Critical Topics in Asset Management:

# Navigating change: key trends in asset management

# Webinar topic and speakers:

## Navigating change: key trends in asset management

Profitability challenges, technological advancements and regulatory changes are driving disruption in asset management. We will discuss global industry performance and trends, the associated impact on the sector in Ireland and key considerations for local management teams.

**Moderator: Gary Fitzpatrick**
Principal, Asset Management Audit

**m:** +353 87 050 4057
**e:** gary.fitzpatrick@kpmg.ie

**Gerard Duffy**
Director, Financial Services Strategy

**m:** +353 87 111 6976
**e:** gerard.duffy@kpmg.ie

# Introduction

01

## Industry trends

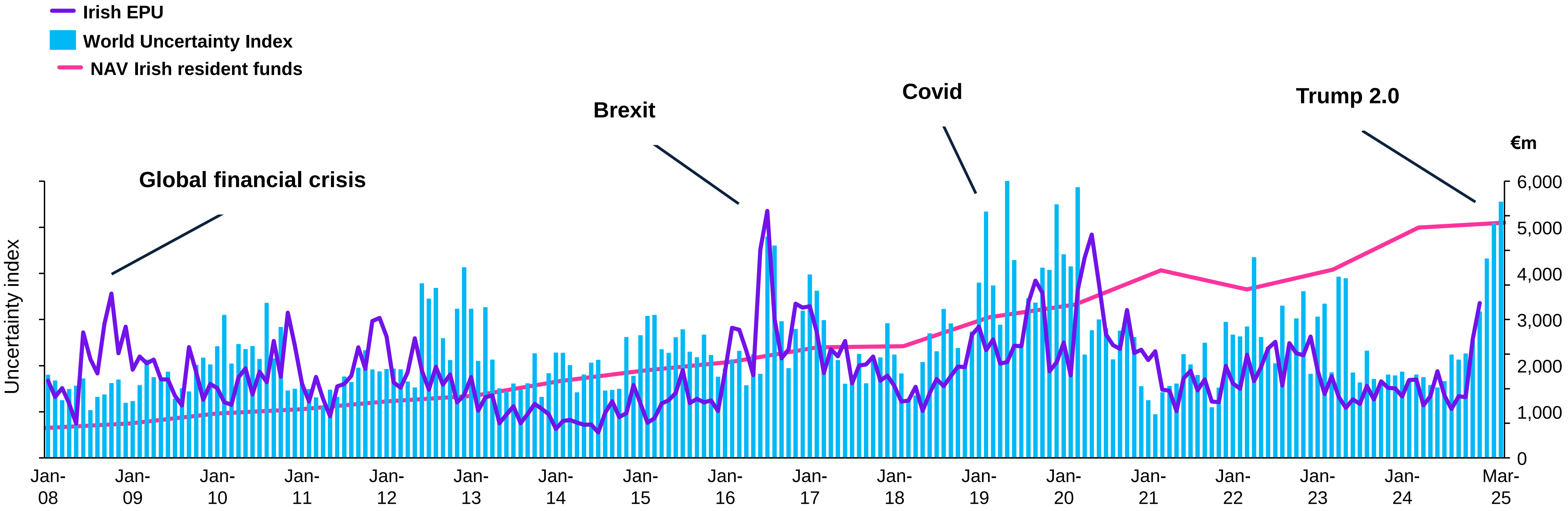
02

## Management team response

# The Irish funds industry has shown resilience in the face of external shocks and macroeconomic uncertainty

**The World Uncertainty Index (WUI) / the Irish Economic Policy Uncertainty (EPU) Index and Net Asset Value of Irish-resident funds[1,2,3]**

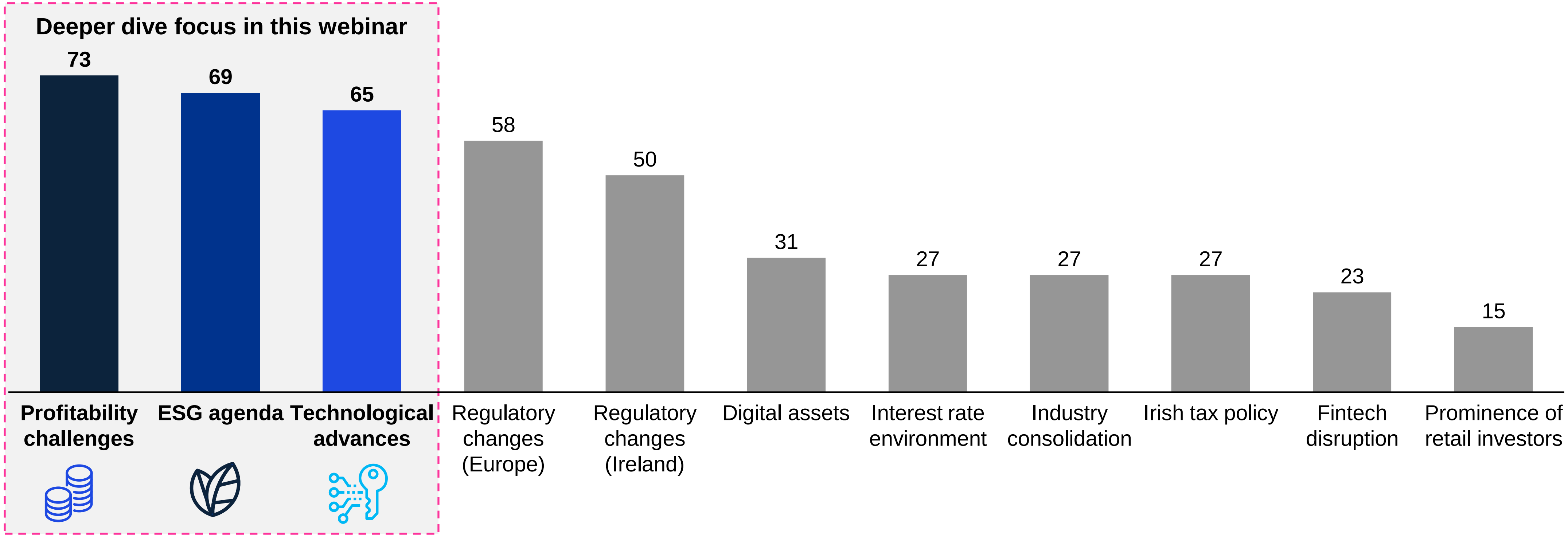
*World Uncertainty Index values, Irish EPU Index values, €bn*




**Source:** **[1]** World Uncertainty Index **[2]** Economic Policy Uncertainty **[3]** Central Bank of Ireland

# The sector is going through significant structural changes and will continue to evolve over the coming years

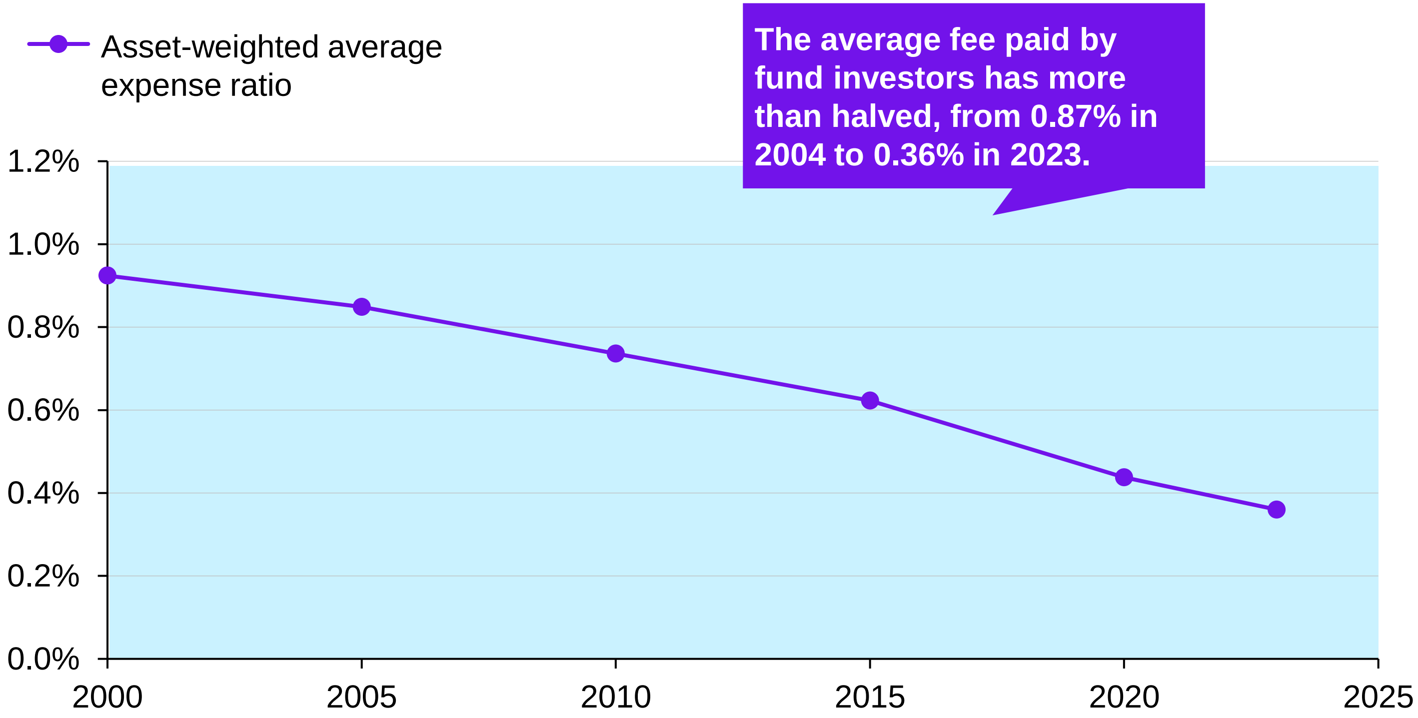
**Which of the following will act as the key drivers of change in the Irish asset management industry over the next 3-5 years?**
*% of respondents*




**Source:** KPMG survey

# Fee compression continues but nuance evident across asset class and geography

**Historic average fund fees**[1]
*% of AUM, annualised, 2000-2023*



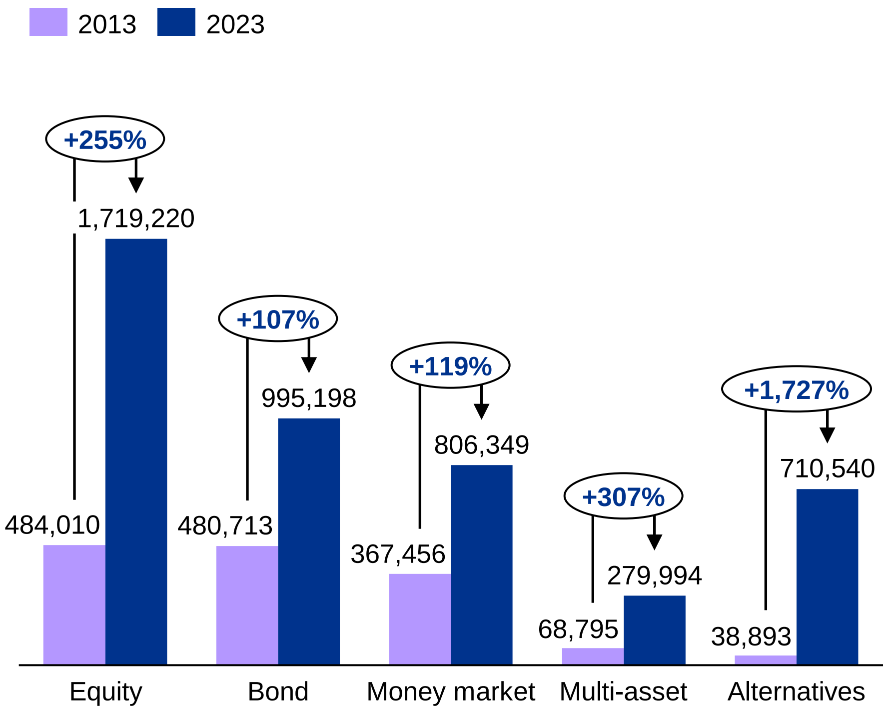

**Source: [1]** Morningstar

## `Key trends

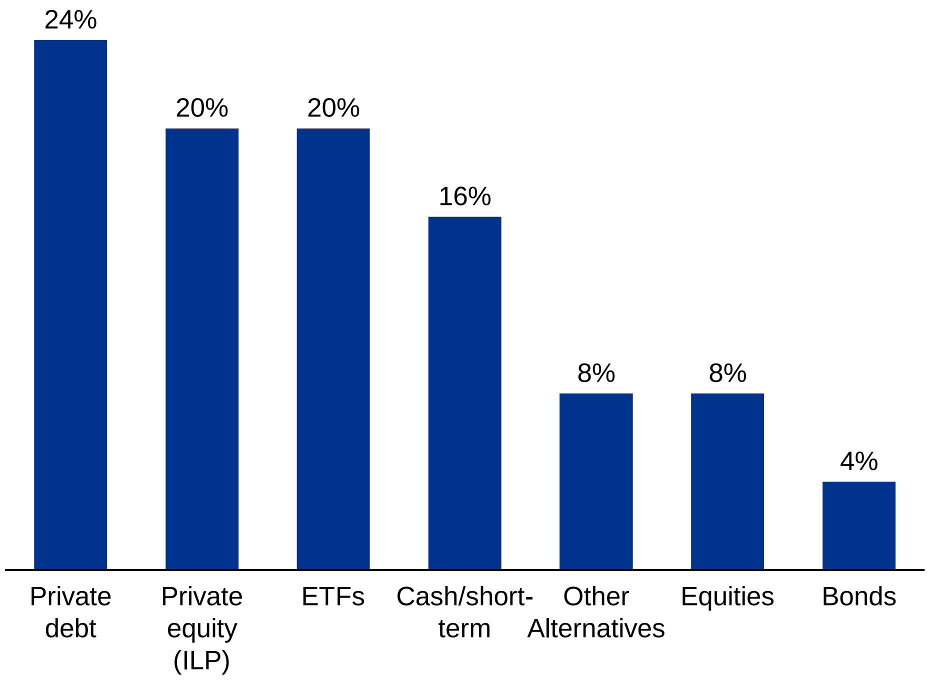
- Decrease in fees appears to be slowing
- New mutual funds are getting cheaper but new ETFs are getting more expensive
- Geographical differences evident
- Niche areas command higher fees (e.g. some active ETFs)
- Larger players expected to maintain stable fees.

# Growth of private markets, alternatives and passive investing expected to continue

**Irish mutual-fund asset mix[1]**
*$m, 2013-2023*



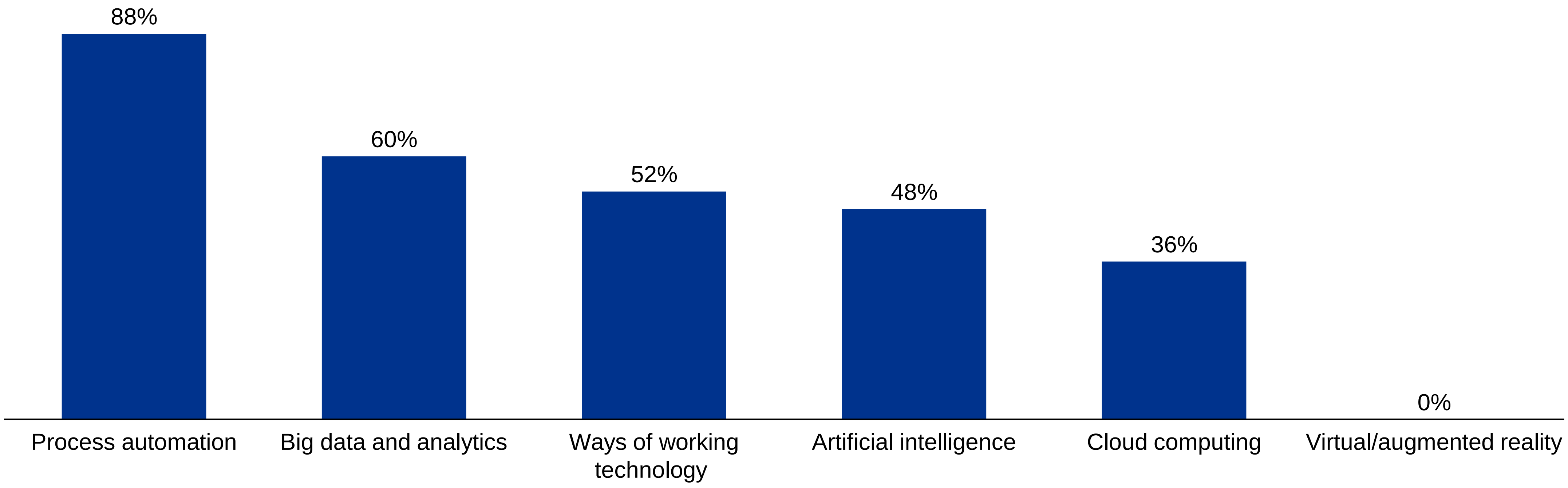

**Which of the following asset classes with have the greatest growth profile over the next 12-24 months?[2]**
*% of respondents*




**Source: [1]** Economist Intelligence Unit **[2]** KPMG Survey

# Given cost challenges, process automation is the key technology driver in the sector

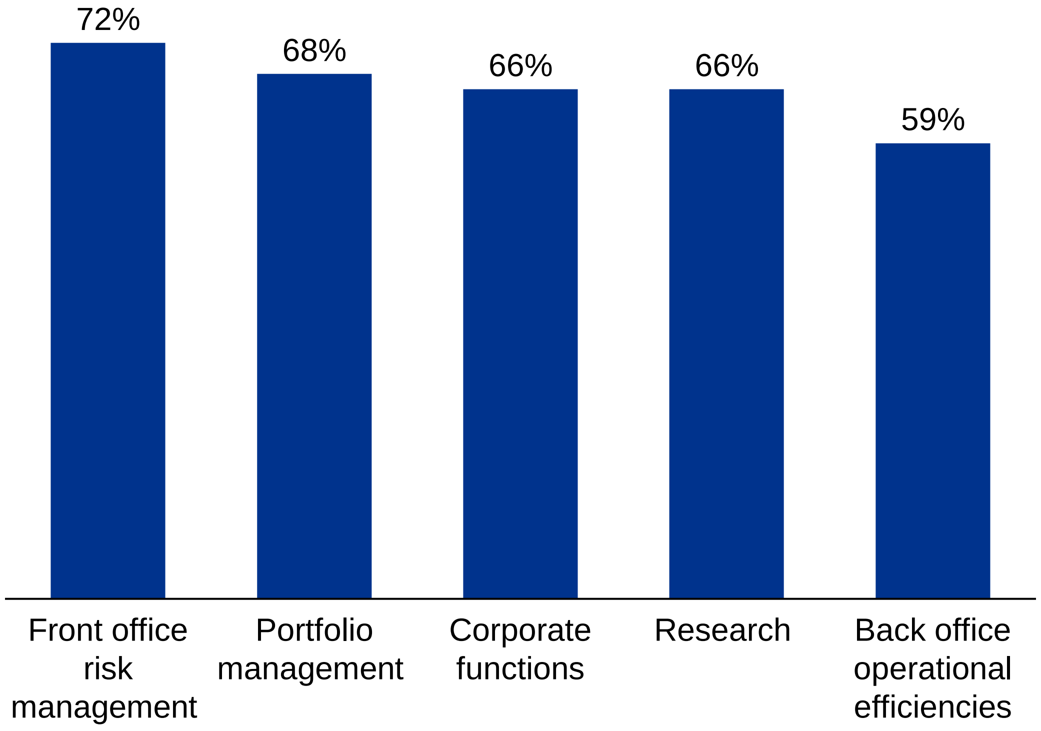
**Which of the following technologies are most impacting how you do business and your operating model?**
*% of respondents*



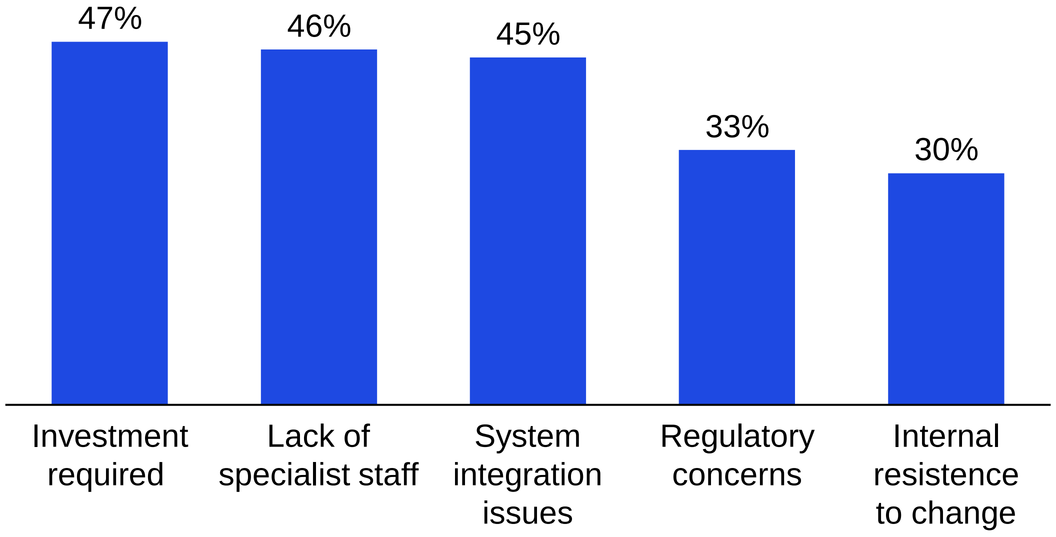

**Source:** KPMG survey

# Technology adoption is evident across organisations but implementation challenges evident

**Areas in which asset managers want to expand the deployment of data analytics and new technologies[1]**
*% of respondents*



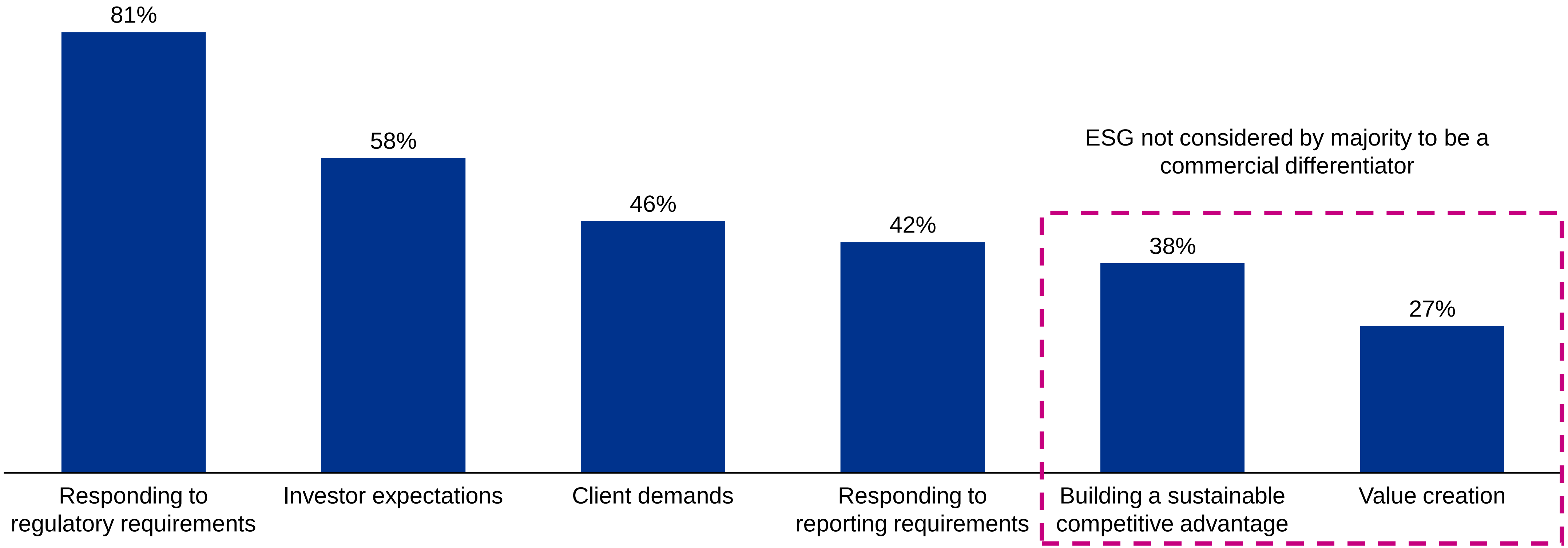

**Biggest challenges to the implementation of data analytics and new technologies[1]**
*% of respondents*




**Source: [1]** BNY Mellon

# ESG regulatory requirements take precedence over delivering competitive advantages for firms

**What is the main driving force for ESG related activity and change within your organisation?**
*% of respondents*




**Source:** KPMG survey

# A growing divide evident between Europe and the U.S. in relation to ESG

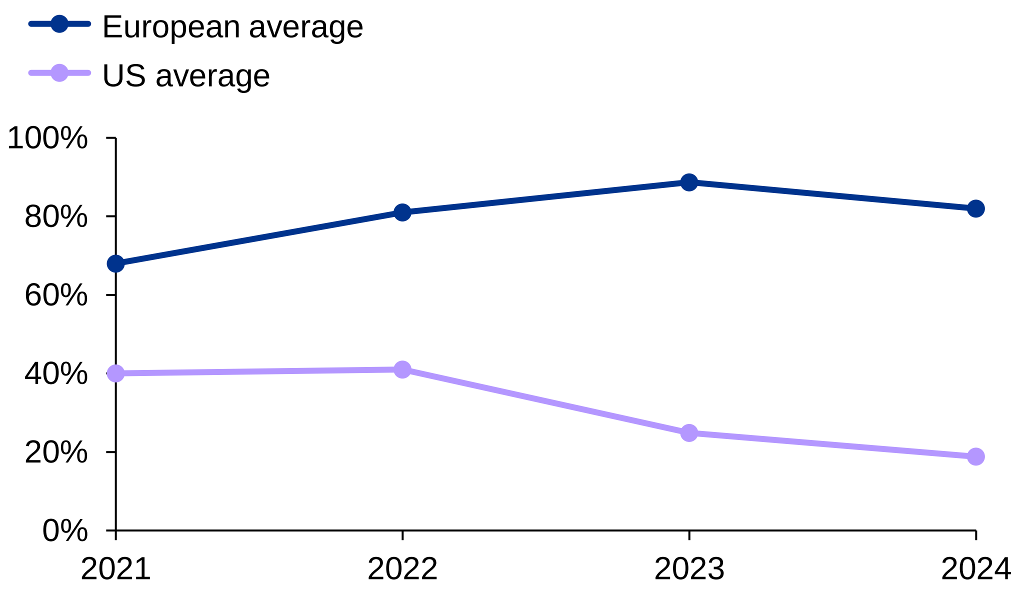
**An increasingly European focus**

There's now an increasing divide on support for ESG proposals between Europeans and Americans.

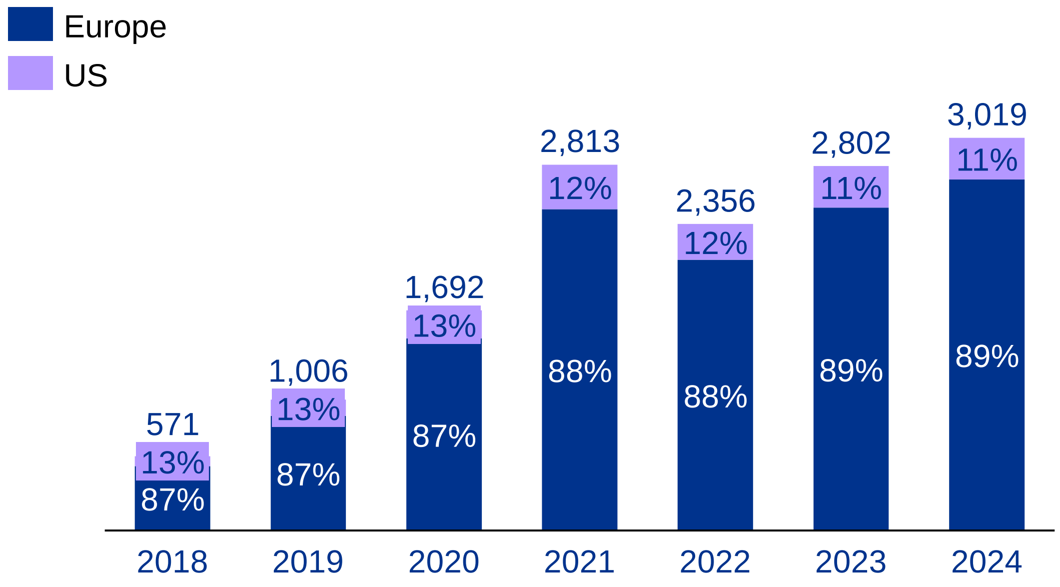
**Key factors in the growing divide include:**

- Increasing EU regulation
- A US policy and cultural shift
- Stronger EU investor appetite

**Average support for ESG shareholder proposals at asset managers[1]**
*% voting in favour of resolutions*




**Total annual global ESG fund assets[2]**
*$bn, annualised*




**Source: [1]** ShareAction **[2]** Morningstar

# Today's webinar

01

Industry trends

02

Management team response

# In light of sector dynamics, leadership teams must reassess performance and take bold action

Changing Client expectations

New competitors and market disruptors

Parent group expectations

Economic landscape

M&A opportunities and challenges

Sales and earnings growth aspirations

**Management teams that adapt and react to change outperform companies that fail to address performance opportunities**

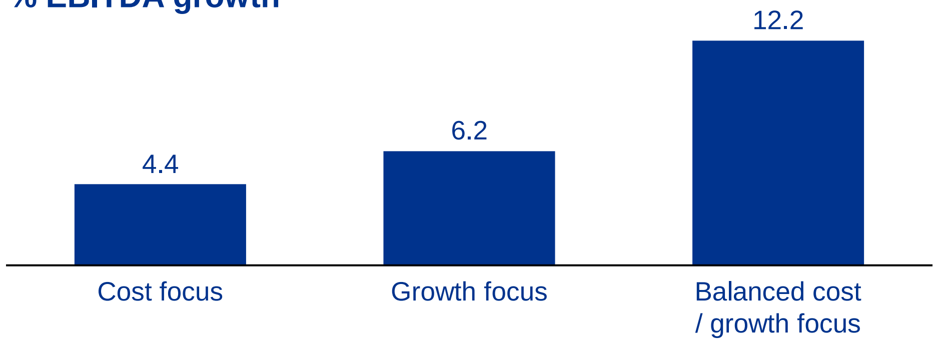
**Addressing disruption requires a wide lens and balanced approach**

**—**

**there is no one size fits all method to improve performance**

**Company Strategy vs Company Performance in a Downturn**

**3 year % EBITDA growth**

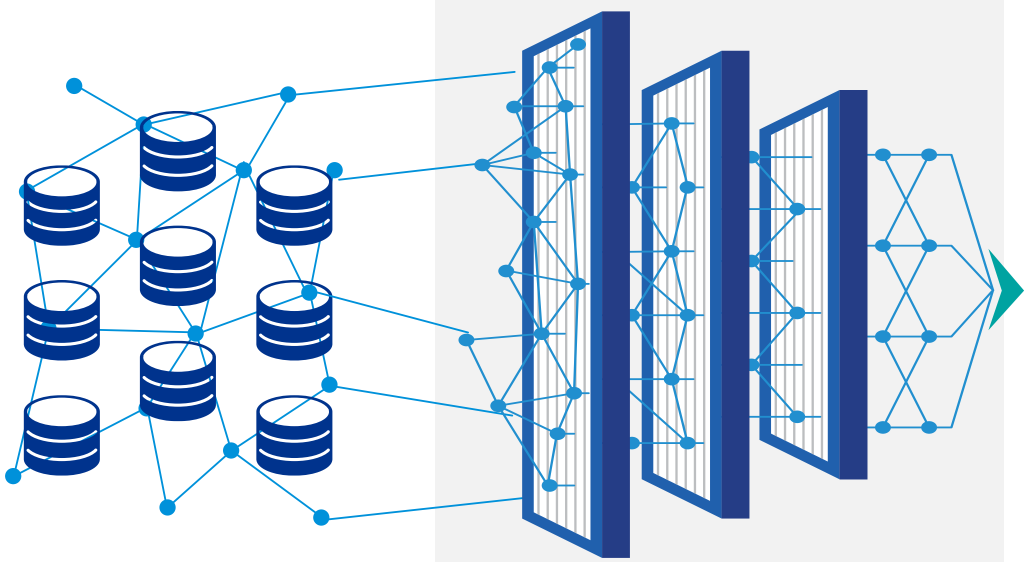



Source: “Roaring out of Recession.” Harvard Business Review

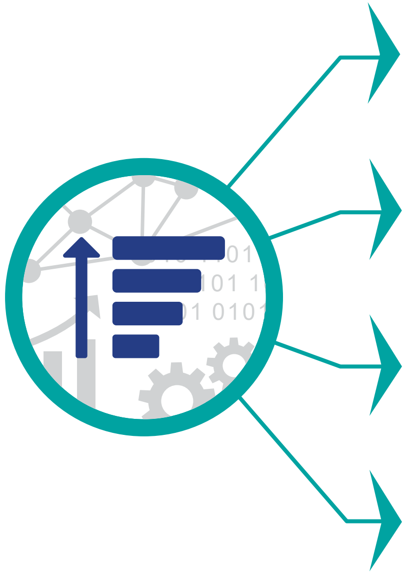
# Data-driven insights create the foundation for quantified opportunities

### Organise and normalise your data

### Merge and analyze company level data with external insights and benchmarks



### Develop a single source of truth to baseline opportunity areas



### Evaluate opportunities across a series of levers to uncover value across the organization

**Growth**
Data-driven insights to optimize profit and expand the business

**Costs**
Reduce cost structure, e.g. organisational redesign, optimising delivery model, etc.

**Experience**
Improve client experience and optimize business process

**Digital**
Optimise digital channel and operating model

# Case studies with this approach

## 01

Strategic review of an Irish securities services business.

## 02

Hedge fund market study for a global market infrastructure company.

## 03

Market entry strategy for an asset / wealth management firm.

# Key takeaways from today

01

- The industry is resilient but there will always be winners and losers

02

- The impacts of fee compression are being felt across the value chain

03

- Technology, product innovation and ESG (amongst other factors) can offer a path forward

04

- But is there is no one size fits all: internal and external analysis unique to each organisation required to establish next steps