

**AGILE
MARKETING
IN THE
AGE OF
DISRUPTION**

BUILD. | MEASURE. | LEARN. | REPEAT.



PAICR | THE ASSET
MANAGEMENT
MARKETING
ASSOCIATION

2017 ANNUAL CONFERENCE

The Westin Grand Central | Nov.13&14, 2017

AGILE
MARKETING
IN THE
AGE OF
DISRUPTION

BUILD. | MEASURE. | LEARN. | REPEAT.



Capitalizing on Disruption: Transforming Your Distribution Organization for 2020



Lee Kowarski, Vice President
DST Systems, Inc.

PAICR | THE ASSET
MANAGEMENT
MARKETING
ASSOCIATION



DISCLAIMER

This material is intended for informational purposes only, and is not a legal opinion or analysis and cannot be relied upon as authoritative. Matters discussed in this presentation must be referred to your counsel for review.

The enclosed materials may contain sensitive, proprietary and confidential information. Please use every effort to safeguard the confidentiality of these materials. Please do not copy, distribute, use, share or otherwise provide access to these materials to any person inside or outside DST Systems, Inc. without prior written approval.

If we permit your printing, copying or transmitting of content in this presentation, it is under a non-exclusive, non-transferable, limited license, and you must include or refer to the copyright notice contained in this document. You may not create derivative works of this presentation or its content without our prior written permission. Any reference in this presentation to another entity or its products or services is provided for convenience only and does not constitute an offer to sell, or the solicitation of an offer to buy, any products or services offered by such entity, nor does such reference constitute our endorsement, referral or recommendation.

Our trademarks and service marks and those of third parties used in this presentation are the property of their respective owners.

Certain information contained in this presentation is from Morningstar, Inc. This information is © 2017 Morningstar. All Rights Reserved. This information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

© 2017 DST Systems, Inc. All rights reserved.



FINDING OPPORTUNITIES IN A CHANGING MARKETPLACE

CONSOLIDATION IS TRANSFORMING THE ASSET MANAGEMENT INDUSTRY

DISTRIBUTORS



48% of firms
are at risk

PRODUCTS



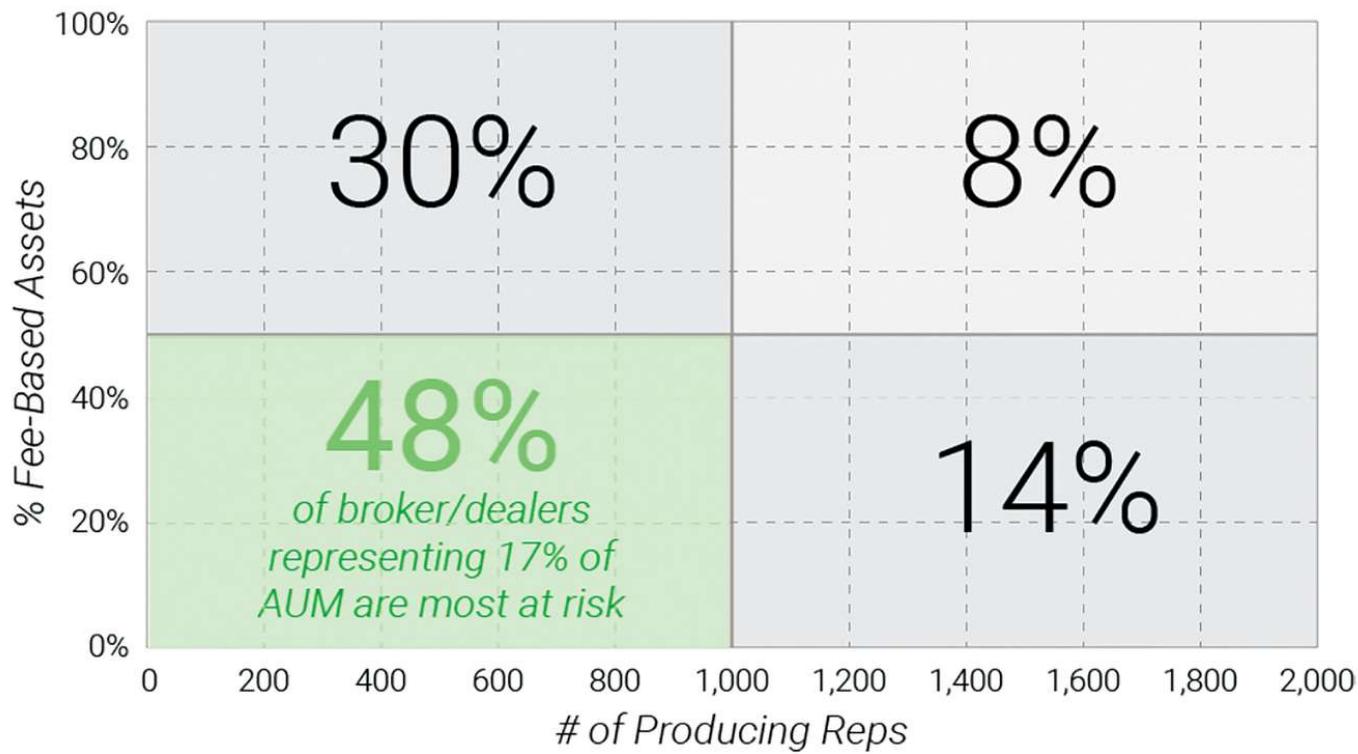
44% of funds
are at risk

ASSET MANAGERS



Managers **in the
middle** are at risk

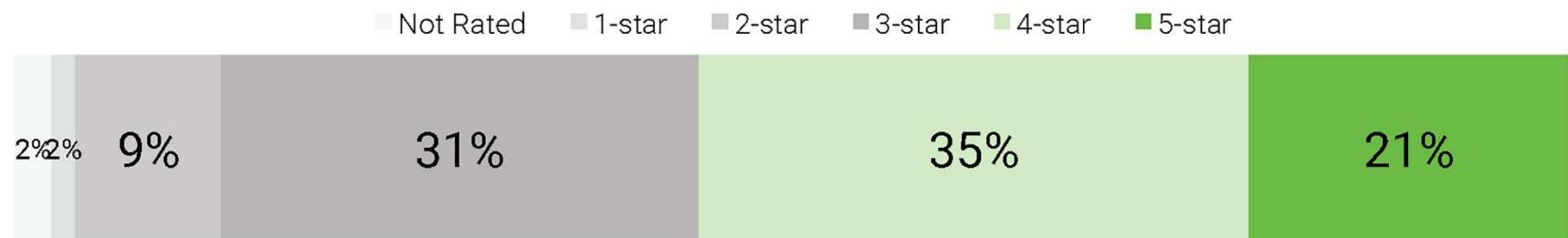
THE DISTRIBUTOR LANDSCAPE IS SHRINKING



DISTRIBUTOR'S ARE RATIONALIZING THEIR PRODUCT LINEUP



MORNINGSTAR RATINGS BREAKDOWN (% of total assets)



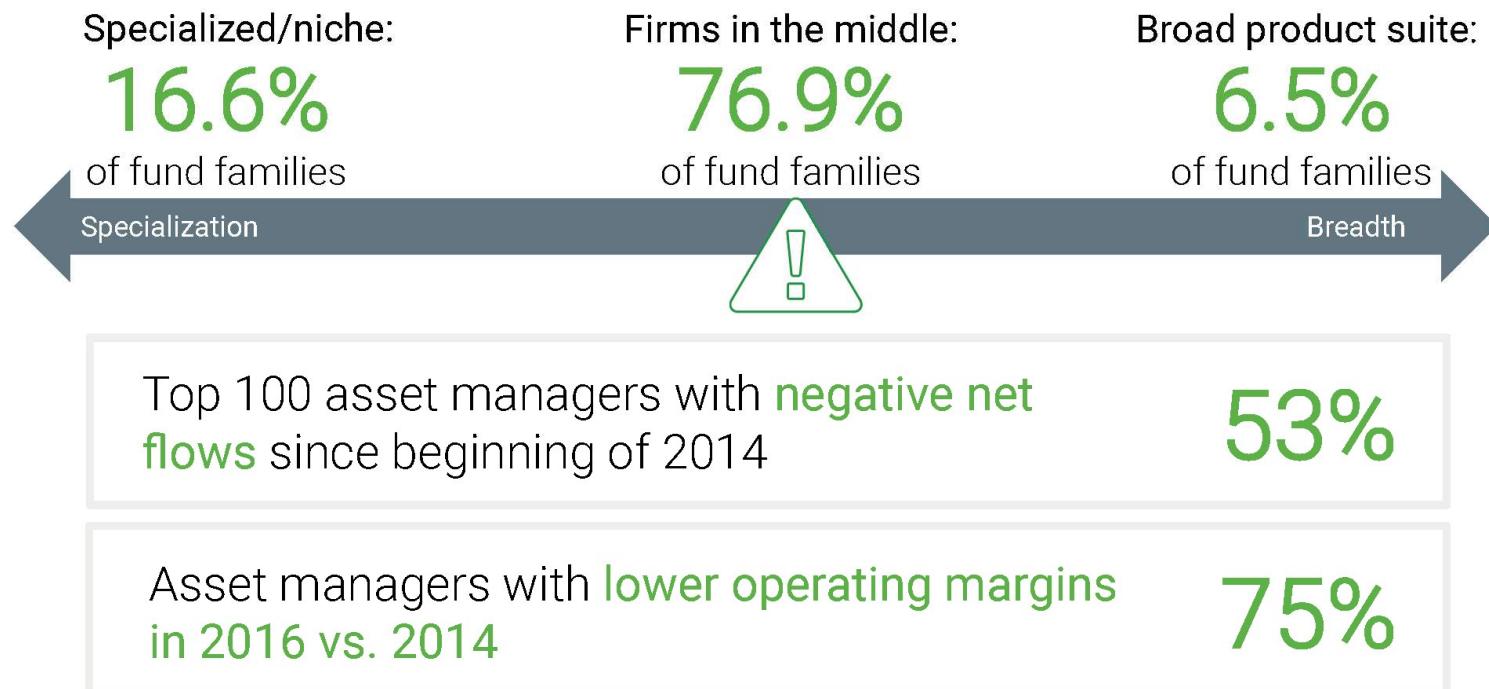
Total active mutual fund AUM at risk:

\$4.3T (44%)

Average AUM at risk per fund family
(1-, 2-, 3-star active funds)

\$11.7B

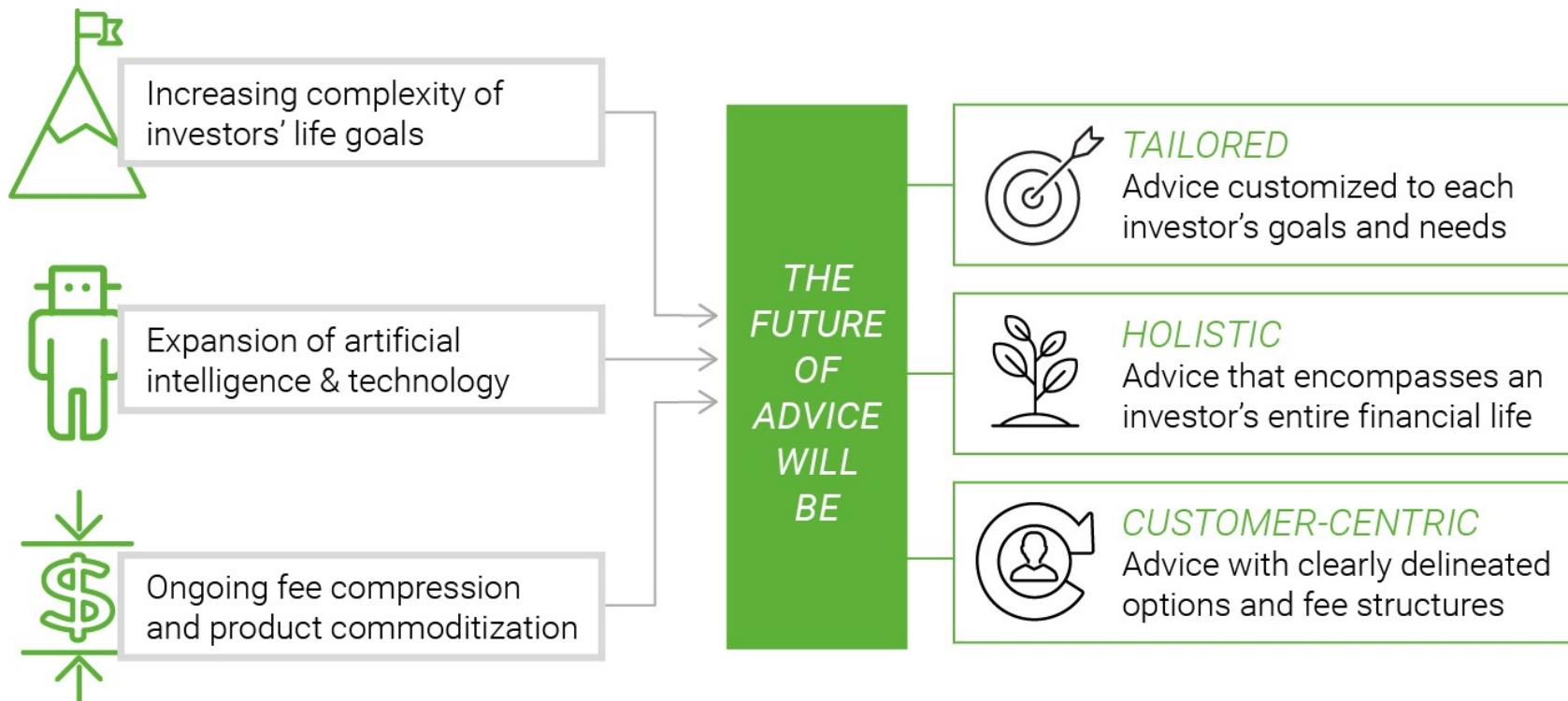
THE FUTURE BELONGS TO ASSET MANAGERS AT EACH END OF THE SPECTRUM



FINANCIAL ADVICE IS AT A TURNING POINT



METHODS OF THE PAST ARE BEING DISRUPTED FORCING MAJOR CHANGES



THE VALUE OF THE ADVISOR IS CHANGING

DST[®]



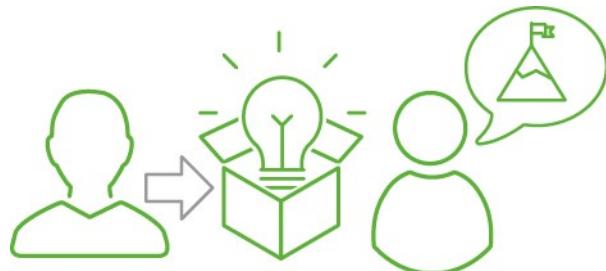
Source: DST Research, Analytics, and Consulting, LLC

ADVISORS FOCUS ON THE HUMAN ELEMENTS

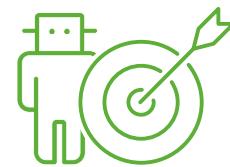


FUTURE

Holistic Financial Coach

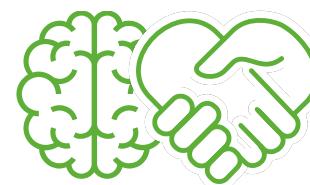


Defining the right overall **financial solution** to meet their unique goals



TECHNOLOGY DRIVES EFFICIENCY

- Portfolio Solutions
- Client Engagement
- Business Ops



FOCUS ON SKILLS THAT HUMANS DO BEST

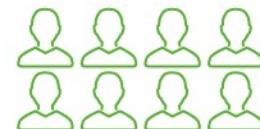
- Problem Solving
- Emotional Intelligence
- Unique Value

Source: DST Research, Analytics, and Consulting, LLC

MEANWHILE, SELLING IS GETTING HARDER

9,000+ mutual funds & 2,000+ ETFs...not to mention managed accounts, models, etc.

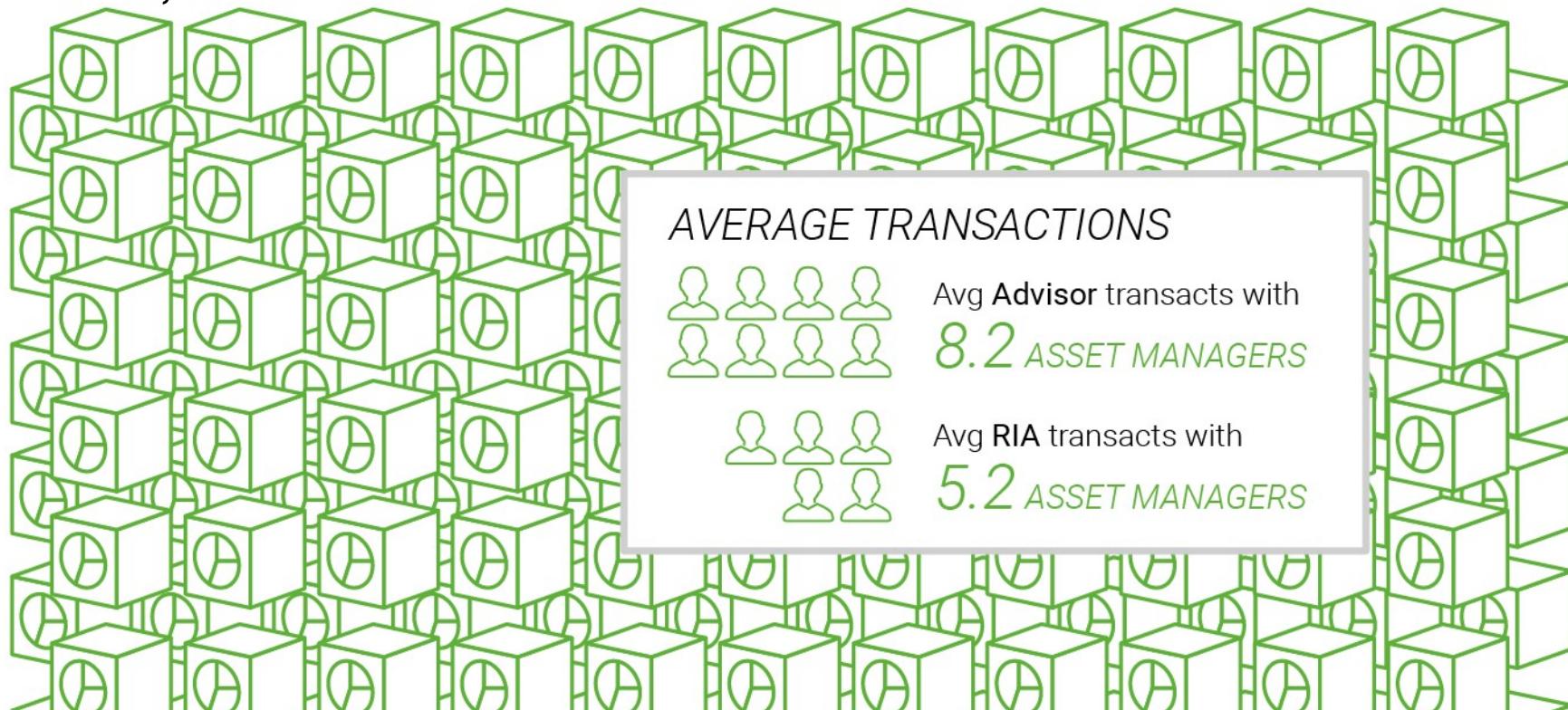
AVERAGE TRANSACTIONS



Avg Advisor transacts with
8.2 ASSET MANAGERS



Avg RIA transacts with
5.2 ASSET MANAGERS

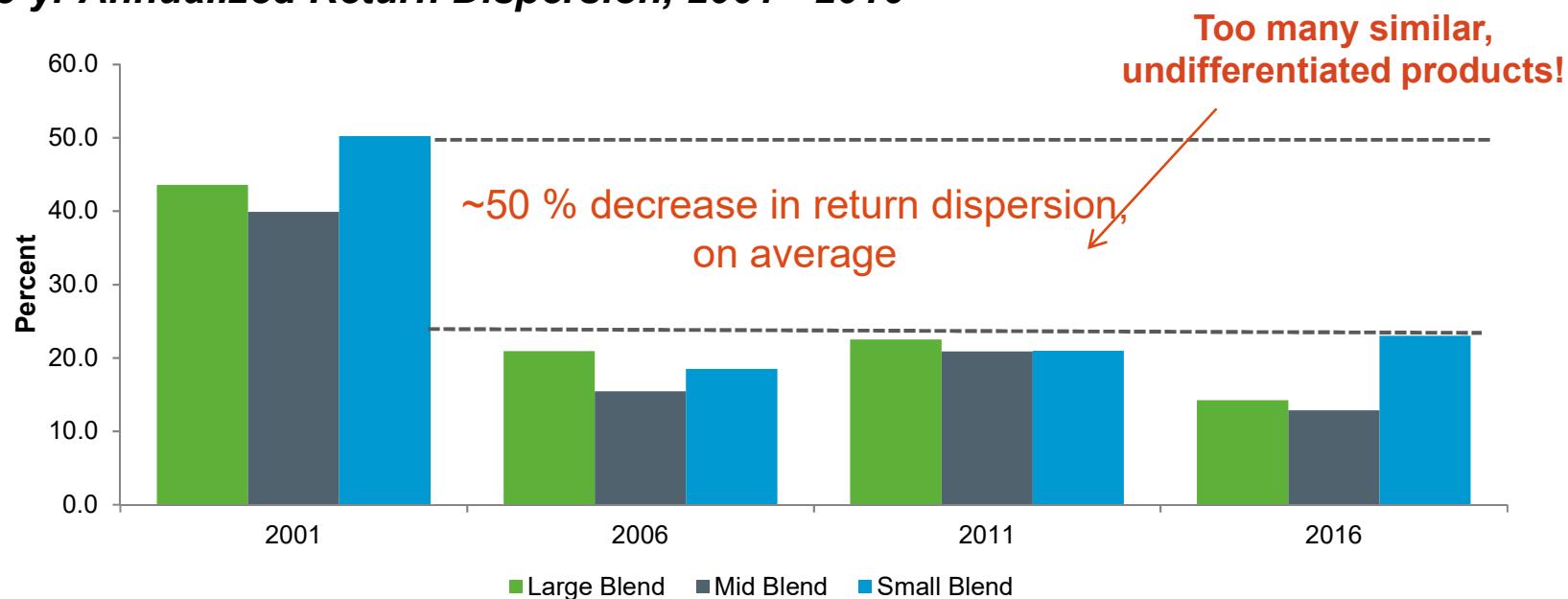


Source: DST Research, Analytics, and Consulting, LLC, in association with Horsesmouth

PERFORMANCE DISPERSION IS TIGHTENING



3-yr Annualized Return Dispersion, 2001 - 2016



Source: DST Research, Analytics, and Consulting, LLC, & Morningstar, Inc.

FEES CONTINUE TO DECREASE, ALTERING DISTRIBUTION ECONOMICS

US Mutual Fund Asset-Weighted Expense Ratios, 2001-2006

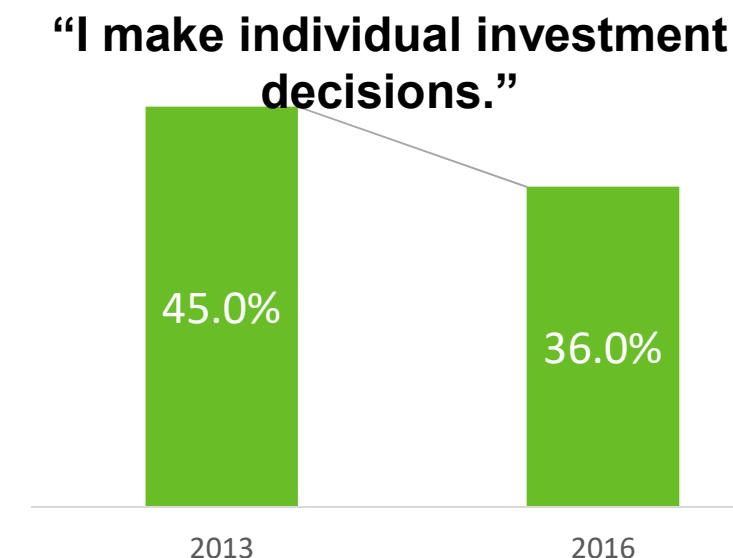


30% decrease in average asset-weighted fees since 2001

POP QUIZ



What % of advisors are responsible for marking individual investment decisions?



Source: DST Research, Analytics, and Consulting, LLC, in association with Horseshmooth

**ASK YOURSELF: WHAT ARE YOU DOING TO
CREATE VALUE FOR BROKER/DEALERS AND
ADVISORS?**



Source: DST Research, Analytics, and Consulting, LLC

WHAT ASSET MANAGERS NEED TO DO

ASSET MANAGERS MUST TRANSFORM TO ADDRESS INVESTOR, ADVISOR, & DISTRIBUTOR DEMANDS

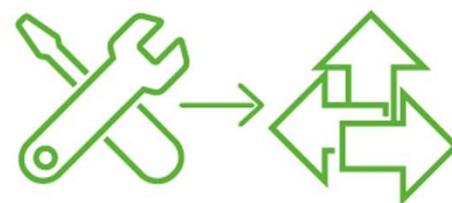


PRODUCT



Focus on
Alpha and
Reduce Fees

DISTRIBUTION



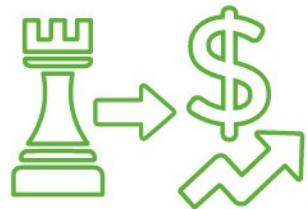
Optimize
Distribution
Partnerships

MARKETING

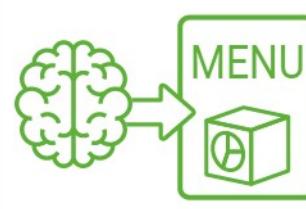


Modernize Marketing
to Optimize
Advisor Engagement

PRODUCT STRATEGY: ALIGN PRODUCTS WITH ADVISOR & INVESTOR DEMAND



Promote actively managed strategies that out-perform the market



Rationalize fund menus



Reduce fees



Innovate with data-driven design

CONTINUALLY INNOVATE PRODUCTS



Look beyond traditional equity and fixed income investment strategies for opportunities



downside risk
protection



differentiated
multi-asset class
strategies



tactical
allocation
strategies



alternative
investment
products

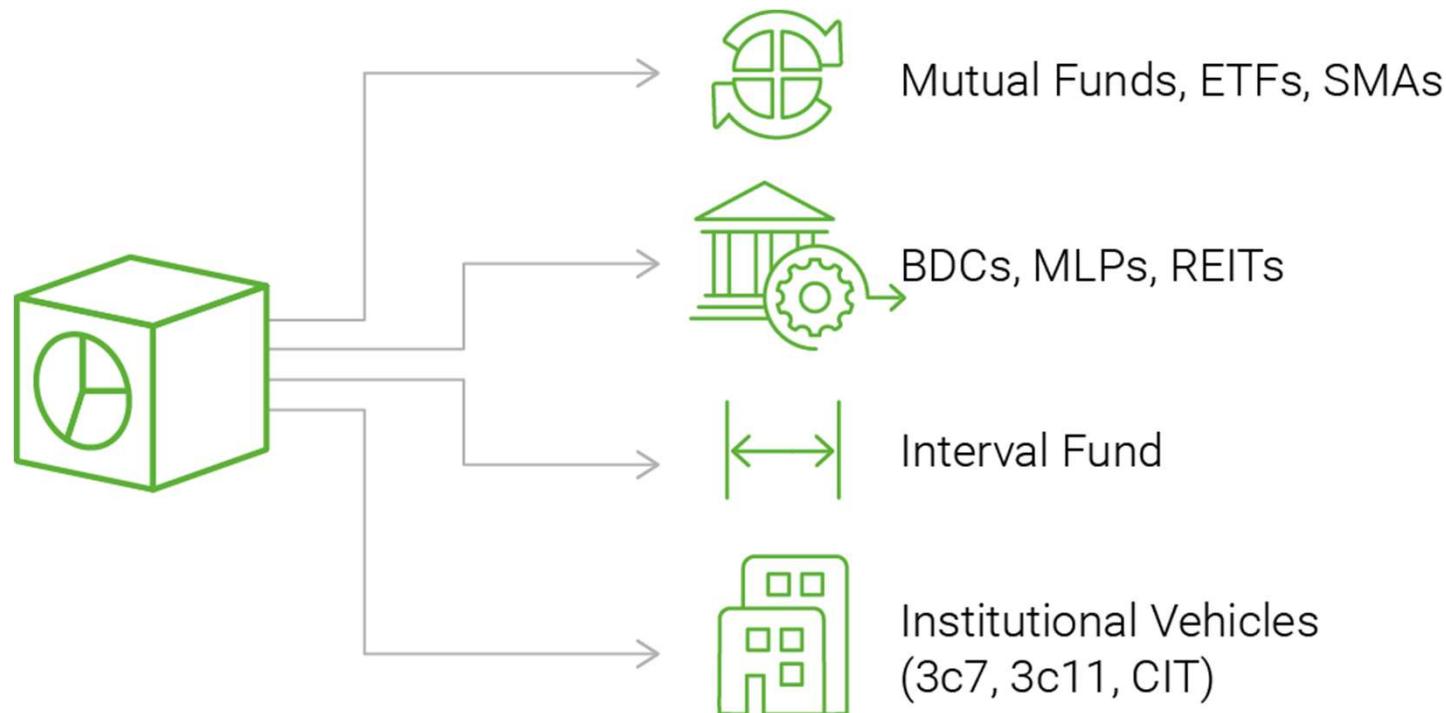


cross-balance
sheet
investing

Source: DST Research, Analytics, and Consulting, LLC

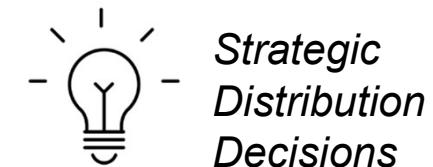
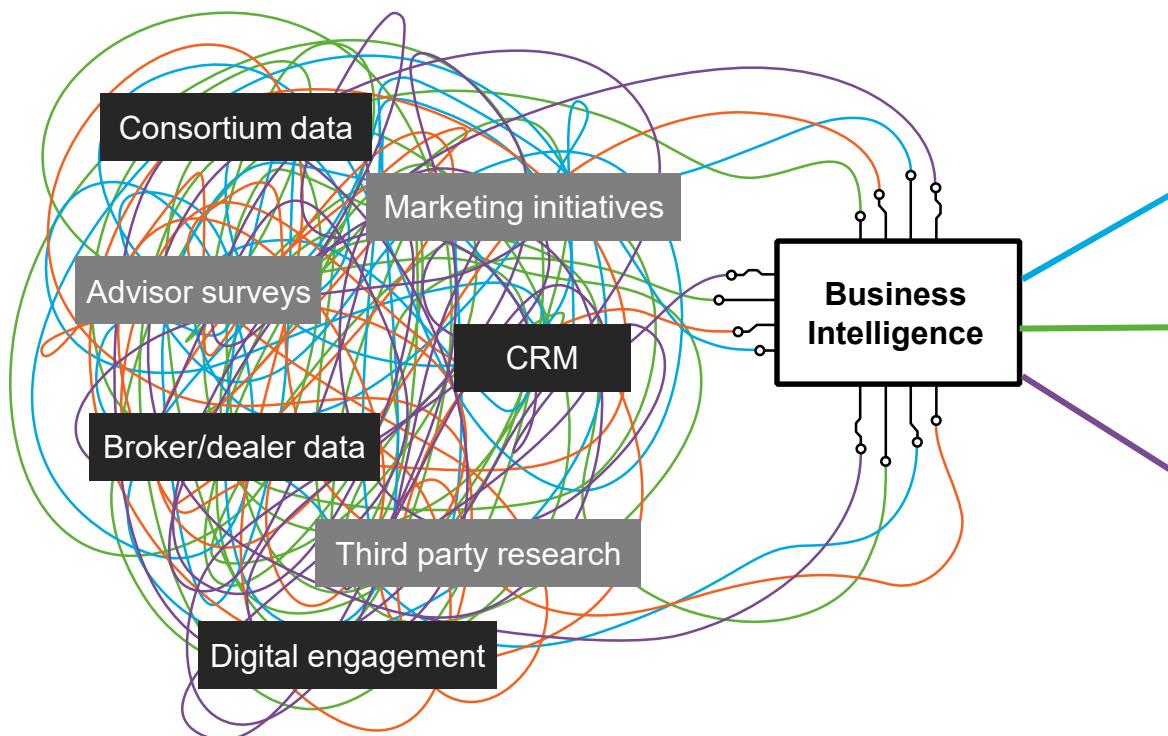
EXTEND PRODUCT INNOVATION WITH A VEHICLE AGNOSTIC APPROACH

Utilize investment vehicles that best complement a portfolio's investment objectives



Source: DST Research, Analytics, and Consulting, LLC

BUSINESS INTELLIGENCE IS THE ENGINE FOR DISTRIBUTION STRATEGY



*Strategic
Distribution
Decisions*

Tailored:
Who should we cover?

Holistic:
How can we help our
partners develop solutions?

Customer-centric:
How should we structure our
team to match client needs?

Source: DST Research, Analytics, and Consulting, LLC

DISTRIBUTION HAS TO COVER THE RIGHT ADVISORS

How can asset managers become more efficient & effective?



Only cover advisors which you can influence

Leverage BI team to triangulate advisors



Focus coverage on profitability and opportunity

Use segmentation to identify advisors that are profitable and present a future opportunity

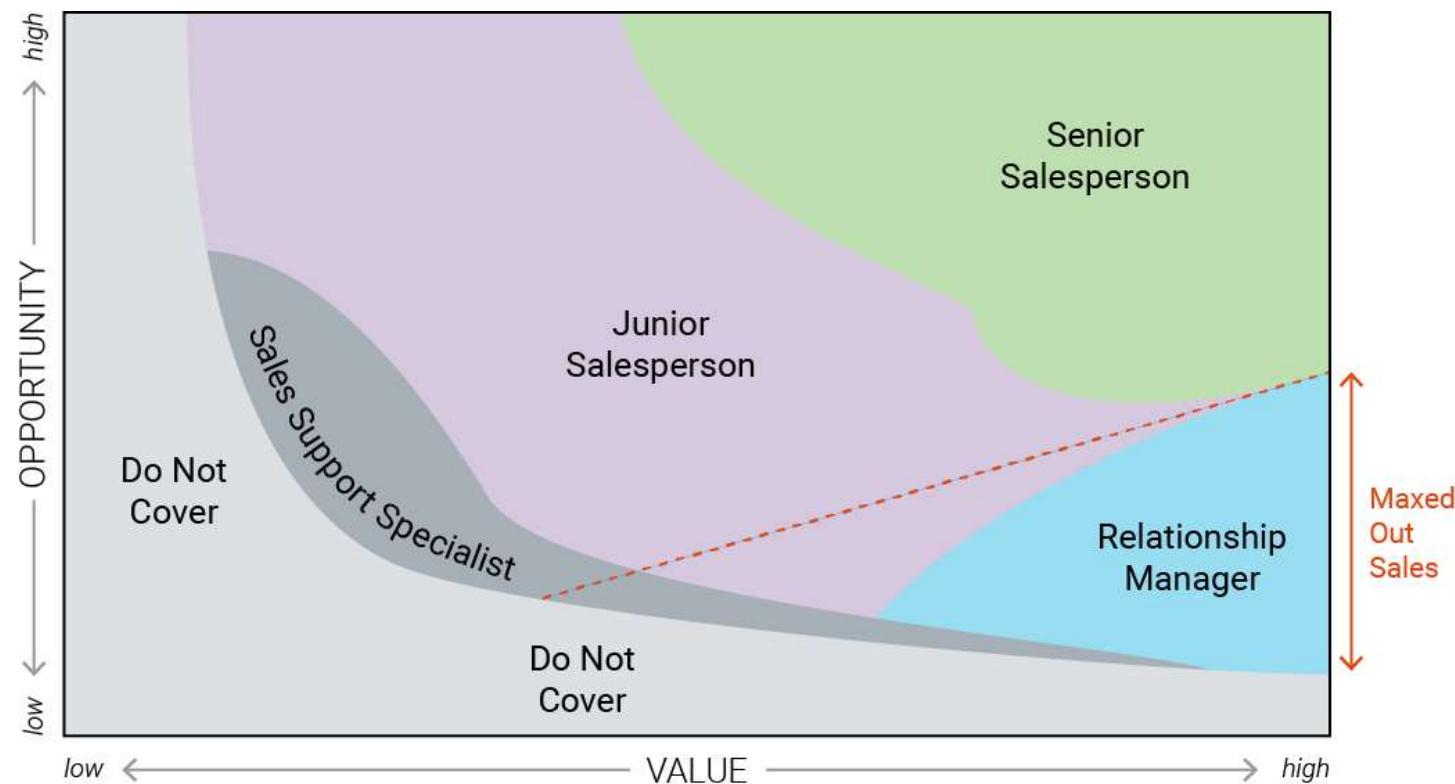


Assign coverage based on the sophistication of the advisor

Upskill salesforce to align with sophistication, needs, and preferences of covered advisors

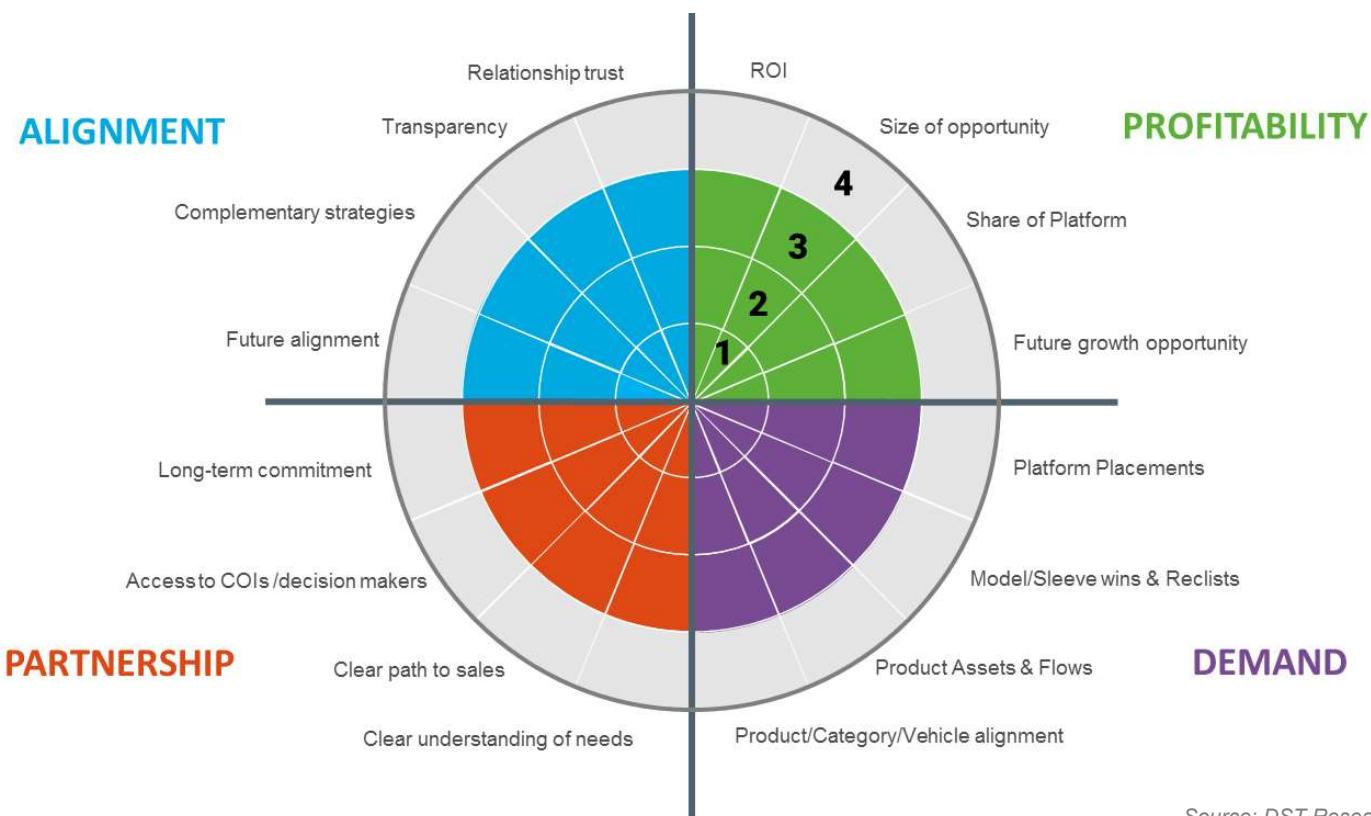
Source: DST Research, Analytics, and Consulting, LLC

THE RESULT: FLEXIBLE SALES TEAMS & COVERAGE



Source: DST Research, Analytics, and Consulting, LLC

ASSESS DISTRIBUTOR RELATIONSHIPS



CRAFT EFFECTIVE MARKETING STRATEGIES WITH ADVISOR ANALYTICS

Understand Client Needs and Preferences

3.8% of firms capture advisor insights from every touch point



Identify Opportunities

Marketing and Sales have jointly developed an advisor segmentation strategy at 19.2% of firms

Monitor and Measure Impact

7.7% of firms use dashboards to monitor their performance and business impact

Source: DST Research, Analytics, and Consulting, LLC

MODERNIZE MARKETING TO DRIVE ENGAGEMENT



Apply advisor insights for effective, efficient marketing



Expand digital engagement to earn business



Differentiate your value proposition to win advocates



Emphasize value-added services to earn loyalty



Be transparent about your investment process

TRANSFORMATION TO THRIVE IN 2020 REQUIRES TWO KEY EFFORTS



Address key challenges

- Industry consolidation
- Disruptive new technologies & entrants
- Regulatory pressure



Close gaps in connecting with customers

- Reflect client needs in product features
- Align distribution models with distributor demands
- Modernize marketing practices to meet client expectations



THANK YOU!

Lee Kowarski | lskowarski@dstsystems.com | 646-257-4480