

6 major investment decision shapers in 2019

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Smart beta, alternative investments, risk management, sustainability, big data and technology, and China as a disruptor in international asset management are the most dominant themes impacting investors in 2019.



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The world is changing and to succeed in a reshaped environment with intense pressure on growth and margins, asset managers need to improve operational efficiency and reallocate resources to high growth areas.

1. Passive will continue to win but will become smarter

Active strategies continue to have a dominant share of assets under management but the proportion of passively managed assets has consistently increased from 19.5% to 22.4% over the last five years.

Significant allocations will be made to smart beta rather than to pure passive strategies. To quote the [The Digital Metamorphosis](#), "In the future, smart beta will pose a substantial threat to traditional active players, potentially even greater than that of the overall shift to passives."

2. Alternative investments will continue to grow and be a differentiator

Alternative asset classes will feature more prominently in institutional and retail portfolios. A wider range of investors, including retail, will be able to access alternative investments as regulators allow regulated vehicles to be more widely distributed.

3. Risk management will increase in value-add and sophistication

The 2008 financial crisis was a major precipitating factor that caused a number of asset managers and institutional investors to begin to seriously focus on risk management.

Asset managers have upped their game to attract and retain these investors and now also see risk management as a

means to produce enhanced and more repeatable risk-adjusted returns.

4. Sustainable investing will gain momentum

Investors are increasingly being encouraged to adopt a sustainable perspective. Mercer states in their research paper, [*Themes and Opportunities 2019*](#) that they foresee a world where asset owners and investment managers incorporate sustainability as a standard action, moving from optical responses to a place where sustainability is integral to idea generation and risk management.

5. Big data and technology will change the way that money is managed

Digital and analytics offer potentially high-impact innovation opportunities for portfolio managers but stresses that human portfolio managers will remain central to investment decisions making but will need to invest differently in the future.

6. China will be a disruptor in international asset management

The Chinese market attracts particular interest, considering the recent relaxation of ownership requirements for foreign firms. China is expected to become the second-largest investment management market globally.

However, investment managers should expect a long road ahead because of the cultural diversity, regional complexities and regulatory challenges present in this market.

China's growth and its efforts at opening up capital markets raise practical questions for investors about how to manage their exposure in the world's second largest economy.

The inclusion of China A-shares in the MCSI EM and World indices from June 2018 and inclusion of Chinese bonds in the BBG Aggregate Index in 2019 will provide impetus for investors to consider how best to get exposure to China. The conversation has moved from should we invest in China to how much exposure should we have in China.

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