



PERSPECTIVES

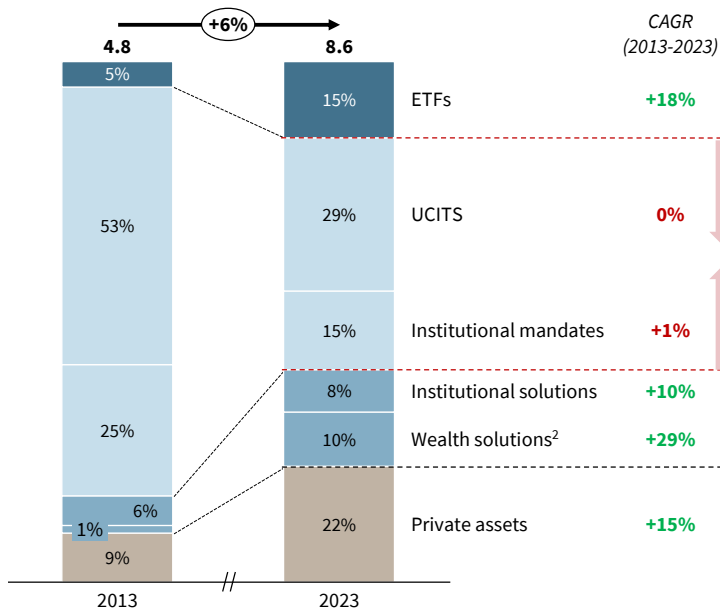
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Finding flows in shifting tides – opportunities after a decade of change

The last 10 years in European asset management have been host to significant changes, epitomized by structural shifts in the addressable opportunity. With the pace of change showing no sign of leveling off, a rethink of the asset manager’s value proposition and distinctive capabilities is required. Despite a decade of rising markets behind us, easy future growth is far from certain. Achieving positive inflows will require a new approach. Below is Indefi’s game plan.

The traditional asset management value proposition – a shrinking playing field

Figure 1 – 10Y change in outsourced AuM¹ by product type (Europe, 2013-2023, €tn)



Sources: Indefi analysis.

To best assess the available opportunity, we can start by taking a deeper look at European outsourced assets.¹ From this vantage point, we see the explosive rise of new products, vehicles, and methods of delivery that have gradually taken market share from traditional formats and come to represent the majority of outsourced AuM – **ETFs, “solutions,” and private assets.**

ETFs: While ETFs’ growth is inextricably linked to greater adoption of passive investing, a desire for lower fees, and their perceived value versus active investing, other factors are at play as well. The growth of model portfolios and discretionary portfolio management, as well as the digital channel’s rising relevance, make ETFs fit-for-purpose in a new market ecosystem that prioritizes greater flexibility and portfolio customization. These inherent benefits give active management a growing place in the vehicle’s future.³

¹ Excluding those managed by institutions or distributors in-house or by affiliated asset managers.

² Including sub-advisory mandates, model portfolios, individual DC pension products, unit-linked solutions, etc.

³ See Indefi, [“Active ETFs: Cover your bases or swing for the fences?”](#), April 2023.

Solutions: Not limited to any one product or delivery method, solutions encompass a more tailored and service-oriented approach to asset management. *Institutional solutions* (e.g. OCIO mandates) are primarily composed of services spanning the value chain – from manager selection down to portfolio implementation, with a core focus on providing a custom, often multi-asset-class allocation that considers exact preferences regarding sustainability, cash-flow requirements, and more. *Wealth solutions*, consisting of investor and distributor-oriented offerings like model portfolios, decumulation solutions, and sub-advisory mandates, bring professional-level asset allocation or investment management down to individual investors.

These products provide a “Trojan Horse” for underlying capabilities and require a move towards a product-agnostic approach that puts the underlying investor in focus.

Private assets: Fifteen years of interrupted growth, fueled by return and diversification objectives in a low-rate environment, have led private assets to account for almost a quarter of accessible assets, but more importantly, more than half of the addressable revenue pool. While institutional opportunities remain, particularly in infrastructure and private debt, future opportunities are expected to be driven by new retail-native vehicles such as the ELTIF and LTAF, which provide more liquid and lower-minimum private asset access, making the asset class more apt for a future driven by the individual investor.

The Indefi playbook for the future

In the past, asset managers have been able to make do with a binary approach to products – with a UCITS fund push on the one hand, and reactive servicing of segregated mandate opportunities on the other. However, technological and regulatory advances have given rise to new client expectations around liquidity, customization, and the subsequent support and

services that clients have come to expect alongside conventional investment management, requiring a revitalized approach from asset managers. Key success factors include:

- **Inorganic growth** in all its forms (including team lift-outs, strategic partnerships, etc.) is a surefire route to new capabilities. While M&A in asset management has been much maligned as often failing to produce expected synergies, strategic bolt-ons can help future-proof an asset manager’s offering. It is thus no surprise that acquisitions of private asset capabilities have boomed: 50+ acquisitions of European private asset managers have occurred in the last five years.
- **Developing solution capabilities**, whether moving one step up the value chain towards OCIO or model portfolios or offering more customized delivery through channels like sub-advisory, will be key for asset managers to become a partner, rather than just a provider, to distributors and clients. Additionally, providing building blocks (e.g., active ETFs) for these solutions – whether the solution is proprietary or a third-party’s – will require redesigning distribution models and delivery methods to engage with new clients, including those once thought to be competitors.
- **Embracing technology and expanding your remit**, allowing for investment management, once the entirety of an asset manager’s offering, to instead become the core which other services build upon and enhance. Mass-customization is one example – attractive investment capabilities are required, but technology and solutions are also increasingly becoming table stakes.

Whether it is access to higher returns in private asset classes, investment flexibility, or customization, clients – from large institutions to retail investors – want more from asset managers. Tapping these opportunities will require thinking beyond investment management towards a broader toolkit across the value chain.

Indefi is a strategy consulting firm that provides asset managers – from the top 10 largest global firms to boutiques and private market specialists – with an actionable roadmap to achieve their growth objectives. Operating across Europe and the U.S., Indefi maintains both a global view and deep local market expertise. The firm’s guidance, grounded in conviction and insight, spans growth strategy, market entry, product development and enhancement, sustainability, and M&A support. For more information, please visit www.indefi.com.