



# Webinar: Distribution state-of the-nation research findings

13 September 2017



# How distribution is developing



**funds** europe in association with Calastone

# A cautionary tale



Since 1999, global revenues from record music sales fell 40% due, in part, to disruptive technology such as Napster

Source: International Federation of the Phonographic Industry

# The survey

263 respondents drawn from Funds Europe's readership participated in the online survey carried out in March 2017

By region:

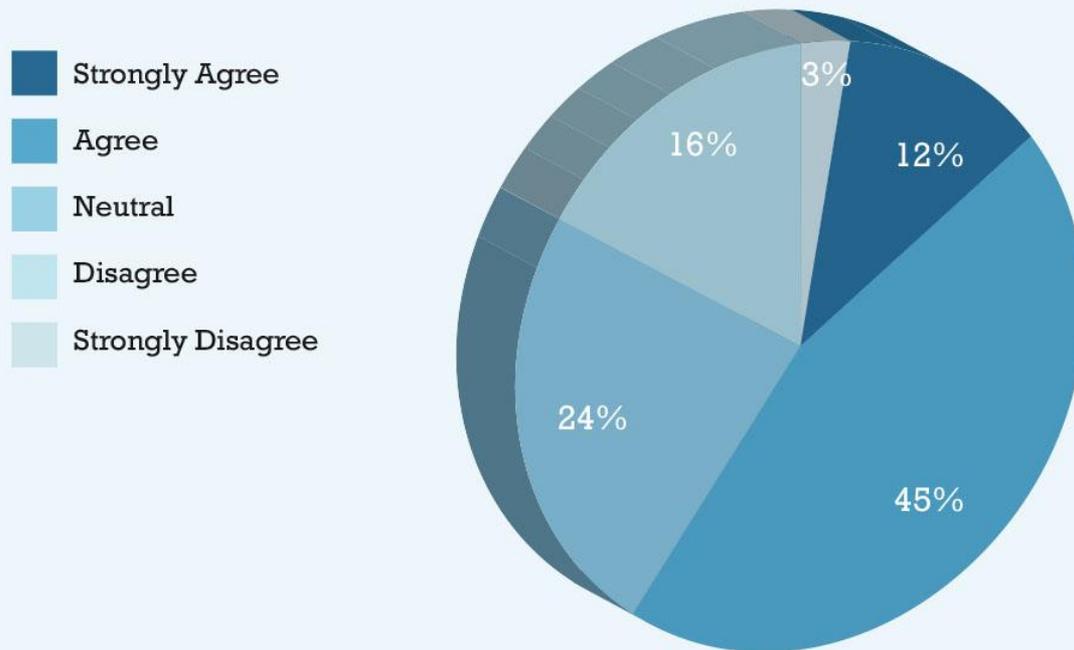
- Europe 78%
- Asia 16%
- US 3%
- Rest of world 3%

# The panel

- **Jon 'JB' Beckett**, UK director and lead, Association of Professional Fund Investors
- **Bella Caridade-Ferreira**, chief executive, Fundscape
- **Richard Garland**, managing director, global advisor, Investec Asset Management
- **Karine Hirn**, partner, East Capital
- **Diana Mackay**, chief executive, Mackay Williams

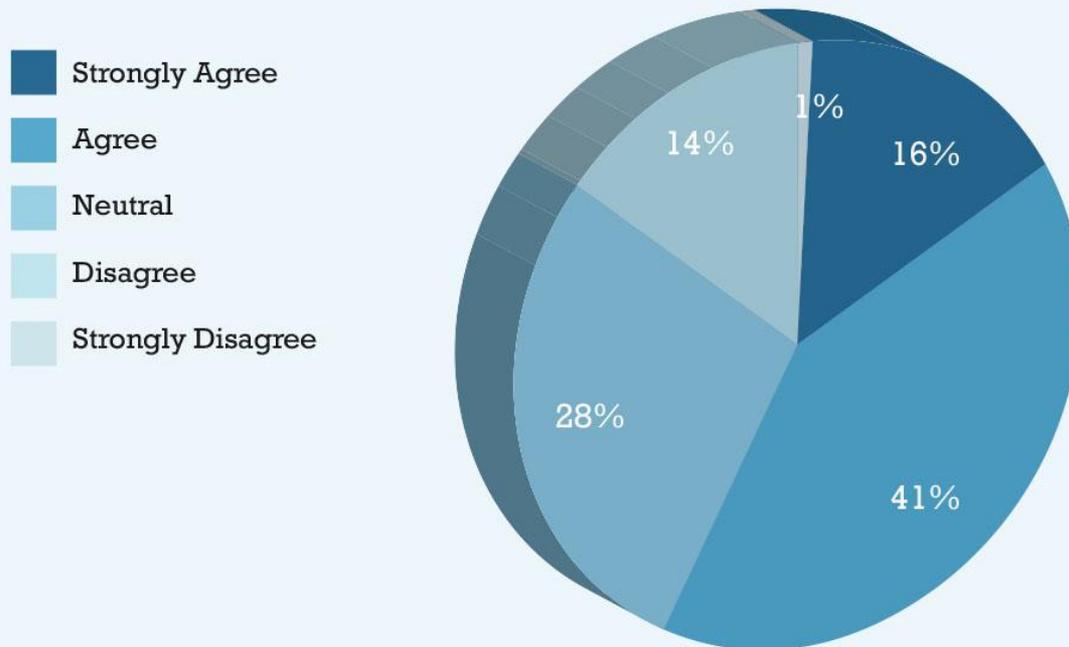
# A world in flux

1. Online, direct-to-consumer distribution channels such as fund platforms will take over from traditional channels (banks, IFAs) as the main way asset managers raise assets under management



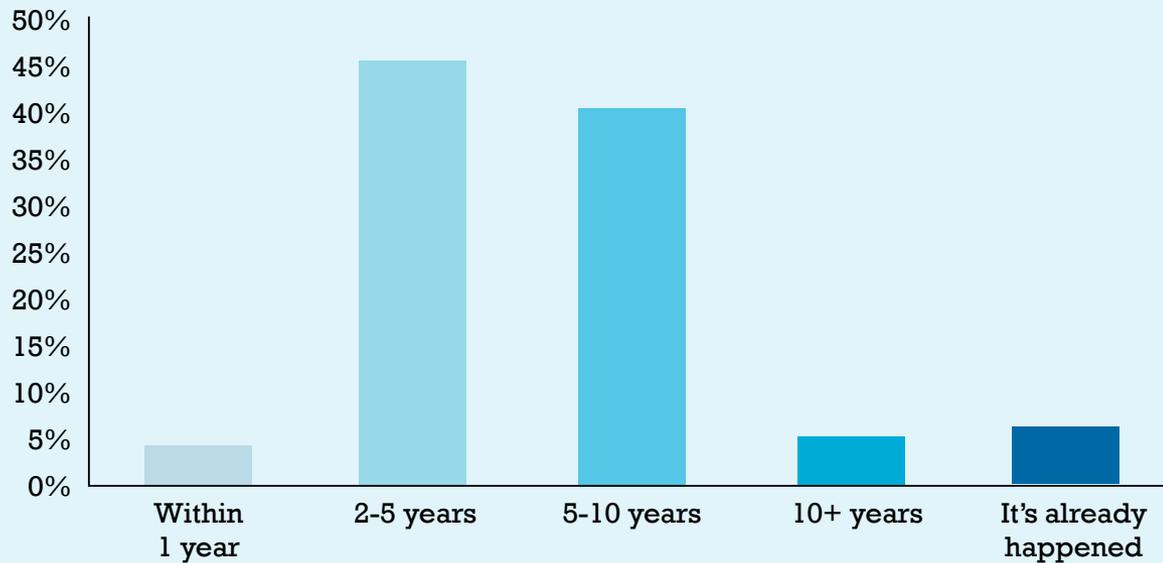
# Passive aggression

2. Passive funds, such as index funds and exchange-traded funds (ETFs), will take over from actively managed funds as the core investment product for mass retail customers



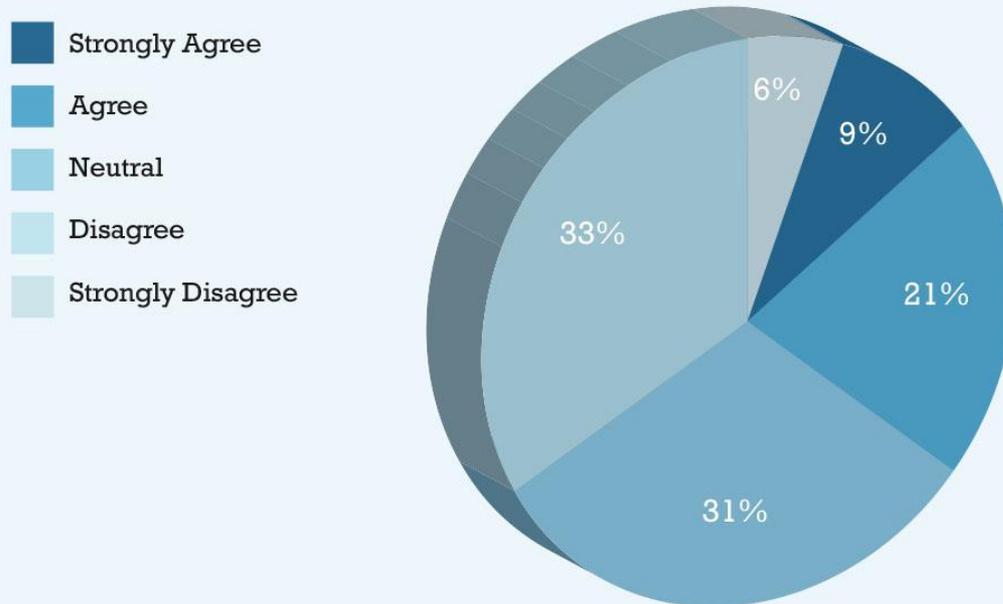
# How soon?

## 2.1 How soon do you think passive funds will take over from actively managed funds as the core investment product for mass retail customers?



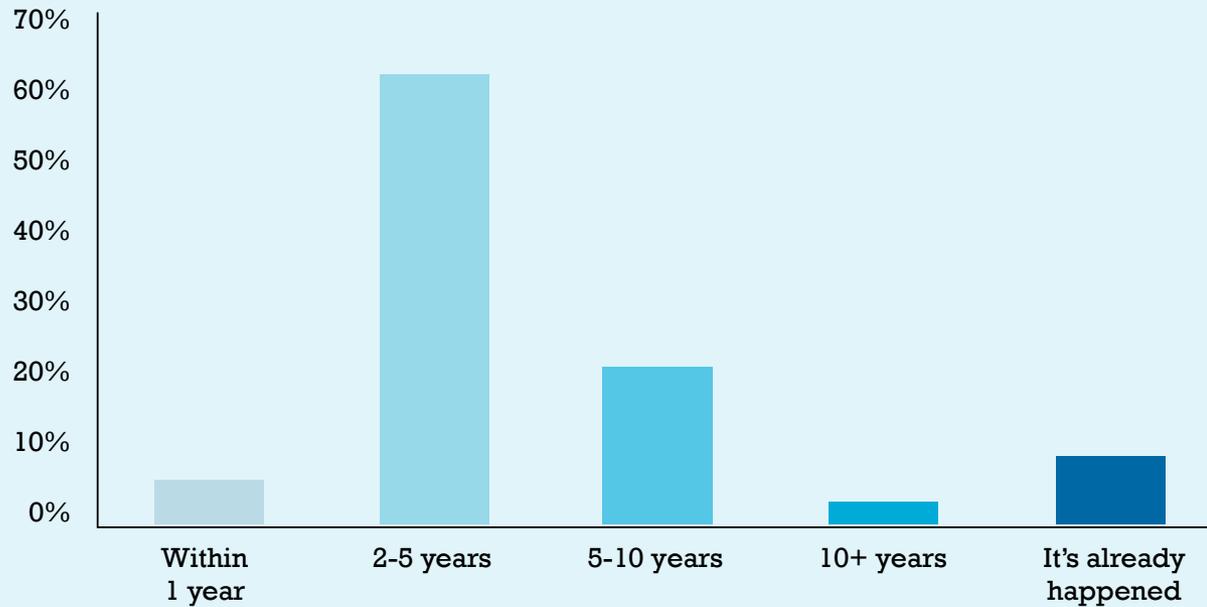
# It's different if you're rich

3. Passive funds, such as index funds and exchange-traded funds (ETFs), will take over from actively managed funds as the core investment product for sophisticated investors (institutions, wealth managers, high-net-worth individuals)



# Soonish

3.1 How soon do you think passive funds will take over from actively managed funds as the core investment product for sophisticated investors (institutions, wealth managers, high-net-worth individuals)?



# Fear of ETFs

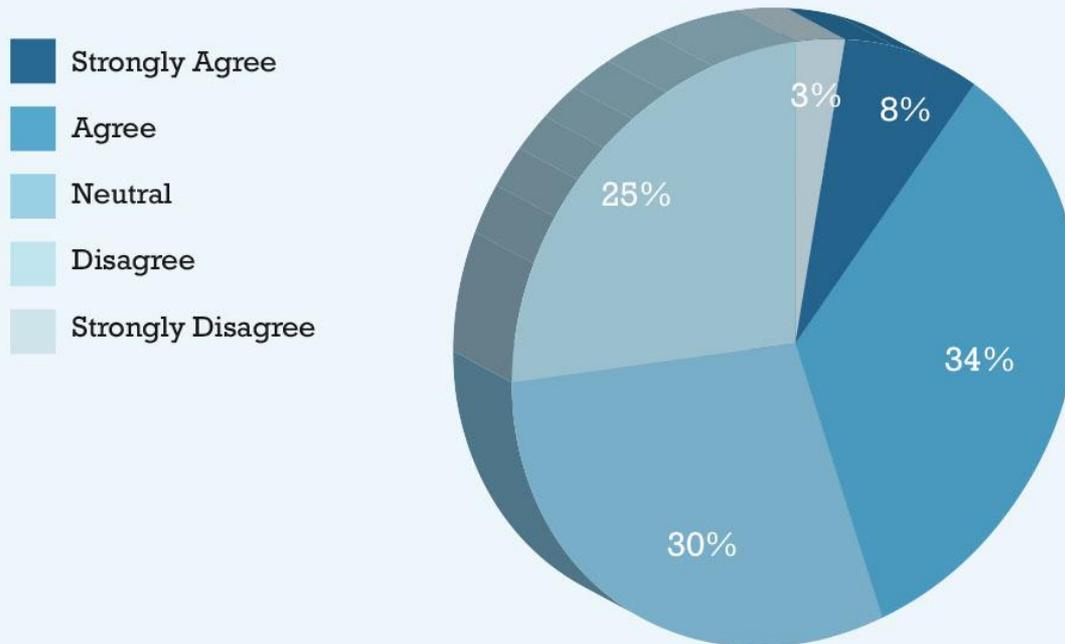
*“The whole ETF debate unfortunately gets focused on passive investing, but this is the wrong way to think about it. **We should instead think of ETFs as the next technological innovation in funds***

*[...] ETFs will effectively take over the market but that's not to say that every one has to be passive.”*

**Jon 'JB' Beckett**, UK director and lead,  
Association of Professional Fund Investors

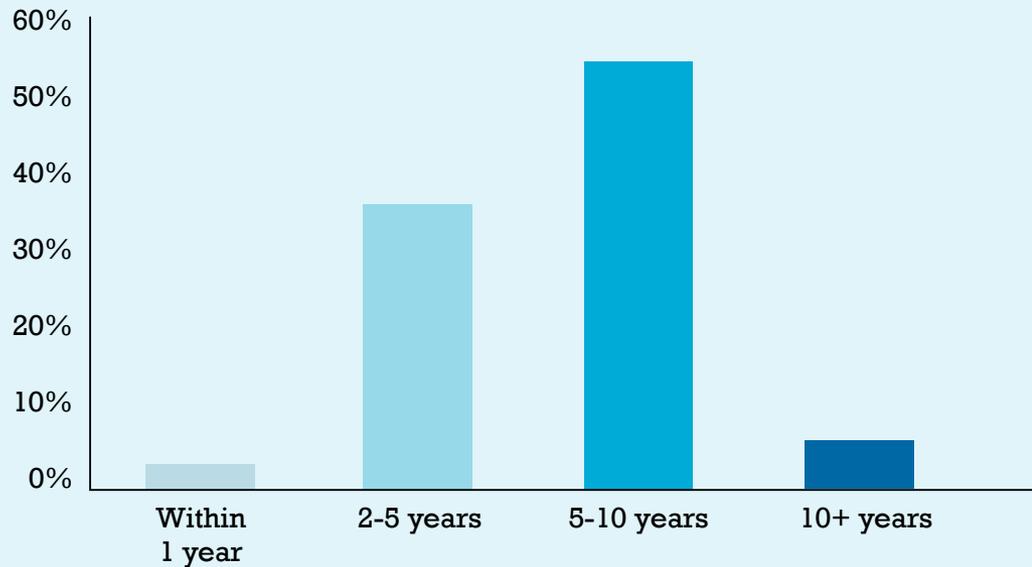
# Robo, who knows?

## 4. Robo-advisers will become the main distribution channel for raising assets from the mass retail market



# A long-term thing

## 4.1 How soon do you think robo-advisers will become the main distribution channel for raising assets from the mass retail market?



# Robots for the poor

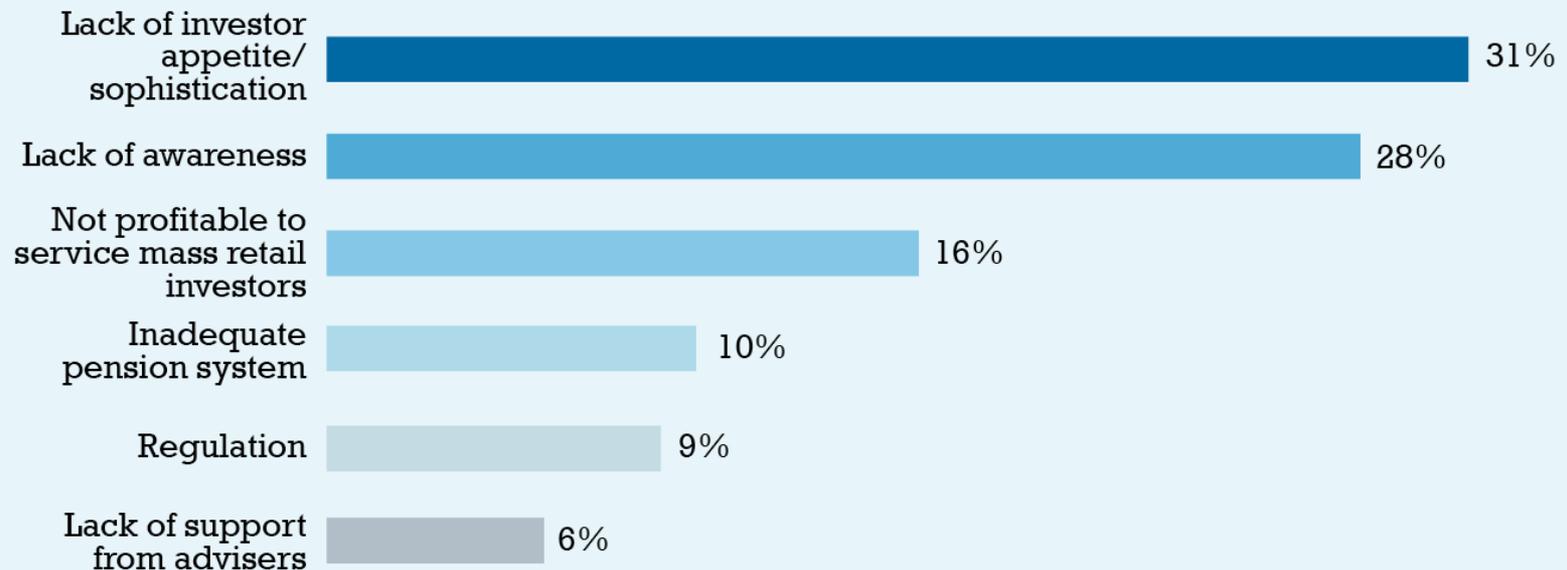
*“The problem is that people who use robo-advice don't have any money. Millennials, for instance. With robo-advisers you can create a portfolio very quickly, but it's the same old story: **once you get a lot of money, you tend to want personalised advice.**”*

*[...] I don't think robo is itself a distribution channel. It's a means to an end – a tool for wealth managers to handle less affluent clients.”*

**Richard Garland**, managing director, global advisor,  
Investec Asset Management

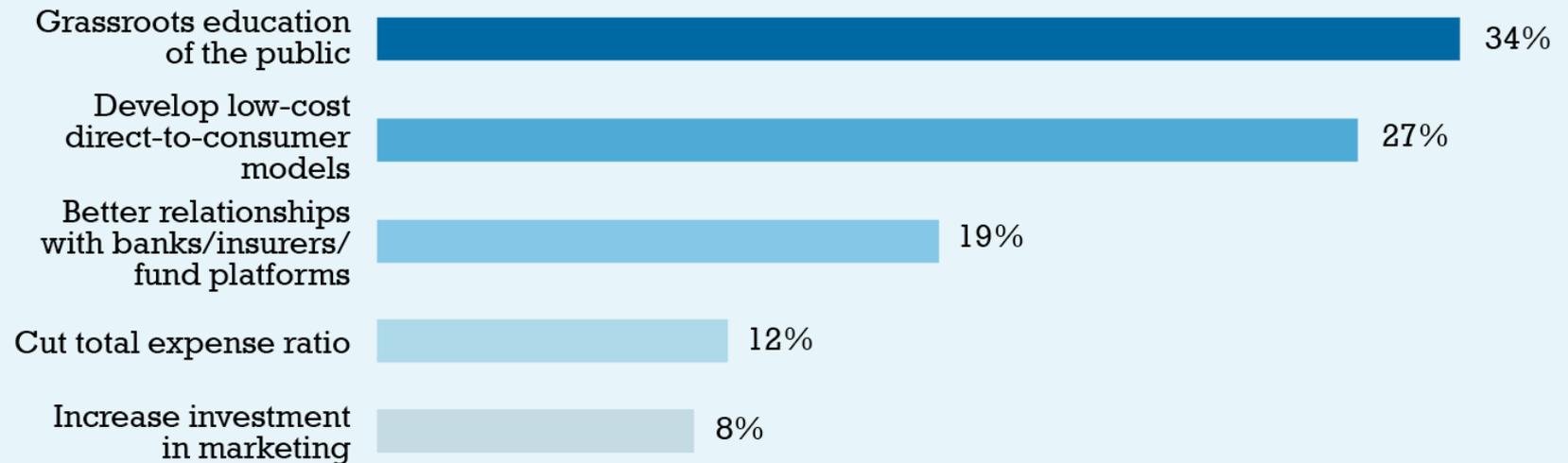
# Holding us back

## 5. What is the main factor limiting fund penetration (the proportion of people who own funds) in your country or region?



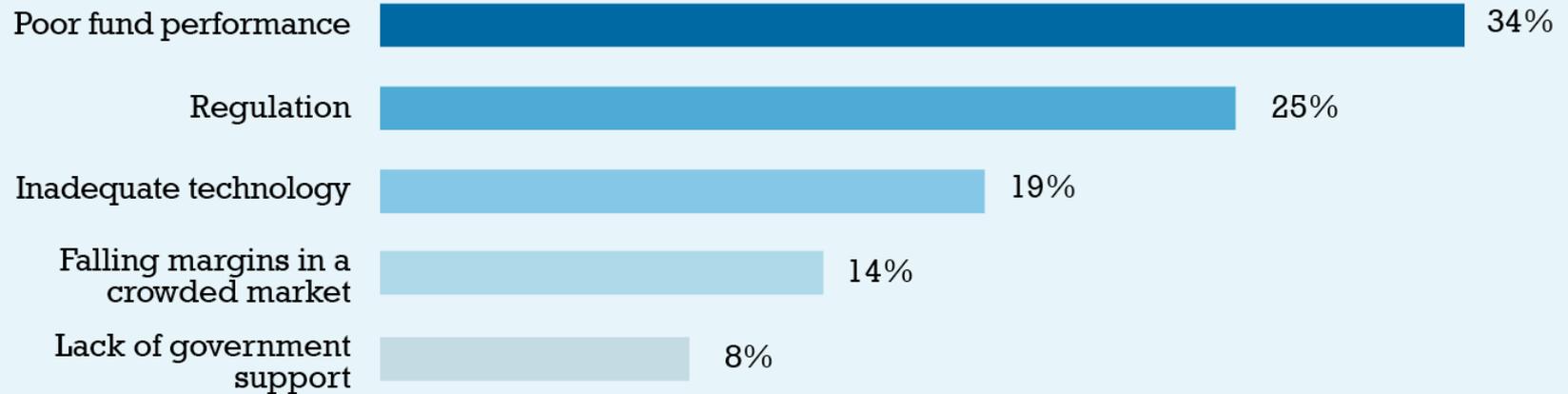
# Education, education, education

6. What is the main thing asset managers should do to increase fund penetration (the proportion of people who own funds) in your country or region?



# It's performance, stupid

## 7. What do you believe is the key factor holding back the success of asset management businesses?



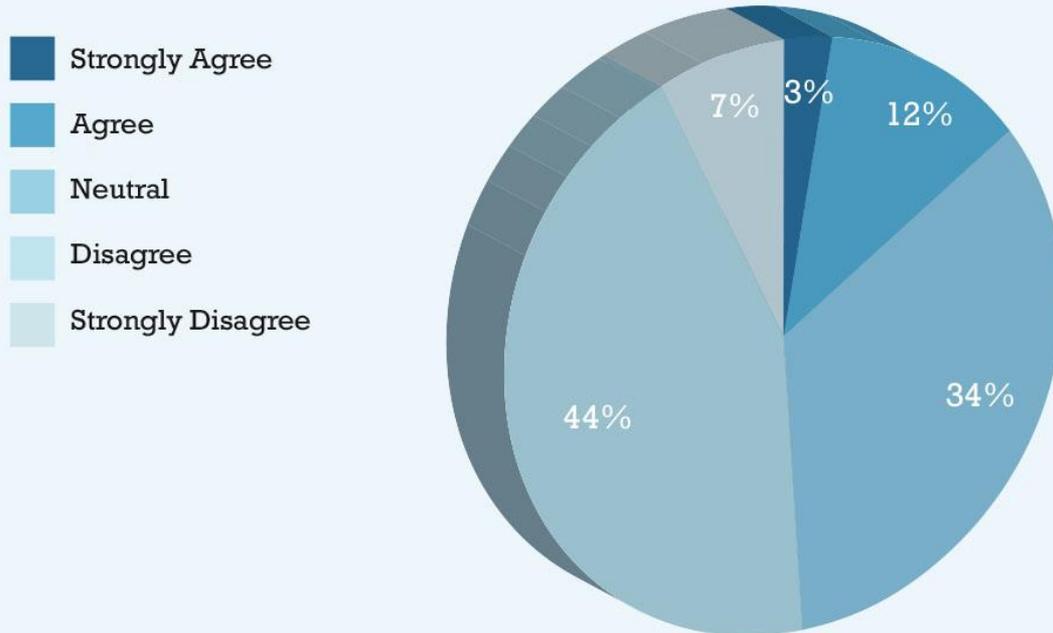
# Existential crisis

*“There's no doubt that fund performance has been a major issue since the global financial crisis. The problem, for a big part of the industry, a regular US equity fund, say, is that **if you can't prove to your clients you're doing something they wouldn't be able to do themselves, and the results are quite poor, then you have a crisis in your raison d'etre.**”*

**Karine Hirn**, partner, East Capital

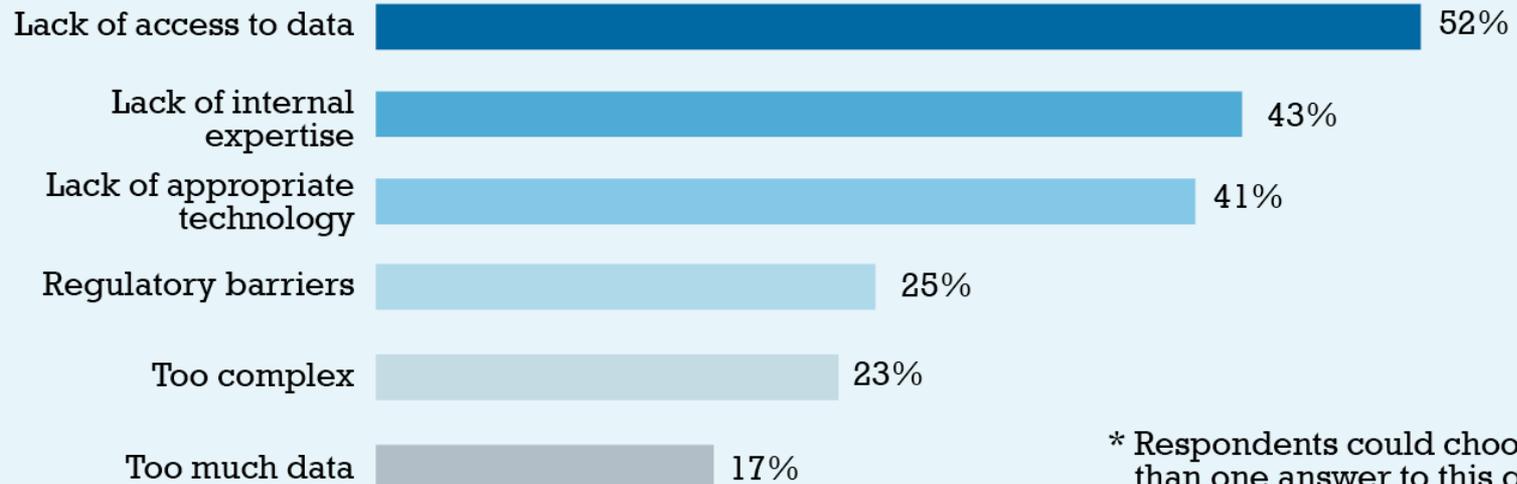
# Data dummies

8. Do you think asset managers are good at making use of data about their distribution supply chain?



# Access denied

## 9. Understanding end investors' needs is paramount for asset managers – what are the main issues that they face in understanding end investor data\*?



\* Respondents could choose more than one answer to this question

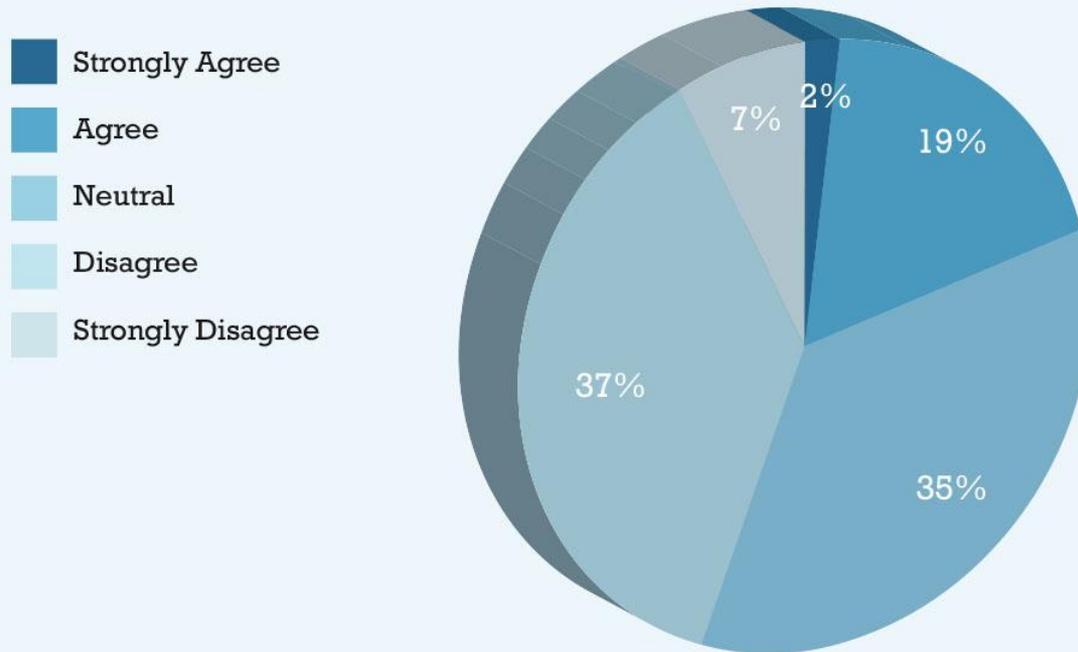
## It's (partly) their fault

*“A big problem for asset managers is lack of information from distributors [...] The thing is, **asset managers have been complicit in this development.** In the first half of the 2000s, before the financial crisis, asset managers were migrating a lot of their transactional business to aggregated platforms of one kind or another. They saw a huge cost benefit of getting a single netted off order as long as their sales people were able to maintain good relationships with the people funnelling business through these platforms.”*

**Diana Mackay**, chief executive, Mackay Williams

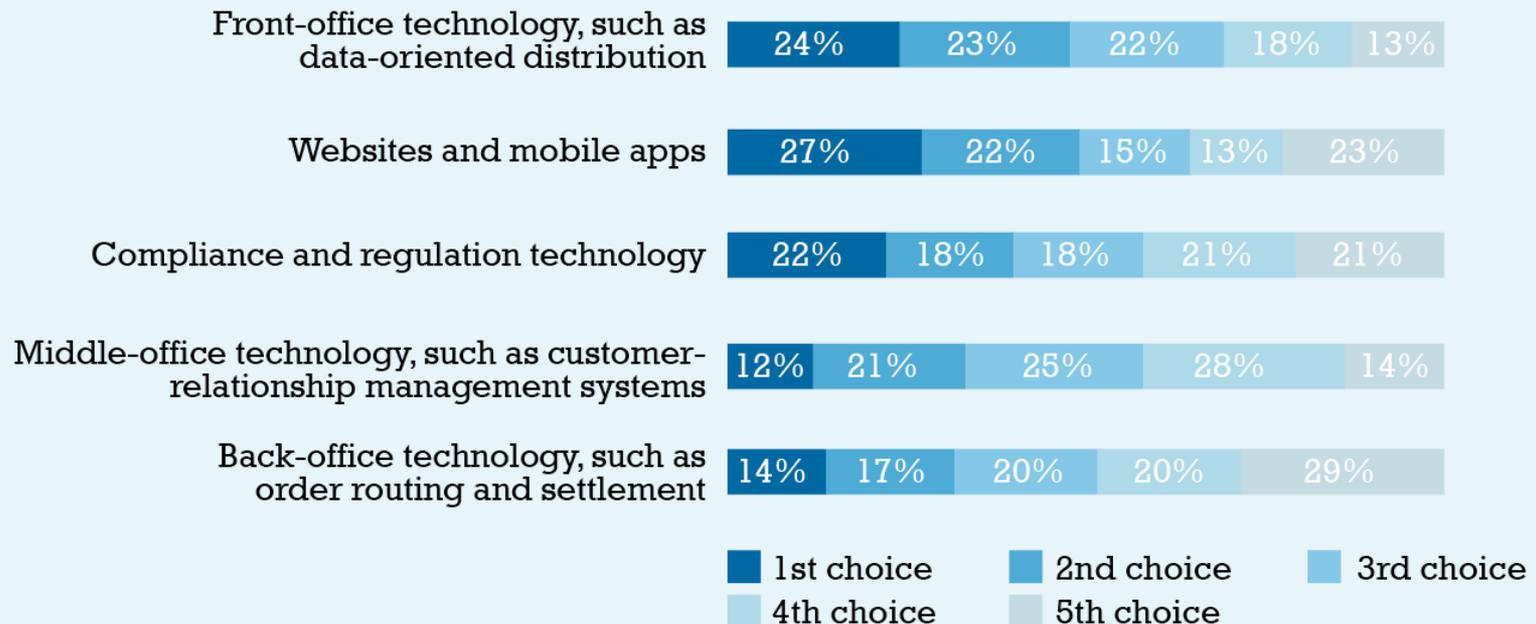
# Technically challenged

10. Based on asset managers' track record for technology implementation, do you think asset managers are good at adopting new technology?



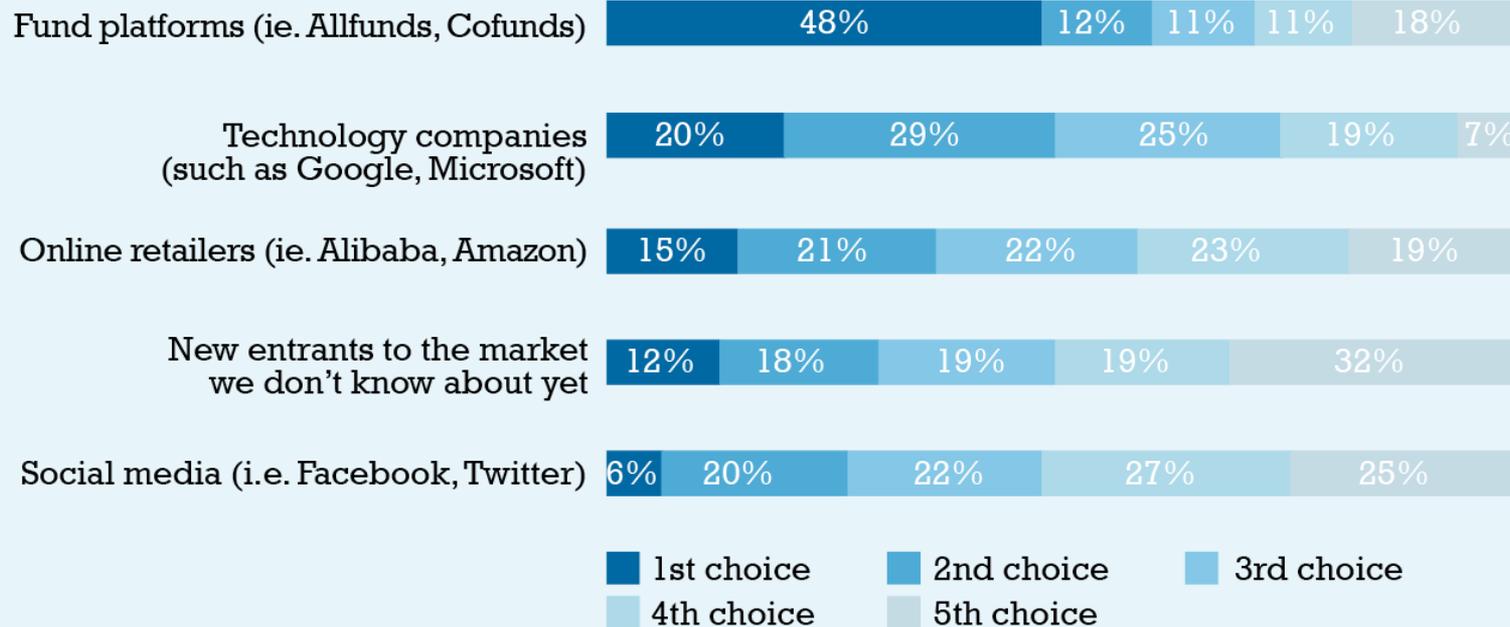
# Looking to the front

## 11. Types of technology in terms of priority for asset management investment



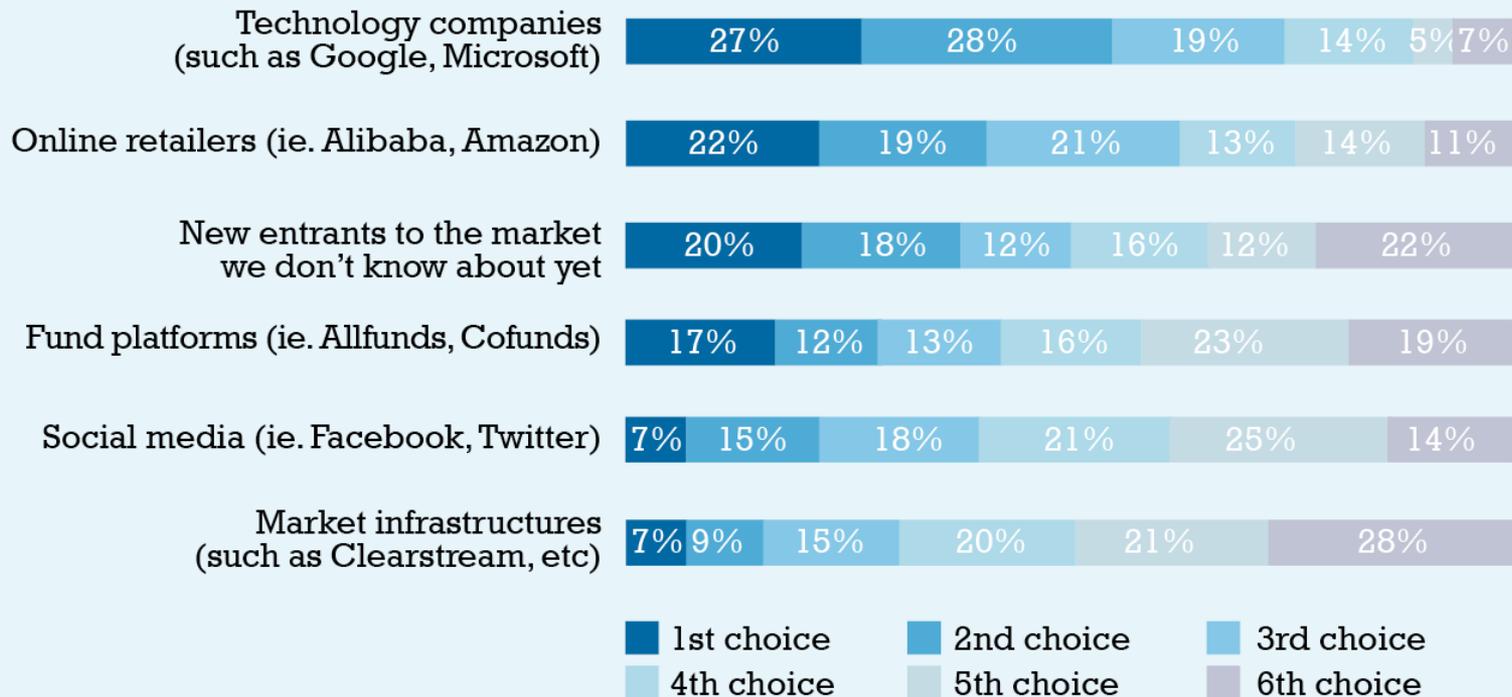
# Hooray for platforms

## 12. Potential to be useful partners of asset managers



# Beware of Google

## 13. Potential to disrupt asset managers' business models



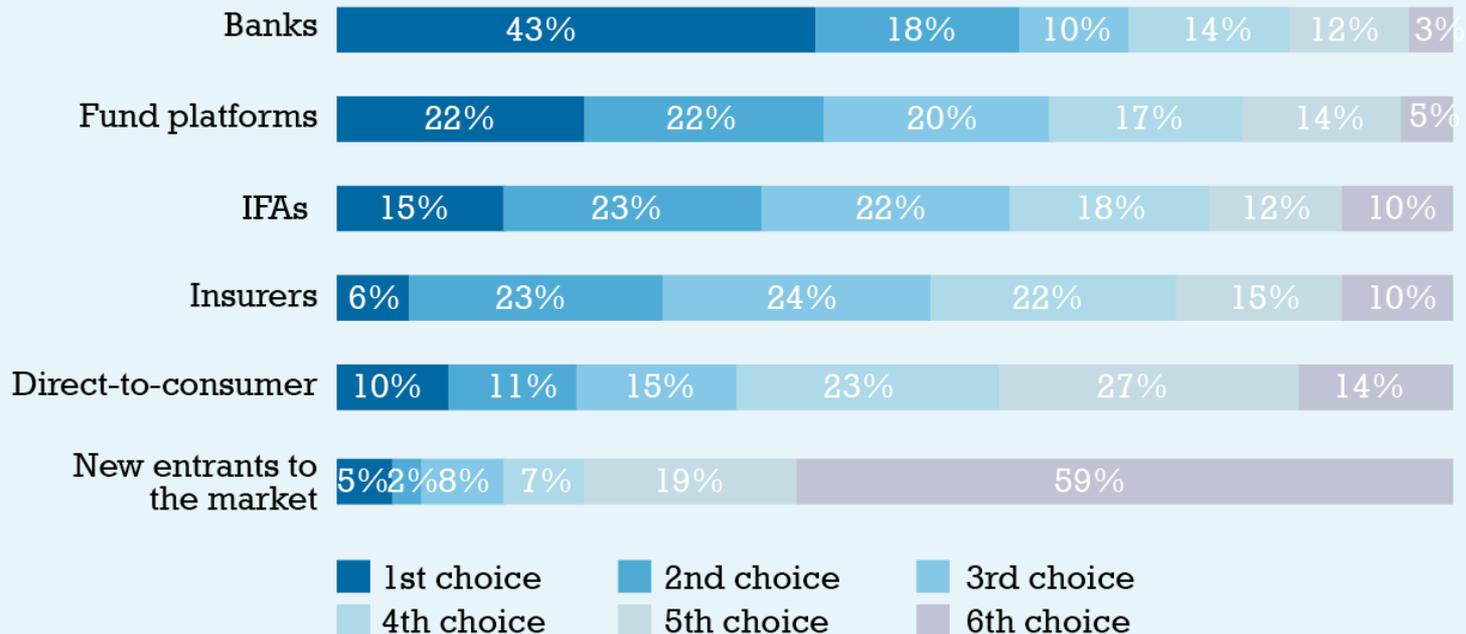
## Closer to home?

*“Technology companies are constantly producing new things that can be used to underpin distribution. Whether they themselves will act as disruptors is a different matter. **I would argue the ones more likely to act as disruptors are not only Amazon and eBay but traditional bricks and mortar retailers.** In the UK, supermarkets such as Tesco and Waitrose have provided financial services; if they ramped it up and put investment products at the centre of their strategies, they could disrupt the market because they know so much about their clients.”*

**Bella Caridade-Ferreira**, chief executive, Fundscape

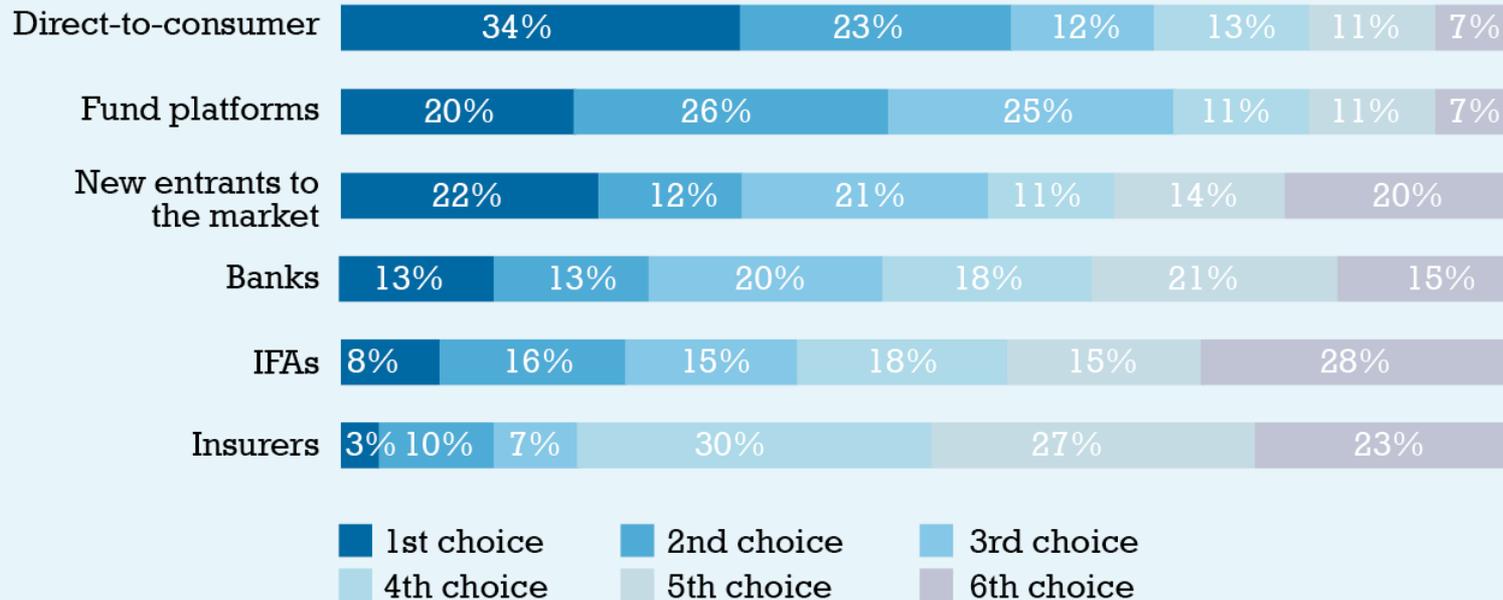
# Banks reign supreme

## 14. Importance of these distribution channels in your country or region



# The future is direct – or is it?

## 15. Most important channels in ten years' time



## Size matters

*“It's possible you might see a little more direct-to-consumer in future. But I'd be utterly astonished if direct-to-consumer channels accounted for more than 5% of the overall pie.”*

**Diana Mackay**, chief executive, Mackay Williams

*“There aren't many firms who can do direct-to-consumer. BlackRock can, they're big enough.”*

**Richard Garland**, managing director, global advisor,  
Investec Asset Management

# What's next...

- Consolidation?
- Extra regulation?
- A squeeze on small and mid-sized firms?

George Mitton, international editor **funds** europe

# Q & A and round up

