

PERSPECTIVES

THE “CROSS-BREEDING” OF EUROPEAN PRIVATE MARKET MANAGERS

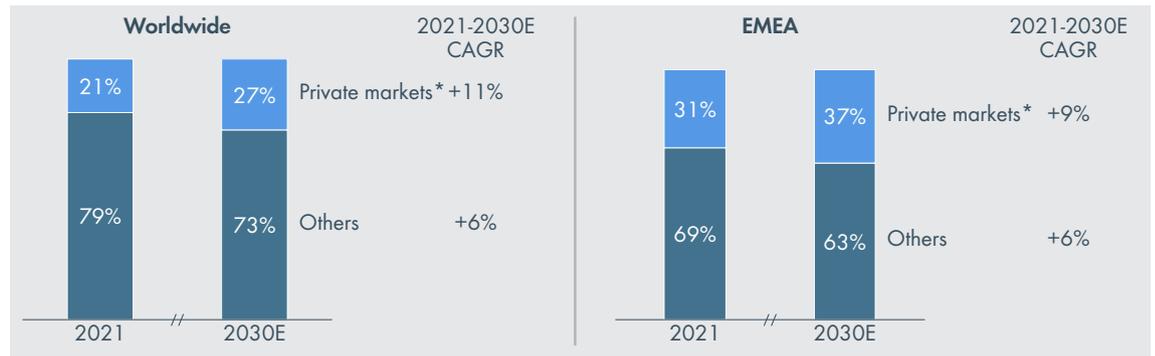
Private markets have had an extraordinary run and offer the #1 source of revenues for the global asset management industry in the next 10 years.

By 2030, private markets will represent 27% of the global annual revenue pool for asset managers (\$275bn) and 37% of the Europe revenue opportunity.

Yet, beneath the smooth and shiny surface, the industry appears at an inflection point. It is undergoing shifts of tectonic magnitude, not unlike the ones experienced by the traditional asset management industry, including:

- The concentration of relationships by limited partners, fostering the rise of the multi-capability platform model;
- Cost pressures, fueling a diversification of investment formats (co-investments, non-discretionary mandates, evergreen products...) away from the traditional closed-end vehicles;
- Retailization, requiring the reengineering of distribution and product design capabilities;
- The rise of ESG and impact investing, requiring additional resources and redefining the performance assessment framework;
- Digitization, impacting the full value chain from origination (e.g. screening tools for targets) to distribution (online platforms and, tomorrow, tokenization).

Annual revenue opportunity for asset managers



Notes: (*) Private equity, real estate, alternative credit, natural resources, infrastructure. Revenues shown net of rebates and performance fees.
Sources: Indefi Global Revenue Opportunity Model.

These trends require private market managers (PMMs) to adapt their business model and leverage the complete strategic toolbox that defines success in the asset management industry. In the short run, we identify two main areas of focus for European PMMs:

- Industrialized asset origination capabilities to support the (international) scalability of their model;
- Enhanced distribution capabilities, including client acquisition process, CRM, product design and management, fee structures, etc.

A further step in this transformation journey is the use of inorganic strategies to accelerate growth. One area where we expect initiatives to mushroom in Europe is the access to captive sources of capital. These include:

- The acquisition of balance sheet-heavy businesses (insurance, bulk annuities) and/or distribution networks, performed at corporate or fund level, as PMMs take advantage of the restructuring of the European life insurance industry and the rapid consolidation of IFA/RIA segments;
- Strategic partnerships with “deep pockets” LPs or distributors operating at scale (GFIs/RFIs);
- Raising capital in public markets, as PMMs take advantage of the current attractive valuation window of opportunity.

The “cross-breeding” of PMM business models will be a key feature of the next 5 years and set aside the winners from the rest of the pack.



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