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2020

U.S. Asset Manager Profitability Report





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Key Highlights

- Despite the economic turmoil unleashed in 2020 by the COVID-19 pandemic, publicly-traded asset managers saw their profitability rise modestly over the year. The median asset manager in our 27-firm sample saw operating margins climb to 28.1% in 2020, up from 27.3% in 2019. The 2020 median fell short of the high-water mark for the decade (31% in 2014), but not far from the 10-year average (28.7%).
- With investors fleeing from active equity funds, most public managers' equity-heavy, predominantly actively-managed lineups faced challenging headwinds in 2020. While 13 of 27 public firms suffered net redemptions in the U.S., the median public firm grew its flows at a 1.4% rate, versus 0.8% for the industry overall. Helped by strong equity market returns, the median public manager grew U.S. fund assets by 12.3% in 2020.
- Mirroring an industrywide trend, management fees for public asset managers had trended sharply downward in prior years. In 2020, however, they barely budged: As a percentage of average AUM, the median firm's management fee revenue dropped by just one basis point. Strong asset growth and modest fee pressures enabled the median manager to grow total operating revenues by 4% in 2020—an improvement over the 2% slide the median firm delivered in 2019.
- Relative to assets, operating expenses continued to fall in 2020. As a percentage of average AUM, they posted their biggest year-over-year decline over the past decade. At 0.35%, expenses relative to average AUM are well below the peak in the early 2010's of 0.43%. Operating expenses increased in absolute terms (3.4%) over the period under review, but at a slower pace than revenues.
- With operating revenues growing more quickly than operating expenses, operating incomes climbed by 5.4% in 2020. In 2019, expenses grew at a slower 2% pace, but with revenues shrinking, operating earnings slumped 8%.
- Managers have been more effective in controlling costs than they have been in translating them into income: In 2020, the median manager earned 39 cents in operating income for every dollar spent on operating expenses, up modestly from 2019 levels, but well below the 2014 peak of 45 cents.

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NEW!

We've added new features to our report:

You can now jump to any section from this Table of Contents by clicking on the title.

The List of Exhibits at the beginning of each section is also interactive for navigating.