



Democratising High Performing Investments

By Chris Sargent & Adam Bouqdib, Blockacre



What Does it Mean to 'Democratise'?

**Make high performing investments
simple, secure and open for everyone**



Why Democratise?

“While saving is about putting money aside for a rainy day, investing is about growing our money to achieve important goals in our life”



The Retail vs Institutional Gap

From 2003 to 2013, retail investors earned some 35% less than institutions - 4.8% versus 7.3% annualised returns



Some Key Drivers

Investment funds want to increase the lifetime-value of their investors whilst protecting their assets

Neo-banks want to differentiate themselves by offering customers the best financial products



The Same Goal

Become long-term, trusted financial partners to their users



A Match Made in Heaven...

With blockchain, open banking and others, we now have the technology to help everyone achieve these goals



Investment Fund Problems

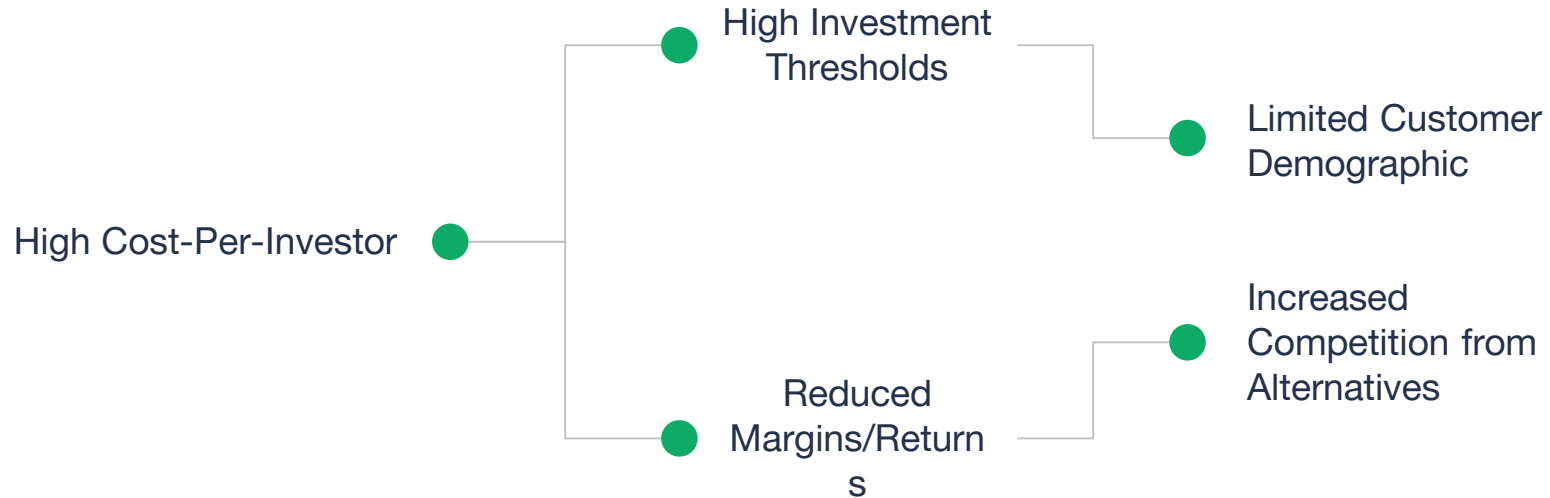
Investment Fund Problems

A Few Key Problems

- Traditional sources of investment are in decline and attracting new investors is expensive
- High competition from alternative investments and retail trading platforms
- High investment thresholds are severely limiting the demographic of attainable customers
- Need to increase the 'Lifetime value' of investors
- Age demographic is a concern
- After several high profile problems, investors are concerned about being 'locked in'

Investment Fund Problems

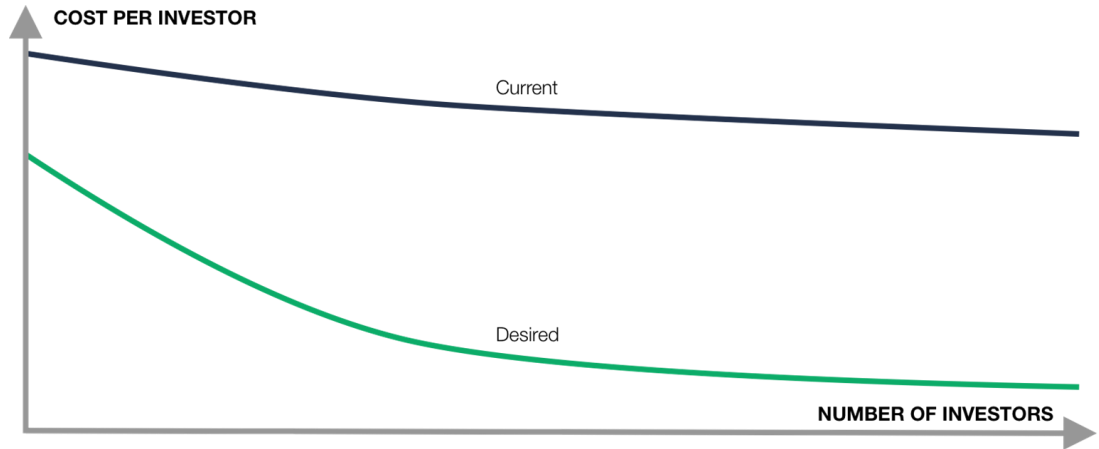
Cause and Effect



Investment Fund Problems

Cost Per Investor

Current processes make it expensive to manage investors at scale with a somewhat linear correlation between cost and number of investors. With the right technology, cost-per-investor can become inversely linked





Reducing investor acquisition and management costs would allow funds to lower investment thresholds and attract investors at huge scales

Investment Fund Problems

The Effects of Reducing Cost-Per-Investor

- Lower investment thresholds
- Improved margins and / or better investor returns
- Increased ability to compete with online platforms and alternative investments
- Open up to huge segments of new customers
- Lower the age profile of customers
- Increased lifetime value of investors



Imagine how much more loyal retail investors would be, across their lifetime, if providers can really put their limited capital to work today



A Specific Case

Open-Ended Real Estate Funds



Open Ended Real Estate Funds

Open-ended allows investors to continuously subscribe for units, permitting funds to expand indefinitely



A Specific Problem

High redemption rates can mean that funds run out of cash and are forced to sell assets and even suspend trading



Investment funds that include illiquid assets but allow investors to take out their money whenever they like were “built on a lie”



Technology Has an Answer

Keep open-ended funds, open



Imagine that investors have a way to sell their units without needing a redemption from the fund



Tying it all Together

Retail Banking Apps



Imagine if users could access better performing, long-term, diversified investments directly from the comfort of their mobile banking application

Retail Banking Use Case

Advantages

- Integrated in to existing websites and apps
- Minimize customer onboarding
- Integrated AML / KYC checks
- Differentiate against competition by offering easy access to exclusive, high performing investment products
- Increase lifetime-customer value by providing a one-stop, financial control centre
- Drive incremental customer revenue from platform fees
- Appeal to the digital-first generation



Conclusion

**Investment funds paired with neo-banks
have the opportunity to attract and retain
young, digitally-native customers**



Conclusion

Provide great products and services to this demographic now and their loyalty will last a lifetime



Technology Solutions

Solution Overview

Technology 'Deep' Dive

Transfer of value

Fractional ownership

Security

Transparency

The Digitally Native Demographic

A Quick Side Note

- The ability for users to manage their ISA on a mobile device is a top 5 factor in customer's choice of savings provider*
- Using a savings provider they've used before is also a top 5 factor*
- Apps like MoneyBox have grown quickly because they make investment straightforward to a demographic that has limited understanding of that market
- The digitally native demographic is typically younger with limited investment capital but has a lifetime of financial choices ahead of them