Advisory Distributors

Thursday 28 November 2019

The Berkeley Hotel, Wilton Place, London SW1X 7RL

(**Dinner** on Wednesday **27 November** at **The Lanesborough Hotel**)

THE SUBJECT MATTER

This document lists the roundtable topics which will be addressed at MOM Advisory Distributors. You will be invited to select those subjects of particular interest to enable us to tailor your individual itinerary accordingly.

The format:

As a reminder, each day runs breakfast through afternoon tea 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 day 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?

The roundtables take place in a private room with, typically, some 15 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.

The roundtable topics tabled for review:

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YOUR BUSINESS

1. Making your business relevant and valuable for the next 10 years – for yourself or for a sale! Learnings from the US financial advice industry

- Ideas for margin protection in an evolving competitive and regulatory landscape
- How to structure portfolios to support you in your planning and growth endeavours
- How to cement your relationship with the spouses and inheritors of your clients

Expert: Julia Rees, Vice President, GSAM's Strategic Advisory Solutions

2. Are you paying your fund managers too much for active management?

- Despite cutthroat competition between managers, greater fee transparency, the availability of ultralow cost index funds and scant evidence that active funds outperform after fees, the cost of active management does not appear to be falling as fast as it should.
- We do not believe it is sustainable for active managers to continue to make supernormal margins and it will be a matter of time before a significant industry shake-up forces a different and better fee model to emerge
- Change is needed to address the issues of both fairness (the amount of fees charged) and alignment (the influence fees have on asset managers' portfolio and business decisions).
- Financial advisers, you are uniquely placed to help dictate to fund managers what fees they can charge for active management and you have an opportunity to lower costs and improve returns for your clients.
- We will explore new fee models to facilitate payment of a fair fee, based on the value delivered. This will enable individuals to benefit more fully from the outperformance that a skilled active manager is able to deliver.

Expert: Nick Rosenblatt, Wealth Management Proposition Leader, Mercer Global Investments

3. Walking the tightrope of increasing adviser productivity and revenues whilst future proofing your business

- There has been a significant increase in the level of ongoing fees paid to advisers over the last 10 years but has this had an impact on attracting new business?
- Do your advisers with much higher recurring revenue figures have less desire to grow? If this is true, what are the implications for your business?
- This session will focus on ideas and strategies for your business to ensure that the opportunities for growth are identified.
- It will also look at ways to protect those ongoing revenues from potential scrutiny by clients, the press or indeed the regulator.

In particular, it will cover:

- How to assess the right advisers and the right clients to help you grow the business
- How to demonstrate value in a post MIFID II and potentially lower growth environment
- Tools and strategies to increase adviser revenues and protect against future challenges

Expert: Nick French, Head of Business Development & Wealth Management, Marlborough Fund Managers Ltd

4. Do you really understand your clients' behaviours and preferences? Do you devote enough time to reviewing your MI and more importantly do you act upon it? Using insights captured from a global survey of client preferences, this session will put forward some metrics to help you work out the sort of ideal clients you need to be working with and how.

The Dimensional Global Investor study aims to understand the perspectives of individual investors who are the clients of advisory firms. The insights gained may be used to help advisory firms deliver better services and outcomes for those clients.

Leveraging brand new data from the latest 2018/19 study of almost 23,000 clients of advisors, this session will discuss findings that relate to a core question: How may advisory firms assess these insights when considering how to attract and retain their ideal clients.

Particular areas of focus will include:

- What specific adviser attributes lead to client confidence?
- How can we distinguish between the promotors and detractors of your firm?
- How much time do clients want to spend in specific areas they value?
- And, how do clients think about recommending you?

Expert: Steven Greenfield and Martyn Chappel, Dimensional Fund Advisors

PENSIONS REVIEW

5. Centralised ~~Investment~~ Retirement Propositions – Managing the Investment Challenges of Decumulation

- This is a great time to be in advice.
- The impact of demographic change coupled with the democratisation of financial risk is driving significant demand for adviser services.
- The impact of regulation on the advice process is considerable and promotes the requirement for a consistent and structured approach to managing retirement clients at scale.
- Given the confluence of these forces, Centralised Retirement Propositions (CRPs) are increasingly being adopted to cater for the key differences between the phases of accumulation and decumulation.
- Importantly it is key that CRPs recognise that decumulation strategies involve the management of a number of significant interrelated risks.
- This session will provide an opportunity to discuss the regulatory change driving the need for adopting a CRP and identify the options available/risks associated with managing portfolios in decumulation.

Expert: Dave Fewtrell, Business Development Director, Aberdeen Standard Investments

6. Give 'em enough risk… while The Clash offered us "Give 'em enough rope", this session will ask whether we are offering clients enough risk.

The demise of DB schemes, combined with pension freedom, means that clients have much greater responsibility for their own financial outcomes. While risk in accumulation is well understood, the intersection of uncertainty is much greater in decumulation. However, some estimates suggesting that by 2035 over 50% of UK assets will be in decumulation, so it is clearly an area that needs much greater focus.

In tackling this subject, some of the points that we will cover in this session include:

- How much risk are clients willing to take, the regulatory environment, and what are the implications of this in an ageing society?
- What is the nature of risk, and should we be focusing on volatility, liquidity, loss of capital or other measures of risk?
- How does risk attitude reflect in asset allocation, and is there a role for classes such as real assets, property and absolute return?
- What does this mean for our ability to generate income and capital growth over the longer term, given longevity and the prospect of extended retirement?

Expert: Jerome Nunan, Investment Director, Multi-Assets, Aviva Investors

7. Regulatory impact within the non work place pensions market

- There has been huge growth in the retirement income market since the introduction of Pension Freedoms. The retirement landscape has become more varied and complex, with retirees facing far greater choice around how and when to retire and, in particular, how to secure the income they need to sustain them in retirement. An increasing amount of clients are also attempting the planning of their retirement finances on a DIY basis – in effect becoming "Do It Yourself Actuaries"
- In this session we'll explore the concept of "The Secret of Happiness is Freedom?" exploring behavior across all areas since April 2015 and accounting for many areas around the complex web of pensions taxation.
- It is worth remembering that this new landscape remains in its infancy. Whilst there has been many Regulatory interventions to date further change is still to come – and it is significant change. Amongst other proposals the recent Retirement Outcomes Review will usher in a further round of industry change – primarily aimed at non advised drawdown clients and at real pace. We will discuss the likely future trends in a part of the market that will provide the greatest challenges in the short to medium term and how the Advice market can navigate and embrace the opportunities ahead

Expert: Jon Hogg, Lead Retirement Specialist, Old Mutual Wealth

TECH FUTURES

8. How technology is giving advisers time, efficiency and growing revenues

- What is the key driver in firms adopting technology? Keeping up with the times? Appearing modern and relevant to clients? Or realising improved business metrics?
- Our recently launched eAdviser Index evidences the benefits of technology in the advice process using data from one third of the UK financial advice industry.
- Some stats to whet your appetite:

  - advisers using technology to the max have 78% more total revenue per adviser;
  - 90% more ongoing revenue per adviser;
  - 92% more clients;
  - and 97% more AUA.

Might be worth finding out how technology can drive fundamental change in your business.

Expert: Paul Morley, Client Solutions Manager, Intelliflo

9. 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?

Expert: Alex Sbardella, SVP Global Innovation, GDR Creative Intelligence

REGULATORY UPDATE

10. Compliance nightmare. How to create MiFID II compliant ex-ante and ex-post illustrations and reports?

- Greater levels of automation and data retrieval than are currently available to advisers are required to populate the new breed of research. Multiple re-keying, poorly performing integrations and silo'ed data are defeating firm's attempts to meet their obligations. Some firms are spending up to 8 hours to compile 'MIFID reports' for customers, and the various demands of proof of Suitability are proving difficult to perform over different I.T. and investment platforms.

Expert: Eric Armstrong, Client Development Director, Synaptic Software

ESG

11. Are your clients expecting you to ensure their portfolios are ESG? Or do they still judge success upon the basis of performance? And if they do ask for ESG just how judgemental are they? There is a lot of "greenwashing" going on – are you for real?

- This is a session around impact investing. Do you have the conversation?
- Does your client expect you to be the arbiter of whether or not a company's practices are acceptable?
- Do they want to know whether you have considered the knock-on effects on the local economy/society?
- Do you (and they) consider the potential for lost jobs and greater hardship? Is some work better than no work, even if the employer is not operating best practice? Negative impact investing.
- One example recently suggested was that if we refuse to invest in the arms industry, what happens to the companies responsible for providing the UK's defences? This sort of decision places a phenomenal weight on the shoulders of the analysts and your portfolio managers.
- So how do you monitor your investments to ensure they are doing no harm either to the planet or the local community?
- Do you have a policing process in place?
- It is quite a weighty responsibility.

Expert: Ula Caroto, Portfolio Manager, Schroders

ARE YOU THINKING DIFFERENTLY

12. We need to help children and young people understand money...

- Apps like GoHenry are apparently *"on a mission to help millions of kids be good with money"*; MyBnk delivers *"expert-led financial education programmes to 7-25 year olds in schools and youth organisations"*; The Money Charity *"develops and delivers products and services which provide education, information and advice on money matters in an appropriate way for young people and adults"*; a few examples following a fairly quick scoot through the internet.
- How about an update on who is doing what and how, followed by a wider discussion on whether or not the industry could be more active?

Expert: Steve Korris, Expansion & Impact Director, MyBnk