FINANCIAL INSTITUTIONS
GLOBAL ASSET MANAGEMENT REPORT 2025
23RD EDITION

From Recovery to Reinvention

April 2025

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Recognizing Growth and What Lies Beneath

The global asset management industry reached a record $128 trillion in assets under management (AuM) in 2024, up 12% from the previous year.

The gains marked a strong continuing rebound from the decline that occurred in 2022. Nevertheless, that growth can't mask the deeper structural challenges that the industry faces, including margin pressures, shifting investor preferences, and intensifying competition.

Notably, market performance drove 70% of revenue growth in 2024, underscoring the industry's vulnerability to external conditions—especially in a period marked by extreme market volatility, rapid shifts in sentiment, and heightened economic uncertainty arising in part from the disruptive effects of the US tariffs. To remain competitive and to navigate an increasingly uncertain future, firms must move beyond the recovery that has characterized the past two years and focus on reinventing themselves for the future.

As the issue of costs has magnified, many firms are increasingly adopting one of three strategic models to shape their cost structures—focusing their spending on investment management and trade execution; sales, marketing, and operations; or IT.

Three Forces Reshaping the Industry

Three forces in particular are reshaping the industry: shifts in product offerings and approaches to distribution; industry-wide consolidation; and the need for radically leaner cost structures. In this report, we examine the transformation strategies that asset managers will need to adopt in order to meet these forces head-on and win in the next five to ten years.

Product offerings and distribution approaches are shifting. Increasingly, investors are demanding low-cost, efficient products such as exchange-traded funds (ETFs). Although ETFs command lower fees than legacy mutual funds do, they offer the potential for closer long-term customer ties. This is especially important at a time when the economics of the industry are tilting more and more toward the entity that owns the investor relationship—the distributor. In particular, asset managers might consider developing products in the relatively fragmented and nascent active ETF space.

Managers also have an opportunity to develop private market funds for retail investors, who are eager to tap into the higher risk-return profile that these asset classes offer. When it comes to matching private market assets with the liquidity and regulatory requirements of the retail market, firms must deal with some obstacles. But as a result, those that develop viable products and scalable distribution networks stand to benefit from a largely untapped market.

Industry-wide consolidation activity is increasing. Because no one-size-fits-all approach is available, many asset managers will need to consider enhancing their scale and scope through strategic partnerships or M&A to stay relevant. The consolidation we are seeing tends to revolve around strategies for broadening product offerings, expanding global presence, building technology capabilities, securing more permanent capital, and increasing proximity to clients.

Regardless of deal rationale, the key to success will lie in the execution. For example, as private and public managers converge to leverage their respective expertise in product formation and distribution, they will need thoughtful strategies for integrating their legacy differences in such areas as culture, compensation structures, and value creation.

Cost structures need to be radically leaner. Amidst ongoing pricing pressures and a shifting market landscape, the issue of costs has magnified. In response, many firms are increasingly adopting one of three strategic models to shape their cost structures—focusing their spending on investment management and trade execution; sales, marketing, and operations; or IT.

Although these models differ in focus, all of them can benefit further from a zero-based approach to cost management. This approach entails reexamining all costs and may lead to such changes as outsourcing noncore functions, automating processes with generative AI (GenAI), and avoiding dual-run costs, especially in headcount.

The Year in Review

Global asset management AuM grew by 12% in 2024, reaching a record $128 trillion, with all regions contributing to the increase. (See **Exhibit 1**.)

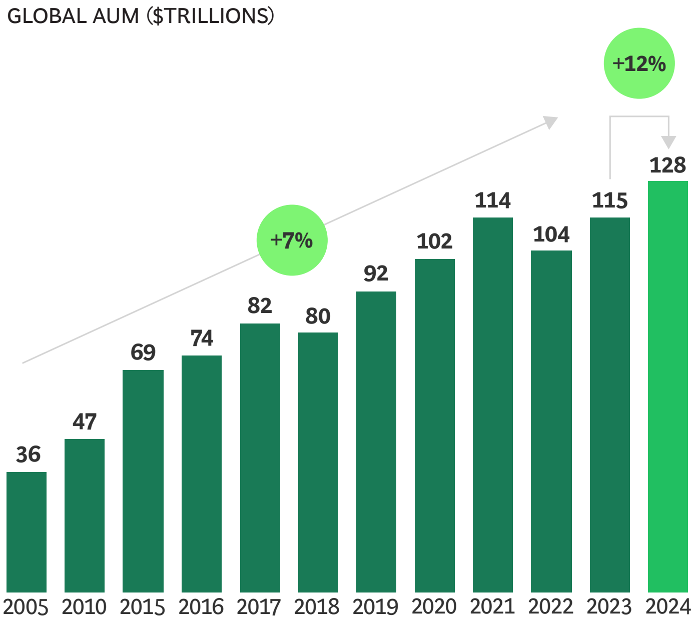
Strong market performance drove this growth. Major indexes such as the S&P 500 (up 23% for the year) and NASDAQ (up 29%) rose significantly. Global revenues for the industry rose by $58 billion, and more than 70% ($42 billion) of that gain came from market performance compared to only 30% ($16 billion) from net inflows.

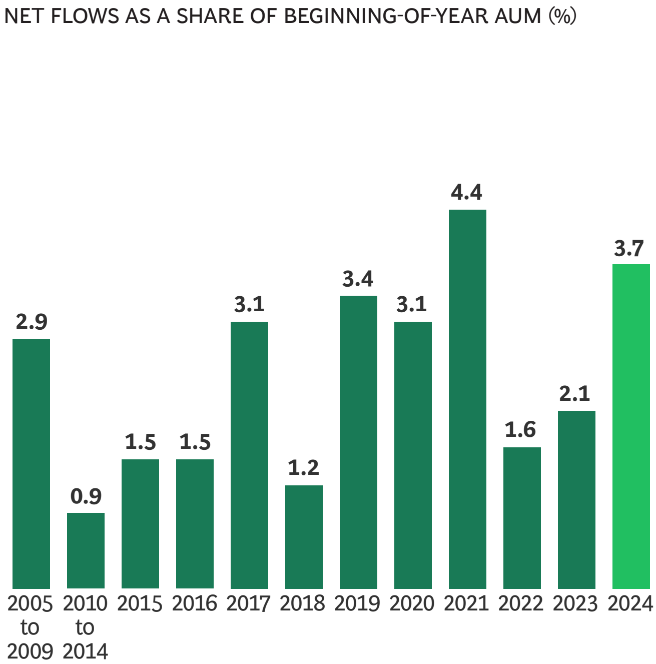
Half of the revenue increase, however, was offset by a shift to lower-priced products and by fee compression. (See **Exhibit 2**.) Although the industry can celebrate another year of growth, asset managers must be aware of the underlying threats to their legacy products and distribution channels, as well as to the operational models behind them.

Last year, investors continued a long-term trend of shifting from actively managed funds to passively managed products. Active AuM declined from 65% in 2023 to 61% in 2024 for mutual funds and ETFs. Net new flows reflected this trend, with $0.1 trillion in outflows from active funds, excluding money market funds, versus $1.6 trillion in inflows to passive funds. (See **Exhibit 3**.)

EXHIBIT 1

Global AuM Grew by 12% in 2024 to $128 Trillion



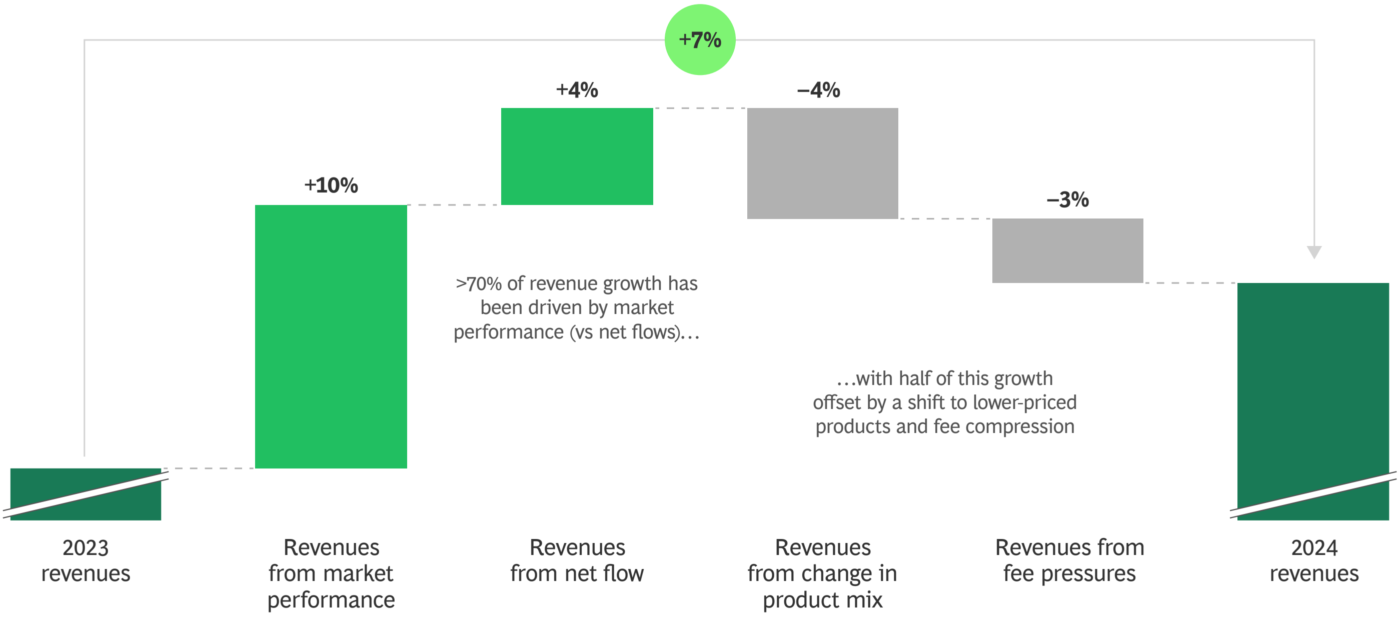


Sources: BCG Global Asset Management Market Sizing Database 2025; BCG Global Asset Management Benchmarking Database 2025.
Note: Market sizing corresponds to assets sourced from each region and professionally managed in exchange for management fees; it includes captive AuM of insurance groups or pension funds where AuM is delegated to asset management entities with fees paid. Overall, 44 markets are covered globally, including offshore AuM. Net flow rates for 2005–2009 and 2010–2014 represent annual averages for their respective periods. For all countries whose currency is not US dollars, the end-of-year 2024 exchange rate is applied to all years to synchronize current and historic data. Values differ from those reported in prior studies due to exchange rate fluctuations, revised methodology and changes in source data. AuM = assets under management.

EXHIBIT 2

Market Performance Drove Most of the Revenue Growth in 2024

CHANGE IN REVENUE, 2023–2024 (%)

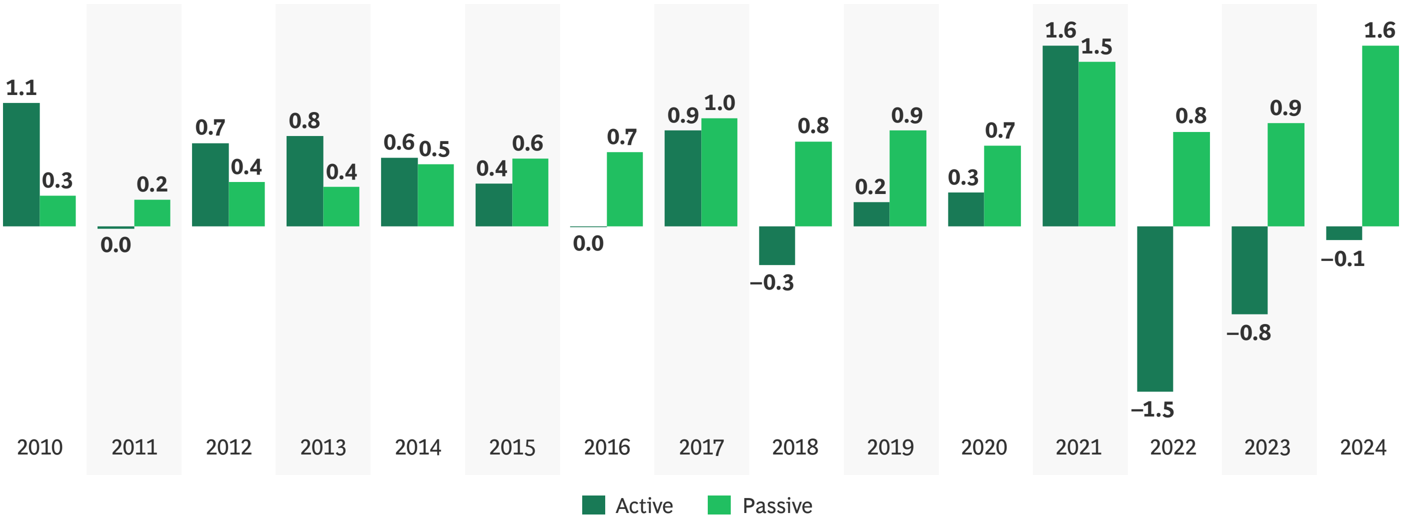


Sources: BCG Global Asset Management Market Sizing Database 2025; BCG Global Asset Management Benchmarking 2025.
Note: Numbers above each bar represent the percentage change relative to total 2023 revenues, reflecting each factor's incremental impact on revenue. The scope of the analysis encompasses active core, active specialties, solutions, passives, and alternatives. Values differ from those in prior studies due to exchange rate fluctuations, revised methodology, and changes in source data.

EXHIBIT 3

Passive Funds Remain Popular, While Active Outflows Are Decreasing

GLOBAL NET FLOWS TO ACTIVE AND PASSIVE MUTUAL FUNDS AND ETFS, EXCLUDING MONEY MARKET FUNDS, 2010–2024 ($TRILLIONS)



Sources: ISS Market Intelligence Simfund; BCG analysis.
Note: Analysis includes mutual funds and ETFs globally, and excludes money market funds. ETF = exchange-traded fund.

Although mutual fund and ETF ownership skews toward retail clients, institutional investors are shifting to passive products, too. In this market, over the past five years, passive AuM grew from 17% to 20% of assets while active AuM shrank from 44% to 38% of assets.

Breaking down the shift to passive across mutual funds and ETFs by geography, however, reveals a strong regional tilt, in which North America's $337 billion in outflows from active funds was enough to drag global net flows into negative territory. All other regions saw positive net flows into active funds, driven largely by fixed-income funds and actively managed ETFs. Fixed-income funds attracted $700 billion in net new flows globally, while active ETFs drew positive net new flows of $325 billion, nearly $300 billion of which came from North America.

Revenue growth outpaced cost growth in 2024, resulting in a rise in profits of about 22%. (See **Exhibit 4**.) However, fees on 2024 net inflows were, on average, about 40 basis points less than fees on 2023 existing AuM across mutual funds and ETFs. The changing fee structure is a clear indication of revenue pressure that asset managers will need to address with product innovation and a search for scale.

Active funds saw $337 billion in outflows from North America—enough to pull global net flows into negative territory—even as all other regions recorded positive inflows.

EXHIBIT 4

Profits Rose in 2024 as Revenue Growth Outstripped Costs

Source: BCG Global Asset Management Benchmarking Database 2025.
Note: The analysis is based on a global benchmarking study of 70 leading asset managers, representing $68 trillion in AuM, or about 53% of global AuM. The sample is primarily composed of traditional asset managers and excludes pure alternative players, as those economics are not comparable with total asset management revenues based on the global product trend analysis. Profit margin is calculated as (Net revenues – Total costs/Net revenues) x 100. AuM = assets under management.

Rethinking Products and Distribution

Looking forward, asset managers have two opportunities to win in this evolving product and distribution landscape.

First, they can secure a strong position within a shrinking yet strategically important segment of actively managed assets—specifically, in active ETFs, model portfolios, and separately managed accounts. Second, they can mobilize to play a key role in the growing market for delivering private assets to retail clients.

The Active ETF Space

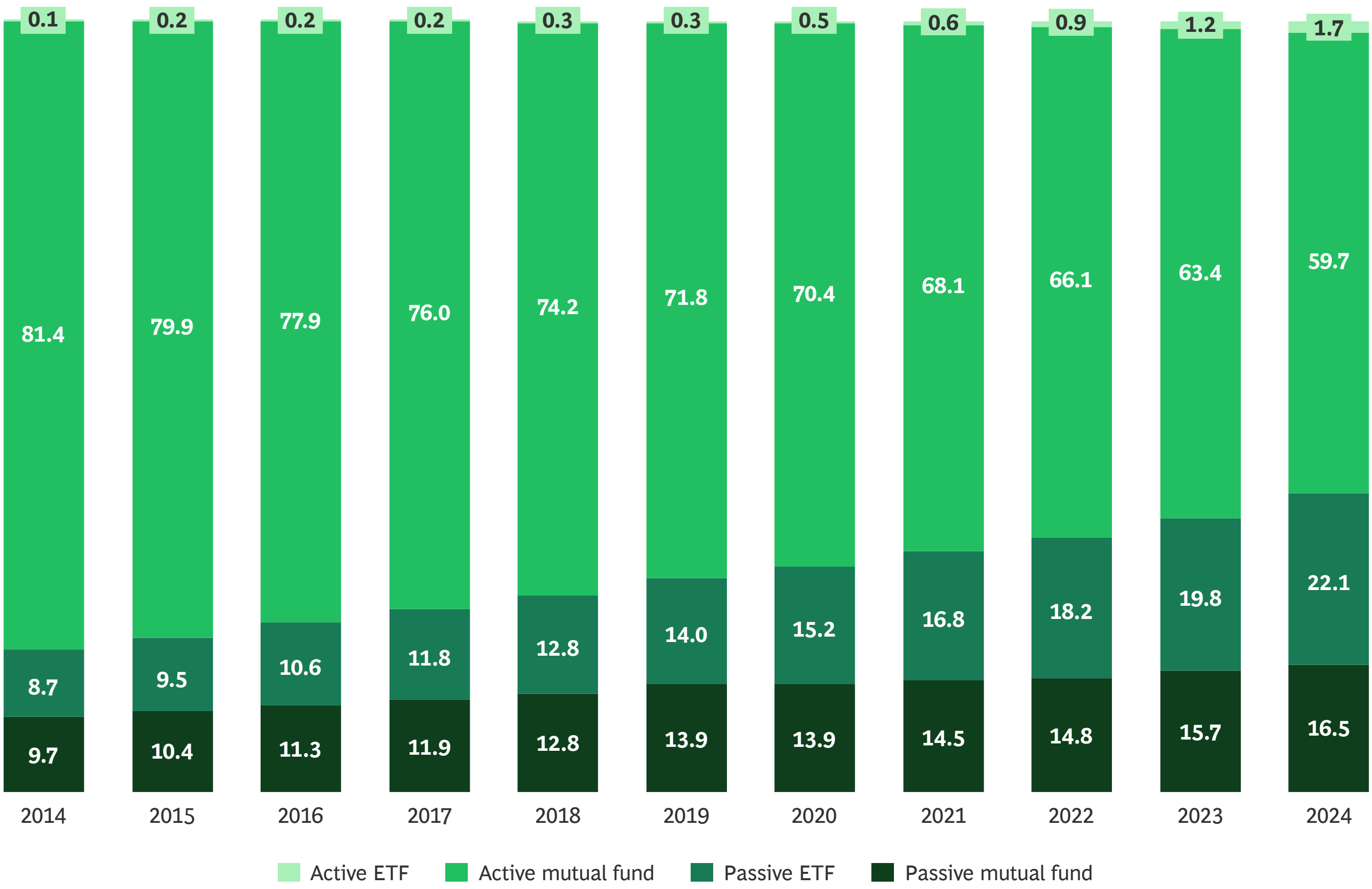
For well over a decade, investors have been shifting out of actively managed mutual funds and into passive products, mostly ETFs. (See **Exhibit 5**.) Relative to mutual funds, ETFs offer attractive net of fee returns, as well as greater liquidity, tax efficiency (especially in the US), and transparency.

Passively managed ETFs have seen sustained inflows since 2010. The passive ETF market is reaching maturity and has become highly concentrated, with the top ten players controlling 82% of AuM in 2024.

EXHIBIT 5

Investors Are Shifting to Active ETFs and Passive Mutual Funds

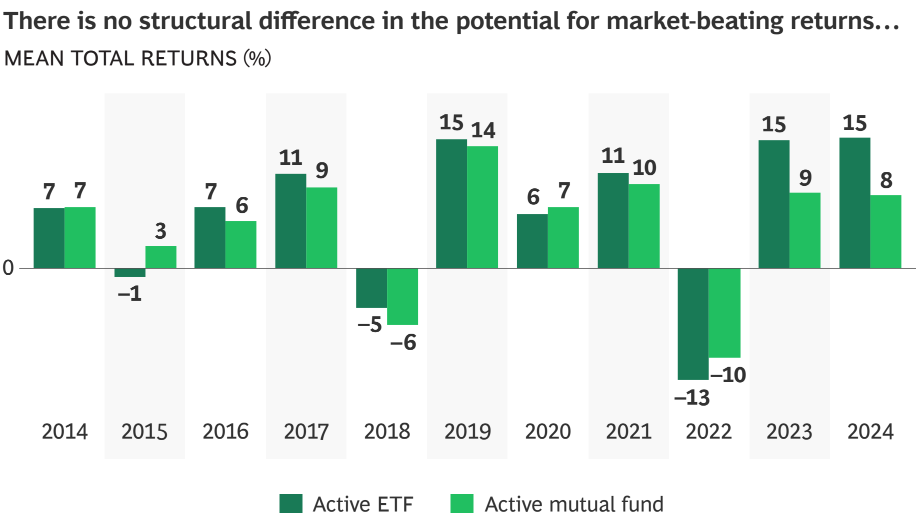
MARKET SHARE OF MUTUAL FUND AND ETF AUM BY CATEGORY, 2014–2024 (%)

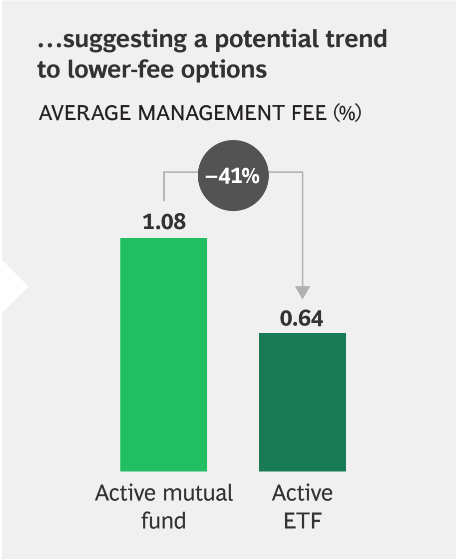


Sources: ISS Market Intelligence Simfund; BCG analysis.
Note: The analysis includes mutual funds and ETFs globally (excluding money market funds), which represent 47% ($60 trillion) of total industry AuM ($128 trillion). AuM = assets under management; ETF = exchange-traded fund. Because of rounding, not all bar segments add up to 100%.

EXHIBIT 6

Active ETFs Have Performed Similarly to Active Mutual Funds





Sources: ISS Market Intelligence Simfund; BCG analysis.
Note: Analysis includes active mutual funds and active ETFs globally and excludes money market funds. Returns are net of management fees.
ETF = exchange-traded fund.

Now a second wave of ETF adoption is bringing investor capital to actively managed ETFs. Globally, active ETF AuM grew at a compound annual growth rate (CAGR) of 39% over the past ten years. It is not hard to see why investors are drawn to these funds. There is no structural difference between active ETFs and active mutual funds in terms of potential for market-beating returns, but the fees are only 0.64% on average versus 1.08% for mutual funds. (See **Exhibit 6**.)

The active ETF market is at an attractive inflection point for asset management firms interested in entering this space. It is growing quickly across geographies, and 44% of all ETFs launched in 2024 were actively managed. Yet it is still a nascent business, holding only 7.0% of the total AuM in ETFs. It is also a relatively fragmented market, with the top ten players controlling 65% of AuM.

Firms that launch new active ETFs must make some difficult choices, however. For example, an asset manager with existing mutual funds will need to decide whether to convert its legacy funds into ETFs or create new active ETFs. Either way, the firm is likely to find itself cannibalizing its higher-fee mutual fund business, given that ETFs do not offer material cost advantages from a production and distribution perspective. Yet from a long-term perspective, the new ETF products are likely to capture otherwise unavailable capital flows and allow the firm to get closer to customers of the future.

Players entering the active ETF space will also need to build a series of capabilities. These include bespoke product specialists, marketing teams, and vendor management. They will need tie-ins with advisor and brokerage platforms, legal counsel, and tax experts—the last especially in the US where ETFs offer certain tax efficiencies. Although firms that have an established passive ETF business may already have the necessary capital market, tax, and tech functionalities in place, they will probably need to bolster their research, portfolio management, and trading executions. Conversely, players that have an established active mutual fund business will need to set up product specialist teams, tax and legal experts, and, notably, a capital markets team.

An alternative option to making costly up-front investments in these capabilities is to work with ETF accelerators or white-label providers that specialize in market entry facilitation. In this case, responsibility for portfolio management and distribution remains with the asset manager, while the accelerator takes on the tasks of legal structuring, regulatory communications and filings, portfolio implementation, and capital markets execution. In effect, the asset manager trades some operational control and revenues in return for speed-to-market and lower upfront costs.

Private Assets for the Retail Market

Another big opportunity lies at the intersection of private markets and retail customers. On the demand side, investors are eager to access the risk-adjusted returns that top private market funds can deliver. On the supply side, private market managers are jockeying to tap into the 48% of global assets controlled by retail wallets.

Alternative assets, including those that invest in private instruments, now generate more than half of all global revenues, although they hold less than 25% of global AuM. From 2014 to 2024, the combined AuM for private equity, private debt, real estate, and infrastructure funds grew at a CAGR of 11.1%, far outpacing the asset management industry's 6.5% compound annual AuM growth excluding these asset classes. Private asset growth reflects strong long-term performance and steadily increasing demand. Both investors and managers have incentives to keep the party going.

> Asset managers might consider placing private assets in active ETFs or model portfolios, or creating hybrid public-private evergreen or interval vehicles.

Asset managers who want to join in, however, must overcome obstacles in product design and distribution.

The product itself must satisfy the relatively rigid liquidity and regulatory requirements associated with the retail market. On the distribution side, a product sponsor is required to educate investors and advisors, create and amend capital formation and onboarding procedures, and ensure compliance across a more fragmented customer base. Private market investors need to clear additional accreditation, know-your-customer (KYC), and anti-money laundering (AML) procedures, for example. These are tried and true processes for institutional and high-net-worth (HNW) investors, but an asset manager must adapt them to the concerns of clients in a lower wealth bracket.

So far, efforts to place private assets in retail products have broadly taken two forms: technology-enabled feeder funds and evergreen semi-liquid funds.

Technology-enabled feeder funds pool client assets to clear minimum investment thresholds. The limitation of this option from the perspective of investors is that the structure does not provide interim liquidity or keep clients perpetually invested; instead, exposure winds down as the fund manager distributes returns. For the advisor, the roadblock involves the administrative burdens associated with facilitating repeated subscription agreements, managing capital calls and distributions, and handling tax documents for each individual client.

The other route is evergreen semi-liquid funds. Over the past four years, semi-liquid funds have grown more than fivefold, reaching a net asset value of over $300 billion in 2024, according to data from Goldman Sachs. These structures partially solve the issue of liquidity constraints by accepting capital on a continuous basis, allowing periodic redemptions and reinvesting the realized proceeds in perpetuity. That said, the sponsor must warehouse the assets to build the initial portfolio and to create liquidity backstops to generate interim cash conversion without eroding investor returns.

We foresee significant experimentation with private market structures in the years ahead. Asset managers might consider placing private assets in active ETFs or model portfolios, for example, or creating hybrid public-private evergreen or interval vehicles. Naturally, each approach comes with its own suite of operational challenges and risks.

The active ETF solution may be the most accessible option for retail clients, but it requires managers to bear the risk of holding the underlying assets. Model portfolios allow a firm to capture a significant share of client assets, but they don't inherently resolve the illiquidity mismatch.

As competition intensifies, we expect product innovation to be a core differentiator for winning firms. For example, blockchain and cryptocurrency can play an important role in disruption by enabling tokenization, reducing friction, enhancing transparency, and giving rise to programmable and fractional products. In private assets for the retail market, we are seeing experimentation with tokenized funds, automated private credit pools, tradable fractions of illiquid assets, and integration into mainstream financial vehicles—all backed by blockchain rails.

There is no single answer, but the opportunities in private market retail products are too big to ignore. Asset managers recognize the potential rewards if they can meet the challenges, and one of the results has been a surge in M&A deals and partnerships involving entry to private markets. We explore this trend in the next section.

Staying Relevant in a Consolidating Market

The asset management industry is undergoing a wave of consolidation activity as firms seek greater economies of scale and greater scope for their business.

Size matters. In a study of 270 asset managers, we found that the average asset manager doubled its AuM from 2013 to 2023. Those with the largest amount of assets were able to drive costs down through technological synergies, streamlined operations, and process efficiencies.

In our examination of a proprietary benchmarking sample of primarily traditional asset managers, we found that for firms with AuM below $300 billion—often those with lower product or geographic complexity—increasing AuM significantly reduces costs as a percentage of AuM. As firms surpass the $300 billion mark and approach $500 billion, typically by expanding to broader asset classes or client segments, rising complexity and operational challenges emerge. Managing a diverse portfolio while adhering to investment mandates becomes more difficult, leading to a period marked by “diseconomies” of scale. Beyond the $500 billion mark, however, the largest asset managers benefit from optimization at scale. Their size permits them to achieve cost efficiencies despite the complexities associated with managing a vast asset base.

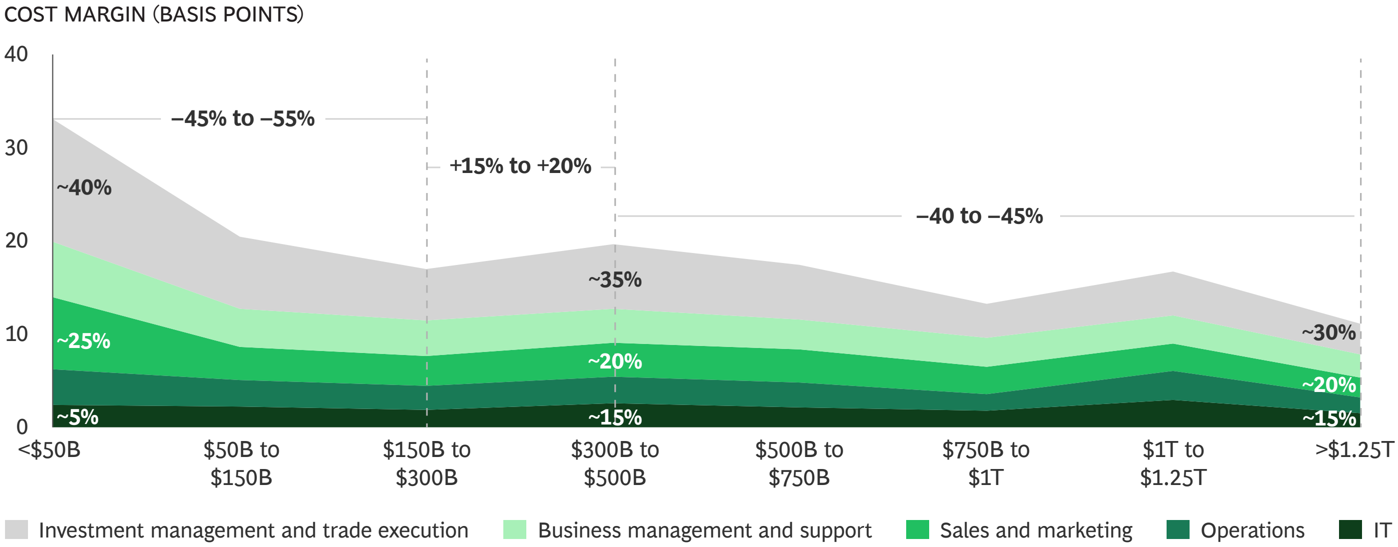
We have also found that both investment management and trade execution (IM&TE) and business management and support costs decrease as a proportion of total costs at greater scale. Larger asset managers are able to distribute these expenses across a broader AuM base. Even so, these larger firms have higher IT expenses as a proportion of costs, owing to their need for scalable IT infrastructure with advanced capabilities. (See **Exhibit 7.**)

In addition to gaining advantages from scale, asset managers benefit when they increase their scope by expanding their product portfolio, geographic footprint, or capability set. Greater scope enables them to diversify revenue streams, reduce costs, and enhance client offerings through shared resources and expertise.

EXHIBIT 7

Size Matters: The Advantages of Scale Are Evident in Cost Margins

Costs as a percentage of AuM across the value chain



Sources: BCG Global Asset Management Benchmarking Database 2024; BCG analysis.
Note: The analysis primarily encompasses traditional asset managers globally and excludes pure alternative players; the latter players are likely to have higher cost basis points and particularly high expense allocations to IT and investment management and trade execution. AuM = assets under management.

Five Key Objectives

The M&A deals and partnerships that we are seeing in the industry tend to revolve around five key objectives related to improving scale and scope. (See **Exhibit 8**.)

Broaden alternative investment offerings. By collaborating with alternative providers, a firm can diversify its revenues and build a wider capital base. In addition to their potential in efforts to develop products for the retail market, alternative products can help capture additional institutional and HNW investor capital.

Expand global presence. Emerging markets, in particular, present significant opportunities to serve the investment needs of a growing middle class. Entering these regions through M&As or joint ventures with established local firms yields regulatory advantages and facilitates market entry.

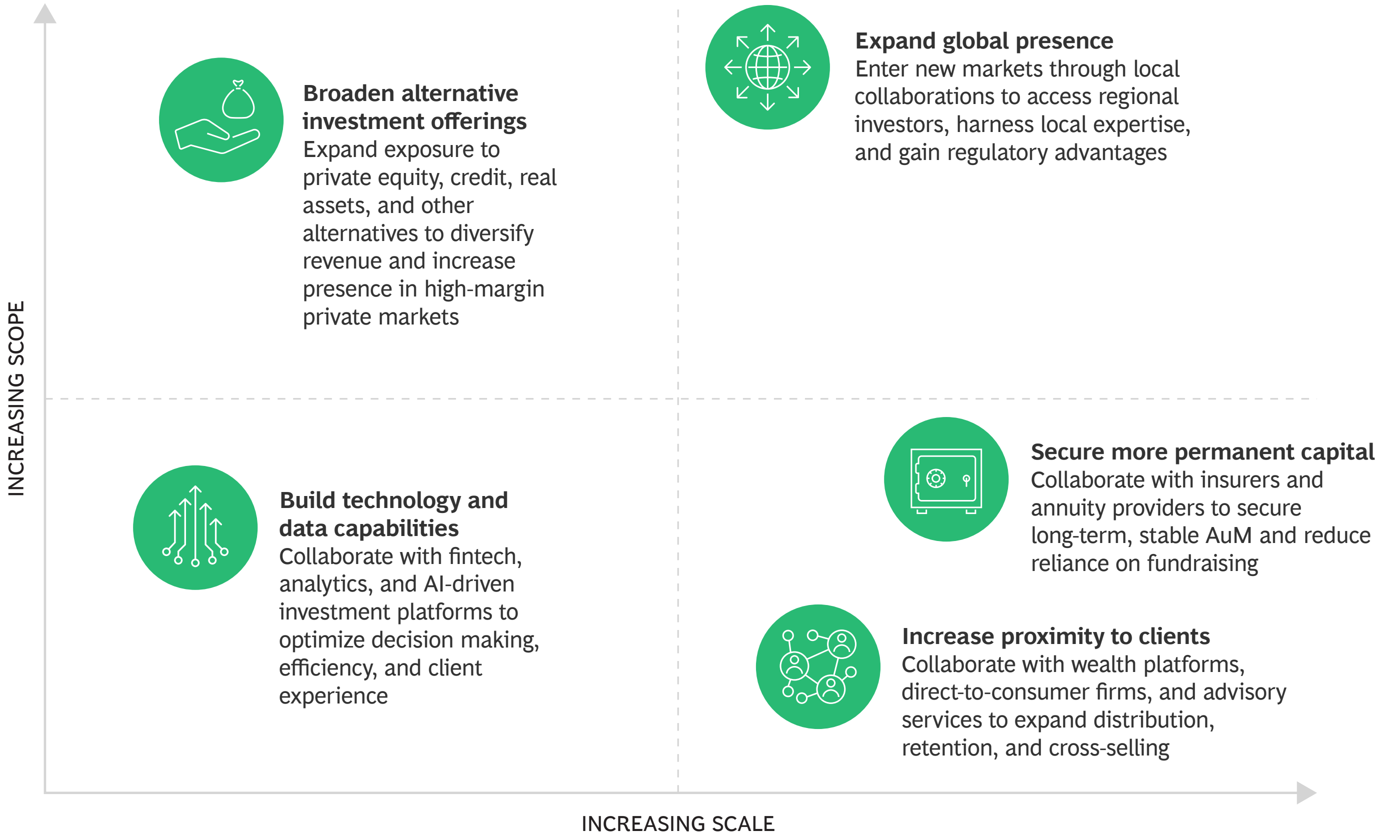
Build technology and data capabilities. Collaborating with fintechs, analytics firms, and AI-driven investment platforms can be among the most efficient ways to invest in advanced technology. For larger players and those with specialized technology and data requirements, acquiring an in-house product suite can lower costs and strengthen their quantitative investment models. In some cases, it can also provide alternative revenue streams.

Secure more permanent capital. To gain access to more permanent capital, a number of asset managers have entered into partnerships with insurers and annuity providers. (See the sidebar "**Stronger Together: Insurers and Asset Managers Team Up to Invest in Private Markets**.") The long-term, stable nature of insurance assets reduces the need for continuous fundraising and mitigates exposure to market cycles. These partnerships also create distribution opportunities, as asset managers can serve insurance customers with tailored investment solutions.

Enhance proximity to clients. Many firms are deepening their client relationships by collaborating with wealth management platforms, direct-to-consumer firms, and financial advisory services. Such partnerships enable asset managers to increase retention while reducing dependence on traditional intermediaries such as brokerages.

EXHIBIT 8

Five Objectives Are Key for M&A and Partnerships



Source: BCG analysis.
Note: AuM = assets under management.

Execution Is Essential

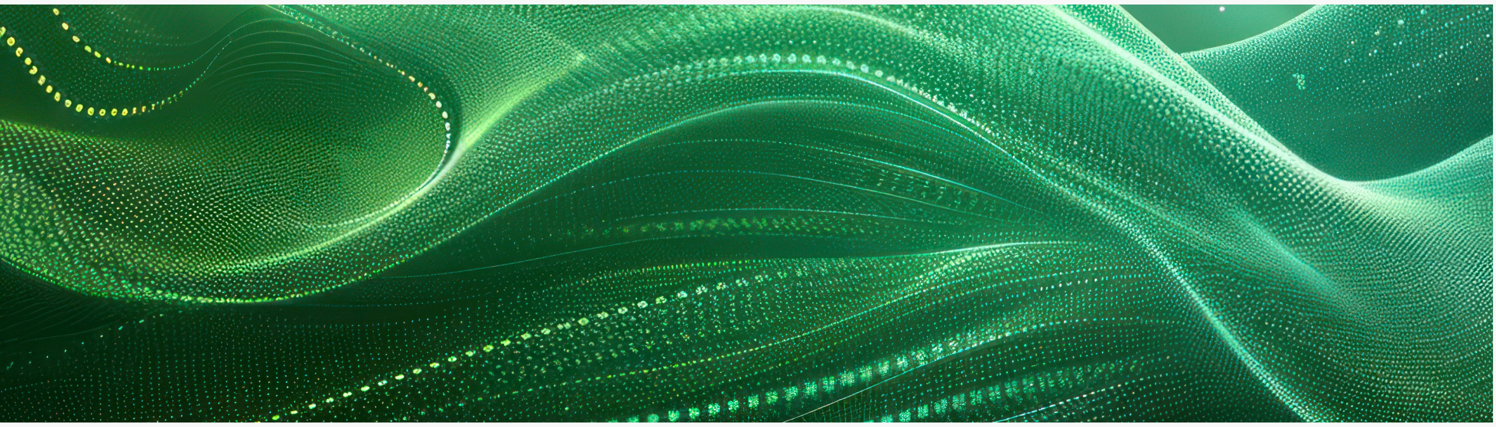
Although selecting the right target or partner is critical, the long-term success of any consolidation deal depends on effective execution. The participating parties should ensure, from an early date, that they are unlocking the best of both organizations. That makes the role of corporate development teams more important than ever.

In M&A, well-executed postmerger integration (PMI) is essential, as it ensures a smooth transition in leadership, operational efficiency, and cultural alignment. Minimizing disruption to investors is critical to maintaining AuM stability and ensuring client retention. The organization should communicate proactively with investors about its investment philosophy, portfolio management continuity, and fee structures.

In partnerships, all parties should agree on the distribution strategy and product design, as well as on the boundaries where collaboration ends and competition begins. The partners should establish a well-defined go-to-market strategy that outlines a plan for product positioning, client targeting, and branding. They should also ensure regulatory and operational alignment—including compliance frameworks, IT systems, and reporting structures—to streamline processes and prevent roadblocks.

Well-executed postmerger integration is essential to minimize disruption to investors, maintain AuM stability, and ensure client retention.

Stronger Together: Insurers and Asset Managers Team Up to Invest in Private Markets



Insurers, with their long-term stable capital aligned to future liabilities, have always been attractive investment partners for asset managers. Now, however, as players across the asset management ecosystem face fee pressures and fundraising challenges for private market products, competition for insurance capital is intensifying.

For their part, insurance companies are increasingly recognizing the value proposition of seeding new private market investments. In a survey of insurers, BlackRock's 2024 Global Insurance Report found that 91% of the respondents plan to increase their investments in private assets in 2025 and 2026.

A key attraction for insurers is the opportunity to extract an illiquidity premium from private markets. As a result, they can boost returns—especially in comparison to traditional fixed-income assets— when they invest their own accounts or those of their policyholders. For asset managers, insurance capital provides a patient, long-term base that enables them to invest with a long-term strategic outlook in illiquid strategies such as private equity, private debt, and real estate.

These partnerships also generate broader strategic advantages. With insurance capital as a stable anchor, asset managers can scale their private market offerings more effectively, supporting revenue growth and long-term competitiveness. Insurers, meanwhile, benefit from the asset manager's expertise in navigating complex private market deals that align with long-duration liabilities.

Private market partnerships also serve the growing market for retirement products. As global demographics shift and longevity increases, conventional pension structures face mounting pressures with regard to ensuring retirees' financial security.

Traditionally, pension portfolio managers have weighted their holdings heavily in fixed-income instruments, which struggle to meet long-term return targets. In response, firms are introducing alternative strategies—including private equity, infrastructure, and other illiquid assets—to boost portfolio resilience.

For insurers, pension-related collaborations make it possible to develop products that balance stability with long-term capital appreciation, ensuring both security for policyholders and enhanced profitability for financial institutions. For asset managers, pension channels offer greater scale and scope for their investment products as they cater to a wider and more diverse investor base.

In parallel, new technologies such as AI and digital distribution channels are transforming the way firms manage, distribute, and market their pension products. Technology is also reshaping the design and delivery of pension solutions, making it possible to create highly personalized offerings to match with individual retirement goals and risk preferences.

When partnering with insurers, asset managers must navigate regulatory, legal, and capital constraints that are stricter than the ones they encounter with other institutional pools. Tax rules, solvency ratios, and capital requirements, which vary by country, necessitate more complicated portfolio construction. Success in these partnerships requires specific capabilities, careful risk management, and long-term strategic planning, but the rewards can include long-term resilience for both parties.

Becoming Radically Leaner

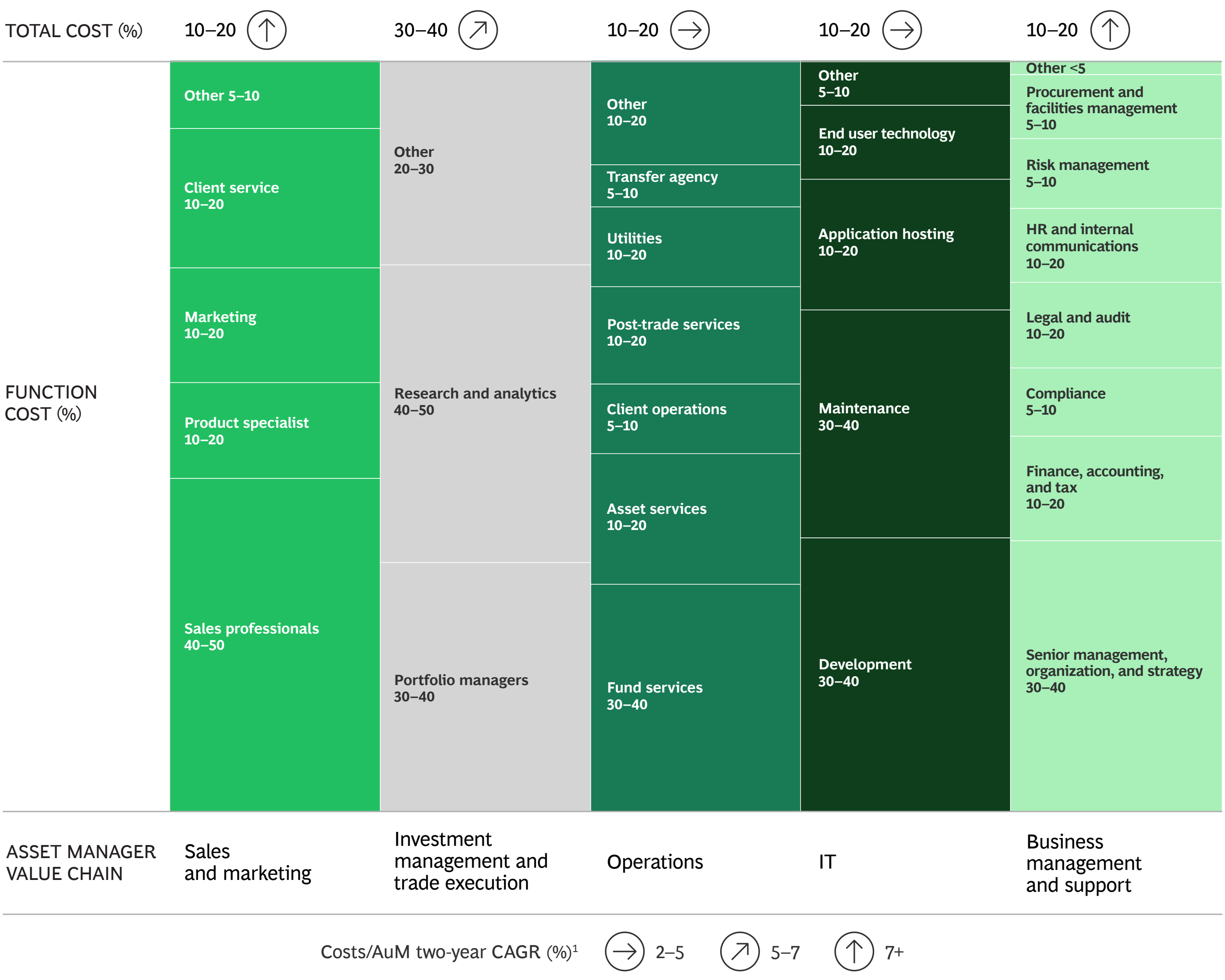
Cost optimization is an urgent strategic priority if asset managers are to be resilient enough to thrive at every phase of the market cycle.

Most firms, however, have struggled to streamline operations and reduce costs. In our proprietary benchmarking sample, we found that total costs have grown at a CAGR of 6% from 2022 to 2024.

The greatest proportion of costs is in investment management and trade execution, which represent about 30% to 40% of total costs and grew at a CAGR of 6% over the past two years. (See **Exhibit 9**.) The increases came primarily from increasing competition for talent and from a shift toward private market products.

EXHIBIT 9

A Typical Cost Structure of Asset Managers Covers Multiple Activities in the Value Chain



Sources: BCG Expand Benchmarks; BCG Global Asset Management Benchmarking Database 2024, 2025; BCG analysis.
Note: AuM = assets under management; CAGR = compound annual growth rate.
[1]CAGR of the ratio of total annual costs divided by average assets under management over a two-year period.

The Trifurcation of Cost Structures

Overall cost allocations have remained relatively stable. A closer look at individual firms, however, reveals a growing trifurcation in spending patterns as asset managers increasingly align their cost structures with their strategic models—alpha shops, beta factories, and distribution powerhouses and solution providers.

This alignment reflects the winning strategies that BCG identified in the **2016 Global Asset Management report**. The distinct paths to competitive advantage outlined there are now driving differentiated cost allocations across the industry. (See **Exhibit 10**.) Each model comes with inherent cost tradeoffs, and each firm must decide where it can best position itself to remain competitive. Each firm also needs to consider how a further entrenchment of these trends would affect its cost base and monetization strategy.

Alpha Shops. Firms that adopt this model focus on generating returns with active trading strategies, so they prioritize spending on IM&TE to sustain their ability to generate differentiated returns. The associated costs account for about 39% of their total costs. Although our data primarily covers traditional players, we expect IT and IM&TE to represent a higher proportion of costs for alpha specialists such as hedge funds and proprietary trading firms.

In order to establish stronger differentiation in active management, alpha shops may increase the proportion of their costs in IM&TE as the competition to find top investment talent intensifies. Instead of maintaining in-house distribution teams, they can use distribution powerhouses to curate their offerings, thereby reducing costs in the areas of sales and marketing and operations.

Beta Factories. This model tries to reduce costs across the board for passively managed products while strategically investing in IT, which comprises 22% of total costs, to drive scalability and automation.

Because of their IT investments, beta factories are in a position to become tech providers for the broader industry, offering infrastructure, execution platforms, and advanced analytics to partners. As a strategy for the future, beta factories can make a purer play for IT as their cost base while reducing their relative spending on IM&TE.

Distribution Powerhouses and Solution Providers. This model concentrates on the sales and marketing and operations functions so that the firm can strengthen client engagement and service delivery. These functions, when combined, account for about 39% of their total costs—and if anything, that share will have to increase over the next few years.

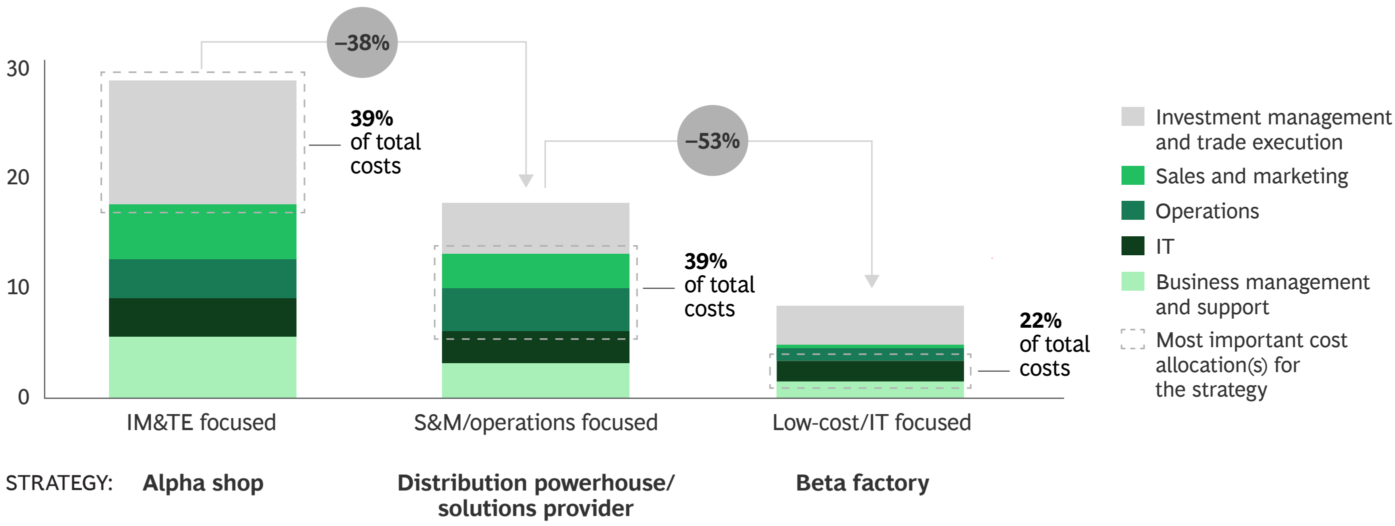
As the industry experiences further separation between alpha shops and beta factories, distribution and solution providers are serving as the gateway to clients across channels. To stay competitive in this role, they should consider strategies to get closer to key intermediaries such as outsourced chief investment officers (OCIOs) and consultants.

EXHIBIT 10

Cost Allocations Are Evolving Along Three Strategic Paths

Cost structure archetypes

AVERAGE COSTS (BASIS POINTS)



Sources: BCG Expand Benchmarks; BCG Global Asset Management Benchmarking Database 2024; BCG analysis.
Note: Cost structure archetypes were developed using a K-means cluster analysis of 36 asset managers overseeing ~$30 trillion in AuM. The analysis primarily focuses on traditional asset managers globally and excludes pure alternative players. AuM = assets under management; IM&TE = investment management and trade execution; S&M = sales and marketing.

Regardless of the cost model that an asset manager follows, the best way to ensure resilience is by adopting a zero-based approach in which the firm rethinks its cost structures from the ground up.

Reimagining Costs with a Zero-Based Mindset

Regardless of the cost model that an asset manager follows, the best way to ensure resilience is by adopting a zero-based approach in which the firm rethinks its cost structures from the ground up. We see three key levers that asset managers can use to optimize their cost structures: outsourcing, automation, and avoiding dual-run costs.

Outsourcing. Asset managers can reduce operational costs by shifting their noncore cost-intensive functions such as mid- or back-office operations to third-party providers. For small and midsize players, it increasingly makes sense to outsource technology and data management functions.

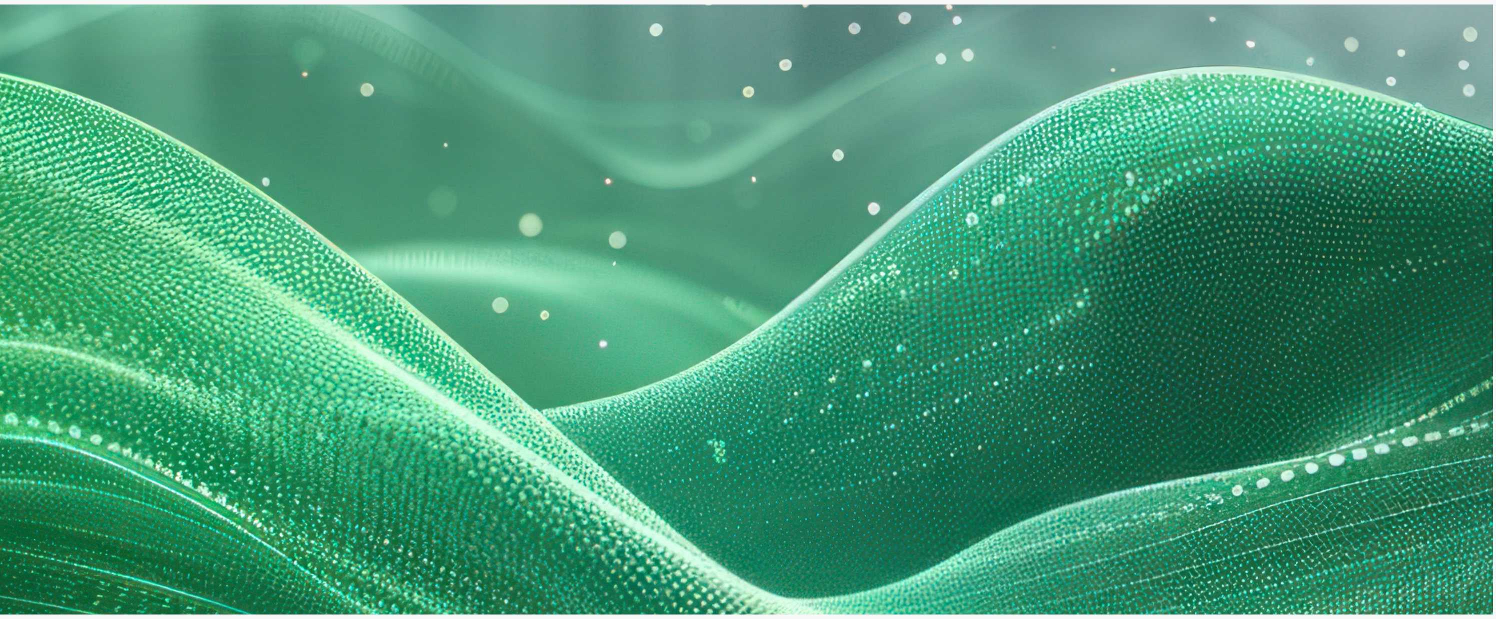
As the value of bespoke customer data utilization grows and technology's role in differentiation becomes more salient, the largest asset managers and dedicated tech firms are investing heavily in technological infrastructure. For their part, however, small and midsize players should carefully weigh the benefits of building in-house capabilities against the costs and the ease of integration that third-party platforms provide.

Automation. Most firms are adopting advanced technologies such as GenAI to improve cost efficiencies, particularly in the areas of investment research, trading, reporting, and compliance. (See the sidebar "**AI Evolution: From Experimentation to Integration**.") As **our 2024 Global Asset Management report** discussed in detail, asset managers should be proactive in integrating AI-driven tools into their research workflows and should redesign portfolio management teams to fully capitalize on these advances. For example, diversified firms have a unique opportunity to leverage customer data gathered at one end of their business to inform and strategize about pricing and marketing decisions in other parts of their product suite.

Our clients are combining levers such as automation and outsourcing to reduce costs by forging partnerships with AI specialist companies that can serve the needs of noncore operations such as software development.

Avoiding Dual-Run Costs. With expansion comes the risk of duplicated team structures, inefficiencies in decision making, and increased operational complexity. As asset managers venture into new asset classes, they should, wherever possible, deploy the expertise of their existing teams across new disciplines to avoid dual cost structures.

AI Evolution: From Experimentation to Integration



We dedicated last year's Global Asset Management Report to the industry's transformation as it developed use cases for AI. Since then, we have seen the industry shift from experimental applications to deeply integrated solutions. As asset managers increasingly emphasize operational efficiency, enhanced decision making, and client engagement, AI has emerged as a key accelerator.

Firms are using AI to streamline workflows and enhance customer interactions. As AI adoption advances, challenges related to integration, compliance, and governance remain focal points for the industry in refining its approach to automation and augmentation.

Increasingly, asset management firms are applying AI across their front, middle, and back offices. The technology plays a pivotal role in client engagement, from drafting customized RFP responses to automating routine inquiries.

Within the investment management and trade execution function, AI models analyze market trends and draft investment committee documents. In addition, AI can optimize allocation recommendations by extracting insights from vast data sets, including alternative sources such as news and earnings calls. Compliance teams use AI to navigate evolving regulatory requirements more efficiently. In operations, AI-powered assistants can automate customized reporting and significantly reduce processing times. In IT, AI can enhance code generation and debugging.

Early adopters of AI have reported substantial efficiency gains. For example, one asset manager that rolled out an in-house AI application to all employees quickly transitioned from weekly to daily use. The firm now deploys AI to support coding, document reviews, and investment reporting, leading to major reductions in administrative workloads.

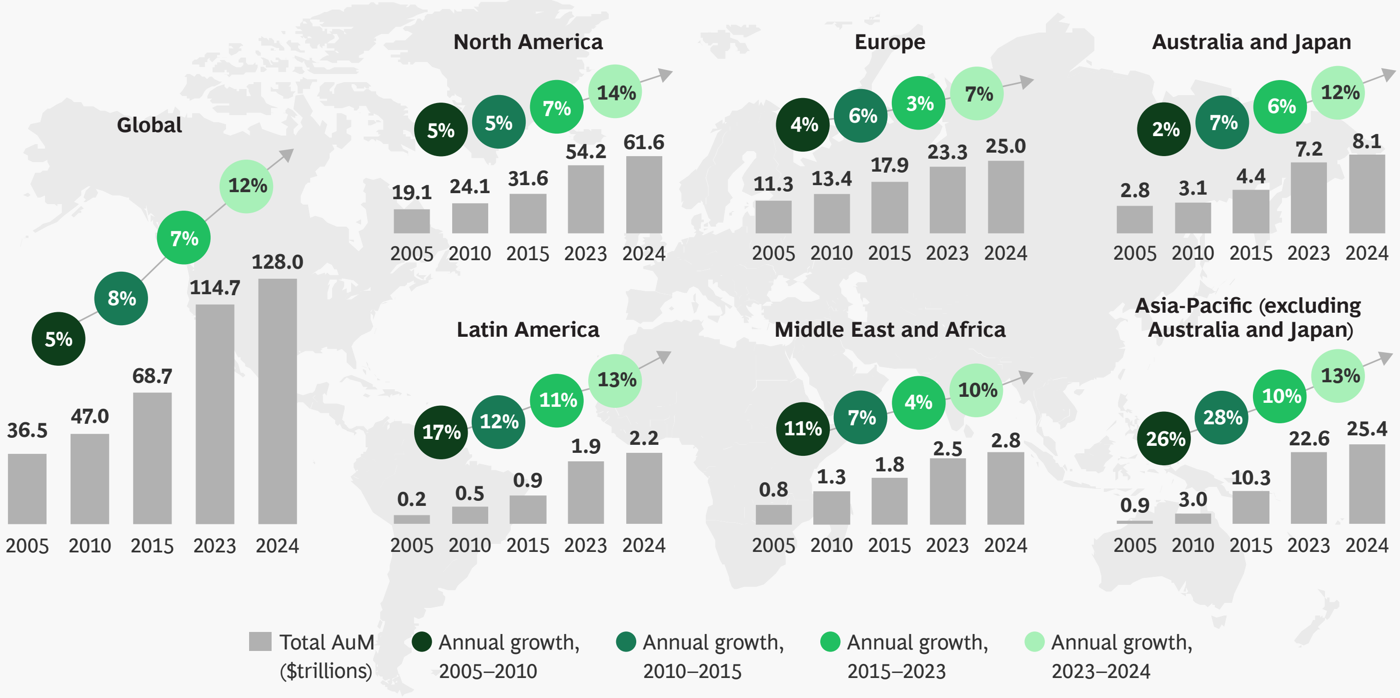
Despite these advances, asset managers continue to grapple with key challenges in AI adoption. Integration across different functions remains complex, and firms are working to ensure that AI-generated outputs are reliable and that they align with accepted decision-making models. Regulatory oversight is a crucial factor as well, with evolving frameworks such as the EU AI Act shaping the trajectory of AI adoption.

As AI's role in asset management deepens, firms' attention will increasingly focus on refining applications, strengthening governance, and expanding AI-driven investment strategies. All of this will help ensure that innovation aligns with both business strategy and regulatory expectations.

Appendix

APPENDIX 1

All Regions Experienced Positive AuM Growth



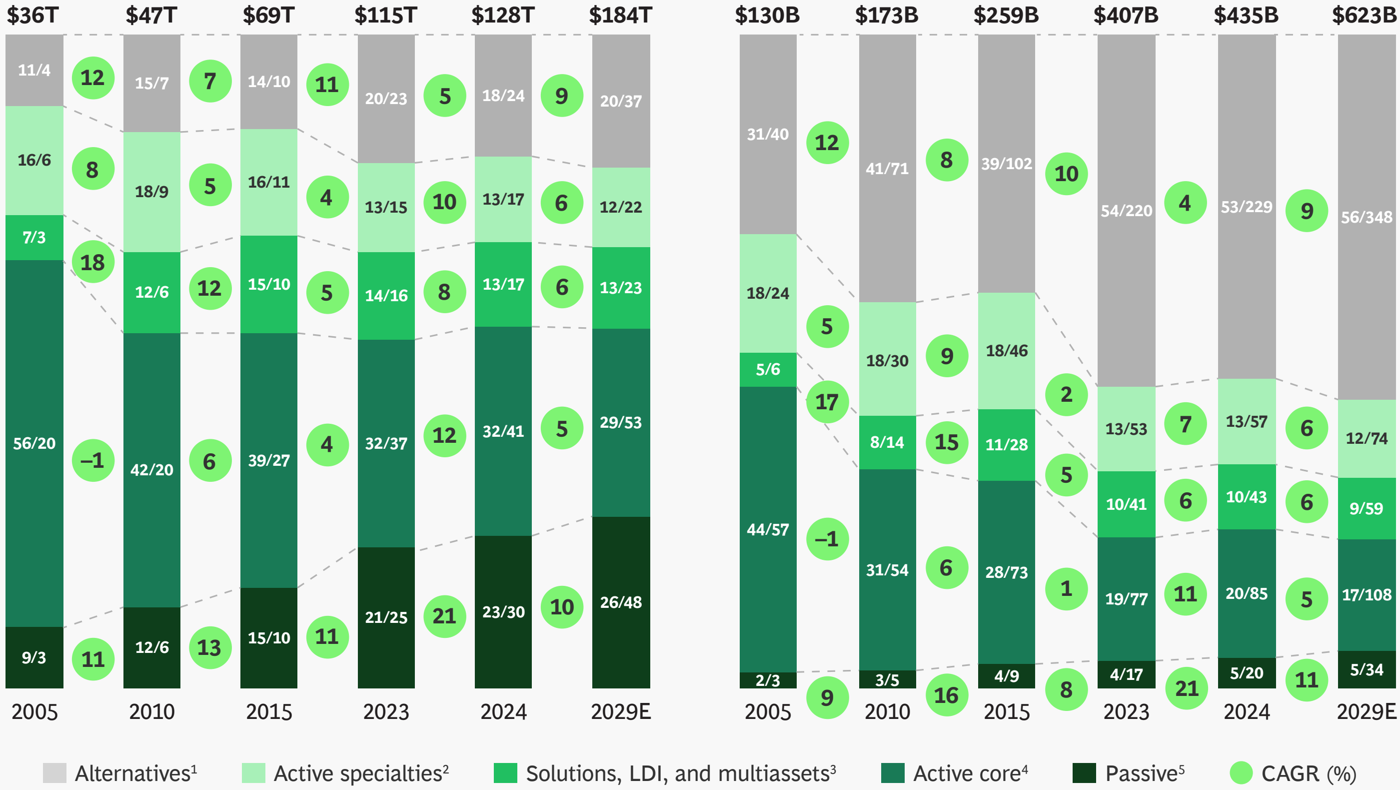
Source: BCG Global Asset Management Market Sizing Database 2025.
Note: Market sizing corresponds to assets sourced from each region and professionally managed in exchange for management fees. AuM includes captive AuM of insurance groups or pension funds where AuM is delegated to asset management entities with fees paid. Globally, 44 markets are covered, including offshore AuM (which is not included in the six regions). North America comprises Canada and the US. Europe comprises Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and the UK. Asia-Pacific (excluding Australia and Japan) comprises mainland China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea, Taiwan, and Thailand. Middle East and Africa comprises selected sovereign wealth funds and pension funds of the region and mutual funds, plus Morocco and South Africa. Latin America comprises Argentina, Brazil, Chile, Colombia, and Mexico. For all markets where the currency is not the US dollar, the end-of-year 2024 exchange rate is applied to all years to synchronize current and historical data. Values differ from those in prior studies due to exchange rate fluctuations, revised methodology, and changes in source data. AuM = assets under management.

APPENDIX 2

Alternative Investments Generate More Than 50% of Global Revenues, with Less Than 25% of Global AuM

GLOBAL AUM SPLIT BY PRODUCT (%, $TRILLIONS)

GLOBAL REVENUE SPLIT BY PRODUCT (%, $BILLIONS)

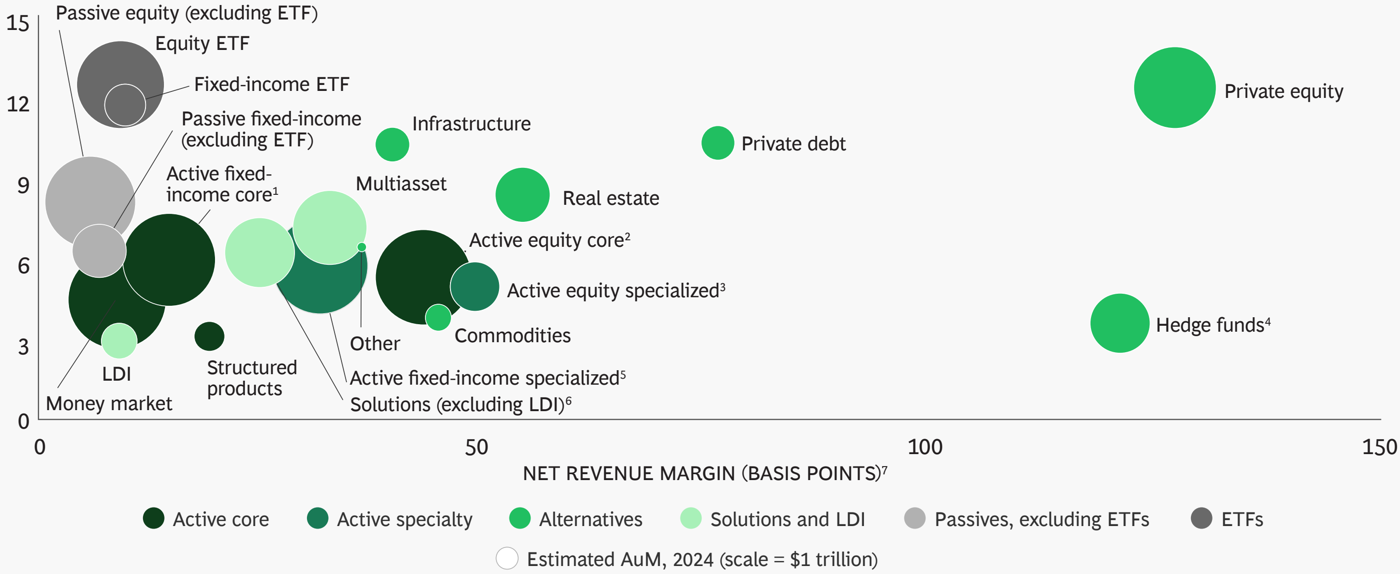


Source: BCG Global Asset Management Market Sizing Database 2025.
Note: Because of rounding, not all bar segment values add up to 100% or to the specified sum. AuM = assets under management; CAGR = compound annual growth rate; LDI = liability-driven investment.
[1]Includes these instruments: hedge funds, private equity, real estate, infrastructure, commodities, private debt, and liquid alternative mutual funds (such as absolute return, long/short, market-neutral, and trading-oriented); private equity and hedge fund revenues do not include performance fees.
[2]Includes these actively managed instruments: equity specialties (global equities [excluding US], emerging market, all sector and thematic, and undefined [if market is not known]) and fixed-income specialties (emerging-markets fixed-income, high-yield, convertible, inflation-linked, and global [excluding US] and undefined [if market is not known]).
[3]Includes these instruments: target date, target maturity, liability-driven, outsourced chief investment officer, multiasset balanced, and multiasset allocation.
[4]Includes these actively managed instruments: developed-market and global equity, developed-market government and corporate fixed-income, global fixed-income, money market, and structured products.
[5]Includes exchange-traded funds and passively managed equity and fixed-income instruments.

APPENDIX 3

ETFs and Select Alternative Products Are Expected to Lead Growth Through 2029

AUM GROWTH, 2024–2029E (%)



Source: BCG Global Asset Management Market-Sizing Database 2025.
Note: AuM = assets under management; ETF = exchange-traded fund; LDI = liability-driven investment.
[1]Includes these actively managed fixed-income instruments: developed market, global, corporate, and government.
[2]Includes these actively managed equity instruments: developed market and global.
[3]Includes these actively managed equity instruments: global (excluding US), emerging market, all sector and thematic, and undefined (if market is not known).
[4]Includes these instruments: absolute return, long/short, market-neutral, and trading-oriented mutual funds.
[5]Includes these actively managed fixed-income instruments: global (excluding US), emerging market, high-yield, convertible, inflation-linked, and undefined (if market is not known).
[6]Includes these instruments: target date funds, target maturity, and outsourced chief investment officer.
[7]Management fees net of distribution costs.

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Acknowledgments

The authors would like to thank the following colleagues for their valuable contributions to this report: Jatin Bajwa, Alessandro Barducci, Joppe Bijlsma, Henry Dai, Niamh Dawson, Mukul Gupta, Christian Klingkowski, Reema Kotecha, Sonali Maheshwari, Sergio Martin-Prieto, Maël Robin, Pierre Roussel, Khushbu Sidan, and Himakshi Srivastava.

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