



# Talking Point.

April 28th 2020

**Welcome to Talking Point, a regular review of the key topics and themes our clients are talking to us about during this period of market turbulence. Talking Point is designed to be a two-way conversation, so please tell us about the issues or opportunities you are currently thinking and talking about within your own business.**

## **The short to medium investment view remains unclear**

Another week of relative stability in the market despite the exceptional environment that still prevails has led to an increased sense of confidence. The industry is now performing within the boundaries of the constraints that we all now live within. However, whilst confidence has improved and relative volatility has reduced week on week, the pattern is tempered by continued stress on fundamental economic indicators.

Many of our clients are saying that the short to medium term investment view and the direction of the markets is still very unclear. They are still doing a lot of homework and scenario analysis around the data but finding it virtually impossible to currently predict the duration of the crisis – how long will it last and how deep does it run? One such client has been hypothesising using forecast modelling, eventually coming to the point of strategic inertia – ‘any of the models could be right, or they could all be wrong’.

*How are you approaching your short to medium term planning in light of COVID-19?*

## **Asset managers are now seeing the true value of having a quality service provider**

The prolonged nature of COVID-19 means the quality and reliability of service providers is now firmly under the microscope. Continued market pressure over the last week or so has led to a slight change in atmosphere, whereby asset managers’ experiences with some service providers have led to some considering a switch. New and prospective clients have told us that some service providers are struggling to maintain a high quality of service, whilst others have significantly increased the price across certain parts of their offering as operational and regulatory pressures start to tell.

The importance of a robust technology solution coupled with experienced personnel has never been more important. Clients want to know that they can focus on

their key deliverables and not have to worry about the reliability of their service providers.

*What do you believe are the most important ingredients in a quality service provider?*

## **How to conduct due diligence with travel restrictions in place**

Being able to conduct due diligence is an important aspect of many of our clients’ investment processes. However, the current travel restrictions, both locally and internationally, mean that clients are no longer able to travel for onsite visits. Clients are now looking at the options available to them in terms of how they will do due diligence in the current scenario. From our own perspective, we are seeing an increase in the uptake of our outsourced operational due diligence capability, which can facilitate remote assessment for asset managers. Due diligence is an area we have invested in heavily over the past 24 months marrying expertise with technology enablement.

The reality is that if travel restrictions are extended for much longer the business continuity phase will become the new normal. That will mean a new standard of operation will have to be agreed. A new benchmark will need to be set as to what is acceptable and what is not. Those service providers already operating at scale are likely to be best placed to do this.

*Are the travel restrictions impacting your ability to conduct due diligence and what are your plans to allow you to adapt to the new normal?*

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We’d love to hear your thoughts about what you’re seeing and hearing across the industry and would be delighted to share our own perspectives.

Please contact your Carne Relationship Manager or email us at [TalkingPoint@carnegroup.com](mailto:TalkingPoint@carnegroup.com)

CAYMAN ISLANDS • CHANNEL ISLANDS • IRELAND • LUXEMBOURG • PORTUGAL • SWITZERLAND • UK • USA

E: [info@carnegroup.com](mailto:info@carnegroup.com) W: [Carnegroup.com](http://Carnegroup.com)