

VIDEO

August 9, 2019

Focus on Funds: New Technology and New Trends Are Driving Fund Industry Change

Focus on Funds

New Technology and New Trends Are Driving Fund Industry Change

In the August 9, 2019, edition of *Focus on Funds*, Sarah Ketterer, CEO and cofounder of Causeway Capital Management, shares how asset managers are adapting quickly to changing technology and new investor demands.

Transcript

Stephanie Ortballs-Tibbs, ICI director of media relations: How can you get ready for the future of the fund industry? At ICI's recent General Membership Meeting, here's what I learned you should be doing right now.

They used to always say, what: "You can get it cheap, fast, or good—pick two"? And it sounds like that old saying is not going to work anymore. Your clients and your investors are saying, "I do need all three at once."

Sarah Ketterer, Causeway Capital Management cofounder and CEO: We have to get more productivity—the importance of embracing technology solutions in front, middle, [and] back office. So not just operationally, but actually in the whole process of achieving greater returns for clients. It's critical.

Ortbals-Tibbs: The other thing they were saying to you is, "Yeah, you're going to see big changes in the industry; you're going to see people getting together in a way you've never seen before."

Ketterer: Yes. Marty Flanagan [president and CEO of Invesco] referred to a third of the asset management industry disappearing in the next five years. So what's going to happen to small managers? [It's] anybody's guess. But what we do know is their costs—their fixed costs—are huge, much worse than they were a decade ago.

Ortbals-Tibbs: And that's due to regulation, which is something else you all touched upon.

Ketterer: We did, and we were referring to the prior session with the SEC chairman and his comments on the regulation of the asset management industry. He was—Chairman [Jay] Clayton—somewhat ambivalent about whether or not the regulation was in excess, and therefore smaller firms would either suffer or not even be able to form and grow. And I got that somewhat different opinion from my panel and the two CEOs on it who think the regulatory environment is quite severe and will become more so over time.

Ortbals-Tibbs: So the last thing I'd touch upon is what you were sharing with me—that you started investment banking, and the word at that time was that head count that people used to talk about how they were going to save money. You said it's really a different formula now; you've got to think about it differently.

Ketterer: Part of this is how the business has to change. Some of the reduction, for example, in head count or in other expenditures, comes from having to adapt the asset management industry for the future. It's not just shrinkage for the sake of cutting costs in order to expand profit margins, but rather redirecting the business to where client demand resides.

Additional Resources

- [*ICI Viewpoints: Fund Industry Leaders Encourage Cultural Stability and Willingness to Embrace Change*](#)
- [*ICI Viewpoints: SEC Chairman Jay Clayton Tackles Hot Topics at GMM*](#)
- [*Speech: Path Toward Globalization Is Unstoppable*](#)
- [*Highlights: 2019 GMM*](#)