

Focus on Funds: How the Fund Industry Is Adapting to Trends in Distribution

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Financial advisers and their investors are adopting new technologies and investment strategies. In the August 4, 2017, edition of Focus on Funds, Stuart Parker, president of PGIM Investments, discusses how asset managers are responding.

Transcript

Stephanie Ortals-Tibbs, media relations director, ICI: Fund distribution is critical to the industry, and a very dynamic area. At ICI's General Membership Meeting, some of the best in the business came together to talk about the megatrends. And afterwards, I got some key takeaways.

Stuart Parker, president, PGIM Investments: Well, I think what's happening is that there's a convergence of human advice and technology, and technology-driven advice. And that's probably the biggest trend that you see going on. And so when you have someone like Kelly Coffey, who is the CEO of the US Private Bank for JP Morgan, and covers ultra-high net worth—it's a 200-year-old institution that was born and raised on human advice. And they're incorporating technology into that. And then you have Betterment, which is born and raised on digitally enhanced advice, and they're adding advisers. And then you have Ben Hueneke from Morgan Stanley, who's right in the middle. And so, there is a convergence of human advice with technology-driven advice to both give better outcomes but also better experiences to clients.

Ortals-Tibbs: What was also really interesting in your discussion is that there's really been a move away from certain things versus each other, to certain elements of the industry working together.

Parker: Yes. I would say that the analogy I used on the panel was that the idea of active versus passive is no longer one or the other, and it's no longer human advice versus technology. They're going to be intertwined. And everyone is trying to accommodate what they see is the user experience that individuals get today by virtue of Amazon, or Google, or Netflix, or what have you. Those are the user experiences that they want to move over to [when] giving advice. And so that's what they're trying to achieve.

Ortals-Tibbs: So it sounds like one other thing we'll be seeing is some adoption of some things that have worked well in the retail or consumer space coming into the fund space.

Parker: This is really geared toward financial advisers, and not necessarily the fund companies. We try to talk to advisers about the merits of our products and services. We don't necessarily always speak to the end-investor, so this was a chance for us to hear

advisers—you know, there are trillions of dollars—getting an idea of how they're interacting with clients and how they want to interact with clients going forward. And then we, as mutual fund providers, as investment managers, it's incumbent upon us to create products and services that enhance that value proposition to their clients.

Ortbals-Tibbs: So this panel was really an opportunity to provide feedback from advisers to the industry, and help us think more about what they need from us.

Parker: It's all about how much the winds of change are impacting us—whether it's clean share classes, or DOL, or active versus passive, or low-return environment. Those are all things that we're responding to, and it's appropriate that we should talk about those things. The importance of this panel was to say, well, how is it impacting advisers whose clients are ultimately huge consumers of the products that we produce?

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