

SGSS

MARKET SURVEY

Are asset managers
weathering the storm?

THE FUTURE IS YOU



SOCIÉTÉ GÉNÉRALE
Securities Services

EXECUTIVE SUMMARY

During the lockdown period between May and June 2020, SGSS conducted a **survey with a representative panel of the European investment industry**. 83 clients were asked a series of questions about the **impact of the COVID-19 crisis** on their business as well as on **its consequences on the financial markets**.

The results highlight **3 main key findings**:

An optimistic view of the chances of a rapid and sustained business recovery:

1

- Indeed, for more than two-thirds of the surveyed sample, **a growth of more than 2% in AuM and revenue is expected over the next two years** (more than 5% revenue growth for nearly one-third). In this respect, active asset management regains its full appeal with chances of outperforming the indices for more than half of the respondents.

An acceleration of the trends already observed in the investment industry:

2

- **Real assets** remain the asset class with the best development opportunities for half of the panel.
- **Consolidation** of the sector will continue to benefit the largest players, according to half of the respondents.
- More than ever before, **digitisation** is the main key success factor for future developments for two thirds of the surveyed players.
- **Regulatory pressure** will keep growing with topics related to liquidity (40% of the panel) and business continuity or resilience to cyber-risks (1/3 of the panel) most likely to continue to gain momentum.
- Finally, **outsourcing** remains one of the main factors for improving operational efficiency (for half of the respondents), especially for dealing and middle-office functions.

Interviewees are satisfied with the quality of service provided by their suppliers and their resilience during this crisis.

3

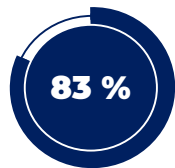
- 93% consider that the **quality of service did not suffer** from the exceptional operational measures implemented by their providers during the crisis.
- This satisfaction leads to even higher expectations from their partners in terms of digital transformation and quality of service.

MARKET TRENDS ANALYSIS

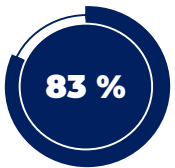
The sample analysed for this study is mainly made up of:



- **Asset managers** and 16% Asset owners



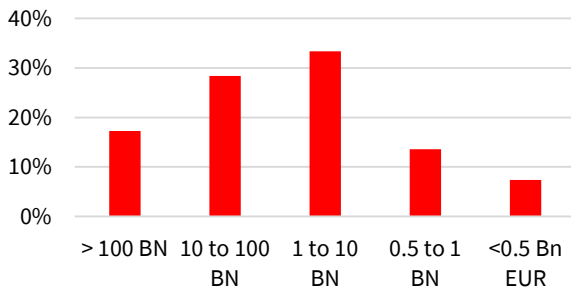
- European clients and non clients, **all active in Europe.**



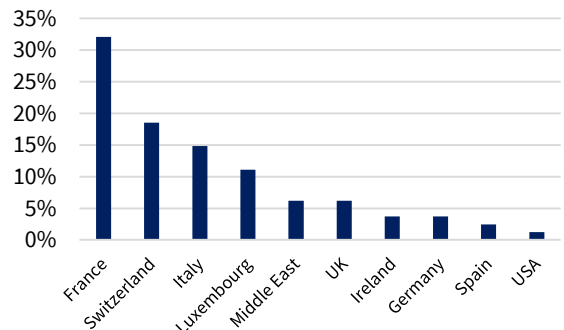
- Players with **less than 100 BN€ of AuM.**

Description of the surveyed population

AuM

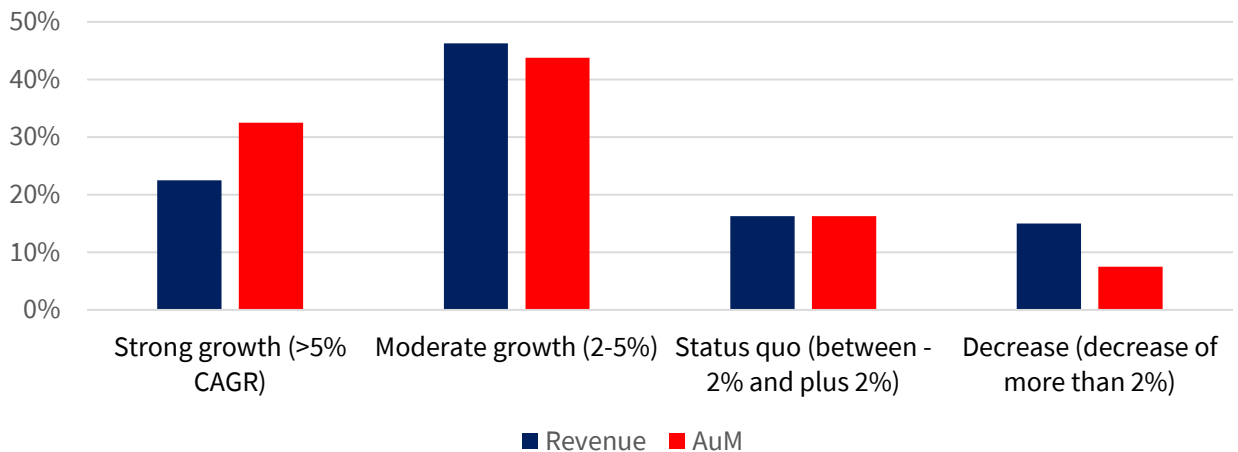


BREAKDOWN BY NATIONALITY



1 - An optimistic view of the chances of a rapid and sustained business recovery

What kind of evolution do you expect your Assets under Management & Revenues will experience over the next two years?



Market participants are **very optimistic** in their expectations of an upturn in activity.



They expect their **assets under management to grow by more than 2%** over the next two years (of which 33% more than 5%).



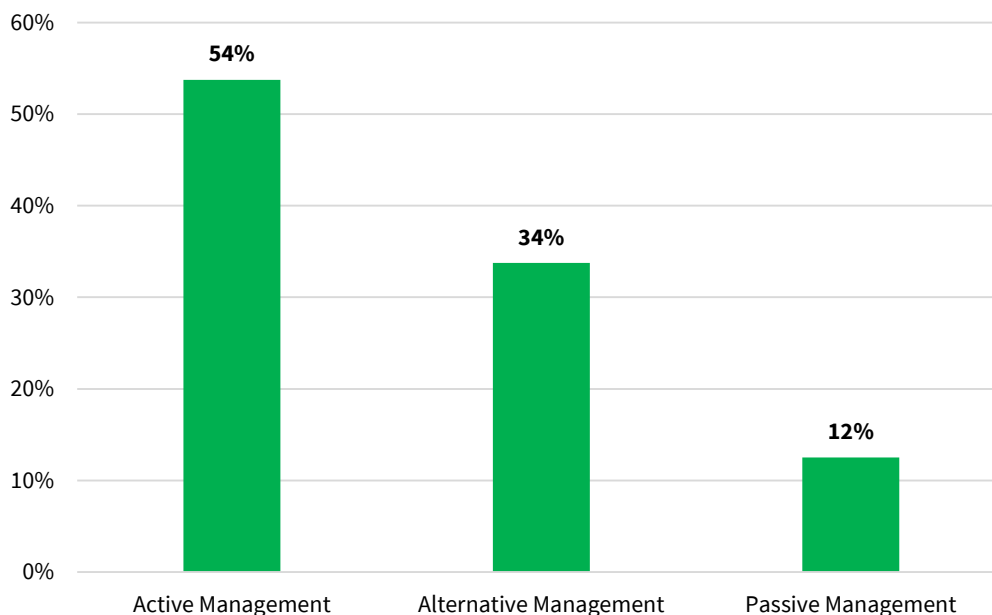
The opinion is the same regarding future **revenue expectations** with a total of **69%** of the players **expecting an increase of more than 2%** over the next 2 years (of which 23% expect an increase of more than 5%).

A RENEWED ATTRACTIVENESS IN ACTIVE ASSET MANAGEMENT

The crisis has brought active fund management back to the forefront and **53 % of the panel believe it will benefit from the best opportunities** among other strategies. Indeed, high market volatility as well as political and economic instability give active management new opportunities for index outperformance.

Halfway between active and passive management, new products such as actively managed ETFs could experience a strong growth.

In your opinion, what are the management strategies that will benefit from this situation?

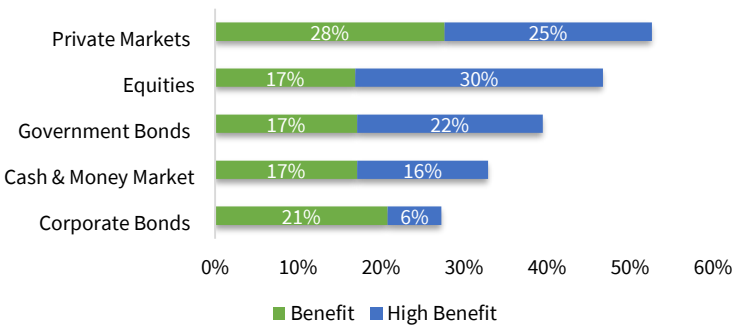


2 – Acceleration of the trends already observed in the investment industry (1/3)



REAL ASSETS REMAIN THE ASSET CLASS WITH THE BEST OPPORTUNITIES FOR DEVELOPMENT

What are the asset classes that will benefit the most from the current situation?



Real assets, which are less subject to market volatility, have found themselves on the front line in recent months.

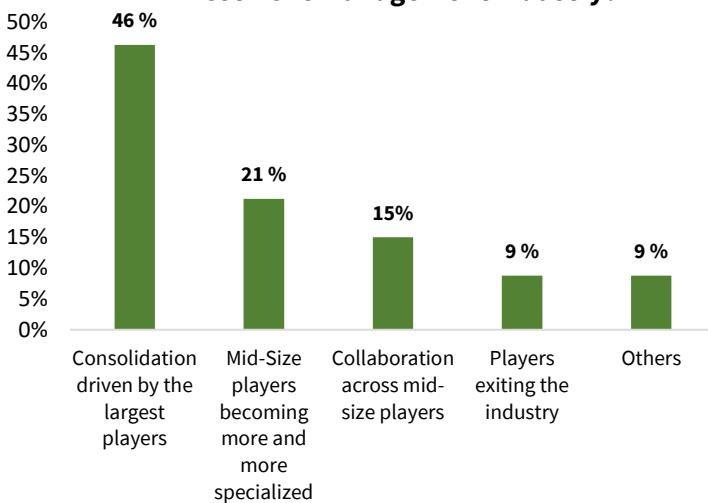
Their development and stability in the second half of 2020 will certainly be closely watched by specialists in the industry.

Corporate default rates, rent collection but also interest rate levels will be at the centre of future decision-making.



CONSOLIDATION OF THE SECTOR WILL CONTINUE TO BENEFIT THE LARGEST PLAYERS

What are the likely effects of the crisis on the investment management industry?



Half of the surveyed players anticipate a significant acceleration in market consolidation led by the largest players, but also, for a significant portion of the sample, an increasing reliance on specialised management. The combination of these two trends could lead to the creation of large players made up by the merger of several niche players to cover a very broad range of asset classes and products.

It should also be noted that the arrival of the big tech companies on this market (i.e. GAFAM) is not expected. Less than 5% of the population surveyed mentioned this possibility over the next 2 years.

2 – Acceleration of the trends already observed in the investment industry (2/3)



DIGITAL TRANSFORMATION IS MORE THAN EVER THE MAIN KEY SUCCESS FACTOR FOR FUTURE DEVELOPMENTS.

65 %

see technology and digitisation as central for future growth

There is no doubt that the sudden spread of remote working within organisations during **the COVID-19 crisis has demonstrated the potential of digital solutions** to communicate with all stakeholders and their ability to replace traditional means of information exchange.

The question of **data use** is therefore a logical topic in the anticipation of future projects.



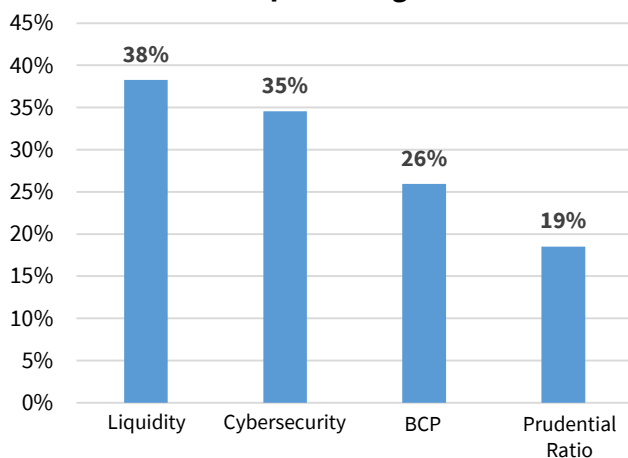
REGULATORY PRESSURE WILL KEEP GROWING

53 %

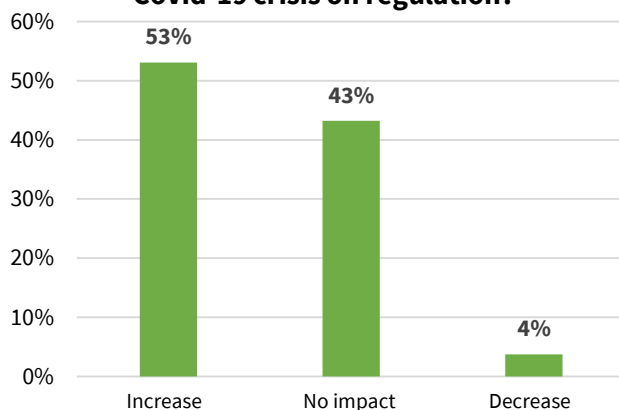
expect a strengthening of regulatory constraints on liquidity, cybersecurity and business continuity over the next two years.

Most of the interviewees expect an increase in the regulatory framework in new areas, while the others expect a stabilisation. **The issues of liquidity, cyber-risks and business continuity will most likely continue to gain momentum.**

Most impacted regulations



What will be the likely impact of the Covid-19 crisis on regulation?



2 – Acceleration of the trends already observed in the investment industry (3/3)



OUTSOURCING REMAINS ONE OF THE MAIN FACTORS FOR IMPROVING OPERATIONAL EFFICIENCY, ESPECIALLY FOR DEALING AND MIDDLE-OFFICE FUNCTIONS.

96 %

insist on the efficiency and resilience of securities services providers in recent months

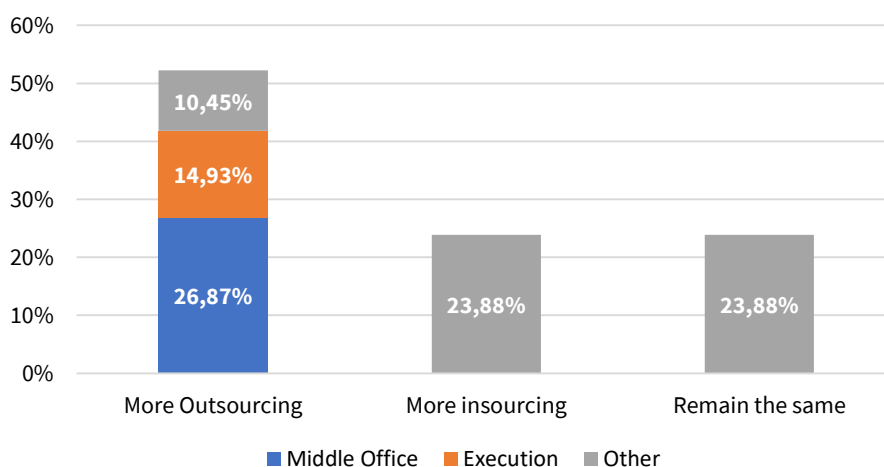
The crisis has demonstrated the importance of a strong partnership between asset managers and securities services providers. More than **96%** of the surveyed population **insist on the resilience and efficiency of securities services providers** in recent months and **84%** **want to strengthen their partnership.**

50 %

of the surveyed population promote an outsourcing solution

The crisis has reinforced the desire of asset managers to focus more on their core business. More than **50%** of the population surveyed **foresee the development of outsourcing** solutions mainly in the middle office services. This is probably linked to a growing and costly need of digitisation and automation. Outsourcing is therefore a way to access these new technologies without having to significantly invest in them.

What are the likely organizational changes for investment management operations?



3 - Interviewees are satisfied with the quality of service provided by their suppliers and their resilience during this crisis.

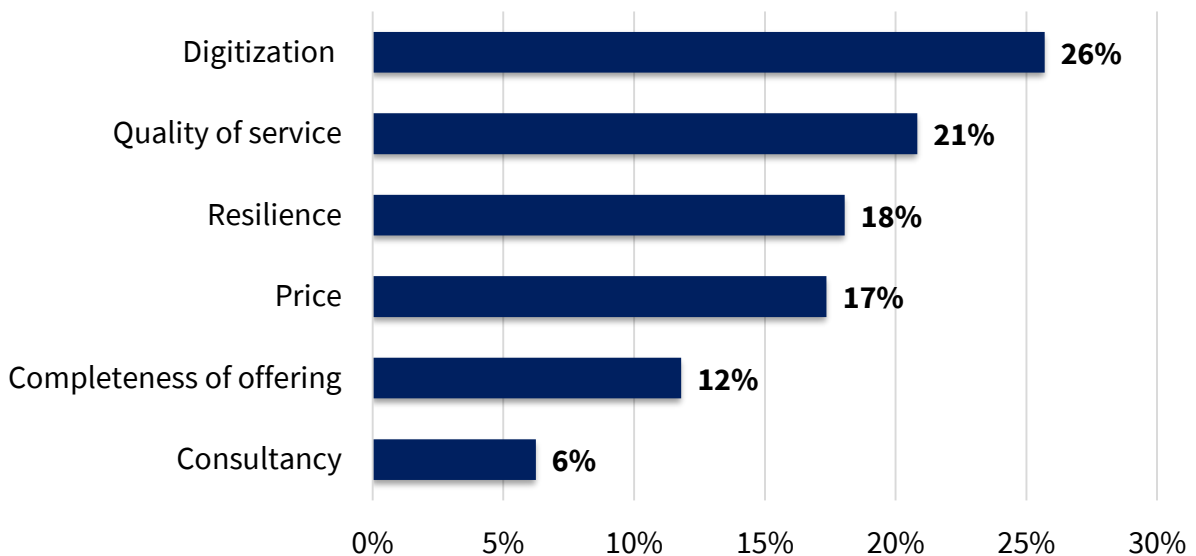
Although the services provided are in line with asset managers' expectations, their desire to digitise and automate tasks on the one hand, and the expected strengthening of regulations on subjects such as liquidity, cyber security or business continuity on the other hand, place the **securities services providers at the centre of future developments.**



A SATISFACTION LEADING TO NEW EXPECTATIONS

Respondents expect even more from their partners in terms of digital transformation and quality of service.

What would be your main expectations regarding your securities services provider(s) in the coming years?



SGSS IS SOCIETE GENERALE'S BUSINESS UNIT DEDICATED TO SECURITIES SERVICES

Established in 26 locations worldwide with 4,000 employees*, SGSS provides a full range of securities services that are adapted to the latest financial markets and regulatory trends: clearing services, custody and trustee services, retail custody services, liquidity management, fund administration and asset servicing, fund distribution and global issuer services. SGSS is among the top ten global custodians and the 3rd largest European custodian with EUR 4,248 billion of assets under custody*. SGSS provides custody & trustee services for 3,285 funds and the valuation of 4,126 funds, representing assets under administration of EUR 631* billion. SGSS ranks among the European leaders in stock option management.

*Sources: SGSS internal report and Competitor Annual Reports Greensted. Data as of 30.09.19

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