

AI in asset management

Transcript

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JIM CARROLL:

Is AI a transformative opportunity or an existential threat? Look, it's probably both. You know, as a futurist, for over 30 years, I've spent a lot of time with a lot of organizations walking them through the big, disruptive, transformative trends of our time and the innovation strategies they need to pursue to align to a reality in which the future belongs to those who are fast.

I've seen a lot of transformative shifts. My advice and guidance have cautioned organizations that they need to align themselves to a world in which the future belongs to those who are fast. And now, this new era of artificial intelligence is unlike anything I have witnessed ever before because we are truly living through a transformative period of time that has seen the acceleration of new technologies, new ideas, new concepts, new companies and new disruptors.

It's important to go beyond what is happening with Chat GPT and understand what I call the AI megatrend, the transformative, disruptive concepts which are redefining all kinds of industries and providing both promise and peril going forward.

Consider this: In the world of asset management, spending on AI is estimated to go from \$2.6 billion in 2022 to \$17 billion or more by the year 2030. That's an annual compound growth rate of 24.5%. So much of what we do in the world of financial services, wealth management, asset management has to do with better insight in analysis.

And the acceleration of AI is all about the algorithm and the acceleration of AI, and more sophistication with AI means that we're going to get better at the algorithm, providing the opportunity for better asset management. We will see opportunities with software that will improve operational efficiency, and better management of what we are doing in the financial sector, better opportunities for enhanced portfolio management trading strategies and overall risk management practices.

We're also going to see a lot of evolution of technologies, concepts and ideas for monitoring, quality checking, exception handling of everything we do throughout the asset management world. So much of what we do with asset management is all about process and AI provides us an opportunity to streamline, redesign and better manage that process.

It's nothing but upside. But wait, there's obvious downsides. Probably one of the biggest downsides has to do with the emergence of the AI-enabled consumer.

The risks are very real. We might go into a situation in which we have an inability to understand the algorithm and the decisions it is making and what kind of new legal risk, regulatory and other issues might this present.

As the industry becomes more reliant upon A.I., what do we do when things go wrong? There's the whole issue of the empowered financial consumer. We already know that an increasing number of consumers choose to make their own financial decisions. And what happens in a world in which we continue to see the acceleration of the arrival of new financial or business models, new financial organizations, new competitors who are going to chip away at every single aspect of the industry?

There are also the ethical and social concerns. We already know that AI is going to cause a lot of havoc and upheaval with existing professions and careers, and it's probably in the financial services sector that we are going to see some of the more significant impacts because so much of what we do in the financial sector has to do with process.

And one of the most significant impacts of AI is it makes a process more streamlined and has the potential to eliminate a lot of jobs and careers. When it comes to AI in the world of asset management and financial services, there's a lot of potential downside.

So, what do you do with all these fast-moving trends going forward? My advice and guidance have always been simple. You need to think big, start small and scale fast. You need to think big about the scope of the transformative trends which are unfolding here and the promise and peril, the opportunity, and the challenge that they provide for your organization and for your industry going forward.

You need to start small. You need to start a whole bunch of small-scale projects to work with to understand and to

comprehend the scope of what is unfolding with these AI technologies. And you need to be prepared to scale fast, because one of my favorite observations is this — the future belongs to those who are fast.

What is happening with AI today involves what I call the era of acceleration. It is evolving at a blinding speed unlike anything I've ever seen before. And you need to be ready for a new world of disruption and transformation. I'm Futurist Jim Carroll.



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