#Trending 2025: Asset Management of the Future

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Joining you today...........

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Frank Strauss, Managing Director, Accenture
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**Setting the stage..........**

*Systemic changes to the Asset Management industry are well known, discussed & documented*

*Today’s focus on providing some useful and tactical thoughts about achieving success in the future*

- ✓ How to Grow the Business...
- ✓ How to Run the Business...
- ✓ How to Service the Business...
Asset Managers battle a challenging environment

From changing client preferences to greater scale benefits, Asset Managers are countering challenges on multiple fronts.

**CHALLENGES AHEAD!!!**

**CHANGING PREFERENCES**

$15 trillion

Wealth of Millennials could amount to $15 trillion in the United States over the next 15-20 years.

**SCALE IS GOOD**

BlackRock, Vanguard, and State Street captured more than 70 percent of the net cash collected globally by ETFs and mutual funds in 2016.

**PRESSURE ON FEES**

Expense ratios have declined substantially over the last 20 years.

**MARGIN COMPRESSION**

In the past year, the top three Asset Managers reported steady margins of about 34 percent while other public Asset Managers reported an 8 percent margin decline to 23 percent.

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**Source:** "Digitization of asset and wealth management", Create Research

**Source:** "Wave of M&A in asset management industry", Reuters, 20 April 2017

**Source:** "Equity MF Bond MF Hybrid MF"
Asset Managers can consider the following action points for augmenting their growth strategies in 2018:

1. **Technology architecture**
   - Re-evaluate the current technology architecture to align with growth plans, because a shift to alternative data and AI may require significantly more storage and processing capabilities.

2. **Manage product portfolio**
   - Manage the product portfolio to balance the need for product breadth with the firm’s capabilities and investor and distributor preferences.

3. **Consider merger of equals**
   - AMs considering being acquired should also consider mergers with similarly situated AMs as a way to achieve scale that may mitigate high-valuation roadblocks.

### Action points for 2018

Management confidence in systems at US firms lags slightly behind Asia Pacific countries (APAC) and European peers with respect to regulatory compliance, new asset class introduction, and expansion into new geographies.

Asset Managers, especially in the United States, may have their work cut out to rise to the challenges in 2018 for achieving organic and inorganic growth because people, processes, and technology will likely have to improve in unison to achieve the full value of operational model transformation.

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**Buy-side ICT spending survey**

<table>
<thead>
<tr>
<th>How would you rate your systems’ ability to support the following?</th>
<th>APAC</th>
<th>Europe</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quickly expand into new geographies</td>
<td>23.5%</td>
<td>15.4%</td>
<td>38.2%</td>
</tr>
<tr>
<td>Quickly introduce new asset classes</td>
<td>17.6%</td>
<td>23.0%</td>
<td>38.2%</td>
</tr>
<tr>
<td>Comply quickly with new regulations</td>
<td>23.5%</td>
<td>15.4%</td>
<td>38.2%</td>
</tr>
</tbody>
</table>

**Outsourcing strategy and business process ownership**

*Business leaders should consider operational requirements while making rent vs. buy decisions and control the processes as business functions are outsourced*

**Action steps while formulating outsourcing strategy**

1. Review the current and future operational needs against the existing technology and infrastructure.

2. Target business functions that require sizeable technology investment and the processes that require costly and fast-moving skills for potential transformation.

3. Determine if engaging external service providers fits with the strategic plans for future expansion or increased capabilities.

**Functional leaders should own the key components of the business processes of the outsourced functions:**

- **Control**: Establish policies and procedures to ensure that management directives to mitigate risks are carried out.

- **Monitor**: Conduct ongoing evaluations into the business processes at different stages of service delivery.

- **Long-term partnership**: Establish a long-term relationship with a provider that understands the business of the firm, and offers domain expertise at a competitive cost structure.
Actions to becoming a more agile firm

Considering the following action steps could help make rent vs. buy strategy decisions with respect to technology and talent

The paradigm has changed: How do we take action?
Build capability using agile methodologies to rapidly deliver measurable value

- Review the current and future operational needs against the existing headcount and technology infrastructure.
- Target the business functions that require sizeable technology investment and the processes that require costly and fast-moving skills for potential transformation.

How agile firms rapidly deliver value

Each sprint represents a specific business insight that delivers a direct impact, improves the capability and is a clear win

<table>
<thead>
<tr>
<th>Clear Insight</th>
<th>Incremental Talent &amp; Techniques</th>
<th>Compelling Visualizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Business Value</td>
<td>Elastic Data &amp; Compute</td>
<td>Incremental Data Sources &amp; Governance</td>
</tr>
</tbody>
</table>

Develop management controls around process changes and around the new processes themselves, and consider risk-based resource allocation as part of operating model transformation.
Choose from incremental to quantum changes in digital strategy

For some, the way they service customers may undergo incremental change in 2018, while other firms could take bolder steps to transform customer experience.

BUILDING DIGITAL BUSINESS STRATEGY

- Strategic focus to target investors key determining factor
- Focusing on preferences and digital experience expectations important

DIGITAL STRATEGY CONSIDERATIONS

<table>
<thead>
<tr>
<th>Generational preferences</th>
<th>Existing Customers</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital changes required</td>
<td>Incremental</td>
<td>Quantum</td>
</tr>
<tr>
<td>Advisory method</td>
<td>Traditional advice</td>
<td>New ways to connect, trust digital approach</td>
</tr>
<tr>
<td>Products</td>
<td>Current products</td>
<td>New products</td>
</tr>
<tr>
<td>Relationship</td>
<td>Existing relationship approaches</td>
<td>Community, peer to peer and social influence</td>
</tr>
</tbody>
</table>

Matching products and services to target segments over time is one of the important goals of the digital business strategy, recognizing that target segments and their preferences will likely change over time.
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Let’s Begin the Discussion..........

✓ Products & Pricing
✓ Distribution Trends
✓ Technology
✓ Regulation
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Closing Comment & Q&A
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Thank you!!