

# A challenging market outlook reveals the power of partnership.

Seeking support from a service provider could allow you to concentrate on investment strategy and clients.



Asset managers are looking toward 2023 and wondering how to navigate the wealth of opportunities offered by one of the most complex market environments in a long time. Rampant inflation has provoked the fiercest tightening cycle in more than a decade, which, in turn, has elevated the risk of a U.S. recession, and the Federal Reserve continues to consider future interest rate increases to slow down the economy. Meanwhile, volatility is putting pressure on portfolio returns and investment managers are reeling from investors' scrutiny of fees.

It is an unusually dynamic situation, and fund managers need to give investment strategy

and client communication their full attention. This leaves them little time for the operational aspects of the business, where a growing regulatory and compliance commitment has added to their operations, accounting and treasury management responsibilities.

All of this is happening against a backdrop of a tight labor market, coupled with asset managers considering moving core operations to lower-cost locations within the U.S. and abroad. Acquisition of talent and the latest technology has become difficult, time-consuming and expensive.

## Support across the board

There is a way through this complexity, and that path involves assessing your service provider relationship and relying more on them for their expertise, capabilities and support.

Top service providers can assist through the entire transaction ecosystem, from beginning to end. Whether the fund manager is a start-up that needs to rely on a service provider for almost the entire process while it builds its own internal capabilities, or a well-established investment manager that just needs to fill a few gaps, a service provider gives immediate access to experience, expertise and reliability. And the fund manager will only pay for what it uses.

Good service providers are equipped with middle- and back-office capability run by technology that is likely to be the newest and backed by healthy budgets. Even better is a global provider that can cover almost every investible market, opening up access to new securities and geographies that allow for opportunistic trades and new products. The best service providers will also have a wealth of data on demand to identify and analyze those opportunities and quantify the operational and market risks involved, which will help managers make better investment decisions.

“Clients utilize our data at the more complex end of the spectrum,” says Dylan Curley, global head of business development for U.S. Bank Global Fund Services. “So having that technology is of the utmost importance.”



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**DYLAN CURLEY**

Global Head of Business Development  
U.S. Bank Global Fund Services

## Cash management, compliance and the value of outsourcing

Since March 2022, the Fed has raised interest rates numerous times, and it has signaled that there are further increases to come. A decade of almost zero rates caused many firms to downsize or even dismantle trading desks that had become uneconomical. Suddenly, cash management is a revenue generator instead of a cost center, and many asset managers lack the expertise to take advantage of it: they no longer have an internal solution, and it would take time and money to rebuild one.

Global service providers offer the full suite of cash-management products across multiple platforms. And because they have never left the business, they are also data rich. They have the historical market data that improves decision-making, and the client data that gives them a holistic overview of the entire portfolio – including segregated accounts.

“Earning spread on your idle cash has become critical,” says Curley. “We’ve played a significant role in pulling together the data across a client’s book to get them what they need to maximize every dollar.”

Data collection also helps with transparency, which is increasingly important. Clients today are demanding. They want to know where and how their money is invested, and what and where the risks are.

Since the global financial crisis, the regulatory and compliance burden on asset managers

has increased and evolved. Major financial institutions have gone from having a compliance officer to an entire department. For all but the biggest institutions, this can be a substantial financial drain, so outsourcing reporting to a dedicated team of experts could be a valuable solution. This would reduce any fear of falling behind new regulation, and asset managers would be reassured by having a team available to create every report and meet every deadline.

“It’s all about taking that operational burden of investors, regulators, daily data off their plate,” says Kevin Weeks, global head of business development for U.S. Bank Global Corporate Trust and Custody. “Essentially, what we’re trying to do is give the investment manager the ability to make a better decision – a more informed decision.”



## Partnerships give funds flex appeal

In the financial industry, standing still is going backwards. Economies of scale are increasingly attractive, which is prompting larger fund managers to acquire smaller ones. The ability to adapt is greatly enhanced by a partnership with a global service provider to generate scale and capacity when they are needed – in technology, products, data or reporting. It is a partnership that makes the asset manager bigger in terms of capability, but still lean in terms of overheads.

This is vital for asset managers that want to expand into new markets, such as a U.S. manager aiming to launch a European fund. Waiting to hire and build internal capability can mean missing the first-mover advantage and chasing the market. The best service provider will already have everything the asset manager needs, plus an experienced team to offer guidance, which leaves the fund manager time to do what it does best – make smart investment choices.

“When you pick a good partner, you can take advantage of market scenarios,” says Weeks. “If you had to hire people or set up new technology, you’d miss the investment opportunity.”

## Affordable access to an all-star team

The market outlook for 2023 has more two-way event risk than most fund managers are used to, just as analysts are warning of lower investment returns. And while managers will

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### KEVIN WEEKS

Global Head of Business Development  
U.S. Bank Global Corporate Trust and Custody

have to put more resources into investment strategy and decision-making, demands are growing from both clients and regulators for greater transparency of information.

A top-tier global service provider can ease that pressure by taking over the majority of transaction, execution and settlement tasks, as well as the administrative burden of middle- and back-office functions that all but the biggest firms have disbanded. Effectively, a provider like this gives financial institutions the ability to rent an all-star team, rather than having to buy one of their own.

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