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CLIENT REPORTING FOR THE FUTURE

The client, functional, technological, and regulatory impacts on the future of client reporting and communication and trends that will affect how reporting teams can maximize their investments in technology to better service clients.

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Client Reporting for the Future

Contents

Client Reporting for the Future 2
Introduction 3
Client Impacts on the Future of Reporting 4
Institutional Asset Managers: Connecting with Customers 4
Asset Servicers: Seeking Higher Margins Through Added Value Services 5
Local and Specialized Asset Managers: Raising Their Game for Institutional Clients 5
Wealth Managers and Private Banks: Where the Client Experience Will Dominate 6
Asset Owners: Looking for a Consolidated View 7
Front Office 8
Middle Office 8
Back Office 9
Data Management 9
Technological Impacts on the Future of Reporting 10
Going Digital 10
Best-of-Breed versus Reducing Total Cost of Ownership 10
Natural Language Generation and Automated Commentary 11
Regulatory Impacts on the Future of Reporting 12
Review of the Legal and Regulatory Framework by Client Segment 12
Conclusions 13
Paths Forward 13
Protecting Your Investment in Reporting Software 14
A New Name for a New Role? 15

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Introduction

A year ago, investment managers were talking to us about their current needs in portfolio reporting software and services. Today they ask, “What will I need tomorrow that I might not be aware of now?” The emphasis has moved from present to future tense, marking a notable shift in the reporting landscape.

We have also found that technology itself is not always the greatest barrier to introducing new reporting functionality. More often, members of the investment community, notoriously conservative and reluctant to act as early adopters, hinder advances. Naturally, most firms want reassurance that new functionality has been deployed successfully at several of their competitors before making the leap.

Yet for active managers, the need for evolving business models has never been greater. Fees are tightening and asset allocation has become more important than ever. Firms are being mandated to reduce their total cost of ownership for their IT footprint. Asset managers wish to increase their AUM, but at the same time must think about their distribution channels and how they can deliver client reports efficiently. With margins being squeezed, the budget to cover reporting is diminishing.

It seems clear that client reporting will need to evolve as the environment in which it operates changes, but is “client reporting” the right term for the future? As the demands of asset managers shift from lower value data delivery to a higher value, wider client experience in which reporting forms just an element, the terms that the function uses to describe itself will also need to evolve.

Here, we’ll outline the client, functional, technological, and regulatory impacts on the future of portfolio reporting, how to protect your investment in reporting technology, and how client reporting teams can better reach their potential.

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Client Impacts on the Future of Reporting

Institutional Asset Managers: Connecting with Customers

Asset managers need to look at the delivery of critical information, the analytics around that information, and how to accommodate the needs of the asset owner.

In the future, institutional asset managers must become more outward looking, with a focus on connecting to their customers. The obstacle they face is not necessarily including different information, metrics, or charts on a report; the challenge is moving from a static experience to a fluid conversation. Asset managers need to look at the delivery of critical information, the analytics around that information, and how to accommodate the needs of the asset owner. In many instances, this will mean shifting the communication process from scheduled reporting to an on-demand model.

The notion of “self-service” reporting has become more common, but we must distinguish between the two variants: client self-service and asset manager self-service. From our conversations with institutional asset managers, we don’t necessarily believe that a total self-service reporting solution is what they are seeking. A “digital” experience doesn’t mean client self-service either, and asset owners are not generally asking their asset managers for the ability to access and navigate the asset manager’s data. In our view, at its heart “digital reporting” is about transparency, providing insight instead of just data, and a better consumer experience. Asset manager self-service is more in demand than client self-service. The bottom line is that clients still require reports, and asset managers are challenged to consider the evolving client experience and view reporting from the clients’ perspective.

One key question for institutional asset managers to consider when trying to differentiate themselves is how much information is too much. Many managers are inclined to include more and more fields of data as a means of distinguishing their services and providing value. In this sense, the reporting industry is following a similar path as it did with frequency, where the move from quarterly to monthly reporting was heralded as a breakthrough in terms of service. Perhaps asset managers (and service providers) are occasionally guilty of overwhelming asset owners with too much data in areas where they don’t need it and not enough where they do, resulting in an overabundance of custom reports. Differentiating between data and information needs to be a key consideration. The needs of each asset owner may be different, but asset managers need to find a balance to avoid too many custom requests.

A third of the investment managers we surveyed felt that only between 25% and 50% of their reports were being read by clients.

There is a point of diminishing returns beyond which the provision of extra data is neither desirable nor viable. At our most recent Vermilion user forum, we asked 100 investment management delegates what percentage of their reports they believed were read by their clients. The result was surprising. A third of the audience felt that only between 25% and

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50% of their reports were being read by clients. We believe institutional asset managers will become more selective about the data they provide to asset owners in the future, with volume becoming less important than relevancy or expediency.

Asset Servicers: Seeking Higher Margins Through Added Value Services

With intense competition and pressure on margins, asset owners and asset managers are looking to outsource operations to asset servicing firms. An increasingly commoditized asset servicing market has led many asset managers to lower fees to win new business.

From our conversations with asset servicers, there is still some debate as to whether reporting should form part of this outsourced package. The question often centers on whether it is viable for an asset servicer to deliver a one-size-fits-all application for its asset management clients, or whether the servicer needs to retain some element of bespoke functionality that enables asset managers to create their own unique reports. Scalability, of course, is often a decisive factor in the equation.

For many third-party administrators, custodians, and outsourcers, the need to rationalize global client reporting systems is becoming increasingly apparent. Multiple clients and business functions each present their own individual reporting challenges, yet migrating away from this model without creating massive operational disruption can seem almost impossible.

A key question for asset management firms to consider is who ultimately makes the decision on the software design for their client reports. There are different levels of outsourcing. If the entire process is outsourced, there will inevitably be less customization available to the asset manager or owner. For firms requiring higher-level service or access to the software, far more bespoke designs will be available at a price. For small pension funds, an end-to-end service with less customization for a lower fee might be more attractive. Large institutions might find it necessary to have more control over the look and content of reports. Asset servicers are looking for revenue streams beyond traditional, low-margin custody business; middle office analytics, risk services, and reporting all have potential as a value-add. For this reason, we believe that reporting services will retain their appeal for asset servicers.

In the future, asset servicers will continue to look for vendor solutions for their reporting obligations. Most do not wish to be in the custom software development business, and best-of-breed reporting services will remain prevalent. While many smaller asset managers may not have the staff or infrastructure for a standalone reporting application, as part of an asset servicer’s offering, the economies of scale make this kind of software more accessible.

Local and Specialized Asset Managers: Raising Their Game for Institutional Clients

With years of industry consolidation behind (and probably in front of) it, the asset management industry has become somewhat polarized. The number of large, global firms has increased as has the number of specialist firms that concentrate on a particular asset class, strategy, or geography. The middle ground is shrinking, and we expect this trend to continue.

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Over recent years, as the popularity of efficiency structures like fund of funds has grown, institutional clients have invested small percentages of their portfolios in specialist funds. Consequently, pressure has increased on boutique asset managers to produce timely and accurate marketing documents, such as factsheets.

Without precise, high quality factsheets, boutique or localized fund managers experience barriers to securing mandates from these institutional clients. These managers also have to deal with multilingual requirements and regulatory obligations from regional governing bodies.

As investors search for alpha in non-traditional instruments, the importance of reporting and transparency increases.

As investors search for alpha in non-traditional instruments, the importance of reporting and transparency increases. Investors who are accustomed to quarterly or monthly reports require the same for these alternative asset classes.

The main drivers in this segment now are automation and scaling, rather than highly bespoke reporting. Today reliability and transparency are more critical than innovative, digital approaches, though we anticipate this will change in the coming years as client reporting becomes more bidirectional.

Wealth Managers and Private Banks: Where the Client Experience Will Dominate

Although the evolving client experience is discussed frequently in the wealth and private banking space, little of this conjecture has translated into action. If you've attended many industry conferences, you might be led to believe that the entire wealth industry is at the cutting edge of client experience technology. However, the somewhat dated ways in which many wealth managers cater to their clients might inspire a different conclusion. The operating models that prevail within wealth management certainly have not matched the hype around robo-advisors. Particularly in the UK and much of Europe, the traditional face-to-face reporting model still persists. In the Asia Pacific region, however, wealth managers have proven quicker to adopt new technology to support their client base.

A study that FactSet commissioned through Scorpio Partnership, The Culture Challenge: HNWIs Vision for the Wealth Management Industry in the Age of Information, delved into the habits and preferences of high net worth individuals in Singapore, the U.S., Switzerland, and the U.K. Our research found that weekly or daily reporting is becoming more desirable among various investor demographics. Out of the survey respondents under 35, 30% expect managers to be evaluating risk profiles on a weekly basis, while 16% expect daily reviews. Roughly 40% of those with more than USD10 million in investable assets expect at least weekly reassessments of their risk profiles. This shift also appears to be part of a wider move toward delivering a better client experience. In this context, wealth managers are looking to provide interactive and personalized client reporting through digital channels to replace batched print and PDF output for client consumption. Thus, rather than push the output to the client, the wealth manager will enable the digitally savvy investor of the future to participate in the management of their assets. In addition, the wealth manager will look to provide an additional layer of service through personalized advice in the form of "smart" alerts that are triggered when an element in the portfolio has substantially changed or when an idea that matches the investor's profile becomes an attractive trading opportunity.

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We foresee a future where wealth management or private banking clients log into their own highly personalized portals, where they can review their portfolios from a number of different perspectives. This digital platform will not only highlight portfolio holdings that had significantly changed, but provide personalized advice from the CIO's office and the ability to interact with the advisor on new ideas on the fly. In a sense, this kind of insight is where wealth managers need to prove their value to their clients, as data loses its value if it fails to deliver information that is relevant and personal to each client. Wealth managers have an added challenge in that their clients may lack an in-depth knowledge of financial markets; therefore, the user experience will need to be straightforward with visualization and graphical displays, which will give rise to gamification techniques to improve client knowledge and levels of engagement.

The client experience should be such that the wealth manager knows their client well enough, based on usage analytics or trading activity, to tailor the information presented according to what is likely to be most relevant. The focus should be on the right areas of asset allocation, with a highlight on the most pertinent information providing a real-time, visual, personalized representation of the client's investments.

Wealth management is a segment where client reporting must, as opposed to might, evolve dramatically.

FactSet views wealth management as a segment where client reporting must, as opposed to might, evolve dramatically. A medium-sized wealth management firm typically deals with 20,000 client portfolios. The ability to report periodically on that many portfolios becomes almost impossible without a heavily automated system where clients are able to pull data independently. For most wealth managers, client reporting is therefore a volume decision, as opposed to a value one; scalability is key, and most managers are not trying to differentiate in this area. If wealth firms can adapt to a situation in which clients can pull the data they are interested in from a digital platform, they can arguably deliver much more value to the client and free up valuable firm resources.

As the Millennial generation ages, interactive technology in this space becomes a requirement, not an option. We believe that periodic emailed reports will ultimately give way to real-time alerts to notify clients of significant changes in their holdings. The rest of the time, investors will extract the information they are interested in via digital experiences, with the wealth manager making use of historical behavioral data to reflect the client's preferences. Machine learning becomes a key factor in shaping that experience.

Asset Owners: Looking for a Consolidated View

As the most prominent clients and end-consumers of reporting data, asset owners should be asserting more influence on the direction of the market. In the current environment, asset managers are attempting to control the messaging and how their investments are portrayed, while asset owners are trying to reconcile different reporting from different managers to perform plan-level due diligence.

The shift from active to passive management of assets has resulted in increased pressure on active managers to prove their value. The proliferation of passive vehicles has meant that reporting requirements stipulated by asset owners have become more exacting. Some asset owners have taken their fund management in-house, exerting even more pressure on active managers to report with increased detail. We are seeing asset owners make direct investments in private

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equity, real estate, and infrastructure. The need for alternative asset managers to improve their transparency has never been greater.

For smaller asset owners or plans, the role of the investment consultant could be key to the adoption of a consolidated reporting process, operating as an intermediary between the asset owner and the asset manager. Investment consultants are growing in influence in this sector, and we have witnessed a boom in the outsourced CIO business. These firms are taking discretionary ownership of plans and often run both the asset allocation and the investment decisions.

Consultants are already attempting to aggregate a great deal of performance data by processing multiple client reporting documents on their clients' behalf, collecting other data from all the managers and reporting back to the asset owner. It would, therefore, be in their interests if the investment consultants championed the idea of a central reporting venue for the asset owner.

Functional Impacts on the Future of Reporting

Developments across the front, middle, and back offices are all affecting the way buy-side firms will report in the future.

Front Office

In the future, reporting will become transactional, and the requirement to make a trade on a client portfolio will necessitate regulatory clearance.

In the future, reporting will become transactional, and the requirement to make a trade on a client portfolio will necessitate regulatory clearance. This means that proposed trades will have to go through compliance and then to the client, where the details of the fund and why it is appropriate will probably be viewed on a digital platform via an alert system. In time, this kind of transactional, ad-hoc reporting may well become commonplace in the market.

Middle Office

In the internal reporting space, asset managers commonly automate weekly reports for all the fund managers. This report might be a five-page tolerance-based document that provides a weekly risk review for all portfolios. The asset manager typically wants the fund manager to receive this review only when tolerance has been breached.

If we take this scenario externally (i.e., to investors), asset managers could potentially generate reports when the fund manager has moved outside the client's mandate or delivered particularly high returns. In this way, client reporting could evolve from being a time-based to an event-based operation. One might argue that this is a more dynamic solution, and readership rates for the reports would increase significantly if they were sent in these circumstances. As we see the industry shifting towards a convergence of risk, performance and reporting teams' event-based reporting is a natural progression.

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Back Office

Most of the efficiencies created by automated client reporting are felt in the middle office, ultimately for the hand-off to the front office. Indeed, the reason investment management firms struggle with respect to their digital strategies is that their perspective on the client experience tends to focus on the client-facing front office.

A great deal of data management can be automated, along with the linking of databases that are best of breed within those firms. Even if firms have bought the best applications for each workflow, the applications often don't communicate with each other, data concordance is a problem, and operational efficiency is limited. Technology exists that can largely solve this problem, and reporting should be supported by automation all the way from the back office to the front office. The pressure on fees will, to a large extent, drive this advance, as firms seek to reduce their operating costs accordingly.

Data Management

A State Street Corporation report, *Technology in Finance Reimagined: Finding Long-Term Value in a Digital Age*, surveyed 2,000 global retail investors and 500 wealth investment providers on the importance of data flows. State Street asserts, "Some firms focus almost exclusively on the front end of the user client experience, but if it isn't underpinned by a robust approach to data, it is simply a cosmetic exercise." If firms do not invest in their data management and back office processes as well as they do in the front office, they will soon reach a breaking point when those businesses must scale.

Seamlessly integrating performance data into the reporting engine will become more important in the future, as asset managers (and owners) seek to respond to the performance of their portfolios more readily. That said, the transfer of data from system to system will become a secondary issue. The traditional data conundrum is, "How do we get data into a reporting solution more readily?" In the future, this question will evolve into, "How do we get data into the hands of the client more easily?"

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Technological Impacts on the Future of Reporting

Going Digital

Fundamentally, digital should embrace a bi-directional strategy for data, as opposed to the traditional approach where data is pushed to investors.

Fundamentally, digital should embrace a bi-directional strategy for access to data and report, as opposed to the traditional approach where data and reports are pushed to investors. This strategy should form part of a broader approach to client reporting, where the focus is on enhancing the entire client experience rather than improving routine issues such as the automation of data.

In the wealth space, the concept of "self-service" is already a viable term, where the whole area of digital delivery is more advanced than in institutional asset management. It is important to define what "self-service" means, however. Traditional reporting solutions require a client-servicing team to operate the technology and service the front office. The industry tends to equate self-service with the investor experience, but self-service could also just mean the front office self-servicing their own reporting needs. Digital should not be confused with "portal," a product term that many in the client reporting industry have adopted but is equally misunderstood. Indeed, some would say that portals use technology to create a problem instead of solving the problem. If an asset owner has 15 asset managers and each of them creates a portal, this will require 15 different usernames and 15 passwords just to log in. The asset owner then has to master 15 different user interfaces to access their reporting information. Clearly, individual portals do not present the consolidated view of the asset owner's portfolios, something needed for further asset allocation decisions.

Digital is not just a technology, it is an experience. Today "digital" is still an ill-defined term, and some consensus on its meaning will be required in order for the investment industry to move forward.

Best-of-Breed versus Reducing Total Cost of Ownership

There is little doubt that asset managers are no longer looking to work with hundreds of different vendors; they want solution providers that can operate across the spectrum of portfolio management activities. They are also more willing to accept that not all elements of their IT footprint need to be best-of-breed. The most successful firms are going to be those that buy best-of-breed solutions for the areas of functionality that are the most important to them, reducing the cost of IT ownership.

We believe that client reporting will be one of those key areas but will only survive as a best-of-breed function in this context where it delivers value to of the wider client experience. Tasks that cannot be automated will come under closer scrutiny from operations directors and are likely to be consumed by more broad ranging, utility applications unless they evolve. Reporting needs to move up the value chain if it is to retain its best-of-breed status.

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The implication for best of breed is that multiple systems must be mastered and maintained, increasing the technology spend within an organization. Recent evidence points towards the consolidation of vendors and pushing non-value add activity outside of the asset management firm. As firms consolidate the number of vendors they work with, so the total cost of ownership is reduced.

Natural Language Generation and Automated Commentary

Writing portfolio commentary is a costly, lengthy, and resource-intensive process. Writers spend days creating commentary only to restart the process again a few weeks later, often under tight deadlines mandated by sales and client needs. Investment managers want to issue reports sooner, but commentary writers have multiple priorities and often create a bottleneck in the process creating delays.

Technology exists that allows asset managers to receive portfolio commentary for all their strategies and separately managed accounts (SMAs) in seconds, so the firm has commentary ready on day one of the reporting cycle. An automated process will customize the commentary to incorporate the firm's style, tone, and guidelines, ensuring content is written in a consistent and compliant manner.

We foresee increasing adoption of Natural Language Generation (NLG) by firms to tackle one of the last bastions of manual processing. Not only is automated commentary cheaper than outsourcing the writing process, it also provides greater scalability. As regulation increases, this kind of compliance-enhancing technology can adhere to all the rules and regulations associated with producing content. Bearing in mind the current trajectory of regulation, some industry participants believe that in the long-term manual commentary writing will be combined with NLG to create comprehensive commentary while reducing time to market.

In the medium-term, manual commentary writing will not be going away. NLG gets asset managers to a starting point much faster, but often some qualitative insight needs to be provided to enhance the message. Commentary is a valuable way for active managers to add value to the investment process over a passive manager, thus justifying their fees. NLG provides quantitative analysis, but does not replace the need for a qualitative aspect (at least today). As the comfort level with NLG increases, it is likely that we will see more firms adopting this approach even as the trend to passive continues.

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Regulatory Impacts on the Future of Reporting

The push towards greater transparency is propagated by both asset owners and regulators, with all segments within investment management being affected. Reporting demands on asset managers will only increase in the short to medium term.

Review of the Legal and Regulatory Framework by Client Segment

In our experience, consumption of regulatory reporting falls into two main categories. In one, the investment manager receives the end report, after which the report is sent to the regulators. In the second, a vendor provides the relevant data and analytics to the investment manager, who then stores the data and generates a report using their own tools. Bigger firms tend to have their own internal data hub and direct channels into the various reporting bodies, while smaller investment managers tend to outsource this function to some degree.

For institutional asset managers, although we see client reporting evolving considerably in the next five years, we anticipate that the regulatory aspect will be more constant.

For institutional asset managers, although we see client reporting evolving considerably in the next five years, we anticipate that the regulatory aspect will be more constant, in such areas as KID reports for PRIIPs and Solvency II. At present, we find that the most common approach to delivering the PRIIPs information to clients is via a flat file, such as a CSV document, which is then passed to a third-party distributor or an internal reporting capability. With Solvency II, the big insurance firms can exert significant influence on their asset managers to deliver the data needed for effective regulatory reporting.

MiFID II's requirement for firms to report losses greater than 10% means firms must have frequent monitoring in place to alert for a loss and the ability to trigger a report to be sent to the client informing them of the depreciation of their portfolio. This threshold-based reporting increases the frequency of "pushed" reporting and requires an integration between portfolio monitoring and client reporting that oftentimes doesn't exist today. We expect to see an increase in the request for threshold-based reporting as clients seek out more frequent, value-add reporting based on their own thresholds and tolerances as well as those required by regulators.

Compliance chiefs must also consider the Albourne Partners' Open Protocol Enabling Risk Aggregation (formerly known as OPERA and now called Open Protocol for short) initiative. Launched in August 2011, Open Protocol is a risk reporting service originally designed to bring about greater transparency while standardizing risk reporting and disclosure to end-investors. This is potentially useful at a time when regulatory risk reporting is anything but consistent.

The regulatory environment is also having an effect on asset owners. Traditionally, asset managers would dictate to asset owners how they would report, but now asset owners must understand how an individual asset manager fits into their overall investment portfolio so that they can perform their own due diligence.

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In addition to seeking more specific information in their reporting, asset owners are increasingly demanding access to more than a PDF document. They want to see the underlying data to reach their own conclusions.

In terms of regulation, asset owners need transparency for their holdings; this is particularly relevant for alternative investment firms, where holdings are relatively opaque. Hedge funds and other types of asset managers are now penalized for not providing the requisite standards of transparency, even if the levels of performance are satisfactory. Asset owners can no longer take it in good faith that their hedge funds are following the mandate and, as a consequence, this group is now disclosing more than ever.

Conclusions

Paths Forward

Some forward-looking firms are starting to explore the building of platforms to provide customers with the information and experience they need. These platforms will be based on a best-of-breed component architecture to cover the array of functions required. The advantage of this approach is that as new demands and technical options emerge, they can be integrated into the platform to keep the proposition moving forward as the market evolves.

In this environment, investment managers will look to combine the best of existing suppliers with new technologies and horizontal technical solutions already available. There is an emerging demand from some investment management firms to move the needle in this way and become more client-centric in their business models.

In the future, asset managers will seek to close the loop, making the client reporting feed back into the start of the investment process and future asset allocation

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Client reporting has been a part of a segmented process for so long: invest money, analyze investments, collect data, and report on investments. It has been the final output in a linear progression of tasks. In the future, asset managers will seek to close the loop, making the client reporting feed back into the start of the investment process and future asset allocation. Regulatory changes, such as one sees under MiFID II, will fuel this feedback process as firms are increasingly required periodically to assess the suitability, monitor portfolio changes and report and adjust as appropriate.

Perhaps it is time for those involved in client reporting to take stock. The function would appear to be ready for a period of reinvention, as client, functional, technological, and regulatory needs evolve. In our view, in five years, client reporting will look very different. In terms of software development, reporting need to go beyond the relationships we have today to the partnerships we will have tomorrow.

Currently, client reporting is a delivery mechanism for historical information, distributed on a periodic basis. The line of communication is one-way, and modifications to the composition of the portfolio are made after the fact. In the future, however, we believe that the client reporting department will expand its role to become a resource that is used for all

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client interactions and the focal point for the standardization of client data. Our view is that client reporting is certainly capable of expanding its role, making itself the fulcrum for the management of the entire client experience. Client reporting is not just reporting; it's communication.

Protecting Your Investment in Reporting Software

Ultimately, the buyers of reporting software want to protect their investment. They want to know that if they buy a client reporting system today, it will not be obsolete in three years. Indeed, "future-proofing" is one of the most-used terms in investment management technology circles, as it can reassure asset managers, consultants, and vendors alike.

Unfortunately, "future-proof" technology is the investment management world's equivalent to the "unsinkable" ship. While this doesn't mean vendors cannot build a system based upon a roadmap of the future direction of the investment management firm for one, two, or even three years, the reality is that software vendors cannot predict the future any more than asset managers can. Engaging with a vendor should be more than a contract; partnership with that vendor is important to make sure the vendor's view of the future and the firm's view of the future are on a similar path.

Investment management is in a seemingly perpetual state of flux, with political, economic, regulatory, technological, client, and margin-related pressures brought to bear with the result that operations directors need to be able to respond in agilely. Internal factors, such as changes in investment strategy, asset class, geography, or simply the rapid scaling of clients, can all affect a firm's operations.

The way financial institutions and their technology vendors partner is one method of achieving this agility. A small number of firms will work more closely with vendors, encouraging and sponsoring innovation, but this is not currently the mainstream. Many asset management firms are largely reactive to technological advances, and the industry still is suffering from the ultra-conservative approach that followed the economic downturn 10 years ago.

Asset managers must embrace technology, be more prepared to be early adopters, and view technology as a key competitive advantage. This change extends beyond mere functionality and must include a cultural shift to an environment that is more fluid and agile. To embrace technology fully, firms must be able to upgrade their technology infrastructure more rapidly than they do today. This means investing in and developing much closer ties with key software providers, benefiting from their skillsets as well as the functionality that their systems deliver to evolve to new market conditions and opportunities.

Asset managers should also introduce far better oversight of their suppliers and ensure that they are fully cognizant of their suppliers' strategies. Asset managers must have mitigation plans for all key applications and technology, considering the likelihood of further mergers and acquisitions.

It will never be possible to fully future-proof any kind of software, but adopting a more agile approach to technology will help financial institutions more effectively change course.

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A New Name for a New Role?

It could be said that client reporting is just one facet of a much more fundamental requirement, and that teams need to revise their thinking accordingly, moving from the relatively narrow realm of client reporting to the far broader territory of the client experience and communication.. Yet within some asset management firms that we meet, it is not always evident who controls the client experience. In the current operational structure found within most investment management firms, one of the areas of the business that is closest to client needs is the client reporting team. By becoming part of, or central to, a much larger operational requirement, reporting could potentially move up the value chain.

Faced with rapidly scaling client bases and increasingly aggressive mandates from asset owners, client reporting teams have perhaps been so consumed with meeting current needs that they have been unable to enjoy the luxury of considering future requirements. That situation does appear to be changing, and investment managers are beginning to look further ahead.

Perhaps the potential of the client reporting function is being hampered by the way that it describes itself. In the future, reporting will not be a linear, one-way delivery mechanism where standard portfolio data is periodically generated and disseminated. Yet much of the terminology we see in the market still depicts this kind of model. Reporting is more than just paper; it's a dynamic, bi-directional communication process. A new label—client data service, perhaps—with associated phrases that imply two-way, real-time retrieval of data, might be one way for the function to reinvent itself.

Whatever new terminology is adopted, it should better reflect the needs of the market that it serves.

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