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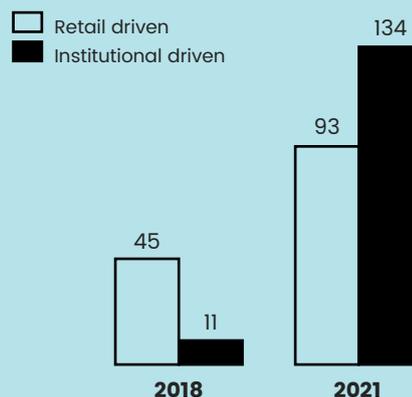
CAPTURING OPPORTUNITIES IN DIGITAL ASSETS REVOLUTION: A TWO-LEG STRATEGY?

Digital Assets market is growing at an impressive pace while shifting from Retail to Institutional investors. We believe the right strategy for asset managers and securities servicers should be based on two legs:

1 No regret tactical moves to accommodate short-term demand

2 Involvement into crypto-market infrastructure development with the right partners and peers

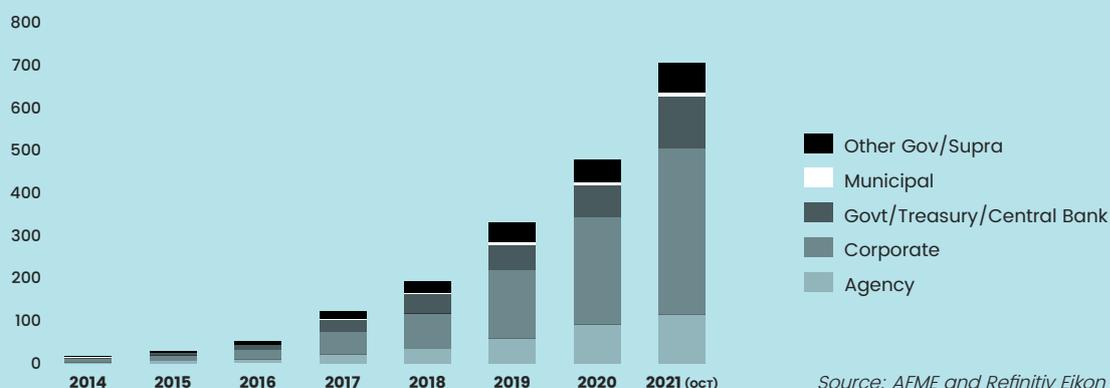
Digital Assets Trading Volumes (\$bn)



IMPACT INVESTING AND REAL ASSETS: A DIFFERENT STANCE REQUIRED FOR INDIVIDUAL INVESTORS?

ESG investing has grown fast over the past years but there is still a gap between client needs and financial players offering. We believe that financial players should provide access to unbiased data on real assets by federating neutral parties via a digitized “chain of trust”. On the manufacturing side, financial players need to go one step further into the “distribute to originate continuum”.

Total Sustainable Bond Issuance in Europe per Issuer Type (€billions)



STRATEGIZE AND ACT IN UNCERTAIN TIMES IN EUROPE

Like soldiers preparing for VUCA* battlefields, we believe that “Scenario Based Strategic Planning” is the answer to tackle current disrupted environments, while using a “Light Footprint Management” to maximize impact under timing and resources constraints

*(Volatility, Uncertainty, Complexity, Ambiguity)

#01

Strategize and Act in uncertain times in Europe

RESEARCH ABSTRACT

As unprecedented events such as the global pandemics and war in Ukraine unfold, **environment has seldom been that volatile and future has never been harder to foresee**. From a macro-economic perspective recent “truth” including reflation (consensus: ~3,5 %) and longer-term rate (consensus: + 60-90 bp for 10 Year maturity) is re-challenged by Ukraine turmoil which reflects into VIX surge (back to 30+ level).

Covid crisis has put emphasis on resilience, robustness, anti-fragility in the first place and has then shed light on strategic agility to reposition out of impaired sectors. We believe that this “New Normal” calls for a new set of strategy formulation and implementation techniques. Two paradigm changes are worth experimenting:

Relaxing perfect accuracy to embrace a much wider set of influential factors and rely on human judgement. This calls for **“big data aided” scenarios** completed by judgmental inputs

Making sure strategy implementation in shorter time frames **and windows of opportunity reconciles with internal constraints** (e.g. CapEx commitment, change readiness of talents)

Numerous **“War Schools” across the globe** have equipped their troops with techniques and tools to cope with “VUCA” battle fields.

Recent developments have urged us to single out **two techniques** out of many to **complement traditional strategic thinking** (i.e. vision on Where to compete / How to compete) but a) in a combined manner as opposed to a sequential manner and b) with a much more digital aided and bottom-up talent mobilization.

WHERE TO COMPETE

We believe that “**Scenario Based Strategic Planning**” is well suited to tackle current disrupted environments by:

FOCUSING ON NEW RULES OF THE GAME:

- Reflecting volatility through the developments of alternative futures (e.g. lower frequency, higher severity)
- Coping with complexity through the consideration of numerous influence factors and “weak signals” (e.g. artificial intelligence)
- Identifying blind spots through the involvement of internal and external experts (i.e. expert judgment)
- Focusing on speed and simplicity based on a set of management tools that support an easy process
- Inputting flexibility concerning planning horizon by applying different time horizons

RUNNING ITERATIVE STEPS SUCH AS:

- Trend and Uncertainty Analysis
- Perception Analysis
- Scenario Building
- Strategy Definition
- Testing / Monitoring / Launching new iteration

HOW TO COMPETE

We believe that “**Light Footprint Management**” is well suited to maximize strategy impact, under timing and resources constraints, by relying on:

STRATEGIC ENABLERS:

- Reviewed chain of command (e.g. delayed, tactical)
- Alliances (e.g. enabling new value chains, securing ability to win, limiting CapEx)

“TACTICAL FORCES”:

- “Unmanned strategies” leveraging technology to limit human commitment (cf. drones)
- “Special Operations” to gather agile “best teams forward” and achieve targets (cf. squads)
- “Environment neutralization” to make war impossible in certain battlefields (cf. cyber-attacks)

A handful of large corporates have already begun embracing this new mindset (cf. bottom-up strategic conversations of Engie mobilizing more than 150k people or digital aided innovation cycles at Decathlon gathering about 90k employees). A couple of European Mid-Caps have also **demonstrated strategic agility by turning around their business models in the wake of the Covid** pandemic (cf. “supply chain agnostic strategies”). With COVID and Ukraine crisis, Western countries have been entering a kind of cosmological episode in which all our beliefs have been shaken. Most of our mental patterns do not apply anymore. It’s time now to move from a model of “**ethics of conviction**” to a model of “**ethics of responsibility**” in which the consequences of a decision are assessed.

#02

Capturing opportunities in Digital Assets Revolution: a two-leg strategy?



RESEARCH ABSTRACT

Demand for **Digital Assets**¹ in multiple forms is **on the rise for institutional investors and asset servicers**.

Even though volumes are still limited (e.g. trading volume '20-'21 ~330 bUSD, largest Asset Manager to date gathers about 40 bUSD) recent growth has been spectacular (e.g. ~700 % increase of market cap. since '20, X5 in trade volumes). This **demand has been notably fueled by asset volatility, asset diversification, retail "gamification" and growth in Non-Fungible Tokens (NFTs), and supported by better technology** (e.g. Ethereum 2.0). Bitcoin is now recognized as an asset class and regulation on its way to treat it as such (cf. MiCa in Europe for '24 that has just been voted, fragmented regulations in Asia that captures the lion's share of Digital Assets adoption with more than 40% market share in crypto-currency flows).

Asset and Wealth Managers have started embracing digital assets in different forms with growing exposure across 3 segments:

● **Crypto holdings** (cf. current Bitcoin market capitalization ~1,2 T USD with 130% 3-year growth rate; ~50 bUSD of AuM in the US for top 5 players²)

● **Tokenized Private Assets** (i.e. Private Equity, Real Estate, Venture Capital) as Private Assets still represent an untapped opportunity (1,5 X size of listed equities and debt securities worldwide)

● **Bitcoin ETF** via dedicated platforms (cf. legacy managers such as Fidelity, or new digital entrants such as NYDIG)

In turn, Securities Servicers are coerced into providing servicing at both ends of the value chain from token issuance to digital assets custody of this new asset class. Several traditional actors are positioning themselves alongside FinTechs and partners to cope with this new demand (e.g. JP Morgan with Fidelity and Paxos, Northern Trust and Standard Chartered

Zodia Custody with DMG Petra platform, SocGen FORGE).

Nevertheless, several structural unknowns remain including:

The evolution and the right balance between Centralized Finance vs. Decentralized Finance (e.g. about 100 + CeFi vs. 200 + DeFi exchanges currently³), Blockchain is meant to be decentralized in a “democratized mindset” whereas regulation is prone to centralization in an “oversight mindset”

The reality and materiality of the connectivity between blockchain native financial infrastructures, “legacy” financial infrastructure and the emerging metaverses. Even though there is a case for the “blockchainisation” of financial markets (e.g. massive equity trading costs decrease – 20 – 30% in the mid-term and disappearance of Clearing), long is the road to align all parties to harmonize and evolve “legacy” infrastructures (e.g. conflict of interest, regulation). And as we speak two new worlds emerge: blockchain native crypto market infrastructures and metaverses. In essence these two worlds might not want to reconcile with the “old world”. Should you ask millennials they would be inclined to trade crypto assets within metaverses with “closed connectivity” between metaverse and [traditional] financial system

In this framework, we believe the “right strategies” for asset managers and securities servicers should be rooted into clear and present issues to address (e.g. what is the “long lasting” demand and what are the issues blockchain is really meant to solve). We believe it should include two legs:

No regret tactical moves to accommodate short term demand. For instance:

- Focusing on “no brainers” (e.g. Digital Assets servicing regulatory licensing, Private Assets)
- Adapting “Ops&IT” infrastructure tactically partnering with relevant FinTechs (e.g. Taurus, Fireblocks, Metaco)

Involvement into crypto-market infrastructure development with peers and partners. For instance:

- Making sure infrastructure is agnostic to external developments (e.g. CeFi vs. DeFi, keys, protocols)
- Reconciling digital asset strategy with greater firm ambition and risk (e.g. working out a solution across business silos, compliance alignment)

We trust that that there are, as least, two invariants to achieve this two-leg strategy:

Having a structured “Innovation Watch” built on ecosystems of ecosystems to maximize ideation inputs coming from the outside world

Building up internal talents to be able to accommodate this innovation, filter, prioritize and make it happen where legitimate

1 *Crypto-currencies, stable coins, securities tokens*

2 *Top 5 Digital Assets Managers: Grayscale, Pantera, Bitwise, Galaxy, Wave*

3 *Top 5 Centralized Exchange: Binance, Huobi, OKEx, Coinbase, Kraken; Top 5 Decentralized Exchange: DEx.top, OpenLedger, Waves DEX, Bisq, IDEX*

#03

Impact investing and real assets: a different stance required for individual investors?



RESEARCH ABSTRACT

Recent “economy dislocating” events (e.g. pandemics, Ukraine) have shaken financial markets (e.g. from low/negatives interest rates to reflation and long term rates) and **shed light on the “utility” of investments**. ESG investing has grown fast over the past years: **The total issuance volume of sustainable bonds in Europe has increased 18-fold during the last five years**, from EUR 26 billion at the end of 2015 to EUR 476 billion at the end of 2020. The Covid-19 crisis accelerated this trend during 2021, leading to an increase in the assets of sustainable bonds to EUR 707 billion during the first 10 months of 2021.

But recent European mass-affluent investors survey reveals a “disconnect” between real life hazard investors want hedge for (e.g. illness, unemployment, economic disruptions vis à vis their patrimony) and financial players offering. Indeed, clients ask for a) **much more customization**, and b) **straight-forward meaning-**

fulness (e.g. climate, poverty, economic recovery).

For financial players (e.g. asset and wealth managers, investment banks) this raises several issues among which **mass-customization and proof of impact**. The latter is being tackled by numerous recent regulations (e.g. Sustainable Financial Disclosure Regulation which came into effect in March 2021, and especially article 9 funds with a sustainability objective to specify) and many ongoing working groups (e.g. Finance for Tomorrow in Paris), but the former has drawn limited attention.

We believe that financial players should contemplate:

- Trusting more client’s perception of meaningfulness, especially for Real Assets, as opposed to relying on a nth regulation and its “procyclical” ecosystems (e.g. rating agencies, index providers, auditors) to assess “compliance”

Leveraging disruptive technologies (e.g. blockchain and artificial intelligence) to “reduce the distance” between [real] assets and end-investors and bridge the gap between perception and reality

On the client side, a few experiments have been done in a recent past where, for instance, **banks and supranational bodies teamed up** to insure the financial performance with ad hoc origination (e.g. infrastructures in emerging markets), the “ESG rationale”, and the ability to package and distribute (e.g. retail and affluent banking networks, IFAs).

Several FinTechs also support ad-hoc services to assess ESG related attributes (e.g. scores, fund multi-level transparency). But **gaining access to reliable data sometimes prove to be difficult**: accessing multiples data sources including real asset manufacturers data and relaying it back to individual investors. **Asia China** is good example of “headache” to gain access to data even though specialized Fintechs are emerging (cf. Miotech, Syntao).

We believe financial players should contemplate **providing access to unbiased data on real assets by federating neutral parties** (e.g. asset owners / builders, supranational agencies and / or public services) via a digitized “chain of trust” that could be natively supported by a **blockchain**.

On the “manufacturing” side, what is at stake is operating a **“distribute to originate”** process but in **“B2B2C” mode**. The “originate to distribute” process has been used for long to increase balance sheet rotation. Then, some players turned it around to better align with institutional investors demand. Now the end client matters. The idea is: federating end clients around a set of “motives” and providing tailor made investment vehicles with the same acuity one would have for institutional investors. Motif Investing, a US Fintech experimented this a few years ago before it got partially bought out by Charles Schwab [maybe because it threatened the asset management industry of disintermediation]. The idea was to **assemble a “crowd” with same investment characteristics** (e.g. risk appetite, purpose) and create a dedicated financial vehicle made out of a fund universe to be invested in. That solved the alignment with clients demand but not necessarily the underlying asset universe to make it happen.

We believe financial players need **work more across siloes from distribution network to corporate and investment bank to go one step further into the “distribute to originate continuum”**. That is sharing real assets funding deal pipe with “distributors” in touch with end clients (e.g. wealth managers, IFAs). This continuum could be equipped here again via a blockchain to insure “decentralize” trust among parties and enriched via artificial intelligence (cf. BofA-ML Priam apps that captures 80k data point to reach 80% of “distributability” of securities)

In order to make this happen, several hurdles need to be overcome but invariant is a) to be able to innovate across siloes, b) with numerous external ecosystems to bring fresh air and internal talents to secure data availability and technical feasibility at scale !

About Reboul&Co.

Reboul&Co. is an “**open strategy**” to **value extraction consulting firm** of new kind. We provide forward looking vision and contribute to tailor tomorrow’s world. We are committed to make transformation happen and yield positive impact for all stakeholders.

We focus our shop on **two meta-industries** which correspond to key economical stakes of our territories: **Finance** including Sustainable Finance of Tomorrow and **Midcaps**.

We tackle **growth strategies, cost and expense optimization, scarce resource management** while innovating continuously by crossbreeding and cross-fertilizing our Research and Experimentations across sectors.

Our industrial model is built around a **true independent name Partnership** backed by scalable partnering companies of reference. Since we are not omniscient, we work in an **open architecture mode with partnering ecosystems** (e.g. scientific, technological, environmental) on a finite number of well-chosen differentiating topics.

We are a House of Consulting Taylors. Our brand is a wink at the eponymous French luxury suit company.

About our ecosystems

AIQ, Artificial Intelligence Quartermaster, is an AI Investment House. AIQ invests in deep-tech AI companies throughout their lifecycle, innovates by incubating novel AI-first businesses, and infuses corporates with AI technology, insights and expertise.

La Javaness is an Artificial Intelligence factory. La Javaness helps large organizations to succeed by using machine intelligence responsibly and efficiently. Make AI at Scale

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