



# psKINETIC

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## ASSET & WEALTH MANAGEMENT CORE THEMES & CHALLENGES FOR 2022



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**QUESTION?** What are a global asset and wealth managers' strategic challenges, and how will they adapt and position their businesses to exploit the new paradigm adjusting to the new social and economic realities? I recently asked this question to my colleagues and peers with surprising responses.

Whether you are an asset manager, wealth manager, or just simply interested in finance, one thing is certain, the world as we knew it has changed. We cannot ignore the potentially damaging effects of inflation on global growth or the risks associated with climate change. Sustainable investment and governance of investment portfolios on ESG criteria are challenging but essential. What of equity market valuations and the ever-increasing inflows that continue to feed the private capital or real-asset markets? Finally, disruptive technologies such as blockchain and DEFI though largely unregulated, can no longer be ignored. Thankfully these themes have been well documented in the press, but we still need to understand the impact these themes will have on the investment community and technology into 2022.

This document looks at some of the business priorities highlighted in large investment managers' financial reports (ABRDN, AVIVA Investors, Amundi, BNP Paribas Asset Management, etc.). We have also found that these themes are consistent with the strategic imperatives of wealth managers and have included some of our own opinions:

**1.**

**DIGITAL  
TRANSFORMATION**

**2.**

**CLIENT EXPERIENCE /  
EXPECTATIONS**

**3.**

**SUSTAINABLE  
FINANCE**

**4.**

**ALTERNATIVE  
INVESTMENTS AND  
PRIVATE MARKETS**

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**1.**

## **DIGITAL TRANSFORMATION**

Digital Transformation is nothing new and has been floating around for nearly ten years and is well documented, however with the pandemic and changes in the world of asset & wealth management, this has become one of the highest priorities for most leadership teams.

[A survey by Alpha FMC found that 80% of asset and wealth managers are prioritising their digital transformation initiatives](#)

It is essential to think about the business's management structure and design a lean and agile enterprise for the future. Companies have learnt that their cost, investment, and restructure without sustainable growth is a short-term fix, not a long-term growth strategy. Digitisation provides the opportunity to identify business areas where you can increase operational efficiency, reduce overheads, and increase that all-important EBITDA. The overall objective is to reduce operating costs and enterprise risk while developing a target operating model to exploit a digital ecosystem so that digital transformation becomes part of the framework for growth and development, not just another project with no end in sight. It is widely accepted that data is an asset. Surprisingly, enterprises are still not fully utilising and monetising this value chain. Data is essential for making better-informed investment decisions (alpha generation), managing operational and compliance risks, client lifecycle management, and providing vital management information (MI).

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The challenge for the asset management industry is that a single organisation can be technically complex with multiple systems and market data sources used across the front, middle and back-office functions, with little to no cross-communication and heavily siloed. For example, larger asset managers may have several strategies, including active or passive equities, multi-strategy, fixed-income, real-assets, etc., all of whom will have different core systems and market data providers. Digital transformation at an enterprise level can therefore be very complicated and costly, albeit a vital component of a firm's strategy. At psK we believe that the "magic sauce" comes from intelligently gluing these systems together to get the most value from the data and streamline those business processes to increase efficiency and transparency across the enterprise.

It is interesting to note that according to a report by Finextra (The Future of Wealth Management 2022) digitisation and transformation also remains a high priority for wealth managers. Tightening margins, changing demographics, increased costs of compliance as well as increased competition from disruptive technologies and start-ups are forcing the pace of change. This should, however, provide the ideal opportunity for the wealth sector to further streamline their business models and identify and exploit the opportunities that exist in a digital environment.

*"Digitisation within wealth management has the potential to make advisors more efficient, more effective, and less prone to the sorts of errors and biases that we, as humans, typically display,"* said Greg Davies, head of behavioural science, Oxford Risk. [Finextra]

Wealth managers need to capture and aggregate structured and unstructured client data to identify new business opportunities and provide a highly tailored service. If this data is warehoused and catalogued correctly, then this data can be used by cognitive technologies and (AI) to anticipate consumer trends, support and assist the wealth manager saving time and reducing costs.

*"AI encompasses a spectrum of capabilities, from robotic process automation (RPA) to advanced machine learning (ML),"* said Mayank Prakash, chief operating officer, Tilney Smith & Williamson. *"We integrate AI throughout our operating model to improve operating efficiency, provide near real-time functions, detect anomalies and underlying trends as opportunities."* [Finextra]

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## 2. CLIENT EXPERIENCE / EXPECTATIONS

[In Alpha FMC's survey](#), 85% of respondents said improved client engagement was a key benefit of digital transformation. The report goes on to highlight that these findings are highly correlated with driving increased revenue and AUM. Improving the client experience is vital for customer retention, winning new mandates and engaging with distribution partners. Firms are looking to achieve economies of scale and need to adopt digital approaches and work collaboratively with sales teams to manage a wide range of client types.

Influencing CX does require a well thought out digital strategy from the get-go. Asset Managers must compete for new business with investors who expect speed and transparency from a counterparty in a digital low touch environment. The ability to bring on new investors at pace with all due diligence completed in a timely manner has become critical with the expectations and changes in investor behaviour associated with demographics, advances in technology, compliance, and regulations. MarTech and data analytics are essential for understanding buyer behaviour, consumer trends, and individual investor behaviour. These data-driven insights are used to deliver a highly personalised or tailored service to the client.

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### 3. SUSTAINABLE FINANCE

SFDR, ESG, SRI, Climate Change Risk, need I say more. A few years ago, ESG investing was beginning to establish itself, but sustainable investing has become essential for today's investors. Investment managers are looking for data solutions to integrate ESG data into their investment practices.

There are several challenges associated with ESG ratings, as these can differ depending on the data provider. Analysts will often aggregate data and use an internal set of best practices to carry out investment research. Institutional investors may also have very different mandates, i.e., they may not allow investments in certain jurisdictions because of human rights abuses. Another investor may not wish to invest in oil or coal companies or companies whose carbon footprint and ESG ratings are low. These investment mandates and data issues add a layer of complication that can be resolved through intelligent automation by intelligently gluing these processes together, allowing for a "single pane of glass" to give analysts and investors a clear oversight of the data.

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### 4. ALTERNATIVE INVESTMENTS AND PRIVATE MARKETS

According to a recent report published by BNY Mellon, *"Alternatives have moved from a relatively small island in the investment world toward the mainstream in institutional investor exposures. By the end of 2020, alternative assets under management (AUM) reached approximately US\$10.7 trillion. Forecasts now estimate the alternatives segment to grow to US\$17 trillion in AUM by 2025"*.



#### a) Scaling the Business

As market forces pressure managers to increase operational efficiency, the biggest will become larger. In contrast, specialist managers will attract capital from investors seeking to fine-tune their alternative asset exposure.



#### b) Digitisation

Greater digitisation is critical for managers to achieve operational efficiency, data management objectives and serve the rising market participation of "digitally native" investors.



#### c) ESG

Strong tailwinds already behind ESG, combined with emerging generations of investors and potential regulatory pressure, will drive change through the industry.

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## CONCLUSION

Digital transformation in asset and wealth management and finance in general is essential for future proofing these organisations.

Asset management is being sculpted in preparation for a new tomorrow, with enterprises looking to increase their bottom line by using the right digital tools and capabilities. The focus has moved to look from the client inwards instead of the other way round, which is why digitisation, sustainable finance and client experience and expectations have become so prevalent. One big part of this is how it all glues together. What we call “Intelligent Glue”. It’s no surprise a leading client experience, with the right tools and using the data at hand, is becoming much more prevalent and has formed most enterprise’s roadmap for development when it comes to how they will grow in the new business landscape. The need to embrace digital transformation as the new “flagship” for sustainability is fast becoming the new norm. Looking past 2022, I can see AI and machine learning becoming even more prevalent.

**psKINETIC** - To succeed you need to get more out of your technology, quicker. The pace of change is accelerating. You need better processes and better data to capitalise on new opportunities while dealing with increasing complexity, compliance, and competition.

We provide technology consulting and implementation services to support digital transformation across financial services by combining deep domain expertise with intelligent automation capabilities. Ripping out legacy systems is risky and expensive. Our approach is different, we use ‘Intelligent Glue’ to connect and enhance existing systems & data to deliver an immediate return. We implement at speed – our golden rule is that implementations must be live and start to add value in 90 days.

Our ethos is simple, we enable the success of people through intelligent automation.

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## SOURCES

[\*Alpha FMC - Digital Transformation Top Priority for Asset Managers\*](#)

[\*from-alternative-to-mainstream-alternatives-ascending-chapter-one.pdf.coredownload.pdf \(bnymellon.com\)\*](#)

[\*Digital transformation in asset management - obstacles for fund administrators \(fintechfutures.com\)\*](#)

[\*Digital transformation in asset management | Refinitiv Perspectives\*](#)

[\*Finextra – The Future of Wealth Management 2022\*](#)



psKINETIC

We enable the success of people through intelligent automation.

With our *Intelligent Glue* we help clients automate processes, connecting and enhancing existing systems rather than replacing them. We have helped the world's leading Financial Services and Insurance companies accelerate their ability to take advantage of market opportunities. Our focus is on delivering outcomes and financial returns at pace. We leverage next-generation automation technologies, our multi-disciplinary team combines delivery, engineering, and managed services capabilities to achieve sustainable outcomes for our customers.

We base ourselves on a simple philosophy: The success of our customers and the success of our people are what matter most to us.

For more information, visit [www.pskinetix.com](http://www.pskinetix.com)