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PRESS RELEASE

PwC survey finds 88% of Asset Management CEOs are confident of revenue growth in 2015

Asset management CEOs are confident about revenue growth, reveals a PwC report. The firm's **18th Annual Global Survey** of more than 1,300 CEOs, which includes responses from 155 asset management CEOs in 46 countries, found a high 88% to be either 'very' or 'somewhat' confident about their revenue growth as they look forward to 2015, rising to 95% over three years. China and the US are viewed as the most important countries for growth prospects.

The findings echo the conclusions of PwC's '**Asset Management 2020**' white paper. It **predicts global assets under management will exceed \$100 trillion by 2020, up from \$63.9 trillion in 2012**, with much of the growth from emerging markets in Asia and Latin America. It also predicts the emergence of new fee models and opportunities in products that could disrupt traditional banking, as well as the rise of passive fund and exchange traded funds (ETFs).

However, with fees under pressure from the rise of ETFs and passive funds, **asset management CEOs remain vigilant on costs, with almost half (46%) aiming to cost cut in 2015 and 28% looking to outsource**.

PwC's survey shows a fifth of asset management CEOs plan to grow through cross-border merger in 2015 and more than a quarter through domestic mergers – a far higher percentage than for the rest of financial services.

More than a quarter reported entering a new industry over the past three years. A further 18% say they have looked into doing so. Indeed, PwC has seen asset managers disrupt banking by, for example, acquiring portfolios of real estate loans and lending to corporates. Alternative asset managers have broadened their product ranges to include private lending arrangements, primary securitisations and off-balance sheet financing.

Asset Management CEO's see their future competitors as coming from technology, financial services or business services. Already 'robo adviser' business models are appearing to threaten to disrupt wealth management through automating asset allocation.

From a business perspective, **68% of asset management CEOs are concerned about availability of key skills whilst 63% fear mounting cyber threats**, such as data security, which have become an ongoing business risk. What is more, even seven years on from the financial crisis, lack of thrust in business remains a concern according to 61%.

Nichola Christison, PwC Isle of Man's asset management director, commented:



“By 2020, technology will have become mission-critical to drive customer engagement, data-mining for information on clients and potential clients, operational efficiency and regulatory and tax reporting. At the same time, cyber risk will have become one of the key risks for the industry, ranking alongside operational, market and performance risk.”

While other sectors have tended to make greater use of technology, asset management CEOs are turning to it to deal with cost pressures with **88% reporting their main use for digital technology as improving operational efficiency**.

On the regulatory front, asset management CEOs’ anxiety about tax issues is a constant theme. **67% in PwC’s survey state an internationally competitive and efficient tax system should be a government priority in their country**, although half see government as having failed to achieve this. However, they do see some benefits from regulation with **53% saying improved regulatory coordination is increasing cross-border capital flows**.

In PwC’s view, **future success in this sector will depend on its attracting not only the most skilled investment professionals but also talented individuals in areas like compliance, technology and risk management**, which 77% of asset management CEOs have indicated they are looking to do.

Nichola Christison concluded:

“Asset managers face a volatile environment over the next three years but there has never been a time when all the variables are completely positive or negative. Compared with three years ago, when the financial crisis’s after effects were even stronger than today, asset management CEOs see both greater opportunities (65%) and greater threats (56%). Opportunities exist because of some of the mega trends, for example, who will gain competitive advantage through disruptive technologies in the asset management industry? But there will also be challenges for those that do not have a strategy to succeed in high-growth areas.”

ENDS

Notes to Editors:

PwC’s report **‘Redefining competition in a world without boundaries: Asset Management Summary’**, is based on the response from 155 asset management CEOs in 46 countries. To see the full results of PwC’s 18th Annual Global Survey, please visit www.pwc.com/ceosurvey

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