Digital Investing

October 2024

Robo-advisors are automated investment platforms that offer investment advice by leveraging client information and algorithms. When signing up for the service, investors are first asked to answer a series of questions about the amount they're looking to invest, their risk tolerance, and expected returns. The platforms then usually assign each investor a risk category from 1–10. This number is then used by algorithms to put the investment into various asset classes, often low-cost exchange-traded funds (ETFs). Robo-advisors also rebalance the portfolios at regular time intervals and offer extra services such as tax-loss harvesting. Companies are now looking to enhance their know-how in big data and analytics to deliver more personalized and specific investment advice.

Even though the industry has experienced strong growth since the first robo-advisors were launched, their current market share is marginal and mainly concentrated in the lower end of the market. Deloitte classifies robo-advisors according to their capabilities (see below). Over 80% of robo-advisors in countries such as the U.S., Germany, and the UK have 3.0 capabilities and are fast moving towards 4.0.

Source: Statista

1.0

- Online questionnaire
- Product or portfolio proposal
- Listed ETFs, bonds, shares

2.0

- Dedicated fund management
- Managed adjustments & rebalancing
- Funds of funds & portfolio view
- Risk-based portfolio allocation

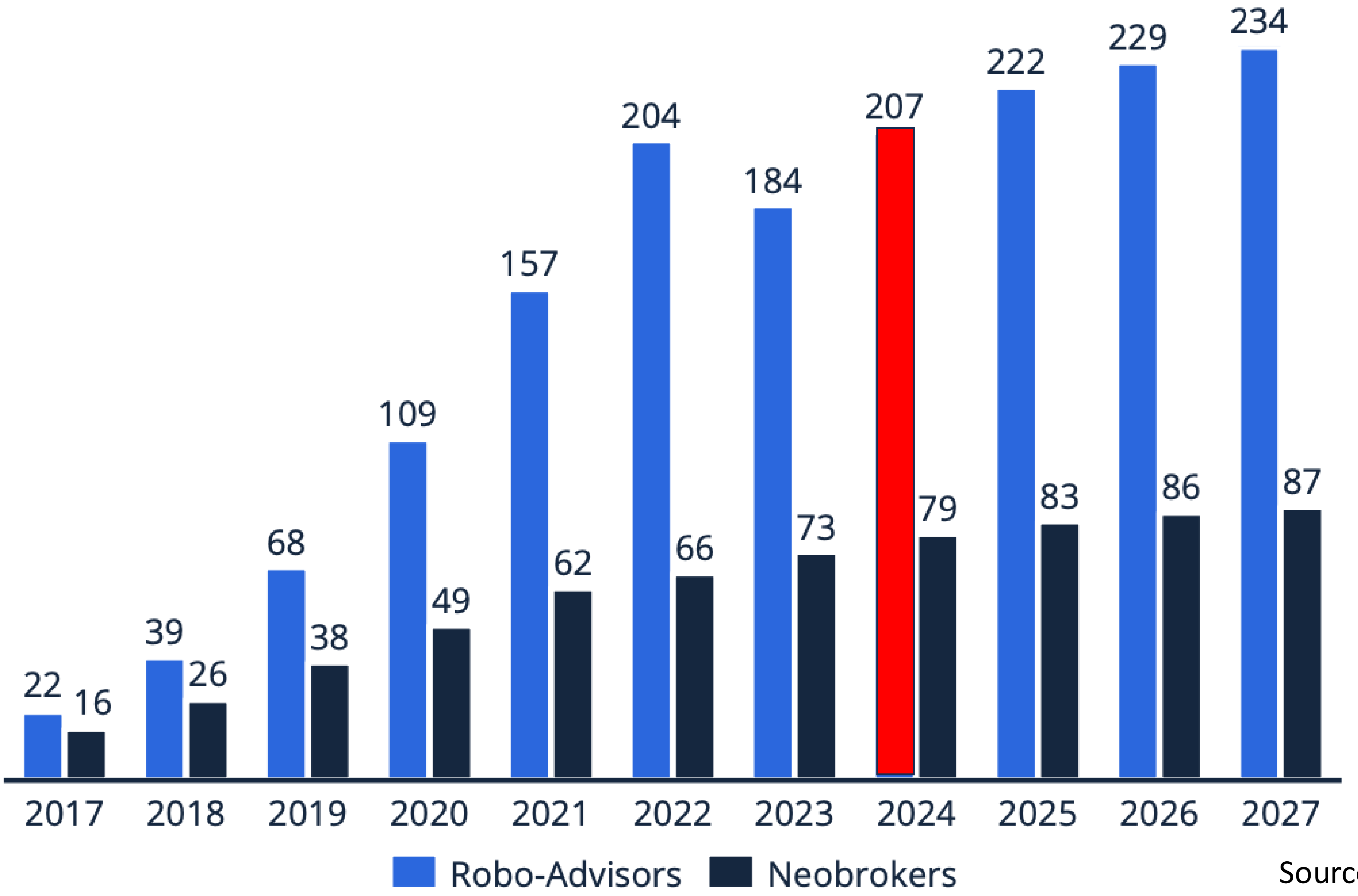
3.0

- Algorithm-based adjustments & rebalancing proposals
- Pre-defined investment rules

4.0

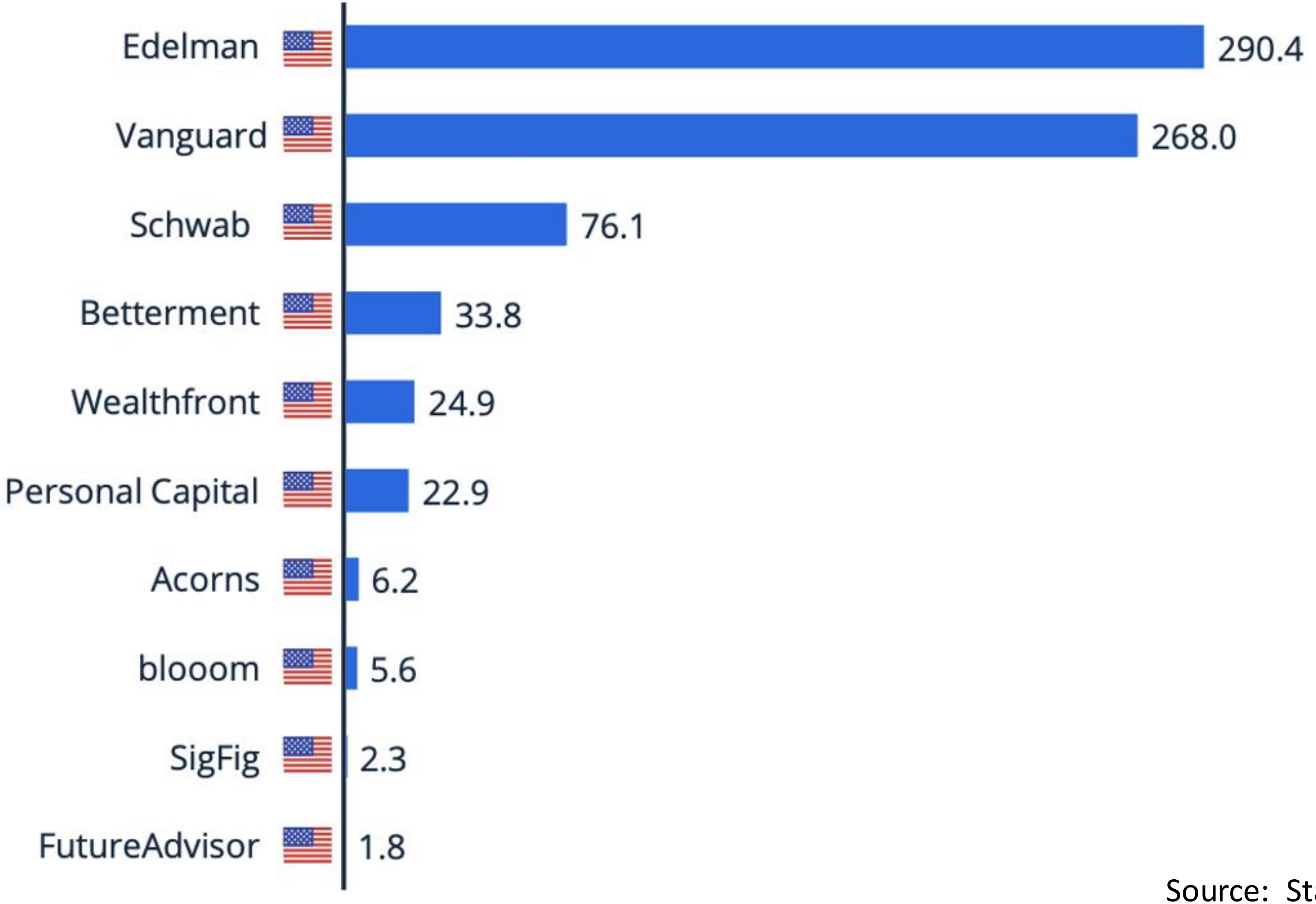
- Fully automated investments
- Self-learning algorithms
- Automatic asset shifts

Global(1) number of users in millions



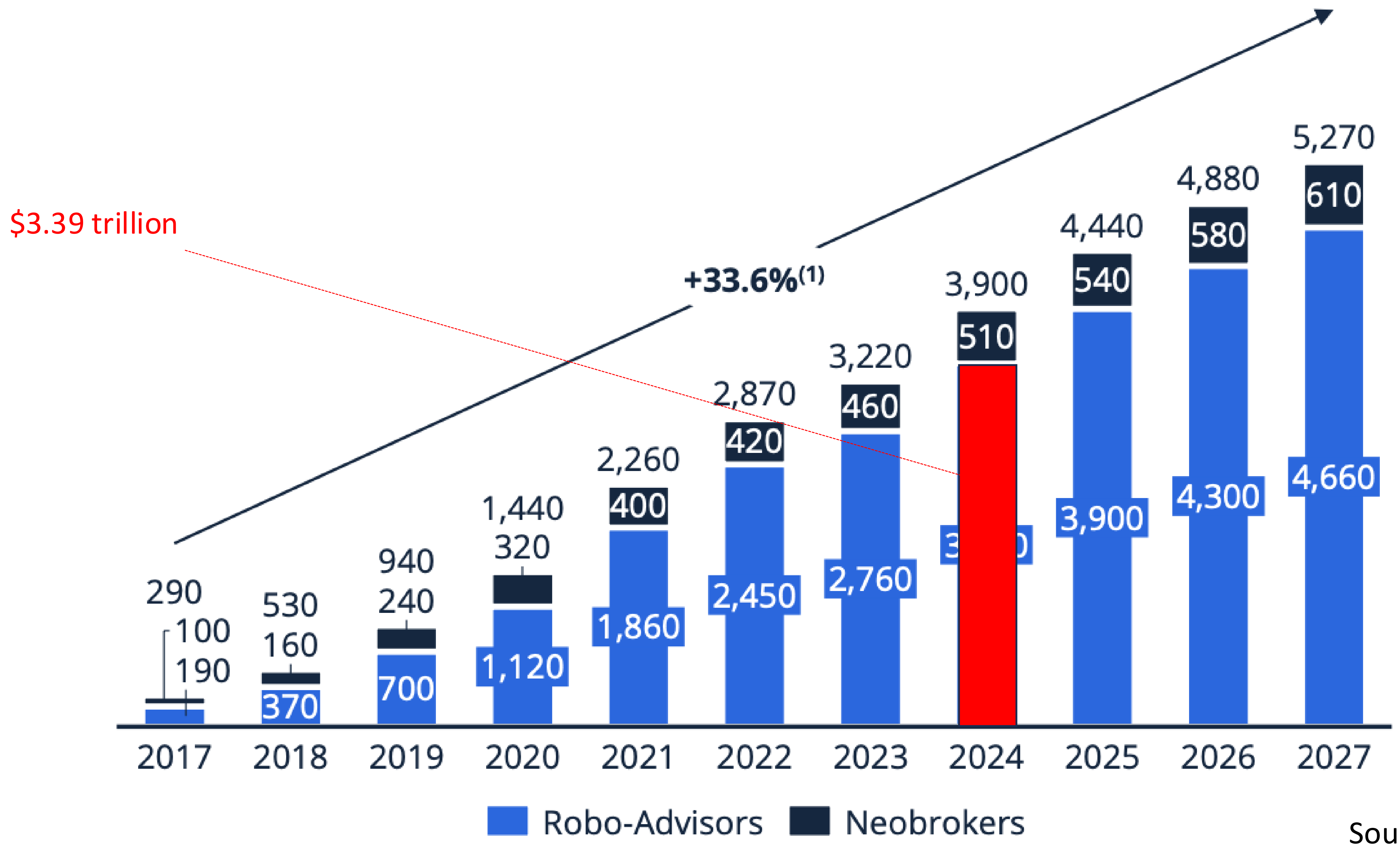
Source: Statista

AUM(1) by selected robo-advisors in million US$(2)



Source: Statista

Global(2) Assets Under Management (AUM) in billion US$



Source: Statista