Sell Side vs. Buy Side

Breaking down which types of firms are considered "sell side" and which are "buy side" [https://www.wallstreetprep.com/knowledge/sell-side-vs-buy-side/]

So you want a career in finance?

Buy Side or Sell Side? M&A or Equity Research? Get to know all the players in the world of corporate finance.

**SELL SIDE**

**Investment Banking**
- Investment Bank (M&A Group)
  - Investment banks help both buyers and sellers structure M&A transactions.
  - Goldman Sachs, JP Morgan, Morgan Stanley

- Investment Bank (Loan Syndication Group)
  - Investment banks arrange and participate in commercial loans directly to corporations.
  - Bank of America, JP Morgan, Citi

- Investment Bank (Capital Markets - DCM & ECM)
  - Banks structure bonds and equity issuances and distribute the securities through the bank’s institutional salesforce.
  - DCM: Citi, JP Morgan, Bank of America
  - ECM: Goldman, Morgan Stanley, JP Morgan

**Chinese Wall**
- A bank’s internal controls separate M&A and capital markets from SA & equity research to avoid conflicts of interest.

**BUY SIDE**

**Investment Bank (Sales & Trading, Equity Research)**
- Investment banks maintain large sales and trading operations to distribute the securities. They provide equity research as an inducement to execute trades.

**Who is the "Buy Side"?**
The "Buy Side" refers to the following institutional investors — or asset managers.

- Mutual funds, ETFs: $2 trillion
- Private equity: $5 trillion
- Hedge funds: $3 trillion
- Venture capital: $0.5 trillion

Who funds the "Buy Side"?
The asset owners below outsource roughly 20-25% of their capital to be managed by "The Buy Side."

- Individuals: $12 trillion
- Banks: $1 trillion
- Pension Funds: $3.4 trillion
- Insurance Companies: $34 trillion
- Endowments: $1.4 trillion

[Source: Buy Side vs. Sell Side | wallstreetprep.com]
Where will the buy side be in five years?

Bloomberg Professional Services
May 10, 2019

The buy side finds itself at a transitional moment. After 2016 saw the first decline in global revenues and profits since the 2008 crisis, 2017 rebounded with record-breaking performance backed by bull markets. This momentum carried into 2018. In fact, Edouard Leveque, head of Bloomberg buy-side order management sales in EMEA, notes that the asset management industry has a CAGR hovering between 6 and 7 percent and remains on track to exceed $120 trillion by 2020.

At the same time, margins are under extreme pressure, especially for firms in the middle of the AUM spectrum; this margin pressure will only become more challenging when strong equity markets eventually slow down. The nature of the industry is shifting as net flows to core active management are expected to decrease 8 percent during the next two years, with inflows favoring non-core investment strategies such as passives, ETFs, specialties and alternatives.

All of this may be why, on the back of its annual benchmark survey of leading asset managers, Boston Consulting Group sees 2018 as an “inflection point” in the industry’s ongoing transformation. The group predicts that in five years, asset managers will look very different than they do today due to a combination of structural shifts in the market and digital innovation.

They further predict that to succeed, firms will need to make profound changes in their technology. This makes intuitive sense. By increasing operational efficiency, or “doing more with less,” firms can ease margin pressures. This often starts with a broader effort to optimize the target operating model (TOM) — including how it is organized, how it processes data and how it utilizes technology. BCG notes that asset managers that optimize their TOM can expect cost savings of 10 to 20 percent.

The challenge, however, is what comes next. Once the TOM is optimized, where do asset managers invest in technology? Just as not every firm has the same business model, not every firm needs to adopt the same solutions. Setting priorities will likely depend on which buy-side trends affect your business the most.

Competitive differentiation

Firms that have addressed operational efficiency still find themselves in a difficult environment for alpha generation. To stand out from competitors, asset managers should consider investing in cutting-edge technologies, including artificial intelligence (AI) and machine learning (ML), to uncover opportunities, process more structured and unstructured data, and potentially gain an edge in predicting risk and price. Another way to differentiate is through specialization, which means asset managers should focus on technologies that provide advantages in niche markets. Of course, buy-side firms could choose both, using AI and ML to strengthen offerings in specialized regions, sectors or asset classes.
Data and analytics

The BCG survey says that most asset managers are pursuing digital strategies, whether that involves new analytics, digital labs, hiring data scientists or exploring alternative data sets. Much of this is designed to demonstrate value to clients that are quickly realizing the transformative power of data. Investing in new analytics technology can give asset managers a way to make data-driven recommendations based on a specific client’s history, thus allowing firms to couple stronger investment performance with value that exceeds clients’ basic expectations.

Active vs. passive

The “race to zero” in passives makes fees in active funds look even higher by comparison. In an environment where passive funds continue to see strong flows and outperform actives due to strong equity market performance, active managers should invest in technology that reduces costs and allows greater operational efficiency. As we will see in the following case study, trade automation is an increasingly popular choice, as are data management solutions that eliminate redundancies in data import, cleansing, distribution and consumption, as well as tools that predict trade failures.

The journey continues

The technology and data transformation journey is never truly complete. All organizations evolve, so operating models must change, too. But this journey has to start somewhere. Otherwise, firms will continue to rely on fragmented systems, inconsistent data and inefficient operations. Buy-side leaders understand this isn’t an option. They know that remaining competitive means establishing a future operating model, leveraging data as a strategic asset and partnering with an experienced buy-side technology provider that can help them implement their TOM effectively.
CIO Journeys

Visit https://www.bloomberg.com/professional/cio-journeys/ to read each of the journeys.

The buy-side industry is undergoing unprecedented change. Challenged by new investment technologies and increasing competition, the role of a chief investment officer is evolving and becoming ever more complex. In order to stay ahead with today’s fast-moving markets and adapt to a new landscape, the CIO is required to constantly innovate.

Today’s buy-side leaders need a clear vision and investment purpose to stay competitive. They need a data-driven target operating model to manage cost and maximize performance. With our whitepaper, The Journey to Tomorrow’s Buy-side Operating Model, we explored four different paths firms have taken on their data and technology transformation journeys.

To go deeper, we sat down with leading CIOs to learn from the people behind these innovative buy-side journeys. Read about their greatest challenges and investment principles, and how technology will impact the future of the buy side.

“We have a bigger purpose that goes beyond asset management - our role is to be a strategic partner in the development of the local financial system.”

Mark Konyn
CIO
AIA

Mark has been the Group Chief Investment Officer at AIA Group Limited since September 1, 2015. He is currently responsible for providing oversight to the management of the investment portfolios as well as supervising and supporting the many investment professionals throughout the Group.
“Agility needs to be built into one’s investment view in order to achieve long-term sustainable performance.”

Lakshmi Iyer  
CIO of Debt and Head of Products  
Kotak Mahindra Asset Management Company Limited

Lakshmi is CIO of Debt and Head of Products at Kotak Mahindra Asset Management Co. Ltd - the sixth-largest mutual fund in India. Controlling AUM of approximately US$23.5bn, she makes excellence in investor relations a central part of her investment strategy in onshore and offshore assets.

“Machine algorithms don’t drive decisions - rather they augment understanding and risk management.”

John Livanas  
CEO  
State Super

John Livanas leads a team of experienced senior executives at State Super in managing the provision of member services and the investment of approximately $44 billion of assets. As a CEO of one of Australia’s oldest superannuation funds, his duty is to ensure that State Super is paying member benefits as a closed defined benefit scheme.
"We’re comfortable with being different and it’s very valuable being nimble in our region."

Paul Carrett  
CIO  
FWD Group

Living in Hong Kong since 2007, Paul has more than two decades of experience in financial services. He leads FWD Group’s investment function across the Group, assisting with investment strategies and asset allocation while attending to the needs of stakeholders including policyholders, shareholders, ratings agencies and regulators.

"Many asset management companies are still trying to understand the engineering and scientific aspects of the AI technology – and it hasn’t been easy for them."

Chi Kit Chai  
Head of Capital Markets and CIO  
Ping An Asset Management (Hong Kong)

Chi Kit Chai is the head of Capital Markets and CIO of Ping An Asset Management. He has been pivotal in revamping its capital markets investment platform and adopting Ping An’s technology-driven culture to build a world class leading AI quantitative platform utilizing neural network and machine learning.
“I feel most of the big leaps for technology [in asset management] have already been had, and the advances going forward will be more incremental.”

John Pearce
CIO
UniSuper

John Pearce is heavily involved in the investment decision-making of UniSuper’s $80bn superannuation fund. As a change-maker, he has been in-housing UniSuper’s portfolio management needs as it diversifies its investments.

“It's hard to think of any industry that's not currently disrupted or challenged by technology.”

Zaid Al-Qaimi
CIO
Kimera Limited

Zaid Al-Qaimi is the CIO of Kimera Limited, a boutique single-family office in Dubai that invests across all major asset classes. Since founding the office in 2017, he has overseen the diversification of its portfolio through global equity and bonds as well as direct and fund investments into private equity and venture capital.
“The best investment managers have an innate sense of curiosity and an investment instinct beyond the data and numbers.”

Virginie Maisonneuve  
Former CIO  
Eastspring Investments

Virginie is an innovative global investment leader with an extensive record of accomplishment. As CIO of Eastspring Investments, she was responsible for the management and performance of all of the firm’s investments, including equity, fixed income, asset allocation, private equity, infrastructure and onshore investments.
Women’s Buy-side Network: A Community for Female Investors in Asset Management


We are an informal community for mid-senior level women in the asset management industry in Asia. Our mission is “to be inspired by the future of investing and to inspire the next generation of women buy-side leaders.”

Specifically, this means two things: (1) inspiring women buy-side leaders on future investment trends through meaningful interactions with global thought leaders, so they can stay ahead of the investment curve; and (2) inspiring the next generation of buy-side professionals, through student engagement and active mentorship.

As the first women’s buy-side network of its kind in Asia, we will serve as a support system for our members, promote meritocracy and inclusion in the industry, and educate on the diversity of career paths in the buyside. The Asia network started in Singapore in late 2018, and has expanded to include India and Hong Kong chapters.

Our Asia founding partners are:
- Liu Chunyen, CIO, AIA Singapore
- Virginie Maisonneuve, former CIO, Eastspring Investments
- Eleanor Seet, President, Nikko Asset Management Asia

Our India mentor and founding partners comprise:
- Nithya Easwaran, Managing Director, Multiples Alternate Asset Management
- Lakshmi Iyer, CIO, Kotak Mahindra Asset Management
- Vibha Padalkar, Managing Director & CEO, HDFC Standard Life
- Shikha Sharma, adviser, KKR India and former CEO, Axis Bank

Our Hong Kong executive members include:
- Geraldine Buckingham, Head of Asia Pacific, BlackRock
- Amy Cho, CEO, Schroders Hong Kong
- Mark Konyn, Group CIO, AIA
- Kimberley Stafford, Head of Asia Pacific, PIMCO

For more information on the network and the kinds of events we host for buyside professionals and students, please go to: https://www.bloomberg.com/women/bloomberg-womens-buy-side-network/
Diversity and sustainability: a powerful combination for competitiveness

Both are needed for the future of the asset management industry and its ability to serve clients
9 Mar 2020 | Virginie Maisonneuve

There are currently several important disruptive trends in the asset management ecosystem. Some of them, such as pressure on fees, are clearly linked to the atypical current macro-economic environment with “lower for longer” interest rates. Some are linked to longer term trends unfolding methodically and paving a new path for the industry, such as demographics, technology and climate change. Because of their long-term nature, those trends are often disregarded until they become “today’s reality”.

As far as diversity and sustainability are concerned, I believe that the day of recognition has finally come: not only are both needed for the future of our industry and its ability to serve clients, but they can also create a powerful combination leading to enhanced competitiveness for firms who can leverage them in an authentic way. With over US$80 trillion in assets represented by United Nations-supported Principles for Responsible Investment (UNPRI) signatories, the message from asset managers and asset owners is clear.

An acceleration of ESG investing

The new normal in asset management is here, and it is about sustainability. Climate change and technology are the basis for an acceleration of the change towards sustainability, and environmental, social and governance (ESG) investing. Interests from clients, asset owners and asset managers are all converging. Given systemic climate risks and the potentially disruptive pressure points ahead, it is likely that adopted benchmarks will increasingly reflect tomorrow’s sustainable opportunity sets and, therefore, accelerate change in the way assets are managed.

The power of diversity

Authenticity and alignment are, as we know, keys to success. Therefore, it is critical that asset management firms not only provide their clients with sustainable investment solutions, but reflect on their own sustainability, management style and diversity. If not, they risk failing in this new normal environment.

As the definition of success on the board level moves from shareholders’ to stakeholders’ returns, which include those of shareholders, employees and the community, harnessing the powerful combination of sustainability and diversity becomes critical for those asset management firms playing the long game. This ultimately rests on the ability to shape corporate culture, which can provide a systematic process where diversity of thought, gender, ethnicity and socio-economic background are not only accepted but also celebrated.

Taking the case of gender diversity, studies by the International Monetary Fund and institutional investors have shown that gender diversity, at all leadership levels and across asset classes, is a powerful engine of performance. McKinsey in their “2018, Delivering through
Diversity” report showed that top quartile firms in gender diversity in executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation.

Yet, as reported by the Harvard Business Review, while women have made considerable progress in reaching executive leadership positions, they only control one to 3.5% of assets under management, depending on specific asset classes. I would volunteer that two major factors are at the source of this gap in asset management, namely the glass ceiling and pipeline issues.

**Building the pipeline for the future of asset management**

Building the pipeline to integrate more gender diversity into the investment profession is important to the success of asset managers and will not only be increasingly shaped by millennials, but also by heightened awareness of the impact of behavioural finance in investment decisions. Many have said that with regard to women, the pipeline is thin in asset management, unlike in other professional fields with long working hours, such as law and medicine. The asset management industry somehow seems to be losing a large percentage of female talent after children are born. Returner programmes have been put in place in some organizations with measured success.

As millennials indicate their preference versus older generations for new ways of working, including being employed in the “gig” economy, they might create a path where flexibility, with regard to time and location, for example, becomes more widespread and is not stigmatized. This might help many women, for example, with the dual goal of managing their asset management careers and having young children.

Interestingly, the current coronavirus grip on the global economy demonstrates that flexibility and remote working provide more than the ability to “work on weekends or while traveling”. It is fast becoming a real practical experience that will shape the way towards a durable evolution in asset management, post-coronavirus crisis. This, of course, can only work in a trusted environment promoted by confident, visionary leaders who can also facilitate the promotion of sustainability.

Supporting organizations, such as the Bloomberg Women's Buy-side Network that highlights a firm commitment to diversity, in general, and gender diversity, specifically in asset management, are important, along with clear outcome-orientated strategies and ongoing fact-based reflections in organizations. As our network is expanding its scope with the opening of our Hong Kong Chapter, we welcome new members to join and look forward to your thoughts at some of our future events.

Virginie Maisonneuve is a former CIO of Eastspring and founding partner of the Bloomberg Women’s Buy-side Network.
Please come prepared with questions for your mentors.

Here are some Example Questions:

1. Are you seeing a lot of interest in the buyside from women? What makes the buyside an interesting or ideal career option for millennial women?
2. Do you expect Asia to remain a key hotspot for investment?
3. What do you read/watch and what’s the best way to keep on track with the finance and investment worlds?