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News Release

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Capital Markets Rebound, Asset Manager Financials Continue Slide in Q2 2020: Casey Quirk

NEW YORK and STAMFORD, Conn., Aug. 24, 2020 – Capital markets are mostly returning to pre-pandemic crisis levels, yet asset manager financials are still feeling the impact from the brief and severe slump earlier in 2020, according to asset management strategy consultant Casey Quirk, a Deloitte business.

In an analysis of second-quarter 2020 financial results of 19 firms worldwide with a combined $16 trillion in assets under management (AUM), Casey Quirk said median revenue at traditional publicly traded asset managers fell 6.4% in the three months ended June 30, compared with the first quarter of 2020, as investors moved assets to lower-fee bond and cash funds amid the market uncertainty. Fee discounting, an ongoing trend, contributed to a 2.2% decline in average realized fees, and operating expense was 2.4% lower versus the first quarter of 2020.

While AUM at these firms climbed 12% from March 31 to June 30, average AUM fell 6.2% and median net flows declined 0.3%.

On a year-over-year basis, median revenue for managers in the Casey Quirk universe fell 7.1%; average realized fees were 3.7% lower; and operating expense also declined 3.7%. Average AUM and AUM at the end of June were 5.4% and 4.4% lower, respectively, and median net flows fell 0.6% compared with the second quarter of 2019.

Median operating margins continued a mostly downward trend for traditional publicly traded asset managers. Median operating margins were 27% in the second quarter of 2020 versus 29% for all of 2019.

"Large, diversified publicly traded managers are faring best, while firms primarily dependent on specific asset classes and client segments produced more mixed results," said Amanda Walters, a Casey Quirk principal. "Multi-affiliate firms remain under the most pressure as their economics are challenged by complex cost structures and positive results from only select affiliates.

"Continued market uncertainty because of the pandemic and underlying financial trends bring into sharp focus the growing gap between asset managers that are willing to challenge their legacy businesses and those hoping higher market levels will bail them out of current difficulties," Walters said.

That's particularly true in active equity management, where persistent fee decay and an ongoing struggle to outperform passive equity benchmarks will force asset managers to address their deficiencies, Casey Quirk said in its recent white paper, "Righting the Ship: Transforming Active Equity for a Competitive World."

Casey Quirk defines traditional asset managers as those that primarily invest in publicly traded stocks and bonds on behalf of individuals and institutions.

Casey Quirk, a business of Deloitte Consulting LLP, 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 organization 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 see the Casey Quirk website here.

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