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News Release

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Publicly Traded Asset Managers Battle Declining Revenues and Increased Costs in Q3 2022: Casey Quirk

Alternatives Firms Continue to Fare Better But Momentum Is Slowing

NEW YORK and STAMFORD, Conn., Dec. 8, 2022 – Traditional publicly traded U.S. asset management firms experienced their third consecutive quarterly decline as equity markets reached their lowest levels since November of 2020. Traditional managers saw revenue and asset declines and rising costs which continue to drag down earnings, according to research from global asset management strategy consultant Casey Quirk, a Deloitte business.

According to Casey Quirk's analysis, with the S&P at the end of Q3 down 6% versus the end of Q2 and 25% year-to-date (YTD), managers' revenue decreased 5% versus Q2 2022 and 18% YTD for the median traditional firm. The median traditional asset manager saw assets under management (AUM) decline 6% versus the prior quarter and 20% in aggregate since year-end 2021. Casey Quirk's analysis reviewed 18 listed traditional and alternatives asset managers in North America with a combined $17 trillion in AUM as of Sept. 30, 2022.

Flows for traditional managers were down 0.5% for the quarter (versus +1.7% in 2021) but remain slightly positive overall for the year. However, flows have been insufficient to offset losses driven by declining capital markets and the majority of YTD flows have been concentrated in money markets, alternatives, and passive strategies.

Asset managers are also battling rising costs in the current inflationary environment. The median manager in the Casey Quirk peer group has experienced a 7% year-over-year rise in general and administration costs versus Q3 2021. Casey Quirk's research with its asset manager clients suggests that rising costs are particularly acute in the technology, market data, and marketing expense areas.

Compensation expenses remained flat versus the prior quarter but are down 2% as compared with Q3 of 2021, suggesting that firms are taking action to keep compensation costs in check. Notably, 22% of traditional managers in the sample have announced formal hiring freezes.

"We expect persistent declining revenues in the first three quarters of the year to put pressure on asset managers' 2022 year-end bonuses and full year profits," said Scott Gockowski, senior manager at Casey Quirk. "However, the recent rebound in markets should buoy asset manager financials for the year."

Alternatives managers continue to fare better, although momentum is slowing relative to prior quarters. Revenue is up, as is compensation, and few firms have announced hiring freezes – indeed some have indicated they will continue hiring to support expansion. Alternatives firms saw 4% median revenue growth and 2.2% net flows over the quarter.

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 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 visit www.caseyquirk.com.

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