Evolving Wealth Management Landscape

Trends on fee-based advisory

Emanuele Bellingeri – *Head of iShares Italy*

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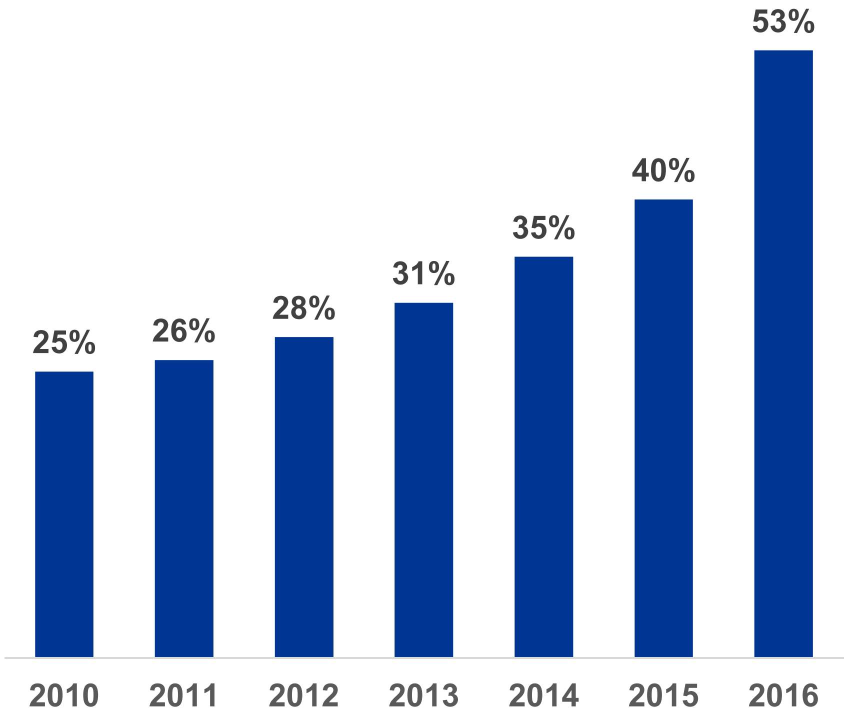
BlackRock

Fee-based assets doubled over the last 5 years in US Wealth Management industry

Fee-based penetration (%) - US Advisors



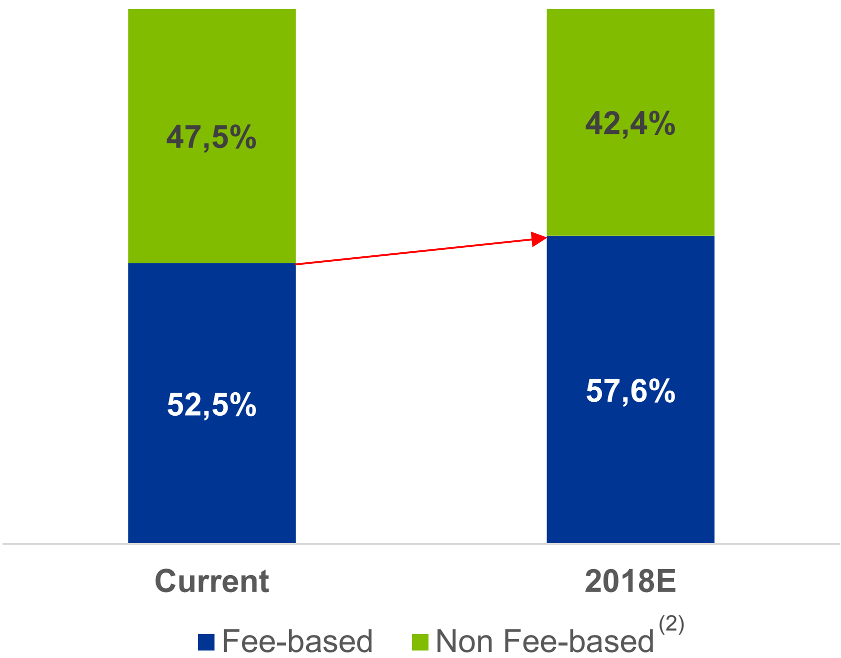
Key implications of operating in an increasingly fee-based environment

- Continued growth in use of **index ETFs**
- Increased usage of **lower-cost active products** that deliver value to advisors
- Heightened focus on **portfolio construction and how portfolio building blocks** fit together
- Growing **opportunity** to convert **brokerage** into **advisory** assets, leading to a more stable revenue flow for intermediaries

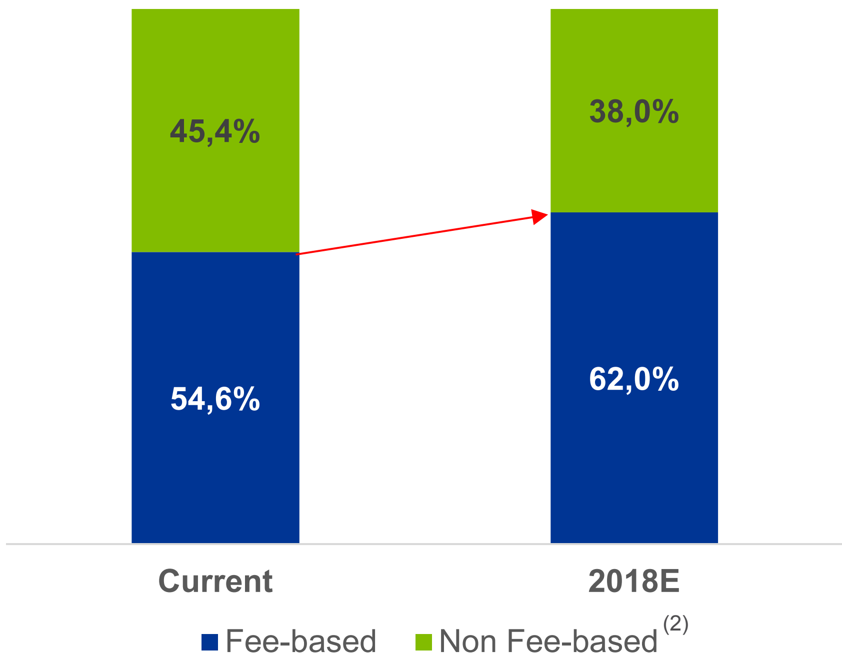
Source: Cerulli and BLK estimates

Growth is expected to continue in the next years both within independent and non-independent all channels …

Fee based – Employee/ Non Independent channels

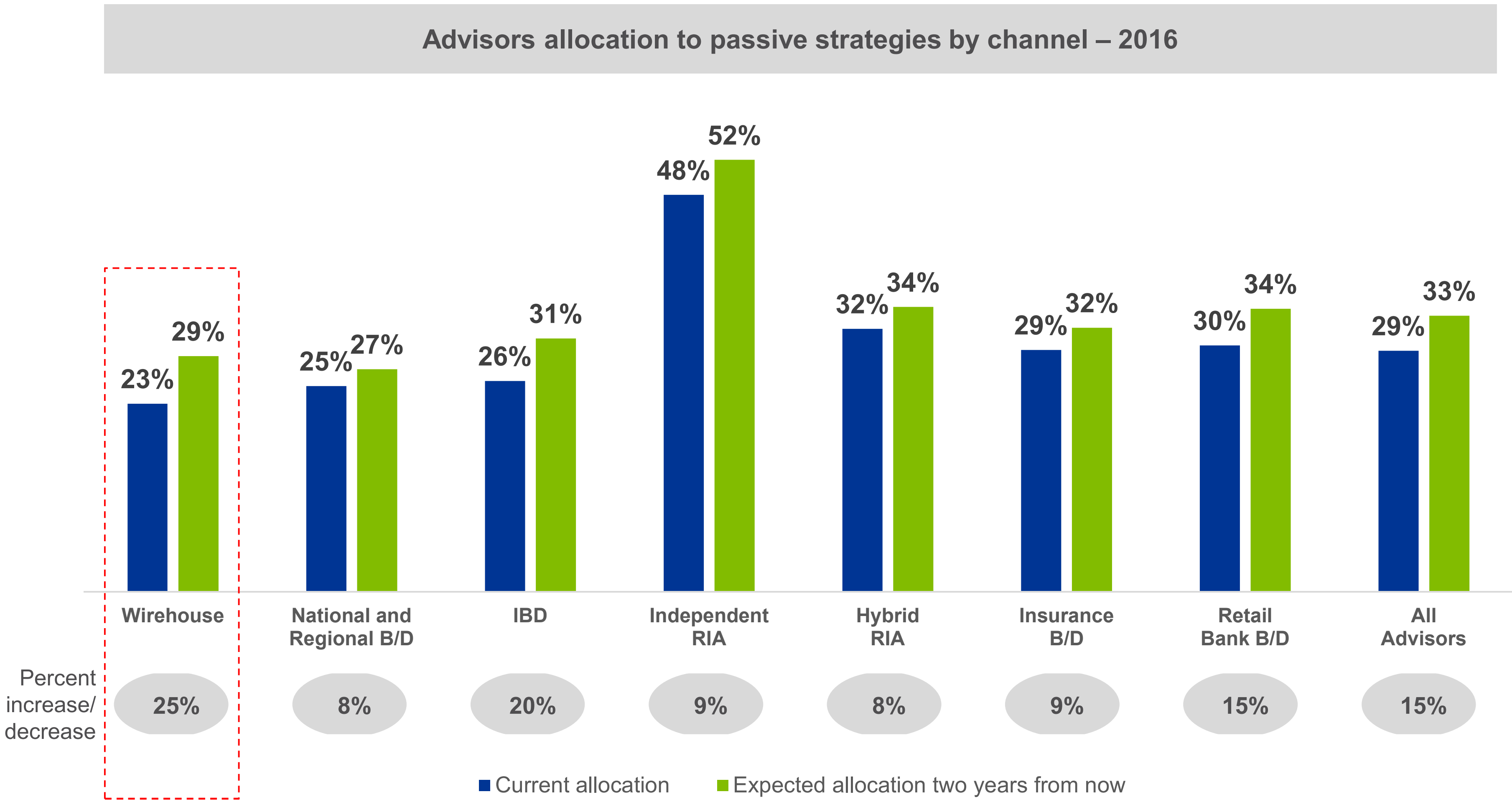


Fee based – Independent(1) channels



(1) Advisor segmentations for this exhibit include only advisors who are affiliated with a B/D.
(2) Brokerage and separate managed account
Source: Cerulli and BLK estimates

… Boosting allocation towards passive investments with higher increase expected in traditional Wirehouse channels

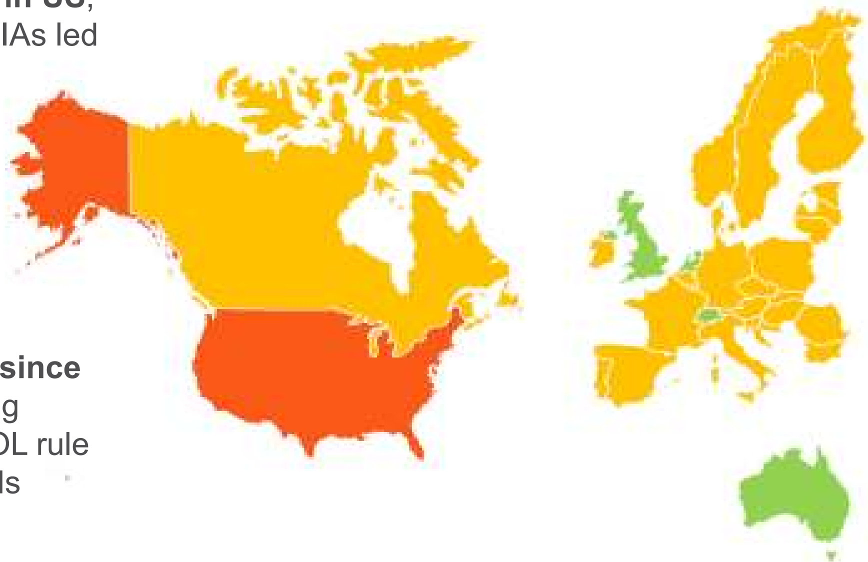


Source: Cerulli and BLK estimates

The shift towards fee based advisory not limited to US but getting traction also in Europe …

- **Large distributors followed** with flows into fee-based platforms: advisory growth 17-20% p.y. since 2010 vs. 4-6% for brokerage

- **Shift to fee-based began in US**, driven by client demand: RIAs led growth, now $4tn



- **European regulation arrived** in 2010: CH, UK, NL, to be followed by MiFID II

- **Regulatory pressure since 2015 in the US** pushing additional changes: DOL rule and Fiduciary standards

Higher fiduciary standards

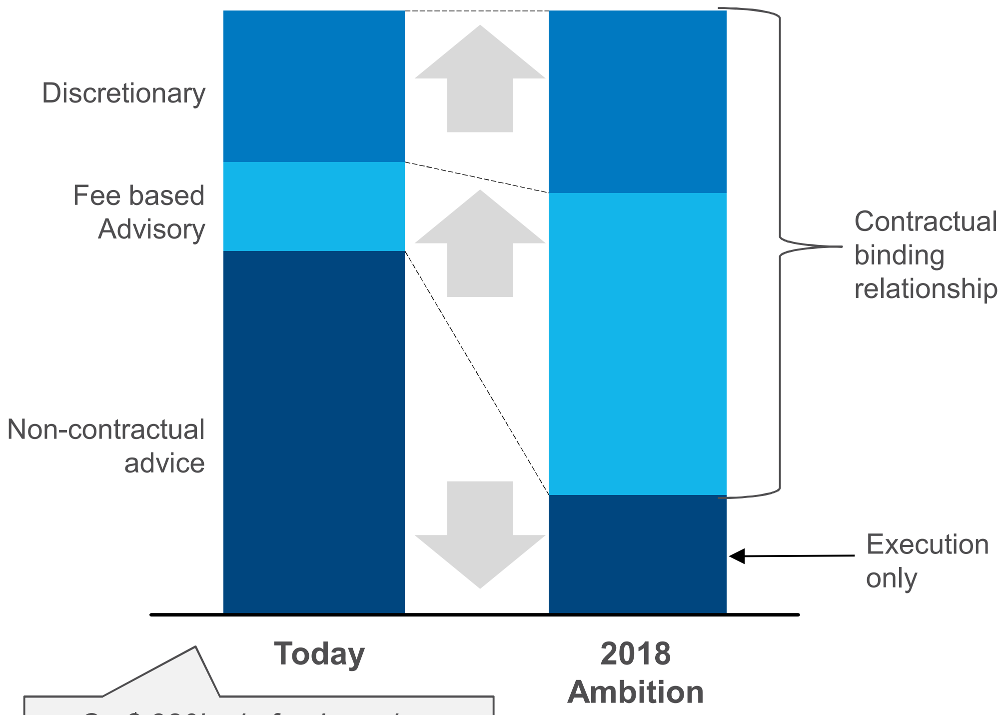
Greater transparency

Challenge to fee sharing

Source: iShares Business Strategy, 2015

… with Swiss industry leading the way

Expected fee based evolution



- *Ca $ 380bn in fee based – 15% of total assets*

Drivers of shift towards fee based advisory

- **Regulations**: Federal Supreme Court ruling; FIDLEG; new risk appraisal standards
- **Revenue / cost pressure**: central / systematic advice; book transformation process
- **Direct client pressure**: fee structure transparency; digitalisation; advisory automation
- **Competition**: direct access to AA advice; low-fee trade execution

Source: iShares Business Strategy, for illustrative purposes only

What to expect from Italy?

End client is willing to get advised …

- Clients' assets under advisory are expected to grow from actual € 300bn to € 550bn …
- … by broadening advisory perimeter to new potential investors
- With the majority of clients (51%) open to pay for advice

… with distributors "slowly" moving towards fee-based models

- Most distributors are expecting to adopt non-independent / restricted advisory models…
- …but with hybrid coexistence of retrocession based and fee based models…
- … and very limited cases of pure fee only models

Potential impact of cost trasparency could represent the key driver for the evolution of the Italian market

Source: Wealth Insights report Prometeia 2017, Osservatorio AIFIn Private Banking e wealth management 2017.

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