

# ASSET MANAGEMENT IN EUROPE: WHICH WAY FORWARD?

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# ASSET MANAGEMENT BUSINESS MODELS FACE PRESSURE

**84%** of investment leaders expect consolidation of the industry in the next 5-10 years

**70%** expect investors will increase their allocations to passive investment vehicles

**52%** of CFA charterholders surveyed expect substantial or moderate contraction of profit margins at asset management firms

**57%** expect institutional investors will reduce cost by insourcing more investment management activities

# MEGATRENDS + FORCES = POTENTIAL FUTURES

## Megatrends

Big worldview changes not specific to finance

**Aging Demographics**

**Tech-Empowered Individuals**

**Tech-Empowered Organizations**

**Economic Imbalances**

**Government Footprint**

**Resource Management**

Forces of innovation and disruption specific to finance

## Scenarios

Tools to evaluate industry changes



**Fintech Disruption**



**Parallel Worlds**



**Lower for Longer**



**Purposeful Capitalism**

# FINTECH DISRUPTION SCENARIO



- **New technologies promote new business models**
- **Disruption and creative destruction are endemic**
- **Challengers do better than incumbents**
- **Major disruptions to the world of work**

# IMPLICATIONS FOR ASSET MANAGEMENT



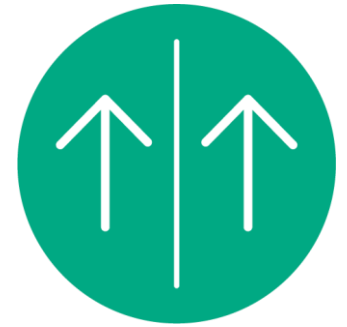
- Passive trend continues
- Robo-advisers grow
- Margin compression
- Active opportunities limited
- Customization reigns
- Workforce declines
- Regulatory monitoring

# PARALLEL WORLDS SCENARIO



- **Different segments – by geography, generation, and social group – engage in society differently**
- **A higher baseline for financial services participation with wider dispersion**
- **Product preferences for personalization, simplicity, and speed**

# IMPLICATIONS FOR ASSET MANAGEMENT



- Reputational risk
- Uncertain geopolitics
- Government influence decreases
- Corporate influence increases
- Next generation demands
- Women more influential
- Innovation

# LOWER FOR LONGER SCENARIO



- **Low interest rates and returns become embedded for the foreseeable future (5-10 years)**
- **Lower levels of global growth and higher levels of political instability**



# IMPLICATIONS FOR ASSET MANAGEMENT



- Pressure on asset management fees and margins
- Asset owner insourcing
- Slowing institutional flows into pension funds
- Courageous leadership needed
- Asset owners renegotiate terms with beneficiaries
- New types of client relationships

# PURPOSEFUL CAPITALISM SCENARIO



- **The investment industry raises its game with more professional, ethical, and client-centric organizations**
- **Institutions act with alignment-to-purpose, lower costs, and greater efficiency**

# IMPLICATIONS FOR ASSET MANAGEMENT



- Asset owner collaboration and influence
- Greater transparency
- War for talent
- Culture as a differentiator
- Stewardship focus

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