

## Asset Management

Thursday 5 March 2020

The Berkeley Hotel, Wilton Place, London SW1X 7LA

### THE SUBJECT MATTER

In anticipation of A Meeting of Minds which will take place on Thursday 5 March this document sets out the subjects which will be tabled for discussion.

#### The format:

The half day runs 0815 – 1430; breakfast through to a formal luncheon and is made up of a blend of:

- **Keynote** sessions geared to encouraging new thinking – typically from outside the industry;
- **Roundtables** – small facilitated groups addressing a carefully researched agenda. The whole Meeting is Chatham House and therefore participants are able to speak openly and freely.
- Plenty of **networking** opportunities including a formal seated luncheon.

#### How do the roundtables work?

- On the day, the roundtables take place in a private room with, typically, some 10 - 12 people around the table. Tent cards with participants' names and companies are set out to make it easy to identify your peer group. The sessions are introduced by an expert on the subject. This introduction will usually 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 bring the session to a conclusion, highlighting the key points raised.

In summary, your time is precious and our goal is to ensure that if you spend it with us, you spend it in the company of your peers, you address the subjects which matter to you, and all in a time efficient manner.

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## THE SUBJECT MATTER:

### 1. IS YOUR BUSINESS MATCH FIT? INDEED ARE YOU?

- Managing change is the common thread amongst senior management, and business resilience is ultimately linked to the personal resilience of you, the business leaders.
- In terms of managing business change, there is the decision-making process itself as well as the role of the next generation in shaping these changes.
- Is your style stronger on deeds than words? Do you have a clear vision and a set of goals accompanied by a clear list of actions, timelines, accountabilities and incentives. Do you favour consensus building at the early ideas generation stage and a hard-nosed approach at the implementation phase? Well that is one approach.
- Who will be the innovators? Beware the tendency to focus on the enthusiastic new intakes and overlook the middle set who are often at a pivotal time in their careers, learning how to become accountable.
- This session will examine how you keep both you and your business match fit. And stretch!

### 2. STEWARDSHIP – THE SAFE INVESTMENT OF CAPITAL TO CREATE SUSTAINABLE VALUE. WHEN IT COMES TO MEASURING A COMPANY'S VALUE, TRADITIONAL METRICS ARE NO LONGER FIT FOR PURPOSE – DISCUSS!

- Rising economic inequality has caused public trust to decline and that, combined with the huge amount of company data in the public domain, has left companies vulnerable to reputational issues.
- As we enter the third decade of the 21<sup>st</sup> Century (very Star Trek), a company's value can no longer be based just on its short term profitability. To ensure a company maintains that public trust it needs an effective accountability framework, and stewardship is a key plank within this framework.
- Greater transparency over investor expectations, how investors engage with investee companies and their areas of greatest priority help to drive stronger governance and more effective corporate reporting.
- Investors no longer just base their decisions on numbers, they want to see a clearer focus on social impact, environment, human capital, governance, trust and reputation.

In this roundtable EY will share some of the findings from their recent research amongst asset managers and owners to see how they are embracing the responsibility of stewardship.

*Expert: Gillian Lofts, Partner, Wealth & Asset Management UK Leader, EY*

### 3. ESG – THE MOMENTUM IS THERE – WE NOW NEED SOME STANDARDISED METRICS TO MEASURE PERFORMANCE.

- At the end of last year, the EU published its proposal for a Green Deal. In summary, “it is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use”.
- Mark Carney has been appointed UN special envoy for climate action and finance as he prepares to step down as governor of the Bank of England. Limiting the increase in temperature to an average of 1.5C is the dream.
- The momentum behind ESG investing is exponential and asset managers are definitely responding to the impetus. The issue is the lack of a joined-up framework to measure it and the value it delivers – lots of people are working on one but there is nothing standard out there yet. At a recent meeting of wealth managers: “We need some sort of Kite standards. There are different labels in use in Europe. Indeed, the EU has said they want to use an Eco Label.”

#### **4. PROVIDING VALUE FOR MONEY? IT CERTAINLY ISN'T JUST ABOUT GROWING THE POT. A LOOK AT THE FCA'S ASSESSMENT OF VALUE.**

- The FCA's Assessment of Value (AoV) is part of a series of measures that makes up the Asset Management Market Study (AMMS) aimed at significantly improving the transparency, value and governance for those fund managers who have investment funds available to retail investors in the U.K.
- Whilst cost and fees are a centrepiece of the AoV requirement, at its heart is the ability of U.K. fund managers to clearly communicate the value they provide to end-investors.
- This is the first time for a while that managers find themselves able to speak directly to end-investors, and in their own voice, without a prescriptive template to follow - a new experience for all, uncomfortable for some, and a real opportunity for others.
- Whilst many see the AMMS and the AoV as specific to the U.K., and they wouldn't be wrong, it's actually part of a much wider convergence of investment governance that's taking place across the key money centres in the world - bringing together cost transparency on the one hand, and board effectiveness and conduct and culture on the other.
- This session will assess the progress of the AMMS over the past 18 months, review the first handful of AoV reports released over the past few weeks, and address key questions around investment fund governance in the asset management industry.

*Expert: Shiv Taneja, Founder & CEO, Fund Boards Council*

#### **5. CATEGORISING YOUR CLIENTS: RETAIL, WHOLESALE, INSTITUTIONAL – AREN'T THEY JUST CLIENTS?**

- The ways in which asset managers categorise clients is evolving. Increasingly it depends on the complexity of their needs and overall revenue and/or scale.
- Since Q1 2017 retail/wholesale flows have consistently outweighed those of institutional investors. But there is a case to be made that perhaps institutional money is "stickier".
- Distribution and client servicing teams must adapt to change as the market becomes more dynamic – teams within teams is not hugely beneficial to clients or asset managers.
- Teams which are large enough in size with a shared culture and common interest are the future. Upskilling and communication are key.
- The language for wholesale and institutional clients is interchangeable and the focus should be on how each channel wants to engage.

Well that is the view expressed at the last Meeting. Does that chime with your thinking? Anyone doing it well?

*Expert: Magnus Spence, Managing Director, Distribution Insight, Broadridge Analytics Solutions Ltd*

## **6. DATA NEEDS TO BE PRESENTED AND USED IN A WAY THAT CLEARLY BENEFITS THE RETENTION AND GAINING OF NEW CLIENTS.**

- There is a perception that anything can be achieved using data, but little consideration of the time/cost benefit. Indeed, do you have a Chief Data Officer?
- What are you trying to achieve with the data - to gain and retain clients, to understand them better, to ensure your offering is of value?
- A company's data structure needs to be right and that structure requires greater communication between the data and the salespeople.
- There is a fundamental problem with platforms which prevents asset managers from knowing to whom and how their funds are distributed.
- And let's not get you started: "platforms have no preference for weekly (never mind monthly or quarterly) trading and are also more geared to UK registered funds. Platforms should accommodate illiquid assets".
- Indeed maybe we need a separate session specifically on platforms?

*Expert: Bella Caridade-Ferreira, CEO, Fundscape*

## **7. TALKING ABOUT CLIENT ENGAGEMENT...THINKING ABOUT YOUR FUTURE CLIENTS... NOW HERE IS A GOOD IDEA...**

We all know that the Millennials stand to inherit a lot of money from the Baby Boomers so we need to understand them. Here are some intriguing headlines from a recent Meeting of Minds session:

- *Millennials as parents are becoming ethical buyers. They feel passionately about the pollution created by disposable nappies. However their reusable nappies have to be personalised!*
- *They will ask precise and difficult questions about ESG. They want complete transparency about you. You need to realise that this isn't fringe behaviour any more, it is mainstream.*
- *Technology isn't the answer. They don't see a smartphone as technology. It is just like the kettle to the Baby Boomers. They don't know how it works, they just want and expect it. They are looking for convenience and someone who can save them time. Your advice has to be agile as their lifecycles will change quickly.*

So how do you as an asset manager keep up with what your future clients are thinking? We will field an interesting case study of a new start up which has built a platform allowing clients to become "active" with the companies in which they are invested.

Their voting might not always carry a lot of weight but it will allow asset managers to see the voting patterns of the investors and will in turn enable them to understand client trends and respond accordingly. Might be interesting to find out how they are voting and on what. What do you think?

*Expert: Georgia Stewart, CEO, Tumelo*

## **8. DO NOT LET PERFECTION BE THE ENEMY OF GOOD. DIGITALISATION REQUIRES A TEST AND LEARN APPROACH.**

*"Computers are incredibly fast, accurate and stupid; humans are incredibly slow, inaccurate and brilliant. Together they are powerful beyond imagination."* Albert Einstein. NASA used it in a report so it must be right!

- This isn't just about adding new digital channels for client engagement, it also incorporates your firm's processes, the upgrading of old systems, connecting silos and delivering new services.
- The problem is that asset managers are disintermediated and therefore the impetus to digitise is less than perhaps for the wealth managers who are responding to pressures from their clients.
- Your other big challenge is getting those less "on the ball" intermediaries and advisers to also move online. You need to be able to better communicate the benefits in terms of efficiency and access to better resources.
- Then there is the supply chain, government and regulator.

So are you thinking far enough ahead to foresee the risk of NOT digitising. On top of this is the world of big data analytics and AI. Horses and carts and all that.

And we like this piece of advice: “When it comes to converting a paper client to a digital one – just tell them what you are doing!”

## **9. MAINTAINING OUR POSITION AS A WORLD LEADER IN INVESTMENT MANAGEMENT.**

According to the Investment Association: “the UK manages some £7.7trn in assets, making us the second largest investment management centre in the world and by far the largest in Europe, larger than the next three \* European centres combined”. \* France, Germany and Switzerland.

Patting oneself on the back, we are second only to the US in size but the leading international centre - as the US is primarily global.

Still I suspect you know all this ... the question is how do we ensure we maintain our position, post EU?

*Expert: Bella Caridade-Ferreira, CEO, Fundscape*

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](mailto:evieowen@owenjamesgroup.com).