News release

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One in six asset and wealth management companies will be swallowed up or fall by the wayside in the next five years: PwC Global Asset & Wealth Management Survey

- Global assets under management fell to US$115.1 trillion in 2022 - nearly 10% below the 2021 high (US$127.5 trillion) - representing the greatest decline in a decade
- AUM to rebound by 2027, reaching US$147.3 trillion - representing a compound annual growth rate of 5%
- More than 90% of asset managers are already using disruptive tech like AI, big data, blockchain. Assets managed by robo-advisers will reach US$5.9 trillion by 2027, more than double the figure of US$2.5 trillion in 2022
- Inflation, market volatility, and interest rate movements are by far the biggest concerns for investors and asset managers over the next 12-24 months
- Nearly three-quarters (73%) of asset managers are considering a strategic consolidation with another asset manager
- Top ten largest asset managers to control around half of mutual fund assets globally by 2027, up from 42.5% in 2020, with private markets to account for up to half of AWM revenues by 2027, up from 37.6% in 2020

Bridgetown, Barbados 11 July 2023 – One in six (16%) asset and wealth managers globally are expected to be swallowed up or fall by the wayside by 2027, twice the historical rate of turnover, according to PwC's 2023 Global Asset and Wealth Management Survey, published today.

The report, based on PwC's latest industry projections and a survey of 250 asset managers and 250 institutional investors, paints the picture of an industry grappling with a set of challenges – digital transformation, shifting investor expectations, consolidation and "retailisation".

As a result, 73% of asset managers are considering a strategic consolidation with another asset manager in the coming months in order to gain access to new segments, build market share and mitigate risks.

Firms are also turning to technology to transform, with more than 90% of asset managers already using disruptive technological tools (including big data, AI and blockchain) to enhance investment performance.

A direct consequence of these pressures – and the drive to deliver at scale amid cost and competitive pressures – is that by 2027, PwC expects the top ten largest asset managers to control around half of all mutual fund assets globally, up from 42.5% in 2020.

Asset managers faced a tough year in 2022, with global assets under management (AUM) falling to US$115.1 trillion, nearly 10% below the 2021 high (US$127.5 trillion). This represented the greatest decline in a decade. The survey finds that inflation, market volatility and interest rate movements are by far the biggest concerns for both investors and asset managers over the next 12 to 24 months. However, AUM are expected to rebound by 2027, reaching US$147.3 trillion (representing a compound annual growth rate (CAGR) of 5%).

Ross Parker, Territory Leader and Asset & Wealth Management Leader, PwC East Caribbean, said:

"It's clear from this survey the challenges that are sweeping the global asset and wealth management industry against a backdrop of social, economic and geopolitical disruption. In order for firms to not only survive but thrive the choice is simple – adapt to the new context or fail. Firms that effectively leverage technology such as generative AI, build meaningful inroads to new and existing customers, diversify their recruitment, and deliver exceptional client experiences will be well-positioned for near and long-term growth."

Other key findings and themes from the report include:

Asset and wealth managers are turning to AI, disruptive technologies and individualised indexing

PwC predicts assets managed by robo-advisers will reach US$5.9 trillion by 2027, more than double the figure of US$2.5 trillion in 2022. Individualised indexing is also gaining popularity, particularly among investors seeking tax optimisation benefits, as well as those interested in ESG, factor investing and algorithmic portfolio construction. Nearly 40% of institutional investors are planning to invest in custom indexing products in the coming 12 to 24 months, whereas almost half of asset managers expect to add individualised indexing solutions to their offering. By 2027, PwC expects direct indexed AUM to have more than tripled to US$1.47 trillion, roughly 1% of total AUM, while active ETFs are forecasted to rise from US$4.6 billion to US$1.1 trillion – accounting for 7.5% of the global ETF market by 2027.

Private markets to drive AWM growth and returns

The report demonstrates that as the global economy heads back into growth, and inflationary and interest rate pressures ease, global AWM revenues will bounce back to reach US$622.1 billion by 2027, topping the record highs of US$599.4 billion generated in 2021. PwC expects this increase to be led by a continued surge in private markets revenues, which will account for around half of global AWM revenues by 2027, up from 37.6% in 2020. Private markets, which represented 10.6% of AUM in 2022, will drive 49.7% of global revenues by 2027. Meanwhile, passives are set to drive just 6.4% of global revenues by 2027, despite accounting for 26.4% of global AUM in 2022.

APAC and emerging markets to set pace of growth

Asia-Pacific, along with emerging markets in Africa and the Middle East, will set the pace of growth in AUM. In PwC's base-case scenario, growth rates in Asia-Pacific will be roughly 50% higher than in North America by 2027. Previously slow industry expansion in the Middle East – due to complex regulatory environments – is expected to pick up, as AWM organisations seeking new markets for revenue growth have renewed impetus to make inroads into these highly valuable regions.

Purpose, DE&I and ESG are imperative

AWM organisations are embracing purpose-led growth and ESG in areas such as funding for the net-zero transition alongside imperatives to improve diversity, equity and inclusion (DEI) across the industry. More than half (57%) saw employees increasingly demand disclosures on the organisation's impact on the economy, with 50% demanding disclosures over ESG matters. However, only 37% say employers are taking action around improving DEI.

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Notes to Editors:

About PwC: At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with nearly 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

About the survey: PwC's 2023 Global Asset and Wealth Management Survey is an international survey of global asset managers and institutional investors. The asset manager survey sample comprised 250 respondents. The respondent base was cross-sectional in terms of role, firm size and tranche. The institutional investors survey sample also consisted of 250 respondents. Respondents covered a broad spectrum of AUM size, with more than half boasting assets of over US$10 billion. Public and private pension funds together accounted for more than 60% of the institutional investor respondent base. The survey aimed to assess the current AWM industry's response to recent macroeconomic and business environment changes, gather insights on the direction in which those changes are likely to take the industry in the coming years, and evaluate industry players' level of preparedness for this evolution of the AWM landscape.