



THE **WEALTH**MOSAIC

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# WealthTech Views Report

## The rise of ESG in wealth management

September 2021

[www.thewealthmosaic.com](http://www.thewealthmosaic.com)



Issue 10

# 1. Introducing BITA Risk

## Key business facts:

**Founded**  
1993

**HQ Address**  
29-30 Cornhill  
London  
EC3V 3NF  
United Kingdom

**Company Size**  
51-200 employees

**Website**  
[www.corfinancialgroup.com](http://www.corfinancialgroup.com)

**Target Regions**  
Eastern Europe,  
North America,  
Western Europe

**Target Wealth  
Management Firms**  
Wealth Managers

## Company overview

BITA Risk®, with client AUM of over £160bn, is part of the **corfinancial™** group that provides software solutions to banking and financial services organisations worldwide. BITA Risk provides BITA WEALTH® with module options as follows:

**BITA Wealth Profiler** - multi-dimensional suitability profiling of a client's investment needs, matching to investment proposition and linking to portfolio building and monitoring

**BITA Wealth Portfolio Analytics** - institutional strength risk capabilities, risk models and portfolio modelling - incorporating reporting, pre-trade compliance checks detailed risk analytics: factor exposures, stress testing and portfolio optimisation

**BITA Wealth ESG Manager** - portfolio ESG management combining investment and client preference perspectives - captures investor ESG preferences, ESG exposure modelling, reporting, trend analysis, and conflict monitoring

**BITA Wealth Monitor** - enterprise level monitoring of all portfolios with daily alerts across risk, portfolio and investment factors. Delivering investment oversight & control to compliance teams and investment managers, supported with a structured exception management process.

BITA Wealth modules give managers the freedom to construct and manage portfolios within a firm's investment framework, whilst ensuring enterprise oversight and control.

## Thought leader



 bitarisk.

**Daryl Roxburgh, President and Global Head**

 **Email:** [BITARisk@corfinancialgroup.com](mailto:BITARisk@corfinancialgroup.com)

Daryl Roxburgh is a specialist and thought leader in the wealth management space and has led BITA Risk®, part of the **corfinancial™** group, evolving and developing the BITA Wealth solution since 2004. Daryl's primary role is to support business development, client relationship management and product development applying his expert knowledge of the wealth management space and the complex processes associated with client management.

Prior to joining BITA Risk, Daryl held IT executive and director roles at Credit Suisse Asset Management, M&G and Prudential Portfolio Managers. He was a founding director of the London Quant Group, a contributor to various investment books and has sat on the PIMFA Indices Committee since 2014.



# \*Q&A Daryl Roxburgh



**How are ESG issues impacting the wealth management sector today? What has been achieved so far, what are the opportunities and threats, and what is still to be done?**

## How ESG is challenging wealth managers

Meeting the needs of ethically aware investors requires a rethink, says Daryl Roxburgh, President and Global Head, BITA Risk®. The wealth management industry is experiencing seismic change associated with environmental, social and governance (ESG) factors and the interests of investors. The biggest transfer of asset ownership in history is underway, with wealth moving to a younger generation of digital-native investors. The numbers are immense: Washington-based investment manager United Income expects that \$36 trillion will be transferred by baby boomers to their children in America alone by mid-century. Cerulli Associates puts the number at \$68 trillion over the next 25 years.

This new breed of investor is demanding far more input to the decision-making process and greater access to data than ever before. Generation Y investors (those born between 1981 and 1995) seek more than just risk-return data, they also want to understand the impact of their investments on the world in which they live. Meanwhile, sustainable business operations, in the context of a firm being able to continue its operations by adapting to environmental changes or social challenges,

such as diversity, continue to be a focal point. The strength of a company's sustainable strategies has been shown to correlate positively with long-term performance.

## New breed of investor

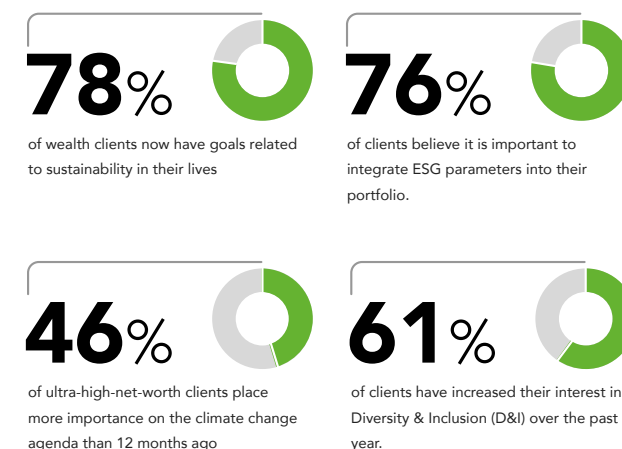
The emergence of digitally empowered investors and the rise of self-directed investing means investment performance is no longer enough. Wealth managers must demonstrate a risk-managed culture through control, transparency, and absolute rigor, but at the same time provide an engagement model for their clients that suits the individual desires of the whole spectrum of investors.

In a recent 2021 EY Global Wealth Research Report: Where will wealth take clients next?, we see some interesting trends as shown in the infographic.

The research shows that ESG is personal to each individual: some care more about certain environmental issues, others more about social issues. This will make it even more challenging in the future for wealth managers to understand every client's unique needs and to deliver against them.

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*Figure 1: Infographic - 2021 EY Global Wealth Research Report: Where will wealth take clients next?*



*2021 EY Global Wealth Research Report: Where will wealth take clients next?*

# \*Q&A Daryl Roxburgh



## ESG and sustainability of a company

Our view is that sustainability, with a capital "S", focusing on a positive environmental impact, has rapidly advanced. For many investors, and in particular the younger Generation Y group, the sustainability of a company, including ESG issues, naturally becomes a greater imperative.

Fidelity International compared the performance of more than 2,600 companies based on Fidelity's own ESG ratings (from A to E), for a study of the period February 19 to March 26, 2020, as the economic and social impact of the pandemic became evermore apparent. According to the research, A-rated companies performed on average 3.8 percentage points better, while E-rated companies performed on average 7.4 percentage points worse than the S&P 500 during the period examined.

This analysis demonstrates a positive relationship between high sustainability scores and relative return in a short-term correction. Many other studies have provided arguments for the same over the longer term.

## Building ESG into portfolios

Wealth managers and advisers need to capture client preferences for sustainable investing, from a simple "green" preference to specific ESG factors and impact statements, all within one flexible framework addressing business and regulatory requirements.

All this means the way investors look at ESG investing has transformed. It is no longer regarded as a nice to have; it is now indispensable, not in terms of whether an investor has a high "E", "S" or "G" score in their portfolio, but in terms of understanding the factors, exposures and risks of those to individual companies and assets.

It is our belief that the integration of ESG into private client portfolios should appeal to all investors, if articulated correctly. Once a wealth management firm has established its policy on how ESG is to be incorporated in investing, it can build thematic models and client-specific portfolios. Advisers and managers can apply tilts for ESG-mandated portfolios that are very specific, such as focusing on the highest-ranking environmental companies.

Of course, this kind of analysis involves a huge amount of data. The key for the adviser or manager is to be able to present this complex data in a simple fashion that the investor can readily understand, through the effective use of technology.

## ESG and importance of monitoring

As wealth management firms grow, merge with, or acquire other businesses, the operational structures they have in place with which to monitor client portfolios often begin to feel the strain. Our view is wealth firms need to highlight these pain-points and rapidly identify whether they present a risk to client portfolios.

This will become even more critical with the incorporation of ESG preferences in suitability. To combat this threat, wealth management firms should have the technological infrastructure to deliver daily insights and analytics across the portfolio and entire business, including ESG factors.

There is no doubt that ESG issues are probably one of the hottest topics, whether it is in terms of climate change and the environment, or investment. Navigating the ESG landscape is complex, with an infinite set of combinations of ESG data and client preferences.

In summary, ESG is now mainstream. Wealth managers must meet the expectations of all investors, including the most sophisticated clients, and software lies at the heart of this mission. As clients take more interest in how their capital performs, investor demands are only going to grow. We at BITA Risk can help your organisation excel in this radical new world. Please contact us at [BITARisk@corfinancialgroup.com](mailto:BITARisk@corfinancialgroup.com) to understand more.

# \*Q&A Daryl Roxburgh

**What solution(s) does your company offer the market that addresses ESG issues, and how do they help wealth management firms manage their increasing obligations in this area?**

To meet the increasing requirements created by ESG BITA Risk® offers advanced wealth management software. Our BITA Wealth ESG Manager modules analyse and report, capture client preferences, model what-if impact and monitor the ESG and carbon factors of a single portfolio and across the client universe. These modules combine complex ESG data and client preferences in daily portfolio management workflows in the context of a client mandate and ESG preferences using a preferred ESG vendor's data.

The platform makes it easy for wealth managers to record client preferences for responsible investing. Portfolios can be reviewed, for example to identify ESG conflicts between client preferences. Reports are quickly generated to share data with clients. It is a powerful tool, designed to cover ESG propositions as they evolve from simple preferences to the most demanding ESG investing.

## Opportunities

BITA Wealth ESG Manager creates opportunities to engage clients on a new level, not just financial goals, but a wider utility. At the same time, this presents a wealth of new investment information to support the investment manager in their decisions. The data is complex and a core part of the investment process. Like any new – and we caveat that ESG investing is not new, but the wider availability of data is new – investment area it is quickly evolving, both in terms of client proposition and data provision. The challenge is to find a solution that can meet the immediate needs of today and be the foundations for tomorrow's evolution.

## Solution Overview

BITA Wealth ESG Manager is modular, building from portfolio analysis and reporting through client preference gathering and conflict analysis, to full ESG portfolio management and on-going conflict monitoring.

## Product Elements

BITA Wealth ESG Manager acts as an overlay on your core investment system bringing the latest ESG capabilities while leveraging existing infrastructure and data. It has five modules that can be used independently or in combination. These are underpinned by the data manager which is vendor agnostic and enables data depth and granularity to evolve with your client proposition.



Figure 2: BITA Wealth ESG Manager - five components that can be used independently or in combination.



# \*Q&A Daryl Roxburgh



## Benefits

### Client Portfolio Managers

BITA Wealth ESG Manager gives client portfolio managers instant analysis of each clients' portfolio from an ESG and Carbon perspective, enabling them to have an informed discussion with clients, and identify ESG centered risks and opportunities. This means they meet a client's demand for information and engage them in a meaningful investment narrative.

It is easy to record client preferences and even do a 'what-if' with the client to see what the impact of their preferences would be on the portfolio. Once the preferences are agreed, the manager knows they will be alerted to conflicts as they arise across their client base and see this in pre-trade modelling. The BITA Wealth ESG Manager solution forms part of the everyday workflow as ESG becomes embedded in the investment process, making it easy for managers and demonstrable to clients that their views are always considered.

### Clients

For clients who are interested in ESG, they get insightful reports on the exposures of their portfolio and see how their preferences are considered. It makes ESG risks and opportunities transparent within the portfolio and enables a clear discussion with managers about conflicts. This clarity of incorporating of their preferences gives the client confidence and builds trust.

For clients with no specific interest in ESG, they can be assured their manager is aware of the potential ESG factor risks, aiding them with better management of portfolios.

### Governance

Governance departments, or officers, gain comfort in knowing that portfolios are checked against ESG and product preferences every night, and exceptions are reported and managed. Managers are alerted through their dashboard and can rapidly review each portfolio and note exceptions.

### Management

From a C suite perspective, BITA Wealth ESG Manager enables a firm to rapidly deploy an ESG proposition across its client base. The proposition can then evolve with demand and regulation within the flexible BITA Wealth ESG Manager framework: meeting client, investment, and governance needs. The proven monitor process ensures that exceptions are highlighted and managed, supporting bespoke client preferences and ensuring they are adhered to, leading to efficient mass-customisation.

BITA Wealth ESG Manager can supplement existing front office systems, leveraging existing infrastructure as a modular solution with light-touch integration. It can also use a choice of ESG data. This leads to meeting client demands for ESG aware portfolio management and regulatory requirements while having the flexibility to evolve an ESG proposition through time on the one platform.

## Deployment and future developments

BITA Wealth ESG Manager is currently licenced to over £70bn of private client AUM and is in the process of being deployed into further firms. The product is developing rapidly, proving additional functionality, further enhancing its mass-customisation capabilities. Please contact us at [BITARisk@corfinancialgroup.com](mailto:BITARisk@corfinancialgroup.com) to understand more.

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[Find out more about BITA Risk](#)



## THE WEALTH MOSAIC

The Wealth Mosaic ("TWM") are building the most comprehensive directory of solution providers across the world that meet the increasing business needs of the global wealth management sector.

Their online directory now has over 5,000 solutions listed in their two initial directories: Technology & Data (WealthTech), and Consulting, Research & Support Services. Their directories are supported by over 2,900 knowledge resources which includes solution information, case studies, white papers and videos.

For wealth managers, TWM aims to become the desktop tool of choice to help them discover the solutions and solution providers that are relevant to the needs of their business.

For solution providers, TWM can support their positioning, exposure and business development needs in a more complex world by hosting and promoting their content and helping them create marketing collateral so they remain engaged in the market.

Together, TWM is aimed at narrowing the knowledge gap between the buyers (wealth management firms) and sellers (solution providers) and supporting them to connect and do business.

### **The Wealth Mosaic Limited**

Second Home Holland Park  
48-49 Princes Place  
London W11 4QA

**New Business:** +44 20 3026 1587

**Email:** [office@thewealthmosaic.com](mailto:office@thewealthmosaic.com)