



# The asset manager's guide to creating added customer value

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# Get a competitive edge by creating extra value for your customers

Every day, asset managers work on creating added customer value. The financial sector is constantly changing, and more than ever, you are required to perform under tighter legislation, volatility and inflation, shifting market conditions and increasing customer requirements.

While performance and increased returns are fundamental parameters, creating added value for your customers provides great competitive advantages. In this guide, you'll be presented with five of the most important methods to create extra value for your customers (for instance, creating an overview of the investment's impact on the sustainability agenda and making tax reporting easy).

The underlying basis for achieving this is having a solid investment management solution that provides an online overview of positions, exposures and returns – a solution that helps tackle operational challenges by automating repetitive tasks, thereby releasing resources from operations to development.

Read on to explore the five areas further.



## Offer a flexible investment overview

Most people today are used to being able to acquire the knowledge they need exactly when they want it. The same trend has spread in the investment world, where more and more people are asking for updates on their investments in real-time, wherever and whenever they want it.

- How are my investments doing?
- How was the return last year?
- What is the expectation going forward?

That is why streamlining how customers access and see their investment data is increasingly important when creating added customer value.

Traditionally, reporting happens via, for instance, e-mail or digital postbox, where the customer receives a report every month, every quarter, or however often you have agreed that the reporting frequency must be.

Fortunately, a lot is happening on the development front, and today, effective investment management solutions enable data to be made available in an easy and accessible way regardless of device. For instance, it can be accessed on a mobile device, showing a high-level overview of returns. Or it could be a web-based tool that contains more information that the customer has the opportunity to explore and search.

The question is whether you offer the investment overview your customers truly want?

Choosing a good investment management solution also helps asset managers tackle the operational challenges associated with reporting to investors as well as internal and external supervisors, further supporting you and your colleagues in using your time efficiently. The benefits are aplenty, and the development in this area is moving fast.



## Adhere to the new ESMA guidelines on Performance Fees

New guidelines from the European Supervisory Authority (ESMA) require coherence between the fund's cost structure and the strategy by which the funds invest. As of 1 January 2022, equity-based investment funds are no longer allowed to charge a so-called "performance fee" of the entire fund's return. This means that asset managers must be rewarded for their relative performance and not the funds' absolute returns. Additionally, investment funds should use a reference indicator (hurdle rate) to determine the lower limit on what a fund must deliver in return before charging the performance fee.

The guidelines have been phased in through 2021, and now investment funds have started to feel the consequences. Some investment funds have replaced performance fees entirely with other forms of remunerations, such as increasing the fixed fees.

These changes will undoubtedly affect the earnings of some investment funds – and while it might not bring additional value to the investors as such, it places greater demands on transparency and reporting, which investors will appreciate. The old ways of crunching numbers in crowded Excel sheets are no longer sufficient. You need to find better alternatives that enable higher levels of transparency.

At Vitec Aloc, we have a recognised investment management solution that provides automated and complete front-to-back system support for your investment universe. In close cooperation with our customers, we are assessing and adjusting our investment management solution to support the new guidelines and the added workflows associated with the regulations in the best way possible.



## Create an overview of alternative investments and ESG options

Alternative investments, ESG and sustainability impact are increasing in demand among private investors. Typically, alternative investments have been reserved, e.g. pension funds and family offices, but today private capital is channelled into alternative and sustainable investments more than ever. Sustainable investments are something investors identify with, and because of this, more and more people are actively involved in their investment choices.

*How do I, as an investor, influence the development of society with my money?*

ESG investments are tapping into an important agenda, and they provide opportunities to maintain a green profile for both asset managers and investors. That is why they also provide a great competitive advantage if you're sharp on the possibilities and can provide counsel based on the factors that matter most to the investors.

However, the EU's new action plan for sustainable investment (SFDR) means asset managers face compliance challenges. In the future, asset managers of ESG funds will have to explain how they use a classification system or taxonomy to determine the sustainability of investments. Additionally, asset managers must disclose what percentage of their investments align with the determined taxonomy.

The new disclosure regulation under the EU's action plan means that, among other things, you as an asset manager must make periodic reports for products that have sustainability as their purpose or property.

This naturally places greater demand on the overview of exposures, so you can report to and advise the customer and ensure compliance concerning EU supervision, presently and in the future.

## Increased customer value with tax reporting made easy

Tax is often a complex thing, and it is not always easy to know how to report it properly. This also applies to investments which can be particularly complex and time-consuming.

However, the fact is that the better and more accurate your data is, the easier it is to report and send information to the IRS, or to a customer's accountant for that matter.

There can be substantial money savings for your customers when the data is in order—such as savings on an auditor's bill—as no unnecessary and expensive time is needed to find, calculate and structure the correct information. Your investment management solution automates that process for you.

In other words, it can be a huge competitive advantage for you, as an asset manager, to have a setup that streamlines tax reporting for the customer.





## Create the foundation for all other services with better data quality

If there is one thing customers always remember; it is errors in the customer reporting.

When repeated errors occur in connection with customer reporting, the mistrust that arises can take a long time to overcome.

Today, many asset managers work with shadow IT, where information and data are housed in a cluster of different Excel sheets. This often results in inaccurate and incomplete data as the data comes from different sources at various times. At the same time, it can often lead to a strong personal sensitivity within the organisation towards those who can see through the daily system setup.

Therefore, a critical step in creating extra value for your customers is to ensure the quality of your data. Suppose you do not have control over it. In that case, your inaccurate data is most likely to negatively impact the quality of service you provide your customers and prevent you and your colleagues from spending your time most efficient.

Fortunately, you can alleviate this headache with an effective investment management solution.

With the right investment management solution, you ensure that only the correct numbers are sent to the customer, inherently creating credibility with customers that they can trust their asset manager is in control. It also creates an efficient organisation because data comes in quickly and correctly and is reconciled and risk-calculated to create a solid foundation for ESG, tax, etc., showing proof that system security and data validation are in order.

# Effective software for the financial market

Vitec Aloc is a Nordic company that has developed and delivered investment management solutions for more than three decades.

Our solutions meet professional requirements for portfolio and risk management, treasury and stock exchange trading and are used daily by some of the most successful companies in the market.

We believe easy solutions win in the long run, and with roots in the financial sector, we have a broad market understanding which forms the basis for our investment management solutions.

For many years, in close collaboration with our customers, we have produced and provided solutions for financial management, trading and reporting with a unique focus on strengthening and promoting each customer's competitiveness.



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