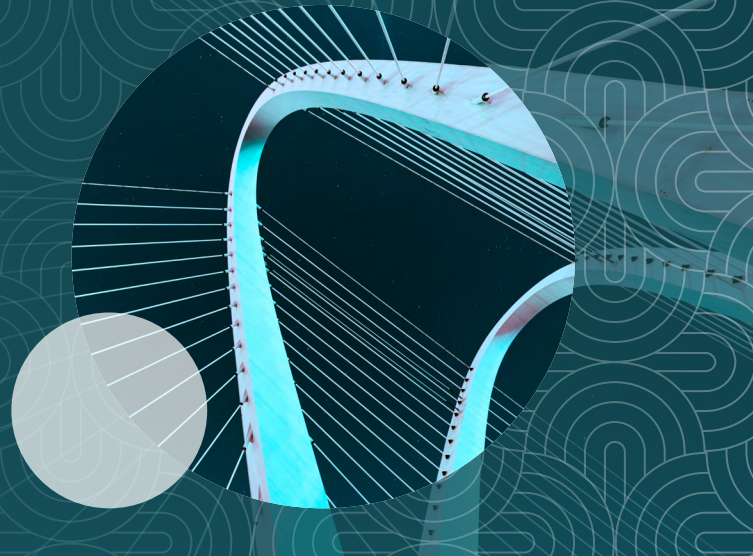


Becoming the alpha that your clients are chasing



By Edward Semenya

Senior Investment Specialist
Technical Marketing

Alpha is defined by Investopedia as a term used in investing to describe an investment strategy's ability to beat the market or its 'edge'. It is what all investors seek, what they yearn for and the yardstick they generally use when assessing the performance of their investments. But what if the pursuit of these excess returns could be delivered to them in another form. The kind where it is not just a sudden burst in the market, but one where the adviser becomes the alpha.

This article does not focus on selecting the best-performing equity manager over a three-month period or determining how much of your client's portfolio to allocate to crypto in 2025. Nor is it about outperforming CPI + 7% or increasing exposure to US technology stocks. In fact, it has nothing to do with investments.

It is about setting yourself apart as a trusted adviser by adapting, pivoting and proactively finding ways to beat the benchmark all advisers aspire to exceed: delivering excess value to clients—and not just to their investments.



The future of financial advice

The World Economic Forum (WEF) released a compelling white paper in 2024 titled The Future of Financial Advice, highlighting key trends that will shape the industry. The real value of this paper lies in how financial advisers can integrate future trends into their advice models to stay ahead of the curve. In essence—adapt or risk becoming obsolete.

While these trends may seem straightforward, familiar or even obvious given their prevalence across various publications, it is their application to your practice that may be challenging. Implementing necessary changes to future fit your advice may not always be as clear-cut as recognising them.

Regional insights for advisers

A trip around the sun reveals that these key trends may be closer to home than you think. When assessing the future of financial advice, there is a strong case for linking specific trends to the countries where they are most applicable—or where advisers can best capitalise on emerging opportunities.

| | Key trend* | Questions for advisers |
|---|---|--|
| 1 | <p>Changing demographics Investors are becoming more diverse in age, race, ethnicity, gender and income.</p> <p>Regional insights for advisers Only 7% of wealth managers in the United Kingdom currently have a dedicated strategy in place to retain, attract and advise women.</p> | <ul style="list-style-type: none"> What strategies can be implemented to attract and retain female clients, as an underserved market? |
| 2 | <p>Holistic financial wellbeing Individuals seek advice with the goal of broader financial wellbeing.</p> <p>Regional insights for advisers In the United States, holistic financial advice has been shown to potentially save the typical American household \$4,384 per year (7.5% of annual income).</p> | <ul style="list-style-type: none"> What partnerships can be made to address the full spectrum of a client's needs, including banking, short-term insurance, health, risk, investments, tax planning and retirement? |
| 3 | <p>Digitally accessible and hyper-personalised Individuals expect an easily accessible, high-touch experience across mobile and web from their financial institutions.</p> <p>Regional insights for advisers 78% of advisers in Asia said that using a one-stop digital platform that combines financial applications would improve individual experience.</p> | <ul style="list-style-type: none"> As a starting point, what feedback or communication mechanisms can be hyper-personalised to improve the digital experience of clients? |
| 4 | <p>Transparent and fair pricing The landscape of pricing models is becoming more nuanced.</p> <p>Regional insights for advisers 67% of the adult population in Europe do not trust the investment advice they receive.</p> | <ul style="list-style-type: none"> In this digital age, is there a case for the use of transparent products, such as low single-fee products, that appeal to younger generations? |
| 5 | <p>Technology innovation Technological innovation has the potential to bring forward great efficiency gains.</p> <p>Regional insights for advisers 67% of investment advisers in the United States believe that automation and technology allow people to spend more time servicing clients.</p> | <ul style="list-style-type: none"> Is there value in researching and applying how advisers in the US are utilising the likes of AI and other tech innovations for their clients? |
| 6 | <p>Social media Individuals increasingly use social media as a resource for financial information.</p> <p>Regional insights for advisers 50% of Gen Z investors in China cite social media influencers as a major factor in their decision to start investing.</p> | <ul style="list-style-type: none"> As inter-generational wealth transfer becomes more prominent, can social media be used in a smarter way to appeal to new-age investors? |

*Source: The Future of Financial Advice, World Economic Forum

Underestimating the risks of a client being underinsured or failing to provide a digital experience for tech-savvy clients can be the difference between retaining a satisfied client and losing them to an adviser who already has.



But how do you consistently stay ahead of every trend?

The key lies in not being overwhelmed by 'the future' but rather in partnering with the right people and institutions—those who have navigated these murky waters before. By collaborating with organisations that uphold strong ethics and have already anticipated and invested in emerging trends, you can align your practice to delegate or outsource critical tasks. This strategic alignment allows you to focus on what truly matters: providing the best advice to your clients.



Keeping future trends in check

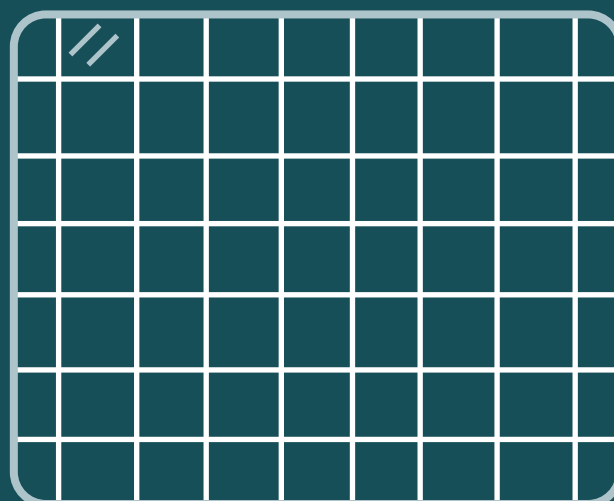
Going back to the world of investments, and more specifically multi-management, you will always hear about the importance of diversification. Purposeful diversification spreads savings and investments beyond different asset managers, investment types and strategies. It is a sophisticated means of ensuring that no single investment or event will ever dominate the fortunes of clients' investments.

Imagine a glass window. If a rock is thrown at it, the entire window shatters. Now, suppose we add frames to the window, one horizontally and one vertically. When a rock is thrown, only a quarter of the window shatters. As we continue to add more frames, the window begins to resemble a fly swatter. At this point, any rock thrown at it would cause minimal damage.

The point is that the market can be unpredictable, with many metaphorical rocks being thrown. We don't know when or where they will come from, but it's wise to ensure clients' investments are well-diversified to withstand these impacts.

Now, scale this concept to how you approach the future and how you deliver advice. Positioning your practice and advice model to be diversified and resilient across all key trends prepares you for any challenges the future may throw at you. When the inevitable rocks of uncertainty are thrown your way, you will be prepared, diversified and ready.

The importance of diversification



This is how, we believe, you become the alpha that your clients are chasing.

Disclaimer

Alexander Forbes Investments Limited is an authorised financial services provider (FSP 711 and registration number 1997/000595/06), a registered insurer (10/10/155) and an approved retirement fund administrator (24/217).