

Welcoming Remarks, 60th Annual General Membership Meeting

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Stuart Parker
Chairman, GMM Planning Committee
President, PGIM Investments

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As prepared for delivery.

Good afternoon! Welcome to ICI's 2018 General Membership Meeting. I'm Stuart Parker, president and CEO of PGIM Investments. I have the honor of chairing the planning committee for this year's meeting—which is the Institute's 60th.

A lot has happened since the industry came together at the first GMM in 1959.

Back then, ICI represented a domestic industry in the United States that had roughly 160 funds managing \$17 billion in assets. About 300 people attended the meeting.

This year's meeting is expected to attract about 1,500 attendees. They represent a global fund industry that, at the end of last year, included almost 114,000 open-end regulated funds managing total net assets of almost \$50 trillion.

One thing that hasn't changed in the six decades that have passed is the ultimate goal of the General Membership Meeting—bringing us together to discuss the most important issues of the day, as well as the future.

We aimed to build a program that represents the diverse range of issues—as well as the people and backgrounds—found throughout the fund industry. In planning the conference, we focused on four trends that I believe are increasingly influential in our professional lives.

The first trend in this year's program involves the globalization of the fund industry. Investors in both developed and emerging economies are increasingly looking to funds as a means of meeting their long-term financial goals.

Also, foreign investment is growing at a significant pace, with regulations following, such as the Department of Labor's fiduciary rule; the UK's Retail Distribution Review, or RDR; the EU's Markets in Financial Instruments Directive, or MiFID; and the EU's Alternative Investment Fund Managers Directive, or AIFMD.

Today, international and regional regulatory bodies have increasing influence on national policymaking, and national regulators are increasingly aware of the cross-border implications of their own rules.

In the shifting sands of this environment, the need for strong advocacy on behalf of funds and their investors has never been clearer.

ICI has a long history of helping members understand how global, regional, and jurisdictional trends in laws and regulations can affect their activities, and since 2011 has conducted its international work through ICI Global, operating out of London, Hong Kong, and Washington, DC.

It should come as no surprise, then, that an international perspective is incorporated in most of our program—just as it is in today's fund industry.

We'll also have some specific sessions focusing on international concerns:

- Tomorrow afternoon, Marty Flanagan, president and CEO of Invesco, will lead a panel examining "Cross-Border Challenges and the Global Convergence of Regulatory Matters."
- On Thursday morning, the Compliance Conference will feature a panel providing an overview of issues in Europe and the UK that may affect US funds.
- And tomorrow morning, you can start your day at one of our interactive breakfast discussion sessions by hearing from ICI Global representatives about the international issues that the Institute is focusing on.

The second trend I'd like to touch upon involves technology and its effect on almost every aspect of our industry.

Every day, we hear about another technology breakthrough or trend that challenges the way we do business. Concerns about security and privacy are top-of-mind.

How we invest, how we communicate, and how we deliver advice are all affected by technologies such as machine learning, artificial intelligence, and blockchain.

So knowing what technology to harness where, and how best to apply it, is consuming an increasing amount of all our time.

Our panels will explore this evolution—focusing on several advances that could enable us to speed processes, be more efficient, and improve the user experience for our shareholders.

But technologies can be disruptive, too. Retooling processes and updating software can be expensive and time-consuming. And the rapidly evolving information-security landscape has meant that cybersecurity isn't just the IT department's responsibility anymore. Now, everyone—at every level of a firm—must do their part.

The conference will feature sessions that will bring clarity to the murky pool of emerging technology.

Our Operations and Technology Conference will focus extensively on tech issues. In addition, the GMM program will feature sessions on how to protect fund shareholders from cyber threats, and how to minimize any potentially disruptive effects of new technology.

On a larger scale, the markets in which we operate also are evolving at a rapid pace. This brings me to a third trend, which we'll examine today—the growing importance of private capital in today's investment world.

There has been a sharp decline in the number of listed stocks in the United States in the past two decades—from 7,607 at the end of 1997 to 3,618 at the end of 2017—a drop of more than 52 percent. In fact, there are fewer listed stocks today than in 1976—even though the country's GDP is three times the size. Furthermore, the number of IPOs in 2017 was down 60 percent compared to 20 years ago.

Mergers and acquisitions, regulations, rising costs, and several other factors have contributed to the decline in listings, IPOs, and activity on the public markets. Increasingly, companies are looking to private capital to finance their growth—simply because it can be cheaper and easier than accessing the public markets.

As a result, the number of active private equity firms are at an all-time high of more than 7,700—almost doubling since 2006. These firms have a record level of \$1.7 trillion of cash ready to put to use.

This afternoon we'll hear from someone who's been at the forefront of this trend—David Rubenstein, cofounder and co-executive chairman of the Carlyle Group. ICI's president and CEO, Paul Schott Stevens, will ask David about the rise, status, and potential of this powerful form of financing—and how it intersects with the regulated fund industry.

The fourth trend we'll explore during this year's GMM involves the future of investment advice and how regulation and technology are affecting it.

For several years now, the industry has been responding to changes prompted by the Department of Labor's efforts to change ERISA's definition of "fiduciary." Now, with the courts vacating that effort, attention turns to proposals from the SEC—proposals that would cover more than just retirement accounts.

Another evolution in the distribution space involves the convergence of human and technology-driven advice. It's becoming

increasingly clear that it's no longer an either/or question. Indeed, if we're to provide investors with the best user experience—and that is certainly our goal—then we must create products and services that provide the best value to our clients.

We've made sure to cover this theme in the conference program, starting with an interactive breakfast discussion especially devoted to critical decisions facing distribution leaders, and followed by several panels focused on how best to reach and serve customers.

In a few minutes, we'll have the opportunity to hear from Morgan Stanley's chairman and CEO, James Gorman—who is uniquely qualified to provide great insight into all of these topics.

So, it's safe to say we have a lot of learning and networking opportunities over the next three days at this 60th anniversary gathering.

ICI's mobile app for the event is a convenient way to tailor your own program, to tweet about the conference, connect with other attendees, and even to ask questions of the speakers—all from your tablet or smartphone.

Now, it's my pleasure to introduce James Gorman, chairman and CEO of Morgan Stanley.

James began his career as an attorney in his home town of Melbourne, Australia, before becoming a consultant for McKinsey. After that, he held a succession of executive positions at Merrill Lynch before joining Morgan Stanley in 2006. After being named co-president in 2007, he was promoted to CEO in January 2010 and to chairman in January 2012.

James will speak first, then I'll join him for a question-and-answer session. I couldn't be more excited to hear from one of the great minds of Wall Street.

Ladies and gentlemen, please join me in welcoming James Gorman.