

## Asset Management

Thursday 2 November 2017

The Ned, 27 Poultry, London EC2R 8AJ

### THE SUBJECTS BEING TABLED FOR DISCUSSION

The following subjects are being tabled for discussion in the roundtables at A Meeting of Minds Asset Management. These should be viewed as a starting point and will evolve over the next couple of months.

Once the agenda is finalised, you will be invited to prioritise your three preferred topics with 1 being the subject about which you are most passionate. You will be able to join two of these sessions.

These roundtables take place in a private room with, typically, some 10 people around the table. Tent cards carrying each participant's name and company are set out to make it easy to identify your peer group. The sessions are introduced by an expert in the subject. This introduction will last about 10 minutes before the conversation is opened up to the table, the goal being to ensure that everyone gets stuck in! The session facilitator will aim to bring the session to a conclusion highlighting the key points raised and any conclusions/follow up actions.

1. **So are you providing your investors with value for money?** ..... 1
2. **The connected investor – understanding the path to engagement** ..... 2
3. **Big data – ensuring it makes a difference** ..... 2
4. **Relentless regulation** ..... 3
5. **The changing face of distribution – is vertical integration the answer?** ..... 3
6. **New and different distribution routes to the end customer** ..... 3
7. **D2C – That's Digital to customer** ..... 4
8. **What should we do about Brexit?** ..... 4

#### 1. SO ARE YOU PROVIDING YOUR INVESTORS WITH VALUE FOR MONEY?

This would appear to be the headline finding from the FCA's recent Asset Management Market Review. The FCA is recommending that both industry and investor representatives agree a standardised template for costs and charges. So are you working on it?

We are not encouraging cartel behaviour! There may however be some validity to discussing the issues around this area? As transparency is key it could become the big differentiator?

**All-in fees.** This aligns with the requirements of MiFID II and PRIIPs so might be a good starting point. Do these fees include transaction costs? How does the value chain stack up? The advisers are keen to emphasise their added value in terms of the big plan! Where do the platforms and custodians fit in?

**Performance fees** - only allowed if the fund outperforms its most ambitious target. Are you up for this?

**Share classes** – are you providing best value?

**The use of benchmarks.** Investors need to be in a position to identify how their fund performs against the stated objectives. Are you providing them with that access?

**Data.** Where do you source it from and how granular can you go?

## 2. THE CONNECTED INVESTOR – UNDERSTANDING THE PATH TO ENGAGEMENT

It is no longer about the quantity more about the quality of relationship. Understanding your end customers and what makes them tick is now a critical component to your success.

How well do you understand the end customer and their motivations? Are you connecting with your customers beyond transactions and building true engagement?

### So where do you start?

All manufacturers now have to understand their “target market”. What does that mean? ESMA have provided some criteria:

- The type of client to whom the product is targeted
- Their knowledge and experience
- Their financial situation with a focus on their ability to bear losses
- Risk tolerance and compatibility of the risk/reward profile of the product with the target market
- Their objectives
- Their needs

Are you on track?

And on other fronts:

- What about your marketing material – is it consistent between you as the manufacturer and the distributor?
- Sales and advice – do you have clearly articulated policies, procedures and guidelines?
- Post sales feedback - what is the customer receiving and from where?
- Do you keep a detailed register of complaints?
- How aligned are your managers with the changing needs of your investors – should we expect to see a growth in outcome driven solutions?
- How much cultural change is required within organisations to improve the engagement you are seeking with your end clients?

## 3. BIG DATA – ENSURING IT MAKES A DIFFERENCE

All organisations have access to valuable data, but either fail to capture them, fail to understand what data are relevant and fail to use data effectively. Businesses struggle to get demonstrable value from data. Identification and prioritisation of only the most relevant data can be the first step to unlocking data paralysis.

Data scientists are big data wranglers. They take an enormous mass of messy data points (unstructured and structured) and use their formidable skills in math, statistics and programming to clean, massage and organize them. Well that is what it says on Google!

So as a starting point:

- Data are best used within organisations when shared on a wide scale. Success can be demonstrated from aggregation and simplification of all relevant data to align internal disciplines behind one shared view.
- Sharing data and giving unrestricted access democratises customer insight enabling more effective decision-making at the point of action, creating significant impact on customer engagement.
- Data need to be simplified and continuously improved.

Well those are the headlines - this session will take a look at the detail.

#### **4. RELENTLESS REGULATION**

In light of Brexit, one hopes that the Regulator won't be keen to shackle such an important industry as that of asset management, however as the UK is probably already setting the Gold Standard one shouldn't be complacent. How does the sector believe it should respond in the short, medium and long-term?

- In terms of regulation coming down the line, there is a big piece around the SM&CR regulation. Members of the fund manager's Board have a part to play in ensuring that the company is providing value for money. So corporate governance is coming home!
- GDPR – it affects everybody – are you up to speed?
- MifID II – it affects your distribution channels – are you being supportive?

What challenges do asset managers have in influencing policy in future? What sort of influencer model do businesses need to adopt?

It's relentless!

#### **5. THE CHANGING FACE OF DISTRIBUTION – IS VERTICAL INTEGRATION THE ANSWER?**

What are end clients looking for and are VIFs best placed to deliver it?

Often we talk about innovations across the value chain, but how can we be sure that as an industry we are building and designing products and services that meet investors' evolving needs? This session will explore:

- What are clients looking for? Is it digitisation; low cost; broad asset classes; risk targeted etc.?
- What are advisers looking for? Is it the investment process; track record; diversification; accessibility; price; support etc.?
- Product innovation – where are the gaps? How can we ensure providers are designing and building the right products for clients and advisers when the client is at arm's length?
- Are VIFs the best route to market? Do you need scale to meet client and regulatory requirements? What are the pros and cons of VIFs? What is different this time around?
- What role does technology have in powering new models? How can this improve the investor journey?
- Is an industry with greater distribution power a good thing for the end investor?

#### **6. NEW AND DIFFERENT DISTRIBUTION ROUTES TO THE END CUSTOMER**

- We are always talking about the prospect of investing with John Lewis. Not investing in but investing with! For the rather substantial part of the population who cannot afford the bespoke investment services of a private bank or indeed are not particularly wild about forking out to see a financial adviser, what is the alternative?
- The theme of investing via a trusted brand has been a consistent one. The worry for the brand is of course the toxic nature of financial services which can "go wrong" or fail to deliver the expected returns viz the financial crisis.
- The financial services crisis is no longer quite so fresh in the nation's memory "bank" although banks are still struggling to convince the nation that they are total heroes. Who are these days? Certainly no longer the politicians. However the pensions freedoms legislation kick started a bit of a revolution in terms of people taking control and indeed an interest. And that backed up by auto enrolment means that the populous are realising that they need to get with the programme.
- So against that background maybe the timing is now right for a trusted brand to launch into this space.

## **7. D2C – THAT’S DIGITAL TO CUSTOMER**

- Vanguard has launched their D2C platform. Are we now seeing the beginnings of a trend towards a scale digital solution for all those clients who can’t quite manage to pay for their advice or maybe don’t want to?
- In the past, manufacturers have always been cautious about cutting out the middle man but maybe now is the time to change all that. Does this answer the FCA’s call to provide value for money?
- Maybe this is what the next generations of investors are going to be looking for – low touch, data rich and value for money? Or is it a combination of technology backed up by humans when that reassurance is needed?
- Does this make roboadvisers redundant? Or will you the manufacturers offer the technology to advisers to white label?
- Finally, with the introduction of Open Banking and the public finding it much easier to see their “money” set out in an aggregated way, might the timing be perfect to fit in with that brave new world?

## **8. WHAT SHOULD WE DO ABOUT BREXIT?**

- Brexit brings its own challenges, but what are the opportunities?
- What options and routes does Brexit create for restructuring a business?
- What impact will it have on product development or rationalisation?
- To what extent can we expect to see dual headquarters emerge?
- How will UK based groups respond and what will it mean for them when it comes to attracting talent and retaining it?
- How do people plan to respond to the regulatory challenges and uncertainty and what does it mean for short term business decisions?

Thank you for reading so far! If you have any thoughts on the above or would like to add your own suggestions, do please call Evie Owen on 01483 862692 or email [evieowen@owenjamesgroup.com](mailto:evieowen@owenjamesgroup.com).