FUNDS CONGRESS **2019**

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FUNDS CONGRESS

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Introduction

Funds Congress is the largest central London event bringing together investment managers from all asset classes and jurisdictions.

Lyse Doucet OBE, chief international correspondent at the BBC, guided panellists and keynote speakers through the principal themes that will define the year ahead. The audience played its part, too, reacting to questions in a series of free votes conducted via app, their responses shedding light on attitudes and opinions to the most pertinent issues in investment management.

Lyse Doucet OBE,
Chief International Correspondent, BBC

Fireside with the FT: Global Outlook in 2019

Prompted by Alan Livsey, research editor for the Financial Times' agenda-setting Lex column, Bob Diamond, former chief executive at Barclays and founding partner at New York-based Atlas Merchant Capital led the audience through some of the chief problems of the day, commenting on a perceived vacuum in political leadership in the UK, on potential weaknesses in Europe's banking sector and on the worrying build-up of U.S. corporate debt, which reached US$9 trillion in 2018 after growing by two-thirds during a decade of super-low interest rates.

Alan Livsey, Lex Research Editor, Financial Times

Bob Diamond, Founding Partner and CEO, Atlas Merchant Capital

Preparing for a Downturn: What Are Managers Doing Now?

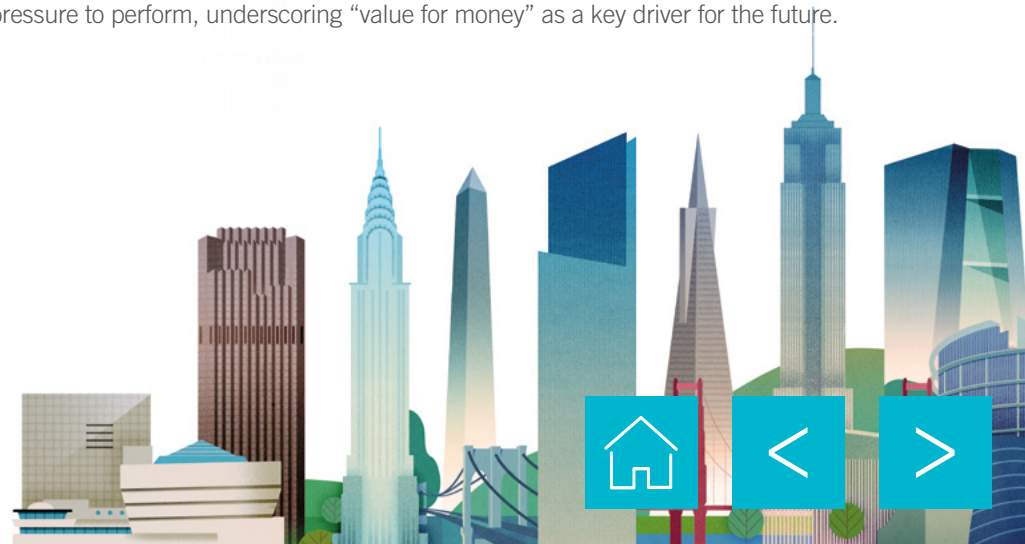
Predictions of an imminent downturn in the global economy are ambiguous and hotly contested. Few would deny the potential for European political volatility, U.S./China trade tensions and the unravelling of quantitative easing to threaten the world's economic and political wellbeing, yet several panellists found evidence of an underlying strength in the global economy that could be sufficient to stave off a new recession.

Panellists also diverged in their outlook for the investment management industry. Some expressed cautious optimism, pointing to an anticipated rise in AUM and recruitment needs brought on by the expansion of digital transfer as positive factors.

Downward pressure on fees remains a concern, however, with speakers forecasting a significant erosion in industry revenues that would lead to some consolidation among asset managers. The panel felt it was still too soon to predict whether new models might be enough to mitigate downward pressures on fees.

In the longer term, the effect of inadequate pension provision on an ageing society is likely to become a dominant theme for the industry. As demographic trends become more pronounced, fund managers will face greater pressure to perform, underscoring "value for money" as a key driver for the future.

Olwyn Alexander, Global Asset & Wealth Management Leader, PwC (moderator)
John Donohoe, Group CEO and Founder, Carne Group
Diane MacFarlane, Head of Global Fund Services EMEA, JP Morgan
Bronwen Maddox, Director, Institute for Government
Gareth Murphy, Chief Risk Officer, Standard Life Aberdeen



Regulatory Keynote: FCA Regulatory Priorities for Asset Management

Nick Miller, head of the asset management department at the UK's Financial Conduct Authority (FCA), explained how the financial regulatory body would seek to ensure the investment management industry upholds its responsibilities to its end customers against a background of increasing longevity and other profound societal changes.

To ensure that UK investment firms handle consumers' money as carefully as they would their own, he noted, the FCA will continue to focus on culture within the industry, prioritizing governance and transparency issues with the aim of maximizing the effectiveness of firms' management, the accountability of directors and the governance of products offered to customers.

Greater emphasis on the management of cyber risk will be a priority for the coming year, as Miller stressed the need for boards of directors to have access to real expertise in order properly to manage the risks of a data breach. His warning was clear: asset managers may handle comparatively low volumes of client data, but this does not mean they are necessarily less vulnerable to cyber-attack than banks and other large financial institutions.

Regarding the broad regulatory outlook, Miller noted with satisfaction the memoranda of understanding reached with ESMA and EU regulators covering cooperation and the exchange of information in the event of a no-deal Brexit. The industry's adoption of MiFID II has also been largely smooth, he said, despite ongoing evolution in the price discovery mechanism due to the unbundling of research and execution costs.

Nick Miller, Head of the Asset Management Department, Financial Conduct Authority (FCA)

Brexit and other regulatory priorities for 2019 and beyond

With little clarity on what type of Brexit the world will see – nor, indeed, on whether it will see Brexit at all – a panel of senior European regulators described the measures that have or are being put in place by regulatory bodies and governments in Europe to cover a no-deal Brexit.

The measures aim to preserve the rights of EU27 and UK investment firms in the jurisdictions in which they currently operate for a limited time, typically two years. The laws are extremely targeted, defining precisely which aspects of regulatory supervision will revert to ESMA or to national regulators and setting out transitional legal frameworks governing settlement and other services.

The UK, too, has committed to adopt a temporary permissions regime in the event of No Deal that will allow inbound firms and passport-holding funds from the EU27 to continue to operate and market in the UK for a defined period of time.

The panel singled out the performance of ESMA for particular praise, crediting the multilateral European agency for its part in the solution of the delegation issue in partnership with Europe's national regulators.

Yet while panellists expressed universal satisfaction with the temporary measures, they were keen to emphasize how quickly the transition period would pass. UK firms continuing to operate in the EU27 would have to move rapidly, they warned, to decide whether they wanted ultimately to seek full authorization in an EU27 member state.

Angelo Lercara, Partner, Dechert (moderator)

Nick Miller, Head of the Asset Management Department, Financial Conduct Authority (FCA)

Natasha Cazenave, Managing Director and Head of the Policy and International Affairs Directorate, French Authorité des Marchés Financiers (AMF)

Martina Kelly, Head of Markets Policy Division, Central Bank of Ireland (CBI)

Esther Wandel, Head of Division, German Ministry of Finance (BMF)

Marco Zwick, Director, Commission de Surveillance du Secteur Financier (CSSF)

Keynote: Scenarios of the Future

As the era of fossil fuels — Henry Ford's century, if you like — gives way to a time in which data innovation is king, we must ask ourselves: who will the winners be? In such a future, will power be concentrated in the hands of the algorithm owners or will it be distributed more democratically?

Radio presenter Leo Johnson gazed into his crystal ball and he careened through the seismic economic, social and technological changes currently unfolding in our lives, mixing extrapolation and speculation with hard data to illustrate an array of possible futures in startling detail.

Johnson, who leads the disruption practice at PwC, believes smart capital can provide many of the solutions. Technology, he stressed, is not an answer in itself; rather, it is a tool to be wielded in addressing future challenges. A telling example? Denmark's consideration of a cow tax on farmers aimed at reducing methane emissions—a business opportunity, says Johnson, for anyone willing to develop a cattle feed based on red algae, which scientists may produce less gas than grass.

Leo Johnson, Co-Presenter of Radio 4's "FutureProofing" series and Co-Founder of Sustainable Finance

Industrial Revolution 2.0:
The opportunities afforded to asset managers by disruptive technology

Buckle up and hold on for the ride, warned a panel of technology officers and innovation directors, as technological change rips through society, transforming entire industries and—crucially—creating a wealth of new opportunities in its wake.

Most immediately, new technologies can help asset managers serve their clients better by pushing down the input costs of investment management. Beyond mere automation, however, new technologies are set to spark a slew of opportunities, such as the application of sophisticated analysis to alternative data sets to inform a wide range of investment decisions.

Asset managers shouldn't forget clients' own hopes and fears regarding technological disruption. It's important to go back to basics, advised one panellist, and ask clients how they are adapting to machine learning or the power of the cloud. Disruptive change still provides a chance, the speaker emphasized, to embrace clients through the traditional user-experience model.

What's key is the ability to view technology as a tool, not as an end in itself. A panellist provided a compelling example: an investment firm that is using psychologists, linguists and even police officers to teach computers how to analyse human decision-making via neuro linguistic programming. The real drivers of change are people, the panellist argued, and those who successfully harness the power of being human are as likely to thrive in the data-driven era as those who innovate only through technology.

Chris Cummings, CEO, The Investment Association (moderator)
Susan Coleman, Managing Director, PwC
Pascal Dufour, Group Chief Technology and Innovation Officer, Carne Group
Lee Fulmer, Head of Innovation, UBS
Angus Lund, Head of Data Science, AKO Capital

Special Guest Speaker:
Living Dangerously

Sir Ranulph Fiennes
Lecturer and Author

His has been an extraordinary life, one spent often in extreme discomfort, or at the very limit of human endurance. Yet Sir Ranulph Fiennes, explorer and multiple world-record holder, understands equally well how to carry achievement lightly.

Fiennes' rapid-fire rampage through a half-century of derring-do left his audience rapt. He was self-deprecating to the end, putting his accomplishments down even as he shinned up drainpipes as a schoolboy at Eton or ambushed Marxist rebels with the Sultan of Oman's Army in Dhofar. And then he was really off, taking us on a wild ride up the Nile, crashing through the polar ice, or struggling on foot across Antarctica's unexplored heart.

It was breathless stuff—but there was wisdom, too, much disguised as dark humour, nuggets dispensed casually amid a torrent of adrenaline or serving as footnote to one gripping yarn before we plunged peremptorily into the next.

And when it was over, there was amusement and awe—and the knowledge that the bar had been raised that little bit higher as we each seek to deal with the challenges we face.

Keynote: Sustainable Capitalism and the Climate Crisis

It was at heart a call to arms. For Al Gore, the 45th Vice President of the United States, Nobel Peace Prize winner and full-time environmental campaigner, it was also a chance to take his battle against global warming to a new audience.

Few at the QEII could doubt his sincerity—or the reality of the destruction unleashed in so many quarters by increasingly extreme and unpredictable weather brought on by the climate crisis.

Yet what surprised many was the hint of hope in Gore's message. We can change the outcome, he argued; what's more, there are signs we may already be willing to embrace real change.

Growth, said Gore, should not come at the expense of opportunities for future generations. It should be sustainable, driven by opportunities for sustainable investment that beckon even at the heart of calamity. By looking beyond traditional indicators and by placing environmental, social and governance research at the core of our investment decisions, we can help shape a truly sustainable capitalism.

Former Vice President Al Gore
Co-Founder and Chairman
Generation Investment Management

Is Diversity the new ESG?

Leading Asset Allocators Discuss

It's an enduring paradox. How is it that an overwhelming majority of those working in the industry believe that diversity in all its forms—gender, race, sexual orientation or cultural background—is desirable, yet asset management remains one of the least diverse of all business sectors?

Finding ways to place diversity considerations at front of mind—and keep them there—is no easy task, agreed the panellists. The numbers don't look good, whichever way they are cut and diced.

Programs that help professionals return to the industry after time away can be extremely effective in enhancing the proportion of woman in senior management, argued one panellist. Improved cultural training for senior management can also help to accelerate greater change by curtailing a tendency among investment managers to promote those who resemble today's generation of leaders.

But diversity is not just about human resources policies—it's about mindset, the panellists reminded us. And that can be harder to change.

Alan Livsey, Lex Research Editor, Financial Times (moderator)
Elizabeth Corley, Senior Advisor, Allianz Global Investors
Darko Hajdukovic, Head of Analytics, Fixed Income and Funds, London Stock Exchange
Dame Helena Morrissey DBE, Head of Personal Investing, Legal and General Investment Management
Jayne Styles, Chief Investment Officer, MS Amlin

Fireside with the BBC: Return of the Silk road

Opportunities for UK Asset Management in Asia post-Brexit

China has committed to invest US$900 billion in its "One Belt, One Road" initiative in Eurasia, a region that accounts for a third of the world's GDP and two-thirds of its people. With the ambitious project aimed primarily at infrastructure investment along the old Silk Route, the numbers are eye-watering enough to attract the interest of investment managers the world over.

Opportunities to participate in the Chinese project may be of particular interest to UK asset managers contemplating investment opportunities after Brexit. Yet how does the chance to invest in the world's largest-ever infrastructure project stack up against the risks?

Prompted by moderator Lyce Doucet, the BBC's chief international correspondent, two panellists experienced in the Chinese investment arena debated how UK asset managers could best explore opportunities, setting the question in the context of China's increasing interest in building domestic expertise and sector knowhow in the technical aspects of financing, banking and investment.

Lyse Doucet OBE, Chief International Correspondent, BBC (moderator)
Dr. Ghadir Cooper, Global Head of Equities, Barings
Sherry Madera, Special Adviser for Asia, The City of London Corporation

Brexit: What next?

Alan Livsey, Lex Research Editor, Financial Times (moderator)

Sir Jonathan Faull KCMG, Chair of European Public Affairs, Brunswick Group

Jo Johnson MP, Member of Parliament for Orpington, former Minister for Transport and Minister for London, former Minister for Universities & Science, former Head of Number 10 Policy Unit and Chair of the Prime Minister's Policy Board

Lord Paul Myners, Former Financial Services Secretary in HM Treasury

Whether or not Prime Minister Theresa May succeeds in pushing her deal through the House of Commons and steers the UK out of the European Union on 29 March 2019, panellists warned that both the UK and EU27 face a process of debate and dispute that will last for years and most likely remain highly toxic for much of that time. We know a lot about what people don't like and very little about what they do, said one panellist, but the serious work on the long term relationship can only begin to take place after any withdrawal deal is agreed.

Within the investment management industry, widespread concerns at the UK government's decision to focus on goods in its Brexit negotiations with the EU are understandable, the panel agreed. After all, financial services is one of the few industries in which the UK remains globally competitive.

And despite recent memoranda of understanding between UK and European regulators over the equivalence of their regulatory regimes, managers should expect the EU's tests of equivalence to become more difficult over time – noting that equivalence is not a right and can easily be withdrawn.

One of the main consequences of Brexit on the investment industry, panellists agreed, would be the transfer of skills currently located in the United Kingdom to the EU.

Brexit: What is Industry Doing?

The panel, consisting largely of representatives from investment industry associations and trade groups, expressed disparate views on asset managers' preparedness for a post-Brexit world.

Most investment managers realised some time ago, said one panellist, that the only actions of any importance were "to build what needs to be built in Europe and solve the question of passporting"— the rest is "just noise".

Yet while it is true that many investment firms have deepened their presence in the EU27, mostly by expanding existing offices in Dublin or Luxembourg, others pointed out there is still no evidence of a large-scale brain-drain from the UK to the EU27.

Panellists were satisfied that a number of positive steps have occurred since last year's Funds Congress. The industry is particularly relieved that memoranda of understanding have been reached between the UK's FCA and the European Securities and Markets Authority (ESMA) on the one hand and with EU/EEA securities regulators on the other. The agreements set out in detail which elements of supervisory cooperation, enforcement and information exchange will take effect in the event of a no-deal Brexit.

Voting via app, delegates indicated what they have done to protect operations in a post-Brexit world. The majority reported that they intended to set up their own ManCo/AIFM in the EEA, beefed up with MiFID top-up permissions.

The panel noted that firms planning to scale down their UK business and move people or goodwill to the EU27 should consider the tax implications very carefully. The capital gains implications could be serious and "the numbers very large".

Carol Widger, Partner, Dechert (co-moderator)
Marianna Tothova, Partner, Dechert (co-moderator)
Patrice Bergé-Vincent, Managing Director, ICI Global
Dr. Tim Hames, Director General, British Private Equity and Venture Capital Association (BVCA)
Jack Inglis, Chief Executive Officer, Alternative Investment Management Association (AIMA)
Robert Mellor, UK Asset Management Tax Partner, PwC
Jeremy Soutter, CEO UK, Carne Group

2019 Testimonials

“ A superb event in the calendar

“ Unbelievably talented speakers, very professionally organised and a great forum to connect

“ It’s great to get the perspective from many nations in one place

“ The top event in London of the year

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Funds Congress at a Glance

Funds Congress is the biggest central London-based asset management conference covering all asset classes.

Funds Congress at a glance:

- The only major annual event that brings together all major asset classes and fund jurisdictions.
- Focuses on the key themes that will define the year ahead in asset management. How will they affect your business? What are others doing and planning for?
- Who attends? Anyone helping to shape the strategy of their asset management firm, including C-Suite/MD/ Partner, legal and compliance, product development, risk management, business development and investor relations professionals.
- 30+ outstanding and inspirational guest speakers, including regulators, senior investment professionals and politicians.
- 4+ hours of networking time.

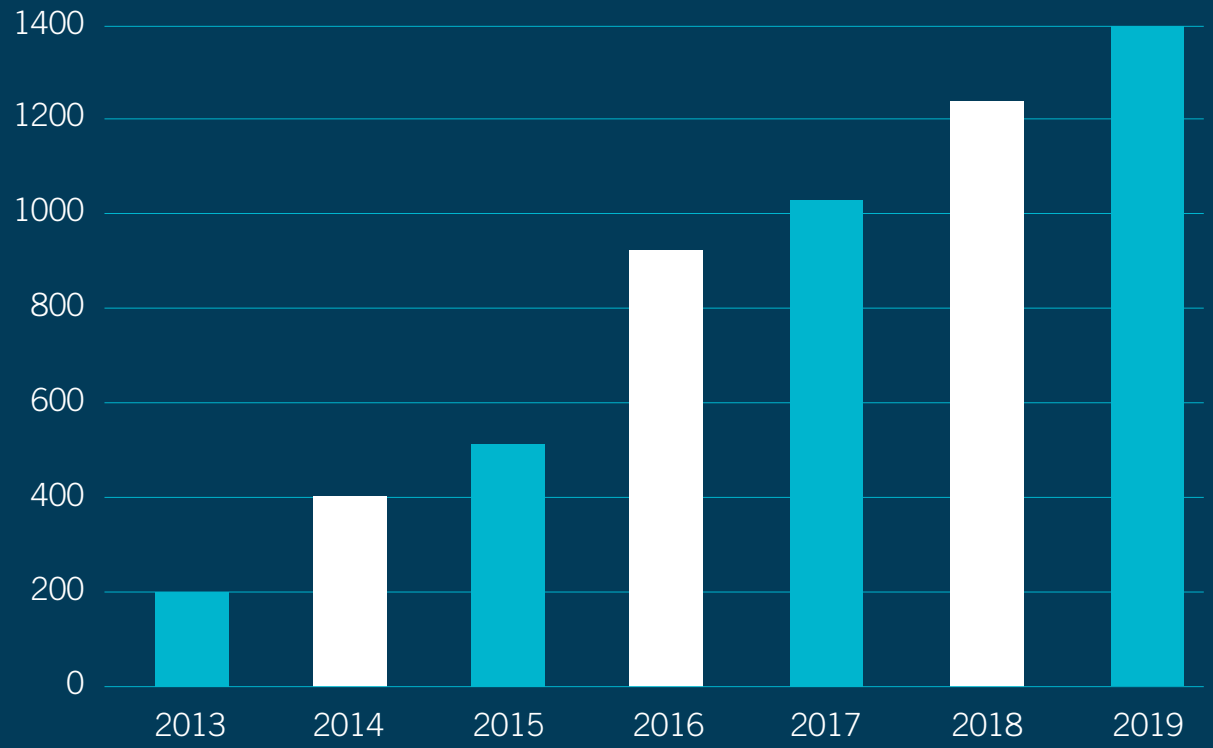
C-suite/MD/Partner level attendees

Legal and compliance professionals

Other core attendees:
Product development/ Risk management/Business development/ Investor relations

Jurisdictions represented

Growth of Funds Congress by attendee numbers



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