

Asset Management

Thursday 8 March 2018

The Berkeley Hotel, Wilton Place, London SW1X 7LA

THE DRAFT AGENDA

THE CONTEXT:

As we head into 2018, how do we feel? “Upbeat” isn’t really a suitable adverb but neither is “dejected”. Maybe we are all in a bit of a “numb news” mode. Speaking personally, I am bored rigid by the Trump Brexit news axis. No doubt terribly important but boy it is a stuck record.

What about the economy? Not too hot and not too cold as Goldilocks might have said.

So what should the theme be for this year? Steady as she goes, batten down the hatches, be imaginative – or a combination of all three? The truth is that you cannot stand still. The pace of everything just keeps getting faster so you have to stay ahead?

Well this is where we come in. Why spend a day at A Meeting of Minds? Well it is a tried and tested format. Its goal is to bring together the Heads of Retail Distribution to discuss the different issues affecting your part of the market. An opportunity to step back, draw breath and think strategically about the direction of the asset management industry and the implications for your own business.

We ran the inaugural Meeting in November 2017 which threw up all sorts of areas worthy of greater focus. This draft agenda is therefore a first attempt at articulating an appropriate structure to take the conversation forward.

THE FORMAT:

A Meeting of Minds is a day long forum: breakfast through drinks made up of a blend of:

- **Keynote** sessions geared to encouraging new thinking – typically from outside of 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.
- Some me time: as an innovation we have decided to introduce some optional sessions for you. We thought the art of sleeping might be a good start!

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.

On this occasion, Owen James will be working with Lansons, a London-based reputation management consultancy who share our ambition to work more closely with the asset management industry.

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YOUR CLIENTS AND YOUR CLIENTS' CLIENTS: INTERMEDIARIES AND INVESTORS

1. NEVER MIND THE QUANTITY, IT'S ALL ABOUT THE QUALITY. UNDERSTANDING YOUR CLIENTS' CLIENTS AND GETTING THEM TO UNDERSTAND YOU

So who are your investors? Do you know? What level of data do you hold? How do you capture this information?

How much do you know about them? Do you understand them? There is a lot of talk around the big generational shift as the baton is passed to the more tech savvy Millennials: the big transfer of inherited wealth. Are you ready to communicate with them in the way in which they want to be communicated with?

The power of scale means that lower level investors are also becoming increasingly important targets. Are you geared up to working with them?

So this session will look to address the following:

- What level of data are you capturing and how?
- Do you have a strategy to communicate with your intermediated end customer? Might you need to simplify the lingo?
- Is that communication strategy segmented at all? And if so – segmented by what?

2. SO ARE YOU PROVIDING YOUR INVESTORS WITH VALUE FOR

MONEY?

This would appear to be the headline finding from the FCA's recent Asset Management Market Review. The FCA is recommending that both industry and investor representatives agree a standardised template for costs and charges. So are you working on it? As transparency is key it could become the big differentiator?

All-in fees. This aligns with the requirements of MiFID II and PRIIPs so might be a good starting point. Do these fees include transaction costs? How does the value chain stack up? The advisers are keen to emphasise their added value in terms of the big plan! Where do the platforms and custodians fit in?

Performance fees - only allowed if the fund outperforms its most ambitious target. Are you up for this?

Share classes – are you providing best value?

The use of benchmarks. Investors need to be in a position to identify how their fund performs against the stated objectives. Are you providing them with that access?

Data. Where do you source it from and how granular can you go?

3. THE INTERMEDIARY RELATIONSHIP – MORE A PARTNERSHIP?

As margins are being squeezed, some asset managers are leveraging their partnerships with the big distributors.

Are you confident that you know what the intermediaries value from the relationship? How joined up are you?

Some thoughts:

- Is your marketing material aligned?
- Sales and advice – do you have clearly articulated policies, procedures and guidelines?
- Post sales feedback - what is the customer receiving and from where?
- Do you keep a detailed register of complaints?
- How aligned are your managers with the changing needs of your investors – should we expect to see a growth in outcome driven solutions?
- How much cultural change is required within both organisations to improve the engagement you are seeking with your end clients?

4. NEW AND DIFFERENT DISTRIBUTION ROUTES TO THE END CUSTOMER

- Well there is obviously D2C, but what about forming a partnership with a trusted brand?
- The theme of investing via a trusted brand has been a consistent one. The worry for the brand is of course the toxic nature of financial services which can “go wrong” or fail to deliver the expected returns viz the financial crisis.
- The financial services crisis is no longer quite so fresh in the nation's memory “bank” although banks are still struggling to convince the nation that they are total heroes. Who are these days? Certainly no longer the politicians. However the pensions freedoms legislation kick started a bit of a revolution in terms of people taking control and indeed an interest. And that backed up by auto enrolment means that the populous are realising that they need to get with the programme.
- So against that background maybe the timing is now right for you to team up with a trusted brand to launch into this space.

REGULATION

5. FOCUS ON GDPR

How does it affect you? We think it is a big deal.

BUSINESS MODELS

6. LET'S TALK VERTICAL INTEGRATION

Owning the whole value chain would be one way to ensure you are getting every bite of the cherry going.

Is it good for the client? Does it really aid efficiencies? Does it help with brand awareness?

Is it the way forward?

7. CONSOLIDATION IN ASSET MANAGEMENT

We know it is a big trend amongst your clients (the financial advisers that is) but it is now beginning to happen within asset management. What are the drivers? Who will be the winners and the losers? Is it a good thing?

8. HOW CAN THE INDUSTRY IMPROVE ITS OVERALL REPUTATION?

Let's face it, no one trusts anyone these days? They say people only trust "people like us" and that the best you can hope for is a luke warm acceptance of your need to exist... well maybe that is a tad harsh... but as you build that relationship with the end investor your brand is going to be of increasing importance. And creating a consumer brand is hard.

However we think we have someone who might be able to help!

9. STRUCTURING YOUR SALES FORCE OR CHANGING YOUR APPROACH

As an industry, margins are resilient but profits are down. Profits for traditional fund houses fell by 2.9% whilst assets grew 3%. The pressure is on to grow AUM with reduced expenditure so in terms of your sales force, it is a question of restructuring it or indeed thinking completely differently.

Does greater use of technology improve productivity? More Skype less meet? Or are you asking fewer people to do more?

Word on the street is that a lot of you are beginning to form partnerships with big distributors to do the heavy lifting for you. Is it working? How does it work?

Worth a discussion?

YOUR PROPOSITION

10. THE BIG SHIFT: MOVING FROM A PRODUCT PUSH INVESTMENT CENTRIC PROPOSITION TOWARDS BECOMING A CLIENT CENTRIC SOLUTIONS PROVIDER.

- Financial service products are intangible to most people which makes it difficult to be able to connect and build an engagement. What might an engagement look like? What are the touch points they have with asset managers on their customer journey? Indeed are there any?
- Pressure from passive on active is changing the active industry – low risk funds are going to disappear, really high conviction products are going to be the way forward.
- Providing outcome orientated solutions (target date, multi asset income etc) for investors is of increasing importance but outcome is always hard to measure.
- Worth a discussion?

11. HOW DO ASSET MANAGERS DESCRIBE THEIR VALUE?

- Well the starting point has to be to whom are you describing your value? Is it to the intermediary channel or to the end client?
- In a way it is probably easier to differentiate your offering to the intermediary channel. You can talk about your performance, your fees, offer a collaborative approach and use state of the art technology.
- To the end customer you are convincing them that your approach to managing their money is responsible, safe and successful.
- Fund management is a skill – everyone needs to know that and how do you articulate it? And how do you quantify it?

12. INNOVATION:

At the inaugural Meeting of Minds, some wise soul suggested that there was “No point creating something for 2018 – you need to be creating it for 2020/2022.”

So when it comes to best practice, who is innovating well? Do you consult the end clients or do you base your approach on feedback from the intermediary channel?

Do you have a structured approach to innovation?

TECHNOLOGY

13. THINK CLIENT DIGITAL

As the next generations of investors come into view, what might they be looking for?

Will they be demanding low touch, data rich efficiencies? Or a combination of technology backed up by humans when that reassurance is needed? We suspect they will want the choice – and lots of it.

And with the introduction of Open Banking and the growth in apps enabling your clients to see their finances in one central place, might it be time to fit in with that brave new world? Or are you leaving that to the platforms?

14. BIG DATA – ENSURING IT MAKES A DIFFERENCE

As Heads of Retail you will want to have a full picture of your clients (both intermediated and end investor); you will want a handle on the fund flows – which are proving popular; how your sales team are performing by client segment and geographically ... well that sounds like a reasonable starting point.

Identification and prioritisation of only the most relevant data is the first step. Data scientists are big data wranglers. They take an enormous mass of messy data points (unstructured and structured) and use their formidable skills in math, statistics and programming to clean, massage and organize them. Well that is what it says on Google!

So as a starting point:

- Data are best used within organisations when shared on a wide scale. Success can be demonstrated from aggregation and simplification of all relevant data to align internal disciplines behind one shared view.
- Sharing data and giving unrestricted access democratises customer insight enabling more effective decision-making at the point of action, creating significant impact on customer engagement.
- Data need to be simplified and continuously improved.

Well those are the headlines - this session will provide guidance as to what works as a data strategy.

GEOPOLITICS

15. THE GLOBAL ECONOMIC BACKDROP

The markets continue to soar but are we braced for a correction? Or is it the case that there is nowhere else to go?

You will no doubt be briefed on a weekly, if not daily, basis by your chief economists, but how about a non house view? Indeed how about a view from the US?

16. IS IT TIME TO TALK ABOUT BREXIT?

As the UK has now begun to discuss the potential trade deal it might have with the EU, is it now time to talk about Brexit? Or should we wait until we have more of an idea of what it might look like?

- Are you contingency planning? Indeed are you bovered?
- What options and routes does Brexit create for restructuring a business?
- What impact will it have on product development or rationalisation?
- To what extent can we expect to see dual headquarters emerge?
- How will UK based groups respond and what will it mean for them when it comes to attracting talent and retaining it?
- How do people plan to respond to the regulatory challenges and uncertainty and what does it mean for short term business decisions?

Ostrich behaviour may be the way forward.

17. PERHAPS WE SHOULD TALK ABOUT JEREMY?

Some say a Labour Government might have more impact on the UK economy than Brexit. Do you factor this in to your contingency planning?

What might that impact look like?

Not sure we can field John McDonnell? But we will have a go.

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.