



KPMG 2024 Asset Management CEO Outlook

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Foreword

Capital makes the world go round. And asset managers are the conduit of capital flows. With more than US\$120 trillion in assets under management,¹ the sector plays a key role in shaping the prospects of virtually every other sector. What matters to asset managers, therefore, matters to everyone.

The fact that asset management CEOs are confident about the economy and geopolitics bodes well for growth. Their keen interest in generative AI (Gen AI) and digitization suggests the pace of market transformation will pick up speed. Their own appetite for mergers and acquisitions (M&A) at the fund level will likely drive more deals at the portfolio level. Many of the signs are positive.

However, our survey also suggests asset managers have concerns that will likely ripple through the wider economy. They worry about talent gaps — particularly related to AI and climate — that likely indicate a deeper challenge globally. They are concerned about cyber resilience and retaining stakeholder trust. They are struggling with changing stakeholder expectations around sustainability and climate.

¹ Statista database

Some of the most successful asset managers are those that recognize the deep linkages between these opportunities and challenges and take a more holistic approach to their strategy. Consider, for example, the multiple linkages between AI, talent and growth. Some may see AI as an opportunity to reduce the workforce and improve productivity — a headcount play. Others see it as a way to enhance the value their talent brings to the organization and are hiring key skills to support that goal — using their investment into AI as a way to attract new employees.

Ultimately, asset management is all about raising, deploying, managing and exiting capital across the global economy. And I believe that asset management CEOs recognize the critical role they will continue to play as economies transform and trust in public institutions shifts. It is a massive responsibility that I believe the asset management sector is ready to take on.

This report highlights key insights from the KPMG 2024 Asset Management CEO Outlook survey. To learn more about the topics or ideas raised in this report, I encourage you to contact your local KPMG member firm.



Andrew Weir

Global Head of Asset Management
(retired September 2024)
KPMG International

Executive summary

As global interest rates start to flatten and fall and worries of major market recessions recede, asset managers are increasingly confident about their company's growth prospects and expect an uptick in earnings.

Yet the environment for asset managers has become increasingly complex. Technology is evolving at a rapid pace, creating massive opportunities for asset managers to improve their productivity and the value of their investments. It is also creating new risks and recalibrating old ones. The sustainability agenda (and investors' views on it) continues to change, as do perceptions of trust and geopolitical expectations which — individually and combined — are reshaping capital flows and investment strategies.



Asset managers recognize that the world is still global, but the nature of globalization is starting to look and feel different. Investment strategies increasingly reflect the geopolitical realities that asset managers face."

Andrew Weir

Global Head of Asset Management (retired September 2024), KPMG International

While our respondents may not have ranked it first, our reading of the data indicates that talent shortages and gaps are significantly impacting asset managers' progress on a range of fronts. They say they lack the talent to execute their sustainability agenda, to achieve their Gen AI goals and to deliver on their growth strategies. And they plan to enhance their employee value proposition and improve their diversity to better attract and retain talent.

Taken together, this data paints a picture of an asset management sector buoyed by renewed confidence and eager to deliver on the expectations of investors, regulators and society.



Bullish on growth

Asset management CEOs are upbeat about their growth prospects with **73 percent** confident in the growth prospects of the industry and **80 percent** confident in their own company's growth prospects.



Building on AI

75 percent of asset management CEOs say that Gen AI is a top investment priority for their firm, despite the ongoing economic uncertainty (compared to **64 percent** in other sectors).



Bold on talent

Talent remains a key concern for asset management CEOs around the world with **71 percent** of respondents saying that a lack of talent could negatively impact their organization's growth prospects over the next three years.



Balancing on ESG

70 percent say that — as confidence and trust in governments decline — the public is looking to business to fill the void on societal challenges.

Key findings

Confidence is up



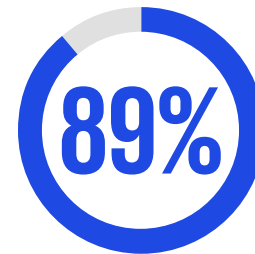
80% of asset management CEO's are confident in their company's growth prospects

21%

think earnings will top 5 percent



Attracting talent is key



89% of asset management CEO's plan to increase headcount



70%

expect to see employees in the office every day

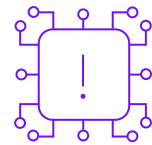
AI will bring benefits and risks

#1



benefit for asset managers is to upskill the workforce

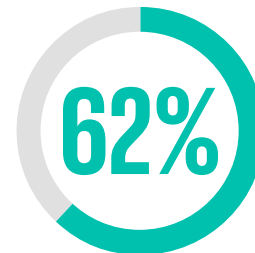
But just



34%

are well prepared for a cyber-attack

ESG is becoming more complex



62% of asset management CEO's have fully embedded ESG into their business



45%

say they are confident they will achieve their net-zero goals by 2030

Source: KPMG 2024 Asset Management CEO Outlook



Section 1

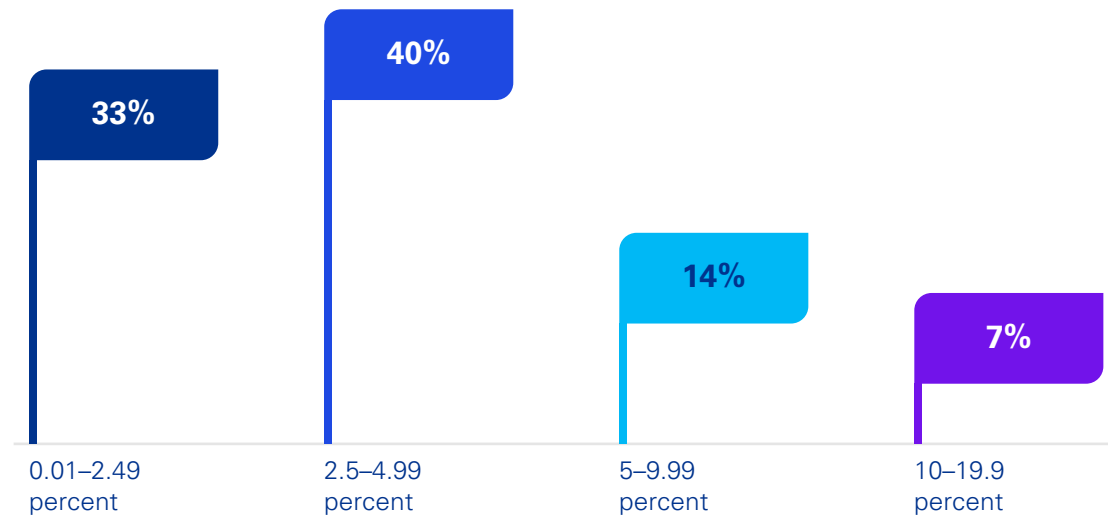
Bullish on growth

Asset management CEOs are upbeat about their growth prospects. In our survey, 73 percent say they are confident in the growth prospects of the industry and 80 percent are confident in their own company's growth prospects.

Expectations are fairly optimistic. Sixty-one percent say they expect earnings to grow by 2.5 percent or more; 21 percent of the total think earnings growth will top five percent in the next three years. Perhaps not surprisingly, 89 percent think they will increase headcount over the next three years with 38 percent expecting headcount to increase by more than five percent in that time.

Further reinforcing their confidence in the macro trends, asset management CEOs were less likely than CEOs from other sectors to voice concerns about current economic uncertainty (44 percent of asset management CEOs note concern versus 53 percent of CEOs in other sectors). They were also less likely to raise concerns about geopolitical complexities (38 percent versus 47 percent).

Organization's earnings outlook in the next three years



Source: KPMG 2024 Asset Management CEO Outlook



M&A will play a key role going forward. In our survey, asset management CEOs cite inorganic growth as their top operational priority to achieve their growth objectives over the next three years. And 89 percent say they have either a moderate or high appetite for M&A activity.

Interestingly, our data suggests that appetite for big, impactful mergers may be down this year. Whereas last year, 58 percent of respondents said they had a high appetite for impactful deals, the number of CEOs saying the same this year fell to 39 percent, likely reflecting concerns related to inflation, capital costs, geopolitical uncertainty and the potential for a recession in key markets.

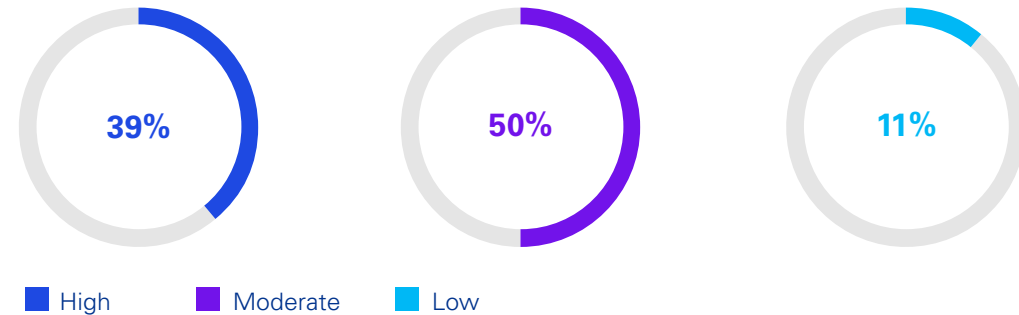


There are a lot of different forces at play and there are still good returns to be achieved, but risk is a very dynamic concept and therefore the agility and resilience of business and investment decisions is key."

Andrew Weir

Global Head of Asset Management
(retired September 2024)
KPMG International

M&A appetite



Source: KPMG 2024 Asset Management CEO Outlook



Section 2

Building on AI

Asset management CEOs recognize the massive impact that emerging technologies — Gen AI in particular — will have on their growth prospects and operational priorities.

Seventy-five percent of our respondents say that Gen AI is a top investment priority for their firm, despite the ongoing economic uncertainty (compared to 64 percent in other sectors). And our survey shows that 84 percent expect to see returns on their investment into Gen AI within the next five years.

For the most part, few asset management CEOs seem to think that Gen AI will result in workforce reductions. In fact, most see Gen AI as an opportunity to help upskill their workforce for future readiness or to enhance existing processes, particularly fraud detection, cyber attack response and data analytics. Only one percent think that Gen AI will eliminate more jobs than it creates.

Top benefits of implementing Gen AI



Source: KPMG 2024 Asset Management CEO Outlook



For many asset managers, generative AI isn't a way to reduce the amount of talent you need, but rather to attract the new talent you want. They see generative AI and other technologies as a way to be more productive."

Andrew Weir

Global Head of Asset Management (retired September 2024), KPMG International

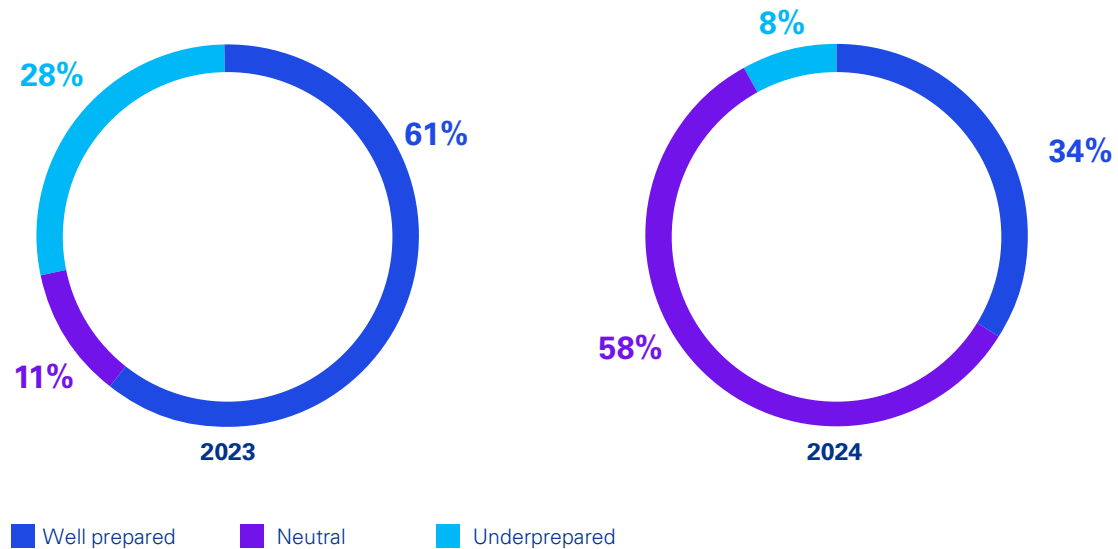


Our survey reveals that concerns about Gen AI also run high within the asset management sector. Sixty percent say that ethical concerns such as privacy issues, bias and discrimination are a challenge when implementing Gen AI. Eighty-three percent say they are worried that regulation will become a barrier to adoption and value creation. And few think they have the technical capabilities required to deliver on their Gen AI ambitions.

Security also emerged as a major concern. In fact, asset management CEOs are almost twice as likely as their peers in other sectors to say they are concerned about cyber security inhibiting their growth over the next three years. Yet just 34 percent say they feel they are well-prepared to manage a cyber-attack (only four percent say they are 'very well prepared'). Interestingly, confidence is down significantly from last year when 61 percent reported confidence in their cyber capabilities.

The new KPMG report, *Evolving Asset Management Regulation 2024: Building strong foundations*, provides an analysis of the key regulatory developments in AI (and more) from almost 30 jurisdictions as well as global regulatory standard setters.

Cyber-attack readiness



Source: KPMG 2024 Asset Management CEO Outlook



In the past, people thought about cyber security in terms of an attack or a hack. I think now it is being seen much more broadly, bringing into scope governance over systems, governance over AI, governance over data and reputational risks."

Andrew Weir

Global Head of Asset Management (retired September 2024), KPMG International



Section 3

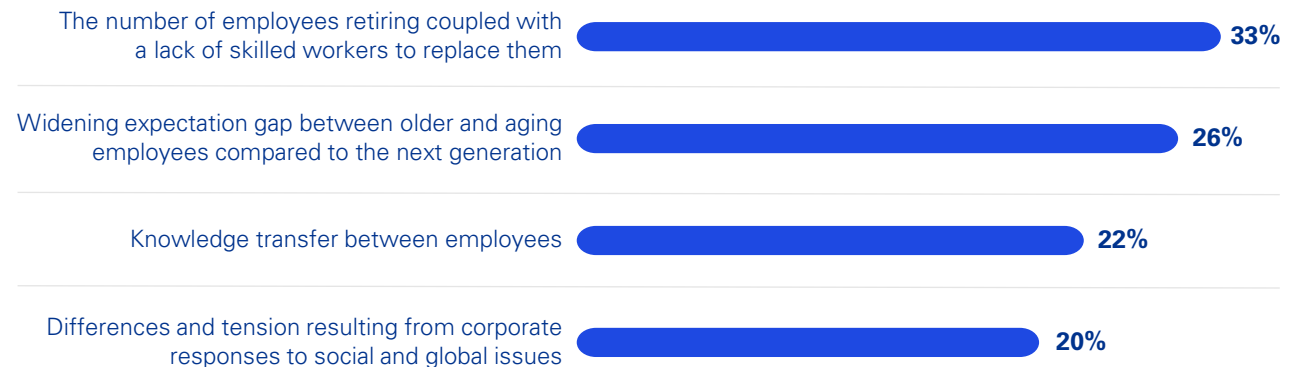
Bold on talent

Talent remains a key concern for asset management CEOs around the world. As noted, 89 percent say they want to increase their headcount over the next three years. And 71 percent say that a lack of talent could negatively impact their organization's growth prospects over the next three years.

In particular, asset management CEOs are concerned about their ability to replenish their talent as Boomers retire and the widening gap between older and aging employee groups compared to the next generation. As a result, they are facing challenges related to transferring knowledge between employees in the organization.

Not surprisingly, therefore, 34 percent cite competition for talent as one of their top challenges today, versus 27 percent in other sectors. Eighteen percent say they will focus on enhancing their ESG credentials to attract and retain top talent. And 14 percent say their number one priority for driving growth is to refocus their employee value proposition.

Factors that have the largest impact on the company



Source: KPMG 2024 Asset Management CEO Outlook



Access to talent is rapidly emerging as a key constraint across a range of asset management priorities — from achieving net-zero ambitions through to unlocking the value of AI. The links between growth and a strong talent strategy are becoming increasingly clear.”

James Suglia

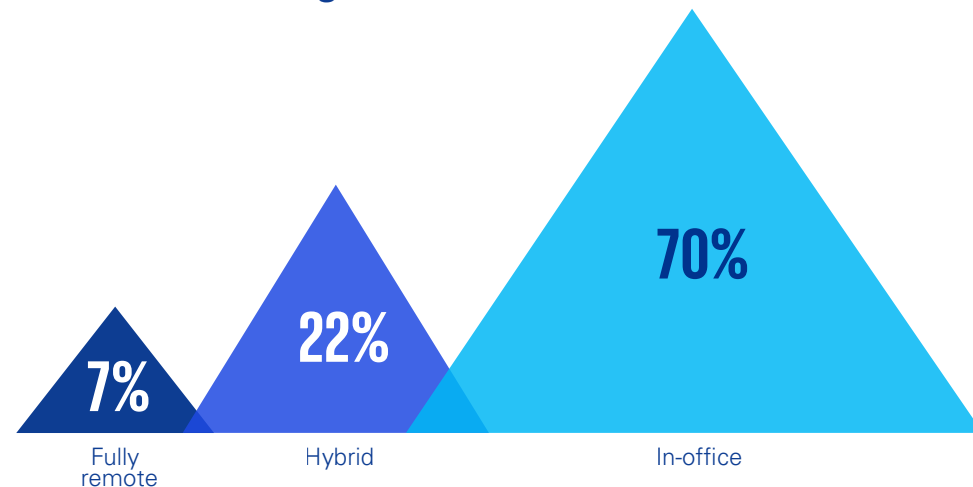
Global Head of Asset Management (as of October 2024), KPMG International

Growing the talent pool continues to be a key priority. More than three-quarters of asset management CEOs say progress has moved too slowly on diversity and inclusion in the business world. And they believe that public scrutiny of an organization's diversity performance will only increase in the future. Seventy-seven percent say that improving diversity in their organization starts with diversity at the senior levels.

One thing asset management firms won't be competing on is workplace flexibility. Our survey suggests that 70 percent of sector CEOs expect their employees to show up at the office every day and another 22 percent say they allow some form of hybrid working where staff come to the office for a set number of days per week. Going to the office will have some perks; 89 percent say they are likely to reward employees who do so with favorable assignments, raises and/or promotions.

While our survey clearly shows that few organizations plan to reduce headcount as they ramp up their use of Gen AI, asset management CEOs still recognize that roles, responsibilities and activities will likely change and evolve as AI is integrated into workflows and strategies.

Choice of working environment



Source: KPMG 2024 Asset Management CEO Outlook



Section 4

Balancing on ESG

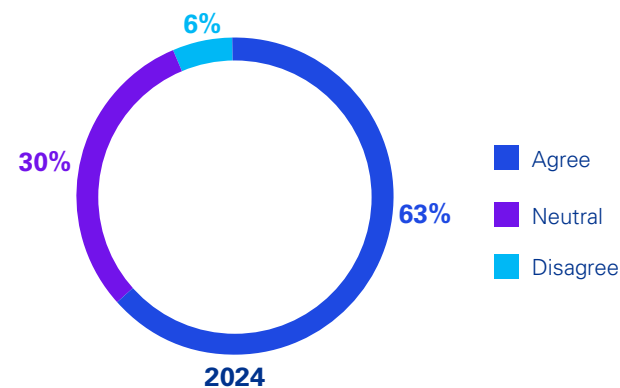
Asset management CEOs are struggling to align their ESG ambition with investor expectations. On the one hand, our survey shows that asset management CEOs believe they must move on ESG expectations. Seventy percent of our respondents say that — as confidence and trust in governments decline — the public is looking to business to fill the void on societal challenges such as inclusion, climate change and social justice.

As this recent article, [Private Equity's next big leap](#) from KPMG asset management and private equity leaders explains, the drive to net zero represents a massive opportunity for asset managers to create a new era of growth, value creation and returns. Yet our survey reveals that they are concerned about the impact of missing ESG targets and ambitions. Many worry that missing their climate goals and net-zero targets will impact their cost of finance. More than a quarter fret that missing their targets could threaten their tenure as CEO.

On the positive side, 62 percent say they have fully embedded ESG into their business to create increased value. But only 45 percent say they are confident they will achieve their net-zero goals by 2030.

In part, the uncertainty around future ESG strategies comes down to shifting investor expectations. Nearly two-thirds of our respondents say their stakeholder expectations with regards to ESG change faster than they can adapt their strategy. And 70 percent say they have the capability and capacity to meet new reporting standards.

CEO Perspectives on rapidly changing stakeholder expectations on ESG vs. strategy adaptation speed



Source: KPMG 2024 Asset Management CEO Outlook

Our survey also reveals specific operational challenges to achieving asset management net-zero goals. Many suggest they are struggling with capability and capacity challenges. The biggest barrier to achieving climate goals identified by our respondents is a lack of appropriate technology solutions, followed by the complexity of decarbonizing their supply chains and a lack of skills and expertise.

“

We are seeing an increase in demand for ESG due diligence as deal makers recognize the role ESG plays in driving value creation.”

Gerri McMahon

Lead of Global ESG for Asset Management
KPMG International



Key recommendations



Explore the interdependencies of your operational and investment environment

Understand how one lever influences others and build a holistic strategy that aligns key considerations like trust, talent, technology and ESG to drive growth.



Focus on talent

While new technologies like Gen AI may improve productivity and capacity, human talent and value creation will remain at the core of the asset management sector. Step up to the fight for talent.



Balance risk and opportunity with AI

Gen AI could deliver significant value to asset management firms, both at an operational level and at a portfolio level. Understanding the opportunities and the risks are expected to be key to smart governance.



Understand your stakeholders' ESG expectations

ESG criteria are not going away and pressure from employees and society to deliver on ESG promises will be high. Engage with investors and stakeholders to understand their needs and expectations.



Build agility and resilience

While the most recent round of economic uncertainty seems to be abating, asset managers should use this opportunity to help improve their operational agility and resilience. The world continues to change quickly.

How KPMG can help

KPMG firms' asset management practice offers specialized services to a wide range of industry clients at local, national and global levels. Our professionals in Audit, Tax and Advisory are specialists in their fields and have deep experience in the issues and needs of the investment management businesses.

Our member firms' clients include investment managers, wealth managers, family offices, fund administrators and service providers who focus on mutual funds, hedge funds, private equity funds, infrastructure funds and real estate funds, and institutional investors for pension funds and sovereign wealth funds.

We aim to provide you with tailored services of the highest standard. KPMG firms are focused on objectives of building trusted relationships and delivering quality output through project teams that can support you from anywhere in the world, whatever your investment activity.





Methodology

The KPMG 2024 Asset Management CEO Outlook, part of the 10th edition of the KPMG 2024 CEO Outlook, is compiled from the views of 125 asset management chief executive officers, which was conducted between 25 July and 29 August 2024, providing unique insight into the mindset, strategies, and planning tactics of CEOs.

All respondents have annual revenues over US\$500M and a third of the total companies surveyed have more than US\$10B in annual revenue. The survey included CEOs from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors, including asset management. NOTE: some figures may not add up to 100 percent due to rounding.

In the asset management research, the two largest sub-sectors were private equity (or special situations, private credit, infrastructure or similar direct investment strategies) with 22 percent of respondents and traditional asset management (primarily equities and fixed income) with 18 percent. The best-represented countries based on organizational headquarters are the US, the UK, followed by Australia, Canada, China, France, India and Japan.



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Global Head of Asset Management
(retired September 2024)
KPMG International

Andrew is the Global Head of Asset Management and Real Estate, KPMG International. He has over 30 years of experience servicing listed companies, public bodies, investment funds and multinational corporations in Hong Kong (SAR) China, the Chinese Mainland, Asia and internationally.

Andrew is a Senior Partner of KPMG in Hong Kong (SAR), China and has served in several senior national, global and regional roles within the KPMG global organization. Andrew also sits on the Global Client Advisory Board and is the Chair of the Audit Management Board.



James Suglia

Global Head of Asset Management
(as of October 2024)
KPMG International

Jim is the National Practice Leader for the Alternative Investments Practice and a member of the firm's Global Investment Management Executive Leadership team. He has more than 25 years of experience in the Mutual Fund and Alternative Investment industries.



Geri McMahon

Lead of Global ESG for Asset Management
KPMG International

Geri is a leader in KPMG's Climate Change & Sustainability team in Australia. She advises the Asset and Wealth Management sector on ESG and Responsible Investment.

Geri joined KPMG in January 2023 after spending 13 years in London. Prior to joining KPMG, she was Co-Head of Responsible Investment at a global professional services firm where she led a diverse, multi-disciplinary team of ESG specialists in providing advice to UK institutional investors.

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