Broadridge

Broadridge Data and Analytics

Analytics Update

Powered by the Global Demand Model

AI enabled predictive analytics defining the impact of macro factors on the future of the asset management industry

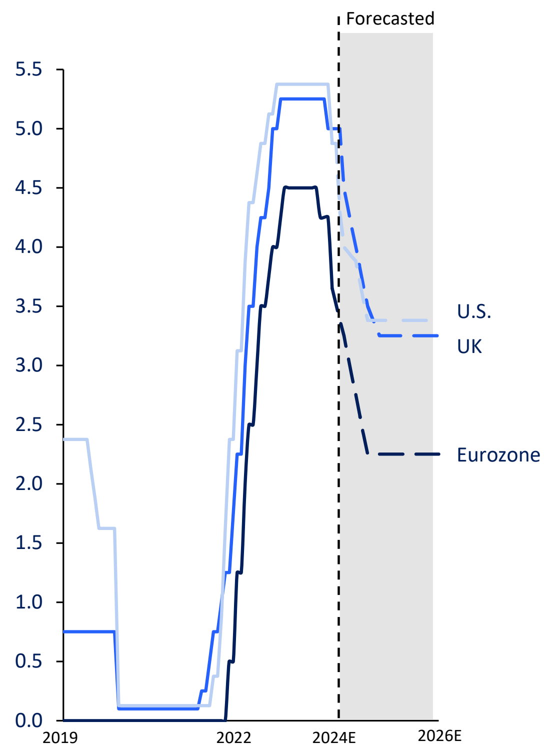
2024 Edition

The Fed's latest cut aligns with our consensus macro scenario

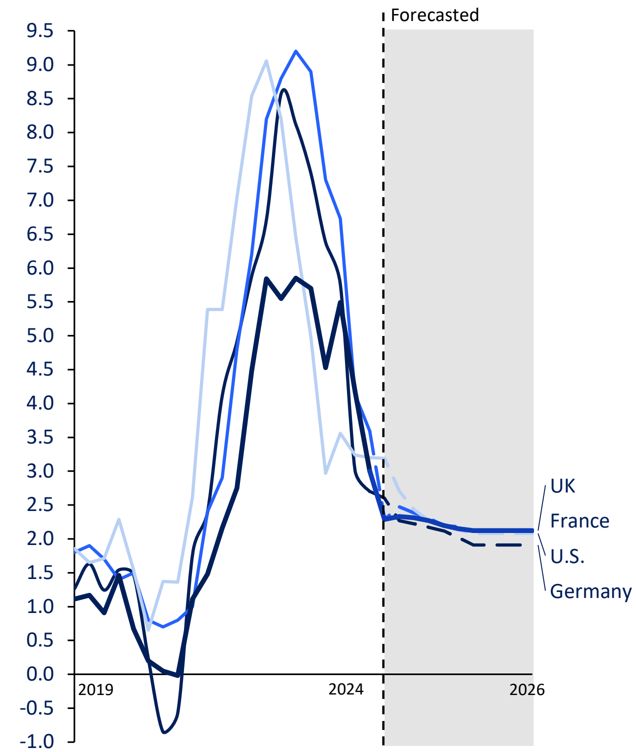
- We evaluated multiple scenarios, but the latest 25bps interest rate cut from the Federal Reserve and the Bank of England aligns with our consensus scenario, characterized by falling inflation, interest rates 'normalizing' to a level somewhere in-between pre-GFC and pre-covid levels, and the economy avoiding a recession.

Our consensus outlook anticipates cooling inflation and multiple rate cuts

Select central bank interest rates, 2019-2026E



Select inflation rates, 2019-2026E



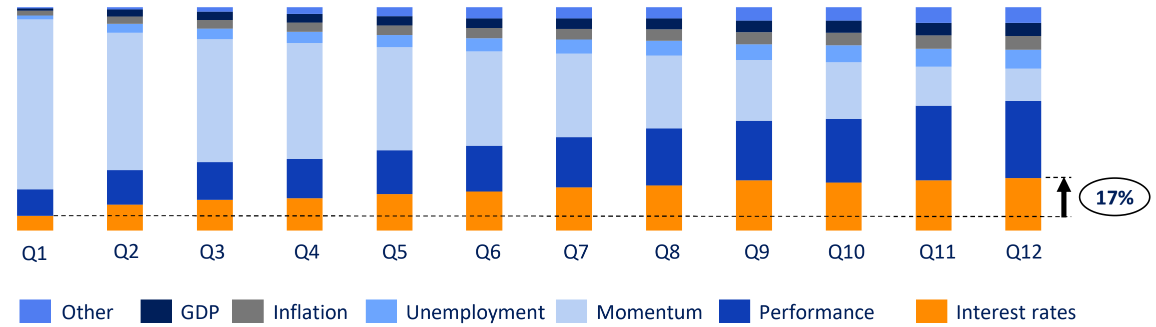
Source: Broadridge Demand Model

Future asset management industry flows are heavily influenced by rates

- The demand for asset management products is influenced by intricate, multilinear relationships between thousands of predictive factors, each varying in predictive quality depending on the forecast horizon.
- While momentum is key to predicting very short-term future flows, its influence declines over time. Over the longer term, interest rates are second only to performance in predicting future demand.
- Interest rates have the strongest impact on demand for money market products, but are important across asset classes, notably in Bonds, where certain segments such as US Active Core has an interest rate feature weighting of 33%

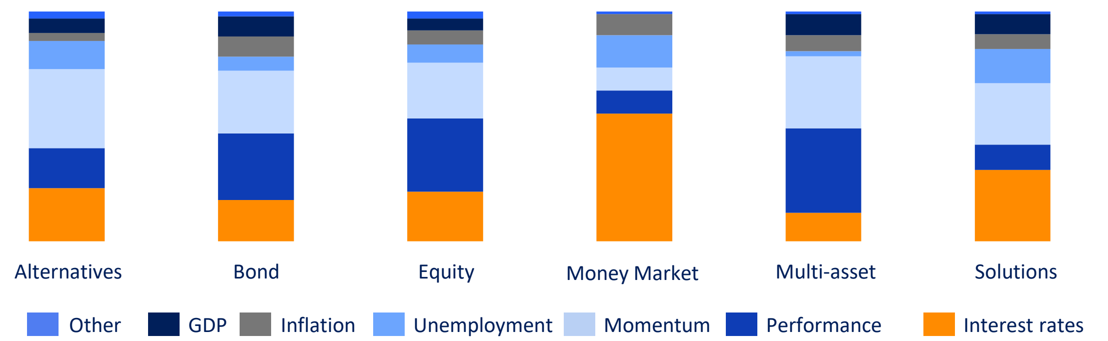
Interest rates' predictive quality increases over time

Weighting of core predictive features, across twelve quarters



Money market flows are most sensitive to interest rate fluctuations in the long-run

Weighting of core predictive features, by asset class



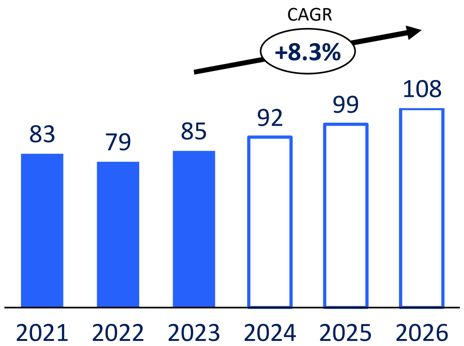
Source: Broadridge Global Demand Model

Global AUM will reach US$108 trillion by 2026

- With the latest cut by the US Federal Reserve and the impact on markets post the US election, The Global Demand Model predicts asset management industry AUM to reach US$108 trillion by 2026, with US$7 trillion anticipated from organic growth over the next three years.
- While growth is expected to rebound, the recovery will be uneven. Money market funds, which prospered in a high-interest rate environment, are likely to see a slowdown. In contrast, strategies such as Balanced Multi-asset, Global Equities, and Core Bonds are expected to benefit from a more favorable interest rate landscape.

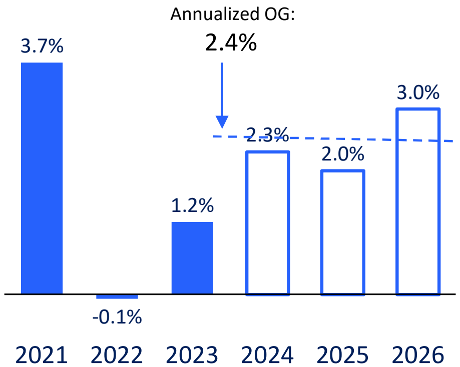
Global Assets under Management

US$ trillion



Global Organic Growth

% Annualized



Source: Broadridge Demand Model

Growth impacts on products to differ

Organic Growth %, Historical 3Y vs. Future 3Y by Product

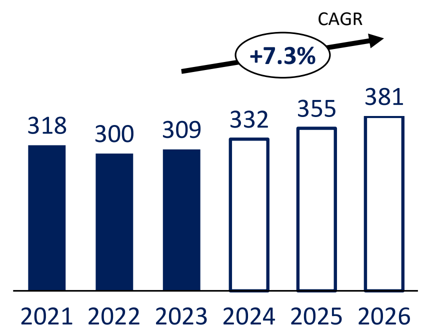
Source: Broadridge Demand Model
Note: Analysis based on top 8 products by assets (2026)

We’ll see record revenues despite continued fee pressure

- As asset growth rebounds, the industry is projected to achieve record revenues, with alternatives’ revenue share seeing the strongest growth over the last ten years. However, fee pressure is expected to persist, with a predicted 3% decline in revenue margins over the next three years.
- This pressure will be most pronounced in US Equities, particularly for active strategies. In contrast, US Passive Equities, which have already experienced over a 20% drop in fee margins over the past three years, is expected to stabilize in fees moving forward.
- Effective scaling, value enhancement, custom pricing models are some of the key strategies managers are employing to increase revenue resiliency.

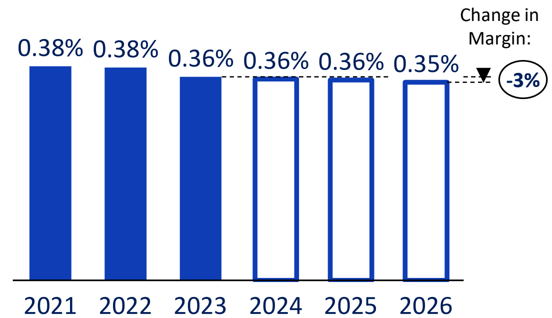
Global Fee Revenue*

US$ billion



Global Revenue* Margin

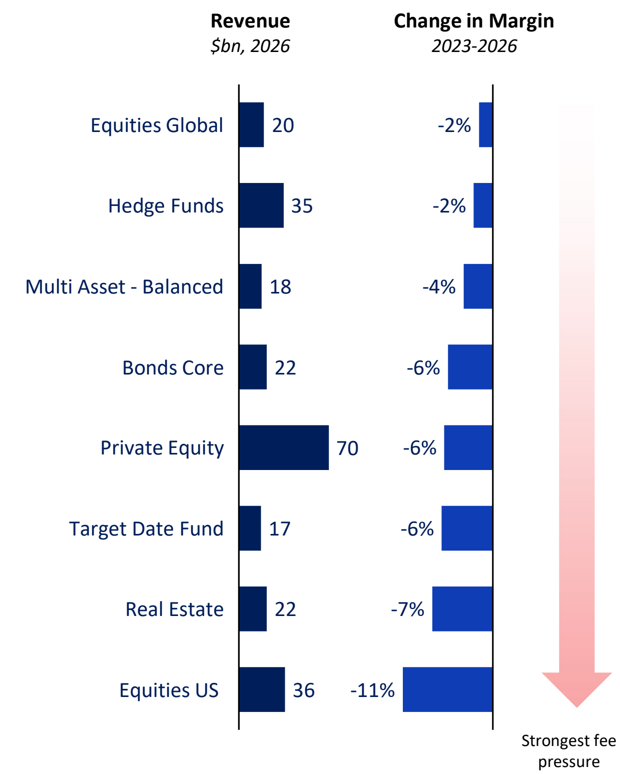
% annualized



Source: Broadridge Demand Model
Note: *Management fees only, does not include performance fees

Enhancing revenue resiliency is key

Expected revenue and change in margin by products



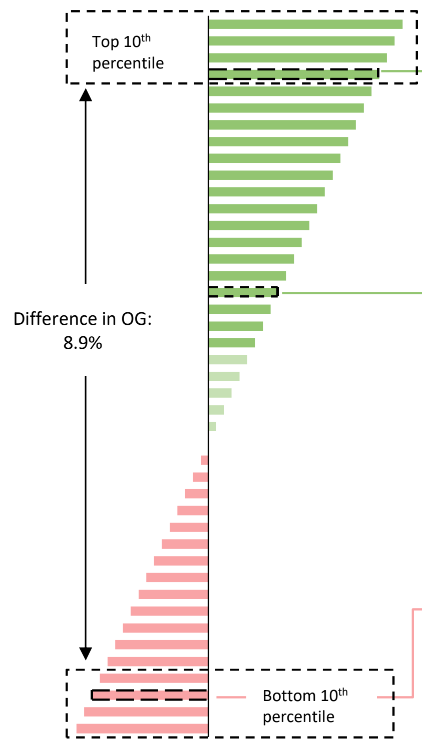
Source: Broadridge Demand Model
Note: Analysis based on top 8 products by revenues (2026)

Increased precision is required to access tomorrow's growth pockets

- Although global organic growth is expected to recover, sources of growth will continue to change dramatically.
- New client types (e.g. retail, DC) and new asset classes (e.g. private debt) will command an increasing share of flows – but they require ever more specialist engagement models and supporting investment capabilities.
- The organic growth difference between the top 10th and bottom 10th percentile growth segment is a stark 8.9%. To be successful, one needs new precision in growth planning to access high-growth scalable opportunities.

Growth Segment Ranking

Global 3Y Future Organic Growth by growth segments*, 2024-2026



Interest Rates' Impacts on Growth Themes	Select Growth Segments – 3Y Future OG % p.a	
Growing retail confidence and exploration of alpha Falling rates present a tail wind for retail looking for cost effective out performance	**US Retail** Active Equity ETF	40%
Increase in Active US Core Bonds One of the most rate sensitive strategy in the US fixed income segment, we expect a rebound of positive flows	**US Retail** Bonds Core US – Active	3.0%
Derisking of DB Pension to Continue Falling rates will encourage greater shift towards derisking as DB plans look to minimize risk of rising deficits	**UK DB** Equities Global – Active	-2.8%

Source: Broadridge Global Demand Model
Note: *Each growth segment is a combination of market + client type + product strategy

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