



News release

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90% of Asset Management CEOs are confident of revenue growth over the next three years

A PwC survey of asset management CEOs globally shows just 30% expect the global economy to improve in the next 12 months, down from 39% the previous year. What's more, as they were surveyed before China's slowing economy sparked a rout in global equity markets, this high level of doubt may have risen since.

However, PwC's report '**Redefining business success in a changing world**', which surveyed 189 asset management CEOs in 45 countries, reveals their confidence in their prospects remains unshaken. There's considerable optimism about growth in underlying assets. 90% are confident of revenue growth in 2016, with this majority almost absolute, at 95%, over three years.

China still ranks second to the US – but only just

As is often the case in uncertain times, CEOs have turned to their traditional markets for growth, with some appearing to shelve plans to expand in China.

39% view the US as the most important market outside their country of origin in 2016, with 23% looking to Germany and 13% to the UK.

While 24% still see China as the most important market for them, this is far lower than 31% in 2014, a level the country had held for several years. According to PwC, hopes for a surge in business from China's newly affluent middle classes are likely postponed by the economy's mounting problems.

Towards a multi-polar world

58% asset management CEOs anticipate multiple economic models, while 52% see a rise of nationalism and devolved nations, 76% see multiple rules of law and liberties, and 81% multiple beliefs and value systems. Such diffusion has practical consequences, creating barriers to fund distribution. In time, however, PwC expects four regionally connected distribution blocks to develop, namely: North Asia, South Asia, Latin America and Europe.

Addressing a wider range of stakeholder expectations

Most asset management CEOs think 'responsibility' will play an important part in defining their success in five years' time. Most significantly, 86% say they will prioritise long-term over short-term profitability. Furthermore, 69% say they will report on both financial and non-



financial matters, while 68% anticipate corporate responsibility being core to everything they do.

“What’s already true is that environmental, social and governance is a term creeping into the industry’s lexicon,” notes PwC Global Wealth and Asset Management Leader, Barry Benjamin.

“Big European investors, with nearly €13trn in assets between them, formed the Institutional Investors Group on Climate Change at the 2015 COP21 Paris climate change conference. From a fiduciary perspective, it’s becoming accepted that investors need to take into account climate change risks.”

Reviewing Risk Management, Marketing and Technology to remain competitive

Almost all asset management CEOs (92%), are responding to changing stakeholder expectations by looking at how they define and manage risks. In the past, they tended to look only at investment risk.

There is a revolution underway within marketing departments. 89% say changes in stakeholders’ expectations mean they are reviewing how they manage brand, marketing and communications. They are refocusing the brand on investor outcomes while reorienting communication towards digital and social media. Content marketing is beginning to have concrete results for the firms pioneering this.

85% are examining how they use technology to improve the stakeholder experience. Indeed, asset managers have an opportunity to learn from ecommerce firms that have harnessed ‘big data’ so successfully.

85% of CEOs are looking to respond to shifting stakeholder expectations by reviewing whom they partner with and how they manage these partnerships. They are seeking to fill product gaps as they move to the centre of finance’s ecosystem. Partnerships and other alliances are important ways of doing this.

Technology and customer engagement

64% of CEOs believe data and analytics are the most effective means for engaging customers, while 52% favour social media communication and engagement, another indicator the sector is embracing digital content marketing.

Benjamin concludes:

“Asset management is going through a time of fundamental change. This is a time of great opportunity for growth, yet asset managers need to become more innovative, leverage technology, manage a wider range of risks and use digital communication intelligently if they are to remain competitive. In ten years’ time the sector is likely to be far bigger, but asset management companies will look very different from today.”

ENDS

Notes to Editors:

PwC’s report ‘**Redefining business success in a changing world**’, is based on the response from 189 asset management CEOs in 45 countries. To see the full results of PwC’s 19th Annual Global Survey, please visit www.pwc.com/ceosurvey

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