



# 2013 Global Survey of Financial Advisors

France – Individual Country Report

## Methodology

CoreData Research was commissioned by Natixis Global Asset Management to conduct an international study of financial advisors, with the aim of better understanding the contemporary attitudes and needs of this key collective of individuals to the financial services industry.

Financial advisors are the bridge between product manufacturers and retail investors and many small, medium and in some cases, large corporations and it is therefore imperative to assess the opportunities and challenges facing this group of professionals.

Specifically this study assesses at advisor attitudes to a range of topics such as business growth, portfolio construction (including volatility, risk and income), client service, advice proposition, time management and investment challenges.

Data was gathered over a five week period spanning August and September 2013.

The survey was delivered through an online quantitative survey of approximately 40 questions and was hosted by CoreData Research.

Globally, the study involved 1,300 financial advisors in nine countries and across four continents.

Individual country details can be found in the appendices section of the report.

## A Global View

The opportunities for financial advisory businesses worldwide are strong. Ageing populations, a perpetually uncertain investment environment and ever increasing complexity (compounded by relentless sources of information being thrust upon investors) are combining to cement the need for professional, quality, informed and impartial financial advice.

A by-product of robust equity markets is 60% of financial advice businesses globally are growing – in part driven by varying degrees of asset-based fee remuneration structures.

However, despite the recent market buoyancy and implicit demand around the world for professional advice, the post-crisis turnaround for businesses is not a guarantee of future success.

Financial advisors face a multitude of challenges and pressures, and it is imperative product manufacturers in the investment industry strive to reduce – and ultimately help remove – some of the hurdles hampering advisors.

One of the hardest tests for advisors is in seeking to achieve balance when making decisions against a backdrop of competing variables and sometimes contradictory variables.

Advisors must sometimes feel analogous to a performing artist – trying to juggle their own time and resource limitations, client investment objectives, market realities, client understanding, client emotions/psychology, investment strategies and commercial business dynamics

Ultimately, to grow a business for the long term advisors require satisfied clients today and prospective clients tomorrow.

One of the big questions is whether advisors have the product set to satisfy existing clients and also to attract and meet the need of prospective clients?

A big risk for advisor businesses globally is the energy spent trying to meet existing client needs - a real risk as many advisors are finding this difficult to achieve.

In a double whammy, the subsequent neglect of seeking new clients to drive future business growth will really hurt businesses.

#### **Future Alarm**

Time spent seeking new clients (currently limited to only 11% or 15.9 hours per month).

Only 40% of advisors globally are actively seeking younger clients to replace older clients or those in decumulation phase.

#### **Present Alarm**

53% of advisors globally admitted difficulty in accommodating draw-downs for clients in retirement, but keeping portfolios growing to transfer wealth.

46% found it difficult to generate sufficient income for clients in retirement.

40% cited difficulty in effectively managing volatility risk for those in retirement.

In search of investment solutions to meet their needs, advisors and their clients are typically forced to make compromises and in some cases the end solutions either fail to deliver, client expectations/needs are too great for their investment portfolios to deliver a successful outcome, or the bridge that needs to be crossed is a bridge too far, e.g. clients don't have a sufficient time horizon to reach their goals.

#### **Some common investment paradoxes - a question of compromise or education?**

- Clients may want enduring stable income but they loath the volatility of being exposed to market capriciousness.
- Clients may want portfolio growth but they invariably misunderstand and shirk risk.
- Clients may accept a need for broader diversification but continue to hold heavy exposures to a handful of asset classes via traditional investment techniques.

In instances such as these, advisors are thrust into a scenario where they are forced to try and 'tick all the boxes'.

Almost four in five advisors globally say they seek investment strategies/products that help to manage risk (81%), manage volatility (79%) and produce income for clients (82%).

It seems there is a need for new thinking and approaches. Advisors mostly accept this. Diversification and a move away from traditional approaches could be part of the solution.

59% of advisors internationally agree there is a need to replace traditional diversification and portfolio construction techniques with new approaches to achieve results, with only 31% in disagreement and the remainder neither agreeing nor disagreeing.

Underneath all of this is also an acceptance by financial advisors that they, as their clients do, also have a strong need for better understanding.

Three quarters of advisers (75%) admitted financial advisers require more education, with only 16% in disagreement, and the remainder neither agreeing nor disagreeing.

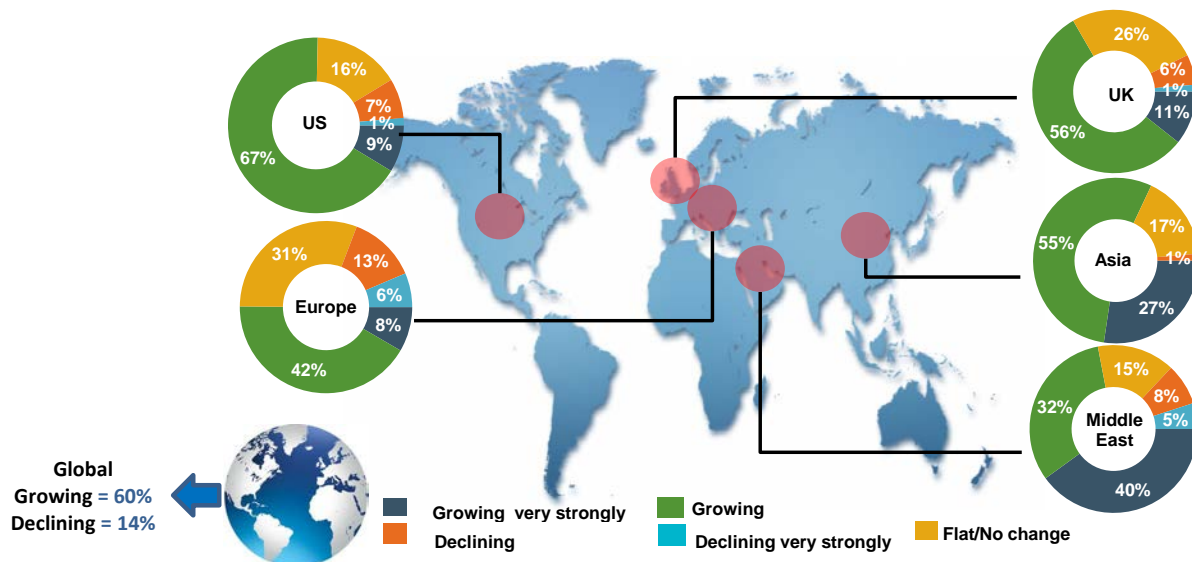
## Outlook for French financial advisers

There are difficult times ahead for the French economy after it was announced in late September that public debt will hit a record 95.1% of GDP in 2014. France, which is the Eurozone's second largest economy after Germany, recently revealed its Budget for 2014 which will look to save £12.6bn through a tightening of its public spending, while there will be some tax increases for households, albeit these will be levelled off by some tax reductions to businesses. This budget is based around a growth forecast of 0.9% for 2014, lowered from 1.2%, while growth is forecast at a meagre 0.1% for 2013.

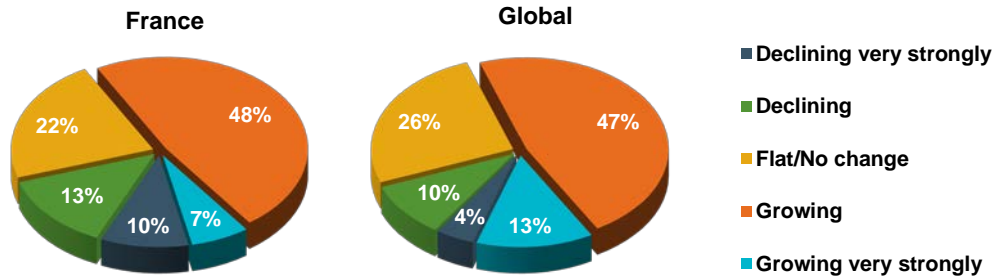
**The pessimism around the economy is reflected in the financial advice market**, where a quarter of French advisors (23%) have reported a decline in their business in the past few years (vs. 14% for other countries).

10% of French advisors said their business has 'declined very strongly' in the past few years - well above the average for the other countries (4%).

### Adviser Business Growth - Regionally



**Adviser Business Growth – France vs. Global**



Other data:

7% of French advisors said their firm has ‘grown very strongly’ in the past few years (vs. 13% for other countries).

Almost two-thirds (63.6%) of financial advisors in France were independent, significantly higher than any of the European countries included in the study.

Meanwhile, financial advisors, like in any business or industry, face many challenges and below is a word cloud of topics referenced by French advisors as issues they’re concerned about.



## Advice Proposition

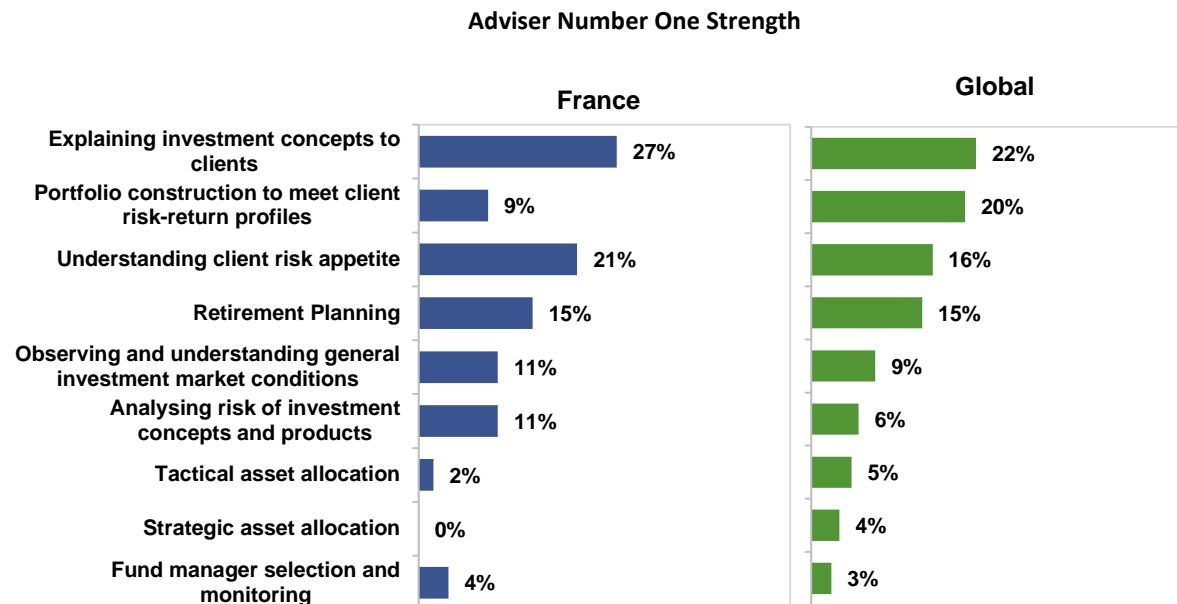
French advisors view their main strengths as understanding client risk appetite, explaining investment concepts to clients and retirement planning.

63% of French advisors cited these three pillars as their primary proposition functions (vs. 53% for other countries)

Understanding client risk appetite (21% vs. 16%)

Explaining investment concepts to clients (27% vs. 22%)

Retirement Planning (15% vs. 15%)



French advisors typically admit to strategic and tactical asset allocation not being their main strength, while there is also a lack of primary priority in constructing portfolios to meet client risk-return profiles (9% vs. 20% for other countries).

Income is by some distance the primary concern of French advisers when selecting products for clients.

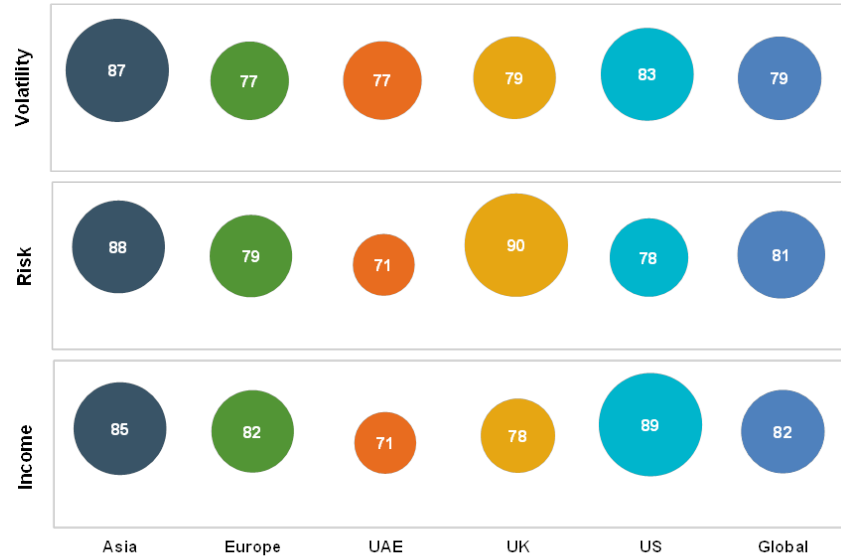
This perhaps is not surprising given the ongoing retirement concerns in France and with the government looking to take steps to tackle the €20 billion hole in its pension system.

**Advisers Seeking Specific Strategies/Investment Products to Manage:**

In a three pronged challenge to product providers – advisers internationally seek investment products that can manage:

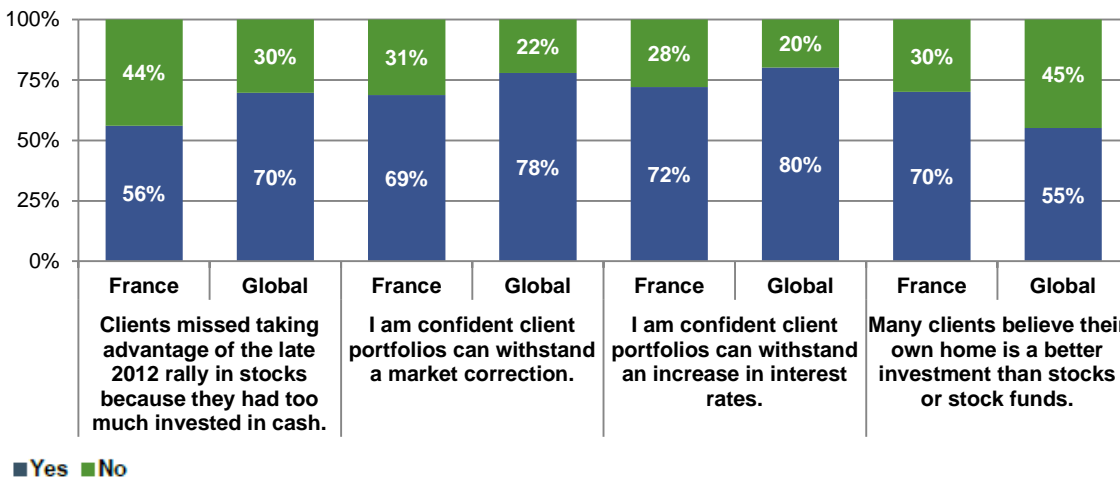
**Risk (81%)**  
**Volatility (79%)** &  
**Deliver Income (82%).**

Income is the greatest factor of the three that US advisers focus (89%), while managing risk, (90%) and volatility (88%), is the biggest attribute advisers in the UK and Asia try to control.



87% of French advisers look for income strategies/investments to manage their clients' portfolio (vs. 82% for other countries). The search for strategies/investment products for risk (73% of French advisers) and volatility (69% of French advisers) are both well below the average for other countries.

Just over half (56%) of French advisers said their clients missed the late 2012 stock rally because they had too much invested in cash (vs. 70% for other countries).





Other data:

More than two thirds (69%) of French advisors were confident their clients' portfolios can withstand a correction (78% for other countries).

72% said their clients can withstand a rise in interest rates (vs. 80% for other countries).

70% of French advisors agreed that many of their clients view their home as better investment than stock or stock funds (vs. 55.1% for other countries).

## Client Service & Working Hours

Less than a third (31%) of French advisors were actively seeking new clients to replace older ones or those no longer in the accumulation phase (vs. 37% for other countries).

Half of French advisors said the failure to seek out new clients was due to a lack of time, while 43% stated the inability to build trust quickly and 38% cited the limitations of their existing network.

### Advisers Actively Seeking Younger Clients to Replace Older Clients or Those in Decumulation Phase



### Top Three Methods Used For Attracting New Clients



French advisors spent 51.1 hours a month meeting existing clients or seeking new ones (vs. 46.2 hours for other countries).

They typically spent 19.6 hours a month seeking new clients alone, compared to 17.9 hours for other countries.

#### Advisor Time Management Split by Task

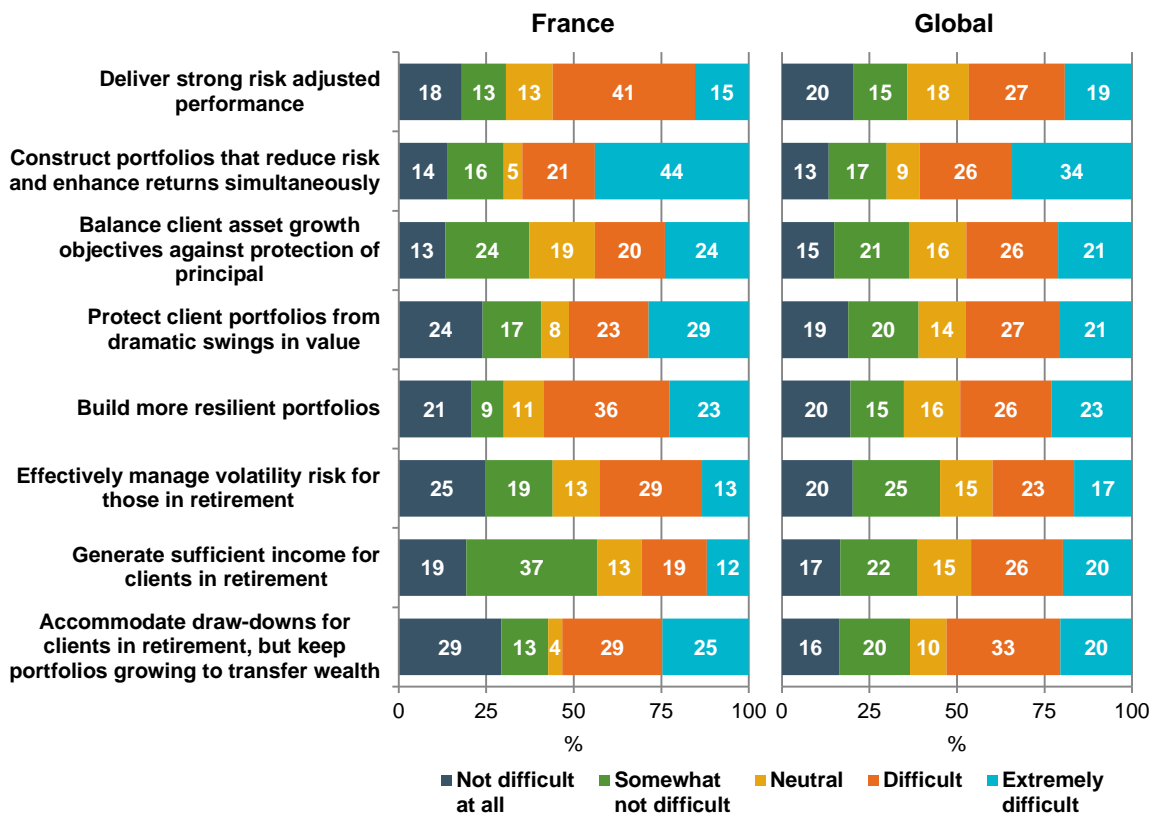
Typical working day (%)		How much of a typical working day do you spend on the following?	Working hours spent per month (7.5 hours per day * 22 working days in a month)	
France	Global		France	Global
18%	18%	Managing existing clients	29.9	30.7
19%	17%	Meeting with existing clients	31.5	28.3
12%	14%	Managing existing client investments	20.6	23.3
12%	11%	Seeking new clients	19.6	17.9
12%	11%	General administration	19.2	17.5
9%	8%	Regulatory compliance	14.9	13.8
8%	7%	Media/social media	13.3	11.2
4%	6%	Educating myself about new portfolio construction techniques	7.0	9.5
3%	4%	Marketing	4.6	6.4
3%	4%	Other	4.4	6.4

## Investment & Retirement

French advisors say they face a number of challenges as they bid to navigate client portfolios through the uncertainty of investment markets.

A standout 65% cited difficulty in constructing portfolios that reduce risk, and enhance client returns simultaneously and of these a significant 44% of French advisors say this is *extremely difficult* to achieve - in comparison to 34% for other countries.

How difficult is it to achieve the following for an average client?



More than half (56%) said it is difficult to deliver strong risk adjusted performance for clients (vs. 46.4 for other countries).

Meanwhile French advisors offered polarised views on the ability to protect client portfolios from dramatic swings in value with 24% saying this is *not difficult at all* while 29% have cited this task as *extremely difficult* (vs.21% for other countries).

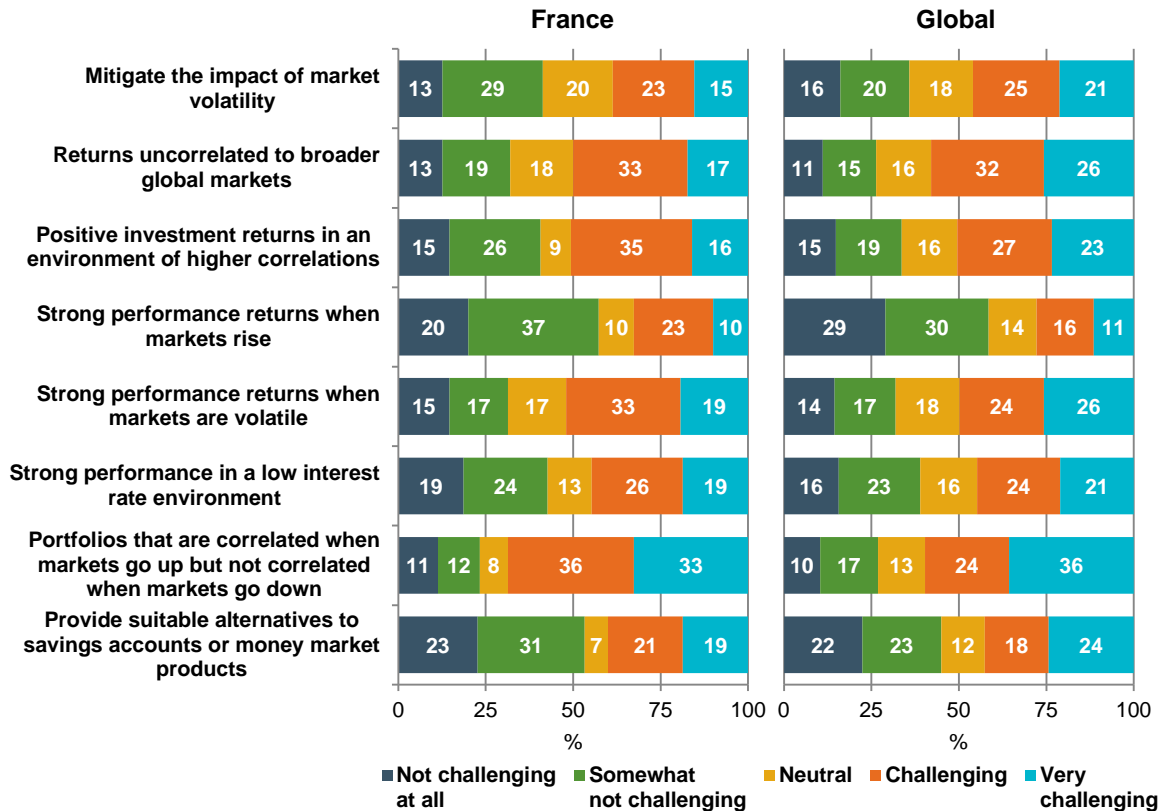
French advisors also admitted they struggled to provide portfolios for retail clients that are correlated when markets go up but uncorrelated when they go down. Two-thirds (69%) said this is *challenging* (33% of which say it is *very challenging*).

Other stats:

Almost a quarter (25%) of French advisors said they would find it ‘extremely difficult’ to accommodate draw-downs for clients in retirement, but keep portfolios growing to transfer wealth for the average client (vs. 20% for other countries).

Interestingly, 41% of French advisors believed the majority of their clients know how much the need to save to meet their retirement goals/expectations (vs. 31% for other countries)

**How challenging is it to deliver the following for your retail client?**

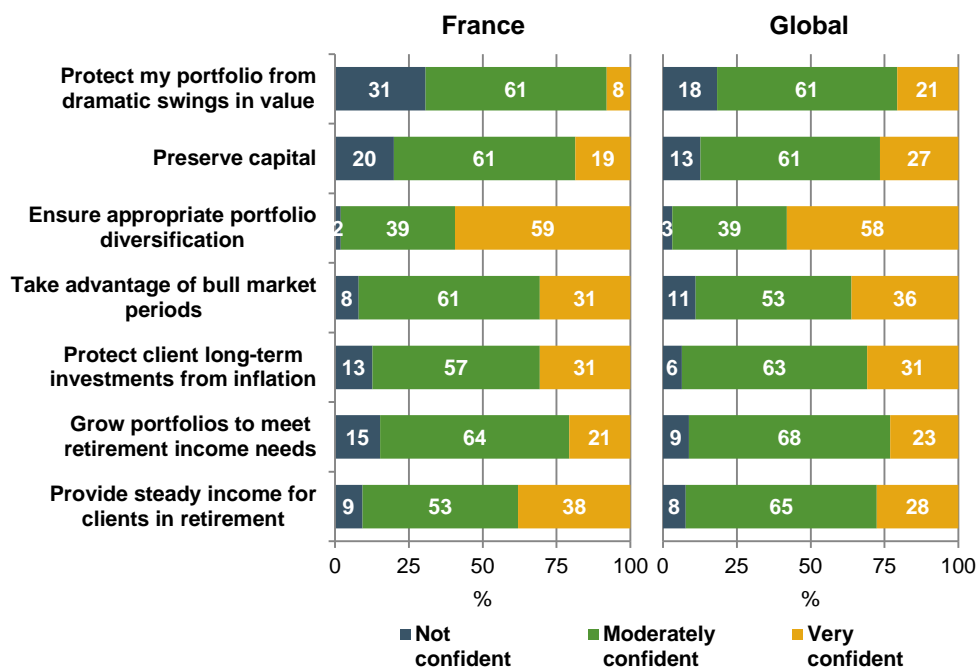


Income is a big talking point when it comes to retirement in France, with advisers giving mixed views on the outlook.

One in six French advisors (15%) were not confident their client’s current investments are able to grow portfolios to meet retirement income needs (vs. 9% for other countries).

Despite the state of the country’s pension system, French advisors are remarkably confident in their ability to deliver sufficient income for clients in retirement - with only 9% suggesting they lack confidence.

**How confident, generally speaking, are you that your client's current investments are able to?**



Other key points:

Less than one in five (19%) French advisors were *very confident* their client’s current investments can preserve capital (27% for other countries)

31% of French advisors were very confident their client’s current investments can take advantage of bull market periods (36% for other countries).

## Portfolio Construction

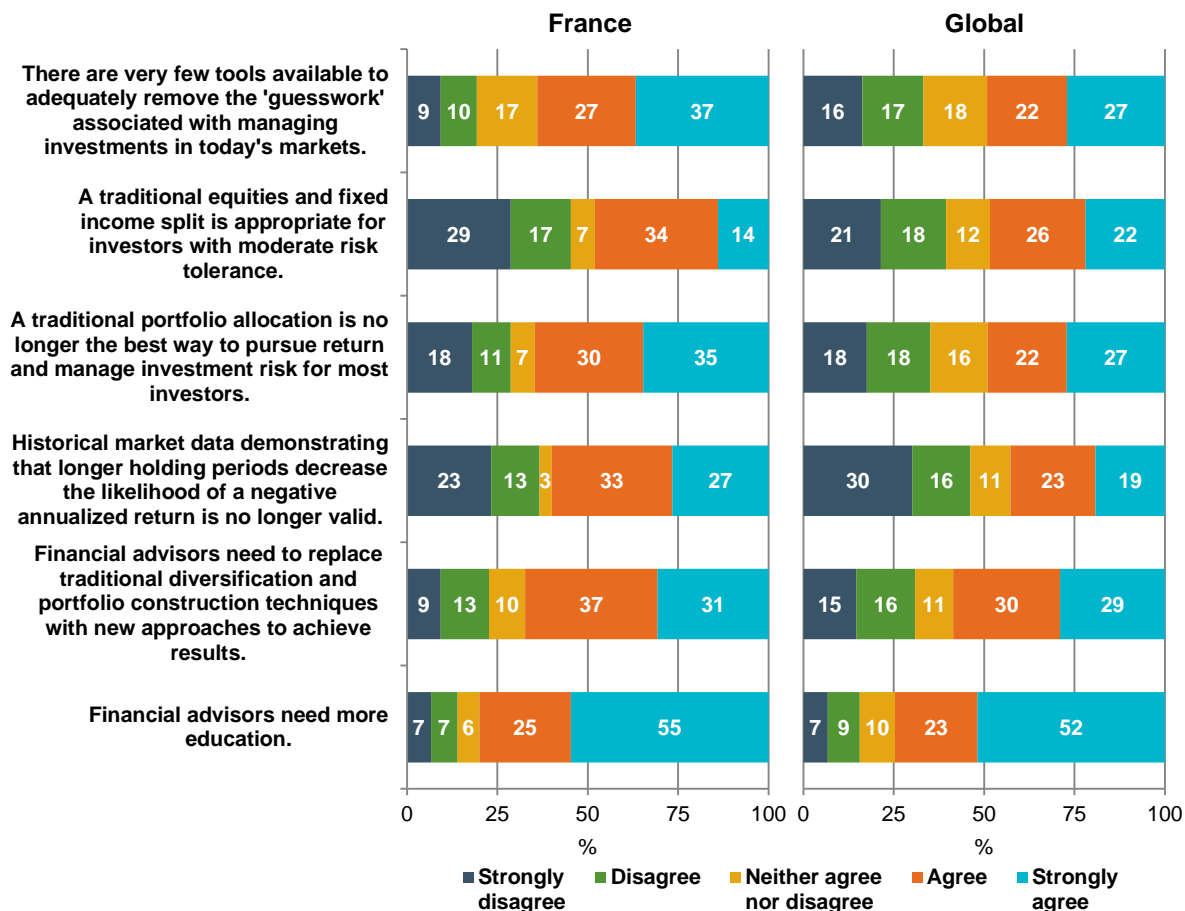
Advisors in France were strongly receptive to the idea of introducing new methods to offer investors diversification in their portfolios.

Almost two-thirds (65%) of French advisors agreed that a traditional 60% equities/40% bonds split is no longer the best way to pursue returns and manage investment risk for most investors (vs. 49% for other countries).

68% of French advisors also agreed that financial advisers need to replace traditional diversification and portfolio construction techniques with new approaches to achieve results (vs. 59% for other countries).

Four in five (80%) of French advisors said financial advisers need more education, compared to 75% for other countries.

### In terms of portfolio construction and management, to what extent do you agree with the following?

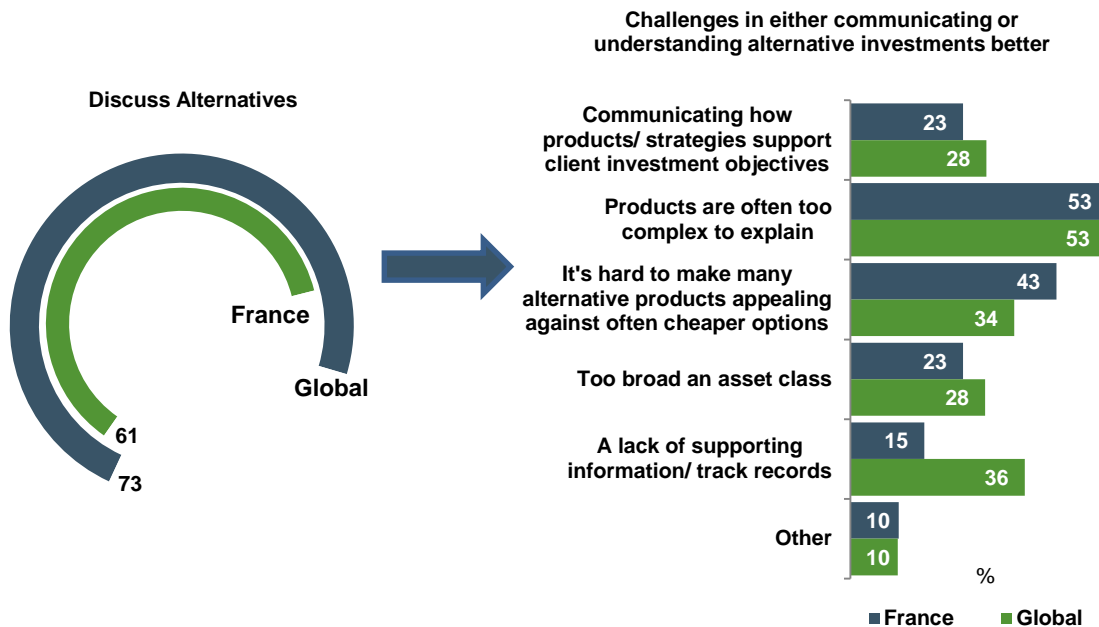


Other data points on portfolio construction:

Historical market data demonstrating that longer holding periods decrease the likelihood of a negative annualized return is no longer valid – 60% of French advisors agreed (vs.42% for other countries).

## Alternative Investments

There is a limited understanding on the client side and consequently limited investment from French financial advisers in the alternative<sup>1</sup> arena, despite many French advisors welcoming the idea of introducing new methods to offer investors appropriate diversification in their portfolios.



Only 61% of French advisors have ever discussed alternatives with their clients (vs.73% for other countries) and while four out of five financial advisors (79%) in France said they have a good grasp of alternative investments they believe that less than one in six (16%) of clients also have a good understanding of them (vs.34% for other countries).

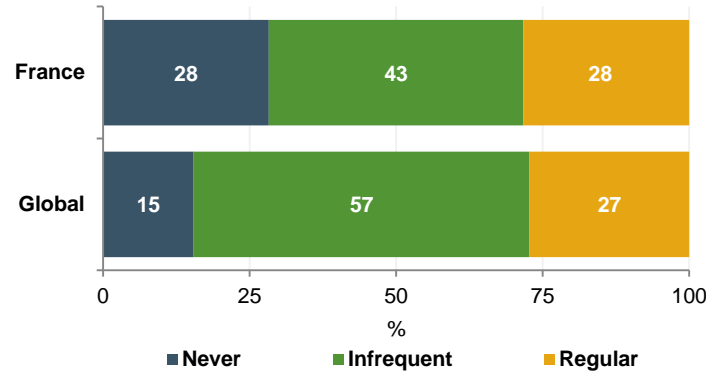
Complexity of the products (53%) and price (43%) were seen as the main obstacles advisers face in communicating and understanding alternative investment products better.

Over a quarter (28%) of French advisors said they never use alternative investment strategies across their client base (vs. 15% for other countries).

42% of advisors said they do not use alternative investment strategies because their clients believe they are too risky, potentially highlighting this lack of understanding once again.

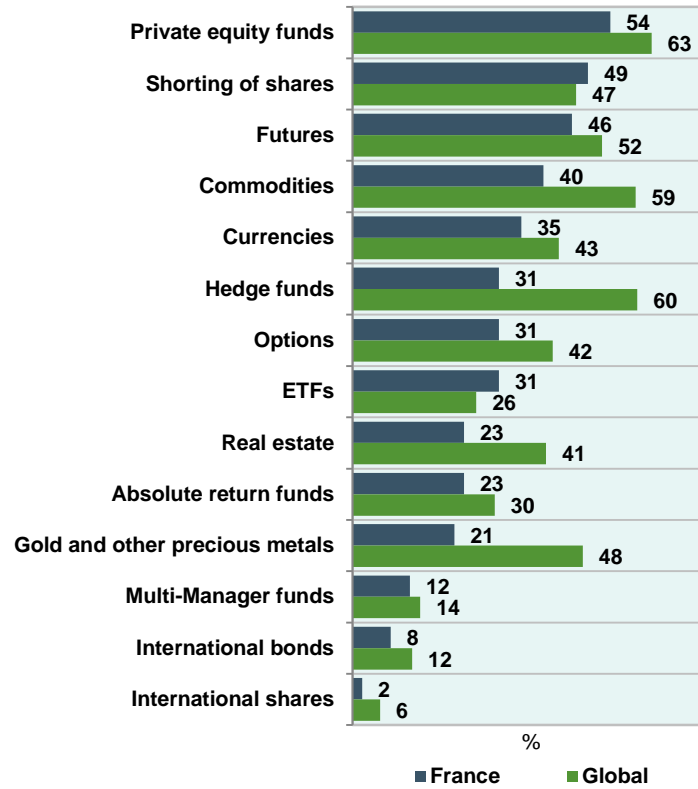
<sup>1</sup> **An alternative** is an investment that is not one of the three traditional asset types (stocks, bonds and cash). Most alternative investment assets are held by institutional investors or accredited, high-net-worth individuals because of their complex nature, limited regulations and relative lack of liquidity. Alternative investments include hedge funds, managed futures, real estate, commodities and derivatives contracts.

**Usage of Alternative Investment Strategies Across Client Base**



Private equity (54%), shorting of shares (49%) and futures (46%) were the three main asset classes French advisers deem as alternative investments.

**Which of the following would you consider to be Alternative Investment?**



The client segment French advisers believed is primarily suited to alternative strategies is the High Net Worth (\$1m plus of assets) segment with 51.4% being inclined to offer these products (vs. 62.5% other countries).



**How inclined are you to use alternative investments for clients with the following asset types?**

0- €300,000 of investible assets – 34% of French advisors inclined (vs. 33.9% for other countries)

€300,000 to €500,000 of investible assets – 28% of French advisors inclined (vs. 41.6% for other countries)

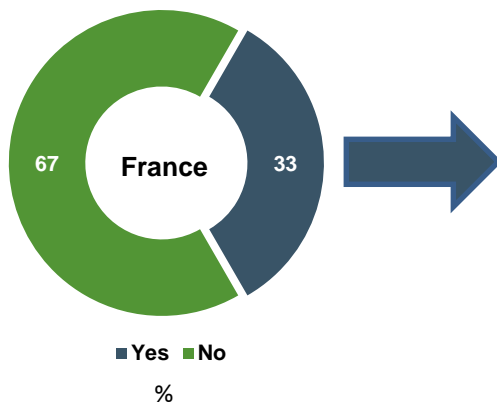
€500,000 to €1m of investible assets -33% of French advisors inclined (vs. 52.7% for other countries)

More than €1m of investible assets – 51.4% of French advisors inclined (vs. 62.5% for other countries)

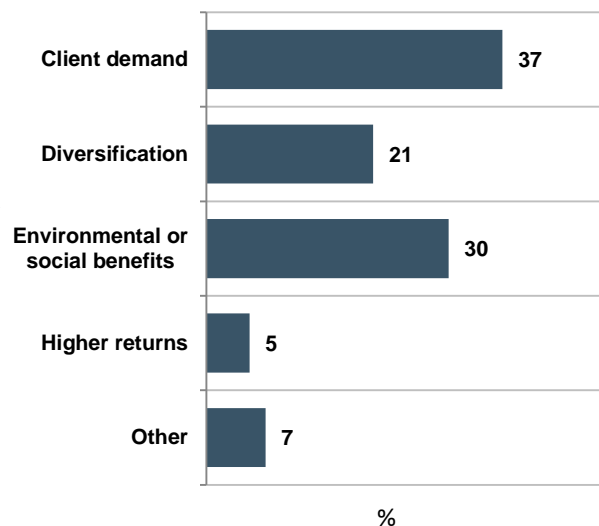
**Environment, Social and Governance Factors**

A third (33%) of French advisors said their clients are interested in environmental, social and governance factors, with the biggest reason for considering these factors being client demand (37%).

**Are your clients interested in having Environmental, Social and Governance filters on their investments?**



**What, in your opinion, are the most important reasons for considering ESG factors?**



## NOTES:

The study involved 1,300 financial advisors in nine countries and across four continents.

For France there were 150 participants.

Of these 95 were independent financial advisors, 14 were tied financial advisors, 34 were heads of an advice firm (practising advisors) and 7 were in other advisory roles.

The average client portfolio size was €712, 833. With regard to the firm's asset level, the average firm represented by each advisor manages approximately €948.5 million.

The total level of assets of firms in France involved in the study amounted to €142.3 billion.

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