Wealth Management & Private Banking

Wednesday 20 November 2019

The Berkeley Hotel, Wilton Place, London SW1X 7RL

THE SUBJECT MATTER

The format of the day:

Each day runs breakfast through drinks 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.
- **Scenario planning** – some of the break out sessions will demand more of you.
- Plenty of **networking** opportunities including a formal seated luncheon.
- Some "**me**" time i.e. personal development.

How do the roundtables work?

- On the day, 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.

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BUSINESS DEVELOPMENT

1. THE SECRET TO HARNESSING BOTH CLIENT FOCUS AND CLIENT CENTRICITY FOR RETENTION AND GROWTH.

Steve Jobs famously said, "You've got to start with the customer experience and work back toward the technology - not the other way around."

- Apple's huge success is largely down to practicing this key value relentlessly, which they deploy via two key strategies: client focus and client centricity.
- Client focus manifests itself by offering Apple customers a consistently great and relevant experience across all touchpoints - e.g. the experience with a MacBook, an iPhone and Apple Watch are consistent and set a gold standard. Secondly, Apple has done something revolutionary - they practice client centricity. That is, creating a culture of client-obsessed champions putting clients at the centre of any product design efforts, but not by relying on explicit feedback - rather, by anticipating needs. Clients often don't know how to articulate the great client experience they want - particularly if it's truly innovative. When used alone, high client focus can be replicated, but when you layer on client centricity it is about creating real value-adding differentiation.
- A key weakness of our industry is not being accessible enough, being heavy on jargon and being out of reach of normal customers for a number of reasons. Breaking this negative cycle requires shifting the centre from the wealth manager's viewpoint to the client's viewpoint.
- Innovation is obviously a key driver. This is exactly in the mould of Apple. Some of this innovation can come from tools that are available but not yet universally leveraged, such as multi-channel interactive digital communication, breadth and depth of products and solutions and whole-life (aka holistic-advice aka outcome-orientated) solutions. But some of this requires studying clients' behaviours and preferences, drawing insights and acting upon those insights preemptively.

This roundtable will focus on how to harness the best of a client-focused and client-centric approach to grow and retain your clients in the digital age.

Expert: Mark Trousdale, Chief Growth and Innovation Officer, InvestCloud

2. WORKING WITH THE IFA MARKET. WHAT IS THE SIZE OF THE OPPORTUNITY?

- Over the last five years, one of the fastest growing trends amongst financial advisers has been that of insourcing their clients' Investment Solutions to third parties; usually DFMs utilising Managed Portfolio Solutions or Separately Managed Accounts, via platforms.
- This movement has been driven in part by regulation such as MiFID II and PROD, but also by the realisation that they just don't have the resource – neither people nor financial. As a result, their time is freed up to focus on providing valuable financial advice and tax planning, both valued massively by their clients.
- 23% of owner managed IFAs and some 36% of the big advisory distributors are offering a DFM service. Of which 41% and 22% respectively is currently outsourced. (Source: Owen James).
- Standard Life has been working with this sector from its infancy and is therefore very well placed to understand the trends and dynamics underpinning this shift. They are also well placed to discuss the role of platform technology as a key enabler for portfolio management both now and in the future, understanding the sort of support and solutions advisers are looking for to meet the needs of their clients.
- This session will introduce a wealth manager already leveraging the opportunity… let's face it – nothing beats hearing it from the horse's mouth!

Experts: Steve Purdie, Business Development Director & Jennifer Davidson, Head of Platform Enabled Investment Proposition, Standard Life

3. THE STATE OF THE NATION: WHAT IS 'REALLY' GOING ON IN WEALTH MANAGEMENT AND ADVISORY FIRMS, AND HOW CAN TECHNOLOGY HELP INCREASE PROFITABILITY?"

- At the last Meeting of Minds in June, Multrees and the lang cat highlighted the convergence between the wealth management and adviser markets. Building on this theme, the lang cat's Consulting Director, Mike Barrett, looks at what's behind falling profitability figures in the FCA's intermediary market data for the full year in 2018, namely amongst larger advice and wealth management firms.
- A large part of this falling profitability is down to businesses becoming more and more inefficient, as a result of traditional and outdated technology and platforms.
- So how did we get here? The world of wealth management has changed significantly but the issue is that many platforms have not.
- And what if we could start from scratch today and ask what a platform *really* needs to do for a wealth manager in 2019, to help drive efficiency and improve profitability? What are the challenges, and opportunities of making this a reality?

Expert: Michael Barrett, Consulting Director, the lang cat

4. ATTRACTING AND RETAINING TALENT TO MEET YOUR GOALS: STRUCTURING YOUR APPROACH FOR GROWTH

A key challenge within the wealth management and private banking industry is that of recruiting and retaining the best individuals to support firm growth. Organisations with higher levels of employee engagement demonstrate lower staff turnover and absenteeism, higher productivity and 21% higher profitability*.

Utilising various sources, including data collected from around the globe, over recent editions of the Dimensional Advisor Benchmarking study, we will discuss some key ideas:

- What are the ways of thinking about structuring an employee value proposition?
- What is the role of compensation, and how do firms structure it across different roles?
- Which other factors support employee engagement?
- Are different approaches required according to the firms desired balance of client acquisition v client servicing?

*Gallup, 2017

Experts: Chris Morgan, Vice President, UK Wealth Management, and Martyn Chappell, Vice President, Dimensional Fund Advisors

5. ENHANCING PRODUCTIVITY IS A KEY FOCUS FOR WEALTH MANAGEMENT AND AN IMPORTANT PART OF THAT WILL BE ENSURING THAT YOUR FRONT OFFICE HAS ALL CLIENT DATA READILY TO HAND. WHAT MIGHT THAT DATA LOOK LIKE AND HOW CAN IT BE WORKED TO BOTH PLEASE THE CLIENT AND YOUR RMS?

- In the world of the private client, they will both expect the convenience of digital engagement as well as the opportunity to talk to their RM when they want to.
- You therefore need to ensure the RM is armed with all the necessary knowledge to ensure a seamless service.
- What might that look like? What data does the RM value and how do they use it?
- How can it enhance that productivity enhancement you would like to see?
- This session will take a look into the future of data provision and usability.

Expert: Dave Upton, UK Managing Director, Focus Solutions

DO GOOD

6. HOW DO YOU DEMONSTRATE THE COMMERCIALITY OF A SOCIAL IMPACT/PHILANTHROPY PROPOSITION TO SHAREHOLDERS AND THE EXCO?

The pros and cons of introducing social impact investing and a philanthropy offering are well-rehearsed: improved persistency; share of wallet and engagement; plugging into millennials; winning hearts and minds; building a differentiated proposition etc.

However your role as CEOs is to understand:

- The level of demand for social impact investing and why it should be a commercial consideration
- Where do social impact and philanthropy sit on the spectrum of capital, and should they be dealt with separately?
- How the EU is planning to integrate sustainability considerations into its financial policy framework to mobilise finance for sustainable growth, and
- The benefits of offering philanthropy and social impact services to your clients, or is it simply hygiene these days?

Expert:

7. AS REGULATION WILL SOON MEAN THAT YOUR RELATIONSHIP MANAGERS WILL NEED TO TAKE INTO ACCOUNT YOUR CLIENTS' ESG PREFERENCES AS PART OF THEIR SUITABILITY ASSESSMENT, WE THOUGHT IT TIMELY FOR AN UPDATE ON THE DRAMATIC GROWTH WITHIN THIS AREA.

- Our individual concern for the environment is growing fast. We all care passionately about the damage being caused by the misuse of plastic and are becoming increasingly nervous at global events such as the Amazon fires. Indeed, climate change is now a top five concern for Britons and this has crystallised and focused the need to deliver capital to solve SDG (the UN's sustainable development goals) issues actively and urgently.
- As a result, these concerns are affecting the way your clients choose to invest their money – and we are not just talking about Millennials.
- Research in the US, amongst asset managers there, indicates that the main reasons firms adopt sustainable investing practices is not purely altruistic, more around capturing new assets and for their high growth potential. Results are also supportive of the fact that ESG investing doesn't mean you have to sacrifice returns to do good. *According to a study at the University of Oxford: 88% of reviewed sources find that companies with robust sustainability practices demonstrate better operational performance and 80% of the reviewed studies demonstrate that prudent sustainability practices have a positive influence on investment performance.*
- Your advisers will soon need to be up to speed on all things ESG to handle these conversations. We therefore think it timely to invite a speaker to update you on this dramatically changing area.
- So you can save the planet, satisfy your investors' demands and make money.

Expert: Simon Abrams, EY UK & Ireland ESG and EHS Transaction Support Head

8. **POLICING THE WORLD – INVESTMENT MANAGEMENT'S NEW ROLE?MEDIA AND ACTION GROUPS CONTINUE TO DEMAND THAT LARGE ASSET MANAGERS USE THEIR VOTING POWERS RESPONSIBLY AND IN SUPPORT OF ACTIONS ON CLIMATE CHANGE.**

- In this working session we will discuss whether this is appropriate and what our responsibilities are as asset managers, advisors and asset owners. We will consider whether active ownership is the best interests of clients and will discuss outcomes and the alternatives.
- One of Robeco's key active ownership experts will share how they engage on behalf of their investors, and divulge real examples of the changes we can drive to promote a positive, long-term approach, one that is better for financial performance, and better for society as a whole.

Expert: Kenneth Robertson, Corporate Governance Analyst, Robeco

9. **WHETHER YOU BELIEVE IN CLIMATE CHANGE OR NOT, THE WORLD IS BEGINNING TO FACE UP TO THE FACT THAT WE ARE DOING SOME HARM. AS COUNTRIES EVOLVE THEIR INFRASTRUCTURES TO FACE UP TO THE IMPACT OF CLIENT CHANGE, THIS SESSION WILL CONSIDER HOW THESE CHANGES MIGHT IMPACT THEIR ECONOMIES.**

Expert: Paul Jackson, Global Head of Asset Allocation Research, Invesco ETFs

TECH FUTURES

10. **CYBER RISK IS GROWING, AND ATTACKS ARE ON THE INCREASE. HOW CAN WE PROTECT WHAT IS IMPORTANT AND THRIVE IN THIS EVOLVING ENVIRONMENT?**

- Defending against cyber-attacks is no longer something you read about in the media.
- Criminals and other attackers are now capable of, and actively targeting, organisations of different sizes and service offerings.
- This session will provide an overview of the current and evolving cyber landscape and how business strategy and technology innovation are shaping what options we have to protect our organisations and our customers.
- We will also lay out an approach to effectively and efficiently protect what is important, detect when someone is trying to cause harm, and respond as quickly as possible when needed.

Expert: Glenn Attridge, Head of Cyber Defence & Security Response, NatWest

INVESTMENT

11. **THE US CHINA TRADE WAR. WHY WAS IT STARTED? HOW LONG MAY IT LAST? THE GLOBAL REPERCUSSIONS. FREE TRADE OR FAIR TRADE?**

- Trade deals do seem to be key in today's world. (Some might say rather too key in this part of the world…)
- However trade and politics are becoming ever more enmeshed. The motivations behind these big complex commercial arrangements are no longer purely about goods and services. Trade is being used as a lever to impose certain behaviours.
- This session will focus on the US China trade war.
- What are the Trump Administration's objectives? Is it to create more jobs at home? Is it a geopolitical play to reduce Chinese economic strength? How effective is it?
- Not all members of the Trump Administration are on board. Why is that?

Our expert will set the scene for a thoughtful discussion on the likely consequences of this current battle of wills. There may even be a few tips for us to pass on to those people in Westminster.

Expert: James Carrick, Global Economist, Legal & General Investment Management

12. UNDERSTANDING THE INVESTMENT IMPLICATIONS OF THE GIG ECONOMY

- Rapid advancements in technology have disrupted a number of industries as well as the employment landscape through the rise of the so-called "gig economy"—which pays workers on a "per-job" basis without guaranteeing hours. A number of app-based driver, delivery, and courier service companies have quickly scaled up their businesses by operating in this way.
- However, this form of flexible working has started to draw increased regulatory scrutiny in some countries, and in others, regulators have started to force their transition to a less profitable minimum wage structure, eroding the competitive advantages of companies that have built their operations around these relatively new employment models. Longer term, we question the sustainability of this mode of labour relations where it is simply about regulatory arbitrage of employment rights.

Expert: William Gore-Randall, Senior Vice President, Research Analyst, Lazard Asset Management

13. THE FUNDAMENTALS OF QUANTITATIVE INVESTING

- Quantitative investment managers are doing everything that a traditional stock picker is doing…and more! The objective is simple: use data and fundamental analysis to create unique insights and build diversified and risk controlled portfolios. But what are the beliefs of quant and fundamental managers? And how do we distinguish managers in the modern era of portfolio management? And what is role of smart beta?
- We explore how value can be systematically added through 'craftmanship alpha' or skillful implementation, including the use of risk premia, factors and multi-dimensional optimisation. We examine how advanced factors, alternative data sets and even artificial intelligence can be used to add value without adding risk.

Expert: Thomas Kieselstein, CIO & Managing Partner, Quoniam Asset Management

14. LIQUIDITY? IS IT CURRENTLY THE MOST USED WORD IN ASSET MANAGEMENT?

- Following Neil Woodford's current discomfort, the rest of the industry is anxiously anticipating the shock waves.
- Will it damage active management and further encourage wealth managers towards a greater use of passive products to gain access to equity markets? Or is there an argument for some element of illiquidity within a portfolio?
- In private client world, investing in private equity, infrastructure, real estate etc. does offer a higher yield. These investments are illiquid but the clients know what they are signing up for.
- So is this the crux of the issue i.e. transparency and education of clients?
- "Illiquid" isn't bad – they just need to understand that their money isn't quite as readily accessible as they might like … but the rewards will be worth it.
- Maybe Mr Woodford has done the industry a favour?

Expert: Tom Douie, Global Head of Distribution, Muzinich & Co

REGULATION

15. ARE YOU PROVIDING "VALUE FOR MONEY" (VFM)? THIS IS AN AREA OF GROWING REGULATORY INTEREST. HOW DO YOU ASSESS WHETHER YOUR CLIENTS' NEEDS ARE BEING IDENTIFIED AND MET?

- VFM (see below *) can help build trust and confidence in the industry and its ability to beneficially serve its clients.
- In a report published by the CFA, they summarised the client perspective of VFM as: "clients are likely to focus on generation of an attractive risk-appropriate return over a timescale consistent with their investment objective, net of all costs, but taking account of quality of service. The analysis should be long-term in nature."
- So are you providing them with value for money?

* The FCA sets out seven factors that firms must consider when assessing the value for money of each fund:

- Quality of service: the range and quality of services provided to investors;
- Fund performance: this should be considered over an appropriate timescale given the fund's objectives, and should be measured net of fees;
- AFM costs: the cost to the AFM of providing the service to which each charge relates;
- Economies of scale: whether the AFM is able to achieve savings and benefits from economies of scale for larger funds;
- Comparable market rates: the market rate for any comparable service provided by the AFM or to the AFM (including by delegated investment managers);
- Comparable services: the AFM's charges for comparable services, including institutional mandates of a comparable size or funds with similar investment objectives; and
- Classes of units: whether it is appropriate for investors to be in share classes with higher charges than those applying to other similar share classes of the same fund.

Expert: Andy Peterkin, Partner, Farrer & Co

16. FCA ENFORCEMENT ACTIONS. ARE THERE LESSONS TO BE LEARNED FROM THE FCA'S APPROACH? HOW GOES YOUR SCENARIO PLANNING?

- Our expert from Farrers will talk you through some recent enforcement cases brought against Liberty Mutual Insurance and Tesco Bank. The Liberty case involved a failure to properly monitor outsourcing arrangements, and Tesco Bank involved a failure to have a properly operating plan for responding to a cyber-attack in place, emphasising the need for you to plan for such scenarios and then to test your response plans regularly.
- What lessons can we learn?

Expert:

The FCA's approach to tackling serious misconduct is to:

- be responsive and efficient in detecting it
- not pre-judge the outcome of an investigation, but instead focus on gaining an understanding of the facts
- investigate efficiently and fairly, including acting where there is serious misconduct and stopping investigations where it is clear there is no serious misconduct
- use deterrent and remedial powers, including financial penalties, prohibitions, suspensions as well as redress, or remedial and restorative measures wherever appropriate, to put things right
- encourage firms to voluntarily account for and redress misconduct (where it is reasonable for them to do so) by imposing lower sanctions on such firms
- impose more severe sanctions on those who fail to address harm
- communicate, through our formal statutory notices, the basis and the reasons for our actions, so they are transparent, fair, and firms and individuals can use that information to evaluate their own conduct

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.