

# The Fidelity Global Institutional Investor Survey: The Future of Investment Management

## What will the investment world look like in 2025?

Artificial intelligence. Blockchain. Portfolio construction with a fintech startup. Many institutional investors believe they are on the cusp of a seismic shift in the industry from tech disruptions, according to a new survey from Fidelity. In an environment that is already drastically changing—due to cyclical volatility, geopolitical risks, and monetary policy, just to name a few factors—the ground beneath investors is poised for dramatic transformation. Those who are not prepared may be left behind. But those at the cutting edge may be courting unexpected risk.

Seventy-three percent of institutional investors think technological advances will reshape the industry in seven years. The changes, they say, will redefine the investment landscape for the next generation and influence every facet of their businesses, from asset allocation and risk management to human resources and operations. Perhaps most telling, relationships between institutions and investment partners will evolve as technology enhances, though never replaces, the human touch.

The Fidelity Research Institute® is pleased to introduce the *Fidelity Global Institutional Investor Survey: The Future of Investment Management*, which explores the key disruptions and corresponding risks and opportunities. The largest and longest-running survey of its kind, it represents how institutional investors from across the Americas, Europe, and Asia are thinking about the future.

“The 2018 Fidelity survey is a one-of-a-kind for our industry, an invaluable inside look illustrating not only what the world’s savviest professional investors are thinking, but how they are planning for the future,” said Judy Marlinski, president of Fidelity Institutional Asset Management®.



The 2018 Survey is focused on what the world of investing could look like in 2025, seven years from now. We collected responses from more than 900 institutions across 25 countries, including decision-makers at private and public pensions, insurers, endowments, defined contribution plans, and sovereign wealth funds. With more than \$29 trillion in assets under management represented, the survey presents a wide-angle view of the current state of institutional investing, and the industry's expectations for the future.

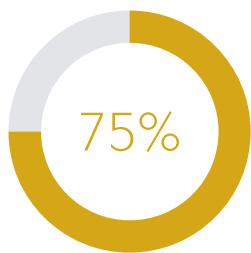
We selected a seven-year lens as a constructive time frame to envisage a future world given technological advances, rapid-fire markets, and business cycle shifts. A three-year plan may get lost in tactical considerations and a ten-year outlook may be too distant to be actionable. Seven years represents a "Goldilocks" period, in our view: just far enough out to combine the potential for great advances and enough time for forward-looking investors to act on them. As we look to the quarter-century mark, this survey provides a broad range of insights to help institutional investors plan for the longer term.

## Technology, a Driving Force for 2025

Institutional investors agree that technology will influence all facets of markets and investing. The exponential pace of innovation will continue to accelerate, though the implications for investors may take time to play out, and may take unexpected turns. Investor expectations covered in the survey include:

### An industry transformed

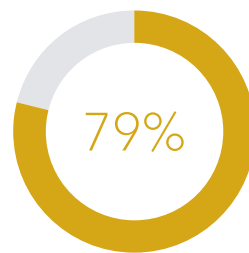
A majority of investors believe we will face a new world as a maturing market adjusts to slowing growth and the emergence of fintechs offering investment and banking services. They expect widespread consolidation, strategic shifts in products and pricing, and many other dramatic changes in how services are offered.



Believe non-financial services firms will enter the investment industry and create hyper competition.

### A faster pace of business

Blockchain and artificial intelligence (AI) applications will make markets and decision-making faster, and potentially more accurate and more efficient. As investing becomes more transparent and in real time, the implications for portfolio construction and attitudes toward investing risk will be profound.



Believe blockchain-like technology will fundamentally change how the financial industry functions.



Nothing around us right now will be the same in 2025. Markets are going to change and develop at a speed faster than we have imagined, bringing in a lot of technology that is safer and efficient in every manner.

— SURVEY RESPONDENT, EUROPEAN PUBLIC PENSION

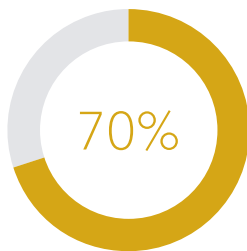


The integration of AI will be the most important thing by 2025. Industries in every field, largely including ours, will have to make the optimal use of artificial intelligence so that they get the best out of their business and more importantly, their operations.

— SURVEY RESPONDENT, ASIAN SOVEREIGN BANK

### Redefined and expanded sources of alpha

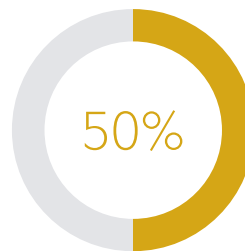
New and enhanced alpha generators will emerge to suit faster-paced, data-driven strategies. Institutions may rely on AI and its decomposition of traditional alpha to drive returns. At the same time, investors will refocus their asset allocation exposures, as active and non-traditional passive strategies evolve, and socially responsible investing continues to grow.



Expect new asset classes to emerge from technology, such as cryptocurrencies.

### The intersection of humans and machines

Many believe technology will augment, but not supplant, portfolio managers. As data sets explode and computers take on a bigger role in decision-making, institutions will still value the expertise and intangible insights their investment partners bring to the table. Many investors are cautious about the potential risks from the hasty adoption of new technology—vigilance will be crucial.



Believe they will make investment allocations without any human contact from asset managers.

## Digging into the Findings

While the vast majority of institutional investors see a different world ahead, 10% believe the industry will be the same. Regardless of where they stand, we believe now is the time to dig deeper. In survey responses and additional comments, investors raised many key questions: What disruptions will reshape the industry, and which are hype? How far will current trends stretch? How will relationships evolve as technology takes hold? How can institutions protect themselves from new and emerging risks? Fidelity's survey provides a rare look at how investment decision-makers are planning for the future. Please contact your Fidelity representative for more access to these exclusive findings and our analysis.

## About the Institute

The Fidelity Research Institute® presents forward-leaning thought leadership, curated for institutional investors and bolstered by Fidelity's experience in building and enhancing multi-asset class portfolios. The mission of the Fidelity Research Institute is to help institutional clients find solutions that address their most pressing needs. By combining Fidelity's deep research expertise with a practitioner's mindset, the Institute produces thought leadership designed to give institutional investors the data, insights, and tools they can use toward solving their problems and exceeding their goals.

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### For institutional investors, investment professionals, and plan sponsors.

Unless otherwise noted, all data is sourced from the Fidelity Global Institutional Investor Survey.

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