



It's decision time

Canadian
asset management
opportunities and risks
report 2019

September 2019

Top organizational opportunities

64% Enhanced operational processes and use of technology

55% Accessing new investor base either within and/or outside existing market

48% Increased penetration of existing client base (retail, institutional, fund of fund, and/or private wealth platform)

Top organizational risks

64% Increasing complexity of regulation and cost of compliance

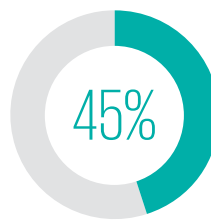
48% Cyber security risks

45% Cost challenges and squeezed profit margins

Technology top of mind



69% of Canadian assets managers are investing in or exploring partnerships to integrate technology innovation into their business model/strategy



45% are implementing tech in their back office to achieve the most value and cost savings (29% front office/26% middle office)

Top anticipated benefits from technology investments

52% Improving the client experience

43% Middle office and clearing services

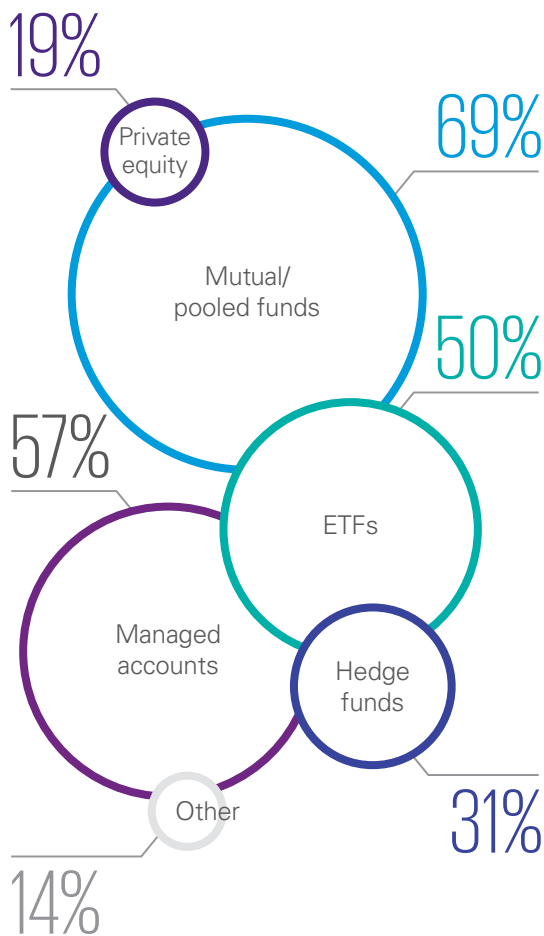
40% Improved data governance

Respondent breakdown

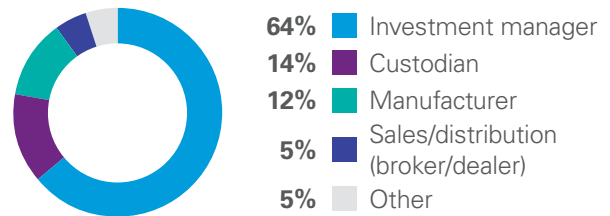
86% have over 1\$ billion AUM
(assets under management)
(33% over \$20B)

95% cite Canada as their
investor domicile
(5% other)

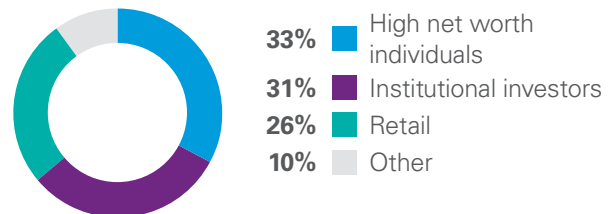
Product types



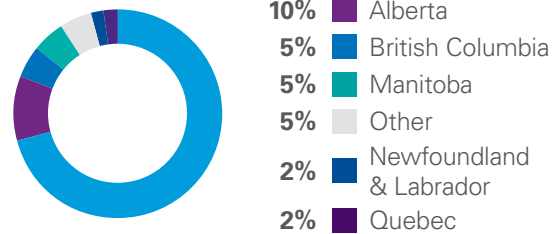
Sector



Investor base



Headquarters



Introduction

Welcome to KPMG's 2019 *Canadian asset management industry opportunities & risks report*, a study defined by tempered ambitions, evolving challenges, and technological priorities. In the fourth annual study of its kind, we've surveyed stakeholders from across the asset management industry to gain their insights and perspectives on the headwinds shaping – and, in some cases, *re-shaping* – their sector. We've also turned to subject matter experts throughout KPMG to sift through the stats and make sense of the disruptions ahead.

First looks can be deceiving. While most of the top risks and opportunities return from our 2018 report, many of the motivations, stakes,

and strategies surrounding them have changed. For example, while the industry's relationship with technology has matured greatly in recent years, it is nonetheless alternated by new reservations, shifting investment strategies, and an ever-evolving approach to data privacy and security. Similarly, while anxieties over industry regulations and the cost of compliance remain as strong as ever, the focuses are shifting.

Promisingly, the industry remains as focused as ever on improving the customer experience. Whether through operational upgrades, innovative models, or refined service strategies, asset managers are eager to strengthen existing customer relationships and attract who's

left in an increasingly saturated market. What's more, they are growing comfortable with using customer data to deliver more tailored products and services, and more diligent in their protection of sensitive data.

There is rarely such thing as "business as usual" in asset management. And if one thing rings clear throughout our 2019 survey, it is that while the challenges and opportunities of the day may seem like old news, evolving customer attitudes, industry rules, and market challenges are keeping players of all sizes on their toes.

Join KPMG as we dig into this year's survey findings and bring the future of Canada's asset management sector into sharper focus. **It's decision time.**

Staying the course

Canada's asset managers aren't overly optimistic about the years ahead, but neither are they sounding the alarms. In truth, a majority of 2019's respondents share the same "cautiously optimistic" outlooks for their organization and industry as they did in 2018. That's not to discount the 5% of respondents who revealed significantly more pessimistic predictions for both their organization and industry (up from 0% in 2018), nor the sizable contingent who are significantly more optimistic than they were just one year prior.

Indeed, the more telling result is that a vast majority (83%) of asset managers remain even-keeled about the year ahead for their industry (down 2% from 2018), and the over two-thirds (69%) who feel the same about their organization (up 21% from 2018). True, anxieties over rising competition, regulation creep, and technological risks continue to dominate boardroom talk, but their concerns are balanced by emerging opportunities, the potential for technological enhancements, and the stalwart confidence of an industry that is well-versed to change.

"We do not see an overly pessimistic or optimistic outlook; rather, Canadian asset managers are more neutral about where they will find growth and how the industry will transform given the existing headwinds," says Joseph Micallef, National Tax Leader, Financial Services, KPMG in Canada. "In and of itself, a neutral or wait-and-see approach can be detrimental at an organizational level since the fear of doing nothing can leave the stragglers behind and make them an easier takeover target by more agile players."

It is worth noting this year's uptick in optimism from an organizational perspective. While confidence levels are still down from 2018, the fact that over a quarter of asset managers are significantly optimistic about their organization's prospects is evidence that a healthy dose of optimism is holding out.

Canadians are far from complacent, but they're not overly optimistic or pessimistic about the days ahead. That is to say that they don't feel like the sky is falling, but at the same time, they don't believe the industry is poised for some great resurgence either.

Peter Hayes

Partner and the National Leader for Alternative Investments, KPMG in Canada

Organization outlook

	2019	2018	Difference
Significantly more pessimistic	5%	0%	(+) 5%
About the same	69%	58%	(+) 21%
Significantly more optimistic	26%	42%	(-) 16%

Industry outlook

	2019	2018	Difference
Significantly more pessimistic	5%	0%	(+) 5%
About the same	83%	85%	(-) 2%
Significantly more optimistic	12%	15%	(-) 3%

Opportunities

Top 5 organizational opportunities

2019	
64%	Enhanced operational processes and use of technology
55%	Accessing new investor base either within and/or outside existing market
48%	Increased penetration of existing client base (retail, institutional, fund of fund, and/or private wealth platform)
45%	Launching new product types/services (managed accounts, sub-advisory, new fund strategies, insurance-related products, and/or alternatives)
43%	Data analytics to enhance product design, marketing, and pricing Cost reduction initiatives

Top 5 opportunities for the asset management industry

2019	
48%	Data analytics to enhance product design, marketing and pricing Enhanced operational processes and use of technology
43%	Enhancing investment yields through investing in new investment strategies
40%	Launching new product types/services (managed accounts, sub advisory, new fund strategies, insurance related products, and/or alternatives) Increased penetration of existing client base (retail, institutional, fund of fund, and/or private wealth platform)
38%	Focusing on distribution channel and their client needs Cost reduction initiatives
31%	Accessing new investor base either within and/or outside existing market Customer preferences for direct and digital channels

Steadfast transformation

New and emerging technologies continue to re-code the way organizations do business. The asset management community is no different. This stands out in our 2019 survey where “enhancing operational processes and the use of technology” returns from our 2018 study to become the topmost organizational opportunity (64%, down 1% from 2018) and the most promising strategy for the industry overall (48%, up 18% from 2018).

“Across all financial services sectors, people are starting to see the value of bringing technologies like artificial

intelligence, machine learning, or automation into their business – especially from a margin perspective,” says James Loewen, Partner and National Sector Lead for Asset Management.

It is not surprising to see asset managers so inwardly focused when it comes to implementing technology, Loewen continues, “They’ve seen these technologies pay off in other industries and now they’re starting to see tangible results within their own organizations.”

The industry’s enduring focus on technology is also a symptom of Canada’s

mature retail market. After all, the lack of new efficiencies, products, and customer service enhancements will only make it harder for asset managers to stand out in an increasingly saturated space. In response, a good number of firms are pursuing back and middle-office upgrades to stand out from the crowd, make gains in operating model efficiencies, and apply a more tech-enabled focus on their margins.

Nevertheless, adds Loewen, “When people are internally focused on what they can do to improve margin and do more with what they have, it usually reflects a pessimistic view of the market opportunities.”

Are you on track for digital transformation?

Success with technology starts with establishing a clear vision of what you’re trying to accomplish, and then determining what mix of solutions, whether digital or analogue, are best suited to achieving those goals. In our experience, asset managers at the forefront of digitization are the ones who can answer ‘yes’ to these questions:

1. Do you have a clear digital strategy that is fully aligned to your business strategy and supported at the highest levels within your firm? A clear vision can guide you to identify processes and underlying technologies that will deliver the best operating model for your digital investments, and optimize the experience for your clients and the products you offer them.
2. Do you know the sort of digital experience(s) you want to provide your clients? Defining these experiences can help you determine the mix of information, education, and service you provide, and the best mix of digital and analogue processes for delivering those experiences.
3. Do you have the best talent management, risk, and governance frameworks; the right culture for delivering on your business strategy? These frameworks will help you define the business models, capabilities, resources, and skills, and the enabling technologies that your organization needs to execute your digital plans safely and sustainably.

Source: *Where are you placing your bets? KPMG International, October 2019*

Global tech investments

It's worth comparing these strategies against those from KPMG International's upcoming 2019 asset management digital survey, *Where are you placing your digital bets?* (launching October 2019), which found that 70% of asset management firms from across the globe plan to increase their digital spending by 10% or more.

End-to-end upgrades

The potential to transform back, middle, and customer-facing operations with technology is not lost among asset managers. Some are already seeing returns on their investment in machine learning, automation, and data and analytical tools; particularly, in the forms of enhanced efficiencies, stronger compliance mechanisms, and more effective customer engagement strategies.

When asked where respondents anticipate the most impact from their tech investments, a majority (85%) believe it will be in enriching the client experience, followed by improving data governance (83%), and enhancing middle offices and clearing services (79%). Their motivations are many, including the desire to carve a market niche, out-disrupt the competition, or utilize back-office enhancements to offer a more modern, reactive, and personalized customer experience.

Yet while Canadian asset managers are considering upgrades throughout the entirety of their organizations, the lion's share of their investments are targeting back-office systems. Specifically, asset managers are seeking enhancements to the way they conduct external client

Skills gap

While nearly two-thirds of asset management CEOs want to pursue innovation both within their products and operations, less than half are actively planning to up-skill their workforce to do so.

Source: Harvey Nash/KPMG CIO Survey 2018 – Asset Management Industry Findings

reporting, control costs, and manage industry compliance – the benefits of which will no doubt improve middle and front-office operations.

“Ultimately, technology integration and investments are occurring throughout the entire organization to not only reduce the cost of service but enhance the client experience,” says Joseph Micallef, National Tax Leader, Financial Services, KPMG in Canada, noting, “While regulators are in support of using technology to enhance compliance, the ROI from these technology investments have not yet been realized as both regulators and asset managers are still not trusting of the platform’s outputs nor their robustness.”

Technology targets*

Response	20%	40%	60%	80%	100%	Frequency
Back office						45%
Front office						29%
Middle office						26%

*Where is technology being developed or implemented within your organization to achieve the most value and cost savings?

Back-office 2.0*

Response	20%	40%	60%	80%	100%	Frequency
Product support – external client reporting						47%
Organizational cost controls (real estate costs, employee costs, overhead)						32%
Regulatory compliance and reporting						21%

*Where is technology being developed or implemented within your organization’s back-office to achieve the most value and cost savings?

Innovation allies*

While some Canadian players are approaching digital transformation from within, many are seeking technology partnerships outside their organization.

Response	20%	40%	60%	80%	100%	Frequency	
Yes						69%	29
No						21%	9
Unsure						10%	4
Total responses						42	

*Is your firm investing in/or exploring partnerships to integrate technology innovation into your business model/strategy?

Digital reservations

Asset managers are making gains in their technological investments, yet findings from a recent KPMG survey of asset management CEOs suggest there are reservations. Just 22% believed they were “very effective” at using digital technologies to drive their business strategy, and even less (17%) said they were effective in unlocking full value from their data.

How do these attitudes compare to the international asset management community? Interestingly, in KPMG International’s 2019 asset management digital survey, *Where are you placing your bets?*, 30% admitted they had mixed feelings about the value of their investments in front office functions, and high percentage reporting little (or debatable) value from their efforts to digitize middle and back offices.



Beyond the numbers

Recognition for the value of data and analytics (D&A) in asset management is growing. 43% of 2019’s survey respondents say using D&A to enhance product design, marketing, and pricing is among the top opportunities for their organization (up 3% from 2018), while more (48%) believe it represents the most significant opportunity for the Canadian industry (up 18% from 2018).

D&A has proven to be an asset in a wide range of industries, and its potential to enhance the overall asset management functions is well recognized. Even still, the adoption of D&A tools, systems, and skills within the asset management field has been slow among Canadians.

“Bringing D&A into an organization isn’t an overnight task; it’s not like you can simply flip a switch and change your entire operating model in a day,” says Peter Hayes, Partner and National Leader for Alternative Investments, KPMG in Canada. “Even the big shops who are

making noticeable investments in D&A are doing so cautiously to make sure it’s being done right and that it will achieve their specific business objectives.”

Traditionally, D&A investments have been focused on the back office. Today, more and more players are leveraging D&A to mine client data, unlock market insights, and design informed investment strategies. These are all worthwhile initiatives, yet whenever there is talk of using more data to an organization’s advantage, reservations are sure to follow.

“People are very cautious of doing too much with their client data, especially given the history of public data hacks and leakages, and the fact regulators and governments are holding organizations more accountable for their information management,” says Hayes, noting, “As asset managers proceed to wield more client data, they need to be aware of how they’re becoming more exposed to these risks.”

Tech implementation

Technologies like automation, artificial intelligence, and D&A are viewed as catalysts for enhancing operational processes, driving profitability, and delivering a more engaging customer experience. Nevertheless, asset managers face the same obstacles to adoption as any other industry; specifically, when it comes to navigating the risks of technology implementation.

“The industry is very quick to want to look at various technologies and solutions to achieve cost savings or other objectives, but there is still a significant operational implementation risk,” says Joseph Micallef, National Tax Leader, Financial Services, KPMG in Canada. “This is a key area that, if not done properly, poses a very strong risk to organizations not realizing their overall return on investment. As such, I expect tech implementation, partnerships, or acquisitions of such to stay top-of-mind in the industry.”

Adopting D&A*

Response	20%	40%	60%	80%	100%	Frequency
Artificial intelligence – to make investment decisions						18% 2
Data analytics to assist portfolio managers						82% 9

*Where is technology being developed or implemented within your organization to achieve the most value and cost savings?

New on the shelves

It has been only a few months since the beginning of liquid alts regime in Canada, and yet a majority of Canadian asset managers (51%) are either saying “no” or are unsure if they’ll make use of the structure. Regardless, the fact that asset managers demonstrate a heightened interest in launching new products and services compared to 2018 suggests a keenness for innovation all the same.

“Canada has tended to be behind the curve a bit on alternative products, which is evident when you look at their overall share of alternative products in comparison to mutual funds and ETFs [exchange-traded funds],” observes Loewen. “I expect that to balance out. If you mostly have retail products, I think some people are looking to try and build more in terms of alternative products.”

As the historic US bull-run draws to an inevitable close, it is likely that demand for yield products will rise as appetites for liquid products cools down. To that end, some players are looking into hybrid products that offer mutual

fund type liquidity but with some illiquid investments within them.

“For the most part, people are of the shared view that the bull-run will end soon, which means people will be moving their money,” predicts Hayes. “The sort of returns people have been able to get by simply sitting passively in the market for a decade or more won’t continue forever. Asset managers realize that to keep their client’s money when the market does turn they need to have something else to put them in.”

Non-traditional lending products are also rising in popularity. This is due in part to the exit of numerous large players that existed before the financial crisis, as well as the fact that the banks don’t typically lend as much as the mid-market needs.

Speaking to the overall push towards developing and introducing new products in general, Hayes notes, “It’s the combination of the ongoing need to offer clients more and focus on returns. You need to have somewhere else to put that money, and you also want to keep your clients interested in what and what you have to offer for them.”



Over the last three years, we have lost significant players and big innovators in the asset management space to M&A. If you’re a retail fund manager that’s not a bank or an insurance company, I think you look at that and realize it’s getting even harder to compete, so you have to either innovate technologically or in terms of your product lineup to be able to survive.

James Loewen
Partner and National Sector Lead for Asset Management

Is your organization planning to launch a ‘liquid alternatives’ product under the new Alternative Funds regulatory regime?

Response	20%	40%	60%	80%	100%	Frequency
Yes						26% 11
No						52% 22
Unsure						21% 9
Total responses						42



Tightening the belt

Cost reduction initiatives remain a focus for asset managers. Nearly half (43%) believe such efforts will draw benefits for their organization (same from 2018) and 38% believe the strategy is an opportune move for the industry (down 10% from 2018).

Enhancing operations through the use of technology appears the primary means of achieving those cost reductions. This is evident in the overall push to streamline and improve all functions throughout the organization.

“We still see outsourcing by managers to try and reduce costs, but it’s not quite the panacea it used to be. I think more impact is being felt in the alternative product space where people might’ve done things in-house in the past but are now looking to service providers to do more,” says James Loewen, Partner and National Sector Lead for Asset Management, KPMG in Canada.

According KPMG International’s 2019 asset management digital survey, *Where are you placing your bets?*, asset managers are focusing their digital efforts primarily on front office enhancements (e.g. marketing, sales, and distribution).

Risks

Top 5 organizational risks

2019

- 64%** Increasing complexity of regulation and cost of compliance
- 45%** Cost challenges and squeezed profit margins
- 43%** Push for a lower management fee environment
- 40%** Cyber security risks
- 36%** Intensified competition and consolidation

Top 5 risks to the asset management industry

2019

- 60%** Push for a lower management fee environment
- 52%** Increasing complexity of regulation and cost of compliance
- 50%** Cost challenges and squeezed profit margins
- 48%** Intensified competition and consolidation
- 31%** Cyber security risks



By the books

Regulation creep and the rising cost of compliance continue to weigh heavy on the asset management field.

“If there’s one concern I hear time and time again from asset management firms, it’s the rising cost of compliance – and for good reason,” says James Loewen, Partner and National Sector Lead for Asset Management. “The regulatory landscape is overwhelming right now when you consider the breadth and depth of regulatory activities and priorities, and with new regulations still coming into effect, those concerns are only growing.”

Certainly, the increasing complexity of regulations and cost of compliance emerged as the top perceived risk to both

asset managers and the industry in whole up from 2018, and the pressure is being felt on all fronts. Disparate rules between provinces and countries are making it difficult (and costly) for players to expand into less saturated markets, while regulators’ increased focus on supervision and enforcement continues to keep asset managers on alert.

Moreover, regulators are placing more emphasis on managers to use more sophisticated tools and D&A to monitor their compliance. This is resulting in even more investment costs.

“[Regulators] are looking for compliance-related issues to be identified and detected more proactively as opposed to after-the-fact. However, since organizational budgets are

already constrained determining how to prioritize investment dollars between front, middle and back office functions is a constant struggle,” says Joseph Micallef, National Tax Leader, Financial Services, KPMG in Canada.

One trend that continues to be seen, Micallef continues, is the outsourcing of tax compliance and reporting. This has not only been driven from a cost angle but also to enhance tax efficiencies from mining data through the use of smart automation.

“When an investment fund can align its tax reporting with the economic returns of the fund, the overall client experience will be enhanced,” he adds.

Promisingly, regulators have made public their intent to reduce regulatory burden and

re-examine rules that may be redundant or lead to duplicated efforts. This is a positive development on paper, yet progress remains slower than the industry would prefer and many are skeptical that there will ever be any significant actual reductions.

How low can you go?

The push for lower fees has been felt for years, and relief seems unlikely. Industry consolidation has only served to raise the competitive stakes and the maturation of the market is pressuring all asset managers to offer better deals than the firm down the street.

One way Canadian asset managers are dealing with this challenge is by being more transparent and vocal in how their fees are being used; be it to improve service, advocate for issues on the clients' behalf, or generate in-house research and statistics that benefit the organization and its customers alike. Another is to offset the impact of a lower-fee environment by bearing lower fees on certain product lines, deploying cost-saving initiatives, or launching higher-margin products to capture a more significant share of the customer wallet.

Even still, says James Loewen, Partner and National Sector Lead for Asset Management, one wonders how low the industry can reasonably go: "A lot of people feel the fee environment

has already reached the lowest level at which businesses can operate on a long-term basis. That being said, there is continued pressure from the regulators and investors on this topic and lots of press about high fees in Canada, so this friction isn't likely to go away anytime soon."

Standing room only

As industry consolidation and alternative offerings enter the fray, the players are being challenged to stand out from the crowd. This is especially true for asset managers in the retail space who must remain innovative in their products and service strategies to carve their market niche.

"Although the competition from fintechs and disruptors like robo-advisors is still relatively small in the Canadian space, this trend can change very quickly, and people can't ignore it," warns James Loewen, Partner and National Sector Lead for Asset Management. "If you're in that small- to middle-sized category, you have to have a niche, or you're just not going to be able to survive."

Competition from outside Canada's borders is also a concern, be it from competing firms in the US or overseas, or monolithic players like Google or Apple or Amazon which have the financial backing and brand recognition to become billion-dollar managers in short order.

A shrinking pool

Canada's asset management field has become elbow-room only. With many of the possible consolidations already taken place, there are very few significant independent asset managers left in Canada. Now, it's a matter of numerous large asset managers competing for a relatively static pool of clients.

With a view of the competitive landscape ahead, Peter Hayes, Partner and the National Leader for Alternative Investments, KPMG in Canada, says, "There will be more acquisitions to come because the more scale you can get, the cheaper you can do things. Otherwise, firms are focused on getting out there with new products and services to lure existing clients away from the competition."

“You have to consider that companies like Apple have a vast amount of Canadian credit cards on file, meaning they could easily turn around tomorrow and say ‘Here’s an ETF and we’re going to charge you two basis points, give us all your money.’ In theory, it would be relatively easy,” suggests Peter Hayes, Partner and the National Leader for Alternative Investments, KPMG in Canada, predicting, “I believe that’s where significant disruption will occur; at least, opposed to new technology changing everything overnight.”

Cyber reservations

Cyber security returned as a top risk among 2019’s survey respondents, but there are reasons to believe anxieties are waning. Canadian players are still aware of the risks posed by cyber-attacks and the related regulatory penalties and reputational damage but are seeing fewer headlines of major cyber incidents now than they may have in previous years. Moreover, the specter of data breaches and cyber-attacks has been hanging over the industry for years, prompting many to

raise their cyber defenses to a level where they now feel more protected than they did in the past.

Still, while confidences may be higher and the headlines less severe, there’s no room for complacency.

“The industry has been a little bit more quiet about their cyber concerns, but make no mistake: the threats are still there and the industry is on alert,” observes James Loewen, Partner and National Sector Lead for Asset Management. “Asset managers are still talking about cyber in the boardroom and they’re looking all of their contact points with clients and service providers to shore up their weaknesses.”

Keeping up with Canadians

It may not have been identified in this year’s top risk results, but the need to stay current with current demographics is woven into many of this year’s responses. Moves to enhance the client experience, weave D&A into customer strategies, or offer products better suited to various generational clients

are all rooted in the recognition that the traditional approach won’t cut it with today’s tech-savvy customers.

“The demographics have been shifting, but I’m not sure that any of the asset managers have truly kept up with having offerings for every generation that’s out there and building products for the next one,” says Peter Hayes, Partner and the National Leader for Alternative Investments, KPMG in Canada.

Staying current with demographics means more than introducing new products or adopting new marketing strategies. It means upgrading customer channels to capture the attention of Millennials and Gen Zers, adjusting services to match Boomers’ lifestyles, and taking genuine steps to align with public attitudes (e.g. socially responsible investing).

“There’s a real need to respond and to get ahead of client demographics. It may not be stated explicitly in this year’s responses, but it is woven throughout the perceived risks,” adds Hayes.

Conclusion

In an era of digital revolutions, crowded markets, and regulation creep, now is not the time for complacency. Asset managers are under pressure to deliver services that align with customer's tech-savvy expectations, while threats of being out-innovated by the competition are keeping firms of all sizes on their toes.

The good news is Canadian firms are taking action. Many are investing in the tools and capabilities to advance front-to-back office functions, while equal numbers are making better use of their data to narrow in on

market demands and develop products and services to match. The likes of data analytics, cloud computing, automation, and even artificial intelligence are no longer far-off considerations, but tools that are being actively explored and implemented today (albeit, with varying levels of confidence and success).

"For the most part, Canadian asset managers recognize that industry transformation is ongoing and here to stay," says Joseph Micallef, National Tax Leader, Financial Services, KPMG in Canada. "Firms know

well that they need to stay on track with their transformational efforts, or else they're going to lose their competitive advantage and get lost in the past."

Certainly, now is the time to act. Yet with concerns over cyber security and regulator scrutiny at their highest, Canadian asset managers continue to balance their bold strategies with cautious executions. Such has always been Canadian way, but if growth and customer loyalty are the ultimate goals, then now is the moment to make impactful decisions.

If you have questions about the contents of this report or would like support in navigating any of the opportunities and risks described, please contact us.



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Appendix: Opportunities and risks

Organizational opportunities for 2019

- 64%** Enhanced operational processes and use of technology
- 55%** Accessing new investor base either within and/or outside existing market
- 48%** Increased penetration of existing client base (retail, institutional, fund of fund, and/or private wealth platform)
- 45%** Launching new product types/services (managed accounts, sub-advisory, new fund strategies, insurance-related products, and/or alternatives)
- 43%** Data analytics to enhance product design, marketing, and pricing Cost reduction initiatives

Organizational opportunities for 2018

- 65%** Increased penetration of existing client base (retail, institutional, fund of fund, and/or private wealth platform)
- 65%** Enhanced operational processes and use of technology
- 58%** Accessing new inventory base either within and/or outside existing market
- 43%** Cost reduction initiatives
- 38%** Demand for solutions and specialties (Outcome-oriented investing and multi-assets)
Launching new product types/services (managed accounts, sub-advisory, new fund strategies, insurance-related products, and/or alternatives)

Organizational risks for 2019

64% Increasing complexity of regulation and cost of compliance

45% Cost challenges and squeezed profit margins

43% Push for a lower management fee environment

40% Cyber security risks

36% Intensified competition and consolidation

Organizational risks for 2018

58% Increasing complexity of regulation and cost of compliance

45% Cyber security risks

40% Push for a lower management fee environment | Cost challenges and squeezed profit margin

35% Failure to adapt to changing customer preferences
Failure to adopt new technologies successfully
Intensified competition and consolidation

33% Tax changes

Asset management opportunities for 2019

- 48%** Data analytics to enhance product design, marketing and pricing Enhanced operational processes and use of technology
- 43%** Enhancing investment yields through investing in new investment strategies
- 40%** Launching new product types/services (managed accounts, sub-advisory, new fund strategies, insurance-related products, and/or alternatives) | Increased penetration of existing client base (retail, institutional, fund of fund, and/or private wealth platform)
- 38%** Focusing on distribution channel and their client needs | Cost reduction initiatives
- 31%** Accessing new investor base either within and/or outside existing market | Customer preferences for direct and digital channels

Asset management opportunities for 2018

- 50%** Enhanced operational processes and use of technology
- 48%** Cost reduction initiatives Launching new product types/services (managed accounts, sub-advisory, new fund strategies, insurance-related products, and/or alternatives)
- 43%** Customer preferences for direct and digital channels / Mergers and acquisitions to enhance market position
- 40%** Data analytics to enhance product design, marketing, and pricing
- 35%** Accessing new investor base either within and/or outside existing market

Asset management industry risks for 2019

- 60%** Push for a lower management fee environment
 - 52%** Increasing complexity of regulation and cost of compliance
 - 50%** Cost challenges and squeezed profit margins
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-

Asset management industry risks for 2018

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 - 38%** Failure to adopt new technologies successfully
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