

The State of Asset Management – The Agility Advantage





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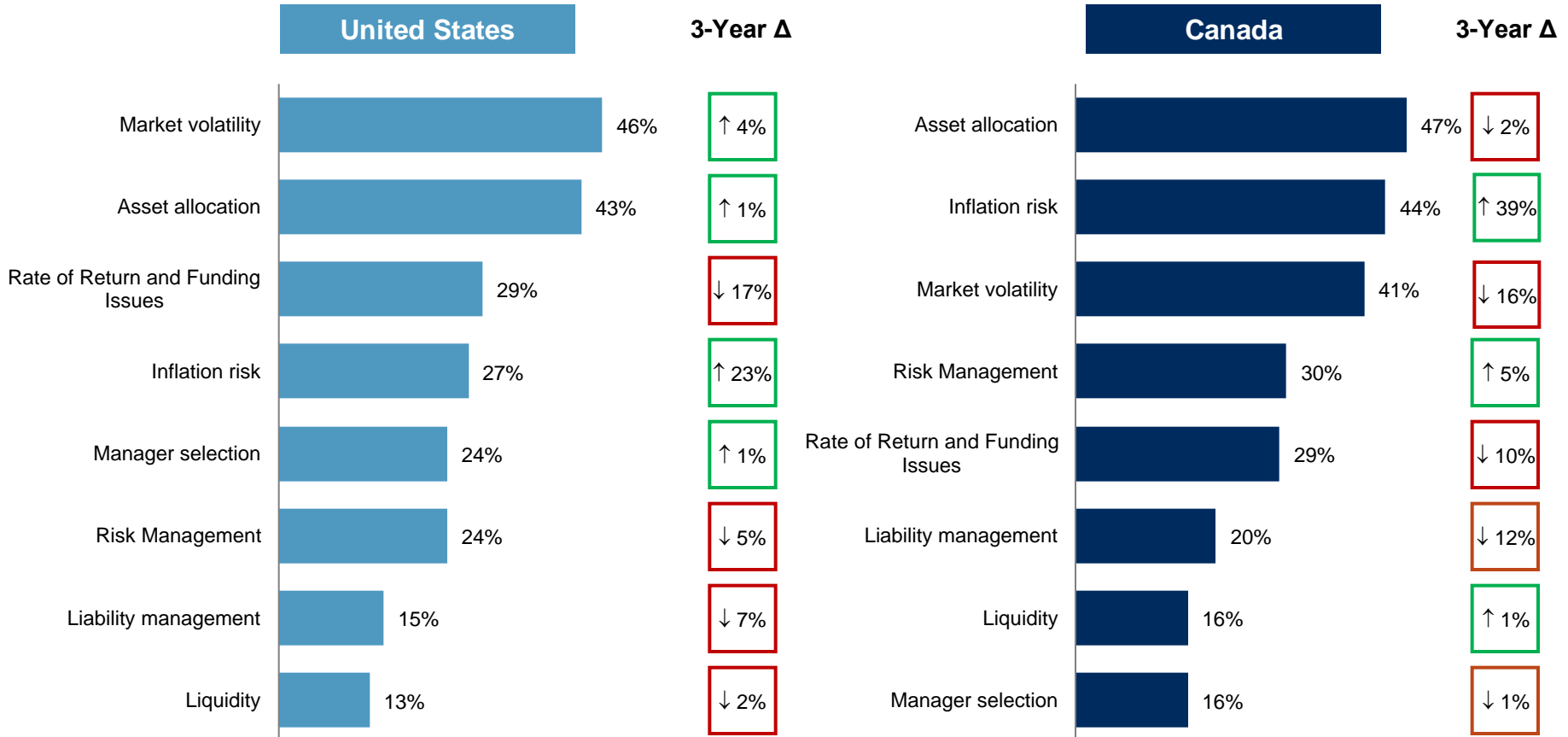
 **The state of the industry**

 What does it mean to be agile?

 Agility as a competitive edge

Key Issues Facing Investors – 2023

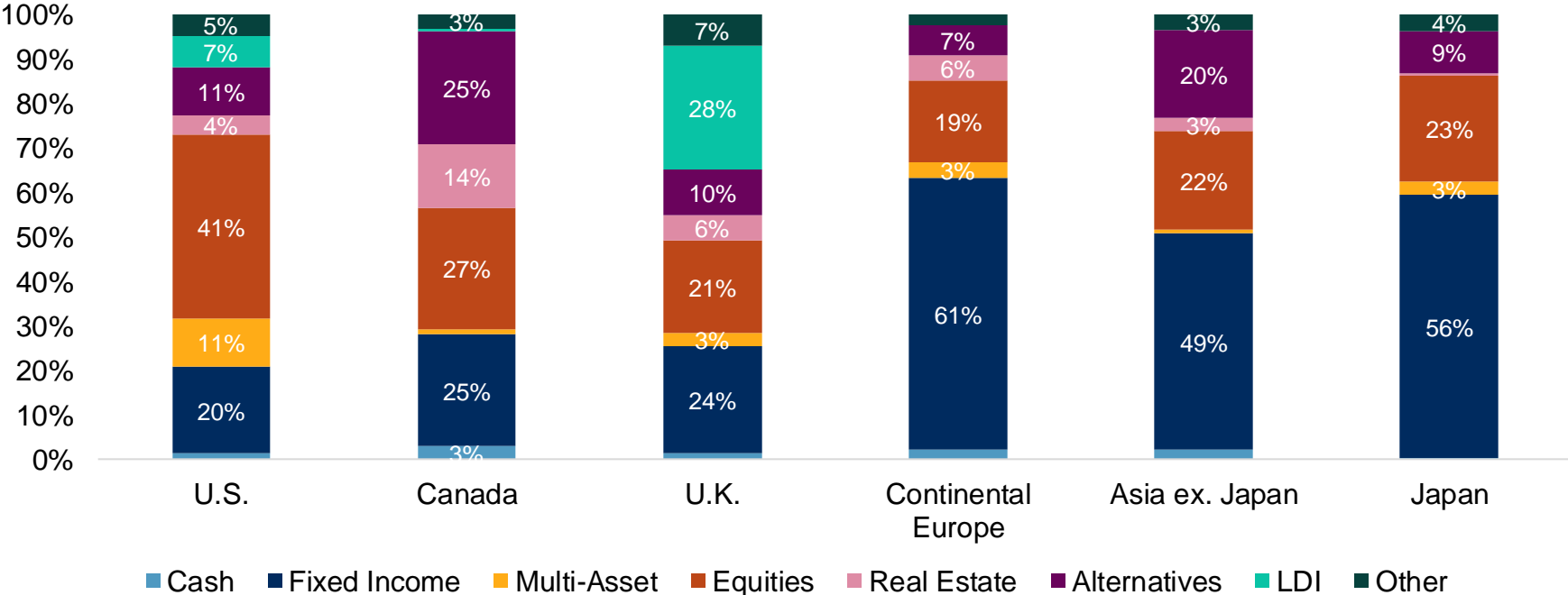
Asset Allocation, Market Volatility and Inflation Risk are the top issues cited.





Source: Coalition Greenwich Voice of Client – 2023 and 2020 U.S. and Canadian Institutional Investors Study

Institutional Asset Mix by Region

Significant variation exists across regions in Institutional Investors' current asset mix.



 There is a deep and long-standing cultural preference in the US, among both institutional and retail investors, for holding equities

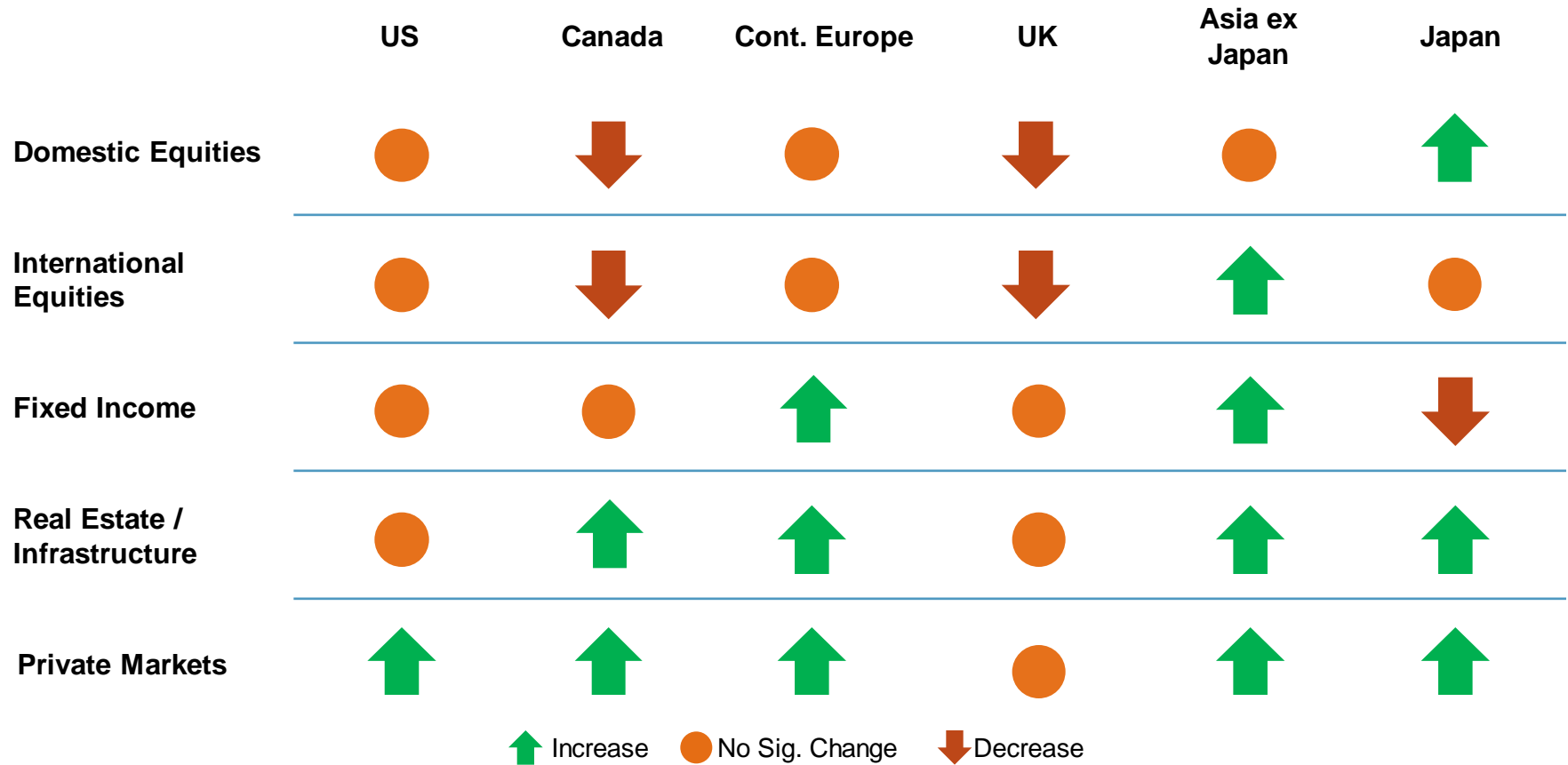
 Regulatory requirements exist in some European countries for pension funds to hold minimum levels of Fixed Income investments

Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

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Asset Allocation Plans by Region: 3 Yr. Exp. Chg.

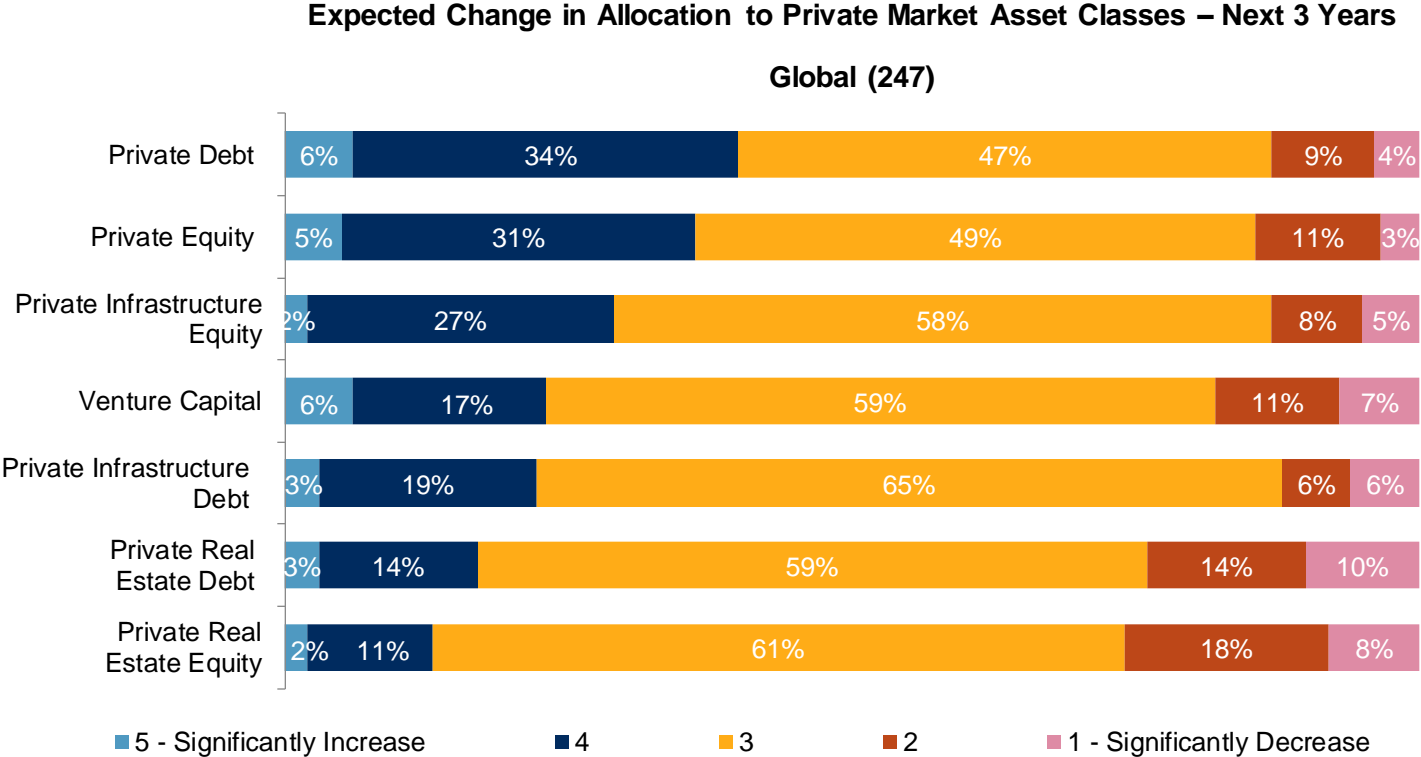
There is greater global uniformity in future asset allocation plans based on institutions' three-year outlook.



Source: Coalition Greenwich Voice of Client – 2023 Global Institutional Investors Study

Private Markets Outlook

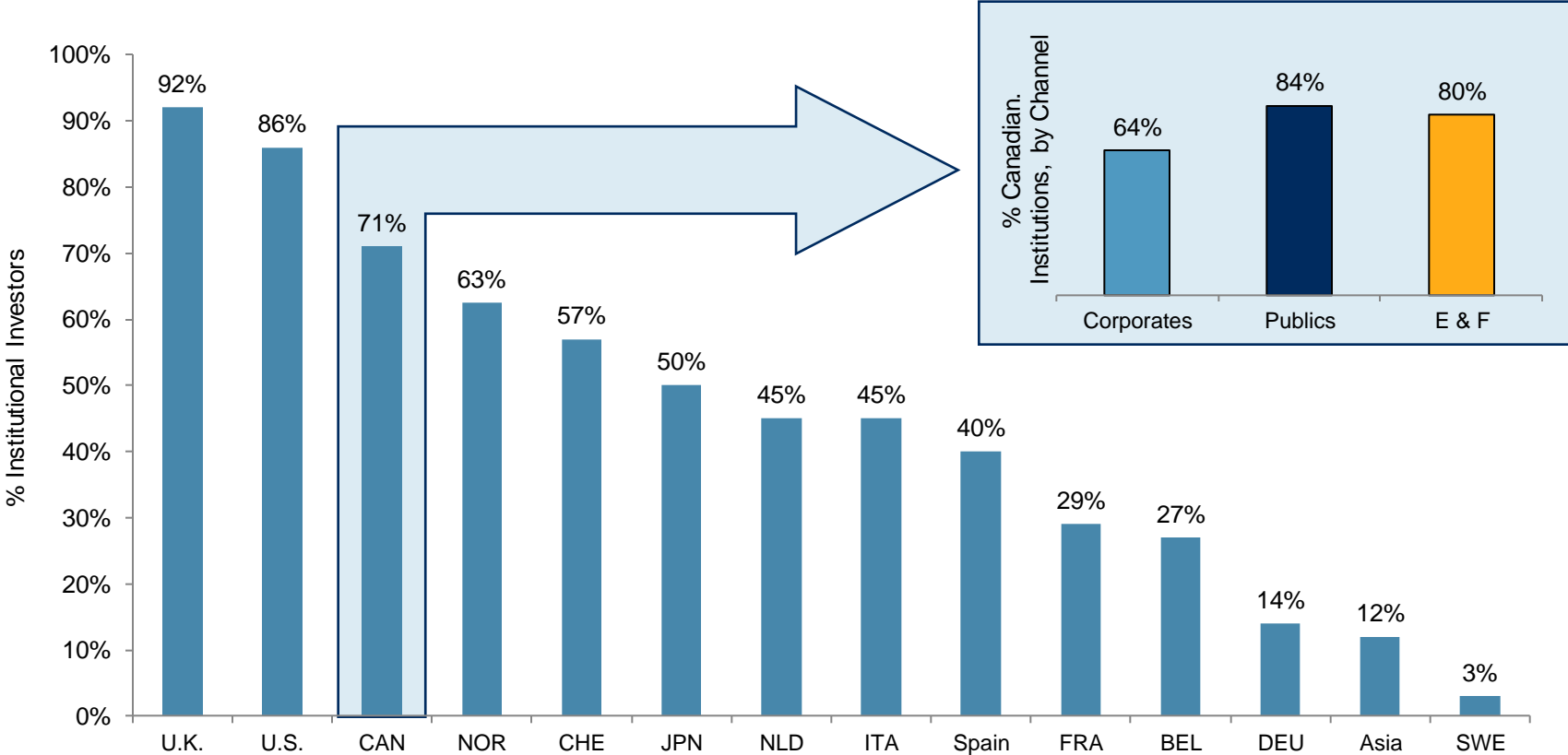
Private Debt and Equity are likely to see continued in-flows while there looks to be a retrenchment in investment in Real Estate.



Source: Coalition Greenwich; 'Private Markets: Opportunities and Challenges in a Changing Market', 2023

Global Institutional Consultant Intermediation

Among developed economies, Canada is third highest in usage of consultants behind U.K. and U.S.



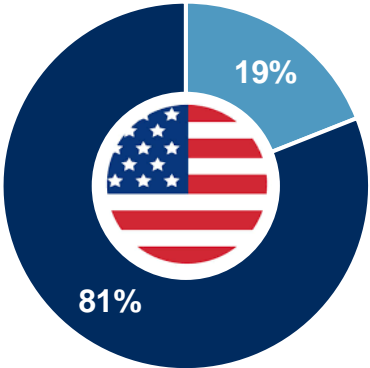
Source: Coalition Greenwich Voice of Client - 2022 Canadian Institutional Investors Study

Consultants As Primary Source of Advice

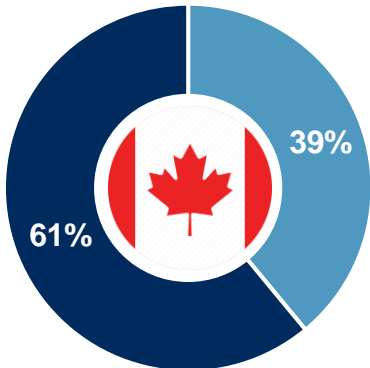
Trend continues of investors seeking investment advice from consultants more often than from managers.

Institutional Investors' Primary Source of Investment Counseling and Advice

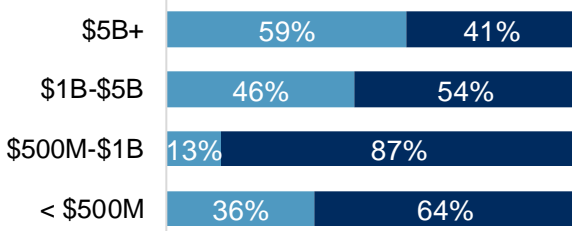
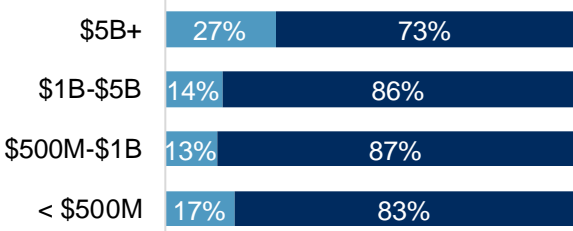
U.S.



Canada



■ Asset Manager ■ Investment Consultant



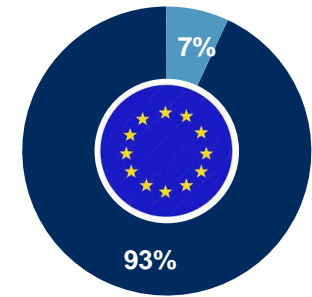
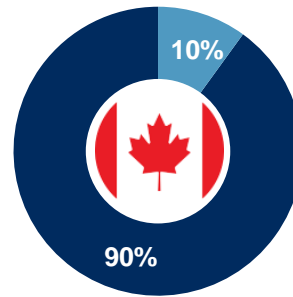
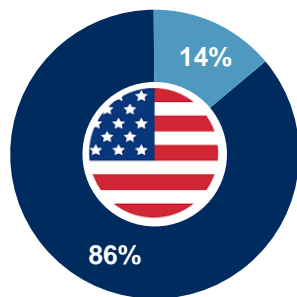
Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

Use of OCIO

OCIO use is greatest among U.S. investors with outsourcing predominantly practiced by corporate funds.

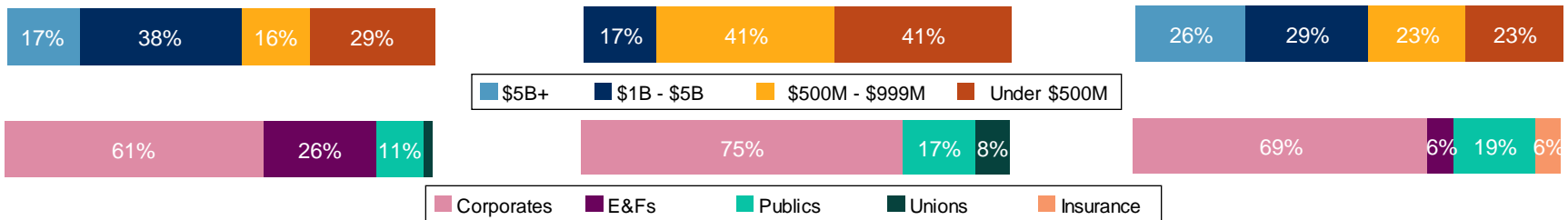
U.S. Canada Europe

Funds Using a Third Party with Discretion to Manage a Substantial Portion of their Portfolio



Yes No

Demographics of Current Users – By AUM & Fund Type



Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

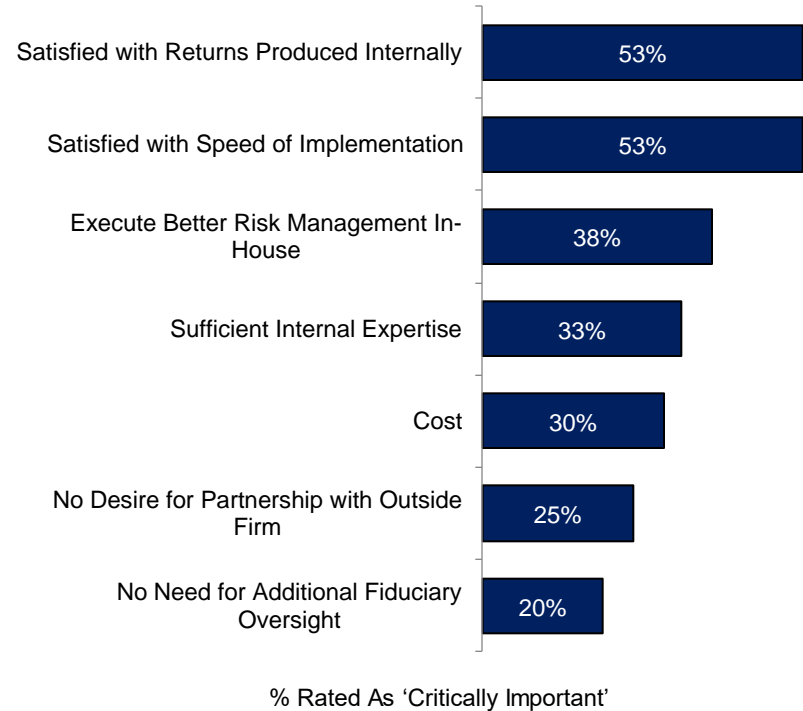
Drivers of OCIO Usage Decisions

OCIO users seek to augment internal resources and risk mgmt. Satisfaction with returns, risk mgmt. and internal expertise keep others from outsourcing.

Key Drivers of Investors' Decision to Outsource



Key Drivers of Investors' Decision Not to Outsource



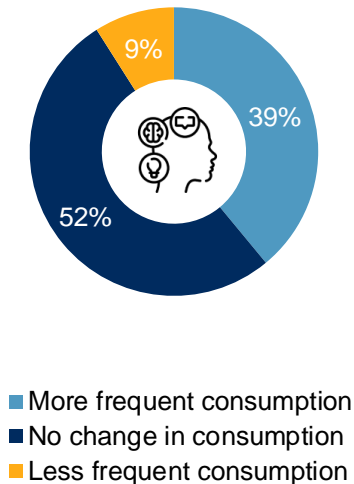
Source: Coalition Greenwich, AI-CIO 2023 U.S. Outsourced-Chief Investment Officer Survey

The Role of Thought Leadership

There is continued growth in Thought Leadership consumption, with investors generally following the managers where they invest their assets.

Role of Thought Leadership

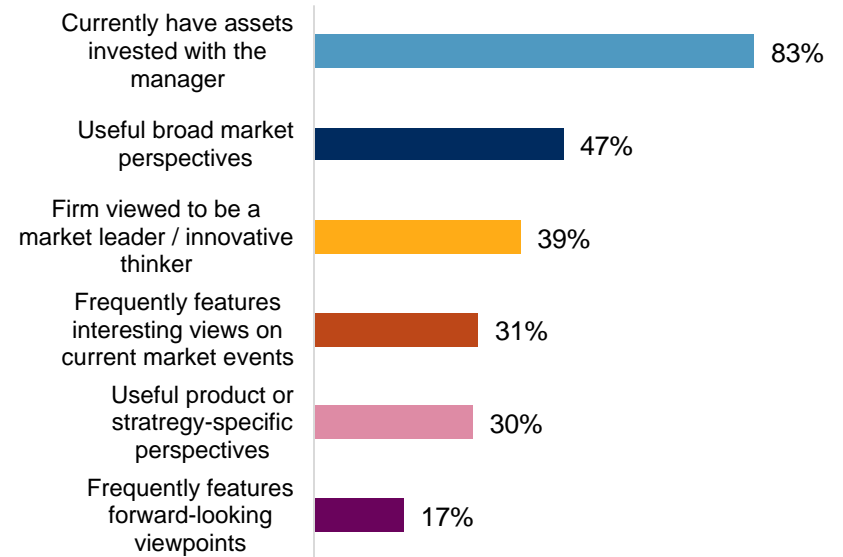
Thought leadership consumption is up and managers need to understand the keys to cutting through the clutter.



Frequency of Thought Leadership Consumption Relative to Pre-Pandemic

Reasons for Following Managers

Investors tend to follow specific managers' thought leadership where they already have assets invested.

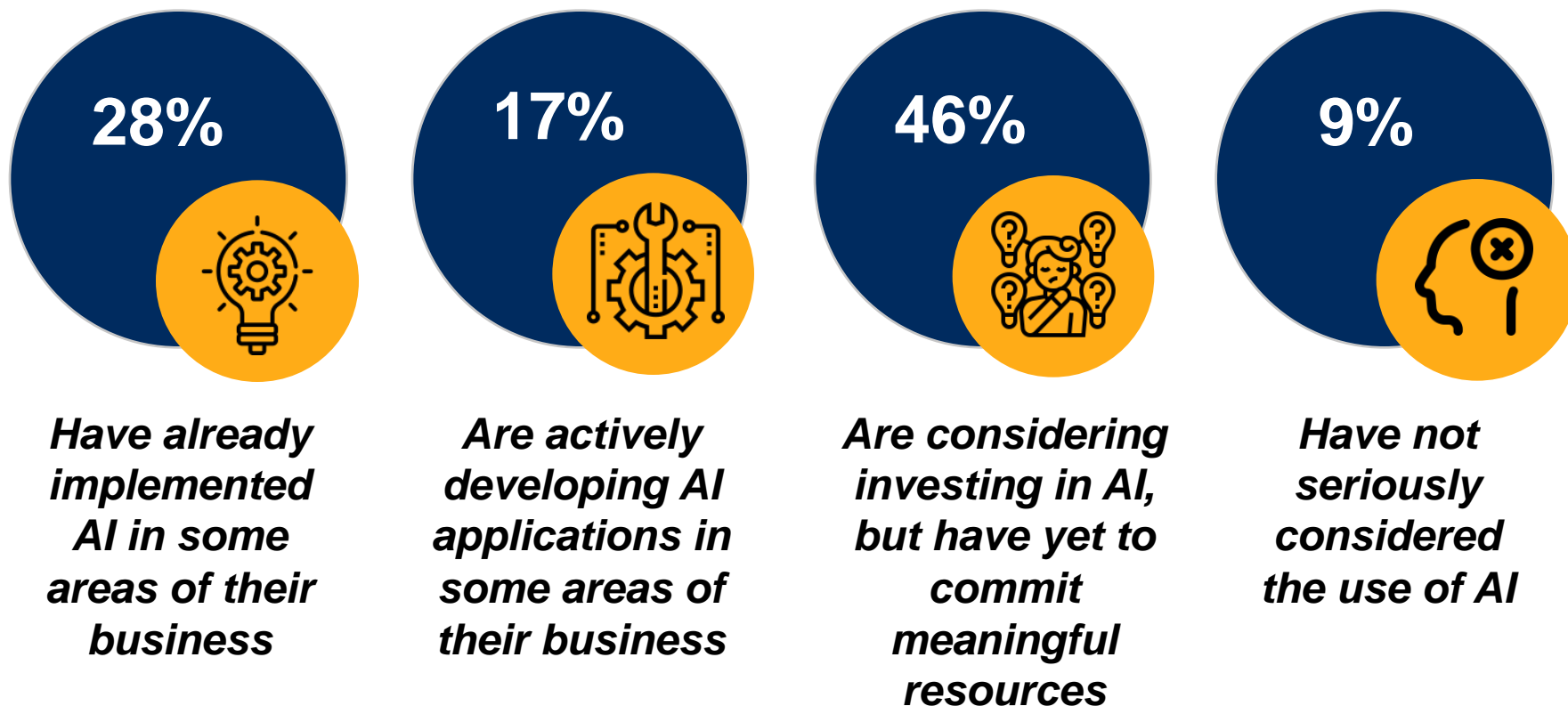


Reason for Signing Up for Content From Specific Managers

Source: Coalition Greenwich Voice of Client – 2023 Global Institutional Investors Study

AI Adoption Among Asset Managers

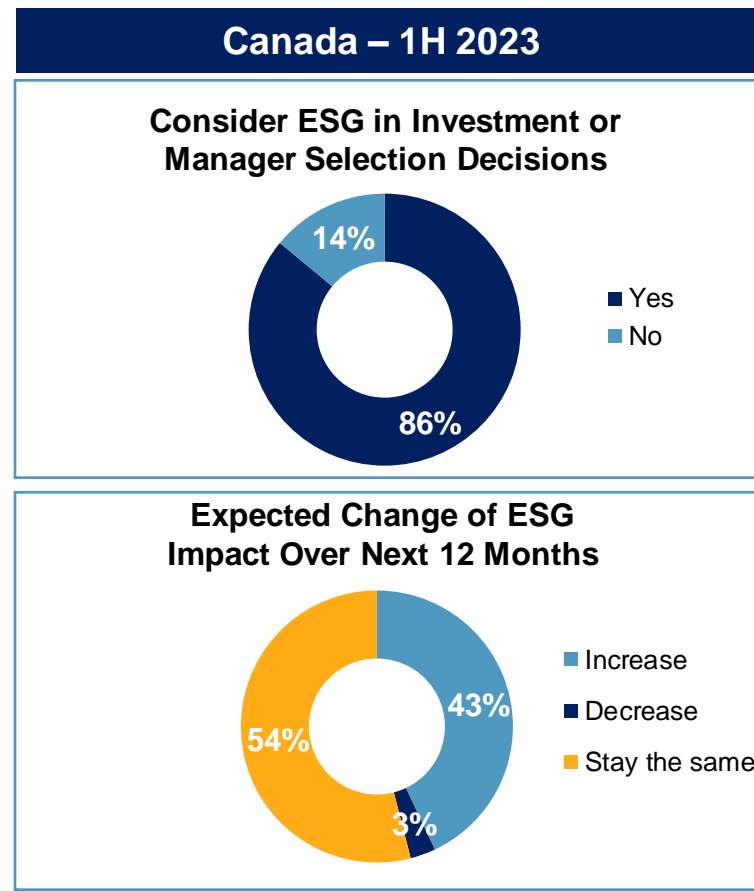
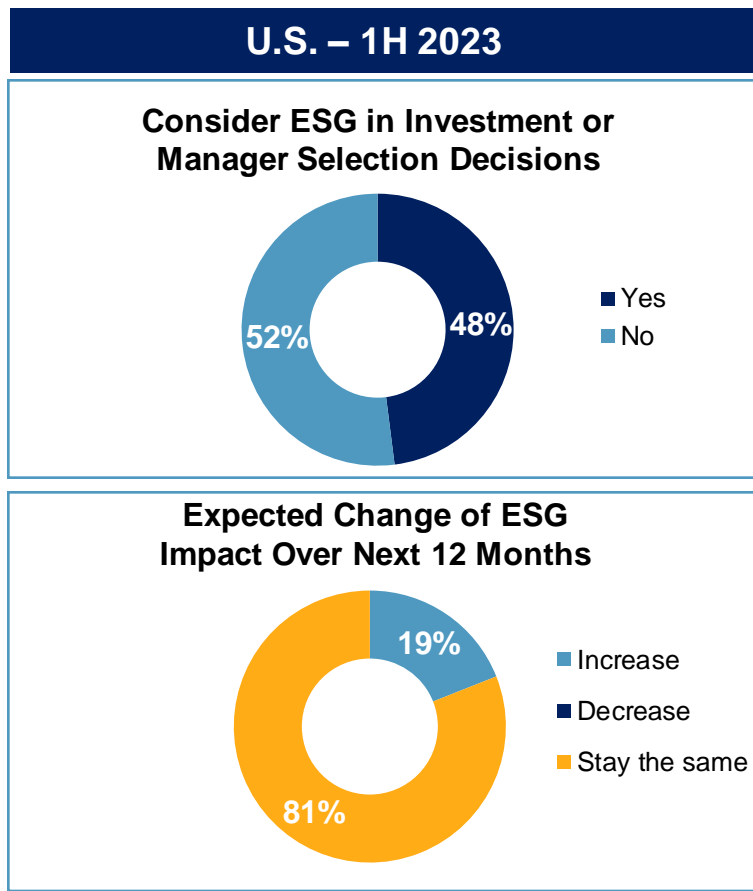
Forty-five percent of managers have already implemented or are actively developing AI applications; a similar percentage is considering AI.



Source: Coalition Greenwich; 'State of AI Adoption in Asset Management', 2023

Impact of ESG in the North America – Divergence

U.S. and Canada increasingly diverge in their adoption of ESG and its impact on manager selection.



Source: Coalition Greenwich Voice of Client – 2023 U.S. and Canada Institutional Investors Study

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The state of the industry



What does it mean to be agile?



Agility as a competitive edge

Agility is a “Must Have” Industry Skill-Set

“Best of Breed” Managers respond with increased velocity to industry trends and elevated customer expectations.

INVESTMENT
WEEK

To deliver for clients asset managers need to be agile

PRIVATE EQUITY WIRE

Responsiveness and agility key to success

HEDGEWEEK

Managers and investors demanding more flexibility

top100funds.com

CIOs' confidence wanes as agility becomes the focus

Investors Demand Flexibility

Asset owners have varying needs and are seeking managers who can offer flexibility, knowledge transfer, and responsiveness

“Understand, and be responsive, to the extent possible, to client's needs. We strive to be the best client to all of our managers, and we expect our managers to treat us like their best client.”

“Continue to communicate and display the ways they are preparing to continue being around and improve and deliver on what we are asking them to do in the next 5, 10, 15 years.”

“Let me know innovation, anything new that they see is coming so I can get a heads up.”

“Be proactive with where the money is going. Meaning, new strategies or asset classes (CLOs, private credit, etc.). Flows are going there for a reason, tell me early and tell me why.”

“The ability to adapt to changing needs as the macro environment evolves and our advisors come to us with different needs. They need to collaborate with us and provide resources and support our changing initiatives. They need to be nimble and to be able to be flexible in working with us.”

“Rapid responses to changes with the firm, particularly for smaller investors like us.”

Source: Coalition Greenwich; 'Enhancing the Client Experience', 2023

Managers Must Embrace Change

Agile asset managers understand the importance of embracing change as an opportunity for growth and innovation and elevated strategic engagement.



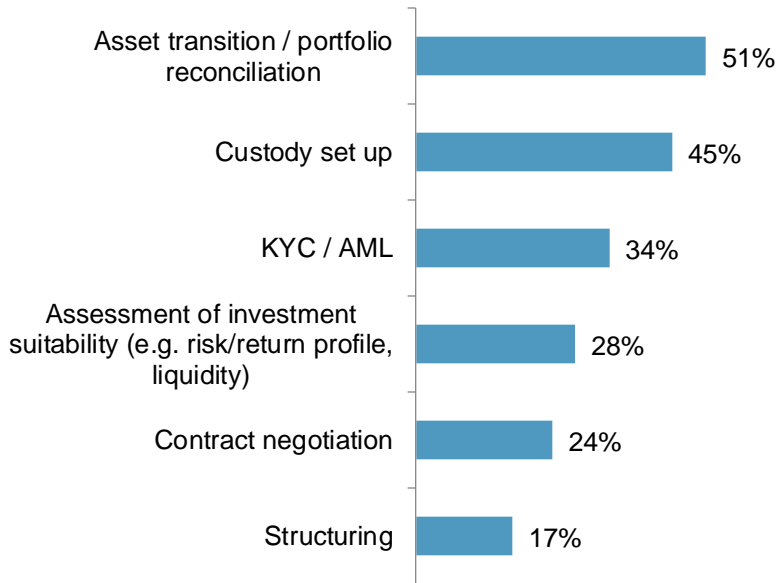
“What if we don’t change at all ...
and something magical just happens?”

Leverage Data and Technology

Technology, particularly digital technology, is reshaping our industry and agile, effective usage can deliver a competitive edge.

Digitization of Onboarding

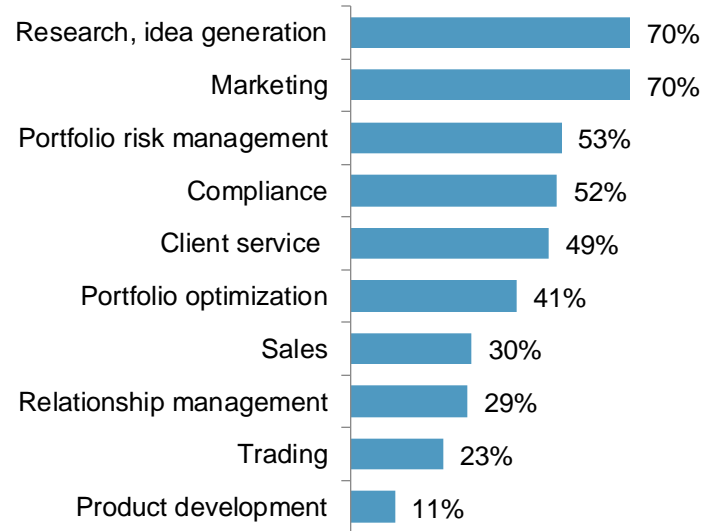
The onboarding process is ripe for digitization, most notably in areas related to asset transition, custody, and KYC/AML.



Aspects of the onboarding process which would benefit most from digitization or re-engineering

Impact of AI

AI is likely to have a wide-ranging impact across many areas of asset managers' businesses

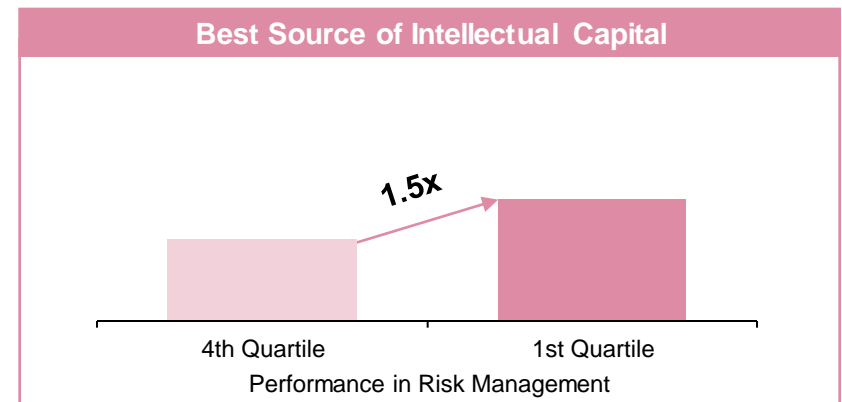
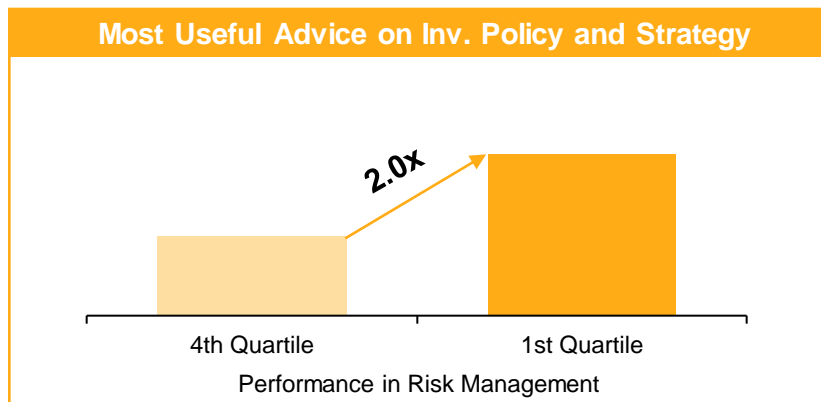
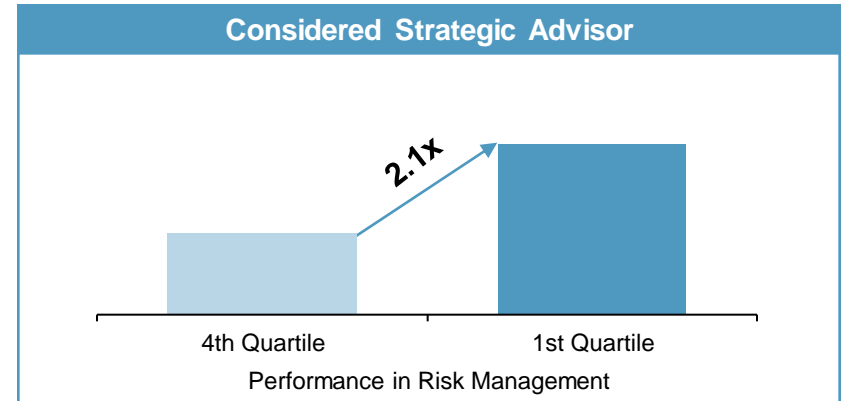
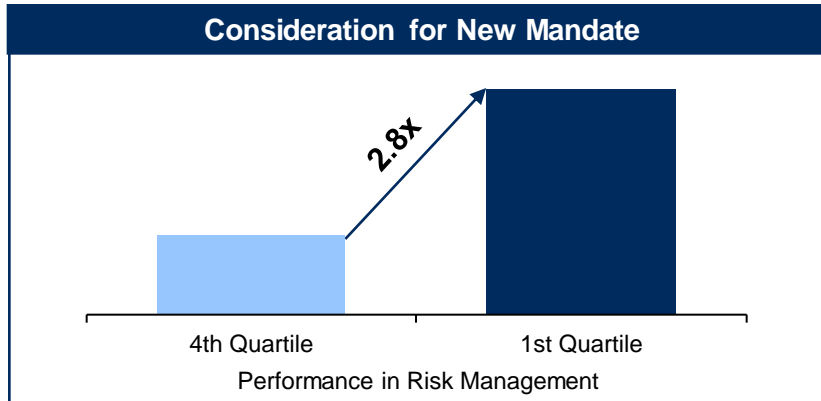


Area of an asset management business where AI will have the most significant impact

Source: Coalition Greenwich; 'Enhancing the Client Experience', 2023; 'State of AI Adoption in Asset Management', 2023

Risk Management – An Essential Core Competency

Risk management is critical. Proactively managing risk optimizes investment performance and ensures successful long-term client engagement.



Numbers shown are the ratio of average "Strategic Advisor" or "Would Consider Using (# among clients)" scores between 1st Quartile managers vs. 4th Quartile managers on each metric. For example, the 1st Quartile Managers of "Managing Portfolio Risk" receive 2.8x as many citations for "Would Consider" as the 4th Quartile.

Source: Coalition Greenwich Voice of Client – 2022 U.S. Institutional Investors Study

Emphasis on Sustainability

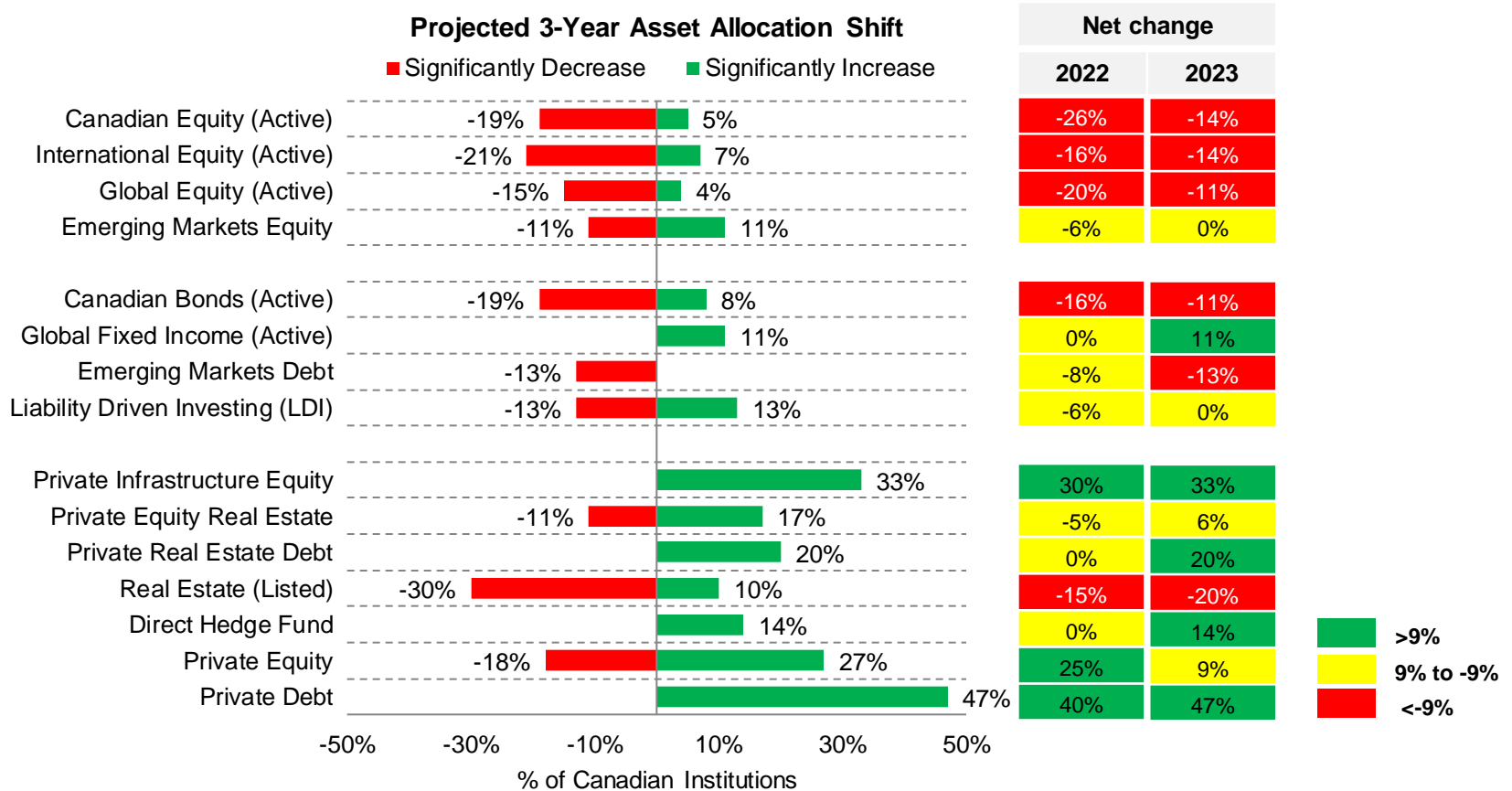
ESG continues to be a dominating theme across the IM industry, however fresh areas of focus are rapidly emerging and evolving.

Specialized Themes	<ul style="list-style-type: none">• Investors becoming more familiar and sophisticated in relation to ESG investing• Looking to develop policies relating to specialized sub-themes including net zero, natural capital, a just transition and DE&I
Regulatory Oversight	<ul style="list-style-type: none">• Regulators in Europe and North America increasingly looking into alignment between managers' statements and policies on ESG• Scrutiny over how policies are reflected in fund composition and investment decisions.
Greenwashing	<ul style="list-style-type: none">• Greater understanding and awareness of the risk of greenwashing• Red flags range from a lack of policies or case studies, to over-reliance on offsetting schemes, to fund classification downgrades.
Evolving Reporting	<ul style="list-style-type: none">• Investors increasingly looking to report against ESG benchmarks• Seeking data from third party or customized for performance and attribution purposes

Source: Coalition Greenwich Voice of Client – 2023 Global Institutional Investors Study

Diversify and Innovate

Investors continue to diversify their portfolios with strong gains expected in allocations to Private Equity, Infrastructure, and Private Debt.



Source: Coalition Greenwich Voice of Client – 2023 Canadian Institutional Investors Study

Continuous Learning

The Asset Management landscape is dynamic, so to thrive, managers must foster a culture of continuous improvement, learning and skill enhancement.

Thought Leadership Topics

Market Insights, Investment Ideas, and Industry Best Practices capture broad interest, followed by Case Studies and Benchmarking Metrics.



* Other includes ESG, cross asset research, geopolitics, government regulations, middle-office topics, etc.

Source: Coalition Greenwich Voice of Client – 2023 Global Institutional Investors Study; 'Enhancing the Client Experience', 2023

Manager Best Practice

Investors are looking for managers themselves to prove they are continuously learning and improving their Capabilities.

- “**Continuous education and communication.** *The investment world changes so quickly, and proactive communication is essential.*” – Public DB
- “**Ask questions so that they can improve their approach or practice.**” – Union / Multi-Employer
- “**A balance of consistent communication, offering information and education without being pushy.**” – Religious Institution
- “**Interest in and willingness to learn about our specific organization and goals.**” – Insurance

Client-Centricity is “Table Stakes”

Understanding clients deeply is a strategic imperative. Agile asset managers elevate trust by adeptly managing client needs/expectations.

Most Important Servicing Factor Provided By Managers



“An understanding of our organization and its needs and philosophy is critical. As is a willingness to listen and treat it as a long-term relationship, not a transactional one.” – US, Insurance

“Knowledge of our Plan, chemistry as well as an investment philosophy in line with our core values are essential.” – US, Union

“Understanding of our needs and willingness to adapt and be responsive to those.” – US, Endowment

Source: Coalition Greenwich; 'Enhancing the Client Experience', 2023

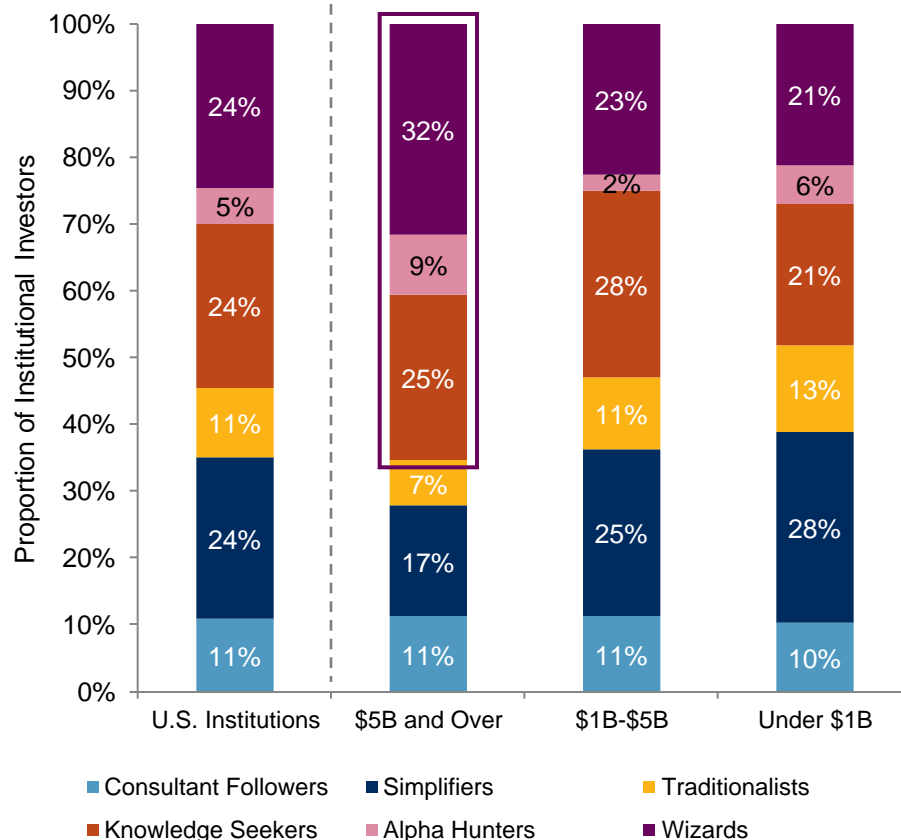
Institutional Personas Guide Resource Allocations

Larger institutions typically take a more sophisticated approach to their investments, demanding a higher level of direct engagement from managers.

Coalition Greenwich Institutional Personas



Personas in U.S. Institutional Market



Source: Coalition Greenwich Voice of Client – 2022 U.S. Institutional Investors Study

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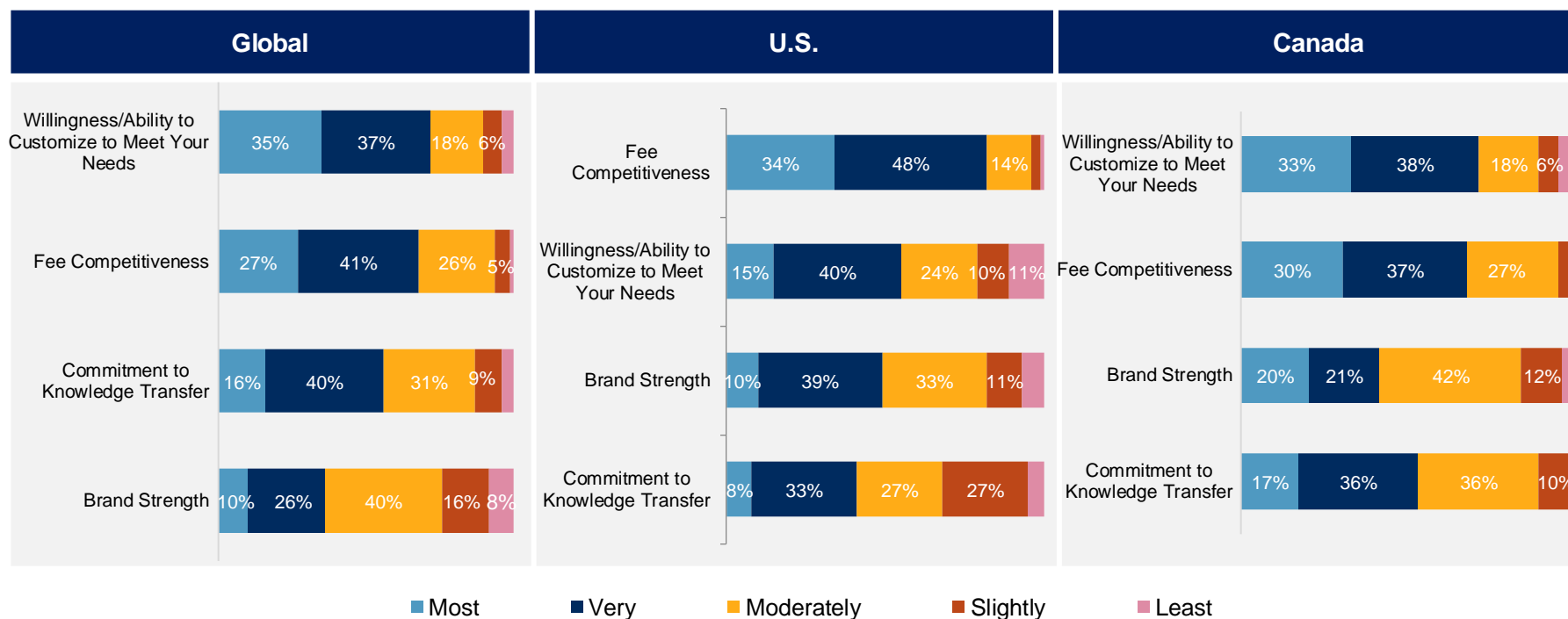


Agility as a competitive edge

Adaptability – The Key to Manager Selection

Adaptability coupled with innovation and knowledge transfer are key factors for asset owners when selecting managers.

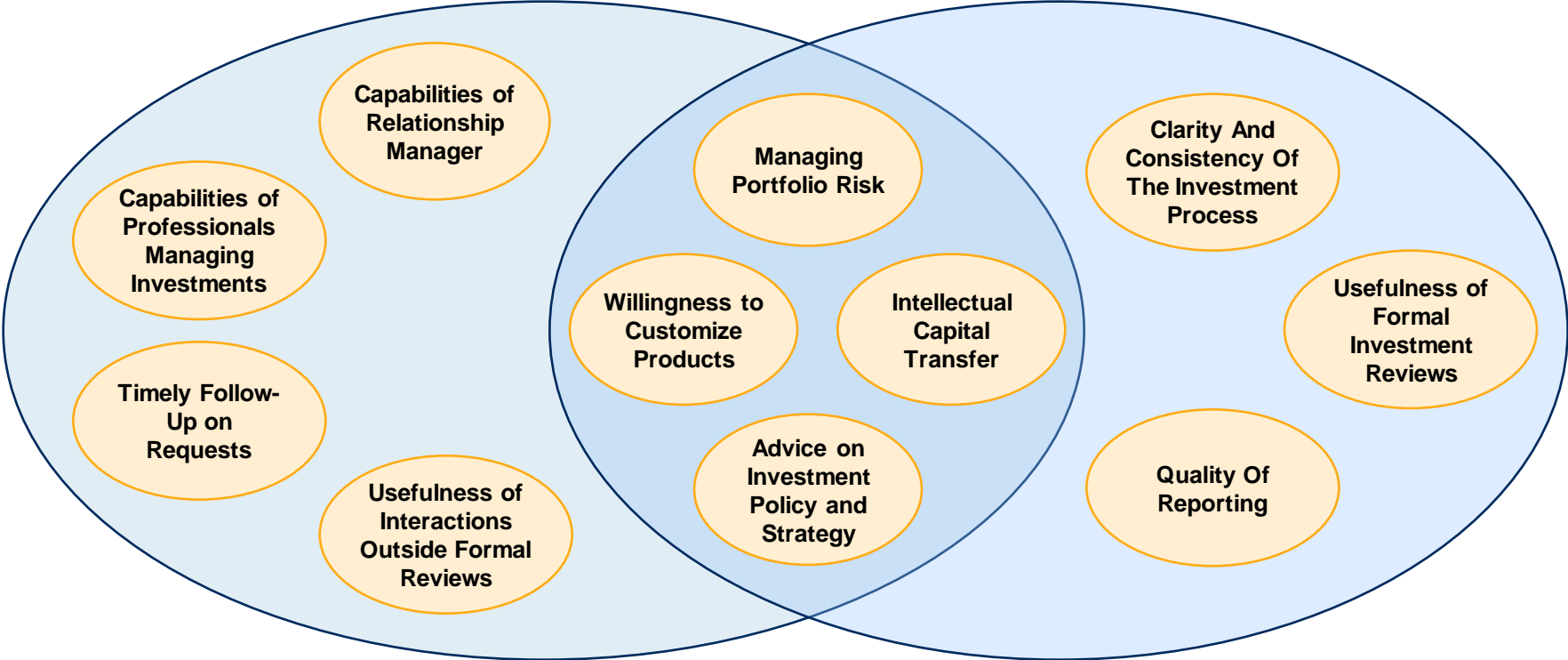
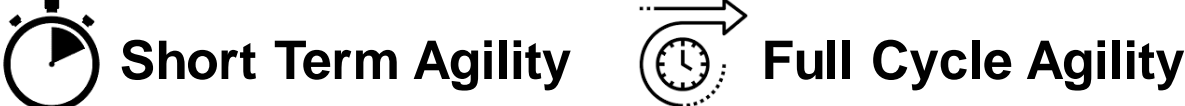
Influence on Manager Selection Decision



Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

Short Term and Full Cycle Agility

Through our long-standing customer research, we have identified ‘agility’ factors that denote a manager’s short term and full cycle agility capabilities.

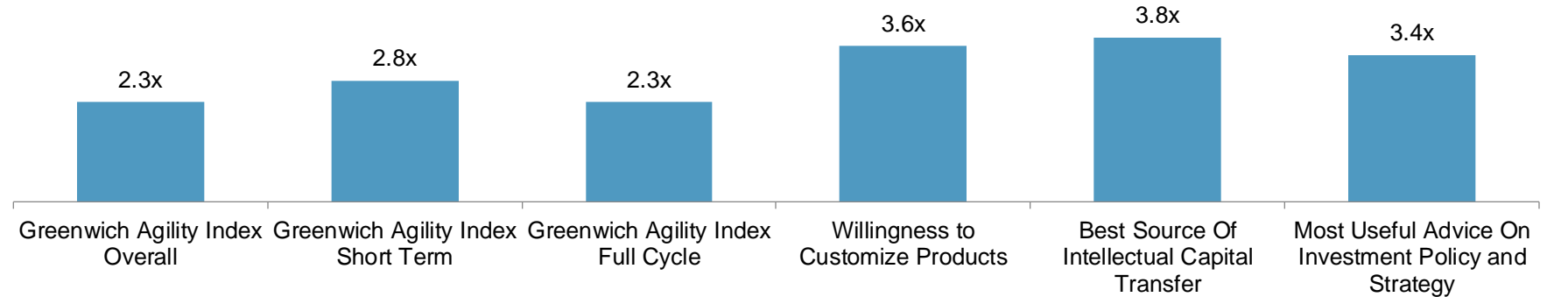


Source: Coalition Greenwich Voice of Client – U.S. Institutional Investors Study

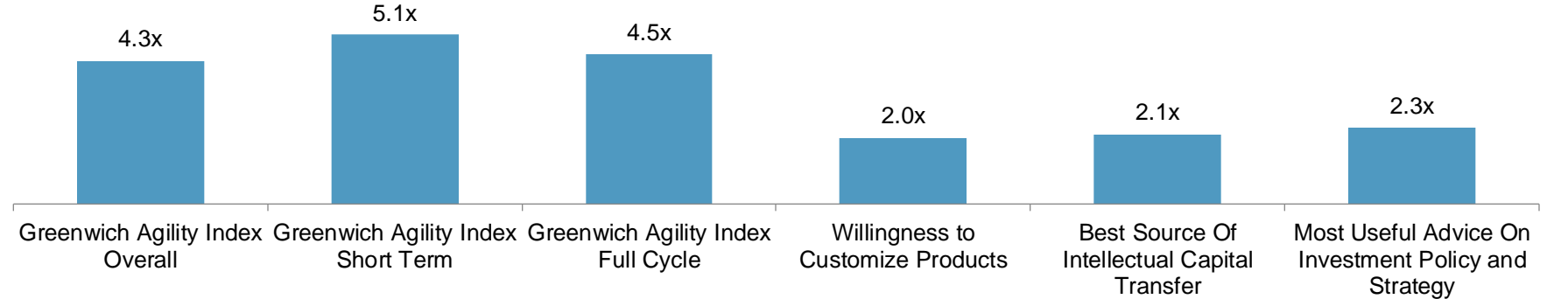
Correlation Between Agility and Success

Managers who exhibit agile characteristics are most likely to be seen as a Strategic Advisor and be Considered for New Mandates.

Correlation with Strategic Advisor Status



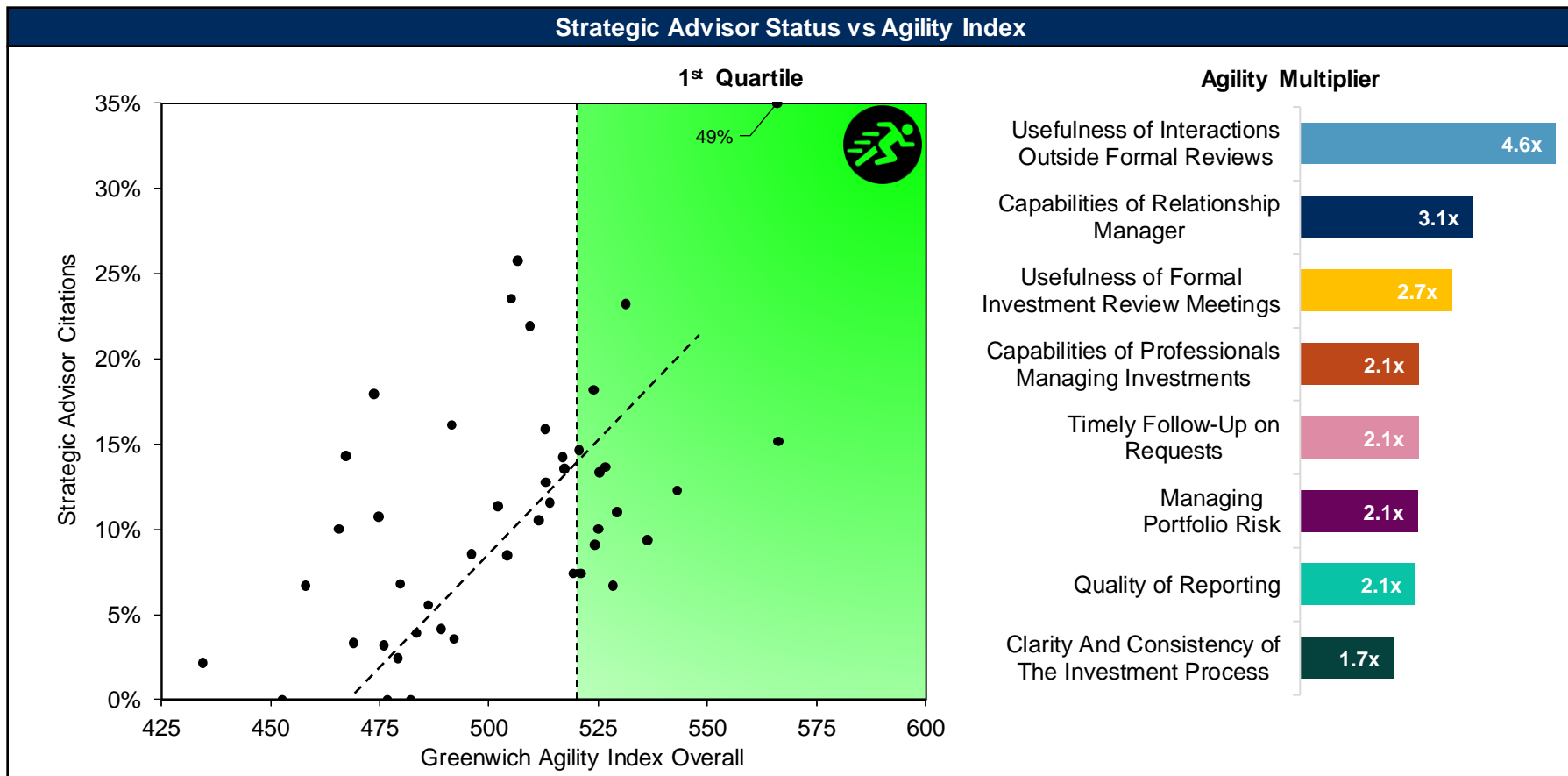
Correlation with Consideration for New Mandates



Numbers shown are the ratio of average "Strategic Advisor" or "Would Consider Using (# among clients)" scores between 1st Quartile managers vs. 4th Quartile managers on each metric. For example, the 1st Quartile Managers of "GQI Agility – Short Term" receive 4.3x as many citations for "Would Consider" as the 4th Quartile.
 Source: Coalition Greenwich Voice of Client – 2022 U.S. Institutional Investors Study

Agility Impact on Strategic Advisor Status

Top quartile managers for agility are more likely to be considered strategic advisors, particularly those with robust relationship/service teams.



Numbers shown are the ratio of average "Strategic Advisor" scores between 1st Quartile managers vs. 4th Quartile managers on each metric. For example, the 1st Quartile Managers of "Managing Portfolio Risk" receive 2.1x as many citations for "Strategic Advisor" as the 4th Quartile.

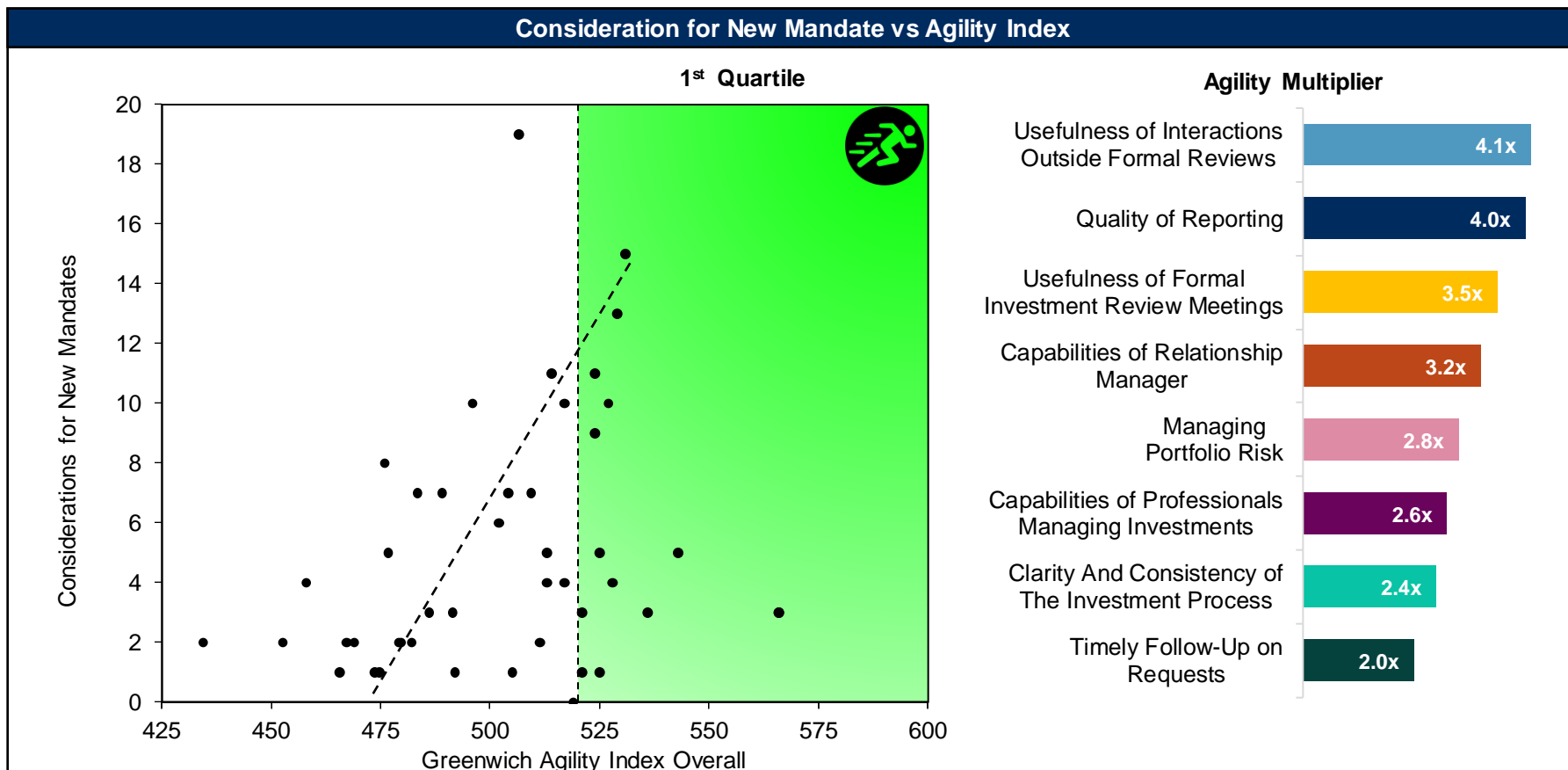
Source: Coalition Greenwich Voice of Client – 2022 U.S. Institutional Investors Study

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Agility Impact on Consideration for New Mandates

Top quartile managers for agility are more likely to be considered for new mandates, particularly those with robust service and reporting functions.



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 Source: Coalition Greenwich Voice of Client – 2022 U.S. Institutional Investors Study

Conclusion



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