

Advisory Distributors – Tuesday 29 November 2016

The Berkeley Hotel, Wilton Place, Knightsbridge, London SW1X 7RL

DISCUSSION DOCUMENT

ALL CHANGE!

When we last met, it was the “morning after the night before”... the EU Referendum had just taken place and we were unsure of what to expect. The summer felt actually rather optimistic – nice weather... in the end... meltdown didn’t happen ... FTSE rocketed and everyone came on holiday to the UK to take advantage of a low pound. Happy days!

Now it all feels a bit more scratchy: Jeremy Corbyn has been re-elected and reinforced the Labour party’s definite shift to the left; Teresa May has resurrected grammar schools and demonstrated an inclination more to the right; Nicola Sturgeon continues to resurrect Scottish independence; and of course the leaders of Italy, France and Germany are all facing the electorate over the next year; oh and of course we have Trump vs Clinton. And wider afield the awfulness of Syria continues.

And as for Article 50 – well we are all experts on that!

So it looks like a lot of change is on the horizon.

The following is a starting point for the roundtable discussion agenda to be addressed on 29 November. As in all things we seek your input. This document will evolve over the next month and the final programme will be published at the end of October.

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TECHNOLOGY

1. CREATING AN INNOVATION HUB

You know there must be an easier way – processes take too long and are susceptible to error; the client journey is unnecessarily complex; your people need to think differently. However your top team are too busy hacking away at the coalface to take time out and innovate.

So how about creating an innovation hub within your organisation? Might sound a bit modern but there are all sorts of reasons why this is actually a very good idea.

We are delighted to field a lady who has bucket loads of experience in setting up these hubs within financial services.

A commercial necessity.

2. JUST HOW STRATEGIC IS YOUR APPROACH TO INVESTING IN BIG TECHNOLOGY PROJECTS? ANY LEARNING TO BE HAD?

The right technologies aligned to strategy and deployed well create significant opportunities for business to grow, improve client service, reduce risk and enhance decision making. On the other-hand the introduction of technology can lead to escalating costs and baffling terminology. How do you keep control?

This session will take you through the thought processes to ensure you don't start throwing hard earned cash down the drain. Selecting the right partners is probably a good start. Mighty organisations have wasted millions of pounds on these ventures. So how do you go about identifying the right provider to work with? And who should head up the project from within your organisation?

And finally, it's all very well building it but how can you be confident that clients will engage with it and use it in the way you envisaged? What do you do if they don't? How do you go about adapting to or changing client behaviours so it becomes a way of life?

More war stories I think.

3. ROBO-ADVICE IS UNDOUBTEDLY REVOLUTIONISING THE ADVICE MARKET BUT IT IS NOT THE ONLY DIGITAL INNOVATION ON THE SCENE

This session will consider:

- What your clients might value from a digital interaction and how technology can work collaboratively with adviser and client and not 'instead of'.
- Can FinTech innovations help to create a point of difference for your business and become a channel for client service?
- How are businesses integrating digital to their existing offerings and packaging it for clients and what successes can they enjoy?
- Maybe digital is already part of your offering. If so, do you have any advice for people considering introducing it?

4. BIG DATA: DO YOU HAVE THE RIGHT DATA STRATEGY AND GOVERNANCE?

Big data is not just a concept for substantial corporations, it is a way for you to understand your clients' behaviours better. So where do you start?

How do you go about analysing client data flows? What are you looking for? How can you leverage this knowledge? What data strategy and governance will you need to comply with increasingly data oriented regulations; support business strategy; and resolve business issues? Whose remit?

Some areas which perhaps need to be examined:

Regulatory and tax changes – the long list of current and future requirements all need data to be remediated and collected in a structured way, covering MiFID, FATCA/CDOT/CRS, AML/KYC, General Data Protection Regulation etc.

Responsibilities and governance need to be defined, especially as the Senior Managers' Regime takes hold.

New channel developments and post-merger integrations face similar challenges.

Client experience and segmentation – understanding existing and potential clients is increasingly looking to analytics and development of internal and external data sources.

Cyber-security and business monitoring – an increasing threat requiring data and analytical tools to identify and report issues.

This session will put the business case for viewing your data as an asset in itself.

YOUR BUSINESS MODEL

5. CUTTING THE RED TAPE – TOO MANY PLAYERS WITHIN THE VALUE CHAIN?

Platforms and back offices - too many expensive layers of bureaucracy. Could there be a case to employ custodians rather than platforms to hold model portfolios? Would it be cheaper? In keeping with the shift to vertical integration? Is anyone doing it?

An opportunity to review the value chain and who is taking what and adding what value?

6. JUST HOW MUCH IS IT APPROPRIATE TO OUTSOURCE?

Charles Darwin said that it is not the strongest of the species that survives, nor the most intelligent, but the most responsive to change...

In a world that is changing at one of the fastest rates ever witnessed in human history, driven predominantly by the revolution in technology and communications, businesses have the opportunity - or even duty - to evolve their own propositions in order to stay relevant for their clients...

Where in the past firms might have considered outsourcing one or two aspects of their proposition, now they can consider outsourcing almost all of the constituent components without relinquishing control or raising costs.

In the first part of this roundtable we will revisit the core reasons why firms are evolving their approach via outsourcing, for example:

- to achieve greater resilience in an uncertain world
- to manage or reduce the impact of regulatory risk
- to access high quality specialists at low cost and on your terms

In the second part the discussion will shift more to the process of moving to an outsourcing model and the importance of having clear strategic objectives in place from the outset, in order to avoid any future pitfalls...

At the end of the day many businesses are facing the same challenge: simplifying processes in the pursuit of offering improved value-for-money for clients. Outsourcing is one approach that can help firms to meet this challenge.

7. WHERE ARE ALL THE NEW ADVISERS GOING TO COME FROM?

We have touched on this before and we know all about the shortage of finding good new advisers. Might there be a real opportunity to form a working party to put together a combined approach to working the milk round? Or maybe a joined up PR campaign to promote the value of the industry and how it might be a good career move?

It would be brave and it would need some commitment – but someone has to think big.

8. AN OVERVIEW OF THE FINANCIAL ADVISER MARKETPLACE COMBINED WITH SOME WAR STORIES AROUND DEALS DONE AND LESSONS LEARNED!

Owen James has now launched the Financial Adviser marketplace – an online survey seeking to produce a benchmark for adviser firms throughout the UK. Having consulted extensively with the industry, the survey will cover a pre-agreed set of metrics which it is understood are readily available to adviser firms. The survey has been sent out to some 2,000 firms and the outputs will be published within the Industry Benchmark Report.

We believe that this survey is timely as it coincides with the substantial consolidation going on across the industry.

There is always an interest in understanding how to value an adviser firm, but let's say we have got past that and actually done the deal. Whether you are acquiring, merging or indeed being acquired, this is where the fun really kicks in. We ask the question whether or not a seamless transition is a possibility? This session will provide an opportunity for participants to share stories on how they coped with the practical side of a spot of M&A:

- Merging and migrating data consistently; managing conflicts between front and back office systems; coping with legacy issues.
- Employment – who stays, who goes - the aftermath.
- Regulatory - ensuring you are compliant at the off... the compliance list is endless!

9. VERTICAL INTEGRATION – IS THIS THE WAY FORWARD?

How do we feel about Old Mutual buying Intrinsic; Standard Life launching I825? Does it give them a commercial advantage or is it vaguely flawed? Is it in keeping with the spirit of RDR? A tad radical that!

According to McKinseys, there are four reasons to vertically integrate:

- The market is too risky and unreliable;
- Companies in adjacent stages of the industry chain have more market power than companies at your stage;
- Integration would create or exploit market power by raising barriers to entry or allowing price discrimination across customer segments; or
- The market is young and the company must forward integrate to develop a market, or the market is declining and independents are pulling out of adjacent stages.

This session will seek to understand why members of the industry are going down this route and whether or not, as a strategy, it is proving successful. And the million dollar question – is it in the clients' best interest?

10. TALENT, COST, PATIENCE – THE KEY FACTORS IMPACTING THE SUCCESS OF YOUR INVESTMENT PROPOSITION

Do you feel comfortable with your investment proposition? Are you able to explain and define your process? Is it robust, comprehensive and consistent? Has it performed well over the long term?

Your investment proposition should involve a manager selection and fund oversight approach that is extensive, integrated and multi-faceted, in order to implement successfully the best active and passive investment decisions. Ultimately, you drive the success of your results.

Whereas there is security and comfort in following accepted market norms, there may be a better way to deliver the best results for your clients, and differentiate yourself from others.

The findings in this session will focus on three key areas of insight:

- Talent – uncovering, evaluating and implementing the best ideas into your investment proposition.
- Cost – using cost as a basis and starting point for your decision making process.
- Patience – why too many rash decisions are impacting negatively you and your clients' performance, and how the adage of buy low and sell high rarely happens in practice.

An opportunity to share ideas on building the best investment solutions for your clients.

11. MODERN PORTFOLIO THEORY – DOES IT HOLD ANY LONGER?

Sea change – in the past, fixed income and equities have always been negatively correlated, however this is no longer the case – they are now positively correlated. This turns modern portfolio theory on its head. Discuss.

12. HARNESSING THE POWER OF MEGATRENDS

Megatrends – powerful, transformative forces that could change the global economy, business and society – have the potential to affect all of our personal lives and influence the outcome of our investment decisions. Some megatrends have been with us for many years; others are at an earlier stage in terms of their impact on the world.

Cynics might dismiss megatrends as the stuff of think tanks and policy makers. We, however, believe that the use of megatrends in investment processes offers real investment opportunities and the potential for attractive risk and return profiles.

During this roundtable, we will highlight five key megatrends, outline how those megatrends relate to four investment themes, and explore how you might implement the investment themes we have identified in the context of a portfolio.

GEOPOLITICS

13. HOW DO WE DEAL WITH THE RISE OF POPULISM? HAS GLOBALISATION HAD ITS DAY?

As if we hadn't had enough of elections, we now face the prospect of US elections in November; Italy's constitutional vote in November; plus France and Germany next year. Your clients will be feeling nervous and look to their financial advisers as a calm port in a storm, so how do you tame these geopolitical head winds? People often think that populism is about protest and mobilisation – with 'things kicking off' – but is the real risk the uncertainty that these forces create, and their impact on governments?

The session will seek to define the nature of the risk for investors and businesses.

- Has globalisation reached its limits?
- Is this just a right wing phenomenon?
- What does the world look like through the lens of populist mobilisation?
- What will have currency in this new world? Can we identify the new voices and the new actors who will prosper?

We seek guidance.

14. WHAT'S HAPPENING IN AMERICA? ARE THEY ABOUT TO HAVE THEIR OWN "BREXIT" MOMENT?

As we approach the US election and Trump and Clinton slug it out over everything from health to tax to being buddies with Putin, what does it say about the country as a whole? Is the polarised support for Trump another expression of people's frustrations with globalisation, the opening up of borders and the breaking down of tribes?

By the time we participate at A Meeting of Minds, we will know whether or not the finger on the button is President Clinton or President Trump.

This session will provide a point of view as to how the result will affect the US economy and therefore the rest of the world. Our session leader will also tell us whether to anticipate protectionism, gung ho militarism, or actually a calm and measured approach to world order ... no mean feat this.

15. DEAR MR CHANCELLOR – ALL I WANT FROM BREXIT IS:

Extract from City UK report: “The UK is the leading centre for financial and related professional services (FRPS), exporting more financial services than any other country and hosting the highest number of FRPS headquarters. The country leads across a diverse range of businesses, from international arbitration to fixed income trading and speciality commercial insurance. It is a core driver of the economy, responsible for 12% of economic output and employing nearly 2.2m people. Its reach extends far beyond the City of London, with two thirds of employment outside the capital. The industry is also an enabler for the rest of the economy, providing financing for business and a wide range of products and services to individuals.”

We all know the asset managers are rather concerned at the potential loss of passporting their funds into Europe; that lots of big City institutions are considering moving their HQ. It is all a bit unnerving.

How might that affect the world of financial advice? Increased fees? Less funds to choose from? No change?

Should we as a nation seek to be the buccaneers of the past and ask Philip Hammond to cut corporation tax to encourage inward business?

Should we reduce regulation dramatically which would remove the substantial cost burden and then allow Joe Public greater access to financial advice.

We do seem to be financially quite prepared to weather this rather substantial storm but imagine you are granted a meeting with Mr Hammond and he says go on tell me what you want !! What would you say?

CLIENTS

16. THE DAWN OF THE MILLENNIALS AND MILLENNIPRENEURS – SEIZING THE OPPORTUNITY OF GENERATION SCEPTIC

It is well documented how the Millennials' money habits could shake up the financial services industry, but what are we doing about it?

The days of sticking with your banker for life have gone the way of floppy disks and dial-up connections. Affluent Millennials, take a different approach to managing their money from previous generations, including their immediate elders, Gen Xers. They have their own tools and their own rules.

This year, the 2016 BNP Paribas Global Entrepreneur Report revealed the emergence of a new generation of entrepreneurs under 35 years old. Dubbed the 'Millennipreneurs', these are business starters from 'Generation Y', born between 1980 and 1995, also known as Millennials. Lawd it is complicated.

Their approach to business, in terms of their ambitions, results and leadership style, differs from that of other generations. What are they looking for? How do they want to engage with you? Where do they tend to invest their money? Will they want to take more control?

A business opportunity?

17. SHOULD YOU BE COACHING YOUR CLIENTS TO THINK ABOUT THEIR HEALTH AS WELL AS THEIR WEALTH?

So how many of you own a Fitbit? Or at least monitor your daily steps on your smartphone? This is the world in which we now live. The pressure is on!

We suspect that your clients' healthcare needs may well enter the conversation, whether it is around the issue of protection for their families or private healthcare for themselves. So here are a few thoughts:

Health is the most searched for subject on the internet:

- Over 65% of the world's population now owns a mobile phone. With 1.8 billion smartphones in the world and an explosion of other devices getting connected to the web, people are unconsciously generating more data about themselves than ever before.
- Health monitoring in the home - using wristbands, laptops and smartphones, offers the potential to change the face of healthcare. "The hospital of the future is in the home".
- Consumer interest in health and technology is at an all-time high. With the two fields converging, the appetite for information can only intensify.

This session will provide an overview of current health trends and how technology is supporting this growing interest. Please view it as an opportunity to enhance your service proposition.

If you have any questions, do please call the team on 01483 861334 or email evieowen@owenjamesgroup.com