

**GC:** Based on your client interactions, what would you say are the biggest disruptors or drivers for change in investment management right now?

**Irene Speridakos:** Technology – and in particular data – is going to play a huge role in the future of investing. Fund managers will need to utilise data in both how they develop products and generate returns. Successful fund managers will utilise data, asking for greater customisation and improved transparency, high-quality data will be vital in helping managers deliver a bespoke service at scale – together with enhanced reporting capabilities. Elsewhere, the importance of individual investors has increased exponentially and many of these allocators are seeking out higher returns. In order to achieve this, these individual investors are currently scoping out more complex products such as alternatives. Accordingly, we are seeing greater democratisation of the alternative asset management space, having previously only been available to institutions. And finally, environment, social, governance (ESG) investing is becoming more mainstream in asset management, something which is being accelerated by investors – especially younger ones – who are eager for their returns to have purpose and bring value to society.

**GC:** What are asset managers doing to adapt?

**IS:** Different managers are in different stages of development, although it is clear that technology has a role to play in facilitating their evolution. Many firms are using data driven insights to shape their businesses while simultaneously shifting away from manual processing to automation. To bring about efficiencies, many firms are establishing golden sources of truth – namely centralising data as it applies to the entire organisation including portfolio management, sales and distribution, operations, right through to risk and compliance. Furthermore, as institutional and individual investors increasingly ask for customisation, we are seeing significant growth in direct indexing – a strategy that enables allocators to purchase stocks of an index instead of buying a mutual or exchange traded fund.

# Asset managers face up to a world of opportunity and challenges

The asset management industry is undergoing a period of transformation, fuelled by changing customer behaviour, the emergence of new asset classes, and the wider adoption of innovative technologies. Global Custodian magazine spoke with Irene Speridakos, global head of investment managers, BNY Mellon, about some of the main trends currently re-shaping asset management today.



**GC:** What would you say are some of the biggest risks or challenges facing asset managers as they look to make these changes to their business models?

**IS:** Failure to innovate in product capabilities while delivering scalability and reaching new distribution channels are significant risks for asset managers. Investors are becoming more sophisticated and demanding, so fund

managers need to keep up with that. As such, fund managers should listen to what their clients are saying and utilise data to gain useful insights into what the investor is demanding. Creating strategy centered on investor preferences in both product types and delivery vehicles will advance innovation in new products and get them to market quickly. This will require asset managers to invest in the right technology



product demands\*. The top trends for new product line-ups over the next three-to-five years will be full ESG integration, ETFs – active and passive – and private markets access.

**GC:** How are you seeing asset managers adjust their approaches to distribution?

**IS:** In my opinion the future success of every asset manager rests squarely on distribution. Not only does this require asset managers to retain their existing client base but it will oblige firms to attract inflows from parts of the market where they historically have not had channels into. This will require managers to adapt both in terms of how they access investors and develop new product capabilities. With the rise of individual investors, the D2C market will continue to grow, which will force managers to rethink their distribution approaches – perhaps by engaging with FinTechs more regularly. We found that 80% of asset managers expect to see an increase in D2C and 76% to new distribution platforms\*. Younger investors are more open to buying funds via online portals rather than through an independent financial advisor or broker. This is a changing distribution dynamic – which asset managers need to acclimatise to. Over 60% of asset managers expect their service providers to offer more distribution support, including areas such as optimising fund structures, tax and financial reporting, or jurisdictional and domicile choices\*. These are areas where we are trying to add additional value for our clients.

**GC:** When you think about the full lifecycle of an investment, what are the types of holistic solutions asset managers should be considering to future-proof their businesses?

**IS:** This all comes back to data and the importance of data. Our solution is BNY Mellon OMNI<sup>SM</sup>, a client and data-centric open, modular platform designed to power and optimise the investment lifecycle. It leverages best of breed technology that enables clients to efficiently use their data to generate richer insights. It does this by giving clients enhanced oversight of their operations with interconnected products and solutions in what can help them enhance returns and obtain efficiencies across their operating model.

and find the right partners.

**GC:** When you think about the different types of investors that asset managers are trying to reach – institutions and individuals – where are you seeing product demand?

**IS:** In regards to institutional investors, we are seeing increasing interest in digital assets such as crypto-currencies. In August 2021, the global market capitalisation of crypto-currencies surpassed \$2 trillion – which is double what it was in 2020. This is indicative of the asset class' explosive growth. In addition, we also believe that tokenisation offers huge potential. Tokenisation is a process whereby an intangible asset or a tangible asset is converted into a digital token which represents the

underlying asset. In theory, tokenisation can be applied to nearly any asset – whether it is cash, equities, debt securities or real assets like real estate, commodities, artefacts or even works of art. Tokenisation is something which the asset servicing industry is actively looking to support its clients with.

For individual investors, we have seen demand primarily in two buckets: ESG, sustainable, or IMPACT investing and access to alternatives as the industry continues to push towards the democratisation of alts, and provide more individual investors access to this asset class.

In our research we have found that over 70% of asset managers are using data science and technology to better inform themselves on how to meet these investor

Source: BNY Mellon. "Asset Management: Transformation is Already Here." Survey Research Series. 2021