

Get Ready—Technology Is About To Change The Future Of Asset Management

Looking at the big trends likely to impact the digital wealth solutions market this year, one of the standouts is the challenge to discretionary asset management from incumbent financial institutions mobilising tech platforms to provide guidance-based investments. Until now, asset management has primarily been the preserve of independent financial advisors and robo-advisors, however all that looks set to change as a trend towards guidance-based, thematic investment gathers pace.

Guidance-based thematic investment is the natural next step in the evolution of asset management, taking research into tradeable assets and translating it into actionable content. Banks, asset management companies and large financial institutions are already poised to take a lead on this, sitting on vast swathes of research and data on assets and companies. What guidance-based thematic investment will do is allow investors to not just assess the prospects of tradeable assets, but also to act on what they see best aligns with their personal views, interests and aspirations to keep the investor more engaged with their future wealth and investment choices.

For example, if an investor has a growing interest in clean energy, electrification of the auto industry, or effects of AI on human job employment, guidance-based thematic investing will link that interest and research on the topic to make it easily accessible for the client to make an investment in MIT Robotics, or something similarly relevant.

The challenge is which companies will be the first-movers in the consumer space? At the heart of this is the democratization of information and making simple and readily-available advisor tools for clients. Extending beyond that is a growing awareness that we, as individuals, can each make an imprint on the world with our decision-making, whether that be making changes to our lifestyle to protect the environment or investing in companies with agendas that align with our views.

Whenever an investment is made into an individual company, the investor is essentially supporting that company's agenda. A share in a company that, for example, works with renewable energy, is more than just an opportunity to achieve a return on investment, it is an ownership share of the entire company and can even help combat climate change.

The same dynamics apply if an investor buys into a fund that invests in several different companies according to special principles. It may be organizations that focus on companies with more women in management, education or clean drinking water. By consciously choosing to invest in companies that align with the investor's values they are voting with their money.

The excitement about guidance-based thematic investment is heavily rooted in this new

reality and, with more transparency in trading and investments than ever before, investors are now able to have their values, preferences and goals reflected in their investments.

However, traditional advisors are not going to be incentivized to invest in such an innovation as they already make comfortable commission on the assets invested by their clients. Meanwhile, robo-advisors are already charging very low fees for managing clients' money and grappling with the challenges of scaling their businesses while remaining profitable.

A new cohort of incumbents from the financial sector are going to mobilize technology to produce this kind of guidance and it will transform the asset management industry permanently. Banks and large financial institutions are in the best position to drive this change because they already possess the best content and research teams, as well as quality investments systems that they use either proprietarily or are selling as a product.

We expect that these incumbents will try to find new ways to monetize this content and data. We know that large financial institutions are sitting on gold when it comes to the volume of quality content, they have at hand which makes this new development very exciting. But where they are weak is on technology and user interface.

Clearly, the building of a guidance-based platform will necessitate a user interface which takes research and analytics and turns it into a narrative for clients so that they can go from taking an interest in a topic or a sector and easily making an investment. This is where collaboration with specialist technology start-ups will be key and where the opportunities lie.

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