McKinsey&Company

Financial Services Practice

Searching for Profitable Growth In Asset Management: It's About More Than Investment Alpha

McKinsey&Company

Searching for Profitable Growth In Asset Management: It's About More Than Investment Alpha

Introduction

Introduction

Considering that North America-based asset managers have just produced a breakout year in asset and revenue growth, the post-crisis recovery should be barreling full steam ahead. The results of McKinsey's most recent benchmarking survey show that after stagnating for two years, assets under management (AUM) surged in 2012, reaching a record high of $28 trillion, 11 percent higher than peak 2007 levels. North American firms generated more absolute asset and revenue growth than those in any other region, and the pace of growth in the U.S. easily surpassed that of the rest of the world. And thanks largely to market expectations for robust future growth, asset managers continue to command valuations that far exceed those of other financial institutions — about half of the market value of asset managers is based on expected future profit growth, two to three times' that of banks and insurers.

But the industry's headline-grabbing asset gains continue to mask a far less encouraging story: This is a profit-starved recovery, due to a host of structural forces that continue to pressure margins. Profit pools, in absolute terms, remain 13 percent below pre-crisis levels. The primary culprit is escalating costs, which increased three times faster than revenues over the last five years and are now at an all-time high in absolute dollar terms. Revenues, on the other hand, have remained surprisingly resilient, particularly in the retail segment. Due to rising costs, average pre-tax operating profit margins for asset managers remain four points below 2007 highs, at 29 percent. Organic growth in terms of net flows, meanwhile, remains less than half the pre-crisis rate, as the industry struggles to convince clients to reenter the market. Market appreciation, supported by an unprecedented wave of monetary easing, has driven almost all of the industry's asset growth over the past five years.

The vast majority of preeminent players have focused on specific growth trends and are dominant in one crucial growth area alone.

At the same time, 100 percent of the industry's organic growth is now coming from the acceleration of the six major trends we first highlighted three years ago. Emerging markets continue to drive almost all of the global industry's flows, which are stagnant in many developed markets. Retirement remains one of the largest opportunities in global asset management, and in North America net new retirement money is flowing almost exclusively to IRA accounts as rollovers from the defined contribution (DC) segment accelerate. ETFs continue to grow at a torrid pace, fueled by investor demand for cost-efficient and liquid beta exposure and new "second act" innovations. The mainstreaming of alternatives is now well underway, driven in large part by retail and smaller institutional investors. Outcome-oriented solutions are reshaping the way money is managed and will double in size to become a $2 trillion category by 2015. And fixed income may be down, but it is hardly out. It is increasingly specialized, however, as investors search for returns in high-yield, credit, multi-sector and absolute return strategies. Asset managers not positioned to capitalize on at least one of these trends will continue to fall behind the leaders. That said, few firms are winning across multiple growth categories: The vast majority of preeminent players have focused on specific growth trends and are dominant in one crucial growth area alone.

The era of rising cost and more concentrated growth presents tough choices for senior management teams. Growth expectations for asset managers are exceptionally high, but aggregate organic growth levels are down by more than half from pre-crisis levels. Growth opportunities exist – as we describe above – but success demands that leadership teams make clear decisions to invest in one or two of these opportunities, rather than hedge their bets by investing equally in all growth areas. Cost pressures will require greater discipline about where to invest and require asset managers to invest effectively, especially in sales and marketing. Choices firms make can have a material impact: Over the past decade, only one-third of an average firm's growth is explained by its investment performance. Two-thirds is explained by management decisions about where to compete (which geography/channel/products) and the ability of the sales and marketing function to deliver "sales alpha" – flows in excess of product performance.

> The main driver of cost increases has been sales and marketing, where costs have shot up by roughly 50 percent over five years.

This report draws on McKinsey's annual benchmarking of North America-based asset managers, which surveyed more than 100 firms representing $18 trillion (roughly 70 percent) of AUM. (The North American survey is part of a global McKinsey effort that encompassed more than 300 asset managers with over $30 trillion in AUM, about 55 percent of global AUM.) It also incorporates findings from McKinsey's proprietary Global Growth Cube model, which dissects decisions on where to compete in over 4,000 micro-segments by 44 regions and countries, 9 client segments, 12 asset classes and 5 product vehicles, as well as our sales alpha methodology, which measures the value-add of sales and marketing (adjusting for investment performance), utilizing a factor analysis of over 10,000 retail and institutional products. The research revealed the following:

- While asset and revenue growth reached record highs, this was a profit-starved recovery. Profit pools, on an absolute basis, remain 13 percent below pre-crisis levels, as costs increased three times faster than revenues over the last five years. In absolute dollar terms, costs ballooned by roughly $10 billion in 2012 to an all-time high. Average pre-tax operating profit margins for asset managers remained flat at 29 percent in 2012, well below the previous peak of 33 percent.
- The main driver of cost increases has been sales and marketing, where costs have shot up by roughly 50 percent over the past five years. The problem is acute in retail, where firms have invested in search of growth but are now finding that the cost of generating an additional dollar of retail revenue is now one-third higher than it was before the financial crisis.
- Organic growth is stagnant, and more concentrated than ever. Net inflows as a percentage of total AUM were only 2.4 percent in 2012, far below the pre-crisis average of 6 percent. But these

averages mask large variations. For instance, over the past five years, emerging market regions have accounted for more than 95 percent of global net flows. Within client segments, DC and IRA rollovers are responsible for almost all new fund flows. From an asset class perspective, net flows have been highly concentrated in four growth areas: passive equity products, active fixed income, balanced/multi-asset class (including "solutions") and alternatives.

- Three factors are crucial for firms seeking to grow. Investment performance is clearly an important driver of flows, but our research shows that it accounts for only one-third of growth at the firm level. Decisions around where to compete are even more material — driving 30 to 40 percent of growth — but require focus. Indeed, the industry's growth has largely been confined to a select group of firms with the conviction to invest boldly behind major growth trends. For example, leading U.S. players are increasingly grabbing share overseas — six American firms accounted for 50 percent of total net flows in European-domiciled funds from 2008 to 2012. At the same time, the world's 20 largest firms controlled about 50 percent of industry AUM by the end of 2012, up from 35 percent a decade ago. McKinsey research shows that firms can improve their annual AUM growth rates by as much as 40 percent over the next five years (depending on their starting point) by using granular growth forecasts to rebalance the footprint of their current businesses to more attractive markets. Finally, sales alpha, or distribution excellence, accounts for the remaining one-third of firm growth, but is far more enduring than investment alpha over the long run. For example, within the retail segment over the past decade, firms with average products and investment performance, but above-average sales alpha, generated significantly more flows than competitors with stronger products but below-average sales alpha.

For many management teams in the North American asset management industry, the decisions they make today will impact their growth trajectory over the next five years and beyond. More investment dollars are chasing ever-scarcer sources of growth, and the growth and profit gap between top performers and the rest of the industry is substantial. But firms can succeed by applying a more disciplined approach to allocating their resources in this fast-changing environment. Leading firms will invest with conviction behind the major growth trends, make systematic decisions about where to compete by product, channel and geography, and take steps to maximize their sales alpha, not just their investment in sales. Firms that ignore these imperatives will struggle to grow profitably.

The Industry Today: Record Assets, But a Profit-Starved Recovery

Viewed in isolation, 2012 was unquestionably a banner year for the North American asset management industry. After two years of stagnating growth, AUM surged by 11 percent and ended 2012 at a record high of $28 trillion (Exhibit 1). North American firms as a whole generated more absolute asset growth in 2012 than firms in any other global region, and the pace of growth in the U.S. surpassed that of the rest of the world. The industry's returns and expected profit growth, meanwhile, far exceeded those of the banking and insurance sectors. And thanks largely to market expectations for robust future profit growth, asset managers continued to command premium valuations compared to other financial institutions — roughly half of the market value of asset managers is based on expected profit growth, two to three times the figure for banks and insurers.

Flows scarce, with asset growth heavily dependent on market appreciation

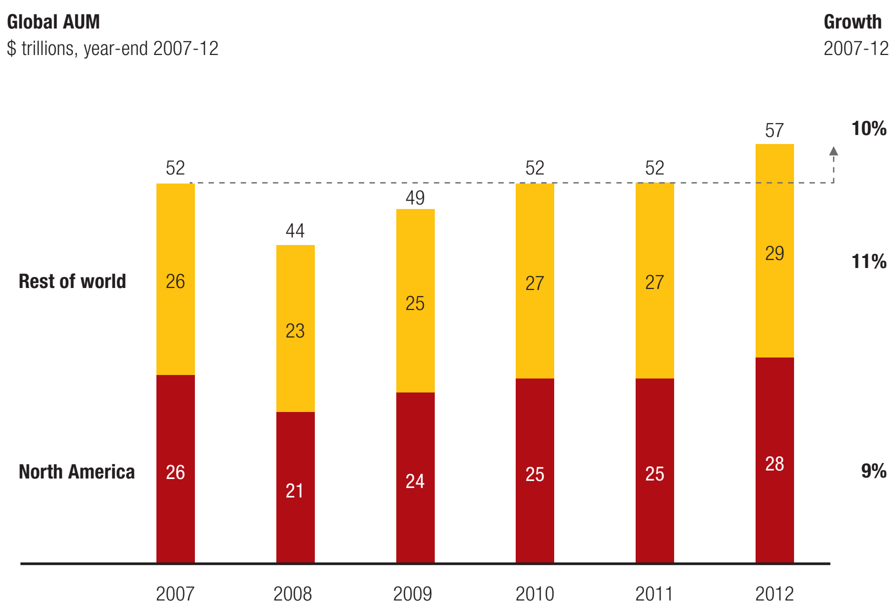
North American assets finally surpassed pre-crisis peak levels in 2012, but deeper structural issues remain. Topping the list is the asset management industry's ongoing struggle to attract new money into managed assets. Net inflows as a percent of beginning-of-year AUM were 2.4 percent in 2012, the first year of significantly positive flows since the crisis but still far below the pre-crisis average of about 6 percent (Exhibit 2, page 8). At the same time, the primary source of asset growth—market appreciation—is a cause for serious concern. The continuing wave of unprecedented monetary easing from central banks around the world pumped up asset prices and helped drive double-digit returns for major indices in the US, Europe, Japan and elsewhere in 2012. Speculation that those massive stimulus efforts might soon taper off has already roiled fixed income markets and created more volatility in equity markets. If the tailwinds from monetary easing do lose strength, the asset management industry's growth would become more dependent on net flows, which have been tepid at best in recent years.

Profits remain well below pre-crisis highs, as costs hit record levels

While there are some reports that industry costs have been on the decline, our benchmarking research shows quite

Exhibit 1

North American and global assets reached record highs in 2012



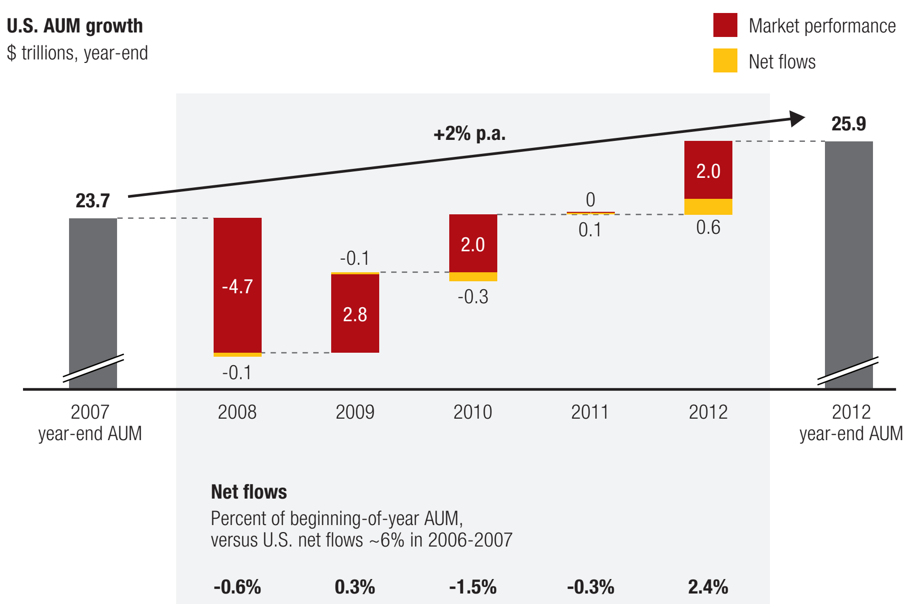
Source: McKinsey Global Asset Management Growth Cube

clearly that total costs have in fact been escalating and reached an all-time high in 2012. Over the last five years, costs increased three times faster than revenues, with the largest increases in the areas of sales and marketing and investment management. As a result, overall industry profit pools in 2012 remained 13 percent below the pre-crisis high in 2007 (Exhibit 3). In absolute dollar terms, costs ballooned by roughly $10 billion in 2012. As a percentage of AUM, average operating costs (excluding revenue sharing and transfer agency expenses) also remained near peak highs of 27 basis points (bps). Asset managers' average pre-tax operating profit margins edged up slightly to 29 percent in 2012, but are still four percentage points below 2007 highs. Also remaining constant was the significant profit gap between winning and losing firms: The top third of asset managers earned an average pre-tax margin of 47 percent in 2012. But even amongst the top players, costs continued to rise in 2012, with profit growth driven by revenue gains.

The inability of firms to control cost growth — particularly in the areas of sales and marketing — will make profitability more vulnerable to the next market downturn. Throughout several market cycles, costs have been mostly rigid in downturns and highly variable in upturns, limiting the benefits of increased scale. During the financial crisis, for example, costs as a percentage of assets barely budged — even as AUM declined and revenues plunged by 20 percent. The un-

Exhibit 2

U.S. asset growth has relied on market appreciation; net flows lag well behind pre-crisis levels



Source: McKinsey Global Asset Management Growth Cube

surprising result was a tight squeeze on profit margins. During the ensuing recovery, costs grew at a much faster pace than assets or revenues, dampening the profit rebound. The industry's reliance on market appreciation for asset growth exacerbates the problem; without the buffer of inflows, the next market slide will hit assets and revenues hard. If costs remain elevated, profit margins could once again decline sharply.

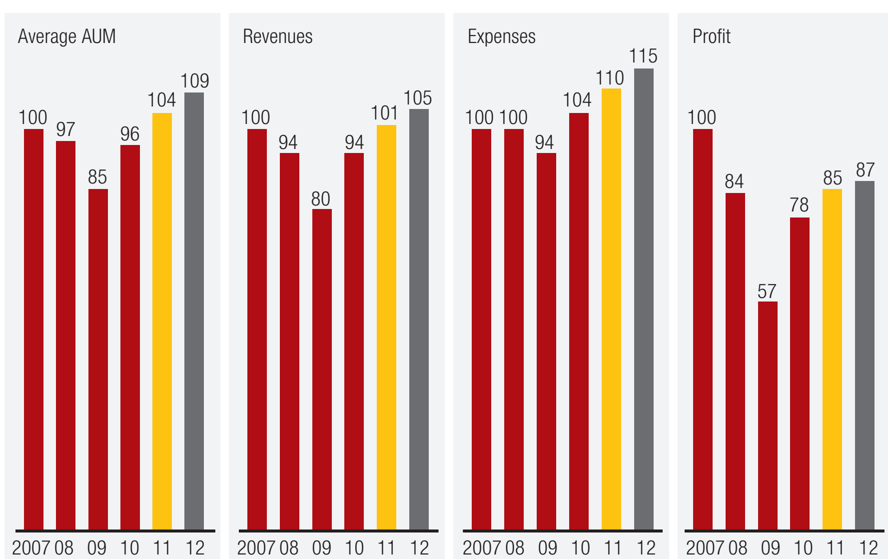
Slower revenue growth is not the primary driver of margin declines over the past five years; it accounts for roughly one-third of the margin drop. The remainder is caused by rising costs. Nevertheless, revenue growth across all client segments over the past five years has been tempered by the crisis-induced shift to lower-yielding products, particularly active fixed income and passive/ETFs, and declines in active equity products. This shift in mix outweighed growth in higher-yielding balanced/multi-asset and alternatives products (Exhibit 4, page 10).

On the retail side, net revenue yields (revenues net of distribution or revenue-sharing expenses) nudged up to 49 bps of AUM in 2012 and are now back to pre-crisis levels. In addition to a re-risking by retail investors, prices have been surprisingly resilient over the past five years. Prices among traditional active/core classes have mostly held the line; they have bounced up in fast-growing balanced/multi-asset and alternatives products; and dropped only in passive-style money market, index/ETF and quant-ac-

Exhibit 3

Operating profits remain well below pre-crisis levels, due to costs rising three times faster than revenues

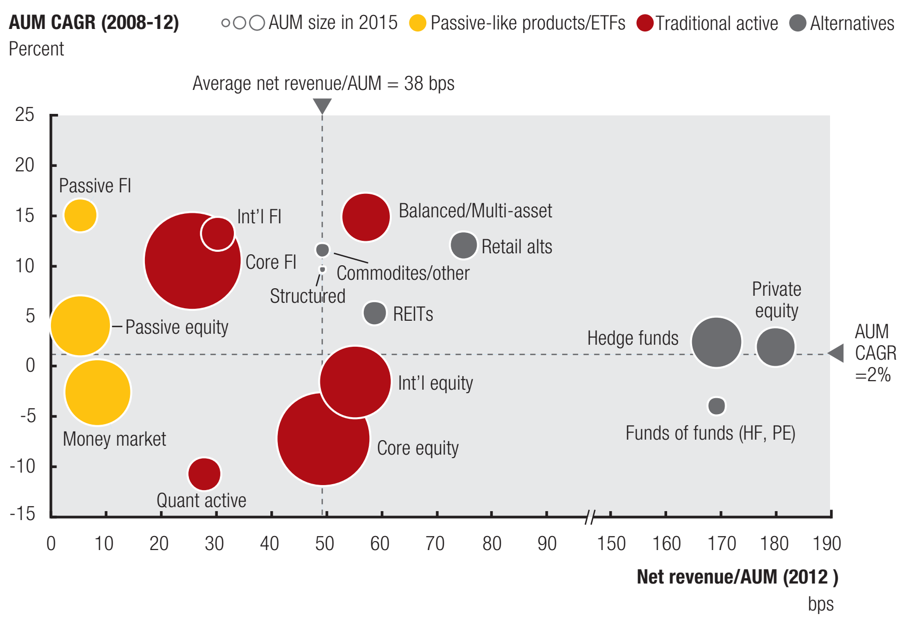
North America; results indexed to 2007



Source: McKinsey Asset Management Benchmarking Survey

Exhibit 4

Revenue growth has been tempered by faster growth in lower revenue-yielding asset classes



Source: McKinsey Asset Management Benchmarking Survey; eVestment; Simfunds

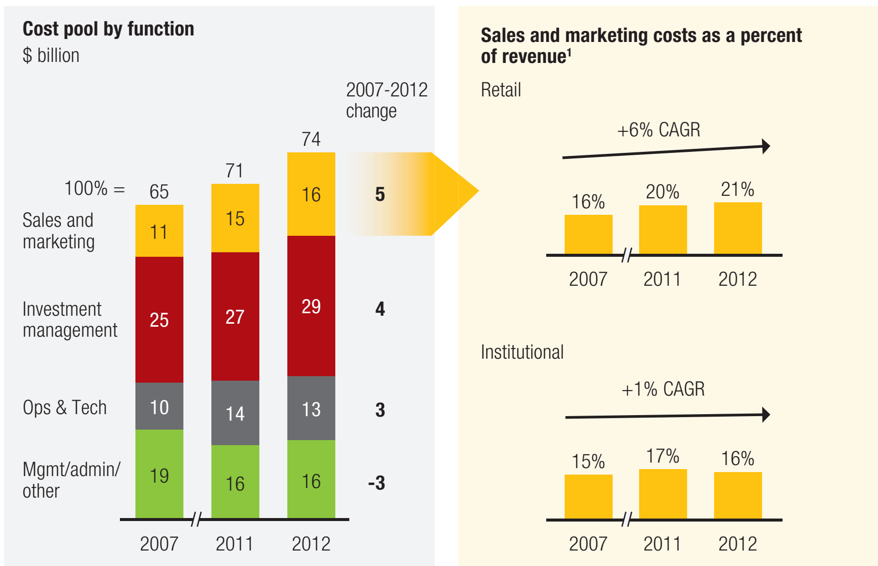
tive products. In contrast, on the institutional side, overall revenue yields flatlined at 36 bps in 2012 and remain 12 percent (5 bps) below 2007 levels. Institutional prices are, on average, 8 percent below 2007 levels, due largely to lower performance fees in alternative assets. The mix has also remained more conservative, with allocations to fixed income 2 percentage points higher than at the end of 2007 and equity lower by 5 percentage points.

A surge in sales and marketing costs — with diminishing returns for many players

As rising costs continue to hamper the profit recovery, the fastest increases are coming in sales and marketing, where costs have ballooned by 50 percent over the past five years (Exhibit 5). Costs overall have accounted for two-thirds of the industry's margin decline since 2007, with sales and marketing costs accounting for one-third of the decline. Sales and marketing costs now make up almost one-quarter of the typical asset manager's cost base, second only to the investment management function. A primary cause of rising costs in this area is the increasing complexity of the U.S. retail distribution landscape, including the more demanding and sophisticated wirehouse channel and the fast-growing but fragmented independent channel. Retail sales and marketing costs have grown by an average of 6 percent annually over the past five years, and reached 21 percent of retail sales revenues by the end of 2012.

Exhibit 5

Costs in North America are rising fastest in sales and marketing, particularly in retail



[1] Excludes revenue sharing; retail costs shown over retail revenues, institutional costs over institutional revenues

Source: McKinsey Asset Management Benchmarking Survey

Making matters worse, the cost of generating an additional dollar of retail revenue is now one-third higher than it was before the financial crisis, yet every dollar earned is less sticky due to high churn rates among customers. A major contributing factor is the explosive growth of ETFs, which are easier to trade and tend to have much higher churn rates than traditional mutual funds. Additional churn is a result of changes in how retail advisors work, with many increasingly using ETFs to act like portfolio managers, moving clients in and out of asset classes on a more frequent basis.

Effective sales and marketing spend is essential and, as we explore in Chapter 3 of this report, requires asset managers to first diagnose the current state of their distribution effectiveness with a sales alpha approach.

Major Growth Trends Gain Momentum, And a Select Group Of High Performers Captures New Flows

While assets hit record highs in 2012, the stark reality is that firms today are chasing ever-scarcer sources of growth. In fact, 100 percent of the industry's organic growth now stems from the acceleration of six major trends we first identified three years ago. At the same time, the industry's growth has largely been confined to a select group of firms with the conviction to invest behind these major growth trends. By the end of 2012, the world's 20 largest firms controlled about 50 percent of industry AUM, up from 35 percent a decade ago. Firms on the sidelines of the major growth trends have struggled — and will find themselves in an increasingly vulnerable position.

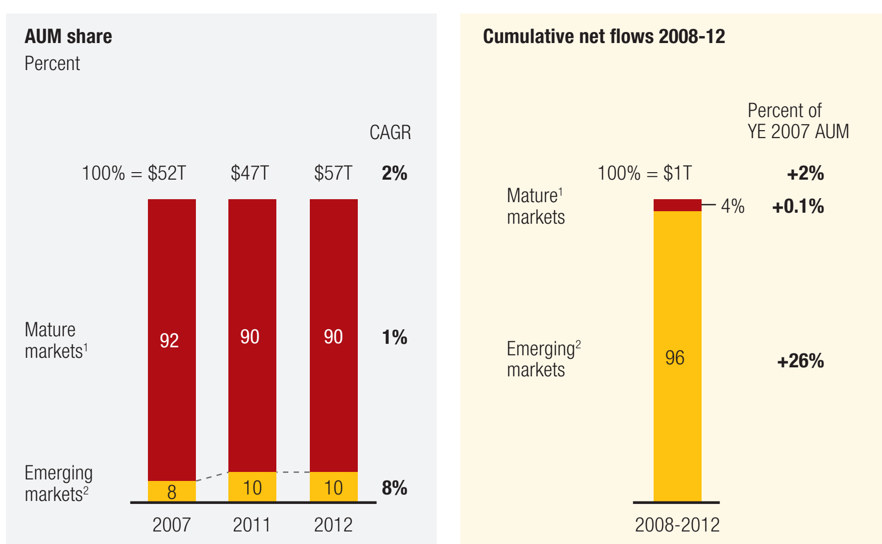
Six accelerating trends are driving 100 percent of the industry's growth

1. Emerging markets are generating the vast majority of global organic growth, as flows stagnate in many developed markets. Without question, one of the most powerful forces shaping the global asset management industry is the rapid growth of emerging markets, particularly Latin America and Emerging Asia. From 2007 to 2012, AUM in emerging regions grew at an annual rate of 8 percent — well above the 1 percent annual growth in developed markets (Exhibit 6). Moreover, about one-third of Latin America and Emerging Asia's asset growth over that period came from net flows, a stark contrast to North America and Western Europe, where market appreciation accounted almost exclusively for asset growth. Overall, emerging regions accounted for 96 percent of global flows over the past five years.

2. Retirement represents one of the largest opportunities in global asset management. The DC segment remains the fastest-growing client segment in the world. In North America, DC assets grew by more than 4 percent annually from 2007 to 2012 — far outpacing the 2.5 percent and -0.2 percent growth rates for retail and institutional, respectively. Defined contribution (DC) is clearly the future of retirement in America, with more than 60 percent of households participating in a retirement plan today relying solely on DC plans. We expect

Exhibit 6

Emerging markets accounted for 96% of global flows over the past 5 years



[1] EU, North America, Japan, Australia

[2] Central/Eastern Europe, Latin America, Asia excl. Japan, Middle East and Africa

Source: McKinsey Global Asset Management Growth Cube

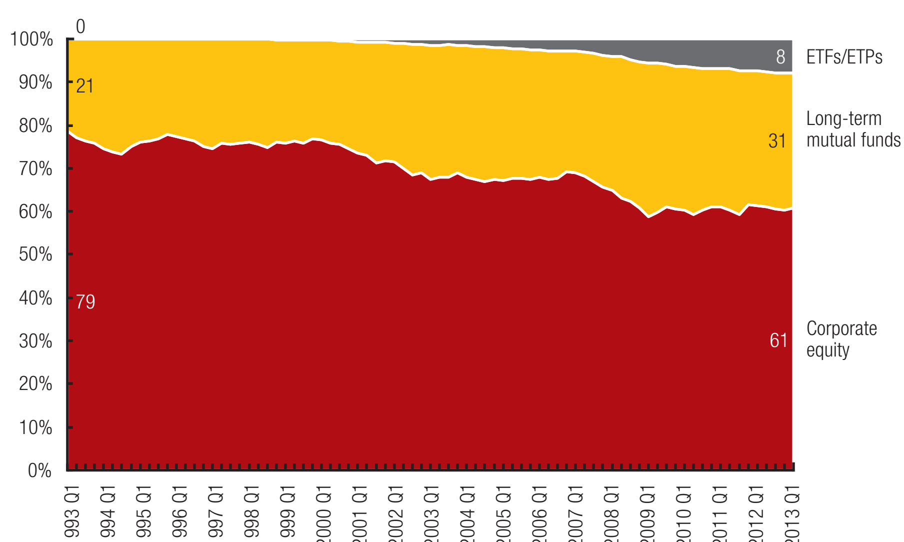
firms to gain over $1 trillion in DC assets over the next five years, with net new contributions into DC almost fully offsetting outflows from retiree rollovers. At the same time, IRA rollovers will represent a massive opportunity within the retirement arena, with an expected $400 billion of net flows from DC to IRA rollovers occurring over the next five years. As a result, the demands of millions of investors are shifting dramatically, from an almost exclusive focus on savings and accumulation to a much heavier emphasis on income generation and principal protection.

3. ETFs continue to grow at a torrid pace. ETFs have grown at an explosive annual rate of more than 30 percent over the past decade, democratizing access to an array of asset classes and strategies, such as commodities and foreign currencies, that were once too expensive and impractical for retail and small institutional investors to own. In the U.S., ETFs hold more than $1.4 trillion in assets, or more than 10 percent of total mutual fund assets — a meteoric rise from $121 billion, or just 2 percent of fund assets, a decade ago (and in line with McKinsey projections made in 2011). Rather than taking share from mutual funds, most of the growth in ETFs has come at the expense of individually held securities (Exhibit 7). Distribution dynamics point to continued growth: Despite the rapid rise in popularity, ETFs still account for only for 5 percent of retail assets and are used by only half of all advisors holding a Series 7 license. The

Exhibit 7

A significant source of ETF market share growth has come at the expense of individually held equities and mutual funds

U.S. individual stocks, long-term mutual funds and ETFs—household financial asset mix



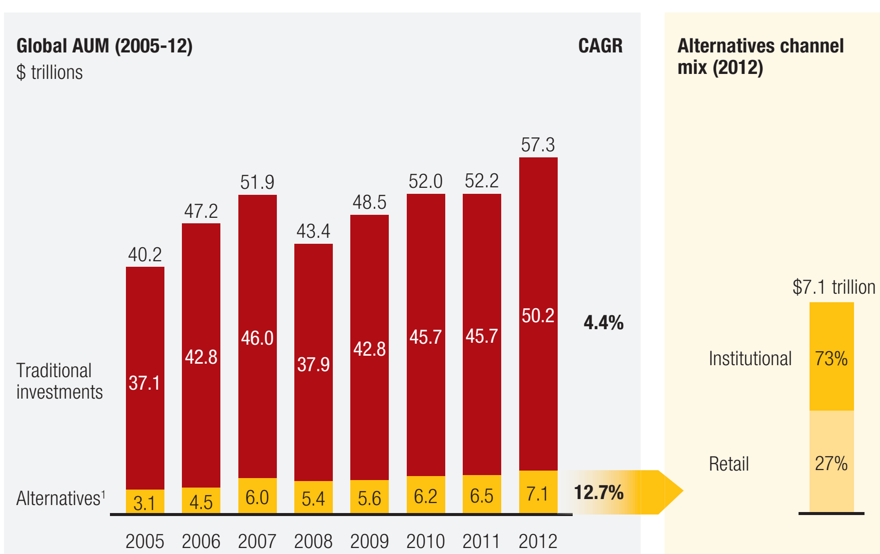
Source: Strategic Insight; Federal Reserve Flow of Funds ongoing transition to fee-based distribution and the faster growth of client segments that tend to be heavy users of ETFs (e.g., registered investment advisers) will continue to fuel growth.

The "second act" for ETFs is also being driven by the rapid pace of new product development. For instance, "smart beta" ETFs, which seek to enhance returns by going beyond traditional market-capitalization-weighted indices and employing metrics such as volatility or cash flow for weighting, are a relatively new but growing subset. Active ETFs are also poised to see continued growth, albeit from a small base of about $14 billion in assets today. While a number of conditions necessary for the active ETF market to take off in a significant way have not yet been met (including the presence of products with a substantial track record and established processes to convert active mutual funds into ETFs), the active ETF market will continue to grow, especially in the fixed income arena. While the first act for ETFs has been played and won by a select set of firms, the second presents new opportunities for innovation and leadership.

4. The next wave of alternatives growth is set to break. The alternatives category has more than doubled in size over the past decade, with global AUM standing at $7.1 trillion by the end of 2012 – and since 2005, alternatives have grown three times faster than traditional investments (Exhibit 8). The swift pace will continue thanks to four trends playing out

Exhibit 8

Globally, alternative investments have grown nearly 3 times faster than traditional investments since 2005



¹ Retail alternative asset classes include '40 Act (mutual funds, ETFs, closed-end funds) and UCITs funds.
Source: McKinsey Global Asset Management Growth Cube

across the full spectrum of retail and institutional investors. First, investors are becoming increasingly dissatisfied with traditional investment approaches — including the static asset-allocation models prevalent in the institutional sector and the 60/40 balanced funds in retail — in this era of dramatically heightened volatility. In parallel, state-of-the-art portfolio construction has evolved, now drawing on the rise of absolute-return benchmarks and incorporating such strategies as barbelling, the application of "risk-factor-based" asset allocations, and a focus on tail-risk and volatility management. At the same time, persistent asset-liability gaps have left many client segments with virtually no choice but to seek out higher-yielding assets that the alternatives space provides. Finally, the increased requirement for specific investment "outcomes," such as inflation protection and long-dated income streams, is playing into the hands of alternatives providers, whose products are uniquely positioned to meet these needs.

The next phase of alternatives growth will also be propelled in large part by investors who, up to this point, have been relatively unfamiliar with the category. On the institutional side, small and mid-sized pension funds are beginning to emulate the "endowment model," with direct allocations to alternatives, moving away from their previous emphasis on traditional investments or funds-of-funds allocations to alternatives. Newer sovereign wealth funds with significant capital infusions are also increasing their appetite for high-conviction, opportunistic alternatives strategies. And large insurance players, who are struggling to generate returns with traditional fixed income-heavy strategies in the low-yield environment, are increasingly turning to alternatives. Retail investors, for their part, are gaining access to a broader array of alternatives strategies through the proliferation of more liquid alternatives funds that carry much lower, if any, minimum investment requirements. We expect alternatives to account for 13 percent of fund assets and 25 percent of retail revenues by 2015.

5. Fixed income is down, but hardly out. The decades-long bull market in fixed income clearly began to lose momentum in 2013: prices for long-term U.S. Treasury bonds, for instance, had collapsed by 15 percent through late August, amid heightened speculation that the Federal Reserve would soon start tapering its massive bond purchases. Without question, a major challenge for fixed income managers will be upholding risk/return expectations and creating value in an era of potentially rising rates. Fixed income is also becoming more specialized as investors search for returns in high-yield, credit, multi-sector and absolute-return strategies. Specialized products (such as retail emerging market funds) are now capturing most of the flows at the expense of many traditional/core fixed income offerings.

But while fixed income is under significant pressure, several structural forces will serve as a buffer against potential flow losses. The increasing use of liability-driven investing among both pension plan sponsors (particularly those with frozen plans) and insurers with large asset bases will support demand for bonds. On the retail front, fixed income should stand to benefit from the rapid aging of the population — while individuals over the age of 65 accounted for just 12 percent of the U.S. population a decade ago, that proportion is projected to rise to 21 percent by 2050. As older investors continue to age, their allocations toward fixed income are likely to increase.

On the retail front, retirees and near-retirees are increasingly seeking out solutions like income generation and principal protection.

Leading fixed income and alternatives asset managers are also finding new ways to partially disintermediate capital markets. For instance, hedge funds launched several dozen direct-lending funds during 2012 alone. These funds, which provide loans directly to corporations, are filling a void left when banks curbed their lending activities in response to tighter credit standards and increased regulatory requirements. Asset managers are establishing capital markets groups to let issuers and banks know the sizes and types of debt deals they have an appetite for, and are working with them to get the deals done. In some cases, asset managers and banks are teaming up to provide financing to middle-market firms, with banks originating the debt and retaining a portion of it on their balance sheets, then passing the remainder to asset managers for allocation to their funds.

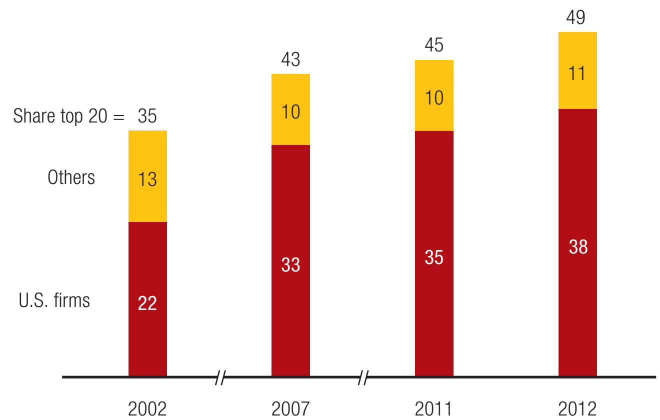
6. Solutions are reshaping the way money is managed, but most asset managers are struggling to capitalize. Solutions – broadly defined as products engineered to help clients address specific opportunities or needs – have quickly gained traction in the asset management industry; we estimate that by 2015 they will account for $2 trillion in assets. On the retail front, retirees and near-retirees are increasingly seeking out solutions like income generation and principal protection. In the U.S. retirement market, for example, flows into DC will likely be almost exclusively concentrated among providers of solutions products, particularly target-date funds, and we expect these firms to gain more than $1 trillion in assets over the next five years. And as demographics drive an acceleration of IRA rollovers and the need to address what happens after the "target date," we expect retirement-oriented solutions to deliver $2 billion in new revenues in the coming years.

Leading players are innovating in the product area, increasingly offering solutions that cut across style and asset class categories, marketing outcomes that address not only target retirement dates, but also exposure to risks including volatility, longevity and inflation. For instance, capital protection features are being added to target-date funds, through insurance-like products or options strategies that provide downside

Exhibit 9

U.S.-based firms are winning the globalization race

Share of global AUM of top 20 firms by domicile
Percent



	2002	2007	2011	2012
Number of U.S. firms in top 20	**15**	**14**	**14**	**14**
Average AUM of U.S. firms in top 20, U.S. trillions	**$0.7**	**$1.1**	**$1.2**	**$1.4**

Source: Company reports

protection in return for limiting some of the upside. Other players are moving away from traditional glide paths and utilizing more active asset allocation models to better manage the volatility as market conditions change. At the same time, they are using passive asset classes (e.g., passive equity/fixed income) to minimize costs and increase diversification.

While virtually every asset manager has a solutions offering, most face serious challenges in delivering them effectively. For instance, the business models of many asset managers operating in the DC space are still rooted in accumulation, rather than on developing a suite of solutions geared to retirees who have already passed their target date. Some have developed complex retirement investment solutions but have underinvested in marketing them to financial advisors and retail investors, where 70 to 80 percent of the rollover money is flowing. A key issue is the capability of the sales force to sell solutions products. As a result, the top 10 firms in the solutions arena are capturing almost 100 percent of the flows.

Few firms are winning across multiple growth categories

Asset managers who are not positioned to capitalize on at least one of the industry's major growth trends will continue to fall behind the leaders. Over the past five years, the top 10 firms in each of the passive, solutions and alternatives categories have captured between 57 percent to 100 percent of net fund flows. These top per-

Exhibit 10

Leading U.S.-based firms have grabbed massive market share in Europe due to their expertise in the fastest-growing asset classes

Cumulative net fund flows[1] 2008-12
Europe-domiciled funds

Top 10 players by origin	**Cumulative net flows** $ billion	**Share of total** Percent	**Top 10 position by asset class**
U.S.	164	**17**	Passive; alternatives; money market
U.S.	98	**10**	Fixed income
U.S.	71	**8**	Fixed income
U.S.	47	**5**	Fixed income; money market
Europe	46	**5**	Fixed income
Europe	46	**5**	Solutions; equity
U.S.	45	**5**	Alternatives; money market
U.S.	41	**4**	Money market
Europe	36	**4**	Passive; alternatives; solutions
Europe	36	**4**	Passive
All others	307	**33**	

[1] Includes ETFs
Source: Simfunds

formers are leveraging both scale and deep expertise in select growth categories to capture flows and are taking significant share at the expense of generalist firms.

That said, few firms are winning across multiple growth categories. At the end of 2012, only two firms in the funds universe held a top-10 flow position in all three of the passive, solutions and alternatives arenas. Nearly all preeminent players in each crucial growth category have targeted specific trends and are dominant in that area alone.

As growth globalizes, a handful of U.S.-based firms are pulling away from the pack

More than ever, the industry's growth is controlled by a handful of leading global firms with deep expertise in the fastest-growing product and client areas. By the end of 2012, the world's 20 largest firms controlled 49 percent of industry AUM, up from 35 percent a decade ago, with large U.S.-based firms leading the way (Exhibit 9). Fourteen of the world's 20 largest firms are U.S.-based, and they now control 38 percent of global AUM. In particular, top U.S. players are rapidly encroaching on European managers' turf: Between 2008 and 2012, six American firms alone accounted for 50 percent of total net flows in European-domiciled funds. This performance is directly attributable to their success in capturing the majority of fund flows in Europe's fastest-growing asset classes: passive equity, fixed income and alternatives (Exhibit 10).

A Three-Part Agenda For Achieving Sustainable Growth

A dangerous scenario is unfolding for many firms in the North American asset management industry. On one hand, growth expectations are exceptionally high: about half of the market value of asset managers is based on expected future profit growth, well above expectations for firms in other financial sectors. At the same time, however, organic asset and profit growth has all but dried up across a broad swath of developed markets. To live up to shareholders' lofty growth expectations, asset managers must have an accurate picture of the drivers of growth over the next five years and use that information to shape their strategic decisions.

To uncover the key sources of growth at the firm level, McKinsey analyzed our benchmarking results, the findings from McKinsey's Global Growth Cube model, which dissects growth and profitability trends into over 4,000 micro-segments by 44 regions and countries, 9 client segments, 12 asset classes and 5 product vehicles, as well as our sales alpha methodology, which measures the value-add of sales and marketing (adjusting for investment performance) utilizing a factor analysis of over 10,000 retail and institutional products. The research revealed three main drivers of growth: investment performance, market positioning (the geographies, channels and products in which firms choose to compete) and sales alpha, or distribution excellence (Exhibit 11).

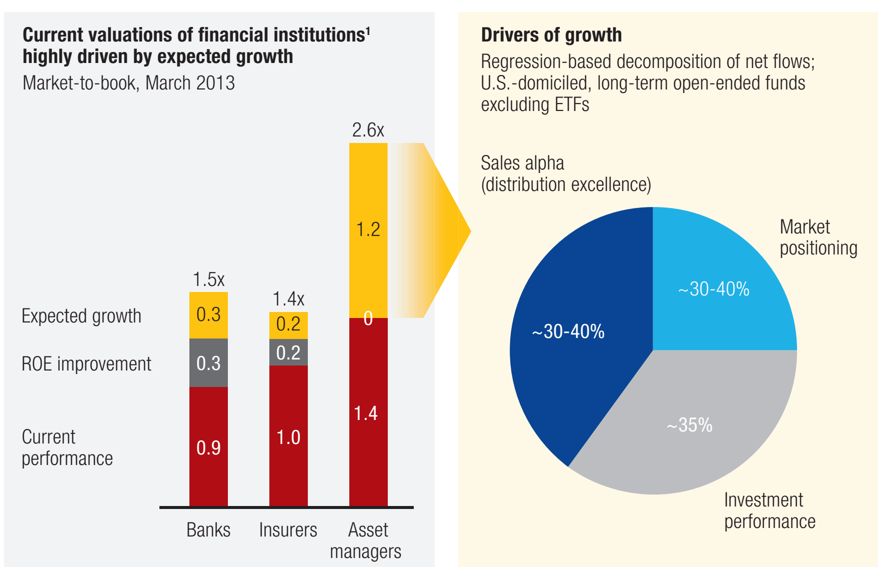
Leading firms are strengthening their investment engines

McKinsey research shows that investment performance accounts for one-third of growth at the firm level – which is not enough to drive superior performance. To be sure, rated funds with "4-star" and "5-star" rankings captured all of the flows in 2012, while lower-rated funds collectively experienced negative flows. Still, relatively few asset managers have consistently sustained distinctive investment performance over the long term, a phenomenon that holds true across virtually all major asset classes.

What is more, our research shows that the ability to capture new product opportunities is equally — if not more — important than investment performance. Indeed, unrated products captured more net flows between 2008 and 2012 than 4- and 5-star funds combined. Looking ahead, consistently high performance in legacy

Exhibit 11

Growth can be attributed to market positioning, investment performance and sales alpha



[1] All publicly traded asset managers globally

Source: McKinsey analysis

strategies will not be enough; firms must quickly adapt their investment engines to drive flow growth in new products.

Roles and structures are being overhauled

Leading firms are taking steps to strengthen their investment engines along several dimensions, including structure and roles, capabilities and investment processes (Exhibit 12).

To begin, they have expanded the traditionally investor-centric CIO role so that it now incorporates more CEO-like responsibilities. These leading-edge CIOs are enablers of sustained, long-term investment performance and are increasingly focusing on risk management and product innovation. For example, they are also formalizing the investment process by developing global standards for research, portfolio construction and risk management, and by facilitating sharing of best practices across the investment engine. The fostering of innovation is also a top priority; CIOs at leading firms are creating "labs" with formal processes for generating and pilot-testing new ideas and seeding their research teams with cash to create new research-led funds.

Top-performing firms are also taking steps to globalize the investment management function, in an effort to achieve consistent delivery of global capabilities. Among key structures and roles, regional silos are being dismantled to make way for a much greater degree of coordination across geographies and asset classes. Firms are instituting knowledge-sharing

Exhibit 12

Leading firms are strengthening their investment performance by reconstructing organizational boundaries and transforming core capabilities/processes

	How the environment is changing	How asset managers are adjusting
Structure and roles From a vertical to a horizontal organization	Organizations more global and less U.S.-centric Investment themes increasingly global	CIO role expanding to "investment CEO" Research industrialized, deeply specialized and monetized
Capabilities Deeper integration within and outside the investment engine	Client demand for deeper asset allocation and outcome-oriented strategies Need to better integrate insights across roles and geographies	Interactions between investments, products and solutions become critical Technology a differentiator for integration across asset classes and geographies
Investment process Towards more industrialization	Clients ask for more sophisticated risk management and analytics Larger, multifaceted investment teams with greater specialization	Role of risk dramatically increased The portfolio manager as portfolio conductor: less sole idea generator, more systematically leveraging input from research and trading

Source: McKinsey analysis

between geographies to better facilitate a host of investment decisions ranging from portfolio construction to asset allocation. Technology is a differentiator for these firms, enabling global collaboration and rapid sharing of information. Perhaps most importantly, leading firms are instilling a shared culture of accountability for achieving investment excellence on a global, firm-wide scale.

The research function within these leading firms is industrialized, deeply specialized and monetized. Research is shifting away from generalist regional teams and towards specialized global teams that synthesize global perspectives on a specific asset class for the entire investment engine. Research is seen as a specialized career track rather than simply a path to portfolio management. Research teams are also increasingly driving revenue generation by directly managing client assets, with full discretion over the management of client portfolios and funds.

Capabilities are being reoriented toward solutions

As solutions continue to reshape the investment landscape, they bring profound implications for how money is managed. In response, leading firms are enhancing their capabilities in the solutions arena. While most firms have some form of multi-asset solutions group, for many the investment function is still largely organized around and incented on beating relative-return benchmarks. Firms also typically share ownership of solutions products among the CIOs of various asset classes like fixed income and equities. Now, leading firms are moving away from this shared model to a standalone solutions model, with teams headed by a dedicated solutions CIO. These solutions teams bypass traditional portfolio management silos, instead utilizing an embedded asset allocation team with enhanced risk and portfolio analytics capabilities to create customized client solutions. Within the solutions group, an integrated product development team works with clients as portfolio advisors to help define their specific needs. The solutions team also provides regular feedback to other asset/product groups for the creation of top-performing asset class sleeves and innovative prepackaged solution products.

Risk is taking on a dramatically increased role

Risk is taking on far more importance in the investment process, as clients increasingly demand more sophisticated risk management and analytics. CIOs are taking an active role in risk management, leading weekly portfolio reviews with portfolio managers and peers and examining tracking errors, exposures and risk budgets. Leading firms are dispatching teams of independent risk analysts, under the purview of the CIO, to work directly with asset class teams to monitor and help construct portfolios. The independence of the risk analysis function outside of portfolio management has been greatly expanded, with risk professionals given the authority to make risk management decisions more transparent across portfolios and provide greater clarity on risk guidelines.

The role of the portfolio manager is also evolving, from “sole idea generator” to “portfolio conductor.” They are working closely with centralized research to tailor the best ideas to the portfolio, based on a defined investment strategy. And they are collaborating with risk analysts in constructing their portfolios. Some firms are taking the innovative approach of tying incentives for research professionals to portfolio revenue and the proportion of portfolio assets invested in their recommendations. Just as research is taking a more proactive role, traders are now starting to control and influence timing for the execution of trades, rather than simply acting as order takers. Traders are also acting as thought partners to portfolio managers, incorporating feedback from the Street and helping to validate strategies.

Leading firms make informed strategic choices around market positioning

In an increasingly competitive and concentrated arena, market positioning is critical; McKinsey research shows that it drives 30 to 40 percent of flow growth. The most important decision that management teams make is about where to compete — and they need to do so with precision and conviction, taking a disciplined approach to allocating resources.

As a first step in this process, leading firms assess their market positioning by conducting granular analysis across geographies, channels, asset classes and products/vehicles. They then identify the one or two growth opportunities where they can capture a disproportionate share, and invest appropriately behind them. To help asset managers pinpoint opportunities in asset management globally, McKinsey developed a model – the Global Growth Cube – that dissects growth and profitability trends into more than 4,000 micro-segments by 44 regions and countries, 9 client segments, and 12 asset classes and product vehicles (Exhibit 13).

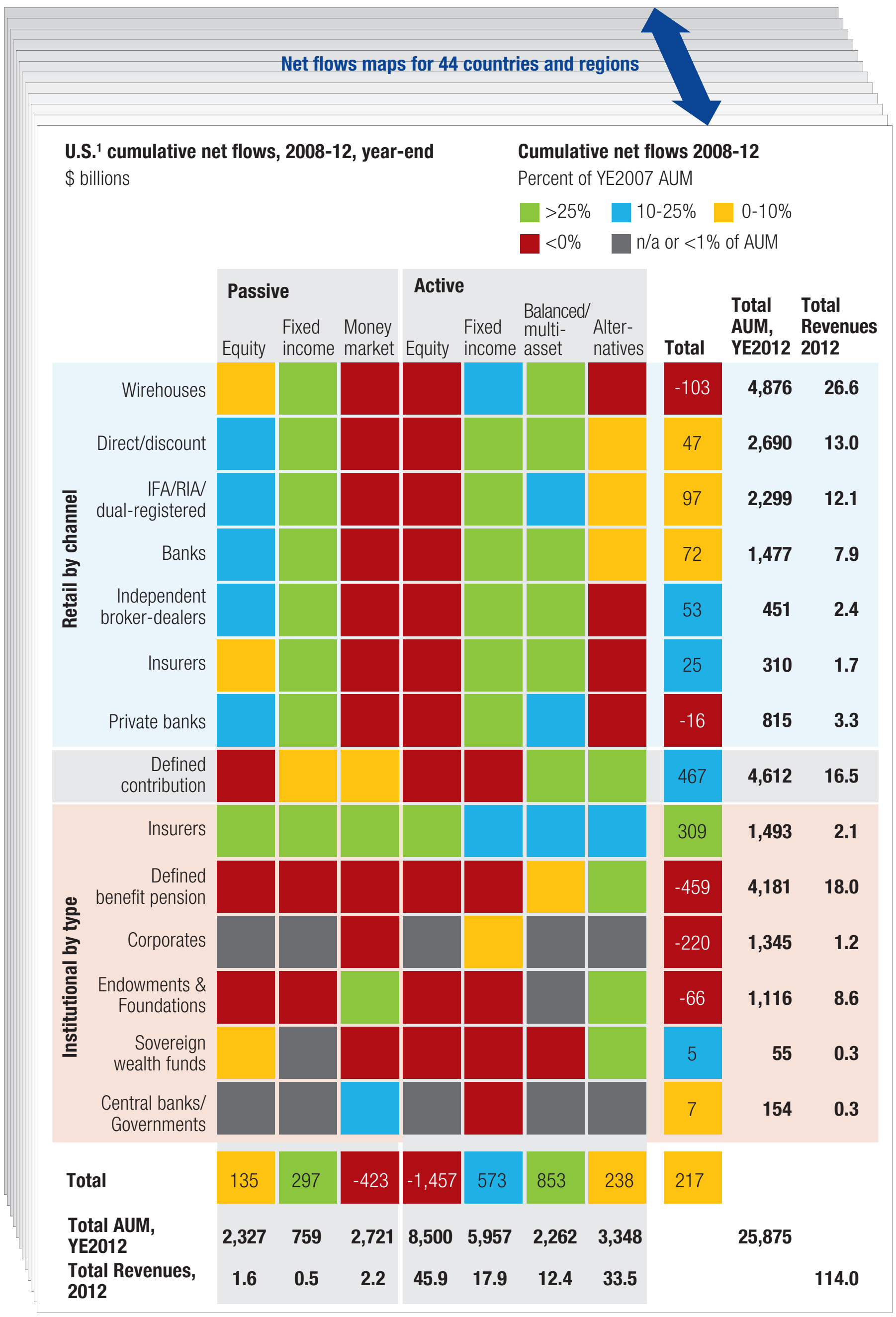
This granular analysis reveals targeted growth opportunities, even within declining markets like U.S. active equity. At first glance, the asset class appears unappealing, particularly when compared to much faster-growing classes like passive equity, balanced/multi-asset class and alternatives. But our forecasts reveal robust growth prospects for specific products within certain client segments. For instance, we estimate equity income products in the retail segment will generate cumulative net flow growth of about 25 percent over the next five years, in response to the burgeoning income needs of a growing retiree segment. We also expect active emerging equities to generate robust flow growth in both retail and institutional segments.

Top-performing firms use granular forecasts to inform strategic choices on resource allocation and market positioning

Recent McKinsey research into corporate resource allocation patterns and their relationship to firm performance reveals dramatic differences between companies that actively reallocate their resources over

Exhibit 13

McKinsey's Growth Cube identifies granular growth opportunities by country, client segment, asset class and vehicle



Note: Global Growth Cube market-sizing metrics on AUM, net flows and revenues comprise more than 50,000 data points; timeframe, 2007 – 2012; AUM projections to 2017

[1] U.S. example; data available for 44 countries and regions

Source: McKinsey Global Asset Management Growth Cube

time and those that don't. The heaviest resource allocators — firms that shifted an average of 56 percent of capital across their business units over a 15-year period — earned returns to shareholders that were on average 30 percent higher annually than companies in the bottom third of the sample. But most firms base their resource allocation decisions on last year's budget, rather than on forward-looking projections for market growth and returns, which greatly limits their ability to make significant changes.

For asset managers, a granular and objective view of the industry is essential for making effective management decisions on resource allocation and market positioning.

For asset managers, a granular and objective view of the industry is essential for making effective management decisions on resource allocation and market positioning. An unbiased understanding of a firm's market share by region/country, client segment and product supports critical decisions on market entries and exits and overall growth strategy. And in the product development area, granular data is critical for identifying product and market opportunities and pinpointing fast-growing product categories and client segments within different geographies.

Management teams of leading firms also have strategic discussions about where to compete on a granular level. Every asset managers' situation is unique. To gauge how the use of granular forecasts to inform strategic portfolio choices can impact growth, McKinsey modeled the growth outlook for a "typical" U.S.-based global player. Using the baseline forecast from our Granularity of Growth forecasting model for 2013 through 2017, we would expect the firm to achieve average AUM growth of about 7 percent annually over the next five years. We then assumed that the firm utilized granular growth forecasts to rebalance up to 20 percent of its current business globally. For instance, it might deprioritize institutional sales in developed Asia and invest more heavily in China institutional sales. The result of the exercise was an increase in annual AUM growth of up to 40 percent over five years.

Leading firms achieve distribution excellence by using sales alpha to diagnose and transform their go-to-market approach

The third main driver of growth in asset management is distribution excellence, measured by a firm's ability to consistently generate sales alpha, that is, net flows above and beyond those that are the result of product strategy and investment performance. Our research shows that over the past decade, firms with superior distribution excellence, as measured by sales alpha, collectively brought in 90 percent of all retail net flows (Exhibit

14). Even firms with average products and performance, but above-average sales alpha, were able to generate 10 times' the flow of asset managers with stronger products but below-average sales alpha.

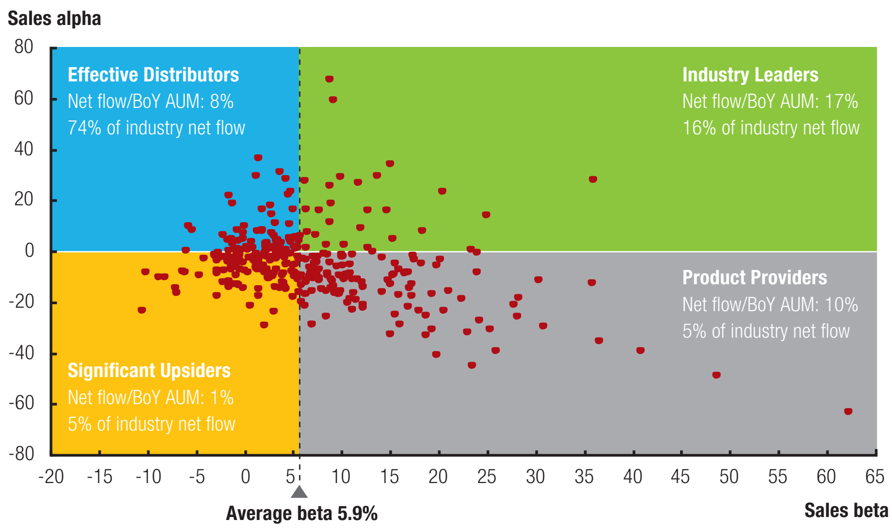
As noted in Chapter 1, rapidly rising sales and marketing expenses have played a key role in driving down margins and hampering the profit recovery. In addition, every dollar of retail revenue earned is less sticky thanks to increasing churn rates among retail platforms, advisors and clients. In response, many leading asset managers are transforming their go-to-market approach and positioning themselves to generate consistently positive sales alpha in a cost-effective way.

Measuring current distribution effectiveness: What is your sales alpha?
To help asset managers diagnose their current distribution effectiveness, McKinsey has developed a proprietary sales alpha methodology that separates the impact of the distribution team from investment performance, market trends and fund size ("sales beta") for both retail and institutional segments. On the retail front, for example, our model incorporates data from more than 7,000 mutual funds over the past decade, and analyzes the influence on fund flows of more than 30 different variables, including product features (e.g., investment strategy, risk profile), product performance, overall market returns, fee structures, target investors, and sales and marketing spend.

Exhibit 14

Firms with superior sales alpha have captured almost all retail net flows over the past decade

2002-1H12 annualized
Percent



Note: n = 325: 68 Effective Distributors, 26 Industry Leaders, 111 Significant Upsiders; 120 Product Providers
Source: Simfunds; McKinsey Sales Alpha Application

Our research shows that asset managers can be grouped into four major categories with varying distribution effectiveness:

- **Industry Leaders** outperform their peers in both sales alpha and sales beta. Fewer than 20 percent of asset managers belong to this category, but they are gathering net flows at three times' the average industry rate (17 percent versus 5.9 percent). Most of these firms are larger-than-average with a broad product range, or institutional firms that also serve the retail market and focus on a narrow range of asset classes. These managers typically achieve positive sales alpha by focusing on quasi-institutional distribution channels to reach retail clients (such as DC platforms) or through leadership in a particular channel (e.g., RIA). Their high sales beta comes from overexposure to growing asset classes and above-average investment performance.

Effective Distributors achieve above-average sales alpha even when their products are out of favor or their investment performance is mediocre.

- **Effective Distributors** achieve above-average sales alpha even when their products are out of favor or their investment performance is mediocre. These firms have generated more than half of industry flows over the past decade and, over time, are likely to become industry leaders as clients remain loyal to their brands and wait for performance to turn around. Effective distributors typically have access to strong proprietary channels (such as DC or private banking) or are leaders in a particular channel. They tend to be among the largest firms in the industry, and also apply more sophisticated sales and marketing techniques to maintain client loyalty.
- **Product Providers** outperform in sales beta by aligning their product portfolios against high-growth asset classes and by maintaining strong investment performance in those categories. However, they are unable to generate positive sales alpha. These firms usually lack the sales and marketing expertise to make a bigger impact and often underinvest in higher-growth channels (e.g., Investment-only DC, RIA), preferring to focus on traditional institutional business. While in aggregate these firms achieve above-average flows, they undersell relative to their potential and are less likely than effective distributors to become industry leaders.
- **Significant Upsiders** lag overall averages in terms of both sales alpha and sales beta. For many, their situation has deteriorated further: they have moved from gathering positive but below-average net flows over the past 10 years to experiencing significant outflows over the past five. They also tend to be larger firms, with multifaceted product lineups and multichannel distribution,

but often lack a channel or product focus, or a strong client following. Many are overexposed to slower-growing and lower-persistency channels (e.g., wirehouses), making share gains difficult.

Maximizing sales alpha

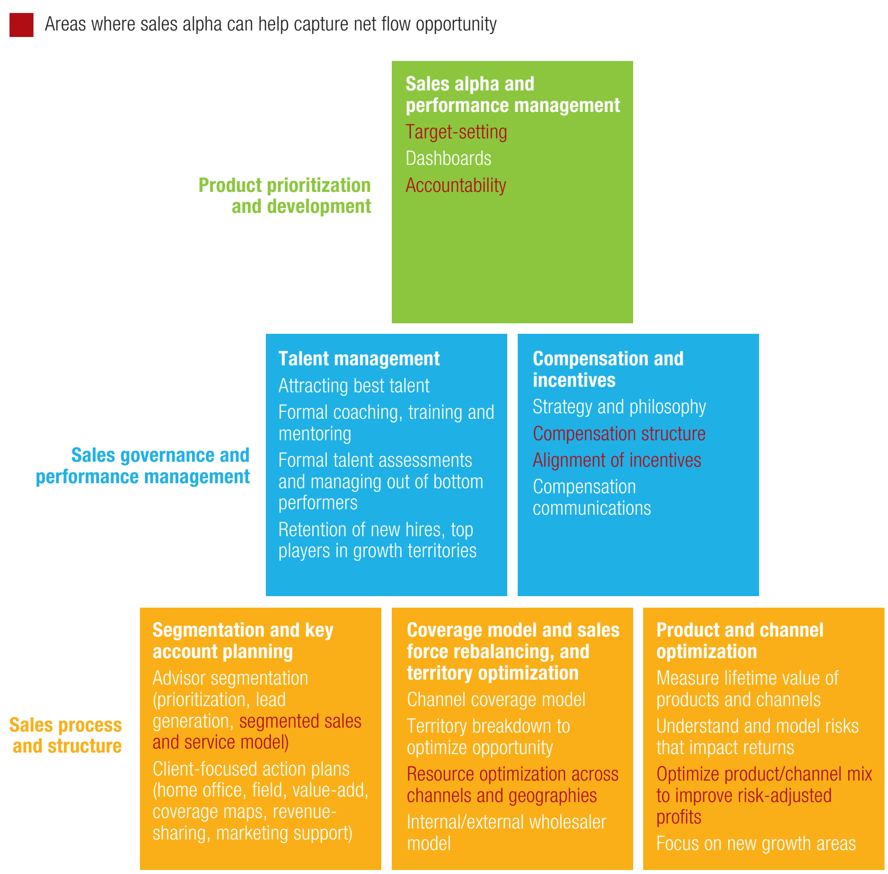
Firms that have consistently positioned themselves as industry leaders or effective distributors have taken a series of actions across several dimensions (Exhibit 15):

Optimizing the sales process

Many leading firms are now applying investment-like discipline to their distribution teams. They no longer rely on legacy relationships as the primary means of generating sales; instead they take a more scientific approach to identifying the geographies, channels and clients that they want to prioritize. To do this, they employ advanced analytics techniques, leveraging both internal and

Exhibit 15

Actions firms are taking to transform their distribution model to maximize their sales alpha



Source: McKinsey Analysis

third-party data sources, to identify the specific market segments that provide the greatest opportunity for growth and asset retention. A select few firms have taken this practice a step further, gaining perspective on individual advisors' propensity to purchase their products based on a variety of factors including investment strategy, client demographics, product performance, and service and support. They use these insights to make changes to their value proposition (both sales and ongoing service and support) and to align their distribution resources against the highest-value opportunities for generating sales in the near term.

Once firms have decided where and how to compete and determined the optimal sales and service structure given their footprint and capabilities, they must apply the same analytical approach to recruiting, developing and retaining top talent.

Aligning the sales structure

As distribution continues to evolve and become more sophisticated (particularly in retail), clients have become ever more demanding about the level of service and support they expect from their asset management partners. As products become increasingly complex, distributors are asking asset managers to focus their sales conversations more on educating their clients on the products and how they fit within their investment portfolios, and less on communicating technical product features and track records.

Distributors are also increasing their expectations around service and support levels, with some even demanding minimum service levels in exchange for access. This represents a considerable change for many asset managers, requiring some to completely overhaul the composition of their distribution teams or create new roles (e.g., channel experts, client portfolio managers) to supplement their existing generalist distribution capabilities. Determining the optimal sales and service choreography is imperative in eliminating confusion internally and reducing it among clients and distribution partners.

Implementing sales governance and performance management

Once firms have decided where and how to compete and determined the optimal sales and service structure given their footprint and capabilities, they must apply the same analytical approach to recruiting, developing and retaining top talent. Employment decisions (new hires and existing employee realignments) should be made based on market potential as well as individual fit with target distributors. Advanced analytics, leveraging internal and third-party data, can provide firms with the insights they need to make these decisions. Creating this visibility enables firms to be more proactive in their hiring practices and more flexible in realignment efforts across geographies, channel and clients.

Some leading firms have also moved to a more dynamic performance measurement and management system, blending strategic sales targets (e.g., annual goals) with tactical targets (e.g., monthly) to capitalize on near-term opportunities or sales momentum. Some are adjusting legacy compensation models to include not only an allocation to net sales, but also to incorporate innovative concepts that reward employees more for achieving sales alpha, and less for product momentum in categories with high sales beta. Firms that have supplemented strategic targets with tactical targets typically compensate based on a qualitative allocation (e.g., 20 percent of compensation based on discretion), given the challenges with altering sales targets within a calendar year.

Strengthening product prioritization and development

Utilizing sales alpha analytics, firms are now able to better understand which of their existing products have achieved relative success and which are best positioned to generate sales going forward. Applying this tool allows both distribution and investment teams to collectively understand, at the fund level, the relative flows they should be receiving for each of their products. This new transparency enables firms to focus on prioritizing the products that can deliver outsized flows, and allows the distribution and marketing teams to execute with greater discipline and focus. Some firms are implementing a sales alpha analysis during the product development process as a means for identifying, screening and prioritizing new launches.

As the distribution landscape becomes more sophisticated and complex, we expect these practices to become the norm for most firms — rather than the hallmarks of a few market leaders.

Winning in an Era of Concentrated Growth: Imperatives for Management

The trends outlined in this report have important implications for the management agenda of any asset management firm hoping to succeed in an era of concentrated growth. In this new world, strong investment performance alone will not be enough to drive growth and profitability — market positioning and sales alpha are equally critical. The best performers will in future be separated by the degree to which they successfully pursue a management agenda that addresses these three primary growth drivers. In this context, management teams should consider the following five action areas, and forcefully debate the questions grouped within them.

1. Set a bold growth aspiration

Approximately half the market value of publically traded asset managers globally is based on expected future profit growth. Yet organic growth at the aggregate industry level has been scarce, requiring firms to take concentrated bets in new growth areas at home or abroad or to capture share in declining channels and asset classes. What are our firm's expectations for growth and where will that put us relative to our competitors?

2. Develop an all-weather, in-demand product portfolio to stand the test of time

While growth in the aggregate has been scarce, six market, asset class and product vehicle trends — emerging markets, retirement, passive, retail alternatives, solutions and specialty fixed income — have accounted for over 100 percent of organic industry growth. Are we investing in at least one or two of these high growth areas enough to offset potential declines in our core business? What changes are we making to our product development and management processes to ensure that we are developing and managing a distinctive offering? To create capacity for new initiatives, what must we stop doing?

3. Achieve and maintain top-tier investment performance

Despite major shifts in demand toward solutions-oriented products, most asset managers still align their investment organizations and incent their teams to maximize returns relative to a benchmark. As client needs continue to evolve and shift towards outcomes, what changes are we making to ensure that we are optimizing our investment engine to deliver consistent returns while proactively managing risks? What new operating procedures and technologies are we implementing to ensure global collaboration and rapid sharing of information across the organization?

4. Generate consistently positive sales alpha

While one-third of a firm's growth can be attributed to the effectiveness of the distribution team, less than 30 percent of asset managers are able to consistently generate positive sales alpha. How effectively are we leveraging advanced analytics techniques to better prioritize where we distribute our offerings? What adjustments have we made to our performance management systems to incent our distribution teams for generating sales alpha rather than just selling investment performance?

5. Realign the organization to better capitalize on structural industry trends

Despite a rapidly changing industry landscape, many asset managers are still operating under the same organization structure they designed for a largely institutional client base and a single-asset-class, relative-return product set. What structural changes, in terms of both people and processes, are we making to ensure that we are positioned to gain share in a more retail environment, where product innovation is critical? What additional organizational investments are we making to ensure that we stay ahead of the next wave of growth?

* * *

For many management teams in the North American asset management industry, the decisions they make today will impact their growth trajectory over the next five years. More investment dollars are chasing ever-concentrated sources of growth, and the growth and profit gap between top performers and the rest of the industry is substantial. But firms can succeed by applying a more disciplined approach to allocating their resources in this fast-changing environment. Leading players will be those that invest with conviction behind the major growth trends, make systematic decisions about where to compete by product, channel and geography, and take the steps necessary to maximize their sales alpha, not just investment in sales. For the remaining firms, profitable growth will remain a struggle.

Pooneh Baghai

Salim Ramji

Onur Erzan

Juan Banet

Nancy Szmolyan

The authors would like to acknowledge the contributions of Owen Jones, Kurt MacAlpine, Raksha Pant and Vladislav Prokopov.

About McKinsey & Company

McKinsey & Company is a management consulting firm that helps many of the world's leading corporations and organizations address their strategic challenges, from reorganizing for long-term growth to improving business performance and maximizing profitability. For more than 80 years, the firm's primary objective has been to serve as an organization's most trusted external advisor on critical issues facing senior management. With consultants in more than 50 countries around the globe, McKinsey advises clients on strategic, operational, organizational and technological issues.

McKinsey's Wealth Management, Asset Management & Retirement Practice serves asset managers, wealth management companies and retirement players globally on issues of strategy, organization, operations and business performance. Our partners and consultants in the Americas have deep expertise in all facets of asset management. Our proprietary research spans all institutional and retail segments, asset classes (e.g., alternatives) and products (e.g., ETFs, outcome-oriented funds). Our proprietary tools provide deep insights into the flows, assets and economics of each of the sub-segments of these markets and into the preferences and behaviors of consumers, investors and intermediaries.

To learn more about McKinsey & Company's specialized expertise and capabilities related to the asset management industry, or for additional information about this report, please contact:

Pooneh Baghai
Director
pooneh_baghai@mckinsey.com

Salim Ramji
Director
salim_ramji@mckinsey.com

Geraldine Buckingham
Principal
geraldine_buckingham@mckinsey.com

Céline Dufétel
Principal
celine_dufetel@mckinsey.com

Onur Erzan
Principal
onur_erzan@mckinsey.com

Kurt MacAlpine
Principal
kurt_macalpine@mckinsey.com

Jill Zucker
Principal
jill_zucker@mckinsey.com

Nancy Szmolyan
Senior Knowledge Expert
nancy_szmolyan@mckinsey.com

2013 McKinsey North American Asset Management Benchmarking Survey

This report is based in part on McKinsey's 12th annual economic benchmarking survey of North American asset managers, the largest and most comprehensive survey of its kind, encompassing more than 2,000 business performance metrics. In 2013, more than 100 firms took part in the survey, representing $18 trillion, or 70 percent, of North American AUM. In addition, the leaders of 30 firms participated in a survey and interviews on the changes in the Investment Management function. The North American survey is part of a global McKinsey effort that included a record 300 firms worldwide with over $30 trillion in AUM.

The McKinsey Asset Management Global Growth Cube

Asset growth and profitability vary greatly across the major regions of the world, reflecting fundamental differences in market maturity, industry structure and regulatory frameworks. To provide deep insights on where to compete, McKinsey has developed a global growth model that analyzes asset growth, flows, and revenues by 44 regions and countries, 9 client segments, 12 asset classes and 5 product vehicles (over 4,000 micro-segments).

Sales Alpha methodology

McKinsey's Sales Alpha methodology measures the value-add of sales and marketing (adjusting for investment performance), utilizing a factor analysis of over 10,000 retail and institutional products.

Further insights

McKinsey's Wealth Management, Asset Management & Retirement Practice publishes frequently on issues of interest to industry executives. Among our recent reports:

Why Are We Not There Yet? An Update on U.S. Retirement Readiness
October 2013

Strong Performance, But Health Still Fragile: Global Asset Management in 2013
July 2013

Defined Contribution Plan Administration: Strategies for Growth in the Challenging Recordkeeping Market
April 2013

The Asset Management Industry: Outcomes Are the New Alpha
October 2012

The Mainstreaming of Alternative Investments: Fueling the Next Wave of Growth in Asset Management
July 2012

The Hunt for Elusive Growth: Asset Management in 2012
June 2012

Growth in a Time of Uncertainty: The Asset Management Industry in 2015
November 2011

The Second Act Begins for ETFs: A Disruptive Investment Vehicle Vies for Center Stage in Asset Management
August 2011

Capturing IRA Rollovers: The Net New Money Opportunity for Wealth Managers
July 2011

Winning in the Defined Contribution Market: New Realities Reshape the Competitive Landscape
September 2010

Financial Services Practice
October 2013
Designed by Hudspith Design

www.mckinsey.com/clientservice/financial_services