inclined to charge higher prices. Importantly, the European Union has already shown some concern about the decreasing competition in the financial data industry, making it questionable whether the FDP market consolidation will continue at the current pace.

To understand the competitive forces in the industry in more depth, I also decided to conduct Porter's 5 Forces analysis. This examination of the FDP market in Europe revealed that while the industry exhibits high competition among the leading players, the low threat of substitutes and the moderate bargaining power of buyers ensure the industry's profitability.

Conclusion

The Capstone project provides the client with a valuable analysis of the FDP market in Europe, which the asset manager can utilize to form strategies, guaranteeing successful collaboration with fund data providers in the future. The paper concluded that clients prefer to utilize fund data providers over relying solely on asset managers mainly due to their comprehensive investment research platforms and their higher degree of independence, demonstrating potential improvement areas for fund managers. Lastly, the paper also identified four main external key factors impacting growth in the FDP market, which suggest that further growth in this industry is likely, emphasizing the continued importance of effective collaboration between asset management companies and FDPs.