Dolphinvest Global Asset Managers Barometer

July 2024

Promotional material

No alternative to alternatives

Since the third quarter of last year, the asset management industry has been experiencing an upswing, with the second quarter of 2024 continuing this trend. On the one hand, this is attributable to the performance of global equity markets. On the other hand, a structural transformation is taking place in the industry, leading to higher returns. And even though it may be difficult for an equity investor these days to believe it, this transformation has nothing to do with AI for a change.

Digitalisation, tokenisation and artificial intelligence certainly play an important role for the industry in the media. After all, several large US investment companies – such as BlackRock, Invesco and Franklin Templeton – have made great efforts to gain the approval of the Securities and Exchange Commission (SEC), the US financial supervisory authority, for the launch of bitcoin ETFs. The time came in January 2024, and it was definitely a sales success.

Yet there are justifiable doubts about whether business processes are already AI-based to any significant extent and have become noticeably cheaper. Hence, while the vision of a beneficial AI technology spurs the imagination of investors, the business reality in the asset management industry is quite different.

The unabated charm of the cheap fund is just as real. The industry is not getting tired of keeping the ETF birth rate high. The profiteers are the big players in the market that have enough financial resources to keep newly launched ETFs or commercially spurned ETFs afloat through cross-subsidies – or at least until an ETF is carried to the grave for lack of assets or for other reasons.

The big players are already engaged in a price war that carries the risk – at least theoretically – that an ETF manager will run out of steam financially to provide subsidies, given an excessively unattractive J curve. The scenario of this happening to several ETF managers at the same time could be assessed as a systemic risk by pessimists, and perhaps also by regulatory authorities one day.

Pressure on the margins of traditional investment companies – at least partially caused by the success of ETFs – explains why private markets are arousing interest in a sustained way. While private equity, venture capital and other private market fund providers have had a relatively hard life over the past two years due to the interest rate turnaround, this was more than offset by traditional asset managers' demand for investments in the private market segment. "Alternatives" attract longing looks, particularly from traditional managers whose core business is losing earning power, and who are not yet, or no longer, in a position to improve their company's efficiency and profitability in any meaningful way.

From the group of publicly listed companies, it was BlackRock that paid USD 12.6 billion for the purchase of Global Infrastructure Partners. This was a kind of starting signal for takeovers of alternative asset managers in 2024. But Germany's Commerzbank, which is building up its own

asset management business again after years of abstinence, was also able to set an example – at least in the domestic market – by acquiring a majority stake in Aquila Capital.

According to a report by the consulting firm EY, publicly listed alternative asset managers have been responsible for most deals with private market managers since 2012. Therefore, the news at the beginning of 2024 that the Luxembourg-based private equity fund company CVC was staging an initial public offering is consistent with the long-standing trend.

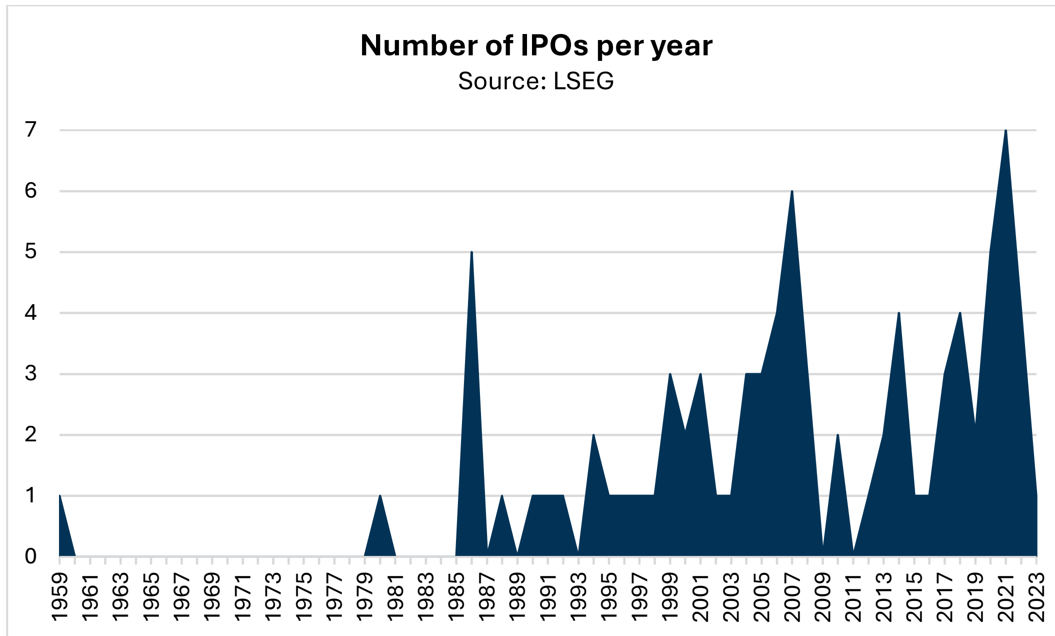
As far as M&A activities are concerned, the big publicly listed companies profit from robust balance sheets and liquid assets, and actually derive practical benefit from the unpleasant public pressure of constantly having to maximise their assets under management. By contrast, private firms struggle with the special challenges of self-financed mergers and access to debt financing.

Allianz X, a private equity firm of the Allianz Group, announced a transaction in February 2024, whereby Allianz would invest up to USD 300 million in AlTi Tiedemann Global (publicly listed). The US company combines asset management for high-net-worth private clients with product expertise in the alternative investment segment.

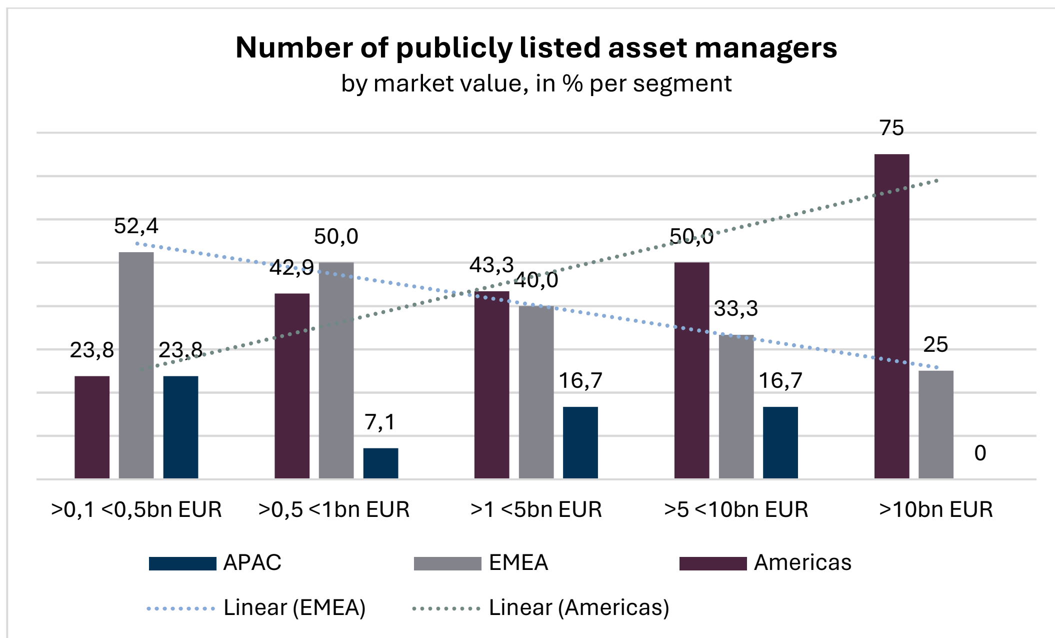
At the transatlantic level, however, there were also transactions with traditional asset managers. The publicly listed Amundi, for example, invested in the also publicly listed Victory Capital, which offers traditional investment solutions in the US market and is now taking over Amundi's US business. In return, Amundi receives a 26.1% stake in Victory. Both companies also agreed to a 15-year mutual and exclusive sales deal within and outside the US.

Among the last 15 IPOs in the asset management industry, there were 10 by alternative investment managers. In the US and other capital markets, the number of publicly listed companies has been declining for years across all industries. By contrast, the number has been growing in Asia and other developing markets. The number of IPOs is also falling. The increasing unattractiveness of public markets (i.e. poorer returns, greater transparency requirements) is often put forward as a reason.

By contrast, an inverse trend stands out for the asset management industry: The number of IPOs here has increased little by little over the past three decades, with the US and European markets leading this statistic.



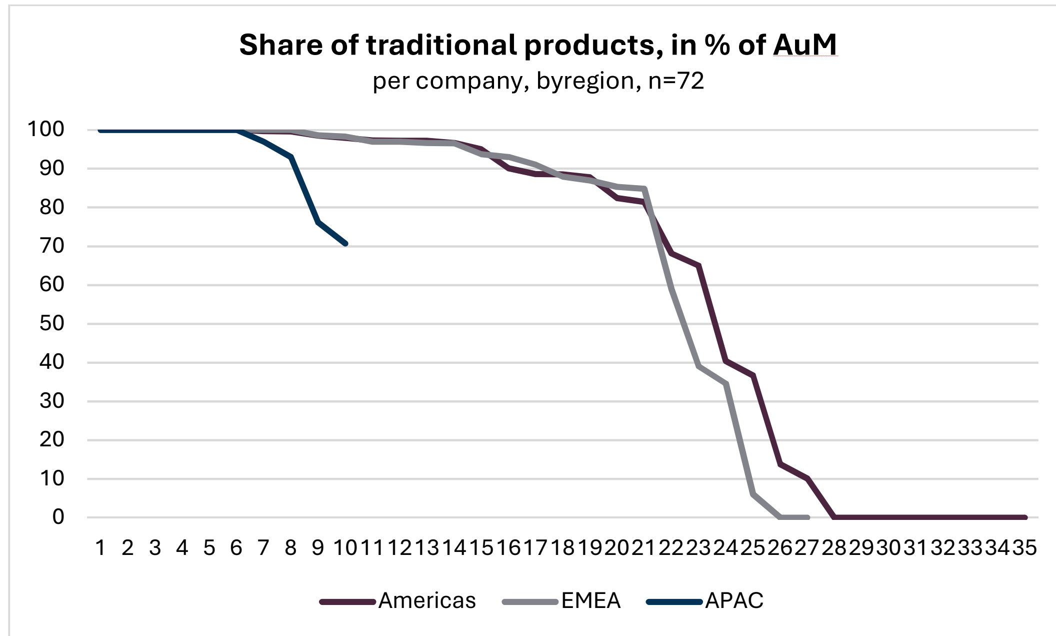
From the currently 100 publicly listed asset managers, 43% have their headquarters in the Americas; 42% in Europe, the Middle East and Africa (EMEA); and 15% in the Asia-Pacific (APAC) region. The regions differ regarding the average market capitalisation of asset managers.



America has the largest share (75%) of asset management companies with a capitalisation of more than EUR 10 billion, and a 50% share of companies with a market value of EUR 5 billion to EUR 10 billion. EMEA and APAC, on the other hand, represent 75% of companies with capitalisations of EUR 100 million to EUR 500 million. The situation is more regionally balanced in the segments for market capitalisations of EUR 500 million to EUR 5 billion.

More and more asset management companies are expanding their product range by adding private market strategies. The shift from public into private markets is already advanced. The average share of traditional funds and investment strategies as a percentage of total assets

under management (AuM) is 64% in America. The median is 88%, meaning that half of all American publicly listed asset managers have a traditional product share that doesn't exceed 88% of the asset management company's total AuM.



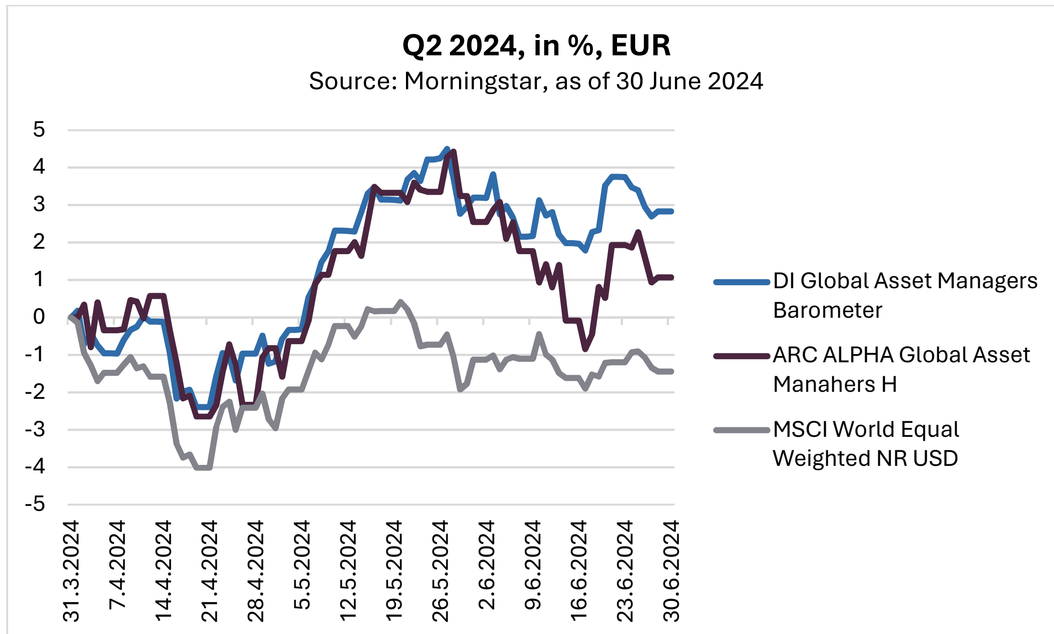
Only 17% of American managers and 30% of EMEA managers reported that traditional products accounted for 100% of their total offerings in the 2023 business year. In EMEA, the figures for traditional products are around 80% (average) and 95% (median), compared with 94% (average) and 100% (median) in the APAC region.

Alternative managers also top the valuations league table. With respect to the market cap-to-AuM ratio, seven alternative managers are among the top 10 globally, with three from Asia and Latin America. This is also reflected in the price-to-sales ratio from 31 December 2023 to 30 June 2024: Five of the top 10 come from the alternative investment camp, and three managers have their headquarters in the Asia-Pacific region.

As far as the net sales-to-AuM ratio is concerned, alternative managers and Asian companies were among the top 10, along with wealth managers, in 2023. In 57% of all cases worldwide, full year annualised sales projections for 2024, based on first-quarter figures, are higher than 2023 figures.

Net inflows made a positive contribution to sales performance. Compared with assets under management from the previous year, global net inflows rose 0.87% on average in 2023 (the median declined 0.16%). The annualised net inflow rates have improved in 2024 versus 2023, reaching an average of +1.3% (median +0.62%).

In both time periods, alternative asset managers dominated the top 10, except for two ETF providers that were in the top 10 of managers with the best relative net inflows in 2023. In 2023, net inflow rates ranged from about +32% to -20%, compared to rates of between around +26% and -25% expected in 2024. The biggest problems in sales were and still are experienced by EMEA companies (seven of the bottom 10 in 2023 and five of the bottom 10 in 2024).



As the only fund worldwide that invests exclusively in the shares of publicly listed asset managers, the ARC ALPHA Global Asset Managers performed better than the broader equity market in the second quarter of 2024. The fund showed a quarterly gain of 1.1%, while the MSCI World Equal Weighted Index declined by 1.4%. We see further upside potential for the asset management sector and the fund in the coming months.

If you have any questions, please contact:

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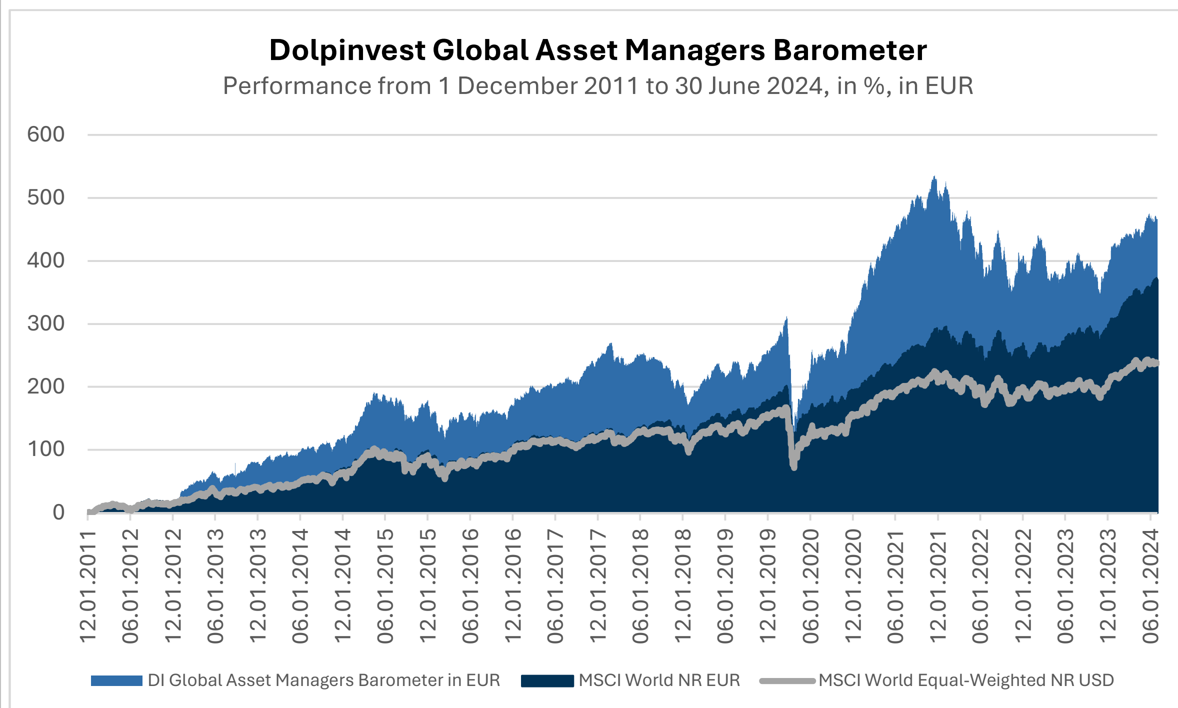
What is the Dolphinvest Global Asset Managers Barometer?

Each quarter we publish the "Dolphinvest Global Asset Managers Barometer". This barometer is a tool for us to analyse the current situation of the asset management industry and to illustrate the view of international investors on the industry. For this reason, the "Dolphinvest Global Asset Management Barometers'" publication is by no means a buy or sell recommendation.

The barometer displays the performance of more than 100 listed asset management companies in EUR. For inclusion in the barometer, it is a mandatory requirement that a minimum of 75% of the overall revenue of a company is derived from asset management fees. Banks and insurance companies that have major asset management entities will, therefore, normally not be included in the barometer. The barometer represents all continents.

The transparency of listed asset management companies enables us to consolidate relevant information on the individual asset management companies included in the barometer into generally valid statements and to take them into account in our consulting work. Depending on the mandate, we divide the universe of constituents of the "Dolphinvest Global Asset Managers Barometer" into groups of similar companies against which we then benchmark our clients.



Sources: Dolphinvest Capital, Morningstar. As of 30 June 2024. Past performance is no reliable indicator of future returns and is not constant over time.

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