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GLOBAL INVESTMENT MANAGEMENT ASSETS, REVENUE, AND OPERATING MARGINS SLUMP IN 2015: CASEY QUIRK

DARIEN, Conn., January 20, 2016 – Muted net flows into investment strategies were insufficient to overcome negative market performance worldwide in 2015, resulting in lower global assets under management, revenue, and operating margins for the first time since the financial crisis of 2008-2009, according to preliminary data from Casey Quirk & Associates LLC, a leading management consultant to asset managers worldwide.

Global assets under management fell 2.4%, to \$65 trillion last year from \$67 trillion in 2014, according to the Casey Quirk analysis. Revenue slid 2.9% to \$309 billion from \$319 billion in 2014. Median operating margins fell back to 32% in 2015, matching the median levels achieved in 2012 and 2013, but trailing the 34% generated in 2014.

Net flows globally in 2015 wilted to 1.6% from 2.6% in 2014, according to Casey Quirk. As discussed in a recent paper, *"The Roar of the Crowd: How Individual Investors Transform Competition in Asset Management,"* http://www.caseyquirk.com/pdf/Casey_Quirk_Roar_of_the_Crowd_November_2015.pdf Casey Quirk estimates that global asset management industry net flows will average 1.7% from 2015 through 2020.

"2015 is in fact emblematic of the 'new normal' we see emerging in the industry," said Jeffrey Levi, partner at Casey Quirk and head of the firm's Knowledge Center. "Beyond a low-growth environment and fee pressure, investment management leaders are confronting a broad industry shift in which individual investors are the primary source of new revenue. Going forward, industry leaders will differentiate themselves through product development, brand, specialized client engagement, and risk management."

Indeed, individual investors are driving the large moves to passively managed index funds and ETFs (exchange-traded funds). Casey Quirk estimates that net flows into passive investments totaled \$747 billion in 2015, more than double the \$312 billion of net money into active strategies.

Since 2009, when passive funds had an 11% share of the overall market, that segment has grown by almost 73%, and now represents 19% of the total global asset management market in

2015. Active strategies, which enjoyed an 89% market share in 2009, now represent 81% of the total market, according to Casey Quirk estimates.

About Casey, Quirk & Associates LLC

Casey Quirk is a management consultant that focuses solely on advising investment management firms. Casey Quirk's work with senior leadership teams includes broad business strategy reviews, investment positioning and strategy, market opportunity evaluations, organizational design, ownership and incentive structuring, and transaction due diligence. From its offices around the world, Casey Quirk has advised a majority of the 50 largest investment management organizations worldwide over the past five years. For more information please visit www.caseyquirk.com.

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