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News Release

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Margins Shrink for Public Asset Managers as Fees Compress, According to Casey Quirk Analysis

NEW YORK and DARIEN, Conn., Feb. 7, 2019 – Operating margins for publicly traded firms in the global asset management industry are eroding to levels seen only in the aftermath of the 2008 financial crisis, according to estimates by Casey Quirk, a Deloitte business.

Preliminary data reveal margins shrinking to 29 percent in 2018, from a post-financial crisis high of 34 percent in 2015, for the same group of investment managers. The margin decline implies $29 billion of unrealized profits for the entire global investment management industry, privately held as well as listed firms, in the three years through 2018. Global industry profits totaled $93 billion in 2018, Casey Quirk estimates.

Total assets under management rose an average of 6.9 percent annually for the three years through 2018, while margins fell an average of 5.2 percent annually over the same period for publicly listed asset managers.

"The financial performance over the past several years suggests a secular change is occurring in the investment management industry: asset growth is no longer guaranteed to yield margin enhancement as fee pressure intensifies and costs continue to rise," said Amanda Walters, senior manager at Casey Quirk.

Fees for both active and passive strategies declined by an average of 5 percent annually for the three years through 2018, according to Casey Quirk. That compares with fee erosion of 3.5 percent for passive and 2.5 percent for active, annually for the previous three-year period, through 2015.

"While the industry's challenges are ample, some firms are separating from the pack by developing competitive advantages in higher-demand investment strategies, shifts in pricing policies, more customization, and the strategic use of data and technology," Walters said.

According to Casey Quirk's 2018 white paper, *Industrial Evolution: Securing Profitable Growth in Tomorrow's Asset Management Industry*, 30 percent of managers have been able to increase profit margins in recent years, even amid periods of market turbulence. In a challenging operating environment, firms that embark and execute on needed changes across people, processes, and technology can position themselves as tomorrow's market leaders.

Data on publicly listed asset manager firms was derived from the Casey Quirk/McLagan Performance Intelligence 2018 Study, Casey Quirk Global Demand Model, S&P Capital IQ, and Form 10-K filings.

About Casey Quirk
Casey Quirk, a Deloitte business, is a leading management consultancy that focuses solely on advising asset management firms. Casey Quirk was established in 2002 and acquired by Deloitte in June 2016. The firm has advised a majority of the 50 largest asset management organizations worldwide, including eight of the top 10. Casey Quirk provides senior leadership teams with broad business strategy reviews, investment positioning and strategy consulting, market opportunity evaluations, organizational design, ownership and incentive structuring, and transaction due diligence. For more information, please visit www.caseyquirk.com.

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