Asset & Wealth Management

Top ten trends

November 2024

Introduction

Uncertainty and market volatility have been persistent themes throughout this year. Although there were intervals during which tailwinds provided a temporary boost, these were swiftly countered by headwinds, creating a challenging environment. The Asset & Wealth Management (AWM) industry in the Asia Pacific region has demonstrated robust growth. Our latest market projections indicate that global assets under management (AUM) are forecasted to reach USD 171.3 trillion by 2028 in our base case scenario, representing a 32.8% increase from 2023. Growth is expected to be accompanied by evolving behaviours and expectations from both investors and stakeholders, presenting a mix of exhilarating opportunities and unprecedented challenges.

As a market leader, PwC is uniquely positioned at the forefront of analysing these emerging trends, driving innovation and offering strategic guidance to pioneer industry developments. Our broad range of subject-matter experts have extensive touchpoints across the industry value chain, from asset and wealth managers, regulators, industry associations to service providers, enabling us to provide a holistic view of industry shifts. In this publication, we draw upon our diverse experiences, insights and perspectives to highlight key trends observed by PwC over the past year, empowering stakeholders to align their strategic priorities accordingly.

Executive Summary

The asset and wealth management industry has been influenced by shifting macroeconomic conditions, geopolitical tensions, and other pressures, prompting a period of introspection and strategic action. Rising expectations among investors, employees, regulators, and society at large have placed significant pressure on asset and wealth managers. They now need to rethink and adjust their operational models to meet these increased demands.

Several global trends with long-term implications will continue shaping the industry for many years. The interplay between these trends is likely to accelerate both the speed and the breadth of change within the industry, particularly in the Asia Pacific region. The next wave of disruption is already underway, necessitating that asset and wealth managers carefully consider a multitude of facets. These include product innovation, distribution strategies, investor segmentation, client experience, integration of emerging technologies, management of cost to serve, and most importantly, the continuous effort to deliver value to investors and shareholders.

In this evolving landscape, asset and wealth managers must remain agile and forward-thinking. They need to anticipate and adapt to the rapid changes, ensuring they not only meet but exceed the expectations of their diverse stakeholders. This will involve leveraging technology, embracing new business models, and fostering a culture of continuous improvement and transparency. By doing so, they can navigate the complexities of the current environment and position themselves for sustained success in the future.

Trend 1: Increasing wealth creation and intergenerational wealth transfer in Asia Pacific

Asia Pacific's economic growth, propelled by industrialisation, urbanisation and technological advancement has created a significant surge in wealth creation over the past few decades. The number of high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) is on the rise, and this growth is catalysing the emergence of wealth hubs across different countries. Intergenerational wealth transfer is becoming increasingly prominent, impacting individuals, families and institutions in the region. Many HNWIs and UHNWIs in the Asia Pacific region are pioneering first-generation entrepreneurs and founders who have extensive, multi-generational family networks that often span across borders.

Intergenerational wealth transfer in Asia Pacific

	Estimated personal financial assets in 2023	Intergenerational wealth to be transferred by 2030
HNWI	USD 14 trillion	USD 2.4 trillion
UHNWI	USD 7.7 trillion	USD 3.4 trillion
Total	USD 21.7 trillion	USD 5.8 trillion

Source: McKinsey & Company

The trillions of dollars of intergenerational wealth that is poised to be transferred in the next few years are paving the way for a transformation in wealth management and succession planning. Navigating the process of intergenerational wealth transfer is a complicated and delicate process due to the complexities of intertwining wealth, business and family coupled with the nuances in Asian culture and socio-economic factors. While legacy planning can take place through a range of different strategies, family offices are emerging as a central solution to streamline the management, preservation and growth of family wealth across generations - from investments, tax strategies and estate planning to philanthropy. The establishment of institutionalised family offices is expected to grow as families look to manage their wealth through professional teams and investment managers who can more effectively align with their investment return expectations, risk tolerance, values and aspirations.

As affluent families become more sophisticated with their investment strategies, family offices are extending beyond traditional investments and turning to alternative investments for potentially higher returns. This is creating new opportunities in private credit, private equity, venture capital and infrastructure investments, but also new risks, including the suitability of products for specific investor groups such as individuals and family offices. Across the region, increased investments into private markets and emerging industries continue to encourage innovation, digitalisation and the development of vibrant start-up ecosystems.

The great transfer of wealth also brings a set of challenges, including the evolving expectations and priorities of the new generation. The next generation is more socially and environmentally conscious and seeks to make measurable impact alongside financial returns in their investment decisions. Additionally, as technologically savvy investors, the need to incorporate disruptive fintech to enhance investment products, platforms and performance data may become increasingly important when engaging this segment of wealth.

Priorities gaining more prominence among next-generation wealth owners

- **ESG, impact investing and philanthropy**
- **Fintech, digital platforms and disruptive technology adoption**
- **Embracing diversification in a shifting investment market**
- **Exploring new asset classes and innovative emerging industries**

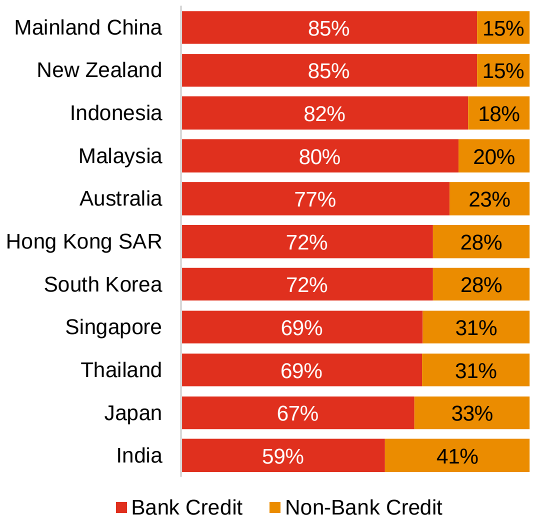
Asia Pacific's economic dynamism presents unique opportunities for wealth preservation and growth. As the region is rapidly moving to the forefront of global wealth creation and wealth transfer, the financial landscape and legal frameworks across different countries will continue to evolve with the demographic changes. Understanding the changing needs of the next-generation of wealth owners is crucial not only for safeguarding financial legacies but also for maintaining regional economic growth and stability.

Trend 2: The onward march and power of private capital

The market structure of finance globally is changing and private capital has emerged as a formidable force, transforming industries, fuelling investment opportunities and addressing critical societal challenges. Traditional asset managers are increasingly expanding into the private capital space, pushing the convergence between traditional and alternative managers.

Within private markets, there has been a significant shift towards borrowing and lending capital through private credit managers. As banks face capital pressures and public funding remains constrained, private credit has stepped in as a powerful complement to traditional capital providers and an important source of funding for underserved business segments.

Asia Pacific bank funded and non-bank funded credit



Source: Bank for International Settlements (as of June 2023) and PwC analysis

Private credit in Asia Pacific

Favourable macroeconomic shifts in Asia Pacific have created diversified growth drivers with significant investment opportunities for private capital. Rapid economic growth is fuelling considerable momentum around infrastructure, industrialisation, healthcare and technology, all of which require large investments. Markets in the region currently heavily rely on local banks for their capital needs. But as these markets expand, particularly in Southeast Asia, they will naturally need to pivot towards private capital and cross-border capital providers in order to grow.

The need for alternative funding sources is particularly pressing for many small and medium enterprises (SMEs), early-stage startups and family-owned companies. As government policies and reforms continue to boost efforts to meet development targets and improve investment climates, the role of private credit will become increasingly pivotal in supporting economic growth.

Focus on ESG and infrastructure

As industry stakeholders increasingly prioritise sustainable and responsible investing, private credit funds are integrating ESG criteria into their investment strategies and operational processes to align with global standards and investor expectations. This may include enhanced disclosures on ESG metrics and performance being adopted to provide greater transparency and meet investor mandates.

Climate risks have emerged as the primary driver for infrastructure investment. The increasing frequency and severity of climate-related events highlight the urgent need to build resilient and sustainable systems. This urgency is pushing governments and private investors to prioritise infrastructure projects that can withstand and adapt to these challenges. Swift urbanisation and the growing emergence of megacities is creating significant demand for modern infrastructure. Specifically, the growing need for infrastructure to meet net-zero targets could present additional opportunities for private capital and lenders in the coming years.

Collaborations and partnerships

Cooperative strategies are transforming the private capital markets into a more interconnected and sophisticated ecosystem. By collaborating with local entities, global players can gain access to critical market insights and build stronger relationships with regional businesses. Additionally, co-investment structures are gaining traction as they allow investors to share risks, achieve greater scale and participate in more complex transactions that may be challenging to undertake individually. Ultimately, strategic alliances in private markets can optimise capital deployment and drive more resilient and diversified investment portfolios.

Trend 3: The rise of multi-asset approaches and changing distribution environment

The rise of multi-asset approaches continues to be strong as asset and wealth managers fulfil the increasing need for diversification and customisation from investors. Industry players are accelerating plans to establish and expand their multi-asset solutions as investors increasingly seek branded multi-capability firms to meet their needs. To align with this trend, asset and wealth managers across the region are considering expanding through M&A and strategic partnerships, which has catalysed industry consolidation. Such strategic moves enable firms to add capabilities and differentiate, grow with new asset classes and investor segments, and ultimately capture more of the investor wallet. These aforementioned strategies also create scale and efficiencies.

Diversified alternative firms tapping into new investor groups

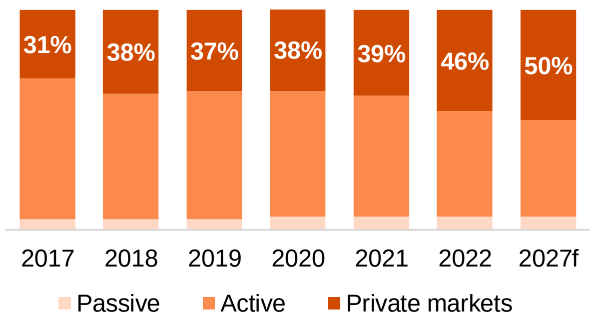
Globally, many large private asset players have a presence across multiple asset classes and products, including hedge funds, private equity, private credit, real estate, and infrastructure. Historically, their main clientele has been institutional investors (including sovereign wealth funds, endowment funds and pension funds). However, there is a move to broaden the investor base and explore how best to capitalise on opportunities in other segments, such as investors in the mass affluent, HNWI and UHNWI space. Tapping into these investor groups would enable alternative asset managers to access new sources of capital and fundraising options - something that is a constant as managers look to set up new funds and grow. While it might lead to a different mode of operations and adhering to a new set of regulations, the amount of capital they can potentially gather is vast.

Traditional asset managers adding private market capabilities

Large traditional asset managers continue to push aggressively into the private capital space, acquiring and assembling multi-asset class businesses and filling gaps where needed. Besides growth ambitions, becoming a diversified group is an obvious choice for many large traditional asset managers as they continue to face intense fee and margin pressure on mutual funds and ETFs.

There are clear synergies between asset classes. For example, a manager with expertise in data centres may also have important insights into energy sources and transitions, which also informs related private credit opportunities. Similarly, there may be overlaps between areas of commercial real estate and private credit. A successful multi-asset group can then stretch its brand and capabilities across private and public markets, seeking to add value through a portfolio approach that exceeds the sum of its parts. Private markets, which accounted for around USD 250 billion in revenue in 2022, will drive 50% of global revenues by 2027. Going forward, traditional asset managers are expected to increasingly explore and capitalise on the available opportunities in private markets.

Share of total revenues in the AWM industry



Source: PwC analysis

Democratisation of private markets

With innovation in technology, increasing receptiveness from regulators and greater interest from asset and wealth managers to offer the asset class in a format accessible for individual investors, private market assets are expected to become more accessible to a broader spectrum of investor groups. This trend is already playing out in various jurisdictions as innovation and product structuring have provided private market assets an avenue to reach a larger base of investors.

Product distribution

The distribution landscape is also at a turning point, with rapid changes reshaping the environment. Shifts in investor demographics and technological innovations are prompting a reevaluation of how products and services are offered. This evolution has introduced a new breed of technology-driven players, such as digital wealth advisors, platforms, and robo-advisors, bringing new value propositions to the market. Consequently, banks and insurance companies, the current incumbents, are now facing increased challenges.

Trend 4: Continued refinement of business operating models

More than ever, asset and wealth managers are expected to leverage emerging technologies to facilitate business growth while minimising costs. A shift in investor expectations has prompted industry players to expand into new client segments and diversify their product offerings, often necessitating a significant increase in the scale of operations.

Regularly revisiting and refining the current operating model is essential to maintaining relevance in this dynamic landscape. By staying agile and continuously adapting their operating models, asset and wealth managers can better position themselves to meet emerging demands, streamline operations, and maintain a competitive edge in the market. In a rapidly changing market environment, having an integrated, adaptable and agile operating model is indispensable for staying ahead of the curve and delivering superior outcomes for investors.

The operating model of an asset and wealth manager should ensure effective investment management, high investor satisfaction, and optimal operational efficiency. The infrastructure should also serve as the backbone of the firm, guiding its processes and strategies to deliver consistent value to its investors. The ideal operating model can vary significantly based on the firm's size, scope, and specialisation, necessitating a tailored approach to meet specific needs. A fit-for-purpose operating model is critical for firms to not only survive, but thrive in a competitive market that is constantly evolving.

Given the multitude of objectives, one approach that is rapidly gaining prominence is the outsourcing of specific functions or certain parts of the value chain. By adopting this outsourcing model, industry players can simplify their end-to-end activities, enabling them to concentrate on their core objective: investment management. This strategic outsourcing not only enhances operational effectiveness, but also enables firms to better respond to market dynamics and investor demands.

By developing an operating model that aligns with the firm's unique characteristics, asset and wealth managers can better navigate the complexities of the industry. This involves creating an integrated operating model that seamlessly streamlines workflows across the front, middle and back office functions. Such integration is crucial for enhancing the firm's agility and responsiveness to abrupt market changes, including shifts in investor behaviours and demands.

By fostering collaboration and communication across the various functions, enabled by cutting-edge technology and the use of data, asset and wealth managers can significantly improve their decision-making processes, reduce operational silos, and enhance overall performance. This holistic approach not only helps in managing risks more effectively but also in capitalising on new opportunities swiftly.

Front office

- Sales and marketing
- Investor relations
- Research and analytics
- Investment strategy
- Trade execution

Middle office

- Risk management
- Trade and order management
- Valuation and pricing
- Treasury management

Back office

- Settlement and reconciliation
- IT and cybersecurity
- Performance and reporting
- Compliance
- Data management

Pain points across the value chain

- Time consuming and tedious fundraising and networking process.
- Lower yield and outreach success rates to investment opportunities.
- Investment and deals sourcing is resource intensive.

- Fragmented steps within the workflow, requiring various third parties at different stages.
- A lack of a 'single source of truth' posing a challenge to pull information together.
- Data inconsistency and insufficiency.

- Manual 'business as usual' processes handling increasingly complex operations.
- New regulatory requirements leading to high costs to adapt.
- Ever-evolving threats in cybersecurity.

Trend 5: The evolving role of asset managers in building trust with investors and acting as fiduciaries

The role of asset and wealth managers as fiduciaries is also broadening. This shift is driven by evolving investor expectations, increasing regulatory scrutiny and global dynamics. With global AUM of close to USD 130 trillion as of 2023, according to our latest Asset & Wealth Management (AWM) Revolution report, the industry can play an influential role in solving global issues and creating a positive impact on public stakeholders.

Global AUM in 2023
USD 128.9 trillion
Asia Pacific AUM in 2023
USD 21.1 trillion

Source: PwC AWM Revolution report

Accelerating financial inclusion

Asset managers are instrumental in broadening investor participation and inclusion. This is in part achieved through the design and offering of diverse investment products that cater to various risk appetites, financial goals and investment horizons, including facilitating the democratisation of alternative assets. On the distribution side, employing digital platforms and technology-driven solutions to reach a wider audience, including the younger generations of investors who are inclined to engage with digital financial services, will be important. Through these efforts, asset and wealth managers are able to promote a culture of investing that enhances financial empowerment, ultimately contributing to a more dynamic and resilient financial market.

Fee reform, transparency and investor education

The industry has witnessed fee reform in recent years focused on enhancing transparency, reducing costs and aligning fees more closely with manager performance. With investors increasingly looking for improved value for money in their investment decisions, some regulators are also introducing more stringent disclosure requirements to ensure investors are fully informed on the fees they are paying. Additionally, the rise of low-cost investment options has pressured industry players to reduce their fees to remain competitive.

As financial markets become more complex and interconnected, the importance of investor education cannot be overstated. In order to make informed investment decisions, investors and their advisors need to be equipped with the knowledge and tools to understand various investment products, market dynamics, risk management strategies, etc. Furthermore, exposure to regular reporting on performance, risk metrics, fee structures, ESG metrics, governance and compliance practices is helping to build trust with investors, while at the same time increasing reporting and compliance costs.

Championing government and Environmental, Social, and Governance (ESG) initiatives

Particularly across the Asia Pacific region, governments often rely on private capital to fund development. With policymakers actively encouraging a more diverse financing mix for a range of industries, asset managers are mobilising private capital to supplement public funding on a range of large-scale projects, especially towards infrastructure, urban development and sustainability. Asset and wealth managers are increasingly addressing climate change by integrating ESG criteria into investment processes and developing sustainable investment products, such as renewable energy funds and green bonds. Additionally, the push for greater transparency and accountability in how companies are managing climate risks is fostering a more informed investment landscape. According to PwC's latest Corporate Sustainability Reporting Directive (CSRD) survey, sustainability imperatives will challenge today's business models and create opportunities for growth and reinvention.

Funding the pension gap

Increasing life expectancies and ageing populations are forming significantly higher retirement needs and catalysing the widening pension gap. With this, the share of financial assets to be directed towards the asset and wealth management industry in the coming years will rise.

There is an increasing alignment between insurers and asset managers, with insurers relying on asset managers to meet the yield and duration needs of their clients, and asset managers offering unique investment solutions to fulfill these requirements. The role of asset and wealth managers in helping to effectively manage long-term savings will become increasingly important.

Trend 6: Fund tokenisation set to revolutionise the investment landscape

Globally, fund tokenisation represents a revolutionary shift in the financial and investment landscapes. At its core, tokenisation leverages blockchain technology to convert traditional assets and structures into digital assets, which are storable and transferable. The impact of tokenisation will be particularly significant for the asset and wealth management industry; the benefits include enhancements in liquidity, transparency and investment accessibility, while also reducing operational inefficiencies and costs.

The tokenisation of existing fund products is merely a first step that offers marginal benefits. The real potential lies in leveraging blockchain technology to design and develop innovative products that can bring additional utility and value to investors. The tokenisation of a wide range of asset types opens up diversification opportunities for investors. The technology makes it easier and more cost-effective to achieve a diversified portfolio, allowing a broader range of investors to optimise their risk-return profiles. This expanded market reach also means that asset and wealth managers can tap into a more diversified investor base.

Opportunities from tokenisation

Streamline operational inefficiencies	Lower product costs
Broaden distribution channels	Democratise alternative investments
Improve investment liquidity	Enhance transparency

Tokenisation can help to streamline various operational components in asset management, from fund issuance, redemptions and distribution, to subscriptions and custody. The automation of these processes through smart contracts reduces the need for multiple layers of intermediaries, such as brokers and custodians, who each charge fees for their services. This added efficiency enables faster settlement times and the lower operational costs for asset managers can be passed on to investors. Additionally, blockchain technology can be integrated into KYC and AML systems to enhance the efficiency of compliance processes with regulatory requirements.

Alternative assets such as private equity, private credit, infrastructure or real estate, are often highly illiquid, making it challenging for investors to buy or sell stakes quickly, without incurring significant costs. With this, investing in alternative assets has been traditionally largely restricted to institutional investors due to a number of barriers to investment: high minimum investment amounts, regulatory restrictions, extended lock-up periods, lack of transparency, etc. Tokenisation is able to mitigate some of these limiting factors through the fractionalisation of asset ownership. The creation of secondary markets leveraging blockchain technology enhances alternative asset liquidity and widens the investor base access to these types of investments. Moreover, minimum investment thresholds for tokenised alternative funds are lower than their traditional counterparts, facilitating smaller-scale transactions in the space.

As tokenised assets broaden the range of investable assets available, product manufacturers will need to establish new portfolio management processes. With this, asset managers have the opportunity to issue more bespoke security types and adopt innovative investment strategies. Furthermore, tokenised assets form an ideal infrastructure basis for implementing AI and can open up channels for AI innovation. Tokenisation also brings new obligations for asset managers. This includes ensuring that the tokenised products are suitable for those investors who buy them, and appropriately creating the liquidity and transparency needed for the emerging class of retail investors who hold these assets.

While the use of tokenisation by asset and wealth managers is still in the early adoption phase, particularly in Asia Pacific, various global players have already launched or plan to introduce tokenised funds and products. The technical complexities of tokenising assets and the need for infrastructure to support the digital transformation of assets will require specialised expertise to ensure alignment between digital finance networks and the security of financial transactions. As regulatory frameworks mature and technological solutions become more robust, we can expect to see a hybrid model of products, where traditional and tokenised funds coexist.

Trend 7: GenAI a catalyst for industry players

With the rise of large language models (LLMs), asset and wealth managers have been exploring the commercial value of leveraging Generative AI (GenAI) to better meet investor needs and streamline internal efficiencies. In the bigger picture of digital transformation in the industry, GenAI is converging with other technologies such as automation, blockchain and cloud to develop more bespoke products, enhance decision-making processes and transform business operations and investor experience.

Integrating AI and other rapidly evolving technologies into middle and back-office operations and market-facing activities is essential for staying ahead of competitors. As a first step, firms must ensure that the adoption of GenAI is aligned with their overarching strategic business objectives. This analysis will enable the systematic identification of GenAI use cases that offer the highest value to the business, while simultaneously maintaining robust governance mechanisms and adherence to regulatory obligations.

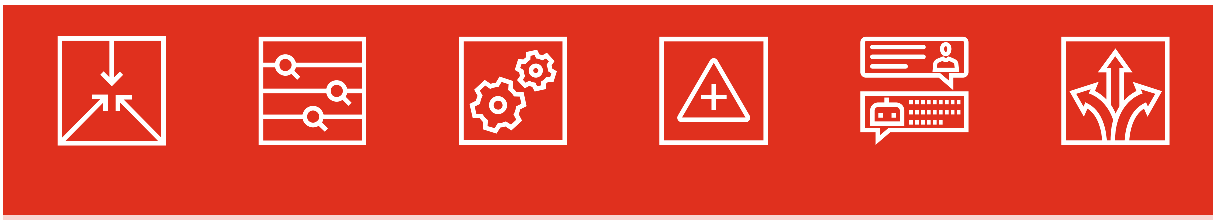
Once the strategy, governance frameworks and technological infrastructure are in place, it is important that firms provide employees with appropriate training and guidelines for deploying GenAI in their workflows. Fostering a culture of continuous learning and innovation will further help organisations ensure that their workforce is well-equipped to harness the full potential of GenAI.

GenAI has the unique ability to scale across every asset and wealth management function from the front, middle and back office to the fund, portfolio company and management company level. In the front office, AI can enhance investor interactions through personalised investment advice and provide real-time market insights. In the middle and back office, AI can streamline compliance, risk management and administrative procedures through the automation of regulatory reporting, anomaly detection, data analysis, transaction processing, etc. Within larger organisations, navigating the approach of localising versus standardising AI implementation requires an intricate balance between regional specifics and global best practices.

While the benefits of GenAI in asset and wealth management are substantial, it is essential for industry players to address the challenges and risks associated with its adoption. Data privacy and security, intellectual property misuse, and recognition of inaccurate information are some of the most basic considerations. In the context of AI-driven decision-making, transparency and accountability will also be critical. Firms must develop transparent AI models and ensure that human advisors can clearly communicate insights and rationale derived from the models.

As the adoption of GenAI gradually involves more cross-collaboration across the industry value chain, ensuring that GenAI systems adhere to regulatory requirements and ethical standards will be crucial in building relationships across industry stakeholders and drive the sustainable development of cutting-edge innovations.

Potential applications of GenAI for asset and wealth managers



Summarise new regulatory and compliance guidelines into key takeaways and actionable insights.	Search through extensive financial documents and regulatory filings to find specific information.	Transform raw financial data into easy-to-understand charts for investor presentations.	Enhance customer profiles with additional insights from AI analysis.	Provide personalised virtual financial advisors for clients to ask questions and receive advice.	Generate market commentary and financial newsletters based on market conditions.

Trend 8: The enduring growth story of the Chinese Mainland

Asset and wealth managers have long seen the Chinese Mainland as an attractive market rich with opportunities. The market has rapidly become highly competitive, while international managers have experienced mixed success. Significant regulatory changes are providing both headwinds and tailwinds for market players. Market liberalisation in asset and wealth management sectors in the Chinese Mainland began some time ago, and recent efforts to implement reforms have accelerated, aiming to further attract and facilitate foreign investment.

For industry players operating through Hong Kong, "Connect Schemes" and other market initiatives enable the distribution of financial products and services within selected Chinese Mainland regions from this offshore hub. Overall, these developments offer international firms a broad array of options when formulating their Chinese Mainland strategies. Developments have continued steadily, with both domestic and foreign firms in the private and public fund sectors making significant progress through increased product launches and deeper investor penetration.

The Chinese Mainland's appeal partly stems from its 1.4 billion citizens, who possess a vast pool of savings poised to be unlocked and invested in asset and wealth management products. With a savings rate of 47% of its GDP, one of the highest among major economies, the country attracts a myriad of international market players, ranging from traditional to alternative asset managers.

Current gross national savings as a percentage of GDP

China*	46.6%
India**	29.2%
World*	28.2%
Germany**	27.7%
European Union**	26.7%
Japan*	22.8%
United States*	18.1%
United Kingdom**	17.4%

Note: * 2022, ** 2023
Source: The World Bank

The ongoing shift from residential real estate, cash and money market instruments presents a compelling opportunity for international players to position their services in this large and burgeoning market. For Mainland Chinese investors, their range of options to invest has until recently been relatively limited and often concentrated in domestic assets due to capital controls. With this, increasing financial literacy and appreciation of the need for diversification has driven demand for investment products and advice, as investor needs become more holistic over time. Mainland Chinese investors have varied wealth goals and priorities; generally, younger cohorts prioritise wealth creation, while older cohorts focus on wealth preservation and protection.

The addressable wealth pool in the Chinese Mainland is only going to get larger, and the number of HNWIs and UHNWIs will increase in tandem. Much of this has been generated by a wave of entrepreneurs and business owners leading the charge in wealth creation and innovation. Moreover, the country's UHNWIs are increasingly recognising the benefits of geographical diversification and are actively seeking new investment destinations for long-term growth. As wealth continues to grow robustly, typical Chinese Mainland investors are diversifying their portfolios and investing more outside of renminbi-denominated assets. Recognising these benefits, investors are actively seeking new destinations, with Hong Kong serving as a key gateway to global investment opportunities.

Lastly, developments that favour international players are taking place against a backdrop of evolving geopolitical tensions. These remain a risk and require international players to consider long-term resilience when setting or fine-tuning their Chinese Mainland strategy and operating model. Long-term success will be achieved only by those who build their brand and reputation as trustworthy guardians of assets.

Considerations for a successful strategy

Vision, objective and strategy	Relationships with stakeholders
Onshore product capability	Partnerships with distributors

Trend 9: A turning point for M&A and deals activity

Despite a challenging market environment, there is potential for an uptick in M&A activity as industry players remain under significant pressure to further transform their business models to meet current and future challenges and create sustained outcomes. M&A can serve as a catalyst for transformation, either by acquiring businesses to drive future growth or by divesting less profitable or non-core businesses to sharpen a firm's focus. Recent interest rate cuts and potential shifts in macroeconomic conditions could trigger further recovery in the industry and consequently drive M&A activity.

The asset and wealth management industry is fragmented, with further consolidation expected among large multinational asset managers facing profitability pressures and margin compression. While assets under management are projected to grow, fee rates will likely decline due to the rise of passive strategies and demand for lower costs. Increased spending on regulatory compliance, technology, and talent acquisition is also squeezing margins. To adapt, asset managers will need to enhance internal efficiencies and consider M&A to achieve greater scale and expertise.

Factors that may lead to increasing M&A

Product	Firms are increasingly exploring strategic partnerships, not only for revenue enhancement but to tap into new asset classes in favour with investors.
Distribution	Industry players are focusing on developing "digital first" service offerings, with a focus on improved client experiences that match the expectations and the needs of investors.
Technology	Investing in emerging technologies enables optimisation at scale and is also a means of improving cost structures and ultimately, profitability.
Geography	A significant rise in wealth and the number of UHNWIs and HNWIs in different regions is expected to attract industry players to penetrate new and untapped markets.

Large multinational traditional asset managers are increasingly focusing on private markets to enhance their suite of offerings. Developing expertise in alternative assets can boost revenue through higher management and performance-based fees, especially as fees for traditional products decline. The key advantage of M&A opportunities in the industry is that institutions can quickly obtain multi-asset class capabilities and the supporting talent and technology. In the Asia Pacific region, M&A activity among managers scaling up in alternatives has risen, making the deal market more competitive. However, managing alternative investments presents unique challenges compared to traditional investments. With this, banking and insurance groups are also strengthening their asset management and wealth management divisions, recognising the importance of this segment to complement their core business, while insurers and asset managers are also working more closely together and exploring collaborations.

Asset and wealth managers must take steps to keep pace with the evolving business environment, which is grappling with a set of existential challenges exceeding those of any previous era. These challenges may accelerate the need for M&A activity as this is seen as an essential part of the transformation journey. Globally, industry players, big and small, are vigorously transforming their business models to survive and grow. With 16% of existing organisations expected to be swallowed up or have fallen by the wayside by 2027 - twice the historical rate of turnover – it is vital that industry players accelerate their strategic growth agenda and act with urgency. Firms that can transform their operations will further intensify pressure on the 'squeezed middle' – asset managers which do not use their scale to keep costs down or which offer niche services with higher fees, like boutique asset and wealth managers.

M&A-related transformation may include acquisitions to enhance product and distribution capabilities or technology-related acquisitions to improve capabilities and/or economies of scale. Alternatively, divestments may help to improve operations and recalibrate business models. Asset managers who have yet to differentiate themselves are turning to M&A, hoping that the combined resources will create greater value. By leveling up and offering a diverse range of asset classes, buyers can position themselves to attract significant capital allocations and address complex investment opportunities.

Trend 10: Human capital – a key component of success

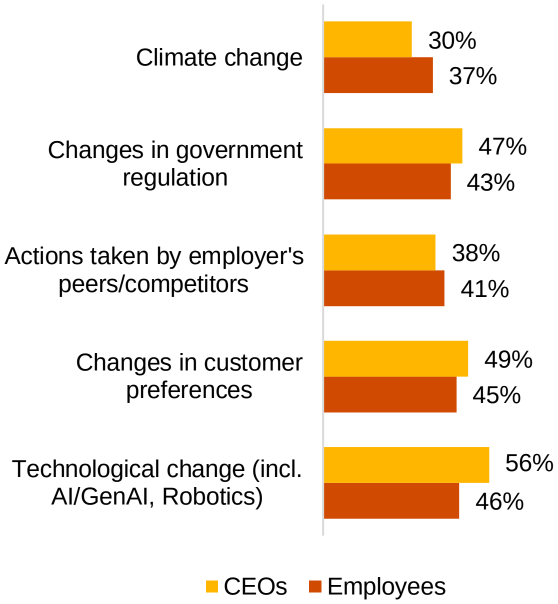
The asset and wealth management sector, characterised by its dynamism, regulatory rigour and investor-centric focus, relies heavily on the expertise, judgment and strategic acumen of its workforce. With swiftly evolving trends and expectations, human capital, encompassing employee skills, knowledge, experience and interpersonal relationships, stands at the forefront of organisational success. The relationship between an organisation and its employees highlights a business's ability to withstand a changing economic backdrop and sustain its performance profile.

As financial markets become increasingly complex and interconnected, the importance of nurturing a workforce that is able to effectively adapt and innovate becomes paramount. Effective workforce management extends beyond recruiting top talent; it involves fostering employees' ongoing development and ensuring their satisfaction, engagement and alignment with the company's broader vision. Adopting a holistic approach to talent management is crucial for unlocking innovation and maximising employee potential.

Key factors to fostering a resilient workforce

- **Continuous upskilling and reskilling opportunities**
- **Inclusive and diverse workplace environments**
- **Recognition and celebration of individual and team achievements**
- **Ownership of corporate social responsibility in commercial strategy**
- **Integration of technology and innovation in company culture**

Key drivers impacting jobs for global workforce in the next three years



Source: PwC – Global Workforce Hopes and Fears Survey 2024

With the rapid advancement of technology reshaping the industry, the skills required and the way jobs are completed, at all levels of employees, have evolved. Asset and wealth managers are rapidly moving away from manual processes, transforming how they deliver products and solutions to investors. Investment strategies are being optimised through AI and machine learning; Market trends and risks are being forecasted using big data analytics; Financial advice and algorithm-driven investment solutions are being driven by robo-advisors. Traditional roles in the industry are changing and employees are required to possess a blend of traditional financial acumen and modern digital proficiency.

The role of human capital may evolve to focus more on strategic decision-making, client engagement and leveraging technology to deliver superior services. With this, stakeholders in the industry need to priortise the continuous development and upskilling of their workforces according to the latest disruptive technology and emerging innovations. Looking ahead, the future of the asset and wealth management industry will be increasingly shaped by the synergy between human capital and technological innovation.

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PwC held its annual AWM event, entitled “**Asset & Wealth Management 360: Key Insights and Trends**”, in October 2024. The event gathered industry leaders and senior executives to discuss and inspire the latest emerging market trends and developments, where PwC subject-matter experts shared their valuable insights and intellectual capital on various topics.

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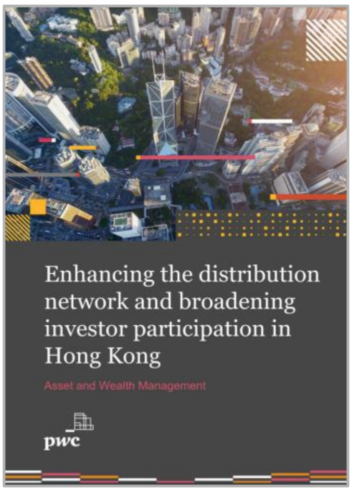
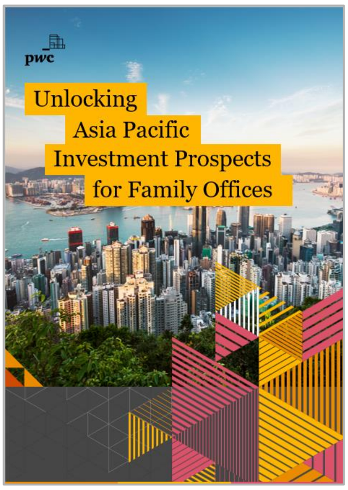
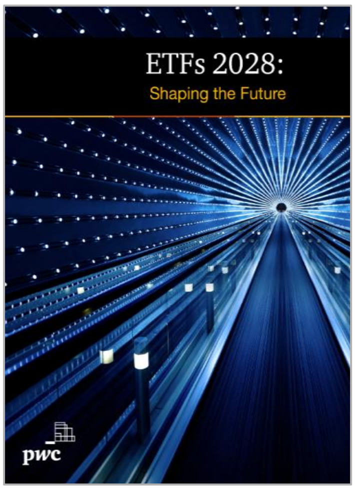
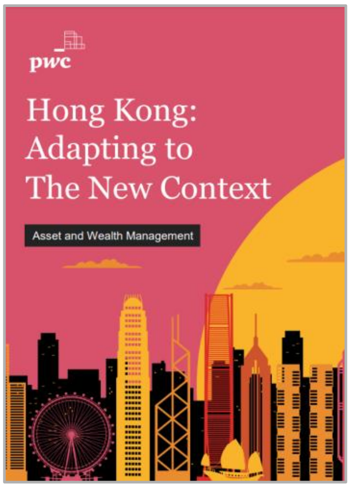
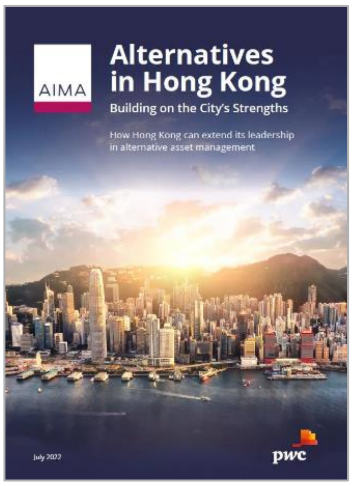
Reference shelf











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