



WASHINGTON, DC • LONDON • BRUSSELS • HONG KONG • WWW.ICI.ORG

Focus on Funds

Funds' Focus on Investors Powers the Capital Markets

Funds are focusing on investor solutions and building trust, especially among Europeans who are increasingly considering retail fund investment. In the April 5, 2019, edition of *Focus on Funds*, Sean Hagerty, Vanguard's managing director for Europe, outlines how funds are serving investors and describes the European outlook.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: Often when you talk about global capital markets, the concept can seem a bit abstract. But at ICI's recent collaboration with Chatham House, it became very tangible as we talked about the needs of the investor in those capital markets and how we can serve their long-term savings goals.

Sean Hagerty, Vanguard managing director, Europe: We actually tried to think about the investor—not even just the institutional investor, but a lot of focus on the individual investor, which is a large part of the capital markets—and how our industry really is serving as a professional fiduciary for those investors. And how can we act in a way that tries to help them achieve their financial goals? And how do we get more investors actually interested in the capital markets, which we think is going to benefit them from improved long-term returns and benefit the capital markets by having more capital available for investment.

Ortbals-Tibbs: And the word we heard again and again in that conversation was about trust.

Hagerty: Yeah, it is about trust. And some of the conversation was reflective on the financial crisis. I think in the investment management industry, we recognize that some of that trust was lost in large part because of leverage in the banking system. But it just played over into the financial markets. And so, what we really talked about was, "how can we regain that trust?" All of the incentives in the system, the culture of the system should really be focused on "how are we improving the outcomes for investors?"

And if we do that, the industry level and the firm level will take care of itself.

Ortbals-Tibbs: And you, in particular, look after European investors in your products. And you know that they are within a rather challenging environment.

Hagerty: We do have a lower return expectation. That said, I see European investors actually more willing to think about taking risk in their portfolio. Because worse than the expectations in the capital markets are what people are getting in bank deposit accounts, which is low to negative in terms of their returns. So we think that there is an opportunity for the industry to serve them well even in a low-return environment, as long as we're building relatively straightforward, balanced portfolios and trying to keep the cost low.

We think that the combination of what we can produce for the European investor is going to help them to produce long-term wealth so that they can retire in a more secure fashion.

Additional Resources

- [Focus on Funds: Technology, with Human Touch, Is Best Formula for Investor Engagement](#)
- [Focus on Funds: When Fund Investment Is Strong, Capital Markets Get Stronger](#)