

PwC | Asset and Wealth Management CEO Roundtable – Through and beyond the storms of COVID-19

21 April, 2020



Amidst the backdrop of the ever-evolving outbreak of COVID-19, the Asset and Wealth Management (AWM) industry, like many industries, has had to react and respond to challenges that were not imaginable previously.

Social distancing norms have led to face-to-face interactions being curtailed which has had a profound impact on many facets of the AWM industry. Disruptions to networking events, meetings and travel plans has meant the usual forum for connecting with colleagues, peers, service providers, regulators and other stakeholders within the community has now been interrupted.

In light of the current environment, PwC Hong Kong hosted its inaugural virtual CEO roundtable on 21 April 2020. The first of its kind virtual roundtable was hosted by Marie Anne-Kong, Julie Chan and Yousuf Khan and brought together strategic leaders from across the industry to discuss the key trends and observations they are seeing since the outbreak began.

Asia leading the way as proactive CEOs focus on the longer-term implications of the crisis.

In general, it was encouraging to see that many organisations were maintaining “business as usual” operations in the interim albeit in a different way. Another bright spot was hearing that organisations provided a duty of care to their workforce, which went beyond the usual employer employee relationship. Besides ensuring that the workforce were safe, engaged and connected, leaders also discussed the longer-term and lasting implications that will go on and affect their workforce, operations, investors and performance of their business.



Sharpening the workforce

Different countries are at different stages with the outbreak but it was evident that there were learnings in how Asia handled the situation given they were the first continent to experience the crisis. Asia led the way as it shared experiences with other jurisdictions on how to successfully implement Business Continuity Planning (BCP) and how to navigate through uncertainty in the early stages. Some of the effective workable practices which were implemented by the Asia network were ‘imported’ to other territories within the organisation. Initially, BCP was on the top of the minds of C-suites but given we are now in the 3rd month of working remotely, the onus has also now shifted towards other aspects which includes but not limited to; digital upskilling, virtual social activities, knowledge sharing via online formats, etc.

Leaders are ensuring the workforce are supported with the necessary tools and technology.

Managing teams virtually is no mean feat given the size and complexity of many asset managers. In particular, with not everyone in the workforce being able to embrace remote working and showing the same enthusiasm and productivity levels vis-à-vis working in the office, there were obvious worries on how effective the current working from home situation was. Naturally, attempting to make the workforce ‘leaner’ would be the go-to approach in other crises, but some leaders reassured that layoffs were on the back of their minds and that they will not lay-off employees this year. Moreover, productivity gains may actually be realised in some parts of the workforce - think less time spent in airports travelling for meetings and less time spent commuting between meetings.



Accelerating the digital journey

Generally, the AWM industry is considered a digital laggard and up until now there has been no burning desire to reinvent itself from a digital perspective. For example, most asset managers in Asia still rely on intermediaries to sell funds as the channels for direct distribution are still not mainstream with the exception being in China. Even during the peak of the pandemic, mutual fund sales and fund raising activity continued to be active and even thrive in China as online digital platforms are considered the norm.

Despite the perception that asset managers were slow in adopting digital solutions, the current environment has provided the industry a catalyst to accelerate digital transformation projects. An obvious focus area of enhancement would be cyber security as it was widely accepted that the working from home revolution is just beginning in Asia. For the first time on a grand scale, asset managers are experiencing a trial run of a remote workforce and this will shape employee attitudes and preferences on working norms far into the future. With the potential shift in mindsets of the workforce, the industry will need to put in place the digital infrastructure required to support working remotely in the long run. Moreover, as asset managers re-visit the productivity of their workforce, they will concurrently consider alternatives such as Robotic Process Automation (RPA) in certain areas to automate manual processes.



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Focus on strategy

In the short term, financial market impacts are still working their way through the system and it was notable that March saw heightened investor panic and significant client redemptions which put asset managers at the forefront of challenges. While there were a lot of outflows and client engagement activities in March, there were ominous signs of stability returning in April.

While public markets have been in the spotlight, private markets have quietly gone about their business. As investors re-think the importance of allocating capital away from public markets, alternative assets will ultimately be a beneficiary. The case for alternative classes has always been there, but as market conditions change and investor behaviour changes, the asset class could be ready for momentous growth in the coming years.



Whilst there are positive signs emerging in the interim, there is no time for complacency as unexpected changes can arise at any given moment. There is a need for the industry to look beyond and be more focused around the longer-term implications of the crisis. The shift in mindset and expectations of investors has led to new thinking in how their capital is managed and how they interact with the fiduciaries managing their assets. These trends are highlighted in one of our other recent publications entitled '[Re-think, Re-focus and Re-engage: Transformation of Wealth Management in Hong Kong](#)', where we take a deep-dive on the underlying forces that are pushing asset and wealth managers to reconsider their value proposition in the AWM industry.

Redefine purpose

In the difficult environment ahead, asset managers have an opportunity to distinguish themselves and lead from the front in promoting ESG investing. Participants at the roundtable were in unison when discussing the implications of ESG investing as a result of the outbreak. While there is an increasing cohort of investors who wish to steer their capital to solve real economy and social issues already, the trend will likely accelerate and reshape the AWM landscape for years to come. Asset owners will now be even more mindful of the strategic importance of ESG investments.

At present, ESG is spoken of as a separate issue in the industry. However, due to the accelerated thinking as a by-product of more awareness of the world's ecological balances recently, more asset managers will look to holistically integrate ESG into their core business in the coming years, as changing investor expectations force them to reconsider their approach.

ESG will be part of the norm and not be talked about separately in a few years' time.

While it is apparent that Europe took the lead in the ESG arena, Asia has made great efforts to catch-up as external factors in the form of government policy, regulations and market competition in the region are driving asset managers to enhance their ESG efforts. For more colour on how asset managers can integrate ESG in their operating model and core processes, please refer to our recently published paper entitled '[Environmental, Social and Governance \(ESG\): An opportunity for Asset Managers](#)'.



Sailing stronger together – thinking long term



These are not normal times and the present situation are uncharted waters for strategic leaders. Even before the onset of the outbreak, the AWM industry was undergoing a transformation journey with most of the value chain seeing disruption, uncertainty and challenges in some form or another. The current pandemic and its consequences are simply accelerating trends already in progress.



If you would like to discuss any of the content covered at the roundtable, please feel free to contact us.

Marie-Anne Kong
Partner, Asset and Wealth Management Leader
PwC Hong Kong
+852 2289 2707
marie-anne.kong@hk.pwc.com

Julie Chan
Partner, Asset and Wealth Management Consulting
PwC Hong Kong
+852 2289 2432
julie.py.chan@hk.pwc.com

Yousuf Khan
Partner, Asset and Wealth Management
PwC Hong Kong
+852 2289 1387
yousuf.ya.khan@hk.pwc.com