Citisoft

Outlook 2021

Accelerating Strategic Initiatives in Asset Management

Welcome to Outlook 2021

For the coming year, we're hedging our bets and predicting unpredictability. We have not yet emerged from the crises that dominated 2020 and if there's anything we learned from the least-predictable year in recent memory, there's little we control beyond our response to new pressures.

With that in mind, we must recognize that our partners, colleagues, and asset managers around the globe stayed the course in 2020 with remarkable adaptability in the face of unprecedented challenges. Though some managers and solutions providers faced more difficulty than others as the industry moved to a remote model en masse, we've experienced no incidents of disaster or desperation. Indeed, we've seen the industry double-down on technology strategy, find creative solutions to connecting remotely, and address weaknesses in operating models that the events of 2020 brought to light.

In 2021, we anticipate seeing firms continue to think big picture about their operations and technology. Innovation from vendors and solutions providers is in ample supply and asset managers needn't search far for ways to reduce operational cost or glean new investment insights. While we do cover a few emergent issues in Outlook 2021, the focus for most firms this year is long-term strategy. What does the future of front-to-back services look like? How can asset managers move beyond a data warehouse approach to consolidate enterprise data? Are economies of scale changing the way we think about technology integration? We explore these questions and more in this year's outlook.

Trends shaping asset management operations and technology in 2021

Front-to-back services remain a focus but managers embrace wait-and-see approach

Front-to-back. It's hard to imagine a time when that term wasn't at the forefront of nearly every industry conference, webinar, conversation or referenced in various vendor and service provider marketing materials. And yet despite integrated offerings that have been on the market for years, it has only been about a year since the front-to-back trend (craze) started dominating headlines. In fact, most of our Outlook 2020 paper was dedicated to discussing this trend and because it is still gaining traction, it is worthy of focus in 2021 as well.

Why is there still so much hype around front-to-back today? The answer is clear: simplification. A front-to-back platform promises to simplify complicated operating models, including a rationalization and elimination of many existing investment technology applications. Some front-to-back vendors are pushing streamlined architectures that solve the complicated "spider-web" architecture issue that is prevalent in our industry thanks to a history of siloed, point solutions. Further, this simplification promise sometimes comes with a common data model and elimination of cumbersome reconciliations between the front, middle, and back office. In certain options, this is achieved in a single application or service; however, to date, many of the front-to-back models being marketed are simply advanced integration through vendor consolidation and partnerships.

We would be hard pressed to name a vendor or service provider that has not announced a partnership or merger/acquisition in the last 1-2 years. Many firms have partnered to fill gaps in their solutions and services and fill out their holistic offering; whether it be middle and back office providers partnering with front office order management, trading and research platforms, firms looking to expand multi-asset coverage, or former competitors coming together to better serve their clients and expand their existing market share.

You might ask yourself how these partnerships are different from a best of breed model? They really aren't. The caveat being that these partnerships look to simplify integration and may offer preferred pricing on licenses and implementation or development fees. In our opinion, neither a single solution nor a partnership model is better than the other as there is not a one size fits all operating model for every firm.

Simplification can indeed be achieved through either model if designed and implemented correctly. When we are discussing front-to-back with clients, we are not promoting a specific vendor or services model, we are encouraging clients to think about their operating model holistically vs. the siloed way many firms have historically structured their operating model (i.e. thinking about front, middle, back office disparately).

Despite the plethora of options touting front-to-back today, we have not seen burgeoning adoption yet. Front-to-back solutions are certainly generating curiosity, however while many firms are interested in exploring these options, they appear to be taking a wait-and-see approach. For every firm that is interested in being an early adopter, there are several others that want a tried-and-true platform.

As the market for these platforms and services mature, we certainly can expect to see adoption increase. That said, given historical skepticism around holistic solutions and preference towards best of breed, 2021 may be too soon to witness a sea change of adoption in this market. Case in point, in 2018 Citisoft surveyed approximately 100 asset managers on technology and operations preferences and plans. Of our respondents, 62% said they preferred a best of breed solution approach. Only 30% indicated they believe the industry is moving towards a single solution. While this information is a bit dated, it appears sentiment has not changed dramatically despite all the front-to-back hype.

A survey conducted at the 2020 InvestOps Global Virtual Event (November 2020) asked attendees "In what way is your organization most likely to change your operating model?" 53% of respondents indicated they are increasing adoption of multiple vendors across front, middle, and back office, while only 20% indicated they are increasing adoption of front-to-back services with a single provider.

As we head into 2021, we will be closely watching and, in some cases, participating in some of the pioneer deals that are transitioning towards a front-to-back platform with a single provider. The success of these deals will set the stage for those that are waiting in the wings to understand whether operating model simplification can truly be achieved through a single vendor or services relationship.

Asset managers realize competitive advantage with a new breed of mergers and acquisitions

Just as we're seeing in the vendor community, mergers and acquisitions are affecting continued consolidation among asset managers. Though this is nothing new for firms looking to increase AUM and product diversity, recent times have brought a different breed of M&A deals that are rooted in fee competition with an eye on economies of scale.

In the past, a manager could bolt on an acquired firm's infrastructure and operations without integrating it with the larger organization's operating model while maintaining fees and growing revenue (assuming the retention of acquired assets). The end result wasn't always good for investors and, in many instances, these mergers left siloed and fragmented operating models in place for years due to the inherent costs of consolidation. In recent years, the growing prevalence of larger scale deals and the concentration of assets within mega managers are making this bolt-on approach ineffectual. Firms looking for economies of scale must achieve real operational cost savings and pass those on to investors.

We believe M&A deals that are focused on achieving economies of scale will have a lasting impact on the broader asset management community—accelerating the need to streamline operations, modernize technology, and reduce costs in an effort to consolidate merged organizations or compete with them. This will also have a significant impact on the vendor and services market, as managers rationalize their operating model and take advantage of fee structures that favor a larger product and AUM basis. Such a shift will drive consolidation of assets onto a subset of the leading services and solutions platforms, further stratifying the vendor market.

Currently, most of the leading providers of front office, investment operations, and data management solutions are embarking on product roadmaps that will transform their offerings as we touched on in the previous section. Providers are picking the path they believe will offer the greatest value to their clients and prospects relative to cloud adoption, digital services, end-to-end functional capabilities, and their respective data and integrations architecture.

Rationalization of merged entities will drive managers to the solutions they deem best suited to lower costs and service diverse offerings at scale. Further, M&A activity will be a call to action for other organizations to accelerate operating model transformations and reduce costs to remain competitive. We believe this will drive a secondary migration to the evolving services and products offered in the market and will further differentiate the market winners and losers. Monitoring this new breed of M&A deal will inform what operations strategy reigns supreme and will drive the industry standard for years to come.

In 2021, we expect there to be a continuing message shift from major providers in terms of their offering, value proposition, and roadmap. This will be driven by necessary adjustments realized during the onboarding of flagship clients coupled with lessons gleaned from the competition for additional clients. There may also be a bandwidth strain on major service and technology providers as they onboard clients onto evolving solutions and platforms which could result in additional implementation and delivery risk.

At Citisoft, we expect a transformational year driven by 2020 M&A deals and expect further activity will add to the pipeline of organizations racing to optimize their operating model, reduce costs, and remain viable in the market.

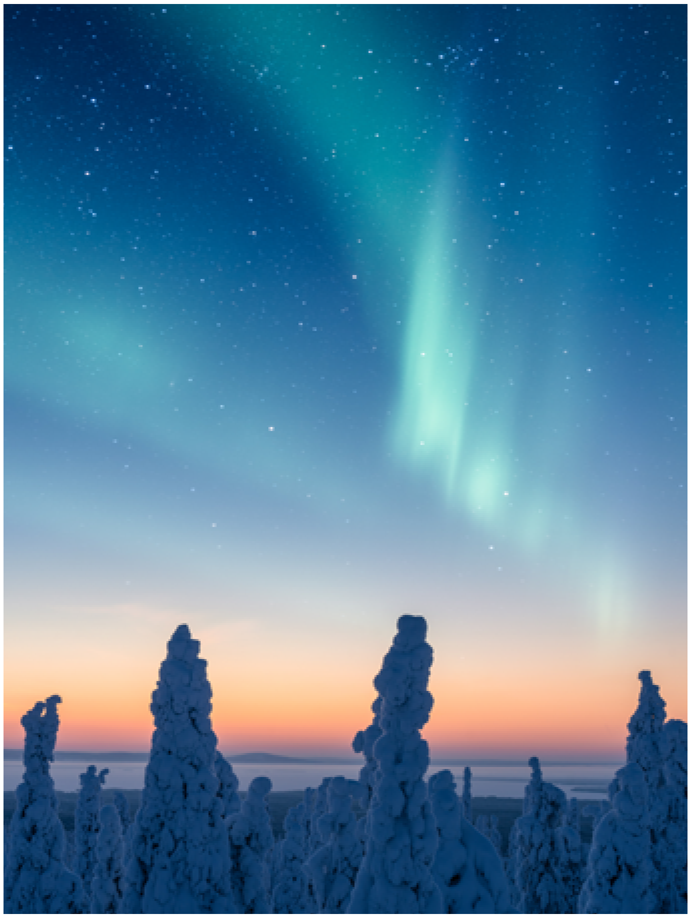
COVID-19 re-shapes the industry by accelerating change

Though we're optimistic about pandemic recovery in 2021, we'd be remiss to overlook the impact of COVID-19 on asset managers that will long outlive the virus itself. From new remote work dynamics to reformed disaster recovery plans to increased interest in hosted solutions, there are myriad impacts that will become part of the fabric of our industry in the years to come.

In 2020, COVID-19 introduced unprecedented challenges to asset managers and their employees as they swiftly adapted to a new normal that went well beyond the best laid business continuity plans. Managers spent much of the spring and summer transitioning to a remote working environment that required an extensive review of their systems, operations, and controls to understand the impact of a workforce collectively working from home. Accessing critical investment applications through virtual private networks and, in some cases, through unsecure public networks put security and technology risk under a magnifying glass.

What we experienced first-hand during this time was that managers that had adopted cloud-based/SaaS or outsourced investment operating models successfully migrated to a remote working environment. Those that continued to support an on-premise investment systems architecture were much slower to migrate to a remote working environment and faced significant issues establishing connectivity for end users to mission critical investment systems. We expect that this will drive continued interest in hosted or outsourced models and in adoption of cloud services.

If this pandemic did provide a silver lining, it was to force asset managers to seriously assess their investment operating environments from a people, process, and technology standpoint. Strategic initiatives to enhance investment systems, which could have been shelved or



delayed due to the pandemic, were moved to the forefront as new challenges shed a light on areas of weakness in technology and operations. Lockdowns also pushed the question of what the future workforce should look like and whether on-premise/work-from-home office models would be permanently changed.

In the relatively short time since lockdowns began, there have been numerous studies conducted about the impact to the physical office space as a result of COVID-19. There appears to be significant support for a "more days at home" approach once the pandemic has passed. At Citisoft, we structure our typical work week with four days spent at the client site and one day spent in our offices or in a home office. For us and many others, the million-dollar question is what will the workplace look like once we get beyond the pandemic and back to business as usual?

Though there are rumors to the contrary, we do not believe the office is dead. While we have demonstrated during this pandemic that project work can be effectively delivered on a remote basis, we see full-time remote work as a temporary solution. We don't think video chat can replace human interaction forever and ultimately, a company's culture needs in-person connection and the physical workspaces that support it to thrive.

From discussions with our clients, we can attest that asset managers also understand the need for in-person collaboration in a physical workspace. While remote work can provide flexibility for employees, office work allows for collaboration, connection, and culture—essential components for corporate growth, risk management and control, and employee development. We can all agree that remote work has been by-and-large successful, but as the pandemic continues into 2021, we are seeing signs that productivity and work life balance are coming under pressure.

One thing is for sure, the office environment we know pre-pandemic will not look the same post-pandemic. Over the coming months, asset managers, service providers, and consultants must continue to push innovative approaches to maintain corporate culture and business continuity. And with an eye to long-term growth, we believe managers need to think ahead to how the workplace of the future might strike a better balance between at-home flexibility and in-person connection.

Managers move past the legacy paradigm in search of the next generation data architecture

Investment management focused data technology has been successful at one thing: aggregating and structuring operational investment data. Unfortunately, the promise of offering value to the entire enterprise through critical data assets hasn't delivered. The needs of key stakeholders like distribution or research teams (among many others) continue to be resolved by leveraging secondary data structures that aren't integrated with enterprise operational data warehouses, causing a repeating cycle of silos.

Leveraging investment data in combination with less structured data to drive asset inflows or alpha is the "white rabbit" of our industry. An example: firms have spent years building integration to aggregate sales data from various distribution partners that is stored in a warehouse optimized for internal sales and finance reporting. The effort to aggregate the data was sold as strategic in nature ("how can we not?") but the effort fails to add value beyond a consolidated report. What if an analyst wanted to use demographic data to identify and prioritize prospective distribution partners? This use case would fall beyond the typical reach of structured investment data and would be pursued as a one-off or worse, abandoned. Luckily, persistence is paying off for these "sandbox" dreams.

The rising adoption of cloud data storage and cloud-enabled data technologies is changing the way organizations pursue data insight. There is now the attention and appetite to deliver enhanced storage, analytics, and intelligence capabilities to most functions of an asset management firm, whether that's portfolio management, product development, or operations. Chalk it up to the Google world we all live in, but everyone is now very aware of the power of data. So the question for managers is: how can an enterprise capitalize on cloud's promise with existing data warehouses that operate with largely fixed schemas, and data lakes that have become data swamps, without proliferating the same old silos?

The solution to this problem may be what some refer to as a "data hub." Though we hesitate to introduce a new term to our already-crowded data lexicon, both the needs of the market and the direction of the industry necessitate it. A data hub provides an enterprise location for all data assets within an organization that is optimized for cross-functional advanced analytics. It's important to note that a hub doesn't replace warehouses, marts, or lakes, but offers a consistent architecture where all data technologies reside. These hubs provide access to improved tooling, evolve with the needs of the user, are paid for by use (as opposed to large fixed investments), and benefit from the cataloging and index management that was once solely reserved for the largest technology companies in the world.

So where is the industry headed in 2021? We don't hold a crystal ball but from what we've observed, managers are getting serious about pivoting from data architectures that rely on defined reports and processes to something more flexible and integrated. The building blocks of this approach lay in the cloud but, as always, the devil is in the details. We'd challenge those in the C-suite to think beyond just "getting to the cloud" and ask tough questions of their technology and data partners: Are these new capabilities ready to integrate data from multiple cloud environments? Can data be compared to a third-party data source on the fly? If the firm were to make an acquisition, could the acquired firm's data be integrated quickly? There are certainly additional important questions to be answered and data hubs are beginning to offer glimpses of long-discussed potential.

Europe in Focus

Small and mid-tier solutions vertically integrate

As discussed earlier, the biggest service providers around the globe are forging partnerships to offer front-to-back managed services and technology suites. This type of solution meets the market need of the biggest asset managers but has left small to mid-tier managers out in the cold. Smaller firms are either priced out of more comprehensive offerings or have complex needs that can't be met by service providers within their price range.

According to a recent European asset management study,[1] the concentration of wealth continues to consolidate in top-tier firms. The study notes that the ten largest asset management companies account for one third of the market globally and the forty largest players account for almost two thirds. This has created an environment where global solutions providers are catering to this top tier but may be unable to meet the disparate needs of the majority of managers. With more than 4,500 asset management companies in Europe,[2] there is a large pool of firms that are looking for scalable managed services or integrated technology platforms.

Over the course of 2021, we anticipate seeing less-established players partnering more often in a manner similar to the larger providers. This will likely include start-ups and fintechs that hope to make inroads in the vendor market by targeting boutique firms.

Focus grows on ESG funds and reporting requirements

In Europe, ESG investments continue to be in demand as asset managers increasingly embrace their role in providing funding to projects that influence the environment and communities positively. Demand from investors for socially responsible investments are driving this trend but granular and standardized information on ESG funds has not been in correlative supply.

A 2020 report[3] found that although there has been a 67% YOY increase in ESG-related content from asset managers across top-tier media, the information disseminated is mostly generic. According to the same report, investors are looking for information on measurement and materiality, supply chain transparency, active ownership, and private equity but firms are reluctant to make this information public.

In some ways, this lack of transparency is reflective of the time needed to catch up to a massive spike in interest in ESG. But as the EU's Capital Markets Union will attest, there is also the disingenuous practice of greenwashing at play.[4] The EU's new Sustainable Finance Disclosure Regulation (SFDR) takes aim at the muddy waters of ESG by imposing new reporting requirements for asset managers. This regulation will come into effect in March 2021 and will significantly impact the operations of any firm marketing ESG funds.

From investment strategy to marketing, we anticipate managers and solutions providers will be focused on preparing to meet SFDR requirements over the first two quarters of 2021. Though this may not come into force until after the end of the Brexit implementation period, the new requirements are likely to persist in both the EU and UK with minimal differences.

End of Brexit implementation leaves questions unanswered in capital markets

With the UK and EU finally agreeing and signing a post Brexit UK-EU trade agreement at the end of the 11 month transition period, there are many questions left unanswered about how Brexit will impact the financial services industry. Though regulation has been an area of focus for the last decade, we anticipate the changes to come over time and variances between remaining member EU states will challenge asset managers to find regulatory solutions for their strategic investment plans in the EU.

Of particular interest to asset managers will be the rules related to fund regimes and "passporting." The ability of UK funds to distribute in Europe and European funds to distribute in the UK has critical implications on operations. For much of 2020, asset managers have been in a strategic holding pattern, as from the beginning of 2021, the existing access of UK asset managers and other financial firms to EU markets has ended. UK financial firms will lose their right to sell their services into the EU from the UK unless they meet additional regulatory clearances. To access each other's market without "passporting," UK and EU based financial services firms will rely on a system known as "equivalence," whereby each side decides unilaterally whether the other's regulatory regime can be deemed as equivalent.

The equivalence framework does not cover all financial services and allows access rights to be withdrawn with a notice period of just 30 days and will vary across EU member states. With these considerations in mind, our only projection of certainty is that asset managers will need to be ready to align rapidly with evolving regulatory requirements in 2021.

Canada in Focus

Interest in middle office outsourcing grows

While the back office outsourcing market has reached maturity in Canada since the first outsourcing contracts were inked in the 1980's, middle office outsourcing has yet to be embraced across the industry. In many cases, large fund complexes have created their own middle office operations and been able to maintain most functions in-house without over-stressing their technology or operations teams. However, new pressures are starting to change the landscape and we anticipate that the shift to middle office outsourcing will accelerate in 2021.

What's driving this change in appetite for outsourcing? Perhaps the most obvious catalyst is continued fee pressure. A report from Oliver Wyman and Morgan Stanley forecast that total industry revenues will grow at a compound annual growth rate of just 1% from 2018 to 2023 with no abatement to the downtrend of fees. The study asserts that lower market returns combined with this fee pressure "will force the industry to evolve its stubborn cost structure."[5] With 2020's global recession, this low profit environment has become a pressure cooker and managers are seeking new ways to achieve cost efficiency.

Middle office outsourcing offers an enticing path to minimize operational cost, but for Canadian firms, there are a few other factors at play. In particular, compliance risk is top of mind—according to a 2020 survey from Thomson Reuter Regulatory Intelligence, managers this year are concerned about resources, skills, and the need to balance budgets and compliance costs across a backdrop of economic uncertainty.[6] With this in mind, asset managers, insurers, and pension plans are considering how service providers can minimize risk and cost by offering specialized knowledge and tools for an evolving regulatory landscape.

Beyond risk mitigation and cost savings, asset managers are looking to service providers to functionally and operationally support new investment strategies in an increasingly

competitive market. For Canadian firms, the path forward may come down to technology advantage. When it comes to advanced toolsets, many managers still operate on decades-old technology, preventing them from leveraging innovative technologies like process automation, AI, or new algorithms that enable better investment decision-making. As the industry continues to consolidate, winners and losers may be determined by how well they make use of emerging technologies and service providers offer a pathway to leveraging better toolsets.

For the year ahead, there is little doubt that more Canadian managers will consider outsourcing at least some middle office functions. Perhaps it's unsurprising but service providers are bullish on the prospect of middle office outsourcing finally finding footing in Canada. According to a report from Northern Trust: "Larger asset managers will likely automate or outsource everything in the middle and back offices, while boutique managers will outsource to large asset servicing firms or global utilities that could emerge for functions such as transfer agency, trading processing and risk and tax reporting."[7] Will 2021 be a pivotal year for this changing landscape? That remains to be seen, but with risk, cost, and technology considerations mounting, we wouldn't be surprised if there was a sea change in Canada over the course of the next few years.

Canadian pensions continue to lead with alternatives but seek operational efficiency

Canadian pension plans are among the world's most sophisticated asset management organizations, taking an innovative approach to investment strategy that has paved the way for other public pensions around the globe. According to a report from Healthcare of Ontario Pension Plan (HOOPP), Canada's "Top Ten" pensions have about 35% of their assets invested in alternative asset classes such as infrastructure, private equity, and real estate. This compares with about 10% in alternative classes for most other pension funds and typically none for retail investors.[8]

Because of the size and complexity of these organizations, most firms leverage an insourced operating model, made possible by their economies of scale. This is often cited as a source of cost savings for Canadian pension funds—but according to a 2020 study from CEM Benchmarking and McGill University,[9] that may not be entirely accurate. The study finds that on average, Canadian pension funds spend 18 basis points on internally managed portfolios vs. 7 basis points for their international peers. These expenses include IT infrastructure where Canadian pensions spend five times more than their peers. What can this cost be attributed to?

Among a few factors, the inefficiencies of multiple disparate systems and bolt-on tools to handle complex investments both increase operational cost and risk. Canadian pension funds have been in this space for a long time and their growing scale reveals cracks in an infrastructure that was not designed to handle the full breadth of alternative asset types coupled with new digital capabilities coming to the fore (e.g. AI, ML, on-demand reporting, advanced analytics). In particular, the number of alternatives platforms that Canadian pension funds utilize to service their investments has propagated silos, which serve as a roadblock to operational efficiency and integration.

The inefficiencies in operations for these large pension fund managers came into particular focus this year due to the

pandemic. According to the annual Mercer CFA Institute Global Pensions Index, lower investment returns and higher government debt caused by the health crisis have made it critical for pension plans to reflect on the strengths and weaknesses of their systems, to ensure better long-term outcomes for retirees.[10] In 2021 and over the next several years, we anticipate that Canada's leading pension funds will be undertaking strategic initiatives to optimize or streamline their technology stack for better efficiency and to derive the full benefit of an integrated toolset.

Funds and regulators focus on technology resiliency

New technologies and new means of data storage and transmission has challenged the way firms view operational and technology risk, which was intensified by the COVID-19 pandemic. As most managers were forced to adapt quickly to remote environments during lockdowns, new threats and challenges emerged.

In September 2020, the Office of the Superintendent of Financial Institutions (OSFI) launched a three-month consultation on technology risk in the financial sector.[11] Their study identified three areas of focus: cyber security, advanced analytics, and the technology third party ecosystem. In their study, they assess the various risks associated with each. These three areas of focus will likely form the backbone of future oversight and provide a framework for a number of questions they pose to stakeholders.

Among the 18 key questions they ask are these: What is your view of the relationship between operational resilience, operational risk management (ORM) and technology risks? How should institutions integrate these concepts into their broader enterprise risk management? What form(s) of regulatory guidance would best advance sound technology risk management? These considerations could have a formative regulatory impact on the asset management industry in Canada based on how the community responds. Commentary was invited before the end of 2020 and has yet to be released at the time of this paper's publishing.

In 2021, we anticipate that more firms will embrace digital technologies as remote work continues and vendors prove out the effectiveness of new outsourcing arrangements, cloud data storage, advanced analytics, and more. With this increase, we hope to see the OSFI offer a complete set of guidelines that meets the needs of the Canadian investment community.

Financial services faces a long-overdue reckoning of its diversity, equity, and inclusion efforts

The scale and impact of crises that transformed everyday life in 2020 was unprecedented. We faced the tragedy of a global pandemic, the upheaval of widespread lockdowns, ongoing political strife, and a future that has never looked so unclear to so many. Embedded in all of this has been an undercurrent of social and civil unrest. In response to ongoing protests, diversity, equity, and inclusion (DEI) efforts have sprung up across many facets of our lives from schools to sports to business and well beyond. While it's disappointing

that it took the tragic deaths of Black individuals to get us to the point of having uncomfortable conversations about race and equality, this is where we are and where we go next is the key.

Given the readership of our annual Outlook paper, we'll focus on our industry and the steps that must be taken to do our collective part in pushing forward some necessary DEI efforts. By almost any metric, the asset management industry has done a less than an adequate job in pushing for diversity and inclusion.

A study by the Knight Foundation[12] published in 2019 states that of the $69 trillion in assets under management (AUM), firms owned by minorities and women accounted for only 1.3% of that number. The study notes that these firms are largely ignored by US public pension plans, which allocates the vast majority of its investment assets to white, male-dominated companies. In a 2018 survey,[13] the SEC identified 1500 firms with more than 100 employees in our industry and asked them to complete a diversity assessment report. The SEC received a total of 38 responses (out of 1,367 that were distributed, which equates to roughly 2.7%) to its survey, which intended to assess and highlight areas specific to organization commitment to DEI, implementation of employment practices to promote workplace DEI, considerations of supplier diversity in procurement and business practices, and practices to promote transparency of organizational DEI.

A McKinsey study[14] from 2019 shows that companies in the top quartile of gender diversity in their executive ranks is 25% more likely to achieve above-average profitability. The same study, encompassing 1000 companies in 15 countries, also showed that those firms in the top quartile in ethnic diversity were 36% more likely to outperform their peers. And yet, despite clear data supporting the success of firms that invest in gender and racial diversity, getting wide swaths of our industry to report the ethnic makeup of their firms is akin to pulling teeth. It is quite interesting that while asset managers embrace ESG investing and taking various corporations to task over their environmental, social, and governance standards, they are showing slow progress themselves in moving the needle within their own firms. It's time to look in the mirror as ESG policies should be a two-way street.

What steps can be taken now to improve upon these metrics and move towards a more inclusive industry? There isn't a single metric governing the diversity of a particular firm. Firms that do an admirable job reflecting gender and ethnic diversity in their board and executive ranks, may do a poor job with diversity and inclusion with entry level, manager, and senior manager levels. All firms must take it upon themselves to tackle this issue in a transparent manner.

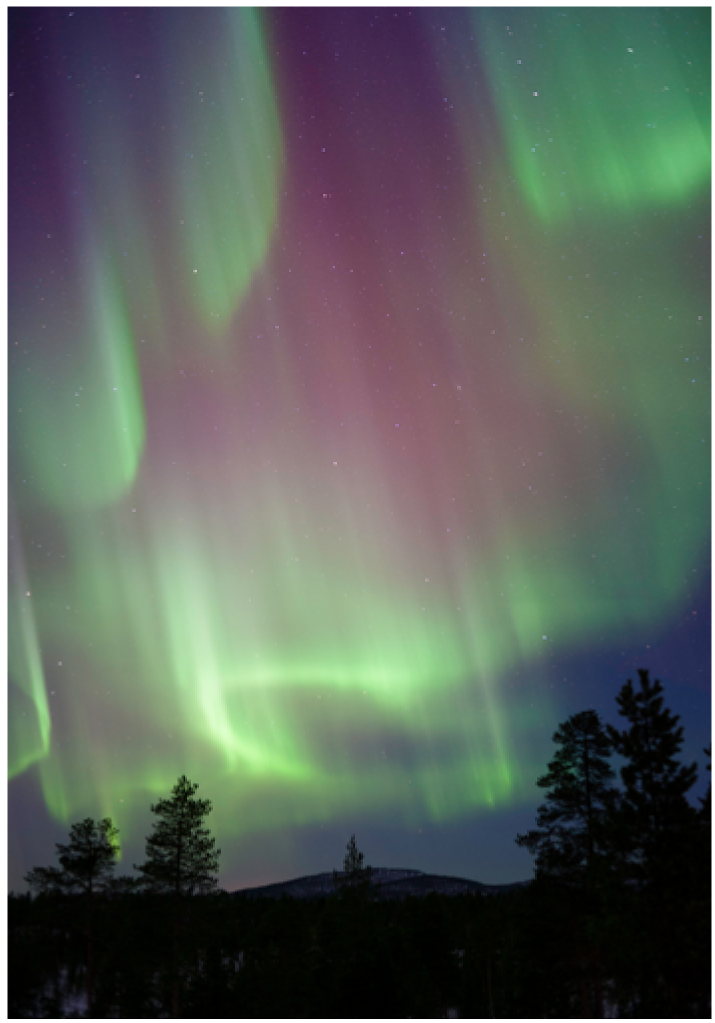
Taking another look at the Knight Foundation study, the industry would be well-served to scrutinize the role of investment consultant firms that have historically excluded minority and women-owned asset managers from their request for proposals. Some industry observers have called for the SEC to require investment consultants to include minority and women-owned asset management companies in any competitive new mandates from US public pension plans. This would be strikingly similar to the NFL's "Rooney Rule," in which league teams are required to interview ethnic minority candidates for head coaching and senior operations jobs. While the effectiveness of the Rooney Rule has been hotly debated for years, it would be a step in the right direction.

We have recently seen an uptick with some of our long-standing clients taking a proactive approach and encouraging diversity across their suppliers. Citisoft was grateful to receive a detailed supplier diversity and inclusion assessment from a client recently. The assessment measured the gender and ethnic breakdown of our firm across several levels—ownership, senior leadership, board of directors, and consulting staff. Additionally, we were asked to provide details across recruiting, DEI policies, supplier diversity (within Citisoft), policies and metrics to measure our program, community engagement, and charitable giving.

This assessment highlighted several areas in our own firm where we have work to do if we are to assist in moving the needle in our industry. To that end, we have developed a Corporate Social Responsibility (CSR) policy that captures our responsibility and commitment to business ethics, core values, diversity and inclusion, racial equality, gender and LGBTQ equality, and religious freedom. We have launched internal forums focused on advocacy and social justice, formalized our approach to charitable giving and volunteerism, and set proactive goals specific to talent acquisition and recruitment. We have a long way to go, but we are committed to doing our part as an anti-racist firm to move the conversation forward and ensure that Citisoft is a welcoming partner, employer, and advocate in this movement.

While we have seen signs and actions that our industry will embrace change, the question still must be asked—why did it take several, back-to-back-to-back, gut-wrenching tragedies to wake us up to the racial strife and conscious/unconscious bias that permeates our world? Why has it seemingly been okay to accept and endure centuries of setbacks and inaction that have negatively impacted specific members of our society across the spectrum of race, religion, gender, and sexual orientation?

We don't have answers for that unfortunately; we can only hope that the siren cry has been heard, and that we all do our part to incrementally move the discussion forward and take meaningful action to push our industry and society towards a more equitable and just future.



Looking to the year ahead

Each year, we think collectively about the trends that we believe will shape the year ahead for our clients and the industry. Usually, these trends offer up more questions than answers and this year's outlook is no different. We hold no crystal ball and cannot say with certainty whether diversity efforts will change the fabric of our workplaces or if front-to-back will only be the services flavor du jour. What we do feel confident in is that the pace of change in our industry is accelerating.

For decades, asset managers operated on the same systems, followed the same processes, and worked with the same providers. But in a year plagued by economic uncertainty and challenging markets, we were surprised to see an increased interest in strategic change initiatives. In some cases, this was cause and effect, but we believe it underscores the scale of change at play in our industry and is a bellwether for the year ahead. If 2020 was any indication, asset managers will be embracing big picture change as they lay the groundwork to harness the power of new technologies and investment strategies.

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