

Financial Services Practice

Asset management 2026: Plenty for the few?

A golden age for the industry is becoming a golden age for a smaller group of asset managers.

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Contents

Introduction	1
A golden age, unevenly distributed	2
Growth without operating leverage	9
Plenty for the few?	12
Winning in an era of concentrated prosperity	19
Plenty—for whom?	20

Introduction

By almost every headline number, the asset management industry is having one of its best years in a decade. But by almost every measure that matters to an individual firm, it has rarely been harder to win. Both things are true at once, and the gap between those measures is the story of 2026.

According to McKinsey analysis, global assets under management (AUM) reached a record \$151 trillion in 2025—\$82 trillion in the Americas; \$37 trillion in Europe, the Middle East, and Africa; and \$32 trillion in Asia-Pacific—and continued to rise through the first half of 2026. Net flows remained resilient despite geopolitical uncertainty and changing interest rate expectations. ETFs reached new milestones, active ETFs moved further into the mainstream, and private markets continued to attract incremental capital even as the traditional fundraising cycle remained constrained. By many conventional measures, the industry is thriving.

Yet the defining feature of 2026 is the increasingly selective distribution of that success. Across the industry, six paradoxes capture this tension. The industry is growing like never before, but prosperity is concentrating. Choice is expanding, but clients are choosing fewer partners. Products are proliferating, but portfolios are simplifying. Private capital is abundant, but liquidity is scarce. Technology is democratizing capabilities, but scale matters more than ever. And while investment performance still matters, business-model innovation increasingly determines who wins.

This is a meaningful evolution from the themes that shaped the industry over the past two years. In 2024, the opportunity was to look beyond traditional balance sheets as banks, insurers, and wealthy households reshaped where assets were held and managed. In 2025, the defining theme was convergence: Public and private markets, traditional and alternative managers, and institutional and wealth channels increasingly overlapped. Those forces remain in motion, but they are now interacting with another structural shift: the narrowing of the lanes for capturing growth.

The result is an industry that could be described as simultaneously healthy and unforgiving. Where growth will come from is clear: It's visible across markets, products, and client segments. The more consequential question is why an increasing share of that growth—and an even larger share of the resulting economics—is accruing to a relatively small group of firms.

This report examines that question in four parts. First, we look at an industry that has record assets and resilient demand but increasingly concentrated flows. Second, we examine why stronger revenue has still not restored operating leverage. Third, we explore the structural forces behind growing concentration and ask where “plenty for the few” is—and is not—becoming the dominant competitive model. Finally, we set out an agenda for managers seeking to build investment, access, distribution, and operating alpha in this environment.

A golden age, unevenly distributed

The long-term growth story of asset management remains intact. Global third-party managed assets reached \$151 trillion at year-end 2025, the highest level on record (Exhibit 1). The industry added more AUM during 2025 than in any other year of the past decade, and the first half of 2026 points toward another record. Over the past ten years, only 2018 and 2022 produced declines in global AUM. Roughly two-thirds of the industry's growth over that period came from market appreciation and one-third from new money—a reminder that asset management remains both a beneficiary of capital-market growth and an industry with meaningful organic demand.

Organic growth remains healthy. Net flows were equivalent to 3.2 percent of beginning-of-year AUM in 2025, within the industry's long-run range of 3 to 4 percent. Annualizing the first half of 2026 would put the industry closer to 5 percent, potentially the strongest organic growth rate of the past decade. This is not an industry searching for demand.¹

Markets rise, but leadership narrows

The strength of the headline numbers masks an important change in the composition of returns. Market leadership has become unusually concentrated, particularly in the United States. Dispersion in forward valuations across the S&P 500 has widened, while AI-related sectors have generated outsize returns relative to the broader index. Leadership has also rotated. Software companies and hyperscalers dominated the early phase of the AI rally in 2023 and 2024; in 2025 and 2026, semiconductors, hardware, and power infrastructure became increasingly important sources of return.

This last shift is a reminder that the AI trade is more than a public-equity story. It is also driving an enormous build-out of physical infrastructure as hyperscalers move from asset-light balance sheets to data centers and power that must be financed, and as investors rotate from public credit to private to fund the build-out at higher yields. The same theme that concentrates public-market returns is quietly concentrating private-market origination, where deals of this scale can be sourced and financed by only a handful of platforms.

Similar patterns are visible outside the United States, even if the sources of market leadership differ. Across several major Asian markets, including Mainland China, Hong Kong, Korea, and Taiwan, returns in 2025 and the first half of 2026 increasingly involved technology, especially AI-related infrastructure and hardware value chains. In Europe, leadership instead came from defense, banks, and industrials as the once-dominant “Granolas” trade faded.² The sectors differ, but the broader pattern is remarkably consistent: Strong markets have increasingly been driven by a relatively narrow set of winners.

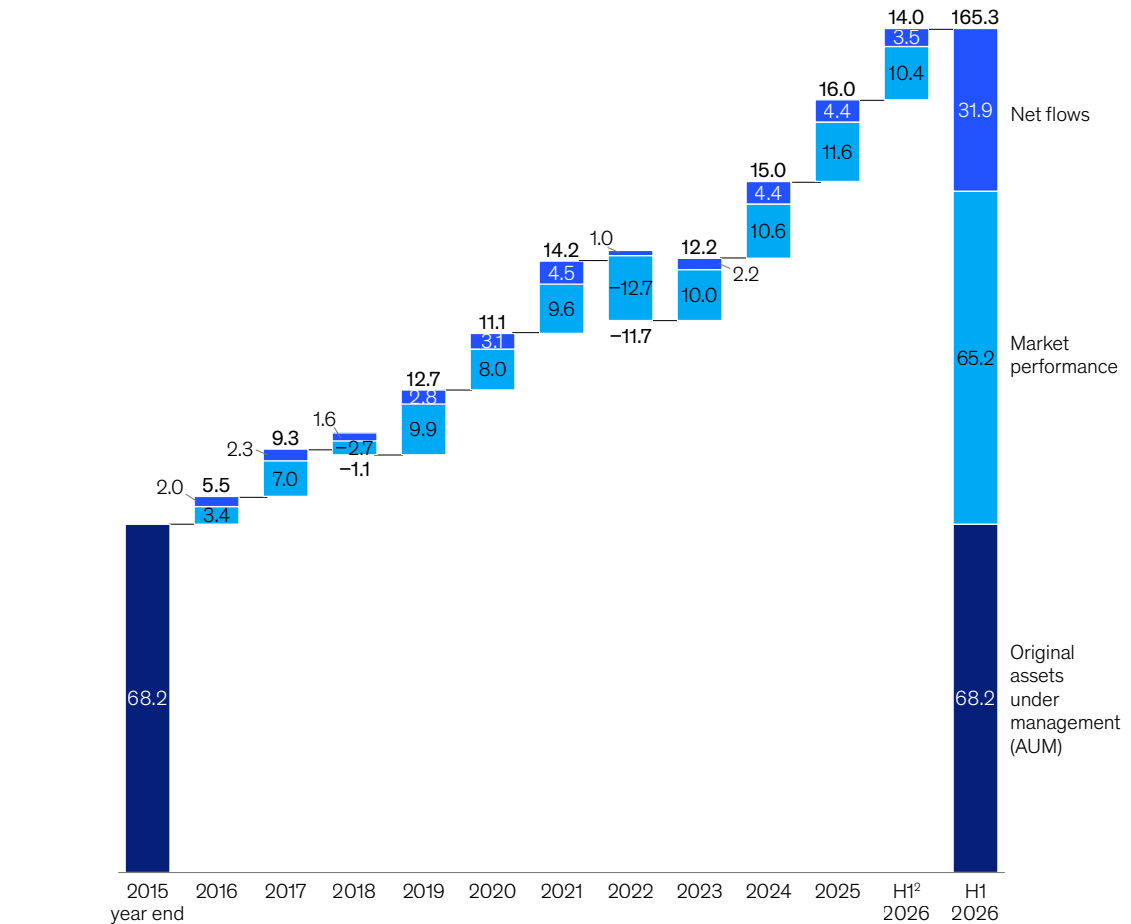
¹ Data sources for this report include LIMRA, Morningstar, Preqin, the McKinsey Performance Lens Global Asset Management Survey, and the McKinsey Performance Lens Global Growth Cube for granular market sizing. Morningstar data contained herein is not warranted to be accurate, complete, or timely.

² “Granolas” refers to the large-cap European stocks GSK, Roche, ASML, Nestlé, Novartis, Novo Nordisk, L'Oréal, LVMH, AstraZeneca, SAP, and Sanofi.

Exhibit 1

Global assets under management reached an all-time high of \$151 trillion in 2025 and are on track to break the record in 2026.

Global third-party managed assets,¹ \$ trillion



Net flows as share of beginning-of-year AUM, %

Note: Figures may not sum, because of rounding.
¹Includes 42 countries from Asia-Pacific, Central and Eastern Europe, Latin America, Middle East and Africa, North America, and Western Europe.
²Estimate based on mutual fund and ETF data from Morningstar.
Source: Morningstar; McKinsey Performance Lens Global Growth Cube

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In theory, shifts in the standings of companies and sectors should reward active managers who are skilled at picking stocks, but this didn't bear out in practice. Many growth managers participated in the early hyperscaler trade but were less successful as leadership moved toward hardware and infrastructure. Market returns therefore are associated with a narrower path to differentiated performance.

Money keeps moving

Investor behavior tells the same story as the markets: broadly positive but increasingly selective about where money goes. In the Americas, flows into asset management have remained steady, with retail investors accounting for roughly 85 percent of net flows. Continued wealth creation—particularly among higher wealth bands—has supported demand even amid periods of macroeconomic uncertainty.

Europe has been the surprise performer. First-half 2026 flows rivaled what the region gathered in all of 2025, and growth broadened beyond the region's three largest markets. The underlying engines differ by country. Passive-equity adoption and retirement flows have supported growth in the United Kingdom; ETF savings plans and neobrokers have broadened participation in Germany; and French insurers have directed assets toward active fixed income as they seek higher yields for traditional insurance products, with unit-linked flows providing another source of growth. More tellingly, Italy, Switzerland, and the Nordics have emerged as meaningful contributors to regional flows (31 percent), while the Middle East is becoming an increasingly important source of demand (12 percent).

Asia's longer-term growth engine also remains intact, supported by household wealth accumulation, a gradual shift from deposits to investment products, and the continued deepening of domestic capital markets. China's asset-management industry remains central to that story: Total AUM across licenses exceeded \$26 trillion in 2025, up 13 percent from 2024. Elsewhere, Japan continues to benefit from a gradual shift in household assets from cash toward investment products, and rising wealth and deeper participation in domestic capital markets continue to support growth in India.

A new investment barbell takes shape

The asset-class picture makes investor selectivity even clearer. Many investors are buying the cheapest beta they can find and the most sophisticated alpha they can justify, quietly abandoning many of the legacy products that lie in between. Passive equity remains one of the industry's largest flow engines, while active fixed income is enjoying an exceptionally strong period of demand (Exhibit 2). The barbell is most pronounced in the United States. Europe's flow mix remains more heavily oriented toward active fixed income and money market funds, while passive-equity penetration, although rising, remains well below US levels (15 percent in Europe versus 24 percent in the United States).

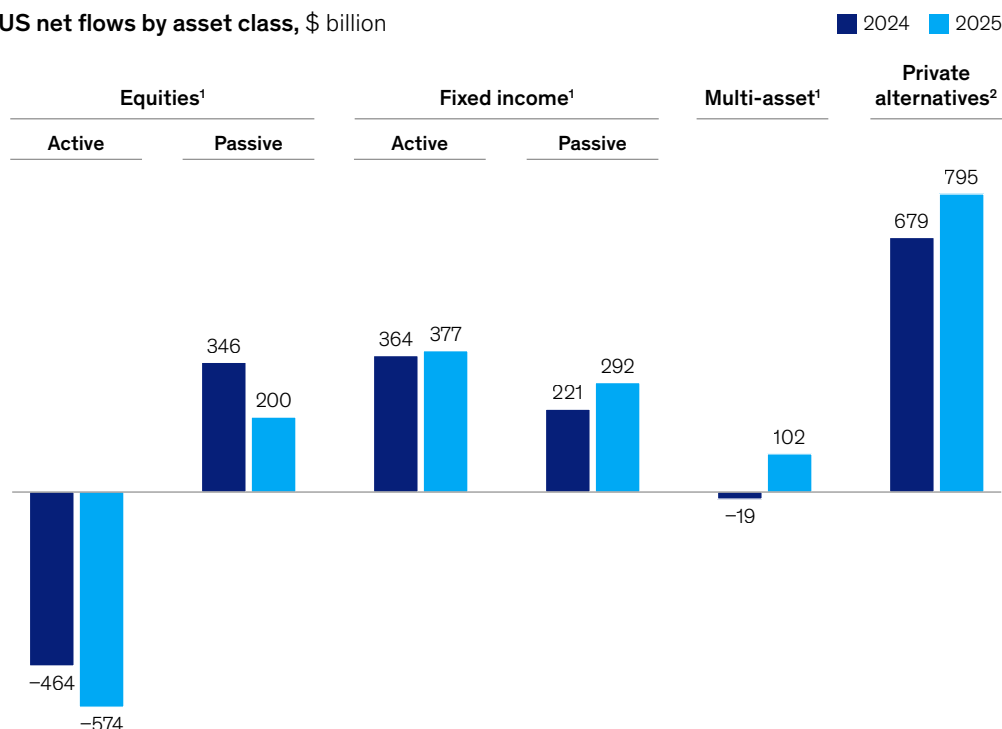
Some of the strength in active fixed income reflects the attractive opportunity set for managers navigating duration and credit risk, but an important portion is also mechanical. Strong equity-market appreciation pushed portfolio weights above their targets, prompting investors to rebalance back toward fixed income. Passive fixed income is also growing, making bonds one of the few areas in which active and passive strategies could expand together. Active equity remains the outlier, with persistent outflows from traditional mutual fund vehicles.

Performance helps explain some of the pattern. Active equity strategies, by and large, continue to struggle against their benchmarks despite the greater dispersion in underlying securities. Active fixed-income strategies have delivered stronger relative results across several categories and have been rewarded with flows. Rather than simply choosing passive over active, investors are increasingly making more discriminating judgments about where active management is worth paying for.

Exhibit 2

Passive equity and active fixed income capture the majority of net flows.

US net flows by asset class, \$ billion



¹Based on mutual fund and ETF data from Morningstar.

²Private alternatives annual fundraising for North America.

Source: Morningstar; Preqin; McKinsey Performance Lens Global Growth Cube

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ETFs become the dominant expression of demand

The wrapper through which investors access investment strategies is changing just as quickly. Global ETF assets have reached approximately \$22 trillion.³ In the United States, ETFs represent an increasing share of fund assets, and active ETFs have moved decisively from niche to mainstream. Traditional passive ETFs still dominate flows, but active ETFs are now a meaningful source of both product innovation and asset gathering.

The composition of active ETF growth is revealing. Roughly half of recent flows are associated with tactical or differentiated solutions that did not previously exist in a mutual fund wrapper; the other half comes from core allocations, conversions, and replacement of legacy mutual fund assets. Active ETFs are therefore doing two jobs at once: modernizing the delivery of existing active capabilities and creating new forms of demand.

³ ETF market guide: Understanding the \$22 trillion industry, JPMorgan Chase, August 3, 2026.

The regional opportunity remains uneven. Europe is several years behind the United States in ETF penetration, in part because of structural differences. European ETFs do not benefit from the same tax advantages as their US counterparts, the regulatory and share-class mechanics that accelerated US adoption have differed, and Europe's fragmented market structure requires products to navigate multiple exchanges, listings, and currencies. Yet several of those headwinds are increasingly offset by new sources of demand. ETF savings plans are broadening retail adoption, particularly in Germany, and first-half 2026 ETF flows reached roughly \$255 billion. For now, the European flow mix is overwhelmingly passive.

ETF adoption is also accelerating across Asia–Pacific, particularly in the region's larger and more mature markets. In China, ETF AUM exceeded ¥6.0 trillion (\$0.9 trillion) in 2025, a 61 percent increase over 2024⁴; in Japan, passive strategies now account for more than 65 percent of AUM. But increasingly, low-cost beta is only part of the story. Individual and institutional investors, including insurers, are using sector and thematic ETFs to access structural investment themes, while product innovation continues to expand the available tool kit. Active ETFs and single-stock leveraged ETFs represent the next frontier in several markets; China approved its first batch of active ETFs in July 2026.⁵

The growth of US ETFs is also creating an increasingly bifurcated economic model (Exhibit 3). At one end are scaled manufacturers competing on cost, with enormous asset bases compensating for razor-thin fees. At the other end are specialists offering differentiated exposures that command substantially higher fees but operate with smaller asset bases and higher costs per dollar managed. The resulting revenue pools look very different from the distribution of assets. In the United States, products priced at ten basis points or less account for nearly 60 percent of ETF assets but only about 17 percent of revenue, while products charging more than 50 basis points represent only about 7 percent of assets but more than 30 percent of revenue.

This bifurcation makes ETFs a useful microcosm of the asset management industry itself. Growth is plentiful, but there is no single winning economic model. Advantage increasingly sits at both ends of the spectrum, with firms possessing either the scale to manufacture extraordinarily cheaply or the differentiation to sustain a premium. The middle is becoming a harder place in which to compete.

If the ETF was the defining wrapper of the previous decade, the token may be the defining experiment of the next. A handful of asset managers are beginning to tokenize funds so they can be funded directly from digital wallets, reaching investors who may never open a conventional brokerage account. For now, the reality is more modest, centered on tokenized cash and money market products and on managing the reserves behind stablecoins rather than tokenized equities at scale. But today, the capabilities required to build tokenized products—namely regulatory standing, technology, and scaled cash infrastructure—sit with a few large and specialized players. Tokenization is thus more likely to deepen concentration than to disperse it.

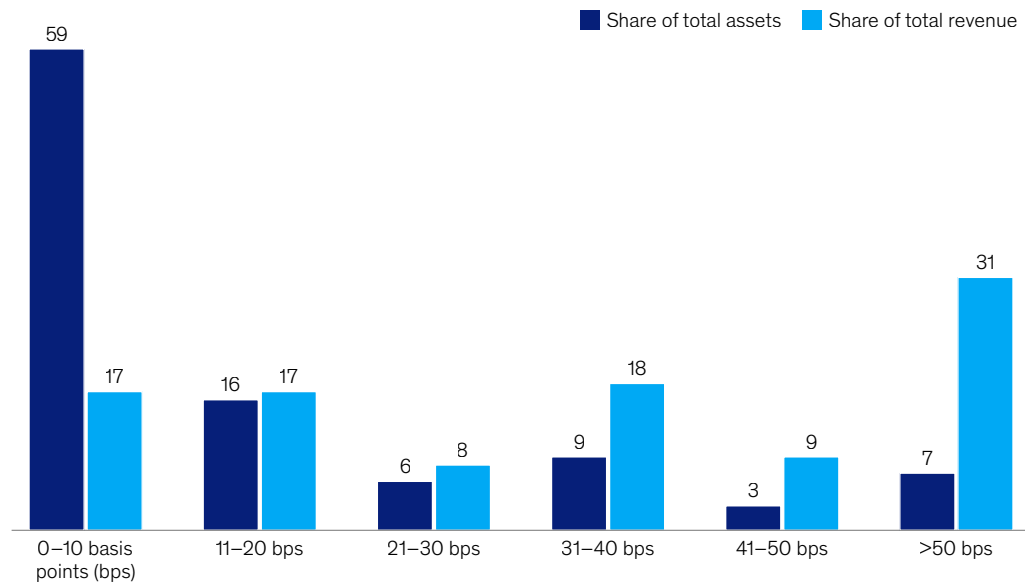
⁴ "China's ETF market tops 6 trln yuan milestone amid product innovation, global expansion," *Bastille Post Global*, February 13, 2026.

⁵ Elaine Chan, "China's ETF market seen to get a boost when active funds, now okayed, are launched," *Asia Asset Management*, July 3, 2026.

Exhibit 3

Within ETFs, the bifurcation deepens between low-cost scale versus niche premiums.

US ETF assets and revenue by fee buckets, %



Source: Morningstar; McKinsey analysis

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Private markets have abundance without liquidity

Private markets demonstrate a different version of the same paradox. Private capital still remains abundant; liquidity does not. The asset class has not lost its secular appeal, but the old fundraising rhythm remains jammed, and global closed-end fundraising is still roughly half a trillion dollars below its peak. Assets acquired during the high-valuation years remain on fund books, transaction volumes have been insufficient to clear the backlog, and limited partners receiving fewer distributions have less capital available for new commitments.

In addition, clearing this backlog may take longer than previously expected. Our 2025 asset management report estimated that, at prevailing transaction volumes, private markets could require roughly two and a half to three years to work through the overhang of assets acquired during the 2021–22 investment boom.⁶ Developments in 2026 have likely extended that timeline. We now expect that the digestion period could extend another 12 to 18 months beyond our prior estimate.

⁶ Henri Torbey, Ju-Hon Kwek, Farhan Banani, and Victoria Nguyen, *Asset management 2025: The great convergence*, McKinsey, September 18, 2025.

Private markets have not lost their secular appeal, but the old fundraising rhythm remains jammed.

Recently, software has represented a meaningful share of both buyout and private-credit activity, and uncertainty about AI's impact on software business models has pushed parts of that market into a deeper freeze. Transactions are being delayed because buyers and sellers disagree on price, and because there is greater uncertainty about the underlying earnings and terminal value of some assets.

The slowdown is far from uniform. Private equity is most affected by weak transaction volumes. Real estate has begun to normalize, while infrastructure continues to benefit from durable demand. Private credit has encountered a more complicated environment, but institutional demand remains relatively strong in areas such as mezzanine, distressed strategies, and asset-backed finance. Looking beyond traditional closed-end commingled funds also reveals a healthier picture: Open-ended vehicles and transactions funded directly on balance sheets continue to expand.

Retail private credit has nevertheless experienced its first meaningful liquidity test. After turning negative in March 2026, redemption requests exceeded \$15 billion in the second quarter of 2026, with pressure concentrated among vehicles with heavier exposure to technology and software. Funds with more diversified portfolios and more institutional investor bases have generally experienced much lower redemption rates. Meanwhile, evergreen vehicles in real estate, infrastructure, and private equity have continued to attract net inflows. Private markets are not broken, but the stress is differentiating strategies and managers more sharply than in the prior cycle.

At the same time, new channels are broadening access to private markets. In Europe, the “retailization” of private assets is advancing through structures such as ELTIF 2.0 (the European Long-Term Investment Fund framework) and the UK Long Term Asset Fund (LTAF), which are opening the asset class to a broader investor base. For example, AUM in ELTIFs nearly tripled over the past three years to exceed \$40 billion at year-end 2025. Asia presents a different opportunity. Major offshore wealth centers such as Hong Kong and Singapore continue to see strong private-client demand for alternatives across asset classes. These developments reinforce a broader point. Traditional closed-end fundraising increasingly captures only part of the capital formation taking place across private markets.

Taken together, these factors paint a picture of abundance increasingly allocated with precision. Investors remain willing to put money to work, but they are more exacting about where they allocate, which strategies they use, which wrappers they buy, and which managers they trust.

Growth without operating leverage

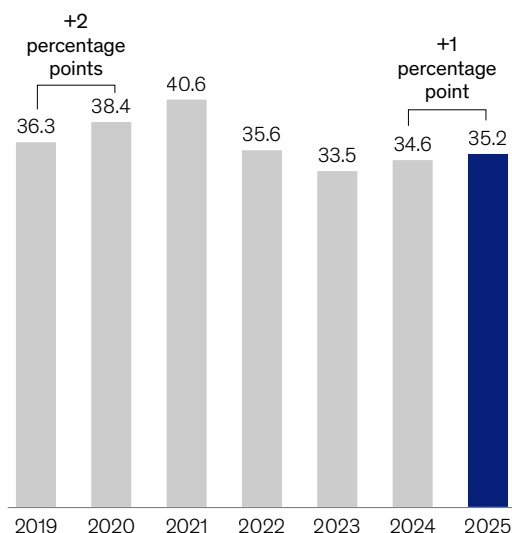
The industry's surge lifted revenue: North American revenue pools increased by roughly 11 percent in 2025, with revenue up about 9 percent globally and about 4 percent in Europe. But costs rose almost as quickly, increasing about 10 percent in North America and 3 percent in Europe. Pretax operating margins improved only modestly. Once again, a powerful top-line environment failed to produce the degree of operating leverage that has historically accompanied comparable market growth (Exhibit 4).

Exhibit 4

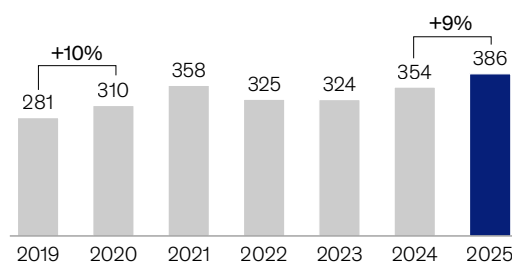
Industry economics reflect growth without operating leverage.

North America and Western Europe managers, 2019–25

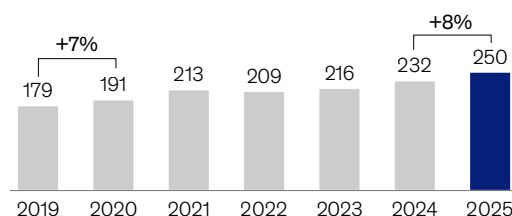
Pretax operating profit margin, % of net revenue



Revenue pools, \$ billion



Cost, \$ billion



Source: McKinsey analysis of public filings; McKinsey Performance Lens Global Asset Management Survey

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Complexity consumes the upside

The industry's cost base reached about \$250 billion in 2025. Some of the increase is cyclical: Variable compensation rose alongside markets and revenue—investment-management spending increased about 8 percent, distribution 5 percent, and management and administration 11 percent. But the deeper issue is structural. Technology grew faster than any other functional center at 13 percent to reach \$41 billion, with much of the recent increase coming from noncompensation spending.

The cost of growth itself is rising. It took about 19 cents to earn a new dollar of revenue in 2023; by 2025, it took 52 cents. Managers are paying more to support broader product ranges, additional wrappers, private-market capabilities, more-fragmented distribution, regulatory requirements, and technology modernization. At the same time, many are reducing head count in legacy areas while hiring talent in strategic ones. The result is an operating model caught between simplification and expansion.

This is the latest manifestation of a problem that has been building for several years. Product proliferation, bespoke processes, fragmented data, and layered technology architectures have accumulated into operational debt. Growth adds revenue, but it also increases complexity. Scale does not automatically create operating leverage when the underlying platform has not been designed to scale. In Europe, these pressures are also contributing to the case for consolidation, particularly among bank- and insurer-owned asset managers, as firms seek greater scale over which to spread an increasingly expensive operating platform.

Before AI becomes a productivity dividend, it is another platform tax

Artificial intelligence is often hailed as a tool to improve productivity, but in the near term, it is adding another layer of complexity. Asset managers are investing in AI capabilities, yet scaled deployment remains limited relative to technology companies and several other industries. There could be many reasons behind this. Asset-management data are highly regulated, investment organizations are often federated across teams and geographies, and the consequences of errors could be significant.

According to our July 2026 AI in Asset Management Survey, the tangible value that asset managers are realizing in 2026 is focused within their technology functions. Early use cases in areas such as software development and technology delivery are beginning to generate measurable productivity benefits. AI enablement of investment management, distribution, and marketing is comparatively earlier in the journey. Managers are experimenting with AI-enabled research, investment insights, sales enablement,

The industry averages obscure an important distinction: Not every manager is experiencing these economics in the same way.

personalization, and client engagement, but these applications have generally not yet reached the same level of scaled adoption or measurable impact. The gap is important. While expectations for AI remain high across the enterprise, the benefits realized to date remain concentrated in the functions closest to the technology itself.

This does not mean the AI productivity opportunity is illusory. Early examples from industry leaders suggest meaningful potential in core functions of investment research, distribution, and operations. But for many firms, the investment is arriving before the savings. The “let a thousand flowers bloom” approach that characterized early experimentation has, for many firms, produced a fair crop of weeds, a new generation of fragmented applications and technical debt, with the token bill still arriving each month. AI was sold to the industry as a productivity dividend, but in 2026, most managers have received only the invoice. It may yet bend the cost curve, but for now, it is still adding to the platform tax.

Still, a small number of firms are already enjoying real returns from AI. These firms moved much more boldly to rewire their business models, picking a handful of domains and transforming them outright, with leaders pursuing step change improvement rather than just marginal gains. And they invested in domains in which the gains compound, not in the one-off bumps that improve this year’s numbers and fade by next year.

Strong markets have restored the industry’s growth engine without restoring its historical operating leverage. Rising compensation, technology investment, and operating complexity continue to absorb much of the benefit of higher revenue. Yet the industry averages obscure an important distinction: Not every manager is experiencing these economics in the same way.

Plenty for the few?

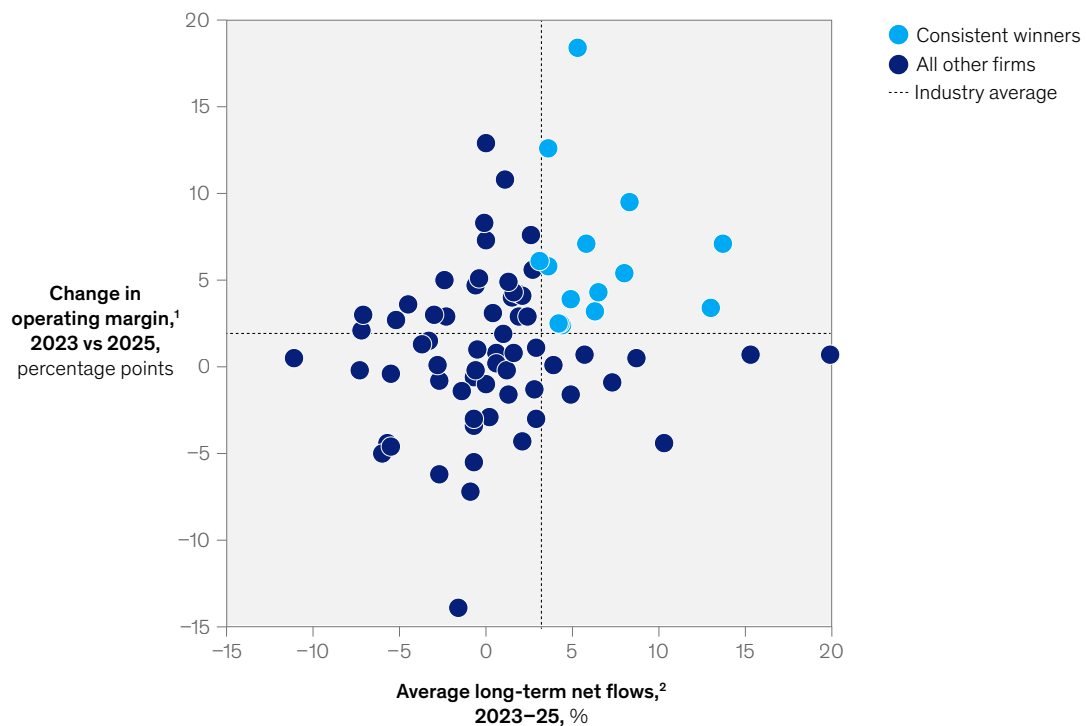
The widening gap between managers is one of the clearest features of the current cycle. An analysis of roughly 80 large traditional and alternative-asset managers shows that only a relatively small group simultaneously generated above-industry organic growth and expanded margins between 2023 and 2025. These firms benefited from the same market beta as everyone else, but they also translated growth into gains in economic share.

The significance of that cohort becomes clearer when looking at industry value creation. The consistent winners increased their share of incremental industry revenue between 2023 and 2025, and their share of incremental profit rose even faster (Exhibit 5). In other words, the gap is not simply about who is growing. It is about who could grow while improving the economics of growth.

Exhibit 5

A small number of firms are consistently growing net flows and profit margins faster than the rest.

Margin expansion and organic growth for North America and Western Europe managers, 2023–25



Concentration extends across the industry

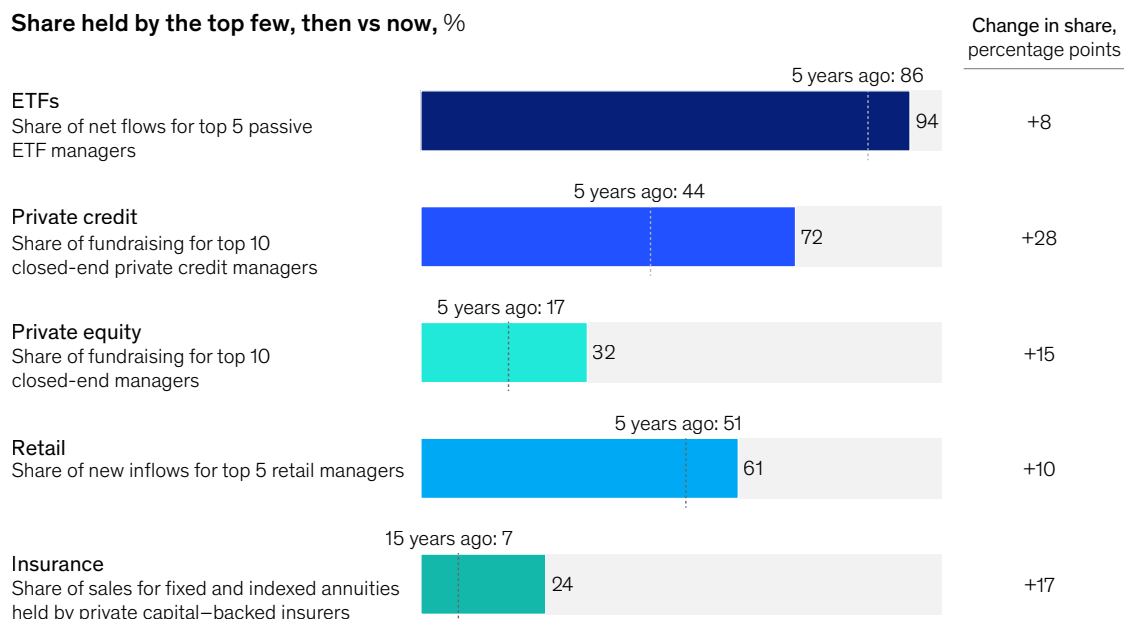
Concentration is accelerating in many of the markets that have been among the industry's most important sources of growth (Exhibit 6). Consider ETFs, arguably the fastest-growing segment of public markets in recent years. Passive ETFs were already highly concentrated, yet the share of US net flows captured by the five largest managers increased by another eight percentage points over the past five years, to 94 percent. Europe exhibits its own concentration dynamic, with the top five managers accounting for about 75 percent of passive ETF flows. Private credit, until recently one of the industry's fastest-growing revenue pools, has concentrated even more dramatically. The top ten closed-end managers now capture 72 percent of fundraising, up from 44 percent five years ago. In private equity, which remains one of the industry's largest and richest revenue pools, the top ten managers' share of fundraising has nearly doubled, to 32 percent from 17 percent.

The same pattern is visible in the client segments expected to drive much of the industry's future growth. Retail and insurance have emerged as two of the most important sources of incremental flows. In the United States, the five largest managers now capture 61 percent of new retail inflows, compared with 51 percent five years ago. Europe is structurally different because distribution remains more heavily intermediated by banks and insurers, but concentration is also evident there, with the top five managers securing 58 percent of retail flows. In insurance, private-capital-backed carriers have increased their share of fixed and indexed annuity sales from 7 percent 15 years ago to 24 percent today, reinforcing the importance of permanent capital as both a source of funding and a competitive advantage.

Exhibit 6

Concentration is accelerating across every market.

Share held by the top few, then vs now, %



Source: LIMRA sales rankings; Morningstar; Preqin; McKinsey analysis of insurance regulatory reporting

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What makes these shifts consequential is likely not concentration alone. Concentration is increasing precisely in many of the markets the industry has been relying on for its next generation of growth. In market after market, the pie is growing and the number of hands getting a hefty slice of it is shrinking.

These markets differ in product, client base, and economics, which suggests that concentration is not the result of one cyclical phenomenon. Five structural forces appear to be pushing value toward a smaller number of advantaged positions:

Clients: Build fewer, but more strategic, relationships. First, clients are consolidating relationships. Across both wealth and institutional markets, the consistent refrain is a desire to work more deeply with a smaller number of managers. For intermediaries, this could reduce the operational complexity created by enormous product shelves and create opportunities for more-integrated economics and service. For large institutions, deeper relationships could provide anchor pricing, co-investment rights, customized access, and more-strategic engagement. More choice at the product level could therefore lead to fewer relationships at the provider level. One large wealth platform recently counted some 18,000 funds on its shelves, many times the number of companies listed on the US stock exchange. Choice, it turns out, is not the same as value.

Portfolios: Asset classes give way to outcomes. Second, portfolio construction is simplifying even as the underlying opportunity set expands. Total-portfolio approaches and outcome-oriented frameworks increasingly organize allocations around objectives such as growth, income, inflation protection, and liquidity rather than a long list of narrowly defined asset classes. Public and private exposures are also being considered together more often. This shift could advantage managers that can address a broader portion of the portfolio and participate in the portfolio-construction decision itself. Retirement is the clearest case. As defined-contribution assets grow, the emerging model blends public markets, private markets, and guaranteed income into a single glide path, favoring managers that can assemble across all three rather than sell a single sleeve. Recent US steps to widen access to private assets in retirement accounts point in the same direction.

Control points: Decision nodes are narrowing. Third, decision-making power is concentrating at control points. Model portfolios, turnkey asset-management platforms, registered investment advisor consolidators, outsourced chief investment officers, subadvisory arrangements, and insurance platforms increasingly influence where capital ultimately lands. End-investor distribution may remain fragmented, but the nodes that translate investor demand into manager selection are becoming more

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consequential. Proximity to those nodes could become a structural source of flows. The end investor has never had more choice; the people who choose on their behalf have never had more power. Those gatekeepers are also beginning to test their pricing power: Several major US wealth platforms have recently raised revenue-sharing and platform fees. The effect cuts by scale. The largest managers can resist or absorb such tolls because the platforms cannot afford to exclude them; smaller managers cannot and therefore pay the difference in margin. Control-point economics, in other words, widens the very gap it arbitrates.

Access: Origination becomes alpha. Fourth, access itself is becoming a form of alpha. In private markets, proprietary origination, scarce capacity, off-market transactions, capital-markets relationships, and local partnerships could determine the quality of the opportunity set before security selection begins. The same logic increasingly applies to late-stage and pre-IPO investing, where more economic value could accrue before companies reach public markets. What a manager can source is becoming as important as how it analyzes what everyone else can buy. The scale of the prize is easy to understate. Google went public in 2004 at a valuation of about \$23 billion; SpaceX went public this year at roughly \$1.77 trillion. Increasingly, the best returns of a generation are earned before most investors are allowed in.

Technology: Scalability compounds advantage. Finally, technology is simultaneously democratizing capabilities and reinforcing platform advantage. Generative and agentic AI could make research, coding, content creation, and client personalization more accessible to smaller firms. Yet scaled deployment requires data, integration, governance, security, and substantial ongoing investment. Alternative data provide another example. The insights may be broadly understood, but the infrastructure and spending required to assemble them systematically can favor firms with scale. Similarly, as private markets grow and regulators demand more transparency, the ability to bring public and private data onto a single analytical platform is becoming a scarce capability—one that's expensive enough that it accrues to those that already have scale.

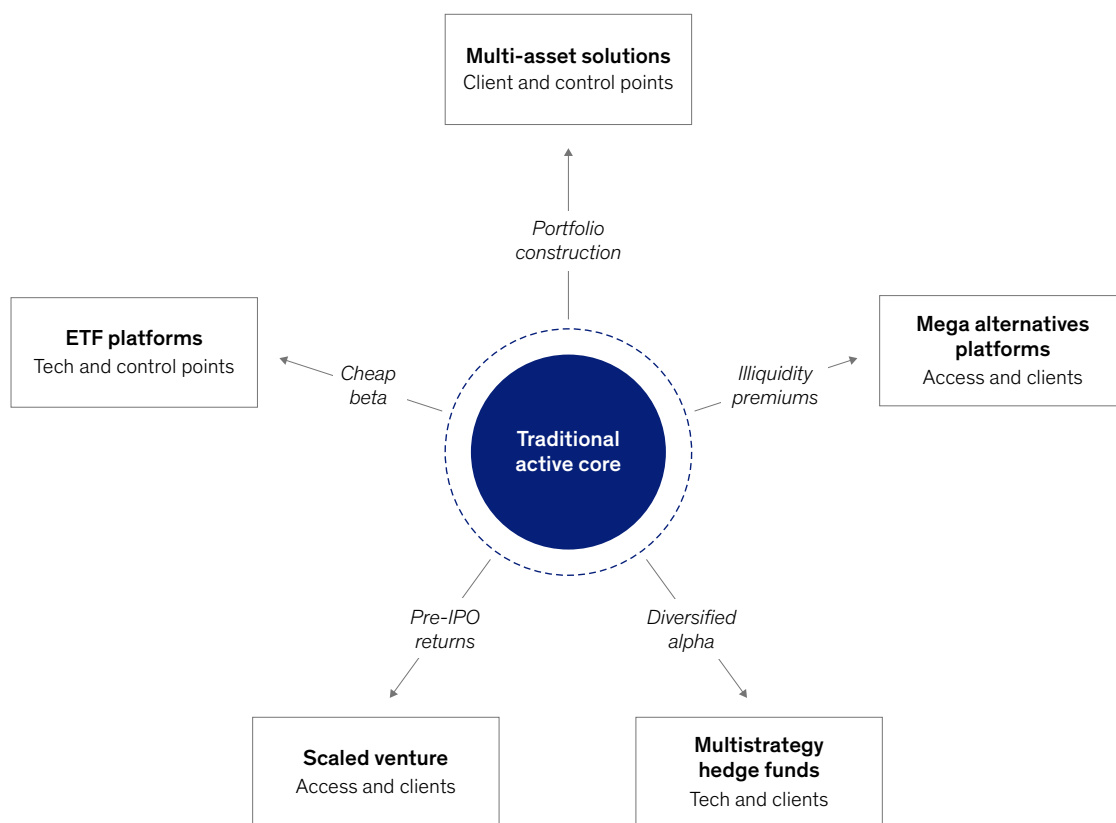
How traditional active management is unbundling

Together, these forces are reshaping where economic value sits in the asset-management ecosystem, with newer business models positioning themselves to capture an increasing share of that value. No single competitor is dismantling the traditional active core. Each takes only the piece it is structurally best placed to own. Scaled ETF platforms pair technology with control points and take the beta, then, through model portfolios, the allocation decision that used to sit with the active manager as well. Whole-portfolio and multi-asset providers use client relationships and those same control points to claim portfolio construction itself, quietly overtaking the single-strategy managers whose products they assemble and creating sticky solutions-based relationships. Mega-alternatives platforms have built the origination allowing them to capture scaled illiquid opportunities and distribution.

Newer entrants are hungrier still. Scaled-venture investors capture the returns that increasingly accrue before a fast-growing company ever reaches the public market, where the traditional active core creates portfolios. Multistrategy hedge funds sell the one thing a concentrated market makes scarce—diversified alpha—and fund it partly out of the same budget that once flowed to long-only active management. Each rival is, in effect, cheaper, more convenient, or more scaled at the specific job it has chosen. Each leaves many in the traditional core of the industry with the least defensible ground: undifferentiated active return priced as though it were alpha (Exhibit 7).

Exhibit 7

The unbundling of economic value, with new models and advantaged positions, is reshaping the asset management ecosystem.



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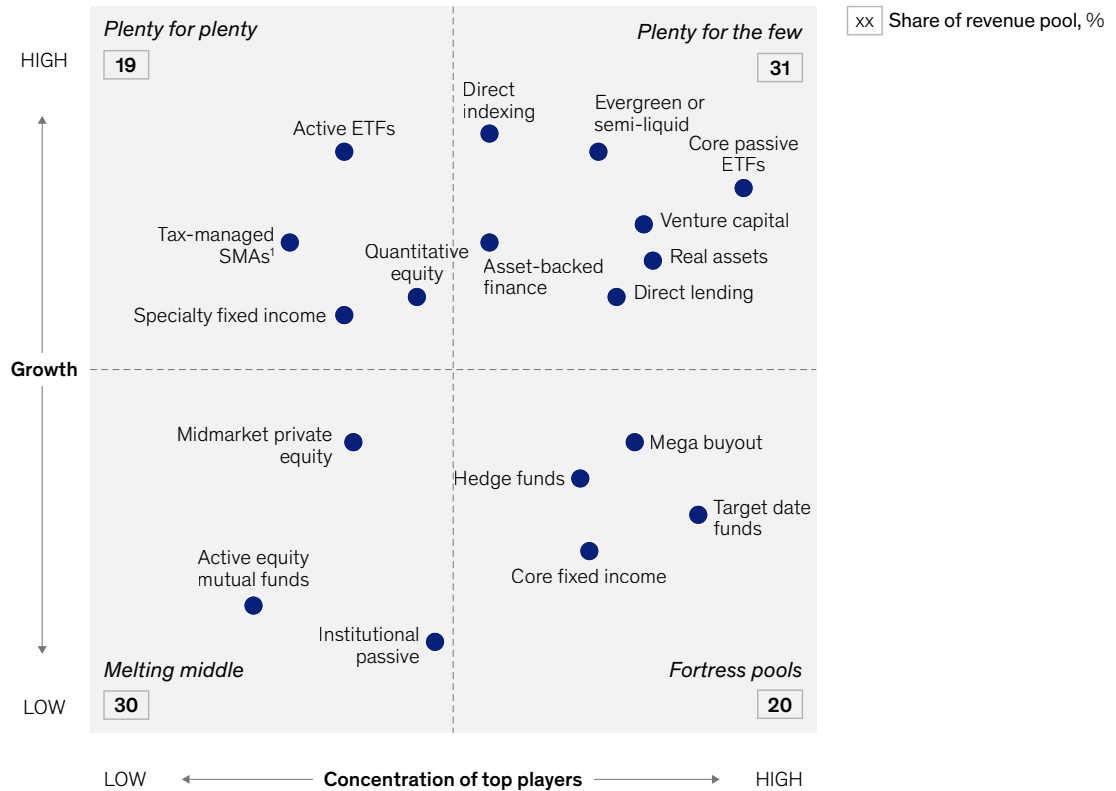
The traditional active core is being disassembled, one profitable piece at a time. This does not mean it will disappear, but it could mean that one of the strategic questions will become more demanding: What scarce economic value does a manager provide that another part of the ecosystem cannot replicate more cheaply, more conveniently, or at greater scale?

Concentration isn't destiny

The answer is not simply to become larger. Concentration varies materially by market, and the question mark in "Plenty for the few?" matters. Some revenue pools increasingly resemble winner-take-most markets; others can support multiple differentiated competitors. Thinking about markets along two dimensions—growth and concentration—reveals four distinct competitive arenas (Exhibit 8).

Exhibit 8

At the intersection of growth and competition are four competitive arenas that require different playbooks.



¹Separately managed accounts.
Source: Hedge Fund Research; Morningstar; Preqin; McKinsey analysis of industry and insurance regulatory reporting

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'Plenty for the few' markets combine high growth with high or rising concentration. Core passive ETFs, parts of private credit, asset-backed finance, real assets, and evergreen strategies could exhibit these characteristics. In these markets, the prize could be substantial, but dabbling is unlikely to work. Firms need to ask whether they truly possess the scale, access, distribution, or investment edge required to be one of the few.

'Plenty for plenty' markets combine attractive growth with room for multiple winners. Active ETFs and parts of specialty fixed income may fit this description today. Here, the central questions are whether the firm has a distinctive edge and whether it could execute consistently enough to turn that edge into share.

'Fortress pools' are more concentrated but slower growing. Target-date funds, institutional passive funds, and portions of core fixed income funds illustrate markets in which incumbents could enjoy durable economics but new entry is difficult. For existing leaders, the priority is to reinforce the moat. For outsiders, entry may require an inorganic path or a very clear source of differentiation.

The 'melting middle' contains slower-growth markets with fragmented competition. Parts of traditional active equity sit here. These businesses could still produce winners, but economics are less forgiving. A relevant question is where a firm can genuinely differentiate and where it should stop competing.

The broader potential implication of the above market mapping is likely that scale, while important, is not the only source of advantage. The task for management teams is to understand the evolving competitive structure of each revenue pool and determine whether the firm possesses—or could realistically build—the capabilities required to win.

Winning in an era of concentrated prosperity

What is the recipe for success in this new era of asset management? Investment performance remains foundational, but the evidence of the past several years suggests that it is no longer sufficient on its own. Managers seeking durable growth need advantages that extend across the firm and become stronger as the industry becomes more complex. Learnings from those who are successful point to four forms of alpha:

Investment alpha: Ride the theme, diversify the risk, rebuild the engine

The first priority is to strengthen the investment proposition for a market in which concentration, thematic rotations, and AI are reshaping opportunity sets. Managers could take a deliberate view on exposure to AI-related investments across the value chain rather than a generic technology allocation. Investment organizations will also likely need to determine where AI can create a fit-for-purpose research edge, from synthesizing unstructured information to accelerating idea generation and portfolio customization. At the same time, concern about market concentration increases the value of diversified alpha—strategies that can produce differentiated returns without simply adding more exposure to the same dominant securities.

Access alpha: Own what clients cannot easily buy themselves

As more economic value accrues outside public markets, proprietary access to investment opportunities becomes increasingly important. Origination networks, capital-markets relationships, scarce capacity, local partnerships, and differentiated sourcing could create investment opportunities that clients cannot reproduce independently. Building this access organically will be unrealistic for many managers; partnerships and selective M&A could therefore become part of the investment strategy itself.

Distribution alpha: Massively scale client reach

Distribution is another area in which technology could alter the economics of competition. AI-enabled prospecting, personalization, content generation, and sales support could increase wholesaler productivity and make previously uneconomic client segments addressable. But technology alone is not enough. Managers need the wrappers clients increasingly prefer, such as active ETFs, model portfolios, separately managed accounts, and appropriate evergreen structures. They also need proximity to the control points that determine shelf placement and portfolio inclusion. In a world of fewer strategic relationships, distribution alpha is increasingly about becoming harder to replace, not simply calling on more clients.

Operating alpha: Turn the platform tax into a scale advantage

Finally, managers could convert the cost of modernization into an operating advantage, which will likely require more than layering AI onto existing processes. Leading firms could take a zero-based view of products, workflows, data, and technology; redesign domains front to back; simplify product and application footprints; and decommission legacy complexity. Data should become a compounding asset rather than another fragmented cost center. One test of AI will be whether it moves from incremental spending to measurable productivity and creates a lower marginal cost of growth.

Plenty—for whom?

This is an era in which scale matters more than ever—in distribution, in technology, in the ability to originate what others cannot. But scale is a means, not an end, and more of it does not indicate the emergence of a winner-take-all industry across the board. Some markets will reward a few scaled or differentiated leaders, while others will support a wider field. Still other markets offer too little growth to justify the entry fee and will keep consolidating.

Asset managers could ask themselves several hard questions: Where do we have the right to win? Where could we build and deepen that right? And—the question almost no one asks—what should we stop doing? During the previous decade, the industry rewarded addition: more products, more strategies, more shelves. The next decade will reward subtraction.

Plenty will be for the few who know which games they can win and have the scale and skills to win them. A golden age awaits those who are clear-eyed enough to claim it.

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