‘Buoyant’ expectations for growth in asset management

Transcript

SPEAKERS:

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DAN O’SHEA: Grant Thornton’s International Business Report, or IBR, is the world’s leading survey of mid-market companies. Launched in 1992, the IBR now provides insight into the views and expectations of around 10,000 businesses from across 28 economies. The research takes place twice a year and involves interviews with chief executives, managing directors, chairpersons, or other senior executives from all industry sectors.

Today we’re talking with Shona O’Hea, Global Head of Asset Management for Grant Thornton International, about how the financial services sector in general and asset managers in particular are feeling about the economy and their immediate business prospects. Shona, what’s their mood?

SHONA O’HEA: The asset management industry is historically extremely resilient, so their mood is usually buoyant because they are looking for and always able to identify the opportunity in the change or in the challenge. That’s not to underestimate the challenges that are out there at the moment. I think some of the challenges in particular are across the board on fee pressure and cost. That’s coming from a couple of different areas. So the digitalization of the industry generally is creating a lot of expectation of efficiencies and reduced cost, reduced labor, things like that across the board. So absolutely a challenge but I think there’s an opportunity the industry is seeing in that, and we’ve seen big changes across the board in how organizations are looking at their end-to-end platforms and trying to consolidate that into one single solution for their clients, ultimately.

DAN O’SHEA: What are the economic conditions affecting how asset managers see their immediate future? We had, obviously, high inflation. We had adjustments for that on the interest rate side. It seems that conditions are ameliorating somewhat, perhaps more in the U.S. than elsewhere. What is the sense in the asset management community of where that’s going?

SHONA O'HEA: A lot of different views on this. Obviously very high interest rates are having a large impact. Some of the debt products would find that impact, a lot of move or talk around fixed income as well and whether there's still value in that and how that should be looked at in the light of current interest rates and potentially continually increasing rates, which we would expect out of Europe in particular over the coming months as well. That continues to be a challenge, continues to be a watch point.

The other area, there's differentiation between Europe, APAC and the U.S., but is continuously becoming more consolidated or aligned is the regulation under all of that. While there probably was a lot more differentiation in regulation, we've seen that coming together a lot more over the last few years. We'll see that across things like operations resilience regulation, even so far as our ESG-type regulation and changes that we're seeing in the EU. New regulation coming out from the SEC around their Form PF as well as tailored shareholder reporting. So both of these creating not necessarily economic changes, but changes in the regulatory environment that really have an impact on the operations for these organizations.

DAN O'SHEA: You mentioned digitalization, and of course "AI" is becoming everyone's favorite phrase to throw around, although it seems to mean something different to everyone who uses it. What are your anticipated impacts of AI, either near term or longer term?

SHONA O'HEA: Like everybody else, we're figuring it out and I think our clients are, too. I think we've seen absolutely huge statements from some of the largest players in the industry around their investment in AI over the coming years. It's important, and it's going to be pervasive across the industry in all aspects. So a number of years ago it was robo advisers and they would be the death of our investment managers. That hasn't necessarily come true, but it has changed the landscape. It's also brought about and will continue to bring about this retailization of investment management.

So a lot more access from the broader retail population into products that were probably more the cohort of institutional investors and high net worth individuals until more recently. That has come with digitization and things like AI and platforms allowing access to these products. That is a significant change, and I think it will continue to change the environment and the landscape.

DAN O'SHEA: How much of that is technology-driven, and how much of that is driven by a change in expectations as the demographic population of asset management clients gets younger?

SHONA O'HEA: Yeah, I think it's a real perfect intersection of both. We now have the capability and we have the interest and the wealth in this younger population to be able to want to invest.

More education, more savvy around investment as well has come in recent years and over the next number of years, the next 10 or 15 years we'll see a large shift of economic wealth from our Baby Boomer population into our younger generations, our Gen Xs or Gen Zs. With that will continue this expectation to be able to access these more previously considered complex or high-risk or more high-value products, that has become the norm.

And obviously the technology that has come along with that, things like the Robin Hoods, being able to access those different kinds of products on your mobile phone has been an absolute game changer.

DAN O'SHEA: Any final thoughts?

SHONA O'HEA: I think change is constant. I think the asset management industry is used to it and will as always find the opportunity in that challenge.