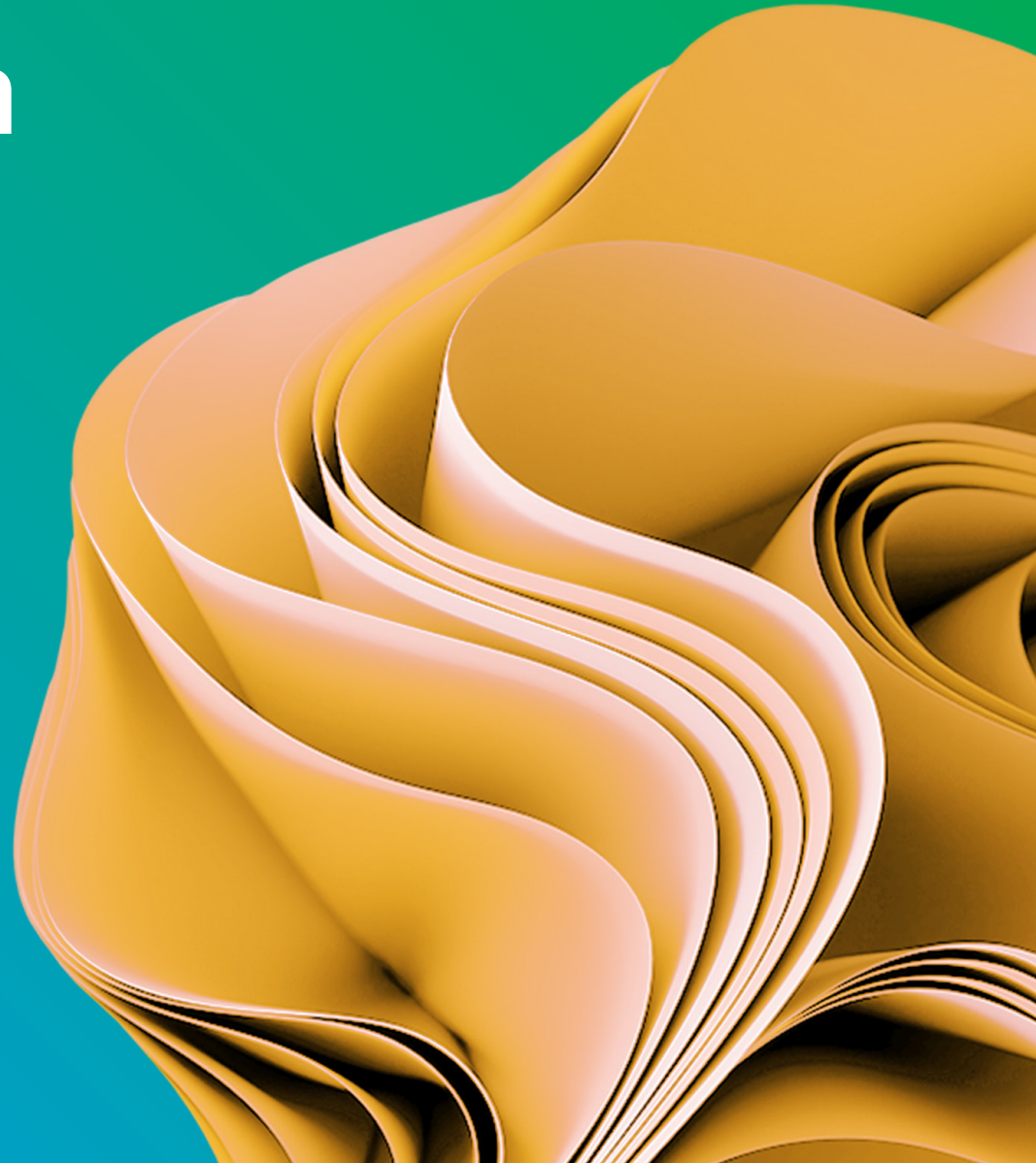


2023 Global wealth management investment survey

Current realities and
future directions

welcome to brighter



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Foreword



Amit Popat,
Global Head of
Financial Institutions

2023 will likely go down in economic history books as the year of resilience.

Despite numerous growth headwinds created by high interest rates, tighter bank lending standards and a slowdown in the manufacturing sector, the global economy continued to expand at a reasonable pace.

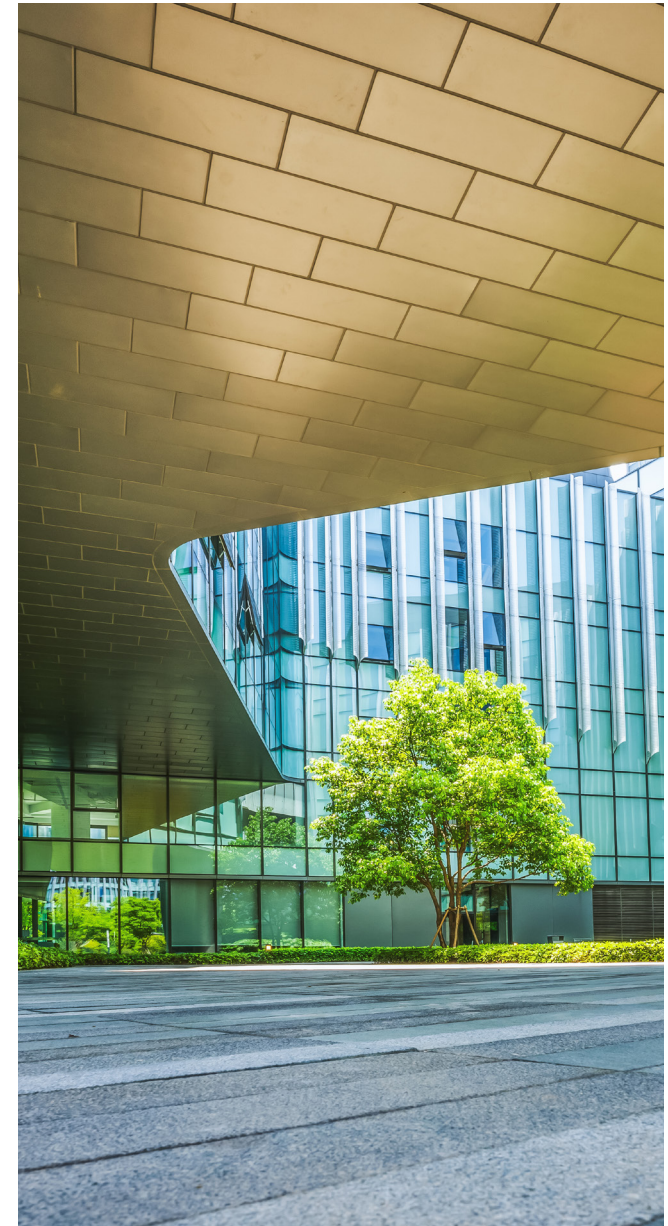
Over the next two years, we see labor markets, wage growth and inflation returning to somewhere near normal levels, as a period of policy-induced weak growth rebalances labor markets and economies as a whole. In terms of the outlook for financial markets, we are becoming slightly more optimistic on most asset classes following the bond-led weakness so far in 2023.

In response to the current investment landscape, wealth managers are seeking to improve diversification and a dynamic approach to cope with changing valuations and market outlooks. With higher bond yields, fixed income investments are again gaining prominence. Wealth managers are

also allocating to private assets to enhance diversification, boost returns and ensure that client portfolios are better equipped to withstand market downturns.

Strong interest in sustainable investments continues from many wealth managers and their clients. The managers are working on deepening their understanding of this area. This would enable them to address the operational challenges posed by varied client views on sustainability, increase their investment offerings, and actively address concerns related to greenwashing.

Wealth managers are prioritizing the enhancement of client service and investing in digital capabilities to attract new clients. They are also leveraging third-party investment service providers as an extension of their existing staff, whether in a discretionary or advisory capacity. This holistic approach allows wealth managers to navigate the investment landscape more effectively by utilizing an enhanced investment toolkit.



Introduction: Key trends and challenges facing wealth managers

Mercer Investments' 2023 Wealth Management Survey seeks to advance discussion and collaboration around the asset allocation decisions, risk management and governance practices of wealth managers.

This year's study illustrates how wealth managers globally remain dedicated to delivering excellent client service. They continue to innovate, exploring new areas of investment to generate better risk-adjusted returns and help clients achieve their financial goals.

According to our panel of nearly 100 financial intermediaries surveyed between June and August 2023, investors expect their wealth managers to protect them from the impact of higher inflation and geopolitical events, while simultaneously finding investment opportunities in a low-growth global economy.

The results can be read across four key themes:

1. Navigating asset allocation post-monetary tightening
2. The appeal of alternative and illiquid investments
3. Meeting the rising long-term demand for sustainability
4. Overcoming operational challenges



Executive summary



Forty-five percent of wealth managers highlighted private markets as a top investment priority for the year ahead.



Navigating asset allocation post-monetary tightening

- Wealth managers believe the top investment opportunity for the next two years lies in diversifying away from traditional assets such as equities and bonds.
- Asset allocators have faced significant challenges as they navigate the transition from a prolonged period of low inflation and low interest rates to an environment of higher inflation and higher interest rates.
- Wealth managers remain cautious and their top concerns include volatile markets, persistent inflation and low expected investment returns.
- Corporate bond exposure is also likely to increase (along with government bonds, though to a lesser extent) as central banks are cautiously moving from increasing interest rates to pausing and going on extended hold with rates now firmly in restrictive territory.

- Within equities, wealth managers think their strategic asset-allocation choices will favor emerging markets, as they consider valuations to be expensive in developed markets — the clear majority of respondents believe developed market equities are overvalued.

The appeal of alternative and illiquid investments

- Wealth managers have made changes to strategic asset allocations (SAA) over the past few years, continuing to diversify away from traditional asset classes in favor of private markets, seeking areas that offer potentially higher growth and less-correlated returns.
- Forty-five percent of wealth managers highlighted private markets as a top investment priority for the year ahead.
- The most popular reasons for investing in illiquid assets are better yields or enhanced returns, long-term capital appreciation, and as a means for diversifying portfolios.

- Over the next 12 months, among illiquid assets, wealth managers expect the greatest client demand for private equity, followed by private debt, infrastructure and real estate.
- Eighty-one percent of wealth managers who do not invest in illiquid assets identified lengthy lock-in periods as the key reason.

Meeting the rising long-term demand for sustainability

- This year's survey confirmed the long-term trend towards sustainable investing, with more than half of respondents reporting increased demand and enquiries over the past year.
- There are regional differences: Europe records the greatest interest and client demand, while enthusiasm in the US is more muted. Overall, respondents recognize the difficulties in implementing such strategies.
- The most common approach reported integrates sustainability into due diligence of external managers and ongoing monitoring — used by 66% of respondents.

- There is considerable appetite for impact investing — aimed at generating a positive, measurable environmental or social impact and a financial return — with 43% of respondents fielding client demands for these strategies.

Overcoming operational challenges

- Wealth managers are looking to third-party investment service providers to navigate the complex investment landscape and deliver better client service. Factors such as a robust investment strategy, competitive track record of performance, and responsive client service are important when selecting a third-party provider.
- Improving client service and investing in digital capabilities are seen as effective ways to attract new customers and drive business growth. Launching new products and acquisitions have also been successful in driving assets under management (AUM) and acquiring new clients.

1

Navigating asset allocation post-monetary tightening



Rupert Watson
Global Head
of Economics
and Dynamic
Asset Allocation

As the investment landscape evolves, wealth managers are prioritizing diversification and placing greater consideration on the roles of fixed income private market investments in client portfolios.

In this way, they can help mitigate risk and potentially increase returns, while ensuring that client portfolios are more resilient to market downturns.

Wealth managers have needed to use the full range of their investment expertise to help their clients navigate the investment landscape of the last year. Asset allocators have faced significant challenges as they navigate the transition from a prolonged period of low inflation and low interest rates to an environment of higher inflation and higher interest rates.

While last year's survey took place against a tense geopolitical backdrop following Russia's invasion of Ukraine and its knock-on effects of higher energy and commodity prices, throughout this year, the geopolitical situation has continued to develop, with the recent conflict in Israel. However, we believe it is unlikely to have a significant impact on global markets and if there were to be any impact, it would most likely be through the energy markets.

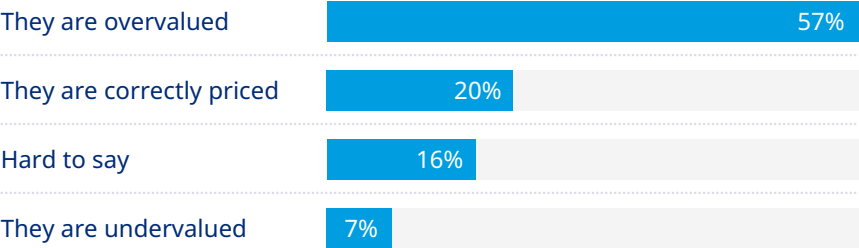
This year's survey demonstrates how wealth managers have adapted to the new outlook and explores the tools they are using to help clients achieve their investment goals.



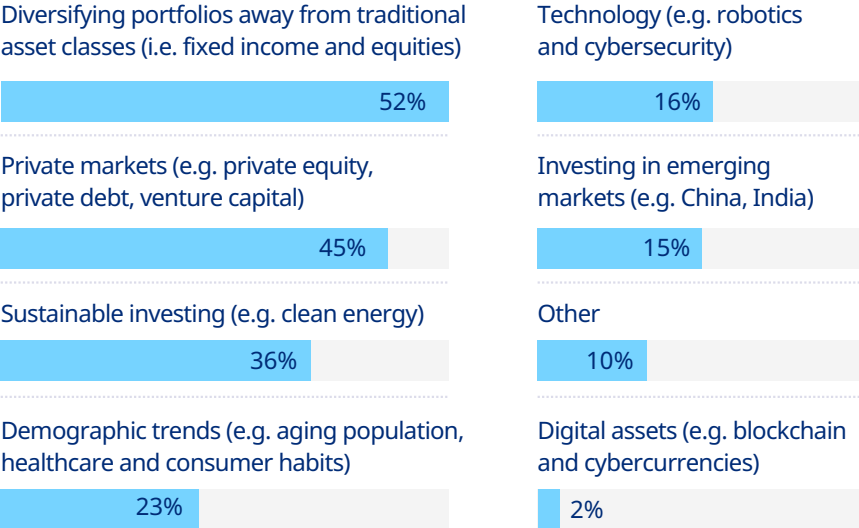
1.1. As in 2022, wealth managers believe the top investment opportunity for the next two years lies in diversifying away from traditional assets such as equities and bonds.

- Opportunities for earning significant upside from equities are perceived to have diminished in recent years as valuations remain high in developed markets.
- The 12-month forward price-to-earnings (P/E) ratios are relatively high for the US, lower for Europe, and even lower for emerging markets. The US are above the long-term average, while Europe and China are below, and EM ex China are above.
- More than half of our respondents (57%) say developed market equities are overvalued.
- A significant change from last year’s survey was the substantial increase in the proportion of wealth managers who are targeting private markets, including private equity, private credit and venture capital.
 - This year, 45% of wealth managers identify private markets as one of their top-two investment priorities.
 - The growing interest in private markets can be attributed to several factors. Firstly, there is a lack of available opportunities in traditional asset classes. Additionally, investors are becoming more familiar with these types of strategies. Furthermore, the retail market is witnessing an increasing supply of institutional-quality portfolios, thanks to technology platforms that are facilitating the ongoing “democratization” of this asset class.
 - Wealth managers tell us that sustainable investing will likely remain a top priority for the future, with over a third (36%) identifying it as a top investment opportunity in the next two years.
 - However, its popularity has fallen slightly since last year, suggesting that attractive opportunities are becoming harder to find or that client demand is waning.

What is your opinion about developed market equity valuation?



What, in your view, is your organization’s top investment opportunity over the next two years?



*Respondents selected 2 options.

“These last three years have tested the markets and investors, but a diversified strategy has been key in softening these impacts and preparing for emerging, resilient opportunities.”

Michael Bova

Founder and Managing Director,
Family Wealth Advisory

1.2. Some markets seem to have calmed since our last survey, when the shock of the Russia-Ukraine war was reverberating and inflation was more entrenched, but wealth managers remain cautious.

- Wealth managers’ top concerns include volatile markets (40%), persistent higher inflation (28%) and low expected investment returns (28%).

- In 2022, more than half of respondents (57%) highlighted inflationary pressures as the main challenge of the next two years.
 - Inflation was already starting to rise before Russia’s invasion of Ukraine, which boosted inflation further via increased energy and food prices.
- However, after a year of high inflation, the proportion of wealth managers seeing it as a threat has fallen to 28%, likely because it has been gradually slowing, and because they have become accustomed to it.
- 40% of wealth managers identified market volatility over the next two years as their major concern. In 2022, volatility was more muted than in previous years, and this trend continued into early 2023. However, many wealth managers believe that a return to more volatile conditions is likely.

- Wealth managers have low expectations for returns on traditional investments, which is likely fueling interest in private markets.

What, in your view, is your organization’s top investment challenge over the next two years?



*Respondents selected 2 options.

“Just three years ago, the world was gripped by the Covid-19 pandemic.

Governments scrambled to contain the virus and prevent their economies from collapsing, leading to extraordinary levels of economic support.

Since that time, the macroeconomic backdrop has changed significantly, which has impacted wealth managers’ strategic asset allocation (SAA) decisions. In 2022, respondents added more developed market equities, as stocks prices fell, and inflation-linked bond

exposure as investors sought protection from rising prices when compared to the previous three years.

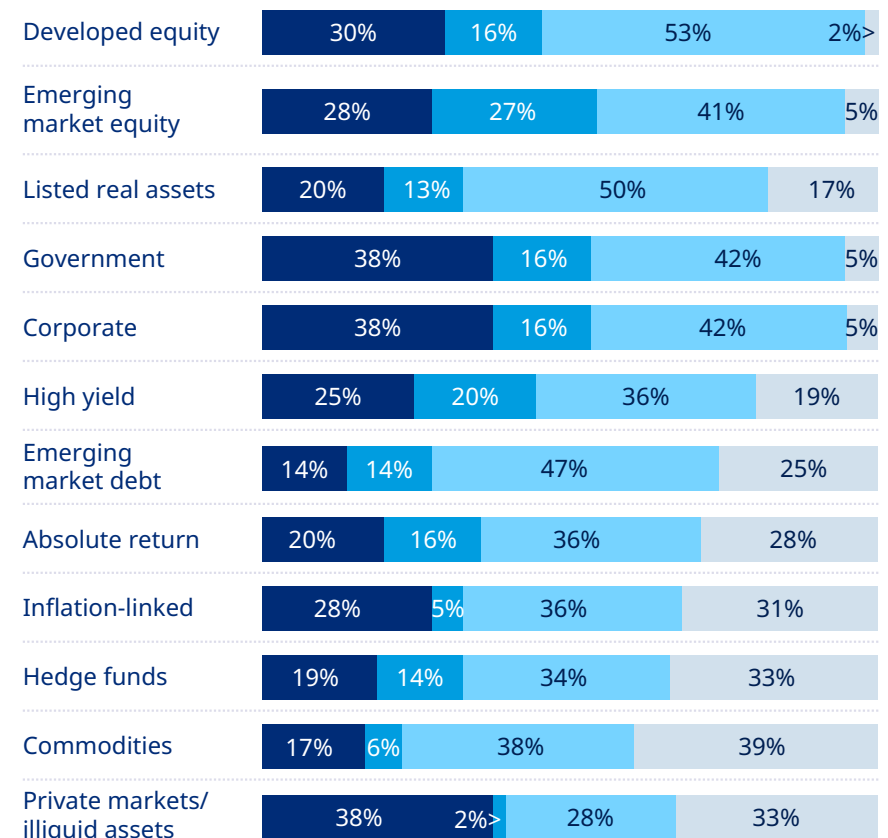
A key change in SAA decisions last year was the addition of more private markets and illiquid assets, reflecting a long-term trend of seeking higher-growth strategies and diversification into a wider range of asset classes. This year, wealth managers’ report adding more fixed income assets.”

Gregg Sommer
US Financial
Intermediaries Leader

1.3. Starting in 2022, in the wake of the Covid-19 pandemic and changes in the macroeconomic backdrop, wealth managers made significant modifications to strategic asset allocations by adding more fixed income and private markets exposure.

- Wealth managers say they will continue adding private markets and illiquid assets to their portfolios next year.
- Corporate bond exposure is also likely to increase (along with government bonds, though to a lesser extent) as central banks slow or pause interest rate hikes, if not yet reverse them.
- Within equities, wealth managers think their strategic asset allocation choices will favor emerging markets, as they consider valuations to be expensive in developed markets.
- While there is strong support globally for corporate and government debt, there are slight differences at the regional level.
- Half of US respondents say they are likely to decrease their high-yield bond holdings and increase their investment-grade debt exposure.

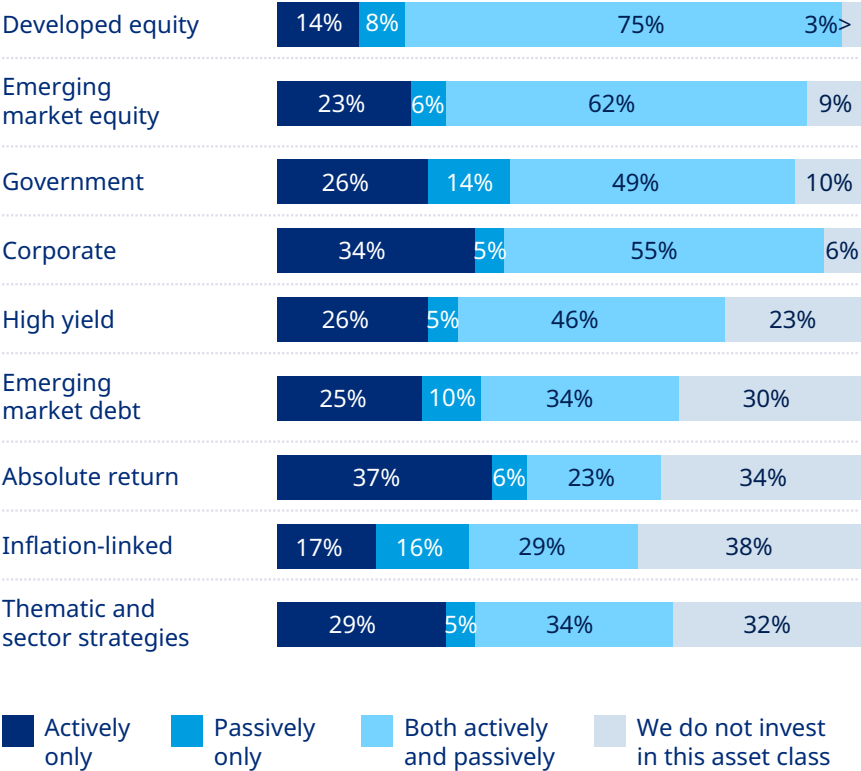
How has the asset allocation of your investment portfolio changed over the past three years?



■ Increase ■ Decrease ■ No change ■ We do not offer this asset class

- Meanwhile, more than half of UK and European wealth managers believe they will increase their emerging market equity exposure in the coming years.
 - European respondents also expect to add more high-yield and emerging market debt.
 - In Asia, there is substantial support for hedge funds and private market assets.
- Passive investing remains popular but wealth managers believe active investment can add value to many asset classes.
- However, most wealth managers use a blended passive-active approach. Across all asset classes surveyed, a blended approach proved more popular than active or passive only strategies.
 - They believe that active-only investment can add value to a number of asset classes, including corporate bonds (34%), absolute return (37%), and thematic and sector strategies (29%).

Do you invest actively or passively across the following asset classes?



* Please note that numbers are rounded to the nearest decimal place.

“Our survey shows that wealth managers are not afraid to make changes when investment conditions shift.

In the last 12 months, wealth managers have watched central banks hike interest rates at a rapid rate to combat inflation levels not seen since the 1980s. But as the global economy has adjusted to higher inflation and interest rates, wealth managers have adapted and are seeking investment opportunities in several areas including fixed income, private markets and emerging markets.

At the same time, some longstanding market trends have continued, such as the increased appetite for private markets and ongoing interest in sustainable investments.

Passive investing continues to increase in popularity among many respondents due to its liquidity and ease of trading. Investors are attracted by lower costs and gain better control of taxes as they move into passive ETFs from actively managed mutual funds.”

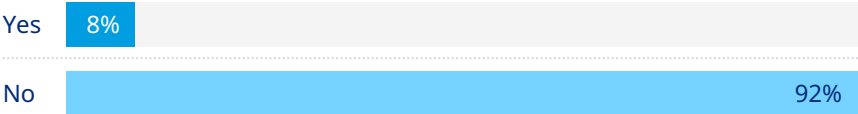
Sebastian Maciocia
Director of Wealth Management, UK

1.3 Support for cryptocurrencies remains low

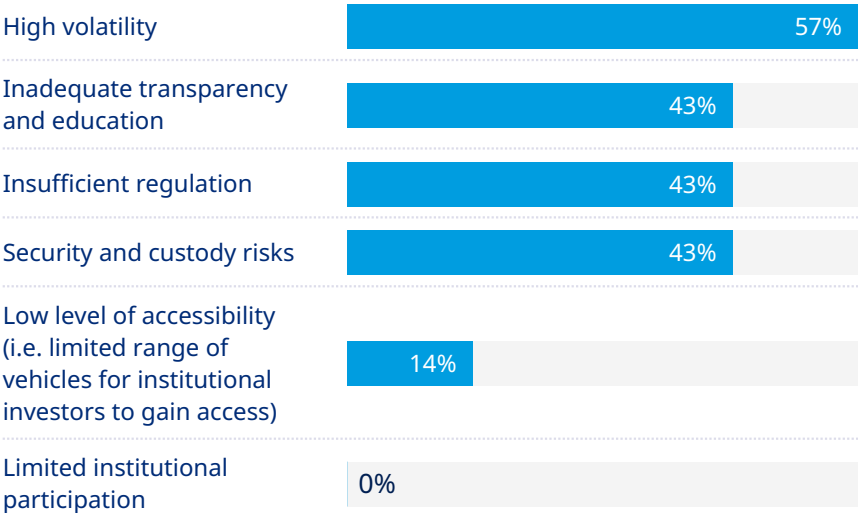
- Only 8% of wealth managers globally are investing in cryptocurrencies for their clients.
- Most wealth managers in all regions reject cryptos, although in the US, a relatively high 23% of them are investing in digital currencies for clients.
- When asked what most concerns them about cryptocurrency investing, more than half (57%) of wealth managers highlighted the high volatility of coins.
- Over time, interest in cryptocurrencies has waxed and waned with significant gains and losses in valuations, driven by supply and demand.

- As details from the FTX scandal emerged late last year, cryptocurrency valuations fell. While they have recovered, valuations continue to fluctuate widely as always, as retail investors continue to speculate.
- Wealth managers are also worried about inadequate transparency and education in the cryptocurrency space (43%), along with insufficient regulation (43%), and security and custody risks (43%).

Do you invest in cryptocurrency on behalf of your clients?



With regards to investing in cryptocurrency on behalf of your clients, which two of the following characteristics of cryptocurrency investing are you most concerned about?



“Since the last survey, the sector has been in turmoil over the failure of cryptocurrency exchange FTX and the arrest of its founder, Sam Bankman-Fried.

Valuations faltered after the collapse of FTX, the third-largest cryptocurrency exchange by volume, and the emergence of allegations of fraudulent activity.

Whether or not digital currencies become an institutional asset class in the future, we think wealth managers are correct in remaining cautious about allocating to cryptocurrencies. The recent scandal involving FTX and the continued high volatility of coins suggest it will take time before this nascent asset matures into a reliable tool for portfolio construction — if indeed it ever does.”

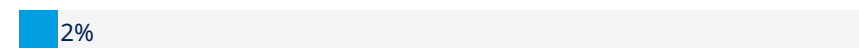
Marieke de Roo
Client Director, Europe

The recent bad publicity around cryptocurrencies seems to have negatively affected wealth managers’ perceptions.

- In 2022, 44% of respondents believed it was likely or highly likely that cryptocurrencies would become an institutional-grade asset class within five years, equally balanced by the 44% who thought they would not.
- In 2023, 62% said it was unlikely or highly unlikely that cryptocurrencies would become an institutional-grade asset class in the next five years.
- Just 23% believed it likely or highly likely.

How likely do you think is it that cryptocurrency will become an institutional grade investment in the next five years?

Highly likely



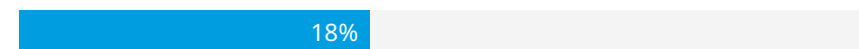
Likely



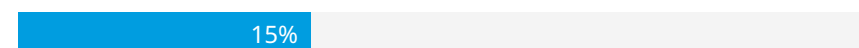
Unlikely



Highly unlikely



Don't know



2

The appeal of alternative and illiquid investments



Raelan Lambert
Global Alternatives
Leader

Wealth managers are increasingly prioritizing private markets and other alternative assets due to their potential for diversification and downside protection, as well as the possibility of better yields and enhanced returns.

However, when making these allocations, wealth managers are faced with a range of challenges, including client concerns about longer lock-up periods, portfolio construction and liquidity management expertise and limited resources for sourcing and accessing high-quality managers as well as conducting effective investment and operational due diligence.

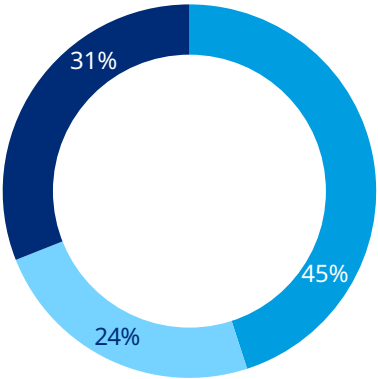
Forty-five percent of wealth managers identified private markets as one of their top investment priorities for the year ahead. Sustainable private markets investing also remains a consideration, yet respondents recognize the difficulties in implementing and monitoring such strategies.



2.1. Various asset classes within private markets, and the illiquid asset universe more generally, offer attractive substitutes or complements to listed market allocations.

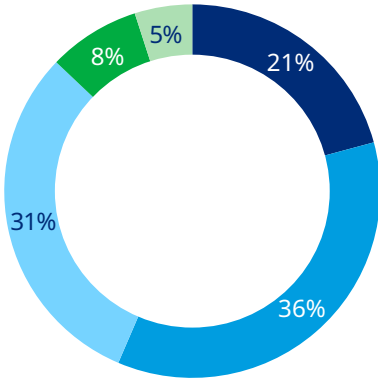
- Wealth managers note that, among clients, the most popular reasons for investing in illiquid assets are better yields or enhanced returns, long-term capital appreciation, and as a means for diversifying portfolios.
- Wealth managers’ increasing awareness of the characteristics of illiquid assets has boosted their inclusion in portfolios. Globally, 45% of wealth manager respondents said they are already investing in illiquid assets, and 24% are considering a first allocation within the next 12 months.
- The fact that just over a third (31%) are not considering making any allocation in the next year, is perhaps partly explained by the fact that 14% of managers say they struggle to access private market opportunities.
- Illiquid assets still represent only a relatively small portion of wealth managers’ portfolios.
- Typically, illiquid assets do not exceed 25% of wealth managers’ portfolios.
- The majority of respondents (57%) allocate 1–10% to illiquid assets, suggesting wealth managers see them as part of a well-diversified portfolio.
- Allocation levels remain broadly similar to those in 2022, when 61% allocated up to 10% of portfolios.
- However, there has been a rise in the number of wealth managers making allocations of 11–25% of their portfolios, with the proportion rising from 25% in 2022 to 31% in 2023.
- Over the next 12 months, among illiquid assets, wealth managers expect the greatest client demand for private equity, followed by private debt, infrastructure and real estate.
- Respondents believe clients will be least interested in sustainable and impact-focused illiquid strategies.
 - The demand for sustainable and impact focused strategies is expected to be low over the next 12 months. It is essential to carefully assess the limitations and quality of data when considering such strategies, as in some areas metrics can be shallow.

Do you invest in illiquid assets?



- Yes
- No, but we are considering making an allocation in the next 12 months
- No, and we are not considering making an allocation in the next 12 months

What is the current strategic allocation to illiquid assets in portfolios?



- 1–5%
- 6–10%
- 11–25%
- 26–50%
- 51% or more

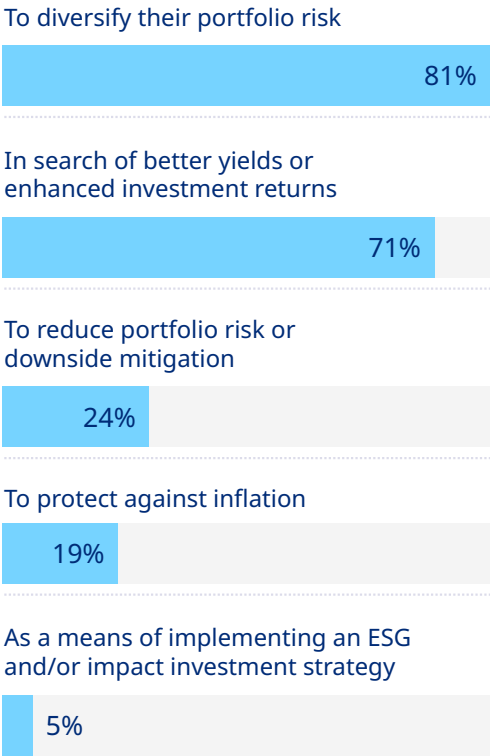
What private markets/illiquid assets strategy do you anticipate client demand coming from over the next 12 months?

Ranking	Private equity	Private debt	Infrastructure	Real estate	Sustainable/ impact focused strategy
Ranking position	1	2	3	4	5

2.2 While interest in illiquid assets has grown, the asset class has had to overcome many preconceptions that deterred some institutional investors in previous years.

- Eighty-one percent of wealth managers who do not invest in illiquid assets identified lengthy lock-in periods as the key reason.
- Other common reasons included a lack of resources for due diligence (37%) and limited access to the best market opportunities (33%).
- Despite private markets funds typically having considerably higher fees than public markets equivalents, this does not appear to be a main barrier to their use, as only 11% cited high fees as an issue.

What are the main two main reasons your organization is considering making an allocation in illiquid assets on behalf of your clients?



Which of the following statements best describes your organization's reasons for not allocating to illiquid strategies on behalf of your clients?



“As investment priorities have changed, some wealth managers are evolving and many are either already investing in, or planning to invest in, illiquid strategies in the coming year, driven by strong client demand and their diversification benefits.

There are still some challenges to overcome. While illiquid assets and private market strategies are commonly employed in the US, wealth managers in other markets are more reticent.”

Luke Fitzgerald
Head of Wealth Management, Pacific

*Respondents selected 2 options.

“Broadly, wealth managers are satisfied with their hedge fund investments in terms of liquidity, diversification, risk management and returns.

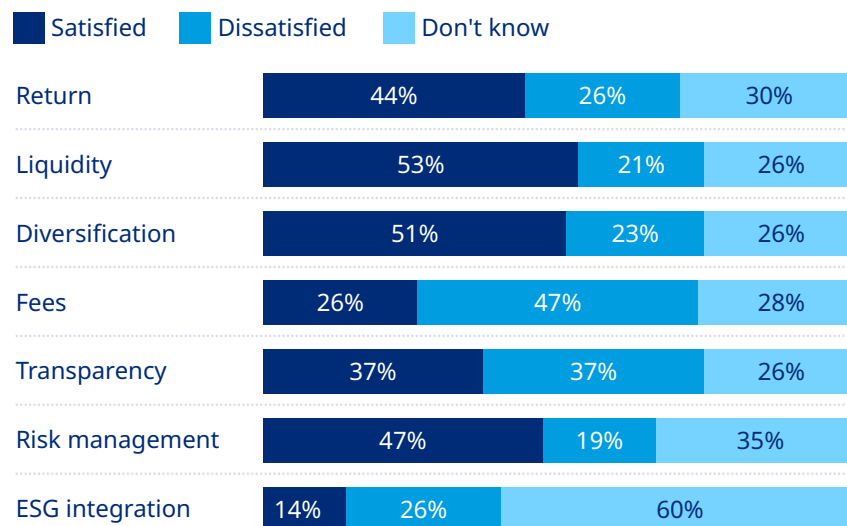
However, respondents highlighted two areas where they are less happy: fees and ESG integration. While the traditional 2 & 20 fees — a 2% management fee and a 20% performance fee — have generally been reserved for only well-established managers with exceptional track records, clearly, the survey suggests there is still room for improvement.”

Dave McMillan
Chief Investment Officer,
Hedge Funds

What is the maximum lock-up period that your clients are willing to commit to?



How satisfied are you with the following outcomes of your hedge fund investments?



* Please note that numbers are rounded to the nearest decimal place.

- Despite concerns, almost a fifth are willing to accept longer lock-up periods.
- When considering the long-term commitment of capital, almost half of wealth managers (44%) said they were willing to accept a lock-up period of 6–10 years.
- One-third would accept 10 years.
- Over a fifth (23%) of wealth managers said their clients would allow only a three-to-five year lock-up period.

2.3. Wealth managers who are not already investing in hedge funds identified several ways they could attract more interest from clients.

- Twenty-six percent are dissatisfied with ESG integration within hedge funds, compared to 14% who are satisfied. The fact that 60% do not have a view on hedge funds' ESG integration, suggests that transparency and communication in this area could be improved.
- While over a fifth (21%) feel liquidity could be improved, over half (53%) said they were satisfied in this regard.

3

Meeting the rising long-term demand for sustainability



Annabell Siem Mathiesen
Global Head
of Sustainable
Investment

This year's survey confirmed the long-term trend towards sustainable investing, with more than half of respondents reporting increased demand and enquiries over the past year. The ongoing appetite for sustainable investment strategies shows that investors remain concerned about the environmental and social problems facing our world.

While the long-term trend for sustainable investments remains promising, the short-term outlook for the next 12 months is less favorable as indicated in the previous section; sustainable investments are expected to be the least attractive option compared to other private market opportunities during this period.

In last year's survey, more than 80% of wealth managers reported increased demand for sustainable investment solutions. This year, interest remains strong as for the past 12 months, over half of our respondents reported an increase in demand. Meanwhile, 34% say there was no change from the high levels of the previous year.

However, there are regional differences. European wealth managers saw the biggest uptick in client demand for sustainable investment solutions over the past year, with 24% recording a significant increase and 48% a modest rise. Around the world, 58% of UK respondents, 60% of Pacific respondents and 50% of Asian respondents reported increased demand for sustainable investment solutions.

In the US, where sustainable investing has been at the center of intense political debate, client demand was more muted, with just 39% of respondents recording an increase.

Strong demand for ESG and sustainability solutions can present an operational challenge for wealth managers, and the broad range of client views and preferences on sustainability issues compounds this difficulty. Wealth managers also report a strong appetite for impact investing, although only a fraction of respondents so far use these strategies in their sustainable investing.

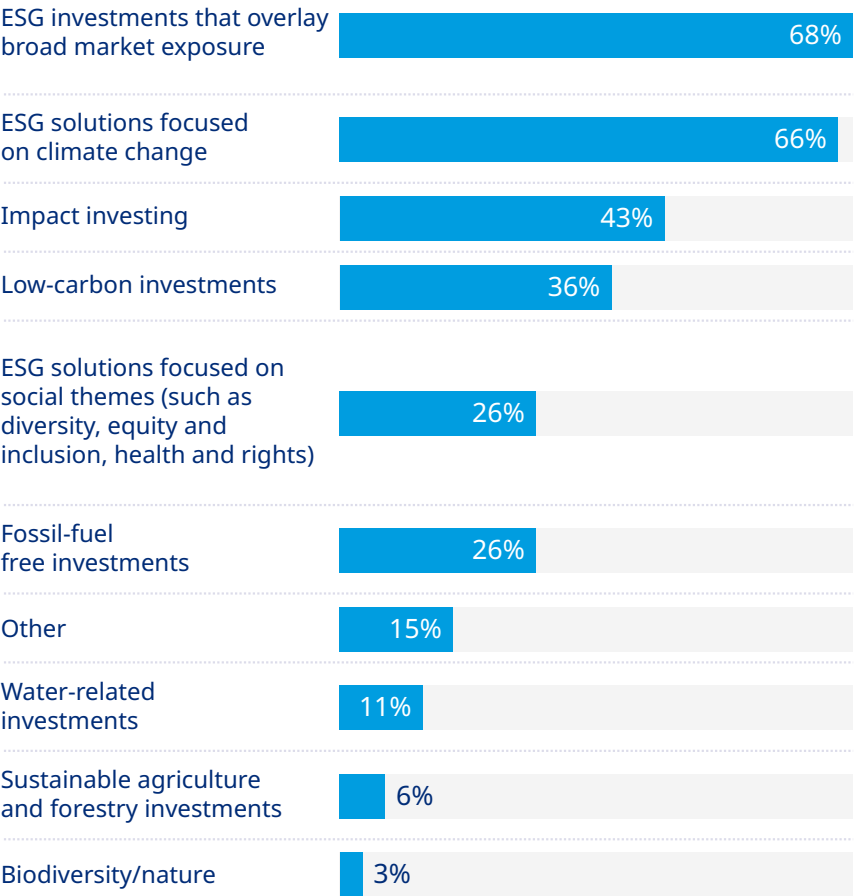


3.1. Wealth managers are using a broader range of strategies to incorporate sustainable considerations into their investment decisions.

- The most common approach reported integrates ESG into the due diligence of external managers and ongoing monitoring — used by 66% of respondents.
- Other common methods include specific allocation to sustainable investments, integration of ESG criteria into the selection of internally managed investments, and the exclusion of sectors or companies based on ESG criteria.
- This year, respondents also highlighted the importance of thematic strategies — such as those focused on clean energy or diversity, equity and inclusion — in helping them implement ESG factors.
- Wealth managers note that clients primarily demand sustainable investments that overlay a broad market exposure, as reported by 68% of survey respondents.

- A similar number (66%) seek solutions that focus solely on climate change.
- Only 3% are seeing significant client enquiries around biodiversity solutions.
- There is considerable appetite for impact investing—aimed at generating a positive, measurable environmental or social impact and a financial return — with 43% of respondents fielding client demands for these strategies.
 - However, they appear to be underutilized by wealth managers, with just 23% using these products.
- While climate change remains a widespread concern among clients, diversity, equity and inclusion (DEI) investments are a lower priority.
 - Just 39% of wealth managers record an increase in DEI-aware investments over the previous two years.

What type of ESG solutions are you seeing most client demand/enquiries about?



*Respondents selected more than one option.

“Wealth managers continue to see consistent client demand for sustainable investment strategies from their clients.

There are clearly considerable investment opportunities, but the challenge for wealth managers is how best to implement their clients’ sustainable investment preferences since these tend to be client-specific.

Impact strategies have a non-financial measurable impact on the environment and social issues, while also generating a financial return. For the second year running, almost half of respondents report client enquiries for these strategies. However, less than one-quarter of wealth managers incorporate them into their approaches.”

Annabell Siem Mathiesen
Global Head of
Sustainable Investment



3.2. When it comes to objectives, wealth managers remain divided on whether they need to compromise on investment returns to achieve their ESG goals, and at the regional level, opinions are quite polarized.

- In the UK, two-thirds of respondents believe they do not have to compromise on returns when making ESG-focused investments.
- In the Pacific, one-half of wealth managers say their clients do not believe they have to compromise.
- However, in Europe, 62% of wealth managers say their clients believe they must compromise.
- In the US, 62% of wealth managers say customers simply do not know if they will have to compromise or not.
- Twenty-nine percent report zero or minimal client demand for such products.

4

Overcoming operational challenges



Nick Rosenblatt
Wealth Management
Proposition Leader

Over the last few years, the operating environment for wealth managers has become increasingly difficult, as they face a number of challenges including lower revenue growth, regulatory compliance and higher costs.

To alleviate these challenges, wealth managers have implemented a range of growth strategies, with attracting new clients being the top business priority and enhancing client service and engagement being seen as the most effective tactics.

The majority of wealth managers use a third party for manager selection or investment research, reducing internal costs and freeing up resource to focus on client-facing activities to help support revenue growth.

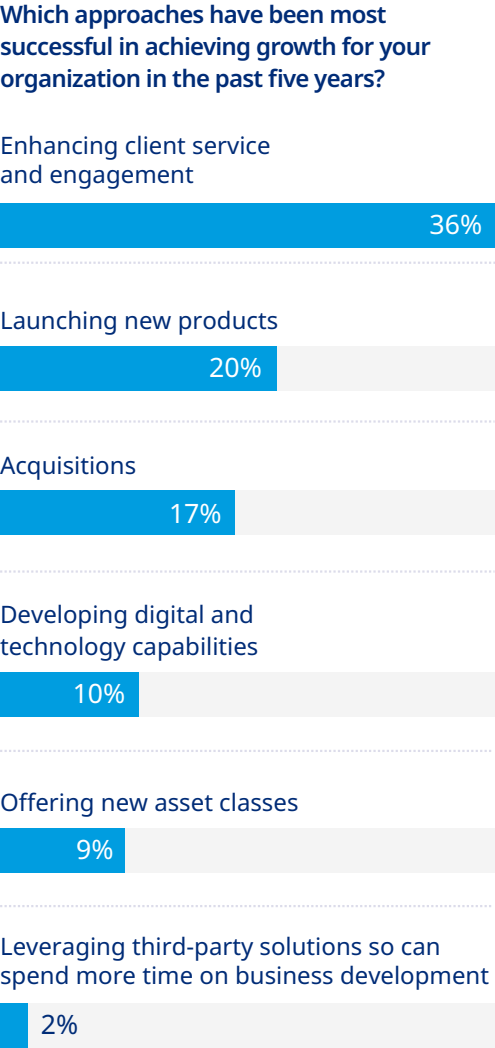
There are also idiosyncratic issues for wealth managers in each region. For example, the biggest concern expressed by US respondents was fee and margin pressures, while for UK wealth managers the biggest worry is regulatory challenges and compliance.



4.1. Enhancing client service and investing in digital capabilities are seen as the best ways to attract new customers.

Over the past five years, respondents have used various methods to try and expand their businesses, with varying degrees of success.

- Effective ways of expanding business included enhancing client service and engagement (36%) and developing digital and technology capabilities (10%).
- Twenty percent say launching new products has been successful in terms of driving AUM and new clients and 17% cite acquisitions.





Which of the following are a business priority for your organization over the next two years?

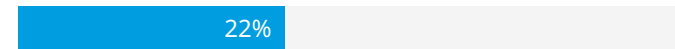
Attracting new clients



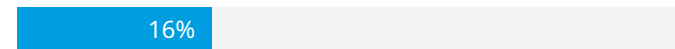
Improving client experience



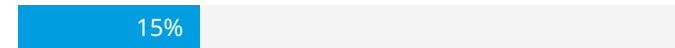
Investing in digital and technological capabilities



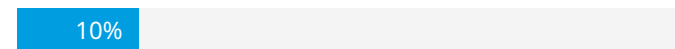
Acquisitions



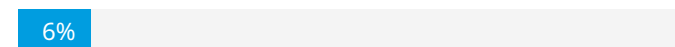
Review fees and pricing



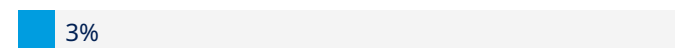
Enhancing our ESG investment offering



Outsourcing elements of portfolio construction (e.g. SAA, manager selection)



Assistance with portfolio governance (i.e. the procedures and processes used to make investment decisions)



Attracting new clients is a highly important way for wealth managers to expand their businesses.

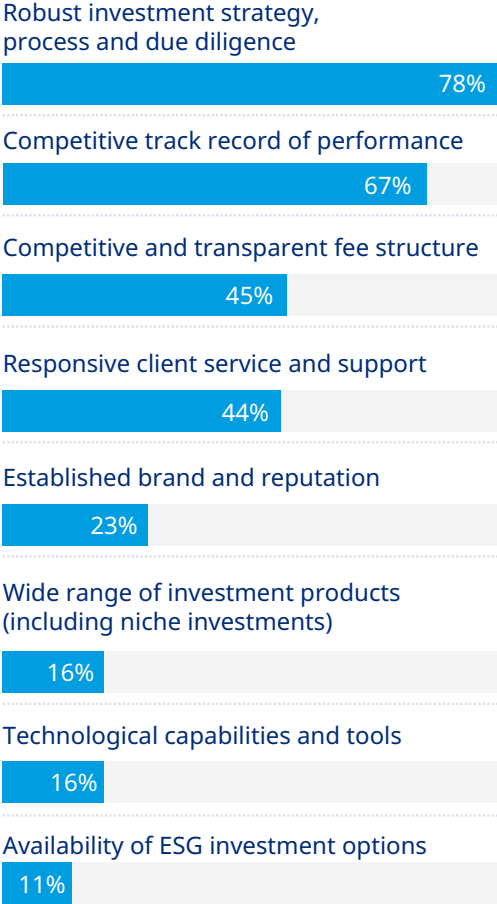
- Seventy percent (70%) of respondents say attracting new clients is their top business priority for the next two years.
- 56% highlighted improving the client experience.
- 22% see value in investing in digital and technology capabilities.
- Last year, wealth managers strongly enhanced their sustainable investment services for clients, making it their second-most important business priority. This year, however, just 10% highlighted it as a business priority for the next two years.

*Respondents selected all that applied.

4.2. Third-party solutions are being sought after by some wealth managers in response to the emerging challenges.

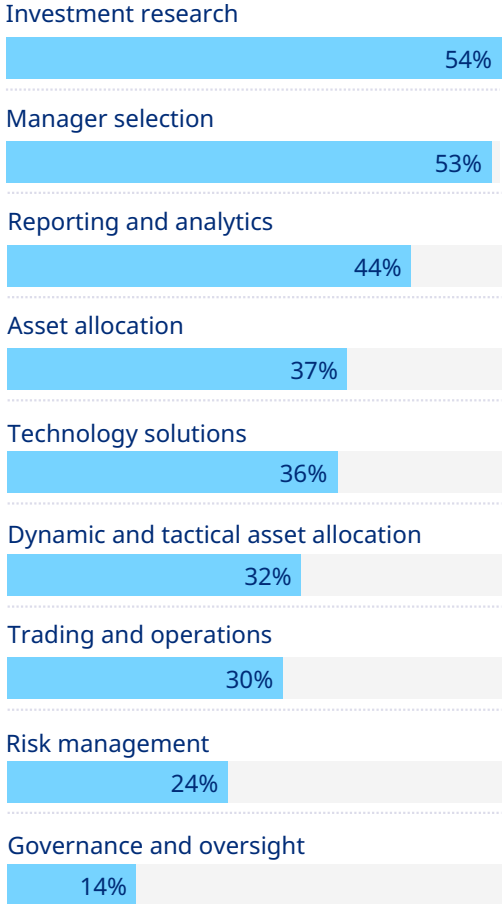
- When asked to choose their top-three criteria, 78% of respondents cited a robust investment strategy, process and due diligence as the most important factor in making their decision.
- The second most important, noted by 67%, was a competitive track record of performance.

Which factors are most important to you when selecting a third-party investment service provider?



*Respondents selected all that applied.

In which parts of your investment proposition are you working with a third-party provider?



- Respondents were split between a competitive and transparent fee structure (45%) and responsive client service and support (44%) as their third-most important factor.
- Third-party investment service providers are used for a range of functions, but most commonly for investment research (54%), manager selection (53%) and reporting and analytics (44%).

Conclusion

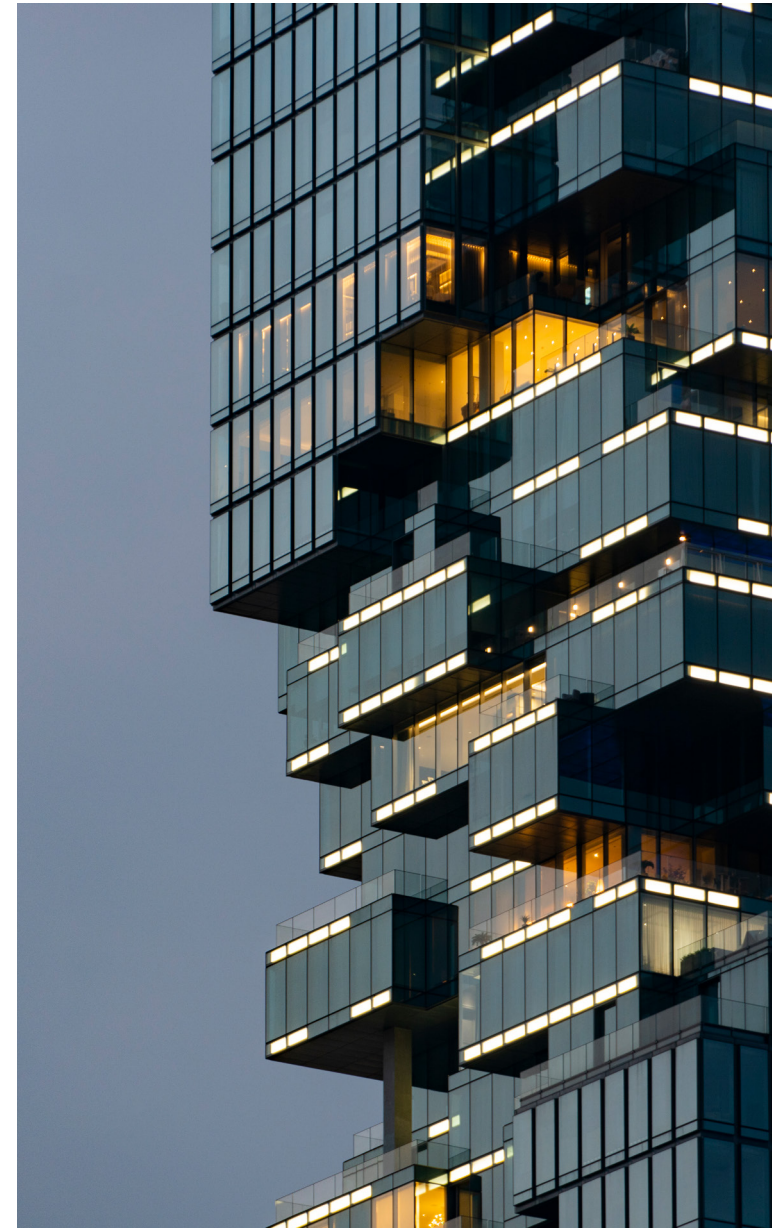
Wealth managers needed to employ all of their talents to navigate the financial and macroeconomic challenges posed by the COVID-19 pandemic. As the investment backdrop changes, they are facing new issues that could challenge their potential for growth.

Fee and margin pressure, facets of a more competitive environment, along with changes in the regulatory environment, could strongly affect the profitability of wealth managers. In response, wealth managers are looking at ways to expand their businesses and leverage third-party providers.

Respondents highlight new client acquisition as the most effective way

to grow their business, so we expect to see investments in areas that support this, such as new digital capabilities and improved client service. This can be an expensive undertaking, however.

Although there is a strong belief in the long-term potential of sustainable investment solutions and products, wealth managers have shifted their focus away from it as their top business priority in the short-term. This change is driven by concerns primarily related to revenue and regulation. However, it is important to note that ESG factors remain a critical consideration for investors and to meet this growing demand, wealth managers need to ensure they have a robust long-term investment offering. As this can be resource-intensive, this is an area where partnering with an investment firm can provide better value and alleviate some of the burden on wealth managers.



Methodology

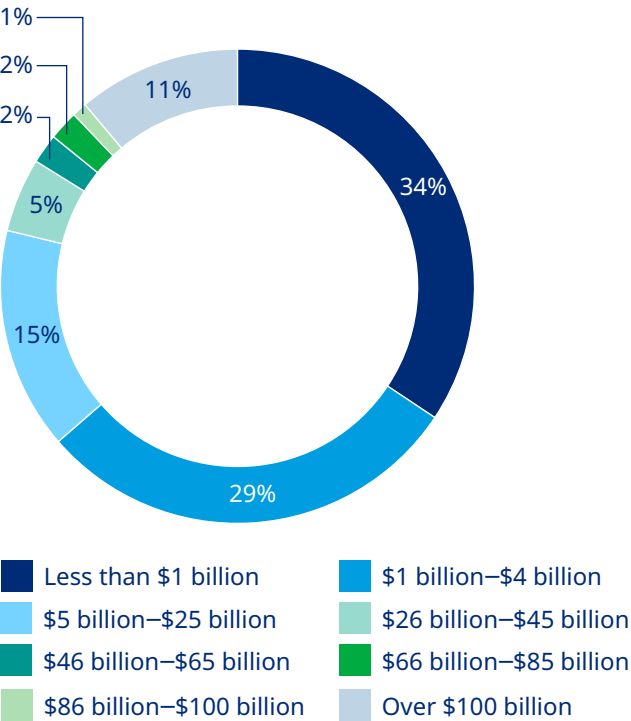
Research was conducted via an online survey between June 2023 and August 2023.

Respondents include wealth managers, private banks, multi-family offices, single family offices, discretionary managers,

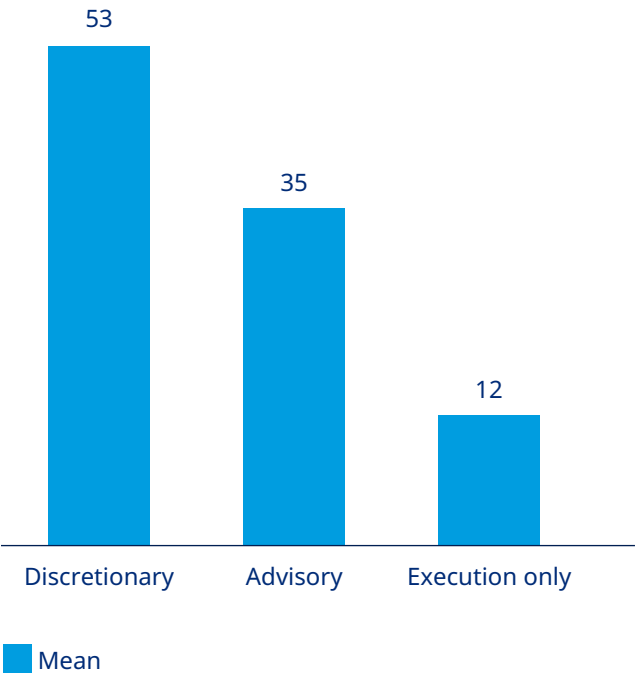
financial advisors, fund platforms, banks/trusts/brokers, registered investment advisers and asset managers.

The research includes the views of respondents from 16 countries.

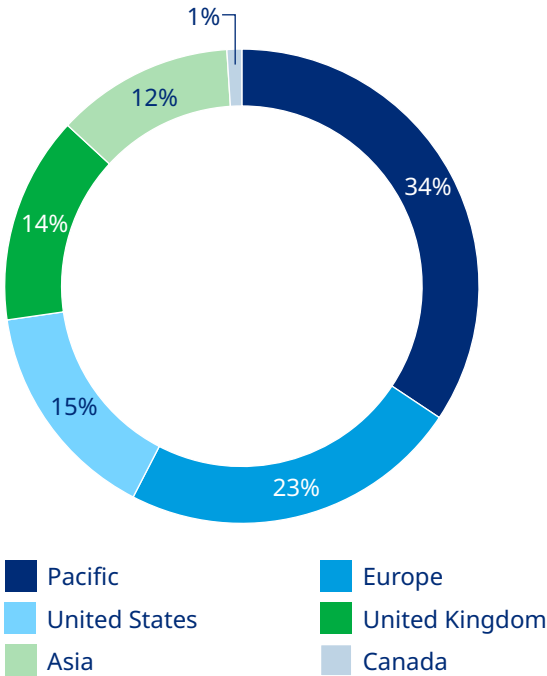
What is the overall AUM of your organization?



What is the approximate split between discretionary, advisory and execution-only?



Where is your organization headquartered?



Contact us

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