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Strategic growth in a volatile era: Reassessing asset management strategy in a risk-aware market

Global Demand Model Annual Trends Report

Executive Edition

This edition contains selected analyses and findings from the complete Global Demand Model Annual Trends 2026 Report.

Executive summary

The global asset management industry is set for significant change over the coming years, with geopolitics, macroeconomics, and evolving investor demographics playing a leading role in driving material asset, net flow and revenue shifts.

Global growth dynamics

With a rapidly evolving global landscape, we uncover global growth dynamics and the themes that are shaping the future of the industry.

Importance of the individual investor for private markets

Traditionally, institutions have been the focus for private market distribution – we are now in the era of the individual investor providing fertile ground for PM distribution.

Active ETFs continue to drive global growth

Active ETFs continue to draw attention on a global scale as more industry participants outside of North America compete for flows.

Distribution is a key enabler for growth

Firms are evolving from investment-led organisations into distribution-led organisations, as distribution alpha becomes a key component to unlocking growth.

Strategy toolkit

Understanding shifting industry dynamics, and the role data can play in identifying growth opportunities, is table stakes for supporting your organisation's future growth.

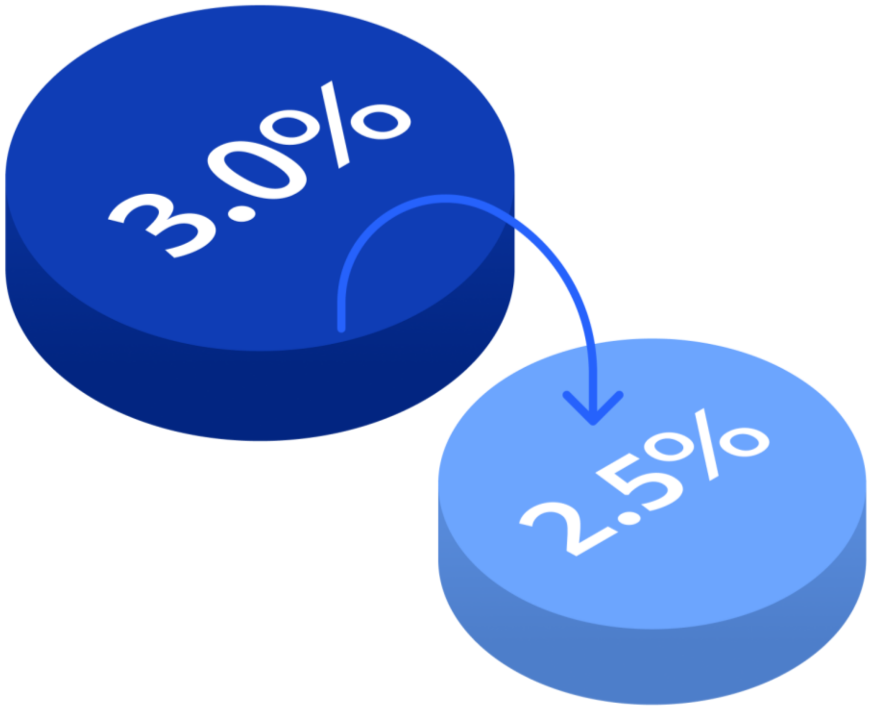
Global growth dynamics

As the industry faces a more complex and demanding environment, business leaders are being forced to take a more disciplined approach to where they allocate investment in order to drive resilient, long-term growth.

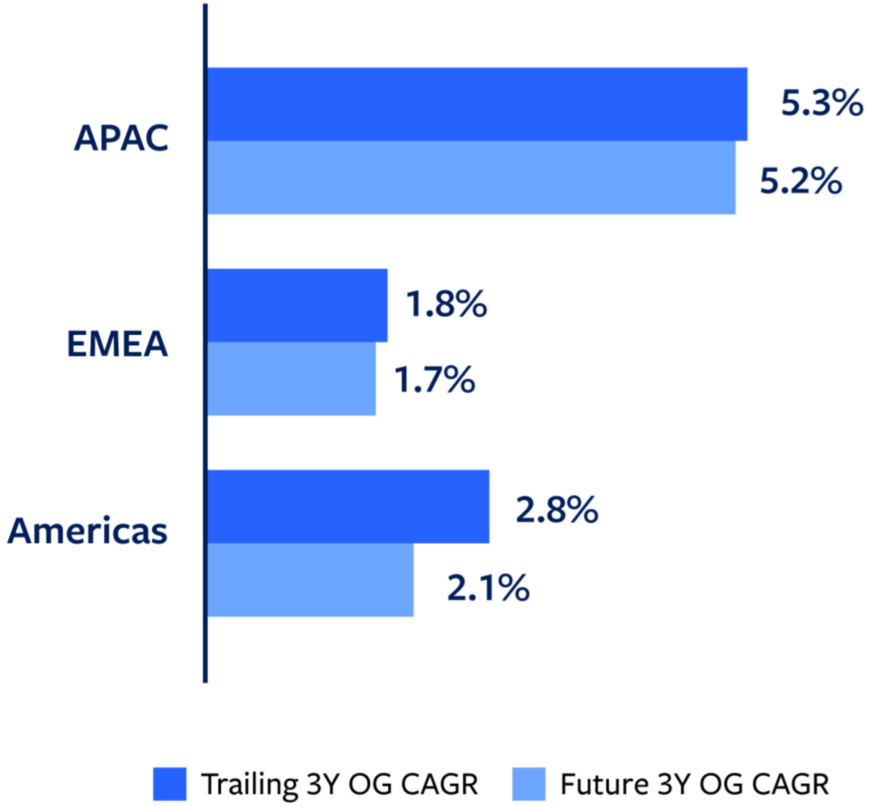
A cautious outlook coupled with material downside risk stalks industry growth

As the industry grapples with a rapidly evolving landscape, translating current events into future trends has been core to growth

Future vs Past Annualized 3Y Organic Growth
Organic Growth CAGR % p.a.



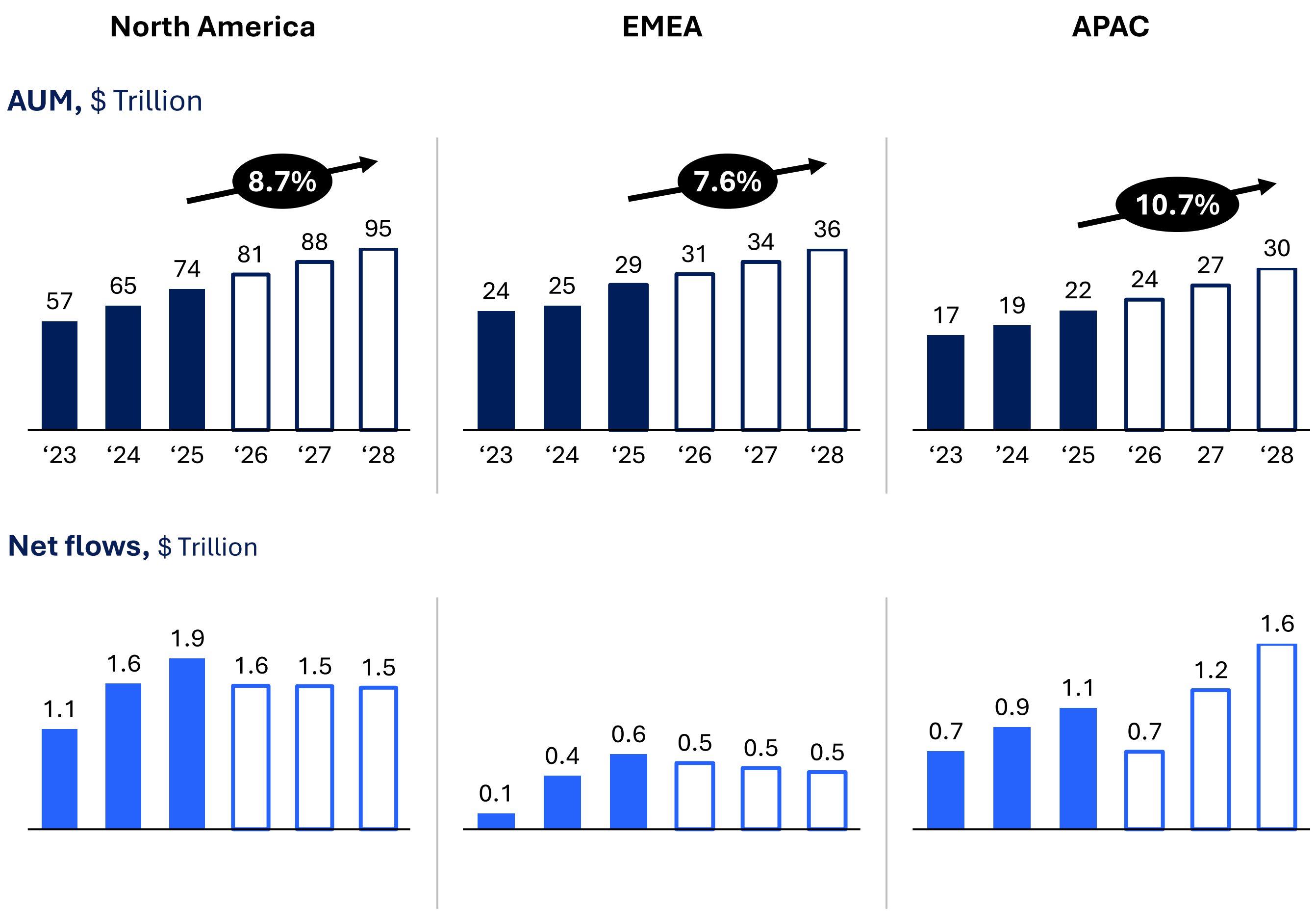
Regional Split: Future vs Past Annualized 3Y Organic Growth
Organic Growth CAGR % p.a.



Muted outlook amid rising geopolitical and macroeconomic pressure

Despite sustained volatility across global markets in recent years, growth has remained relatively resilient. That outlook is now becoming more challenged, as rising geopolitical tensions and macroeconomic headwinds increasingly weigh on the global growth trajectory.

APAC is expected to remain the industry's primary growth engine, supported by a strong track record of organic expansion and a broadly positive medium- to long-term outlook, even as near-term visibility becomes more uncertain. However, while sentiment toward APAC remains constructive, meaningful downside risks persist, particularly as growth will depend on the evolution of key external factors, including conflict in the Middle East and continued tariff-related disruption.

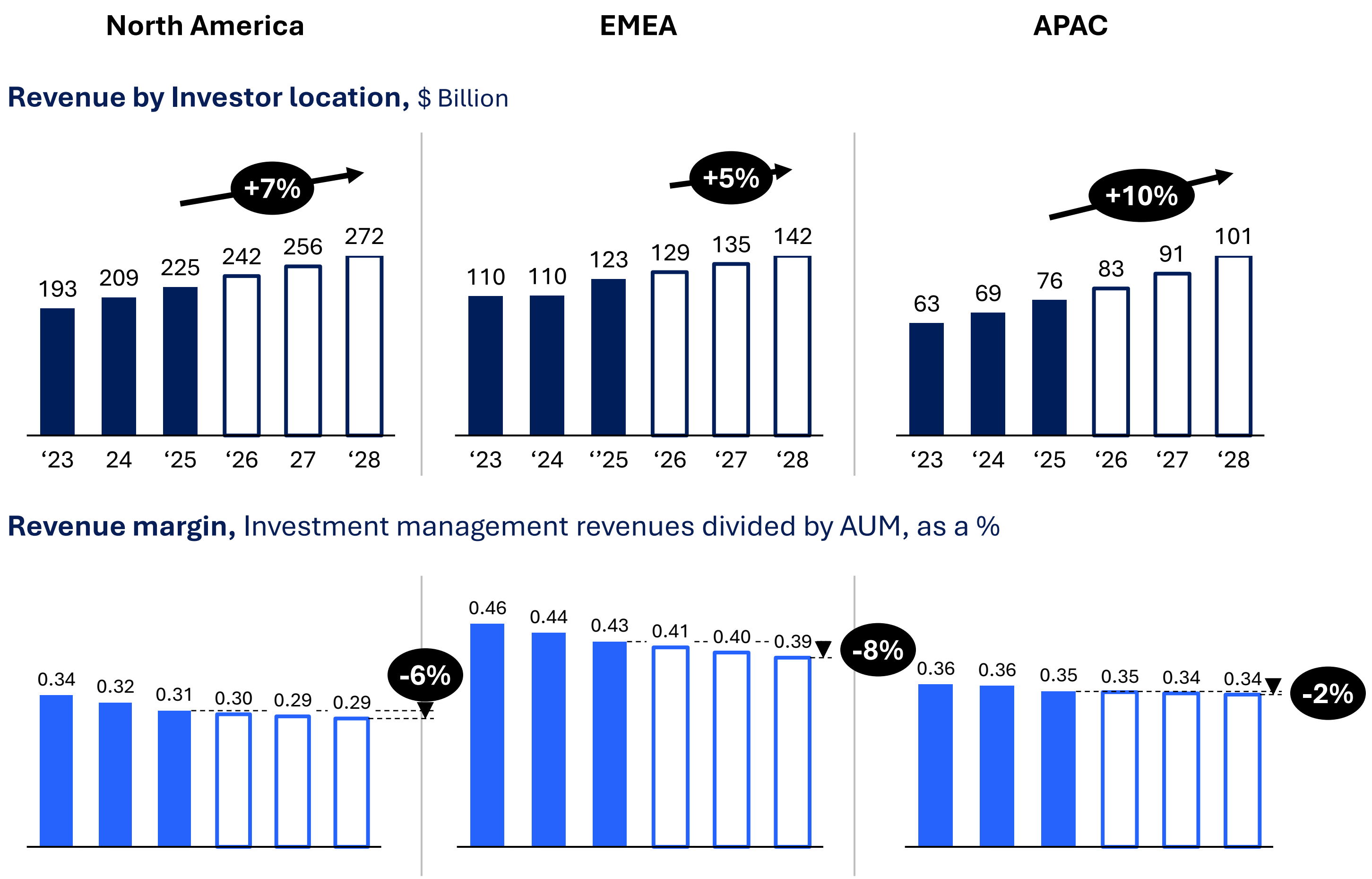


Retail capital remains key in unlocking future revenue growth

Against a backdrop of ongoing fee compression, revenue is expected to continue growing, supported by a favourable asset mix and resilient market performance. Key drivers include the continued growth of the retail channel, increased allocation to higher-yielding products such as private markets, and strong market performance supporting top-line expansion.

At the same time, managers face a more challenging path to growth. The continued rise of passive products remains a structural pressure, while global competition is intensifying as firms expand internationally and deepen their position in existing markets.

Within this context, North American retail is expected to remain the primary driver of regional revenue growth, while EMEA is likely to see more subdued expansion alongside the sharpest margin compression across regions.



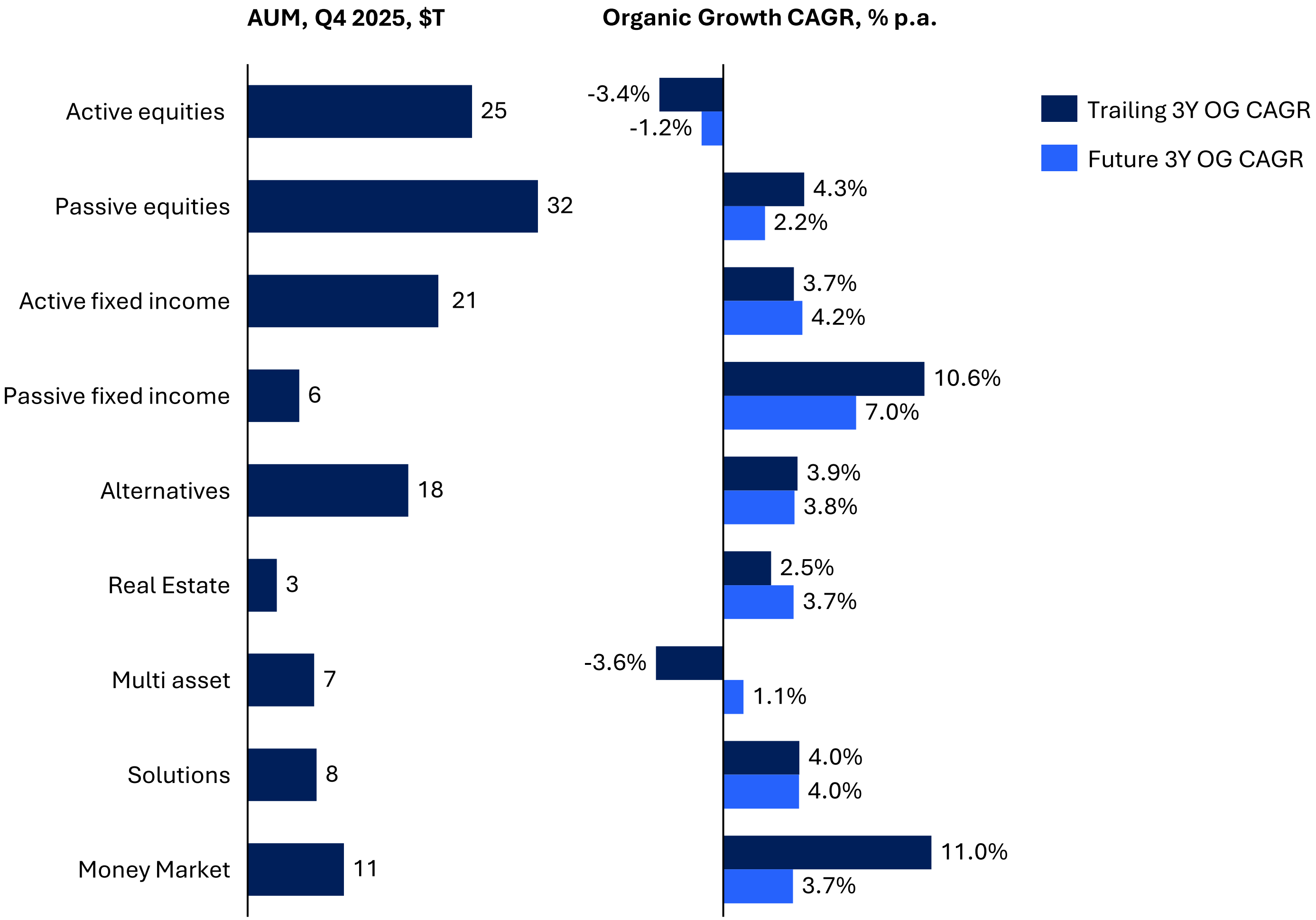
Evolving client demand is reshaping strategy growth dynamics

Fixed income remains favourably positioned, although allocations are becoming more selective, with investor demand more focused on income generation rather than broad, indiscriminate exposure across the asset class.

Active equities remain under pressure from passive substitution and fee compression. However, in a more volatile market environment, the value proposition for active management is becoming more apparent, particularly where managers can demonstrate downside protection and differentiated risk management. Product innovation, including the continued growth of active ETFs, is also helping to support the segment.

Finally, the democratisation of private markets remains a key structural theme. Continued product development, platform access and industry partnerships are expected to support broader adoption and drive future growth.

Global market industry key metrics



US growth increasingly pressured by the current global backdrop

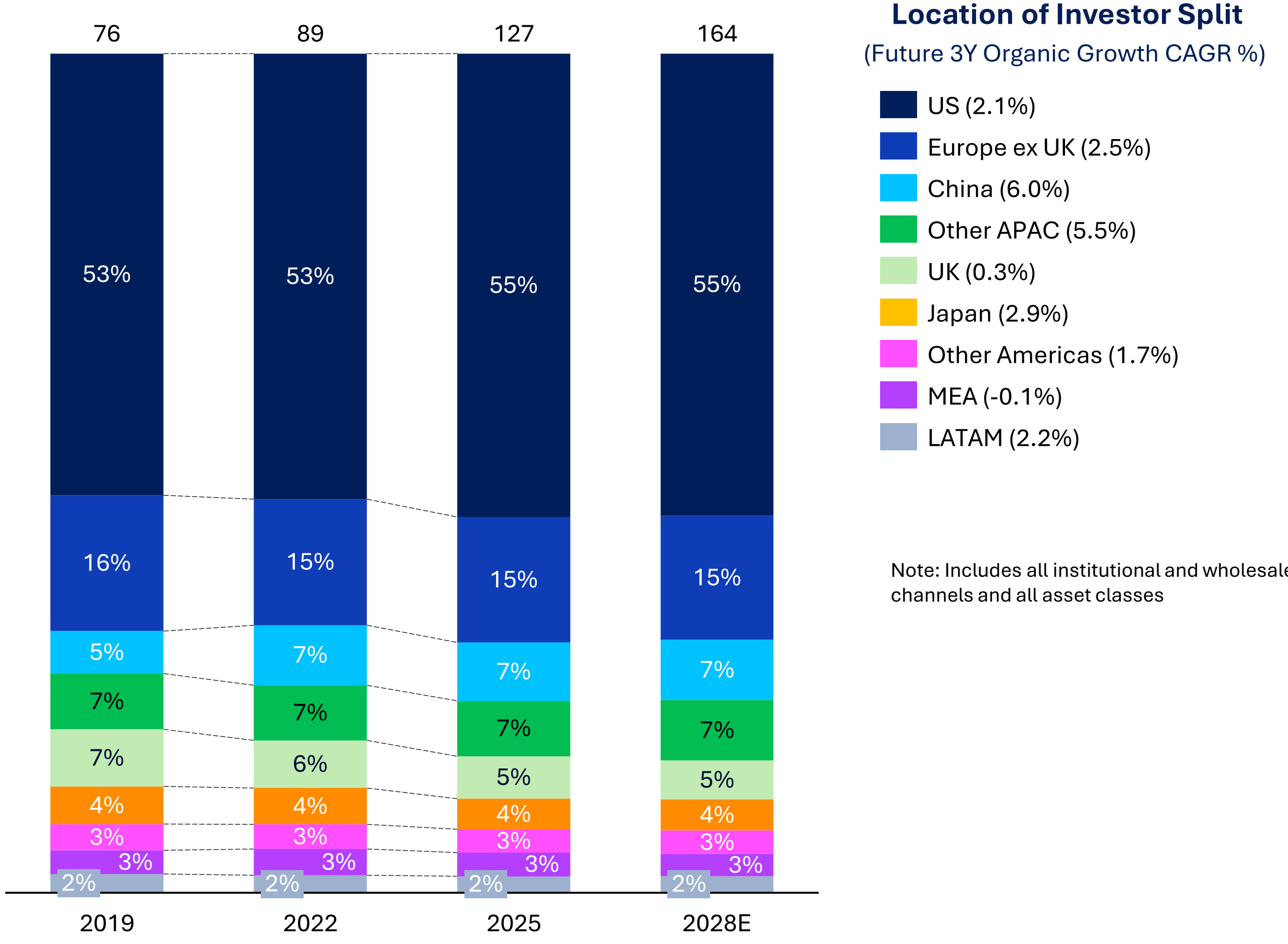
Global AUM mix is expected to remain broadly stable over the next three years, as markets assess the implications of rising geopolitical tension and persistent macroeconomic pressure.

The US is set to retain its position as the largest global asset pool, although its relative scale is likely to temper future growth rates. With retail investors accounting for more than half of the market, growth in the US channel will remain closely linked to broader economic outcomes and the extent to which they translate into household investing capacity and confidence.

Despite a more uncertain backdrop, APAC is expected to continue delivering strong growth, reinforcing its role as a key engine of industry expansion, with Japan likely to remain the region's relative underperformer.

Global AUM split by location of investor

$ Trillion / %



Note: Includes all institutional and wholesale/retail channels and all asset classes

Strategy ranking remains resilient at the top

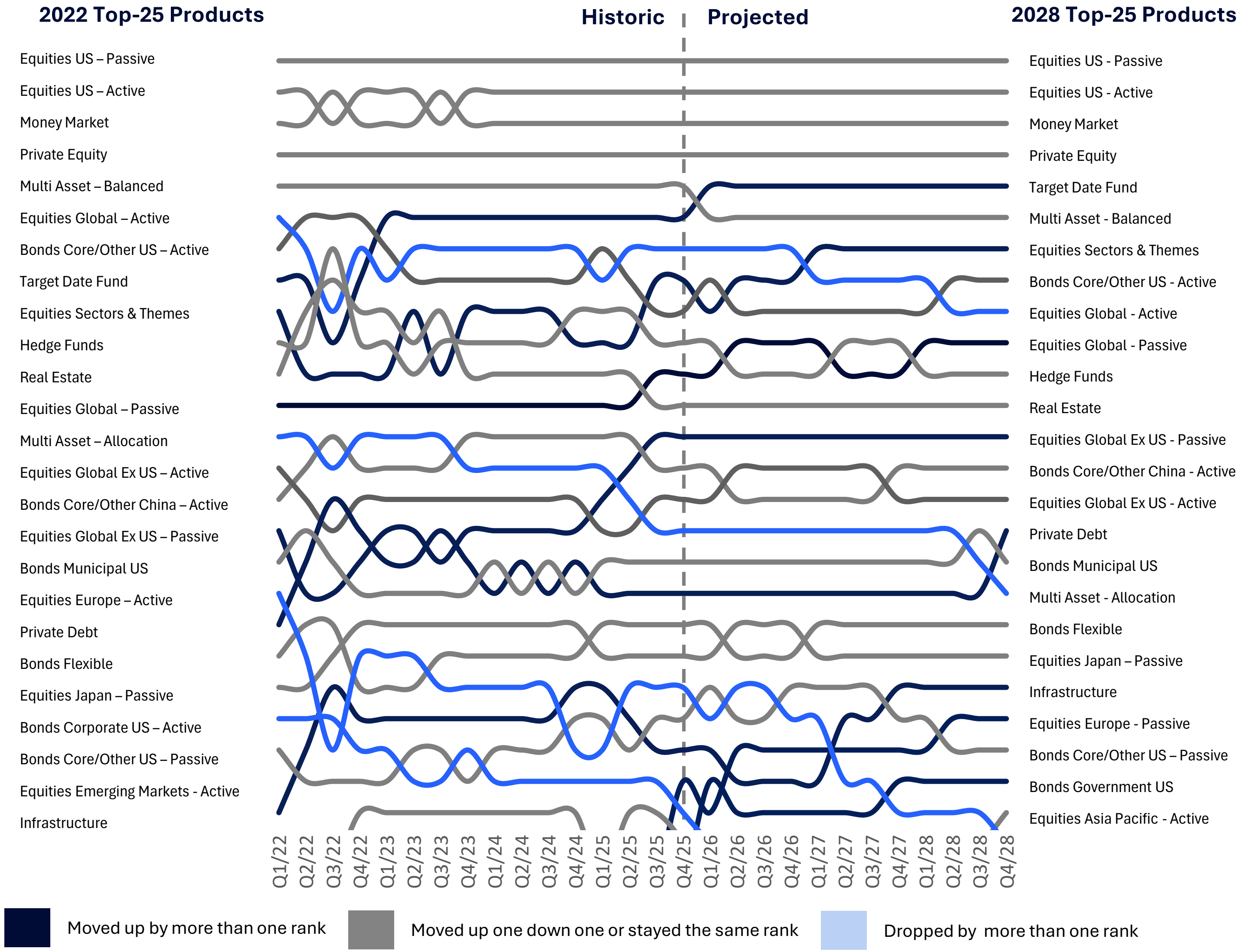
US equities remains the leading product, supported by resilient earnings growth and the leadership of large US technology and AI companies. US passive equities in particular continue to dominate market share due to sustained investor preference for low-cost index funds and ETFs while US active equities have seen renewed interest as increased market concentration and gaps in valuation create opportunities.

Equities sectors & themes has benefited from investors targeting specific areas of the market with strong growth prospects, with performance driven by trends such as AI adoption & digital transformation.

Meanwhile, multi-asset allocation has faced challenges from elevated interest rates and inflation, which has impacted both equities and fixed income thus reducing the diversification benefits traditionally enjoyed by these portfolios.

Evolution of market share for top-25 products

% AUM market share over time



Private markets for the individual investor

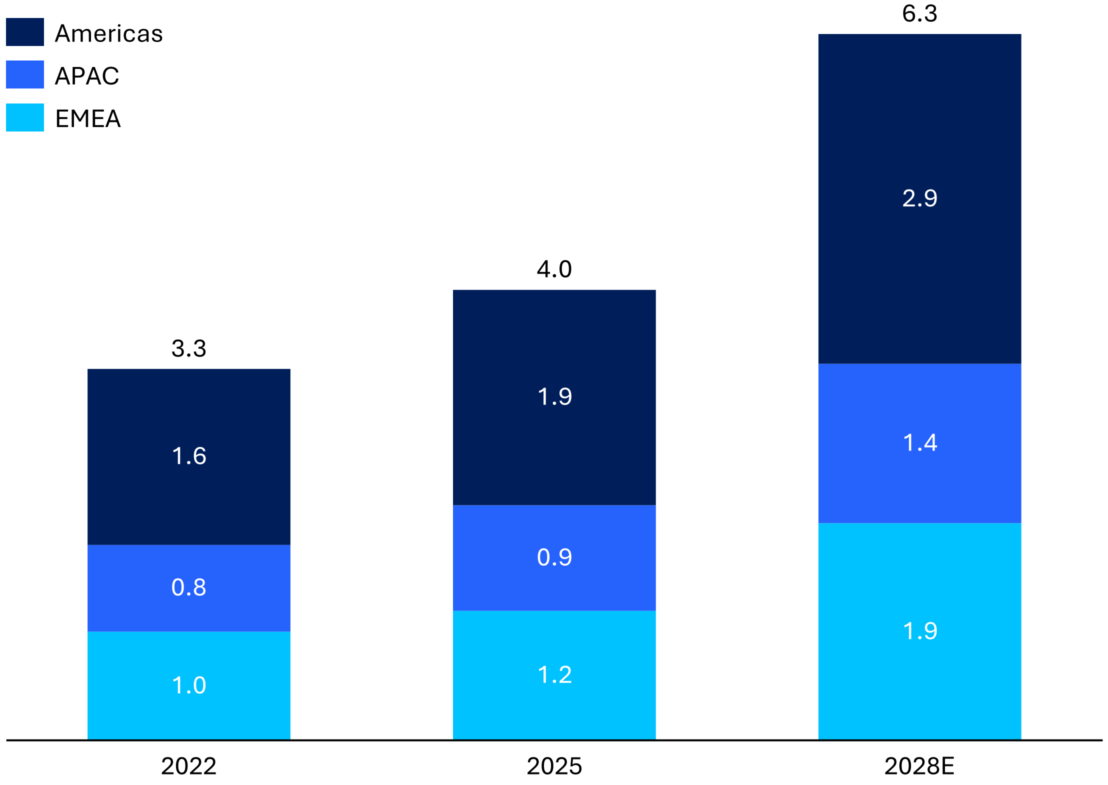
As managers sharpen their focus on revenue growth and expansion, building private markets distribution into the individual investor channel is becoming an increasingly important strategic priority.

Low penetration of private markets for the individual investor is a theme of the past

Individuals are looking to allocate more of their capital to private markets as products become more readily available

Growth in PM AUM for 'individual investor'

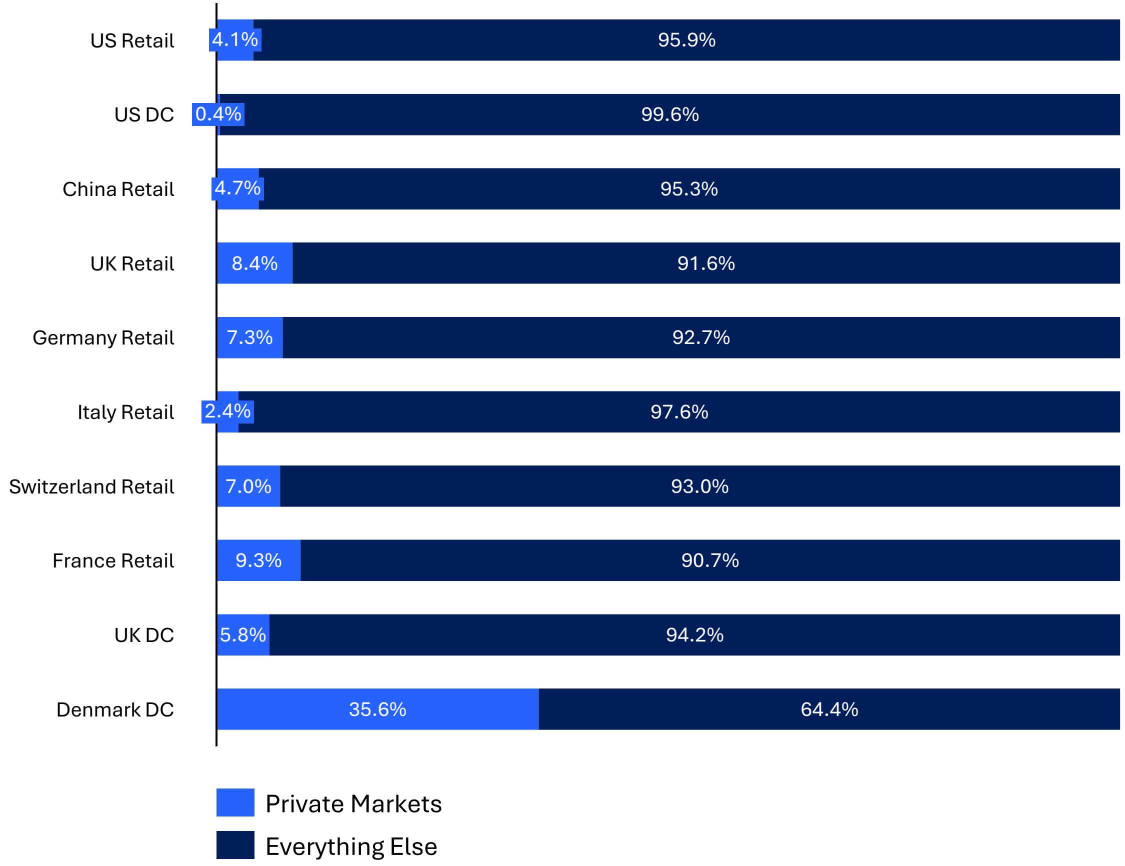
Includes retail and DC investors, split by region – AUM, $T



Private market AUM includes assets for Private Equity, Private Debt, Real Estate and Infrastructure only

'Individual Investor' Asset Allocation Breakdown

% share of AUM by material 'individual investor' segments



The proliferation and growth of active ETFs

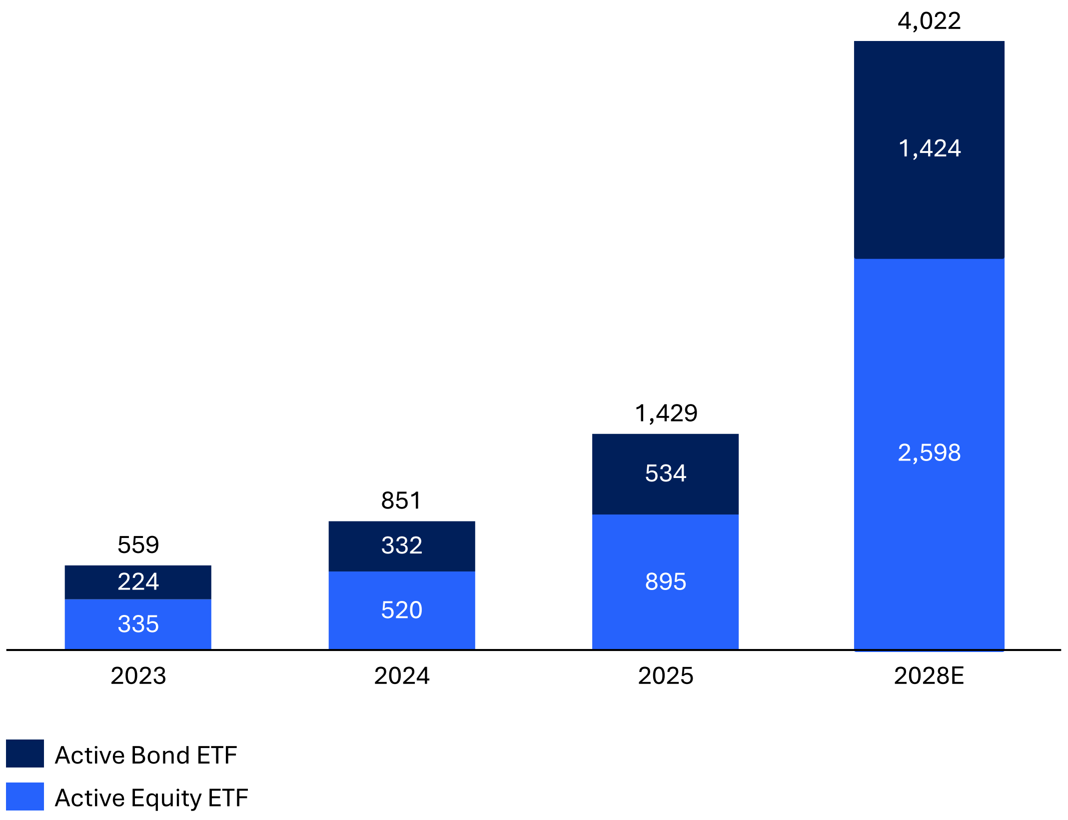
Active ETFs continue to gain traction beyond traditional strongholds such as North America, although the nature of the opportunity being presented to investors varies meaningfully across markets.

Active ETFs continue to drive growth across the globe

New managers continue to enter the rapidly expanding European market with low-cost offerings

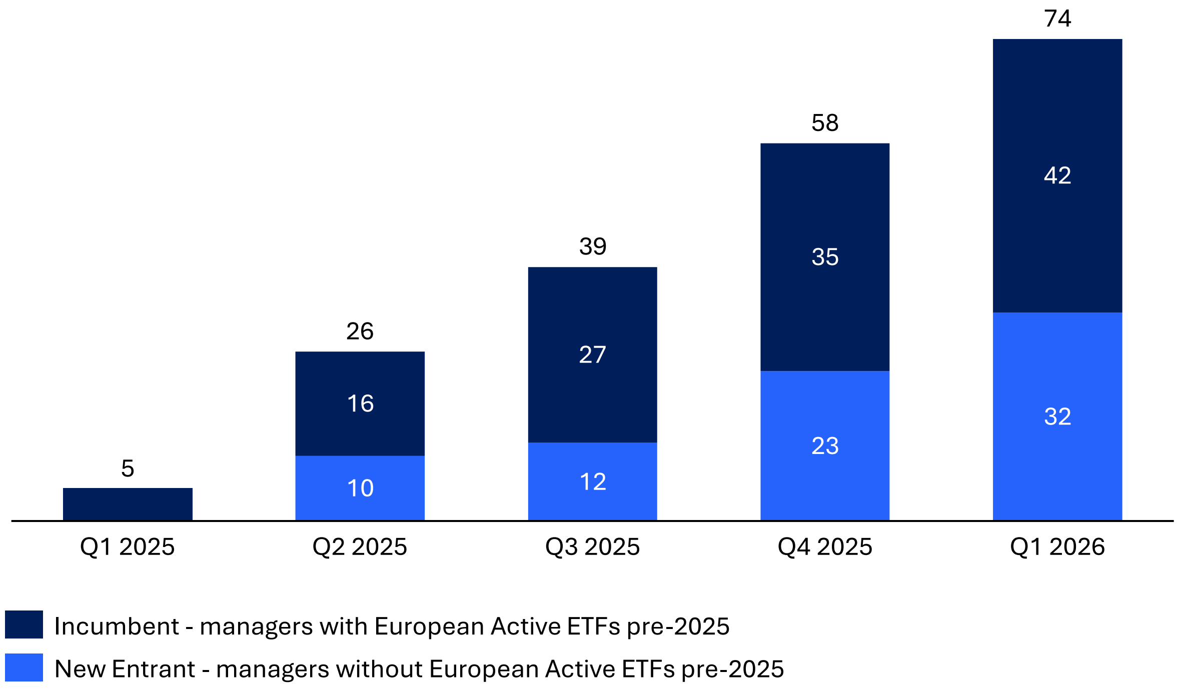
Global Active Equity & Bond ETF AUM

$B, AUM



European Active Equity ETF Launches

Cumulative launches since 2025, incumbent vs new entrant



Distribution alpha as a critical success factor

In an increasingly crowded market, performance alone is no longer sufficient to differentiate managers. Distribution alpha has become a core driver of commercial success.

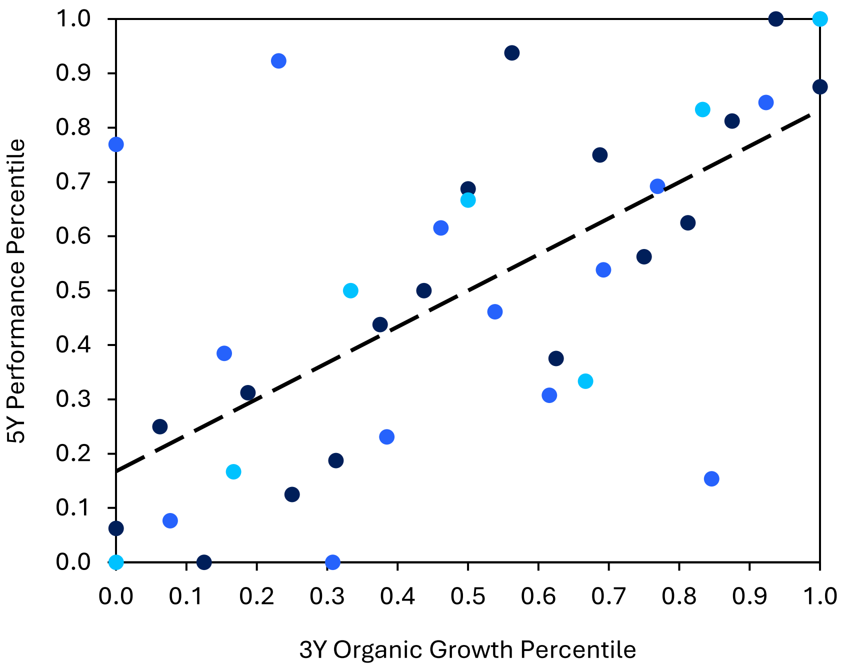
Distribution footprint is table stakes for accessing robust growth

The range of outcomes for mid- and small-sized manager is diverse, depending heavily on distribution alignment

Performance is a key battleground for **mega managers** as they share similar scale and reach in distribution as they benefit from a ‘soft power’ advantage

Mega Managers (>$1T Global AUM)

2021 – 2025 Performance Percentile vs 2023-2025 Organic Growth Percentile – Lux & Irish Domiciled Active Global Large-Cap Equity Funds only*



Performance and distribution success is somewhat correlated for the larger managers, working as a differentiator.

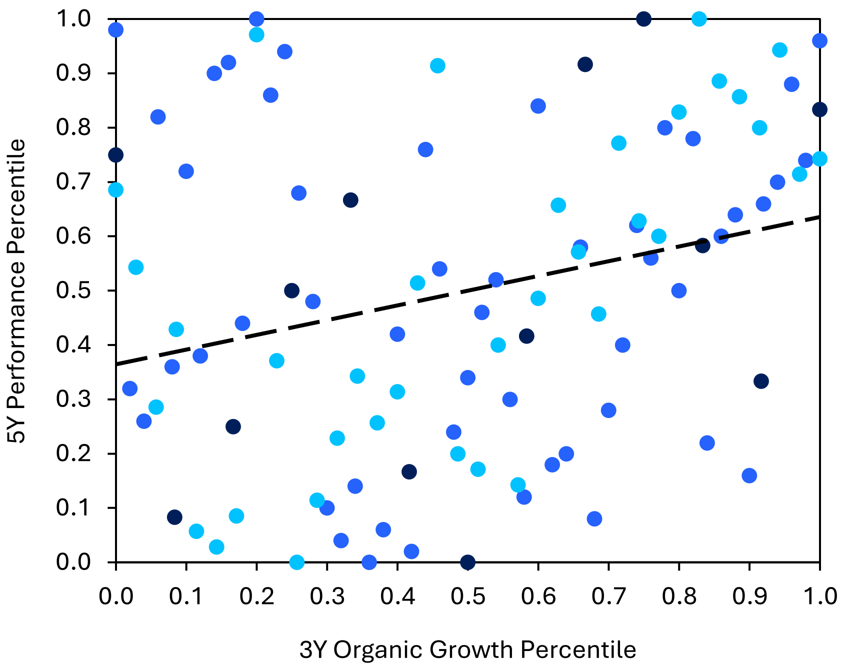
The dispersion of outcomes become greater for smaller sized managers, indicating results are dependant on far more than just performance

- Global Large-Cap Blend Equity
- Global Large-Cap Growth Equity
- Global Large-Cap Value Equity

The narrower distribution footprint of **small managers** makes them more dependant on local markets – also differentiate through specialism and at times can rotate out of favour

Small Managers (>$50B Global AUM)

2021 – 2025 Performance Percentile vs 2023-2025 Organic Growth Percentile – Lux & Irish Domiciled Active Global Large-Cap Equity Funds only*



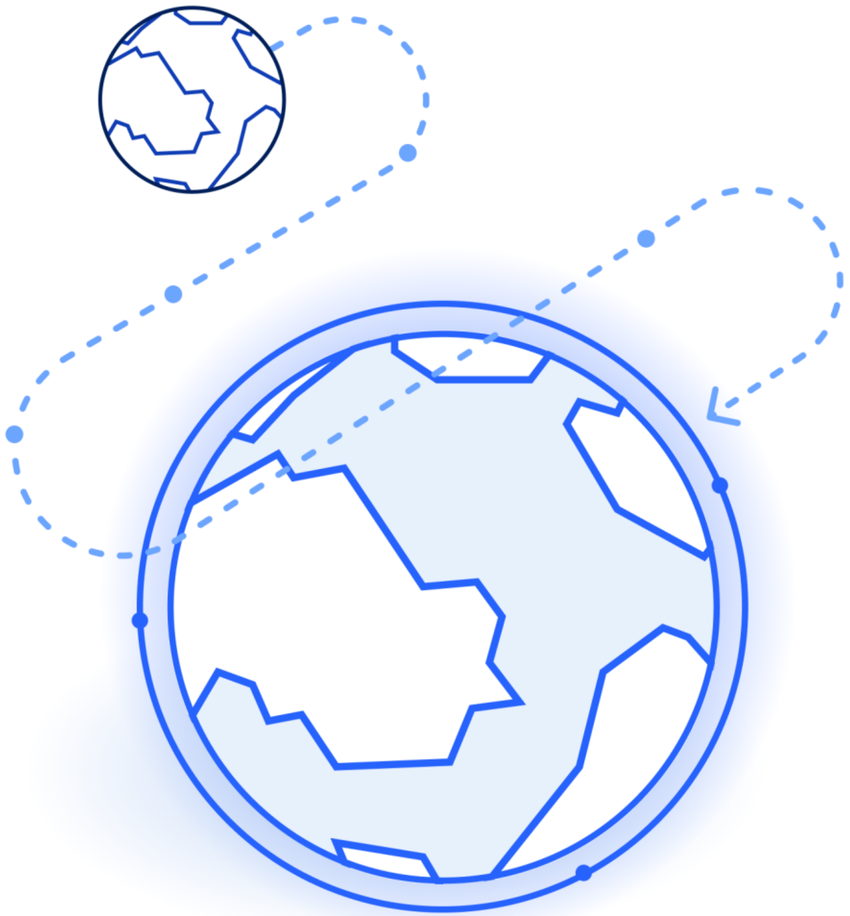
*Included are only funds which launched prior to 2021, remained open in Q4 2025 and had over $50m in AUM as at Q4 2022. Percentile is measured as a weighted average of the performance and organic growth of each manager within the specific Morningstar Category.

Strategy toolkit

Understanding evolving market dynamics, and leading with a data-driven, evidence-based strategy, can help unlock growth potential.

The asset management industry is transitioning from an old world to a new world

The playbook of the past isn't the same as the strategy for the future when it comes to unlocking new flows



	Old world	New world
PRODUCT	Product-centric	Solutions-centric
	Public markets	Public-private convergence
	Mutual funds	ETF & alternatives
DISTRIBUTION	Institutional	Individual investor
	Alpha-led	Distribution-led
	Direct distribution	Intermediated distribution

Our analytics platform supports clients in making critical strategic decisions

Powered by the Demand Model; a new generation of strategy solutions

Product prioritisation and gap analysis

What are my highest opportunity capabilities in each of my focus markets?

What product gaps should be prioritised given my footprint and the evolving market state?

Distribution optimisation and market entry

Which markets and client segments are the largest sources of opportunity for my current investment capabilities?

What are the best market expansion opportunities?

Growth and market share benchmarking

What is my market share and how has it changed over time?

What are the root causes of change to my business?

Sales planning and target setting

What is the projected and addressable gross flow for your capabilities in the markets you cover?

What is a realistic target range for sales by region?

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