



Remarks and Discussion

U.S. Securities and Exchange Commission
Asset Management Advisory Committee

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The strongest shifts seen in 40 years are transforming U.S. asset management

Changing buyers + maturing economics = transition from product to service industry

1 Demand

- Demographic changes
- Customized, outcome-oriented advice needs
- Consolidating intermediaries
- Fee sensitivity
- Lower organic growth

2 Supply

- Vendor oversupply
- New capital markets
- Passive investing
- Rising fixed costs
- Margin pressure

3 Impact

- Holistic advice as value proposition
- Less registered product
- Different pricing
- More direct-to-consumer sales
- More automation
- Investor data as a core asset
- Activism and social-impact investing
- More public-private portfolios

Buyers are becoming younger, older, more outcome-oriented and fee-sensitive

Additional data

1	Demographic changes	<ul style="list-style-type: none">• Baby boomers shift from accumulation to income• Debt-heavy, risk-averse millennials favor cash flow	5
2	Customized, outcome-oriented advice needs	<ul style="list-style-type: none">• Investor emphasis on objectives, not only excess return• Individuals seek advice across investment, tax, protection• Focus on client experience, trust, personalization	6
3	Consolidating intermediaries	<ul style="list-style-type: none">• Fiduciary risk, tech needs favor scale advice providers• Exodus of advice talent spurs consolidation• New professional buying dynamics emerging industrywide	7
4	Fee sensitivity	<ul style="list-style-type: none">• QE's smaller risk-free rates highlight management fees• Fee budgets favor providing income rather than return	8, 15
5	Lower organic growth	<ul style="list-style-type: none">• Retirement funds in decumulation mode• Fewer new asset pools to tap for professional management• Without new money, asset managers must compete to grow	8

Tighter client opportunities are fueling more rivalry among asset managers

Additional data

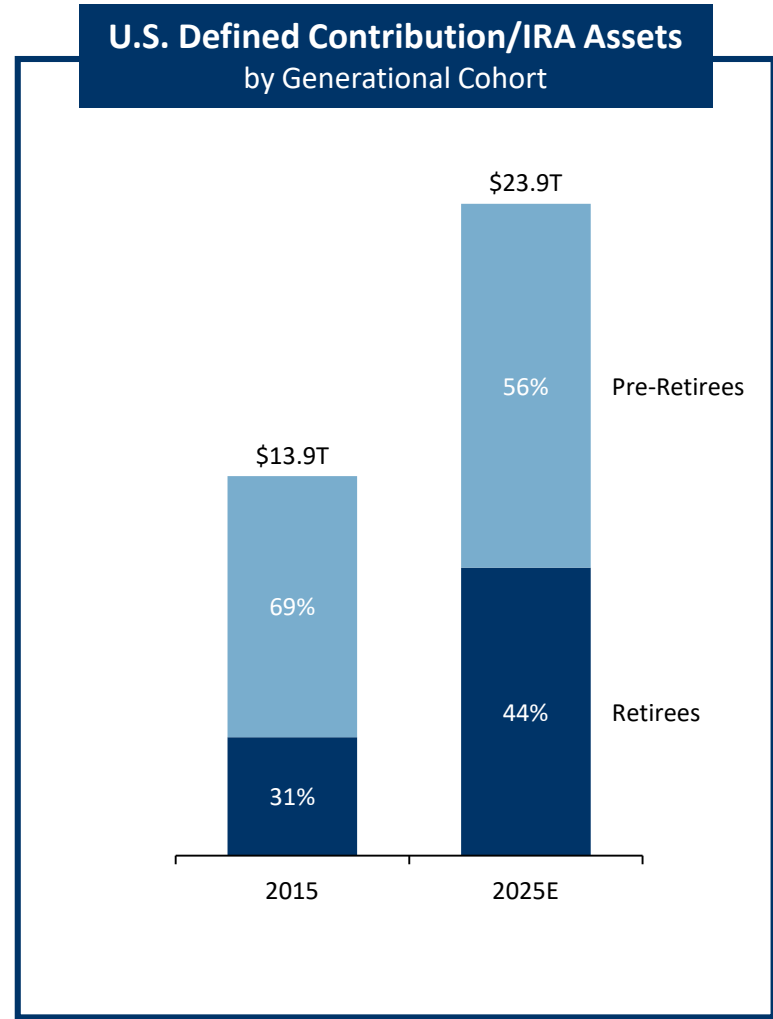
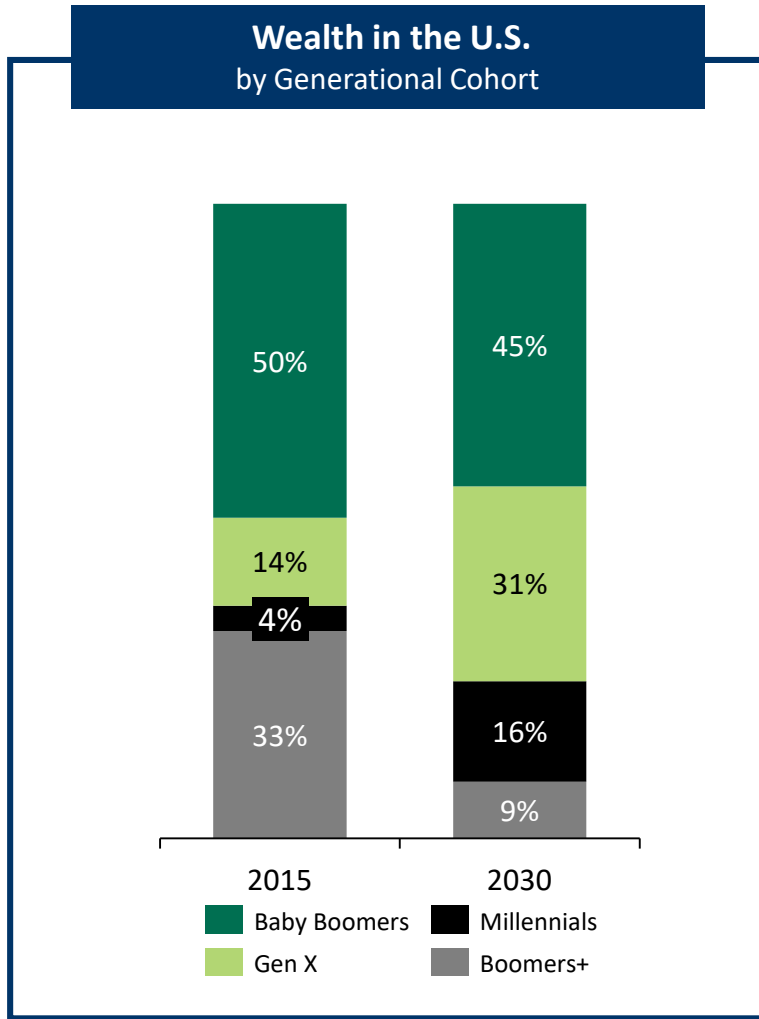
1	Oversupply	<ul style="list-style-type: none">• <i>Investment quality accrues to subset of providers</i>• <i>Only a minority of asset managers are growing organically</i>	9,10
2	Changing capital markets	<ul style="list-style-type: none">• <i>Fewer publicly traded companies frustrates stockpickers</i>• <i>Private markets perceived as higher-yield in low-rate world</i>	11
3	Passive investing	<ul style="list-style-type: none">• <i>Outcome-oriented advisors emphasize allocation skills</i>• <i>Fee pressure favors exposures, not stock selection</i>	12
4	Rising fixed costs	<ul style="list-style-type: none">• <i>Tech for customization, client experience boosts expenses</i>• <i>Poor leverage across wide range of subscale business lines</i>	13
5	Pressure on profits	<ul style="list-style-type: none">• <i>Lower growth, higher cost pressuring margin</i>• <i>Widening range between winners and losers</i>	14

Combined, demand & supply catalysts are reshaping U.S. asset management

Additional data

1	Advice as the value proposition	<ul style="list-style-type: none">• <i>Asset managers extend intellectual property beyond portfolios</i>• <i>More focus on additional tools, services, models and overlays</i>	15
2	Less registered product	<ul style="list-style-type: none">• <i>Customization demands, tax concerns disadvantage pooled funds</i>• <i>Distributed-ledger technology aids customization initiatives</i>	16
3	Different pricing methods	<ul style="list-style-type: none">• <i>Outcome-oriented advisors emphasize allocation skills</i>• <i>Fee pressure favors exposures, not stock selection</i>	17
4	More direct-to-consumer distribution	<ul style="list-style-type: none">• <i>Seeking more client data, access, asset managers offer advice</i>• <i>Technology blurs lines between asset and wealth managers</i>	18
5	More automation	<ul style="list-style-type: none">• <i>Cost concerns, alternative data mechanize some investments</i>• <i>Advice provision relies more on AI and algorithms</i>	19
6	Focus on data accumulation	<ul style="list-style-type: none">• <i>Client data plays a strategic role in shaping advice offers</i>• <i>Increasing use of economic models trading data for advice</i>	19
7	More listed-unlisted investing	<ul style="list-style-type: none">• <i>Wider individual investor exposure to private equity</i>• <i>Innovations around liquidity and unitization fuel usage</i>	20
8	Activism and social-impact investing	<ul style="list-style-type: none">• <i>Active investors seeking differentiation wield more voting power</i>• <i>ESG demand from younger investors reshapes investment processes</i>	21

Additional data: Demand
Demographic changes

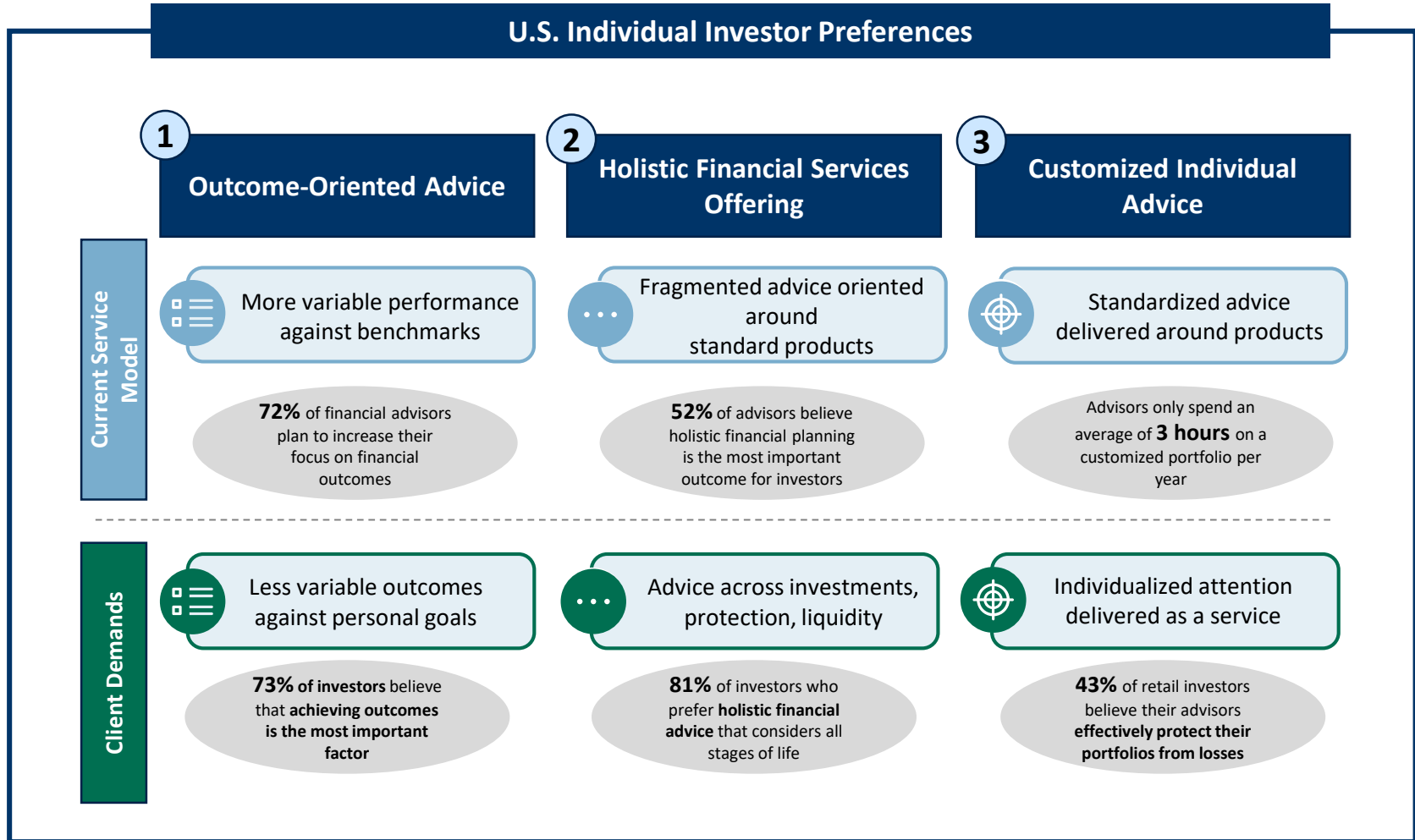


Notes: Millennials (born between 1982-2002), Generation X (1961-81), Baby Boomers (before 1960), Boomers + (before 1960, net worth > U.S.\$250K); Retirees are age 65+

Sources: Deloitte Center for Financial Services, Investment Company Institute, Vanguard ("How America Saves")

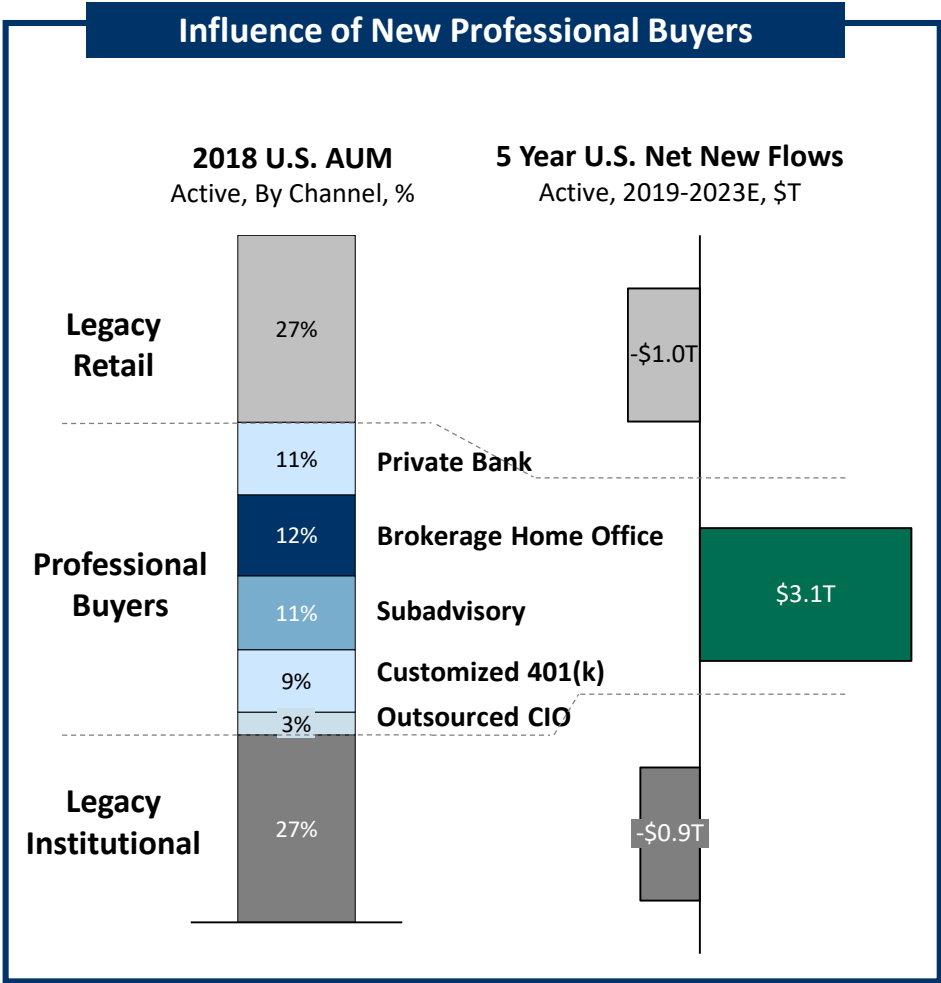
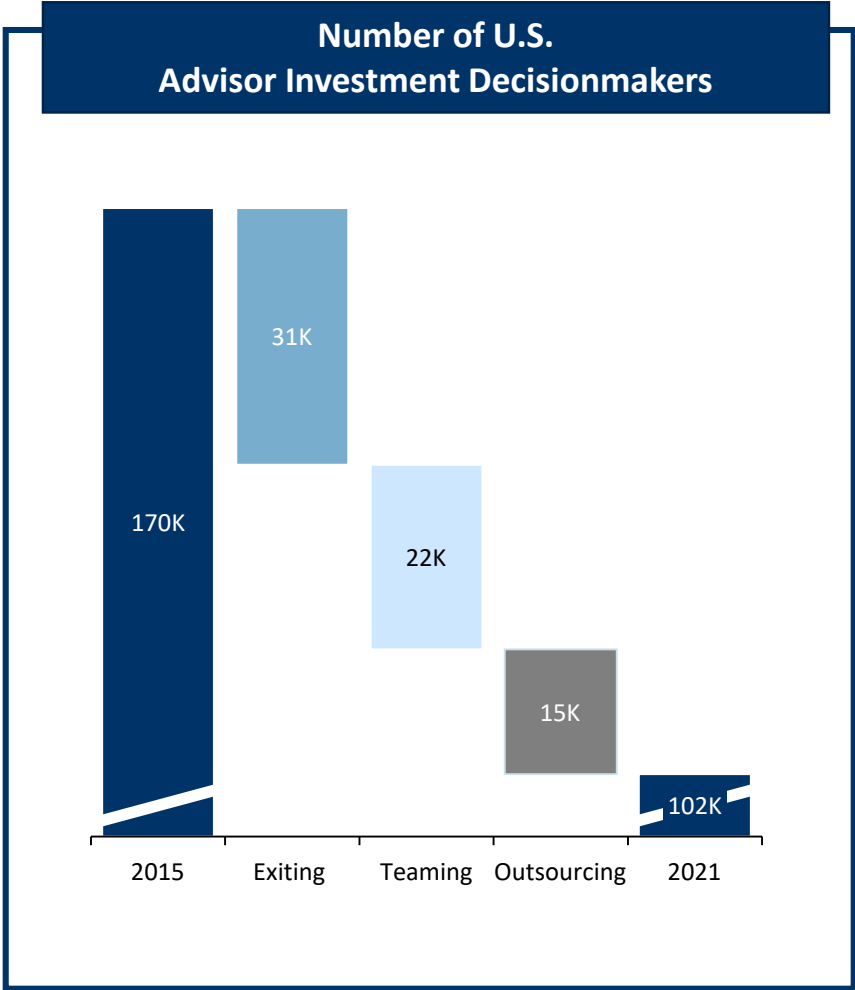
Additional data: Demand

Customized, outcome-oriented advice needs



Sources: Casey Quirk 2017 MMI Study, Yale School of Management International Center for Finance Stock Market Confidence Indices, Statista

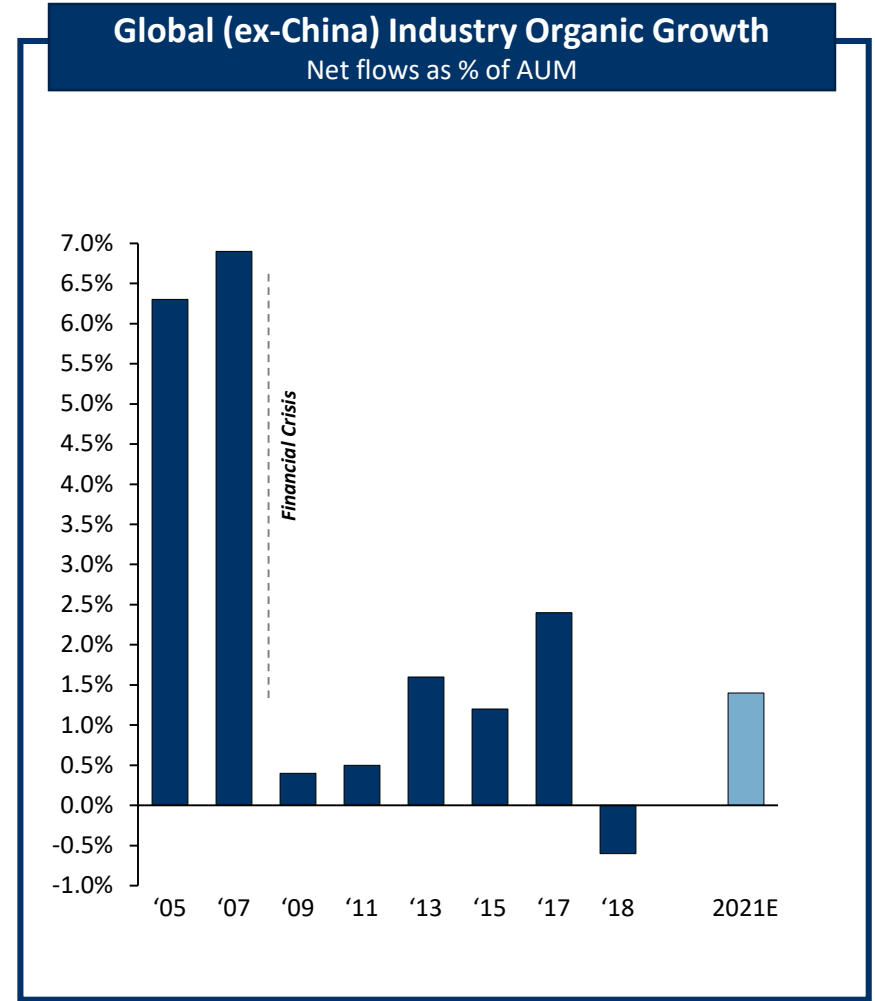
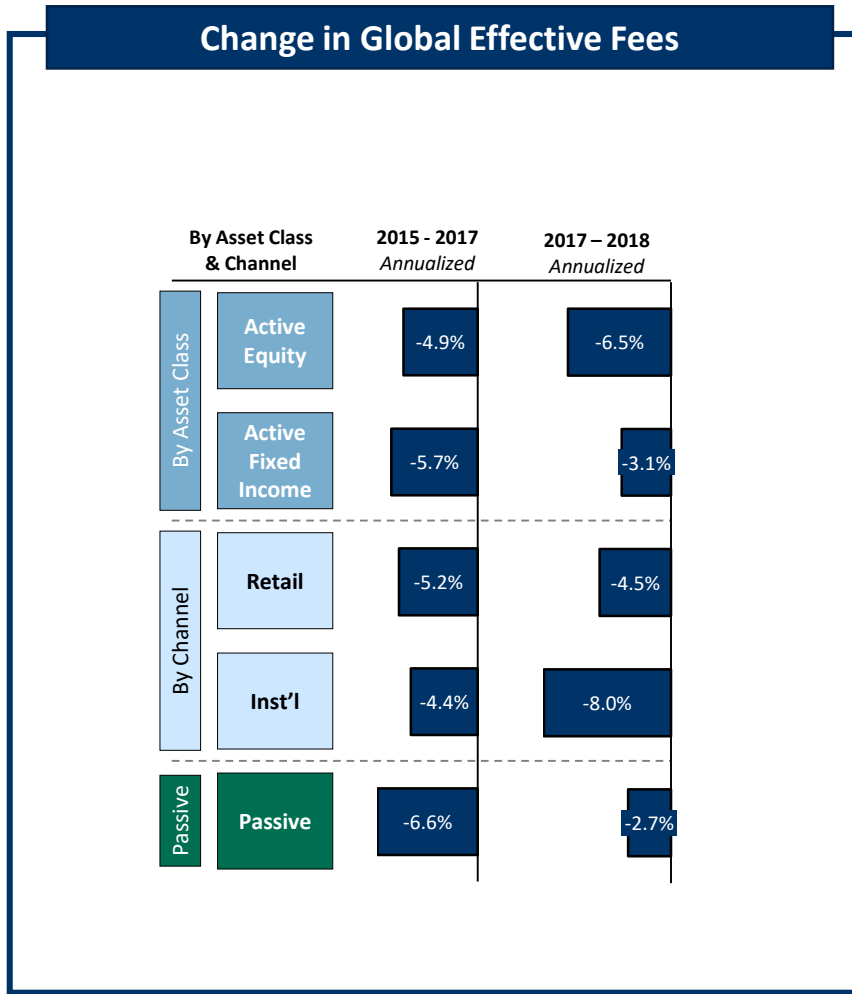
Additional data: Demand
Consolidating intermediaries



Source: Casey Quirk Advisor Database, Casey Quirk Global Demand Model, Cerulli

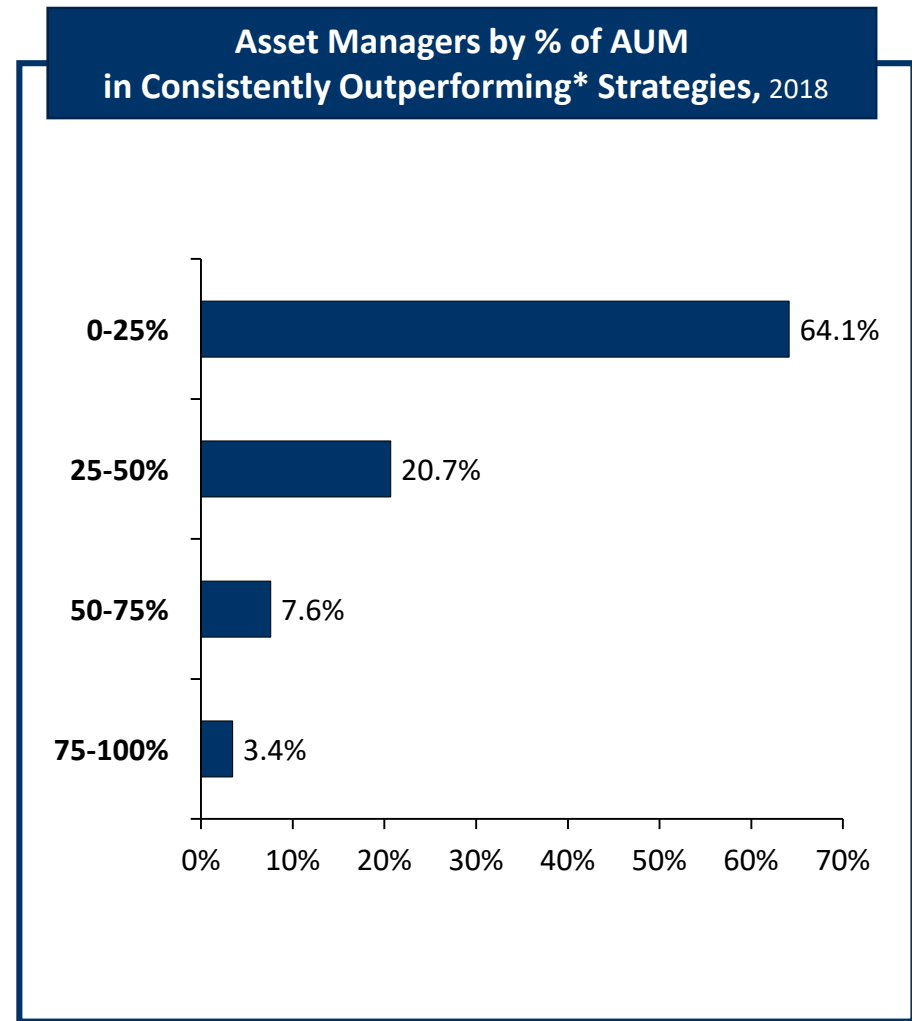
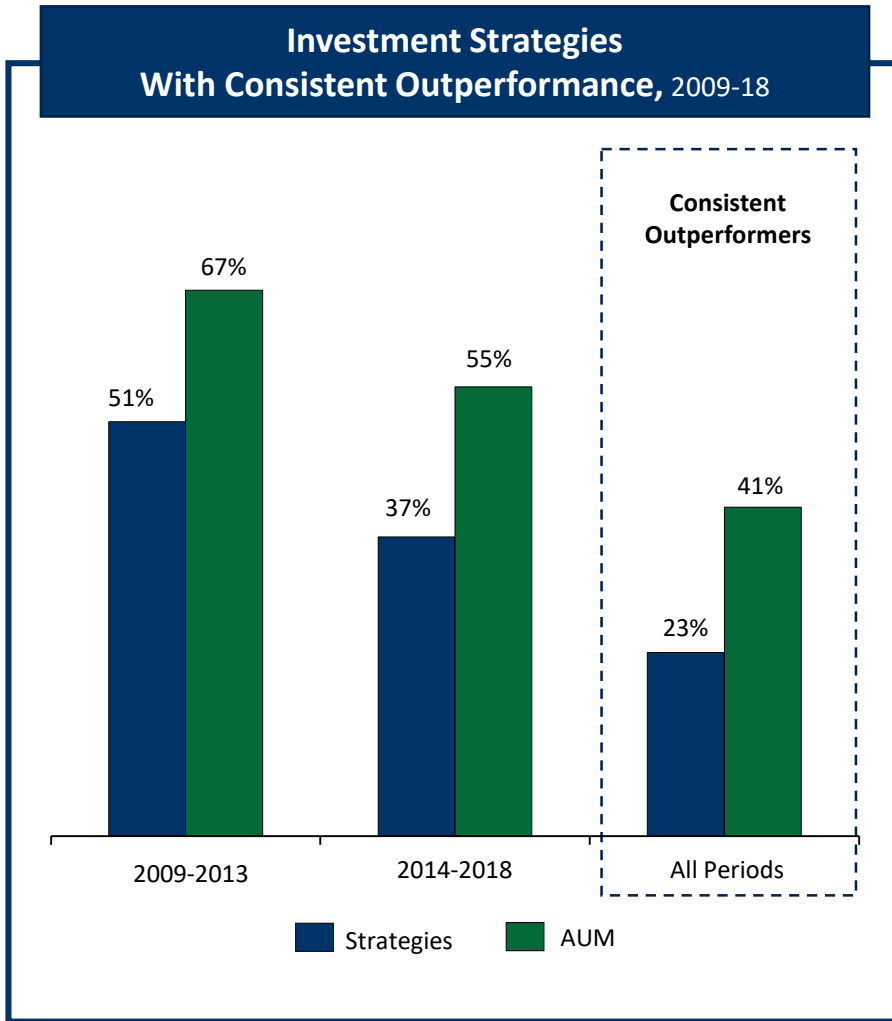
Additional data: Demand

Fee sensitivity and lower organic growth



Sources: Casey Quirk/McLagan Performance Intelligence, Casey Quirk research

Additional data: Supply
Oversupply: quality

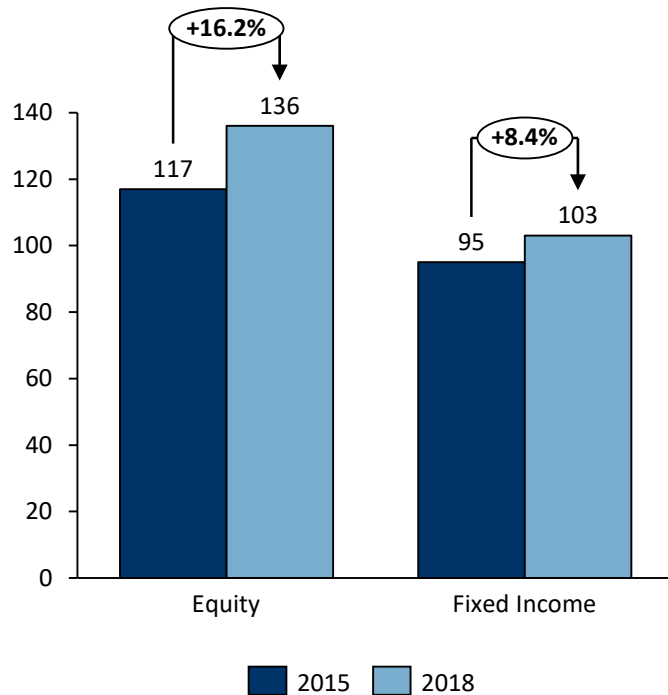


*Consistent outperformance defined as consecutive periods of 5-year trailing positive excess returns net of fees from 2014-2018

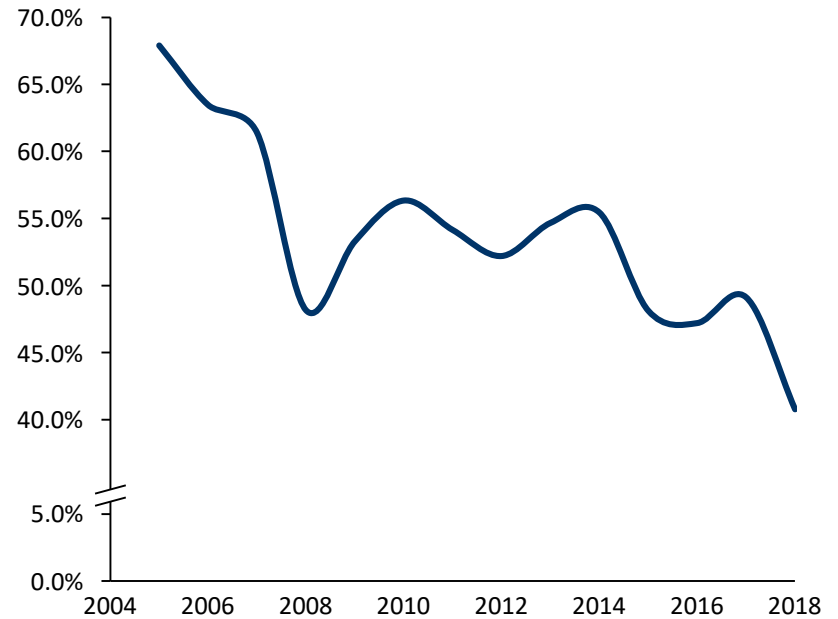
Sources: Morningstar, eVestment, Casey Quirk analysis

Additional data: Supply
Oversupply: competitors

**Number of Global Asset Managers
> \$20B AUM**

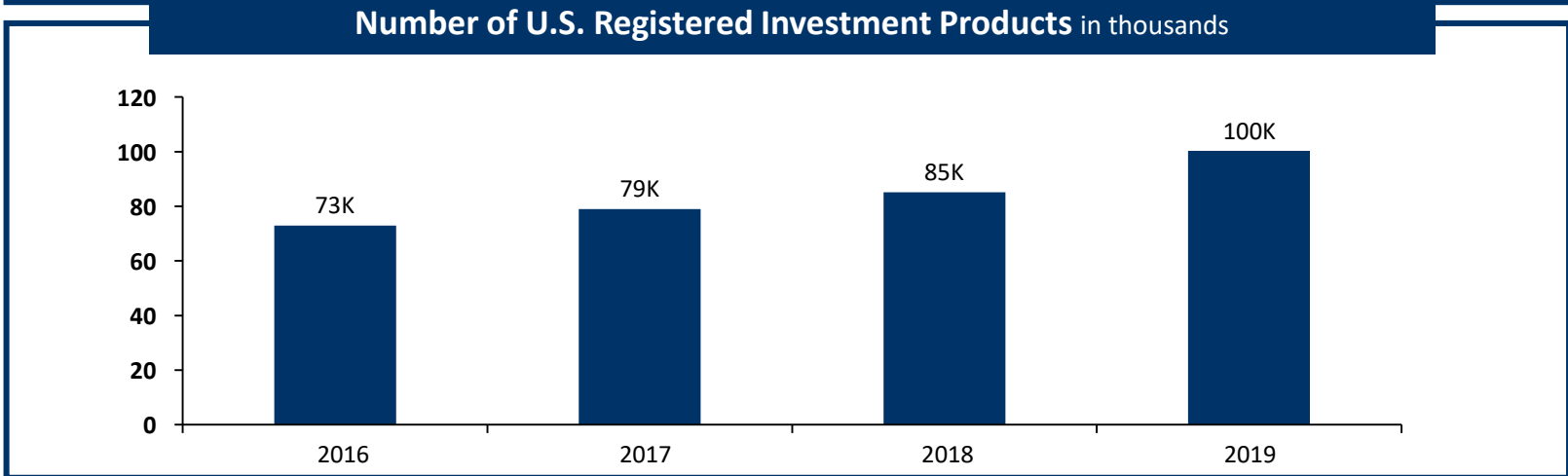
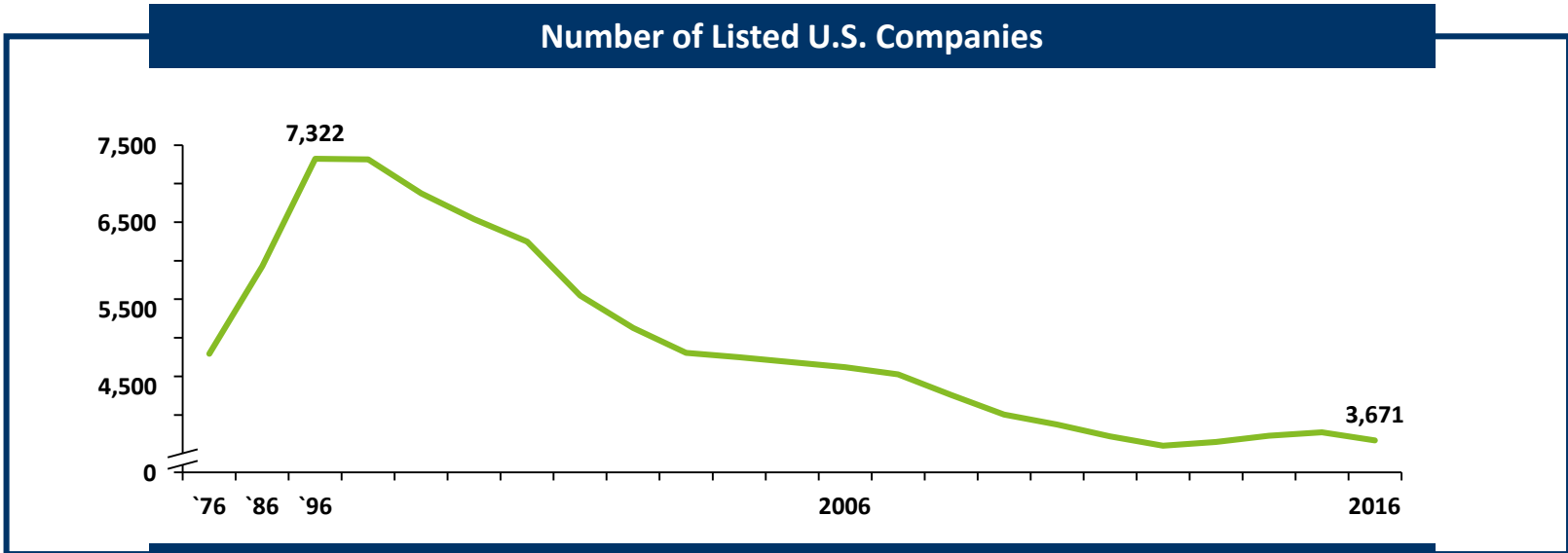


**% Global Asset Managers
with Positive Net Inflows**



Sources: Strategic Insight, eVestment, Casey Quirk analysis

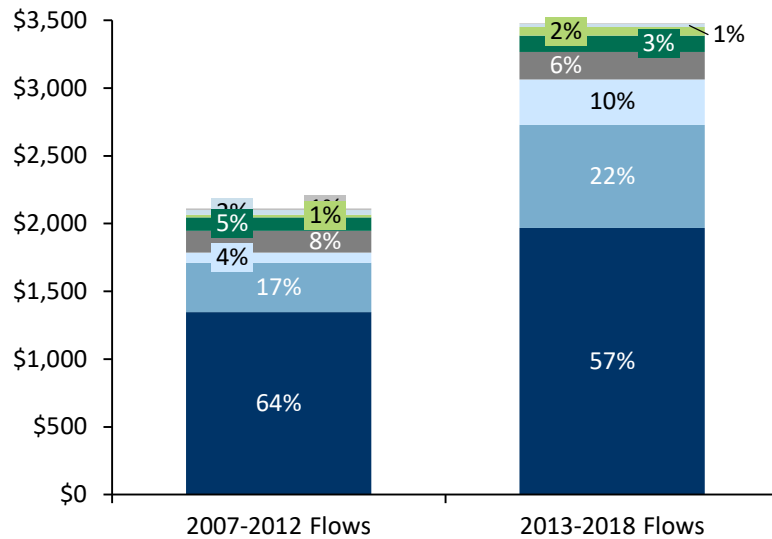
Additional data: Supply
Changing capital markets



Sources: National Bureau of Economic Research Working Paper 21181 (Doidge et al.), Credit Suisse, Morningstar, eVestment

Additional data: Supply
Passive investing

Passive Net New Inflows Worldwide
 \$billions

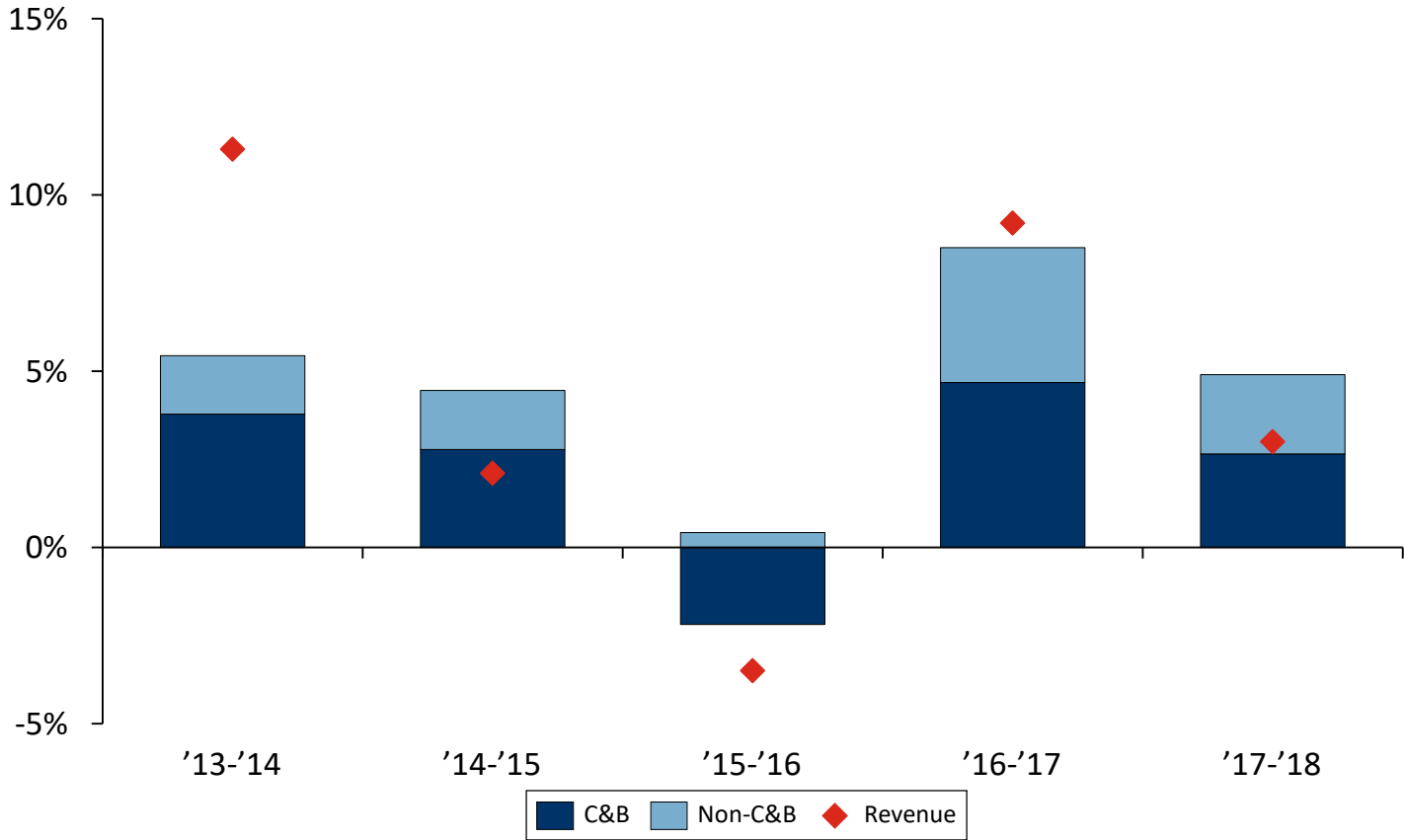


- Unconstrained Fixed
- Target-date/multi-asset
- Developed Core/Core+
- High Yield
- Smid Cap Equity
- Large Cap Equity
- Emerging Markets Debt
- Global Fixed Income

Sources: Morningstar, eVestment

Additional data: Supply
Rising fixed costs

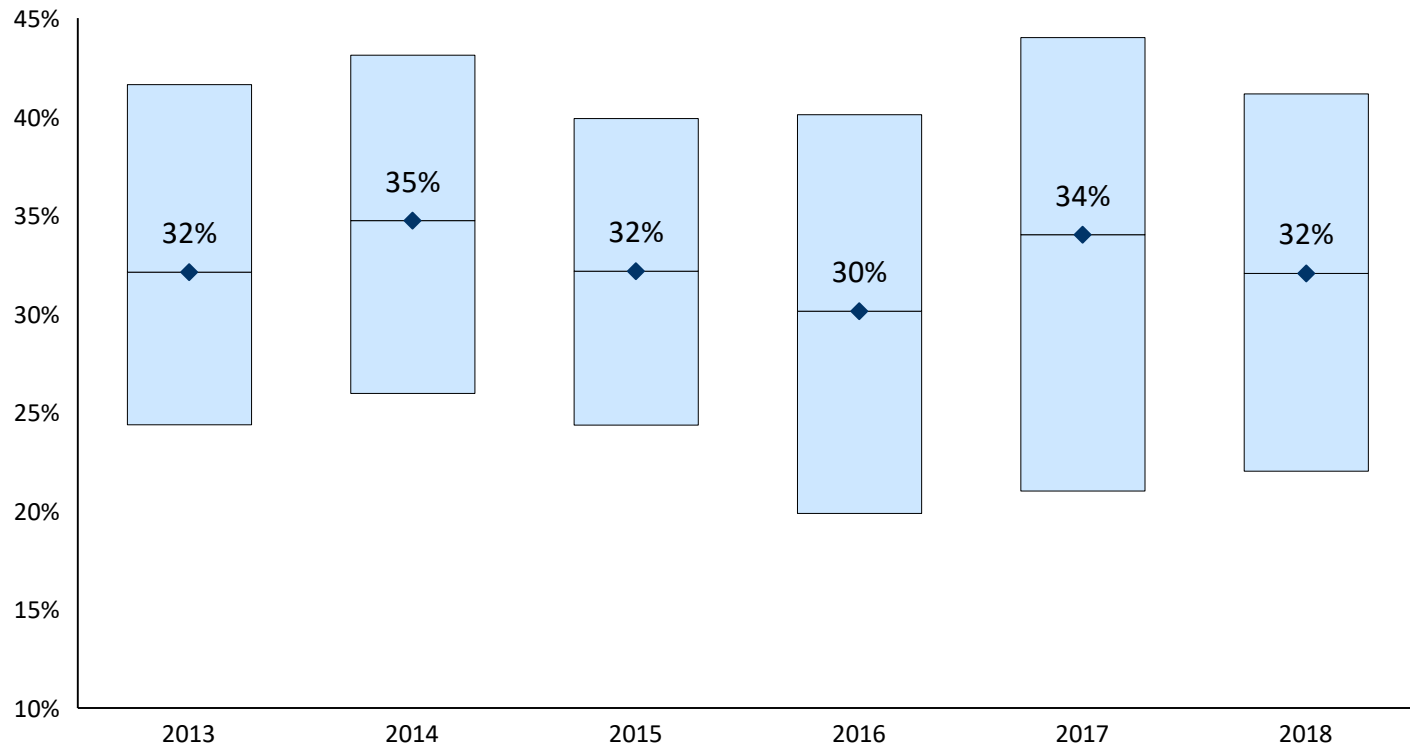
Year-over-Year Changes in Costs and Revenues: U.S. and European Asset Managers



Notes: C&B=compensation and benefits (variables costs). Source: Casey Quirk/McLagan Performance Intelligence

Additional data: Supply
Pressure on profits

Operating Margins: U.S. and European Asset Managers

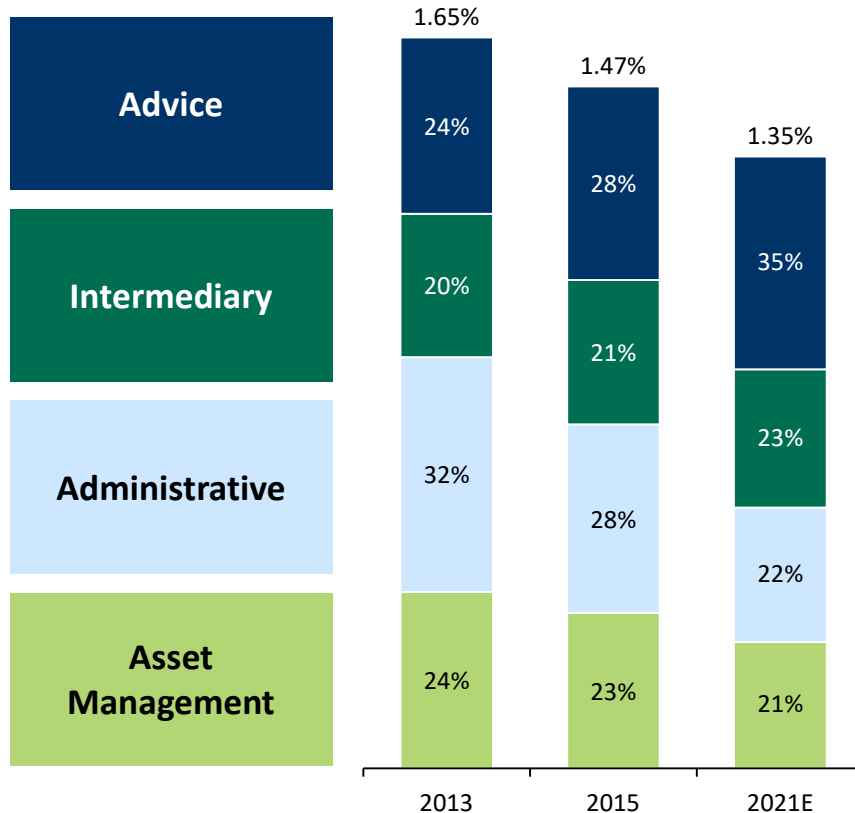


Sources: Casey Quirk/McLagan Performance Intelligence, Standard & Poor's

Additional data: Impact

Holistic advice as value proposition

Investor Fee Budgets in % AUM



Expected Future Fee Shifts



Advisors look to maintain their economics, but will be challenged due to oversupply of inefficient advisors and lower yields



Technology and proprietary differentiators are critical to the intermediaries' survival



Distribution and marketing will be significantly compressed by efficiency gains



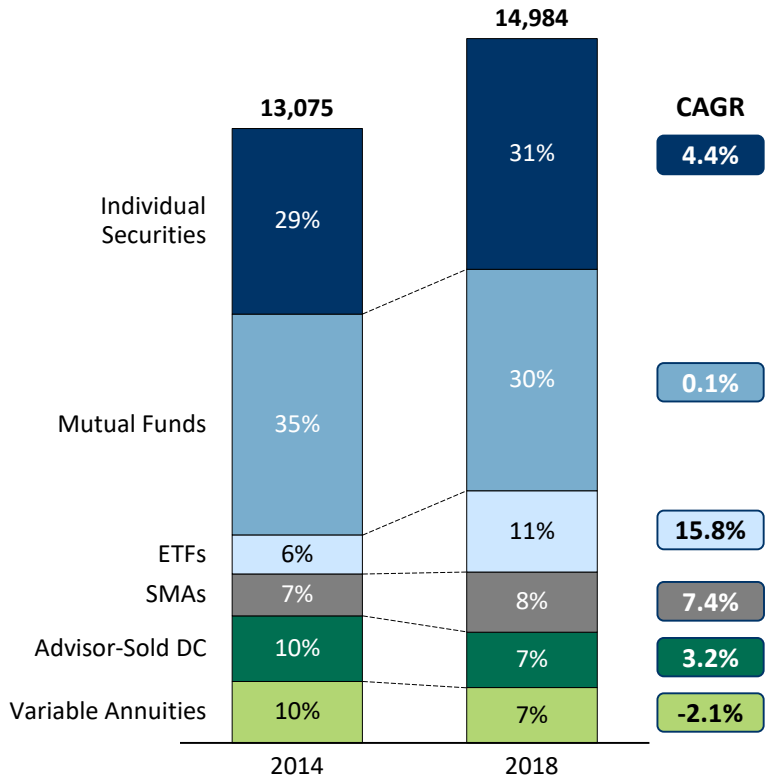
Managers will need to have a strategic response to passive and cost conscious options

Notes: Administrative fees includes transfer Agent, administrative fees, and 12(b)-1

Sources: Casey Quirk Advisor Database, Casey Quirk Global Demand Model, Investment News, Casey Quirk Analysis

Additional data: Impact
Less registered product

U.S. Advisor-Sold Investment Vehicles¹
 AUM in \$billions

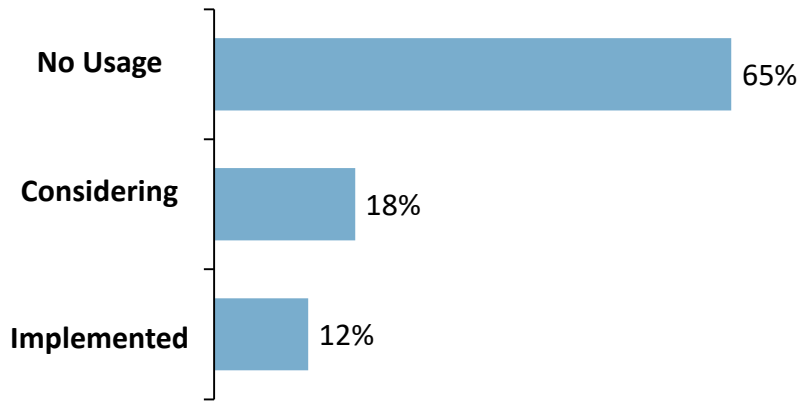


¹Advisor-sold products only. Excludes alternative vehicles, insurance products, structured notes, REITs, 529 plans, commodities and other vehicles.
 Sources: Morningstar, ICI, Cerulli, Ignites Research, Casey Quirk Global Demand Model, Casey Quirk Defined Contribution Model, Casey Quirk Retail Demand Model, Casey Quirk analysis

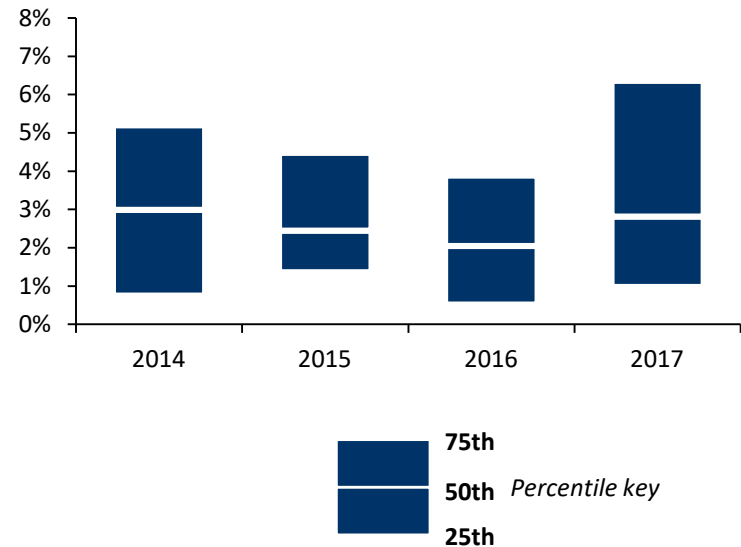
Additional data: Impact

Different pricing methods

U.S., European Asset Managers
Using Performance Fees, 2018



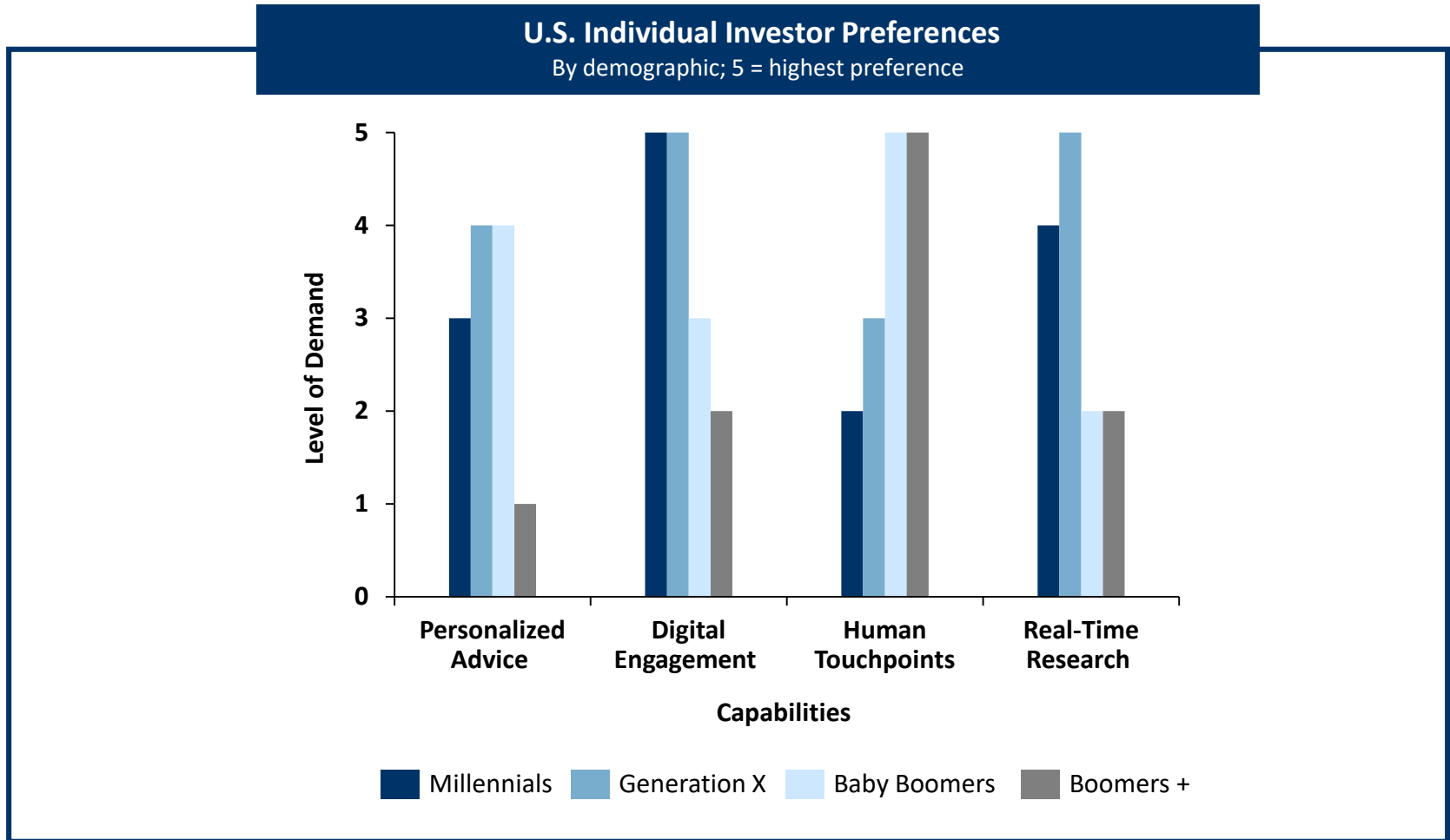
Performance Fees as % of Net Revenues:
U.S. and European Asset Managers



Sources: Casey Quirk Performance Intelligence Survey, Casey Quirk 2018 Strategy Officer Study and Casey Quirk Analysis

Additional data: Impact

More direct-to-consumer distribution



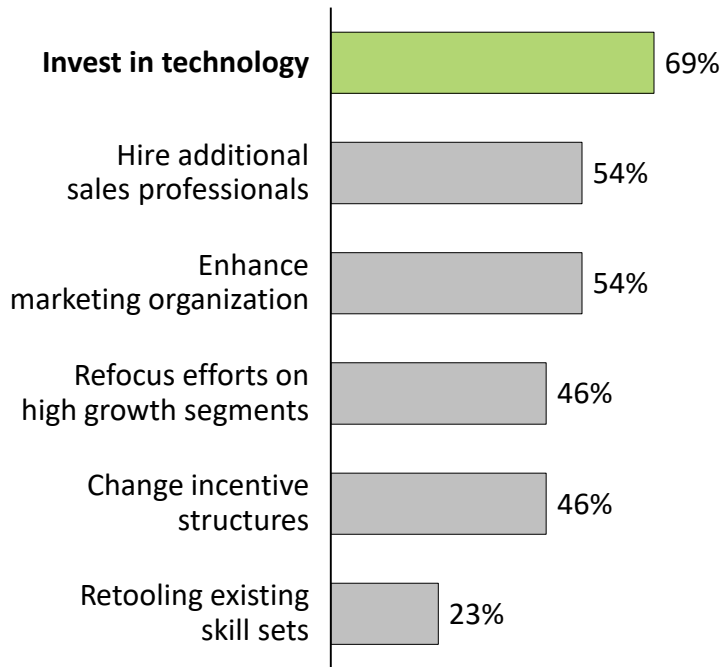
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Source: Deloitte Center for Financial Services

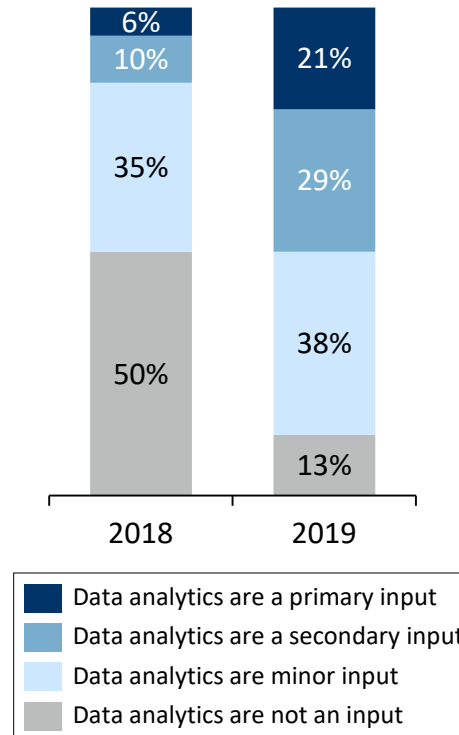
Additional data: Impact

More automation and focus on data accumulation

Most Important Goal for Organic Growth: U.S., European Asset Managers, 2019

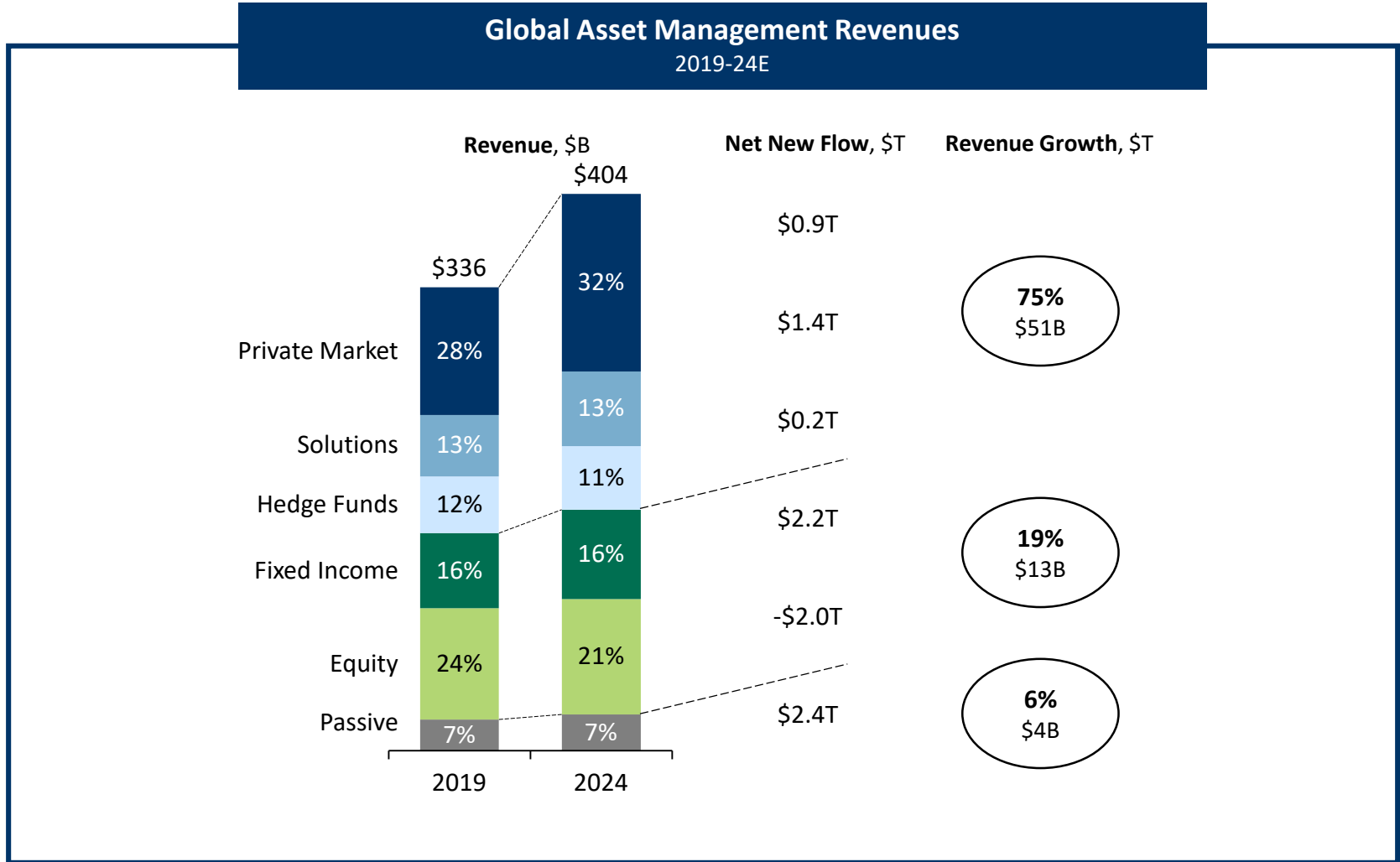


Role of Data Analytics in Distribution: U.S., European Asset Managers, 2019



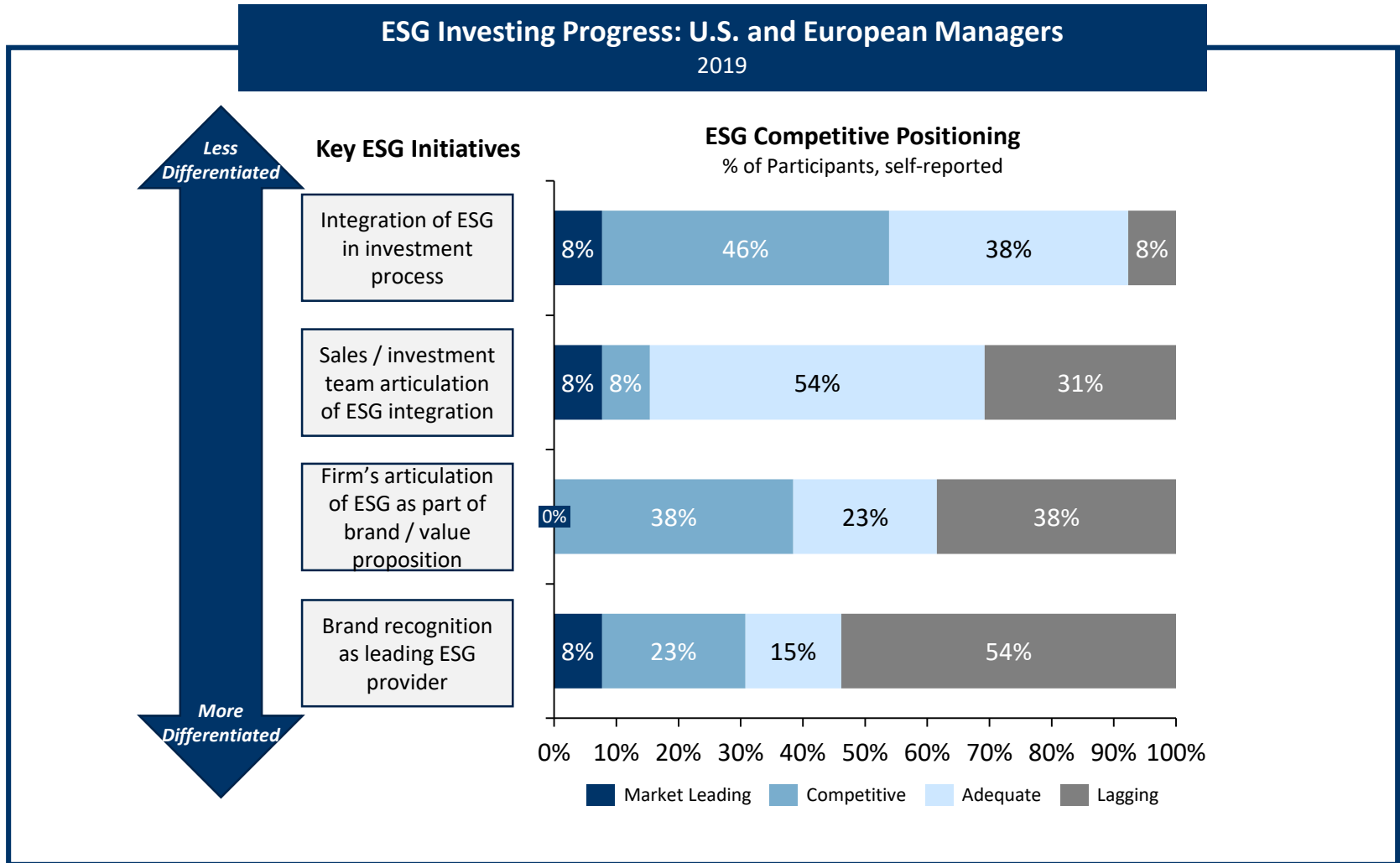
Source: Casey Quirk Distribution Benchmarking

Additional data: Impact
More listed-unlisted investing



Sources: Casey Quirk Global Demand Model

Additional data: Impact
Activism and social-impact investing



Sources: Casey Quirk Distribution Benchmarking

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