



SUMMARY REPORT

SCALING UP:

Identifying New
Growth Paths for
Institutional Investors

23 October 2020, Online Webinar



INTRODUCTION

This webinar was the third in a series of four on **Volatility to Value in the Investment Industry**. The first two events covered risk and resilience in investment operations, and explored the opportunities and challenges of insourcing versus outsourcing.

This session had an eye on the future, and the growth prospects and opportunities for investment institutions in today's uncertain landscape.

The impact of Covid-19 has proven to be a real life stress test for investment operations, prompting many institutions to reevaluate their plans and priorities for the period ahead. And with no one-size-fits-all solution, organisations now more than ever have different priorities and must look at a range of options to survive, thrive and grow. Our panel assessed the growth models that asset owners and asset managers can deploy to build their strengths and optimize long-term stability.

AGENDA

1:00pm BST: Introduction from the FT Chair

Dervedia Thomas, Associate Editor, *FundFire*

1:05pm BST: Discussion begins

- How important is growth and scale now for institutional investors as they grapple with the day to day demands of managing the implications of Covid-19? To what extent will the pandemic leave a permanent mark on the industry?
- What are the key priorities for the future in the areas of operations, investment and distribution? As the business model is revised, which plans are now being reconsidered and which will be maintained?
- As ESG and diversity considerations gain importance across all sectors, how will it reshape the business of investment, impacting the workforce make-up and physical footprint, as well as product and service offering?
- When considering growth, how important is scale in this environment and what are the best routes to achieving it? Is it time to reconsider insourcing vs outsourcing strategies?
- Data, data, data - will it define the success of institutional investors into the future?

Francisco Aristeguieta, Chief Executive Officer, Institutional Services, *State Street Corporation*

Sylvia Bell, Chief Operating Officer, *Teacher Retirement System of Texas*

Liza Jonson, Chief Executive Officer, *Swedbank Robur*

Moderator: Dervedia Thomas, Associate Editor, *FundFire*

1.40pm BST: Q&A with the online audience

1:50pm BST: Closing remarks from the FT Chair

Dervedia Thomas, Associate Editor, *FundFire*

KEY TAKEAWAYS FROM THE DISCUSSION

1. Outlook and Priorities for Growth

- Plans for the future are now being formulated against the backdrop of Covid-19, the current economic crisis, the shifting geo-political landscape, and a growing trend towards protectionism. There are many unknowns but it is still imperative to look ahead.
- New approaches to investment are seen as key to growth. Plans by Liza Jonson, CEO at Swedbank Robur include expanding the portfolio beyond active equities and systematic funds to capitalise on growth opportunities in alternative investments including unlisted equities, infrastructure and real estate. Sylvia Bell, COO at the Teacher Retirement System of Texas (TRS) aims to continue the strategy of bringing asset management inhouse to optimise investment outcomes.
- Adapting products, services and distribution strategies to the changing demands and expectations of institutional and retail client segments will also be important in the coming years. To achieve this, Swedbank Robur is pursuing an omni-channel, omni-client approach.
- Connecting the front with the middle and back-end of investment operations will be essential to achieving size and scale, which, as Liza Jonson noted, are critical to success in this industry. Francisco Aristeguieta, Chief Executive Officer, Institutional Services, State Street Corporation remarked that improving operational efficiency and effectiveness will allow for faster and better decisions, allowing organisations to maximise returns in a challenging and competitive environment.
- Leveraging expertise, knowledge and strong partner relationships are core to strengthening resilience, and as Sylvia Bell commented, will allow her organisation to capitalise on investment opportunities and gain operational alpha.

2. Outsourcing for Future Growth

- Outsourcing in the investment world is changing as asset owners and asset managers seek new levers for growth. Liza Jonson remarked on the rise of fund hotels in Sweden as an example of how the industry is evolving and how centres of expertise are emerging.
- Building deeper relationships and longer-term partnerships with fewer suppliers were cited by both Liza Jonson and Sylvia Bell as core to their future outsourcing strategy. For Sylvia, both supplier and client should feel they are on the same team focused on finding solutions that will deliver a win for all sides. This will only come about through discipline, accountability, trust and a shared outlook.
- Communication, transparency and reliability, particularly in today's unpredictable landscape, are key to successful outsourcing partnerships. Francisco Aristeguieta shared how State Street, as a major outsourcing supplier, is firmly focused on working hand-in-hand with clients by integrating the best technologies, innovations, talent and expertise into all relationships.

3. Maximising data

- Asset managers and asset owners are increasingly looking to dive deeper into data as a route to growth. Sylvia Bell described data as a corporate asset, one of the most important that the TRS has.
- Investing in data building and analysis are seen as hugely important into the future. Liza Jonson sees both opportunities and challenges in creating a scalable and efficient system that can handle the vast array of information available to institutions, especially when new data is constantly coming into the market. Sylvia Bell suggested that institutional investors can play a big role in designing data and implementing data systems that work well for the industry.
- Institutions need to get more out of their data beyond just reporting and reconciliation. Francisco Aristeguieta and Liza Jonson made the point that there is a requirement to recognise data as intelligence, and use it in a very structured way. Building on this, Sylvia Bell shared how data can come together to tell a story which creates insights and promotes better decisions.
- Data can have its limitations too, particularly in emerging areas such as environment, social and governance reporting. However, Liza Jonson noted that lack of data should never be used as an excuse not to deliver.
- Data security was described by Lisa Jonson as a top priority. Echoing this point, Sylvia Bell remarked that data needs to be protected as though it is cash.

4. ESG as a catalyst for change

- Environmental, social and governance factors are reshaping the business of investment. For Liza Jonson it is at the very core of Swedbank Robur, as the organisation strives to become a world leader in sustainable investments, building outwards from vision to philosophy, strategy, and product development.
- Collaboration and taking active responsibility are key drivers of success in this area. Francisco Aristeguieta noted the importance of stewardship and the responsibility to leverage the investor vote to promote change. He highlighted, in particular, State Street's involvement in the 'Fearless Girl' campaign in 2017. Building on this, Sylvia Bell provided insights into the TRS commitment of over US\$3 billion to small, diverse asset managers, with 50% of that capital allocated to women and minority owned groups to help them grow. Liza Jonson remarked that if investors do not shift their capital in this direction, they run the risk of being left with stranded assets.
- Recent events in the US and across the world have magnified the focus on diversity, gender and inclusion issues, concentrating the minds of the investment world on the need to embrace these factors as they look to the future. TRS is focused on gaining more diversity of thought through its workforce, something Sylvia Bell believes can create a competitive advantage for the organisation. Liza Jonson highlighted the importance of pushing portfolio companies harder to improve diversity, broaden the composition of their board and make a difference.

- There is a firm consensus that enhanced diversity is the way forward for the investment industry. For Francisco Aristeguieta, better decisions emerge from a more diverse group of leaders, than a non-diverse group. For Sylvia Bell, the new work-from-home dynamic presents a real opportunity, providing organisations with another lever to explore new models, and especially to broaden the workforce skill-set and make up,

5. Trends that will shape the future

- Mergers and acquisitions are on the increase in the investment industry with Morgan Stanley's recent acquisition of Eaton Vance a possible sign of more to come. Francisco Aristeguieta predicted more consolidation in the future as margins are tighter and yields are coming under pressure. And in a world where scale is increasingly more important, he sees the M&A in this sector as inevitable.
- Digitisation, AI and machine learning are key factors likely to reshape what the investment business will look like into the future. Liza Jonson was very optimistic about the potential algorithms hold to change the entire investment process, while still allowing the human factor to add value. Sylvia Bell remarked on the great opportunity for using emerging technologies in areas where there is currently no information or data advantage. Francisco Aristeguieta forecasts that machine learning will have a huge impact in the front and back offices but he warns of the need for system resiliency, especially given the unprecedented events of 2020.

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SPEAKERS



Francisco Aristeguieta

Chief Executive Officer, Institutional Services
State Street Corporation

Francisco Aristeguieta is the Chief Executive Officer of State Street Institutional Services that brings together the segment teams, client management, sales, client experience, marketing, regions and countries in alignment to drive sustainable wallet share and revenue growth for the organization. He is a member of State Street's Management Committee, its most senior strategy and policy-making group.

Prior to this, Francisco was the Chief Executive Officer of State Street International, where he was responsible for all businesses of State Street outside the United States. Before joining State Street, he worked for Citigroup for 25 years in seven different countries around the world. His last role at Citi was as the Chief Executive Officer of Citigroup Asia for five years and served as a member of Citigroup's Global Executive Committee. While at Citi he also held several leadership positions including the role of CEO of Latin America, Citi Transaction Services, CEO for Latin America and Mexico as well as country head for several markets including Colombia, Venezuela and Ecuador. He also worked as the CEO for the Andean Region cluster of countries. He was also a member of the Executive Committee of Banco Nacional de Mexico (Banamex) and the Citi Transaction Services Global Executive Committee.

Prior to Citigroup, Francisco worked for Vestcor Partners and Petroleos de Venezuela's (Pequiven) Project Finance Group. He served on several boards, including The Citigroup Foundation; Citigroup Ventures and The Asia Society and was the Vice Chairman of the board of Banco de Chile and Chairman of the board Colfondos in Chile and Colombia respectively. He also served on the board of the Association of American Chambers of Commerce of Latin America, The American Society and Council of the Americas, Junior Achievement Americas, the Banking Associations of Colombia, Venezuela and Ecuador, and the American Chambers of Commerce for Colombia, Venezuela and Ecuador. He was also a member of The Young Presidents Organization.

Francisco holds an MBA from Brunel University. He also has a graduate degree in Banking and Finance, and an undergraduate degree in Business Administration with a major in Management from the Universidad Metropolitana.



Sylvia Bell

Chief Operating Officer

Teacher Retirement System of Texas (TRS)

Sylvia Bell is the Chief Operating Officer of the TRS Investment Management Division where she is responsible for all aspects of investment operations including trade operations, investment information systems, talent management and budget and accounting services. From 2015 to 2019 she served as Director of the TRS Emerging Manager Program where she was responsible for a US\$1.6 billion portfolio of small and diverse managers.

Prior to joining TRS, Sylvia was with JPMorgan. In that role, she advised clients on a variety of investment strategies including equity, fixed income, and alternative asset strategies as well as advising institutional clients on investment operations and reporting solutions. Sylvia also worked with Oracle Consulting Services where her responsibilities included implementation of Oracle financial applications. She started her career with Deloitte and Touche, where she performed audit and consulting services for corporate, government, and not-for-profit clients. Sylvia currently serves as a Board member for the TOIGO foundation, a non-profit whose mission is to foster the career advancement and increased financial leadership of underrepresented talent.

Sylvia holds a Bachelor of Science and a Master's Degree in Accounting from the University of Florida and is a Certified Public Accountant.



Liza Jonson

CEO

Swedbank Robur

Liza Jonson is the CEO of Swedbank Robur. She holds more than 20 years of experience in the finance industry, and has always had a strong focus on innovation and sustainability, and a belief that long-term sustainability can also deliver long-term profitability. She has been nominated “CEO of the year” and has been ranked as one of the most influential women in business in Sweden.

Since 2012, Ms. Jonson has been a member of the board of the Fund Companies' Association, and was elected Chairperson of the Board of the Fund Companies' Association in 2020. In 2018 she was appointed by the Swedish Government as one of two business delegates for Agenda 2030.

Ms Jonson is also part of the Stockholm Sustainable Finance Center's

advisory board, and a member of several national and international collaboration forums such as i.e. Climate Action 100+, SISD (Swedish Investors for a Sustainable Development), PRI (Principles for Responsible Investments) and the Bloomberg Economic Forum.



Dervedia Thomas

Associate Editor
FundFire

Dervedia Thomas is an Associate Editor at FundFire, also covering asset management operations and technology. Before joining Money-Media, she was the editor of Fund Action, which covers mutual funds, exchange-traded funds, and asset management business strategy and regulation. She is a graduate of Columbia University's Graduate School of Journalism, and holds a BS in Marketing from South Carolina State University.

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