

Asset Management

Thursday 19 September 2019

The Berkeley Hotel, Wilton Place, London SW1X 7LA

THE DRAFT AGENDA

In anticipation of A Meeting of Minds Asset Management, this document sets out the subjects which will be tabled for discussion during the roundtables. These roundtables are geared to addressing the big strategic issues which are affecting the world of asset management and which feature on the Boardroom agenda. We have sought to segment the subject matter.

The plan:

The following should be viewed as a starting point. Over the next couple of months we will be holding one to one meetings with board level asset managers to ensure the agenda is on track to deliver a robust, interesting and valuable agenda at the Meeting of Minds in September.

Who are we seeking to “impress”:

Our goal is to field peer groups for discussion. We are inviting Chief Executive Officers, Chief Operations Officers and Chief Distribution Officers.

The context:

As **the FCA** has recently published its **business plan for 2019/2020**, we have benchmarked it against the draft agenda to ensure we have it covered!

It outlines the cross-sector priorities:

- Work on firms’ culture and governance, including extending the Senior Managers and Certification Regime to all firms.
- Ensuring the fair treatment of firms’ existing customers by monitoring firms’ practices, including the information they give prospective and current customers.
- Developing the work being done on operational resilience, which will play a vital role in protecting the UK’s financial system.
- Combating financial crime and improving anti-money laundering practices, by enhancing the use of technology and data, as well as engaging with multiple agencies and government bodies.

The plan also sets out three additional cross-sector priorities, which have longer time horizons:

- The future of regulation
- Ensuring innovation and the use of data work in consumers’ interests
- Examining the intergenerational challenge in financial services.

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YOUR CLIENTS – WHO EXACTLY ARE THEY? AND WHAT DO THEY WORRY ABOUT?

I. INSTITUTIONAL AND RETAIL: IS THIS SIMPLY A QUESTION OF SEGMENTATION?

Whether your clients are institutional or retail, they both want servicing in a cost efficient, fast and transparent manner, so should they really be charged such a differential?

As a starting point, let's talk segmentation strategies. Why should the retail client pay so much more than the wholesale client? Are their demands that different?

Should segmentation be by profitability and complexity? The dividing line between institutional and retail sales is disappearing as teams are combined so are you combining your client bank at the same time?

One suggestion was that we introduce a panel of intermediaries to see what they feel about the way they interact with the asset management industry.

2. OPTIMISING BUSINESS PERFORMANCE BY REALLY GETTING TO KNOW YOUR INTERMEDIARY CLIENTS. DO YOU DEVOTE ENOUGH TIME TO REVIEWING YOUR MI REPORTS AND, MORE IMPORTANTLY, DO YOU ACT UPON THEM? ARE THERE LESSONS WE CAN LEARN FROM OTHER INDUSTRIES?

- According to Scorpio Partnership's Chief Marketing Officer survey data, firms which gather customer experience and brand insights project higher confidence and optimism for five-year growth potential. Admittedly their research is amongst large wealth managers but the learning holds true for asset management.
- Relationships and business models are evolving, making engagement an important aspect of business growth and development. The intel you capture can aid proposition development and help shape your future strategy.
- It can also shed light on how best to support stakeholders – both in house and external - in both deepening existing client engagement as well as developing new business.
- Do you analyse your intermediary clients' behaviours? Do you know when they go online or call you? And if they call you, do you know why? Do you know which bits of the tech you provide they favour? Do you monitor which funds or product solutions they favour? Do you understand why? What about the content they use?

And in terms of what we can learn from other industries:

- ASOS works through thousands and thousands of products every day to match the right people with the right products. This is making them as agile as Amazon.
- M&S use in store technology to work out how to position products for maximum impact. Just a thought?

So what steps should you be taking?

3. UNDERSTANDING AND REACHING YOUR END CLIENT – THE INVESTOR. AND WHILST WE ARE AT IT – WHAT ABOUT THE INVESTORS OF THE FUTURE?

The FCA has made it clear that it wants to see greater industry focus upon the end-investor – ensuring their interests are at the heart of everything asset managers do.

With this in mind;

- Is there sufficient understanding of who the end-investor is, and their changing needs?
- As firms buy up distribution, that knowledge is presumably becoming more accessible?
- And following on from the previous session, what do you actually do with the data you are provided by the platforms and the intermediaries themselves?
- How is today's investor different to the investor of tomorrow, and does the approach to reaching them need to change? Maybe this session is where we introduce the piece around inter generational shifts and increased longevity.
- Are there ways to bridge the gap between the industry and the investors it serves without a direct relationship?

4. A QUESTION OF PERCEPTION – HOW DO WE ENSURE THAT THE ASSET MANAGEMENT INDUSTRY IS PERCEIVED AS A FORCE FOR GOOD?

View 1: Asset management is one of the most valued and important sectors within Financial Services, both in terms of the value it provides and the jobs it supports. It helps finance people's futures. It helps and delivers better corporate performance by holding entities to account.

View 2: The asset management industry remains subject to considerable scrutiny; the transparency of its costs and charges, lack of diversity and representation, and failure to use its influence in ensuring effective corporate governance have all received criticism in recent years.

So there you have it – two perspectives. So why isn't the industry more highly regarded?

This roundtable will examine the steps needed to close the “perception gap” to ensure the industry meets society's expectations as a force for good.

- Thanks to David Attenborough and Blue Planet, the issue of plastic has shot up the environmental angst list which in turn is ensuring a far greater focus on all things ESG.
- It is wrong to think it is only the Millennials who care about the planet – most right thinking people do. So should asset management make a much bigger deal of where it is investing client money and how it is holding up the companies in which it is investing to greater scrutiny?
- How do you monitor your investments to ensure they are doing no harm. How do you convince your clients you really are saving the planet and looking after everyone on it?

Indeed as one asset manager recently said: *“The value judgement goes away if you deliver what you say you will do. We need to put performance before fees and costs?”*

Another asset manager: *“We need to be better at clarifying the expected outcome. This is partly the attraction of passives.”*

Onora O'Neil, a philosopher speaking about trust: *“trustworthiness is a combination of competency and honesty.”*

And finally, taken from LGIM's website: *“Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper.”*

Food for thought.

5. AS AN INDUSTRY WHAT ROLE SHOULD WE TAKE IN ADDRESSING THE INCREASING MISALIGNMENT IN WEALTH?

- It is a question asked of society, but is it something we as an industry should address?
- We need to support the financial education of the whole of the country.
- Maybe a starting point would be harmonisation around the lexicon used within fund management. A Lux SICAV isn't exactly a typical discussion point down the pub.
- Maybe support financial education in school e.g. play apps.

Just a thought. Maybe part of the previous session.

TECHNOLOGY – THE ROBOTS ARE COMING

6. A MASTERCLASS IN UNDERSTANDING THE DIFFERENT POTENTIAL OFFERED BY AI, RPA, BIG DATA, MACHINE LEARNING, THE CLOUD AND VOICE.

- **Robotics** – not something you can just roll out. It is exciting technology which can operate across your entire ecosystem. Robots can learn and copy.
- **Machine learning** and **AI** are fairly simple algorithms which can do some heavy lifting e.g. looking at data quality.
- **Big data** is access to unstructured data – known as data lakes. Proximity of the data to the user is much closer. It is raw data. With the right skill sets you can gain insights. This is a massive enabler which allows you to apply machine learning quite quickly without having to go through the IT function.

- **Cloud.** Amazon Web Services, Google etc. These are pay as you go commercial models which make them very attractive solutions as opposed to buying your own.
- The use of **Voice** is compelling and cheap. It sits on the cloud and is getting better and better. Think Amazon Echo as a financial services adviser.

Well those are the headlines – how about a discussion around practical implementations?

THE ART OF ATTRACTION!

7. APPARENTLY COMPANIES WITH A HIGHLY ENGAGED WORKFORCE ARE 21% MORE PROFITABLE. SO WHAT SORT OF PEOPLE ARE YOU LOOKING TO HIRE THESE DAYS AND WHAT ARE YOU OFFERING THEM THAT MAKES YOU SO SPECIAL?

Your office is a cost centre but maybe it is now time to think of it as a driver of sustainable value. The challenge is to transform the workplace to give employees experiences that are at least as good as the ones they get as customers.

- It would appear that we need more tech savvy data scientists, sales people who are consultative and value add rather than product floggers, people who are “gender blind” and not likely to behave “incorrectly”.
- As a participant at a recent meeting said: *“How do you know what the market wants when you are not necessarily reflecting the market?”*
- There is definitely talent out there but when employment is at such a high level, you are competing for the best against the best.
- So what are the buttons you need to be able to press to attract and keep the talent? It won’t be just down to the money – although that will be key ... it will be about the reputation, the working practises, the culture and the opportunity to progress.
- No longer are people grateful for a job ... they are interviewing you.

8. IS YOUR BRAND TRIBAL? COULD IT BE? EVEN A TINY BIT? IT WOULD HELP YOU TO DIFFERENTIATE YOUR OFFERING – BOTH TO THE TALENT YOU WANT TO ATTRACT AS WELL AS TO FUTURE INVESTORS.

- **Definition:** A brand tribe could be regarded as a group of people who collectively identify themselves with the product and share similar views and notions about the brand. They are not just consumers of the product, but play a major role in its promotion.
- **Description:** A product is successful when it becomes a cult. Companies are not just selling consumers their products nowadays, but an idea, a vision as to how consumers of the particular brand will relate to it once he/she owns it.

Creating a tribe or a cult is not possible for every product, but if the company is able to create one product out of their portfolio which can differentiate itself from the competition, it will do wonders for the company and the brand.

TO DISRUPT OR BE DISRUPTED – THAT IS THE QUESTION?

9. BIG TECH – DO THEY REALLY POSE A THREAT? OR PERHAPS WE SHOULD BE MORE FOCUSED ON FINTECH AND START DISRUPTING OURSELVES?

Where do the biggest challenges lie? Will it be the nimble fintechs or the more established big tech players - the GAFAs (Google, Amazon, Facebook or Amazon)?

- The fintechs want to partner with big firms who have clients and their trust. They in turn will enable

you to access new technology fast. Lots of mutual benefits - not least faster time to market, competitive advantage, decreased costs and improved profitability. Plus a few pitfalls. Let's take a look at the pros and the cons. .

- The big guys on the other hand are a bit of an unknown quantity.

So are you going to be a disruptor or are you going to wait to be disrupted?

10. WHAT ABOUT THE CHANGES FROM WITHIN THE INDUSTRY?

Having looked at the emergence of new entrants from outside the industry, what about change from within?

- Vertical integration is a big movement.
- Is further M&A activity likely? What does consolidation mean for the industry?
- What impact is competition likely to have long-term?
- We will seek to identify the best examples of industry innovation from recent years – from product development through to routes to market?
- Where does innovation come from within an organisation and whose responsibility is it to encourage change?

11. CYBER SECURITY – YOU ARE ONLY AS STRONG AS YOUR WEAKEST LINK.

Organisations face myriad threats, which continuously evolve to present them with new challenges. One such evolving 'moving target' is cyber security – a subset of business resilience. It is being discussed by stakeholders at all levels, which suggests the industry needs a mind shift change to be able to adequately tackle the issues surrounding response, regulation and recovery.

"Ecosystems are now much bigger, boundaries are fuzzy and details more complex to deal with... There is a growing need to have a whole firm response – from C-suite to each individual – because you're only as strong as its weakest link"- wise words from a previous roundtable participant.

Ultimately, risk cannot be avoided so we need to develop a 'risk- radar' and learn how to mitigate and minimise.

REGULATE REGULATE !

12. ARE YOU READY TO BOARD THE SMCR (SENIOR MANAGERS & CERTIFICATION REGIME) TRAIN?

- **Key issues and developments?** Now the FCA has announced it will be implementing SMCR into the wider financial services sector by December 2019 (an estimated 17,200 Investment Firms; 106,000 Approved Persons; 43,900 future Senior Managers; and 62,000 certified persons), what will this mean for senior managers and members of the board in terms of governance and culture within the firm, along with their own individual responsibilities and accountabilities?
- **What lessons have been learnt?** An opportunity to hear from some of the Banks and PRA-designated investment firms who have been subject to the SMCR since March 2016.
- **What is different this time around?** This time it is personal! Many of the individuals will be either owner managers and partners whereas back in 2016 the senior individuals affected were typically employees. What cultural impact will this have?
- **Is culture the biggest sticking point?** There are still big cultural and demographic divides in terms of Senior Managers buying into this regulation. How can we bridge this gap?

13. AS THE MIFID II EFFECT KICKS IN AND CLIENTS GAIN A CLEARER UNDERSTANDING OF HOW MUCH THEY ARE PAYING YOU FOR YOUR ACTIVE INVESTMENT SERVICES, IS IT AFFECTING THEIR INVESTMENT

PREFERENCES?

AS A LEADER OF PEOPLE... I WILL SURVIVE

14. AGILE LEADERSHIP – STAYING RESILIENT IN A VOLATILE WORLD.

As leaders of substantial organisations, how on earth do you maintain your equilibrium in a world where decision-making is demanded at every turn. How do you stay resilient?

This session will coach you in the art of self-management. It will help you to understand how best to optimise the use of your team, maintain a clarity of focus and overcome all the blocks and obstacles thrown in your way such as regulation.

AND POLITICALLY SPEAKING...

15. BREXIT – MAYBE IT WILL BE ALL OVER BY THE TIME WE MEET IN THE AUTUMN? MAYBE THERE WILL BE A NEW PRIME MINISTER?

We will keep this on the table as we have no idea where we will be when we meet in September. We may even have had a General Election by then. Who knows?

Thank you for reading so far!

As stated at the beginning of this document, the Draft Agenda is indeed just that. Over the next couple of months we will hold one to one meetings with the asset management C suite to ensure that the final subject matter addressed at September's Meeting will be 100% on target.

If you would like to input into this agenda – we would of course love to hear from you. Do please call Evie Owen on 01483 862692 or email evieowen@owenjamesgroup.com.