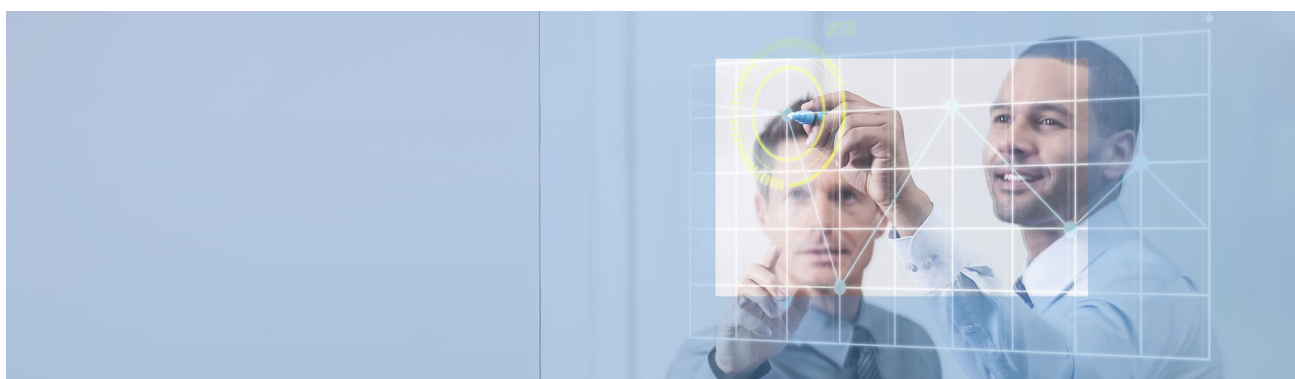


Active is: Driving innovation

# Asset managers disrupting from within

13/02/2019   

## Summary

In all areas of our lives, disruptive forces and technologies are delivering efficiency, transparency and value by reinventing established models. Asset management is no exception, and the industry's future success will be shaped by how it embraces and applies disruptive thinking – to place the client at the centre of the business and build trust.

### Key takeaways

- Asset management is changing, driven by shifting investor priorities and technological enhancements
- Disruption within the industry must focus on enhancing the client experience, and this includes new fee structures
- New sources of data – and the analysis enabled by technologies such as artificial intelligence – can help enhance the investment decision-making process
- The ability to access and manage their portfolios digitally is a key factor for a growing number of clients

As investor needs change, the onus is on the industry to demonstrate the value it offers clients. This is an overhaul that should be driven by one primary goal: to enhance the client experience in a way that aligns the interests of managers and investors. At Allianz Global Investors, we're taking a number of steps. These include rolling out a new fee structure, incorporating innovative technologies within our investment process, and enabling new kinds of digital access to our services.

## Aligning interests with disruptive fee structures

Across the industry, active managers are feeling the need to show investors they are worth the perceived extra cost over their passively managed equivalents.

To this end, several of our strategies are now available with a low base fee, comparable to those charged by passive products; clients then pay a performance fee, which only applies when we deliver outperformance. Each strategy's performance is assessed against its benchmark, and any period of underperformance "accrues" so clients only pay the performance fee once any accrued underperformance within the fund has been made good.

Beyond adding transparency, this disruptive structure may act as an incentive for investors to buy into – or maintain holdings in – strategies that have seen a recent dip in relative performance but which hold the potential for improved future returns. Human nature tends to push investors to favour strategies that have performed well most recently, often at the expense of those potentially poised to perform well in the future. Our new pricing structure may be able to encourage a counter-cyclical approach that helps investors avoid "moving with the herd".

## Informed analysis underpinning decisions

We are also introducing innovative tools within our research processes. We want to ensure the investment decisions we take on our clients' behalf are informed by the most comprehensive information available.

For example, AllianzGI has always had a strong focus on fundamental research – including our proprietary Grassroots® Research team. In addition to using unique sources of investment insight to predict emerging trends – for example, by conducting interviews with consumers – we now use “web scraping” technology to trawl the internet and harvest data. This might include datasets as diverse as sales figures for electric vehicles, or the vacancy rates for rental accommodations. We cross-index all this data to quickly identify patterns and trends, providing small details that make up the bigger picture.

We continually explore the adoption of external expertise to introduce new technologies like artificial intelligence (AI). We recently held a hackathon, inviting several disruptors in financial technology to showcase their innovations. Following the event, we are looking to collaborate with several of these firms: two which extract unstructured data to inform machine learning and AI, a provider of real-time predictions of trends in the global economy, and one which offers behavioural analysis of our portfolio managers' decisions.

The aim is to evolve these partnerships and assimilate the technology into our own processes, adding a new dimension to the suite of research tools available to our investment professionals. We believe in the man/machine paradigm; AI will not replace our human portfolio managers, but rather make them smarter. We have also developed a global research platform to enable our investment specialists around the world to share information and debate investment ideas more easily – an internal “social network” that builds on our collaborative culture. The AllianzGI version of the platform has garnered over 500,000 individual posts in the past six years, providing a rich seam of shared views and knowledge.

## Digital access for consumers

Technological innovation is also enabling us to reach new investors in new demographics, providing them with a more flexible and accessible user experience. Most notably, our UK partnership with a digital platform offers retail clients more direct management of their investments. Its low minimum investment level brings our active management expertise to a new group of investors, who can rebalance their portfolio and adjust risk levels through an online portal.

Fund details can be accessed anywhere, either through a smartphone, tablet or desktop computer, or by speaking to a human being in the call centre. Unlike most of its peers in the so-called robo-advice space, the platform offers investors purely active strategies, which are blended into a solution tailored for each investor.

## Continued evolution to meet client needs

In today's changing world, asset managers' success will be determined by their willingness and ability to disrupt their own practices to meet – and surpass – their clients' expectations.

All of our disruptive initiatives epitomise our commitment to enhancing our clients' experience at every stage of the investment process. Whether establishing a fair and transparent fee structure, making investments accessible at clients' fingertips, or ensuring the decisions we make on their behalf are based on deep and diverse analysis, helping our clients remains our guiding principle in everything we do.

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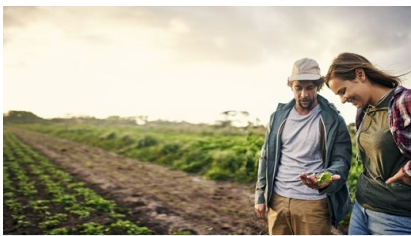
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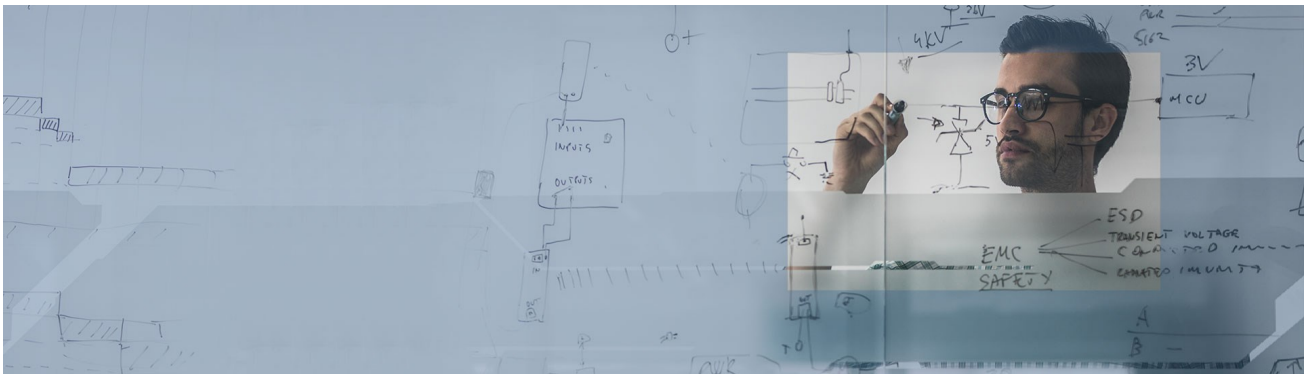
06/12/2018



Active is: Embracing the late cycle economy

# Why investors should get active in a late cycle economy

21/02/2019



## Summary

In a late-cycle economy, asset-class returns tend to be modest, suggesting a difficult environment for passive portfolios that merely track an index. Moreover, as central-bank stimulus is withdrawn, passive investors could be further hurt by rising volatility and falling correlations. It all adds up to an environment that could provide attractive opportunities for active investors.

### Key takeaways

- As the global business cycle matures, the world economy faces slower near-term growth. Historically, major asset classes have tended to deliver lacklustre returns in this kind of late-cycle environment
- For active investors, there are still attractive opportunities, as this economic cycle still has some way left to run
- The hunt for income remains urgent for investors, and the biggest risk may be to take no risk at all
- As central banks withdraw stimulus, we think market conditions are changing in ways that should favour those with a selective investment approach

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