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BARRIERS TO SUCCESS RISE AS INDIVIDUAL INVESTORS, NOT INSTITUTIONS, SHAPE ASSET MANAGEMENT'S FUTURE: CASEY QUIRK

DARIEN, Conn., November 16, 2015 – Organic growth in the global asset management industry will shrink below 2% by 2020, and 120% of net new flows into investment strategies will come from individual investors, up from 90% in 2014, according to a new white paper from Casey Quirk & Associates LLC, a leading management consultant to asset managers worldwide.

For asset management firms, this will accelerate a focus on hiring and retaining talent, outcome-oriented product innovation, brand, market-leading systems, and risk management, according to the Casey Quirk paper, "*The Roar of the Crowd: How Individual Investors Transform Competition in Asset Management.*"

While the industry's economics remain attractive with revenues and operating profit margins touching all-time highs in 2014 and remaining favorable despite market volatility in 2015, new pressures are arising with too many firms chasing a slower-growing business, new entrants into the market from rival financial services firms, and the growing importance of the individual as the driver.

According to the new white paper, the shift toward individuals shaping the marketplace will both challenge and create opportunity for asset managers. With this transformation, assets under fully integrated investment advice have grown nearly twice as fast as traditionally intermediated assets since 2008. In addition, 20% more asset managers are supplying the industry and intensifying competition, in turn creating greater fee compression in the marketplace. Going forward, traditional asset managers will be challenged in the following four ways:

- **Products:** a focus on outcomes will help fuel nearly \$4 trillion of demand between now and 2020 for multi-asset and benchmark-agnostic strategies worldwide, partly funded by redeeming active benchmark-oriented products.
- **Services:** at least 70% of U.S. financial advisors want more investment-oriented, resource-intensive advice from asset managers, a sentiment reflected globally.

- **Productivity:** distributing to individuals is at least one-third less efficient than selling to institutions, reducing industry leverage.
- **Regulation:** policymakers worldwide will call for objective and discretely priced investment advice, re-arranging economics for asset managers.

“Producing a slightly better mousetrap is not going to cut it in this era of individual investors guiding investment flows,” said Benjamin Phillips, a co-author of the paper and a partner at Casey Quirk. “Going forward, asset managers will face growing competition from larger financial services firms and will only prove their value by offering differentiated value propositions, strong performance, especially in outcome-oriented investments, and the brand to back it up.”

The rise of the individual investor also will accelerate some longer-term changes in the industry:

- Industry profit margins will remain attractive and in line with historical norms, but the range in profitability between successful and unsuccessful asset managers will widen.
- Global institutional investors will still represent significant revenue opportunity, but gaining assets in a marketplace characterized by turnover instead of growth will require a different product set and a new engagement model.
- Increasing regulatory oversight will prevent technology companies from becoming direct competitors to asset managers, but they will ally themselves with a range of financial services companies to support advice delivery to individuals.
- Group financial services companies, with bigger brand budgets and more tools with which to provide individuals with the cash flows they desire, will seek to become more effective owners of asset managers, and will spur M&A that may encourage industry concentration.
- Investment performance remains a key ingredient of success, but will become more difficult to report, measure, and compensate (through fees) in an outcome-oriented, individual-driven world, making brand more important.

To obtain the full Casey Quirk white paper, please visit the firm’s website, www.caseyquirk.com.

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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