

Wealth Managers Call on Asset Managers to Bolster Product Specialist Talent, New MMI-Broadridge Survey Reveals

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74% of wealth managers urge an increase in product specialists from asset managers

Active ETFs and alternative investments drive product lineups as interest in mutual funds declines

NEW YORK, Oct. 15, 2024 /PRNewswire/ -- As asset managers rapidly expand their lineup of more complex investment products such as alternatives, wealth managers are calling on asset managers to ramp up their product specialist talent to keep pace, according to a new survey from the **Money Management Institute** ("MMI") and **Broadridge Financial Solutions, Inc.** (NYSE: BR). Nearly three-quarters (74%) of wealth managers have called on asset managers to invest more in product specialists, up significantly from 38% in 2023. Six in 10 asset managers plan to make this investment, with a primary focus on adding specialists for alternative investments, private markets, and non-traditional products.

"As part of our ongoing program of delivering comprehensive thought leadership on important industry trends to MMI's member firms, we are excited to share our latest annual survey results in conjunction with Broadridge," said Craig Pfeiffer, President & CEO of the Money Management Institute. "The survey provides multiple insights into the state of the investment management industry to help drive actionable strategies and informed decision-making for investment solutions providers. In particular, our survey found that product lineup is one of the top three characteristics that sets best-in-class asset managers apart from others, so being thoroughly prepared to meet these demands is mission critical. As such, building and resourcing the right product specialist teams will be instrumental in helping asset management firms stay ahead of the curve."

In its second year, the survey explores how MMI members view trends and challenges across four topics:

distribution, products and strategies, artificial intelligence, and business outlook. This year's survey found that asset managers are making progress but not keeping pace with advisors' evolving product offering needs.

Asset managers leaving money on the table with undiversified products and expertise

"The investment management landscape is rapidly evolving due to an influx of younger investors and unsteady markets forcing wealth managers to look at newer, non-traditional products for alpha generation. As a result, asset managers now more than ever have an opportunity to provide innovative products and onboard the right talent to meet the demands of today's investor," said Tim Kresl, Principal, Distribution Insight at Broadridge. "Our survey reveals that the future of investing is in newer products in private markets and active ETFs, and asset managers can strengthen relationships by providing the right products and services."

The survey also finds that wealth managers are increasingly leveraging direct/custom indexing, typically to address tax efficiencies and clients' unique investment preferences, yet 49% of asset managers are not actively involved with direct/custom indexing. Among asset managers without a proprietary direct/custom indexing solution, 60% do not plan to introduce them yet nearly all (89%) wealth managers plan to expand, add, or launch direct/custom indexing solutions.

Further, asset managers may also be missing the mark when it comes to converting mutual funds into ETFs, as interest in mutual funds wanes; 51% of wealth managers are looking to asset managers to create look-alikes/clones of existing, active mutual funds or convert those funds into active ETFs, compared to only 35% of asset managers who plan to do so.

In addition to evolving product lineups to meet the demand for new investment opportunities, a majority (85%) of asset and wealth managers agree that younger generations will require different products and/or service models, but only 34% are preparing to re-orient their growth strategies to address this demand.

Alternative investments and active ETFs are the new battleground among investment managers

Investing in the right talent is increasingly important as overall industry allocations to products are expected to change. A majority of wealth and asset managers expect to see the industry increase allocations to active ETFs and alternative investments (89% of wealth managers; 92% and 85% of asset managers, respectively), signaling investors' interest in new and exciting investment vehicles.

While asset and wealth managers are aligned on the opportunities these products offer, when it comes to alternative investments specifically, there is misalignment in managers' vision for the go-to-market strategy. Eighty-

three percent of wealth managers agree that their vision is to offer these products as an integrated component of an overall portfolio versus standalone investments, compared to 65% of asset managers.

In addition, nearly 8 in 10 (78%) wealth managers include liquid funds among the top three fund wrappers offering the most growth potential yet only 49% of asset managers are offering or developing alternative investments with liquid fund wrappers. This suggests an opportunity for asset managers to increasingly prioritize liquid fund wrappers, in addition to registered fund wrappers – the top wrapper currently used – in alternative investments product development.

AI to advance opportunities among asset and wealth managers

Nearly all (93%) asset and wealth managers surveyed allow some use of AI, with 79% of those managers currently leveraging AI in some capacity. Top use cases for AI include business intelligence, marketing/content development, and client service delivery.

Of those leveraging AI, nearly all (99%) have already or expect to experience a positive impact on efficiency and/or productivity, and 97% report that AI is a moderate or high priority moving forward. Further, 80% agree that AI will play a major role in their firm's business over the next two years and specifically benefit back-office/operational functions, employee productivity, and sales and marketing functions.

While enhanced efficiencies and opportunities abound within AI, concerns remain around errors/inaccuracies, data security/privacy, and regulatory compliance, and some managers report that the use of AI as well as the cost of keeping up with continually advancing technology is a threat to their business. However, despite these challenges and threats, managers are taking steps such as evaluating contracts with service providers, being deliberate about the deployment of technologies, and reducing costs in order to keep up with the pace of change.

Methodology

The survey was conducted by the Money Management Institute (MMI) in conjunction with Broadridge and 8 Acre Perspective, an independent marketing research firm. A total of 175 MMI members completed the survey, which was fielded from May 23 – June 28, 2024.

For further details on survey methodology, please contact a media representative.

About Broadridge

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transformative technology to help clients and the financial services industry operate, innovate, and grow. We power investing, governance, and communications for our clients – driving operational resiliency, elevating business performance, and transforming investor experiences.

Our technology and operations platforms process and generate over 7 billion communications per year and underpin the daily trading of more than \$10 trillion of securities globally. A certified Great Place to Work®, Broadridge is part of the S&P 500® Index, employing over 14,000 associates in 21 countries. For more information, please visit www.broadridge.com.

About the Money Management Institute (MMI)

Established in 1997, the Money Management Institute (MMI) is the industry association representing financial services firms that provide financial advice and investment advisory solutions to investors. Through conferences, educational resources, and thought leadership, MMI facilitates peer-to-peer connections, fosters industry knowledge and professionalism, and supports the development of the next generation of industry leadership. MMI member firms are dedicated to helping individual and institutional investors, at every level of assets, plan for and fulfill their financial goals. For more information, visit www.MMIInst.org.

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