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Individual investors will dominate fund industry in 2030: research

Consulting firm expects innovation in the fund management industry to be driven by providers that serve individual investors

By Sandra Heistruvers, Ed Moisson | 15 March 2022

The focus of the global asset management industry will increasingly shift from institutional investors to individual clients amid changes in policy and demographics, according to new research from Indefi.

In a report entitled 'The Future is Now: Five Waves Reconfiguring Asset Management', the Paris and New York-based consulting firm predicts that innovation in the fund management industry will be driven by providers that serve individual investors, meaning retail and wholesale clients.

This predicted shift from institutional to individual investors, which Indefi identifies as one of five secular transformations shaping the asset management industry in the next few years, will result in retail channels accounting for 67 per cent of global assets under management by 2030, up from 45 per cent back in 2014.

Indefi forecasts that the share of institutional investors in terms of assets under management across Europe, including the UK, will fall from 40 per cent in 2021 to 36 per cent in 2030, while their contribution to revenue channels will drop from 17 per cent to 15 per cent.

The contribution of defined contribution channels is predicted to rise from 14 per cent to 17 per cent in terms of assets and from 34 per cent to 37 per cent in terms of revenue.

The share of individual channels in terms of assets is expected to increase from 46 per cent to 47 per cent.

In Europe ex-UK, the share of individual investors in terms of assets is forecast to stay the same at 56 per cent, but the proportion of institutional investors is expected to fall from 29 per cent to 28 per cent.

Indefi says in its report the global shift from institutional to individual investors is being driven by policy and demographics, largely due to the rapid growth of the fund industry in China, a market that is dominated by retail investors.

According to the report, "this shift is helping fuel deglobalisation too as retail investments are typically more regulated than their institutional counterparts".

"With more money "staying home" and in retail vehicles, deglobalisation will accelerate", Indefi says.

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According to the consulting firm, the shift has "profound" implications for asset managers because "an industry driven by individual investors has a different value-chain than an institutional industry, with the balance of power tilting decisively towards distribution".

Overall the fund advisory firm expects Europe and the UK to maintain roughly the same percentage of global assets under management in 2030 as they did in 2021, but the UK is expected to capture only 2 per cent of net inflows through the decade.

While the US will remain the largest market globally in terms of assets under management, its share of global assets is expected to fall from 52 per cent in 2021 to 46 per cent in 2030, as China's share rises from 11 per cent to 18 per cent.

Indefi also predicts that total assets under management globally will rise from $58 trillion (€52.8 trillion) in 2014 and $96 trillion last year to $175 trillion in 2030.

This translates into a predicted growth in European ex-UK assets under management to $17.5 trillion for 2030, up from $5.8 trillion in 2014 and $9.6 trillion in 2021.

For the UK, the 2030 growth forecast is $12.25 trillion, up from nearly $4.1 trillion in 2014 and around $7.7 trillion in 2021.

Daniel Celeghin, managing partner at Indefi and co-author of the report, says: “If a portfolio manager teleported from 2020 into 2030, they would most likely not recognize their industry.

“With the increasing importance of retail in asset management, more domestic investments gaining traction, technology such as artificial intelligence and cryptocurrency making significant inroads, and the growing footprint of China, we expect the 20th century norms of asset management to be substantially altered by the end of the decade.”