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Asset Owner Transformation

Key Survey Findings

Asset Owner Transformation: Overview



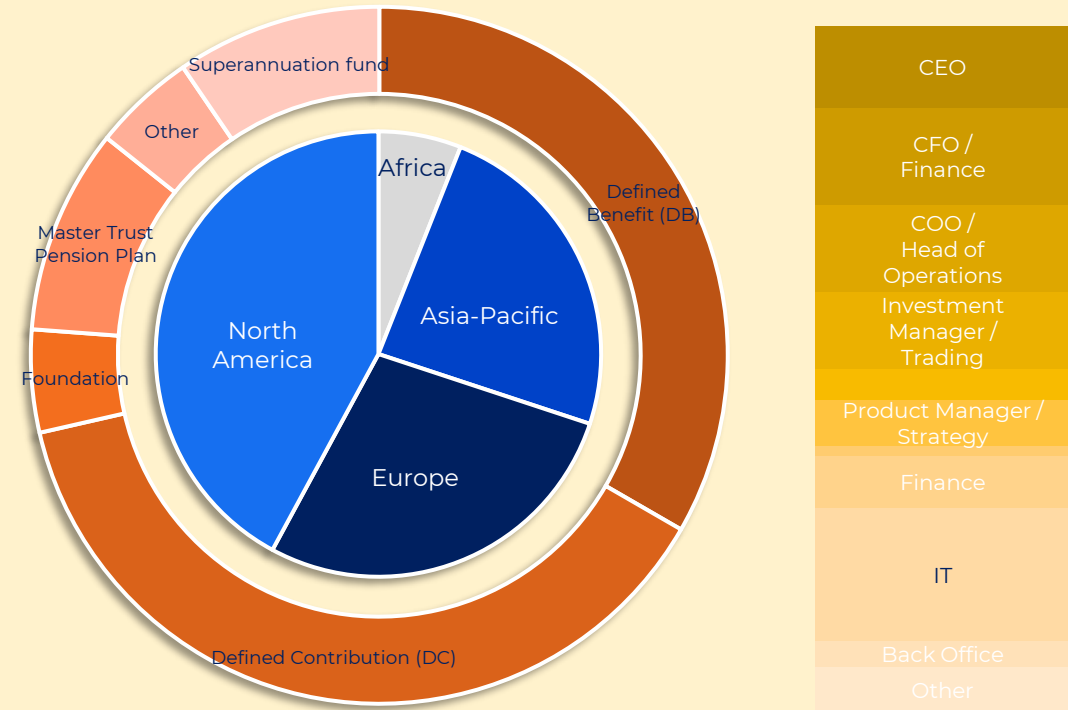
In September / October 2021, the ValueExchange launched an industry-wide benchmarking campaign to map out the case and path for change amongst global asset owners – with the support of the **Milestone Group, RBC, Citisoft and Adapa Advisory**.

This document summarises the key statistical findings of our campaign so far. All of the data in this Key Findings document is drawn from our interactive data dashboard. Please contact us if you would like to explore this data yourself.

We would love to hear your reactions to these findings and so please reach out if you have any comments or questions (to info@thevalueexchange.co)

Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over **130 asset owners** (and their service providers) around the world. These respondents are broken down as follows:



Asset Owner Transformation: Key Findings



Today's operating model

40%

of asset owners are using Excel for their asset allocations

\$20bn

Are asset owners seeing diminishing efficiencies above \$20bn AUM?

67%

of large asset owners see investment governance as a core priority today

Realising our transformation

62%

Of transformation projects in the next 3 years will be Enterprise-wide

78%

The average importance of Operational Agility as a driver of change

40%

Of asset owners are turning to software vendors as their partners in change

Executing on transformation

66%

of asset owners have ESG projects planned for 2022-24

73%

of asset owners see department restructuring as a key step in their transformation

17

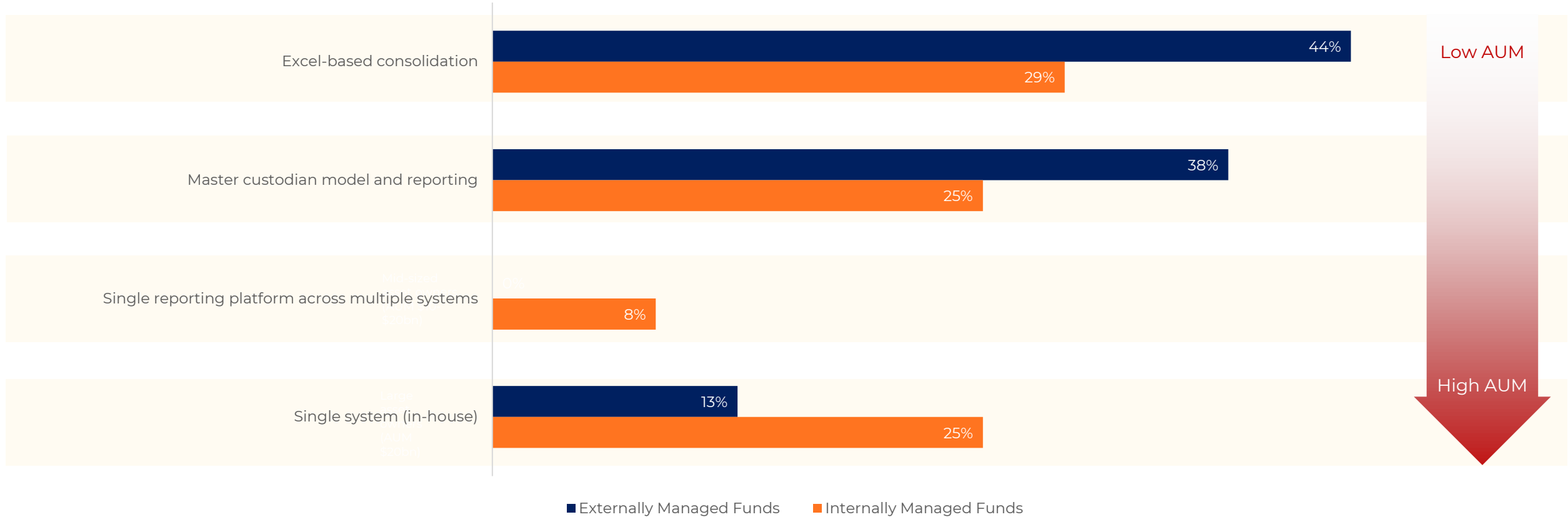
The average transformation project duration is 17 months



Today's operating model

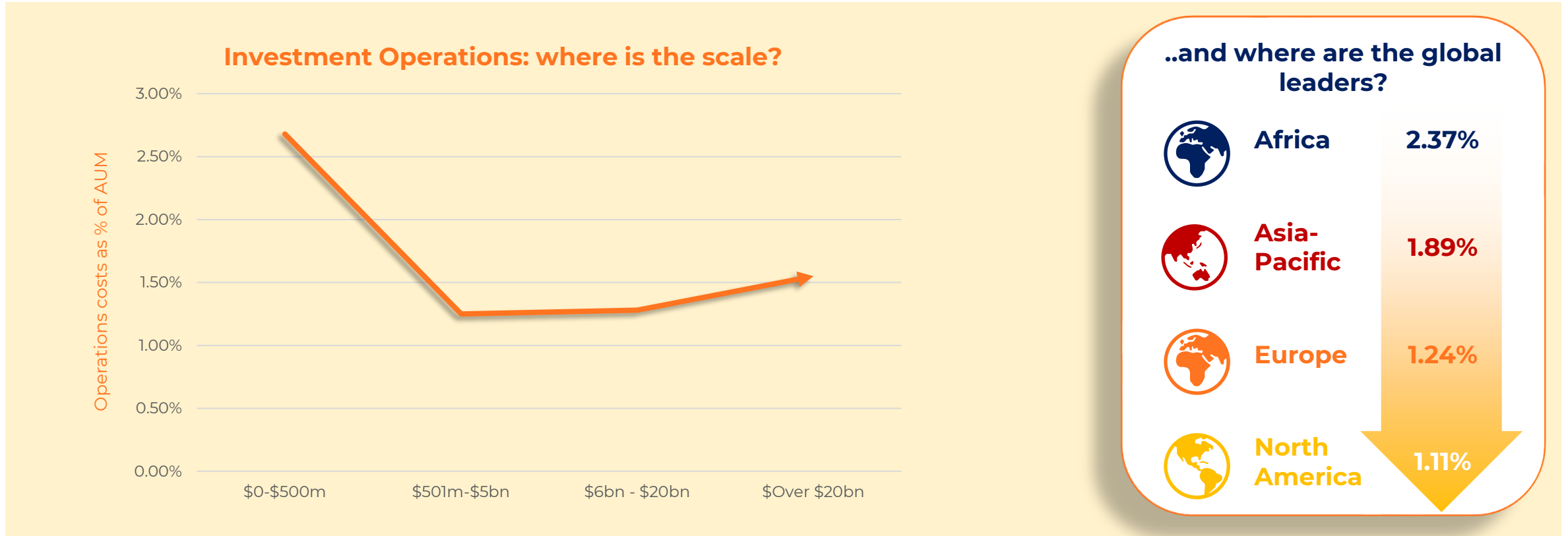
Over 40% of asset owners are still using Excel to manage their asset allocations

How are we overseeing asset allocations today?
(% of total respondents using each technology)



Today's Operating Model

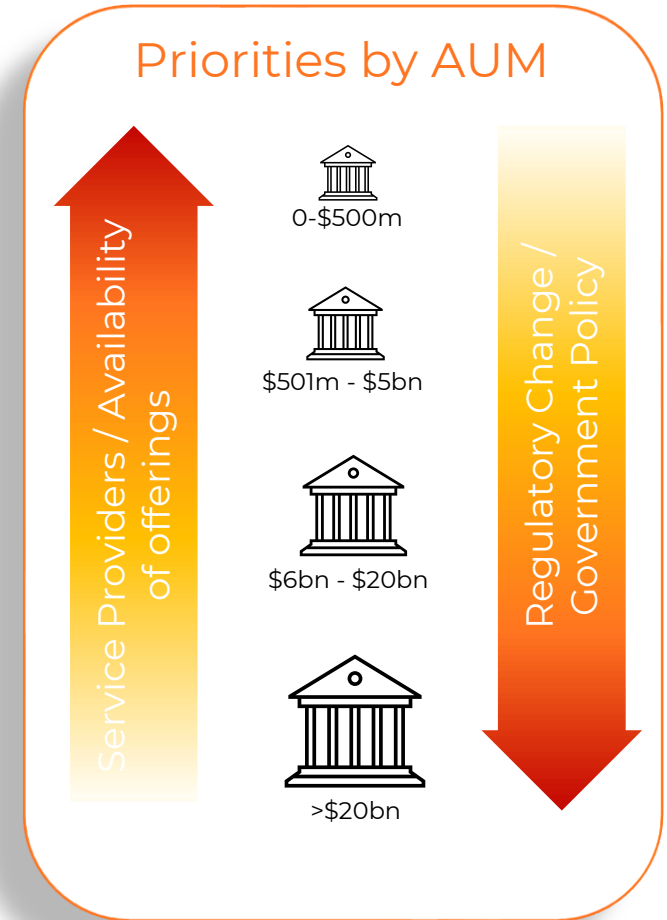
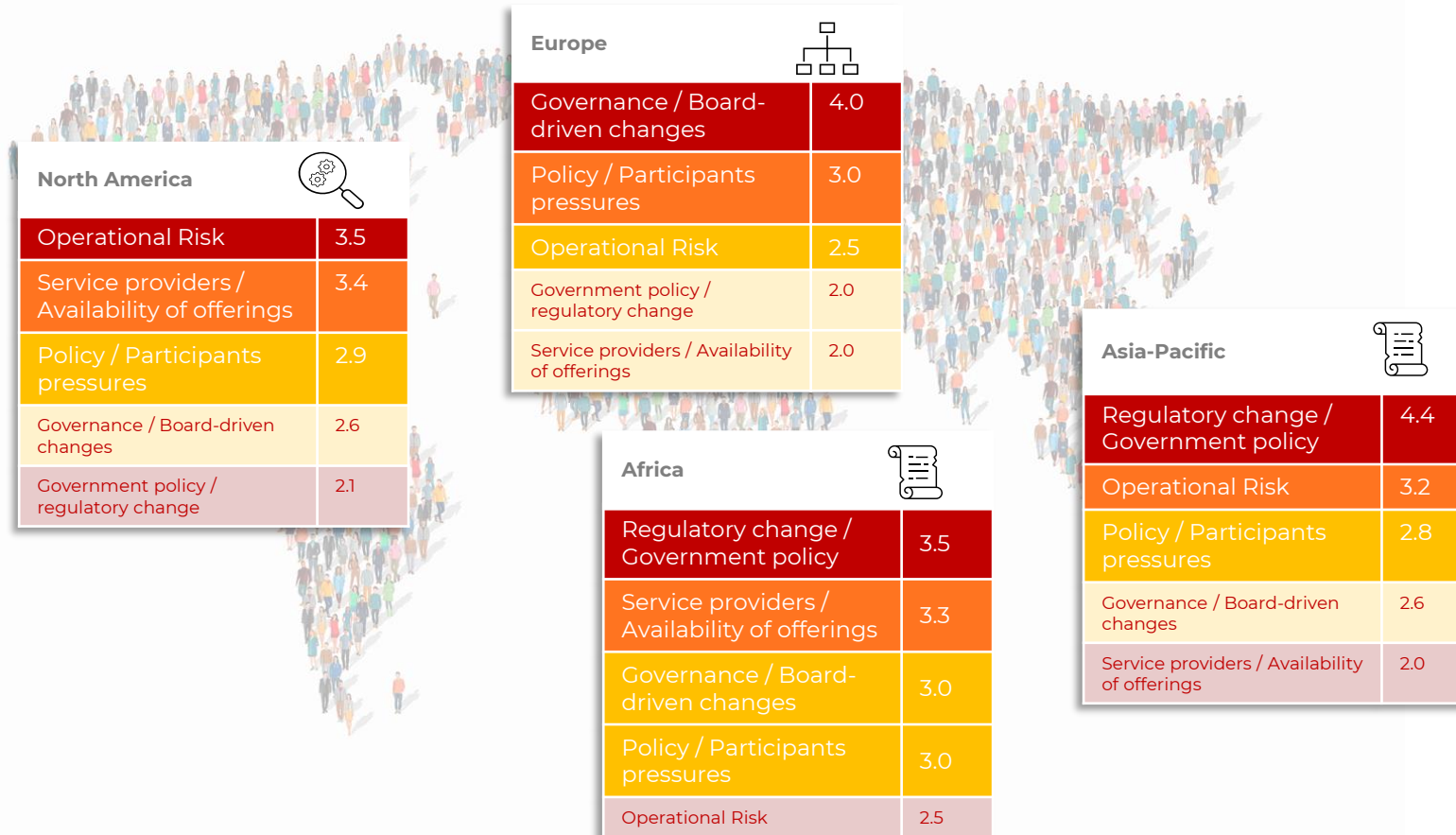
Running an investments operation: diminishing returns on scale?



What is driving the transformation agenda today?

Investments governance and regulatory pressures dominate

Key factors influencing asset owners' priorities today
(Score out of 5)



Defining our transformation

Governance and technology vs returns? Size matters

Asset Owner Change Priorities

(% of total respondents)



20% of asset owners are **consolidating**

Net-zero balance of insourcing and outsourcing of fund management

5% of asset owners are beginning to **offer their (in-house fund management) services to others**

Large asset owners are focused on (investments) governance and technology...

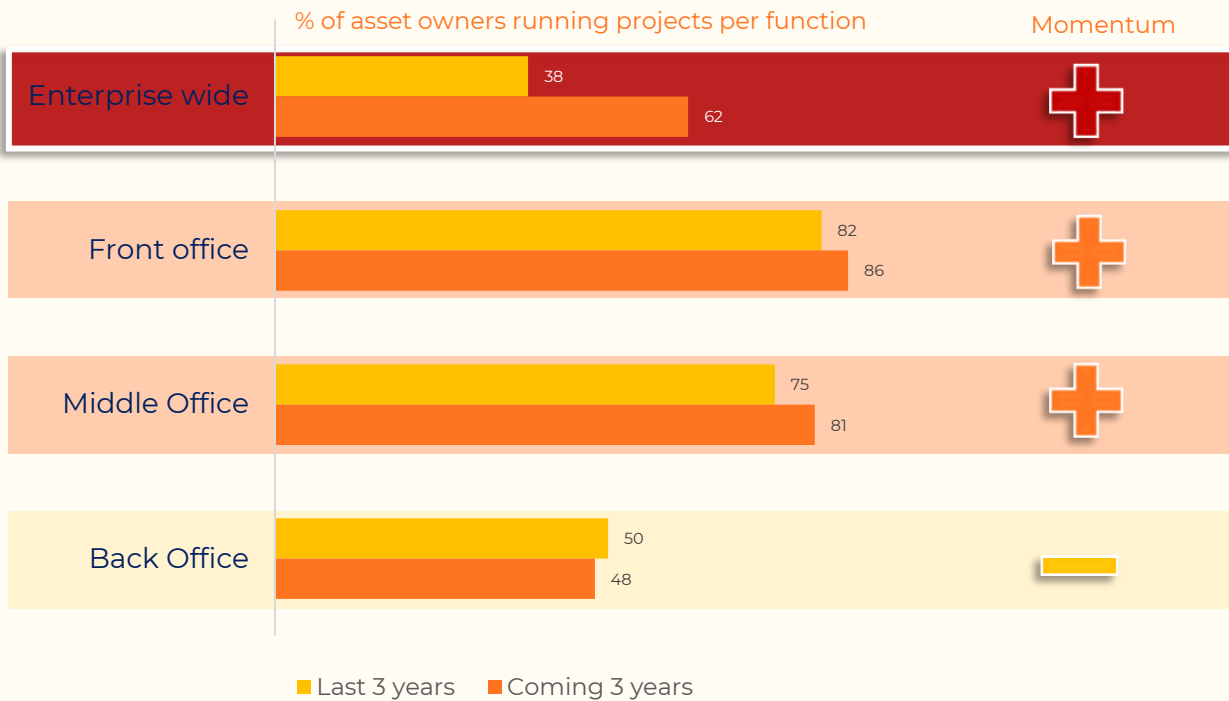
...whilst **smaller asset owners** focus on seeking new returns above all



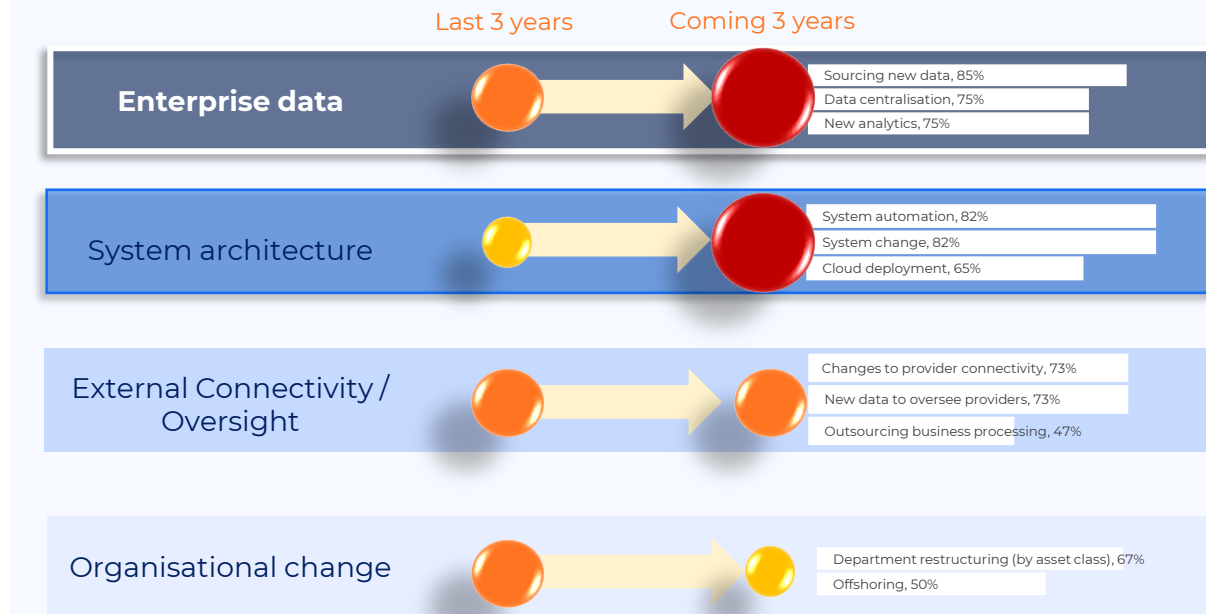
Realising our transformation

The rise of the Enterprise perspective

Where are / were the projects happening?



...and in what areas?



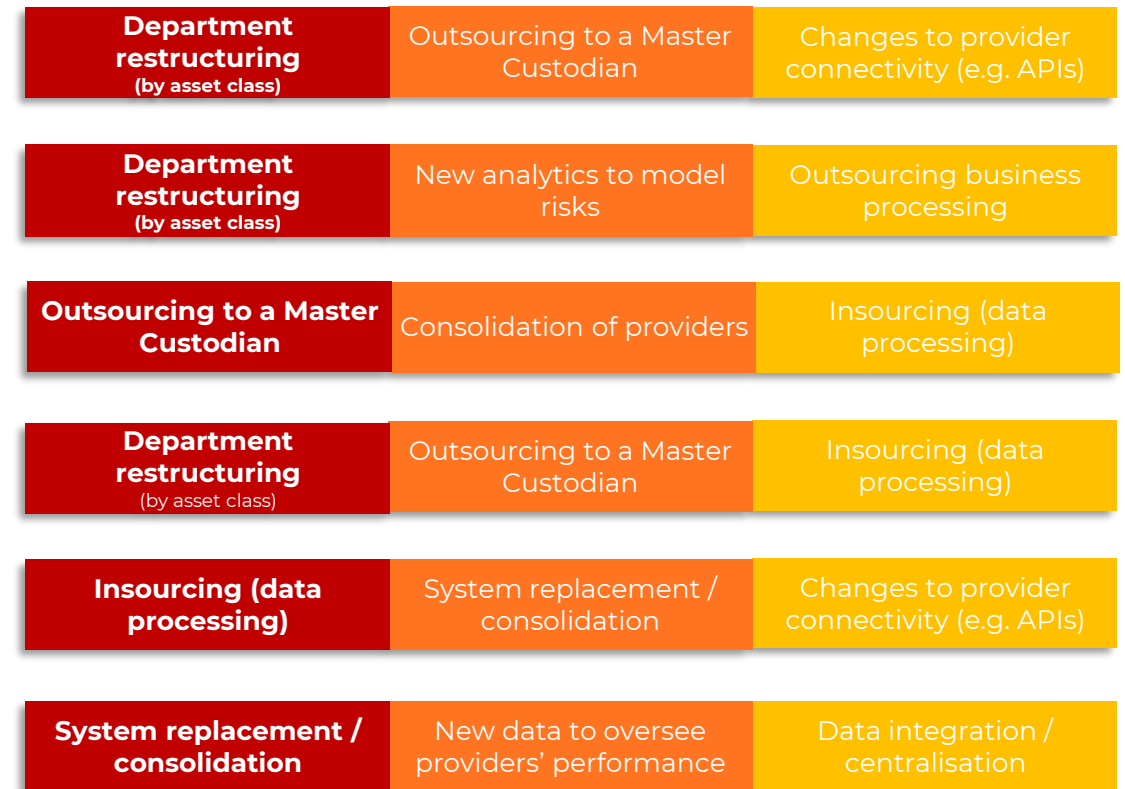
Defining our transformation

Building flexibility and control into our operating model – through people and process

What makes up the case for change? (Importance out of 5)



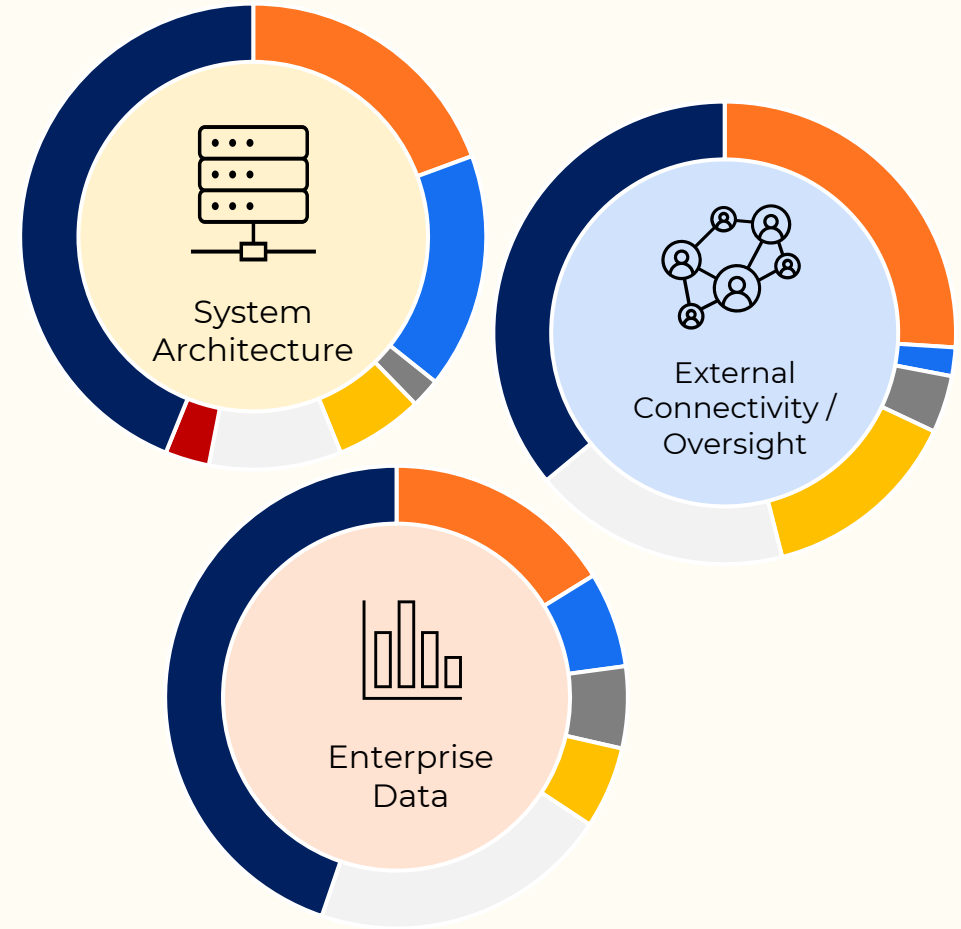
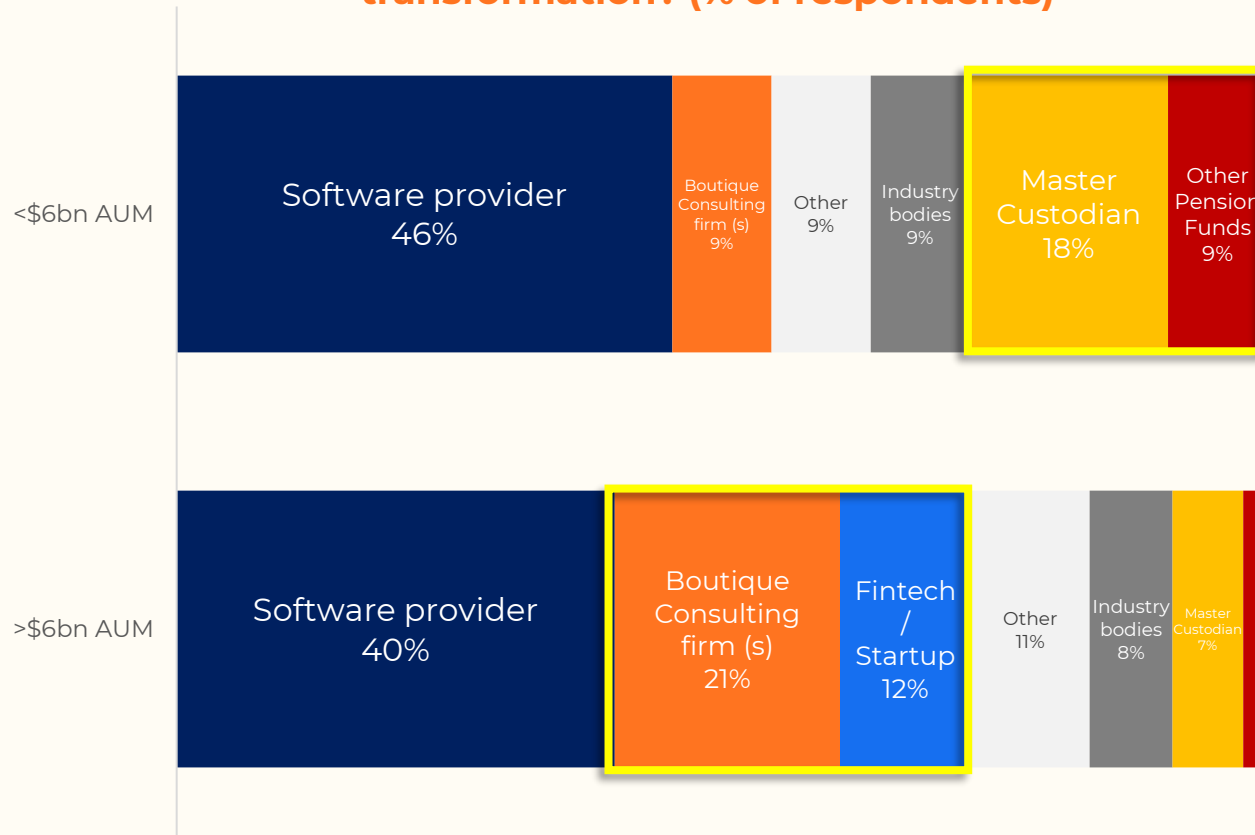
...and how is that transforming into projects? (1st to 3rd ranking of projects, based on each business driver)



Defining our transformation

Who is the right project team?

Which partners are asset owners turning to for support in their transformation? (% of respondents)

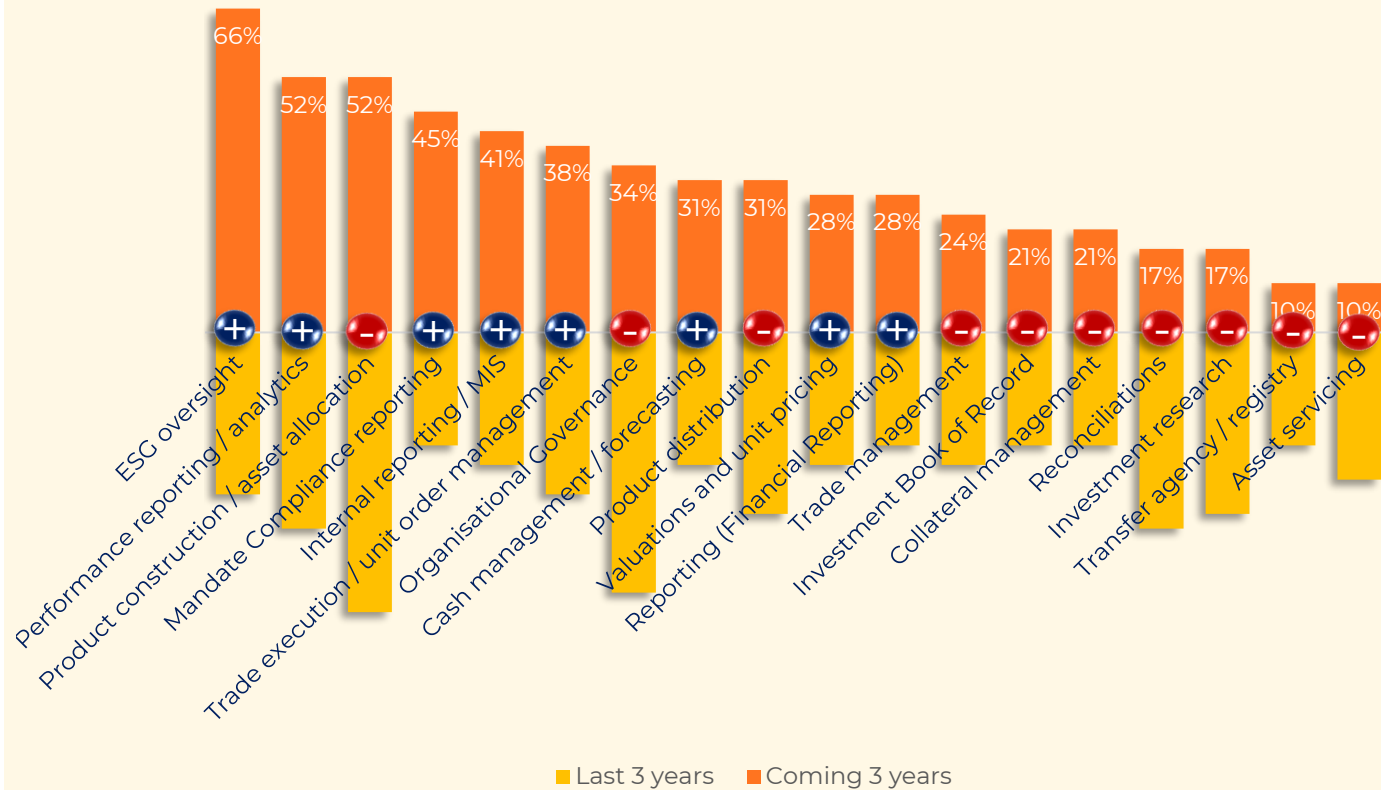


Realising our transformation

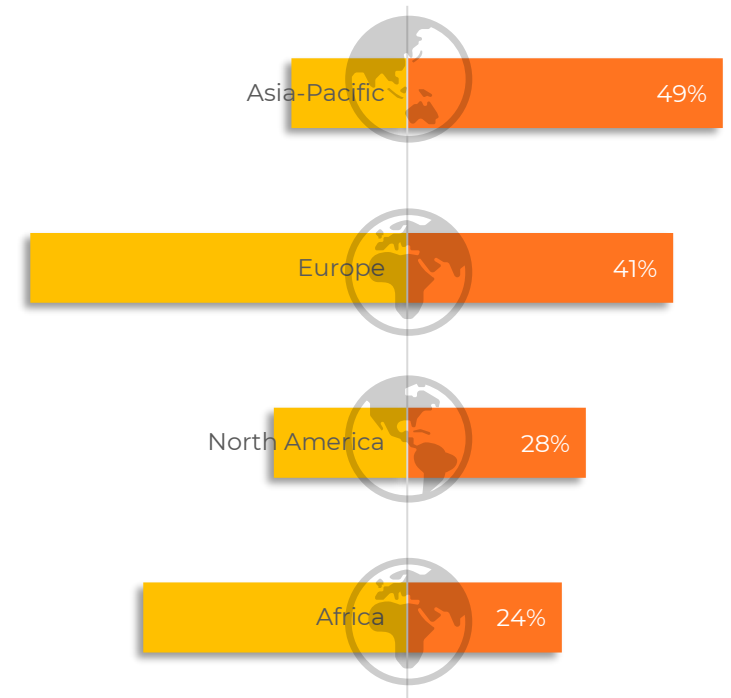
ESG and data dominate today's project agenda
...at the expense of operational efficiency?

Where are the projects that are we working on today?

(% of asset owners / + or - for momentum)



Where is the centre of activity? From Europe to Asia-Pacific



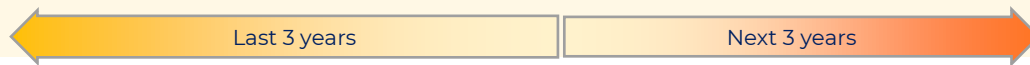
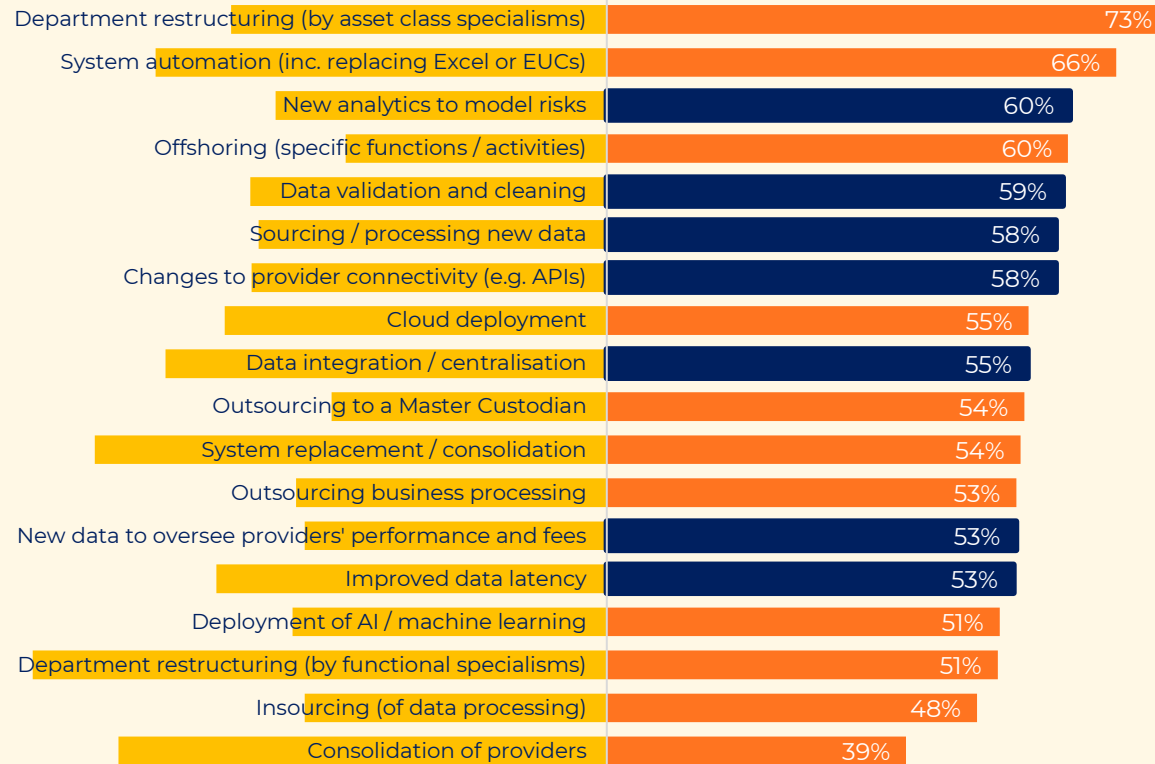
Realising our transformation

Data projects have grown to lead the change agenda



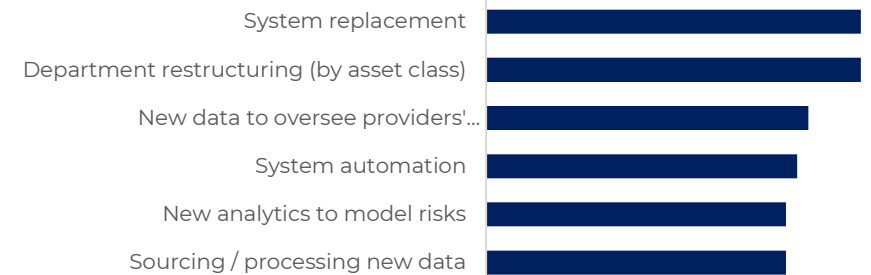
What projects are we working on today?

(% of asset owners / + or - for momentum)

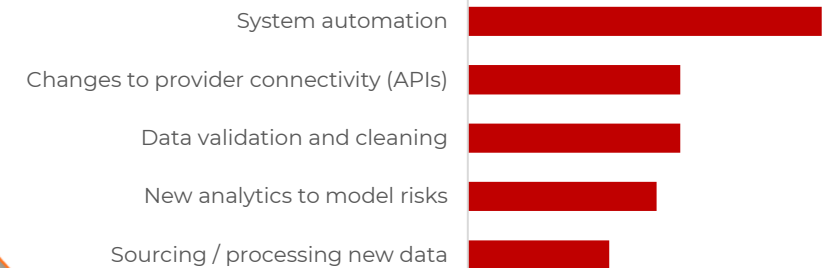


...but system change is also core across the industry

Externally managed funds



Internally managed funds

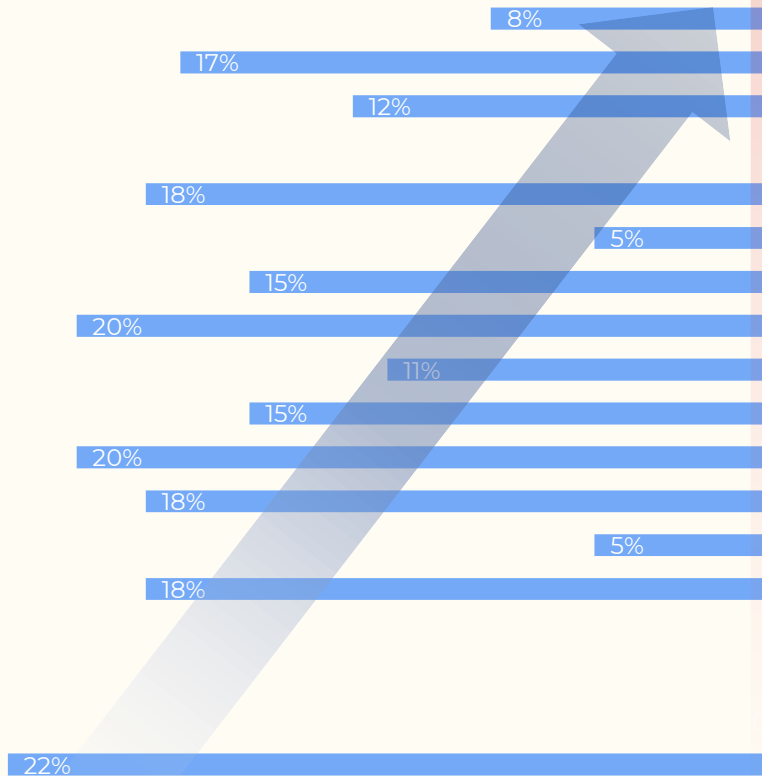


Realising our transformation

Are we focusing on the most impactful projects – or the quickest projects to deliver?

Return on Investment

(Savings as % of Investment Operations Budget)



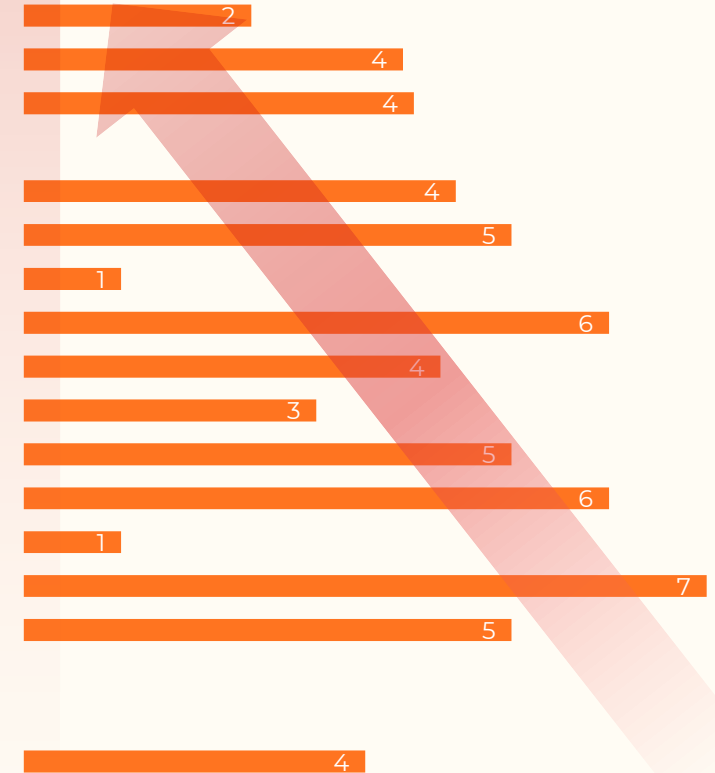
Most Common Transformation projects

(Highest to Lowest frequency)

- Department restructuring (by asset class specialisms)
- System automation (inc. replacing Excel or EUCs)
- New analytics to model risks
- Offshoring (specific functions / activities)
- Data validation and cleaning
- Sourcing / processing new data
- Changes to provider connectivity (e.g. APIs)
- Cloud deployment
- Data integration / centralisation
- Outsourcing to a Master Custodian
- System replacement / consolidation
- Outsourcing business processing
- New data to oversee providers' performance and fees
- Improved data latency
- Deployment of AI / machine
- Department restructuring (by functional specialisms)
- Insourcing (of data processing)
- Consolidation of providers

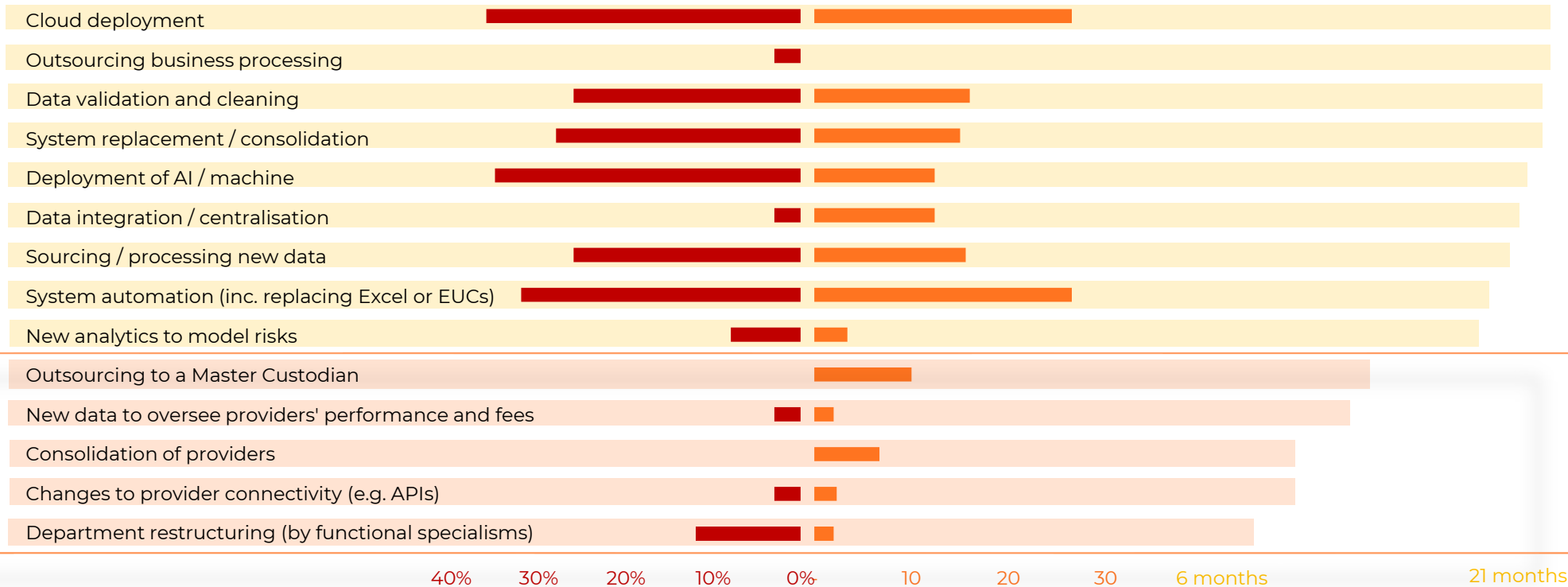
ROI Time Horizon

(Years required to see Return on Project Investment)



Executing on transformation

...but are the quick wins more appealing?



Quick wins

- Outsourcing to a Master Custodian
- New data to oversee providers' performance and fees
- Consolidation of providers
- Changes to provider connectivity (e.g. APIs)
- Department restructuring (by functional specialisms)

Average project duration

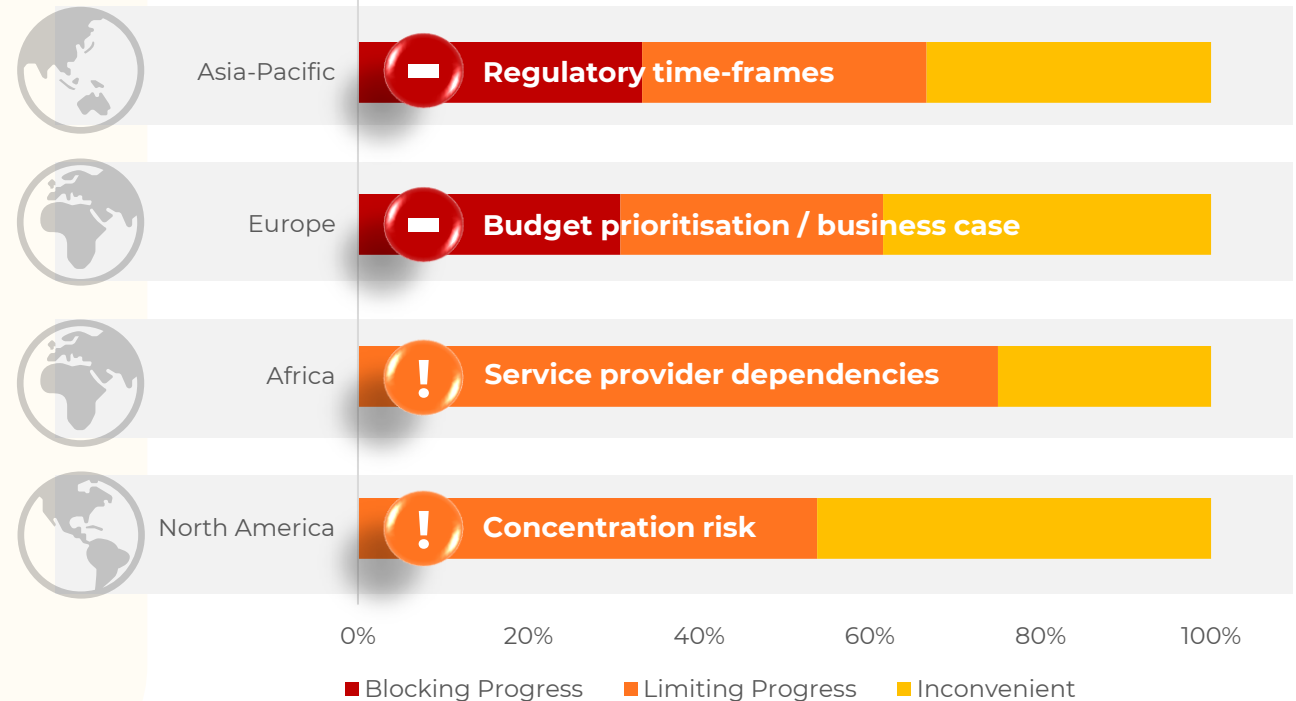
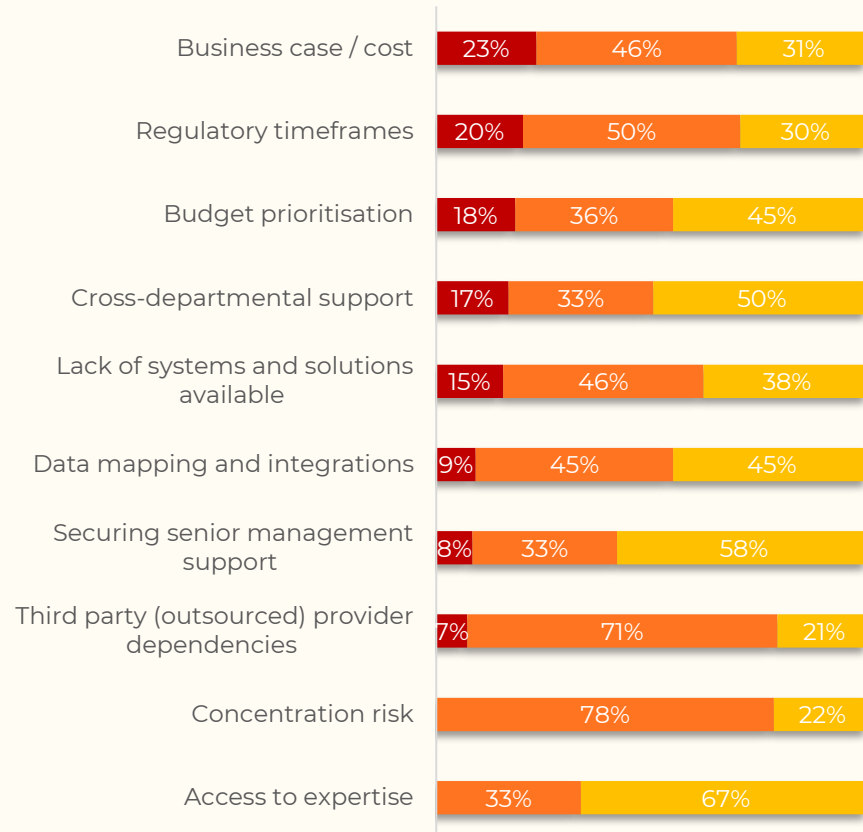
<USD6bn AUM

>USD6bn AUM

Realising our transformation

Roadblocks depend on where you are - but defining the case for change is a major challenge

Key obstacles to asset owner transformation



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