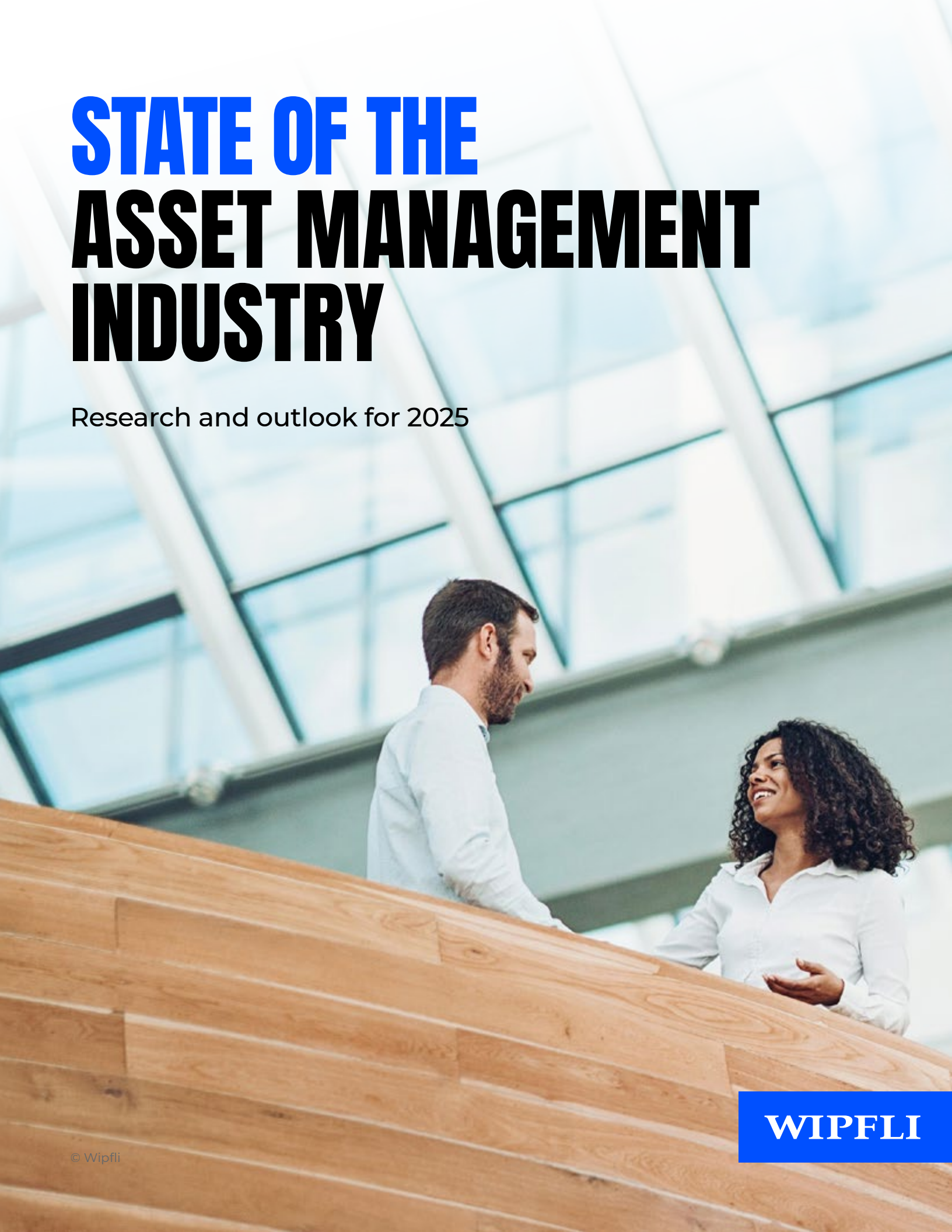
STATE OF THE ASSET MANAGEMENT INDUSTRY

Research and outlook for 2025



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How Wipfli can help

To keep pace with changing moves and markets, modern asset management firms must make the right decisions — fast. Wipfli can help, empowering your firm with priority responses, accurate insights, technology-driven solutions and optimum compliance. Learn more at wipfli.com/asset-management.

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Asset management is at the heart of our economy, driving investment strategies that shape industries, build wealth and secure financial futures. As markets and client expectations evolve, asset management firms must too.

Wipfli surveyed 134 asset management executives to learn how their firms are navigating the dynamic landscapes of technology, regulation and risk. Our second annual "State of the asset management industry" report offers insight into these topics and emerging trends.

Find out what's shaping the field and how to stay ahead of opportunities and challenges.

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Executive summary

In Wipfli's second annual asset management industry survey, 134 executives — including portfolio managers, managing partners and C-suite leaders — weighed in on the state of their industry and how technology is changing how they approach their work.

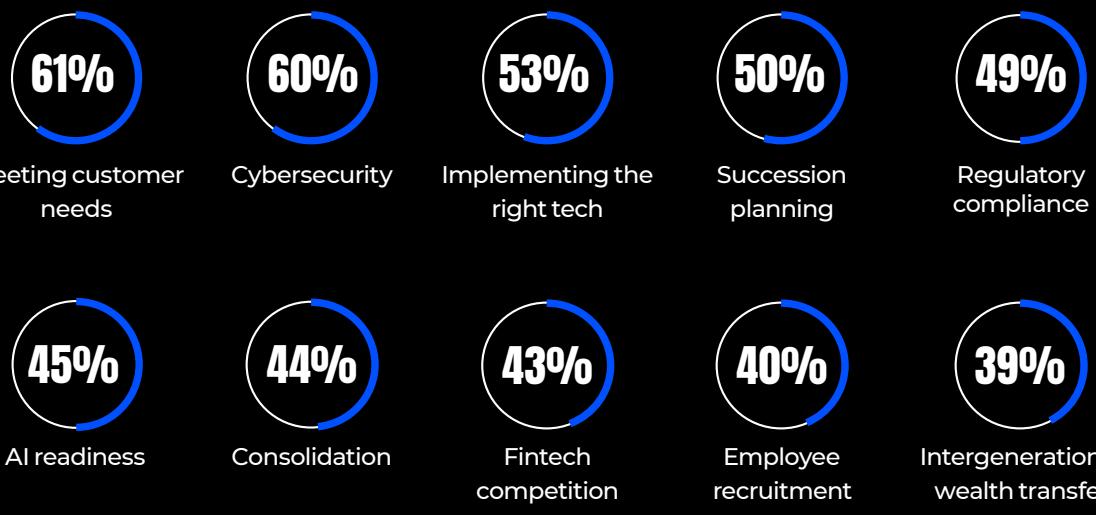
Respondents came from all regions of the country and from firms of all sizes, but close to half (46%) came from large firms that manage over $1B in assets.

The leaders we surveyed are optimistic about the next 12 months. The majority (57%) expect to grow 5%-8%. A quarter project revenue growth of 8%-10%, and 10% of respondents expect growth higher than 10%.

Their top concerns reflect a technology focus. While meeting customer needs topped the list at 61%, cybersecurity (60%) and implementing the right technology tools (53%) were the second- and third-ranked concerns in this year's survey. Succession planning and regulatory compliance were close behind (cited by 50% and 49% of respondents) and 45% said AI readiness was a top concern.

Many of asset managers' top concerns for 2025 relate to technology

To what degree are survey participants very or extremely concerned about each of the following over the next 12 months?



Technology was a consistent factor across all themes in this year's survey, from growth strategies to future ownership changes and succession planning.

"The survey responses reflect an industrywide understanding that technology is an essential factor for business success — as well as a nod to the fact that that they might not be leveraging these tools as much as they could be," says Wipfli partner Ron Niemaszyk.

Sarah Williams, CPA, a Wipfli senior manager who advises asset management clients, added: "Good leaders are always looking for ways to improve, and asset managers understand that data and tech will be the biggest levers to accelerate their operations and fuel continued growth."



Technology focus

Wipfli asked asset management leaders about the tools and technologies they use today.

The vast majority (96%) said their firms have either a partially or fully integrated customer relationship management (CRM) system. Just over half (54%) said their CRM seamlessly supports all their organic growth marketing initiatives, while 42% said their system was partially integrated with marketing efforts, but there are still some gaps.

Beyond marketing, respondents are also looking to data to guide larger business decisions. Eighty-nine percent said their leadership teams use business analytics to make data-driven decisions and only 2% of respondents said their firms didn't collect enough data to leverage business analytics. The survey suggests that respondents are comfortable with data; 66% rate their firms as doing very or extremely well in using data analytics to inform strategic planning.

To keep pace with technological advancements and support the continued use of data to drive intelligent planning, asset management leaders are likely to upgrade their data systems in 2025. Sixty-three percent of respondents said they're "very likely" to invest in data architecture in the next 12 months and 66% were "very likely" to invest in data analytics.

When it comes to data architecture, the leaders we surveyed said their three biggest challenges are data quality issues (49%), data privacy and security (47%), and a tie between high costs and data silos (45%). For data analytics, respondents' top three challenges are high costs (50%), data privacy and security (45%) and data quality issues (43%).



Despite the challenges, technology presents a wealth of opportunity for the asset management industry, and our survey offers insight into how tech factors are affecting the nature of day-to-day work. Sixty percent of respondents said increased use of data analytics to inform investment decisions and identify trends has had a large or major effect on how they do business. Efficiency was also a top theme; 56% cited the use of digital platforms and apps for account management processes, while 54% rated increased use of automation for portfolio management and rebalancing as having a notable impact.

The increased use of customer data also calls for increased attention to privacy; 54% of survey respondents said cybersecurity and data privacy measures were having a large impact on their business processes.

When it comes to the use of AI in business applications, our survey suggests most asset management leaders are still in the evaluation and research stages. One quarter are consulting with AI experts, another 25% are analyzing cost-benefit ratios, 19% are benchmarking against industry standards and 11% are gathering employee feedback. Only 18% are conducting AI pilot projects.

"While AI is advancing rapidly, it's still in the early stages as far as companies implementing these tools into their daily operations," says Anna Kooi, CPA, partner and leader of Wipfli's financial services practice. "It makes sense that most asset management firms are still in a phase of exploration rather than transformation. But I imagine these numbers will change significantly by 2026."

Technology is increasing the efficiency and effectiveness of asset management work.

The below percentages indicate the number of respondents who said each factor had a large effect on how they do business:

60% Greater use of data analytics to inform investment decisions and identify trends

56% More efficient account management processes with digital platforms and apps

54% Increased use of automation for portfolio management and rebalancing

54% Enhanced cybersecurity and data privacy measures to protect client information

53% Use of AI tools in marketing and account management processes with existing clients

49% More efficient client onboarding with digital platforms and apps

49% Use of AI tools in marketing and account management processes with prospective clients

Growth strategies

To grow revenue and improve performance, respondents said their priorities are using AI tools in marketing strategies for prospective and existing clients (63%), improving data analytics to serve clients and prospects more effectively (61%), improving digital customer engagement (60%) and exploring new revenue streams (60%).

To drive organic growth, respondents plan to use social media (70%), client referrals (60%), event marketing (54%), direct marketing (54%) and their website/search engine optimization (49%).

As Kooi notes, "Marketing has become much more data-driven, and respondents are looking to strengthen their data analytics capabilities to personalize their message and message delivery. These may not be capabilities that come naturally to asset management experts, so they may need to hire additional support."

Tech tools play a key role in firms' growth strategies for 2025

Respondents rated the below as either very or extremely important for growing revenue and improving firm performance:

63% Using AI tools in marketing strategies

61% Improving data analytics capabilities

60% Improving digital customer engagement

60% Exploring new revenue streams

59% Talent management

57% Automating processes to extend geographic reach

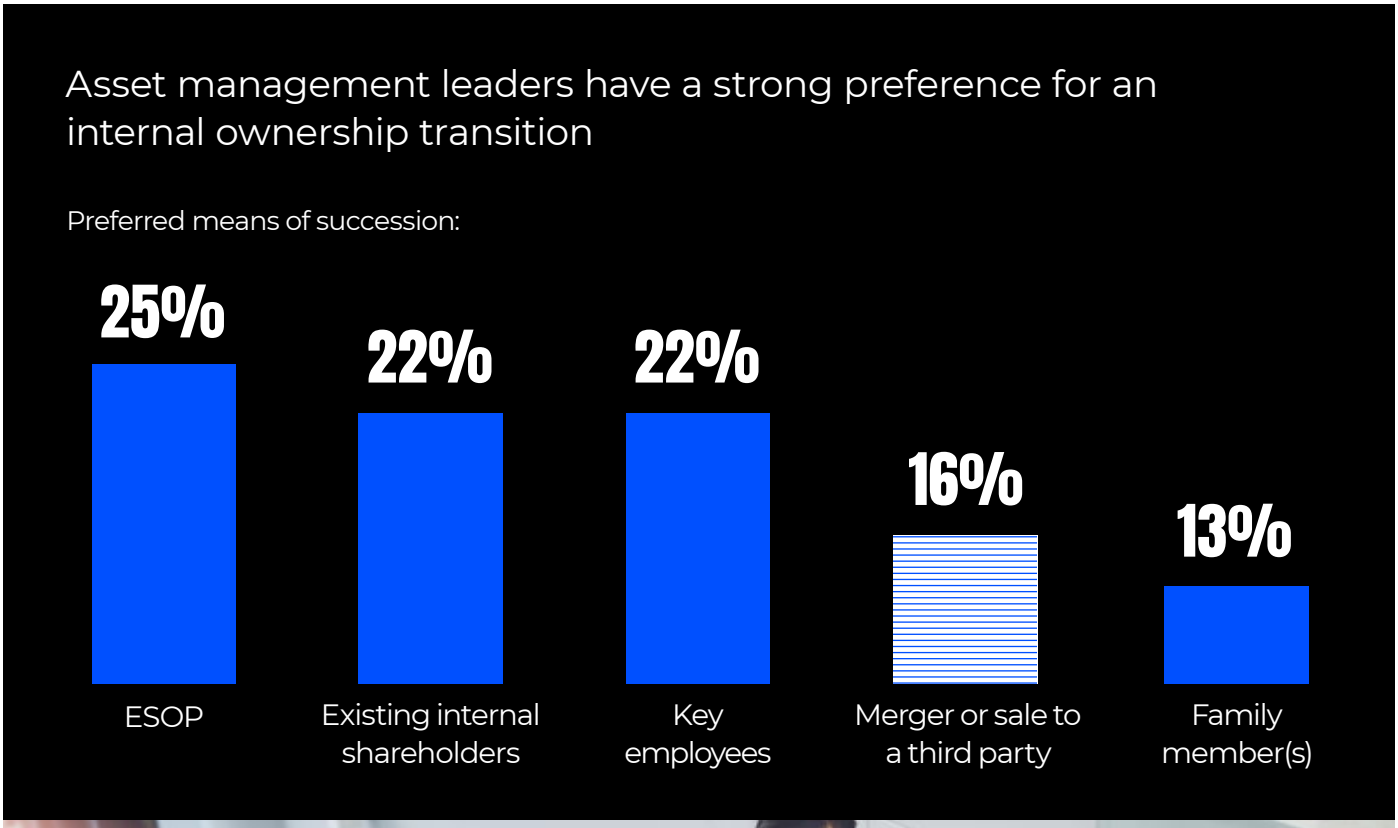
54% Cloud adoption

46% Labor-replacing or staff-augmenting technologies



Ownership changes and succession planning

When we asked about succession planning, respondents had a strong preference for an internal ownership transition, with 82% hoping for someone already familiar with the firm to become the next owner. They'd like to see the business transferred to an employee stock ownership plan (25%), existing shareholders (22%), key employees (22%) or family (13%). Only 16% of respondents wanted to transfer the firm to a third party via a merger or sale.





"While respondents said they would like firm ownership to pass internally, that doesn't match the typical reality," notes Rusty Planert, CPA, a manager within Wipfli's financial services practice. "Normally, ownership passes to an external party through a sale or merger. I think this reveals an opportunity for firm owners to think about what they need to make an internal ownership transition more feasible when the time comes. If there are certain strategic shifts, technology investments, leadership training or other planning that can make that outcome more likely, they should start thinking about those things now."

When considering a potential merger or acquisition, asset management leaders said their top consideration is how to preserve the culture of the firm (60%), tied with being able to maintain their ability to make key business decisions. Asset management leaders also said minimizing tax exposure was an important factor (59%).

Wealth management leaders want to protect firm culture and leadership in a potential M&A deal

Respondents said the below factors were very or extremely important:



When asked what would drive an ownership change, the top response was technological advancement (56%) — something our advisors saw as a key insight.

56% of respondents said technological advancement was highly likely to drive ownership change.

"This suggests that owners of asset management firms aren't confident that they are, or can continue to, keep up with technological advancements," says Niemaszyk. "That's great information, because it points to an opportunity to proactively address that perceived shortcoming. Owners could consider filling those gaps through strategic hires or bringing in consultants who can advise them on how technology can support their long-term growth and success."



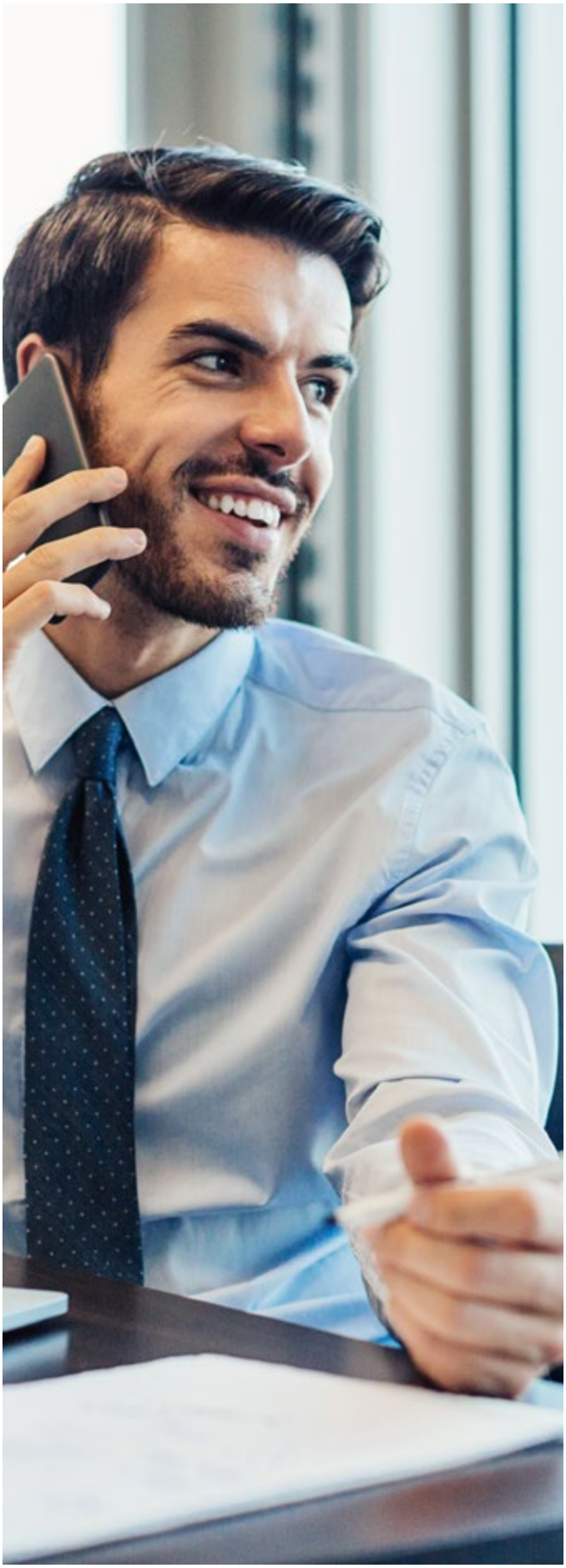
Looking forward

Kooi summarizes this year's survey results this way: "A lot of firms are growing rapidly, and they're optimistic about continued growth. They're also saying, 'We're growing, but are we running an effective and efficient business?' This is where effective use of data can be helpful."

As asset management leaders think about their strategic initiatives for 2025, Kooi and colleagues offer the following recommendations:

- **Leverage data architecture and analytics, with help:** Many firms are concerned about possible missteps as they look to invest in and implement the right tech. They should reach out for expert guidance on tool selection and/or implementation and change management.
- **Focus on cybersecurity solutions, especially on data privacy and protecting client information:** As asset management becomes more tech-enabled, firms need to protect their customer data to keep their clients' trust and safeguard their reputations.
- **Move forward on AI, strategically:** While most firms are still in the research and exploration phases of AI, the industry is on the cusp of widespread AI implementation. As more firms start to pilot AI projects, they need to be strategic about prioritizing use cases and making sure they select partners and products that are reliable, accurate and secure.

Kooi encourages asset management leaders to tap into existing technology expertise. "As all industries navigate the AI evolution together, there's a growing body of AI transition expertise, whether from colleagues, consultants or case studies of what early adopters have found successful. Asset management leaders should look to these resources to support their own technology decisions."



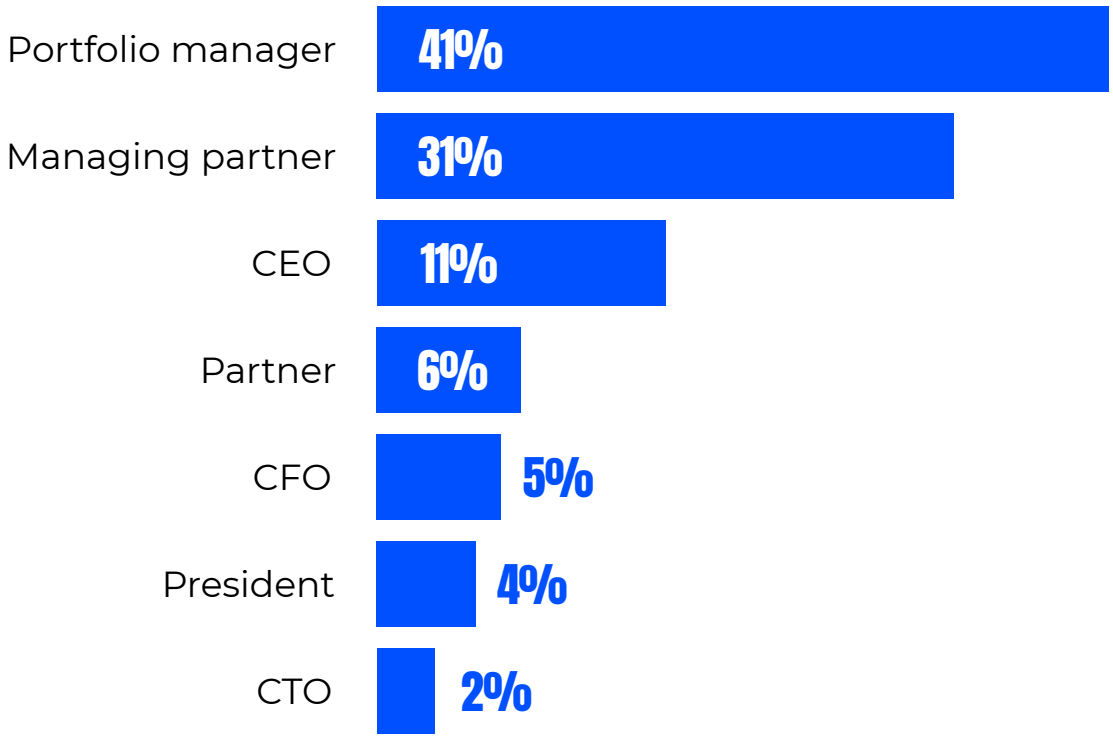
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Appendix: The raw data

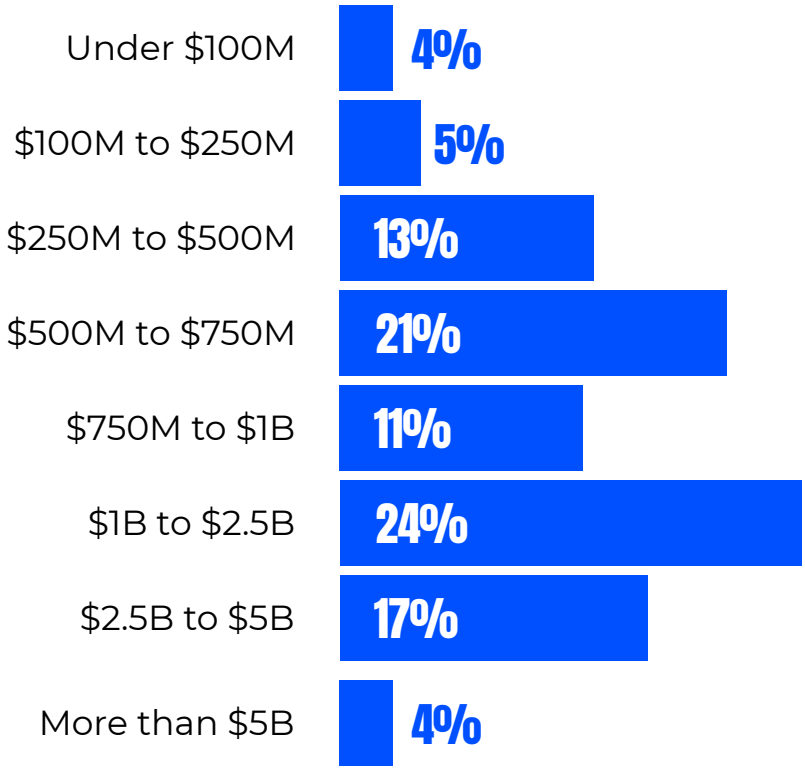
Wipfli received survey responses from 134 asset management firm leaders. The survey was emailed and answers were collected online between October 17 and November 14, 2024. All responses were confidential and anonymous.

Percentages may not equal 100% due to rounding.

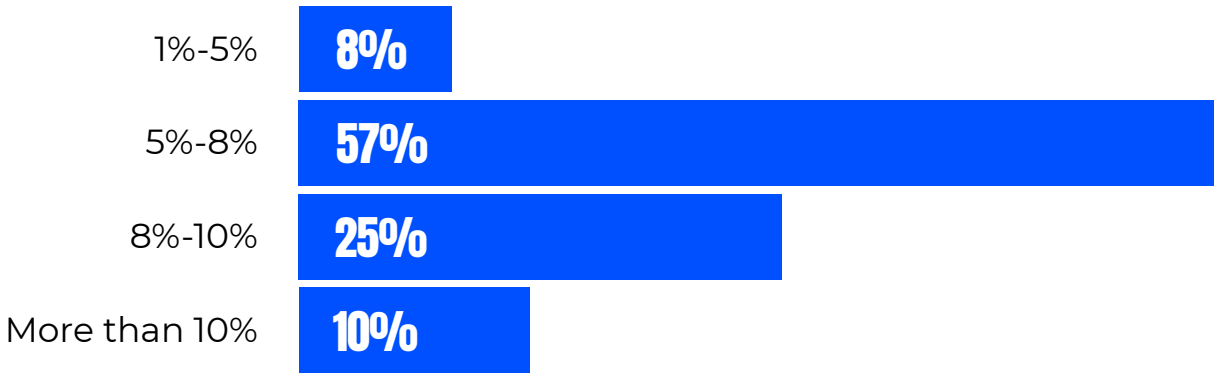
Which best describes your primary role?



What are your firm's current assets under management?



Which best describes your revenue growth projection for the next 12 months?

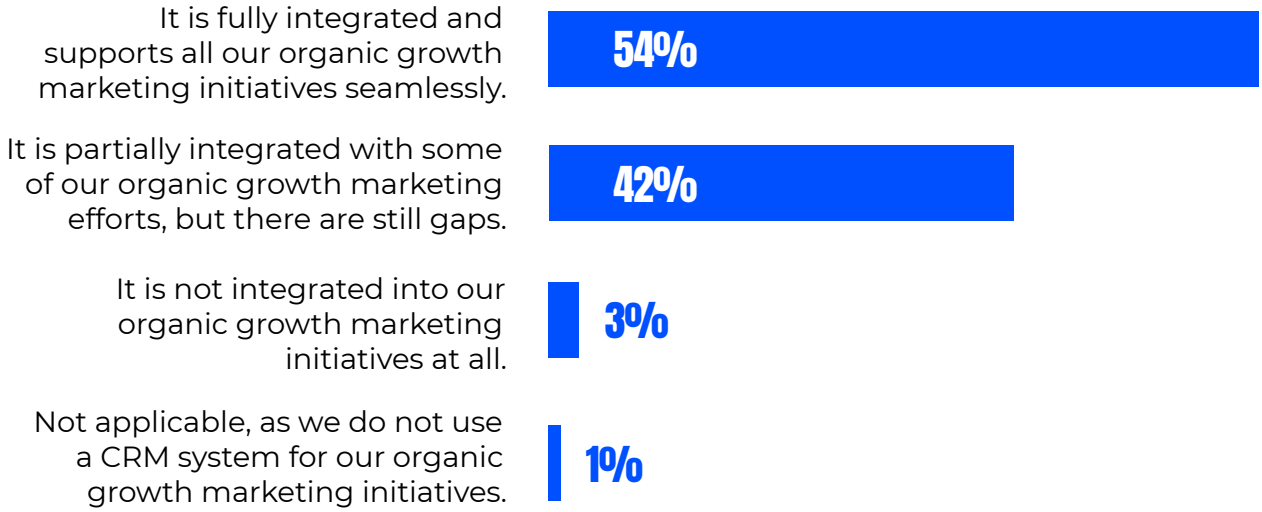


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Which of the following methods or approaches are you using to drive organic growth?



To what extent is your current customer relationship management (CRM) system integrated into your organic growth marketing initiatives?



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Please rate the importance of each of the following strategies to grow revenue and improve performance for your firm in the next 12 months.

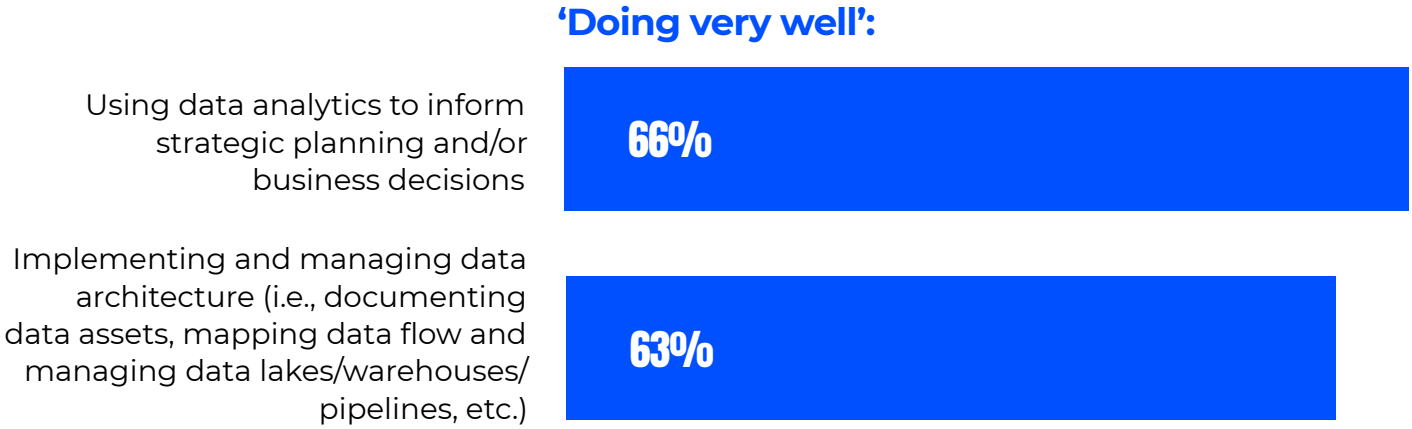


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To what degree are you concerned about each of the following over the next 12 months?

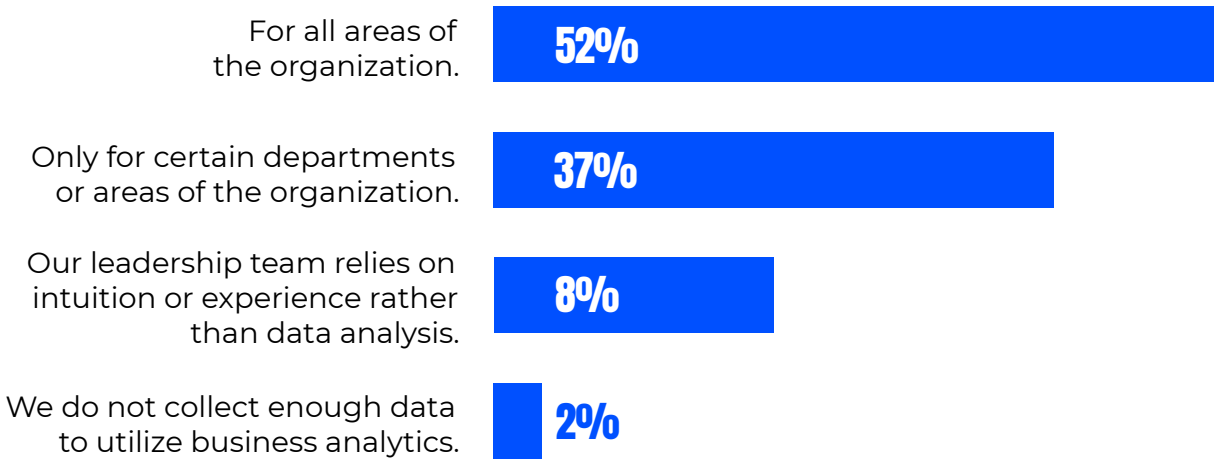


How would you rate your firm currently on the following digital practices?

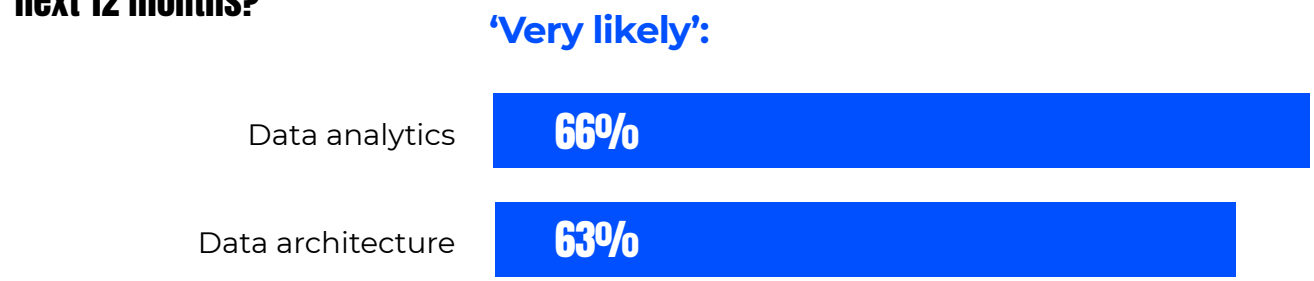


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How does your leadership team utilize business analytics to make data-driven decisions?

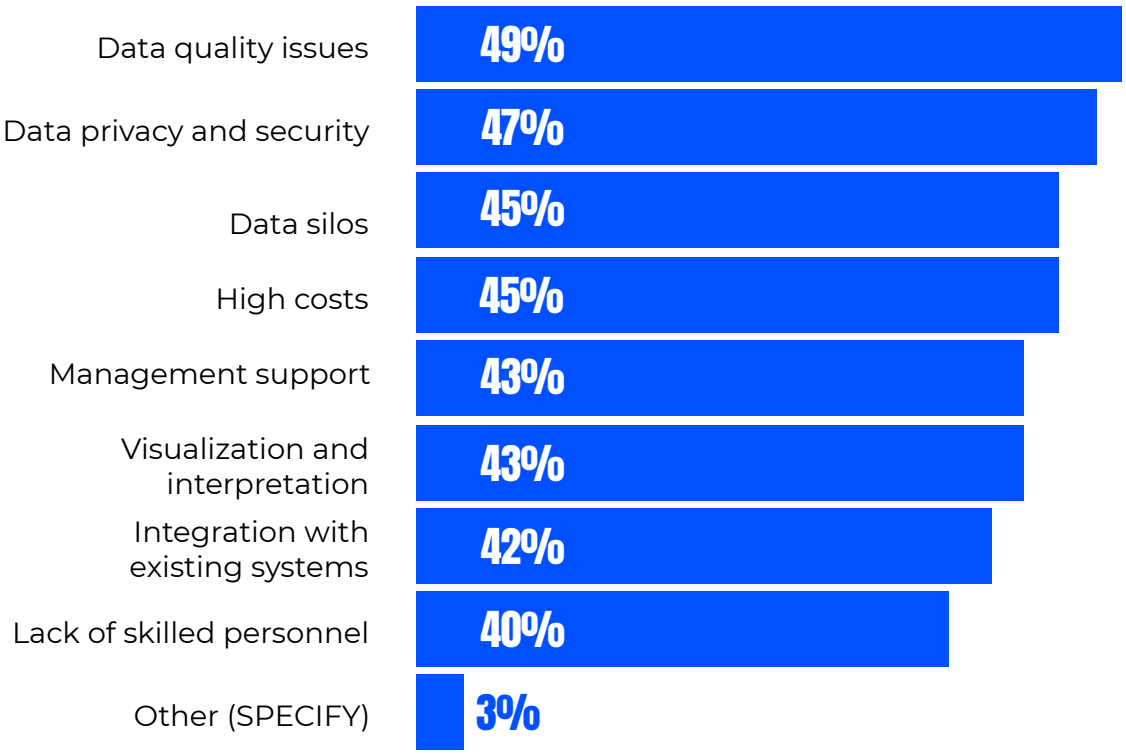


How likely is your business to invest in data architecture and/or data analytics in the next 12 months?

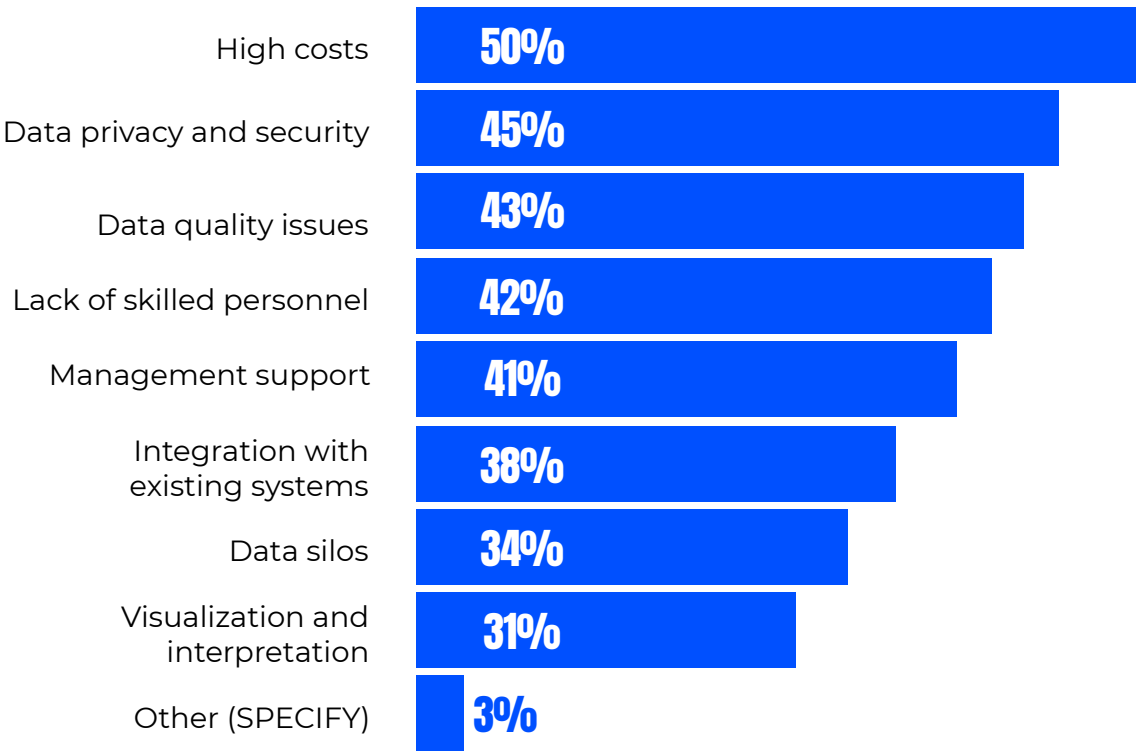


What (if any) are the main challenges your business faces in implementing effective data architecture and analytics?

Data architecture:

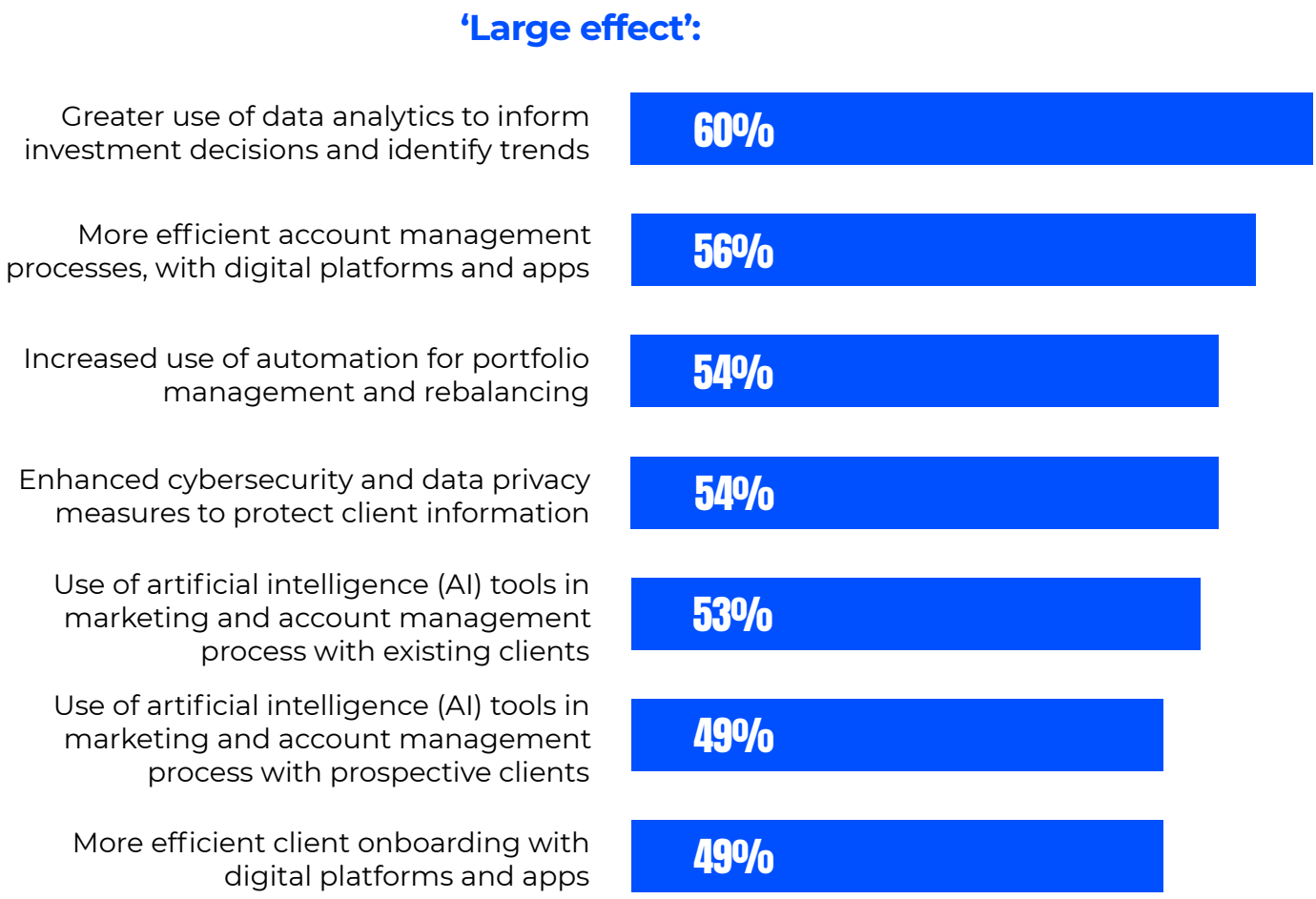


Data analytics:

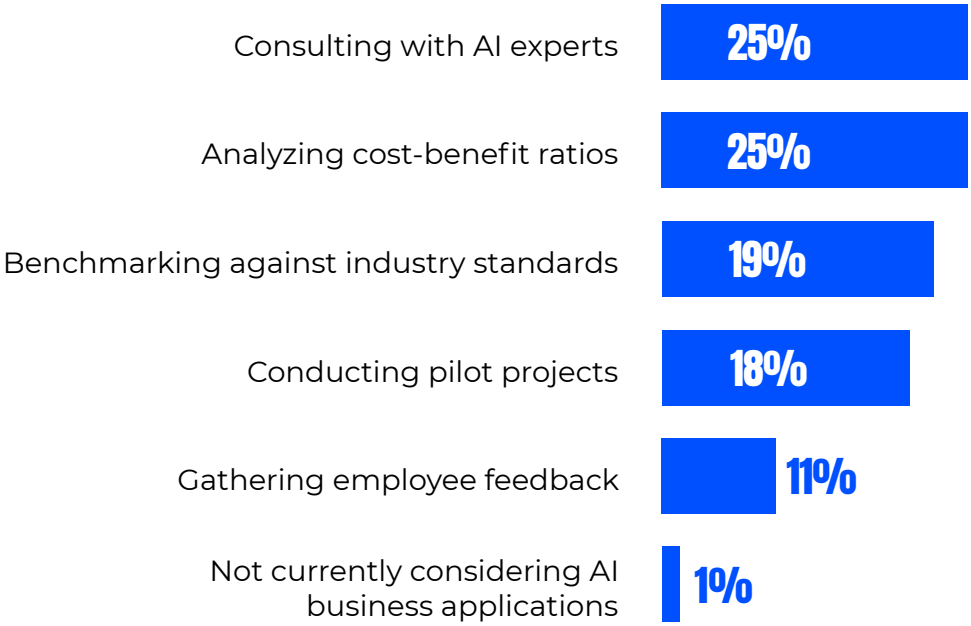


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How are the following technology factors affecting the way you currently do business?

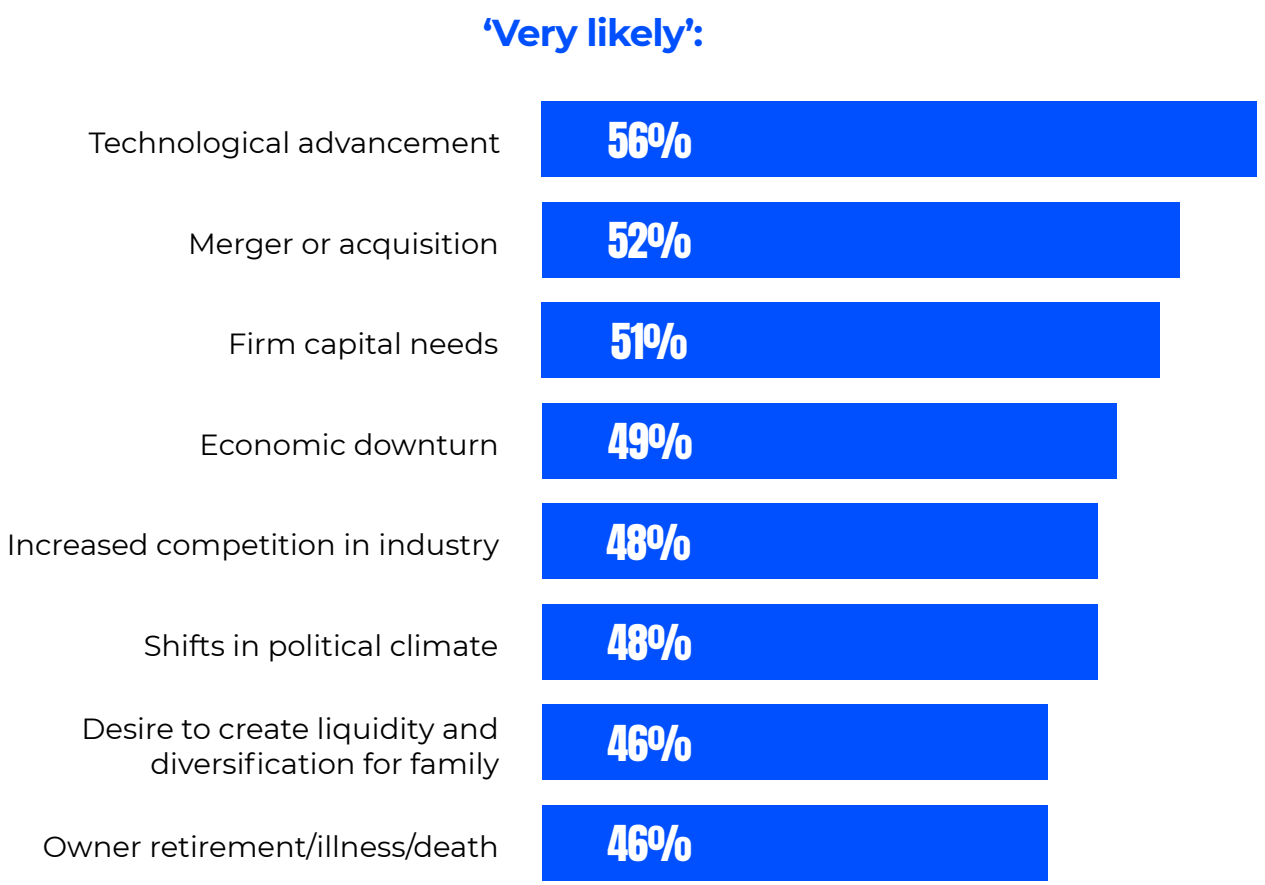


How is your firm currently evaluating the potential of artificial intelligence (AI) business applications?

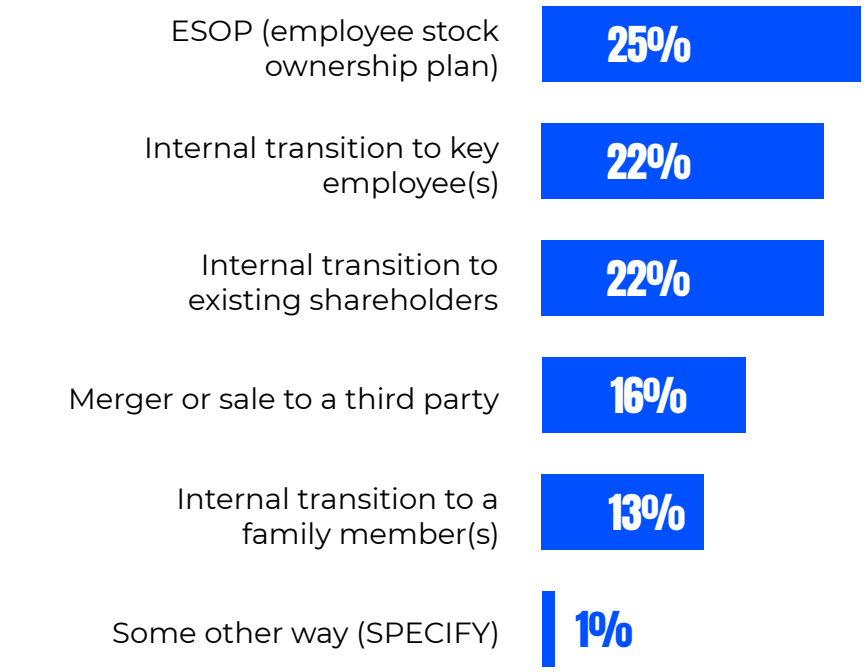


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How likely are the following factors to drive ownership change at your firm?



As you think about ownership changes and succession planning, what would be your preferred means to transition your business?



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Please rate the importance of each of the following when considering potential mergers and acquisitions (M&A) transactions for your firm.

‘Very important’:



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YOUR NEXT STEP

If you're unsure whether your firm is using technology to its fullest potential, we're here to help. Wipfli can help you choose solutions that improve efficiency and make the best use of data to maximize returns for you and your clients.

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