



SURVEY INSIGHTS

Annual Survey of Wealth Managers 2024

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FOREWORD

I am pleased to present the results of our fourth annual wealth managers' survey insights report, which provides an analysis of the current trends, challenges and opportunities faced by global wealth managers in the context of the current macro conditions. This report provides wealth management professionals with useful insights that help navigate the evolving landscape for wealth players. Acuity Knowledge Partners has associated with the sector for over a decade, working with leading wealth managers and helping them with a broad range of activities, including securities research, portfolio management, credit risk/lending analysis, sales and marketing, and compliance. This experience has made us a trusted partner to drive front-office productivity and effectiveness.

We echo our survey respondents' views that the global landscape is uncertain and dominated by fast technological advancement, increasing regulatory scrutiny and ongoing market volatility. Wealth managers must continually recalibrate their strategies and adapt to the changing priorities. While global wealth is expected to see moderate growth, wealth managers who tap into the opportunities of trending themes (such as intergenerational wealth transfer and female investors) and expand into emerging markets and consolidation will likely grow their market share of assets under management (AuM). Comprehensive solutions, coupled with personalisation, are likely to attract and retain clients. A good mix of technology tools and digitalisation will likely boost wealth managers' offerings.

This survey is part of our efforts to gauge the sentiment of and outlook for the global wealth management sector, and we hope the results offer valuable insights on sector trends. We thank all the respondents for their participation and insights.



Chanakya Dissanayake

**Managing Director –
Co-Head of Global
Delivery Operations**

Acuity Knowledge Partners

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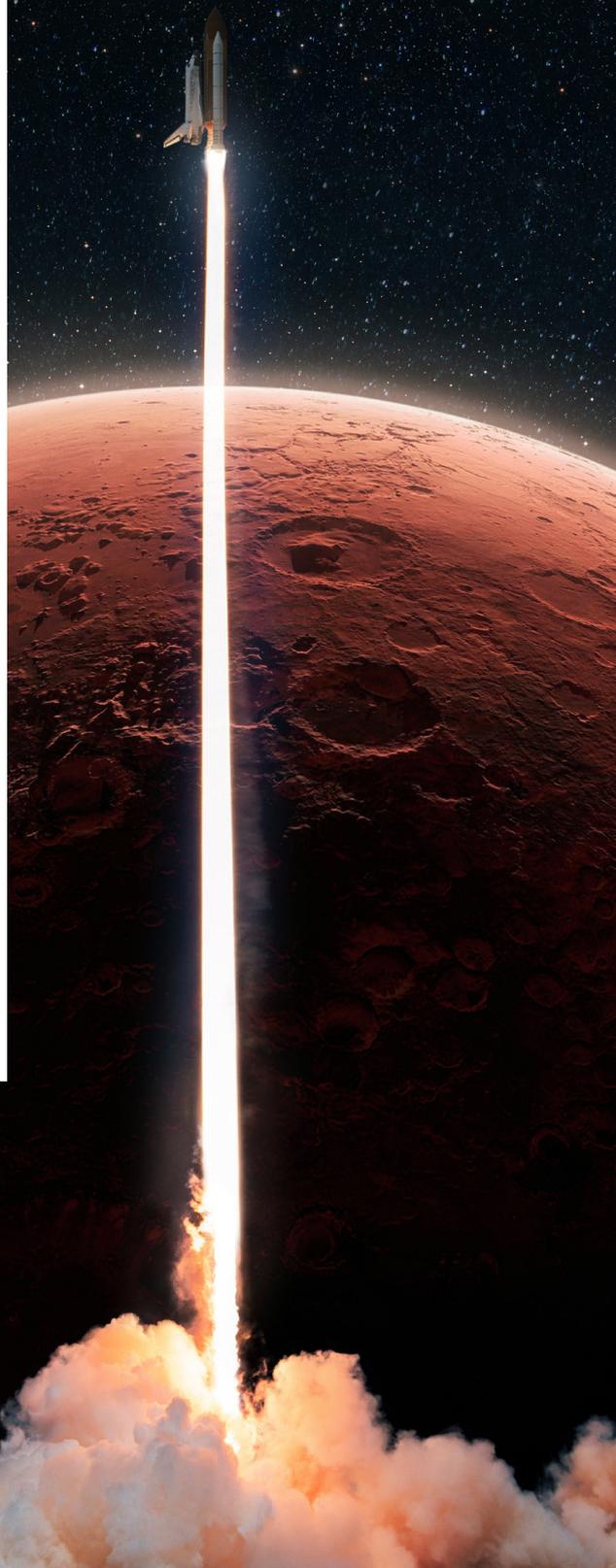


Summary

Wealth managers constantly navigate an evolving landscape and need to adapt their strategies to remain relevant in the industry. After years of challenges in adapting to the effects of the pandemic and tough macro conditions, 2023 was dominated by market volatility, high inflation and geopolitical issues. Leveraging technology and digitalisation to generate efficiencies and enhance the client experience were the other key themes for wealth managers, in addition to their continued focus on personalisation.

Acuity Knowledge Partners conducted a study of global wealth managers for a fourth consecutive year to understand how best-in-class firms are reorganising themselves given the challenging macro environment and rethinking their client offerings.

Around 60 representatives of leading private wealth management firms responded to our survey, including CEOs, CIOs and heads of research and advisory who play an important role in growing assets under management (AuM) and defining business strategy.



Key takeaways from the survey are as follows:

1

Global wealth was expected to grow at a moderate pace of 5% y/y in 2023, impacted by tough macro conditions and market volatility – navigating periods of uncertainty, providing actionable investment ideas, portfolio diversification and wealth preservation have been the top priorities for wealth managers.

2

Top trending themes for global wealth managers

- » Intergenerational wealth transfers in the coming years are likely to offer wealth managers a significant opportunity to grow AuM as those inheriting this wealth seek new managers
- » With women gaining more control of wealth, wealth managers would need to have products and services that cater to them
- » Comprehensive solutions – including estate planning, tax planning and retirement solutions – considering the client's risk appetite are gaining prominence
- » High inflation and volatility are driving wealth managers to offer a resilient basket of investments that offer a hedge and provide a return

3

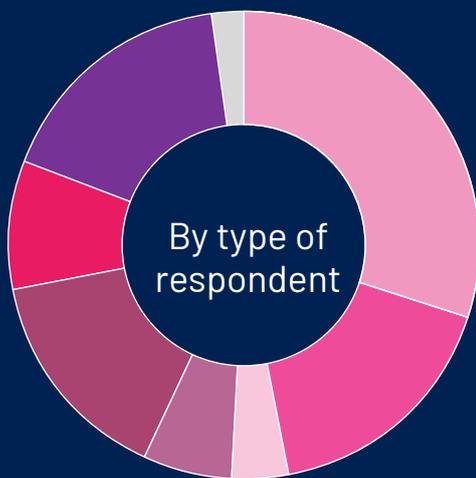
3. Business expansion plans and the outlook for 2024 and beyond

- » Expansion into emerging markets, especially Asia, to tap the increasing wealth, and enhancing research offerings through personalisation were the top picks for medium-term strategy to expand business
- » Growing advisory revenue via bespoke research offerings was a clear top answer in our survey
- » Growing market share by consolidation and increasing revenue contribution from non-traditional mandates were the drivers of the medium-term revenue outlook
- » Embracing new technology and digitalisation and expanding to newer markets remained the prime cost drivers

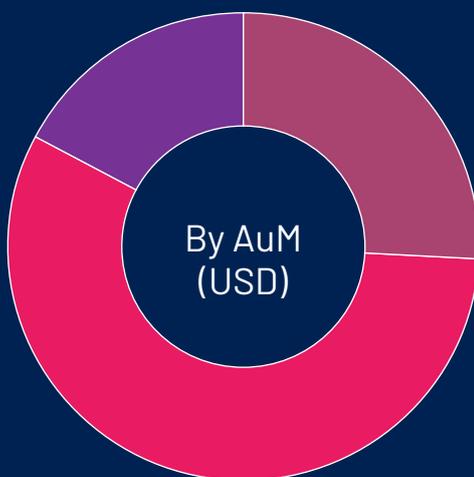
This is the fourth year of the survey, and we will continue to make it an annual exercise to assess short- and long-term implications for the industry.

Survey methodology

We sent email invitations to participate in our survey to more than 100 global private wealth managers with AuM of USD1-50bn+. The following charts show a breakdown of the respondents.



- 30% CEO/Head of Private Wealth Management
- 17% Head of Advisory
- 4% Chief Investment Officer
- 6% Head of Research
- 15% Relationship Manager
- 9% Strategist
- 17% Analyst
- 2% Others

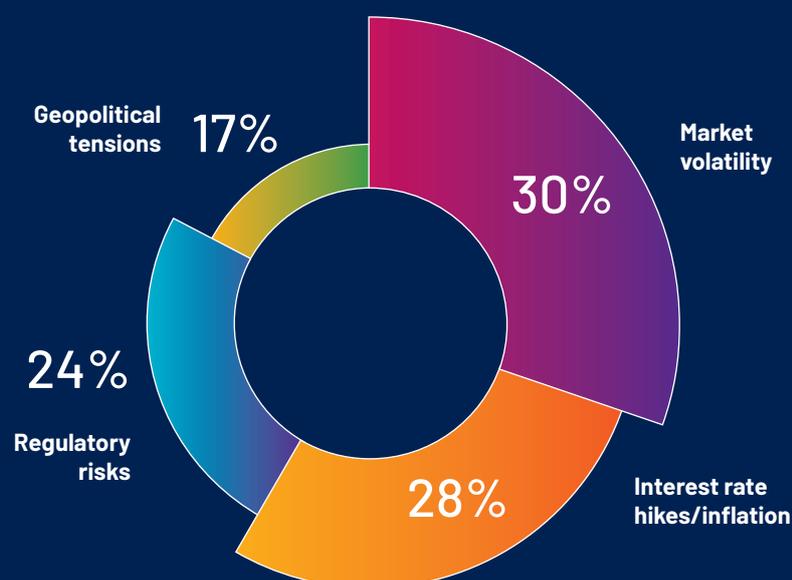


- 26% Less than USD1bn
- 57% USD1-50bn
- 17% More than USD50bn

Wealth managers impacted by uncertain macro conditions

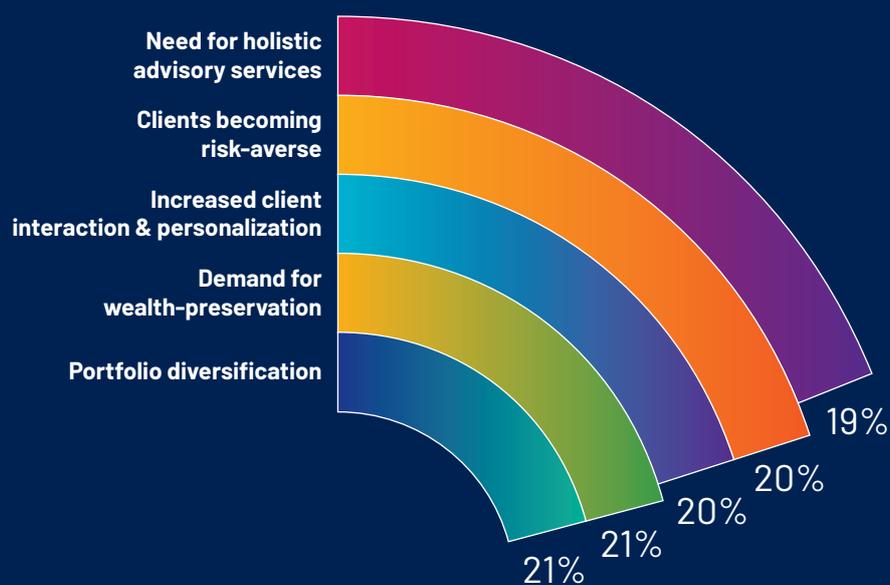
Global private wealth managers have been facing multiple headwinds in recent years, dominated largely by the pandemic, rampant inflation, volatile market performance and geopolitical uncertainty. They have had to navigate these by formulating resilient strategies that incorporate risks, provide stable returns and preserve capital. Persistent inflation and high interest rates have hindered their ability to outperform the market. Diversifying portfolios to hedge inflation and risk was a top priority. Our survey respondents note that the main challenges they faced were market volatility, high interest rates, inflation, regulatory risks and geopolitical tensions. The Boston Consulting Group's Global Wealth Report 2023 indicates that global wealth likely reached USD267tn in 2023, growing 5% y/y, supported by an improving macroeconomic outlook, China reopening and growth in the Asia Pacific and Middle Eastern markets.

Wealth managers have had to navigate uncertainties in 2023 by planning resilient strategies that incorporate risks, provide stable returns and preserve capital. Persistent inflation and high interest rates have been obstacles to outperforming the market. Diversifying portfolios to hedge inflation and risks were top priorities. The survey respondents note that the main challenges they faced were market volatility, high interest rates, inflation, regulatory risks and geopolitical tensions.



Portfolio diversification and demand for wealth preservation strategies were top themes for wealth

Considering the challenging macro situation and market volatility, client priorities are changing. Wealth managers are recommending portfolio rebalancing to diversify risk, offering a good mix of traditional and alternative investments. Holistic advice on wealth preservation, and active, rather than passive, portfolio management helps wealth managers take prompt action based on changing market conditions. As clients look for personalised advice, wealth managers need to increasingly leverage technology to deliver an enhanced experience and bespoke strategies. Stringent risk management with strategies to protect client portfolios during downturns is gaining prominence. Our survey showed a similar trend, with strategies relating to portfolio diversification predominant, followed by wealth preservation, personalisation, risk-aversion and holistic advisory.



Top global trends for wealth managers

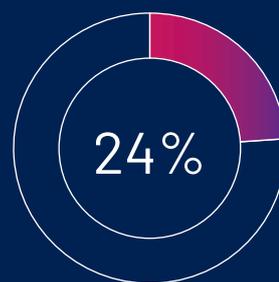
Intergenerational wealth transfer presents significant opportunity

Around USD84tn of wealth and assets is expected to change hands over the next two decades, with Gen X and Millennials benefiting the most, according to Cerulli Associates. This presents a significant opportunity for wealth managers to capitalise on. Wealth managers are required to adapt to the needs of both the younger and older generations and build personal relationships. While most inheritors may explore engaging new wealth managers, advisors need to be prepared, by incorporating technology for the tech savvy younger generation, maintaining regular communication and strong personal relationships. A holistic advisory offering including customised investment strategies, tax planning and estate planning would play a crucial role in retaining AuM.

32% of the respondents felt that maintain strong relationships with the next generation was critical, 25% favoured having hi-touch personalised advisory support, 24% believe that investment in a good suite of technology-driven tools is important and 20% suggested that having holistic advisory services including real estate and tax planning could help engage the younger generation.



Offering comprehensive services including estate and tax planning



Investing in smart technology-driven tools



Offering specialised advisory through regular insights

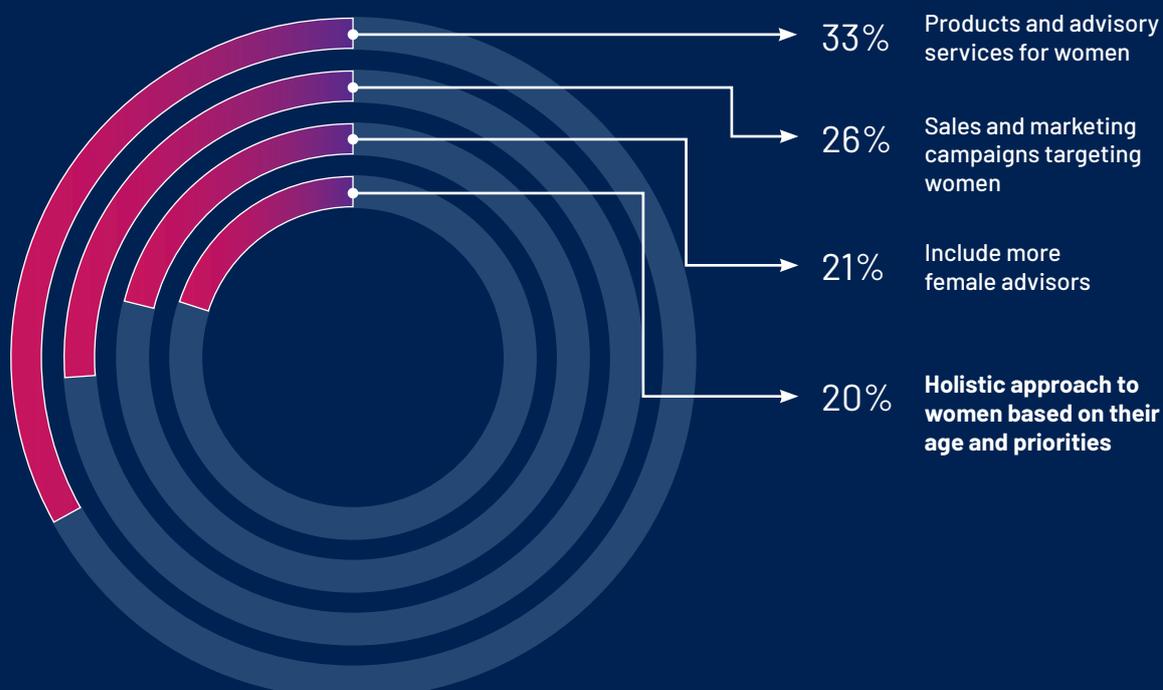


Building personal connections with the younger generation

Female investors are expected to control a larger share of wealth

Wealth managers should prepare to cater to this segment

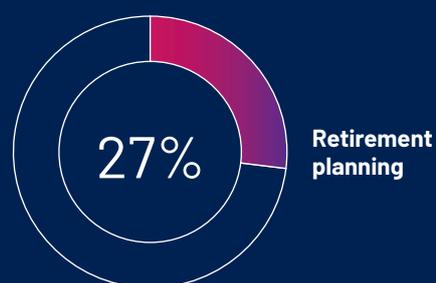
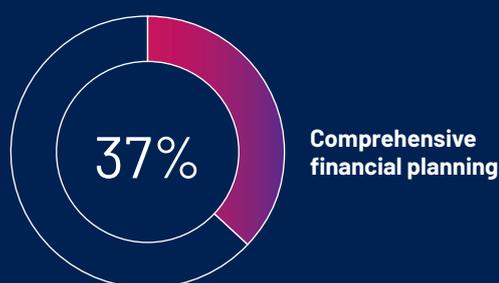
Women are expected to be key beneficiaries of the Great Wealth Transfer as they inherit wealth from their fathers or husbands, according to a report by McKinsey. American women are expected to control c.USD30tn of the wealth by end-2030, and a similar trend is expected across Asia and Europe. Women are also becoming financially stronger, backed by quality education and higher levels of employment, and with a number being successful entrepreneurs. Wealth managers, therefore, need to navigate their offerings to meet the preferences and priorities of women at different ages. The survey results indicate that they would need to be prepared with suite of products and services dedicated to women. Targeting women in sales and marketing campaigns and having more women advisors on the team would help attract and retain their wealth from women.



Comprehensive advisory solutions continue to offer most potential for growth

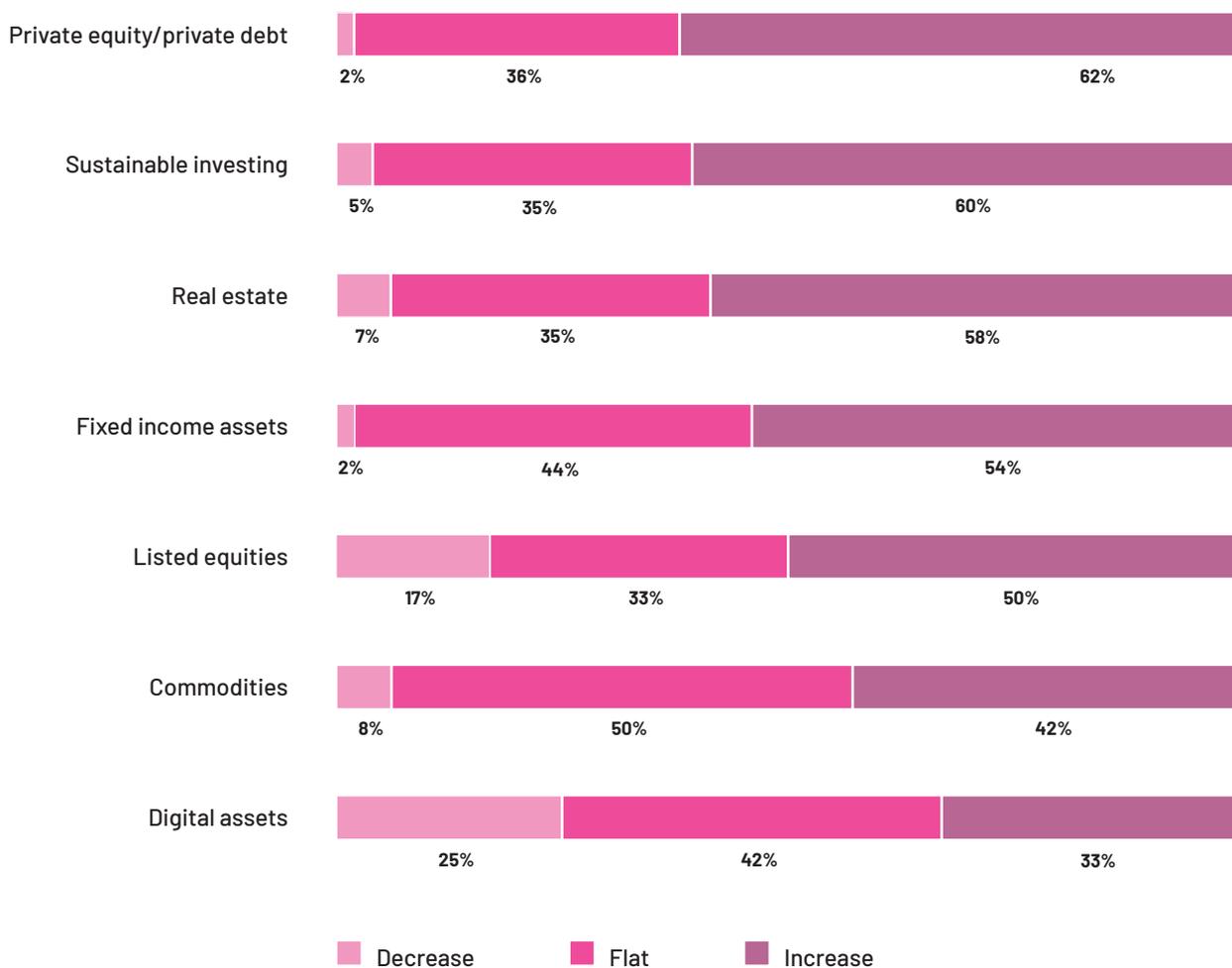
Ultra-high-net-worth and high-net-worth clients continue to seek comprehensive solutions to meet their long-term goals and priorities. An integrated solution streamlines decision making in areas such as succession planning, retirement, tax solutions and estate planning, including risk management and good returns.

Our survey respondents believe that comprehensive financial planning, retirement planning, estate planning and investment management are the main areas with potential for AuM growth in the coming years.



Rebalancing client portfolios and creating a basket of resilient investments are a top priority for wealth managers

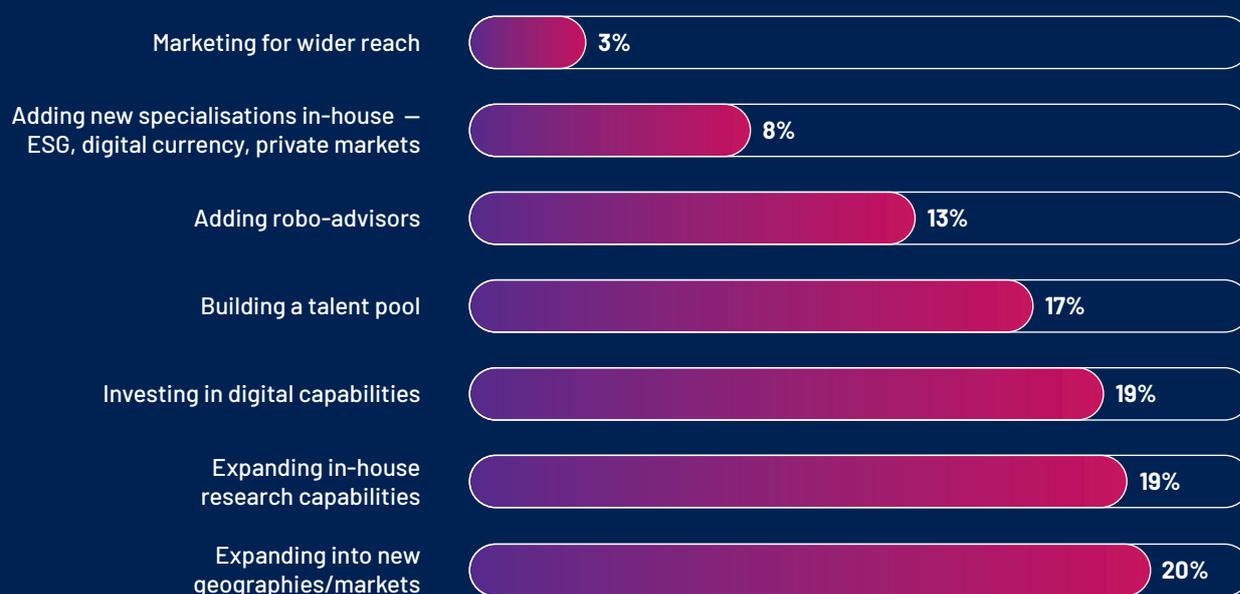
High inflation, elevated interest rates, market volatility and concerns of a recession have dominated most of 2023. Wealth managers were focused on timely rebalancing of client portfolios to create a basket of investments to meet client goals in terms of risks and priorities. Market outperformance in private market investments and sustainable investing reflect increased asset allocations in our survey. Further, investments in the real estate market through direct or indirect commercial real estate is gaining popularity, as they provide a hedge against inflation and benefits of diversification. Fixed income assets and listed equities were the next in terms of preference. However, commodities and digital assets showed a flatter trend.



Business expansion plans and outlook for 2024 and beyond

Increasing the footprint and enhancing research capabilities were the top picks on the medium-term investment plan for wealth managers

Wealth in Asia is expected to grow at 7.8% annually, faster than global average growth of 3.8%, according to the BCG's Global Wealth Report 2023. Hong Kong is expected to outpace Switzerland as the world's wealth hub by 2025. Capitalising on these trends, global wealth managers are growing their Asian businesses by setting up their own offices or partnering with domestic players. Our survey results mirrored a similar trend, with expansion into new geographies judged to be the strongest.



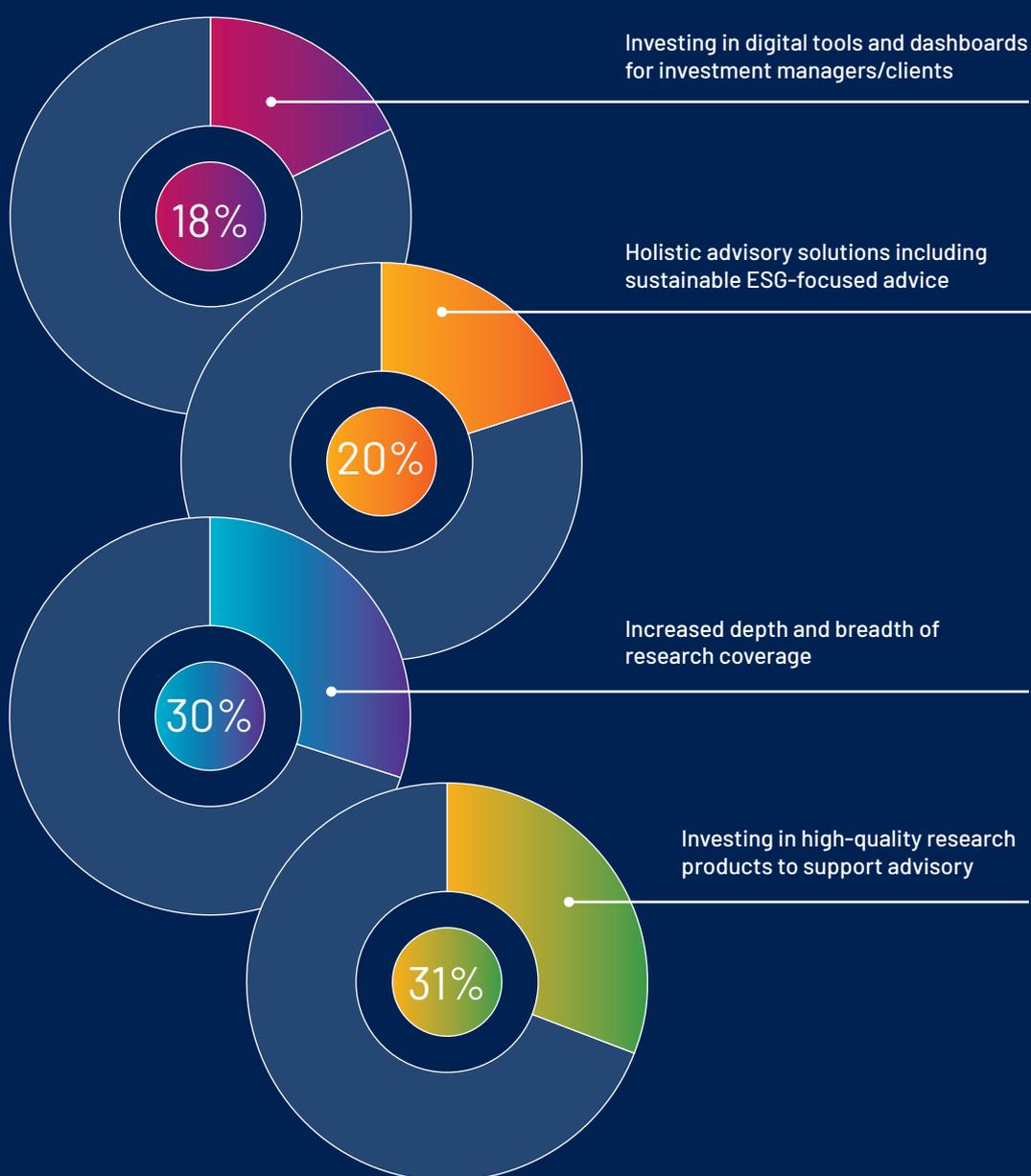
Expanding in-house research capabilities was the second important investment option, according to our survey results. A robust research platform has the dual benefit of growing advisory revenue and offering personalised engagement through regular insights. Regulatory directives such as MiFID II and bodies such as the Hong Kong Securities and Futures Commission require investment products to be backed by investment rationale. Broad research coverage complemented with bespoke research enables private wealth managers to offer high-quality advice to clients. The current macro situation and high volatility have increased the need to give clients regular updates on individual securities, macro, ESG and thematic research. However, deploying an in-house research team to meet research requirements proves to be a very expensive option. We believe private wealth managers can choose from the following options to provide research. While robo-advisory is gaining popularity, we believe that it could only provide the first layer of advice and the more niche/long-term advisory solution would need to be provided by investment advisors.

| In-house research | External research | In-house + outsourced research |
|--|--|--|
| Completely in-house | Sourced from external research providers | In-house team with assistance from outsourced research team |
| Advantages | | |
| <ul style="list-style-type: none"> » High focus on advisory » Enhances brand image » MiFID II-compliant | <ul style="list-style-type: none"> » Off-the-shelf coverage at low cost » Lower cost » Reduces time to market | <ul style="list-style-type: none"> » In-house research team assisted by an outsourced team » Less costly than completely in-house » Quick ramp-up and research methodology in sync with house views » Enhances brand image |
| Disadvantages | | |
| <ul style="list-style-type: none"> » High cost of research team » Increases time to market | <ul style="list-style-type: none"> » Loss of brand image and no control over content » Low engagement with clients | <ul style="list-style-type: none"> » Quality of research needs to be cross-checked |

Wealth managers have been investing heavily in augmenting their digital capabilities. The need was accelerated amid the pandemic where access to digital tools and platforms was required for both advisors and clients. The increasingly tech savvy younger generation of clients who require easy access and quicker updates 24x7 also need a basic level of support through tech tools such as generative AI and robo-advisory. While these tools cannot replace the human advisory element, which involves personal relationships and experience, they empower advisors to have value-added discussions with clients and increase their bandwidth to onboard more clients and increase cost efficiencies.

High-quality research products and increased coverage increase advisory revenue

To tap market share growth, meet regulatory requirements and offer value-added advisory to clients, wealth managers are focusing on improved research products. Broadening research coverage and increasing the frequency of research reporting would help them provide clients with regular updates amid the current macroeconomic situation.



Bespoke research is vital to enhance the value proposition for clients

There is increasing adoption of fintech and robo-advisory solutions to augment research services and provide a first level of research for certain client segments. While fintech solutions are used to automate processes, robo-advisory helps provide basic advice and manage client portfolios based on back-end algorithms. However, proprietary research products would enable wealth managers to differentiate their offerings and gain a competitive edge. While maintain an in-house research team would be expensive, partnering with an outsourced provider that acts as an extension of the in-house team would help expand and maintain broad research coverage.

Create easier-to-use, modern user experiences to access services



Use third-party research providers for the non-core universe and beyond



Use offshoring support to complement in-house research

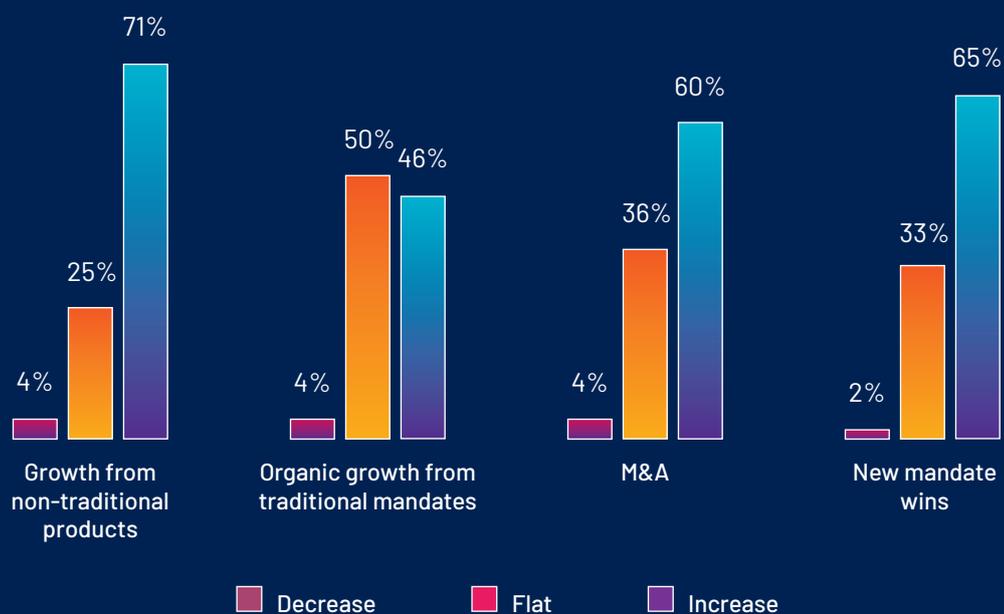


Invest in growing the in-house proprietary research team



Medium-term revenue growth to be driven by market consolidation and an increase in non-traditional mandates

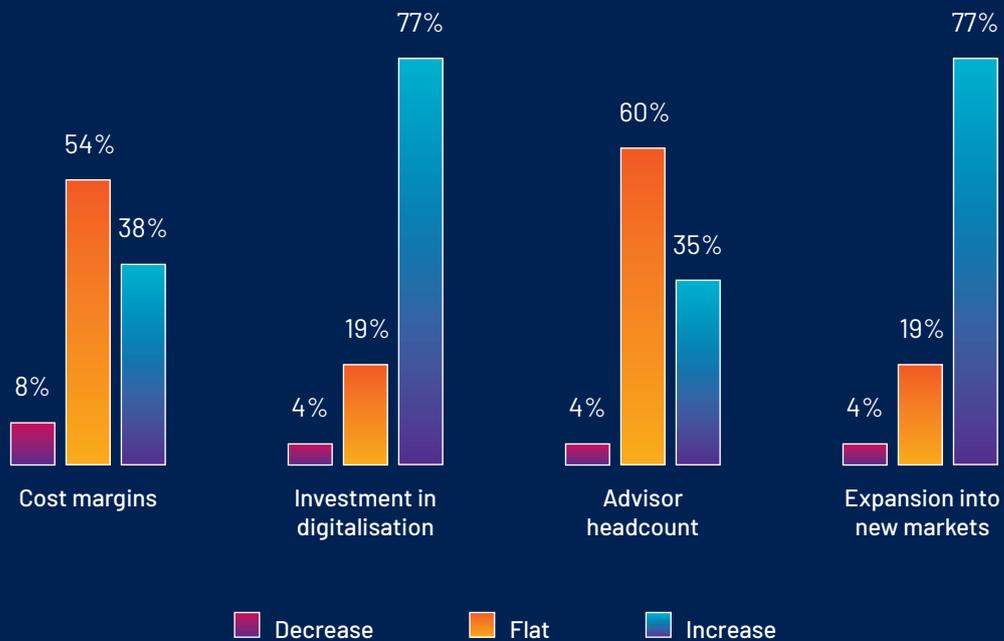
Wealth managers have seen a shift from traditional mandates to non-traditional products such as loans, deposits and private-market investments. Unconventional alternative investments such as private markets that offer higher returns are gaining popularity amid the uncertain macro environment. 71% of the survey respondents predicted an increase in share of revenue from non-traditional products. With risk aversion, portfolios have seen a shift to fixed deposits and cash. Declining fee income, margin pressure and increasing regulatory compliance have been challenging. The industry is witnessing consolidation in efforts to ensure economies of scale and better product suites. Our survey results indicate this trend, with 60% of the respondents expecting an increase in M&A activity to leverage technology and introduce next-generation tools such as generative AI and robo-advisory into their game plans. Traditional mandates are expected to be largely flat and new mandates are expected to grow with 65% respondents expecting an increase.



The cost outlook is dominated by investments in digitalisation and expansion into new markets

Our survey results indicate that the cost outlook for wealth managers is influenced mainly by two factors: digitalisation and expansion into new markets. As the wealth sector embraces technological advancements, more investments are expected to flow into digital tools and platforms that could enhance efficiency, provide a better client experience and ensure long-term cost savings. Expansion into emerging markets to tap the increasing wealth market entails significant costs for establishing infrastructure, talent acquisition and other capital investments.

Advisor headcount is flattening with the trend towards increasing robo-advisory and tech-driven interfaces.



Key challenges for wealth managers across operational functions

Research and sales and marketing

Our survey results indicate that the key challenges faced by research and sales and marketing teams are budget cuts and high attrition of junior- and mid-level talent. Attrition shifts focus to spending time and resources on hiring and training. Budget cuts also limit the ability to capitalise on opportunities for expansion.

Budget cuts



High attrition at junior to mid-level



Limited time for idea generation



Need for sector and asset-class expertise



Emergence of digital platforms resulting in a constant need to train/upskill existing staff



Compliance

Navigating an evolving regulatory landscape and compliance are persistent challenges for wealth managers. Balancing the tough regulatory compliance with providing a smooth client experience requires a focused approach and robust policies and protocols. With wealth managers expanding into new geographies, ensuring compliance with the respective regional regulations adds to the complexity. Wealth managers are also increasing the number of digital tools and platforms they use; this adds another dimension of risk to client data.

Mitigating compliance risks associated with technological advancements and digital transformation



Navigating the complex and ever-changing regulatory landscape



Ensuring consistent compliance across global operations/multiple jurisdictions



Balancing compliance requirements with business goals and client expectations



Acuity services for private wealth managers

We are a “one-stop-shop” for the needs of private wealth managers, with deep domain knowledge and experience.

Research and Advisory

Attract client assets and increase face time with clients

- » Equity research
- » Fixed income research
- » Funds research
- » ESG research
- » Macro research & Investment strategy



Portfolio Management

Provide bandwidth to investment teams through Front, Middle & Back office operations

- » Performance and risk reporting
- » Data management & operations
- » Analytics – Portfolio construction, Asset allocation, Econometrics, Optimisation, Model Portfolios maintenance, quant/statistical analytics



Credit Risk Analysis

Underwriting/Portfolio monitoring Support and Servicing Support

- » Credit Reviews
- » Covenant Monitoring
- » Risk Rating
- » Financial Spreading
- » Loan Servicing
- » Collateral Management



Sales and Marketing

Effective client outreach to focus on AUM growth and revenue generation

- » Factsheets, presentations, pitchbooks and other collaterals
- » Investment writing, newsletters and bulletins
- » Client reports, MIS and Dashboards
- » Digital marketing



Compliance

Rigorous implementation of controls at lower costs

- » Client due diligence and financial crimes process
- » Investment compliance support
- » Monitoring and surveillance



Data and Technology

Business Focused Technology Solutions

- » Custom Application development
- » Data Science
- » UI, Dashboards
- » CRM and Sales force Management
- » Enterprise Data Management



Bespoke tool development

Excel/VBA, SQL, C++, .NET, XML, Java SAS, MATLAB, Python, R, S-Plus

Process automation and reengineering

VALUE DELIVERED



AUM Growth



Optimise Cost



Ideas and Insights



Speed to Market



Reduced Risk



Strengthened Compliance

Trusted by global private wealth managers

Generally “Greenfield” teams are added by Acuity to create new research platforms, create differentiation, meet regulatory needs etc.

Investment Research Support

Swiss headquartered private bank

27 FTEs *Since 2014*

- » Equity research & Fixed Income support to expand coverage to 1200 stocks and 400 issuers under credit coverage
- » Coverage initiation reports
- » Coverage monitoring and maintenance reports
- » Fixed Income passive coverage support

Sales and Marketing Support

Wealth manager

62 FTEs *Since 2006*

- » 2000+ marketing collateral reports monthly
- » 300+ RFP/RFIs, 800+ DDQs, 50+ Databases
- » 2500+ digital marketing document monthly
- » 3000+ invoices delivered annually
- » 1500 client/investor reporting monthly

Investment Research support across asset classes

UK based private wealth manager

16 FTEs *Since 2020*

- » Coverage initiation across equities, fixed income and funds
- » Coverage maintenance
- » Editorial support
- » Maintenance of triggers

Investment Research Support

Private wealth arm of a top European investment bank

16 FTEs *Since 2011*

- » Initiation and quarterly maintenance of ~500 issuers
- » Credit rating recommendations, event updates, news review
- » Sector KPI dashboards

Investment Research Support

Emerging markets-focused private wealth manager

4 FTEs *Since 2016*

- » Coverage initiation reports
- » Coverage maintenance
- » Editorial support
- » Formatting and design support

Investment Analytics and Portfolio Management

Private wealth arm of a top European investment bank

3 FTEs *Since 2020*

- » Portfolio management (performance and risk reporting, investment models, model portfolio maintenance, breach reporting)
- » Asset allocation
- » FX and macroeconomics

CONCLUDING THOUGHTS



**Ramesh
Punugu**

**Senior Director –
Buy-side Investment
Research**

Acuity Knowledge Partners

Wealth managers weather the challenging macroeconomic conditions by constantly adapting to the changing environment. They are required to actively manage client portfolios if they are to meet changing priorities and risk-taking abilities. Leveraging technology to gain preliminary insights and adding specialised advisory would help wealth managers optimise their investment strategies. Amid the increasing need for more high-touch and personalised engagement, wealth managers also are focusing on equipping their advisors with the tools and dashboards required to ensure a value-added client engagement. An optimum combination of traditional practices and modern tools are required to provide an enhanced experience and retain and grow AuM.

AUTHOR

Priya has over 17 years of experience in equity research and financial auditing. At Acuity Knowledge Partners, she currently manages client relationship and delivery for leading private banks. She has been with the company for over 14 years and has led teams in sell-side and buy-side engagements. She previously worked at Ocwen Financial Services and as an auditor at Deloitte. Priya is a Chartered Accountant and holds a Bachelor of Commerce degree from Bangalore University.



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Acuity Knowledge Partners (Acuity) is a leading provider of bespoke research, analytics and technology solutions to the financial services sector, including asset managers, corporate and investment banks, private equity and venture capital firms, hedge funds and consulting firms. Its global network of over 6,000 analysts and industry experts, combined with proprietary technology, supports more than 600 financial institutions and consulting companies to operate more efficiently and unlock their human capital, driving revenue higher and transforming operations. Acuity is headquartered in London and operates from 10 locations worldwide.

Acuity was established as a separate business from Moody's Corporation in 2019, following its acquisition by Equistone Partners Europe (Equistone). In January 2023, funds advised by global private equity firm Permira acquired a majority stake in the business from Equistone, which remains invested as a minority shareholder.