



News release

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New PwC report identifies six gamechangers for asset managers

- **Report: Global assets under management to exceed \$100 trillion by 2020**
- **'Findings in report bode well for Bermuda's efforts to grow asset management sector'**

Hamilton, Bermuda – New research from PwC predicts that global assets under management (AuM) will rise to around \$101.7 trillion by 2020, from a 2012 total of \$63.9 trillion. This represents a compound annual growth rate of nearly 6%.

Asset Management 2020: A brave new world outlines what the asset management industry may look like in the future and is the combination of research into key mega-trends that are affecting not only the asset management industry, but all industries globally.

It identifies six gamechangers that asset managers will have to analyse and address in order to capitalise on the opportunities this changing landscape presents:

- Asset management moves centre stage
- Distribution is redrawn
- Fee models are transformed
- Alternatives become more mainstream, passives are core and ETFs proliferate
- A new breed of global managers: 2020
- Asset management enters the 21st century as technology becomes mission critical

“The findings in the report bode well for Bermuda,” said **Scott Watson-Brown, Asset Management Leader, PwC Bermuda**. “We are continuing our focus on bringing the island forward as a long-term, sustainable platform for asset managers seeking a jurisdiction that can provide an operating environment that understands their needs and offers solutions.

“Industry, the Bermuda Government and regulators are working together in a proactive way to encourage and support international business and attract new business to the island.”



Mr Watson-Brown continued: “There is no one solution to building the successful asset manager of 2020 and beyond. Asset managers that develop coherent strategies and act with integrity towards clients are likely to build the brands that are not only successful in 2020, but that retain the trust of their clients.

“The response to the gamechangers we’ve identified will require considerable thought in order to create great strategy. The successful asset managers of 2020 will have already started to shape their responses to some or all of these gamechangers.”

The new PwC report finds that assets under management in the SAAAME (South America, Asia, Africa, Middle East) economies are set to grow faster than in the developed world in the years leading up to 2020, creating new pools of assets that can potentially be tapped by the asset management (AM) industry. However, the majority of assets will still be concentrated in the US and Europe.

The PwC report further shows global AuM growth will be driven by pension funds, high-net-worth individuals (HNWIs) and sovereign wealth funds. At the client level, the global growth in assets will be driven by three key trends:

- The increase of mass affluent and high-net-worth-individuals in the SAAAME region.
- The expansion and emergence of new sovereign wealth funds (SWF) with diverse agendas and investment goals.

The increasing defined contribution (DC) schemes partly, driven by government-incentivized or government-mandated shift to individual retirement plans.

Strong branding and investor trust in 2020 will only be achieved by those firms that avoid making mistakes that attract the ire of investors, regulators and policymakers.

“The coming years will bring the industry higher volumes of assets than ever before which places more responsibility on firms to manage these assets to the best of their collective ability,” said **Mr Watson-Brown**. “Asset managers must clearly outline the value they bring to customers while being fully transparent over fees and costs.”

Other findings:

Pension fund assets will reach close to \$57 trillion by 2020

PwC predicts pension fund assets will grow by 6.6% a year to reach \$56.5 trillion by 2020 from a 2012 total of \$33.9 trillion.

Mass affluent clients and high-net-worth-individuals in SAAAME regions will drive growth...

Mass affluent (those with wealth between USD 100,000 and USD 1m) clients and high-net-worth-individuals (wealth of USD 1 million or more) in SAAAME regions are key drivers of growth.

A more prominent role for SWFs in global capital markets...

The size of SWFs is rising fast and their presence in international capital markets is becoming more prominent. SWFs’ AuM are currently above \$5 trillion and PwC predicts this figure will surge to nearly \$9 trillion by 2020.



The six gamechangers that asset managers will have to address to capitalise on new opportunities, in more detail, are:

1. *Asset management moves centre stage*: Asset management has long been in the shadows of its cousins in the banking and insurance industries. By 2020, it will have emerged definitively from their shadows.
2. *Distribution is redrawn – regional and global platforms dominate*: By 2020, four distinct regional fund distribution blocks will have formed which will allow products to be sold pan-regionally. These are: North Asia, South Asia, Latin America and Europe. As these blocks form and strengthen, they will develop regulatory and trade linkages, which will transform the way that asset managers view distribution channels.
3. *Fee models are transformed*: By 2020, virtually all major territories with distribution networks will have introduced regulation to better align interests for the end-customer, and most will be through some form of prohibition on having the asset manager allocate to distributors as evidenced in the UK's Retail Distribution Review (RDR) and MiFID II. This will increase the pressures of transparency on asset managers and will have a substantial impact on the cost structure of the industry.
4. *Alternatives become more mainstream, passives are core and ETFs proliferate*: Traditional active management will continue to be the core of the industry as the rising tide of assets lifts all strategies and styles of management. But traditional active management will grow at a less rapid pace than passive and alternative strategies, and the overall proportion of actively managed traditional assets under management will shrink. PwC estimates that alternative assets will grow by some 9.3% a year between now and 2020, to reach \$13 trillion.
5. *A new breed of global managers*: 2020 will see the emergence of a new breed of global managers, one with highly streamlined platforms, targeted solutions for the customer and a stronger and more trusted brand. These managers will not only emerge from the traditional fund complexes, but from among the ranks of large alternative firms, too.
6. *Asset management enters the 21st century*: Asset management operates within a relatively low-tech infrastructure. 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.

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Notes to Editors

To download a copy of Asset Management 2020, please visit www.pwc.com/assetmanagement

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