



**The state of innovation in
the Asset Management
Industry**

October 2023

Main drivers of innovation in Asset Management industry

“If asset managers take a clear-eyed perspective and embed innovation into their organization’s DNA, they could emerge as winners in 2025.” Asset Managers’ executives see innovation as a key driver :



95%

Differentiating factor

For 95% of executives :
technology, data and digital
capabilities will be a
differentiating factor in 2025



83%

Innovative strategies

The proportion of executives
wanting to explore new
investment products and
strategies



91%

Value chain

91% of them also want to
transform their distribution value
chain in the next 4 years



In a context of rising interest rates and inflation superior to central banks targets, the asset management sector is subject to a variety of pressures, both short-term and originating from long-term trends:

➤ Growth no longer guaranteed

Inflation and the monetary policies designed to stabilize it are having a major impact on the performance of financial markets, which have until now driven global growth (90% of growth has come from stock market performance since 2006). Global AUMs have **fallen by 10% over 2022**.

➤ More popular passive management

In the United States, **ETFs** and other passively managed products accounted for **90%** of the country's funds. This proportion is lower in Asia and Europe but could rise thanks to the significant cost advantage of passively managed funds.

➤ Commissions erode

Fees charged to clients are generally used by asset management companies as a **source of differentiation**. As a result, fees are tending to decrease since 2010, **average fees have fallen by 15%**.

➤ Expenses on the rise

Until now, fee increase have been in line with AUM growth. However, the sector's **60% average fixed costs** and the uncertain outlook for rate increases make it a point of interest. Asset Managers would need to **cut costs by around 20%** to maintain the profitability levels of previous years.

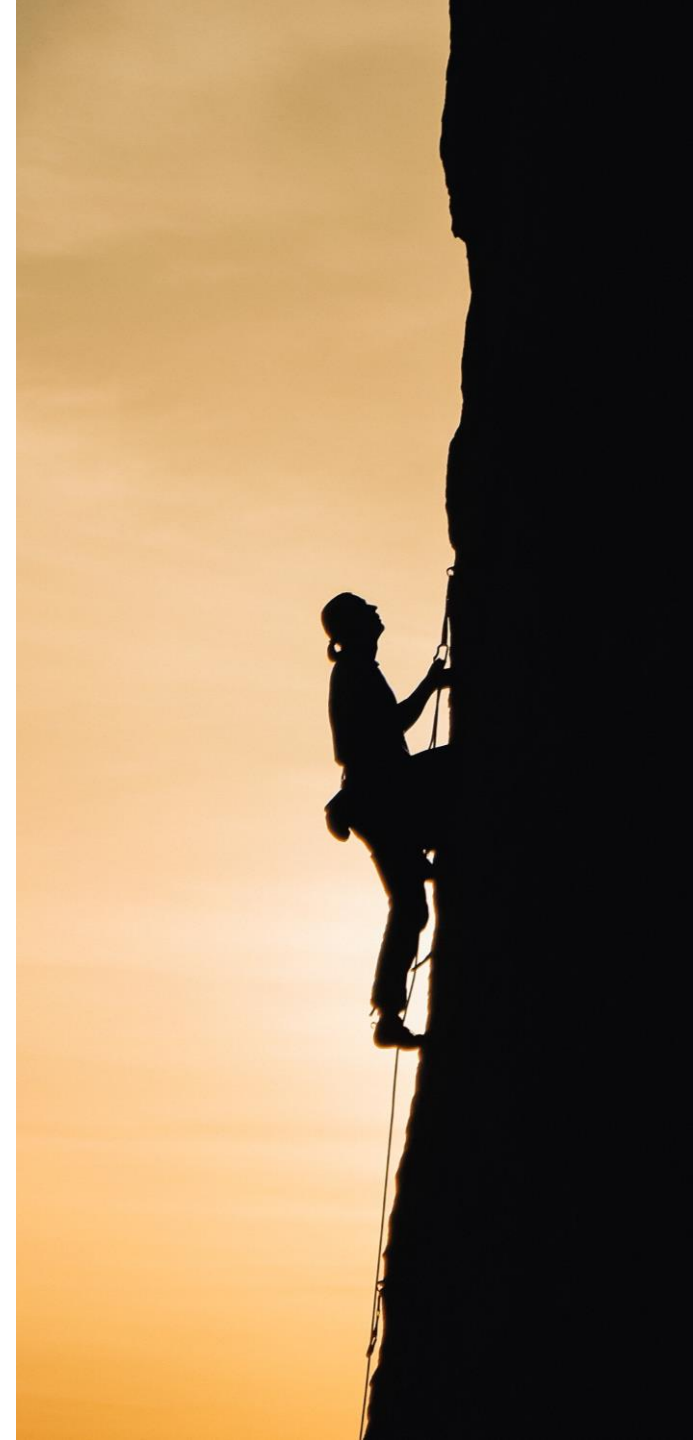
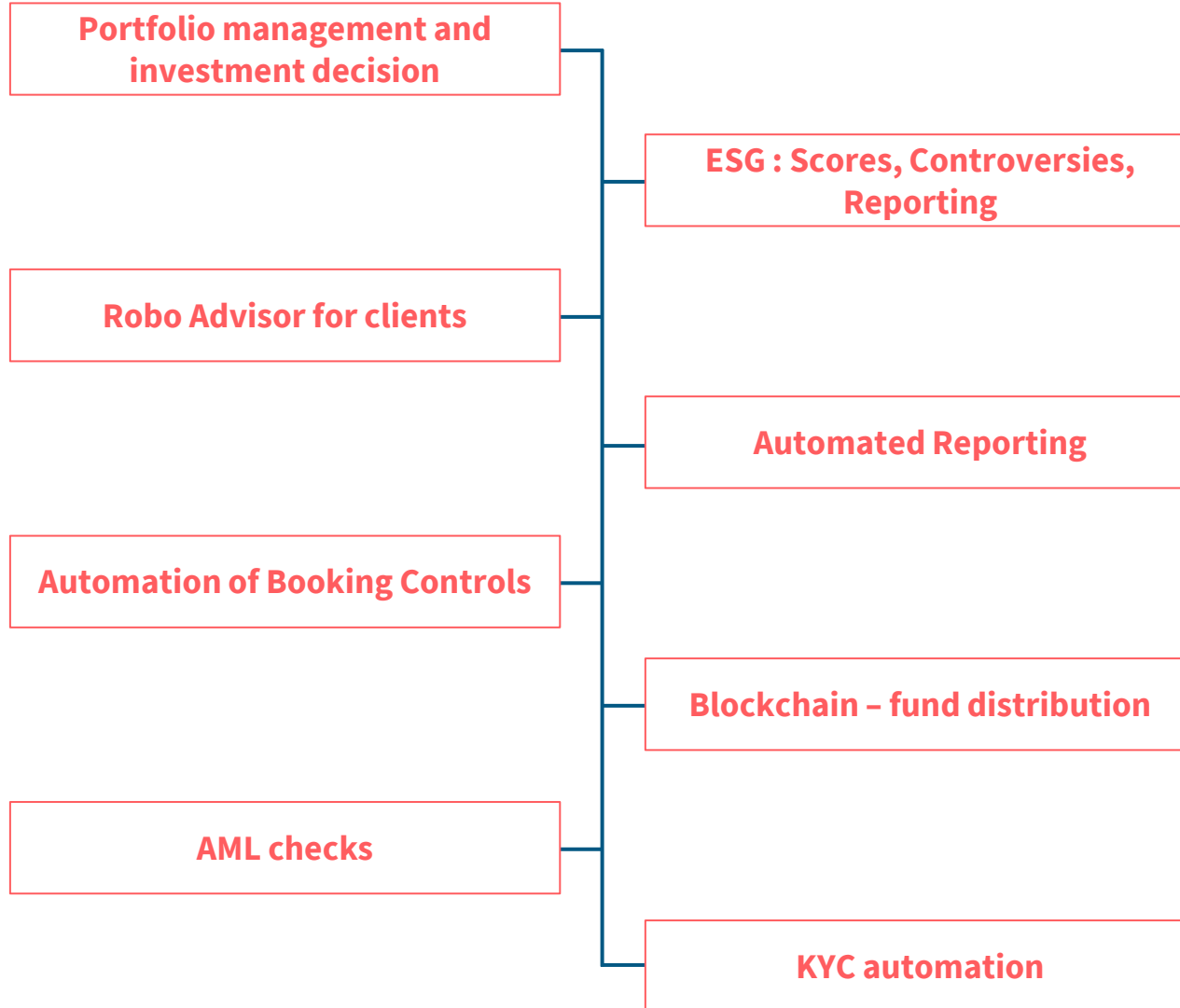
➤ New products last less

75% of assets under management worldwide are invested in products that are **10 years old or more**. Less than 40% of products launched 10 years ago are still in use today, compared with 60% in 2010.

➤ ESG Rise

Since the Paris agreement of 2015, regulations aiming to achieve ESG objectives have multiplied and become more rigid. At European level, these include **SFDR**, the **green taxonomy**, **CSDR**, the **Benchmark** regulation and **MiFID2**. Labels are also playing an increasingly important role in investor selection criteria.

How to overcome those challenges through few use cases



Scope
FRONT OFFICE,
RISK
MANAGEMENT

Function
PORTFOLIO
MANAGEMENT

Technology

- RPA
- OCR
- Big Data
- AI
- NLP
- Computer Vision
- Machine Learning
- Predictive Analysis

WHAT IS AT STAKE ?

Portfolio managers are under pressure as they :

- **Aim to beat their benchmark** : relative performance is a key differentiation criteria for clients.
- **Face market volatility** : Ukrainian conflict and market events that have led to a sharp decline in market prices.
- **Need to be competitive** : to secure assets and attract new investors. Asset Managers need to overcome severe competition.
- **Face ESG concerns** : Regulatory context and clients' desires to invest in greener assets are challenges to assess for portfolio managers.

These matters need to be overcome by Asset Managers in a context of cost rising and market uncertainties.

Current situation / problem statement

USE CASE DESCRIPTION

Enhance portfolio management with solutions that enable automation of time-consuming tasks and re-align the resources on tasks creating value.

AI powered investment decisions :

- Using AI to identify key market variables and trends
- The system might strengthen itself from market patterns

Description of potential improvement leveraging selected solutions

Investment threshold :

- Portfolio managers get regular updates on their investment limits
- Provide a risk overview with several indicators

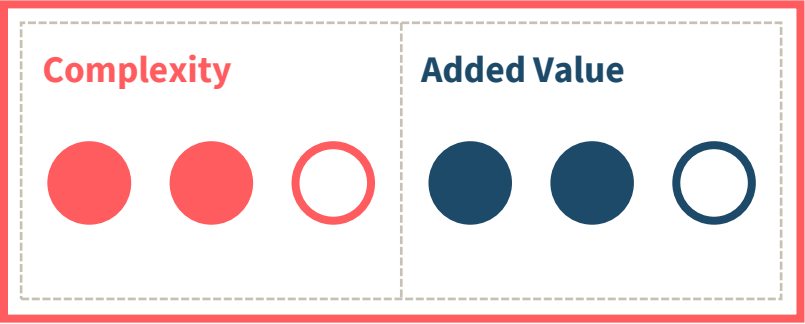
Automated tasks :

- AI can create a portfolio allocation given a target benchmark to beat
- Reportings can be generated through AI analyzing products indicators and market context
- Automated news report and early warnings from reliable data sources

Added value of the proposed use case

BUSINESS VALUE

- ✓ Enable the focus on value-driven tasks
- ✓ Automate repetitive portfolio managers' duties
- ✓ Anticipation of market patterns



PLAYERS & EXISTING SOLUTIONS

Reach us out for a detailed presentation and to benefit from our assistance

Prepare innovative projects



Data preparation
Validate data to be processed by solution



Strategic orientation (TAP example)
Digital ambitions, business needs and specific technology



Ideation/Design thinking
Explore disruptive solutions using innovative methodologies

RFP – solution analysis & choices

Lead & deploy innovative projects



Screening & Assessment
Review business processes by capitalizing on internal tools and our use-case inventory



Design
Lead a complete design project from RPA to AI with our Center of Excellence (Data scientists & UX designers)



Roll-out Monitoring
Monitor project delivery from pilots to industrialization supported by an efficient operating model

Ensure innovative projects success



Key Performance Indicators
Formalize KPIs to follow project efficiency



Data Visualization
Conduct data visualization projects to add reporting capabilities



Consider the future
Identify new project opportunities in the same company, but other departments

Awareness & Communication

INNOVATIVE APPROACH



1. Watch & Trends
Create an innovation ecosystem to detect the most relevant use cases



2. Technologies & Data
Develop expertise in new technologies to create a CoE and have an efficient data strategy



3. Transformation
Implement innovative end-to-end projects with innovative methodologies



4. Communication & Training
Highlight initiatives and create a culture of innovation through a community



Your contacts



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Aurexia

Bringing value, together