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Casey Quirk Analysis: Assets and Operating Margins Rose for Publicly Traded Asset Managers Worldwide in 2017, but Revenues Did Not Keep Pace

NEW YORK and DARIEN, Conn., March 27, 2018 – A new analysis by Casey Quirk, a practice of Deloitte Consulting LLP and a leading strategy consultant to the asset management industry, shows that industry operating margins improved in 2017 and assets under management rose for the majority of firms surveyed. Despite that good news, asset growth was driven almost entirely by capital appreciation from strong markets versus net flows, and revenues continued to erode under fee pressure.

Largely buttressed by capital market growth, assets under management for the public firms in the study increased 16 percent in 2017, while organic growth from net flows remained low at .03 percent. Operating margins rose to 31 percent, a boost from 29 percent in 2016. However, by comparison, revenues only grew by 11 percent, largely the result of fee pressure. While revenues were lower from 2015-2016 at negative 1 percent, fee pressure was only partly responsible for this contraction, whereas last year, fee compression was the major culprit.

Fourteen percent of the firms analyzed had negative revenue growth in 2017, down from 52 percent in 2016, and 45 percent in 2015. The five firms with the highest inflows in the analysis captured 72 percent of the growth, a big leap from only two years ago when that number was 60 percent.

In addition, the trend toward passive investing continued, representing an estimated 48 percent of asset flows last year, contributing to a 4 percent decline in industry realized fees. These factors continue to create an increasingly competitive landscape among asset managers.

"With the maturing bull market in 2017, many public asset management firms grew their assets and had stronger margins for the first time in several years," said Amanda Walters, a senior manager at Casey Quirk. "However, fees continue to decline, creating a larger divide between winners and losers in the industry. Future winners will be defined by their focus on efficiency, quality and innovative investments, progressive use of technology, and a clear and differentiated value proposition."

According to Casey Quirk's analysis, asset management firms that invest in technology and brand, streamline their operations and offer differentiated investment products can be successful in this pressured-industry environment. Many will likely be firms that may not be well-known today.

Data on publicly listed asset manager firms was derived from S&P Capital IQ and firm Form 10-K filings.

About Casey Quirk
Casey Quirk, a practice 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 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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