

VIDEO

July 28, 2017

Focus on Funds: Fund Industry Responds to Today's Investor Needs

Focus on Funds

Fund Industry Responds to Today's Investor Needs

Fund investor preferences are changing, driven in part by demographic shifts. The fund industry must adapt accordingly, explains Shundrawn Thomas, executive vice president and head of funds and managed accounts for Northern Trust, in the July 28, 2017, edition of *Focus on Funds*.

Transcript

Stephanie Ortvals-Tibbs, media relations director, ICI: The mutual fund and ETF industry are facing rapid change and evolution. And in the midst of this, some of the industry's emerging leaders got together at ICI's General Membership Meeting to discuss the megatrends. Afterwards, moderator Shundrawn Thomas came by to offer some key takeaways.

Shundrawn Thomas, executive vice president and head of funds and managed accounts, Northern Trust Asset Management: I would say four things really stick out in terms of key trends impacting our industry. One, the investor preference is driven by demographics trends, right? We're shifting from purchasers being, say, Baby Boomers, to Gen X or Gen Y, [and] changes in terms of shift from female to male, and male to female, investing patterns. And so those sorts of things are really driving how we need to think differently about who our investors are [and] how we need to serve them.

The second thing is around product, right? When you think about product, we hear a lot of focus around pricing. But ultimately, investors are saying they want more transparency, more simplicity, and more accessibility, including the best value for what they're spending on their investment solutions.

The third thing that's interesting is the regulatory environment. Now, we've always operated in a regulatory environment, but the pace and the breadth of change on the regulatory side in the last 10 years? Faster than I think we've seen it in our investing lifetimes, right?

And then finally, when you think about how all that ties together in terms of how we have to deliver those products—really some significant changes in distribution, and where we sit relative to the end investors that use our products.

Ortbals-Tibbs: So for those of us in the industry, it's definitely not business as usual.

Thomas: This is very true. And a lot of times, what happens is, we're looking at what I would describe as the symptom as opposed to the writ cost. So, think about one of the things that's debated in the industry, like the shift from active to passive. But I think there's a much broader piece of feedback that we're getting from investors, and they're basically saying we really want to make sure we're getting the appropriate value for our investment dollar. I think what they're also telling us is, they have more insight, more perspective, more transparency around the kind of information that they can get. So it changes not only how we develop products, but how we deliver them—including vehicle types, whether it be things like ETFs. And we think about how we're evolving on the active side, the kind of fees that are associated with the product. All those things are really true examples of how we need to continue to shift to better serve our end investors.

Ortbals-Tibbs: So it sounds like another key takeaway is really that this is going to require all of us in the fund industry to change, and it's a talent management challenge.

Thomas: Significant talent management opportunity, as I would put it. Well, if you think about our industry, right, it's an intellectual capital business. And that's what drives us all, it's what gets us excited about the industry. And we know that in various functional roles, we need deep expertise. But where I would say the difference is, whether it's in a particular functional line, or certainly at the management level, are the kind of leadership skills that we need today—people who are better adept at strategic thinking, dealing with ambiguity; being able to shift because our business models are not as static; and, most importantly, being very good listeners, so that we can respond appropriately to our investing clients. Those are the kind of skills that we need to not only cultivate and develop, but we need to recruit and hire for.

Additional Resources

- [ICI Viewpoints: Industry Leaders Highlight Opportunities Presented by Industry Change](#)
- [Focus on Funds: Fund Industry Is Swiftly Changing](#)
- [Video: Facing the Future: Fresh Perspectives](#)
- [Highlights from the 2017 ICI General Membership Meeting](#)