

# Asset Management Industry – Trends to Watch in 2021

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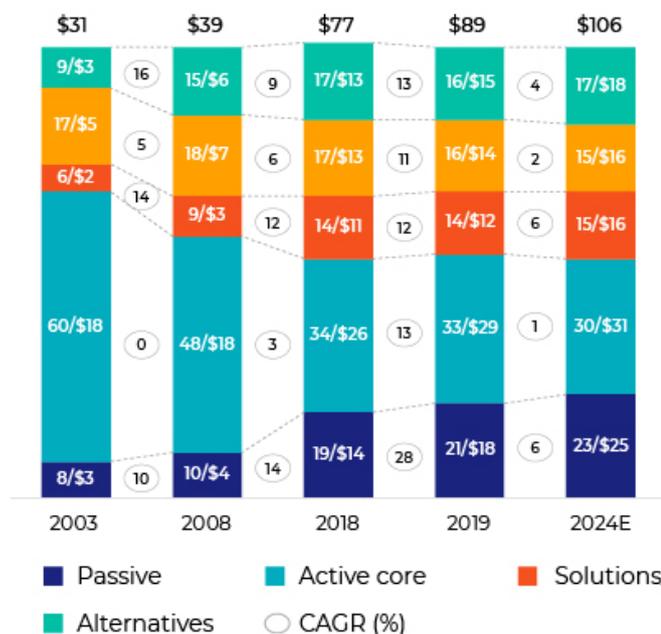
This year has been a strange and uncertain one for the global economy. While there were known unknowns related to the US elections and uncertainties surrounding [Brexit](#) at the beginning of the year, the pandemic was a classic “black swan” event. Even before the pandemic, the industry was facing challenges in terms of revenue growth (as global assets moved from actives to passives); costs increasing at a faster pace than revenue; consolidation trends, and the creation of several mega firms; a global surplus of financial savings amid low/negative real rates; and increased demand from investors for customised/goal-based solutions. We expect these industry trends to accelerate in 2021.

## **Trend #1 - Asset owners will likely increase allocation to passives and private markets in 2021**

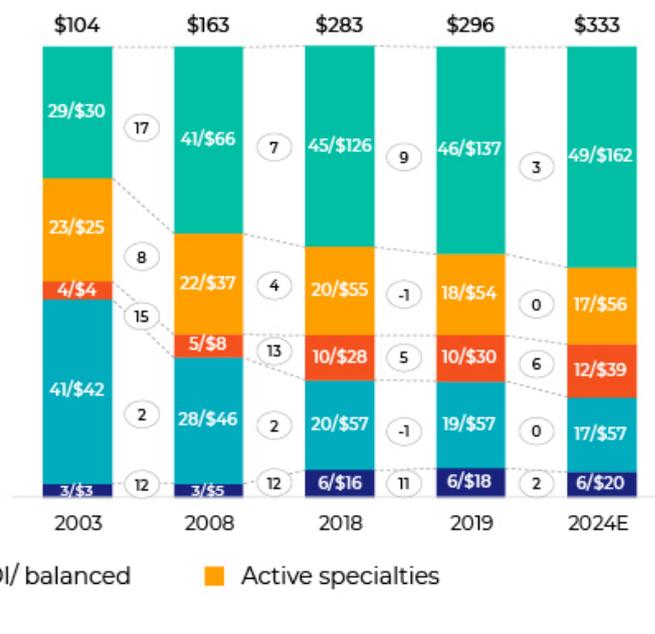
The global industry’s AUM is likely to accelerate the shift towards passives on one side and private markets on the other as asset owners allocate investments strategically to drive the most value from [asset managers](#). We are likely to enter a pro-cyclical environment that should achieve asset price inflation, even as generalised inflation may remain low. Hence, we expect emerging-market equities, high-yield debt and private markets (especially private credit) to do well in 2021.

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Global AUM split by product (%/USDtn)



Global asset manager revenue split by product (%/USDbn)



Source: BCG Global Asset Management 2020

## Trend #2 - Increased use of big data and focus on sustainability to drive investment process

With the massive democratisation of data/information, asset managers are increasingly leveraging alternate data to drive their investment research processes. For example, we have seen increased use of artificial intelligence, machine learning and [natural language processing](#) (NLP) to create information advantages and drive alpha. There has also been an increased focus on sustainability, shareholder engagement and activism. We expect these trends to accelerate as asset managers integrate alternate data and [ESG](#) into their investment processes across equities and fixed income investments. As allocations to private markets increase, we expect asset managers to augment their capabilities to handle more opaque and illiquid capital markets. Asset managers are also likely to increasingly internalise their investment research processes (versus their dependence on sell-side firms and external providers), increasing the role of specialist knowledge process offshoring firms such as Acuity Knowledge Partners (Acuity) to help drive innovation and optimise costs.

## Trend #3 - Industry consolidation trends likely to accelerate

There is a wave of consolidation in the global asset management industry. Benefits of consolidation include synergies in terms of expenses, access to different geographies and enhanced product capabilities. We expect this trend to continue in 2021, with several more global mega asset management firms created. Over the medium to long term, we expect the industry to consolidate slightly differently, in a barbell shape, with large players on the passive side benefiting from market operations through scale, and boutique active asset managers on the other side, driven by product capabilities, investment performance and client preference.

## Trend #4 - Regulatory and compliance burden likely to

## increase

The global asset management industry has demonstrated significant resilience in 2020 in discharging its fiduciary duties amid heightened volatility and stress on liquidity. The industry has been able to avoid systemic “client events” in sharp contrast to during the global financial crisis. We expect policymakers to continue their push towards higher transparency with a new regime in the US and regulations such as the MiFID II, the UK’s “Assessment of value”, and the Hong Kong Securities and Futures Act (SFA). While these regulations may improve the transparency of processes within the industry, they are also likely to entail substantial costs.

## Trend #5 - Increased focus on driving front-office efficiency through offshoring

Asset managers are constantly looking to drive operational efficiencies and reduce costs. This trend has accelerated amid the pandemic. “Faster, better and cheaper” is the focus, but the challenge is how to get there. While technology and automation are part of the equation, when front-office functions are offshored properly, they can drive significant operational efficiencies and reduce costs, especially at scale by effectively dividing tasks between onshore and offshore teams. Some asset managers have partnered with specialist knowledge process offshoring firms such as Acuity to drive front-office efficiencies across research, sales and marketing, compliance and technology/data functions.

## About Acuity Knowledge Partners

[Acuity Knowledge Partners](#) (Acuity), formerly part of Moody’s Corporation, is a leading provider of bespoke research, analytics, staffing and technology solutions to the financial services sector. Headquartered in London, Acuity has nearly two decades of transformation experience in servicing over 300 clients with a specialist workforce of more than 3,000 analysts and delivery experts across its global delivery network. We provide our clients with unique assistance not only to innovate, implement transformation programmes and increase operational efficiency, but also to manage costs and improve their top lines. These services are supported by our proprietary suite of Business Excellence and [Automation Tools \(BEAT\)](#) that offer domain-specific contextual technology. We are backed by Equistone Partners Europe, a leading [private equity](#) organisation that supports specialist growth businesses and management teams.

### About Acuity Knowledge Partners

Acuity Knowledge Partners is a leading provider of high-value research, analytics and business intelligence to the financial services sector. The company supports over 350+ financial institutions and consulting companies through a team of over 3,000+ subject matter experts who work as an extension of the clients’ teams based out of various global delivery centres.

We empower our clients to drive revenues higher. We innovate using our proprietary technology and automation solutions. We enable our clients to transform their operating model and cost base.

