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ASSET MANAGEMENT TRENDS REPORT 2021

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SURVEY UNIVERSE

In our fourth annual Asset Management Trends Report, JPES Partners ("JPES") conducted 22 in-depth interviews with senior in-house communications and marketing professionals at global and European asset management firms.

To ensure that a broad spectrum of views were represented across the industry, we spoke to 6 boutique managers (classified as below €100 billion); 8 medium-sized managers (between €100 – €500 billion); and 8 large managers (over €500 billion).

- **22 in-depth interviews conducted**
- **Representing nearly €12 trillion of assets**
- **Heads of Communication / PR / Marketing**
- **Firms ranging in size under €5 billion to €2 trillion**
- **Interviews conducted between June – August 2021**

EXECUTIVE SUMMARY

The Asset Management Trends Report identifies and tracks sentiment on some of the key business and communications issues facing asset managers each year, through a series of in-depth interviews with senior figures.

Whilst the challenges of 2020 still loom large over the industry, some common themes are already emerging as to what changes the post-pandemic recovery will present for asset managers, and their communications and marketing functions, in the longer term.

It is no surprise that the shift towards digital communications has accelerated over the last 18 months, with little choice but to use new platforms to reach clients and prospects – but did these channels work? According to our past reports, within medium and larger-sized asset managers, digital and social media often sat within marketing rather than communications but this seems to have changed markedly. Previously integration was often cited as a buzzword but there wasn't always evidence of it taking place. Now, not only is digital expertise increasingly being integrated but it is expected and demanded of communications teams.

Yet, it is in this arena of digital and social that many senior communications professionals feel their firms are lagging the industry and their peers. Not so, however, in responsible investment and ESG.

As has been the case in prior years, ESG remains an area in which most feel that the asset managers they represent are leading the industry; but conversely that it is an industry in which there is a high degree of greenwashing… just not at their firm.

Recent industry data from Morningstar, combined with abandoned product launches, suggests that client demand may be beginning to taper off for ESG. However, this isn't stopping the machine, with almost 90% of managers expecting to launch responsible investment tilted products over the next year.

KEY FINDINGS

- **Over 90% of asset managers expect a hybrid model of remote office working in the future**
- **Over two thirds expect to continue using some form of virtual event post-pandemic**
- **Nearly 60% believe there is a greater need for digital expertise in a communications role**
- **Over a quarter are actively recruiting to fill this digital communications gap**
- **41% of firms think they are an early adopter of ESG, with 23% citing their pioneer status**
- **There was a near 20 percentage point drop in greenwashing fears by the industry**
- **82% of managers expect to produce more ESG material over the next year**
- **But most managers are now producing less content than they were two-to-three years ago**

THE ESG TRAIN RUMBLES ON

Money continued pouring into sustainable and ESG-related funds through the pandemic, with total assets hitting $2.3trn by the end of June 2021, according to Morningstar. Yet after five consecutive quarters of growth, second quarter flows directed to these funds were down on the previous two quarters, suggesting that investors may have, at least temporarily, reached a saturation point.

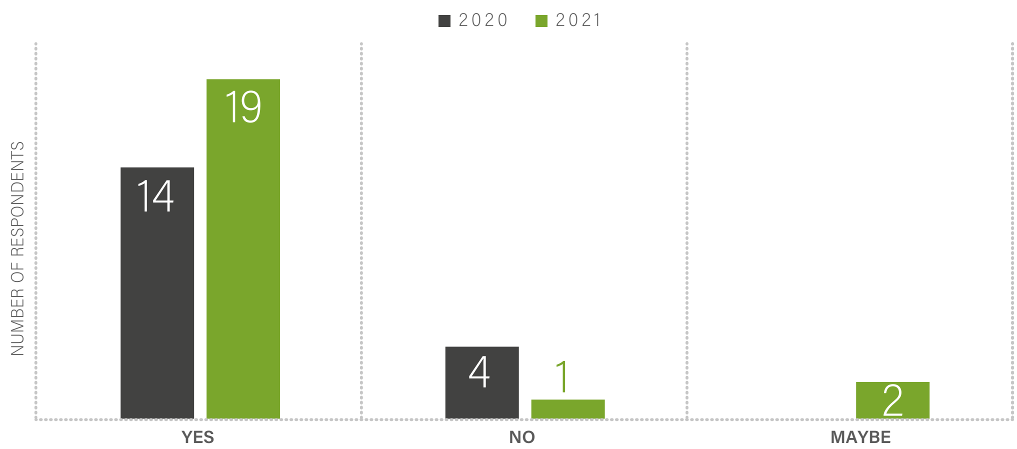
After a period of such strong growth, the possibility of there being a tipping point in client demand for ESG products is a question asset managers may be pondering.

Many will be hoping that we are still at the beginning of this journey, as the majority of asset management firms expect to launch additional products to cater for the demand. In fact, 86% of the firms we spoke to expect to launch new ESG-related products in the next 12 months, up considerably on last year when 78% of firms expected to do so.

In 2021, the remainder who didn't answer yes were either unsure of business development plans or said it was unlikely as they integrate ESG into the investment process, rather than sell standalone ESG products.

This plethora of solutions means it's hard to find an organisation that doesn't have some form of sustainable investment offering. However, as one respondent noted, it is not just about the fund having the appropriate ESG label. The manager itself must live up to that ideal. *"If you're doing this then it has to be about the organisation as well. You wouldn't buy Nike trainers – even if they labelled them ethical – if they were still using their old supply chains."*

ON LAUNCHING MORE ESG PRODUCTS IN THE NEXT 12 MONTHS



GREENWASHING FEARS RECEDE

This fear of greenwashing – or being seen to greenwash – runs deeply through marketing and communications functions at asset management firms Many said it has led to far more reticence about being too publicly vocal on the topic until they can back-up what they're saying.

"We haven't got that desperation to be relevant. We're ticking the box like everyone else but we've slowed down because we don't want to greenwash and we want to be better aligned. We don't want to be pioneers and get it wrong – I've seen competitors backtracking already."

This more cautious approach is borne out by the fact that 76% of communications professionals at asset management firms are concerned about greenwashing by the industry; albeit that this is a near-20 percentage point drop from the 94% who said the same last year. When it comes to fears of greenwashing at their own asset management firms, however, the opposite was true with 86% saying they had no concerns at all and the remaining 14% citing only minor concerns.

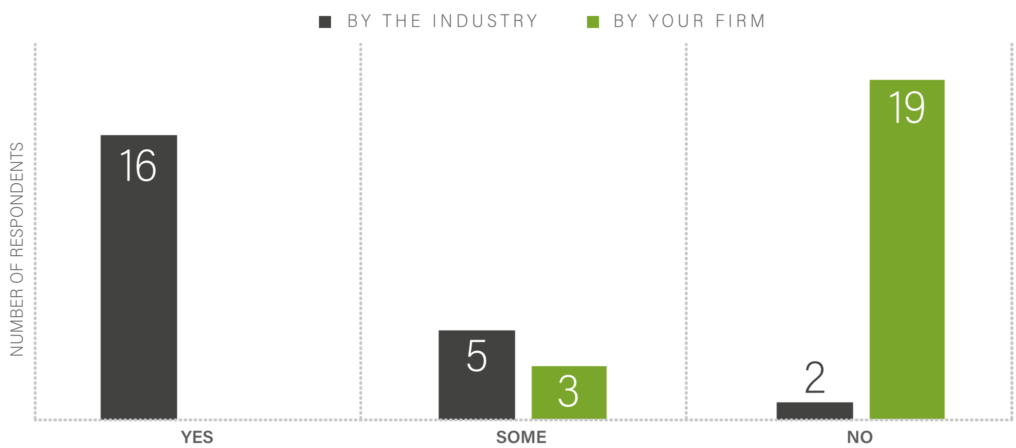
One of the reasons for this fading concern about greenwashing was the introduction of the Sustainable Finance Disclosure Regulation (SFDR) regime in March 2021, which has imposed transparency and disclosure requirements on asset management companies.

While some respondents felt that compliance with these requirements would limit any manager's ability to greenwash in the future, others believed the fact they were self-classifying their own status on funds meant that they were being overly conservative on the SFDR classifications. *"Clients don't want to see too many of our funds at Article 8 because they'll think its greenwashing."*

Since the regime was introduced, several asset managers and industry bodies have also said that the SFDR rules have created more confusion than clarity among asset managers.

A Morningstar paper, SFDR: Four Months After Its Introduction, which explored data collected from prospectuses on most funds available in the EU, concluded that fund companies have taken different approaches to product classification based on their own interpretation of the regulation. This has resulted in a wide range of ESG approaches being represented in Article 8 and 9 funds, with similar strategies featuring in both categories.

DO YOU HAVE CONCERNS ABOUT GREENWASHING IN THE INVESTMENT INDUSTRY



NO ONE IS BEHIND THE ESG CURVE

While there is some caution among asset managers of being too vocal on ESG, for the first time since we started this report, no asset manager said they view their firm as being behind the curve on ESG. This has been a continued trend in recent years: in 2019, 20% of firms felt they were behind their peers and last year this figure dropped to just 10%.

This year, the results demonstrate that boutiques (under €100bn) and the largest firms (over €500bn) are more likely to view themselves as being in line with what the rest of the industry is doing on ESG, with this being the most frequently chosen category for firms of each AuM size.

The opposite is true when it comes to the mid-sized firms (€100bn - €500bn) which are increasingly confident in their own expertise. 88% of firms in this category consider themselves to be either early adopters or pioneers of ESG investing.

That belief in their own ability doesn't mask the difficulties that they face in the wider market though, with even specialist pioneers citing the impact of the largest firms wading into the responsible investment and impact space.

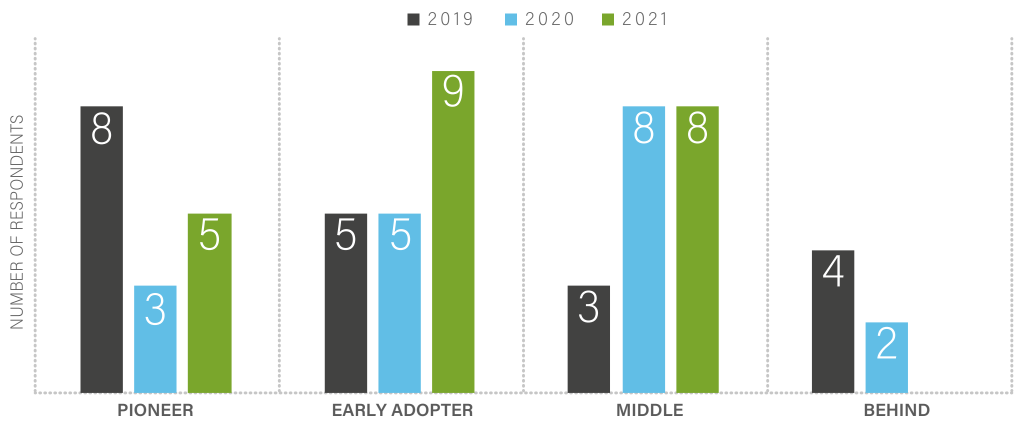
"We do see competition picking up and even though we are seen as pioneers and experts, it's getting increasingly difficult for a mid-size company like us. You have to compete with the BlackRock's of the world and even though I have no doubt we are much more advanced they have the power of size behind them."

Competition is certainly one of the challenges faced by asset managers trying to communicate their credentials on ESG to external stakeholders and via the media. Indeed, when we asked this question in 2019 it was one of the most frequently cited responses.

However, the introspection that we saw in last year's 2020 Asset Management Trends Report has continued. Challenges cited by asset managers are now far more focused on internal factors such as the lack of a single unified voice (multi-affiliate business model, different approaches by investment teams, limitations from being bank-owned) and the confidence to say something bold.

In fact, this year only 14% noted that it was the crowded nature of the ESG space which was the biggest challenge for them.

CLASSIFYING MANAGERS ON THE ESG SPECTRUM



THE CHALLENGE OF CLIMATE

Ahead of the COP26 Conference in November, it is perhaps not a surprise that climate remains top of mind for most asset management firms. When asked what subset of the ESG debate they were focused on, climate was overwhelmingly the top response given by over 40% compared with just 17% of respondents doing so in 2020.

Of those who said climate was a key area of focus, nearly 90% said they believed they were moving the needle on the debate. On the reverse, every respondent who cited sustainability as a key focus area said they felt they weren't having a significant impact on the debate.

The recent publication of the IPCC report on climate change in August 2021 warned that the world is still not doing enough to limit global warming to 1.5° C. Even with 2050 net zero targets being so liberally adopted in 2021, finding a way to really move the needle on climate, in a way that demonstrates true progress, will be fraught with difficulties.

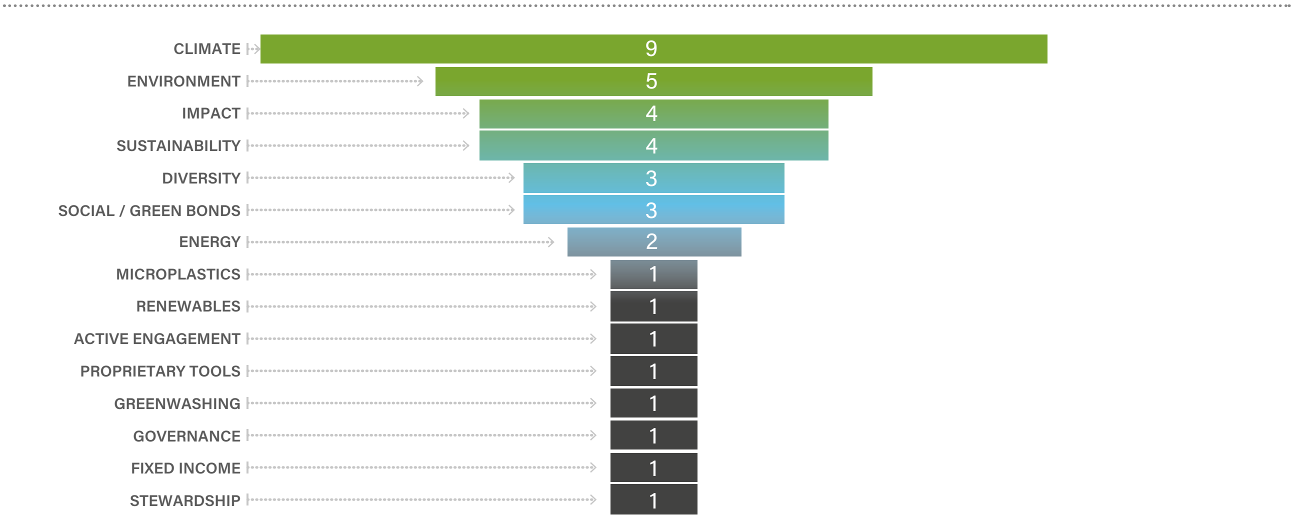
Overall, however, there was optimism from asset managers on their own efforts. 64% felt that they are managing to – in their own way – have some impact on the ESG debate, with other popular areas cited including broader environmental issues, impact investing and diversity.

This may provide some indication of the topics that we can expect to see content on from asset managers in the next 12 months, for there is near-unanimous certainty that we will be seeing far more ESG material. 82% of firms said they expect to produce more ESG content in the next year, and of those who won't be adding more to the mix, 9% said this was because as specialist ESG-only firms it is all they do currently.

Given that most asset managers are launching new ESG products in the coming year, it is perhaps not surprising that content will be used to support the marketing of these products. Yet it is worth keeping in mind that a recent JPES Media Audit published in July 2021 found that the amount of ESG content journalists are receiving has soared by over 150% in the last 24 months from an average of 32 pieces of content per month to now over 90.

Publishers have also noted this industry trend, of course, and while several traditional investment trade publications have ceased or consolidated over recent years, there has been a proliferation of ESG titles. In fact, there are more of these – and new ones arriving every few months – than either institutional or wholesale stables now.

AREA OF ESG MOST FOCUSED ON



RETURNING FROM LOCKDOWN

When we produced last year's report it seemed inconceivable that we would still be working from home a year later. But as the pandemic continues to – hopefully – recede, there remains a wide variety of opinion on what this means for businesses going forward.

Given the largely seamless transition to remote working back in March 2020, it is unsurprising that the majority (91%) of firms said the shift to remote working is here to stay, with most of them expecting to implement a 2-to-3-day week physically in the office – and a few even saying their decision was not to stipulate any set number of days.

But there remains a complete split in opinion on the impact of the pandemic on the communications function and how it functioned through the period. 27% felt communications became more streamlined and efficient, while 32% felt it had deteriorated and the remainder (41%) were unsure what long-term impact the pandemic would have on communications and marketing efforts.

One of the many reasons cited for those who thought communications had become more inefficient was the sheer volume of meetings taking place. *"My challenge is that the more meetings I am in, the less time I actually have to do work. I'm asking the question: how do we get around this proliferation of meetings where everybody feels they need to be in one, when actually they don't if they can read something that informs them afterwards instead."*

The need to strike a balance between remote and office-based work was key for all respondents. Many noted that there was a clear risk of people becoming increasingly siloed over time; that full remote working created more work because of the constant email traffic; and that juniors in particular were becoming solely task-oriented in their work.

At the most senior level, however, there was a sense that steering a course through the pandemic has also helped to demonstrate the value of having strong and effective communications and marketing in place.

"When you go into crisis comms, you get a seat at the table and we've been sitting there for 18 months. You really had to prove your worth but once you have, it's easier to persuade people to have higher quality comms and marketing."

SEARCH FOR DIGITAL SKILLS

Most of the world probably hadn't heard of Zoom in March 2020 but 18 months on, even fewer haven't had a video call on this or another platform. Whilst professionally it filled a gap, as face-to-face meetings moved online, it presented a quandary of whether to try and replicate physical interactions digitally too.

For those who took the leap on virtual events early enough it seems to have paid off, with several respondents recording 100% attendance for the first time. One asset manager said they were also surprised at the journalist interaction at the event, particularly in the UK compared with other European markets.

However, a common experience has been a growing sense of 'Zoom fatigue,' with people increasingly not signing up, or if they do, not switching on cameras or asking questions. Most respondents also said that while it was a good way to engage with media differently, it made little difference in terms of actual coverage being generated.

"I know I'm lazy about them [Zoom events]. I see an invitation come through and think that looks interesting, so I'll sign up and then either I can't attend, or I do; but now I can stay in the background. So I don't ask questions, I don't properly engage as part of it and I think that that is very tempting for a lot of people."

Despite a sense of fatigue with video calls currently, 77% do believe that broader changes wrought by the pandemic will alter communications strategies in the future, with an even higher proportion (86%) saying there is more of a priority on digital channels, such as podcasts and videos, now than previously. 59% also felt that a hybrid of both virtual and physical media events will remain in place, having demonstrated some value over the last year.

To meet this changing landscape, 28% of firms said they were actively looking to recruit digital skills specifically into the communications team, rather than a marketing or social media team. This demonstrates a continued blurring of the lines between the disciplines; a marked shift from only four years ago when 60% of asset managers said that digital wasn't integrated into the communications function at all.

DIGITAL PROVES ITS METTLE

The integration that has occurred over the course of the 18 months has, according to some, simply accelerated changes that were already in train.

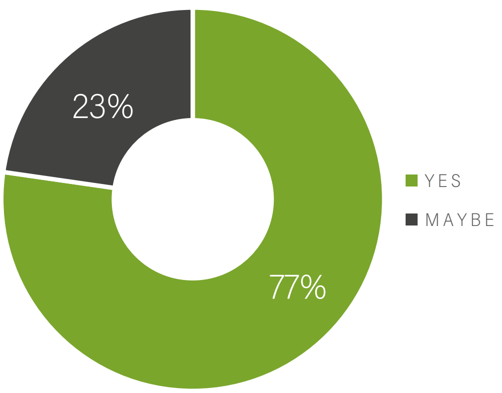
"The trends that were already around, with traditional media falling away and self-publishing increasing, are continuing, so we've definitely stepped up and we now think: is it internal, social, or a press release? We think about the content first and then the channel afterwards."

The pace of this transformation may explain why digital is the one area of communications where asset managers feel less confident on their own progress. Only 4% felt that they were ahead of their peers when it comes to social media and digital content, while a small majority (55%) believed they were on a par with peers and 41% believed they were lagging.

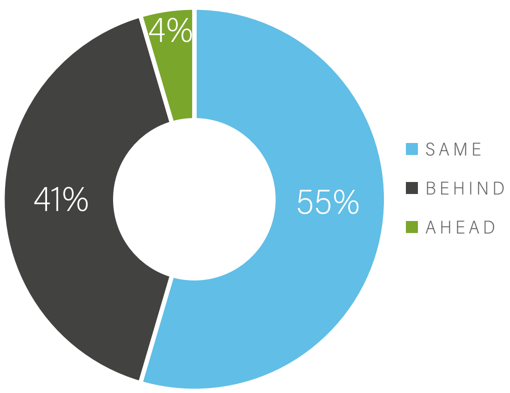
There is, however, a clear difference of opinion based on the size of the firm. Of all the boutiques surveyed, not one believed they were behind the industry on digital communications, albeit some cited this was relative to their size. The largest managers tended to be the least satisfied, with 75% of them saying their owned digital and social channels were underperforming the rest of the industry.

Part of the reason for this sentiment may be that digital offers a level playing field to all managers. *"Digital has definitely proved its worth and to have a good, high-quality brand, you don't need the biggest dollars. Targeted marketing is much more important now, you just can't be effective online in a mass way - and we've been a beneficiary as a boutique."*

WILL THIS SHIFT TO MORE DIGITAL CONTENT CONTINUE?



ARE YOU AHEAD OF YOUR PEERS ON DIGITAL AND/OR SOCIAL MEDIA?



WALL OF CONTENT CRUMBLES

It may be a relief for many to consider that the wall of content, which has been a continuing theme of the Asset Management Trends Report over the last four years, has shrunk over time. Among asset managers of all sizes, the volume of content being produced for media purposes has shrunk to 2018 and 2019 levels.

There is now very little difference between the boutiques and the medium size firms with an average of 8 and 9 pieces of content being produced per month respectively. The largest firms (above £500bn AuM) are on average producing 21 pieces per month, which is also the lowest figure since the inception of the report.

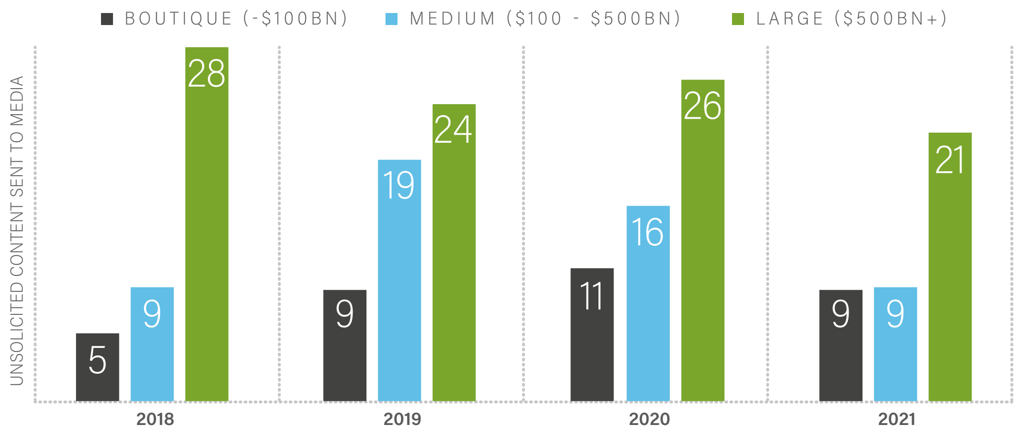
This decline in content follows what was a rapid burst of activity in March / April last year, when the initial bout of market volatility, combined with the first lockdown, meant the amount of content being produced rocketed as they sought to placate the concerns of clients and staff, as well as respond to media interest.

Looking back over 2020, 54% of the asset managers we spoke to briefly saw an increase in the volume of content that was being produced; however, this appears to have been a short-lived scenario during the depth of the pandemic. Going forward, 68% expect to produce the same amount in the next 12 months whilst 9% think the amount of content will go down further.

In terms of what type of content works best, there was a noticeable change from when we last asked this question back in 2018. The overriding view then was that asset managers wanted quicker, reactive commentary to news events or macroeconomic announcements. This time, only 9% of the respondents cited this. Now, the type of content that is most in demand is something that is truly 'opinionated', which allows managers to have a real voice on an issue, followed by some form of proprietary data or research.

Several firms cited restrictions from parent groups as to why they can't expect more opinionated content, even if it does work. *"I really look up to Schroders and their CEO and the stuff he says. I think it really helps if you're one single brand with a shareholding family that's happy for you to be a bit controversial and a bit punchier. I wish we could do more of that, we just can't."*

THE WALL OF CONTENT BY ASSET MANAGERS



MEASURING SUCCESS

A perennial issue in media relations remains, as ever, how to measure success. This is particularly true when success may be more about keeping an issue out of the press, than appearing in it.

Often, it seems that what communications professionals view as 'good PR' is broadly aligned with what the business wants as well, with 59% of the firms we spoke to saying that their own measure of what constitutes good PR is in line with the views of the wider business.

Some asset managers also noted, however, that what the business values in media relations is very different depending on what function in the organisation they are talking to. The main interest in measurement and KPIs stems from the investment and sales organisation, while senior management and executive committees are more interested in negative press coverage than coverage statistics.

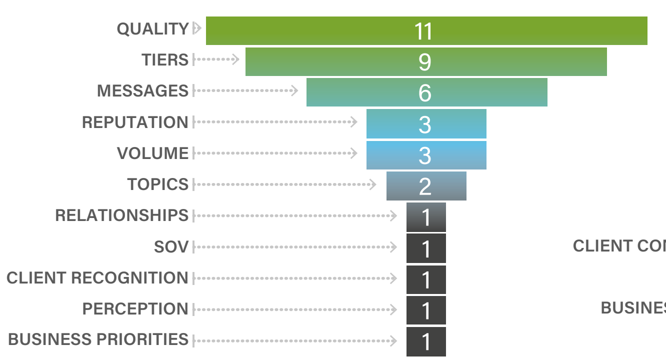
However, whilst most of the industry is broadly aligned, this does mean that 40% of asset managers are using metrics to measure success that their own communications teams do not agree with.

The most preferred measure of success is simply based on the quality of the coverage itself, which was cited by 45% of respondents. What constitutes quality differs from manager to manager but there appeared to be a tacit understanding in the business of what the communications department was seeking to achieve. What was deemed quality was broadly in line with other more specific answers such as being in the right publication (tier) and saying the right thing (on message).

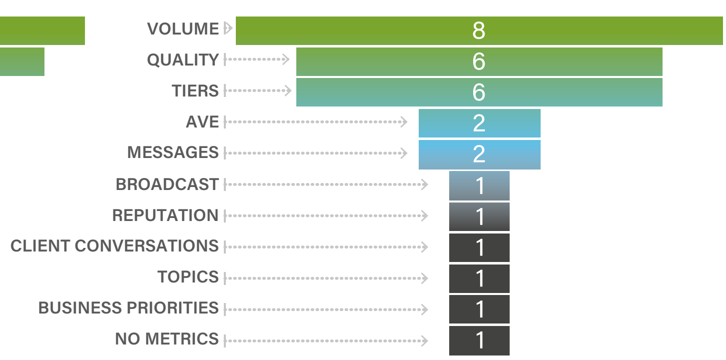
Volume of coverage was only mentioned by 14% of communications professionals but in terms of what the business values most, it was the most used metric, according to 38% of the respondents. Quality was also a popular choice but was only cited by 24% of respondents.

One firm, which chooses not to use KPIs at all, said: *"Volume is a really tacky measure of good PR and KPIs stifle creativity - if you tell an agency to tick 5 boxes, they'll do it but it's madness and you stifle them. Potentially you even damage relationships by doing that, as you're trying to shoehorn things in just to meet an arbitrary KPI."*

WHAT IS YOUR PREFERRED PR METRIC?



WHAT IS YOUR FIRM'S PREFERRED PR METRIC?



IN SUMMARY

The growing importance of digital channels won't come as any surprise given the events of the last 18 months, as they were placed at the front and centre of communications. The question now is about the permanence of these changes.

While some may have had question marks pre-pandemic about the role digital played and who was consuming the content, the overwhelming opinion is that it has proven its worth as a means of staying in touch with clients, and even for reaching new business prospects.

One asset manager said they secured a meeting with a pension fund an hour after sending a podcast, something 6-months of chasing hadn't managed. Another noted that every request from their sales team was for more digital content, particularly within the wholesale space.

The lines are increasingly being blurred between the various marketing and communications disciplines, with more focus placed on owned content than ever before.

This change of focus may also explain why the amount of content being produced for media purposes has finally tapered off. Growing year-on-year, asset managers were becoming content machines, most of which was likely to have been deleted unread from people's inboxes. Yet, while overall volumes are down, we expect a far bigger tidal wave of responsible investment material to be produced, even though journalists are already awash with it.

As our media audit showed, most of the ESG content being produced isn't being used by journalists as there is simply too much. Whether you're a pioneer or behind your peers (which no one appears to be), there is a need to be realistic about what value the content being produced really adds and who it is being written for.

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JPES Partners is a communications consultancy specialising in the investment management and commercial property sectors.

We help our clients achieve their business objectives through a combination of strategic marketing and communications disciplines. Our team of consultants draws on a range of professional backgrounds including investment management, journalism, marketing, public relations and law.

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