

ICI VIEWPOINTS

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Industry Leaders Address Evolving Industry Challenges and Opportunities

By Miriam Bridges

In conversations exploring outcome-oriented investing, the globalization of the fund industry, and the next generation of retirement plans, industry leaders offered their perspectives on serving investors in an evolving world during several insightful sessions at ICI's annual General Membership Meeting, held in Washington May 20–22.

Outcomes for Investors

"We need to stop and think about what outcomes clients are really seeking to achieve," said Andrew Sieg, managing director and head of global wealth and retirement solutions for Bank of America Merrill Lynch, in a panel discussion on investor advice. "Years ago, creating wealth ranked higher than peace of mind. Now clients are looking for peace of mind." Bob Vorlop, head of products and advice for Wells Fargo Advisors, echoed this call on the industry to think more broadly about client goals. "It's not about beating a benchmark, not about having the best idea—it's about the organization of the client's strategy of financial success."

Panel moderator Robert M. Keith, executive managing director and head of the Global Client Group at AllianceBernstein, noted that the audience seemed skeptical that investors want more than high returns. Though panelists agreed that performance is extremely important to investors, they insisted that their clients are thinking about "more profound" questions and want to have dialogue about outcomes. Bernard J. Clark, executive vice president of advisor services at Charles Schwab Investment Management Inc., confirmed this view of client concerns: "The next generation is worried, and peace of mind is critically important," he said.

A Focus on Core Principles

"How Is Investment Management Changing to Meet Shareholder Preferences?"—moderated by John F. Casey, chairman of Casey, Quirk & Associates—also addressed investor needs and outcomes, notably the importance of focusing on clients' objectives instead of on specific products.

Colin Moore, global chief investment officer of Columbia Management Investment Advisers, explained why one product or strategy doesn't fit all, especially in terms of generating client-specific outcomes. "If you have a standardized way of producing a product, that's not an outcome," he said. An outcome involves customizing products and strategies for client needs and objectives, he stressed.

Tim Buckley, chief investment officer of Vanguard, responded to a question about how product development is evolving, saying that a focus on core principles is best when thinking about products. "We look for something that is enduring, that isn't a fad. We look for something that belongs in a long-term portfolio. We look for things that are well-diversified."

A concern about product proliferation was shared by everyone. "Sometimes we [can] have too many strategies, which have to be pared back," stated William Yun, executive vice president of alternative strategies at Franklin Templeton Investments. "It's getting harder and harder for investors to understand the plethora of options available to them. I think the industry needs to narrow it down and have it make more sense to investors, and help them understand."

A key component to consider when thinking of a new product is not only how it applies to the distribution system in the United States, said Moore, but also in Asia and Europe: "Can you use the same product in each area? Because the needs may be different."

In a discussion about international operations, Yun described how his firm serves clients in a local framework with global

infrastructure around it. “Think global, act local,” he explained. “We want clients in each city, region, town, to think of us as a local asset manager, not a global one. We want to bring in local teams to compete with other local fund managers.”

Buckley reminded the audience that “it’s important to make sure that you have a global team and consistency across that team. Don’t assume that what works in the U.S. will work globally. I try to take a global viewpoint as to what should work or not work, instead of a U.S. one.”

Global Opportunities

The challenges of operating on an international scale was a theme that ran throughout GMM, particularly in the panel, “The World View: What It Takes to Lead a Global Investment Manager,” moderated by George Gatch, CEO of global funds management at JP Morgan Asset Management. Leaders of international fund firms agreed that though the industry is benefiting from globalization, regional differences can present challenges.

Gregory E. Johnson, president and CEO of Franklin Resources Inc., described how tough it can be working within “home country” investment bias. “If you really want to be a local player, it’s a lot more than coming in with whatever specialty funds you have” and trying to capture investors in the market that are going outside of the home country, he said. “You really have to [put] boots on the ground.”

Another challenge for global fund managers involves the significant implications of aging populations worldwide. People around the globe are living longer, which is spurring countries to reexamine and reform their pension systems to meet long-term retirement savings challenges.

Johnson said that global asset managers have a unique opportunity as they shape the next generation of retirement plans. Martin Gilbert, CEO of Aberdeen Asset Management PLC, agreed. “We’re in a very unique position, being able to look at various systems around the world.” Johnson noted that this opportunity comes with a need for flexibility and sensitivity to local needs. Managers “can’t come in and say it all has to be active management,” he explained. “We are in a position to be advocates of change.”

Peng Wah Choy, CEO of Harvest Global Investments Limited, said that savings and retirement needs are not fully being satisfied in the Asian region. “We as an industry can create products to deliver investment outcomes, to help [investors] not leave so much money under the mattress,” he said. Fund managers can “give them comfort” that their money is “well managed and give them the outcomes they’re looking for.”

Johnson wrapped up the panel by stressing the value added by fund managers. It’s important to focus on fund cost, he explained, but said that should “be balanced with the advice component that is so very important for the success of retirement plans.”

Find more meeting highlights at the [GMM website](#).

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