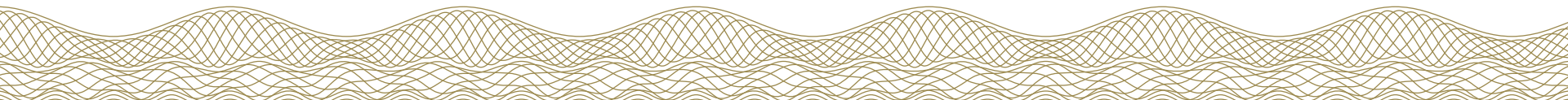


A Meeting of Minds Advisory Distributors 27 November 2018, The Lanesborough Hotel

The Scene Setter Results





As business leaders you regularly cite the following areas as being of concern to you. We asked you to prioritise them.

Change since June 2018	Prioritised challenges keeping you up at night
=	Achieving greater productivity
↑	Cost/income pressures
↓	People - finding and keeping them
↑	Innovation - keeping up
↓	Regulation
↑	Cyber attack
↓	Changing client demographics
=	Sourcing new clients
↑	Disruptive new entrants to the industry
↑	The impact of Brexit
↓	Reputational threat
↑	Geopolitics - market volatility



How does this compare with other distribution channels?

Wealth Managers & Private Banks		Large Advisory Distributors		Winning Advisers (Mid-sized advisers)		Paraplanners		Retail Banks and Brands	
↑	Cost/income pressures	=	Achieving greater productivity	↑	Cost/income pressures	=	Regulation	=	Cost/income pressures
↑	Achieving greater productivity	↑	Cost/income pressures	↓	Regulation	↑	Innovation - keeping up	↓	Innovation - keeping up
=	People - finding and keeping them	↓	People - finding and keeping them	↓	Achieving greater productivity	=	Attracting & retaining talent	↑	Achieving greater productivity
↓	Regulation	↑	Innovation - keeping up	↓	Attracting & retaining talent	↑	Changing clients demographics	↓	Regulation
=	Cyber attack	↓	Regulation	↓	Innovation - keeping up	=	Building scale/ Stabilisation and growth	↓	Sourcing new clients
↓	Sourcing new clients	↑	Cyber attack	↑	Cyber attack	↓	The impact of Brexit	↑	Changing clients demographics
↑	Changing client demographics	↓	Changing client demographics	↓	Changing client dynamics	=	Defined Benefit Transfer Sentiment	↓	Disruptive new entrants to the industry
↓	Innovation - keeping up	=	Sourcing new clients	↓	Geopolitics - market volatility	↓	Achieving greater productivity	↑	Reputational threat
↓	Disruptive new entrants to the industry	↑	Disruptive new entrants to the industry	=	Reputational threat	=	Slow replies and handling by insurance companies	↑	Cyber attack
↓	Reputational threat	↑	The impact of Brexit	=	Sourcing new clients	=	Final Salary Transfers	↓	Attracting & retaining talent
↑	The impact of Brexit	↓	Reputational threat	=	Disruptive new entrants	=	Lack of available paraplanning resources	↑	The impact of Brexit
↓	Geopolitics - market volatility	↑	Geopolitics - market volatility	=	The impact of Brexit	=	PI Insurance	↓	Geopolitics - market volatility

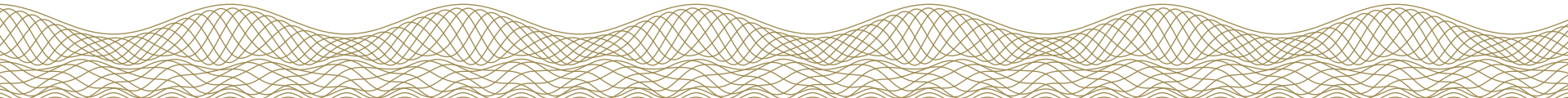
THE SWOT ANALYSIS

Strengths:

Many agree top are:

- Quality people
- Client relationships
- Culture
- Willingness to embrace technology
- Professionalism- Quality of advice

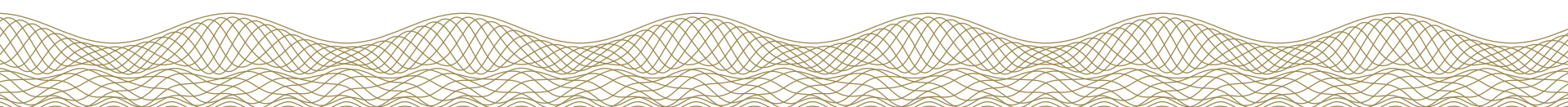
Other things mentioned:

- Independence
 - Transparency of service and charges
 - A flexible approach to change
 - Providing solutions that help people achieve their goals both now and in the future
 - Creating a culture of self-provision and financial awareness
 - Consistent approach and delivery of value and service
 - Flexibility
 - High standards and reliability - seeking to be the best not the biggest
 - Ethical approach to investing, In depth qualitative research.
- 

THE SWOT ANALYSIS

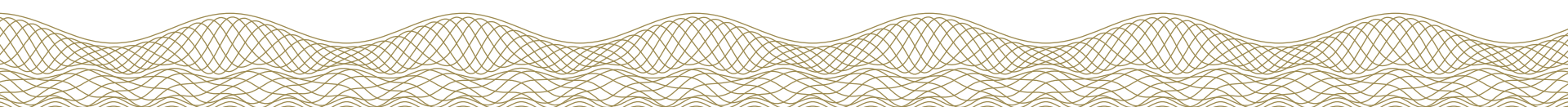
Weaknesses:

- Ability to keep up to date with technology
- Lack of ambition and foresight
- Trying to keep a high quality service but keep costs at a level we can make good profits
- Ageing RI population
- Lack of integrated IT
- Lack of new blood coming into the industry
- Lack of advice/guidance being given
- Too much paperwork/regulation
- Poor proposition to retain assets beyond existing customer
- The lack of a collective voice
- Being able to stand out from the crowd
- Lack of public trust.
- Industry arrogant
- An accepted commercial model where the consumer of our output is not prepared to pay for it.
- Ongoing trail is taken for granted and sometimes the value of the service is not commensurate to the fee being paid.
- In the mortgage side, advisers are still far too transactional and need to keep in touch with customers at least on a yearly basis to prevent losing them to other brokers or technology.



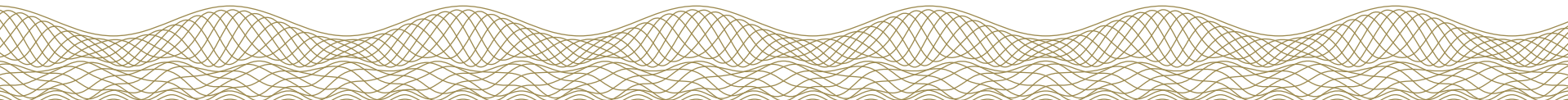
Opportunities:

- Growing affluent client bank
- Lack of quality advisers
- Open banking
- Changing regulation
- Use of IT
- The drive to achieve operational efficiency and to de-risk within the adviser community
- Bringing through the next generation of both clients and advisers
- Market consolidation
- Barrier to entry driving valuation
- Aging demographic of UK
- Later life arena is evolving
- There is a massive opportunity with RIO and ER becoming more popular
- Complexity

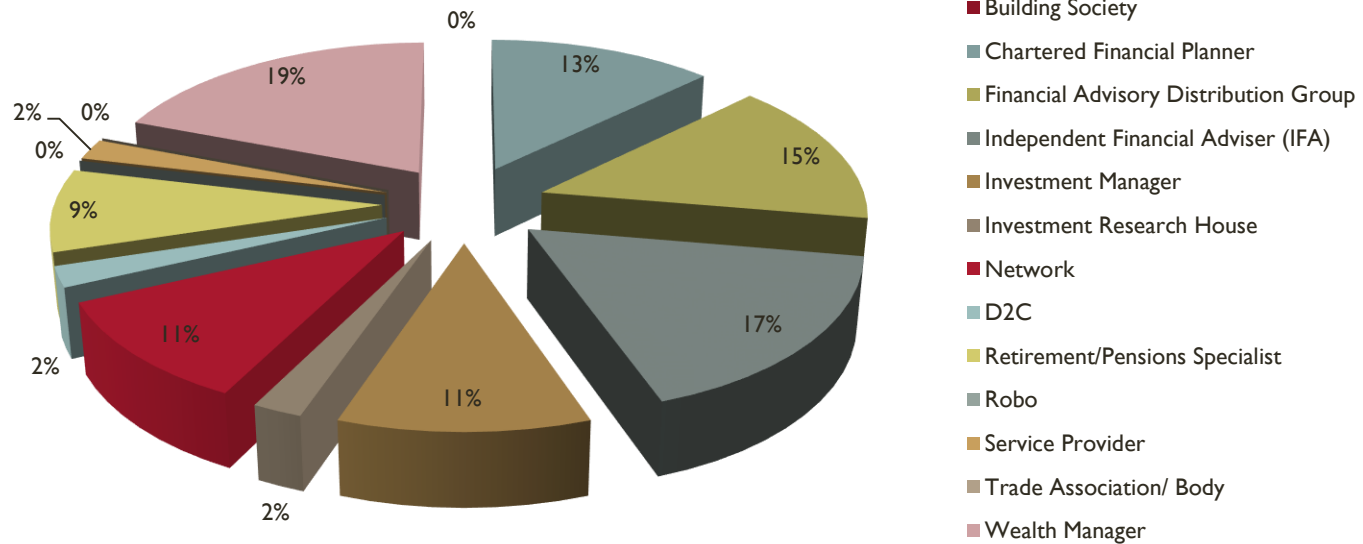


Threats:

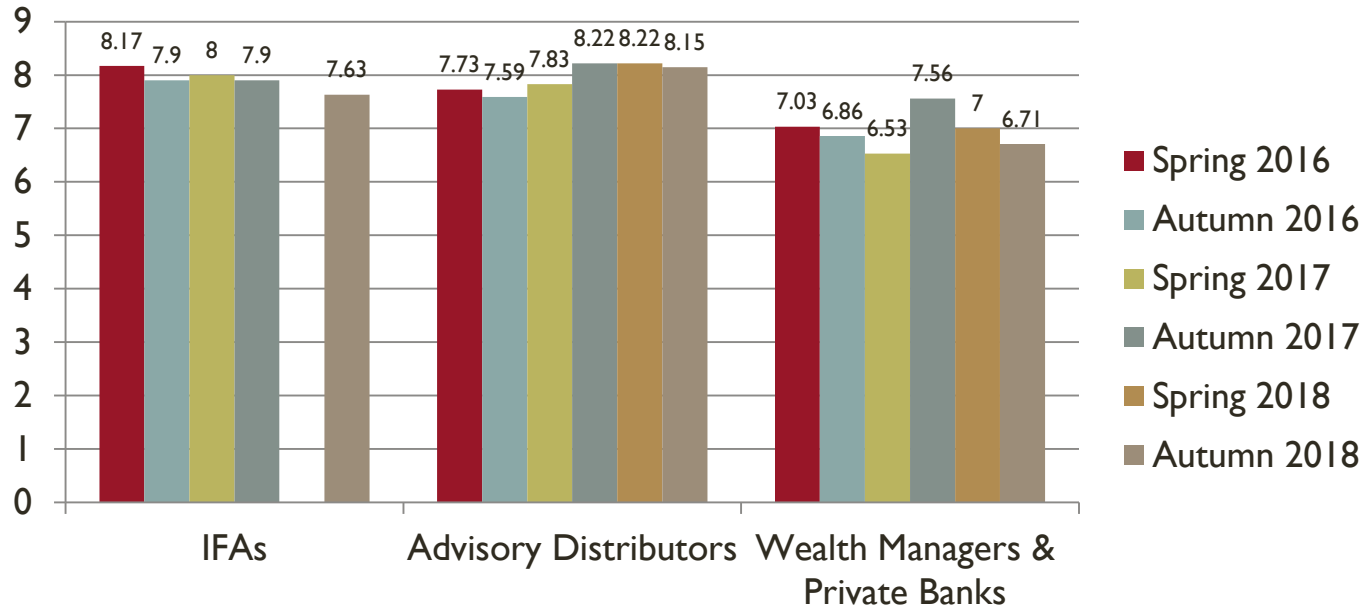
- Claims culture over regulation
- The constant over regulation- MiFID has made life even harder
- Service Providers - Directly Authorised Advisers
- The age demographic of advisers resulting in M&As which rarely deliver the expected results viable new entrant
- Inability to keep pace with technological changes
- Platform disruption
- AI removing the human touch
- Cyber attacks that could damage reputation and client lives
- Lack of investment fund price transparency
- A huge data company such as Amazon or Facebook joining the intermediary space.
- Ourselves
- Banks
- Complacency



We asked you to define your business?



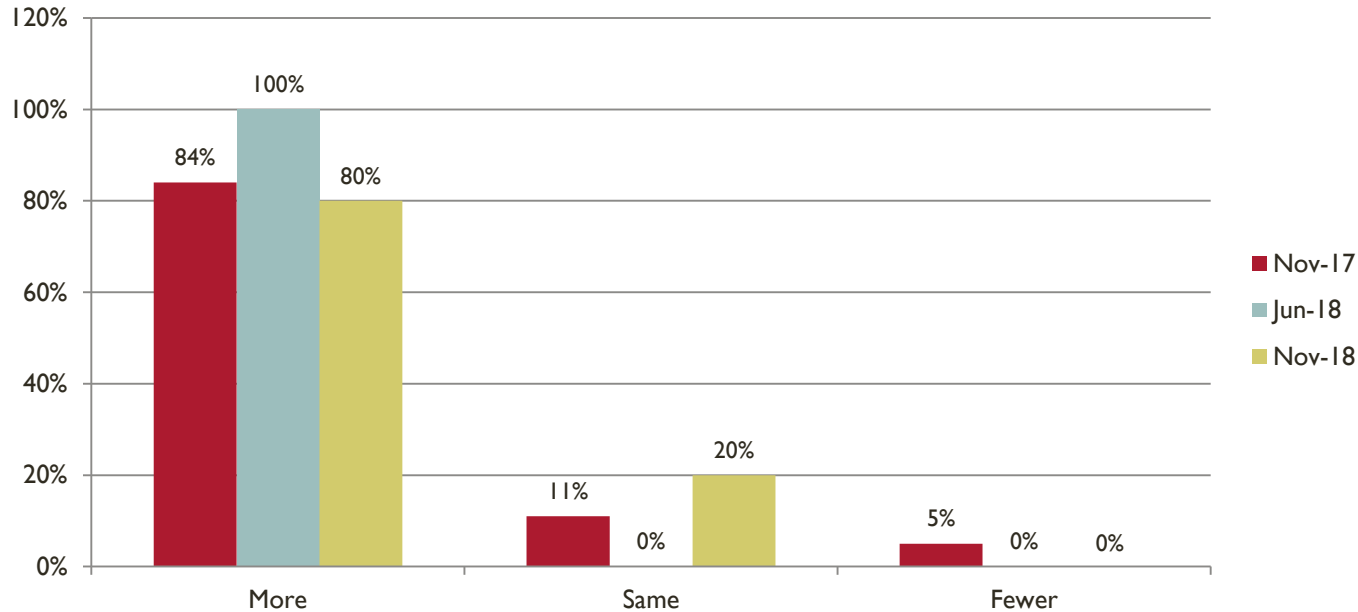
How do you feel about the year ahead?



Not much has changed on the last year, you are still pretty positive; nothing like the gloomy Private Bankers and Winning Advisers.

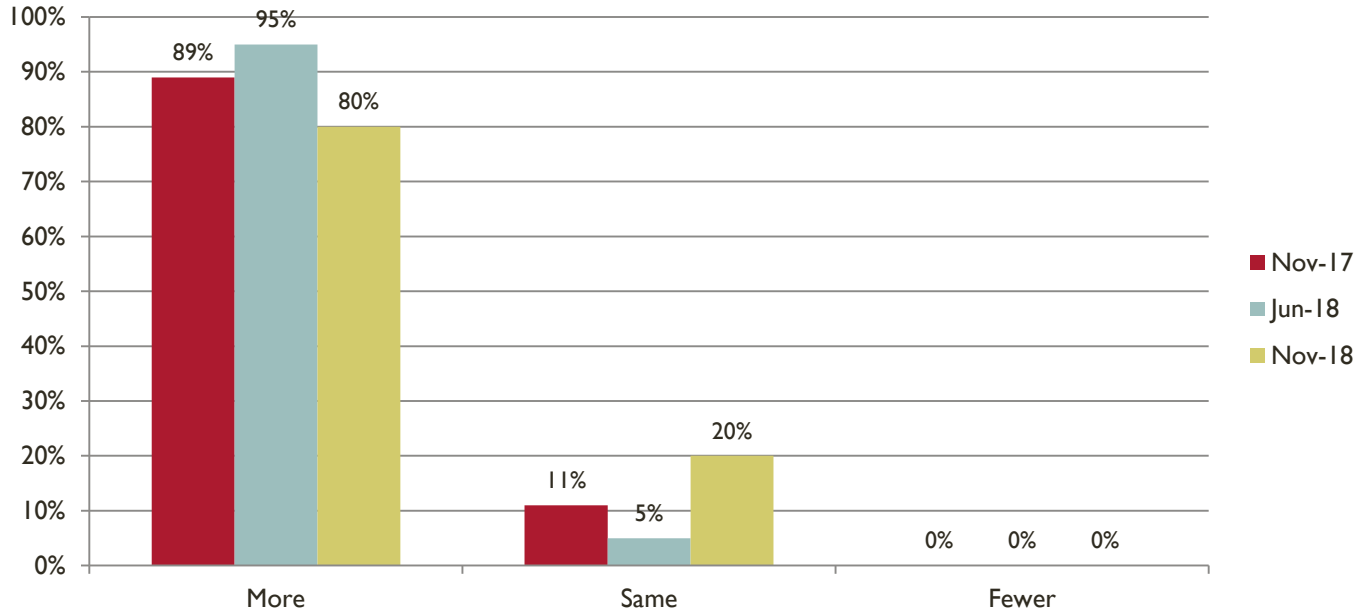
(As we ran the Winning Advisers roadshow this spring, we didn't poll them an sentiment.)

How did your business numbers change over the past year in terms of the number of clients?



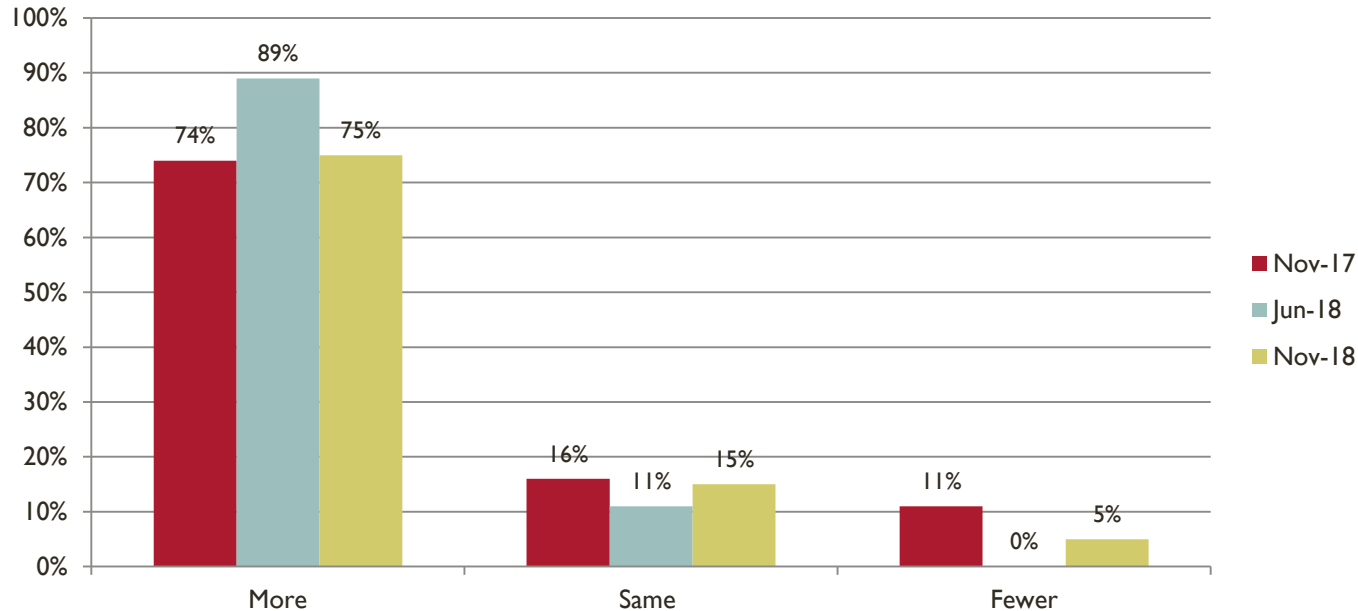
Looking good even if it is not as strong as June.

How do you think your business numbers will change over the next year in terms of the number of clients?



You don't seem as confident as you were in June!

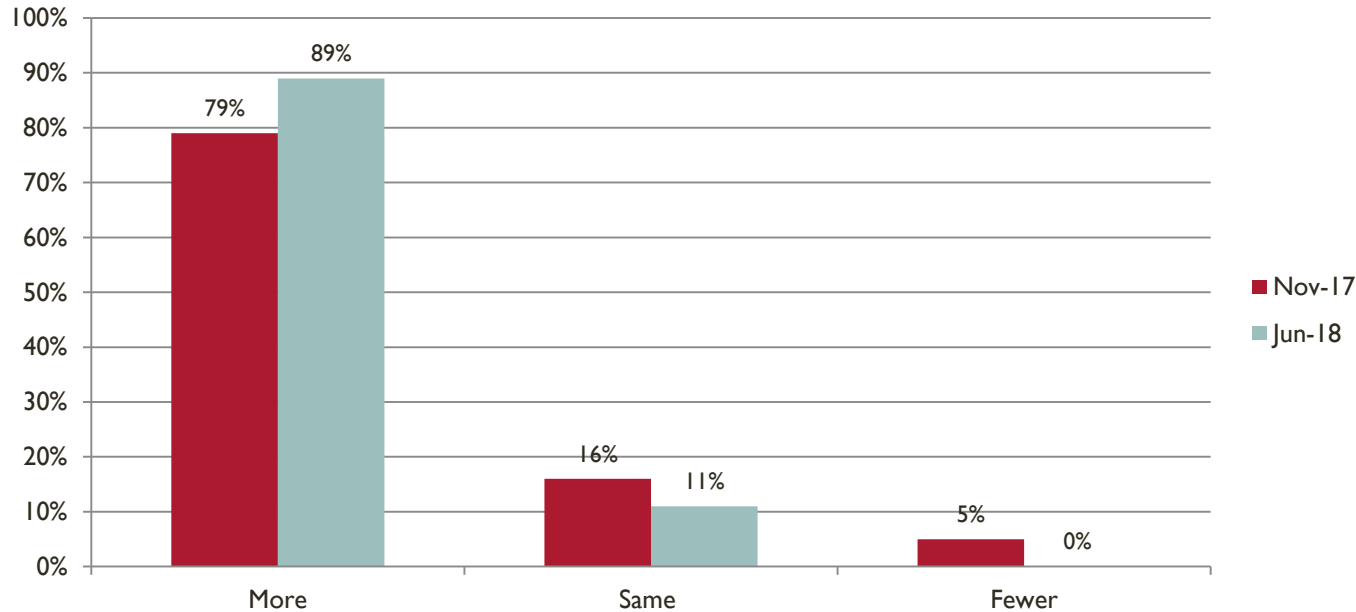
How did your business numbers change over the past year in terms of your client facing employees?



Again, things seem to have change since June. What happened?

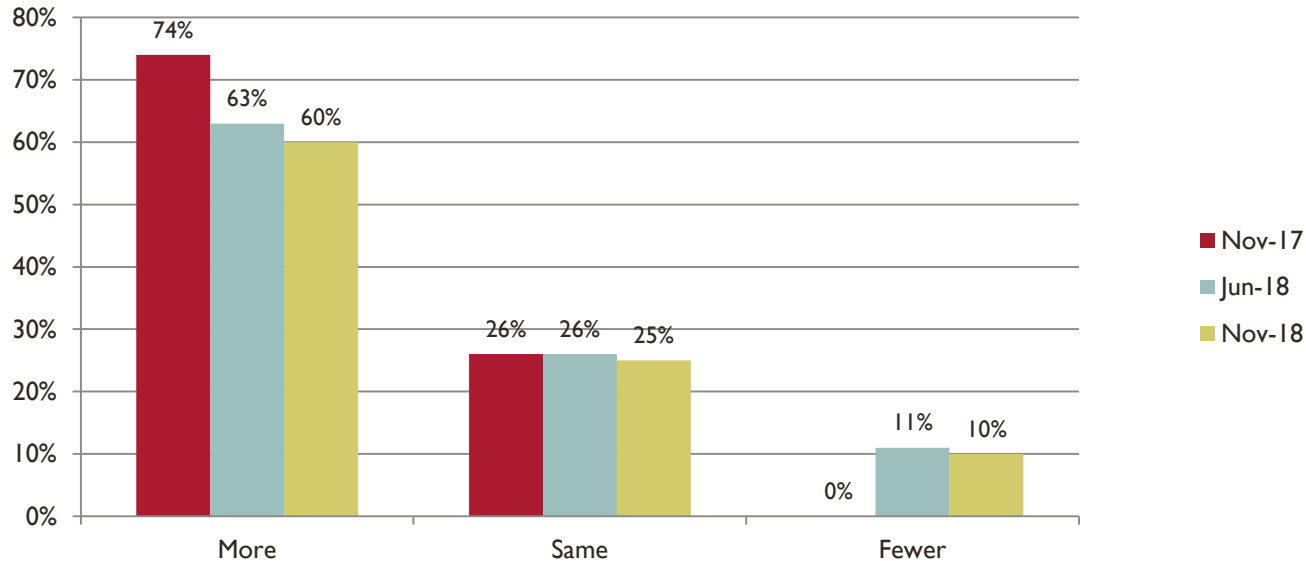
How do you think your business numbers will change over the next year in terms of **your client facing employees?**

Similar.



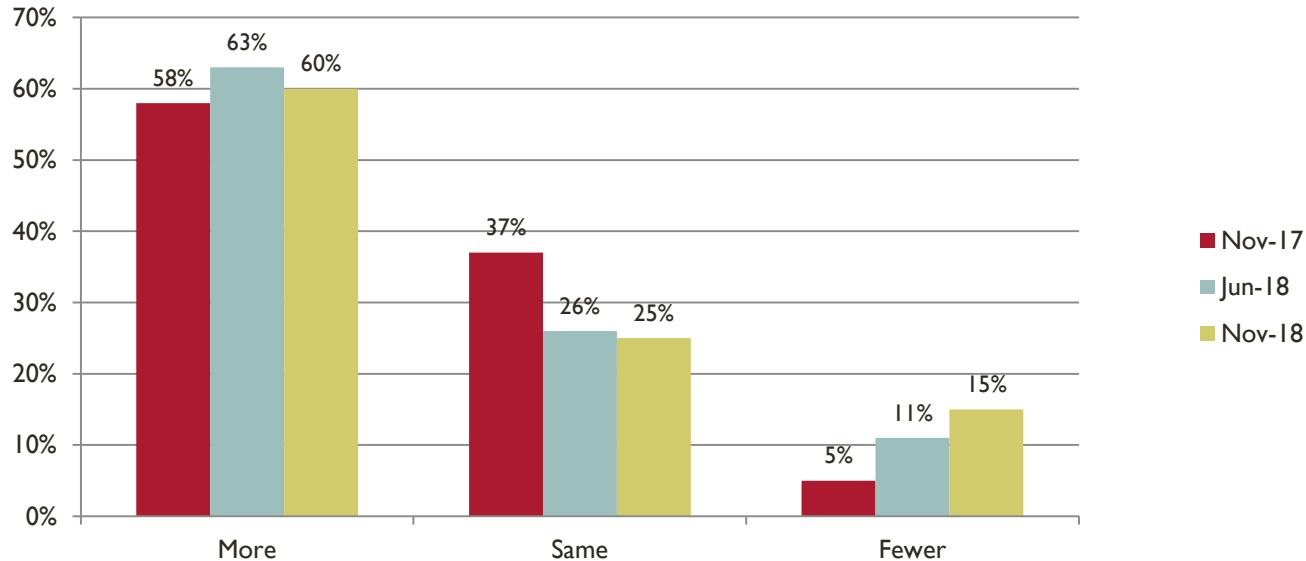
How did your business numbers change over the past year in terms of your back office headcount?

Stabilising ...

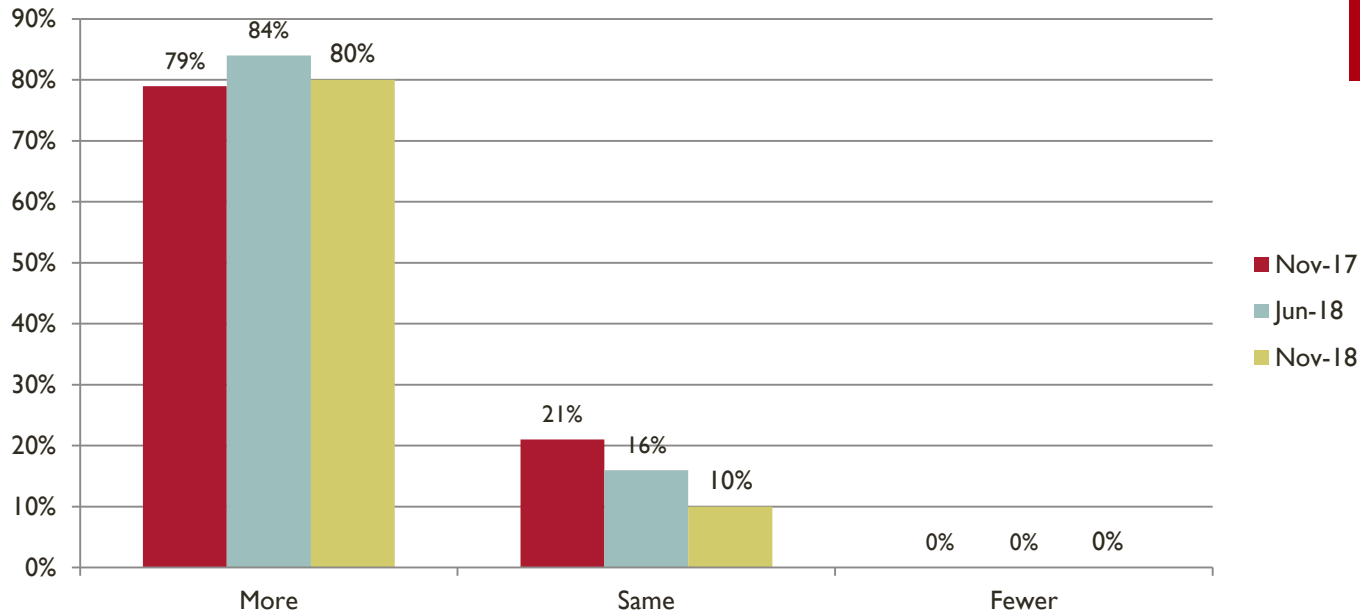


How do you expect your business numbers to change over the next year in terms of your back office headcount?

Bit less but not by much



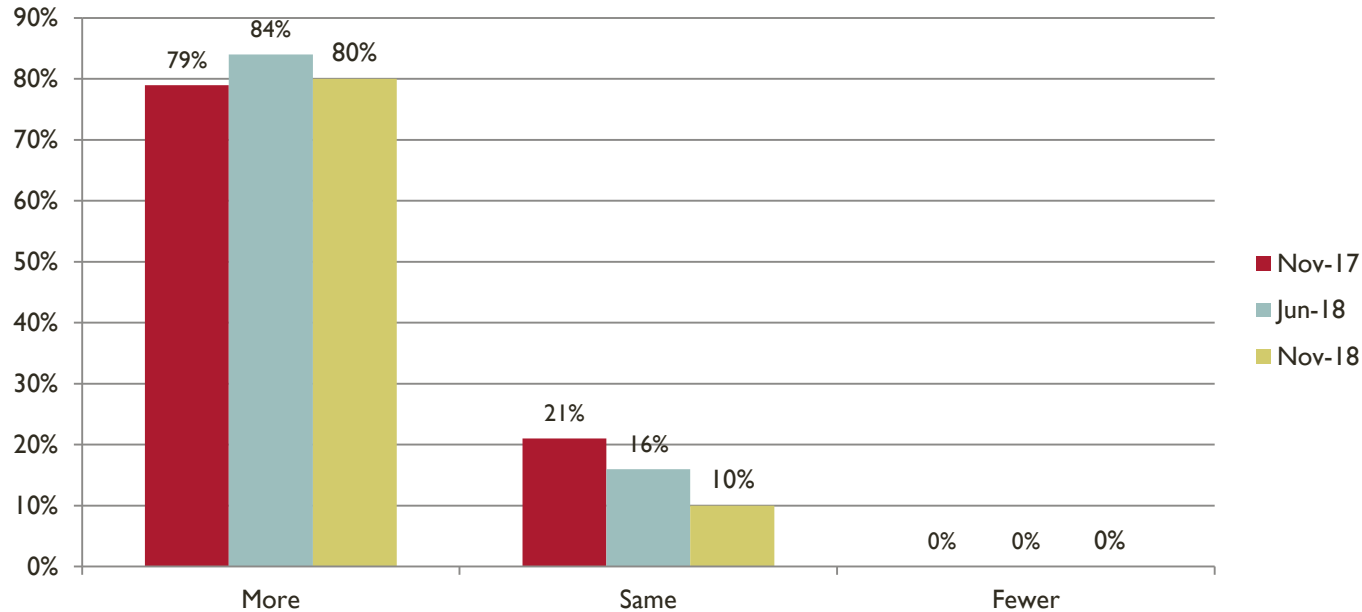
How did your business numbers change over the past year in terms of assets under management?



Higher than last November but not as good as June.

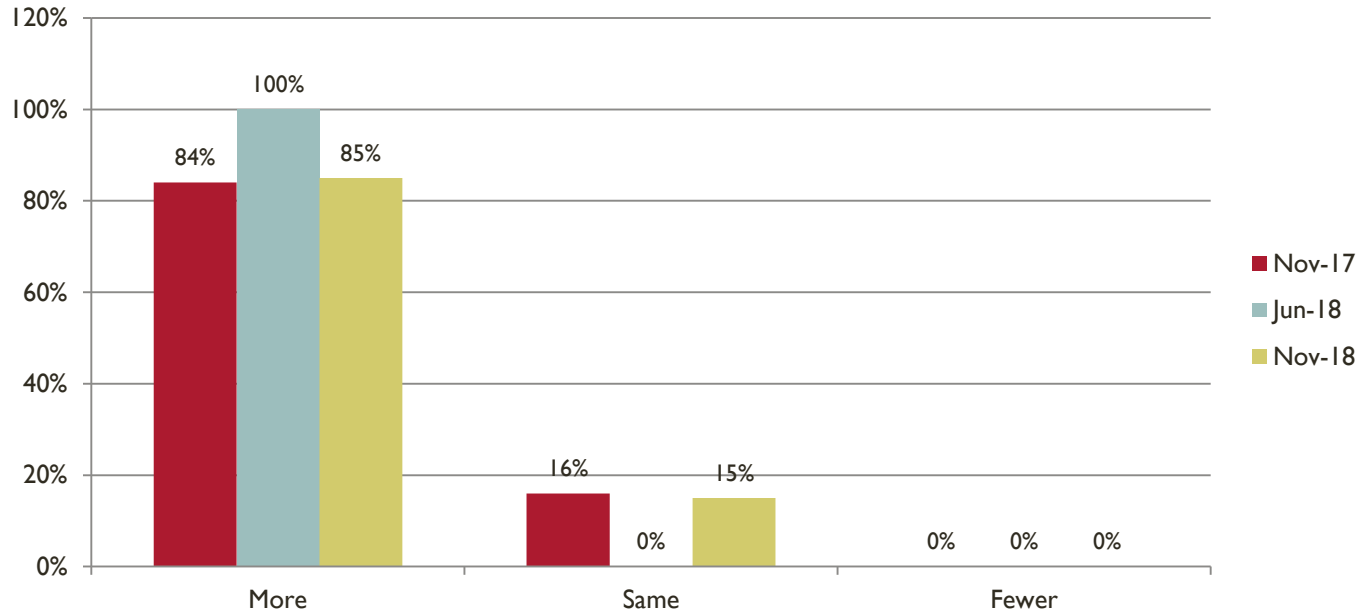
How do you expect your business numbers to change over the next year in terms of assets under management?

Perhaps a more measured response.



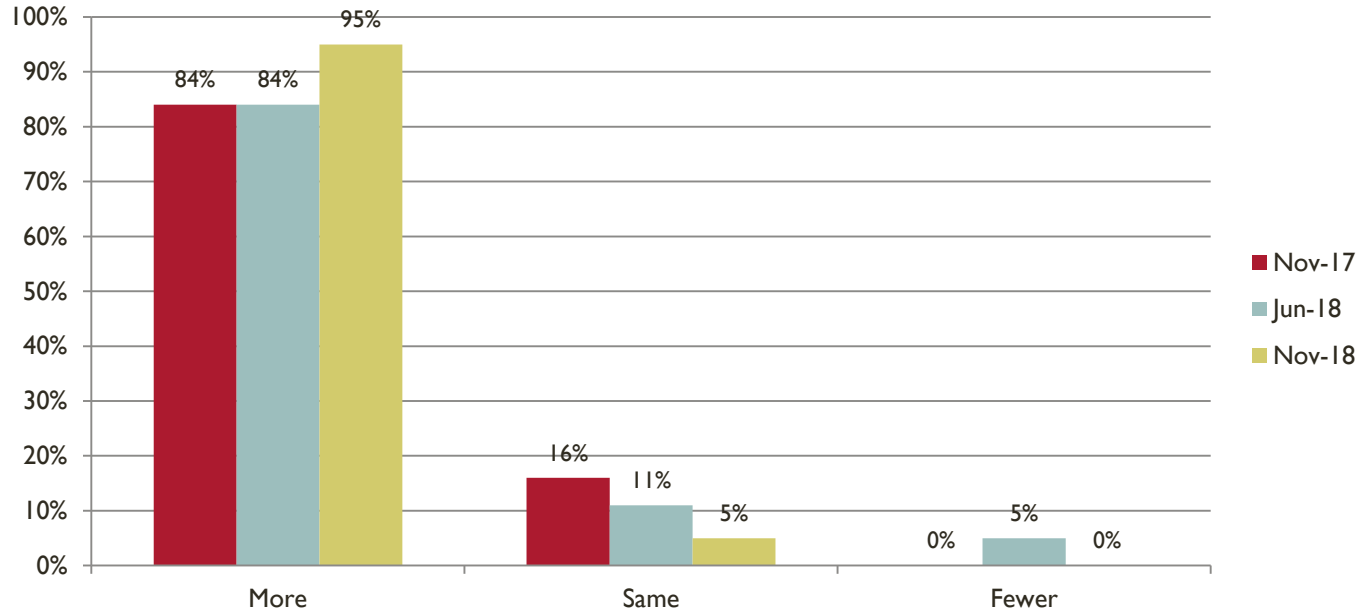
How did your business numbers change over the past year in terms of revenues?

Pretty much like for
like with last
November



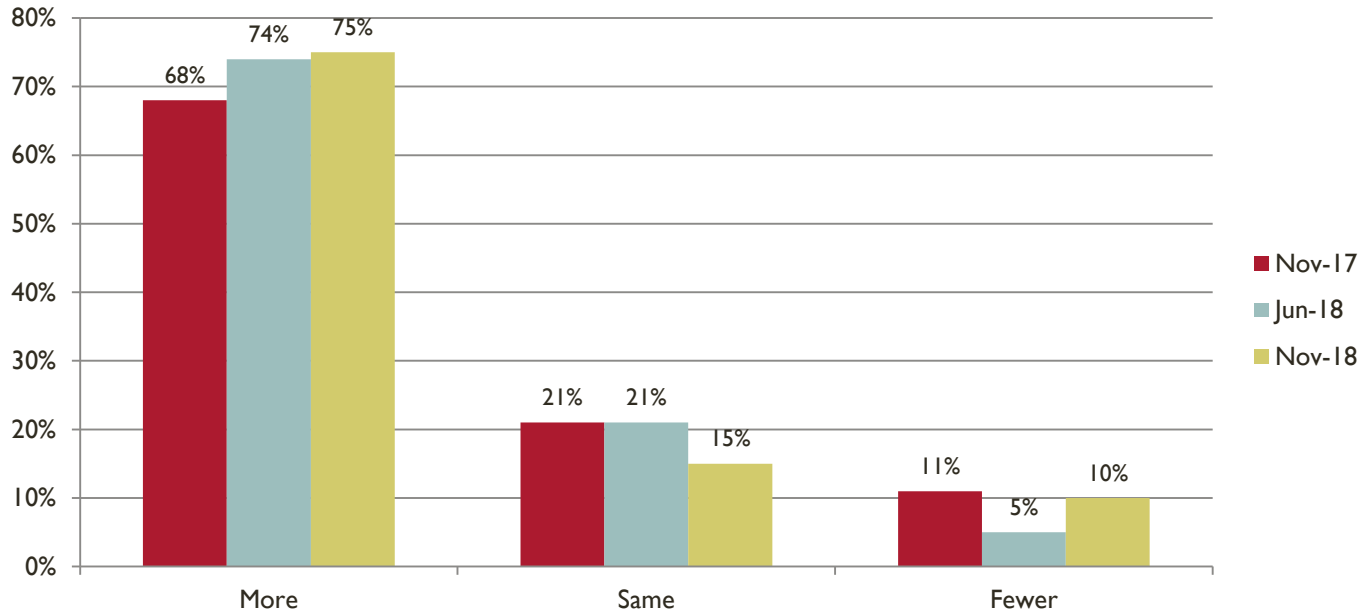
How do you think your business numbers will change over the next year in terms of **revenues**?

No surprise you are happy bunnies...



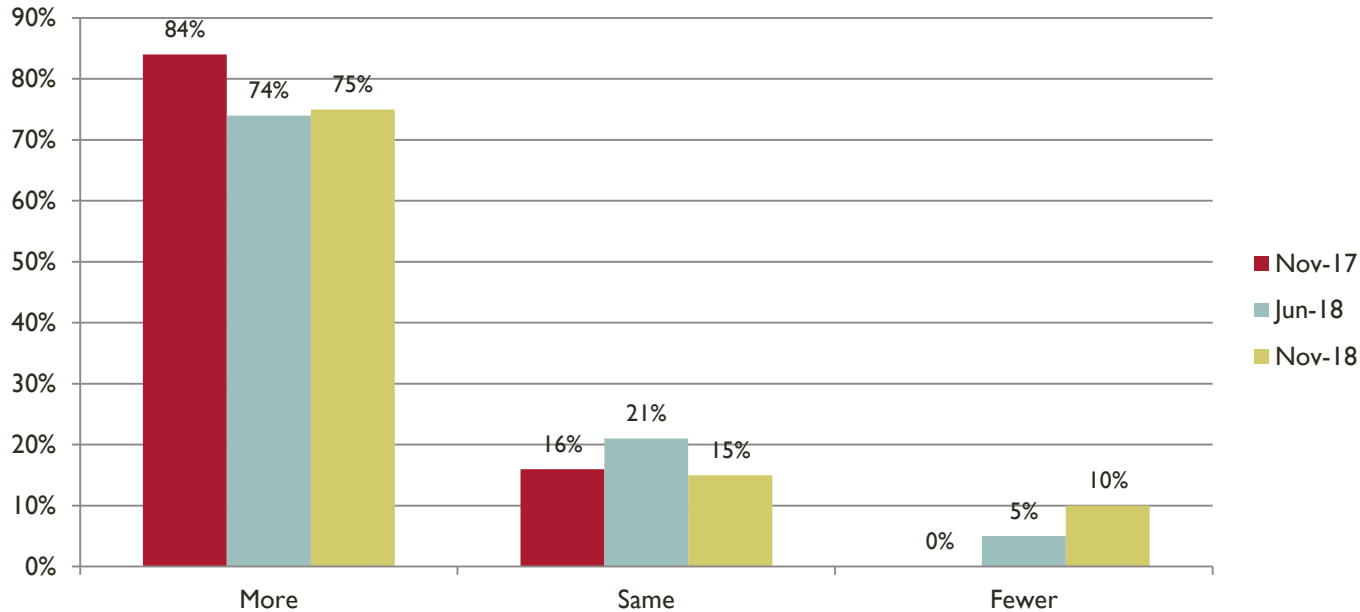
How did your business numbers change over the past year in terms of **your costs**?

Cost income pressures...

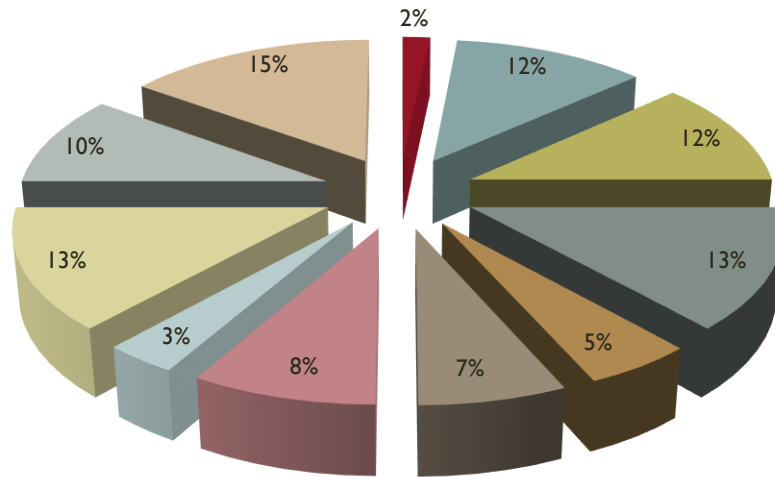


How do you expect your business numbers to change over the next year in terms of your **costs**?

Still levelling off?



We asked if you felt you might like any support from your strategic partners?



- Asset Allocation Expertise
- Compliance support
- Distribution Support
- Marketing Support
- None of the above
- Products
- Recruitment and induction
- Risk Analytics
- Technology (back end)
- Technology (front end)
- Training

Apart from those of you who said no thanks (5%), the majority of support sought was around Training, Technology (back end) and Marketing Support.

How do you compare with other distribution channels (prioritised ranking of support you are looking for from providers)?

LARGE ADVISORY DISTRIBUTORS

1. Training
2. Marketing Support
3. Technology (back end)
4. Compliance support
5. Distribution Support
6. Technology (front end)
7. Recruitment and induction
8. Products
9. None of the above
10. Risk Analytics
11. Asset Allocation Expertise

MID-SIZED ADVISERS (WINNING ADVISERS)

1. Technical & Compliance support
2. Technology (front end)
3. Technology (back end)
4. Marketing Support
5. Training
6. Asset Allocation Expertise
7. Risk Analytics
8. Recruitment and induction
9. Distribution Support
10. Products
11. None
12. Full Service

WEALTH MGMT & PRIVATE BANKING

1. Technology (front end)
2. Technology (backend)
3. Distribution support
4. Risk analytics
5. Training
6. Full service
7. Marketing support
8. Product design

About your business

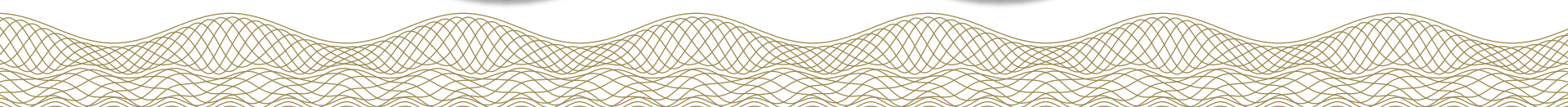


57

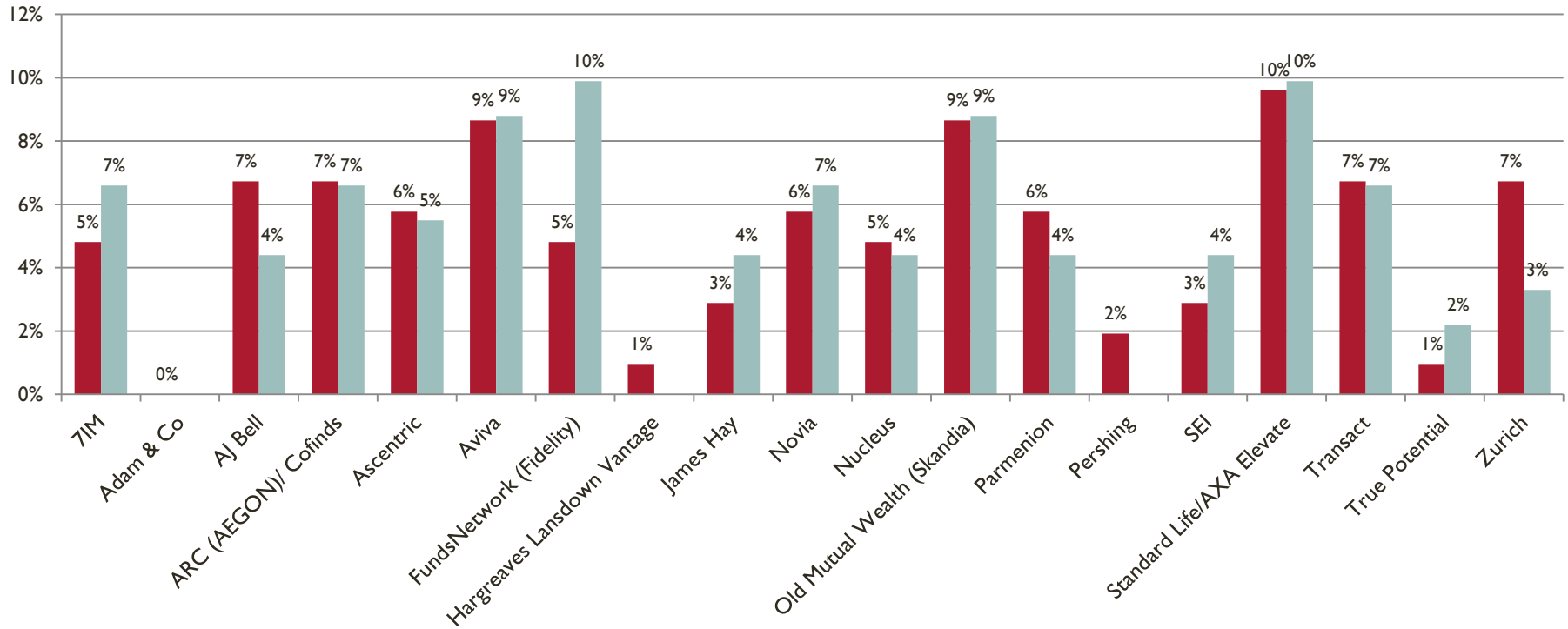
Average age
of your
clients

14

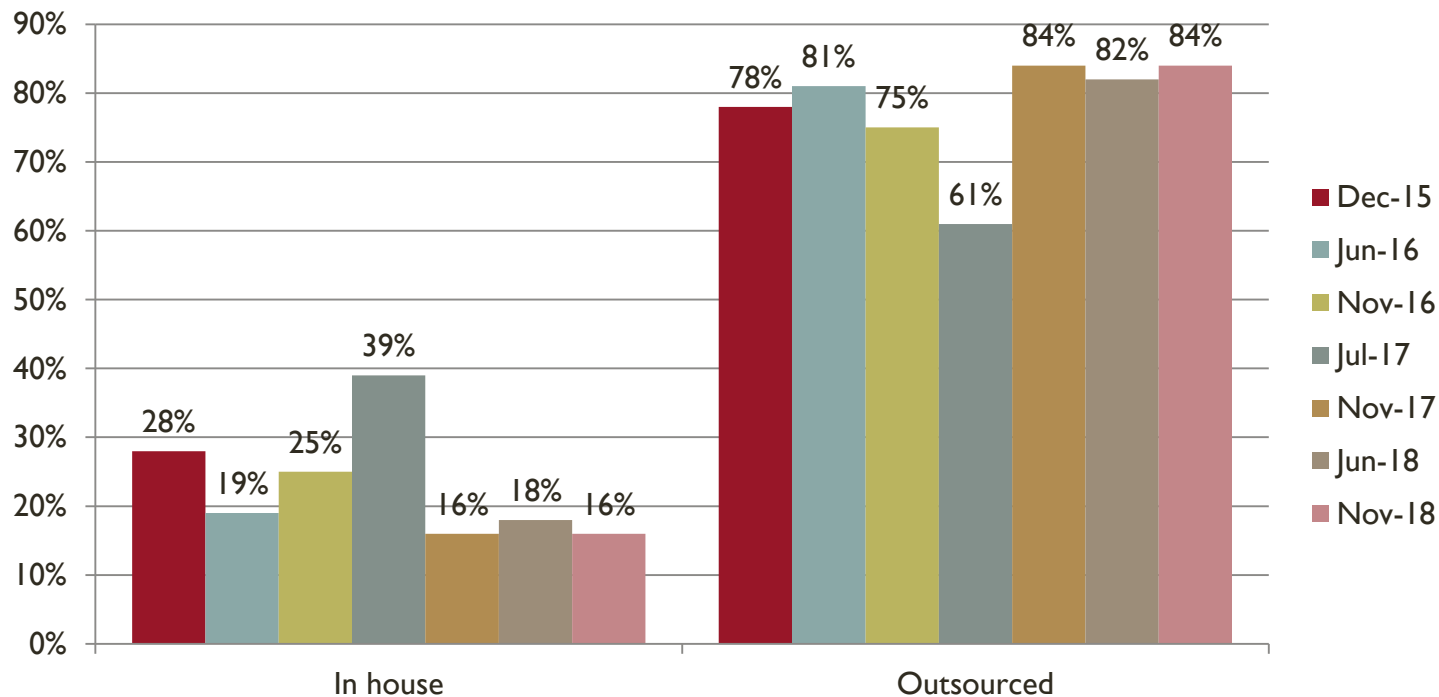
Average
number of
paraplanners



We asked you which platforms you use?

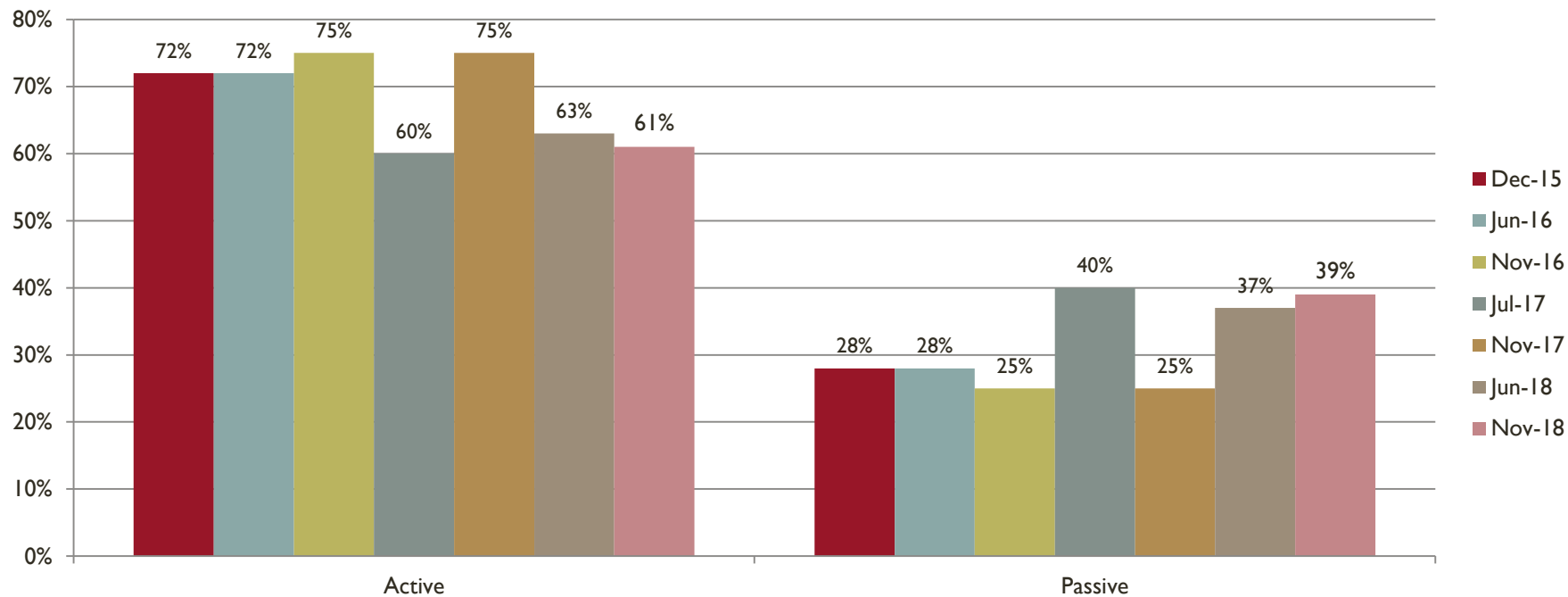


We asked about your use of products – in house versus outsourced

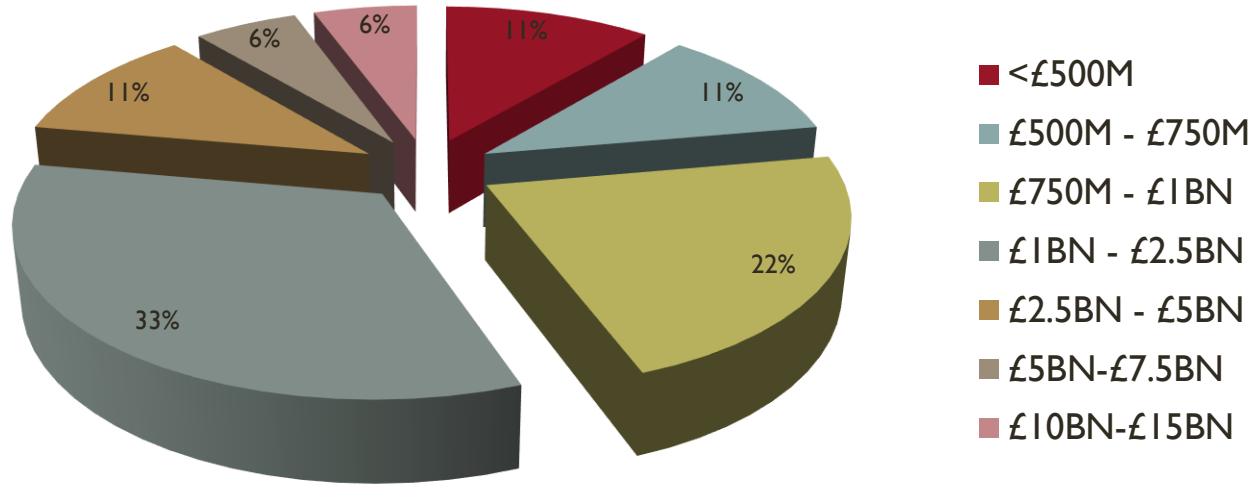


Steady Eddie!!

We asked you about your use of active versus passive funds?

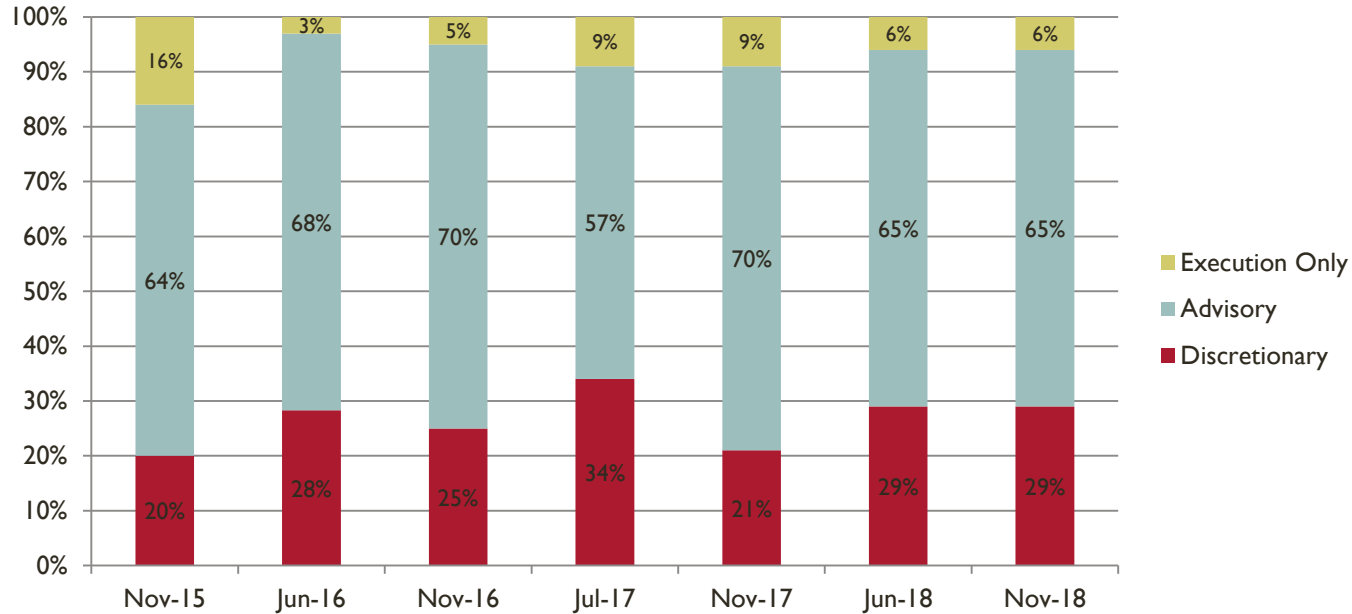


We asked you about your funds under management?



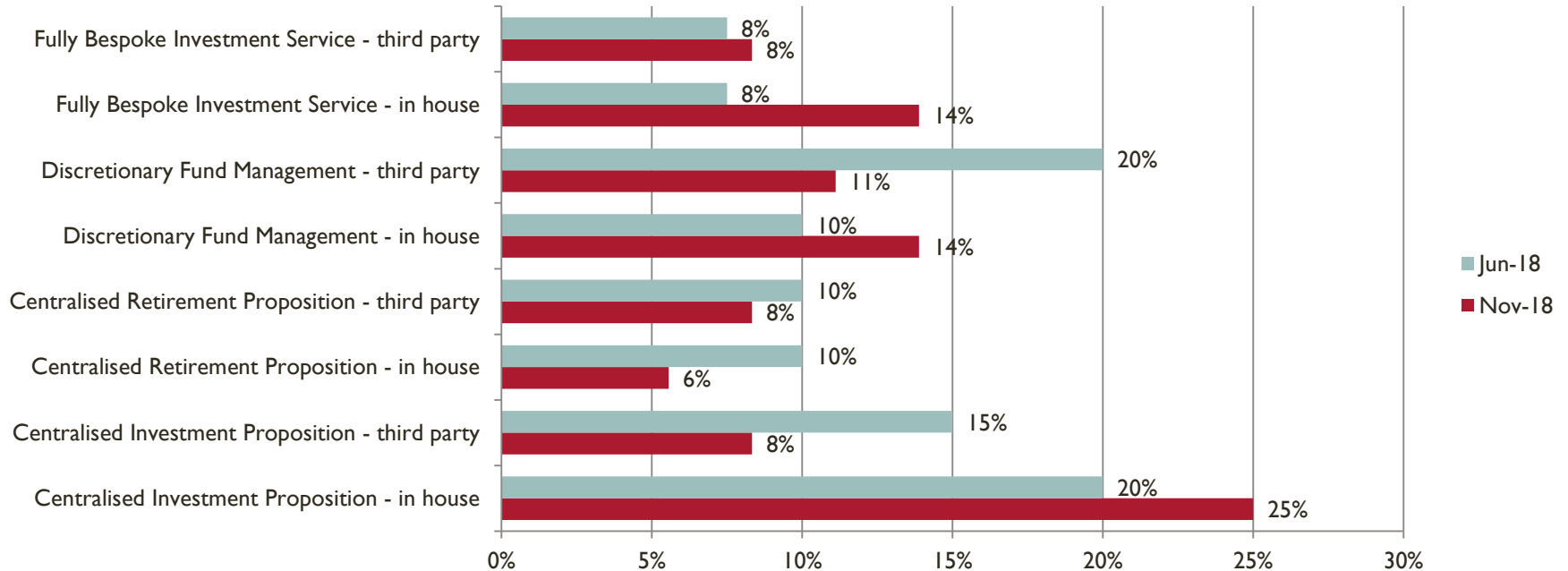
Average FUM is
£2.05bn per
company
represented

We asked you to describe the sort of service you offer

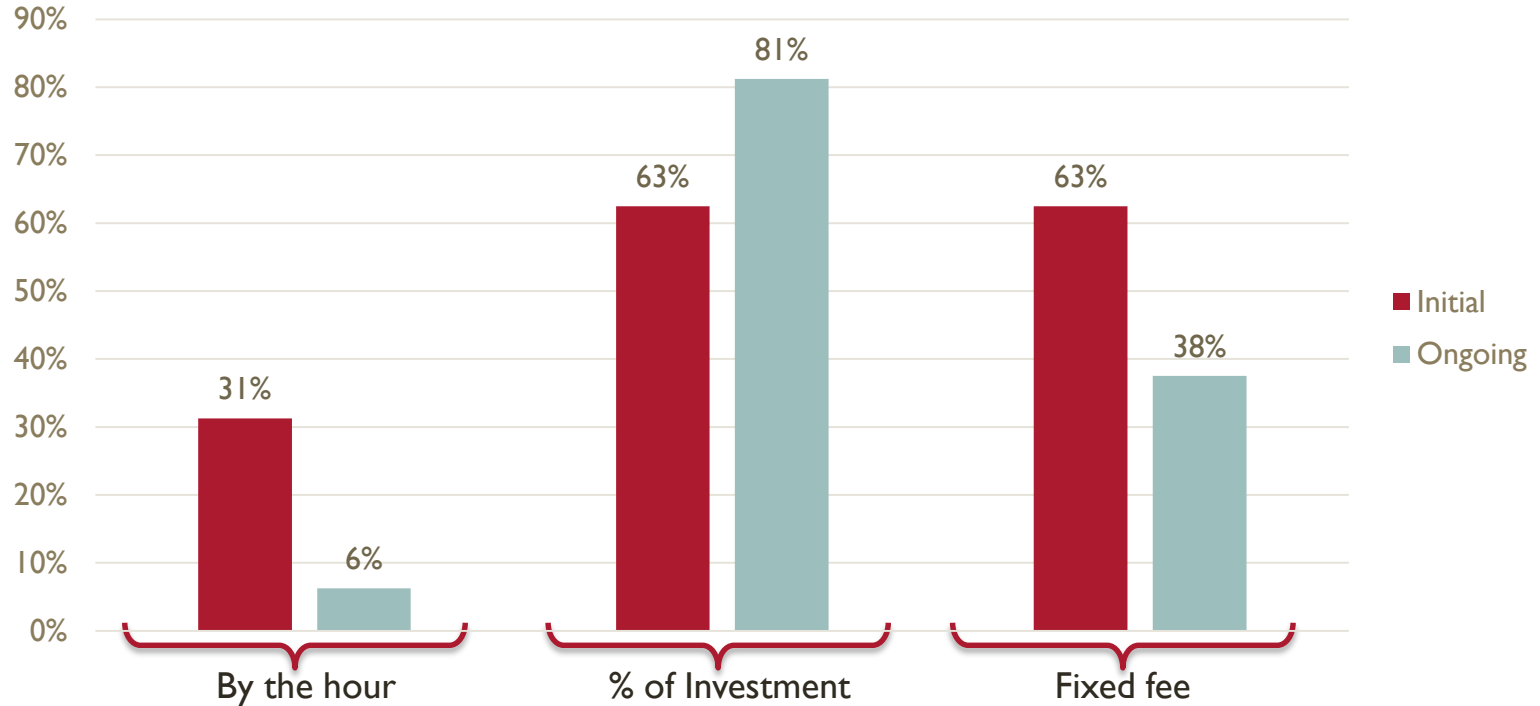


No changes... that must mean you are very happy with your current proposition.

We asked you which approach you use for investment portfolios?

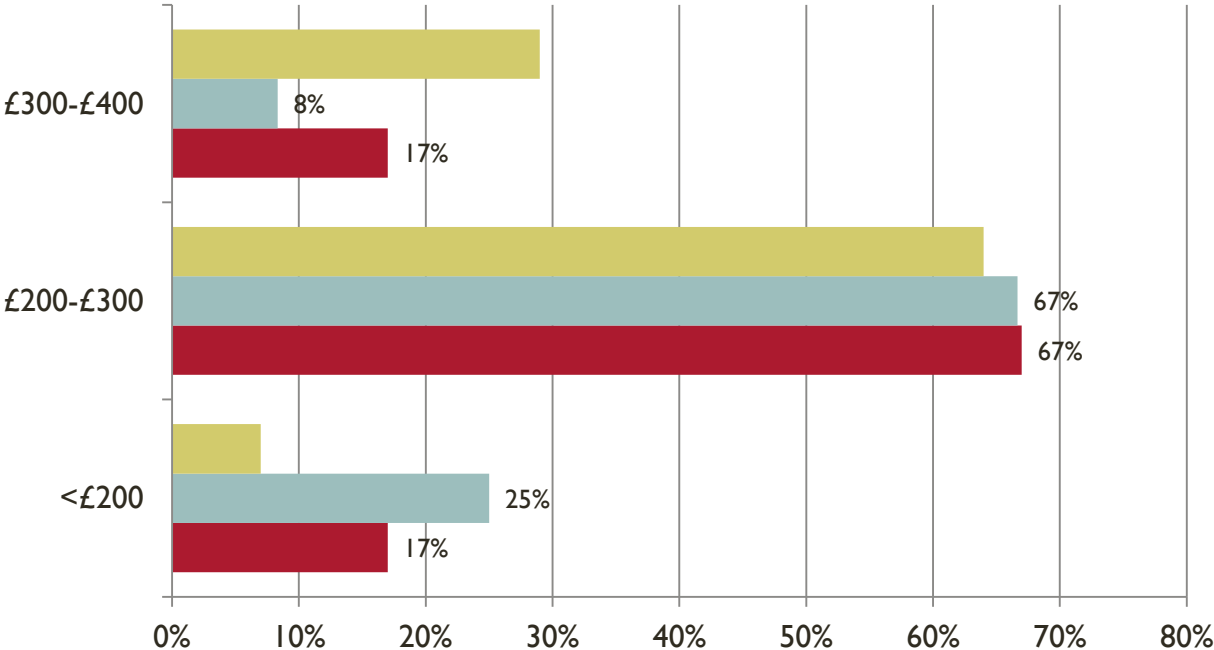


We asked you how you typically charge for providing investment advice to your clients?



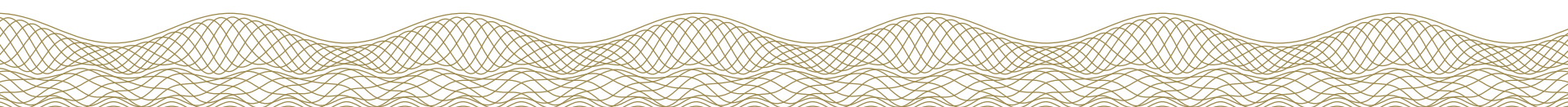


We asked you how much you charged per hour?



On average you charge £270.40 per hour. Charges are definitely going up!

- Nov-18
- Jun-18
- Nov-17



If you charge as a %, what do you charge?



1.66%

Initial %



1.32%

Ongoing %



1.49%

Overall %

It is worth noting the percentage charge tended to vary depending on the size of the portfolio



REGULATORY BAROMETER– how ready are you to tackle the following regulations?



Readiness score	Regulation
3.95	GDPR
3.58	MiFID II
3.21	Conduct Risk & Suitability
3.05	AMLD IV (Anti Laundering Directive)
3.05	SMCR (Senior Managers Regime and Certification Regime)
2.79	UCITS V/VI (Undertakings for Collective Investment in Transferable Securities)
2.74	CASS & Client Money
2.68	CRD III/IV (Capital Requirement Directive)
2.63	PRIPs (Packaged Retail and Insurance Based Investment Products)
2.58	MAR II (Market Abuse Regulation)
2.42	FATCA/CRS (Common Standard on Reporting)
2.26	AIFMD (The Alternative Investment Fund Managers Directive)

Readiness score (cont.)	Regulation (cont.)
2.26	National Thematic Reviews
2.21	RD II
2.16	Basel III
2.11	RRP (<i>Recovery and Resolution Plan</i>)
1.95	MMFR (Money Market Fund Regulation)
1.89	FTTD (Financial Transaction Transparency Directive)
1.89	SFTR (Securities Financing Transactions Regulation)
1.89	TD II (Transparency Directive)
1.84	EUSD II (EU Savings Directive)
1.84	SHRD II (Shareholders Rights Directive)
1.79	CSDR (Central Securities Depositories Regulators)
1.79	Dodd Frank
1.68	EMIR (European Market Infrastructure Regulation)

Delegates were asked to score their readiness to tackle the following regulations out of five. The lower the score, the less ready they are to tackle the regulation

We hope you found this research of interest. If you would like to discuss any aspect of it, do please call Sofia Aldatz at Owen James on 01483 861334 or email her at sofiaaldatz@owenjamesgroup.com

