

FINANCIAL INSTITUTIONS

GLOBAL ASSET MANAGEMENT REPORT 2024

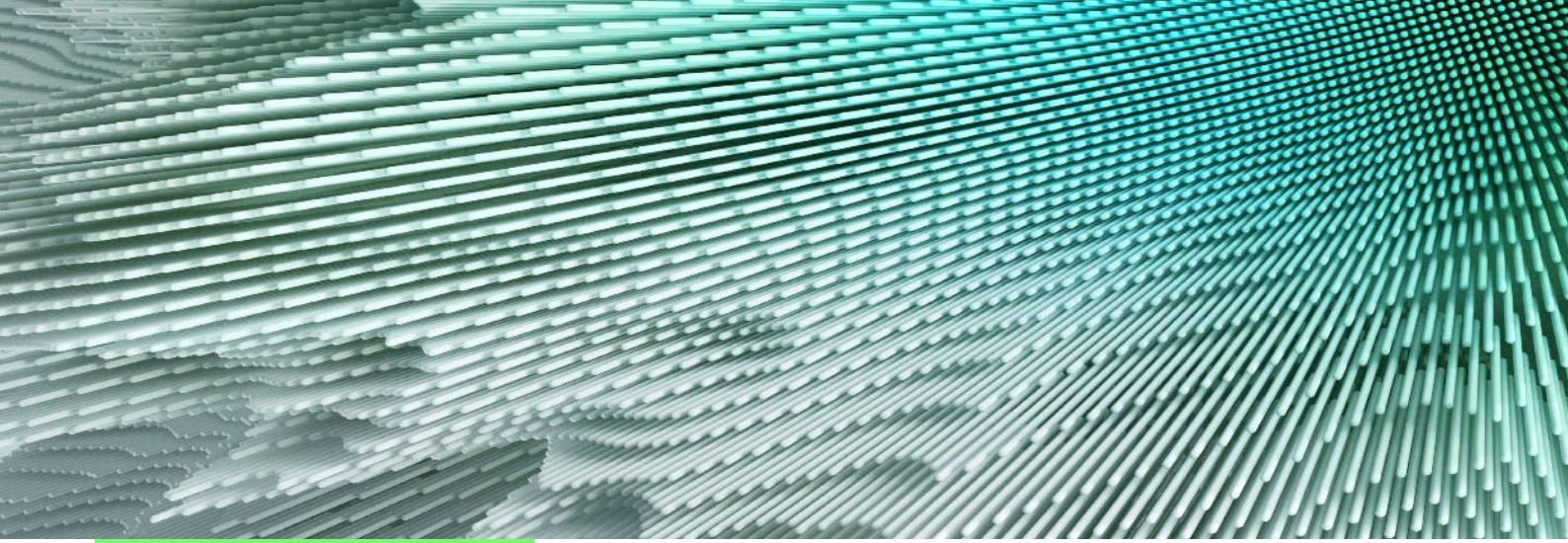
22ND EDITION

AI and the Next Wave of Transformation

May 2024



BCG



Introduction

The global asset management industry's assets rose to nearly \$120 trillion in 2023, reverting from a decline the year before. However, asset managers are facing a variety of challenges to their growth.

Investors are gravitating to passively managed funds and other products that have lower fees even as asset managers' costs increase. Their efforts to create new products that would differentiate them from competitors have largely fallen short, with investors sticking mostly to established products with reliable track records. Historically, the industry has been able to weather these pressures thanks to revenue growth that has been largely driven by market appreciation. In the years ahead, however, market appreciation is expected to slow, creating further challenges to the industry.

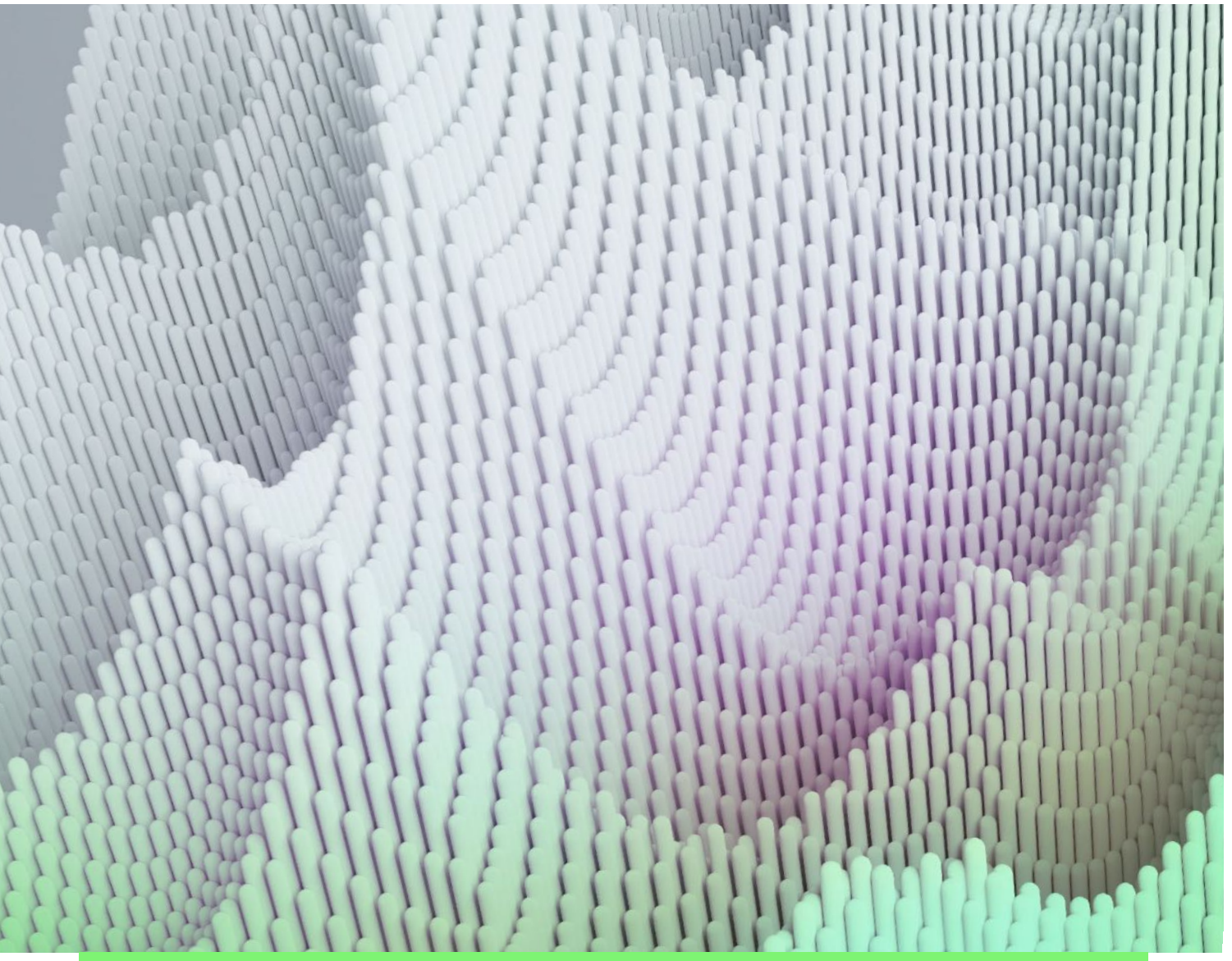
In the face of these pressures, asset managers will need to rethink the way they operate in order to maintain the growth and profitability of past years. The most viable way forward is by using an approach that we call the three Ps: productivity, personalization, and private markets. Asset managers should increase productivity, personalize customer engagement, and expand into private markets.

As the artificial intelligence (AI) technological revolution gathers momentum, asset managers have an opportunity to invest in AI and integrate it into their operations in ways

that can enhance a three Ps strategy. AI can boost productivity by enabling improved decision making and operational efficiencies. It can be leveraged to create and manage personalized portfolios at scale and to tailor the customer experience. And AI can enhance the efficiency of deal teams in private markets and boost their ability to drive value creation. In adopting AI to facilitate these key moves, asset managers should view the technological possibilities as transformational tools for their organization.

As part of this year's report, we surveyed asset managers with collectively more than \$15 trillion in assets under management to gather their views on the role of AI in their business. The vast majority of survey respondents expect to see significant or transformative changes in the short term, and two-thirds either have plans to roll out at least one generative AI (GenAI) use case this year or are already scaling one or more use cases.

Waiting is not an option when it comes to investing in AI. The technology is rapidly developing, and asset managers that do not start their journey now risk being left behind.



Five Fundamental Pressures Persist

At a first glance, the global asset management industry experienced an impressive rebound in 2023. The industry's total assets under management (AuM) rose to nearly \$120 trillion, an increase of 12% over 2022, a year that saw AuM plummet by 9%. (See [Exhibit 1.](#))

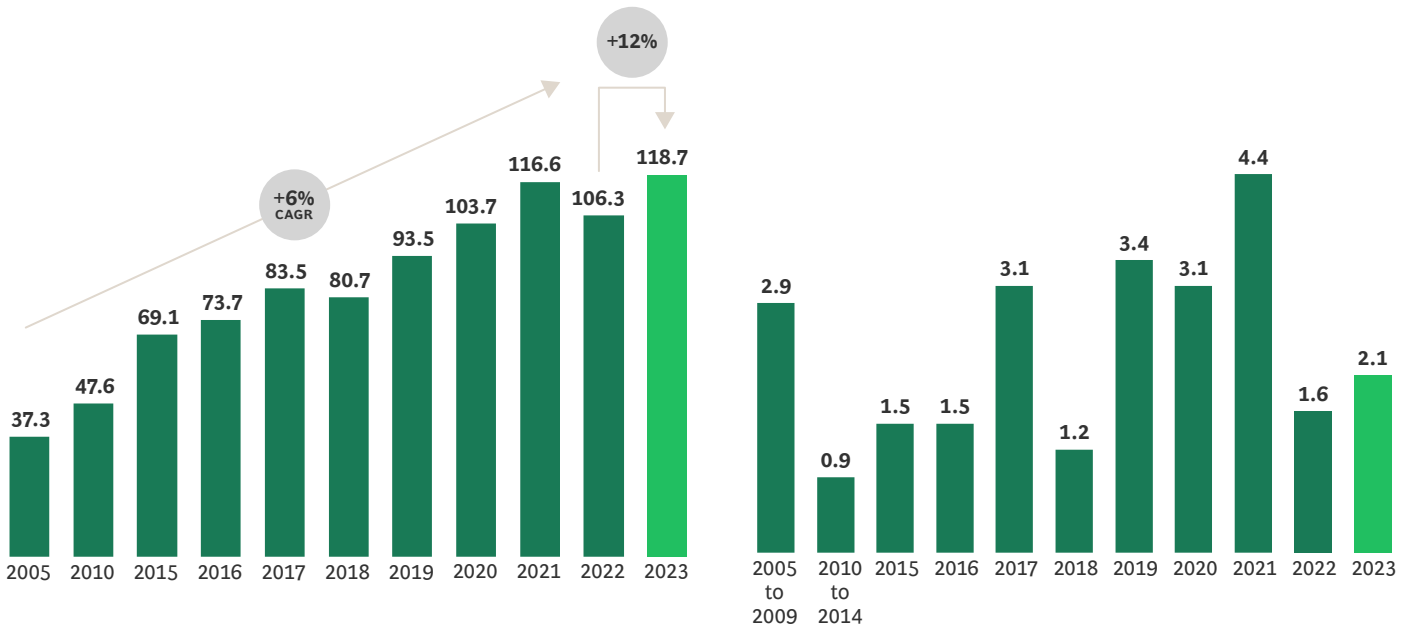
All parts of the world participated in the 2023 recovery: AuM growth ranged from 16% in North America to 5% in Asia-Pacific markets, excluding Japan and Australia. (See [Appendix 1.](#))

However, while dramatic, the growth only serves to mask the asset management industry's underlying vulnerability. Industry revenues increased by just 0.2% in 2023, while costs rose by 4.3% for the year. With these two opposing forces at play, profits declined by 8.1%. (See [Exhibit 2.](#))

Exhibit 1 The Global Asset Management Industry's AuM Grew by 12% in 2023

GLOBAL AUM (\$TRILLIONS)

NET FLOWS AS A SHARE OF BEGINNING-OF-YEAR AUM (%)



Sources: BCG's Global Asset Management Market Sizing Database, 2024; BCG's Global Asset Management Benchmarking Database, 2024.
 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 that delegate AuM to asset management entities with fees paid. Globally, 44 markets are covered, including offshore AuM, which is not included in any one of the six regions. (See Appendix 1.) For all countries where the currency is not the US dollar, the end-of-year 2023 exchange rate is applied to all years to synchronize the current and historic data. Values differ from those in prior studies due to exchange rate fluctuations, revised methodology, and changes in source data.

Exhibit 2 Rising Costs and Stagnant Revenues Drove Profits to Decline



Source: BCG's Global Asset Management Benchmarking Database, 2024.
 Note: The analysis is based on a global benchmarking study of 80 leading asset managers, representing \$69 trillion in AuM, or about 60% of global AuM. Index totals have been rounded.

Tight monetary policies and general market uncertainty prompted investors to move into products with lower fees. Money market products had net inflows of \$1.3 trillion.

In addition, the asset management industry continued to face structural challenges from the five fundamental pressures that we identified in [last year's report](#). These pressures did not subside in 2023. (See [Exhibit 3](#).)

Revenue pressure continues. Asset managers cannot rely on market performance to drive revenue growth in the future to the same extent that they have in the past. Since 2006, almost 90% of the industry's revenue growth has come from market appreciation. This growth coincided with a period of generally low interest rates. However, as most global central banks continue their fight against inflation, interest rates are expected to remain higher, a condition that will likely constrain asset managers' revenue growth from market appreciation.

Passive funds are increasingly popular. Passive products continue to capture the lion's share of net flows. In 2023, passive products attracted 70% of total global mutual funds and exchange-traded funds (ETFs) net flows (about \$920 billion). That was a sharp rise compared with the period from 2019 through 2022, when 57% of net flows went into passive products.

Fee compression is accelerating. Similarly, the pressure on fees showed no signs of reversing in 2023. The average fee in 2023 was 22 basis points (bps), down from 25 bps in 2015 and 26 bps in 2010. Continued tight monetary policies, combined with general market uncertainty, resulted in investors moving into products with lower fees. Money market and bond products generated net inflows of \$1.3 trillion and \$700 billion, respectively, while public equity had net outflows of \$200 billion.

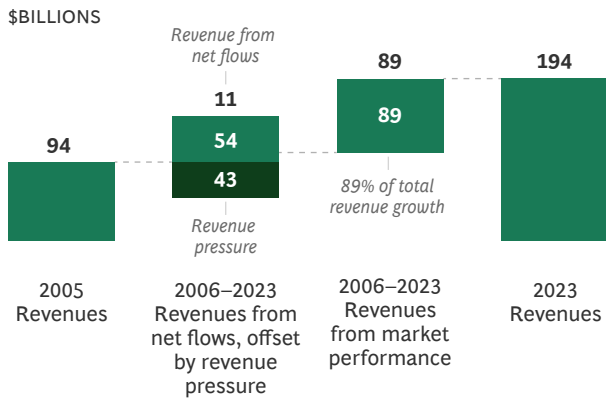
Costs are rising. Costs continued on an upward trajectory, increasing by about 80% since 2010 at a compound annual growth rate of 5%.

Fewer new products are surviving despite attempts at innovation. Despite asset managers' continuing efforts to develop new offerings, many have not been successful. In fact, only 37% of all mutual funds launched in 2013 still existed by 2023. This is a significant decrease, compared with 2010 when 60% of funds that had been launched a decade earlier remained active.

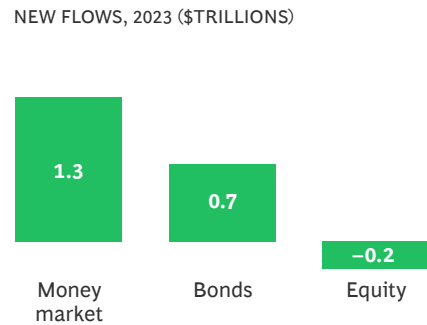
Exhibit 3 Five Fundamental Pressures Weigh on Growth

Revenue pressure continues

Market performance has been the main driver of growth

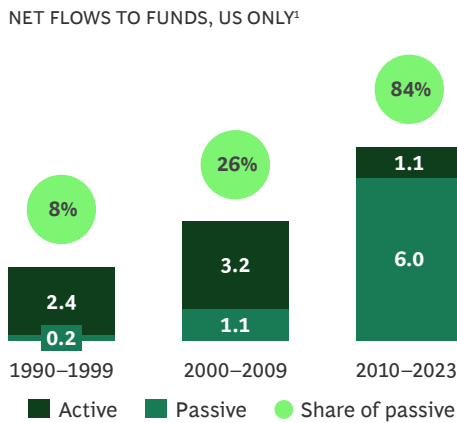


Investors are shifting to products with lower fees

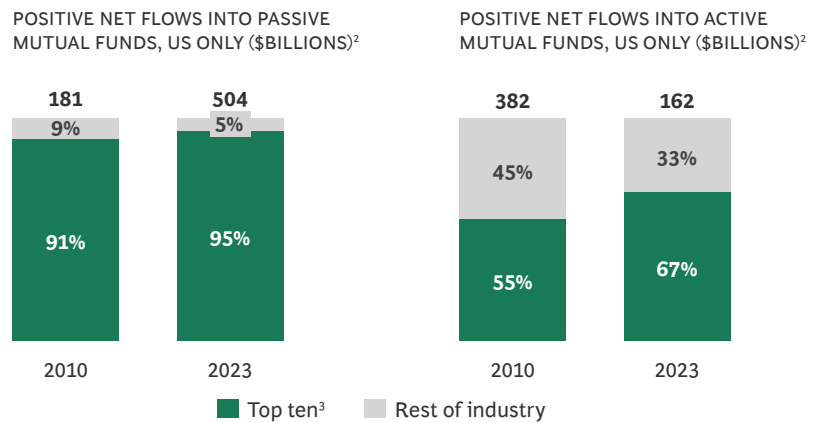


Passive funds are increasingly popular

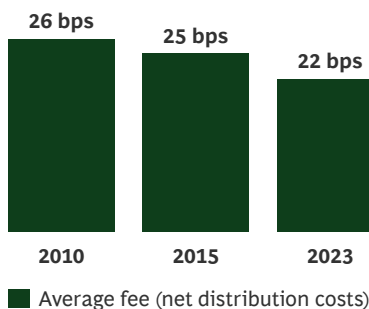
Net flows to passively managed funds increased



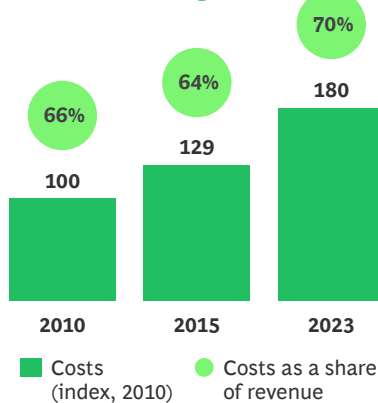
Top ten fund managers captured an increasing share of positive net flows



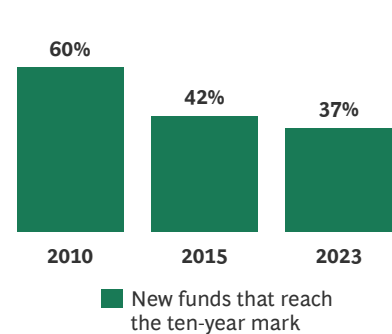
Fee compression is accelerating



Costs are rising



Fewer new products are surviving despite attempts at innovation



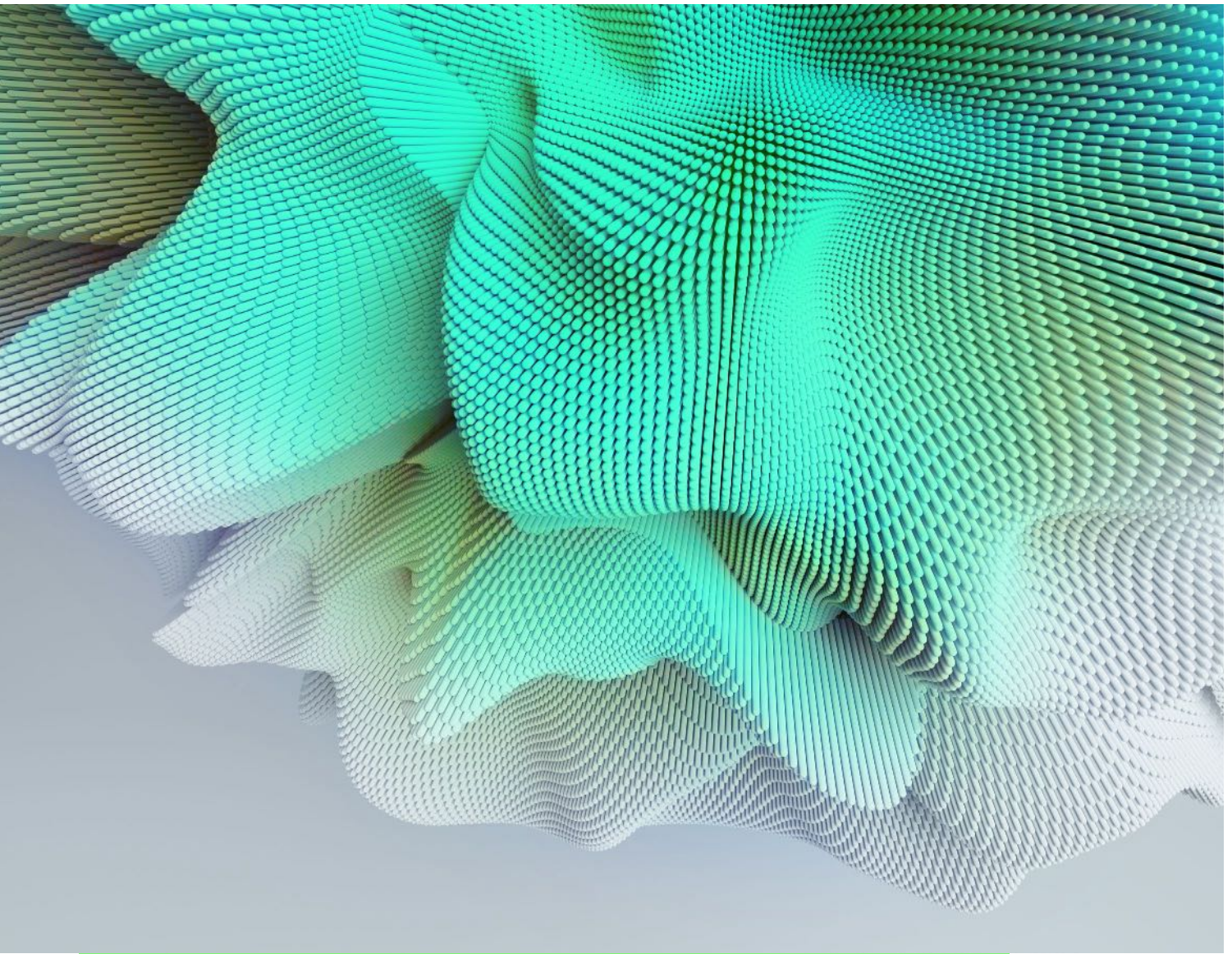
Sources: BCG's Global Asset Management Market Sizing Database, 2024; BCG's Global Asset Management Benchmarking Database, 2024; ISS Market Intelligence Simfund; BCG analysis.

Note: bps = basis points. All figures are global unless otherwise noted. Revenue pressure includes the impact of both the shift in product mix and change in pricing pressure. The scope of the analysis is active core, active specialties, solutions, and passives; it excludes alternatives. Values differ from those in prior studies due to exchange rate fluctuations, revised methodology, and changes in source data.

¹Corresponds to mutual funds, including exchange-traded funds but excluding variable annuities.

²Corresponds to mutual funds, including exchange-traded funds but excluding money market and variable annuities.

³The largest ten firms by the amount of positive net flows received.



AI Can Accelerate the Three Ps

To remain competitive and boost profitability in the face of the five fundamental pressures, asset managers should use an approach that we call the three Ps—productivity, personalization, and private markets.

We introduced this approach in last year’s report and continue to find it the best strategy for spurring growth. Increased productivity can make a big difference in just about every organizational function. Improved personalization can facilitate the development of products tailored to the unique needs of customers, enhance the customer experience, and enable asset managers to distinguish themselves effectively from competitors. The expansion into private markets can help asset managers focus on higher-margin products to diversify revenue. Key to accelerating each of these elements is AI.

AI is being built into a variety of tools that asset managers can use to improve their operations. The power of such tools comes from AI’s ability to rapidly collect, synthesize, and analyze vast amounts of data from internal and external sources and then generate information on the basis of patterns found in the data. The subset of AI known as generative artificial intelligence (GenAI) has the ability to interpret and analyze unstructured data from a wide range of sources and create original content. Tools that combine the capabilities of AI and GenAI can communicate with users in natural language, a feature that simplifies their use and can accelerate their adoption.

Both AI and GenAI are becoming critical to asset managers. Those that service insurance portfolios are finding these technologies instrumental as they adapt to new pressures on their allocation and risk management strategies. (See the sidebar [“The Future of Risk-Adjusted Performance.”](#))

The Future of Risk-Adjusted Performance

In the insurance industry, investment income can represent as much as 30% to 50% of a company's earnings. Each day, billions of dollars from insurance portfolios move through the financial markets. As a result, any small change in performance outcome, even if it's only a matter of decimal points, can add or destroy significant amounts of value.

To drive performance and lessen risk, insurance asset managers have long relied on two main analytical processes. Asset and liability management (ALM) is used to inform the investment team about the commitments made through policies, while strategic asset allocation (SAA) helps determine how to maximize investment upside while minimizing risks for the insurer.

Now, however, asset managers are under pressure to perform these processes in much greater detail and far more often.

Regulations are one source of pressure. The International Financial Reporting Standards (IFRS) amendments 17 and 9 that took effect in Europe and Asia in 2023 have brought a new set of accounting practices. The IFRS requirements for standardized performance metrics have compelled many asset managers serving insurance clients in those regions to rethink their previous asset allocation strategies so that they can achieve their objectives.

But even greater pressures have arisen from the geopolitical turmoil and resulting market uncertainties that affect every part of the world. In this chaotic climate, insurance portfolio managers need to be prepared with in-depth market intelligence so that they are ready to make adjustments far more frequently. Whereas it used to be typical to conduct ALM and SAA reviews once or twice a year, quarterly reviews are now considered the minimum requirement, and some firms are starting to conduct the process every month, leveraging a greater amount of internal and external data.

The most advanced players are starting to use AI and its generative AI (GenAI) subset to perform their ALM and SAA processes with the depth and frequency that's now required, and it is becoming clear that this is where the future lies for insurance investment management. AI models are especially effective at combining large amounts of data, including unstructured data from multiple sources, to inform the decision-making task. These models make it possible to extract more value from the analytical processes and reduce the associated costs by 5% to 15%. Moreover, with the exponentially greater efficiency gained from AI, some players have been able to achieve risk-adjusted returns that have been 10 to 20 basis points higher than previous performance.

AI models are able to boost the efficiency of both the ALM and SAA processes in a number of ways. Currently, most reviews are still performed using mathematical models that optimize the results using only one variable at a time. An AI

model, however, can compare portfolio holdings and their risk levels, optimize runoff profiles, and establish new risk thresholds all in one step. With the present-day systems, portfolio managers typically lack the resources to perform the cumbersome task of analyzing underlying assets from third-party sources, such as managers of funds of funds or ETFs, more often than two or three times a year. AI, however, can quickly detect and analyze that data.

The rapid turnaround makes it possible to provide insurance clients with a transparent, multidimensional assessment of which assets are being stacked against which liabilities—and the analysis can be performed monthly or even weekly. On the liability side, AI has proven itself able to forecast insurance policy lapse rates. This is a capability that was previously available only to managers of larger portfolios with the means to build analytical models to scale. Now, however, GenAI models, which can systematize vast amounts of scattered data from both structured and unstructured sources, can make this capability available to asset managers of any size.

In one step, AI models can compare portfolio holdings and their risk levels, optimize runoff profiles, and establish new risk thresholds.

GenAI models provide the ability to develop and automate many reporting exercises. For example, reconciling the market performance of portfolio holdings with the accounting figures is still largely a manual exercise, but it will not be for much longer. Using GenAI, an asset manager can connect automatically with all requisite data platforms and quickly download a full report. In this case, too, the system provides a fully transparent disclosure of where the numbers come from.

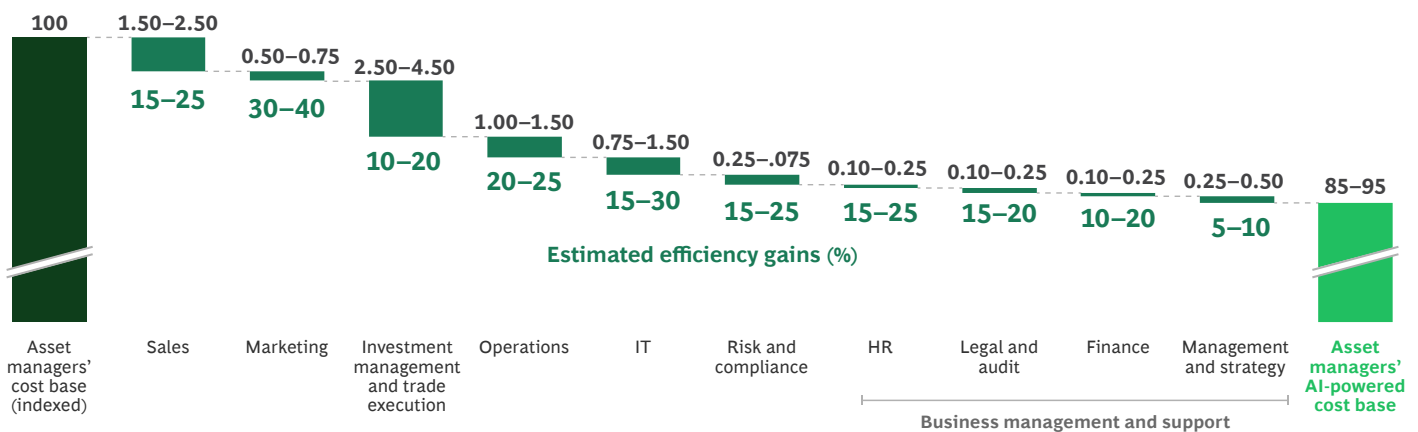
By using AI- and GenAI-powered risk and allocation analytics, portfolio managers also gain access to a wider scope of investment parameters and data, with the ability to react quickly when market changes call for adjustments. These advanced systems are going to become a source of competitive advantage in the next few years—and it will be mandatory for insurance asset managers to embrace AI to continue producing winning investment results and cost efficiencies.

AI Can Increase Productivity

Asset managers can achieve significant efficiency gains across their value chain by using AI. (See Exhibit 4.)

- Sales and Marketing.** A combination of AI and GenAI tools can help develop marketing content—drafting white papers on the basis of internal research, for example, or creating social media posts that summarize the white papers. AI tools can analyze public data about prospective clients and then direct the sales team to the most promising leads, increasing conversion efficiency. Additionally, AI tools can support sales teams with customer interactions. For example, a software-based AI agent can provide real-time insights to a human sales agent who is speaking with a client; an AI agent can even communicate directly with clients.
- Investment Management and Trade Execution.** AI can support investment teams with thesis development by quickly gathering, synthesizing, and analyzing data. AI tools can do this whether the information is proprietary—from internal research, for example—or is compiled from the web or alternative data sources, such as public filings, macroeconomic statistics, and geospatial reports. Additionally, the tools can facilitate effective knowledge management and data sharing by organizing reports, data sets, and research developed by various investment teams. As a result, AI can break down silos and minimize redundant analyses, which occur frequently when investment teams managing different funds or products are exploring similar themes.
- Operations and Risk and Compliance.** AI can make a significant impact on reporting and data management workflows, primarily by accelerating document preparation. This capability can be used for portfolio performance analysis, management research, and the reading of client statements, proxy forms, dividend notices, and more. AI can make risk management more efficient by using its ability to analyze system logs and real-time data, identify irregular activities, and proactively flag anomalies to the risk team. AI-based alerts can go well beyond simple rules-based notifications; for example, AI can detect signs of market instability from news reports and respond before a portfolio value crosses the threshold that would have triggered an action.
- IT.** AI can enhance the efficiency and effectiveness of IT infrastructure management by detecting anomalies, predicting failures, and automatically troubleshooting internal networks. AI copilots can streamline the coding process, as well as accelerate the development, testing, and deployment of trading algorithms. AI chatbots can support the internal IT desk, enabling faster problem solving when users experience technical issues.
- Business Management and Support.** AI can improve decision-making and strategic-planning efficiency by analyzing performance updates across different investment teams and generating synthesized insights for executives. Similar insights can be used to generate fundraising documents and investor presentations. AI tools can automate the creation and review of legal documents and contracts, quickly spotting and addressing potential issues.

Exhibit 4 AI-Enabled Gains Can Improve Productivity Across the Value Chain



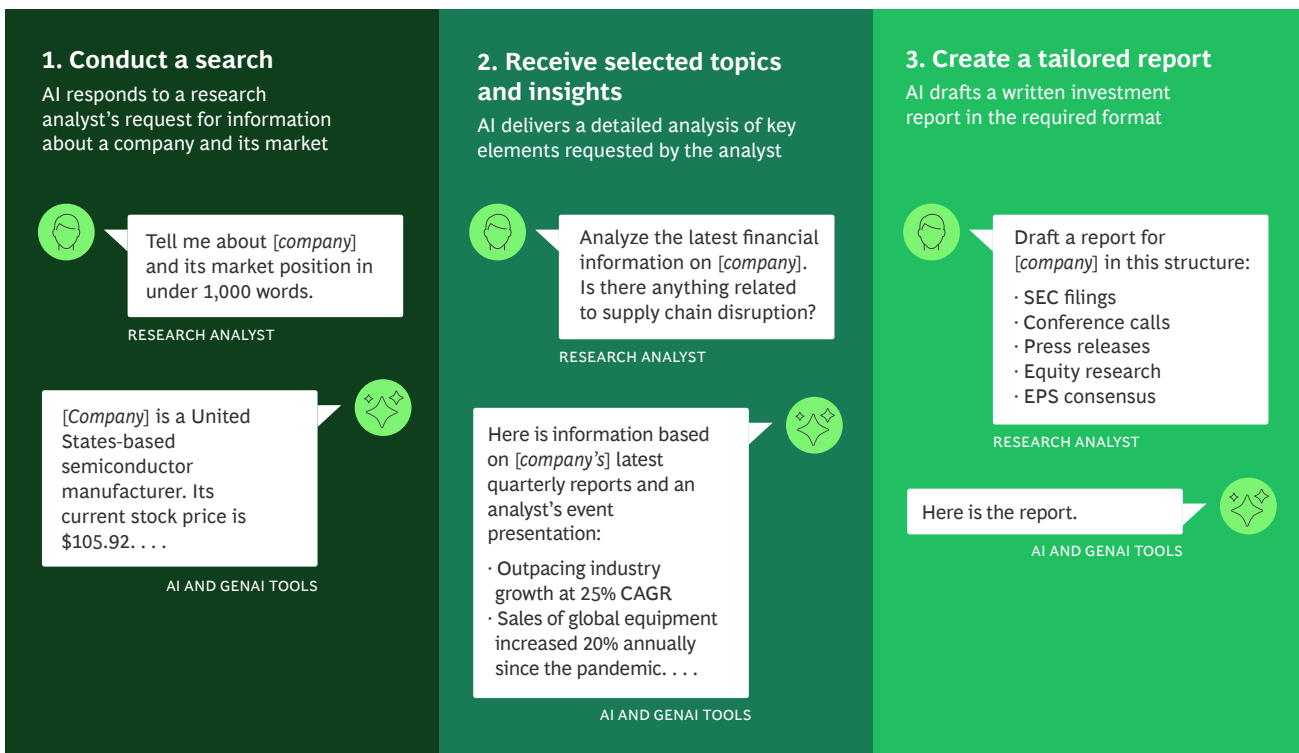
Sources: BCG's Global Asset Management Benchmarking Database, 2023; expert interviews; BCG analysis.

Note: Individual value chain ranges do not add up to the total range because of rounding.

AI can enhance productivity by conducting preliminary investment research, data collection, and analysis.

These efficiency opportunities represent just a fraction of AI’s potential; the list of applications continues to expand alongside the advancement of the technology. Asset managers are already witnessing impressive results from AI implementations. For example, an AI tool can accelerate investment research. (See Exhibit 5.) This tool could enhance investment analysts’ productivity by conducting preliminary data collection and analysis, enabling the human analysts to concentrate on generating insights. An analyst may, for example, use the AI tool to summarize a company’s market position on the basis of its financial filings and news coverage. After reviewing this initial research, the analyst can employ the tool for a more in-depth analysis of selected topics needing further investigation. Eventually, the tool can be used to draft a report focused on the key issues.

Exhibit 5 Asset Managers Can Use AI and GenAI to Accelerate Investment Research in Natural Language



Sources: Expert interviews; BCG analysis.

AI Can Enable Greater Personalization

AI can enhance personalization by expanding the ability to create and manage customized portfolios at scale. In addition, it makes it possible to provide a more highly tailored customer experience, from acquisition through retention, at scale.

Personalized Portfolios at Scale

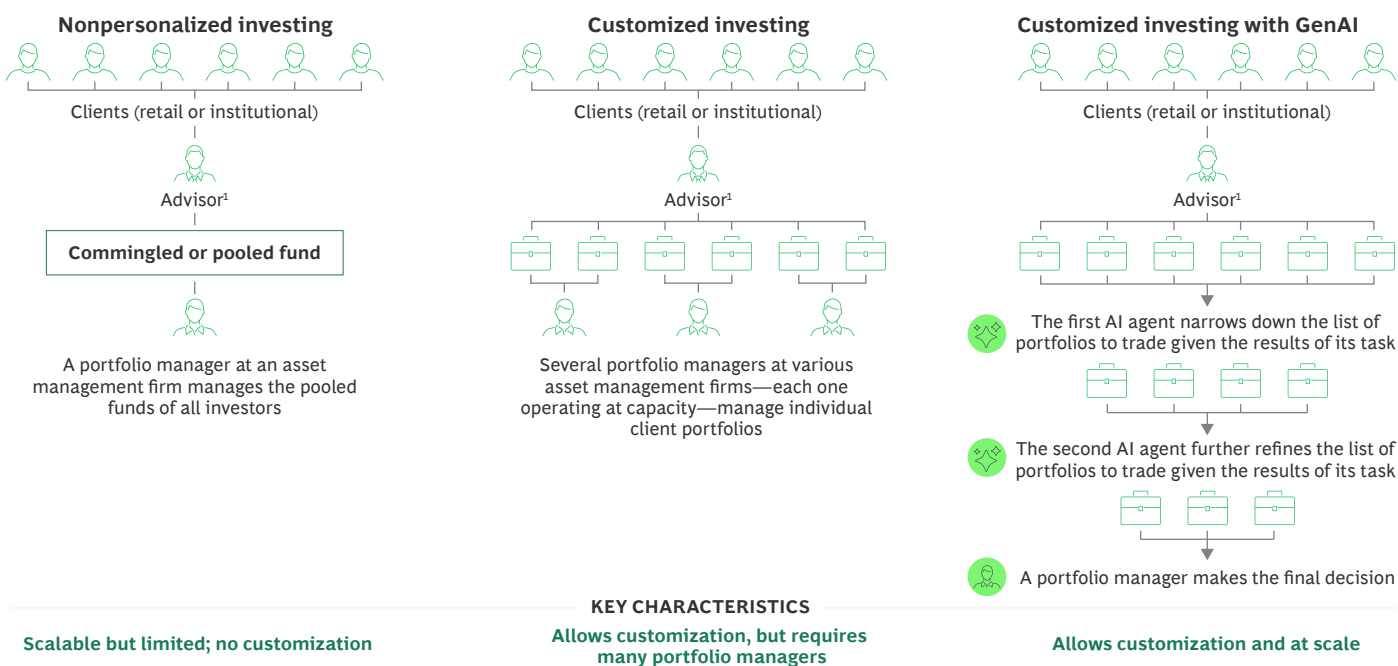
Advancements in AI are leading to two major developments for personalized portfolios. First, AI represents a step-change in the construction of customized portfolios. Currently, adding tactical tilts or thematic exposures to personalized portfolios is primarily based on structured or precurated data sets. For example, a financial advisor can add an ESG tilt to a client portfolio if the advisor has access to a data set that measures companies' ESG characteristics. AI, and more specifically GenAI, can significantly expand the range of tactical tilts and allow a theme-based selection of securities. This is possible due to GenAI's ability to understand requirements expressed in natural language and then process and translate that information into investment recommendations.

For example, an advisor could tell a GenAI tool that a client wants to decrease allocations to companies that are heavily exposed to the oil and gas value chain. The tool will quantify the exposure of publicly traded companies by reading through financial filings, transcripts of earnings calls, analyst reports, and news reports. The tool will then rank these companies on the basis of their exposure to the oil and gas value chain and make adjustments in the portfolio accordingly.

The second development is the efficient scaling of customized portfolio management, resolving a major challenge that has made bespoke investing a high-cost service that is available only to institutional investors and high-net-worth individuals. When investing is nonpersonalized, capital from a large group of investors goes into a vehicle such as a mutual fund, an ETF, or a pooled (or commingled) fund, and one asset manager efficiently determines the optimal rebalancing and trading strategy for the whole fund. However, in personalized portfolio management, optimal rebalancing and trading strategies need to be determined for each investor's portfolio—for example, to respect specific objectives and constraints or to maximize tax loss harvesting opportunities. Consequently, the more clients with personalized portfolios that an asset management firm has, the more portfolio managers it will need. It is nearly impossible to automate personalized portfolio management using statistical or rules-based processes across thousands of fully customized accounts because the number of parameters grows so quickly.

However, with the latest AI developments, AI-powered agents can be trained to understand the intent and context of portfolio management. Learning from patterns, such agents can tailor their approach to determine the best rebalancing and trading strategy for each custom portfolio. The human portfolio manager can oversee a group of these AI agents, effectively managing a much larger number of portfolios than they otherwise would be able to. With this capability, asset management firms can potentially offer personalized portfolios to a much broader group of investors. (See Exhibit 6.)

Exhibit 6 AI Makes It Possible to Scale Personalized Portfolio Management



Sources: Expert interviews; BCG analysis.

Note: GenAI = generative artificial intelligence.

¹Financial advisor, relationship manager, or sales professional.

Different types of portfolios

Personalized Customer Experience

AI can also enable the hyperpersonalization of customer engagements at scale. This can be achieved by using AI tools that analyze data about prospective or existing clients and then develop investment materials and engagements tailored to their needs and circumstances. GenAI can expand the capabilities of AI by enabling the analysis of unstructured text-based data—customer social media posts, for example—and facilitating the creation of investment information that is tailored to each individual customer.

More specifically, AI can enable greater personalization in three areas of the customer experience.

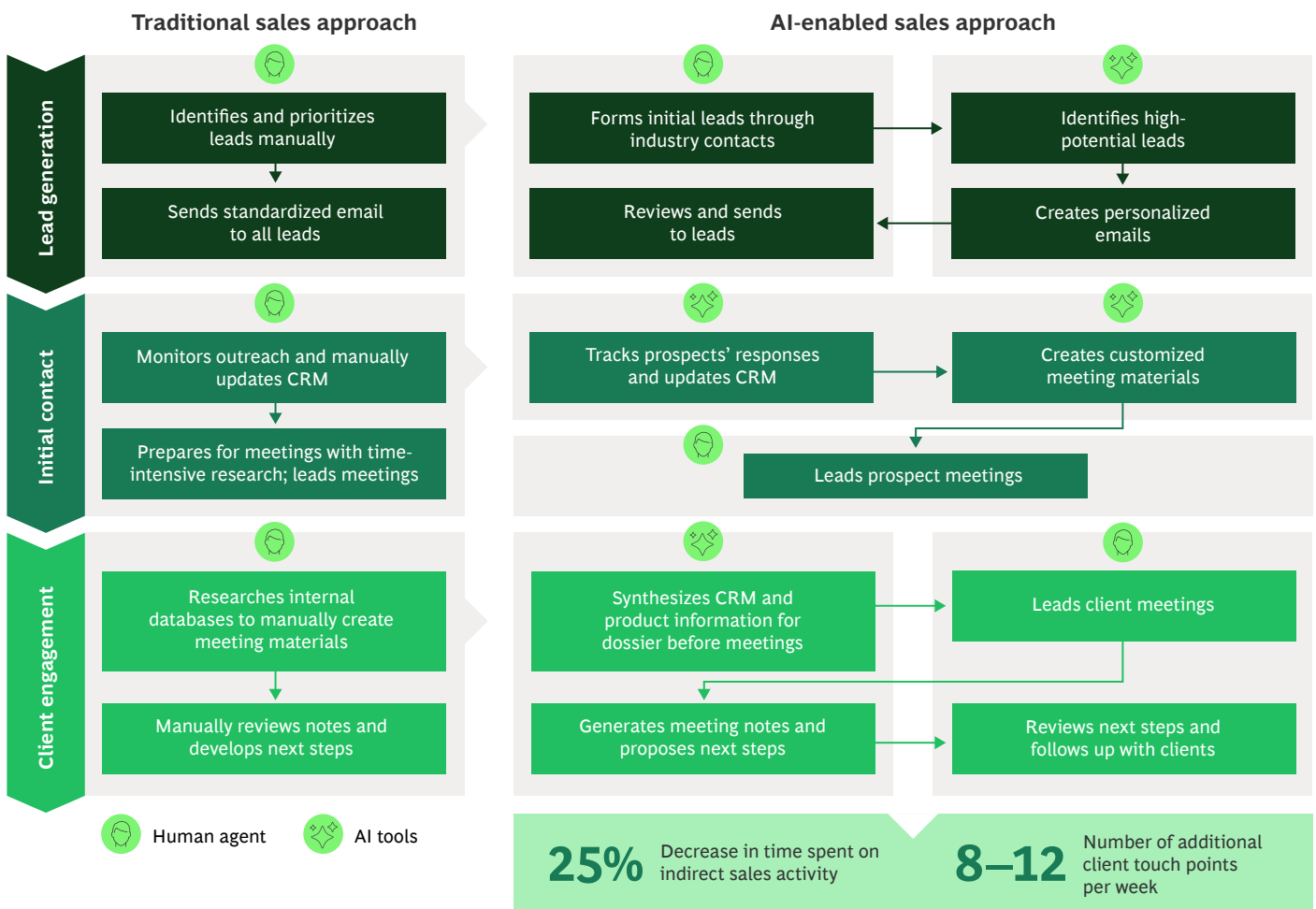
- Marketing.** AI can help the marketing team segment potential customers into highly granular groups with clearly defined needs. Then, using natural language, the team can leverage AI tools to develop marketing materials that are tailored to specific customer interests. For example, if a marketing team writes a white paper, AI tools can develop personalized emails for a group of prospective clients, extracting key takeaways tailored to each recipient.

- Customer Sales.** A human sales agent can use AI tools that analyze information about a potential client before a meeting, identifying the client’s needs and preferences, and developing talking points accordingly. For example, AI tools can help determine the potential client’s risk-reward profile on the basis of demographics, then present the sales agent with discussion points that focus on the appropriate products.

- Customer Engagement and Retention.** AI can enable a shift from periodic scheduled contacts, such as biannual touch points, to proactive engagements informed by relevant market events. For instance, AI tools may evaluate the effects of an upcoming fee change for a mutual fund and identify clients who would be likely to withdraw their funds. The relationship management team can then contact these clients and recommend investments in other funds with lower fees. This proactive approach helps ensure better client retention.

Overall, AI can enable client management teams to support a significantly higher number of clients with more tailored content at relevant moments. The implementation of AI tools can lead to a decrease in indirect sales activity of as much as 25% while simultaneously increasing customer satisfaction. (See Exhibit 7.)

Exhibit 7 How AI Assistants Can Improve Sales Effectiveness



Sources: Expert interviews; BCG analysis.
 Note: CRM = customer relationship management.

Exhibit 8 AI Tools Increase the Efficiency of a Private-Market Deal Team

Investment committee memo preparation

ACTIVITY	TIME SPENT USING THE CONVENTIONAL PROCESS (ESTIMATE)	TIME SAVED WITH AI (ESTIMATE)
Data analysis	20%–25%	30%–40%
Written output	15%–25%	35%–45%
Meetings and calls	15%–25%	20%–30%
Research	10%–15%	35%–45%
Email	5%–15%	20%–30%
Note synthesis	5%	45%–55%
Content review	5%–10%	20%–30%
Scheduling and other calls	5%	NA

Sources: Expert interviews; BCG analysis.

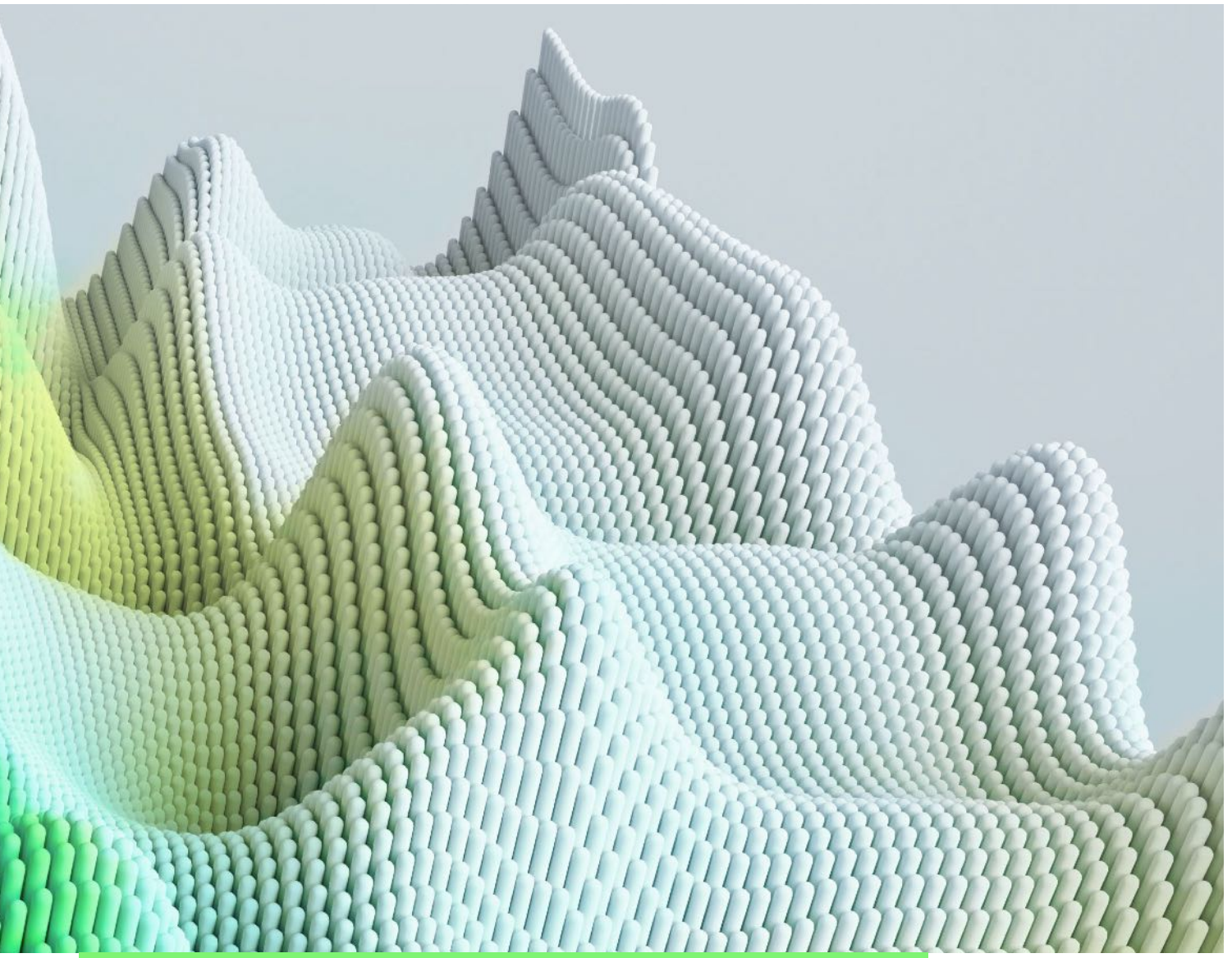
Note: NA = not applicable.

AI Can Unlock Private-Market Potential

AI can enhance the efficiency of private-market deal teams by automating repetitive tasks and synthesizing data for enhanced decision making. (See Exhibit 8.) It can improve deal teams' productivity across many parts of the value chain. We estimate that in the due diligence process, for example, AI can shorten the time required for preparing investment committee memos by roughly 30%. AI tools are capable of analyzing public data to compile an overview of a private target and of summarizing expert calls and interview findings to articulate the target's competitive position. Similarly, these AI tools can support a "red team" in brainstorming arguments to challenge the deal. Such advancements enable investment teams to dedicate more time to analyzing synthesized content, thereby enhancing their decision-making process and increasing the success rate of deal bids and acquisitions.

Private-market players can also drive value creation by helping their portfolio companies use AI. This will be especially important for asset managers that invest in companies whose industries are expected to be highly disrupted by AI. In biotech, to name one example, AI is expected to increase the pace of product innovation and create new, efficient ways to discover new molecules and compounds. Private-market players, such as private equity and venture capital firms, can create significant value when they help portfolio companies in this industry proactively leverage AI for research.

Importantly, private-market players are uniquely positioned to achieve scale benefits by identifying successful use cases and efficiently deploying them across many portfolio companies. This approach can make it easier for the companies involved to learn from others' precedents.

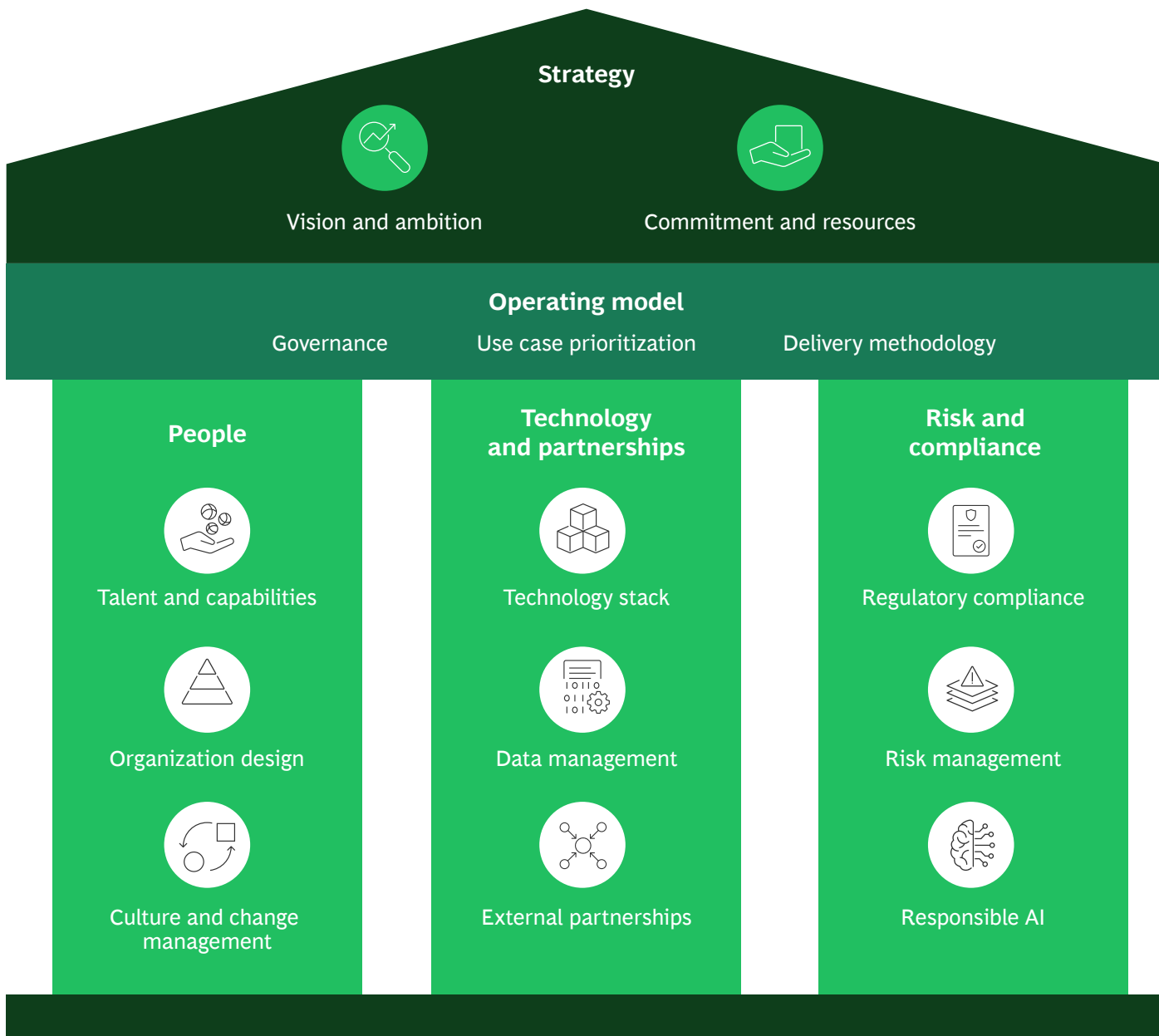


What It Takes to Win with AI

The successful implementation of AI hinges on an overarching strategy that lays out the full scope of the firm's vision and ambition and that is supported by management's commitment and dedicated resources.

An operating model guides the organization's systematic and rigorous deployment of AI. And three key enablers—people, technology and partnerships, and risk and compliance—help asset managers execute the strategy and implement the operating model. (See [Exhibit 9](#).)

Exhibit 9 Five Elements Are Critical to Successfully Implementing AI in Asset Management



Sources: Expert interviews; BCG analysis.

The Strategy

The cornerstone of effective AI deployment is a cohesive strategy that includes a clear ambition. Asset managers must think beyond immediate use case experimentation and analyze how the organization could operate by redesigning entire workflows with AI at the core. Asset managers must also anticipate what implications that could have for the organization.

Obtaining management’s commitment to the strategy and buy-in throughout the organization is also crucial and necessitates clear communication of the goals, along with full transparency. Designated teams should be empowered to cocreate solutions at each stage of implementation. Within the ranks of senior management, someone with expertise in both asset management and AI or advanced analytics should be appointed to champion the process across the organization. Capital and human resources need to be dedicated at a level that matches the ambition.

The Operating Model

To execute the strategy, asset managers must have an effective operating model for AI deployment that incorporates the following:

- **Governance.** There should be a formal process for the effective identification, deployment, and scaling of AI use cases throughout the organization. The best way to set up this structure is by creating an AI center of excellence, comprised of a cross-functional team of experts who can provide guidance on all aspects of each use case. The center of excellence team can oversee the efforts across different units and share their knowledge, including the best practices to leverage and the risks to mitigate.
- **Use Case Prioritization.** To navigate the landscape of AI use cases, asset managers should organize them into groups on the basis of how easily and quickly they can be put into play, ranging from quick wins to moonshots. Within each group, use cases should be prioritized according to a set of clearly defined criteria. The criteria should include both financial concerns, such as the upfront investment and impact on AuM, and nonfinancial considerations, such as customer attrition rates and the effect on competitive positioning. The criteria should be adaptable. For example, when an organization is beginning to incorporate AI, management may want to prioritize the use cases that provide the best learning opportunities for employees and have a high probability of adoption, such as coding copilots and knowledge management use cases. The priorities can change as the organization gains more experience with AI.
- **Delivery Methodology.** Asset managers should adopt a rigorous process for advancing use cases through the development phases, from initial prioritization to scaling. This means the organization must be prepared to abandon a use case at any stage—even at a more advanced phase of development—if it has not fulfilled the predetermined criteria for success. At each phase of development, cross-functional teams should lead the implementation to enhance agility, speed up deployment, and dismantle silos. Emphasizing a user-centric approach in the design and development of use cases is essential. To be effective, AI tools must integrate seamlessly into human-centric workflows, so high user-adoption rates are crucial. For example, users should participate in the prototype stage to determine key features, in the proof-of-concept stage to test and refine training materials, and in the scaling phase to assist with the rollout and promote adoption.

The Enablers

At the foundation are the people, the technology and partnerships, and the risk and compliance structures that enable an organization to adopt and deploy AI technologies and use them in a way that conforms to the best industry practices.

People. Asset managers will need to reexamine their recruitment and learning and development strategies to ensure that they maximize the benefits of AI initiatives. At a basic level, this examination involves ensuring that employees have the skills to use AI tools effectively. Sales agents using an AI copilot will need to be trained to generate effective prompts, for example. At the same time, it will be important to assess the indirect consequences of AI integration. For example, an asset manager planning to use AI tools to automate the data collection and initial analysis for investment research should evaluate how these tools may affect junior analysts' on-the-job training. It may be necessary to introduce new learning programs to prevent potential skill gaps in the next generation of analysts.

The most meaningful impact of AI adoption will come when entire workflows are redesigned to maximize the collaboration between AI-driven value and human creativity. However, almost by definition this means that asset managers will need to create new roles, change the structure and size of work teams, and develop new interaction models across the organization. For example, if someone needs to review AI-generated output (such as personalized client outreach materials) before sharing the information externally, there could be centralized teams that focus on quality checks.

It will also be necessary to foster an organizational culture that is receptive to using AI and eager to champion client-centric innovation. Leaders in the firm should use a top-down approach to drive successful change management as AI evolves.

Technology and Partnerships. Most asset managers already have an advanced technology infrastructure, but even the leaders may need to make adjustments to successfully use AI. Some parts of the existing technology stack, such as the front-end layer, may need to be upgraded. Other parts, such as an AI-guardrails layer that aligns AI-generated output with ethical and legal guidelines, may need to be developed almost from scratch.

Also critical for the functioning of AI tools is the data required for training and executing AI models and the organization of this data. Traditionally, asset managers have relied on structured data—such as demographics, investment holdings, and macroeconomic indicators—for analysis. However, GenAI models enable the incorporation of unstructured data, including data gathered from client interactions and meeting notes. Asset managers must examine their data architecture to ensure that various types of data are not only properly organized for and seamlessly integrated into AI models but also easily accessible to it.

The most meaningful impact of AI adoption will come when entire workflows are redesigned to maximize the collaboration between AI-driven value and human creativity.

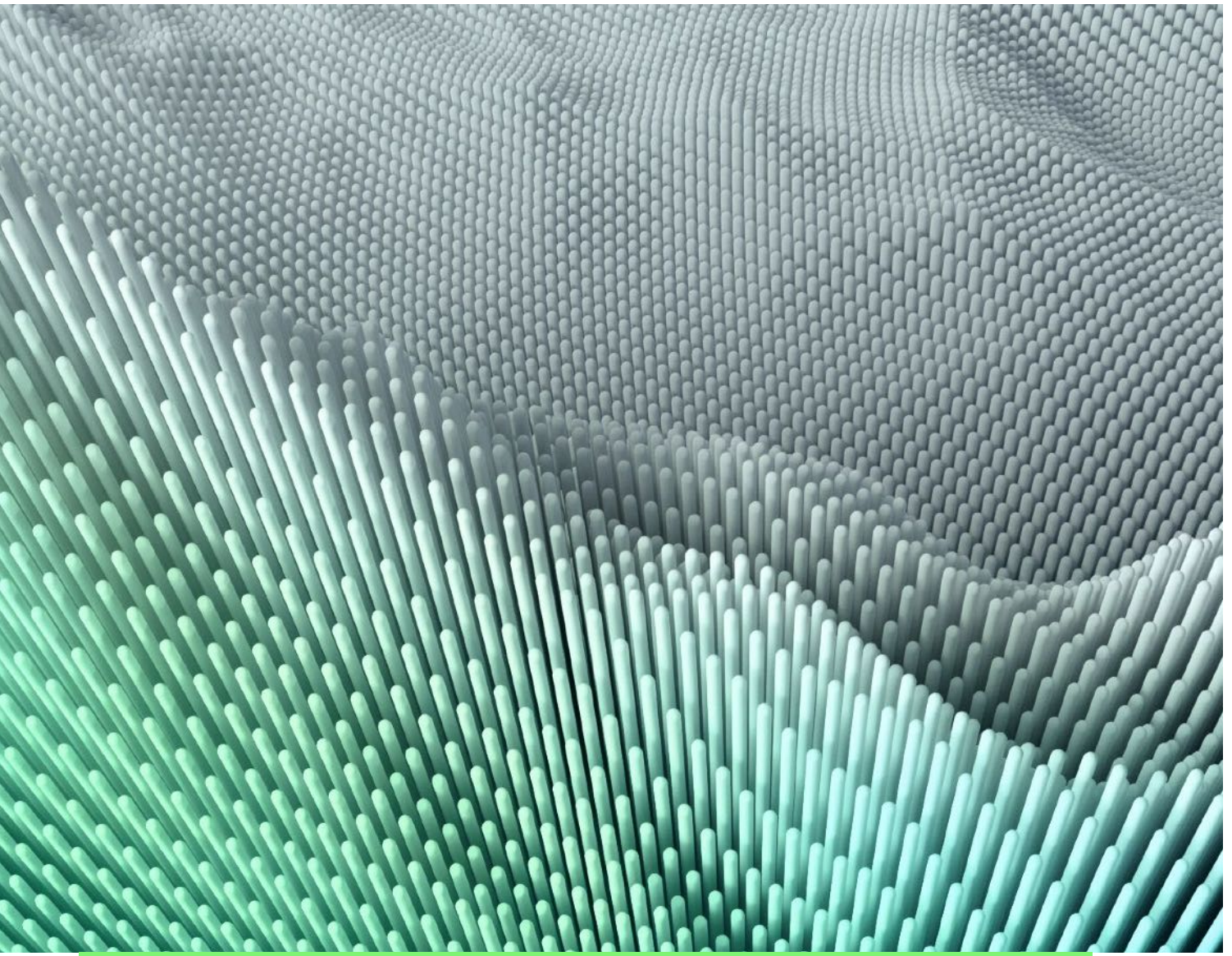
Asset managers must also commit resources to develop a network of reliable AI solution providers. By forming extensive partnerships, asset managers can ensure access to the latest AI tools, as well as have the ability to adapt the tools to regulatory standards and tailor them to the firm's specific needs. Becoming a strategic partner with certain vendors can, in addition, provide access to support from their engineering and analytics teams, thereby expanding the asset manager's in-house capabilities. Such partnerships can be critical to the success of use cases, especially if there is limited AI expertise.

Even when an asset manager plans to develop key components of an AI use case internally—for example, a chatbot trained on proprietary data to support the investment team—reliable external partners will be necessary to address unexpected development challenges. To maximize the benefits of these collaborations, asset managers should carefully select partners on the basis of specific criteria that include technological compatibility with the firm's systems and proven success with other asset managers.

Risk and Compliance. The implementation and use of AI will exacerbate certain existing risks and introduce new ones. Technology-inherent risks include leaks of proprietary data as well as hallucinations in patterns and predictions that may lead to inaccurate or misleading output. Some of these risks are particularly significant for asset managers. For example, an AI model trained on biased data can perpetuate those biases in investment decisions, resulting in investment strategies that may favor or discriminate against certain securities or assets. This can negatively impact the firm's reputation, decrease investor confidence, and cause an outflow of assets. To limit the most negative effects, asset managers need to proactively identify and monitor AI-related risks and develop mitigation strategies accordingly.

It will also be necessary to monitor regional and local trends in AI regulation. The US Department of the Treasury has a report on best practices for financial institutions to manage AI-specific cybersecurity risks, for example, and more regulatory frameworks are expected across the globe. As asset managers grow more comfortable with AI, engaging with regulators to shape forthcoming regulation can differentiate a player as a leader in the technology.

Beyond regulatory compliance and risk management, asset managers need to think about the broader principles that they will put in place to guide the responsible use of AI. To that end, each organization needs to establish a framework for ensuring that their use of AI is aligned with their company's purpose and values.



Where Asset Managers Are Today

AI is poised to transform the landscape of asset management, marking the beginning of a new era of innovation and efficiency. The AI journey will take several years and require significant commitments and investment.

Where are asset managers on their AI journey today? To answer this question, BCG, in collaboration with the Investment Company Institute (ICI) and the CFA Institute, conducted a global survey of asset managers in the first quarter of 2024 that focused on the elements of GenAI adoption. Fifty-seven asset managers that collectively manage more than \$15 trillion in AuM are included in the benchmark.

GenAI Is a Strategic Priority

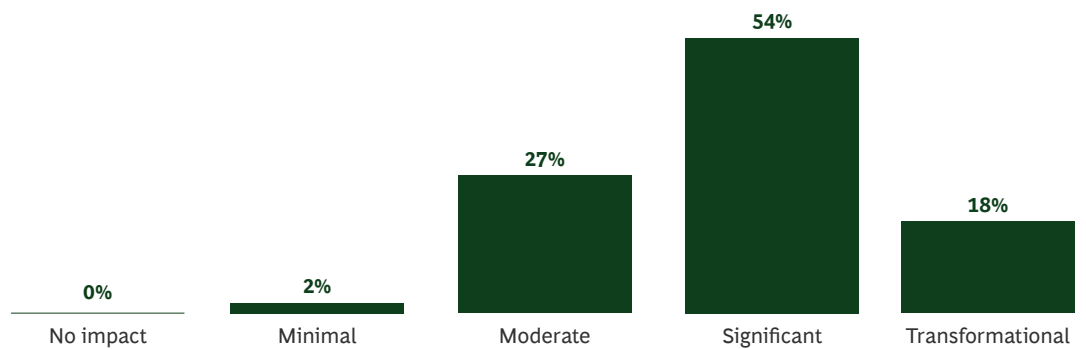
Most asset managers recognize that GenAI can unlock a variety of opportunities, and they are eager to take advantage of them. Of the survey respondents, 72% think that GenAI will have a significant or transformative impact on their organization within the next three to five years, and 66% have made GenAI a strategic priority for their business. We found that 75% of asset managers are, in varying degrees, actively dedicating capital and human resources for GenAI deployment in the short term, with 29% committing a significant portion of their innovation budget or willing to divert significant resources. (See Exhibit 10.)

In line with these findings, asset managers are planning for a structured approach to AI deployment. In the survey, 47% of respondents said that they have designed an interim or permanent governance body to oversee organization-wide GenAI use, and 40% are implementing dedicated delivery teams to roll out GenAI initiatives.

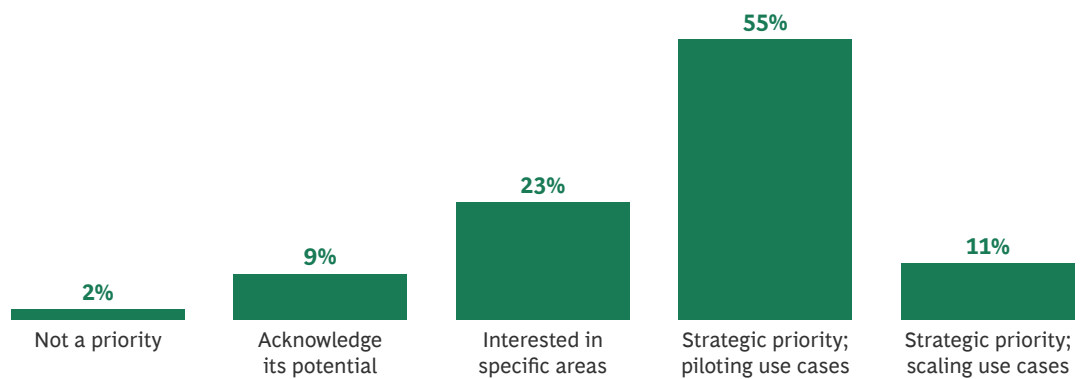
Nevertheless, most asset managers are still in the early stages of setting their GenAI strategy. Only 16% have fully defined a strategy and are working on implementing it throughout the business.

Exhibit 10 Asset Managers Recognize GenAI as a Strategic Priority

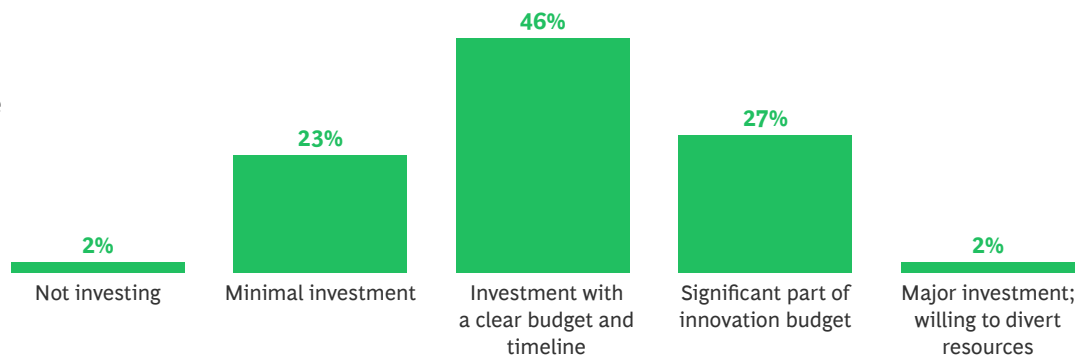
What is the magnitude of business impact that you are anticipating from GenAI in your organization in the next three to five years?



How would you describe your organization's level of commitment to the adoption of GenAI?



What is your willingness to invest capital and team resources in the adoption of GenAI in the next three to five years?



Source: BCG's AI and GenAI in Asset Management survey, 2024, conducted in collaboration with the Investment Company Institute (ICI) and the CFA Institute.
 Note: Not all percentages add up to 100 due to rounding.

Almost all asset managers surveyed are actively experimenting with at least one GenAI use case.

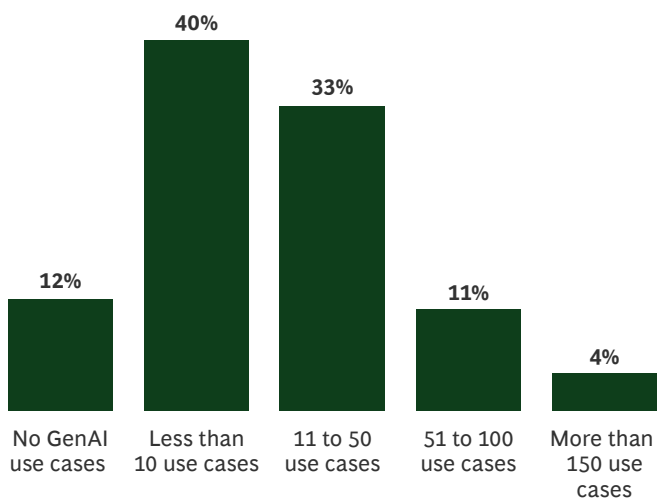
Active Use Case Exploration

Almost all asset managers in our survey (88%) are actively assessing the feasibility of some GenAI use cases and their potential return on investment. These managers are also actively experimenting with at least one use case. However, when asked about the number of use cases that their organization has assessed, the responses varied. More than one-third (40%) have reviewed from one to ten use cases, while 15% have reviewed more than 50 use cases.

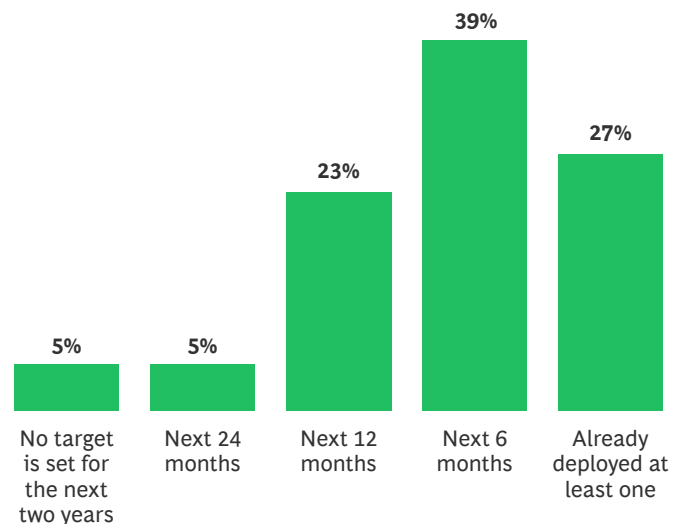
Furthermore, asset managers are keen to advance GenAI use cases across their organizations. The majority of respondents are rapidly moving toward implementing use cases at scale: 27% have already deployed at least one use case, and 39% are planning a full-scale deployment this year. (See Exhibit 11.)

Exhibit 11 Asset Managers Are Experimenting with GenAI Use Cases

How large is your organization's current list of prioritized GenAI use cases?¹



By when does your company aim to have at least one full-scale GenAI use case deployed?²



Source: BCG's AI and GenAI in Asset Management survey, 2024, conducted in collaboration with the Investment Company Institute (ICI) and the CFA Institute.

Note: Not all percentages add up to 100 due to rounding.

¹A prioritized use case has at least a high level of feasibility and has had a return-on-investment analysis performed.

²A full-scale use case has been rolled out and made available to every potential user in a selected group.

We also analyzed which use cases asset managers are prioritizing and deploying. There is a wide variety of use cases across the value chain that are at least under consideration. Overall, most respondents are currently focusing their efforts on sales and marketing and IT. (See [Exhibit 12](#).) Across four functions, we have identified seven use cases that are in the proof-of-concept stage or that are being deployed organization-wide by more than 20% of respondents.

Sales and Marketing. We have identified three use cases in this function:

- The first use case—AI-enabled automation of sales documents—is being scaled or has been scaled by 5% of respondents in order to automate the preparation of sales documents, such as requests for a proposal, presentations, and emails; 32% are in the proof-of-concept phase.
- The second use case—AI-led ideation and content creation—is being scaled or has been scaled by 5% of respondents in order to have AI draft content, such as social media posts and blogs; 23% are in the proof-of-concept phase.
- The third use case—AI-guided target client selection—is being scaled or has been scaled by 5% of respondents in order to have AI filter potential clients using, for example, public data sources; 18% are in the proof-of-concept phase. In such a case, AI would identify prospects who would most benefit from an asset manager’s products and estimate the likelihood of conversion.

Investment Management and Trade Execution. We have identified one use case in this function—an AI-enabled process to accelerate due diligence decision making. Fourteen percent of the respondents are scaling or have scaled this use case to have AI tools gather information, summarize notes, and draft investment memos, accelerating the due diligence process; 14% are in the proof-of-concept phase.

IT. We have identified two use cases in this function:

- The first use case—IT copilot for accelerated app development—is being scaled or has been scaled by 18% of the respondents for developing an IT copilot that would speed app development and debugging; 27% are in the proof-of-concept phase.
- The second use case—optimized code generation—is being scaled or has been scaled by 18% of the respondents in order to generate optimized code using automated reviews; 9% are in the proof-of-concept phase. Automating code reviews can ensure efficiency and adherence to programming standards.

Business Management and Support. We have identified one use case in this function—insight generation from domain-specific enterprise data. Fourteen percent of the respondents are scaling or have scaled a use case for AI-enabled insights for more powerful data management across the organization; 18% are in the proof-of-concept phase.

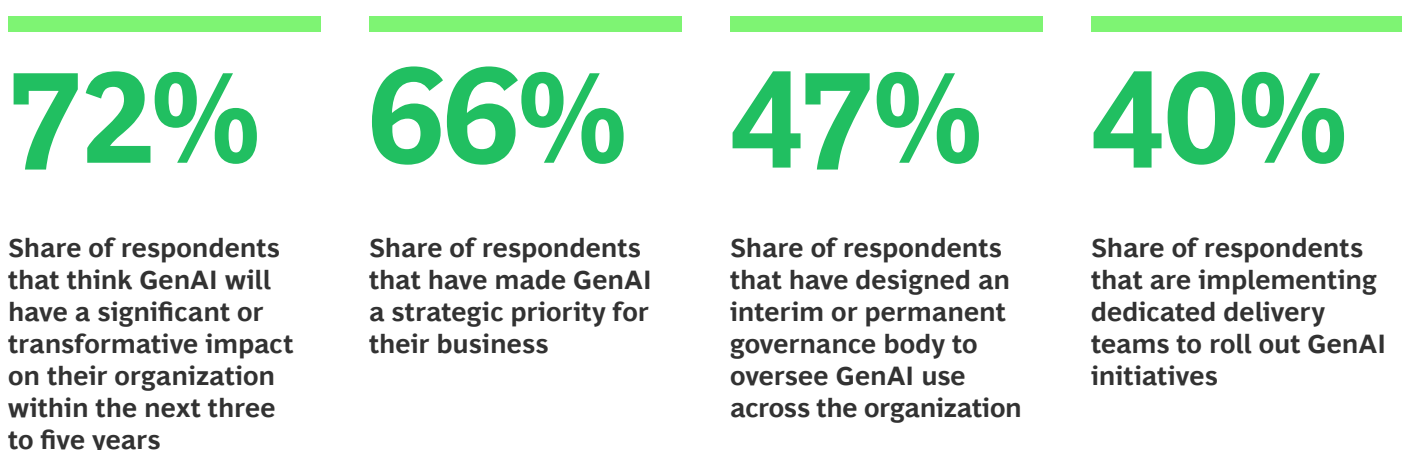
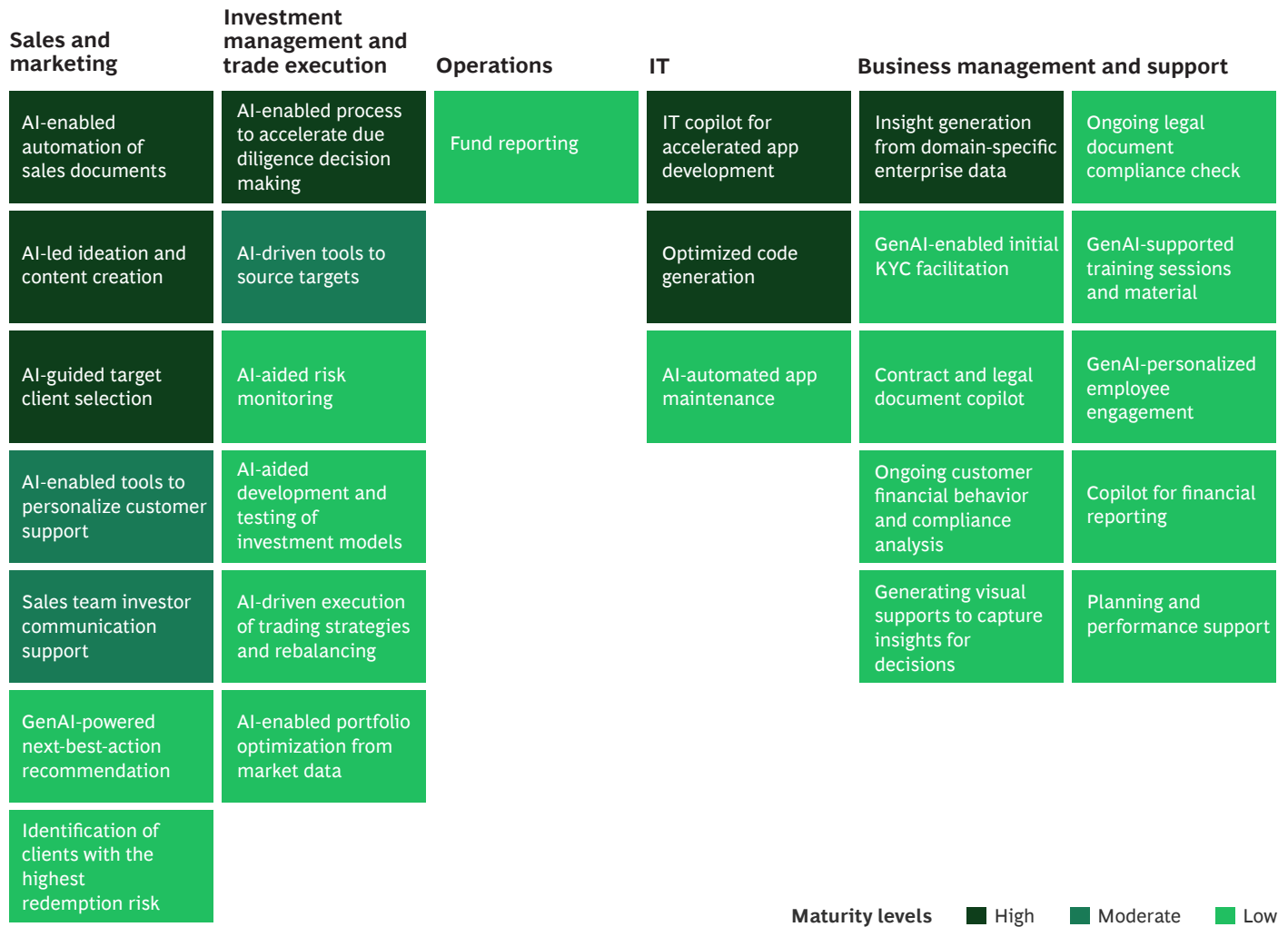


Exhibit 12 Multiple Use Cases Are Being Explored Across the Value Chain



Source: BCG's AI and GenAI in Asset Management survey, 2024, conducted in collaboration with the Investment Company Institute (ICI) and the CFA Institute. **Note:** KYC = know your customer. High-maturity use cases have advanced to the proof-of-concept, scaling-in-progress, or implemented-at-scale stages for more than 20% of the survey respondents. Moderate-maturity use cases have been prioritized or are further along in development—at the proof-of-concept, scaling-in-progress, or implemented-at-scale stages—for more than 20% of respondents, with the high-maturity use cases not exceeding 20%. Low-maturity use cases are still in the initial discussion stage for more than 20% of respondents.

There is a wide variety of use cases across the value chain that asset managers are considering. Most respondents are currently focusing their efforts on the sales and marketing function, as well as IT.

Enablers Require Additional Investment

As we've discussed, people, technology and partnerships, and risk and compliance are essential enablers to maximize the benefits of AI. However, survey responses indicate that asset managers have not invested in these to the extent they need to. There are noticeable gaps, particularly when it comes to training and hiring talent and developing the required IT infrastructure. (See Exhibit 13.)

We find that 73% of survey respondents have either no upskilling programs or ones that are only for select employees. A large number—63%—of asset managers have not made significant progress on the tech stack adjustments that are needed for AI, and 84% have not made any or only minimal progress when it comes to the required data architecture adjustments.

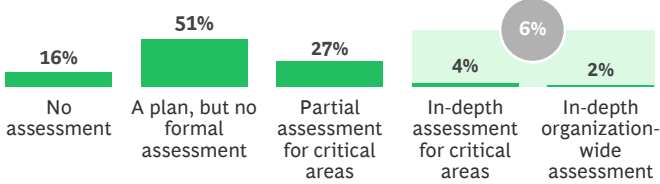
There is more progress regarding risk and compliance: 47% of asset managers are monitoring and proactively preparing for upcoming regulations. The trend is particularly advanced in Europe, where stricter guidelines and regulations have led 63% of asset managers to proactively prepare for upcoming regulations or even participate in shaping the regulations, compared with 34% in the rest of the world.

Our survey indicates that asset managers that expect the most impact from GenAI are more willing to invest their resources in building enablers. For example, 67% of respondents that expect a transformative impact from GenAI in the next three to five years have created structured employee upskilling programs, compared with 20% of asset managers who describe the changes they anticipate as minimal, moderate, or even significant. Similarly, 60% of the asset managers expecting transformative changes from GenAI have made substantial progress on technology stack adjustment, while only 33% of others have done so.

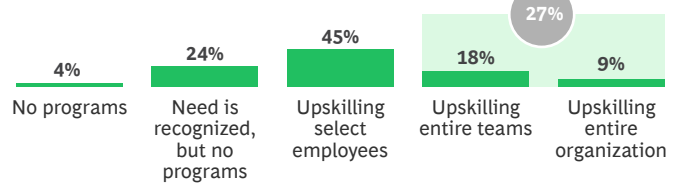
Exhibit 13 AI Enablers Are in Varying Degrees of Readiness

People

Has your organization performed an assessment of GenAI's potential impact on people and processes?

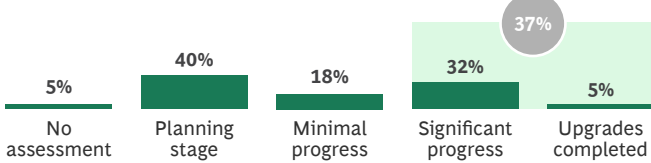


Is your organization upskilling its current workforce to adopt GenAI successfully?

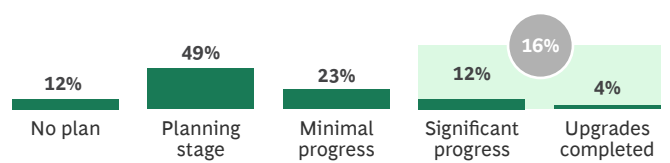


Technology and partnerships

What is the current status of setting up the required technology infrastructure to support the deployment of organization-wide GenAI solutions?

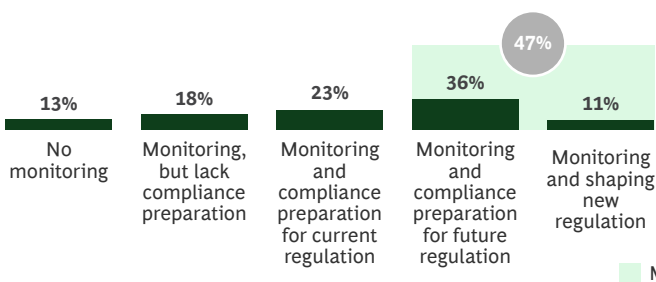


What is the current status of your organization's data architecture for GenAI adoption?

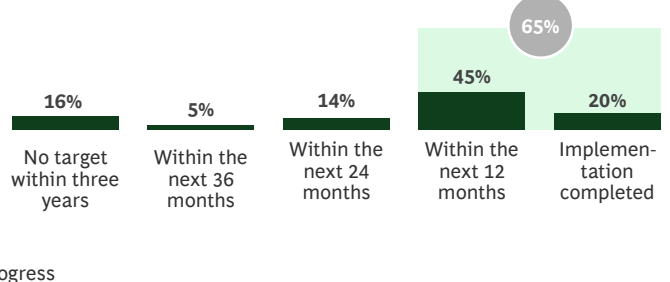


Risk and compliance

Which statement best describes your organization's approach to upcoming or existing AI and GenAI regulation?



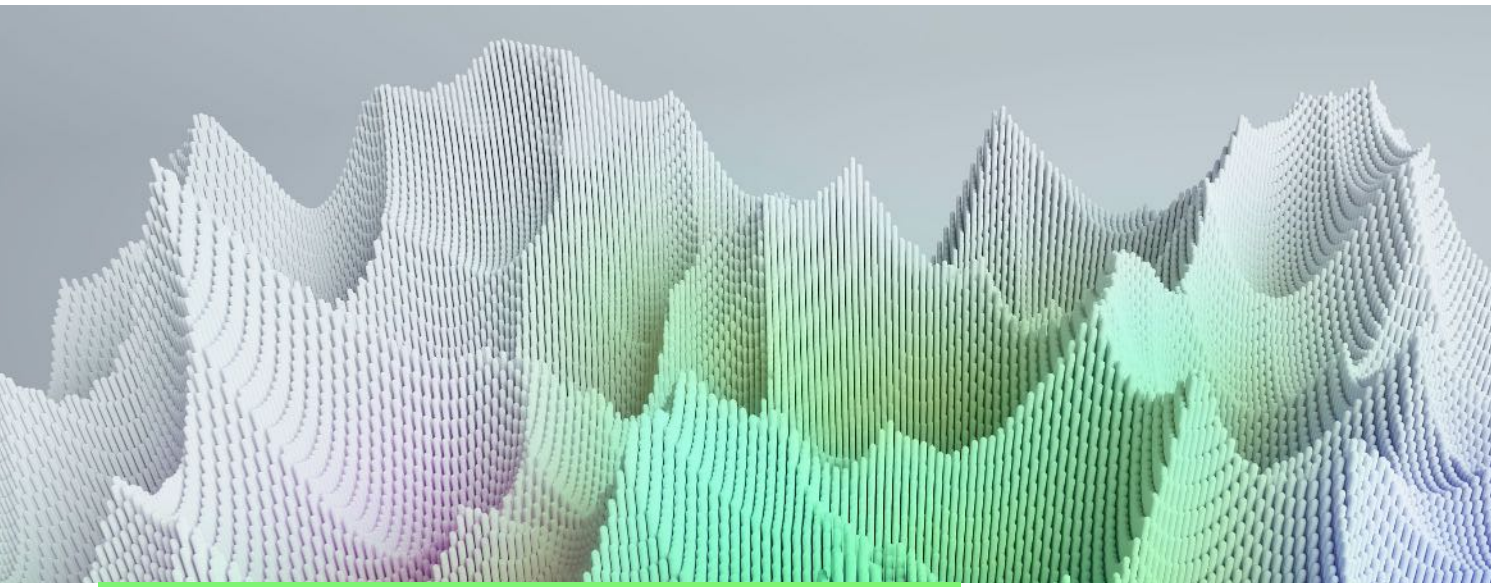
What timeline has your organization defined to fully design and implement its holistic GenAI policy and practices framework?



Source: BCG's AI and GenAI in Asset Management survey, 2024, conducted in collaboration with the Investment Company Institute (ICI) and the CFA Institute.

Note: Not all percentages add up to 100 due to rounding.

¹A structured set of guidelines and procedures designed to ensure that the use of AI in an organization adheres to legal regulations, ethical standards, and internal controls.



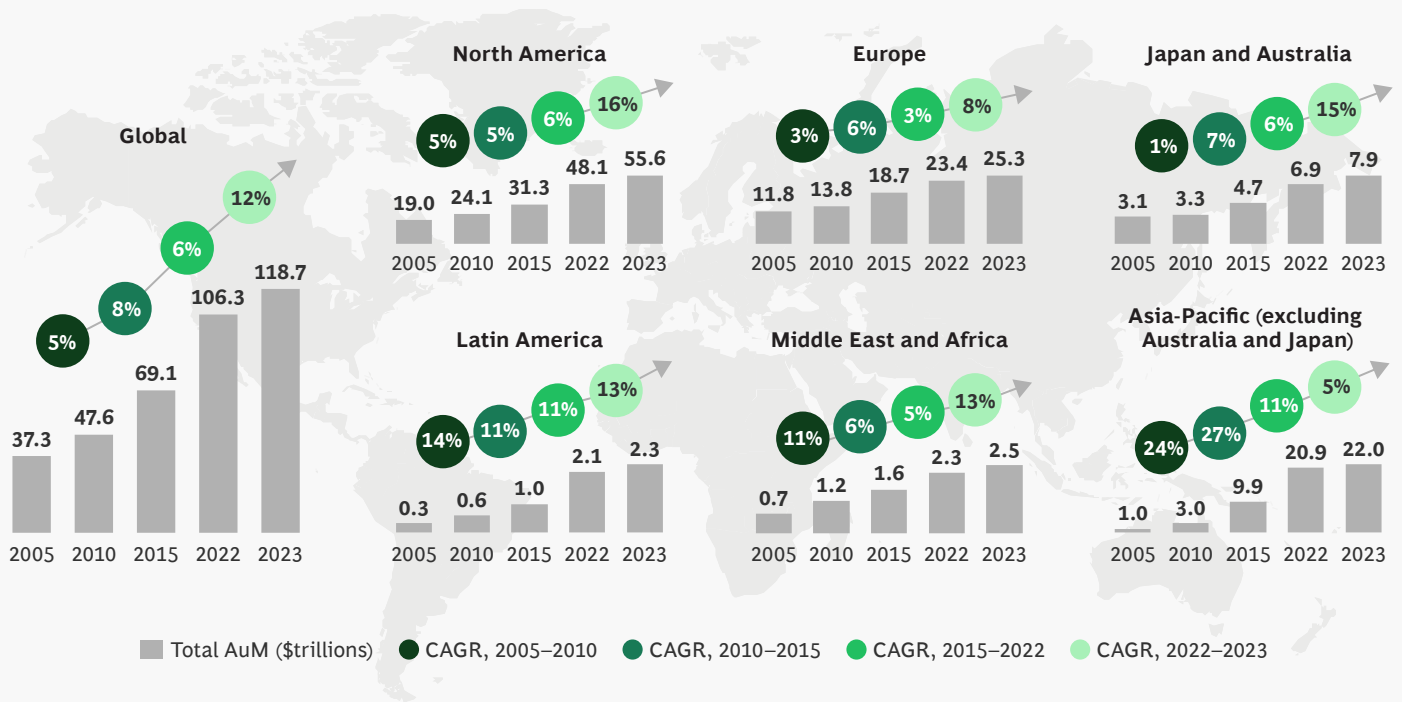
Planning the AI Journey

The dawn of the AI era in asset management is not just on the horizon, it's here. Asset managers face a choice between the path of cautious observation, with the risk of falling behind, or the path of proactive transformation, which can enable them to build the organizational muscle that's needed for AI. Asset managers must be bold if they are to reap the benefits of AI-enabled productivity, personalization, and private-market growth. Here, we offer three key recommendations for the journey, in keeping with [BCG's three-step framework for an AI transformation](#).

- **Deploy AI for immediate impact.** Asset managers can begin by embedding AI into daily operations, directly targeting productivity. Identify high-impact areas in which AI can enhance operational efficiency and decision making without major overhauls. Set clear, attainable goals—such as automating data analysis or developing customer service chatbots—for these initial deployments.
- **Reshape with a strategic vision.** After the initial deployments are underway, look beyond surface improvements to fundamentally reshape key business functions. Challenge teams to identify processes, particularly those that can affect client interactions and investment strategies, with an eye toward transforming rather than just improving. With this approach, asset managers can deliver new levels of personalization in services and client engagement while pushing AI capabilities ahead.
- **Invent for long-term advantage.** After building a solid AI foundation, asset managers can turn their attention to pioneering new services, products, and business models. This stage is about looking beyond current market offerings and leveraging AI to identify and create unique opportunities. It's a long-term play that requires not only technological investment but also a deep commitment to fostering a culture of creativity and experimentation.

Considering the rapid pace of AI development, asset managers who delay embarking on their AI journey face the peril of falling irretrievably behind. Conversely, those that move forward with boldness and a full commitment stand not only to excel at integrating AI but also to lead the industry's transformation. Such forward-thinking managers will be in the best position to overcome the structural challenges and secure a formidable competitive advantage.

Appendix 1 All Regions Participated in Positive AuM Growth

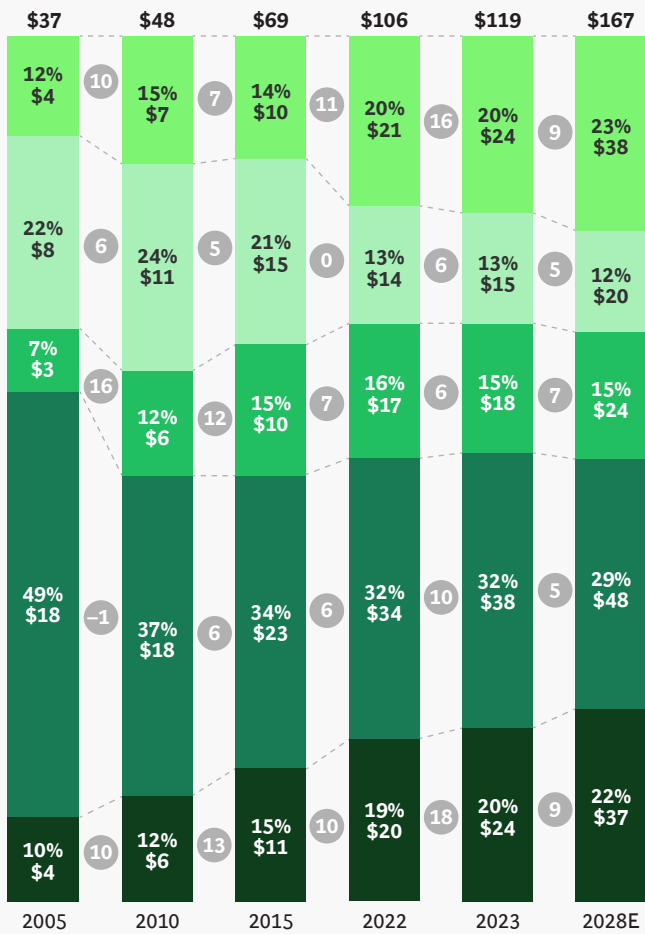


Source: BCG's Global Asset Management Market Sizing Database, 2024.

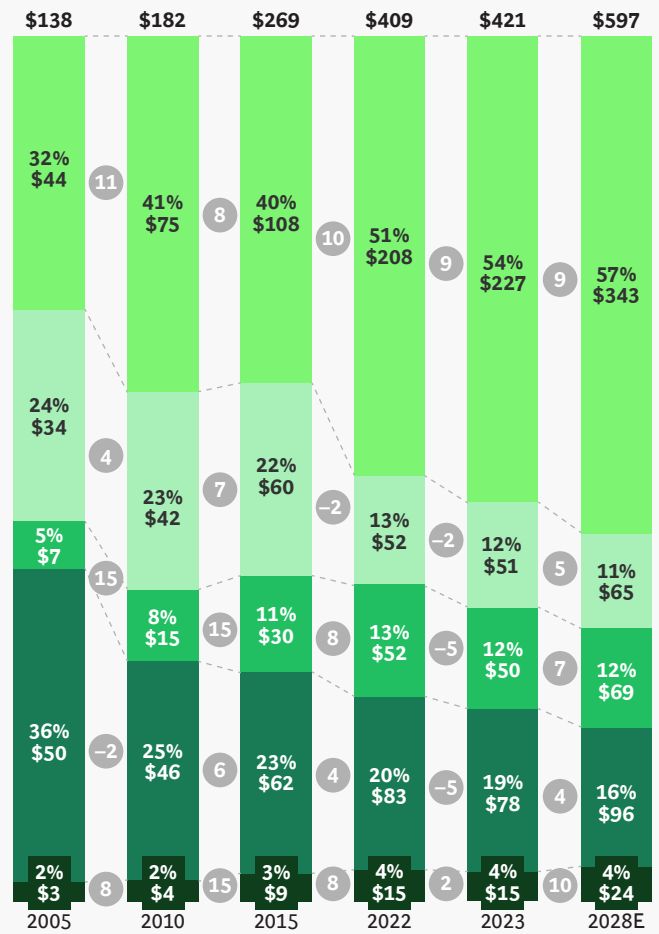
Note: Market sizing corresponds to assets sourced from each region and professionally managed in exchange for management fees. AuM includes captive AuM of insurance groups or pension funds where AuM is delegated to asset management entities with fees paid. Globally, 44 markets are covered, including 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 whose currency is not the US dollar, the end-of-year 2023 exchange rate was applied to all years to synchronize current and historical data. Values differ from those in prior studies as a result of exchange rate fluctuations, revised methodology, and changes in source data.

Appendix 2 Alternatives Continue to Generate More Than Half of Global Revenue Despite Representing Less Than a Quarter of Total AuM

GLOBAL AUM SPLIT BY PRODUCT (\$TRILLIONS)



GLOBAL REVENUE SPLIT BY PRODUCT (\$BILLIONS)



■ Alternatives¹
■ Active specialties²
■ Solutions, LDI, and multiasset³
■ Active core⁴
■ Passive
 ● CAGR

Source: BCG's Global Asset Management Market Sizing Database, 2024.

Note: Not all values add up to 100 or to the specified sum because of rounding. LDI = liability-driven investment.

¹Includes 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.

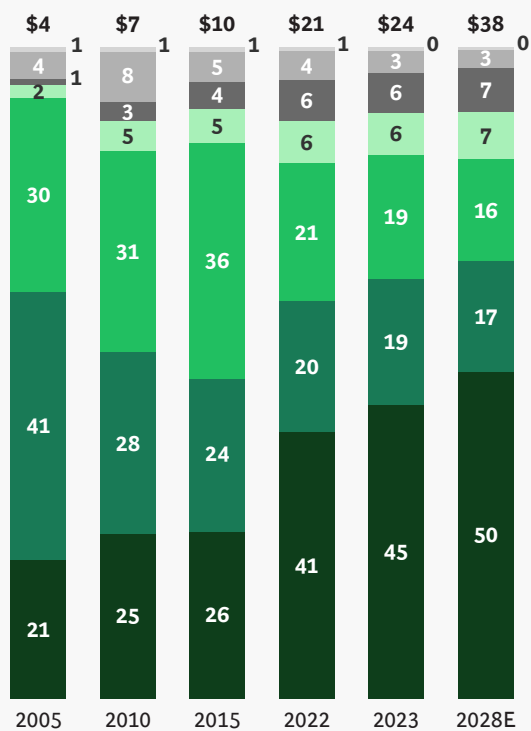
²Includes these actively managed instruments: equity specialties (global equities, excluding US, emerging market, all sector and thematic, and undefined if market is not known) and fixed-income specialties (emerging-markets fixed income, high yield, convertible, inflation linked, and global, excluding US and undefined if market is not known).

³Includes these instruments: target date, target maturity, liability driven, outsourced chief investment officer, multiasset balanced, and multiasset allocation.

⁴Includes these actively managed instruments: developed-market and global equity, developed-market government and corporate fixed income, global fixed income, money market, and structured products.

Appendix 3 Private Equity and Private Debt Are Expected to Generate About 70% of Total Revenue from Alternatives by 2028

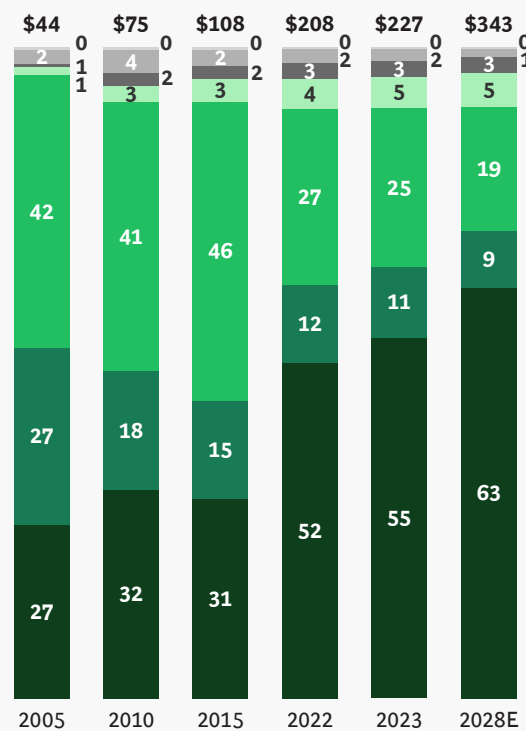
GLOBAL ALTERNATIVE AUM SPLIT BY PRODUCT
(%, \$TRILLIONS)



2023–2028
AuM
CAGR (%)



GLOBAL ALTERNATIVE REVENUE SPLIT BY PRODUCT
(%, \$BILLIONS)



2023–2028
Revenue
CAGR (%)



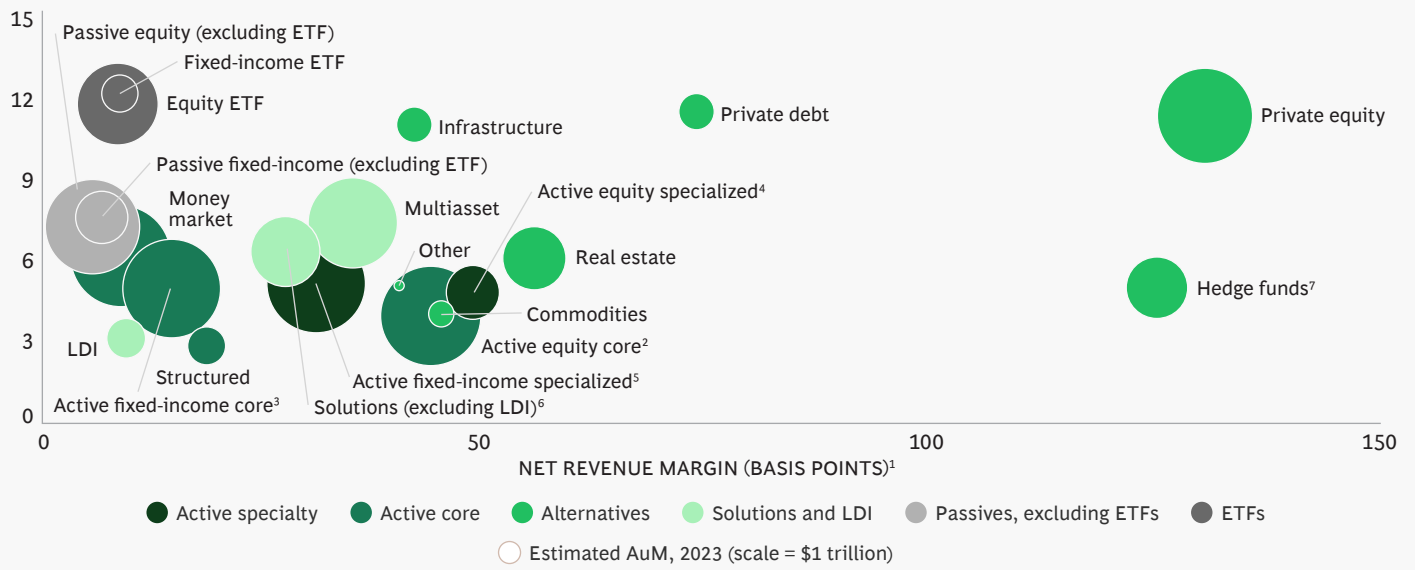
Other Commodities Infrastructure Private debt Hedge funds Real estate Private equity

Source: BCG's Global Asset Management Market Sizing Database, 2024.

Note: Other alternatives include alternative-focused mutual funds and exchange-traded funds (for example, absolute return, long/short, market-neutral, and trading-oriented funds). Real estate includes real estate investment trusts. Private equity includes venture capital. Revenues exclude performance fees.

Appendix 4 ETFs and Select Alternative Products Are Expected to Lead Growth Through 2028

AUM GROWTH, 2023–2028E (%)



Source: BCG's Global Asset Management Market-Sizing Database, 2024.

Note: ETF = exchange-traded fund; LDI = liability-driven investment.

¹Management fees net of distribution costs.

²Includes actively managed equity instruments: developed market and global.

³Includes these actively managed fixed-income instruments: developed market, global, corporate, and government.

⁴Includes actively managed equity instruments: global, excluding US, emerging market, all sector and thematic, and undefined if market is not known.

⁵Includes these actively managed fixed-income instruments: global, excluding US, emerging market, high yield, convertible, inflation linked, and undefined if market is not known.

⁶Includes these instruments: target date funds, target maturity, and outsourced chief investment officer.

⁷Includes these instruments: absolute return, long/short, market neutral, and trading-oriented mutual funds.

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