

## Presentation for Financial News Awards for Excellence in Client Services 2009

The view from the top

Philip Robinson  
12 May 2009

Our experience,  
Your success.



# Financial News Awards for Excellence in Client Services 2009

## Contents

1.	The view from the top.....	2
2.	Overview.....	2
3.	The respondents .....	3
4.	It's the markets, stupid - A lot of explaining for 2008! .....	4
5.	Extreme and unprecedented times .....	5
6.	Excellent client management buys you valuable time .....	6
7.	How much time? – Updated views .....	7
8.	The six virtues of client management.....	8
9.	The six virtues of client management - Responsiveness.....	9
10.	The six virtues of client management - Empathy .....	10
11.	The six virtues of client management - Partnership.....	11
12.	The six virtues of client management - Visibility .....	12
13.	The six virtues of client management - Accuracy.....	13
14.	Squaring the circle? - Flexibility.....	14
15.	The seven deadly sins of client management.....	15
16.	Summary .....	16

# 1. The view from the top



The presentation is entitled 'the view from the top' because the six respondents to the research are previous winners of the Financial News Client Service Awards (in the categories of Best Client Service provider and Best Business Development team).


# 2. Overview



### 3. The respondents

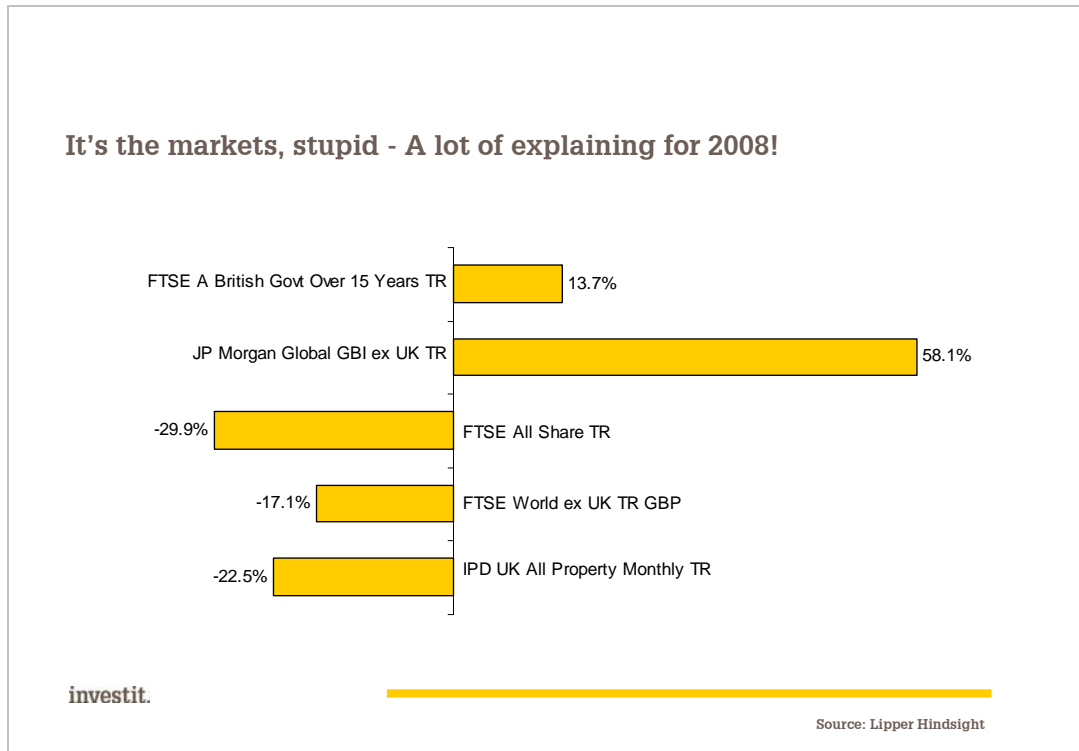
**The respondents**

Award – Team of the Year	Company	Respondent
2008 Client Service	BlackRock	Juliet Bullick
2008 Business Development	AllianceBernstein	Claude Chene
2007 Client Service	Legal & General	Ian Richards
2007 Business Development	Pioneer	Paul Price
2006 Client Service	UBS	Nigel Taylor
2006 Business Development	Schroders	Miles O'Connor

**investit.** 

In April and May 2009, Philip Robinson, Principal of the Client Management practice at Investit, interviewed six previous winners to get their perspective on the importance of client management in the current financial situation.

#### 4. It's the markets, stupid - A lot of explaining for 2008!



Against the backdrop of some of the most difficult markets for decades, clients demand and deserve handholding.


Institutional pension funds are loss averse, so arguments on relative performance are often hollow.

There is a lot of explaining to do, particularly on the most important decision in investment – asset allocation.

## 5. Extreme and unprecedented times

**Extreme and unprecedented times**

- *'The reality has been, because of extreme conditions, that asset class correlations have gone up to unprecedented levels...'* Tom Geraghty, European Head of Mercer Investment Consulting
  
- *'It has been fast and furious. One day Lehmans, then Madoff, then bank nationalisations and then the IMF bailed out six countries. At these times our clients demanded that we were there for them and were seen to be there for them...'* Nigel Taylor, UBS

investit. 

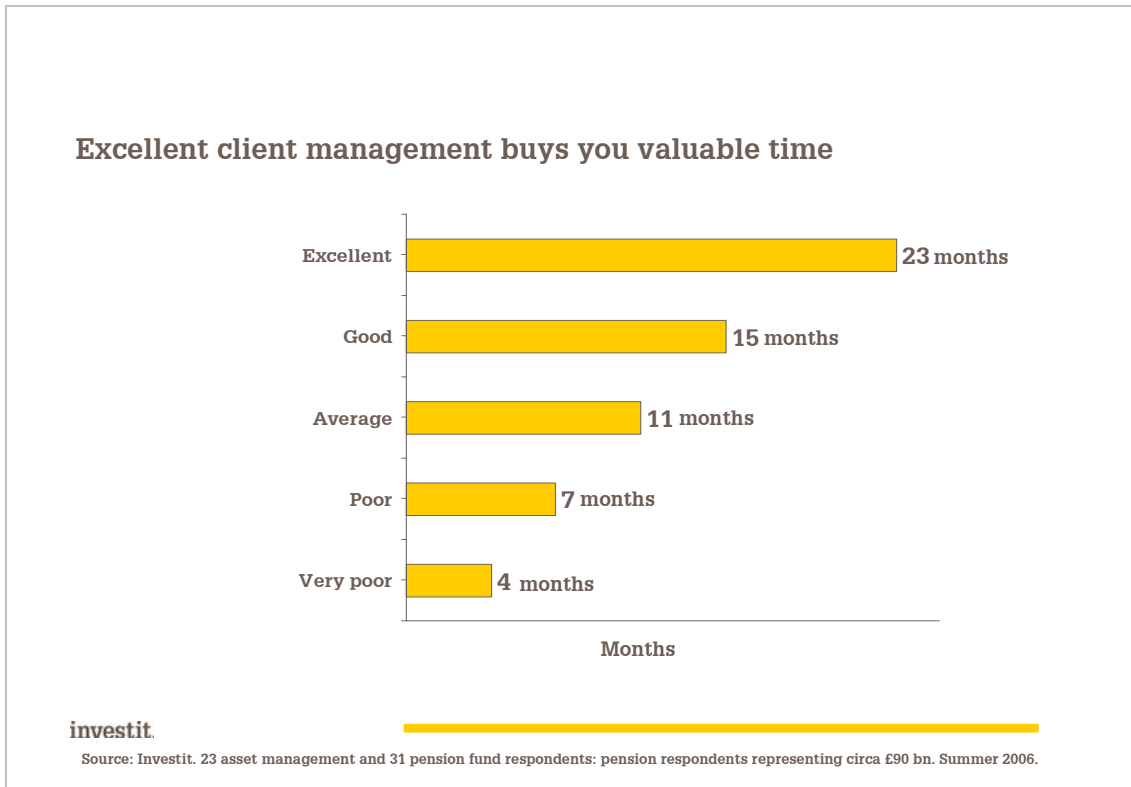
The word 'unique' is overused today. But these times in the financial markets are fast, furious and treacherous. So they are extreme and unprecedented.

Many in late 2008 were prophesying the end of capitalism. We have moved away from the brink, but times are still very difficult.

Gillian Tett in her book 'Fool's Gold' tells of the 'group think' that allowed for derivative and real estate bubbles to wound financial institutions. What we have is a massive failure in banking risk management.

Pension funds in the UK at least, owing mainly to trustee decision making, have avoided the worst excesses but need to be vigilant and, of course, the main hit has been in a sharp decline in asset prices (UBS Pension Fund Indicators – UK pension fund asset allocation to alternatives excluding property at end 2008 estimated to be less than 2%).

## 6. Excellent client management buys you valuable time



Investit's 2006 Investit Intelligence report entitled 'Client Management – Beyond the investment performance halo' shows that if you are excellent at client management then this buys you valuable extra time. Of course this does depend on the scale of investment underperformance.

## 7. How much time? – Updated views

<b>How much time?</b>	▪ Five out of six respondents stated that excellence brings you MORE time in present conditions:
<b>Updated views</b>	▪ <i>'A bit longer because so much is going on now...to move would be destructively inconsistent...'</i> Juliet Bullick, BlackRock
	▪ <i>'It is definitely longer owing to market dislocation and clients would look silly if they moved at an inopportune time...'</i> Paul Price, Pioneer

investit.

---

Five out of the six respondents believed that excellence in client management brings you more time now. The reasons for this are four fold:

- Manager selection consultants are advising a delay in changing managers.
- The markets were frozen for a time particularly for transitions and stock transfers.
- Need to wait for calm after the storm of 2008.
- UK asset management model and all the participants involved will be scrutinised much more closely after this crisis.

## 8. The six virtues of client management

<b>The six virtues of client management</b>	<b>The 6 virtues of client management</b>
	1. Responsiveness
	2. Empathy
	3. Partnership
	4. Visibility
	5. Accuracy
	6. Flexibility

investit.

---

These are the top virtues as identified by the six respondents.

## 9. The six virtues of client management - Responsiveness

<b>The six virtues of client management</b>	<ul style="list-style-type: none"><li>▪ This criterion nearly always comes out top</li><li>▪ Even more important now</li></ul>
<b>Responsiveness</b>	<ul style="list-style-type: none"><li>▪ Theme of market awareness</li><li>▪ Evidence of responsiveness - good manager initiatives:<ul style="list-style-type: none"><li>▪ Informed commentary and intellectual input</li><li>▪ Webcasts</li><li>▪ Market Watch</li><li>▪ Expert trustee education</li></ul></li></ul>

investit.

---

In the past six months this has become even more important:

- If a manager could field a wise and articulate economist, strategist or asset allocator then this was a definite advantage.
- The seniority of staff being fielded to clients has risen over the past 8 months. And the message they have to deliver is that 'we care'.
- This is exactly the time when front line client relationship people really earn their keep.
- Portfolio managers have also been increasingly requested to present to trustees and investment committees and sub-committees. Managers can't always control when portfolio managers are required to be seen by clients!

## 10. The six virtues of client management - Empathy

**The six virtues of client management**

**Empathy**

- *'The best client relationship people have to keep to the 3 Es – empathy, ease of access and excellent communication. In times like this you must feel the client's stress and be able to calm in times of difficulty...'* Claude Chene, AllianceBernstein
- Chemistry – trust in the people
- Humility – feel the pain your clients suffer
- Good empathetic response – acknowledge the trauma and reflect

investit.

---

In Post Traumatic Stress Disorder (PTSD), specialists suggest that after the intrusiveness of a major external shock, there is a period required for reflection. The best response is to acknowledge this trauma and reflect accordingly. As with individuals, so with groups, sectors, even countries. Rather than believe there will be a return to business as usual in asset management, after a period of trauma there will, out of necessity, be a period of reflection and introspection. It won't be the same again. And the best response is to empathise with the client's experience rather than 'bury one's head in the sand'.

## 11. The six virtues of client management - Partnership

<p><b>The six virtues of client management</b></p> <p><b>Partnership</b></p> <p><b>investit.</b></p>	<ul style="list-style-type: none"><li>▪ <i>'understanding your clients and realising that they are becoming ever more professional in an increasingly business to business environment is critical. It's all about partnership...'</i> Miles O'Connor, Schroders</li><li>▪ <b>Who is the client? This is changing</b></li><li>▪ <b>As well as trustees and pensions managers we have:</b><ul style="list-style-type: none"><li>▪ Finance Directors</li><li>▪ Human Resources personnel</li><li>▪ Investment Directors</li><li>▪ Independent trustees and external experts</li></ul></li><li>▪ <b>Best practice – keep track of decision makers</b></li></ul> <hr/>
--	--

Asset management is, more than anything, a people business. And the people the manager is doing business with are changing and evolving.

Previously it was the pensions manager and trustees; the congregation has now widened to comprise Finance Directors, independent trustees and external experts.

In an era when the sponsor covenant is increasingly under the spotlight then the manager has to be equipped to deal with sponsor representatives (often Financial Directors and Treasurers).

## 12. The six virtues of client management - Visibility

### The six virtues of client management

#### Visibility

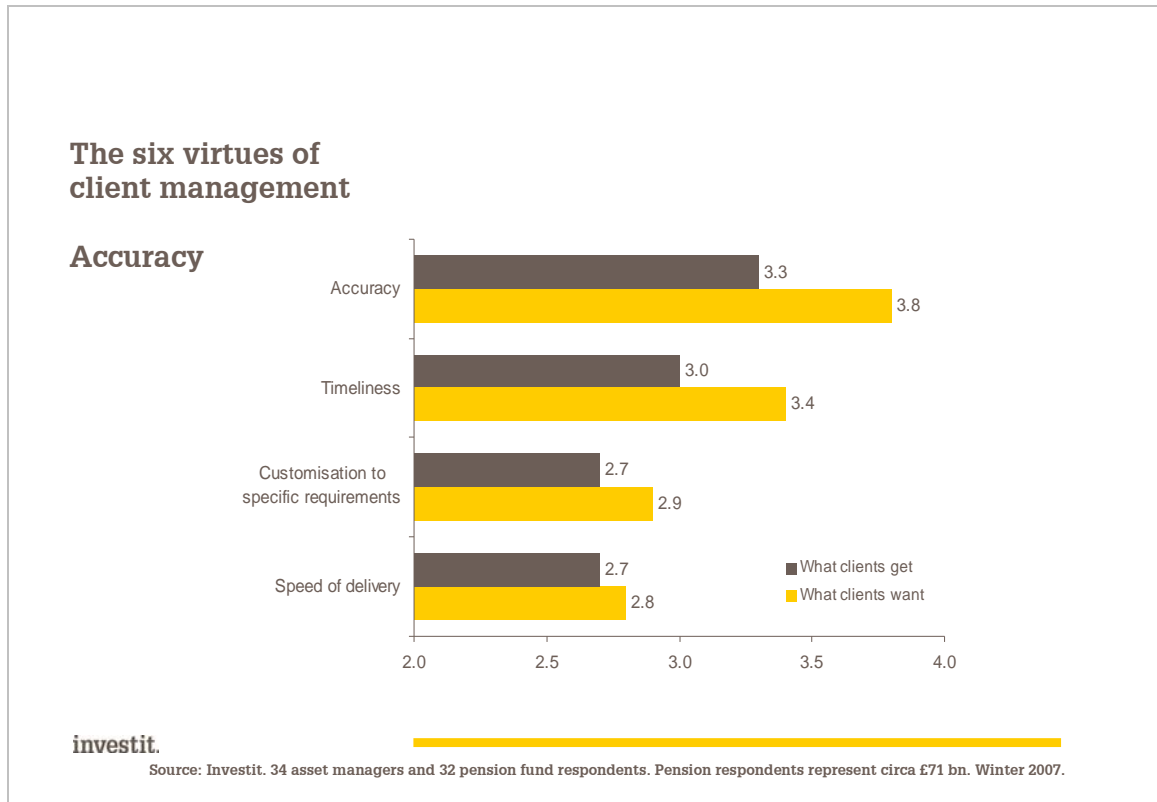
- *'managers who managed to be pro-active during the period of market turbulence are generally much more respected than those who put their heads in the sand and hope the trouble would pass quickly...'*
- Client communication in times of stress is even more important
- Go out to the client rather than wait for the calls to flood in
- Work out what you need to be visible and transparent about
- Be aware of the Treating Customers Fairly (TCF) initiatives

investit.

---

Visibility is closely linked to responsiveness and communication. The winners are those who take their responsibilities seriously on being open and honest with clients and dealing with all in the spirit of integrity.

### 13. The six virtues of client management - Accuracy



In Investit's 2007 Investit Intelligence report entitled 'Client Reporting Best Practice – Are we on the right track?' it was clear that clients required accuracy above all else. After the collapse of Lehmans in September 2008 this is even more the case. In an era when counterparty risk is being examined so closely then pension funds demand and deserve to know what the true position is.

## 14. Squaring the circle? - Flexibility

<b>Squaring the circle?</b>	<ul style="list-style-type: none"><li>▪ Managers are facing substantial AUM declines</li></ul>
<b>Flexibility</b>	<ul style="list-style-type: none"><li>▪ Clients are even more demanding in times of stress</li><li>▪ Tailoring, not rigid models, is the winning formula:<ul style="list-style-type: none"><li>▪ <i>'We prefer a very flexible, responsive model that really does put our clients first. We don't give our clients client service standards. We believe these are imposed from the asset manager's side and are not generally for the client's benefit. We are passionate about this...'</i> Ian Richards, Legal &amp; General</li></ul></li><li>▪ So – ensure that client delivery does not suffer</li></ul>

investit.

---

The catch 22 is that pension fund clients demand more at a time when asset manager incomes have declined.

Flexible models are preferred by client as is evident by Legal & General's quote (they won both the 2007 and 2009 Financial News Client Services Team of the Year awards).

Manager efforts to industrialise, commoditise and tier client service often conflicts with the client demand for more tailored reporting.

## 15. The seven deadly sins of client management

<b>The seven deadly sins of client management</b>	<b>The 7 deadly sins of client management</b>
	1. Not listening to clients
	2. Over-promising and under-delivering
	3. Arrogance
	4. Lack of personal touch
	5. Not being accountable
	6. Blaming others (including the market)
	7. Opaqueness

investit.

---

- **Not listening to clients** – Always listen and understand the client context. Don't just be there to sell something and provide so-called 'solutions'. You can listen to clients either informally or formally via external independent and objective research.
- **Over-promising and under-delivering** – There is a lot of this about at the moment; for example, a lot of the hedge funds promised absolute rather than relative returns. Be clear on what was required and don't be deflected from that.
- **Arrogance** – This is often endemic in an industry where a manager has to believe they are better than their competition. But there is a fine line between arrogance and confidence. And never talk down to clients; the use of jargon is often a characteristic of arrogance.
- **Lack of personal touch** – Personalise or die! In a people business it is up to you to know your clients well as people, not just as individuals who fulfil business roles.
- **Not being accountable** – Managers must take responsibility for decisions made and report accordingly.
- **Blaming the market** – the cardinal sin of excellence for market practitioners!
- **Opaqueness** – Be clear on all forms of reporting; the trustee presentations, the valuations as well as the investment reviews. Reports must be there to inform and not to hide behind!

## 16. Summary

**Summary**

- **Excellence in client servicing brings you valuable extra time**
- **In extreme and unprecedented times client servicing really provides its worth**
- **Remember the six virtues and check your practices**
- **Always strive to avoid the seven deadly sins**

**investit.**

---

In this environment effective client servicing buys you more time.

The extra time effective client servicing brings appears to have increased in the past several years and certainly over the current financial crisis.

Check your practices with the six virtues.

Always beware of the seven deadly sins!