EFAMA

European Fund and Asset Management Association

ASSET MANAGEMENT IN EUROPE

AN OVERVIEW OF THE ASSET MANAGEMENT INDUSTRY

16th EDITION

FACTS AND FIGURES

DECEMBER 2024

Table of Contents

Boxes

Foreword by EFAMA President

I am delighted to present the 16th edition of EFAMA's Asset Management Report, which offers a comprehensive analysis of the current state and recent trends in the European asset management industry.

This year's report highlights impressive growth and emerging challenges for the industry. While assets under management (AUM) are projected to reach a record EUR 33 trillion in 2024—an extraordinary milestone after a decade of significant expansion—profit margins have declined sharply, driven by sustained pressure on fees and rising costs.

These dynamics suggest the industry is at a pivotal juncture, requiring a reassessment of strategies and practices. European asset managers are navigating an era of profound transformation, shaped by geopolitical shifts, sustainability imperatives, and demographic trends. The macroeconomic outlook—characterised by slower economic growth, elevated inflation and interest rates, and greater market volatility—signals the emergence of a new paradigm for asset management.

Key Challenges and Opportunities

- ***Private Assets***

Despite short-term headwinds, private equity, private debt, and infrastructure investments continue to present strong long-term growth opportunities, with an anticipated annual compounded growth rate of 14% through 2028. The Asset Management Report includes concrete examples of how European asset managers are engaging in private markets. Furthermore, the revised ELTIF framework holds significant promise for retail investors, creating opportunities for broader participation in these markets.

- ***Active vs. Passive Management***

Passive investing continues its steady rise, with its share of assets growing from 13% to 17% over the past decade. Over the past three years, European fund flows have been dominated by inflows into money market funds and passive strategies. This trend raises critical questions about the future role of active equity management and how it can differentiate itself in an increasingly competitive landscape.

- ***Sustainable Finance***

The first iteration of the Sustainable Finance framework has established the EU as a worldwide leader in Sustainable Finance. The EU must continue to take proactive steps to maintain its competitive edge. EU policymakers should now focus on streamlining existing regulations and integrating the currently fragmented sustainable finance laws into one coherent framework. This is essential to unleashing the full potential of sustainable finance and successfully achieving the green transition by 2050.

- ***Retail Distribution Transformation***

It is encouraging to see the share of retail clients steadily increasing in recent years. Technological advancements, particularly in artificial intelligence, are poised to transform retail distribution by enhancing efficiency and enabling personalised client experiences. However, the current Retail Investment Strategy (RIS) falls short of its objective to boost retail participation in European capital markets. Instead, it adds complexity to an already burdensome regulatory framework. We urge EU policymakers to use the upcoming trilogue negotiations to refocus the RIS on simplifying the investor journey and ensuring meaningful disclosures.

- ***Industry Consolidation***

Consolidation within the European asset management industry is set to accelerate, with the top 10 asset managers likely to capture an even larger share of the market. European asset managers remain subscale and less profitable compared to their U.S. counterparts, highlighting the need for structural change to enhance competitiveness.

Building a Competitive Future

We welcomed the recommendations from the Letta and Draghi reports, which called for bold actions to address Europe's structural challenges and emphasised the importance of fostering innovation, advancing decarbonisation efforts, and deepening capital markets integration. Similarly, the Budapest Declaration on the New European Competitiveness Deal, adopted by EU leaders, underscored the urgency of collective action to strengthen European competitiveness.

A vibrant and diverse European capital market is essential for supporting EU economies and citizens. As an industry serving millions of clients and underpinning the European economy, we are committed to unlocking the financing needed to achieve the EU's strategic goals. A European Savings and Investments Union can play a pivotal role, channelling retail savings into productive investments to help individuals save better and provide companies with improved access to financing.

Together, we can drive Europe's more competitive, innovative, and sustainable future.

Sandro Pierri
EFAMA President

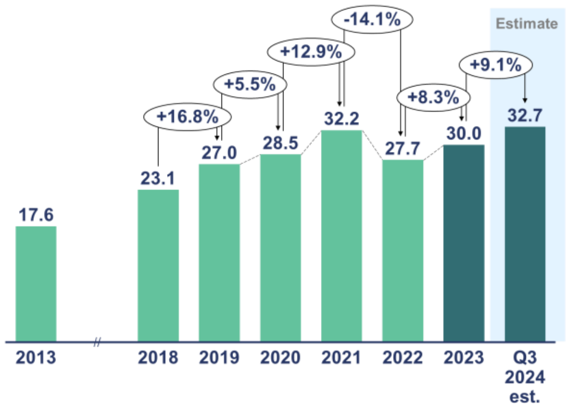
Key Findings and Figures

Assets under management in Europe

Total assets under management (AuM) in Europe grew by 8.3% in 2023, once again breaking the EUR 30 trillion threshold. This growth was due to increases in stock and bond valuations throughout the year. The 2023 rebound, however, did not allow a full recovery from the steep AuM drop in 2022.

As stock markets continued to rise during the first three quarters of 2024, we estimate that AuM in Europe reached a new record of EUR 32.7 trillion at the end of Q3 2024.

Assets under management in Europe
(EUR trillions, percent)

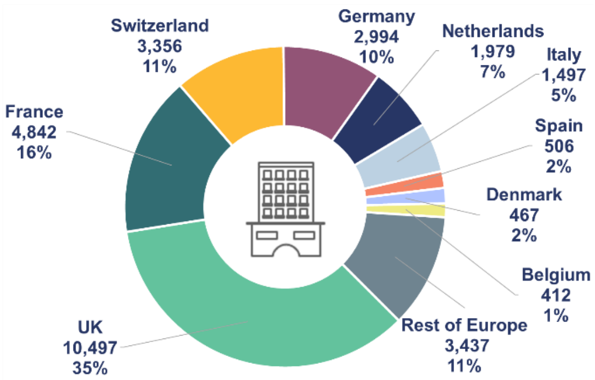


AuM in European countries

In Europe, asset management activity is concentrated in six countries. These are responsible for nearly 85% of the asset management activity that takes place in Europe.

The United Kingdom is the largest European asset management hub, followed by France, Switzerland, Germany, the Netherlands and Italy. This concentration is largely due to the size of domestic savings markets and the presence of major financial centres - London, Paris, Frankfurt and Zurich - in these countries.

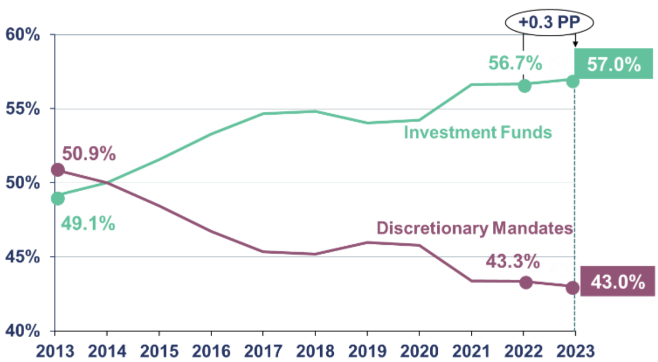
AuM in European countries at end 2023
(EUR billions, percent of total)



Funds and discretionary mandates

The share of investment funds in total AuM has risen steadily every year of the past decade, with the exception of 2019. This evolution is due to the higher equity allocation in investment fund portfolios compared to discretionary mandates, along with an overall rise in global stock markets. In 2023, both stock and fixed-income markets recovered from the 2022 downturn, with stocks outpacing bonds. As a result, the share of investment funds increased by a further 0.3 percentage points.

Discretionary mandates and investment funds
(Share of total AuM)

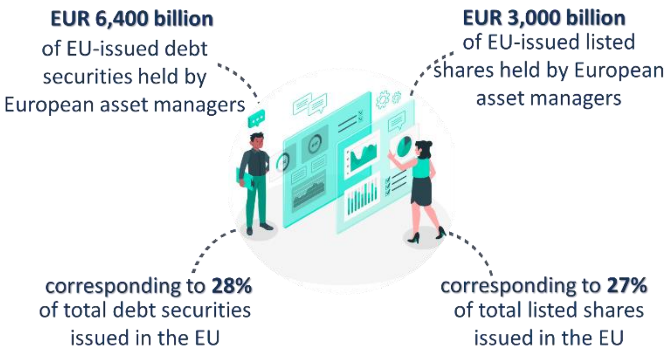


Financing the European economy

According to our estimates, at end 2023, asset managers held around EUR 6,400 billion in EU-issued debt securities and EUR 3,000 billion in EU-issued listed shares. This represented 28% of all debt securities and 27% of listed shares issued by EU-resident companies and other issuers.

These percentages give some idea of the importance of the contribution of European asset managers to the financing of the European economy.

Financing the European economy

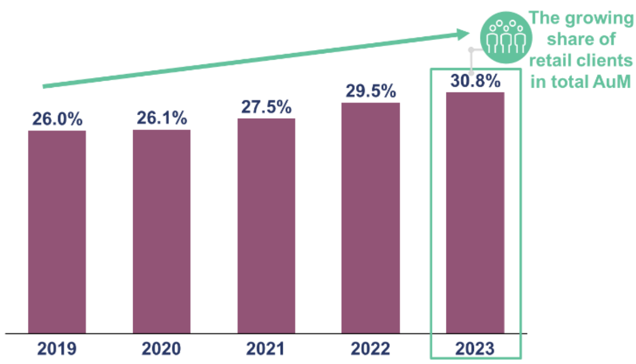


Rising share of retail clients

The asset management industry serves two principal types of clients, namely retail and institutional. Institutional clients consist of pension funds, insurers, banks and a rest category of other institutional clients, such as charities, corporations or holding companies.

The share of retail clients in total AuM rose from 26% in 2019 to 30.8% at end 2023. This growth mainly reflects European retail investors' increased appetite for capital markets, as they invested a larger portion of their financial assets into funds. Exchange-traded funds (ETFs) increasingly appear to be the preferred investment vehicle for European households seeking fund exposure.

Evolution of retail clients – Recent trends
(Share in total AuM)

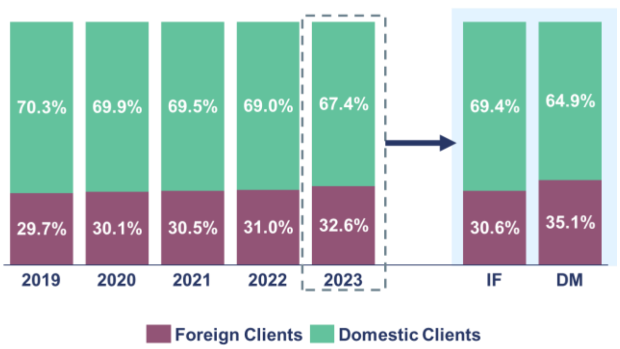


Domestic and foreign clients

The share of clients located in a country different to that of their asset manager has steadily increased in recent years, from 29.7% in 2019 to 32.6% by end 2023. Foreign clients are notably more prevalent in the mandate market than in the fund market.

This growing share of foreign clients aligns with one of the primary objectives of the Capital Markets Union (CMU). This seeks to further integrate national capital markets into a genuine single European market.

Domestic and foreign clients – Recent trends
(Share in total AuM)

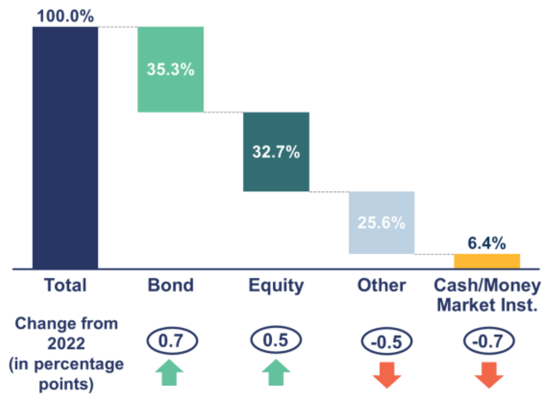


Asset allocation in Europe

In 2023, the shares of equities and bonds in the portfolios of European asset managers grew, driven by rising valuations in both asset classes. Consequently, the proportion of cash and other assets in their portfolios declined.

The market share of bonds grew more rapidly than that of equity, a somewhat surprising development given the stronger growth in stock valuations. However, bond funds were the top-selling fund category in 2023. Asset managers also shifted their asset allocation back towards bonds, anticipating rate cuts in 2024. Changes in client preferences also played a role, as higher bond yields attracted renewed demand from pension funds and insurers, reducing the need to invest in less-liquid, alternative assets.

Asset allocation in 2023 and shift from 2022
(Percent of total and change from 2022 in pp)

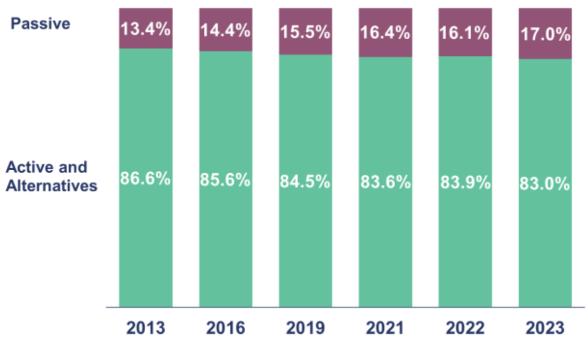


Growth in passive investing

Another key trend in European asset managers' allocation choices is the steady rise in the share of passive asset management.

This shift accelerated notably in 2023, as the share of passive jumped from 16.1% to 17%. This aligns with the rapid growth in exchange-traded funds (ETFs), which are largely passive, index-tracking vehicles. The continued cost difference between active and passive management is most likely the main driver behind this evolution.

AuM by investment style in Western Europe
(% of total AuM, excluding money market instruments)



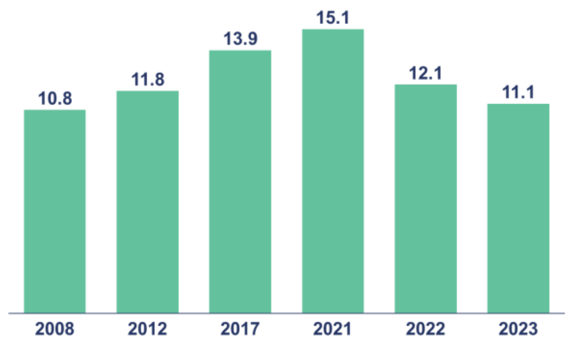
Source: McKinsey Performance Lens Global Growth Cube

Declining industry profit margins

Asset management industry operating profit margins (expressed in basis points of average AuM) declined to 11.1 in 2023, a low not seen since the 2008 financial crisis.

This fall was due to revenue margins steadily declining, a consequence of sustained pressure on fees and costs. In particular, technology costs have risen in recent years, driven by the ever-increasing investments in new hardware, software, and data that asset managers need to remain competitive.

Profit margins of Western European asset managers
(Bps of average AuM)



Source: McKinsey Performance Lens Global Asset Management Survey

Introduction

The EFAMA Asset Management Report offers an in-depth analysis of the current landscape of the European asset management industry, with a particular focus on those countries where assets are being managed.[i]

The report is mainly based on data provided by the national associations of Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Switzerland, Spain, Turkey and the United Kingdom. Additional internal and external data have been used to estimate assets managed in other European countries by the end of 2023 and projections for Q3 2024.

This Asset Management Report is divided into five main sections as well as an annex:

- **Section 1** offers a broad overview of **recent trends in the European asset management industry**, measured in terms of total assets under management (AuM). It explains how European AuM can be split into investment funds and discretionary mandates, provides country-specific data at the end of 2023, and zooms in on the overall market share of European asset managers. It also includes a perspective prepared by ***McKinsey & Company*** on retail opportunities for fund managers.

- **Section 2** highlights the **key roles played by the asset management industry in society and the economy**. The industry serves the needs of investors, through engaging with investee companies to encourage better governance in order to improve their environmental and social performance and through funding the real economy. This section provides estimates of the levels of financing that asset managers provide to various sectors of the European economy via their investments in debt securities and listed shares.

- **Section 3** presents an overview of the **industry's client base**, highlighting the breakdown between retail clients and key types of institutional clients. It also includes figures for both foreign and domestic clients. An analysis by ***Oliver Wyman*** on longevity opportunities for asset managers is included at the end of this section.

- **Section 4** examines the **asset allocation** of investment funds and discretionary mandates. It shows the share of assets that are managed actively and passively and the degree of 'home bias' in equities and bond investments. This section also offers a deeper analysis of environmental, social, and governance (ESG) asset holdings and gives an overview of Sustainable Finance Disclosure Regulation (SFDR) Article 8 and Article 9 funds managed in various European countries. Finally, it also includes an analysis by ***Novantigo*** about the demand of European insurers for private assets strategies.

- **Section 5** explores the **industrial organisation** of the asset management industry, offering data on the number of asset management companies operating in the EU and Europe, the use of delegation and developments in asset managers' revenues, costs and fund fees. It also addresses current trends in market concentration and examines the direct and indirect employment generated by the industry.

- The **annex** provides **concrete examples of how asset managers invest in private assets.** It also contains a wide range of country-specific statistical data on total AuM, investment funds assets, discretionary mandates, client breakdowns by AuM, and country-level asset allocations at the end of 2023.

1. Assets under Management in Europe

1.1. Overview

Asset managers invest and manage risks to achieve specific investment goals, tailored to their clients' needs, objectives and characteristics. They conduct research on macroeconomic trends and developments in financial markets, industries or companies before selecting financial securities such as publicly traded stocks and bonds. They also invest in private, unlisted assets such as private equity or real estate. This report focuses on those asset managers who are hired by retail and institutional investors to manage their assets and are paid a fee for their services. These asset managers are sometimes referred to as 'third-party' asset managers.

Some asset managers may specialise in a single asset class, such as equities or fixed income. Others may focus on specific investment styles within a certain asset class, such as large-cap growth US equities or dividend-yielding European listed stocks. Some may cover broader market areas, offering multiple strategies and/or providing custom investment services for individual clients.

There are two main investment strategies that asset managers can adopt when managing assets:

- **Passive asset managers** seek to replicate the performance of a specific financial market index. Passive managers achieve this by purchasing and holding all, or a representative sample, of the securities in their target indices. In some cases, they use financial derivatives to 'synthetically' replicate the performance of an index without directly investing in the underlying physical securities of the index itself.

- **Active asset managers** invest by carefully selecting securities. They adjust their portfolios in response to changing market conditions to meet the objectives of their funds or mandates, such as achieving growth, generating income, minimising downside risk and/or integrating ESG factors into investment decisions. Active asset managers often rely on a number of tools and conduct in-depth investment research to analyse specific industries, markets and issuers.

Asset managers generally conduct their investment activities in two ways; by managing investment funds or by managing discretionary mandates.

- **Investment funds** – UCITS or Alternative Investment Funds (AIFs) pool the savings of investors with similar investment goals. Each fund has its own specific investment objective, along with corresponding risk levels and asset allocation. Investors can purchase or redeem shares in these funds. Investment funds provide significant advantages in terms of risk diversification, risk-adjusted returns and investor protection. Funds can be tailored for retail clients, institutional clients or both.

- **Discretionary mandates** are investment 'mandates' delegated to an asset manager by a specific investor. The term 'discretionary' signifies that the asset manager has the authority to buy and sell assets and execute transactions on the investor's behalf. Mandates are legal agreements between the asset manager and the investor, which outline the specific terms and parameters of their relationship. Contract terms include details such as the investment strategy, investment guidelines, risk controls, specific benchmarks, reporting requirements, management fees, performance fees (where applicable), evaluation processes and - more recently - preferences for ESG investments.

1.2. Evolution of AuM in Europe

Total assets under management (AuM) in Europe reached EUR 30 trillion at end 2023, marking an 8.3% increase over end 2022. The 2023 growth was primarily fuelled by strong performance in equity markets, with the Euro STOXX equity index[ii] returning 11.2%. The fixed income market also performed well, as bond prices rose, due interest rates stabilising or starting to decline. This was reflected by the MSCI Eurozone Government Bond Index growing by 7.3%.

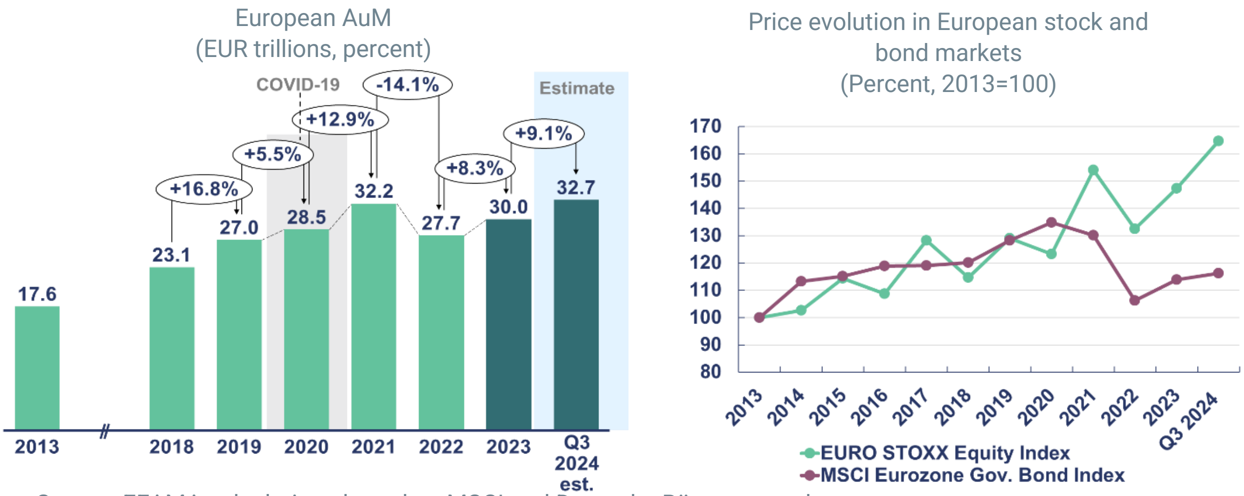
The 2023 rebound, however, did not allow a full recovery from the steep drop in 2022. That year proved to be particularly challenging for the asset management sector, due to Russia's illegal war of aggression against Ukraine and a tightening of monetary policy, which in turn undermined investor confidence and led to a decline in stock and bond markets.

Overall, the evolution of European AuM closely mirrors trends in stock and bond markets. From 2013-21, AuM mostly experienced steady growth, driven by robust financial market performance and inflows of new capital entrusted to asset managers. In March 2020, the outbreak of the COVID-19 pandemic resulted in a steep drop in financial markets, but a strong recovery followed. This rally continued into 2021, leading to a year-on year growth rate of 12.9% and record AuM of EUR 32.2 trillion by the close of 2021.

According to our projections, AuM will have grown to EUR 32.7 trillion at end Q3 2024, a new record, reflecting an estimated 9.1% increase.[iii] This growth can be largely attributed to a continued stock market rally, with the Euro STOXX equity index rising by 11.7% in the first three quarters of 2024. Bond prices increased by only 2.1% over the first 9 months of 2024, yet investors continued to allocate significant amounts into bond funds in 2024 in anticipation of possible further rate cuts.

EXHIBIT 1.1

European AuM and European stock and bond markets – Recent trends



Source: EFAMA calculations based on MSCI and Deutsche Börse group data.

Asset management in Europe is concentrated in six countries, which together manage almost 85% of the sector's assets. In each of these countries in 2023, AuM exceeded or were close to EUR 1.5 trillion.

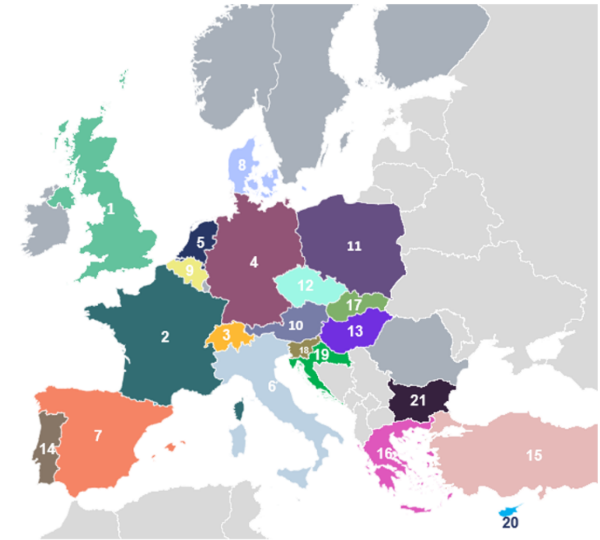
The UK is the largest European asset management market, followed by France, Switzerland, Germany, the Netherlands and Italy. This sector concentration can be attributed to the presence of major financial centres such as London, Paris, Frankfurt, and Zurich along with substantial domestic markets. In the Netherlands, the significant asset management activity is largely due to the presence of Europe's largest domestic occupational pension fund sector.[iv]

Beyond these six countries, asset managers in Denmark, Belgium and Austria also oversee significant amounts of fund and mandate assets. In Central and Eastern Europe, Poland stands out as a prominent asset management hub, followed by the Czech Republic and Hungary. In Southern Europe, after Italy, Spain stands out as a notable asset management centre, with Portugal and Turkey following at a distance.

The remaining share, referred to as the 'rest of Europe', represents approximately 9.8% of European AuM and includes estimates for countries without available survey data, such as Sweden, Finland, Norway, Luxembourg and Ireland, where asset managers are also active.

EXHIBIT 1.2

European assets under management at end 2023



	Country	AuM (€bn)	Market Share
1	UK	10,497	35.0%
2	France	4,842	16.1%
3	Switzerland	3,356	11.2%
4	Germany	2,994	10.0%
5	Netherlands	1,979	6.6%
6	Italy	1,497	5.0%
7	Spain	506	1.7%
8	Denmark	467	1.6%
9	Belgium	412	1.4%
10	Austria	188	0.6%
11	Poland	74	0.2%
12	Czech Republic	53	0.2%
13	Hungary	49	0.2%
14	Portugal	44	0.1%
15	Turkey	39	0.1%
16	Greece	22	0.1%
17	Slovakia	10	<0.1%
18	Slovenia	8	<0.1%
19	Croatia	4	<0.1%
20	Cyprus	3	<0.1%
21	Bulgaria	2	<0.1%
	Rest of Europe	2,941	9.8%
	Total	**29,986**	

1.3. AuM in investment funds and discretionary mandates

By end 2023, investment fund assets accounted for EUR 17,095 billion, equivalent to 57% of the total European AuM. Discretionary mandate assets amounted to EUR 12,890 billion, representing the remaining 43%.

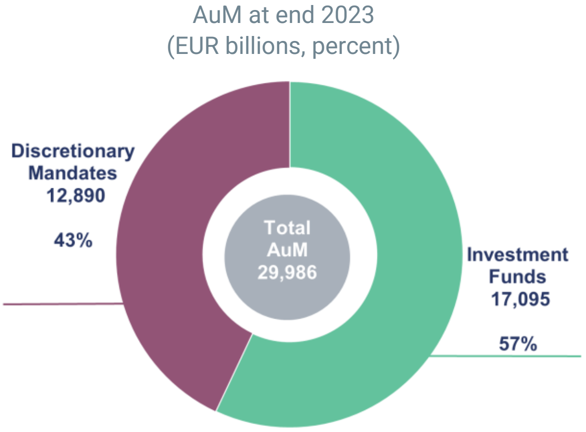
The share of investment funds among total AuM has steadily risen almost every year between 2013-23. The exception was 2019, but this was mainly due to a reclassification of data. In 2021, the share of investment funds rose by 2.3 percentage points, the strongest growth of the decade.

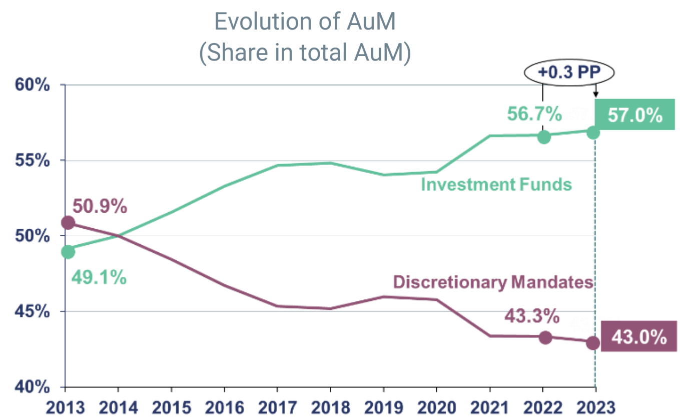
The contrast in growth rates between investment funds and discretionary mandates is mainly attributed to their asset allocation strategies. As discussed in Section 4, investment funds allocate a significantly larger portion of their financial assets to listed equities compared to discretionary mandates (about 41% versus 22%), resulting in a correspondingly smaller share in bonds (about 22% versus 45%). This divergence in allocation, combined with the robust performance of stock markets over the past decade, accounts for the superior growth of fund assets relative to mandates, particularly the jump in 2021.

In 2023, both stock and fixed-income markets recovered from the downturn in 2022, with stocks outpacing bonds. As a result, the share of investment funds increased further, edging by 0.3 percentage points over the year.

EXHIBIT 1.3

Discretionary mandates vs. investment funds - Recent trends





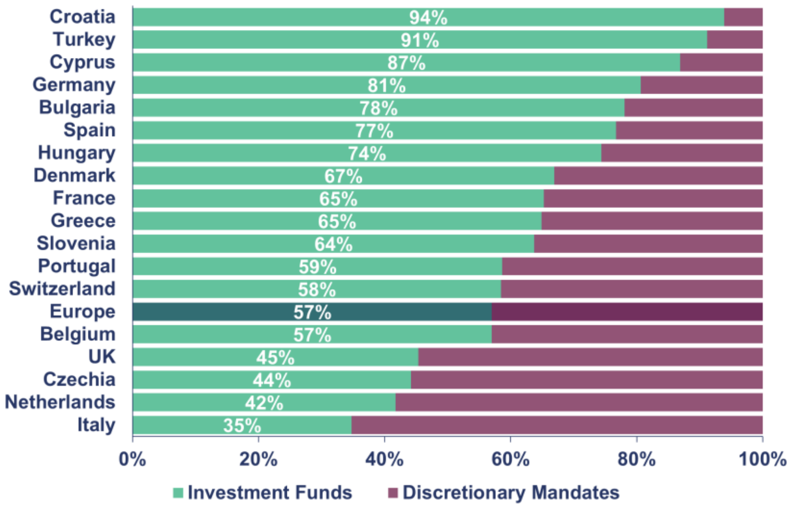
The breakdown of assets between investment funds and discretionary mandates varies significantly across European countries. At the end of 2023, discretionary mandates made up only 6% of all AuM in Croatia, while in Belgium they accounted for a much larger 43%

Differences are primarily influenced by the types of asset management products available to institutional investors in various European nations. For instance, in Germany, institutional investors predominantly opt for Alternative Investment Funds (AIFs) to manage their assets, whereas in Italy, discretionary mandates are a much more common option for institutional investors.

EXHIBIT 1.4

Discretionary mandates and investment fund assets at end 2023 – Country-level figures

(Share in total AuM)

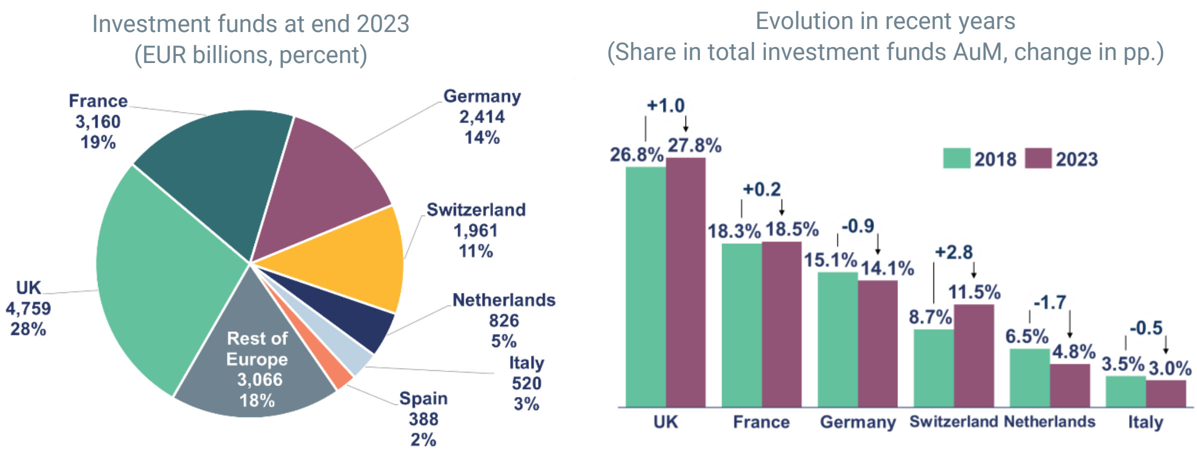


At end 2023, over 80% of European investment fund assets were managed in six countries: the UK (28%), France (19%), Germany (14%), Switzerland (11%), the Netherlands (5%) and Italy (3%).[v vi]

Compared to five years ago, the UK's market share increased by 1.0 percentage point, primarily driven by stock market growth and a higher-than-average allocation to equities within the funds managed in the UK, relative to other major countries. The share of the Netherlands decreased by 1.7 percentage points. This decrease was due to a significant development in the regulation. Since 2020, several Dutch pension funds transitioned from managing their assets through AIFs to discretionary mandates. The switch was prompted by the revisions made to the IFR/IFD prudential rules.

EXHIBIT 1.5

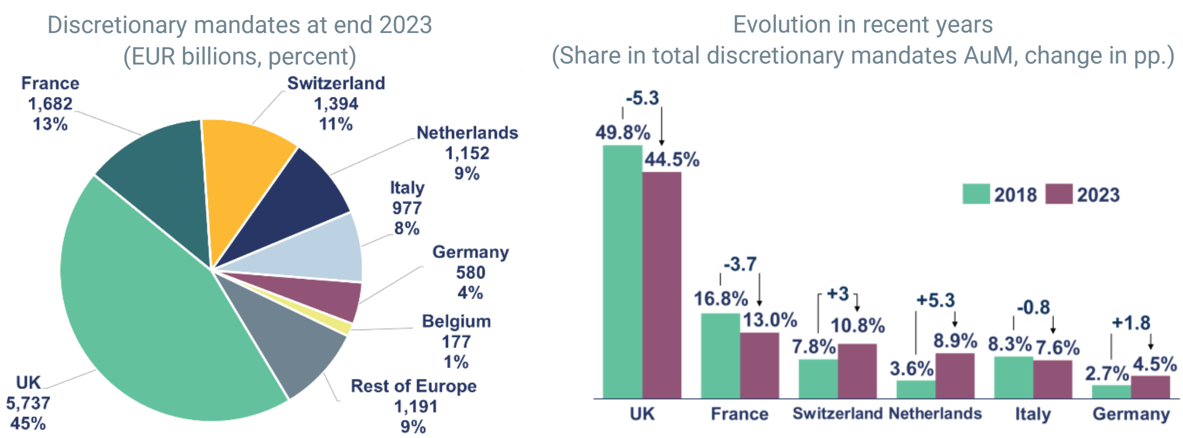
IF AuM by geographical breakdown - 2023 figures and five-year trends



The AuM of discretionary mandates is also relatively concentrated, with nearly 60% of assets managed in the UK and France at end 2023. The UK holds a 45% market share, largely due to the significant volume of pension fund assets managed by asset managers based there. In France, the 13% market share is indicative of the size of the French insurance industry and of the high level of delegation by both French and foreign institutional investors to asset managers.[vii]

EXHIBIT 1.6

DM AuM by geographical breakdown - 2023 figures and five-year trends

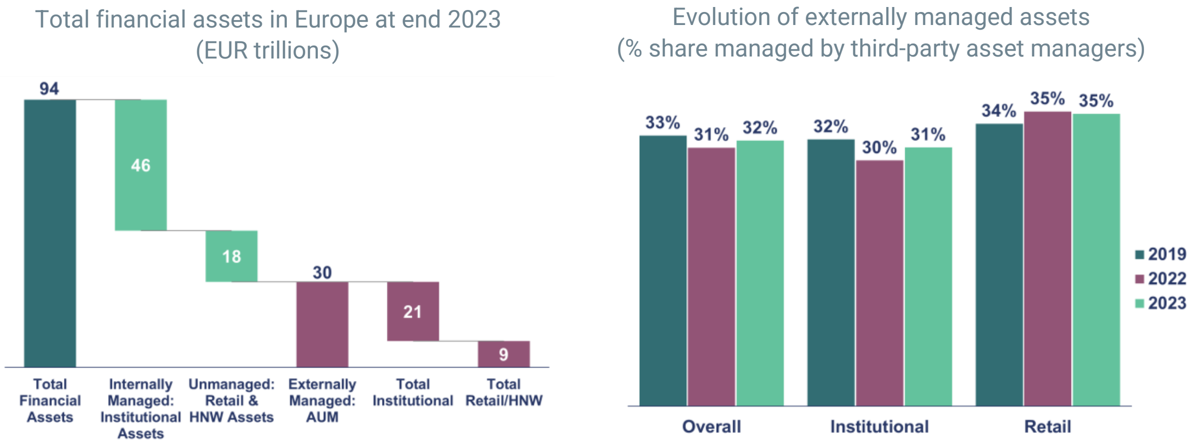


Over the past five years, market shares in the discretionary mandate sector have shifted. The two primary mandate hubs, the UK and France, saw decreases as a result of the fall in assets. The decline in bond valuations in 2022 played a role here, as did the re-internalisation of certain mandates by a few institutional clients. In contrast, Germany and Switzerland, as well as notably the Netherlands, saw an upturn in their market shares. The substantial increase in the Dutch market share resulted from the shift mentioned earlier, from AIF wrappers to discretionary mandates.

1.4. Market share of European asset managers

According to EFAMA calculations based on McKinsey data, European asset managers oversaw approximately 32% of all European financial assets at end 2023, with around EUR 21 trillion managed for institutional clients and approximately EUR 9 trillion for retail clients.[viii] The share of externally managed financial assets fell from 33% in 2019 to 31% in 2022, but rebounded to 32% in 2023. This shift was primarily driven by institutional investors, whose share of externally managed assets decreased from 32% to 30%, before rising again to 31% over the same period. In contrast, the share for retail investors rose from 34% in 2019 to 35% in 2022, staying broadly stable at that level in 2023.

EXHIBIT 1.7
Financial assets in Europe



Source: EFAMA's calculations based on McKinsey Performance Lens Global Growth

Institutional investors turn to asset managers for several reasons. By entrusting the investment process to qualified professionals, they can free themselves from the responsibility of making daily investment decisions, allowing them to focus on other critical matters.

Asset managers offer diversification for their clients' portfolios, providing access to a wide range of investment options and instruments. This not only enhances the overall value of portfolios but also helps mitigate associated risks. In addition, clients benefit from more favourable prices on executed trades, as asset managers can aggregate individual buy or sell orders on behalf of multiple clients.

In recent years, increases in regulatory and governance requirements have prompted a broader range of institutional investors to seek economies of scale in portfolio management, administration, risk management, market and securities research as well as technology investments. Outsourcing investment management enables institutional asset owners to avoid investing in areas such as data feeds, data analytics, machine learning, algorithmic trading programmes and AI - all of which are now integral to the investment process. Clients can also take advantage of services that streamline reporting processes and facilitate preparation of mandatory reports on asset management.

In exchange for these services, asset managers charge fees, typically based on the value of the assets they manage. This structure aligns the incentives of both investors and asset managers to achieve positive returns. Depending on the fee structure and the availability of in-house resources and expertise, institutional investors can choose between relying on third-party asset managers or maintaining an in-house team to oversee their assets.

The trend toward greater outsourcing is being driven by three main factors: the rising costs of establishing a dedicated investment management business in a rapidly evolving technological landscape, declining fees charged by asset managers and the search for yield in a volatile market.

Looking forward, there is still significant untapped potential for asset managers to increase their share in the retail market. Indeed, one of the strategic goals of the European Commission is to create a Savings and Investments Union to leverage the enormous wealth of private savings that is currently held in bank deposits in Europe. To achieve this goal, we have to hope that EU policymakers will use the upcoming trilogue negotiations to refocus the Retail Investment Strategy (RIS) to simplify the investment journey, which is vital to attracting more retail investors in capital markets. The RIS should also improve and focus on meaningful and relevant disclosures. In parallel, key actions are necessary to promote pension savings by putting in place auto-enrolment in occupational pension plans with an opt-out option and offering attractive tax incentives to enhance participation in both occupational and private pensions.

Attention to retail: Why winners take all in retail asset management

A perspective by McKinsey & Company [1]

While innovative investment strategies, new financial products, and the ceaseless evolution of investing tools and platforms continue to transform retail asset management, overall market dynamics remain broadly favourable. In Europe, profit pools have declined from their 2021 peak, and the profitability gap between asset managers (AMs) in the top and bottom quartiles has widened by 10 percentage points since 2018.[2] However, recent trends reveal an attractive combination of still-solid retail AM profit margins—relative to institutional business—and enormous opportunities, as a vast reserve of unmanaged assets holds the promise of immense gains for players with the creativity and skill necessary to tap it.

In the retail segment, the top flow-generating AMs do not marginally outclass the competition, they dominate the field. Rather than increasing in proportion to investment performance, the distribution of flows overwhelmingly favours a small fraction of firms, even among those with the highest Morningstar ratings.[3] This dynamic is especially pronounced in Europe, where the ongoing rise of passives and alternatives is intensifying competition while sharpening the advantages of the top players.[4]

To understand the combination of factors that sets the winners apart from the rest, and that allows them to keep on winning year after year, McKinsey's contribution to this year's EFAMA report presents a novel methodology for analysing AM sales performance. Our analysis disentangles the impact of excellence in sales from the influence of relative investment performance, the alignment of exposure with market trends, and other drivers of success. We find that even when controlling for Morningstar ratings and size of AuM, certain firms consistently attract more flows than their competitors, underscoring the key role of sales excellence across AMs with very different characteristics and market positions.[5] We then identify the dimensions of sales excellence that set the winners apart from the rest and describe how AMs can leverage emerging innovations in analytics and marketing to gain a decisive edge.

Unmanaged retail assets present an enormous opportunity

While Europe's AMs compete for a share of the EUR 9 trillion in retail AuM, a vast pool of unmanaged retail assets lies just beyond their current reach. Following several years of elevated interest rates, overall deposits are exceptionally high in Europe. McKinsey's Performance Lens Global Growth Cube and McKinsey's Panorama Global Banking Pools have identified EUR 18 trillion in deposits, directly held stocks, directly held bonds, certificates, and insurance products—an immense prize for AMs that evolve the capacity to unlock it (Figure 1).

Figure 1: Unmanaged retail assets are twice the level of managed assets

1. Includes Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Denmark, Finland, Norway, Sweden, Portugal, Spain, Switzerland, and the United Kingdom
2. Includes directly held securities, cash, and deposits
3. Any differences in sums are due to rounding

Source: McKinsey Performance Lens Global Growth Cube

European central banks have recently begun cutting rates, diminishing the appeal of deposit products and making conversions to mutual funds increasingly attractive. In a context marked by disproportionate flows to the top-performing firms and burgeoning opportunities in unmanaged retail assets, AMs that can most effectively distribute their services both to new and existing clients will be positioned to establish themselves on the right side of the widening gulf between the best and the rest.

In retail asset management, winners take all

An analysis of net inflows in Europe's retail asset management sector reveals a striking pattern. Flows do not merely correlate with investment performance; they overwhelmingly accrue to a small fraction of top-rated funds. An analysis using Morningstar Direct data for European mutual funds from January to August 2024 reveals that roughly 80% of cumulative positive flows were captured by the top 5% of net inflow generators, while about 80-90% of cumulative net outflows were concentrated among the bottom 5% (Figure 2).[6] Even at the extreme ends of the range, the distribution was highly unbalanced: the top 1% of flow generators received some 40-50% of cumulative positive inflows, while the bottom 1% accounted for 50-60% of cumulative outflows.[7]

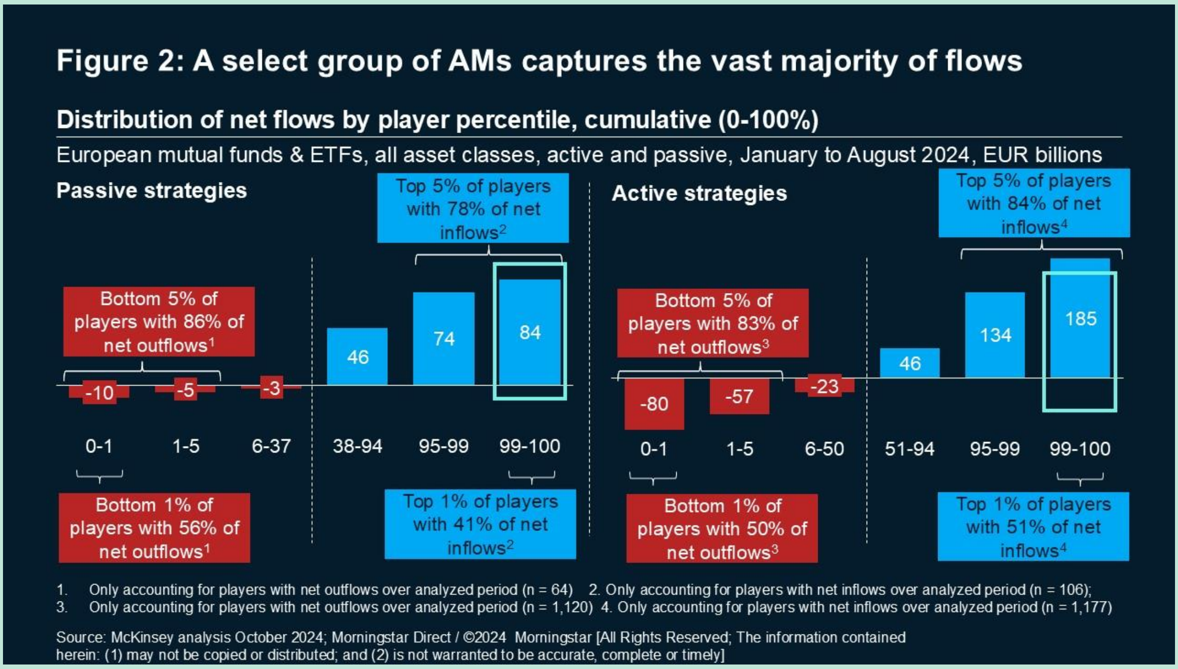


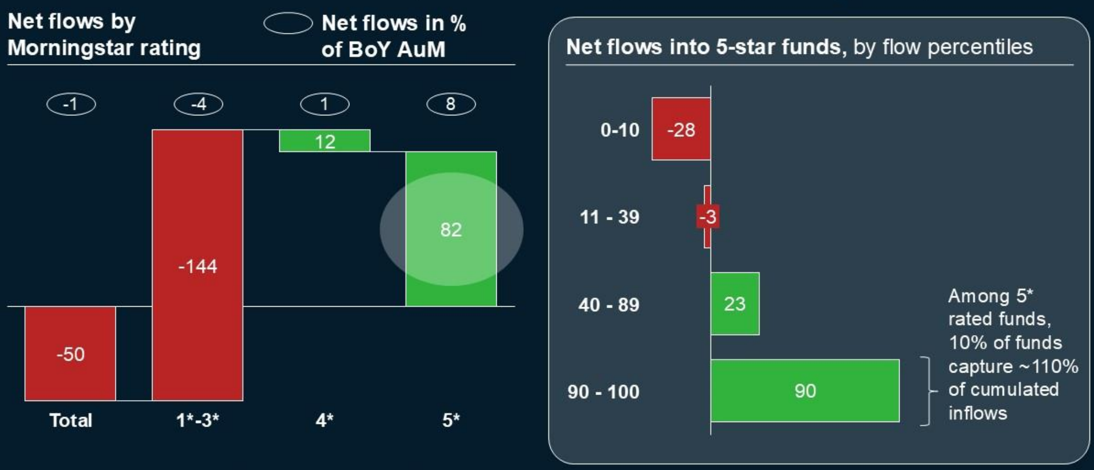
Figure 2: A select group of AMs captures the vast majority of flows

In the first eight months of 2024, only the top 50% of Morningstar-rated 5-star active European funds had positive flows, and among 5-star-rated funds more than 100% of cumulative positive flows accrued to the top 10% of flow generators, indicating that investment performance is not the sole factor driving the distribution.[8] An analysis using data from Morningstar Direct shows that during the period cumulative net flows were positive only for 4- and 5-star-rated funds, and among the latter the top 10% accounted for the bulk of inflows. Flows were positive for the next 40%, and the bottom half of 5-star-rated funds had cumulative net outflows (Figure 3).[9] Even within ratings categories in which absolute flows were lower (4 star) or negative on balance (1-3 star), flows remained positive among the top quartile of funds. When we control for fund size, the pattern holds: relative flows correlate with investment performance but are not proportional to it—instead, the winners take all.[10]

The question of whether investment performance drives flows is a perennial one, and while the correlation is clear, other variables appear to play a significant role. The extremely top-heavy distribution of flows suggests that multiple underlying factors are contributing to the success of the best-performing AMs. Parsing these factors is crucial to understanding why the winners have been able to claim such a large share of flows and why they continue to best the competition year after year.

Figure 3: Even among top-rated funds, flows overwhelmingly accrue to a small fraction of winners

European active mutual funds & ETFs, all asset classes, cumulative, Jan.-Aug. 2024, EUR billions



1. Analysis excludes money-market funds and other non-rated funds

Source: McKinsey analysis October 2024; Morningstar Direct / ©2024 Morningstar [All Rights Reserved; The information contained herein: (1) may not be copied or distributed; and (2) is not warranted to be accurate, complete or timely]

A new quantitative framework for understanding distribution excellence

In Europe, the winners in retail AM have displayed a combination of exceptional sales performance, unusually strong investment returns, and close alignment between exposure and market trends. To demystify the relationship between sales performance, investment performance, and the distribution of flows, McKinsey has developed an analytical framework that uses regression analysis to isolate the impact of “sales beta” and “sales alpha.”

Sales alpha is a proxy for sales excellence. It measures how well an AM distributes financial products relative to the industry benchmark. Sales alpha reflects the quality of the distribution strategy, the effectiveness of the sales and marketing teams, and the impact of the tools and technologies underpinning the sales process.

Sales beta measures the sales effects of the alignment between exposure and prevailing market conditions, as well as the relative investment performance of financial products. It includes three major components: asset class effects, investment category effects, and investment performance effects. Positive asset class effects stem from exposure to asset classes and products that have benefitted from macroeconomic tailwinds or other favourable market dynamics. Positive investment category effects are driven by exposure to investment categories and styles that have fared well in the recent past. Positive investment performance effects reflect the relative strength of investment outcomes after accounting for pricing strategies.

In Europe, some AMs with a high sales alpha see their distribution success undermined by a low sales beta, while some with a high sales beta are thwarted by a low sales alpha (Figure 4). In other words, an AM with an exceptional sales team and marketing strategy may outperform the competition despite having greater exposure to products with lower relative investment performance or investment approaches that cut against market trends. Conversely, an AM with a less effective sales team or a weaker marketing strategy may underperform their competitors even though they offer exposure to well-performing products in high-demand asset classes and investment categories. Only a select few excel in both dimensions at once, and those few do not marginally surpass the competition, they tower above it.

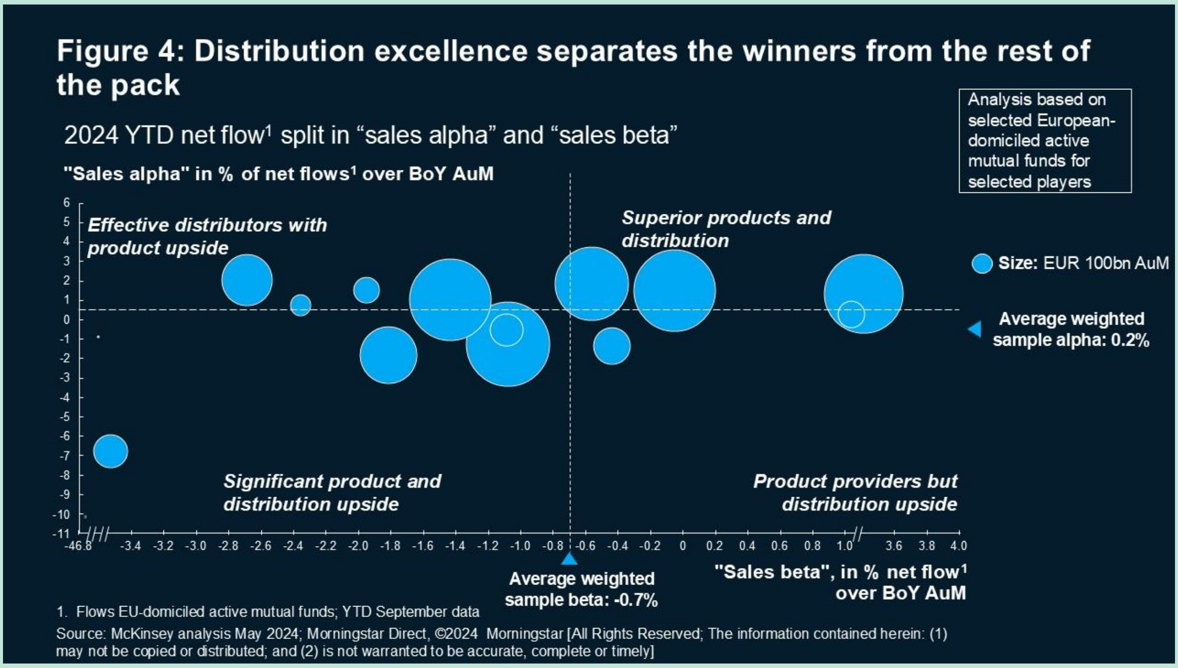


Figure 4: Distribution excellence separates the winners from the rest of the pack

Successful sales approaches succeed again and again

Sales alpha is sticky. A comparison of sales alpha in the market for European-domiciled mutual funds in 2022 and 2023 shows consistency over time, indicating that the success of the top performers cannot be ascribed solely to random fluctuations in annual sales. Instead, the persistence of sales alpha reflects the fundamental quality of the overall distribution strategy, the effectiveness of the tools used by sales teams and distribution partners, and the sophistication of their distribution models. This combination of factors enables the winners to keep on winning year after year after year.

To identify the factors that allow the top performers to consistently beat the competition, McKinsey conducted over 30 interviews with senior executives from successful AMs. The interviewees included representatives from three industry archetypes: “at-scale product providers,” such as large AMs that have achieved substantial volume in one or more asset classes; “investment alpha-seekers,” such as small and mid-sized boutiques that maintain a clear focus on investment excellence; and “captive AMs,” which leverage direct preferential access to a distribution network.

The interviews revealed three key characteristics of successful AMs. The first is motivation, a clearly defined mission and a set of concrete goals. The second is enablement, offering the necessary tools and solutions to empower the sales and marketing staff. The third is relationships, deep and lasting connections with wholesalers and/or end clients. Within these three characteristics are 10 more granular dimensions of sales alpha (Figure 5).

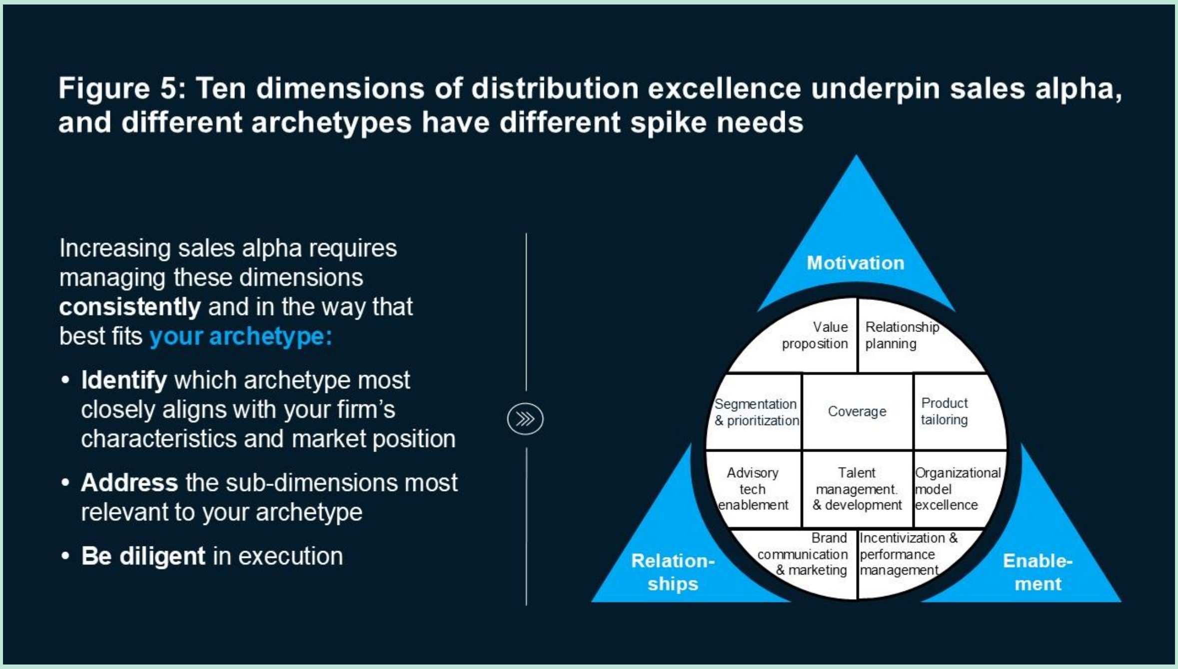


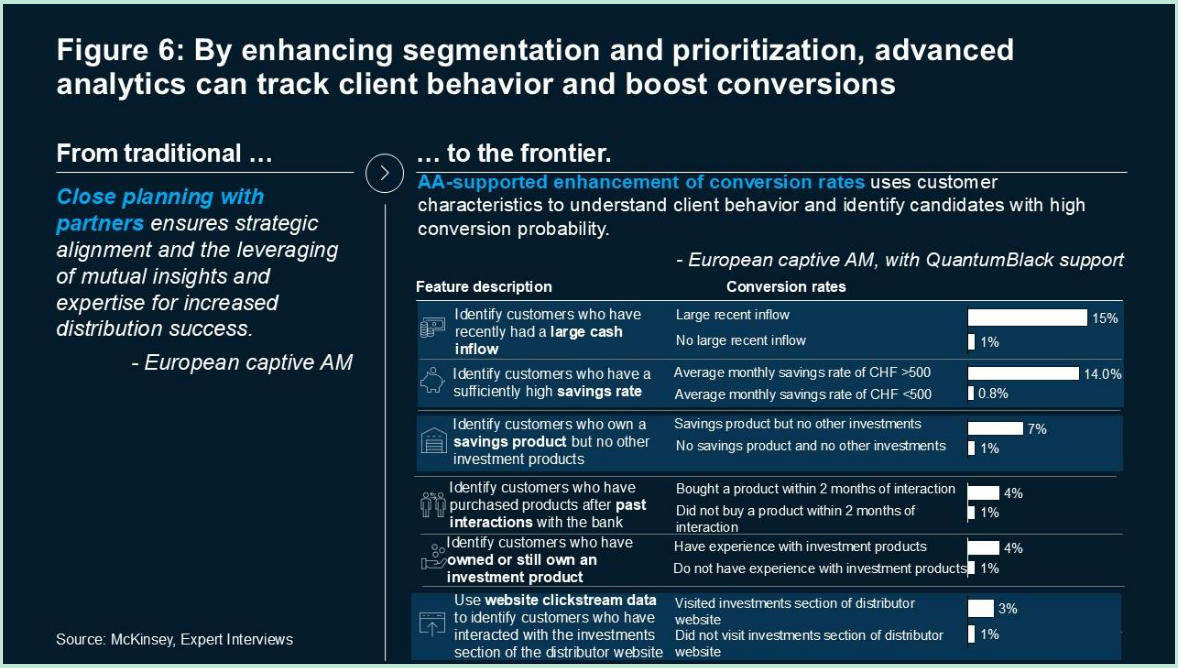
Figure 5: Ten dimensions of distribution excellence underpin sales alpha, and different archetypes have different spike needs

While excellence across all three characteristics is critical to outperform the competition, a closer look at "enablement" and its related dimensions offers the most widely applicable insights. At its core, enablement means equipping sales and marketing teams or distribution partners with the tools necessary to identify high-performing products and market those products effectively. Because enablement involves innovation and technological uptake, it is also the characteristic most relevant to AMs seeking to access the pool of unmanaged assets. The examples below highlight three key dimensions of enablement.

Preparing sales teams and distribution partners for success

Arming sales teams and distribution partners with the latest technologies is crucial to the success of AMs. McKinsey's contribution to last year's EFAMA report highlighted the enormous potential of generative AI, along with related innovations in advanced analytics and machine learning, as tools for AMs.[11] The research conducted for this edition confirms the increasing integration of these new technologies into the core functions of top-performing AMs in Europe.

Three examples underscore the decisive role of enablement in outperforming the competition. The traditional approach to market segmentation and prioritisation is to increase the effectiveness of distribution through close planning with distribution partners to ensure strategic alignment and leverage mutual insights and expertise. At the frontier, however, the top performers are increasingly adopting advanced analytics to boost the conversion rate by using socio-demographic and financial customer characteristics to understand client behaviour and identify candidates with high conversion probability (Figure 6). Conversions are an especially attractive source of flows in Europe, where years of high interest rates have swelled deposits. Advanced analytics can also inform wealth management strategies and trigger micro-campaigns targeted at specific market segments.



The frontier approach is most common among the “captive AM” archetype, as these AMs often work with their bank or insurance networks to leverage relevant data. Under the old model, sales staff attempt to keep abreast of the evolving financial positions, life events, and personal habits and preferences of individual clients, gleaning insights and forming relationships that provide the basis for future sales. This approach is inherently costly and fallible, as it relies on individual attention and interaction over a long horizon. By contrast, advanced analytics can assess the status of thousands of clients at once, situate their current financial positions in the context of their consumer histories, and track and even anticipate life events—all instantaneously and at a fraction of the cost in staff time and resources.

A second example is advisory tech enablement. Here the conventional approach is to have sales and marketing teams manually create presentation materials to support sales outreach. At the frontier, however, the top performers are developing fully or almost fully digitised customer journeys. In the most advanced models, embedded digital tools and investment solutions—including digital discretionary portfolio management or white-label robo-advisory propositions—combine front-end personalisation with a standardised back-end production process.

A third example is brand communications and marketing. Under the traditional model, AMs create distribution-partner pull by developing marketing materials for a general audience of retail customers. At the frontier, the top performers also create end-customer pull by engaging in systematic and consistent marketing and branding activities across all channels, boosting retail partnerships through name recognition among retail investors. Successful communications and marketing hinge on the consistency of the strategy and its effectiveness in building brand identity, and generative AI and other advanced technologies are playing an expanding role in this process. Digital tools and platforms increasingly influence consumer interactions with retail AMs, shaping perceptions and consolidating brand recognition. Some of the major firms have even begun experimenting with augmented reality, which both offers new avenues for targeted outreach and strengthens the association of these firms with cutting-edge technologies in the minds of consumers.

Start on Monday, because your competitors will

Successful AMs drill down on the dimensions of sales alpha that align most closely with their professional archetype. "Investment alpha seekers" may choose to focus on enhancing their value propositions and incentivising their sales teams and distribution partners. "Captive AMs" may emphasise segmentation and prioritisation, coverage, product tailoring, and tech-enabled advisory services. "At-scale product providers" may prioritise relationship planning, talent management and development, organisational model excellence, and brand communications and marketing. However, these archetypes and their respective areas of focus are not fixed, and each AM must address their own organisational needs based on a rigorous self-assessment. McKinsey has developed a set of high-level questions for AMs to determine whether their approach to sales alpha is consistent with that of the top performers:

- Do you feel your distributors are **committed to selling** your products based on your relationships with them?
- Are your distributors and their staff **properly enabled** to sell your products?
- Do you feel that distributors and their staff are **adequately motivated** to sell your products?
- Are you **able to intervene** in your distributors' sales activities?
- Can you ensure the **truly consistent delivery** of your distribution model?

AMs who cannot answer "yes" to at least four of the five questions should begin developing a "Monday morning plan" to consistently achieve sales excellence through the three-step process outlined below (Figure 7). Given the observed stickiness of sales alpha, seizing the initiative is critical to seize and maintain a dominant market position.

Exhibit 7: Designing a "Monday morning plan" to achieve distribution excellence is crucial to enhance competitiveness and unlock new opportunities

The first step in developing a successful "Monday morning plan" requires AMs to identify the archetype that best fits their business model and core mission. They can then perform a more detailed assessment of the status quo in the areas most strongly associated with success for their archetype and compare their performance against that of their distribution peer group. This assessment can provide a basis for targeted interventions to promote sales excellence supported by concrete performance indicators. These interventions should be part of a comprehensive mid-term roadmap for boosting sales alpha. Implementing the roadmap will require aligning the incentives of the leadership and sales force around a shared set of objectives. Close monitoring of the sales trajectory will help track progress and highlight areas for adjustment, but the overall effort must be designed to ensure consistency in the distribution model.

Outperform or outflank? An alternative plan for Monday morning

Achieving excellence in the dimensions most relevant to each AM's distribution approach is vital to developing the combination of high sales alpha and high sales beta that sets the winners apart from the competition. But is challenging the dominance of the incumbent top performers the optimal strategy for each AM? While the pool of retail AuM continues to grow, at any given point, competition over existing retail AuM is zero-sum. An AM that appraises its own capabilities across the dimensions of performance most relevant to its archetype may conclude that attempting to seize a larger share of retail assets by besting the current winners is not realistic in the near term. In this case, the most effective strategy may be to outflank the competition by tapping the European financial sector's vast pool of unmanaged assets.

Mounting pressure in favour of deposit conversions offers a chance for AMs to boost flows by diversifying their sales and marketing strategies instead of concentrating entirely on outperforming the competition in the existing market for managed retail assets. An effective strategy will require a tight focus on the dimensions of enablement, motivation, and relationships that best reflect the unique features of each AM. Consistency, both across actions and over time, is critical to achieve and maintain distribution excellence. As the head of European sales for a major US-headquartered AM put it in an interview, "inconsistency leads to irrelevance."[12]

---

[1] Authors: Dr. Felix Germann, Achim Schlitter, Marlitt Urnauer, Benedikt Brandl

[2] "Nine key observations about the European asset management industry," Banking & Securities matters, McKinsey Financial Services, April 29, 2024

[3] McKinsey analysis based on ©[2024] Morningstar Direct. All Rights Reserved. The information contained herein: (1) may not be copied or distributed; and (2) is not warranted to be accurate, complete, or timely.

[4] "Nine key observations about the European asset management industry," 2024. See also: "McKinsey Global Private Markets Review, 2040: Private markets in a slower era," McKinsey, March 28, 2024.

[5] McKinsey analysis based on ©[2024] Morningstar Direct. All Rights Reserved. The information contained herein: (1) may not be copied or distributed; and (2) is not warranted to be accurate, complete, or timely.

[6] McKinsey analysis based on ©[2024] Morningstar Direct. All Rights Reserved. The information contained herein: (1) may not be copied or distributed; and (2) is not warranted to be accurate, complete, or timely.

[7] Ibid.

[8] These figures refer to flow-generation percentiles and overall Morningstar ratings.

[9] While this figure shows the distribution of flows for actively managed mutual funds and exchange-traded funds (and excludes money market accounts and other non-rated funds) across ratings categories in Europe, the global picture is very similar.

[10] McKinsey analysis based on ©[2024] Morningstar Direct. All Rights Reserved. The information contained herein: (1) may not be copied or distributed; and (2) is not warranted to be accurate, complete, or timely.

[11] "Asset Management in Europe: An overview of the asset management industry," EFAMA, December 2023.

[12] Interview conducted by McKinsey for this report.

2. Role of Asset Managers in Society and the Economy

2.1. A distinct industry

Asset managers possess a number of unique attributes that differentiate them from commercial banks, insurers and other institutional investors. It is these characteristics that allow them to play a distinct and crucial role within the financial ecosystem.

- **Agency Business Model**: Asset managers act primarily as agents, managing assets on behalf of clients rather than investing for their own account. In contrast, commercial banks and insurance companies generally act as principals. Banks operate under a risk-based model, not an agency model since they assume financial risks when they lend money directly, keep loans on their balance sheets, and use their capital to trade financial instruments, while insurance companies assume specified liabilities toward policyholders.

- **Fiduciary Duty and Protection of Client Assets**: Regulated by specific guidelines, asset managers are required to act in their client's best interests and invest following established rules and principles. As such, they owe fiduciary duties to their clients, including responsibilities to exercise reasonable care, disclose conflicts of interest and act in good faith. Fiduciary duty also includes providing clients with the essential information to support informed decision making and regularly reporting on investment performance to their end investors. A robust regulatory framework also ensures comprehensive risk management and compliance policies and procedures. This safeguards clients' assets against a liquidation or failure of an asset manager, as client assets are separated from those of the firm.

- **Limited Balance Sheet Risk**: Unlike banks, asset managers do not provide credit to individuals or corporations, nor do they engage in custodial or related services. They do not act as counterparties in derivatives, financing or securities transactions. Specific constraints govern their use of leverage and borrowed money, and they must maintain sufficient regulatory capital, all of which aspects fall under the oversight of the relevant national competent authorities. Consequently, asset managers experience minimal asset-liability mismatch and their balance sheets remain significantly smaller than those of banks or insurance companies.

2.2. Serving the needs of investors

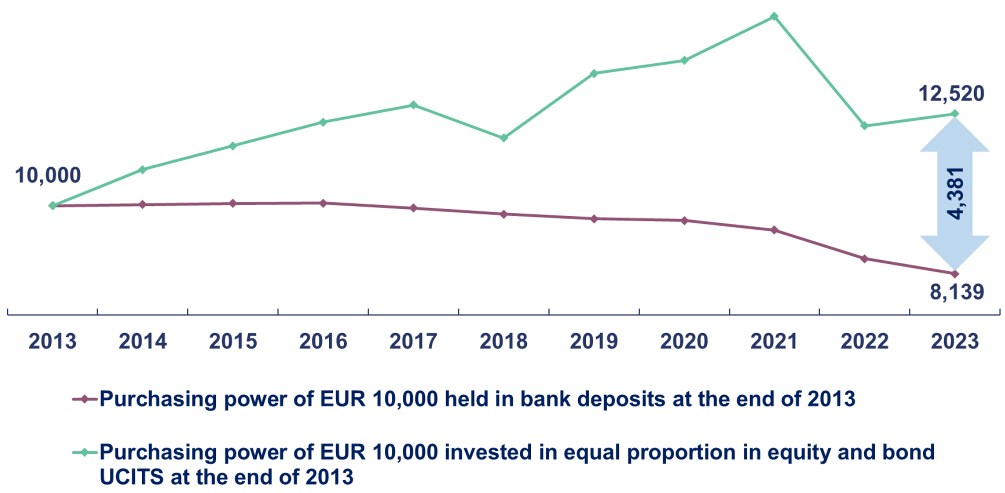
Asset managers offer retail and institutional clients access to a diverse array of investment products and solutions, taking into account the investor's specific future liabilities, encompassing different time horizons, levels and types of risk tolerance, necessary returns, and liquidity requirements.

Providing risk-adjusted returns

Asset managers aim to provide risk-adjusted returns to their clients. This concept is central to their value proposition. To illustrate the return opportunities offered by investment funds and other capital market instruments, the exhibit below compares the expected value of EUR 10,000 invested at the end of 2013 in a retail investment fund portfolio with the value of this amount held in a bank deposit. This fund portfolio was composed of equities (50%) and bonds (50%). Considering all costs, as well as the impact of inflation, the purchasing power of the fund portfolio reached EUR 12,520 by the end of 2023, whereas the real value of the bank deposit fell to EUR 8,139. This means that - despite the sharp falls in global financial markets in 2022 - the opportunity cost of holding EUR 10,000 in bank deposits rather than in equity and bond funds can be estimated at EUR 4,381.

EXHIBIT 2.1

Investment funds vs. bank deposits: Return comparison



Source: EFAMA's calculations based on Morningstar Direct and ECB data

Mitigating investment risk

Asset managers mitigate overall investment risk by managing portfolios consisting of a range of 'risky' securities. The importance of diversification as an investment method has its roots in the work of Nobel Prize laureate Harry Markowitz, who formulated the idea that constructing a portfolio with multiple assets can yield higher returns without increasing risk. This theory is based on negative correlations between different types of assets. To help optimise decisions, asset managers depend on research, professional databases and specialised software packages. These tools assist in tracking developments within the industries, countries and regions where they invest. The objective is to filter out poor investment prospects and identify potentially advantageous ones.

Reducing transaction costs

The capacity of asset managers to trade in large blocks of securities enables them to reduce transaction costs. As monitoring activities come at a cost, asset managers can leverage economies of scale, a benefit that households and certain other investors would struggle to attain.

Providing liquidity

Asset managers closely monitor the liquidity situation in the markets and the profile of their clients, to be able to anticipate the evolution of inflows and outflows and the risk posed by rapid and large net outflows. They also have risk management policies and portfolio management procedures in place to ensure that they can meet their liquidity provision obligations in cases of sudden market stress.

2.3. Engaging with investee companies

Asset managers play a significant role as stewards of the companies they invest in, aiming to maintain and advance the long-term value of these investee companies on behalf of their investors. This responsibility is often referred to as 'active ownership' or 'engagement'. Asset managers use their influence to guide the companies - and sometimes the governments - represented in their portfolios toward generating sustained value for shareholders and bondholders.

Asset managers have two main levers to fulfil their stewardship objectives: engagement and voting.

- **Engagement**: Asset managers engage with company management or board members to raise any concerns, encourage better governance and to understand the extent to which management is delivering sustainable returns for shareholders.
- **Voting**: Asset managers take part in annual general meetings and use their votes on behalf of their clients.

Annex 1 of the 2023 edition of the Asset Management in Europe Report has concrete examples of recent engagement and voting activities from a core group of EFAMA corporate members. These illustrate, in a tangible fashion, how asset managers can influence the boards and management teams of investee companies, challenge their business models and ultimately hold them to account.

2.4. Funding contribution of European asset managers

In the current rapidly changing global landscape, Europe faces challenges in maintaining a competitive edge. Although the Single Market remains a cornerstone of the economy and a platform for global expansion, additional capital is needed for Europe to finance investment and realise the green and digital transitions. Strengthening the Single Market through a robust CMU is key to achieving this goal.[ix]

Capital markets play a critical role in providing capital to companies, financing innovation and transition and generating returns. As European Commission President Ursula von der Leyen emphasised, "If we are to fund the new industrial revolution of our times, we must mobilise Europe's private capital."

Asset managers play a crucial role in these efforts by channelling savings toward investments in the real economy. They allocate capital from savers and investors to both governments and companies, financing growth projects and fostering innovation to improve Europe's competitiveness. They do so by providing equity capital in both primary (IPOs, follow-on offerings and private placements) and secondary markets, as well as debt financing, thus assisting companies and governments in meeting both short-term funding needs and long-term capital requirements.

This section examines the financing levels that asset managers provide to various sectors through their investments in debt securities and listed shares, focussing first on the portfolio holdings of investment funds domiciled in the euro area and then broadening the analysis to take into account the funding contribution of investment funds domiciled elsewhere in Europe and of discretionary mandates.

When considering the funding of asset managers, it is important to emphasize that their investment decisions are shaped by their fiduciary duty, the specific investment preferences and risk tolerance of their clients, the predefined indices followed by their passive funds, and their professional judgment and market expertise in managing active funds.

We have used data from the ECB to calculate the level of financing provided by investment funds domiciled in the euro area.

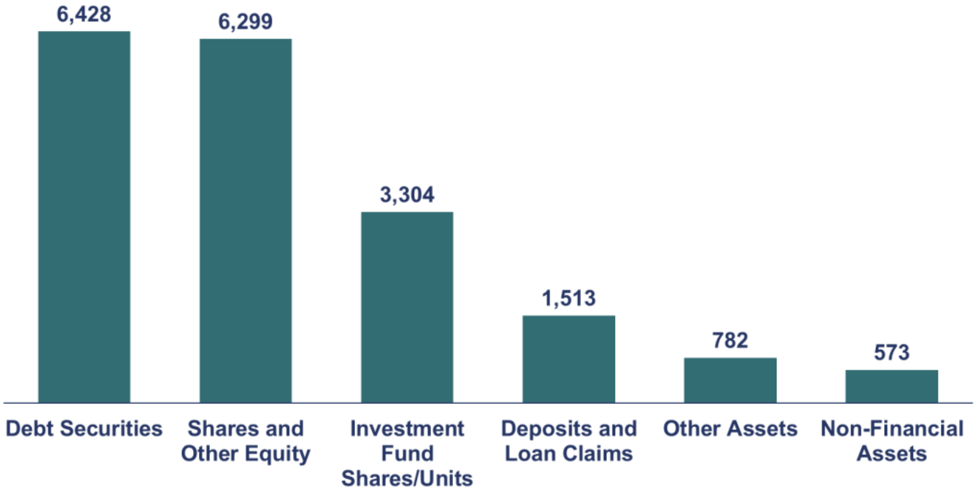
Portfolio holdings of euro-area investment fund assets

Euro area investment funds held a total of EUR 18.9 trillion of assets at end 2023. The two largest asset classes held in their portfolios were debt securities along with shares and other equity, at EUR 6.4 trillion and EUR 6.3 trillion, respectively. In the category of shares and other equity, listed shares represented approximately EUR 5.1 trillion.

EXHIBIT 2.2

Total assets in portfolios of euro area investment funds at end 2023

(EUR billions)



Source: EFAMA's calculation based on the ECB data

The charts below show the evolution of holdings of the two largest asset classes of euro area investment funds: debt securities and listed shares. Overall, debt securities holdings grew by 45% from 2015 to 2023, from EUR 4.4 to 6.4 trillion. Meanwhile, listed shares holdings saw an even sharper rise of around 97%, increasing from EUR 2.6 to 5.1 trillion over the same period.

The decline observed in 2018 can be explained by slower economic growth and a downturn in stock markets, whereas the drop in 2022 can be attributed to the worsening macroeconomic conditions caused by Russia's illegal war of aggression against Ukraine, which led to an increase in inflation and interest rates. Improved market conditions in 2023 fuelled a recovery in the value of shares and securities.

EXHIBIT 2.3

Total holdings of debt securities by euro area investment funds

(EUR billions)

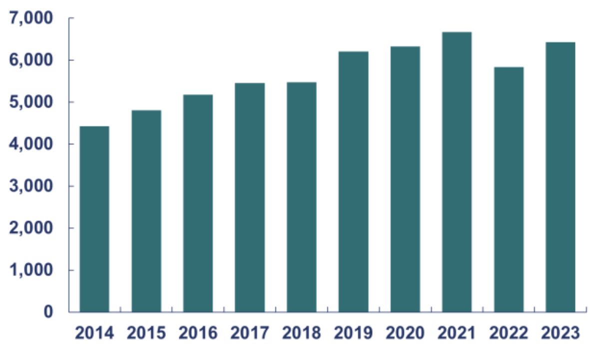
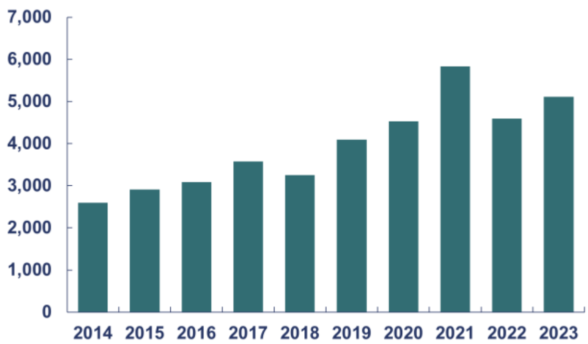


EXHIBIT 2.4

Total holdings of listed shares by euro area investment funds



Source: EFAMA's calculation based on the ECB data

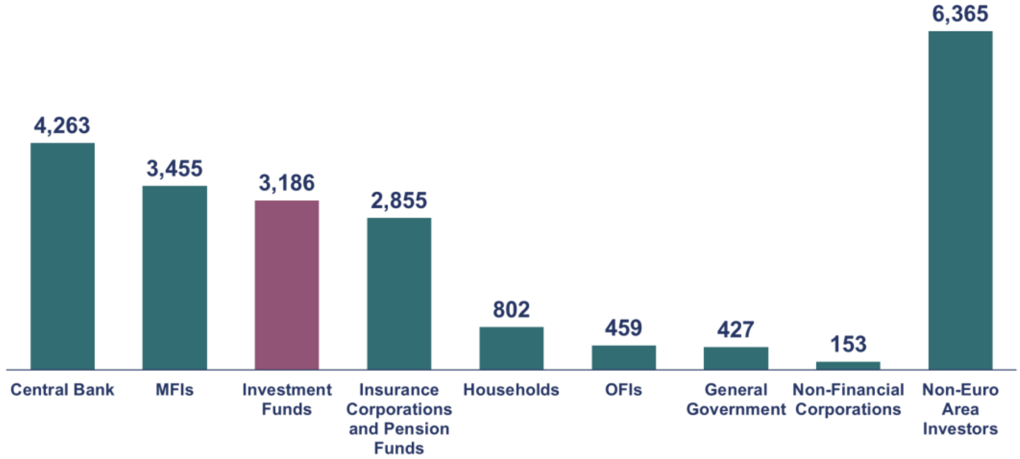
Contribution of investment funds to the financing of the euro area

At end 2023, investment funds held around EUR 3.2 trillion of debt securities and EUR 1.4 trillion of listed shares issued in the euro area.

EXHIBIT 2.5

Ownership of debt securities issued in the euro area at end 2023

(EUR billions)

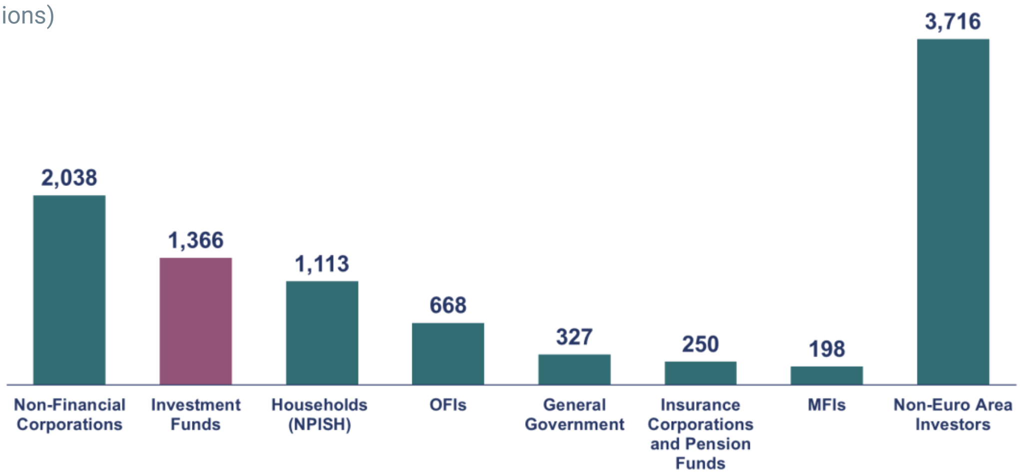


Source: EFAMA's calculation based on the ECB data

EXHIBIT 2.6

Ownership of listed shares issued in the euro area at end 2023

(EUR billions)



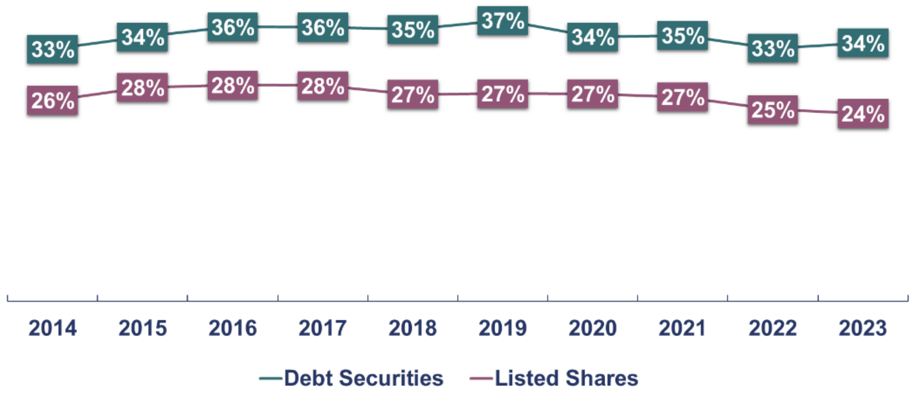
Source: EFAMA's calculation based on the ECB data

To assess the contribution of investment funds to funding the economy, we have calculated the proportion of holdings of euro-area investment funds in the total debt securities and listed shares issued by euro-area non-financial corporations and held by euro-area investors. These holdings accounted for 34% of debt securities and 24% of listed shares.

EXHIBIT 2.7

Share of euro-area investment funds in the total amount of securities issued by euro-area non-financial corporations and held by euro-area investors

(Percent)



Source: EFAMA's calculation based on the ECB data

Funding contribution of investment funds outside of the euro area

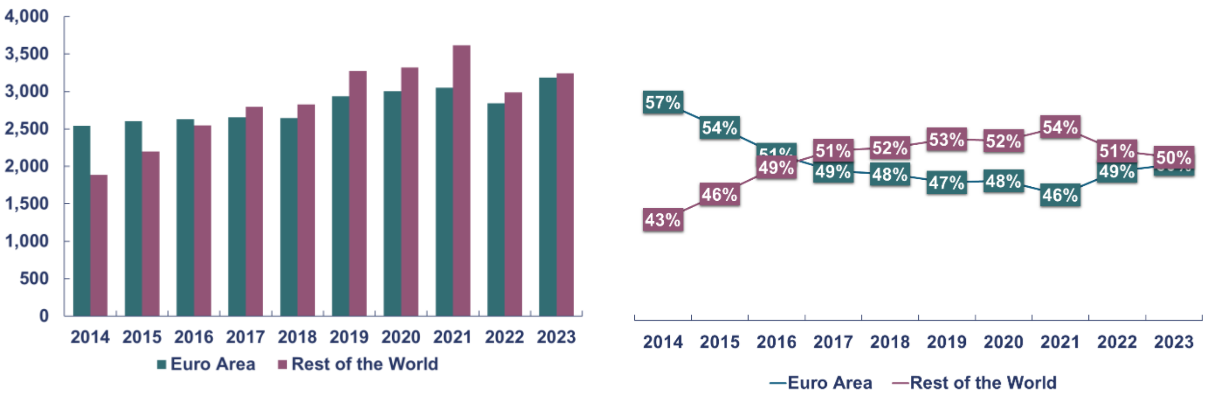
The proportion of the overall portfolio of euro area investment funds allocated to securities issued within the euro area is primarily driven by investor demand, particularly their preferences for specific sectors and geographical exposure.

Exhibits 2.8 and 2.9 illustrate the evolution of the debt securities and listed shares held by euro-area investment funds - covering assets issued both inside and outside the euro area - along with their relative shares. Since 2017, euro-area investment funds have held a larger proportion of debt securities issued outside the euro area compared to those issued by euro-area issuers. However, this trend began to reverse in 2021, reaching near parity of holdings by the end of 2023, with EUR 3.19 trillion invested in euro-area debt securities and EUR 3.24 trillion in debt securities issued outside the euro area.

EXHIBIT 2.8

Outstanding amounts and proportions of debt securities held by euro area-domiciled investment funds, issued inside and outside the euro area

(EUR billions, percent)



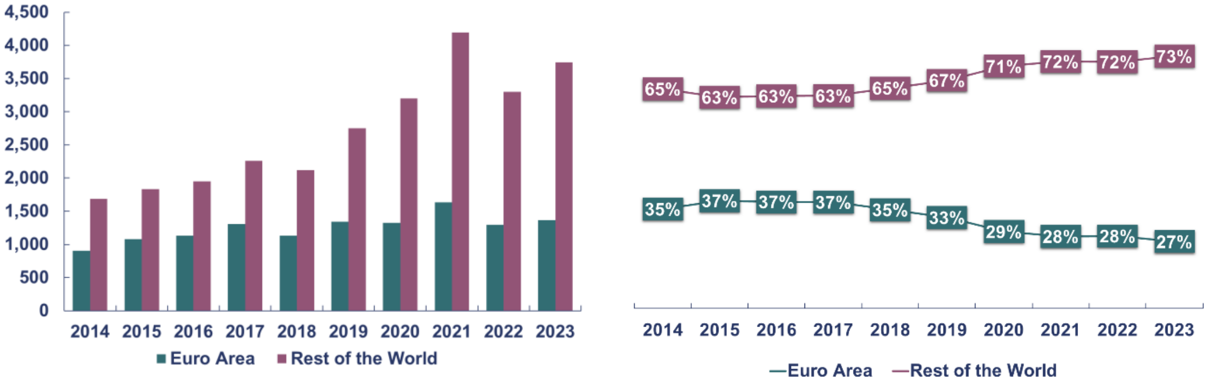
Source: EFAMA's calculation based on the ECB data

A clear trend has emerged for listed shares: euro-area investment funds have gradually shifted away from domestic issuers and increasingly invested in shares issued outside of the euro area. By end 2023, 73% of listed shares held by euro area investment funds were issued internationally rather than domestically.

EXHIBIT 2.9

Outstanding amounts and proportions of listed shares held by euro area-domiciled investment funds, issued inside and outside the euro area

(EUR billions, percent)



Source: EFAMA's calculation based on the ECB data

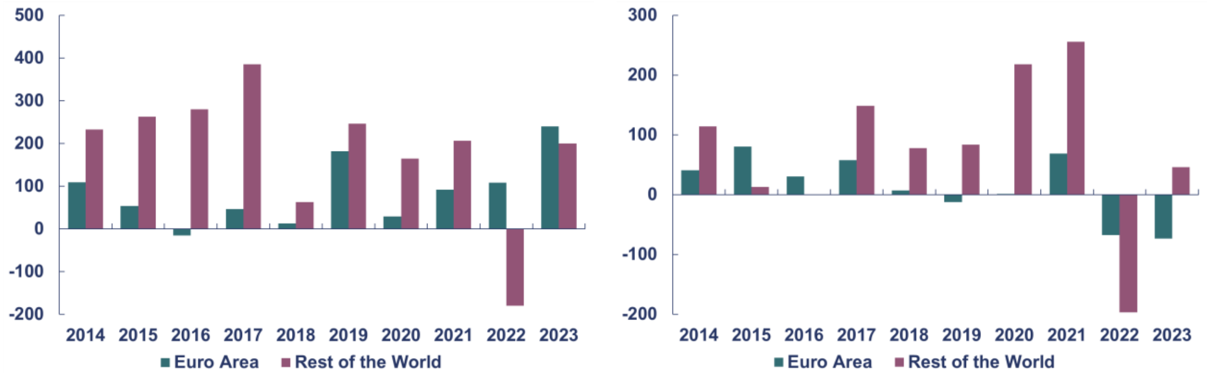
Exhibit 2.10 reports the net purchases of debt securities and listed shares by euro-area investment funds. We can see a clear trend of higher net purchases of debt securities issued outside of the euro area compared to those issued domestically, persisting until 2022. That year marked a shift, with euro-area investment funds net selling EUR 179 billion of non-domestic debt securities while buying EUR 108 billion of euro-area-issued debt securities. In 2023, this trend continued, with higher net purchases of euro-area-issued debt securities (EUR 240 billion) and also positive net purchases of debt securities issued in the rest of the world, totalling approximately EUR 200 billion.

During the same period, euro area funds significantly increased their investments in listed shares issued outside the euro area, particularly in 2017-21. In 2022, however, they disinvested larger levels of listed shares issued outside the euro area. The disinvestment from domestic shares continued in 2023, while net purchases of shares issued outside the euro area turned positive again.

EXHIBIT 2.10

Euro area investment funds' net purchases of debt securities (left) and listed shares (right) issued in the euro area and the rest of the world

EUR billions



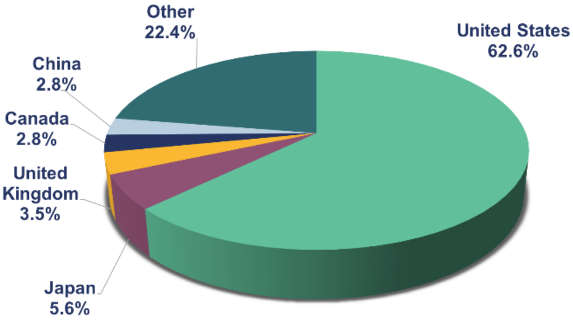
Source: EFAMA's calculation based on the ECB data

The rising share of listed shares issued outside the euro area can be partly explained by the growing prominence of global equity fund assets in the UCITS market. Indeed, these funds often track global benchmarks, which are heavily influenced by the significant market capitalisation of the US economy. For example, Exhibit 2.11 highlights that the United States accounts for 63% of the MSCI ACWI Investable Market Index, a much higher share than any other country. The dominance of the US in global indices can be explained by strong economic growth, the leading position of US technology companies, and the relative outperformance of US equities compared to other global regions, factors that likely shaped investor preferences.

By way of illustration, exhibit 2.12 confirms that the S&P Total Market Index (comprising all stocks in the United States) consistently reports better performance than the S&P Euro Index (reflecting the stocks in the euro area) during 2014-2023.

EXHIBIT 2.11

MSCI ACWI IMI - Country breakdown

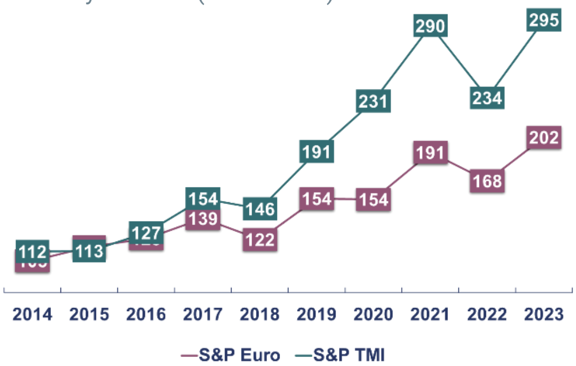


Source: EFAMA's calculation based on the MSCI data

EXHIBIT 2.12

Indexed S&P Euro versus S&P TMI - Total returns

Base year 2013 (value = 100)



Source: EFAMA's calculation based on S&P Dow Jones Indices

Overall funding contribution of asset managers

To assess the broader impact of European asset managers on financing the EU economy, we expanded our analysis to include investments within discretionary mandates and European investment funds domiciled outside the euro area.

The total mandate assets at end 2023 (EUR 12,890 billion) and the average share of EU equity and bond within mandate portfolios shown in the table below (9.1% and 19.4%, respectively) meant that European asset managers held approximately in their mandates EUR 1,173 billion in EU-issued equity and EUR 2,501 billion in EU-issued debt securities by year end.

To incorporate the financing of the EU economy by European investment funds domiciled outside the euro area (EUR 4,165 billion), we used the average share of equity and debt securities in investment funds managed in Europe (41% and 34%, respectively). We also assumed that the proportions of EU equity and debt securities in these funds were the same as those of debt securities and listed shares issued by the euro area and held by euro area investment funds at the end of 2023, i.e., 50% and 27%, respectively.

On this basis, the estimated holdings of EU-issued equity and debt by non-euro-area funds stood at EUR 461 billion and EUR 708 billion, respectively, at the end of 2023.

EXHIBIT 2.13

Holdings of EU Equity and Bonds Held in Mandate Assets

(EUR millions, percent)

Asset Allocation: Discretionary Mandates					
Country	**Total**	**Equity**	**Of which: EU equity**	**Bond**	**Of which: EU bonds**
Bulgaria	0.4	0.1	0.1	0.3	0.2
Croatia	0.2	0.05	0.02	0.1	0.01
Cyprus	0.4	0.2	0.1	0.1	0.02
Czech Republic	29	8	4	16	13
Denmark	139	58	9	66	43
France	1,496	126	87	1,128	975
Germany	580	59	21	387	268
Greece	8	3	2	4	3
Hungary	13	3	3	7	7
Italy	977	212	87	729	594
Portugal	18	1	1	14	13
Slovenia	3	0.4	0.1	2	2
Switzerland	1,394	385	115	333	100
UK	5,737	1,405	612	1,993	n.a.
Total	**10,395**	**2,261**	**941**	**4,681**	**2,019**
Share in total assets		**22%**	**9%**	**45%**	**19%**
Share in equity / bond holdings			**42%**		**43%**

Following this approach, we estimate that – at end 2023 - European asset managers held EUR 6,395 billion in EU-issued debt securities and EUR 3,000 billion in EU-issued listed shares. Exhibit 2.14 shows that - relative to the total volume of debt securities and listed shares issued in the EU - European asset managers accounted for 28% of debt securities and 27% of listed shares issued by EU companies and other issuers.

These percentages represent the minimum contribution of European asset managers to EU economic financing, as they exclude assets other than listed shares and debt securities. Notably, assets outside these categories comprised about 26% of the portfolios of both investment funds and discretionary mandates at the end of 2023.

EXHIBIT 2.14

Debt securities and listed shares issued in the EU and the amounts held by European asset managers in their portfolios

(EUR billions)

	Securities other than shares	**Listed shares**
EU assets held by European asset managers	6,395	3,000
Securities/shares issued by EU residents	23,136	11,278
Total share of European asset managers	27.6%	26.6%

Source: EFAMA's calculation based on data from EFAMA and ECB

3. Clients of the European Asset Management Industry

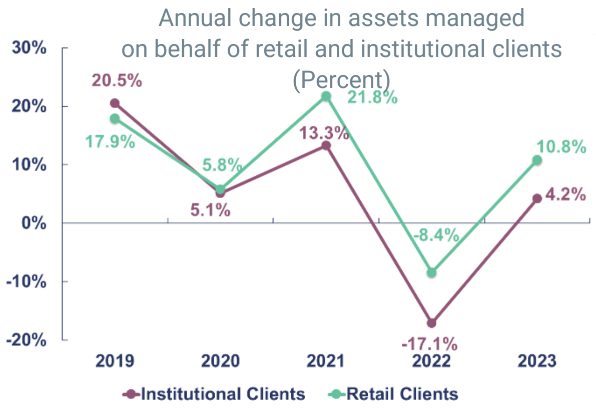
3.1. Clients at the European level

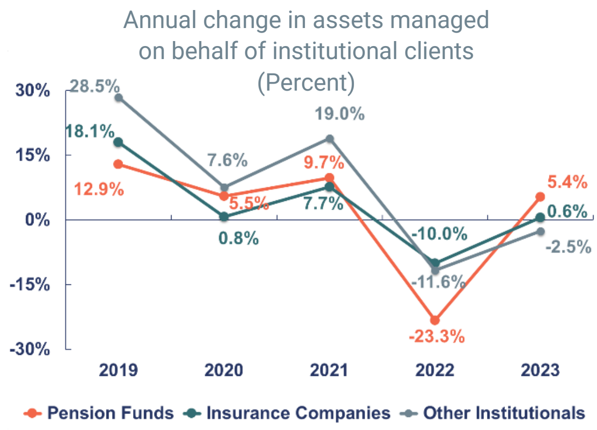
Asset managers serve two main types of clients; retail and institutional. Retail clients are primarily individual investors - typically households - but also high-net-worth individuals (HNWIs). Institutional clients encompasses pension funds, insurance companies, banks and other entities, such as sovereign wealth funds, holding companies, corporations, charities and foundations.

Institutional clients dominate the asset management industry. This is because they manage large amounts of financial assets and often outsource management of all or a significant portion of their assets to external asset managers. Following three years of asset growth, with particularly strong growth in 2019 and 2021, the assets managed on behalf of all clients declined in 2022, with institutional assets declining stronger than retail. Assets recovered in 2023, with retail assets growing more than twice as fast as institutional (10.8% and 4.2%, respectively)

EXHIBIT 3.1

AuM asset growth by client type – Recent trends

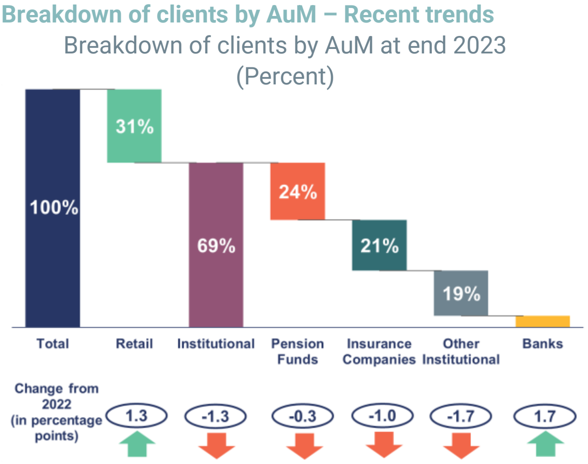


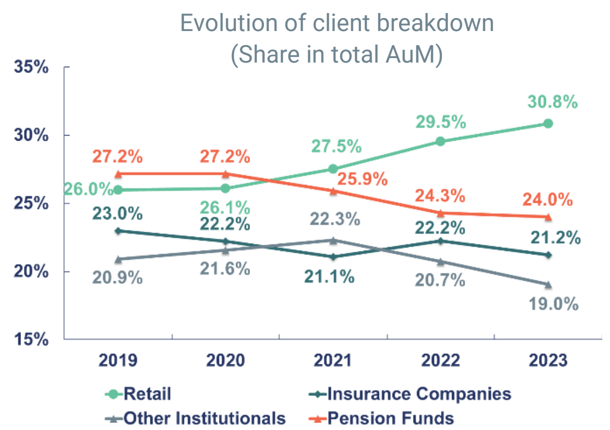


Over the past five years, the more-robust growth in the retail AuM led to a sizeable increase in the share of those clients in total AuM, from 26% in 2019 to almost 31% in 2023. Correspondingly, the share of institutional clients, mainly pension funds, steadily declined

EXHIBIT 3.2

Breakdown of clients by AuM – Recent trends





The significant growth in assets managed for retail clients in 2021–2023 aligns with the influx of new money from European households into capital market instruments over this period. Retail investors made record investments in funds in 2021 and continued buying funds in 2022 and 2023.[x] Also, in 2024 to date, European retail investors appear to be continuing to invest net new money into funds.

Why did so many retail investors find their way (back) to the fund markets in recent years?

The COVID-19 pandemic in 2020 was the first trigger. Lockdown measures in 2020 meant that many people had a sizeable portion of their income they couldn't spend on leisure activities such as travel and more time to dedicate to managing their savings; as a result, they invested in capital markets. The surge in inflation in 2022, alongside the slow response of banks in raising interest rates on savings accounts, was a second trigger. It pushed savers to shift some of their deposits into capital market instruments to preserve purchasing power and take advantage of rising interest rates. Net fund purchases remained positive in 2023, but did decrease compared to 2022, as funds faced direct competition from government bond issuances in countries such as Belgium and Italy.[xi]

The emergence of user-friendly online investment platforms and information channels in recent years has also increased retail participation, particularly among younger investors. These tools have made engaging in capital markets easier and more affordable for retail investors. In France, younger people reached record levels of market involvement in 2023, with 38.5% of new equity investors under the age of 35 and 14.1% under 25.[xii]

In terms of how retail investors are entering the fund market, ETFs increasingly seem to be the vehicle of choice. ETFs outsold long-term UCITS in both 2022 and 2023.[xiii] Again in France, almost a quarter of a million retail investors bought or sold ETFs in Q2 2024, an 89% rise on the previous year.[xiv] ETF saving plans have gained traction in several European countries, most notably Germany, but also in France, Italy and Spain. Estimates suggest around EUR 200 billion has been invested in European ETFs by these savings plans by end 2023.[xv] A BlackRock/YouGov study[xvi] shows that Europe gained 4.1 million new ETF investors in 2023, with woman increasingly investing in these products. The share of females investing in ETFs increased by 37% in Europe during 2023.

Market shares of all types of institutional clients declined over the past five years, despite a real growth in net assets in every year except for 2022.

After peaking in 2018 - mainly due to the expansion of the sector in the UK because of the introduction of an automatic pension enrolment scheme in 2012 - the market share of pension funds has gradually declined in recent years. As the UK auto-enrolment pension programme matured, the share of pension funds in total AuM gradually declined, falling to 24% in 2023. The gilt market crisis of September 2022 also continues to negatively impact asset values of UK pension funds.[xvii]

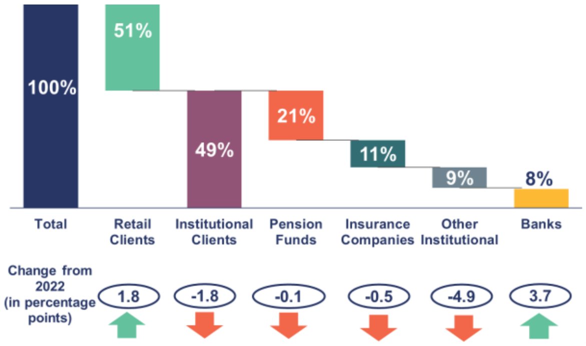
The share of assets managed for insurance companies steadily declined between 2019-21, driven by two key factors: the low interest rates during that period (which made traditional life insurance contracts less appealing) and the Solvency II regulations, which limited insurers' equity exposure compared to pension funds. As a result, insurers benefited less from strong stock market performances. In 2022, their share rebounded, as they were less affected by the stock market downturn than pension funds and other institutional investors. However, in 2023, this trend reversed once again, with the market share decreasing from 22.2% to 21.2%. This was due to stronger growth in equity valuations compared to fixed income throughout the year along with developments in France and Germany, where the growth of insurance clients was low relative to other client types.

Investment funds and discretionary mandates are typically geared toward different types of clients. In the investment fund market, retail investors are the main client. However, certain institutional clients - specifically pension funds and, to a lesser extent insurers and other institutional clients as well as banks - also invest a considerable proportion of their portfolios into investment funds.

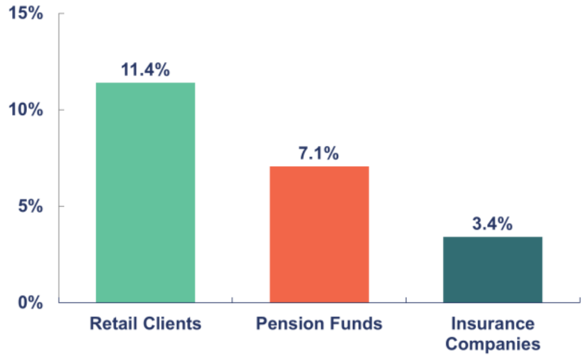
EXHIBIT 3.3

Breakdown of clients by AuM – IF vs. DM

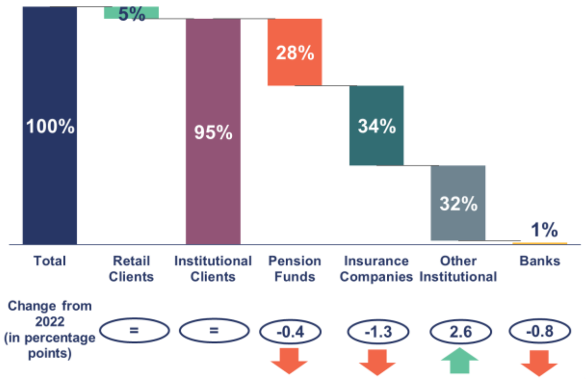
Breakdown of investment fund clients by AuM at end 2023
(Percent and change from 2022 in pp)



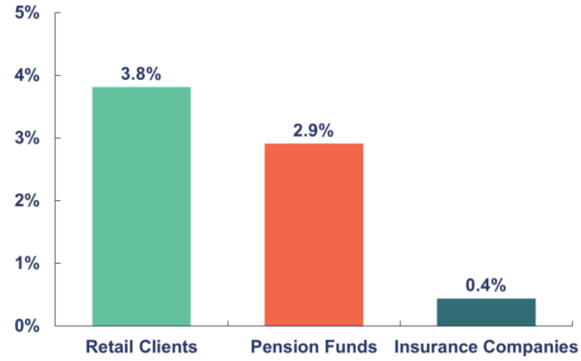
Change in 2023 in assets managed on behalf of investment fund clients
(Percent)



Breakdown of discretionary mandate clients by AuM at end 2023
(Percent and change from 2022 in pp)



Change in 2023 in assets managed on behalf of the main discretionary mandate clients
(Percent)



Note: These charts include figures for only a subset of countries. It includes data from the following countries: Austria (IF only), Bulgaria, Czech Republic, Denmark, France, Germany (*IF data based on client types of open-ended Spezialfonds domiciled in Germany*), Greece, Hungary, Italy, Poland (IF only), Portugal, Romania, Slovenia, Spain, Switzerland, Turkey and the UK.

In the fund market in 2023, the share of retail clients grew briskly, by 1.8 percentage points, mainly because assets managed on behalf of retail investors rose by 11.4% compared to 7.1% for pension funds and 3.4% for insurers.[xviii]

In the mandate market, institutional clients dominate with a market share of about 95%. This share remained relatively unchanged in 2023. The high share of institutional clients is largely due to the inherent nature of mandates, which typically involve substantial minimum investment amounts, making them much less accessible to retail clients. Mandates also cater more easily to the intricate investment needs of institutional clients, offering them specialised solutions like liability-driven investments or segregation of alpha- and beta-investment strategies.

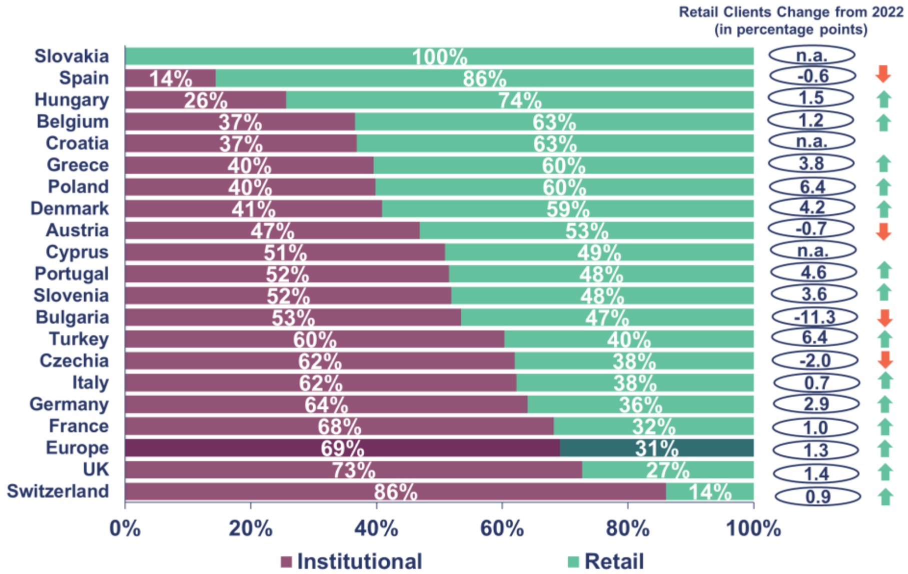
3.2. Clients at country level

When analysing the client base of asset managers across Europe, significant differences between countries become apparent. These variations are influenced by several factors, including the structure of national pension systems, the role of insurance products in retirement savings, bank involvement in distributing retail investment products and the cross-border operations of asset managers along with their ability to attract capital from international investors.[xix]

EXHIBIT 3.4

AuM by type of client at end 2023 – Country-level data

(Share in total AuM)



Note: Spanish data does not include comprehensive figures on mandates, only on discretionary portfolio management.

Looking at the change in the share of retail clients over the past year, we see increases in 14 countries, with declines in only a few. This suggests that the sustained retail demand for funds in 2023 at European level was not driven by a shift in a single large country, but rather was widespread among households in most European countries.

There are notable differences in the client base of investment funds and discretionary mandates in each of the main European markets:

- In the **United Kingdom**, pension funds are the largest individual client group of asset managers in terms of AuM, although their share declined from 40% in 2021 to 31% in 2023.[xx] Retail clients accounted for 27% of the market in 2023, lower than the European average but with a gradually increasing share.

- Asset managers in **France** primarily cater to the insurance industry, in both the mandate and fund markets. Investment funds are commonly used in French workplace pension schemes, while money market funds play a crucial role in cash management for many French corporations.

- In **Germany**, mandates are less popular than funds. In the fund market, ‘Spezialfonds’ are popular fund investment vehicles dedicated exclusively to insurance companies, pension funds and other institutional investors.

- In **Switzerland**, asset managers predominantly serve institutional clients in both the mandate and fund segments. Bank clients, in particular, make up 20% of the Swiss market - a much higher proportion than in other European countries, where bank clients are typically negligible. However, this is unsurprising given the overall size of the Swiss banking sector.

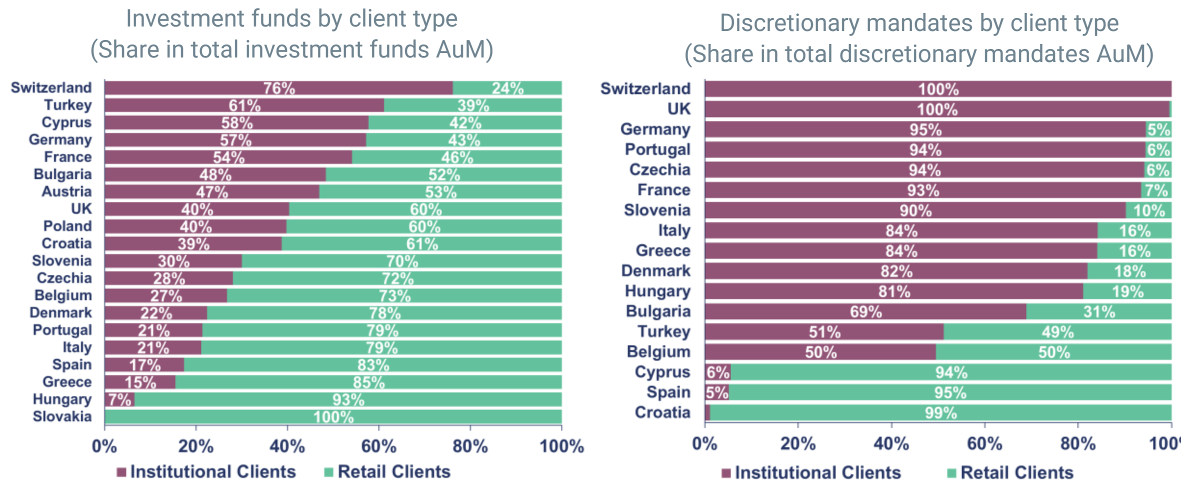
- Asset managers in **Italy** mainly focus on mandates, with insurance companies the main clients. Conversely, funds are largely targeted at the retail market, and retail clients have seen their market share increase in recent years.

- In the **Netherlands** and **Denmark**, with their large second-pillar pension systems, pension funds are the industry's main clients. Since 2020, Dutch pension funds have increasingly shifted away from fund structures towards discretionary mandates, driven by the more advantageous capital requirements offered under the IFR/IFD prudential rules. In Denmark in 2023, AuM declined because a large pension fund client re-internalised management of their outsourced assets.

- In **Spain**, investment funds are far more popular than discretionary mandates. Funds managed by Spanish asset managers primarily target retail investors. Spanish data on mandates covers only discretionary portfolio management and therefore will be predominantly focused on retail clients.

EXHIBIT 3.5

Investment funds and discretionary mandates by client type at end 2023 – Country-level data



Note: Spanish data does not include comprehensive figures on mandates, only on discretionary portfolio management.

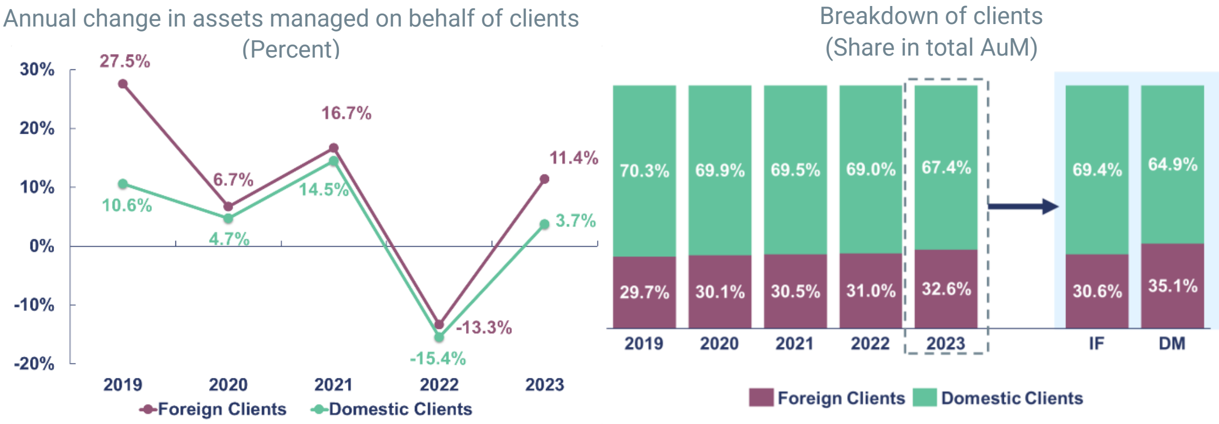
3.3. Domestic and foreign clients

At end 2023, AuM for domestic clients accounted for 67.4% of the total, down from 70.3% in 2019. This decline reflects the growing importance of foreign clients for European asset managers. This has been driven by the consistently higher growth in assets managed on behalf of foreign clients compared to domestic. In 2023, assets managed for domestic clients grew by 3.7%, while those managed for foreign clients increased by 11.4%. These trends align with one of the key objectives of the CMU; to further integrate national capital markets into a unified European market.

Examining the foreign client proportions within the fund and mandate markets separately, the share of foreign clients is higher in the mandate market than in the fund market (35% compared with 31%). This is primarily attributable to the high percentage of European mandates being managed in the UK, where the asset management sector has more international clients.[xxi] Another contributing factor is the fact that 95% of the mandate assets are managed on behalf of institutional clients. These can typically explore cross-border options when seeking asset management services much more easily than retail clients can.

EXHIBIT 3.6

Domestic and foreign Clients – Recent trends

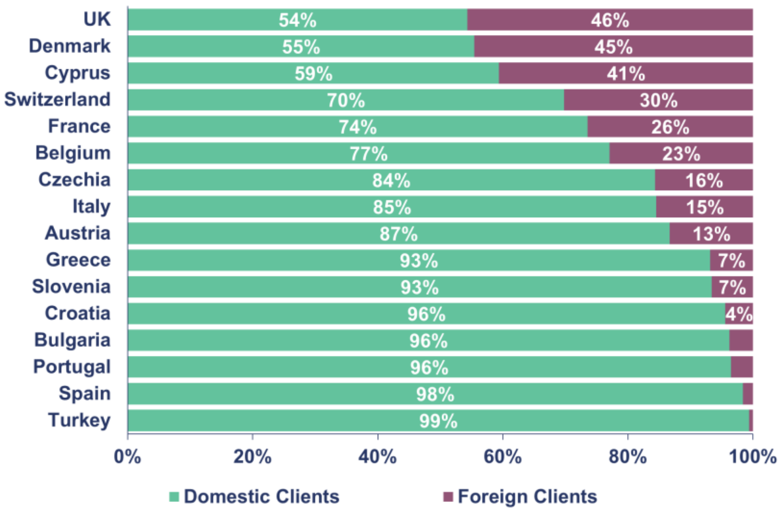


Looking at country-specific data, the UK had the highest share of assets under management (AuM) for foreign clients, standing at 46% at end 2023. This figure highlights London's role as a key international hub, serving as the operational centre from where global asset management companies actively manage their assets. However, in the three most recent years, the market share of foreign clients in the UK has increased only marginally.

EXHIBIT 3.7

Domestic and foreign clients at end 2023 – Country-level data

(Share in total AuM)



In a few other European countries, the share of foreign clients has seen solid growth in the previous year, indicating the rapid progression of pan-European asset management activities in these locations. In France, the share of foreign clients jumped from 20% in 2022 to almost 26% in 2023. A similar trend is also apparent in Denmark, where the marker share has shot up from 38% to 45%.

Longevity opportunities for asset managers

A perspective by Oliver Wyman [1]

Despite changes in longevity, demography, financial markets and retirement policy, individuals' needs for retirement have remained consistent: understandable, cost-effective products offering some form of retirement income; thoughtful and personalized advice; and a seamless customer experience. Unfortunately, the current retirement ecosystem — and the asset and wealth managers who play within it — have been increasingly unable to meet those needs at scale. Solving for these needs in the "Age of Ageing" will require taking a broader retirement ecosystem-level view.

We believe that the potential incremental revenues associated with the retirement opportunity driven by the factors underlying the "Age of Aging" could represent over $400 billion worldwide by 2028 incremental revenues come from four sources: 1) increased private markets allocations, particularly for retail investors; 2) shifting personal financial assets "sitting on the sidelines" in deposits and cash into retirement-focused accounts; 3) expanding advice to a broader proportion of the population; 4) non-private markets allocation shifts due to greater longevity. Europe alone would represent $50 billion of this incremental revenue, further strengthened by two trends: the progressive shift of European pension provision from the state to occupational and personal schemes; and widening policy initiatives centred on the need for domestic long-term capital to fund major societal transitions (e.g., energy and digital).

Regulatory overhaul of the European pension landscape is in full swing. Historically benefitting from high replacement rates from mandatory public schemes (50% versus 39% in the US), Europe is symmetrically underequipped in occupational (23% participation rate versus 56% in the US) and personal pension products (19% versus 30% in the US).

European and local regulation have aimed to replace shrinking state-funded pensions by bolstering private occupational and individual pensions. This structural shift is opening Europe's retirement market to asset managers, creating an opportunity growing faster than the overall European asset management industry.

European governments concomitantly aim to leverage this newfound long-term capital to buoy its challenged capital markets and fund its green and digital transitions.

Successful asset managers will continue to deliver reasonably priced investment alpha, client coverage and service capabilities, and operational excellence — those fundamentals are never going to change. But to capitalize specifically on the retirement opportunity, we see two incremental actions asset managers can take.

Innovate the product shelf to meet emerging retirement needs

There is a wide range of products that help clients meet their accumulation needs. But for products that meet accumulation as well as protection and decumulation needs, the list is much smaller. It has, however, grown significantly during the last several years as more firms turn their product R&D attention toward this opportunity (see Figure 1).

Figure 1
Asset management-oriented solutions (non exhaustive)

Solution	Description	Considerations	Example products
Buffered ETFs	• ETFs designed to provide downside protection in exchange for capped upside returns	• Downside protection varies • Payouts are not guaranteed • Higher fees compared to plain vanilla ETFs	• Products vary by asset manager
Managed payout funds	• Diversified mutual funds that provide targeted payouts	• Payouts not guaranteed but usually rise with inflation • Funds can deplete principal or only pay gains • Daily access to principal, unlike annuities • High minimums may exclude lower mass market	• Products vary by asset manager
Structured products	• Pre-packaged investments combining traditional securities with derivatives	• Can be designed to protect principal • Offers ability to customize various assumptions into one instrument • No uniform pricing standards • Often oriented towards HNW/UHNW • Limited secondary market	• Guarantee notes • Rainbow notes (i.e., exposure to more than one underlying asset)
Income generating options / overlays	• Strategies that generate income by selling options on an owned security	• Tailored to meet specific income needs and risk tolerance • High degree of education required	• Covered calls • Put write
Retail private markets solutions	• (Semi)-illiquid private markets investments available to retail investors	• Increased longevity means a longer time horizon to take additional market/liquidity risk to power accumulation needed for longer decumulation • Growth of secondaries markets provides increased liquidity	• European Long Term Investment Funds (ELTIFs) • TDFs with private markets allocation • Interval funds
Mortality credit pool	• Fund structure that provides longevity protection through pooling survivorship credits	• Balances capital appreciation with longevity protection • Payouts increase over time as surviving members of the pool get more credits	• Tontines

Source: Oliver Wyman

We expect more innovation as pressure intensifies to deliver better retirement solutions to a broader array of individuals across the world. Uptake of these products varies by market. For example, structured products are popular in Europe, with a wide array of payout structures and strong preferences for equity-linked products, and in Asia, where rapid wealth growth and a higher risk appetite have fuelled demand. On the other hand, buffered ETFs have gained significant traction in the US market since their introduction in 2018, attracting over $37 billion in assets as investors seek ways to protect their portfolios while still garnering upside. Buffered ETFs have struggled to gain a foothold in Europe (<$190 million in assets) due to a lack of familiarity among investors; stiff competition from established active funds, structured products and insurance policies; and preferences for pure-play asset exposures among institutional investors.

The mixed adoption across geographies for different types of solutions underscores that there likely won't be a one-size-fits-all product solution to retirement. Instead, asset managers can take the initiative to reap significant benefits from shifts in investor demand if they can innovate and quickly deliver credible products. This is particularly true for retirement products, where market nuances (often driven by different tax advantages) and investor preferences can vary significantly. In Europe, an ability to partner with insurance providers and other intermediaries to co-construct retirement solutions will be key to access end-clients. Asset managers should focus on building nimble retirement product R&D functions, which can bring together investments, distribution, legal, tax, and investment operations to rapidly conceive, design, seed, and launch products into the market.

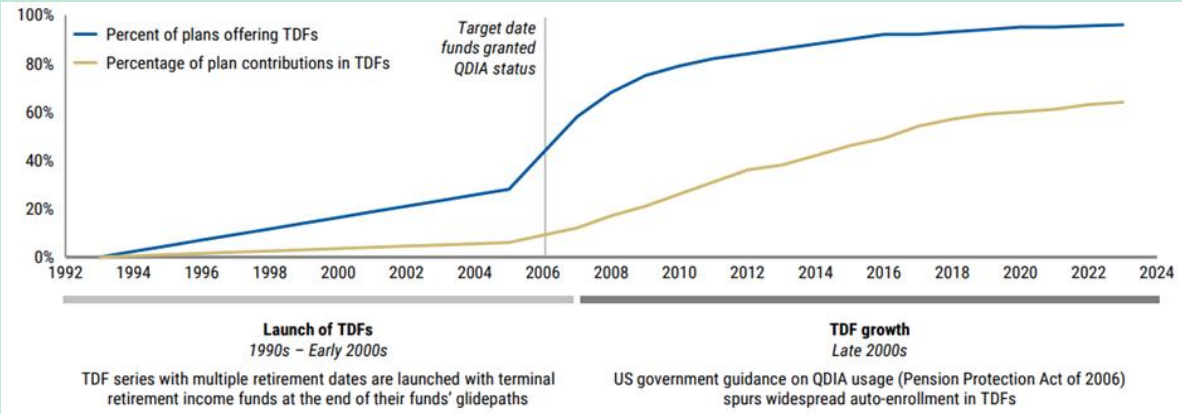
Be ready to pounce on regulatory and consumer shifts by "betting" on a handful of products best suited for key markets

Historically, asset management is a global industry where products can be designed and distributed across different markets with minimal underlying changes to the strategy or product mechanics.

In contrast, the complexities and nuances of the retirement market across different countries necessitates a more country-specific approach for asset managers looking to export their capabilities. Even when serving domestic markets, the complex array (and shifting nature) of regulatory requirements and incentives, availability and sufficiency of public pension schemes, and the unique needs and preferences of different populations complicates product development.

Favourable government policies will shape future opportunities for asset managers as traditionally they have served as catalytic events for retirement innovation and opportunities. For example, the US Pension Protection Act of 2006 spurred the adoption of target-date funds (TDFs)by enabling automatic enrolment in retirement plans and providing a safe harbour for fiduciaries who select TDFs as default investment options.

Figure 2
Adoption and Contribution Rates of Target Date Funds in the US, 1993-2023



Sources: Vanguard "How America Saves Report 2024", Oliver Wyman analysis.

In Europe, local regulation has focused on model portfolios following accumulation glidepaths as default options. This has opened massive opportunities for asset managers to not only provide underlying building-block portfolios but also to design full lifecycle solutions.

In the UK, the booming DC master trust market (growing at +48% compounded annually since 2017) has bolstered growth of TDFs, lifestyle funds and diversified growth funds; more than 95% of members now automatically enrol in these default options.

In France, The Green Industry law imposes a minimum of private asset allocations in retirement model portfolios, ranging from 6% to 15% depending on the client's risk profile. Designed to support investment in green and European assets, this measure offers a welcomed opportunity for asset managers to deploy private asset funds to retail clients fully leveraging their long investment retirement horizon.

Asset managers who can anticipate and, to some extent, help shape the policy landscape will be best positioned to develop purpose-built products and services that can capitalize on the opportunities these initiatives create. To that end, some leading asset management firms have appointed retirement "tsars" who have government experience and expertise in retirement policy. They have been given specific mandates to monitor trends, engage with regulators, and think through the strategic repercussions of policy on product development.

Critical customer needs are not being met at scale

Addressing individuals' retirement needs requires holistic thinking and integration across advice, risk sharing, and investment management. While nuances exist across countries, wealth tiers, and ages, a siloed, disconnected approach largely fails to meet individuals' full retirement needs because:

- Fragmented offerings mean that too many customers are alone while navigating the tricky calculus of balancing growth, protection, and advice.
- Solutions — even when designed to be holistic — are insufficiently personalized.
- Firms' product offerings don't reflect that individuals are outcome-oriented : their current focus is instead on maximizing portfolio growth for a fee, spread, and/or commission.

We see several categories of needs that are under-addressed (see Figure 3).

Figure 3
Individuals' retirement needs

Needs	Description	How well needs are currently addressed	Current Limitations
Accumulation	Access to a full range of public and private market products to design an optimal portfolio		While allocations have increased and innovative vehicles have emerged, retail continues to be under-allocated to private markets due to high investment limits, liquidity concerns, lack of education
Decumulation	Products that support drawing down on accumulated savings in a cost-effective and predictable way		Limited number of well-established products (albeit many are starting to emerge)
Longevity Protection	Guaranteed or quasi-guaranteed income sources to protect against risk of living longer than expected		Many different annuities in market but generally are complex, have high fees and are not well integrated in the financial planning ecosystem
Accessible and personalized advice	Holistic, cost-effective retirement planning which is personalized to an individual's unique circumstances		For many, the cost of personalized advice remains too high to deliver at scale, leading to generalized solutions which do not always fit individual needs
Seamless customer experience	Frictionless technology which provides a unified view of all retirement-related assets and future financial trajectories and plans		Assets are strewn across a variety of disjointed platforms, requiring effort from the individual to track their full retirement picture

Source: Oliver Wyman, Morgan Stanley Research

Source: Oliver Wyman

We are already seeing examples of firms taking more of an ecosystem view approach, stitching together multiple offerings to better address client needs and monetize the opportunity.

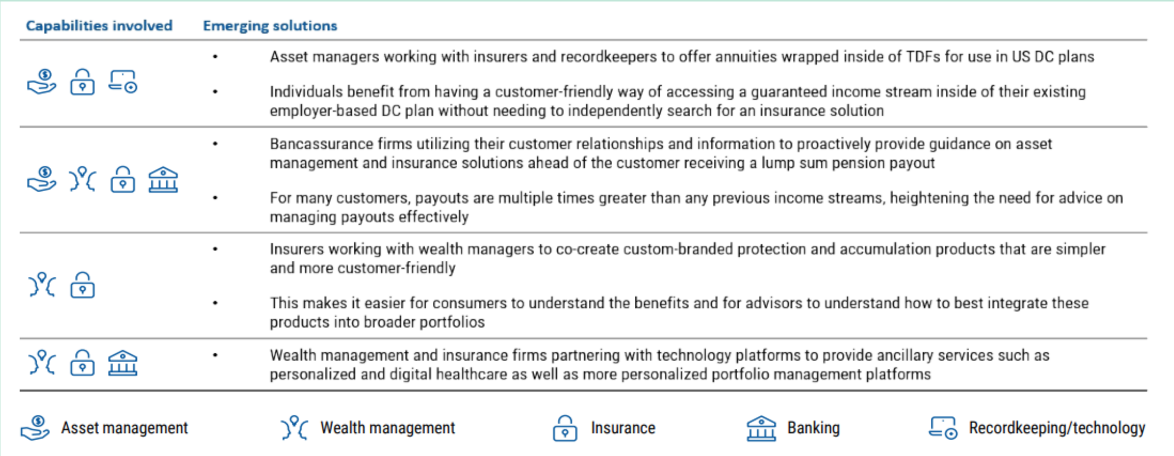
Looking forward, we expect to see a continued push toward greater collaboration — whether through partnerships or a higher degree of integrations of multi-line organizations. Achieving the benefits of an integrated operating model can be elusive, however. In practice, even leading integrated firms in the industry admit they are struggling to make full use of their inherent advantages.

On the other hand, asset management and insurance product partnerships allow creating retirement solutions that integrate investment capabilities of asset managers and longevity protection elements provided by insurers.

In the long term, technology-led platforms could offer solutions to the retirement challenge. Such platforms could process personal data covering individuals' demographics, financial status, health factors, risk appetite. They also could gather other critical information: their investment portfolio size, the age they'd like to retire, desired retirement income, interim goals, amount of downside risk, wealth transfer considerations, and preferences on health care planning.

The platforms could then translate an individual's unique set of goals and characteristics into a custom retirement "policy" composed of securities and insurance components to meet the client's needs and capacity to contribute.

Figure 4
Emerging ecosystem solutions



Capabilities involved	Emerging solutions
	• Asset managers working with insurers and recordkeepers to offer annuities wrapped inside of TDFs for use in US DC plans • Individuals benefit from having a customer-friendly way of accessing a guaranteed income stream inside of their existing employer-based DC plan without needing to independently search for an insurance solution
	• Bancassurance firms utilizing their customer relationships and information to proactively provide guidance on asset management and insurance solutions ahead of the customer receiving a lump sum pension payout • For many customers, payouts are multiple times greater than any previous income streams, heightening the need for advice on managing payouts effectively
	• Insurers working with wealth managers to co-create custom-branded protection and accumulation products that are simpler and more customer-friendly • This makes it easier for consumers to understand the benefits and for advisors to understand how to best integrate these products into broader portfolios
	• Wealth management and insurance firms partnering with technology platforms to provide ancillary services such as personalized and digital healthcare as well as more personalized portfolio management platforms

Asset management | Wealth management | Insurance | Banking | Recordkeeping/technology

Source: Oliver Wyman

[1] Authors: Ben Phillips, Kamil Kaczmarski, CFA, Magnus Burkl, CFA and Valentin Allard, CFA

4. Asset Allocation in Europe

4.1. Investment portfolios

The asset allocation of investment portfolios reflects both the guidelines set by asset owners in discretionary mandates and the varied objectives of investment funds. At end 2023, bonds made up 35.3% of assets managed in Europe, closely followed by equities at 32.7%. Money market instruments, deposits and cash equivalents accounted for 6.4%. The remaining 25.6% consisted of 'other' assets.

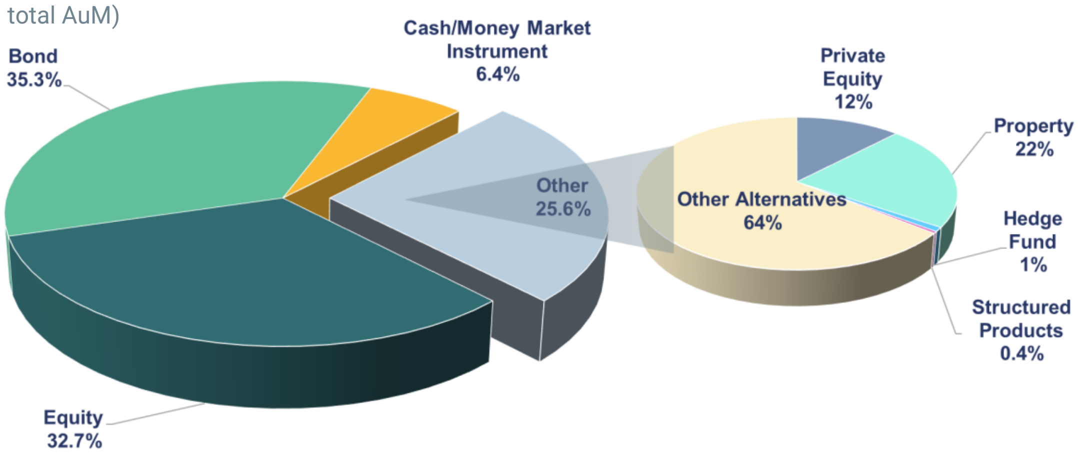
These 'other' assets are a broad mix that includes private equity, private debt, hedge funds, real estate, securitised debt, infrastructure and commodities. A common characteristic among these 'alternative' assets is their lower liquidity. Our estimates show that 22% of this category is allocated to real estate, 12% to private equity and 1% to hedge funds. The remaining 64% is spread across various alternative assets.

Annex 1 contains concrete examples of investments undertaken by a group of EFAMA corporate members in private assets.

EXHIBIT 4.1

Asset allocation at end 2023

(Share in total AuM)



Bonds are the primary asset type in the portfolios of European asset managers. This mainly reflects the importance of institutional clients, who prefer bonds due to their nature as safe instruments that preserve capital, generate stable income streams and ensure that ongoing payment obligations to end investors are met. The implementation of Solvency II regulatory constraints for insurers has further reinforced this.

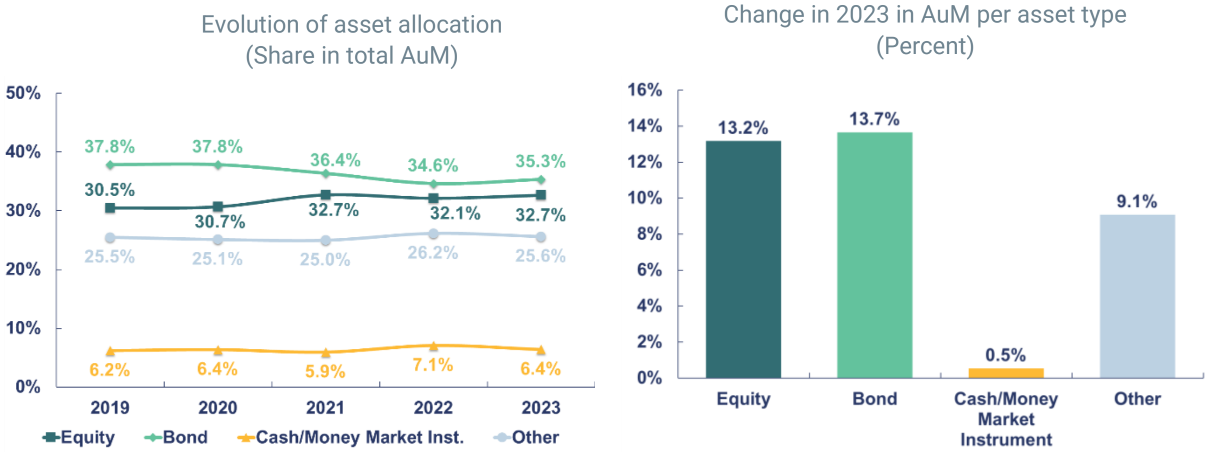
In terms of recent trends, however, the share of bonds in overall asset allocations has gradually declined between 2019-22, with a sharp downturn in 2022 as rising inflation and interest rate hikes eroded fixed-income valuations. In 2023, however, bond shares rebounded as interest rate increases ground to a halt.

The share of equities in asset managers' asset allocation steadily rose between 2019 and 2021, bolstered by robust stock markets, peaking at 32.7% at the end of 2021. A sharp fall in stock prices in 2022 led to a drop in the share of equities in 2022, but market share rose again in 2023 as stock markets recovered.

The simultaneous recovery in both stock and bond valuations over 2023 saw market shares of cash/money market instruments and other assets decline that year.

EXHIBIT 4.2

Asset allocation – Recent trends



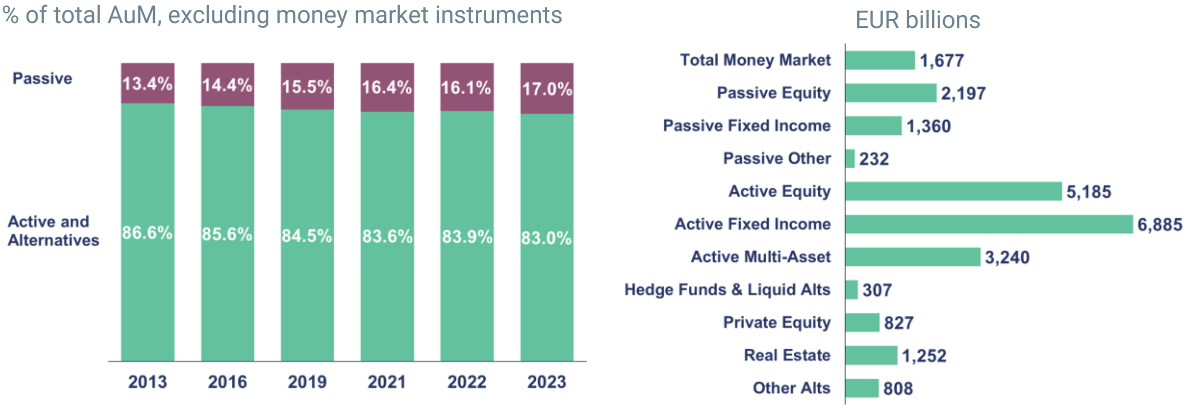
Examining the change in AuM by asset type during 2023 reveals that bonds saw slightly higher growth (13.7%) than equities (13.2%). At first glance this appears surprising, given that the growth in stock valuations outpaced those of bonds. However, bond funds emerged as the top-selling fund category in 2023, attracting EUR 144 billion of net inflows into bond UCITS.[xxii] Asset managers also shifted their asset allocation back towards bonds in anticipation of the 2024 rate cuts. Changes in client preferences also played a role, the current higher yields on government and corporate bonds reinforced demand among pension funds and insurers, reducing their need to invest in less-liquid, and sometimes riskier, alternative assets.

Another key trend in the asset managers' allocation choices is the steady rise in the share of passive asset management. This shift accelerated notably in 2023 as the passive share jumped from 16.1% to 17% and aligns with the rapid growth in ETFs, which are largely passive, index-tracking vehicles.[xxiii] The continuing fall in the fees of passive investment strategies to very low levels is the main driver behind this evolution. Preliminary data[xxiv] shows that the share of passively managed assets is larger in mandates than it is for funds for Europe as a whole. A reason for this could be that the main mandate clients, insurers and pension funds have been pushing hard for ever-lower management fees in recent years. However, the lack of data for several large European countries makes it hard to draw definitive conclusions.

EXHIBIT 4.3

Western European AuM by investment style and asset class

% of total AuM, excluding money market instruments



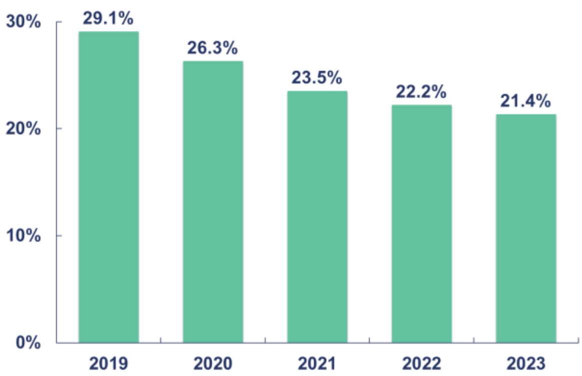
Source: McKinsey Performance Lens Global Growth Cube

Holdings of domestic equity - equity issued in the same country as the asset manager - have gradually declined, dropping from 29.1% in 2019 to around 21.4% by end 2023. However, the proportion of domestic equity varies significantly across Europe and is often higher in smaller countries. There are three reasons for this. First, asset managers in smaller countries often have a competitive advantage in managing local stocks, while global asset managers may not necessarily be interested in using resources to select stocks of smaller companies, often due to the relatively lower demand for stocks issued in smaller countries. Second, a degree of 'home bias' can fuel demand for local stocks, encouraging local asset managers to manage domestic equity funds in certain countries. Third, additional factors - such as regulatory constraints or exchange rate risks - can also play a role. This is the case in, for example, Turkey, where the high share of domestic equity has been affected by the high volatility of the Turkish Lira in recent years.

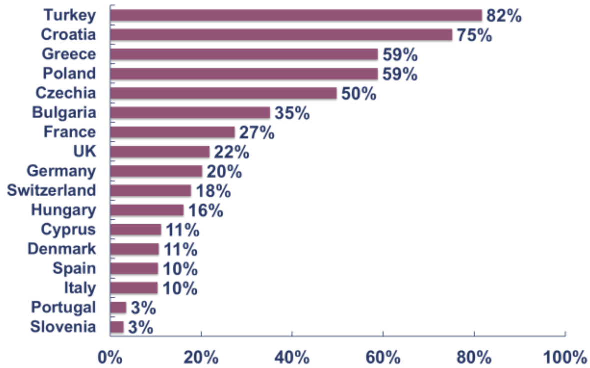
EXHIBIT 4.4

Asset allocation in domestic equity – Recent trends and country-level data

Evolution of domestic equity
(Share of equity holdings)



Domestic equity – Country-level data
(Share of equity holdings)

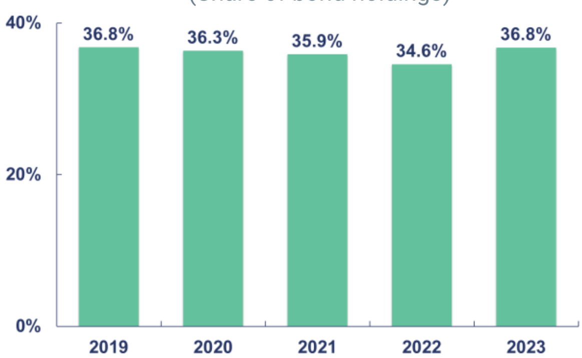


Asset managers tend to hold higher percentages in domestic bonds than they do in domestic equity, as there is often a stronger 'home bias' for domestic bonds. The share of domestic bonds did gradually decline in 2019-22, albeit at a slower pace than in equity holdings. The share did rise sharply again in 2023, as higher yields once again made it attractive for asset managers across Europe to invest in domestically issued debt. There is a wide variation in the share of local bonds between countries, for reasons similar to those for the share of domestic equity.

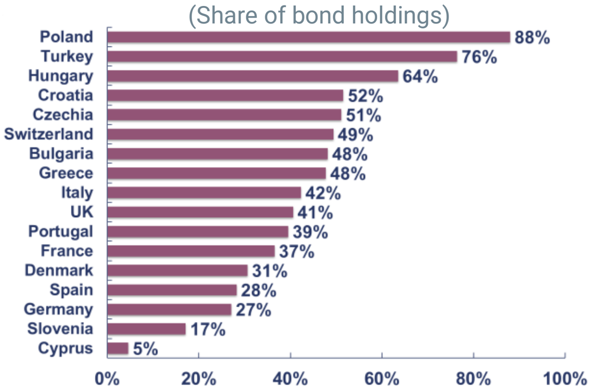
EXHIBIT 4.5

Asset allocation in domestic bonds – Recent trends and country-level data

Evolution of domestic bonds
(Share of bond holdings)



Domestic bond – Country-level data
(Share of bond holdings)



4.2. Asset allocation of funds and mandates

There are considerable differences between the asset allocation of investment funds and discretionary mandates.[xxv]

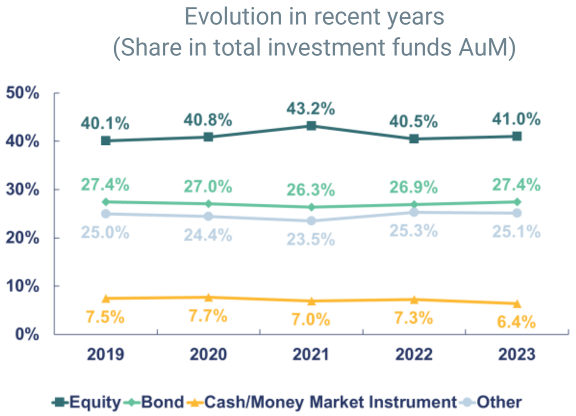
In the investment fund market, equity dominates, representing 41% of AuM at end 2023. This share increased in 2019-21, fell in 2022 as global stock prices declined, and recovered again in 2023 as stock markets rebounded. The share of bonds showed the reverse trend, dropping up to 2021 and increasing in 2022 - despite a drop in bond valuations - and again in 2023. Shares of cash/money market instruments dropped in 2023 after increasing in 2022. The market share of other assets shifted little in 2023, remaining broadly stable at 25%.

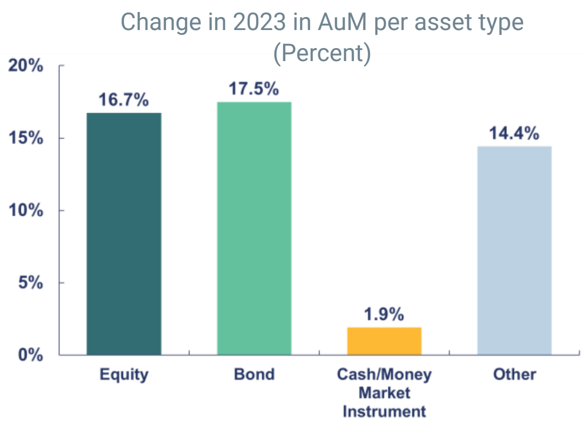
Looking at the change in AuM by asset type over 2023, equity registered strong growth of 16.7%. This figure outpaced annual increases in most European stock indices, but not US ones, with the S&P 500 returning around 24% in 2023. Bond holdings grew even more strongly than equity (up 17.5% over 2023). As bond valuations increased less than those of stocks, most of the growth here came from strong net inflows into bond funds over the year and from fund managers reallocating a greater portion of their assets into fixed income.

Cash/money market instruments grew by only around 2%. This contrasts starkly with the net asset growth of UCITS money market funds (MMFs) in 2023, which reached 11% thanks to the second-highest net inflows of the decade (EUR 170 billion).[xxvi] This was offset by fund managers using some of their cash reserves to invest in different asset types.

EXHIBIT 4.6

Asset allocation in investment funds – Recent trends



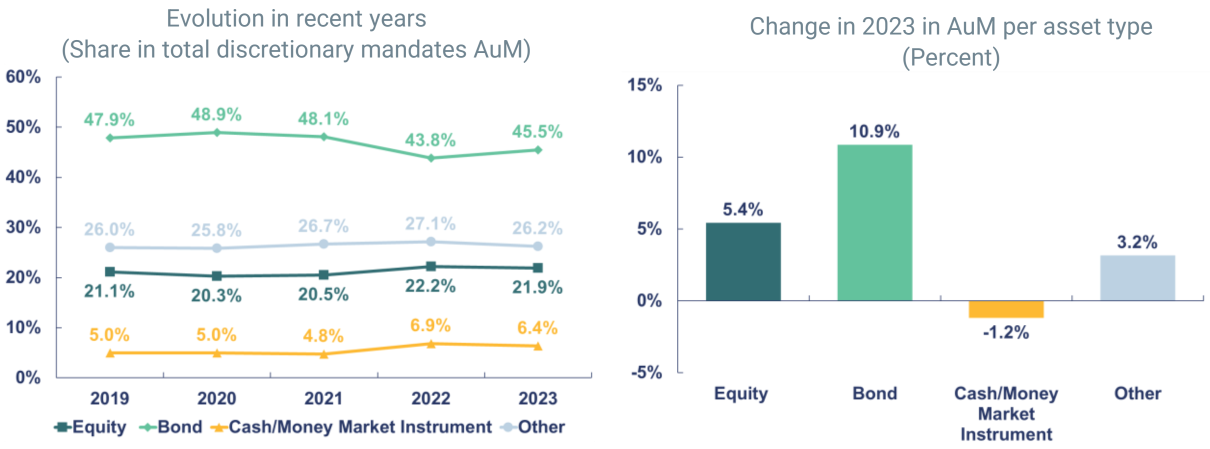


Mandates have an asset allocation that is much more biased towards bonds, as pension funds and insurers have a preference for fixed-income assets. Following the sharp dip in 2022, the share of bonds picked up again, to 45.5%. The share of equities dipped in 2023, dropping from 22.2% to 21.9%, despite the overall rise in stock markets. Cash/money market instruments and other assets also saw their market shares decline in 2023.

Analysing the AuM changes by asset type in 2023, bonds recorded the strongest growth (10.9%). Equity holdings by discretionary mandates only grew by 5.4%, substantially less than the growth of most stock indices. AuM held in other assets grew by 3.2% during 2023, and the amounts in cash/money market instruments actually decreased by 1.2%. This indicates that European asset managers were reallocating their discretionary mandate portfolios in 2023, by buying bonds and selling equity, other assets and particularly cash/money market instruments.

EXHIBIT 4.7

Asset allocation in discretionary mandates - Recent trends



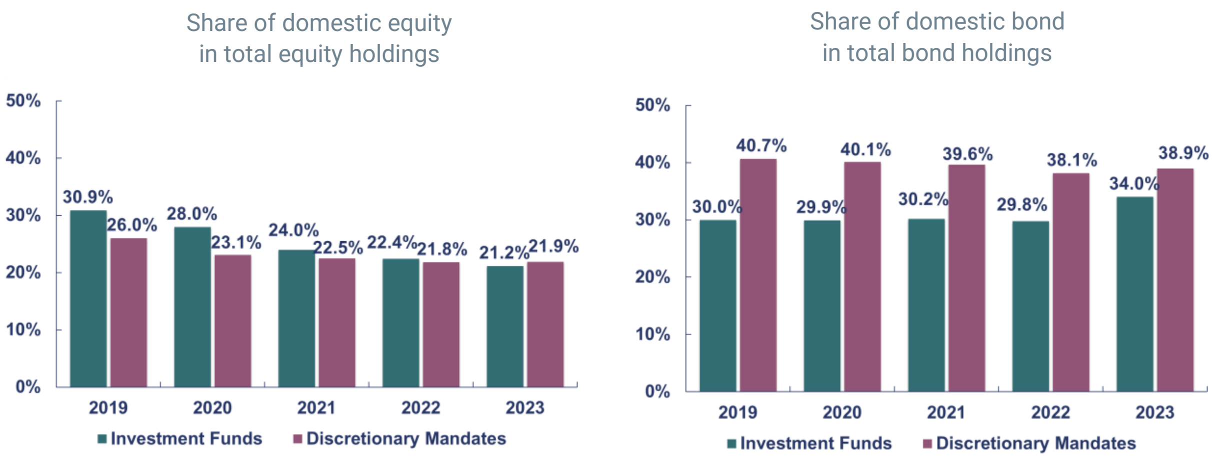
Domestic equity holdings, when broken down for investment funds and discretionary mandates, show a similar downward trend in recent years. Investment funds have tended to have a higher share of domestic equity holdings than mandates, but this dropped rapidly, and - since 2023 - the domestic equity share is slightly lower in funds than in mandates.

The domestic bond share is notably higher in mandates (39%) than in funds (34%). This stronger 'home bias' is explained by the fact that the main clients of mandates - insurers and pension funds - tend to have a greater preference for domestic debt.

In the investment fund market, the share of domestic bonds remained broadly stable at around 30% in the 2019-22 period, but shot up in 2023. Discretionary mandates, meanwhile, saw their share of domestic bonds steadily drop in 2019-22. This share also increased in 2023, but to a considerably lesser degree than in funds.

EXHIBIT 4.8

Asset allocation in domestic equity and bonds – Recent trends



4.3. ESG assets

Integrating Environmental, Social and Governance (ESG) factors into their asset allocation has become a key consideration for European asset managers. This is a broad process, which could involve investing in assets that address climate change challenges or that promote water and energy efficiency, human rights, equal opportunities, board diversity or any other goals that contribute to the transition to a more-sustainable world. It could also mean setting up an asset allocation strategy that diminishes the risk of stranded assets.

Sustainable investing by asset managers has been gathering momentum in Europe, despite the lack of a uniform, Europe-wide definition of what precisely constitutes a sustainable investment. At end 2023, around 52% of the fund assets managed in Europe[xxvii] applied some sort of ESG investment approach, compared to 46% at end 2022. In the discretionary mandate market, this percentage is substantially higher - about 64% - but it grew only marginally compared to the year before (63% at end 2022).

The difference between funds and mandates can again be explained by the fact that institutional investors - the main clients of mandates - often make stringent ESG demands for the management of their assets. Another reason is the fact that ETFs and index-tracking funds constitute a sizeable segment of the fund market. These funds mainly track indices composed of a wide variety of stocks or bonds. Often, not all of the financial assets in such an index can be considered as sustainable.

At the regulatory level, the introduction of the Sustainable Finance Disclosure Regulation (SFDR) in March 2021 - which put in place a set of sustainability-related disclosure obligations - has had a major impact on the asset management industry. The SFDR requires asset managers to make specific sustainability-related disclosures throughout their product range, as specified in Articles 6, 8 and 9 of the Regulation.

Although it was not the EU regulator's intention, the application of SFDR has resulted in a split of the EU fund universe into three de facto product labels:

- **SFDR Article 6** requires all fund managers to make disclosures on the integration of sustainability risks and their likely impact on the returns of the financial products they make available. Funds that only fulfil the Article 6 criteria - but not those of Articles 8 or 9 - are therefore known as Article 6 funds and are generally considered to be funds with no ESG characteristics.

- **SFDR Article 8** requires funds that promote environmental and/or social characteristics to specify, in pre-contractual disclosures, how they will attain the promoted environmental or social characteristics (or a combination of both) and that the investee companies follow good governance practices. Article 8 funds are consequently considered as those with environmental and/or social characteristics. They are also sometimes referred to as 'light green' funds.

- **SFDR Article 9** requires funds with a sustainability objective to specify, in pre-contractual disclosures, how they will attain the objective and whether an index has been designated as a reference benchmark. For that reason, Article 9 funds are considered as an explicit sustainability objective. In some cases, these funds are also called 'dark green' funds.

At end 2023, just under EUR 1.5 trillion of SFDR Article 8 funds were managed in France, followed by the Netherlands (EUR 659 billion) and Sweden (EUR 553 billion). In Switzerland, Denmark, Italy, Belgium, Norway, Spain, Austria and Finland, between EUR 300 billion and EUR 90 billion of Article 8 fund assets were being managed.

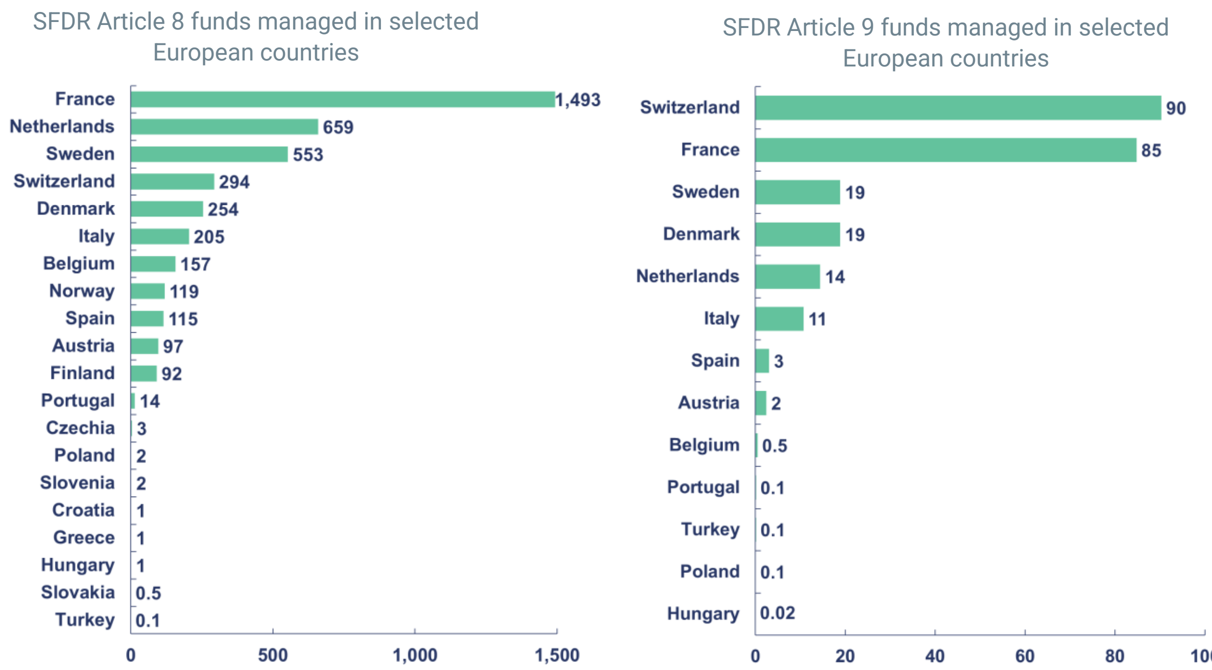
The management of SFDR Article 9 funds is more concentrated, with around EUR 90 billion being managed in Switzerland and EUR 85 billion in France. Between EUR 20 billion and EUR 10 billion of Article 9 net assets were managed in Sweden, the Netherlands, Denmark and Italy. [xxviii]

Differences between countries can be attributed to several factors, most notably to variations in client demand and the differing maturity levels of ESG fund markets.

EXHIBIT 4.9 [xxix]

SFDR Article 8 and 9 funds – Selected country-level data

(EUR billions at end 2023)



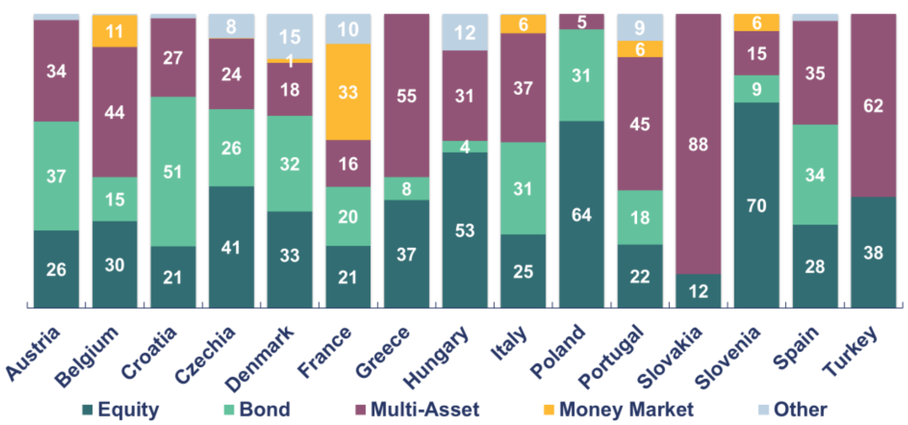
Note: EFAMA estimates; data for certain countries is unavailable.

In most European countries, the Article 8 funds managed mainly consist of a mix of long-term funds such as equity, bond and multi-asset funds. Management of Article 8 MMFs is primarily concentrated in France.

EXHIBIT 4.10

SFDR Article 8 fund market: Breakdown by fund type - country-level data

(Percent of total Article 8 fund net assets at end 2023)

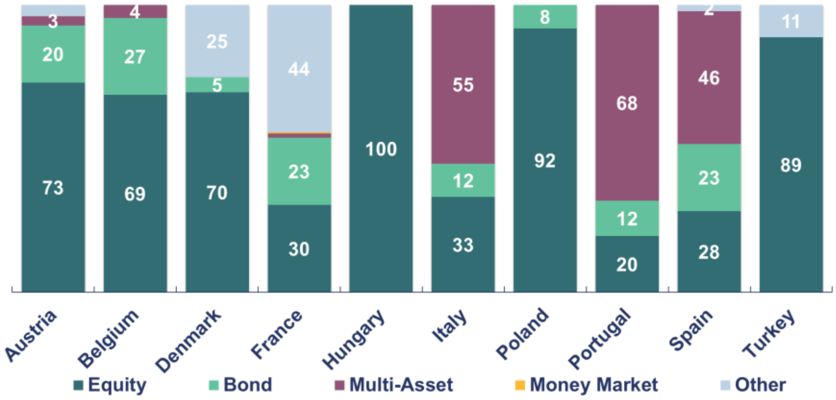


The Article 9 fund market has traditionally focused on equity funds, which account for the majority of net assets in many countries. In Southern Europe - Italy, Portugal and Spain - multi-asset Article 9 funds are popular. In France meanwhile, other funds - primarily real estate funds - hold a significant share.

EXHIBIT 4.11

SFDR Article 9 fund market: Breakdown by fund type - Country-level data

(Percent of total Article 9 fund net assets at end 2023)



Looking at Exhibits 4.9, 4.10 and 4.11, we can make the following observations:

- Fund managers in France manage significant portions of both Article 8 and Article 9 funds.
- In the market for Article 8 funds, the Netherlands was ranked second, reflecting the prominence of pension funds in the Dutch market. Sweden was in third place.
- In the market for Article 9 funds, Switzerland held the first position in terms of net assets, largely due to the significant market share of a major asset manager that specialises in thematic Article 9 funds.

It needs to be stressed that SFDR markets have already seen substantial changes since 2021, as policymakers and regulators have worked to harmonise guidance and clarify essential aspects of the Regulation. The most significant - and notable - shift occurred in the second half of 2022, when a large number of Article 9 funds were reclassified as Article 8. These 'downgrades' occurred due to the fund industry's cautious interpretation of a clarification by ESMA in June 2022, of the EC's July 2021 Q&A, stating that the portfolio of Article 9 funds should exclusively consist of sustainable investments (100%), whereas up until then, many fund managers were under a 'good faith assumption' that a small portion of the portfolio of an Article 9 fund could also be invested in 'non-sustainable investments'. [xxx]

However, in a soon-to-be-published EFAMA Market Insights analysing the SDFR markets at end 2023 and Q2/3 2024, we note that SFDR markets appear to have attained a certain degree of stability, and that the number of reclassifications has slowed significantly.

The upcoming SFDR review, will refine and adjust the current framework. Central to this review is whether the SFDR should evolve from a disclosure-focused framework to one that actually categorises products, ultimately making sustainable investment choices more accessible and comprehensible. Therefore, it seems likely that the current de facto Article 6, 8 and 9 product labels will be replaced by a new, specifically designed product categorisation.

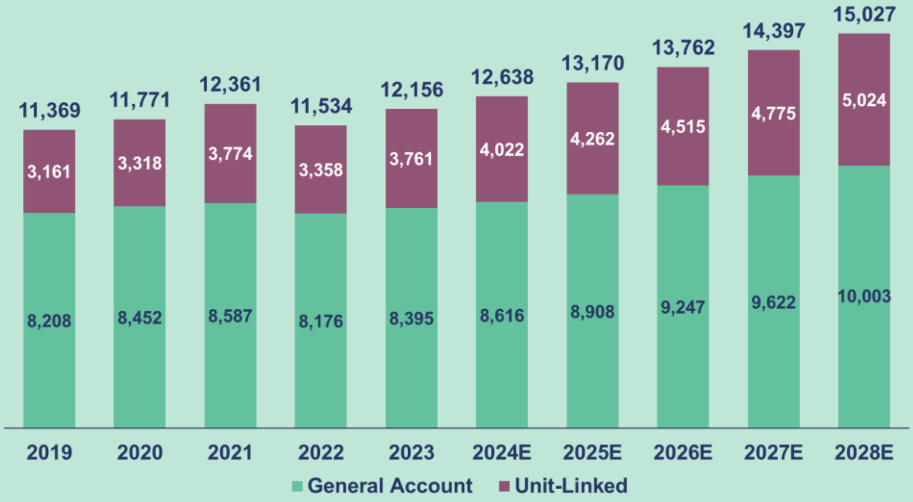
The European insurance investment landscape – A snapshot assessment

A perspective by Novantigo [1]

Market Size and Growth

The European general account insurance market demonstrates a mix of steady growth, market fluctuations, and varying dynamics across countries. Between 2019 and 2023, the overall market grew from EUR 8,208 billion to EUR 8,395 billion, with a notable dip in 2022 to EUR 8,176 billion before recovering. Despite this, the market's resilience is evident in its recovery and upward trend.

Figure 1
European insurance industry assets, 2019-2028E (EUR billions)



Source: Novantigo 2024 European Insurance Industries, various

France has consistently led the market, accounting for approximately 30% of total assets. The market size expanded from EUR 2,410 billion in 2019 to EUR 2,468 billion in 2023, with projections estimating it will reach around EUR 2,526 billion by the end of 2024. Germany remains the second-largest market, showing continuous growth year after year, increasing from EUR 1,442 billion in 2019 to EUR 1,572 billion in 2023. The UK experienced some volatility, including a significant decline in 2022, but began to recover in 2023, reaching EUR 1,170 billion. Novantigo estimates that this could grow to EUR 1,210 billion by the end of 2024.

Looking ahead, Novantigo forecasts the European general account insurance market to grow steadily, reaching EUR 10,003 billion by 2028. This represents a cumulative growth of approximately 19%, signaling strong confidence in the sector's long-term potential. France is expected to remain the largest contributor, growing to EUR 2,982 billion by 2028 at a compound annual growth rate (CAGR) of approximately 3.9%. Germany is forecast to maintain its position as the second-largest market, reaching EUR 1,853 billion by 2028, reflecting a CAGR of 3.3%. Italy and the UK are also projected to grow steadily, with the UK rebounding from its earlier challenges to reach EUR 1,417 billion in 2028, marking a CAGR of 3.8%. In contrast, Switzerland and Spain are expected to see slower growth, with modest increases in their market sizes.

The European unit-linked insurance market has shown steady growth, increasing from EUR 3,161 billion in 2019 to EUR 3,761 billion in 2023, with a projected rise to EUR 5,024 billion by 2028. This reflects a robust compound annual growth rate (CAGR) of approximately 6%. The UK leads the unit-linked market, contributing over 40% of the total market in 2023, followed by France, which has shown consistent growth, reaching EUR 547 billion in 2023 and is expected to grow to EUR 754 billion by 2028.

Compared to the general account insurance market, which was valued at EUR 8,395 billion in 2023 and is projected to grow to EUR 10,003 billion by 2028, the unit-linked market is smaller but growing at a faster pace.

Market Addressability

Novantigo's analysis of addressable assets across European markets highlights significant opportunities for external managers.

Private asset strategies are expected to be the area where European insurers seek external manager expertise the most in the coming year. In 2025, insurers are likely to prioritise outsourcing the management of infrastructure debt (32%), private equity (28%), and infrastructure equity (25%), as these asset classes require specialised knowledge and offer higher return potential. However, they are less inclined to outsource real estate equity (12%) and real estate debt (14%), as they typically have this expertise in-house.

Markets like Germany, the UK, and France represent substantial opportunities due to their size and steady growth, while the Nordic countries offer high-growth potential for managers focused on ESG and innovation. On the other hand, mature markets like Switzerland and Belgium require a more tailored approach to overcome barriers to outsourcing. External managers should strategically prioritise these diverse opportunities, balancing market size, growth potential, and local preferences.

Allocation to Private Assets

Private asset allocations by insurers have been steadily increasing over the last few years. As can be seen in Figure 2, almost 90% of insurers Novantigo surveyed have some allocation to Real Estate equity and over half have more than 3% allocated to this asset class, the highest private market allocation overall. This is followed by private equity and infrastructure equity with 82% of respondents allocated to these strategies and 37% and 32%, respectively, with allocations of more than 3%. Novantigo's survey also revealed that infrastructure equity and private equity will be the two top categories where insurers will increase their allocations in the next 12 months with 42% of respondents each and only 8% of participants indicating that they will decrease infrastructure equity allocations and 9% that they will lower their private equity exposure (see Figure 3). The smallest net change will be seen in real estate debt and in private debt.

The allocation to private assets by insurers in France, Germany, Italy, and the UK reveals distinct preferences across each market. France shows a cautious approach, with limited allocations to infrastructure debt (16%) and private equity (13%). Real estate debt is more appealing, with 35% of insurers allocating 4-5%. Germany, on the other hand, demonstrates a stronger preference for real estate equity (28% in the 4-5% range) and private debt (25% in the 0-1% range). The German market is more willing to allocate significant portions to these asset classes compared to France.

Italy exhibits a balanced interest across infrastructure debt, private debt, and real estate equity, with 27% allocating 1-2% to infrastructure debt. Private debt allocations are also notable, with 24% in the 1-2% range. The UK shows a more even distribution, with strong allocations to infrastructure debt (26% in the 0-1% range) and private debt (26% in the 0-1% range), along with a significant interest in private equity (24% in the 4-5% range).

Figure 2

Percentage of total investment assets allocated to various private market asset classes

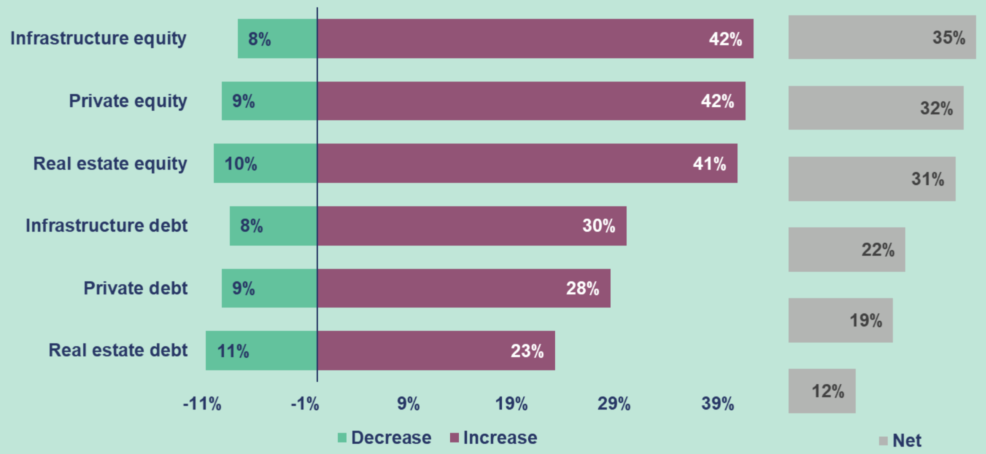
Allocation	Infrastructure debt	Infrastructure equity	Private debt	Private equity	Real estate debt	Real estate equity
No allocation	28%	18%	25%	18%	26%	11%
0-1%	15%	22%	19%	18%	15%	12%
1-2%	17%	18%	17%	20%	21%	18%
2-3%	12%	9%	11%	7%	11%	7%
3-4%	6%	8%	6%	6%	3%	8%
4-5%	15%	18%	11%	19%	18%	25%
5-7%	2%	2%	7%	4%	2%	5%
7-10%	5%	4%	5%	6%	5%	8%
10-15%	0%	0%	0%	1%	1%	5%
>15%	1%	1%	0%	1%	0%	0%

Source: Novantigo Insurance Survey Q4 2024

Analyst note: Participants were asked, 'What percentage of your total investment assets is currently allocated to private assets, and how is it distributed among different asset classes?' (N=130)

Figure 3

Changes to private asset allocation of investment portfolio over the next 12 months



Source: Novantigo Insurance Survey Q4 2024

Analyst note: Participants were asked, 'What percentage of your total investment assets is currently allocated to private assets, and how is it distributed among different asset classes?' (N=130)

For asset managers, the key takeaway is that Germany and the UK present more opportunities for real estate and private debt solutions, while Italy's interest in infrastructure debt suggests a potential for specialized offerings in this area. France, with its more cautious stance, may require a focus on conservative private assets, such as real estate debt, rather than higher-risk investments like private equity. Tailoring solutions to each country's unique preferences will be crucial for gaining traction in these markets.

Ancillary Services

According to Novantigo's survey, ancillary services offered by managers are highly important to insurers, with 45% of respondents across all regions considering them important or very important. The data shows that 39% of insurers in France, 56% in Germany, 39% in Italy, and 44% in the UK view these services as important. The UK and Germany stand out with higher proportions of insurers rating ancillary services as essential, reflecting a broader recognition of the value these services bring to insurers.

However, 13% of insurers consider ancillary services as very important, indicating that while these services are significant, they do not yet represent a critical element of every insurer's strategy. On the other hand, a minority (8% in total) view them as unimportant or very unimportant, suggesting that there is still a subset of insurers who might not prioritize these services.

Based on Novantigo's findings, **financial reporting** (61%) is the most valuable ancillary service for insurers, highlighting its importance in compliance and decision-making. **Risk management** (52%) also stands out as crucial, reflecting insurers' need to navigate financial and regulatory complexities.

Other valuable services include **performance reviews** (45%) and **strategic asset allocation advisory** (44%), which help insurers optimize their portfolios. Services like **SCR analysis** (36%) and **ALM modelling** (32%) are important but less critical.

Figure 4
Most valuable ancillary services

Source: Novantigo Insurance Survey Q4 2024
Analyst note: Participants were asked 'Which of the following ancillary services do you find most valuable from the external asset managers you work with?' (N=130)

[1] Authors: Justina Deveikyte, CAIA, and André Schnurrenberger, CFA

5. Industry Organisation

5.1. Asset management companies and industry concentration

Slightly fewer than 4,600 asset management companies were active in Europe in 2023, compared with about 4,500 in 2019. In the European Union alone, this figure was around 3,150.

The UK, France and Germany host the largest numbers of asset management companies, reflecting the prominence of London, Paris and Frankfurt as key asset management hubs. These markets also have a strong presence of independent and specialised asset managers, including private equity fund managers.

Ireland and Luxembourg also have relatively high numbers of asset management companies. This is primarily due to their central role in the cross-border distribution of UCITS and AIFs, as fund houses need to maintain a management company in each country where they have funds domiciled. The same, albeit to a lesser extent, is true for Cyprus and, to an even lesser extent, Malta. It should be noted, however, that global asset management groups with fund ranges in Luxembourg or Ireland operate under a delegation model, where the key investment management functions are handled from the groups' main asset management centres, rather than taking place in these domiciles.

EXHIBIT 5.1
Number of asset management companies [1]

Country	2023	Country	2023
Austria	20	Lithuania	18
Belgium	65	Luxembourg	224
Bulgaria	30	Malta	89
Croatia	24	Netherlands	138
Cyprus	220	Norway	30
Czech Republic	30	Poland	58
Denmark	60	Portugal	72
Estonia	12	Romania	24
Finland	16	Slovakia	12
France	700	Slovenia	5
Germany	451	Spain	117
Greece	30	Sweden	88
Hungary	23	Switzerland	350
Ireland	372	Turkey	69
Italy	241	United Kingdom	1,000
Latvia	13	**Europe**	**4,620**
Liechtenstein	19	**EU**	**3,152**

[1] The figures give the number of management companies registered in the countries concerned, except for Austria, Czech Republic, Hungary and Romania, where the figures refer to the members of the national trade association. For the United Kingdom, the number is estimated.

Recent reports have highlighted the increasing market concentration in the asset management industry in certain larger domiciles.[xxxi] Such a concentration is undoubtedly taking place at the global level, mainly driven by the move towards passive investing. Consolidation within the European asset management industry is also set to increase in the future. However, shifts in market concentration over the past five years show a more mixed picture across European countries.

Exhibit 5.2 below shows, on the left, the market share of the five largest asset managers as a percentage of the total assets (funds and mandates) that are managed in a selection of European countries. Clearly, this share is much higher in smaller markets than in larger ones, but there are notable differences among similar-sized markets. In Italy, the top five accounted for 86% of the market, while in Spain - despite being a smaller market in terms of AuM - the top five only accounted for 63%. The degree of market concentration depends heavily on how the asset management sector is structured in different European countries.

The right-hand side of exhibit 5.2 shows how the top-five market shares shifted these past five years, in relation to the change in overall AuM per country. The largest asset management market, the UK, has become slightly more concentrated, whereas several other large markets - France, Germany and Italy – have become less concentrated. Overall, there appears to be no direct correlation between the total AuM growth in a specific country and its respective shift in market concentration.

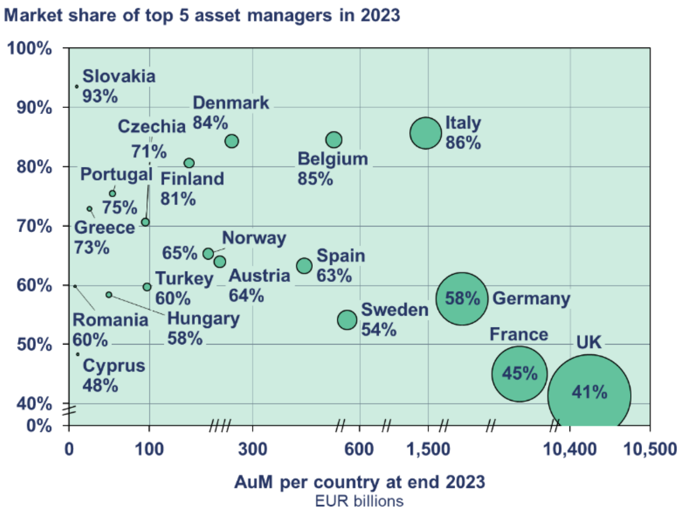
Several factors influence shifts in market concentration across European countries:

- Mergers and acquisitions (M&A) can have a major impact. For example, in Spain, the sharp five-year rise in market concentration was due to a merger between two large top-five asset managers in 2020. However, up until now, the overall level of M&A activities across the European asset management industry has been relatively muted.
- Branches of larger global asset managers are gaining market share in various European countries. This could be one of the reasons behind declining market concentrations in some countries.
- The rising popularity of ETFs across Europe could also be another reason behind the observed decline in market concentration in some countries, as the bulk of ETFs are mostly managed outside the EU. In this context, local asset managers needed to reinvent their business models, prioritising niche markets such as domestic firms and SMEs, where they hold a competitive advantage and economies of scale are less critical. This shift could, in turn, have contributed to a reduction in market concentration.

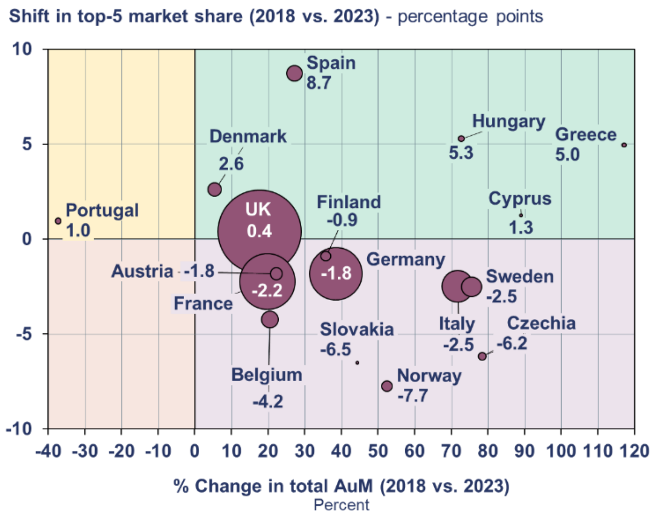
EXHIBIT 5.2

Market concentration – Market share of top-five asset managers & five-year shift for selected countries

Market share of top-five asset managers in 2023
(Share in total AuM)



Five-year shift in market share of top-five asset managers
(PP shift in market share)

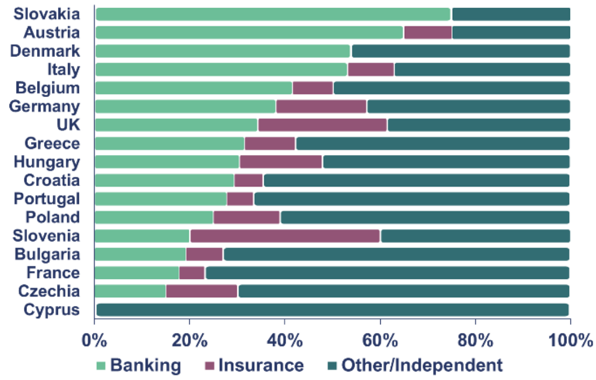


These charts include total AuM (funds and mandates) managed in the respective countries, except for Austria, Denmark, Finland, Norway, Spain and Sweden, where only home-domiciled funds are considered.

One additional dimension of the European asset management industry's structure is whether asset management firms operate independently or as part of larger financial services groups. This structure differs widely between countries. Exhibit 5.3 illustrates the number of asset management companies affiliated with either banking or insurance groups. Firms that are independent or controlled by other types of financial institutions are categorised as 'Other/Independent'.

EXHIBIT 5.3

Number of asset management companies by parent group categories at end 2023



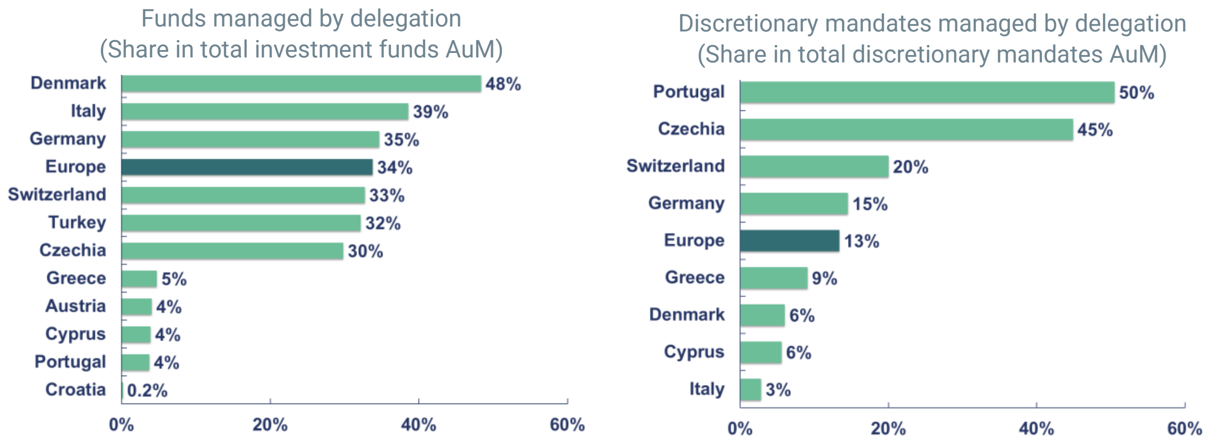
5.2. Delegation

Delegation is an ongoing practice in the European asset management industry. At its core, delegation involves fund/asset managers outsourcing the day-to-day management of all or part of their assets to another asset manager, while maintaining their fiduciary responsibility vis-à-vis the end investors. The company benefiting from the delegation can be a related party – such as a company belonging to the same parent group - or an unrelated third-party asset manager.

At end 2023, around 34% of investment fund assets managed in the countries shown below were managed by delegation. This percentage has remained broadly unchanged in recent years. The level of delegation can vary substantially between countries, depending on how the domestic fund industry is structured and the main clients involved.

EXHIBIT 5.4

Delegation of investment funds and discretionary mandates at end 2023 – country-level data



These charts include figures for only a subset of countries. Data on the following countries are included: Austria (IF only), Croatia, Cyprus, Czech Republic, Denmark, Germany, Greece, Italy, Portugal, Switzerland and Turkey (IF only).

Discretionary mandates can also be managed via delegation, as companies outsource the day-to-day management of mandate assets whilst maintaining their role as administrator or financial advisor for the end investors. The share of mandate assets managed by delegation is significantly lower than that for funds, about 13% in 2023 for the mandate assets managed in the countries listed in Exhibit 5.4. This is because mandates - which are often tailormade for specific clients - are more challenging to delegate to other asset managers than funds which have less unique investment objectives.

5.3. Revenues, costs and fund fees

Industry operating profit margins, expressed in basis points of average AuM (calculated as pre-tax operating profits divided by revenues) gradually recovered from the low seen during the global financial crisis in 2008, peaking at 15.1% in 2021. This increase resulted from a combination of rising revenue margins combined with a fall in operating costs as a percentage of total AuM; this in turn was mainly driven by asset growth.

Profit margin dropped significantly in 2022 - from 15.1% to 12.1% - due to a sharp fall in the revenue margin on the back of the overall decline in financial markets.

In 2023, profit margins dropped even further to 11.1% as revenue margins remained dipped, a consequence of the sustained pressure on fund fees. Meanwhile, cost margins rose sharply from 19.3% to 20.1%.

EXHIBIT 5.5

Profit, revenue and cost margins of western European asset managers

Bps of average AuM

Source: McKinsey Performance Lens Global Asset Management Survey

Fund fees are expected to continue declining in the coming years, driven by increasing fee transparency and growing competition from passive management. As a result, asset classes and strategies with the lowest fees are likely to experience the highest growth in AuM. For instance, passive fixed income is projected to grow at a compound annual growth rate (CAGR) of approximately 11% by 2028, with all low-fee products anticipated to see robust expansion.

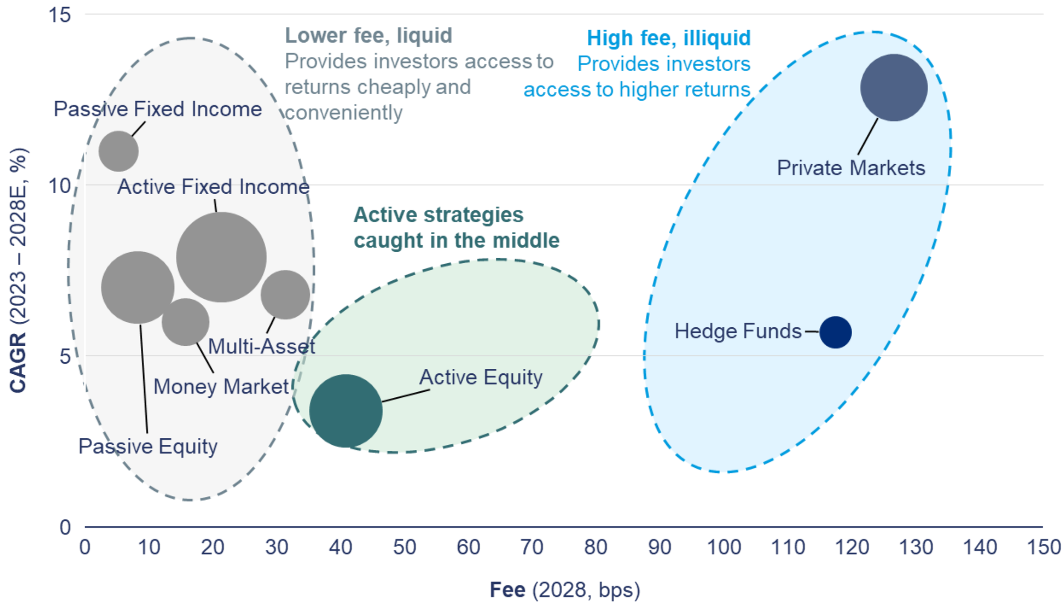
Conversely, private markets are also poised for significant growth, with a projected CAGR of 14% by 2028. Despite their higher fees and lower liquidity, demand for private assets is expected to remain strong as investors seek higher returns.

Active equity managers find themselves caught in the middle, often charging higher fees without consistently delivering superior returns. This dynamic underpins the expectation that active equity will experience the lowest CAGR in the coming years.

EXHIBIT 5.6

Fund fees and AuM growth outlook per asset class

(CAGR in Percent and Fees in Bps. - Size of circle indicates estimated size of AuM for asset class in 2028)



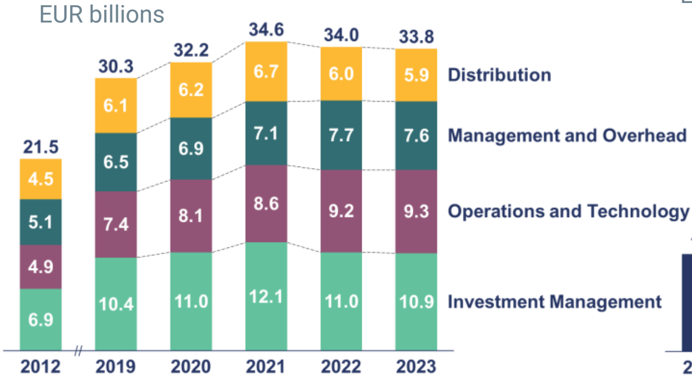
Source: Oliver Wyman Global Asset Management Model, Morningstar, Mercer, Company Reporting

Overall costs for asset manager will continue increasing. As can be seen in Exhibit 5.7, absolute costs for asset managers rose swiftly until 2021, driven by operations and technology costs as well as those for management and overheads. Costs declined somewhat in 2022-23, with costs for distribution dropping, due to the growing popularity of online platforms. The costs of the actual investment management also declined, most likely due to a switch towards passive asset management which tends to be less expensive.

EXHIBIT 5.7

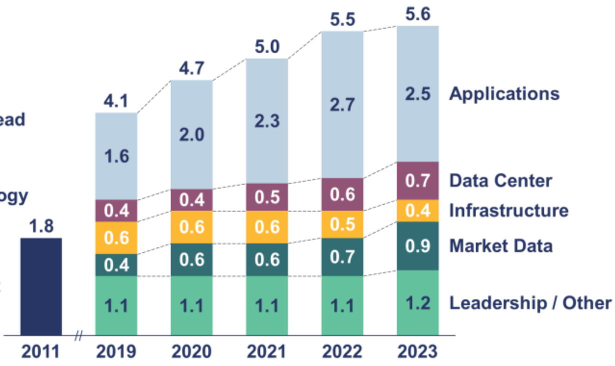
Cost distribution, third-party asset managers in Western Europe

EUR billions



European AM technology function spend, third-party asset managers

EUR billions



Source: McKinsey Performance Lens Global Asset Management Survey

Technology and operations costs have risen continuously in recent years. This was mainly driven by the ever-increasing investments in the new hardware, software and data that asset managers need to remain competitive. Application development, the single largest technology expense, increased rapidly until 2022, but appears to have stabilised in 2023. Investments in data centres and market data expenses also rose sharply in recent years. The cost of market data has more than doubled since 2019, a result of asset managers needing to spend increasing amounts on ESG data. Another reason is the sharp price rises in the fees charged by stock exchanges for asset managers to access their market data, which have far outpaced inflation in recent years.

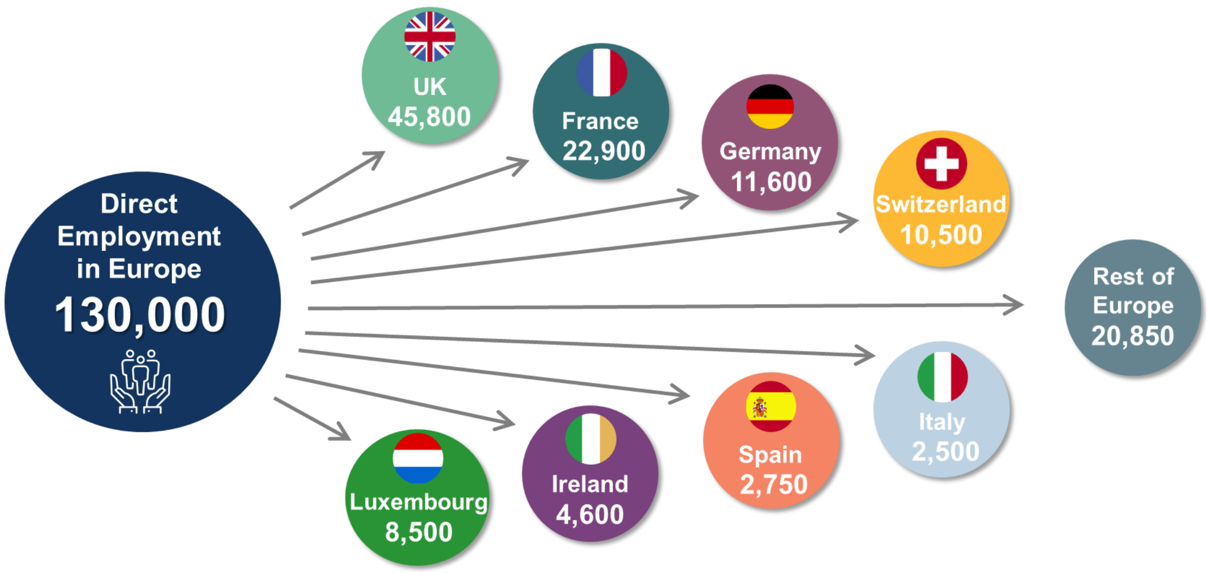
5.4. Employment

A final key indicator of the asset management industry's impact is the level of direct employment it creates. According to data from most EFAMA members, we estimate that around 130,000 people across Europe are directly employed by the asset management sector at end 2023.

Most of these jobs are concentrated in key asset management centres; the UK, France, Germany and Switzerland. Luxembourg[xxxii] and Ireland[xxxiii], the two main cross-border fund domiciliation hubs, also employ sizeable numbers directly within asset management companies.

EXHIBIT 5.8

Direct employment in European asset management companies in 2023



We can also consider the overall levels of employment generated by the asset management industry. There, it becomes necessary to take into account all the indirect employment associated with the sector. These indirect jobs include all related services and support functions of asset management that are not handled in-house by asset managers. These include activities such as accounting, auditing, custodianship, IT, legal services, marketing, research or FinTech. It should also include those employed in fund distribution, which in most countries happens mainly via banks or financial advisors.

Some EFAMA members have data on the number of indirect jobs created by the asset management sector in their country. Depending on the country, each direct job in the sector generates between 1.7 and 5 full-time jobs in related services, including distribution. A study by the French asset management association (AFG) calculated that 4.6 indirect jobs are created for each direct job.[xxxiv]

Using this 4.6 ratio for those countries where we don't have indirect job figures, we can arrive at an estimate for the total employment generated by the European asset management industry. The direct sector employment - together with all the companies that provide services to the asset management industry - collectively create approximately 600,000 full-time-equivalent jobs across Europe.

EXHIBIT 5.9

Total estimated employment in the European asset management industry in 2023

[1] Full-time equivalent jobs.

However, the asset management industry's impact on employment extends far beyond the direct and indirect job creation listed above. As outlined in section 2.4, it also supports job creation by financing substantial portions of the European economy.

Annex 1: Investments by asset managers in private assets

Concrete examples provided by EFAMA Corporate Members

As part of the **abrdn Investments** Concession Infrastructure businesses' strategy to invest in sustainable infrastructure, we have invested in superfast broadband networks, which cover over 11 million homes across Europe. Our most recent investment, as part of a consortium with Macquarie Group and Arjun Infrastructure Partners, was the acquisition of another high-speed fibre network in Spain. The network, acquired from @Digi Spain Telecom will be operated by Onivia, a long-term partner of abrdn Investments and Spain's largest independent wholesale fibre platform. Following this transaction, Onvia's network will extend to more than a third of Spanish households. This transaction demonstrates our commitment to investing in digital infrastructure and represents a strong fit with our sustainable investment strategy. The additional network is focused on low-cost provision benefitting end consumers and improving financial accessibility.

In 2013, **Allianz Global Investors (AllianzGI)** launched its private markets platform to finance corporations and projects at various stages of growth and maturity. An example of AllianzGI investment approach is the financing of GreenYellow, a French company specializing in solar photovoltaic assets and energy efficiency. GreenYellow collaborates with businesses and local authorities to offer solutions that lower carbon emissions and energy costs without requiring upfront investments.

Amundi invested in ZE-Energy, a French integrated independent power producer that develops, builds and operates hybrid solar-plus-storage power plants. ZE-Energy is one of the few independent storage platforms that integrates the full value chain, from development and construction of BESS to operations of the battery capacity via their own developed route to market, providing services to utilities and the network operators. The company also leverages digital solutions to optimise the use of its energy generation assets at all times. ZE-Energy is looking to expand their activities to other countries in order to create a leading Pan-European energy storage platform.

ENVIRIA is Germany's leading commercial and industrial decentralised energy solutions provider. With **BlackRock**'s investment on behalf of its clients, the company will be able to expand its solar projects across the country - from 500 to around 2000, offering rooftop solar and adjacent services at scale. It is estimated that German companies consume around 70 percent of the total national electricity usage while only around 10 percent of suitable company roofs are equipped with a solar system. The additional capital will strengthen ENVIRIA's capacity to unlock the potential of renewable energy, helping the company contribute to Germany's green transition.

Institutional investors advised by **JPMorgan Asset Management** acquired a large office building in France. A building permit was secured in 2023 and works started in 2024. The building project will create a new interior to meet modern office requirements, a new façade, and add amenity space at the roof-level. Carbon emissions during the refurbishment project are reduced by retaining many existing structures, for example amending instead of replacing existing steel beams, and by recycling ductwork and other fixtures into other buildings. Upon completion of the project, the operating agreement with the tenant includes sourcing 100% of electricity from renewable sources, maintaining gardens using biodegradable products, sourcing local organic food for catering facilities and providing charity dispatches for unused food.

In 2023, **Schroders** invested in Aeven, a specialised IT outsourcing provider offering data centre services, network services and cyber security, on-site and service desk support to business clients. Aeven was a carve-out from NNIT, which decided to focus on other parts of their existing business and hence was spinning out their infrastructure services. What attracted Schroders to the company was that it was able to demonstrate good visibility on long term contracts, given the nature of the services provided. The company showed potential for further client development and also for accelerating growth in a smaller, more focused organization.

Italy aims to produce 30% of its energy needs from renewables by 2030 and, in line with EU ambitions, fully decarbonise by 2050. There's now a EUR 4.5 billion incentive programme in place for biomethane in Italy, as part of the EU's wider strategy to increase domestic production to 35 billion cubic metres by 2030. The strategy can support new biomethane plants, or the upgrading of existing biogas plants to produce biomethane, to reduce greenhouse gas emissions by at least 80% compared with conventional fossil gas. Importantly, the shift to incentivising more green molecules also reduces the country's reliance on imported fossil fuels. **Abrdn Investments** made their first investment in this sector in late 2023, following several years of research and building relationships in the sector. abrdn Investments established a strategic partnership with Blu-H Energy, which has unrivalled knowledge of the market. It is helping abrdn Investments to identify small-scale opportunities and to build their platform. There are several crucial criteria to be considered when selecting appropriate sites. First and foremost is the control of feedstock. These plants need large quantities of inputs like manure and other agricultural waste. Securing this at the right price and quality is a key determinant of success. At the time of writing, the abrdn Investments portfolio consists of twelve plants across northern Italy, and has a pipeline of around 8 - 10 more and plan to grow the platform significantly over 2025.

In 2024, **AllianzGI** launched its EUR 560 million Impact Private Credit strategy to support European SMEs. This initiative uses a proprietary impact framework to target impact champions who offer solutions in clean energy, sustainable agriculture, and access to affordable healthcare and education.

Amundi invested in Valoregen, a French firm that was created in early 2019 to develop an innovative technology for soft plastics recycling and foster the circular economy of plastic. Through its proprietary mechanical and underdevelopment chemical advanced recycling technology, Valoregen seeks to meet the current and future needs of flexible plastic recycling and offer high quality recycled materials to the market. Valoregen provides advanced industrial solutions that promote responsible use of resources and minimize carbon footprint.

On behalf of its clients, **BlackRock** invested in Renner Energies, a renewable energy company headquartered in Belgium, which builds wind and solar plants, currently developing nearly 100 projects across France, Belgium and Spain. Altogether, these projects could meet the energy needs of approximately 1 million households. Additionally, the company is pioneering battery storage solutions to support the grid and efficiently utilise surplus energy generated by wind and solar farms during peak demand periods. All projects are developed in collaboration with local communities. In 2024, Renner Energies inaugurated a solar park in Brittany, one of the region's largest, transforming a former landfill site into a sustainable energy source powered by more than 17,300 panels which can cover the needs of 4,500 households, excluding heating.

Institutional investors advised by **JPMorgan Asset Management** acquired a leading line bus operator in Denmark. The operator provides essential mobility infrastructure services to public transport authorities in Denmark through a diversified portfolio of long-term, availability-based contracts. As of December 2024, around 50% of the buses operated are electric, and JPMorgan Asset Management intends to work together with the operator management to transition into a fully electric bus fleet. The operator will continue to focus on delivering high-quality services to local communities while playing a pivotal role in the transition to zero-emission public transport in Denmark.

In 2023, **Schroders** invested in Infobric, a software provider supporting construction companies by monitoring their workforce and equipment, resulting in improved on-site productivity and safety of operations. Several aspects of Infobric made the investment attractive. The firm is a clear market leader in its segment and geography with an attractive recurring revenue business model. The firm also had a clear M&A strategy with plans to further expand its product offering and potentially its geographic scope, whilst having had a proven add-on M&A track record.

District heating plays an important role in Finland. It has an overall 45% market share for heating and hot water, which is much higher in densely populated urban areas and for new buildings. Across the sector in Finland, fossil fuels and peat still make up nearly 50% of the heat production fuel mix. This sits in the context of a national target for Finland to be net zero by 2035. **abrdn Investments** currently holds four district heating network assets in Finland, all of which are substantially less emissions-intensive than the national average. They use heat predominantly from renewable sources or energy from waste facilities, and all have strategies to fully decarbonise heat production by 2030. abrdn Investments closed its most recent investment in this sector in the first quarter of 2024, acquiring a 49% interest in Etelä Savon Energia Oy (ESE), a regional energy business based in the City of Mikkeli in Eastern Finland.

Allianz Capital Partners (ACP), a subsidiary of **Allianz Global Investors (AllianzGI)**, has invested in Ren-Gas, a Finnish company pioneering green hydrogen and power-to-gas technologies. This company facilitates the production of renewable synthetic methane, crucial for decarbonizing heavy-duty transport and industrial sectors. ACP has also acquired a minority stake in Fuella AS, a Norwegian firm developing green hydrogen and ammonia projects, which are essential for promoting emission-free fuels.

Amundi Energy Transition led an acquisition of a wind power of 127 MW, comprising 11 farms in the Hauts-de-France, Bourgogne-Franche-Comté and Grand-Est regions of France, these wind turbines generate 250 GWh per year, equivalent to the average annual consumption of 43,000 households, with a potential upside of repowering and extension of the lifetime of the projects.

Annex 2: Statistical Data

A.1: European AuM, by geographical breakdown, at end 2023
(EUR billions and percent)

Country	AuM	% Δ in 2023 [1]	Market Share	AuM / GDP
UK	10,497	6%	35.0%	401%
France	4,842	7%	16.1%	173%
Switzerland	3,356	18%	11.2%	410%
Germany	2,994	9%	10.0%	73%
Netherlands	1,979	7%	6.6%	192%
Italy	1,497	6%	5.0%	72%
Spain [2]	506	13%	1.7%	35%
Denmark	467	-5%	1.6%	125%
Belgium	412	13%	1.4%	71%
Austria [3]	188	6%	0.6%	39%
Poland [4]	74	28%	0.2%	10%
Czech Republic	53	2%	0.2%	18%
Hungary	49	54%	0.2%	25%
Portugal	44	6%	0.1%	17%
Turkey	39	7%	0.1%	5%
Greece	22	35%	0.1%	10%
Slovakia	10	n.a.	<0.1%	8%
Slovenia	8	16%	<0.1%	12%
Croatia	4	n.a.	<0.1%	5%
Cyprus	3	n.a.	<0.1%	11%
Bulgaria	2	17%	<0.1%	2%
Other [5]	2,941	n.a.	9.8%	n.a.
Europe	**29,986**	**8%**	**100.0%**	**139%**
Of which: EU	**16,095**	**8%**	**53.7%**	**95%**

[1] End 2023 AuM compared to end 2022 AuM.
[2] Spanish data do not include comprehensive figures on mandates, only on discretionary portfolio management.
[3 & 4] Austrian and Polish data include investment fund assets only.
[5] 'Other' includes estimated data for the missing European countries.

A.2: Investment fund assets, by geographical breakdown of AuM, at end 2023
(EUR billions and percent)

Country	AuM	% Δ in 2023 [1]	Market Share	AuM / GDP
UK	4,759	6%	27.8%	182%
France	3,160	9%	18.5%	113%
Germany	2,414	7%	14.1%	59%
Switzerland	1,961	17%	11.5%	240%
Netherlands	826	7%	4.8%	80%
Italy	520	7%	3.0%	25%
Spain	388	14%	2.3%	27%
Denmark	313	0%	1.8%	83%
Belgium	235	12%	1.4%	40%
Austria	188	6%	1.1%	39%
Poland	74	28%	0.4%	10%
Hungary	37	58%	0.2%	19%
Turkey	35	10%	0.2%	4%
Portugal	26	9%	0.2%	10%
Czech Republic	24	7%	0.1%	8%
Greece	14	40%	0.1%	6%
Slovakia	10	n.a.	0.1%	8%
Slovenia	5	20%	<0.1%	8%
Croatia	4	n.a.	<0.1%	5%
Cyprus	3	n.a.	<0.1%	9%
Bulgaria	1	11%	<0.1%	1%
Other [2]	2,098	n.a.	12.3%	n.a.
Europe	**17,095**	**9%**	**100.0%**	**79%**
Of which: EU	**10,339**	**9%**	**60.5%**	**61%**

[1] End 2023 AuM compared to end 2022 AuM
[2] 'Other' includes estimated data for the missing European countries.

A.3: Discretionary mandates, by geographical breakdown of AuM, at end 2023
(EUR billions and percent)

Country	AuM	% Δ in 2023 [1]	Market Share	AuM / GDP
UK	5,737	6%	44.5%	219%
France	1,682	2%	13.0%	60%
Switzerland	1,394	19%	10.8%	170%
Netherlands	1,152	8%	8.9%	112%
Italy	977	5%	7.6%	47%
Germany	580	17%	4.5%	14%
Belgium [2]	177	14%	1.4%	30%
Denmark	155	-13%	1.2%	41%
Spain [3]	118	9%	0.9%	8%
Czech Republic	30	-2%	0.2%	10%
Portugal	18	1%	0.1%	7%
Hungary	13	46%	0.1%	6%
Greece	8	27%	0.1%	4%
Turkey	3	-15%	<0.1%	0.4%
Slovenia	3	10%	<0.1%	4%
Cyprus	0	n.a.	<0.1%	1%
Bulgaria	0	44%	<0.1%	0.4%
Croatia	0	n.a.	<0.1%	0.3%
Other [4]	843	n.a.	6.5%	n.a.
Europe	**12,890**	**7%**	**100.0%**	**60%**
Of which: EU	**5,758**	**7%**	**44.7%**	**34%**

[1] End 2023 AuM compared to end 2022 AuM.
[2] Belgian data include unit-linked insurance products and pension funds.
[3] Spanish data do not include comprehensive figures on mandates, only on discretionary portfolio management.
[4] 'Other' includes estimated data for the missing European countries.

A.4: Investment fund assets at end 2023
Ranking based on fund domiciliation and fund ownership
(EUR billions and percent)

Investment Funds by Country of Domiciliation				Investment Funds by country of Fund Ownership		
Country	**Net Assets**	**Market Share**		**Country**	**Net Assets**	**Market Share**
Luxembourg	5,285	26%		Germany	3,699	20%
Ireland	4,083	20%		United Kingdom	2,519	14%
Germany	2,653	13%		France	2,082	11%
France	2,277	11%		Switzerland	1,918	10%
United Kingdom	1,909	9%		Luxembourg	1,340	7%
Switzerland	883	4%		Italy	1,251	7%
Netherlands	826	4%		Netherlands	1,124	6%
Sweden	585	3%		Ireland	866	5%
Italy	373	2%		Sweden	772	4%
Spain	364	2%		Spain	700	4%
Denmark	275	1%		Belgium	511	3%
Austria	211	1%		Denmark	377	2%
Belgium	202	1%		Finland	338	2%
Norway	173	1%		Austria	293	2%
Finland	149	1%		Norway	208	1%
Liechtenstein	127	1%		Portugal	72	0.4%
Poland	74	0.4%		Czech Republic	65	0.4%
Turkey	68	0.3%		Poland	64	0.3%
Hungary	37	0.2%		Hungary	55	0.3%
Portugal	33	0.2%		Turkey	42	0.2%
Czech Republic	27	0.1%		Slovakia	27	0.1%
Malta	20	0.1%		Greece	23	0.1%
Greece	19	0.1%		Malta	14	0.1%
Slovakia	10	<0.1%		Cyprus	10	0.1%
Romania	7	<0.1%		Slovenia	9	<0.1%
Cyprus	6	<0.1%		Romania	8	<0.1%
Slovenia	5	<0.1%		Croatia	6	<0.1%
Croatia	3	<0.1%		Bulgaria	5	<0.1%
Bulgaria	1	<0.1%		Liechtenstein	n.a.	n.a.
Europe	**20,686**	**100%**		**Europe**	**18,398**	**100%**

A.5: Debt securities issued in the euro area and shares owned by euro-area investment funds
(At end 2023, EUR billions and percent)

Issuer	Total Securities Issued	Total Held by Euro Area Investors	Securities Held by Euro Area IFs	Share of Euro Area IFs among Euro Area Investors
General Government	11,331	8,611	1,033	12%
MFIs	5,065	2,779	841	30%
Non-Financial Corporations	1,698	1,477	582	39%
Other	3,871	2,734	729	27%
Total	**21,965**	**15,600**	**3,186**	**20%**

Source: EFAMA's calculation based on ECB data

A.6: Listed shares issued in the euro area and shares owned by euro area investment funds
(At end 2023, EUR billions and percent)

Issuers	Total Listed Shares Issued	Total Held by Euro Area Investors	Listed Shares Held by Euro Area IFs	Share of Euro Area IFs among Euro Area Investors
General Government	---	---	---	---
MFIs	582	400	126	31%
Non-Financial Corporations	7,590	4,759	1,089	23%
Other	1,503	801	151	19%
Total	**9,675**	**5,959**	**1,366**	**23%**

Source: EFAMA's calculation based on ECB data

A.7: AuM by type of client and country at end 2023
(Share in total AuM)

	Institutional Clients					Retail Clients
Country	**Pension Funds**	**Insurers**	**Banks**	**Other Inst.**	**Total Institutional**	**Total Retail**
Austria	8%	12%	3%	23%	47%	53%
Belgium	8%	6%	3%	20%	37%	63%
Bulgaria	20%	13%	4%	17%	53%	47%
Croatia	10%	6%	4%	17%	37%	63%
Cyprus	0%	1%	3%	46%	51%	49%
Czech Republic	26%	20%	7%	9%	62%	38%
Denmark	17%	4%	3%	17%	41%	59%
France	10%	45%	5%	8%	68%	32%
Germany	16%	27%	8%	13%	64%	36%
Greece	23%	9%	1%	7%	40%	60%
Hungary	12%	10%	0%	4%	26%	74%
Italy	5%	45%	1%	11%	62%	38%
Poland	0%	3%	0%	36%	40%	60%
Portugal	7%	16%	4%	25%	52%	48%
Slovakia	0%	0%	0%	0%	0%	100%
Slovenia	6%	45%	0%	1%	52%	48%
Spain	1%	2%	0%	11%	14%	86%
Switzerland	42%	12%	20%	13%	86%	14%
Turkey	31%	1%	10%	17%	60%	40%
UK	32%	13%	0%	29%	73%	27%
Europe	**24.0%**	**21.2%**	**4.9%**	**19.0%**	**69.2%**	**30.8%**

A.8: Breakdown of investment fund clients by AuM at end 2023
(Share in total AuM)

	Institutional Clients					Retail Clients
Country	Pension Funds	Insurers	Banks	Other Inst.	Total Institutional	Total Retail
Austria	8%	12%	3%	23%	47%	53%
Belgium	n.a.	n.a.	n.a.	n.a.	27%	73%
Bulgaria	26%	5%	5%	12%	48%	52%
Croatia	11%	6%	4%	18%	39%	61%
Cyprus	0%	0%	4%	53%	58%	42%
Czech Republic	0%	3%	14%	11%	28%	72%
Denmark	9%	1%	2%	10%	22%	78%
France	9%	26%	8%	12%	54%	46%
Germany [1]	19%	12%	10%	16%	57%	43%
Greece	3%	5%	1%	6%	15%	85%
Hungary	1%	3%	0%	2%	7%	93%
Italy	3%	11%	4%	4%	21%	79%
Poland	0%	3%	0%	36%	40%	60%
Portugal	3%	2%	6%	11%	21%	79%
Slovakia	0%	0%	0%	0%	0%	100%
Slovenia	0%	28%	0%	2%	30%	70%
Spain	1%	3%	0%	13%	17%	83%
Switzerland	30%	9%	31%	6%	76%	24%
Turkey	34%	0%	11%	17%	61%	39%
UK	31%	6%	0%	4%	40%	60%
Europe	20.6%	11.4%	8.0%	8.6%	49.0%	51.0%

[1] German data for institutional clients are based on the clients of open-ended Spezialfonds domiciled in Germany.

A.9: Breakdown of discretionary mandate clients by AuM at end 2023
(Share in total AuM)

	Institutional Clients					Retail Clients
Country	Pension Funds	Insurers	Banks	Other Inst.	Total Institutional	Total Retail
Belgium	n.a.	n.a.	n.a.	n.a.	50%	50%
Bulgaria	0%	38%	0%	31%	69%	31%
Croatia	0%	1%	0%	1%	1%	99%
Cyprus	0%	6%	0%	0%	6%	94%
Czech Republic	51%	36%	0%	7%	94%	6%
Denmark	34%	11%	6%	31%	82%	18%
France	13%	80%	1%	1%	93%	7%
Germany	2%	88%	2%	3%	95%	5%
Greece	58%	17%	1%	7%	84%	16%
Hungary	42%	30%	0%	9%	81%	19%
Italy	7%	63%	0%	14%	84%	16%
Portugal	14%	36%	1%	44%	94%	6%
Slovenia	15%	74%	0%	1%	90%	10%
Spain [1]	0%	0%	0%	5%	5%	95%
Switzerland	57%	15%	4%	23%	100%	0%
Turkey	5%	14%	4%	27%	51%	49%
UK	32%	18%	0%	49%	100%	0%
Europe	28.0%	33.6%	0.8%	31.6%	94.9%	5.1%

[1] Spanish data do not include comprehensive figures on mandates, only on discretionary portfolio management.

A.10: Asset allocation by country at end 2023
(Percent)

	Investment Funds				Discretionary Mandates				Funds and Mandates			
Country	Equity	Bond	Cash/ MMI	Other	Equity	Bond	Cash/ MMI	Other	Equity	Bond	Cash/ MMI	Other
Austria	19%	30%	0%	51%	n.a.	n.a.	n.a.	n.a.	19%	30%	0%	51%
Belgium	55%	38%	5%	2%	28%	60%	6%	6%	43%	48%	5%	4%
Bulgaria	62%	21%	4%	13%	23%	74%	3%	0%	53%	33%	4%	10%
Croatia	27%	54%	13%	5%	24%	42%	23%	12%	27%	53%	14%	6%
Cyprus	17%	9%	4%	70%	45%	27%	20%	8%	21%	11%	6%	62%
Czech Republic	18%	28%	9%	45%	27%	57%	7%	9%	24%	46%	8%	22%
Denmark	53%	30%	1%	16%	42%	47%	0%	11%	49%	36%	1%	14%
France	29%	23%	17%	31%	8%	75%	4%	13%	22%	41%	12%	25%
Germany	26%	30%	5%	39%	10%	67%	6%	17%	23%	37%	5%	35%
Greece	27%	52%	9%	12%	38%	48%	11%	3%	31%	51%	9%	9%
Hungary	13%	38%	29%	20%	26%	58%	7%	9%	16%	43%	24%	17%
Italy	30%	45%	7%	19%	22%	75%	3%	1%	25%	64%	5%	7%
Poland	11%	35%	0%	54%	n.a.	n.a.	n.a.	n.a.	11%	35%	0%	54%
Portugal	20%	27%	7%	46%	7%	78%	2%	13%	14%	48%	5%	33%
Slovakia	21%	12%	0%	67%	n.a.	n.a.	n.a.	n.a.	21%	12%	0%	67%
Slovenia	73%	17%	6%	4%	14%	78%	4%	5%	51%	39%	5%	4%
Spain	27%	66%	5%	1%	27%	66%	5%	1%	27%	66%	5%	1%
Switzerland	28%	24%	4%	45%	28%	24%	4%	45%	28%	24%	4%	45%
Turkey	18%	38%	29%	16%	2%	11%	12%	75%	17%	36%	27%	20%
UK [1]	64%	24%	3%	9%	24%	35%	8%	32%	42%	30%	6%	22%
Europe	**41%**	**27%**	**6%**	**25%**	**22%**	**46%**	**6%**	**26%**	**33%**	**35%**	**6%**	**26%**

[1] UK data on investment funds include assets managed in the UK on behalf of foreign-domiciled funds, for which an accurate asset allocation breakdown is not available. EFAMA has therefore made estimates for the purposes of this table.

A.11: Asset allocation of actively vs. passively managed assets by country at end 2023
(Percent)

	Investment Funds		Discretionary Mandates		Funds and Mandates	
Country	Actively managed assets	Passively managed assets	Actively managed assets	Passively managed assets	Actively managed assets	Passively managed assets
Croatia	98%	2%	98%	2%	98%	2%
Cyprus	98%	2%	90%	10%	97%	3%
Czech Republic	99%	1%	100%	0%	100%	0%
Denmark	86%	14%	95%	5%	89%	11%
France	93%	7%	n.a.	n.a.	93%	7%
Germany	97%	3%	n.a.	n.a.	97%	3%
Greece	98%	2%	94%	6%	96%	4%
Hungary	100%	0%	100%	0%	100%	0%
Italy	99%	1%	n.a.	n.a.	99%	1%
Portugal	100%	0%	100%	0%	100%	0%
Slovenia	100%	0%	100%	0%	100%	0%
Spain	98%	2%	98%	2%	98%	2%
Switzerland	69%	31%	69%	31%	69%	31%
Turkey	94%	6%	100%	0%	95%	5%
UK	77%	23%	60%	40%	68%	32%
Europe	**85%**	**15%**	**63%**	**37%**	**77%**	**23%**

Authors

Bernard Delbecque
Senior Director for Economics and Research
bernard.delbecque@efama.org

Vera Jotanovic
Senior Economist
vera.jotanovic@efama.org

Thomas Tilley
Senior Economist
thomas.tilley@efama.org

Hailin Yang
Data Analyst
hailin.yang@efama.org

[i] We are grateful to EFAMA's Economics and Research Standing Committee for valuable discussions on the state of the asset management industry. The views expressed in this report do not necessarily represent those of the Committee, and any errors are ours.

[ii] A broad yet liquid subset of the STOXX Europe 600 Index. With a variable number of components, the index represents large, mid and small capitalisation companies of 11 Eurozone countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

[iii] As explained in the introduction, this report is primarily based on end-2023 data received from EFAMA member associations. The AuM at end Q3 2024 have been estimated on the basis of the growth in investment fund assets between January - September 2024.

[iv] Table A.1 in annex 2 contains further information on the AuM per country.

[v] Table A.2 in annex 2 contains further data on the investment fund AuM per country.

[vi] Table A.4 in annex 2 ranks European countries according to two separate metrics. It shows the investment fund net assets domiciled in each European countries compared to the fund ownership in those countries. These three different perspectives - fund management, fund domiciliation and fund ownership - each offer a different but complementary way to assess the European investment fund market by country.

[vii] Table A.3 in annex 2 contains further information on discretionary mandate assets per country.

[viii] For more information on the clients of the asset management industry, see Section 3.

[ix] See Letta report (2024)

[x] See EFAMA (2024), page 63, Fact Book 2024.

[xi] See EFAMA (2024), page 66, Fact Book 2024.

[xii] See AMF (2023). 'Close to 40% of new equity investors are under 35'.

[xiii] See EFAMA (2024), page 44, Fact Book 2024.

[xiv] See AMF (2024), The activity of retail investors active in equities and ETFs increased further in Q2 2024.

[xv] See EY (2024), ETF report 2024

[xvi] See Blackrock (2024), People & Money – The trends shaping investing in Europe

[xvii] See The IA (2024), page 40, 'Investment Management Survey 2023-2024'.

[xviii] The share of retail clients in the total investment fund assets managed in Europe (51%) is significantly higher than the share of investment fund assets owned by retail investment, as reported in EFAMA Fact Book on the basis of ECB data. This can be explained by two factors. First, the investment fund data presented in this report relates to the ultimate clients of investment funds, whereas the ECB data on fund ownership has the perspective of the initial direct owner of the fund. For this reason, a relatively high share of fund ownership reported - according to the ECB - concerns funds owned by other investment funds (24.5% at end-2023). Second, the Netherlands - a country with a large institutional fund market - is not covered in Exhibit 4.2, which skews the share of retail clients. On the other hand, the combined share of insurers and pension funds is roughly equivalent (32% compared to 33%).

[xix] Tables A.7, A.8 and A9 in annex 2 contain further data on the AuM by type of client and per country.

[xx] See endnote xvii.

[xxi] See The IA (2023) page 21 'Investment Management Survey 2023-2024'.

[xxii] See EFAMA (2024), page 32, Fact Book 2024.

[xxiii] See EFAMA Market Insights #13: 'UCITS ETFs: A growing market in volatile times' and EFAMA 2024, page 44, Fact Book 2024.

[xxiv] Table A.11 in annex 2 contains further information on the active/passive asset allocation in funds and mandates for a number of European countries.

[xxv] Table A.10 in annex 2 contains data on the asset allocation of investment funds and discretionary mandates per country at end 2023.

[xxvi] See EFAMA (2024), page 38, Fact Book 2024.

[xxvii] For the subset of countries for which data are available.

[xxviii] SFDR Article 8 and 9 funds are also being managed in other countries, predominantly the UK but also in countries outside of Europe. Unfortunately, comprehensive data on the management of SFDR Article 8 and 9 funds in those countries are not available.

[xxix] Data on Article 8 and Article 9 funds domiciled in the Netherlands, Sweden, Finland and Norway are used as a proxy for Article 8 and 9 funds managed in those countries. In the case of Switzerland, the funds covered are funds domiciled in the EU and managed in Switzerland.

[xxx] See EFAMA Market Insights #12: 'The SFDR Fund market – State of play'.

[xxxi] See for example Broadridge (2024): US & European fund fee trends; Exploring a decade of transformation.

[xxxii] See Luxembourg for Finance and Deloitte (2022), LFF-Deloitte-State of the financial sector in Luxembourg.

[xxxiii] See Irish Funds (2024), Indecon Report Assessment of the impact of Funds & Asset Management Industry on the Irish Economy.

[xxxiv] See AFG (2011). 'CAHIERS DE LA GESTION -2'.

EFAMA

European Fund and Asset Management Association

About EFAMA

EFAMA is the voice of the European investment management industry, which manages about EUR 33 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities.

EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

More information is available at www.efama.org

Rue Marie-Thérèse 11 | B-1000 Bruxelles
T +32 2 513 39 69 | info@efama.org | www.efama.org
EU transparency register: 3373670692-24