INDUSTRY LANDSCAPE | JUNE 2026

MORNINGSTAR

European Asset Managers

Long-term structural growth opportunities remain, but competitive pressures are reshaping industry economics.

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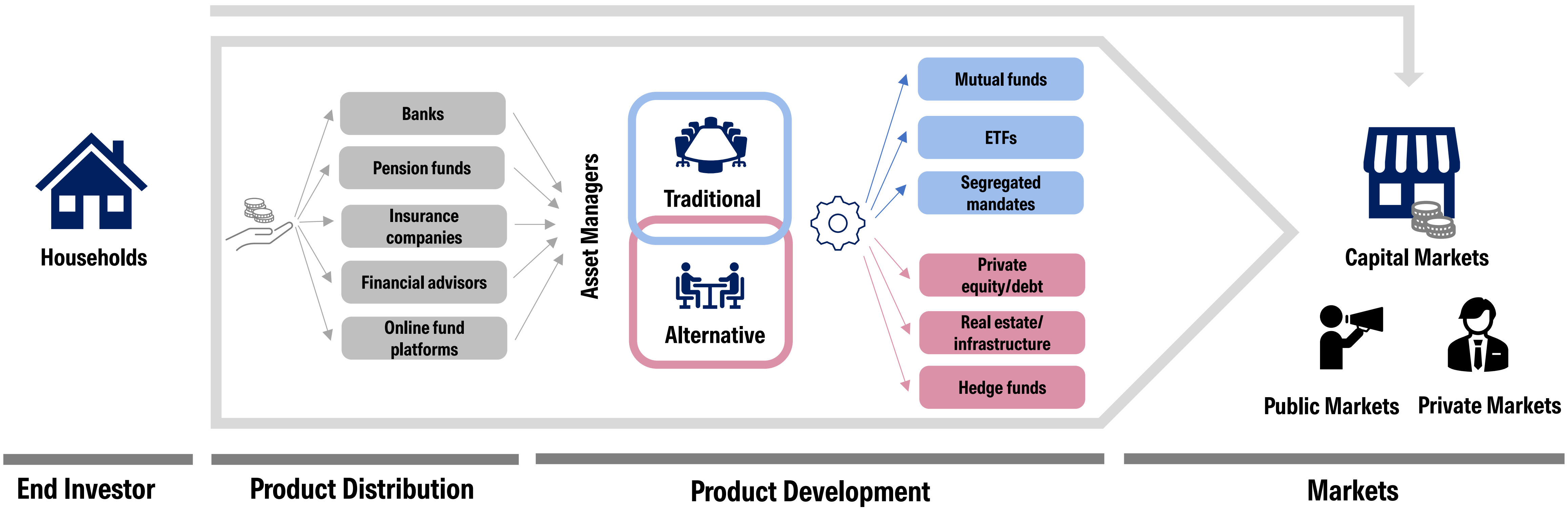
Asset managers act as product factories, crafting portfolios from assets available in public and private markets. These portfolios serve institutional and retail clients. Households, often the end investors, gain exposure to asset manager funds either directly through their chosen advisors or indirectly via pooled investments such as pension or insurance contributions.

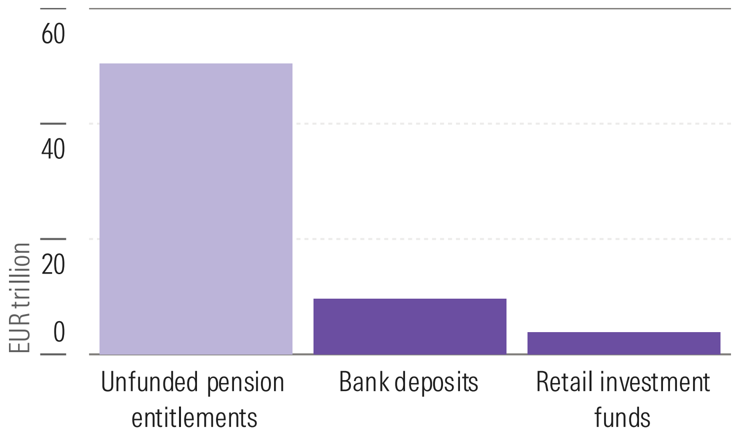
European Asset Management Industry Map



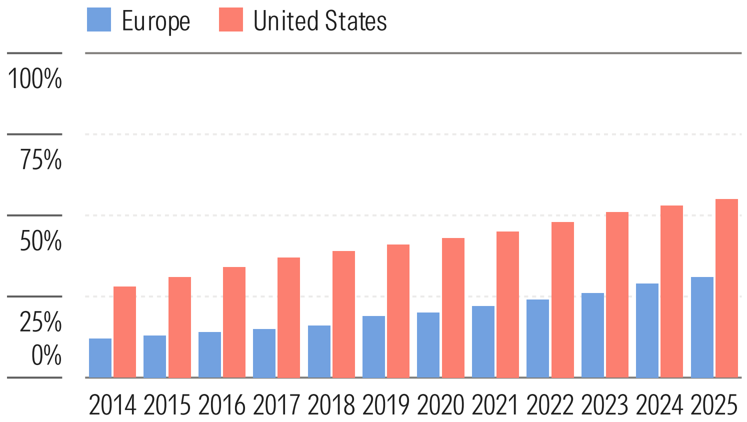
Source: Morningstar.

Key Industry Themes

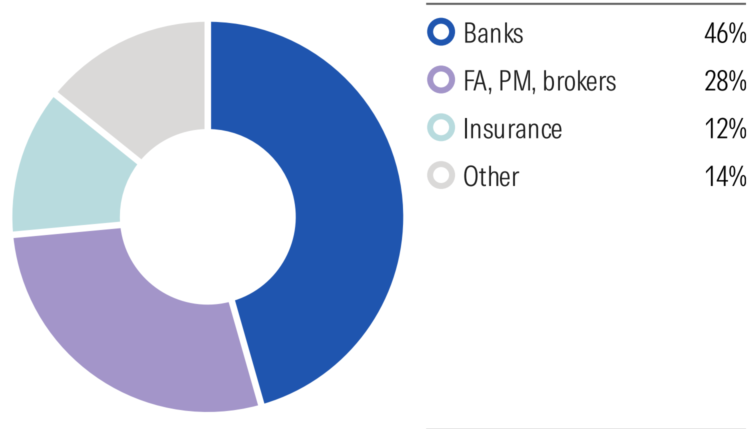
European Pensions and Deposits: Long-Term Prospects



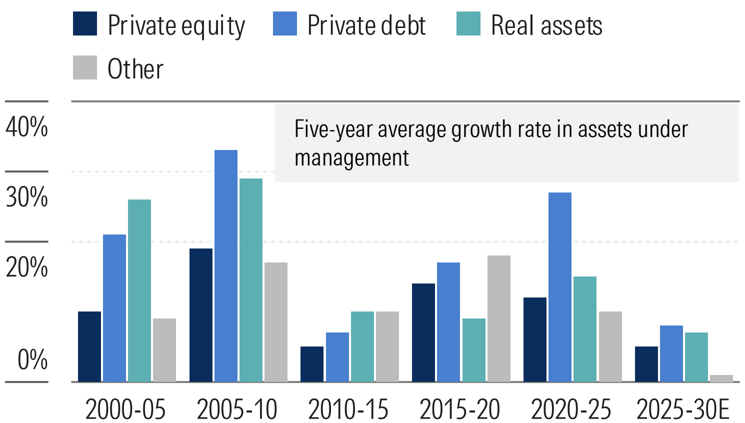
Europe Slower to Embrace Passive Investing



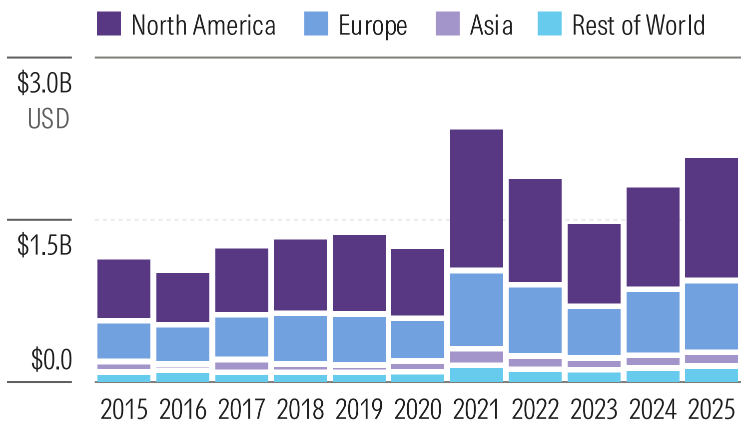
Captive Distribution Important in Much of Europe



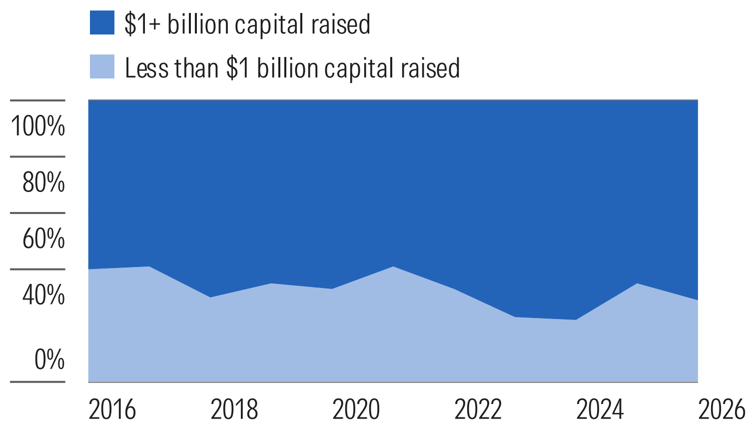
PitchBook Expects Private Market Growth to Normalize



Europe Remains an Important Private Equity Hub



Larger Funds Will Demand a Bigger Slice of the Pie



Sources: European Central Bank, Morningstar Direct, PitchBook.

Industry Value Drivers

Asset Managers' Stylized Income Statement
Income statement line items shown as a percentage of revenue.

		Traditional	Alternative
1	Net management fees	90%	83%
2	Performance fee/carried interest	4%	12%
3	Net interest income	2%	0%
3	Investment income/trading income	2%	3%
3	Other operating income	2%	2%
	Total Income	**100%**	**100%**
4	Personnel expenses	38%	32%
4	General and administrative expenses	22%	11%
4	Depreciation and amortization	3%	4%
	Profit before tax	**37%**	**52%**
	Tax	8%	7%
	Profit after tax	**29%**	**46%**

1. Net management fees: Asset managers levy fees on clients based on assets under management. These fees vary by asset class, client type, and investment style. Management fees are disclosed net of any commissions paid to distributors.

2. Performance fees (carried interest): Traditional asset managers earn performance fees by outperforming a benchmark. On the other hand, private market firms share in the proceeds of fund investments through a mechanism known as carried interest.

3. Other income: Asset managers supply seed capital to their funds, recording gains and income as investment returns. Some firms have small banking or insurance operations, and income from these businesses often finds a home here.

4. Operating expenses: In the talent-driven asset management industry, personnel expenses form a significant portion of costs. While employee participation schemes offer some flexibility, these expenses are largely fixed, resulting in high operating leverage.

5. Capital and cash flow: Asset managers tend to be very asset-light and benefit from high cash conversion. Limited seed capital investments are the main capital requirement. In a consolidating industry, goodwill will make up a larger portion of the balance sheet.

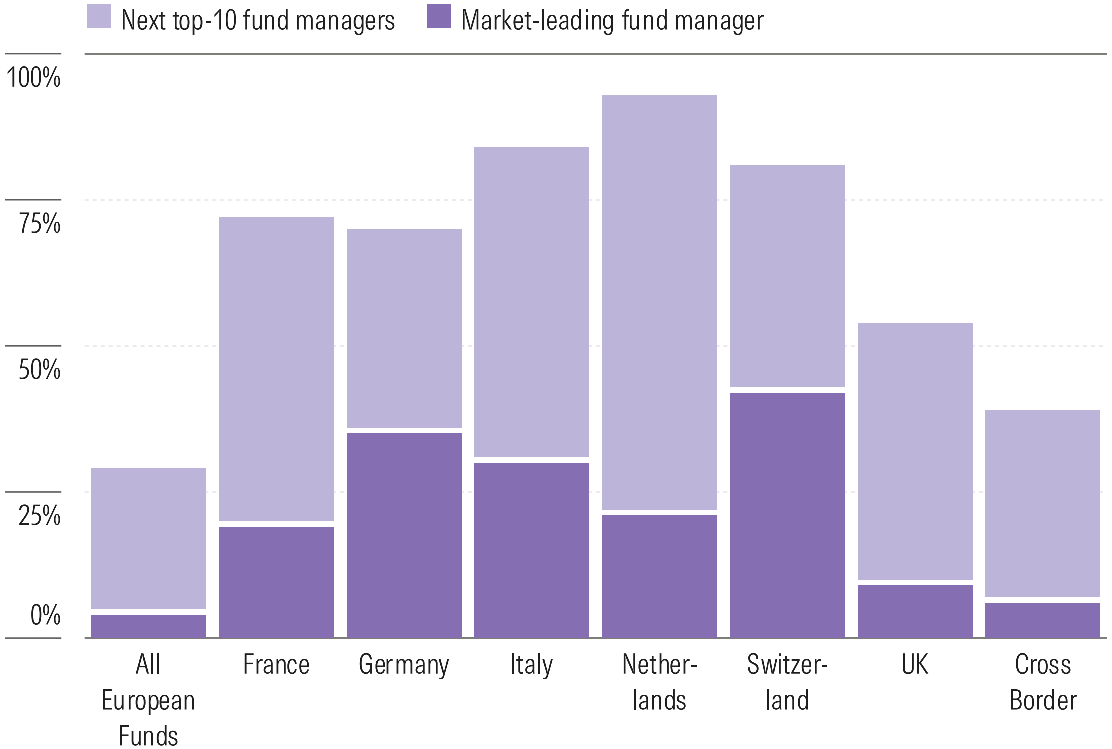
Source: Morningstar.

Europe's Fund Market Is Fragmented Overall, but Passive Is a Notable Exception

While Europe has developed a common market for investment products, domestic markets remain more concentrated than the consolidated European market. This situation is expected to change as cross-border funds gain more traction. Notably, the market for passive products is far more concentrated than for active products. This confirms that the dominant firms in the passive market benefit from greater economies of scale compared with providers of active products.

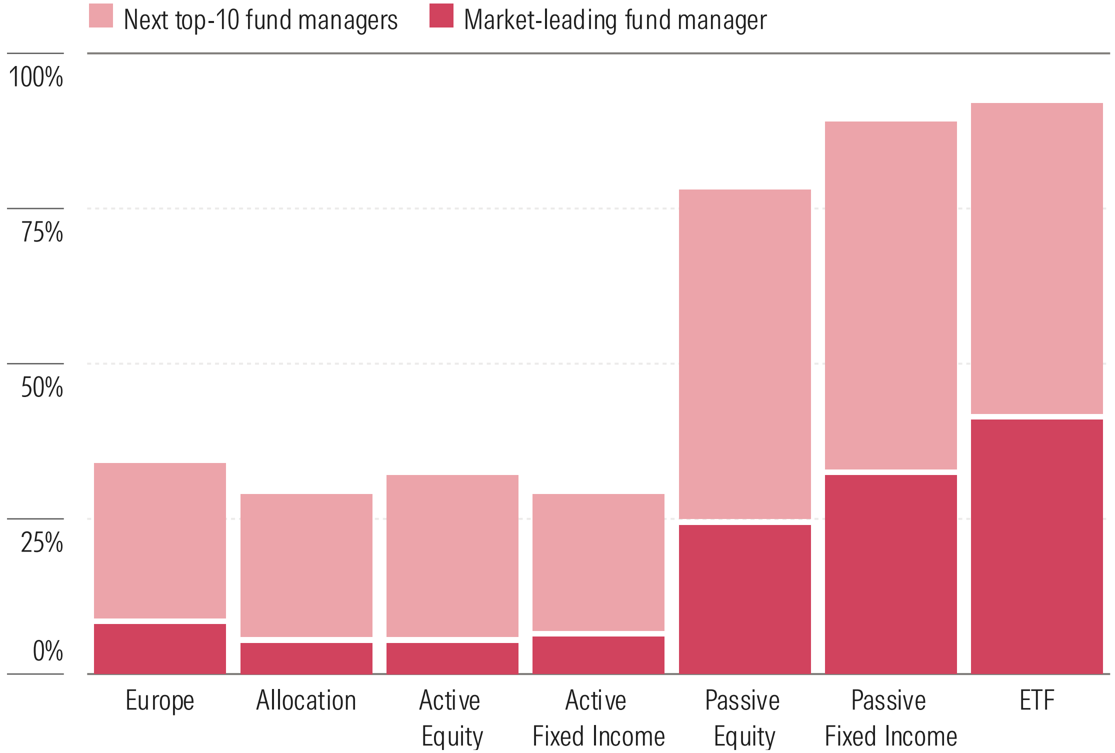
Degree of Concentration Differs Across Markets

AUM market share in open-end funds, according to sales in each region.



Passive Funds: Far More Concentrated Than Active

AUM market share by Morningstar product category.



Source: Morningstar Direct. All European open-ended domiciled funds, excluding money market funds, fund-of-funds, and feeder funds. Data as of December 2025.

Coverage List and Ratings

European Asset Managers Under Our Coverage

Company (Ticker)	Industry	Market Cap (Billions)	Moat Rating	Uncertainty Rating	Last Close	Fair Value Estimate	Star Rating	P/FVE	P/E 2025	EV/ EBITDA 2025	Yield 2025	1-Year Return
Amundi (AMUN)	Asset Management	17 EUR	Narrow	High	83.65	80.00	★★★	1.05	11.5x	10.1x	5.8%	+13.3%
DWS (DWS)	Asset Management	12 EUR	Narrow	High	61.00	61.00	★★★	1.00	13.3x	10.5x	4.9%	+20.0%
Schroders (SDR)	Asset Management	9 GBP	Narrow	Medium	5.84	5.50	★★★	1.06	14.9x	11.0x	4.0%	+59.7%
European Traditional Asset Manager Average								**1.04**	**13.2x**	**10.5x**	**4.9%**	**+31.0%**
CVC Capital Partners (CVC)	Asset Management	13 EUR	Narrow	High	12.68	18.00	★★★	0.70	17.0x	12.2x	0.0%	-22.4%
EQT (EQT)	Asset Management	345 SEK	Narrow	High	295.00	325.00	★★★	0.91	30.7x	24.8x	0.0%	+6.2%
Partners Group (PGHN)	Asset Management	18 CHF	Narrow	High	686.80	970.00	★★★★	0.71	20.1x	11.6x	0.0%	-36.8%
European Private Market Asset Manager Average								**0.77**	**22.6x**	**16.2x**	**0.0%**	**-17.7%**

Source: Morningstar, PitchBook. Data as of June 3, 2026.

Economic Moat

Intangible assets and switching costs drive European asset managers' moat ratings.

Summary of Moat Ratings and Sources

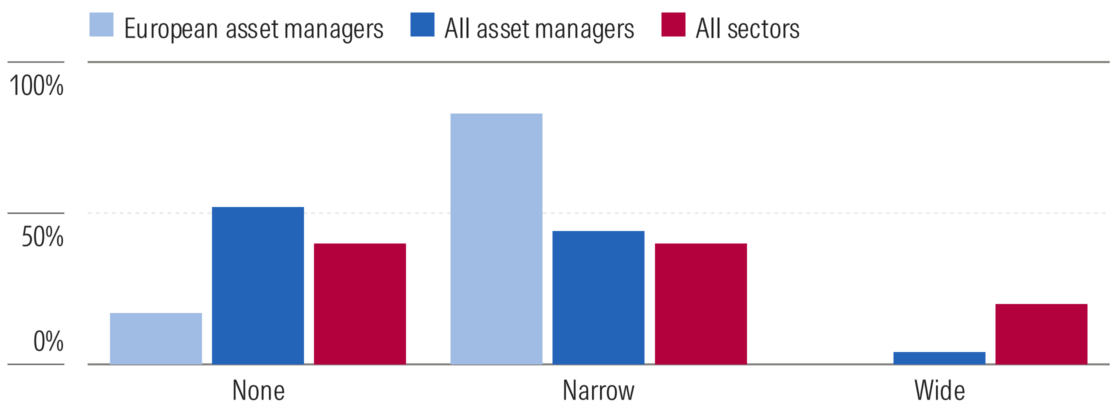
Traditional Asset Managers

We assign most traditional managers Morningstar Economic Moat Ratings of narrow or none. The key sources of advantage are client switching costs and brand-driven intangible assets—strongest in bank-affiliated managers with captive distribution. Switching costs depend on product type, distribution channel, and client mix. Scale rarely confers a cost advantage, except for index and ETF providers. The ongoing shift toward passive investing continues to erode traditional managers' competitive positions.

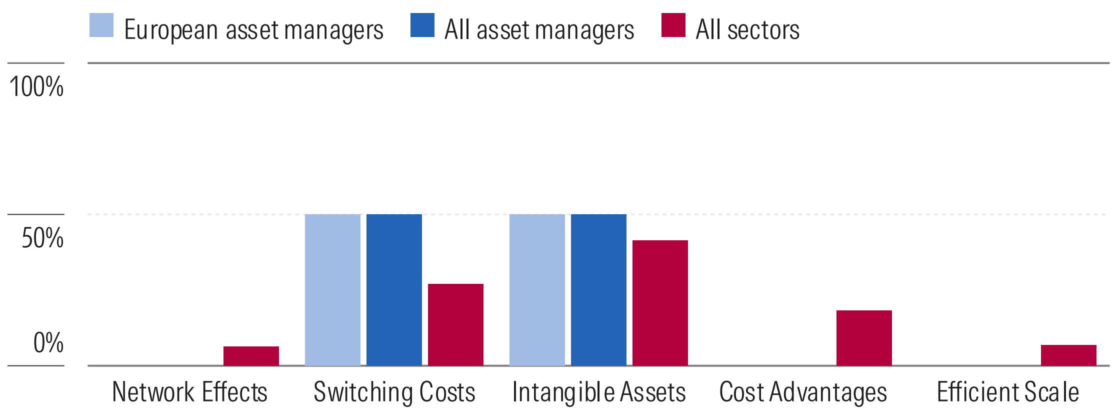
We View Private Market Firms as Moatier Than Their Traditional Rivals

Investors in private market funds are often committed for long periods, making it nearly impossible to switch their existing investments. The wide range of returns in private markets leads investors to allocate more to trusted providers over time. This, combined with the high profitability of private markets, suggests a strong economic moat. However, the inherent opacity and high gearing in private market investing make us cautious, and we only award narrow moats to the European private market firms we cover.

Moat Ratings Distribution



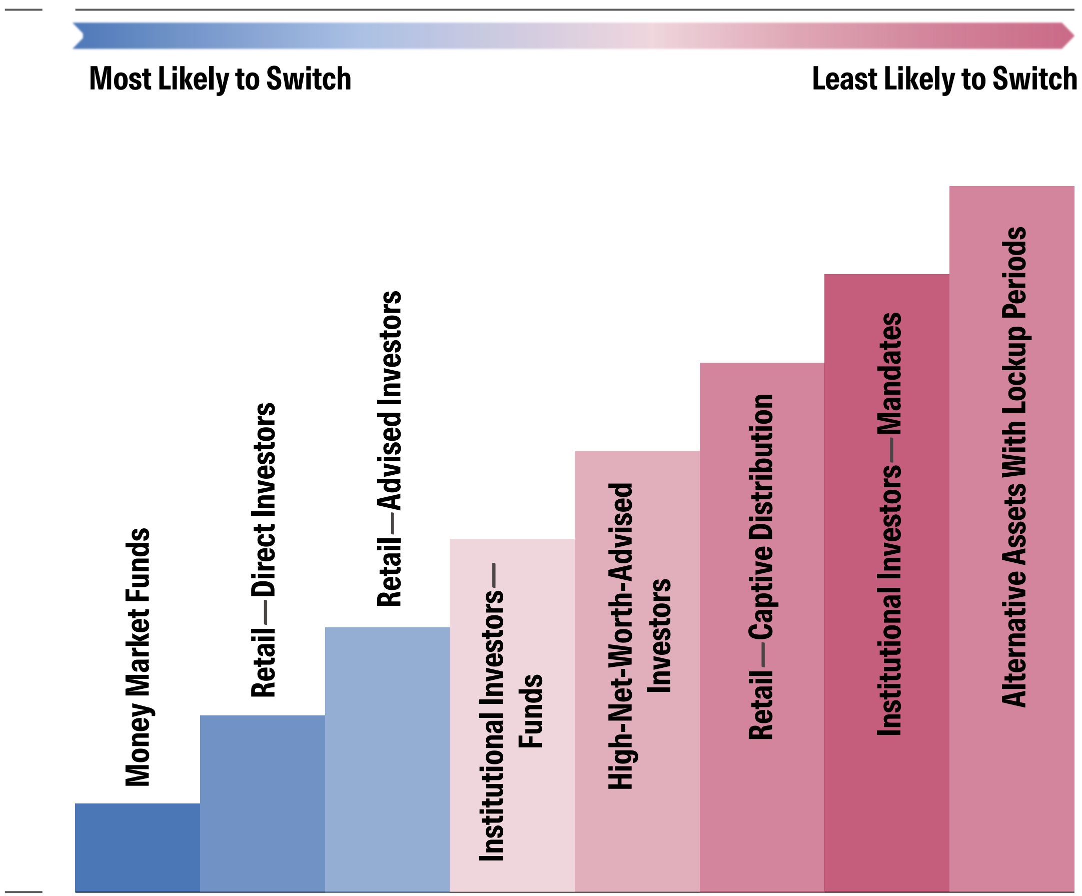
Moat Sources Distribution



Source: Morningstar. Data as of April 2025.

Switching Costs Depend on Product, Client Type, and How Funds Are Sold

Our Methodology—Relative Stickiness of Asset Management Products
Ranked from highest to lowest switching cost.



Generic Products Have Lower Switching Costs
Generic products, such as money market funds and passive funds, have lower switching costs than niche funds, in which investors commit to the fund manager's philosophy.

Intermediation Leads to Higher Switching Costs
Investors who use financial advisors tend to stick with their funds as switching would mean parting with a trusted advisor and dealing with additional paperwork. In continental Europe, banks and insurers typically offer only their own funds, making it difficult for investors to switch without changing banks or giving up on advice altogether.

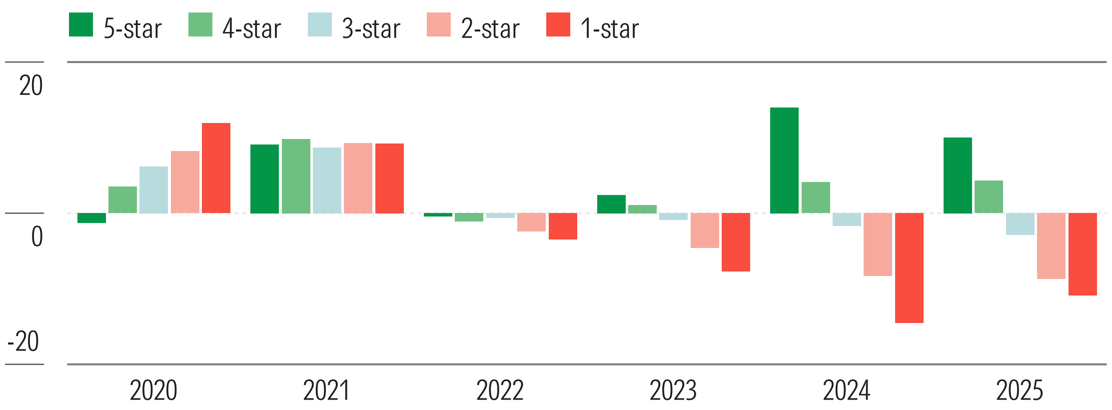
Institutional Investors Face Explicit Switching Costs
Switching costs for retail investors stem from psychological factors such as familiarity and inertia. Institutional investors face additional costs due to due diligence and the movement of large portfolios. Clients with custom mandates incur even higher costs because switching disrupts their financial workflows.

Private Market Investors Face Lockup Periods
Investors typically cannot withdraw their investment in private market funds for the duration of a fund—anywhere from 5 to 20 years. Investors tend to reinvest in successor funds because of the high costs of conducting due diligence on new managers.

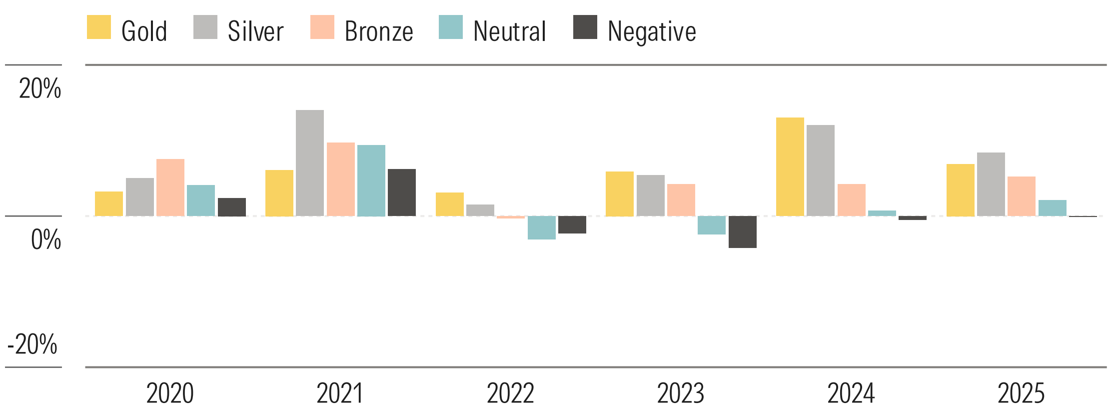
Source: Morningstar.

A Track Record of Outperformance Drives Flows and Creates a Self-Reinforcing Advantage

Organic Growth Rate (Net Inflows/AUM) by Morningstar Rating for Funds



Organic Growth Rate (Net Inflows/AUM) by Morningstar Medalist Rating for Funds



Outperformance Drives Flows

The Morningstar Rating for funds measures a fund's past performance relative to similar funds on a risk-adjusted basis. Our analysis shows that higher-rated funds have higher net inflows, which also suggests higher client retention.

Organizational Attributes Support Performance

The Morningstar Medalist Rating is a forward-looking assessment of a fund's potential to outperform its peers based on qualitative and quantitative research. Recruitment and retention of talent and a thorough and repeatable investment process are vital to ensure continued outperformance.

Captive Distribution a Major Benefit to Bank-Owned Asset Managers

Bank-owned asset managers have preferential or exclusive access to the vast distribution network of their parent. This reduces marketing costs, fosters client loyalty, and enhances market penetration. Investors appreciate the convenience of a one-stop financial service provider, making it harder for them to switch to independent firms.

Barriers to Entry Aren't Significant, but Barriers to Success Are High

Building a track record of solid investment performance and gathering assets requires time and skill. Larger, well-established asset managers benefit from scale across product lines, giving them a competitive edge over smaller players, especially in accessing distribution platforms.

Source: Morningstar Direct. European Open Funds and ETFs, excluding money market, fund-of-funds, and feeder funds. Data as of December 2025.

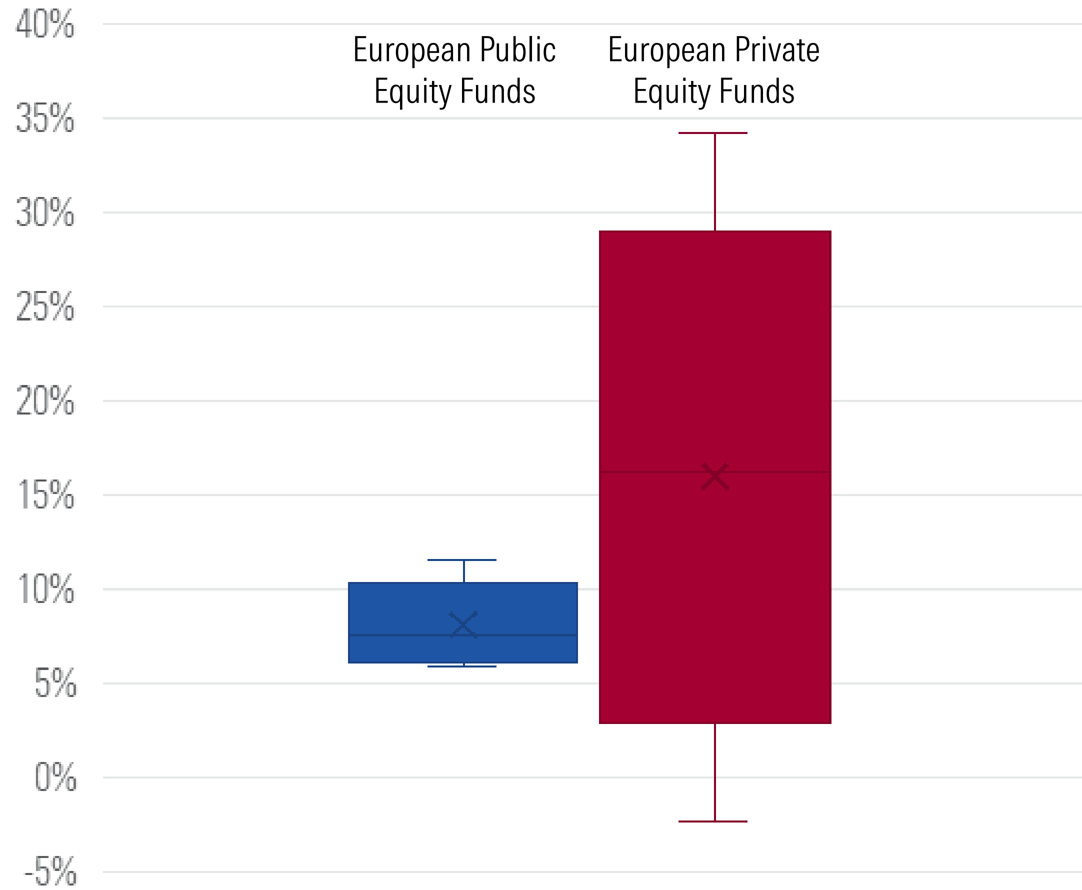
Passive Investing Has Commoditized Active Funds — Private Markets Remain the Exception

Passive Investing Continues to Commoditize Traditional Investment Products
Passive investing has commoditized investment returns and products by focusing on market indexes rather than individual stock selections. Passive investing drives down fees and makes the value proposition of asset managers, offering funds with undifferentiated returns, increasingly tenuous.

Diversity of Private Market Returns Creates Opportunities for Winners
Private capital returns are much more varied than those in public markets, making private market funds unique and less commoditized. Managers with a strong performance track record hold a competitive edge. Consistent success leads to reinvestment from existing clients and attracts new ones.

P/E Funds Can Excel Through Early Access and Strong Asset-Owner Relationships
Early access to promising investment opportunities often drives the outperformance of private market funds. Unlike in public markets, private market investors can secure proprietary access to certain investments. By nurturing asset-owner relationships, private market firms are well positioned to act when opportunities arise. Building a pipeline of attractive investment opportunities takes years and is a major competitive advantage for successful incumbents.

Manager Selection Matters Far More in Private Equity Than in Public Equity
Return dispersion by decile.

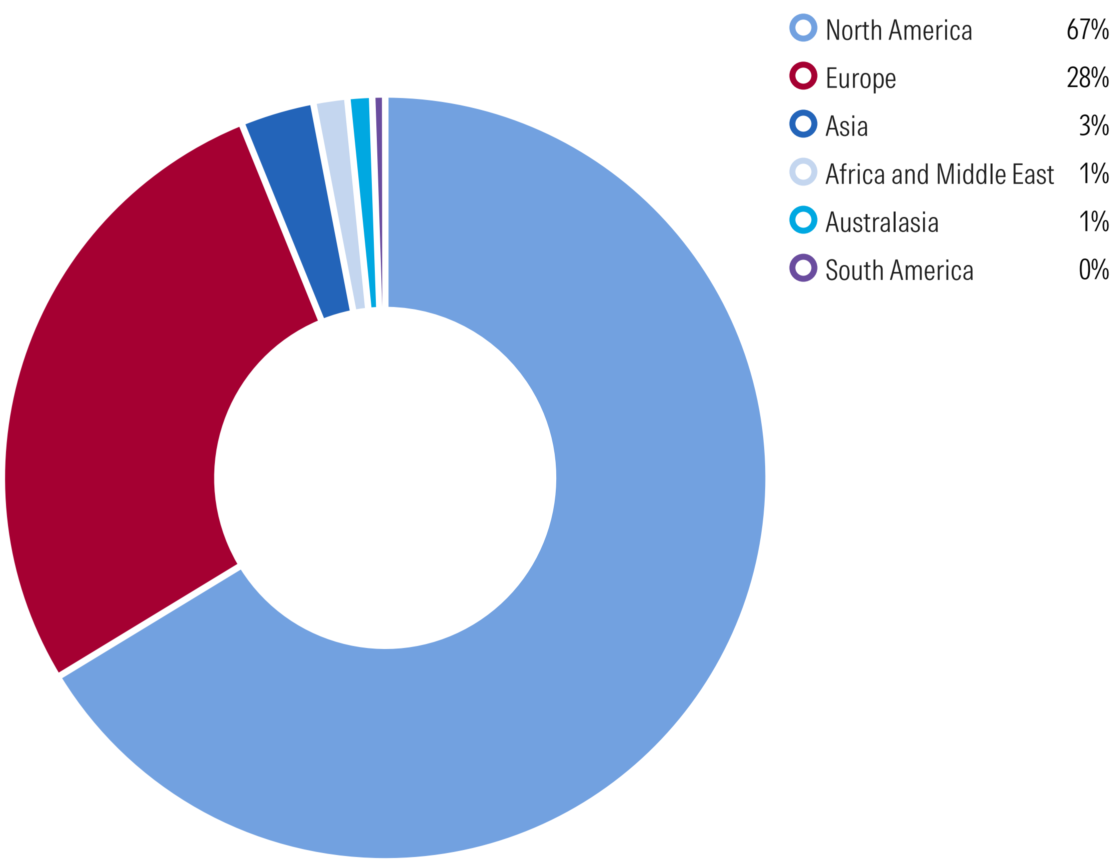


Sources: Morningstar Direct. PitchBook. Data as of December 2024.

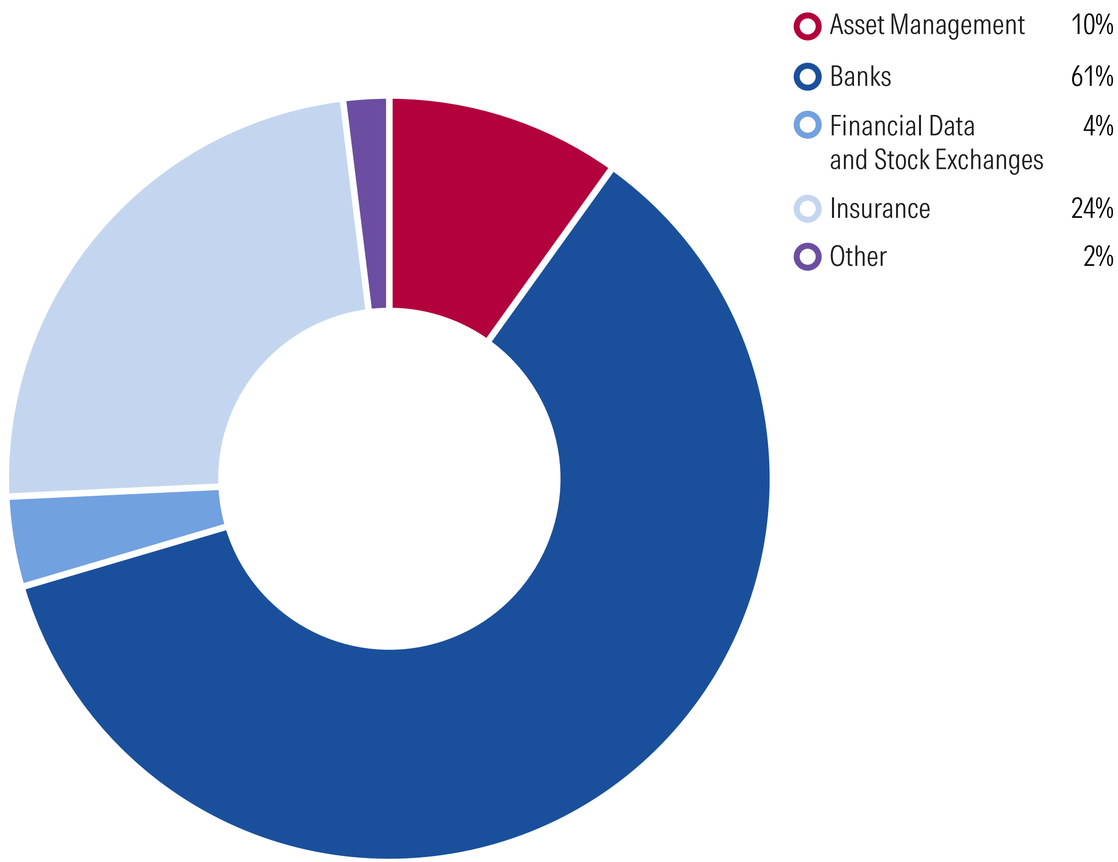
Industry Basics

European Asset Managers Are a Meaningful Slice of Listed Financial Stocks

Morningstar Global Asset Management Index by Region



Morningstar Developed Markets Europe Financial Services Index by Industry



Source: Morningstar.com. Data as of March 31, 2026.

Truly Independent European Asset Managers Are Rare

Only Two of Europe's 30 Largest Fund Managers Are Truly Independent

The 30 largest European asset managers of closed-end funds.

Independent European firms

Branding name	Rank	Mkt sh%
Schroders	**11**	**1.7**
M&G	24	1.0
		2.8

Firms controlled by European banks

Branding name	Rank	Mkt sh%
UBS	1	4.4
Union Investment (DZ bank)	3	2.3
Nordea	6	2.2
Amundi (Credit Agricole)	**7**	**2.1**
BNP Paribas	10	1.8
DWS	**12**	**1.7**
Swedbank	13	1.6
Eurizon (Intesa Sanpaolo)	15	1.5
Swisscanto (Kantonalbank)	16	1.5
Pictet	17	1.4
Deka	19	1.3
HSBC	20	1.2
Natixis (BPCE)	23	1.1
KBC	28	1.0
Handelsbanken	29	0.9
		25.9

Firms controlled by European insurers

Branding name	Rank	Mkt sh%
PIMCO (Allianz)	9	1.9
Allianz Global Investors	14	1.6
Aviva	22	1.2
Legal & General	25	1.0
Royal London	26	1.0
		6.6

International firms

Branding name	Rank	Mkt sh%
BlackRock	2	4.2
JPMorgan	4	2.2
Vanguard	5	2.2
Fidelity International	8	2.0
Goldman Sachs	18	1.4
Mercer Global Investments	27	1.0
Franklin Templeton	30	0.8
		13.7

Source: Morningstar Direct. All European open-ended domiciled funds, excluding money market funds, fund-of-funds, and feeder funds. Data as of March 2026.
Note: Names in red are European traditional asset managers covered by Morningstar.

Traditional Asset Managers

Fee compression, conservative asset allocation, and bank-dominated distribution define the European traditional asset management landscape.

How Traditional Asset Managers Make Money, and What to Watch

From AUM to Profit: How a Traditional Asset Manager's P&L Works

Profit Before Tax = **Assets Under Management** × **Management Fee Margins** + **Performance Fees** − **Operating Expenses**

Assets Under Management

Net inflows signal organic growth and changes in market share. Net inflows combined with market movements drive AUM. Typically, money market funds are excluded as they are volatile, and the fee margin is negligible.

Metrics

- Organic growth rate—net inflows as a percentage of opening AUM.
- Overall growth in AUM.

Management Fee Margins

Asset managers charge fees as a percentage of AUM. Fee margins can vary widely across products and clients. Changes in client and product mix are often the main drivers of fee margin fluctuations.

Metrics

- Management fee margin—management fees/AUM.
- Composition of AUM by client, product, and geography.

Performance Fees

Asset managers earn performance fees for beating benchmarks. Performance fees are cyclical and tend to fluctuate with market cycles.

Metrics

- Performance fees as a percentage of overall revenue.
- To gauge recurring earnings, we exclude performance fees (aftertax) from earnings.

Operating Expenses

High fixed costs drive operating leverage, with wages being the largest expense for asset managers.

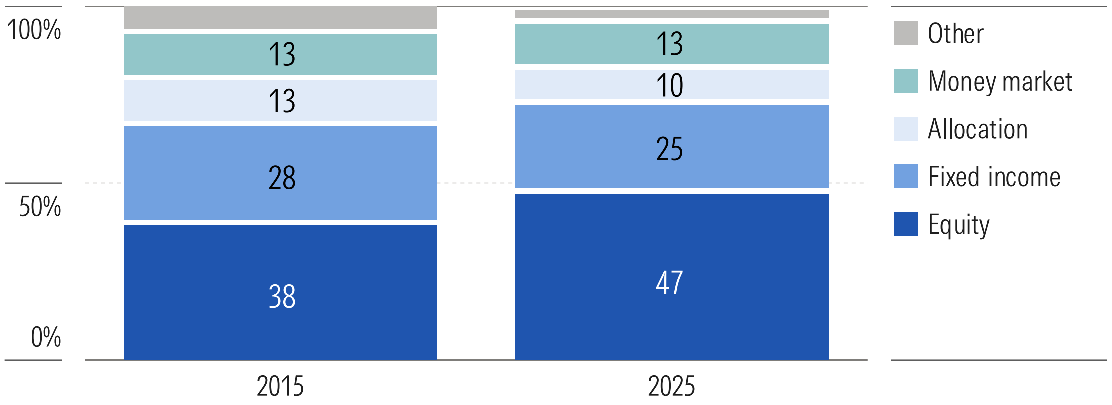
Metrics

- Cost/income ratio—operating expense/revenue.
- Cost margin—operating expense/AUM.

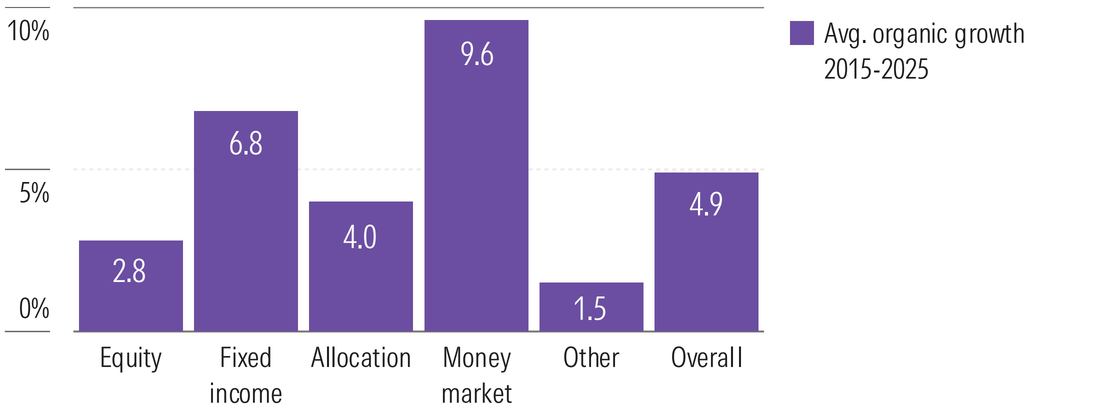
Source: Morningstar.

European Investors Still Favor Bonds and Cash Over Equities

Equities Are the Largest Asset Class by AUM

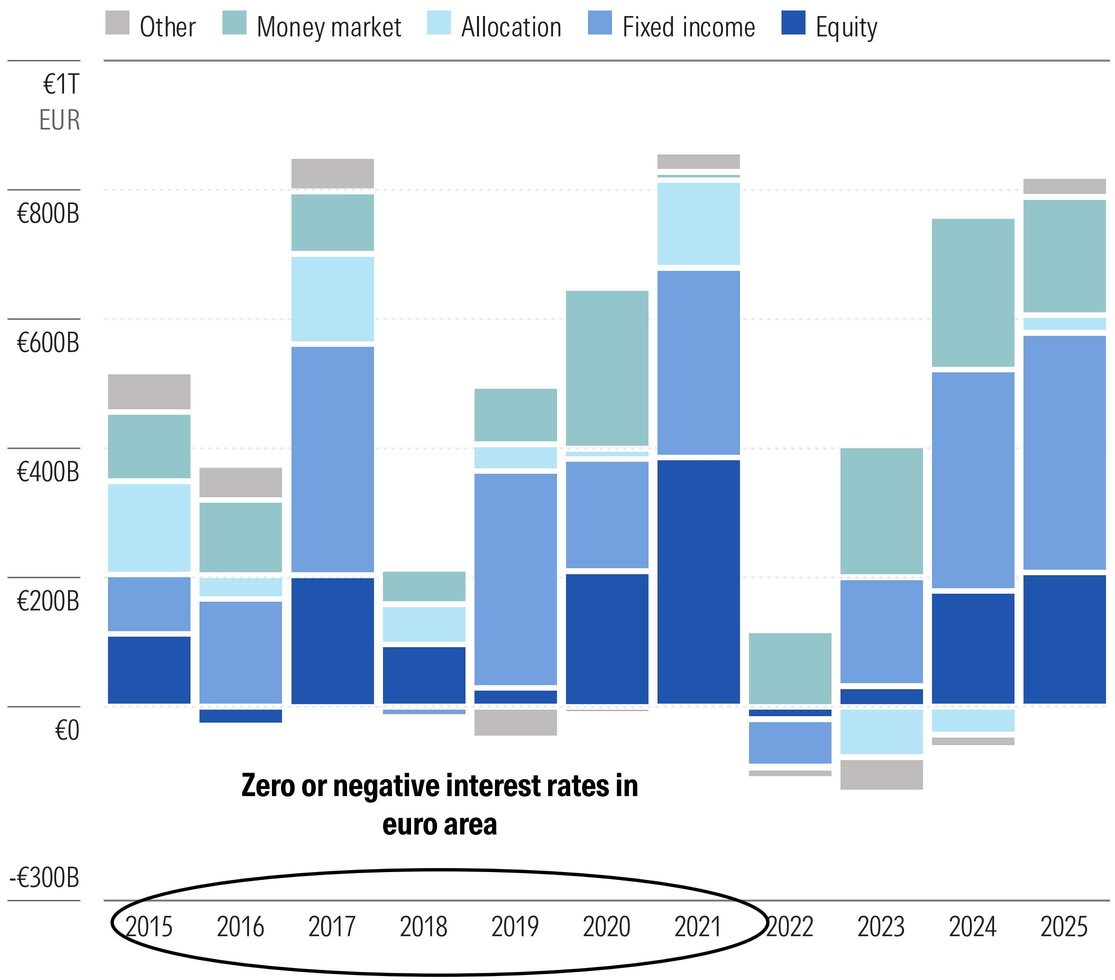


Net Inflows Suggest Conservatism From Investors



Bonds and Cash Enjoyed Significant Inflows Even With Low Interest Rates

European domiciled open-end fund and ETF annual net fund flows.



Source: Morningstar Direct. This includes European open-end and ETF funds, excluding funds-of-funds, and feeder funds. Data as of December 2025.

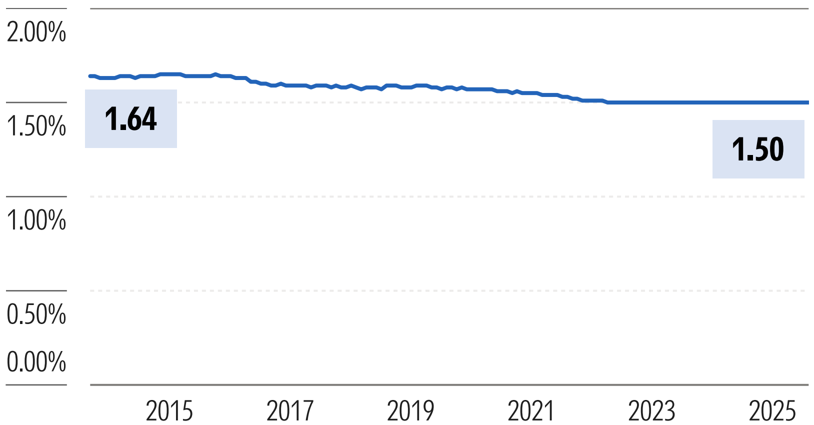
Differences in Asset Class Fees Help to Explain Divergent Firm Margins

Costly Strategies Charge More
To manage an active equity fund, for instance, firms need substantially more resources than when they manage a money market or sovereign bond fund.

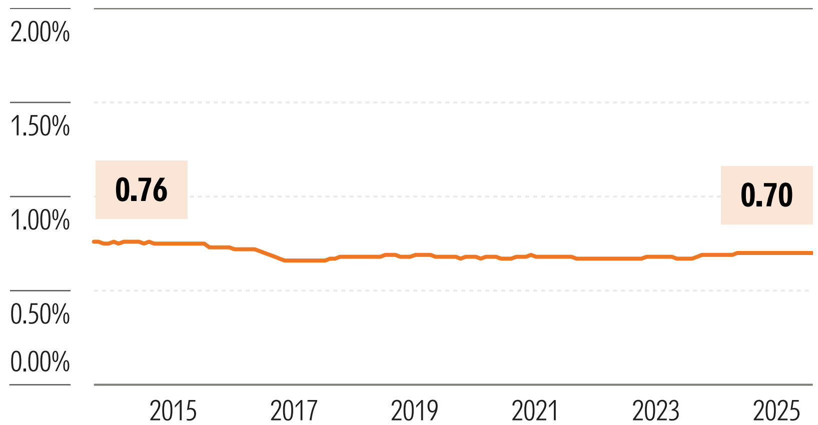
Asset Mix Is Important to Fee Margins
Changes in the composition of assets a firm manages often explain changes in management fee margins over time.

Commission Still Hits EU Fee Costs
Morningstar's fund representative cost is a measure of the ongoing costs a mutual fund charges its asset manager. In the European Union, commissions for distributors are often still bundled with management fees. In the UK, the Retail Distribution Review banned trailing commissions and front- and back-end loads.

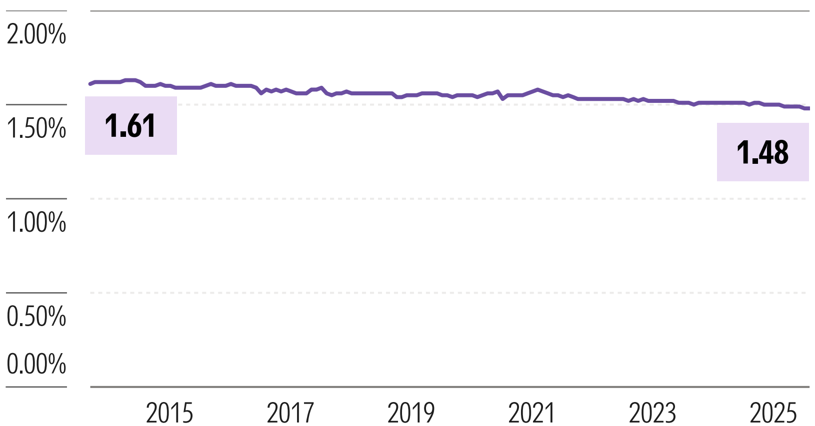
European Equity Funds Median Representative Cost



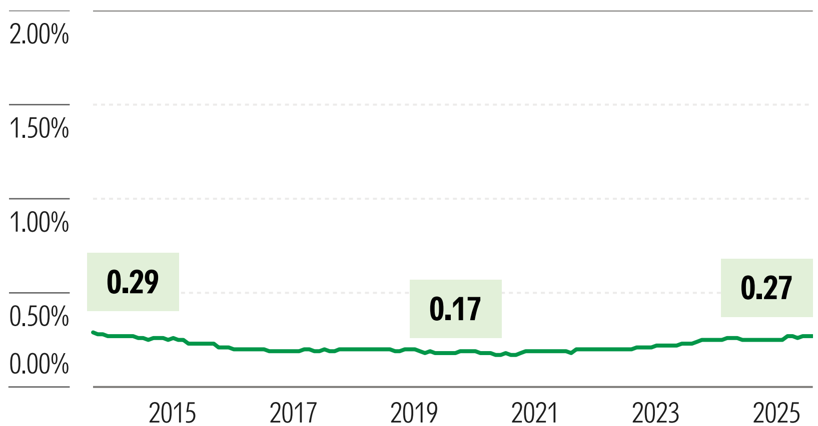
European Fixed Income Funds Median Representative Cost



European Allocation Funds Median Representative Cost



European Money Market Funds Median Representative Cost

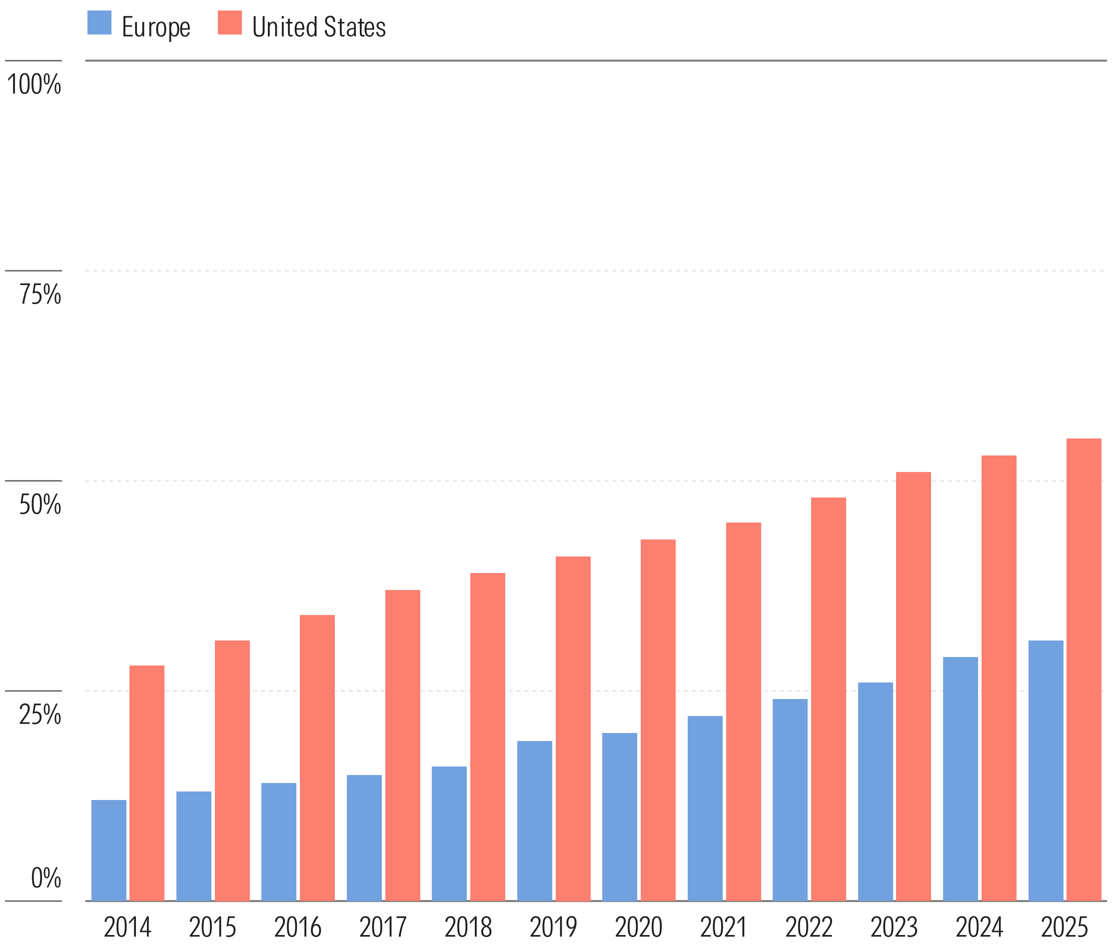


Source: Morningstar Direct. Data as of December 2025. Note: Representative cost is an indication of the known recurring costs for the share class as levied by the management group, excluding transaction costs incurred by the fund in trading its holdings. This measure does not include one-off costs or costs levied by third parties such as investment advisors or platforms. This data is annualized and indicates the fees payable over a year.

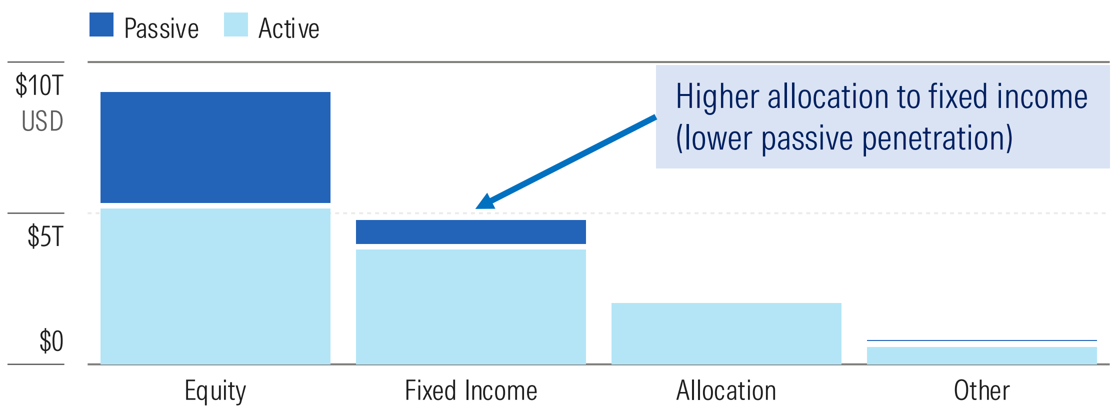
Europe Is Slower to Go Passive, and Asset Allocation Is Part of the Reason

Europe's Passive Penetration Still Well Below the US

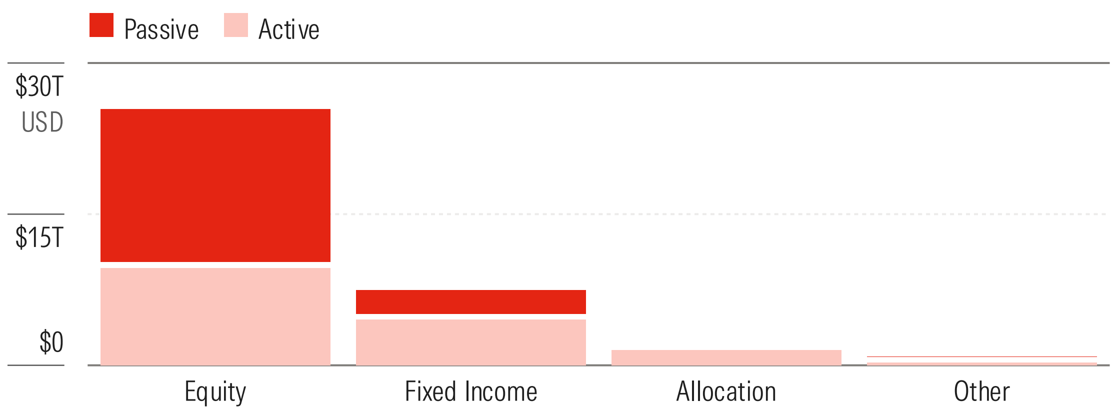
Passively managed funds share of overall market



Europe-Domiciled Open-End Fund and ETF Asset Allocation



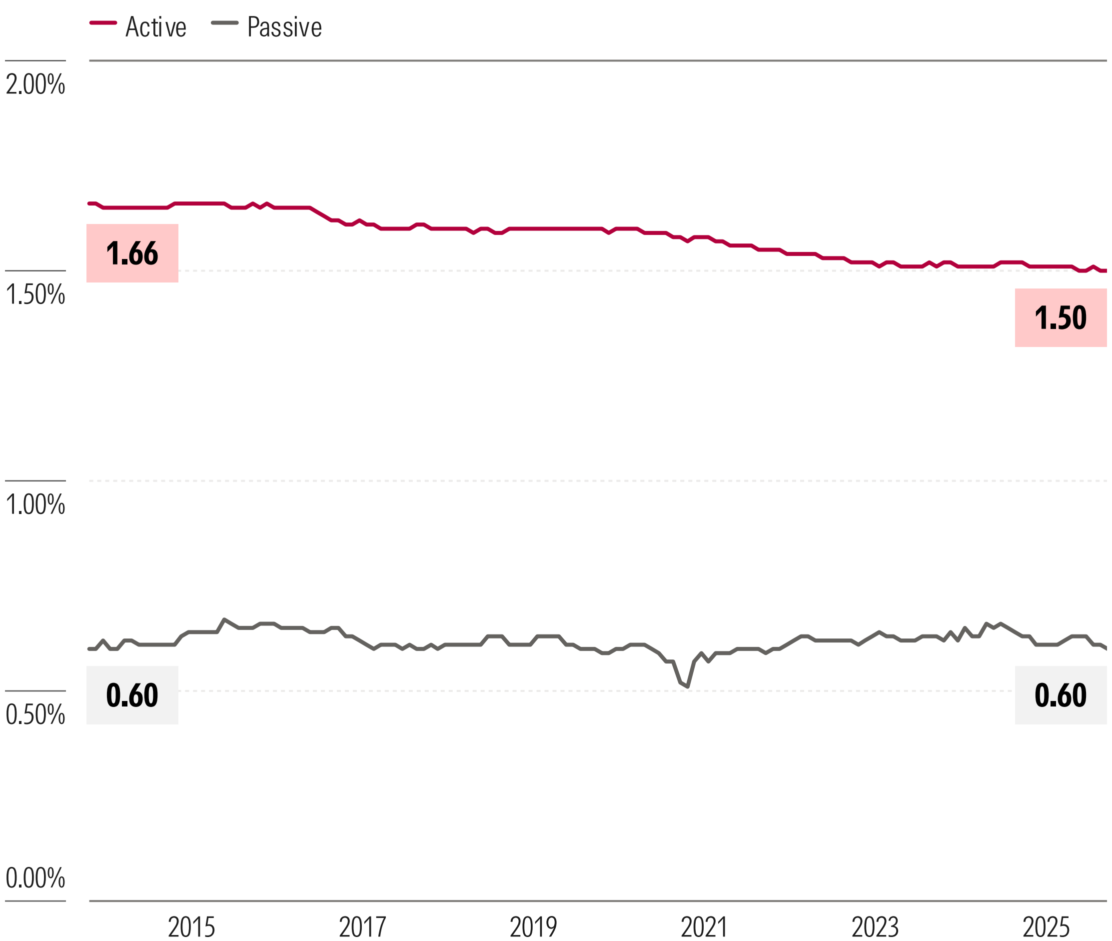
US-Domiciled Open-End Fund and ETF Asset Allocation



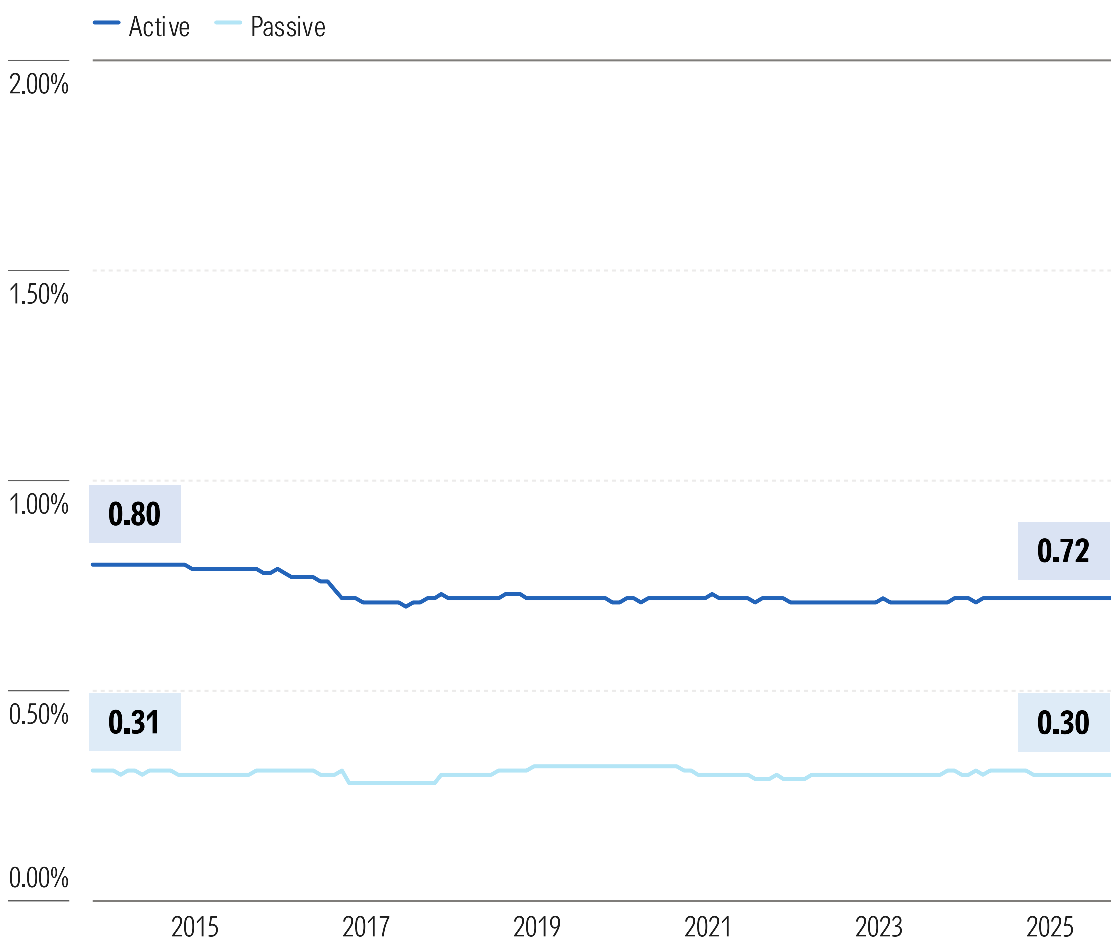
Source: Morningstar Direct. This includes European open-end and ETF funds, excluding money markets, funds of funds, and feeder funds. Data as of December 2025.

Not Only Are Passive Funds Gaining Ground, but Active Fee Margins Are Under Pressure

European Equity Funds Median Representative Cost



European Fixed-Income Funds Median Representative Cost



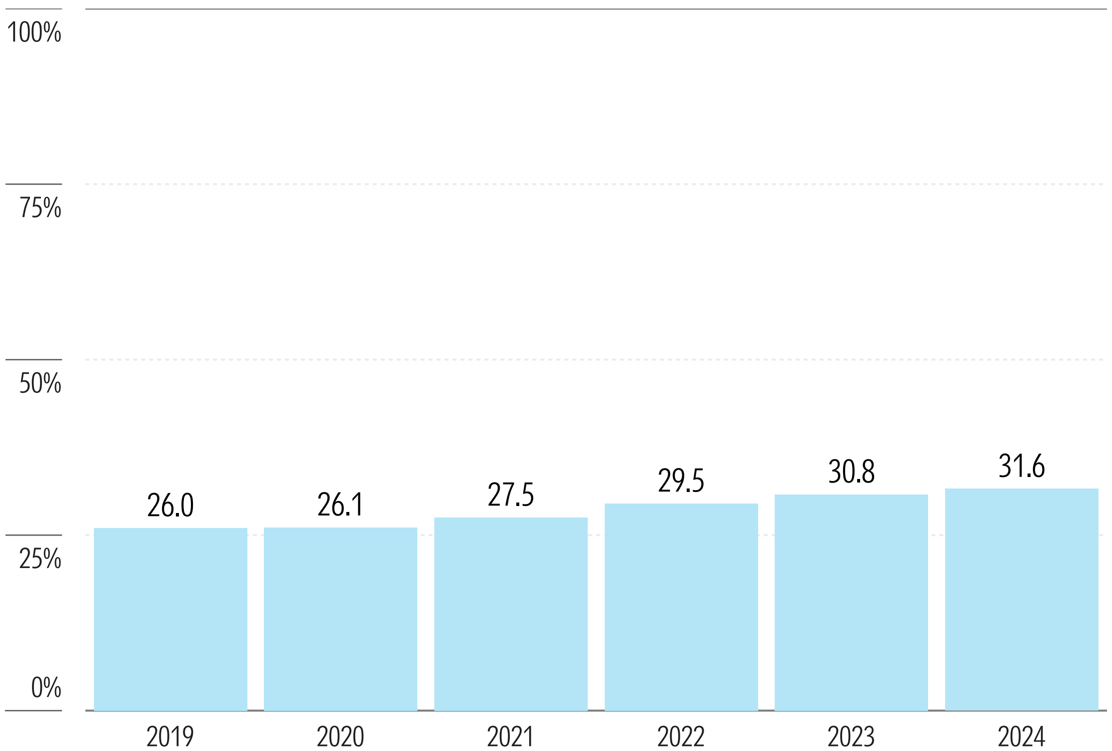
Source: Morningstar Direct. European open-end funds, excluding funds of funds and feeder funds. Data as of December 2025.

A Gradual Move Toward Retail Clients Is Helping to Offset Passive Fee Pressure

Institutional clients continue to account for the bulk of money managed by European asset managers, but European households are slowly starting to invest more in funds.

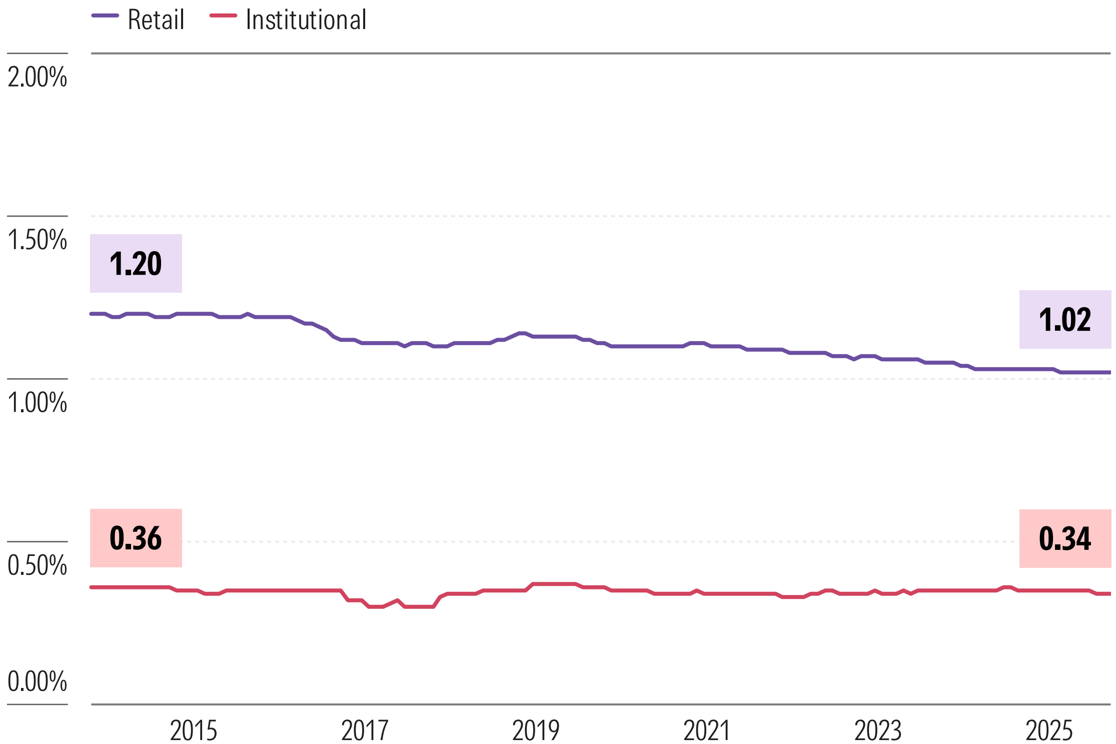
The move toward higher-margin retail assets has helped mitigate margin compression caused by the growing dominance of passive products.

Modest Growth in Retail Clients' Share of European AUM



Fees on Retail Funds Exceed Institutional Fees

European funds median representative cost.

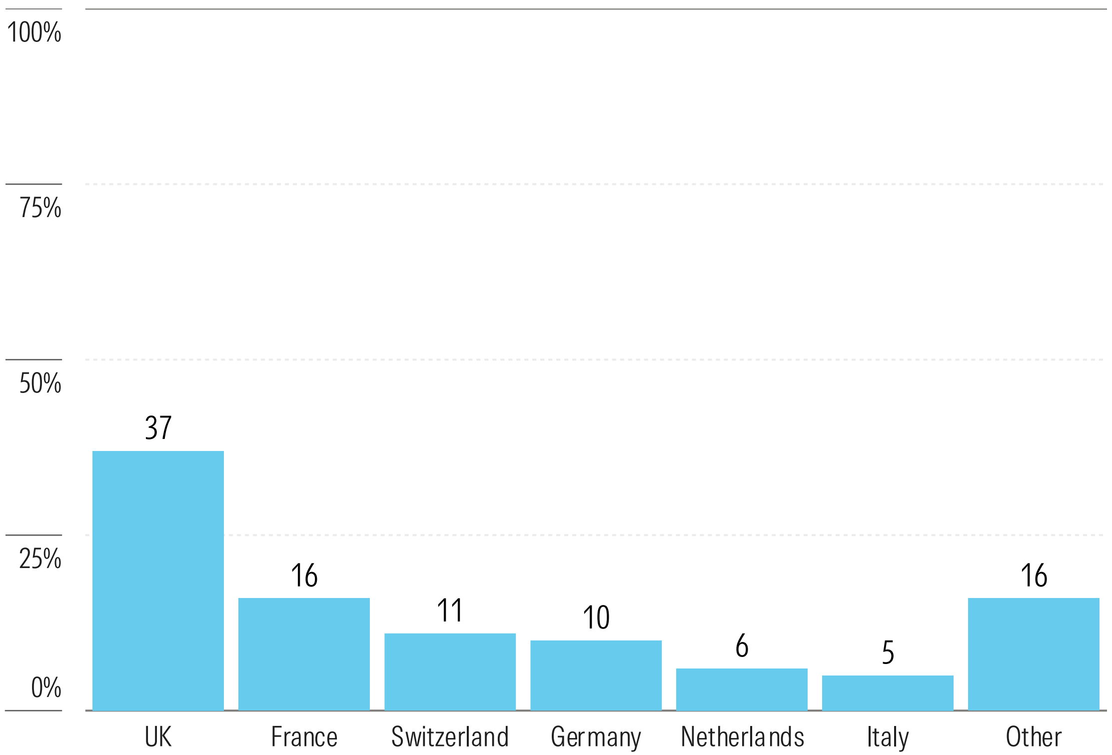


Source: European Fund Management Association; Morningstar Direct. European open-end funds, excluding funds of funds and feeder funds. Data as of December 2025.

Divergent Trend in Fees Between the UK and European Continent

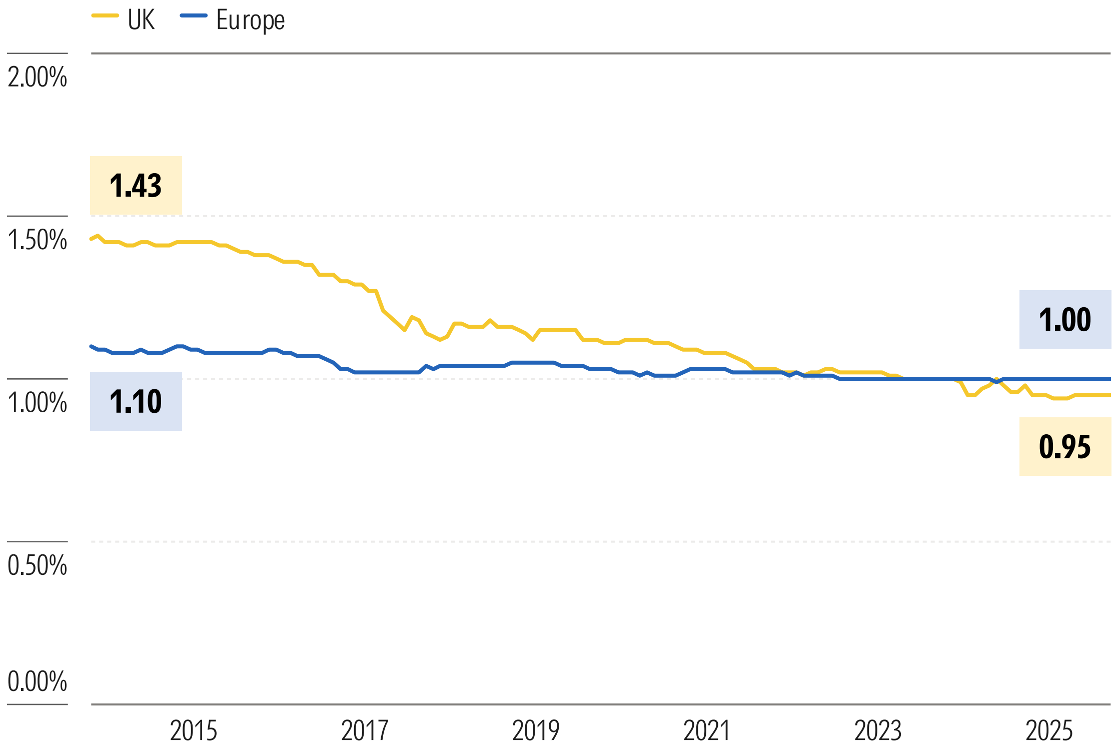
Despite Brexit, the UK remains Europe's asset management hub. The retail distribution review's unbundling of advisor commissions partly explains the sharp decline in UK fund fees. The UK's Financial Services Authority set up the review. Distributors bore the brunt of this change, not asset management firms. However, the review also prompted advisors to advocate passive alternatives more frequently, hitting asset manager fees in the UK. The UK's Financial Services Authority set up the review.

The UK Remains Europe's Asset Management Hub



UK Fund Fees Declined After Retail Distribution Review

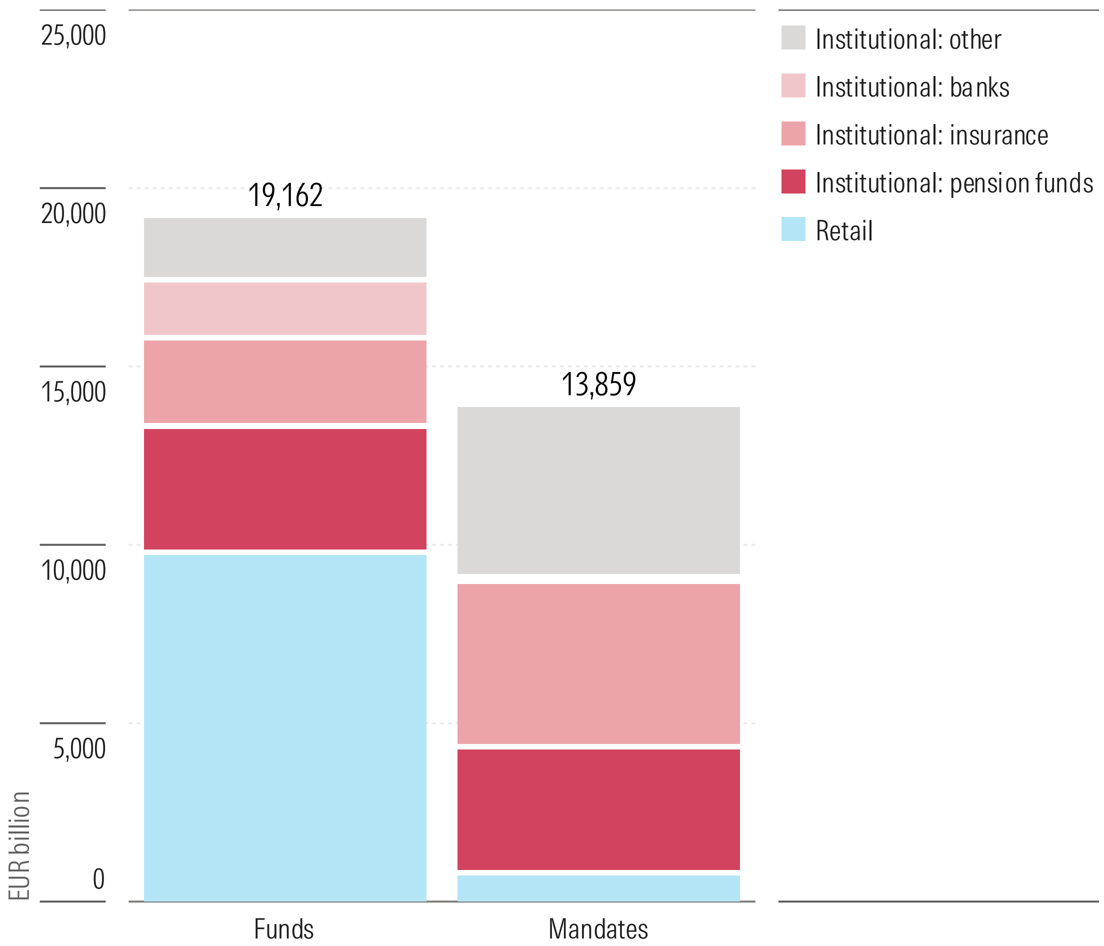
European funds median representative cost.



Source: European Asset Management Association, data as of December 2024. Morningstar Direct, data as of December 2025.

How Funds Reach Investors: Product and Client Type Shape the Distribution Channel

Retail Clients Buy Funds; Institutions Prefer Mandates



Asset managers offer two broad products:

- Funds pool client assets to achieve economies of scale. Retail clients overwhelmingly invest in funds. Includes open-end funds, or UCITS, closed-end funds, and ETFs.
- Mandates or segregated accounts where the fund manager constructs a portfolio to meet the needs of a specific client.

Asset managers serve two main client types:

- Retail clients. Households that include high-net-worth individuals.
- Institutional clients: Pension funds, insurers, banks, and others outsource their fund management function fully, or in part, to third-party fund managers.

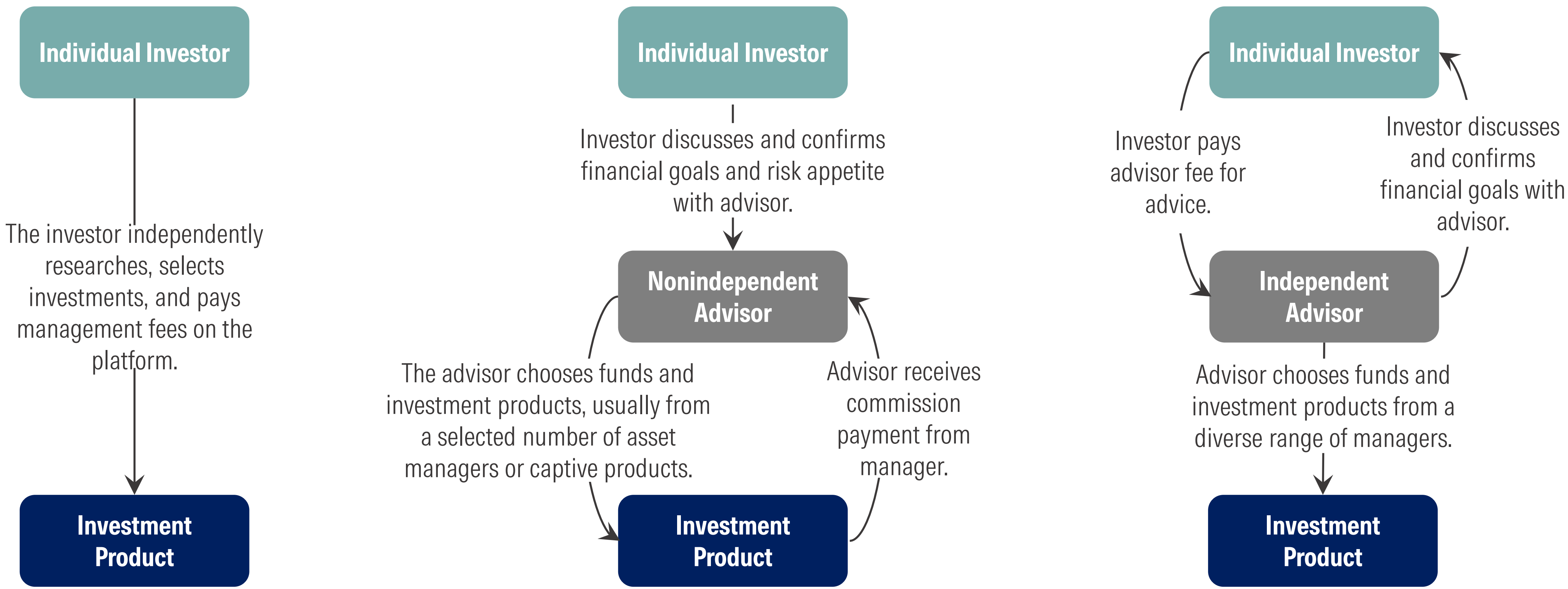
Distribution of products depends on the type of client:

- The internal salesforce will typically deal with institutional clients. Due to its bespoke nature, internal distribution is the norm for mandates.
- Private bankers and wealth managers use funds as building blocks to construct portfolios for high-net-worth individuals.
- Banks and insurers distribute the bulk of funds in most of continental Europe. Captive distribution (where the bank or insurer distributes only its own products) remains prevalent in Germany, France, Italy, and Spain.
- Due to regulatory developments and cultural norms, British and Dutch clients prefer to access funds through independent financial advisors or fund platforms.
- Direct distribution of retail funds by fund managers is rare in Europe.

Source: European Fund Managers Association. Data as of December 2024.

Most European Retail Investors Buy Funds Through Bank-Tied Advisors, Not Independent Ones

Direct through D2C platforms or execution-only brokers	Indirect through nonindependent financial advisors	Indirect through independent financial advisors
Accounts for 9% of EU fund assets owned by retail investors	Accounts for at least 66% of EU fund assets owned by retail investors	Accounts for no more than 15% of EU fund assets owned by retail investors



Source: NewFinancial, EFAMA.

Banks Sell Mostly Their Own Funds—and Still Dominate European Distribution

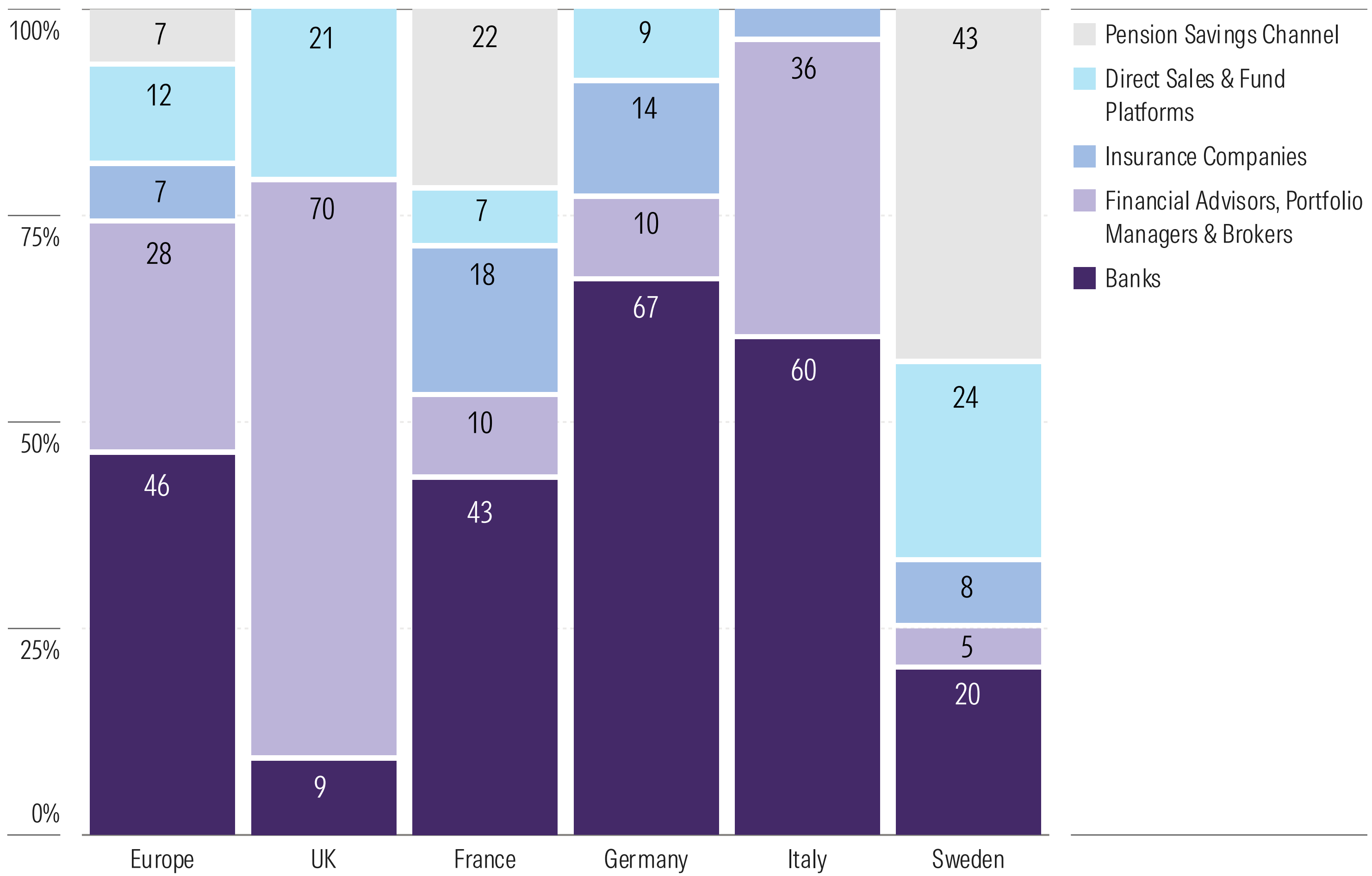
Banks Dominate EU Fund Distribution

In Europe, investment funds are distributed through a variety of channels with banks playing a pivotal role. Banks account for 45% of fund distribution in Europe and 57% in the EU. Meanwhile, financial advisors and fund platforms are becoming increasingly significant, particularly in the UK and France.

Captive Distribution Remains Entrenched

Captive distribution provides convenience and simplicity to investors, who often favor the familiarity and perceived safety of their bank or insurer's products. Following the UK's retail distribution review, which banned commissions, many investors have been unwilling to pay for advice, resulting in the so-called advice gap. European regulators fear a similar outcome if they crack down on captive distribution. In some markets, despite the conflict of interest inherent in the captive model, it is seen as the least-worst option compared with investors lacking access to financial advice.

Distribution Channels by Country



Source: European Fund Management Association. Data as of December 2023.

Traditional Asset Management Faces Real Competitive Pressure

Porter's Five Forces for Traditional Asset Managers

Threat of New Entrants: Moderate

- **Capital requirements and startup costs:** these are limited, although regulatory costs are increasing.
- **Brand and reputation:** Investors demand a successful long-term track record, which takes time and money to build up.

Rivalry Among Existing Firms: High

- **Mature industry:** The growth outlook for the industry revenue pool is limited and existing players are looking to increase their market share.
- **Highly fragmented market:** The industry remains highly fragmented with intense competition.

Bargaining Power of Suppliers: Moderate

- **Talent:** Investment management requires a highly educated workforce with scarce skills. Collective bargaining in some countries increases employee bargaining power.
- **Data providers:** Some providers enjoy almost an entire monopoly in specific sectors with inelastic pricing, but competition has increased in other areas.
- **Investment banks:** Research and cash execution have become commoditized.

Bargaining Power of Clients: High

- **Institutional clients:** Their sheer size gives large pension funds, endowments, and insurers the upper hand in fee negotiations.
- **Retail clients:** The development of passive alternatives and, in some markets, regulatory intervention have strengthened the hand of retail investors.

Threat of Substitutes: Very High

- **Passive funds:** Similar returns at lower costs make passive funds an appealing alternative. Fund managers also offer passive products, but these cannibalize higher-margin active funds.
- **Private markets:** Institutional investors continue to increase their allocations and private markets are also opening up to retail investors.
- **Banks and insurers:** Deposits and some insurance products appear attractive when interest rates increase.
- **Direct Investment:** The trend has been for large institutions to outsource fund management while direct retail investment remains limited in much of Europe.

Source: Morningstar analysis. Framework: Michael Porter, Harvard Business Review.

Private Market Asset Managers

Private market asset management is a structurally attractive business: high fees, sticky clients, and a long runway for growth — offset by complexity and cyclical carried interest.

How Private Market Managers Make Money, and What to Watch

From AUM to Profit: How a Private Market Manager's P&L Works

Profit Before Tax = **Assets Under Management** × **Management Fee Margins** + **Performance Fees/Carried Interest** − **Operating Expenses**

Assets Under Management

For private market assets under management to grow, it's crucial to raise increasingly larger funds in a shorter period.

Metrics
- Successful investment exits and active deal-making signal strong potential for future fundraising efforts.
- Fund family step-up. The rise in size of a new fund over the previous one.
- Time to close a new fund.

Management Fee Margins

Private market management fees are generally higher than those for traditional funds, but larger funds often have lower fees.

Metrics
- Management fee margin—management fees/AUM.
- Fee-related earnings are the earnings excluding performance fees, offering a clear view of a private equity firm's stable and recurring income.

Performance Fees/Carried Interest

Firms receive a share of investment profits, which can vary significantly over time.

Metrics
- Performance fees as a percentage of overall revenue.
- RR and MOIC reflect management's assessment of unrealized value and therefore provide an indication of performance fee potential.

Operating Expenses

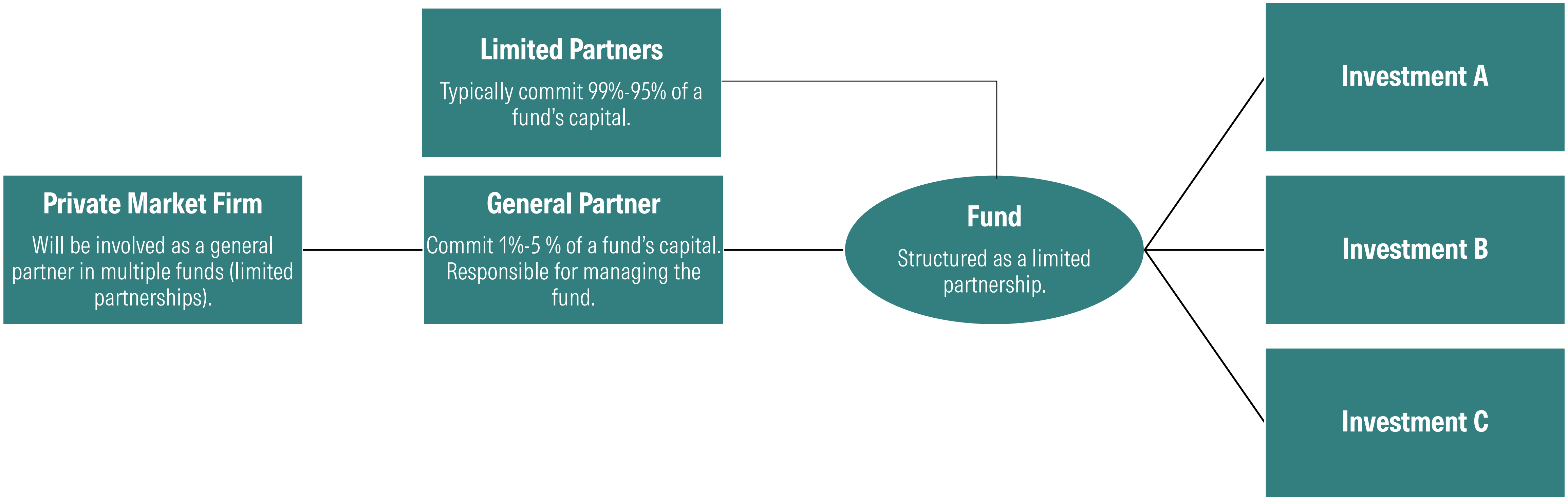
High bonuses increase the flexibility of private market firms' cost base and reduce their operating leverage.

Metrics
- Cost/income ratio—operating expense/revenue.
- EBITDA margin excluding performance fees.

Source: Morningstar.

Private Market Funds Are Structured as Limited Partnerships; Here's How That Works

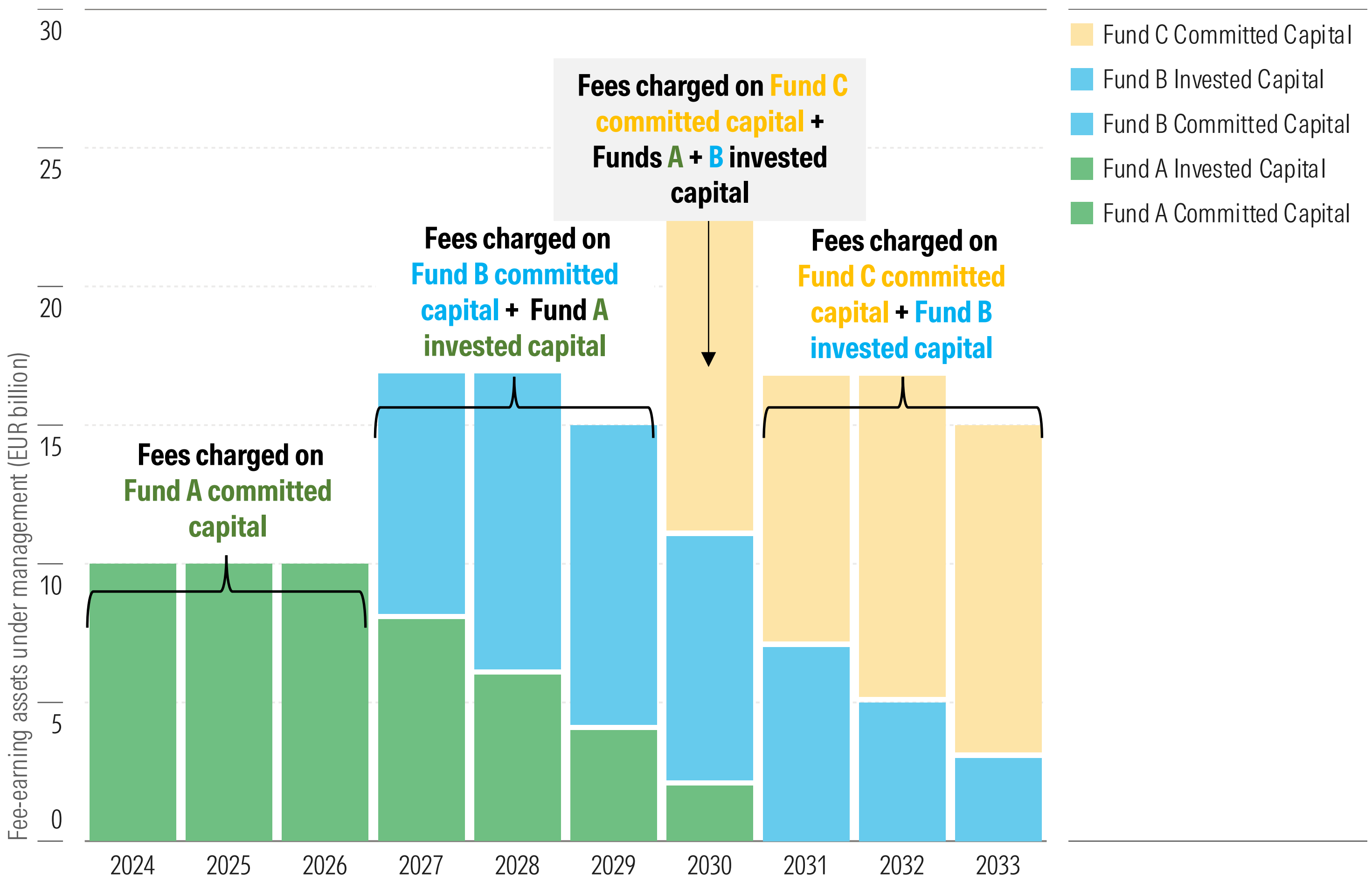
Example of a Limited Partnership



Source: Morningstar.

How Private Market Management Fees Work in Closed-End Funds

Example of Fee Calculation in a Private Market Closed-End Fund



Fees Based on Blend of Committed Invested Capital
In private equity closed-end funds, management fees are typically calculated as a percentage of either the committed capital or the fund's net asset value (NAV). The standard fee structure is 2% of committed capital annually. As the fund matures, the fee may shift to a percentage of invested capital or net asset value, often ranging from 1.5% to 2%.

Fees Initially Based on Committed Capital
Committed capital is the total amount investors pledge to a private equity fund, usually contributed in stages rather than all at once.

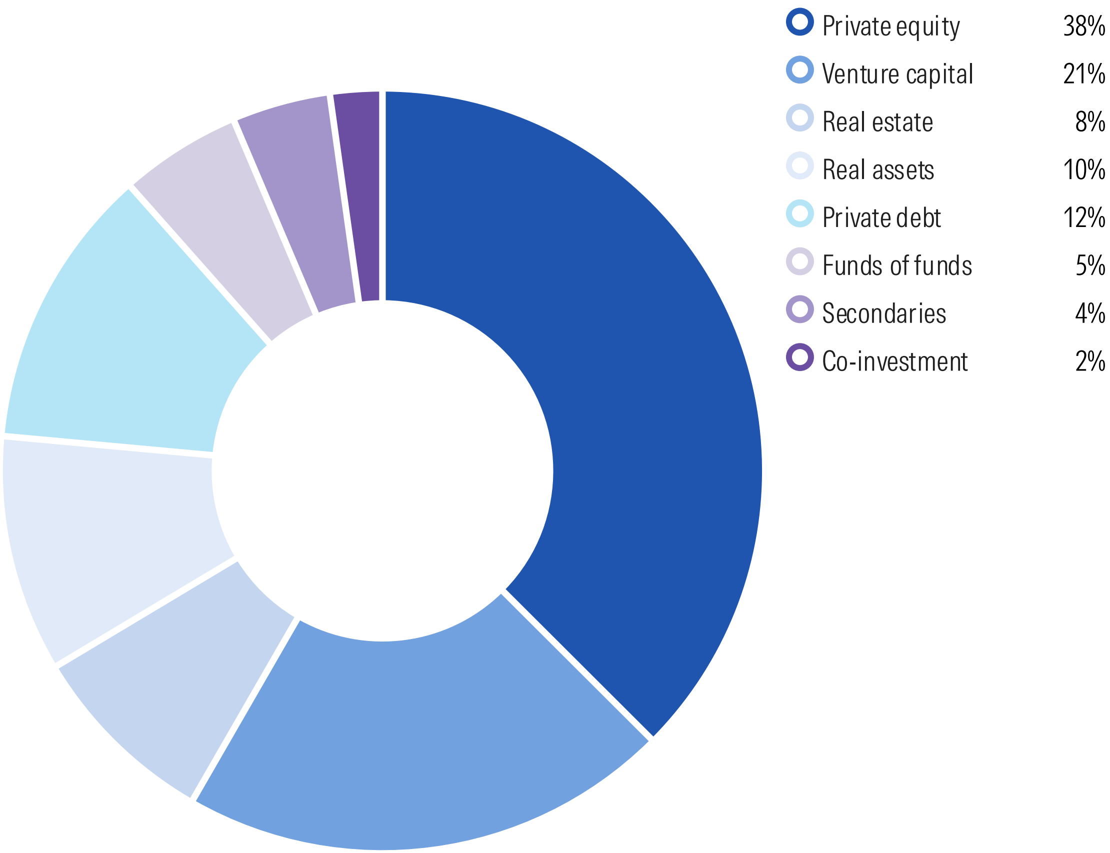
Then on Invested Capital
In the post-commitment period, funds base fees on the remaining invested capital, which decreases as investments are realized.

Multiple Funds Reduce Volatility
Firms with multiple funds maturing at various stages will have a smoother AUM profile.

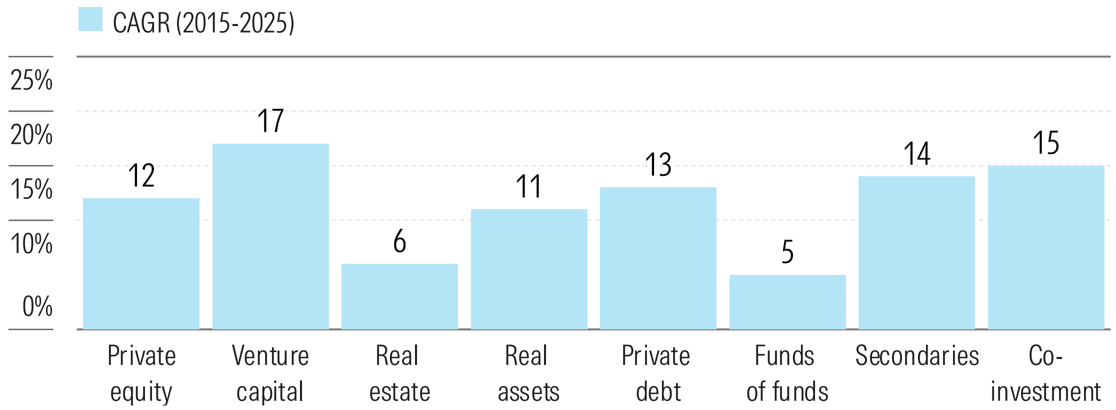
Source: Morningstar.

Private Markets Are More Than Just Private Equity

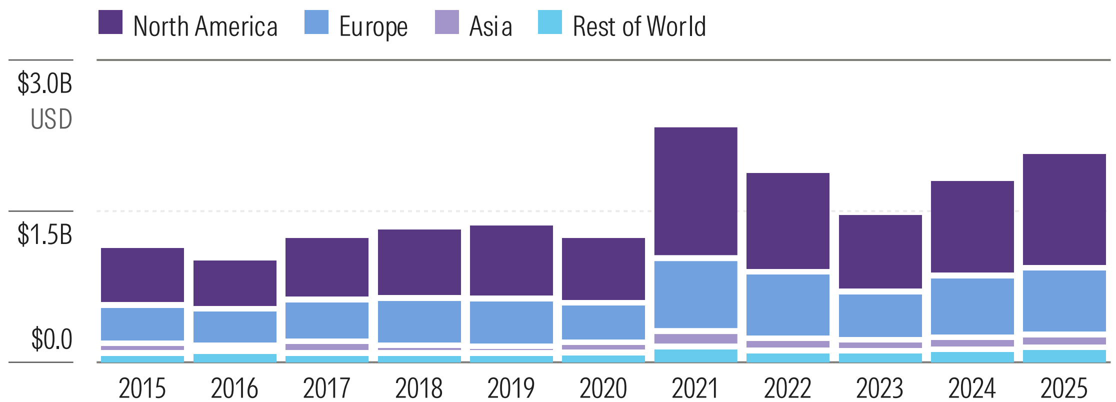
Global Private Market AUM by Asset Class



Global Private Market AUM Growth



Europe Accounted for 33% of Global Private Equity Deals Over the Past Decade



Source: PitchBook. AUM data as of June 2025; for regional funds split data as of December 2025.
Note: CAGR = compound annual growth rate.

Exploring the Diverse World of Private Market Asset Classes

Overview of Main Private Market Asset Classes

Private Equity

Investments in mature companies usually by buying a significant stake. The goal is to make the company more profitable through better management and selling at a higher multiple. Private equity firms often use significant debt to fund acquisitions. Funds can specialize in specific industries or geographies or be of a general nature.

Venture Capital

VC involves investing in early-stage startups with high growth potential, providing funding and helping these companies grow. Unlike private equity, which targets mature companies, venture capital focuses on new, innovative businesses. Investments are also typically smaller and riskier. None of the European firms we cover manage material exposure VC funds.

Private Credit

Loans and credit extended to privately held companies, often by nonbank lenders. This encompasses various forms, including direct lending, distressed debt, and mezzanine financing. Private equity firms often use leveraged loans to finance buyouts. Leveraged loans form an important part of most private credit funds.

Real Assets

Encompasses tangible assets like real estate, infrastructure, and natural resources. Their value lies in their scarcity or the ability to generate steady income streams. Real estate, a pivotal component, includes commercial properties, residential developments, and land, promising investors stable returns and potential appreciation.

Fund of Funds

Pools money from various investors and invests in a mix of private equity, private debt, and other asset classes. This strategy offers access to a wide range of investment opportunities and taps into the expertise of multiple fund managers. By diversifying investments, fund of funds aim to spread risk and potentially boost returns, making them a popular choice for those seeking varied exposure in private markets.

Secondaries

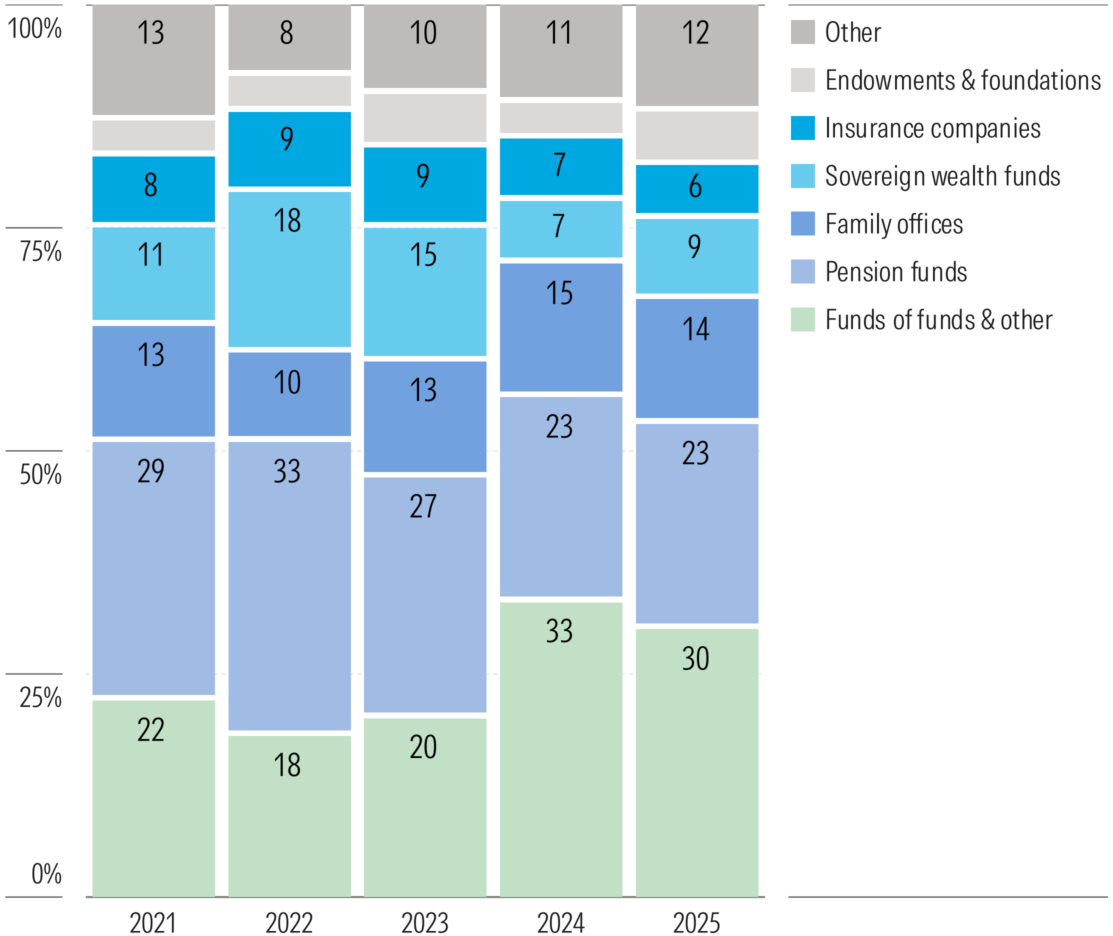
Investments in existing private equity funds or portfolios, allowing investors to buy stakes in these funds rather than directly investing in new funds. This market provides liquidity to existing investors and enables new investors to enter at a later stage, often at a discount to the net asset value.

Source: Morningstar. PitchBook.

Private Markets Were Built for Institutions; Now They're Chasing Retail and Global Capital

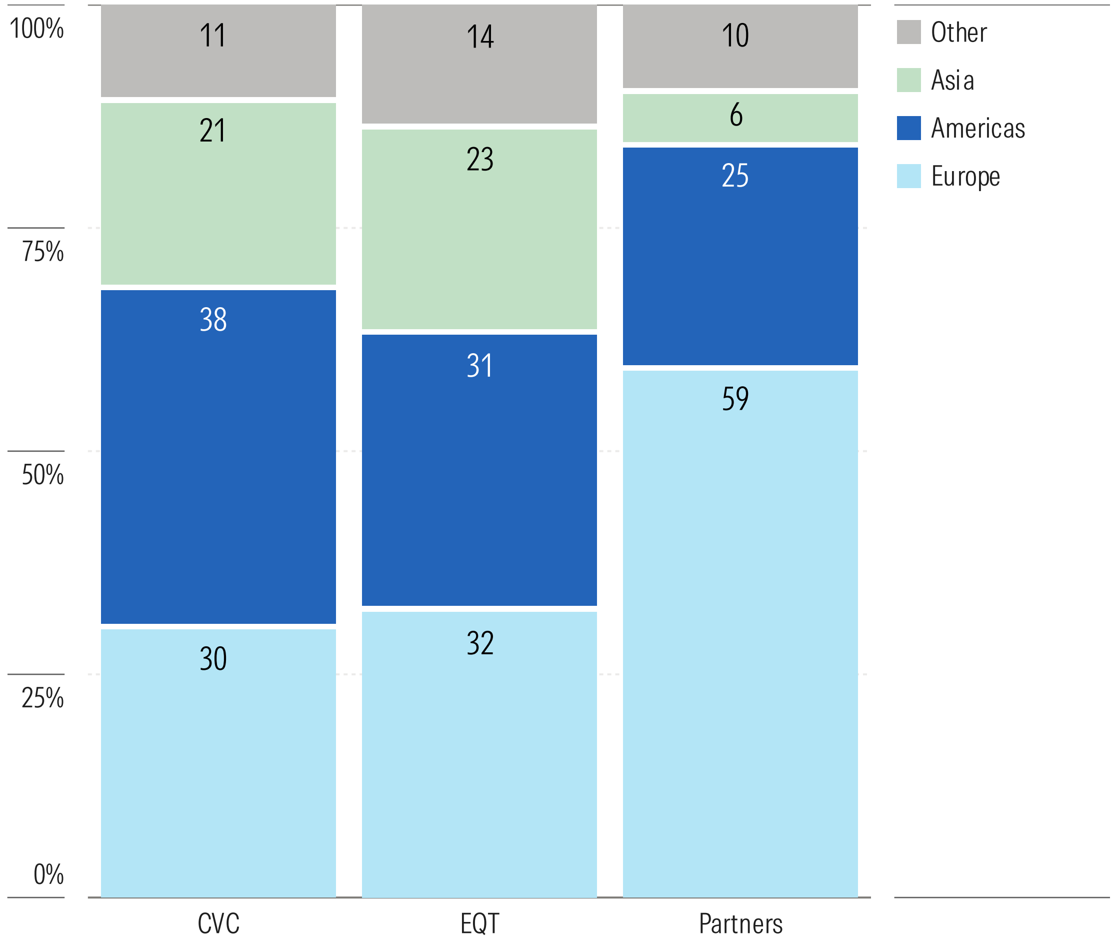
Private Markets Have Been the Preserve of Institutional Investors Historically

Funds raised by type of investor during 2025 for European private equity buyout funds.



European Private Market Firms Cater to a Global Clientele

Distribution of AUM by client location.



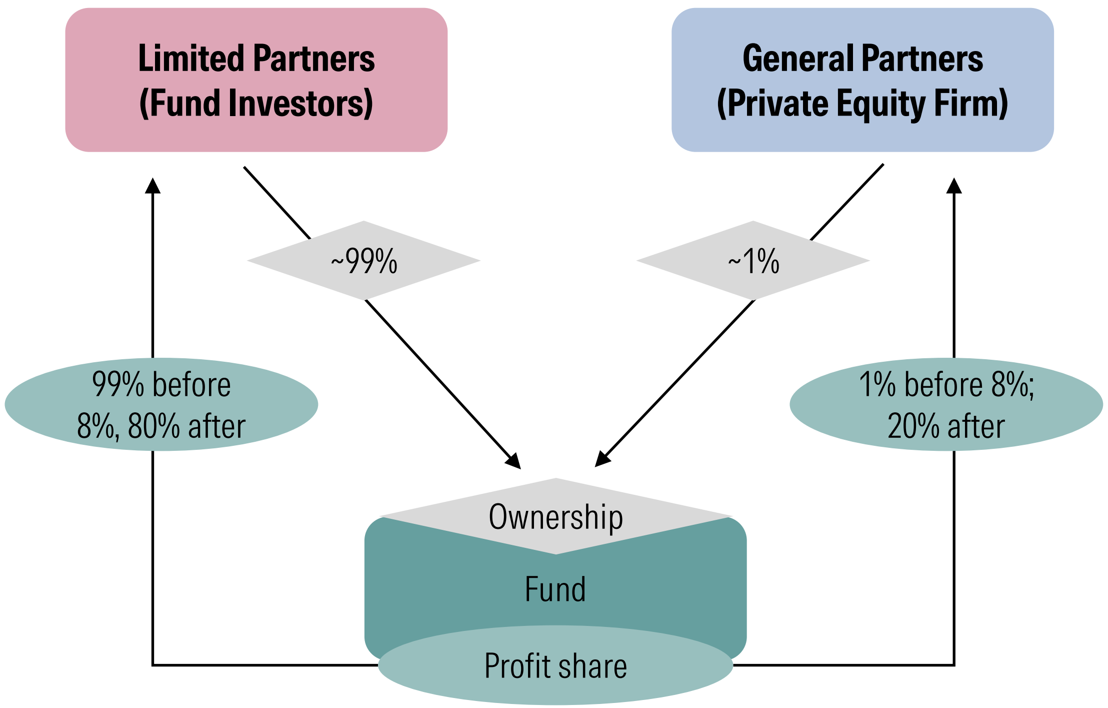
Source: Invest Europe/European Data Cooperative (Investing in Europe: Private Equity Activity 2025); company data (2025).
Note: APAC = Asia-Pacific.

Carried Interest: The Performance Fee at the Heart of Private Market Economics

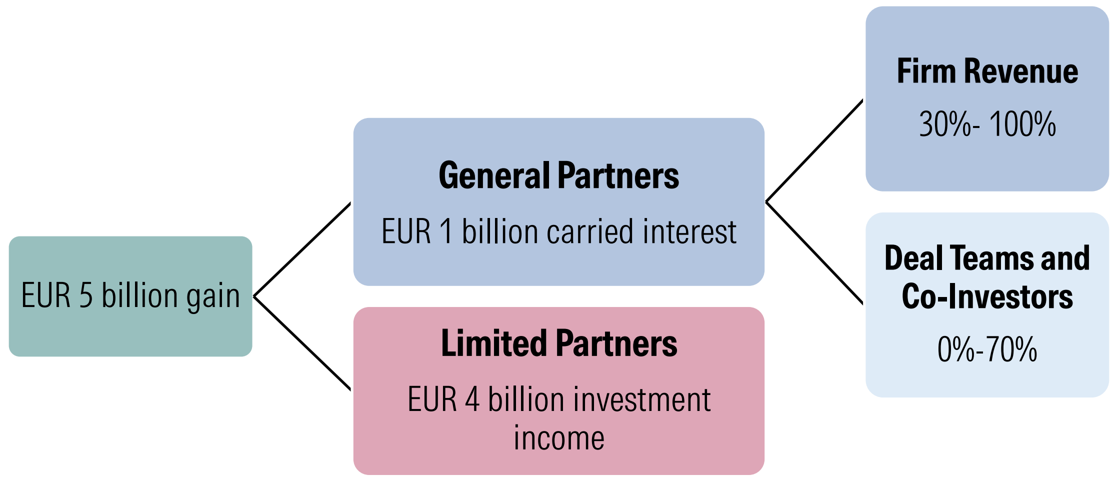
General partners, who manage a fund, receive a performance fee called carried interest, which is usually around 20% of the profits. The remaining 80% goes to the limited partners, who are the investors in the fund

EQT and CVC share carried interest with the deal teams working on a fund before recognizing it. Meanwhile, Partners Group accounts for the full carried interest in its income statement and rewards deal teams with bonuses.

Carried-Interest Calculation Example



Accounting for Carried-Interest Examples

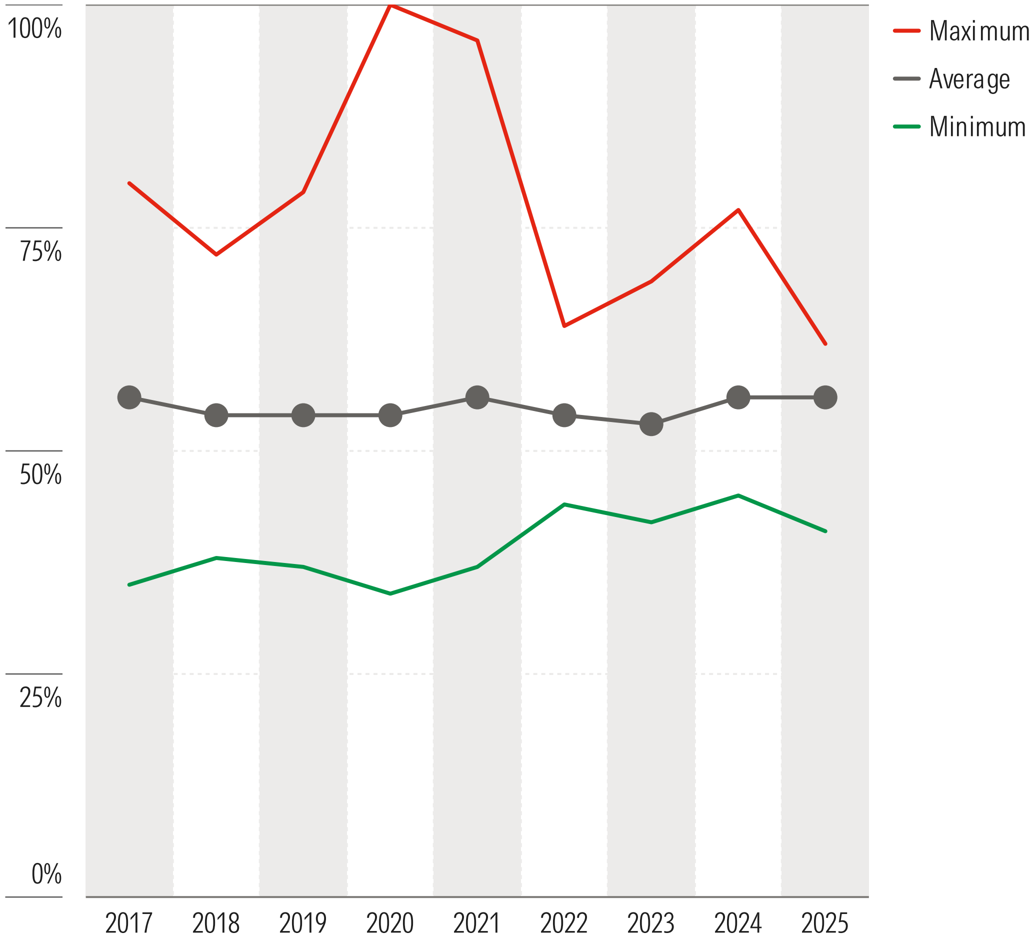


Source: Morningstar.

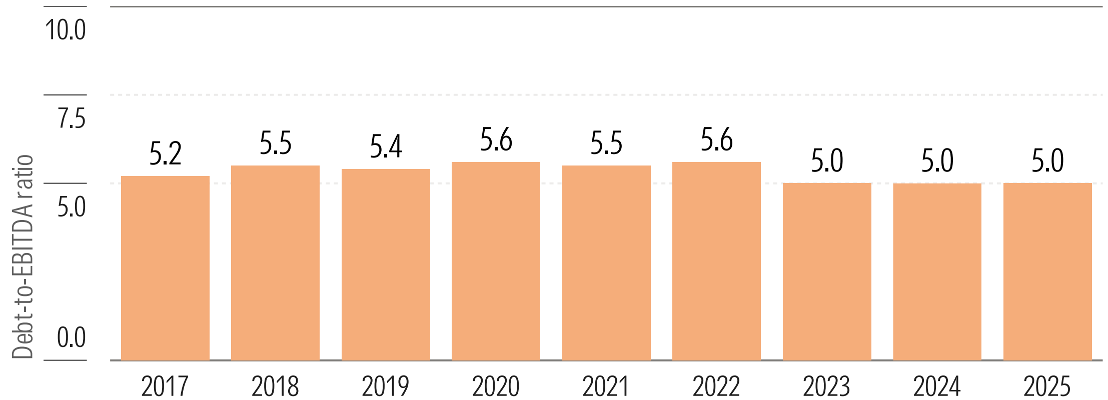
Leverage Is Central to Private Equity Returns—and Broadly Stable Despite Rate Rises

Debt as a Share of LBO Funding Has Held Steady

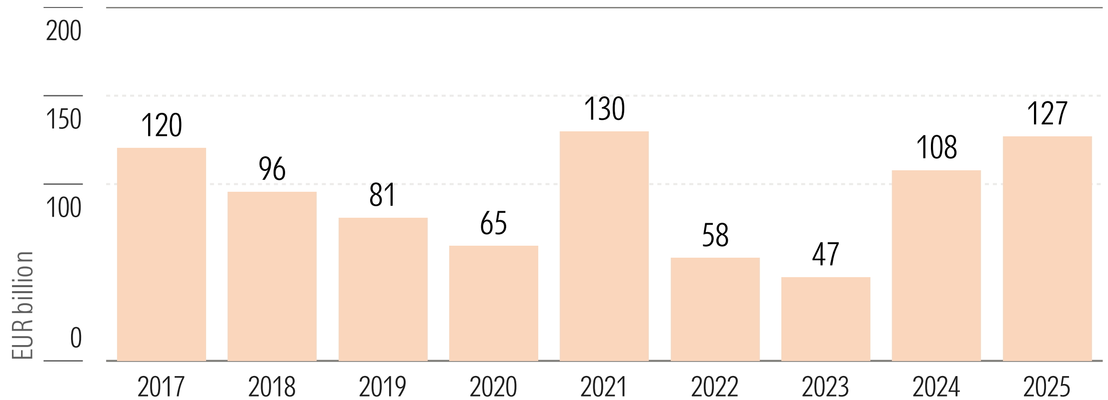
Average portion of European LBOs funded by leveraged loans.



Average Debt/EBITDA on European LBOs During the Period



Annual European Leveraged Loan Volume



Source: PitchBook (European Credit Statistics Report March 2026).

Private Market Asset Management Faces Lower Competitive Intensity Than Traditional Peers

Porter's Five Forces for Private Market Asset Managers

Threat of New Entrants: Moderate

- **Brand and reputation:** Low barriers to entry, but high barriers to success. It takes years to develop the long-term track record required by investors.
- **Higher committed capital for new entrants:** New firms need to stump up a greater share of capital for a new fund to entice investors.

Rivalry Among Existing Firms: Low

- Excess demand, with investors increasing allocations to private equity, reduces rivalry.
- While the market remains fragmented, few firms can meet the needs of large institutional managers.

Bargaining Power of Suppliers: Moderate

- **Talent:** A fund's track record is closely tied to its deal teams, making them highly sought after by competitors. However, long-term carried interest-sharing arrangements reduce their bargaining power.

Bargaining Power of Clients: Moderate

- **Institutional clients.** The sheer size of large pension funds and sovereign wealth funds gives them the ability to negotiate lower fees. However, only a limited number of private market firms have the long-term track record of outperformance and the legal and compliance capacity demanded by large investors.

Threat of Substitutes: High

- **Public Markets:** Private market firms must consistently outperform public-market funds to justify their significantly higher fees.
- **Insourcing:** Many large limited partners manage their own direct private market funds in addition to funds placed with external managers.

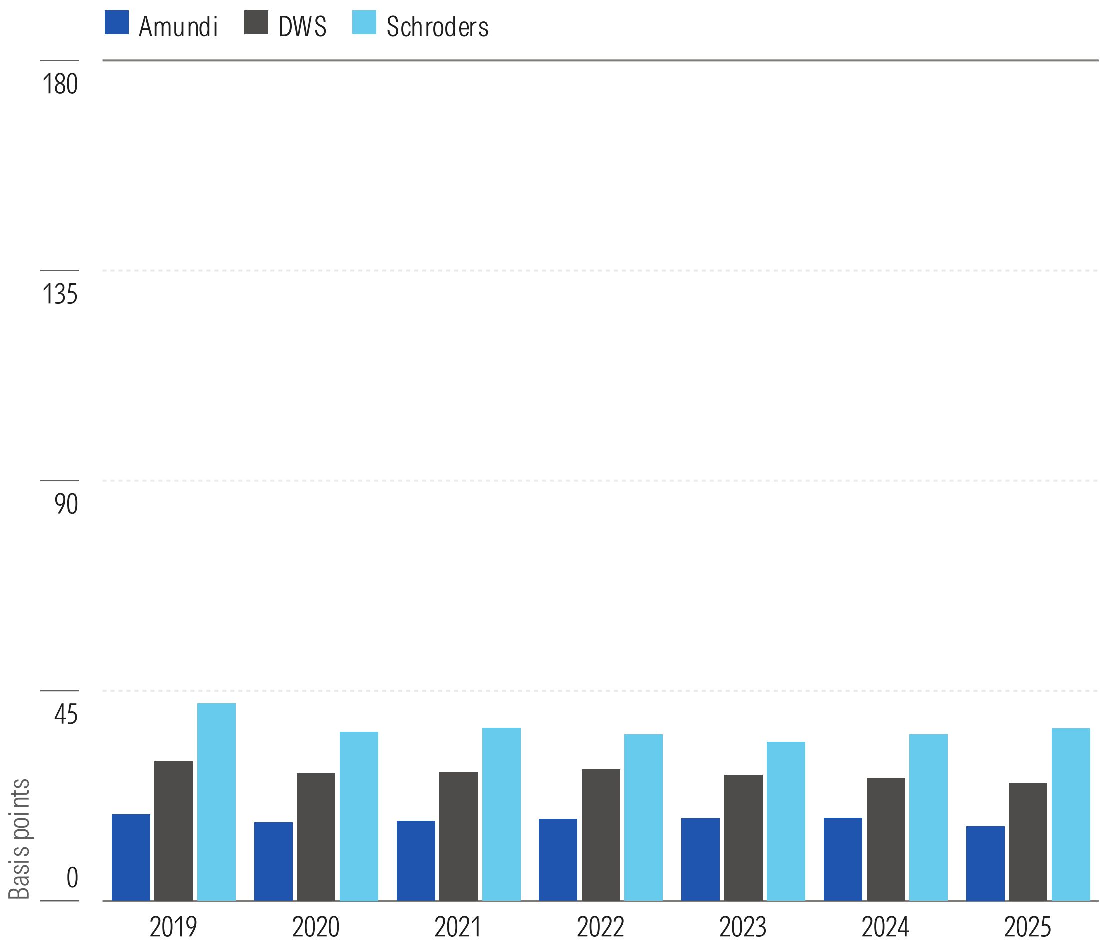
Source: Morningstar analysis. Framework: Professor Michael Porter, Harvard Business Review.

Comparison of Financial Metrics

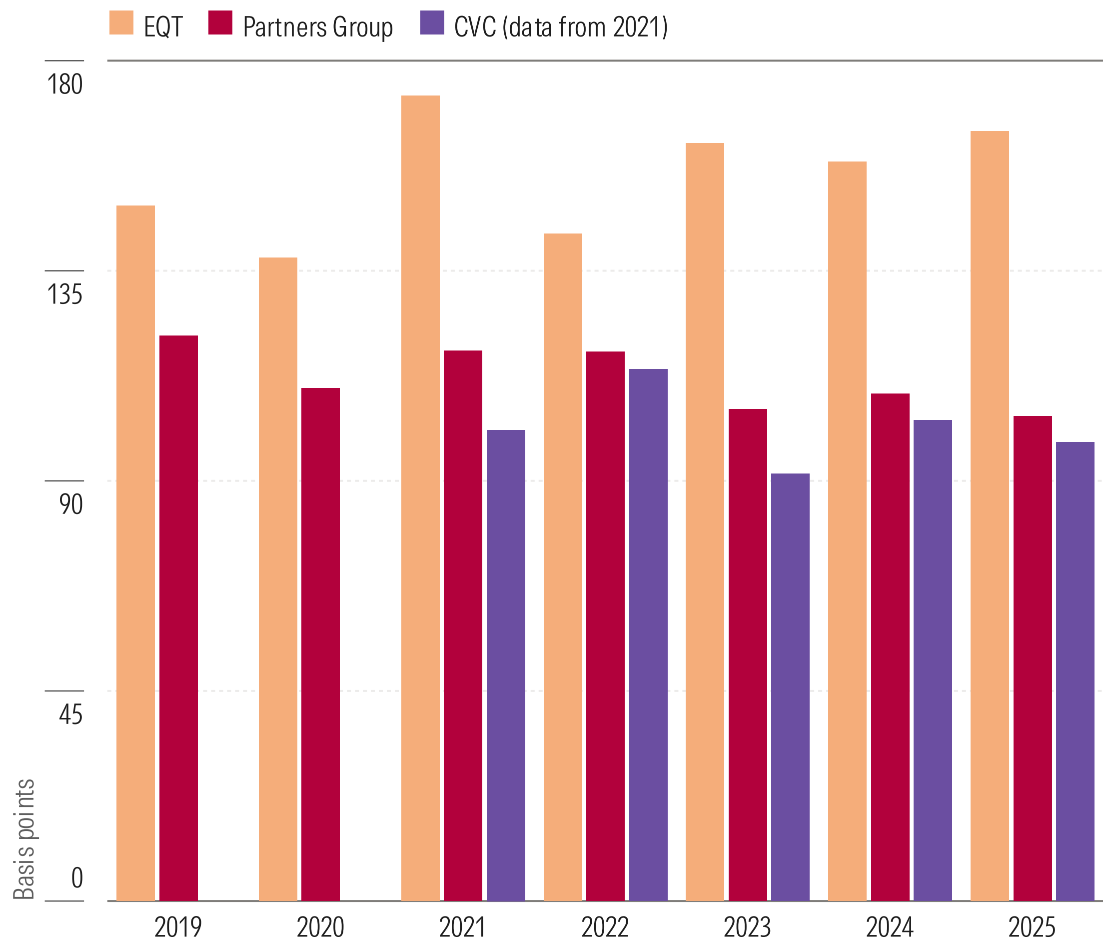
Private market managers charge higher fees, earn fatter margins, and require less capital — but strip out performance fees and the gap with traditional managers narrows considerably.

Management Fees Are Significantly Higher for Private Market Managers

Management Fee Margin for Traditional Asset Managers
Fee income/fee-earning AUM.



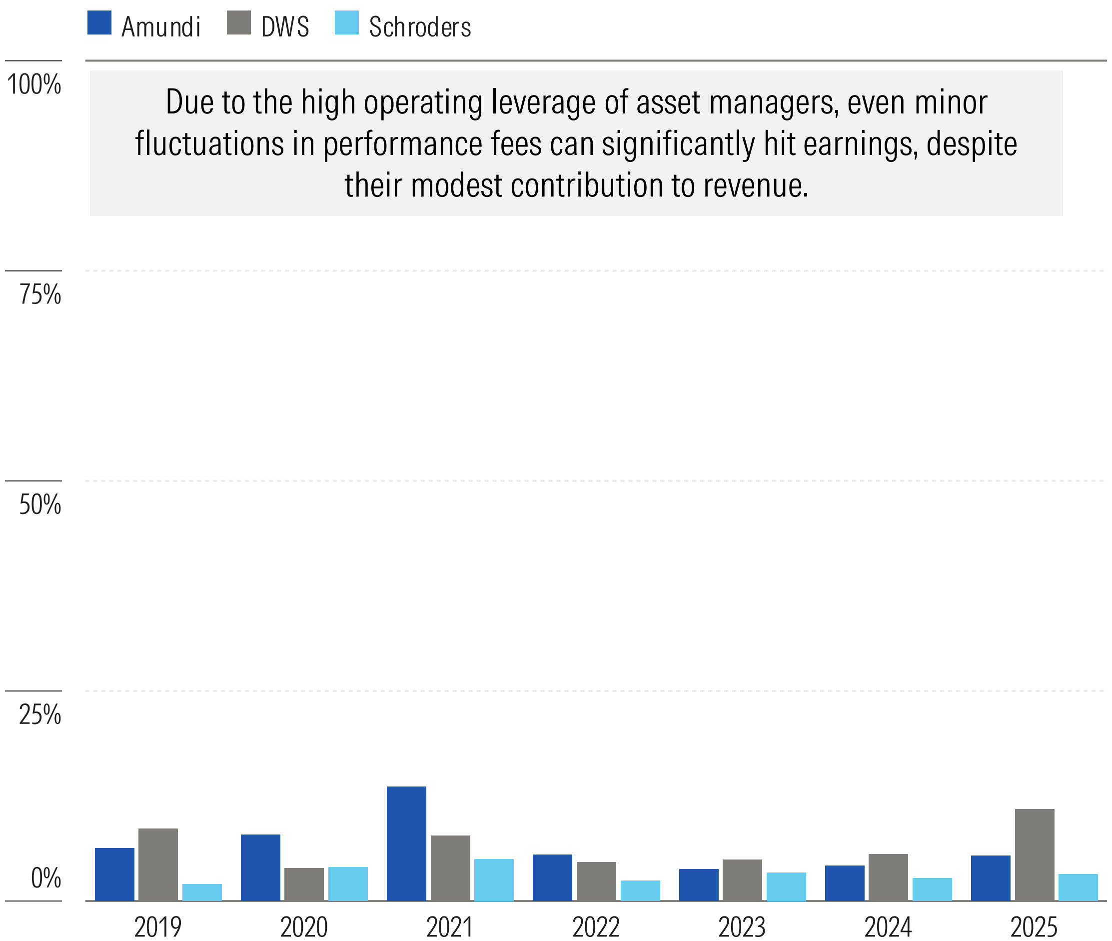
Management Fee Margin for Private Market Firms
Fee income/fee-earning AUM.



Source: Morningstar; Company reports for Amundi, DWS, Schroders, EQT, Partners Group, and CVC.

Performance Fees: A Bigger Deal for Private Market Firms Than Traditional Asset Managers

Performance Fees Contribution to Traditional Asset Managers' Revenue



Performance Fees/Carried-Interest Contribution to Private Market Firms' Revenue

Source: Morningstar; Company reports for Amundi, DWS, Schroders, EQT, Partners Group, and CVC.

Payroll Dominates the Cost Base — and That's True for Both Business Models

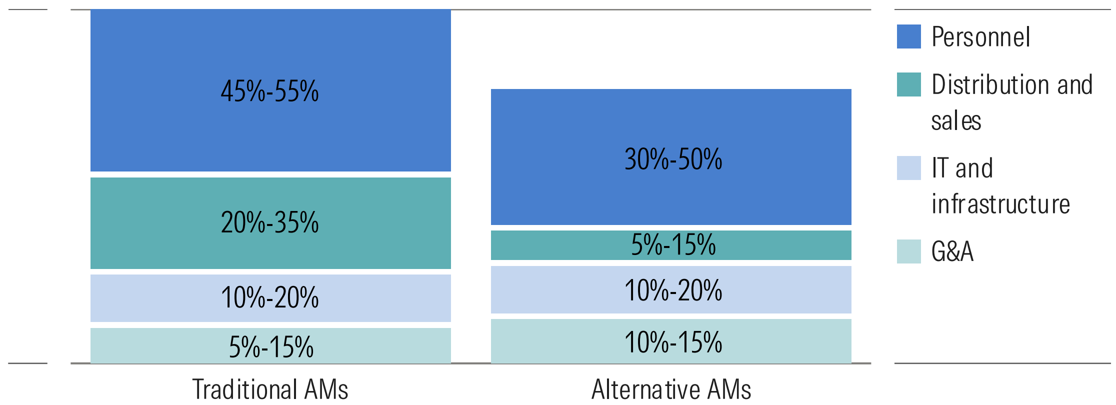
Payroll Is The Main Expense Line
Asset management is a talent-driven business. Investment professionals make up 20%-50% of the workforce, with a higher share in alternative firms. While personnel costs are mostly fixed, they include a variable component linked to performance fees and bonuses, which is more pronounced in private markets.

Distribution Costs Vary
Distribution and sales expenses are crucial for traditional asset managers because they need to attract retail clients. In contrast, private market firms primarily target a select group of institutional investors, resulting in lower distribution costs.

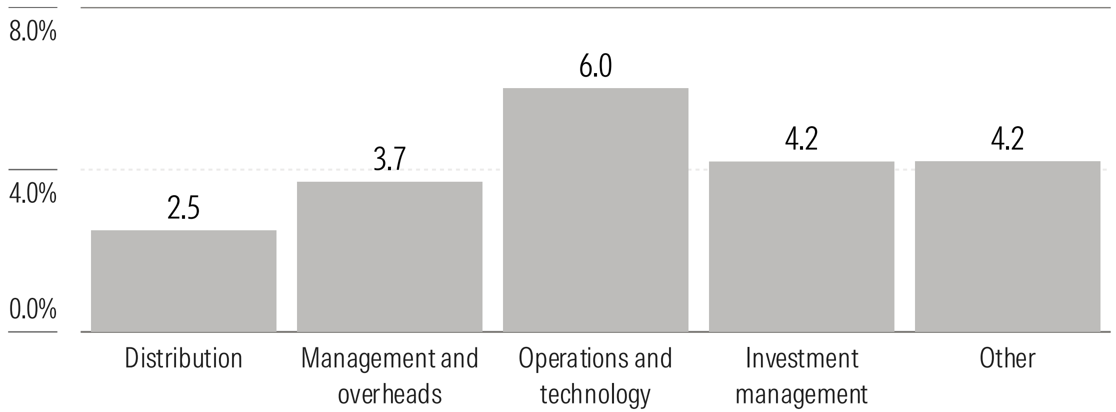
Unsurprisingly, Technology Spending Saw the Greatest Increase
Like all knowledge businesses, asset managers are investing heavily in technology, equipping themselves with artificial intelligence and big data capabilities. These investments are expected to yield better client outcomes, higher revenue, and lower costs over time.

Private Market Firms Have Higher Consultancy and Legal Bills
Private market firms rely extensively on consultants for due diligence on new investments. The intricate fund structures and extensive contracts inherent to private capital markets result in substantial legal costs.

European Asset Managers' Cost Structure as a Share of Revenue



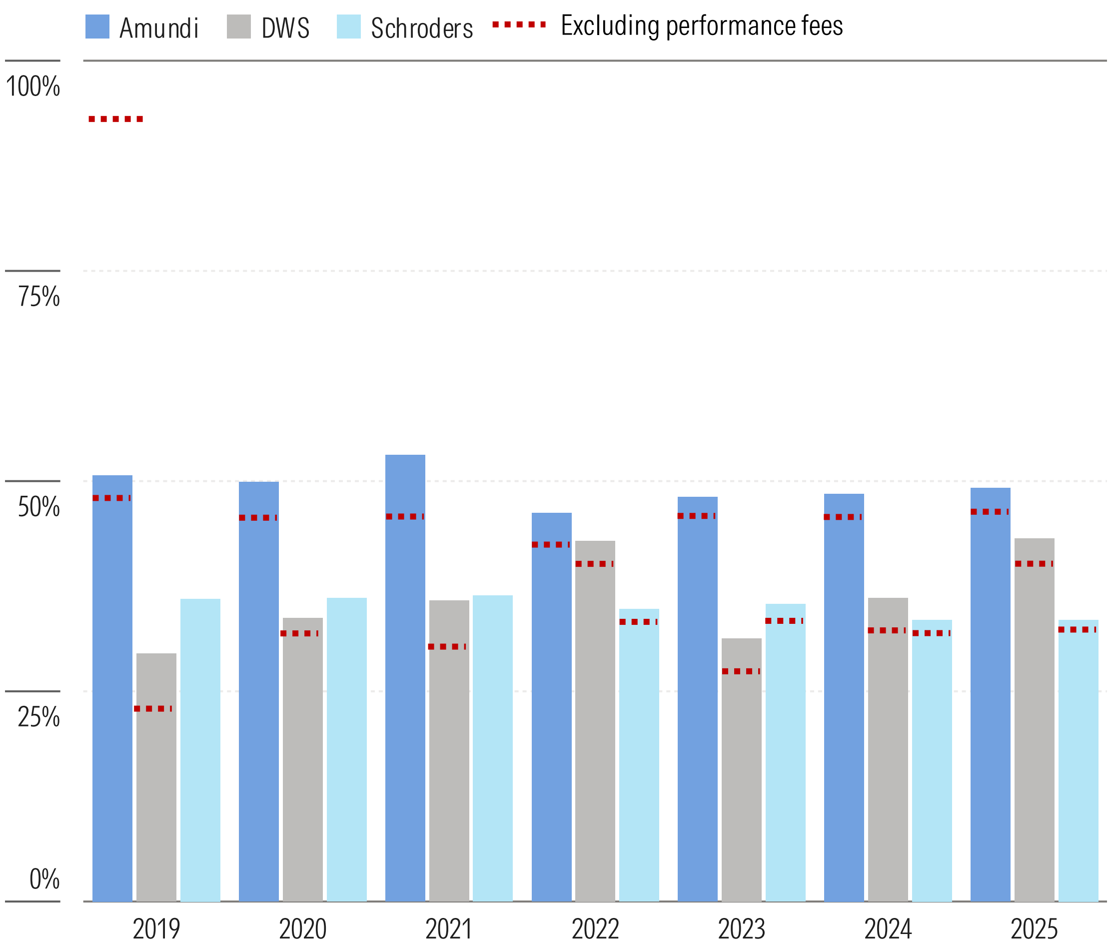
European Asset Managers' Annualized Increase in Costs Over 2012-23



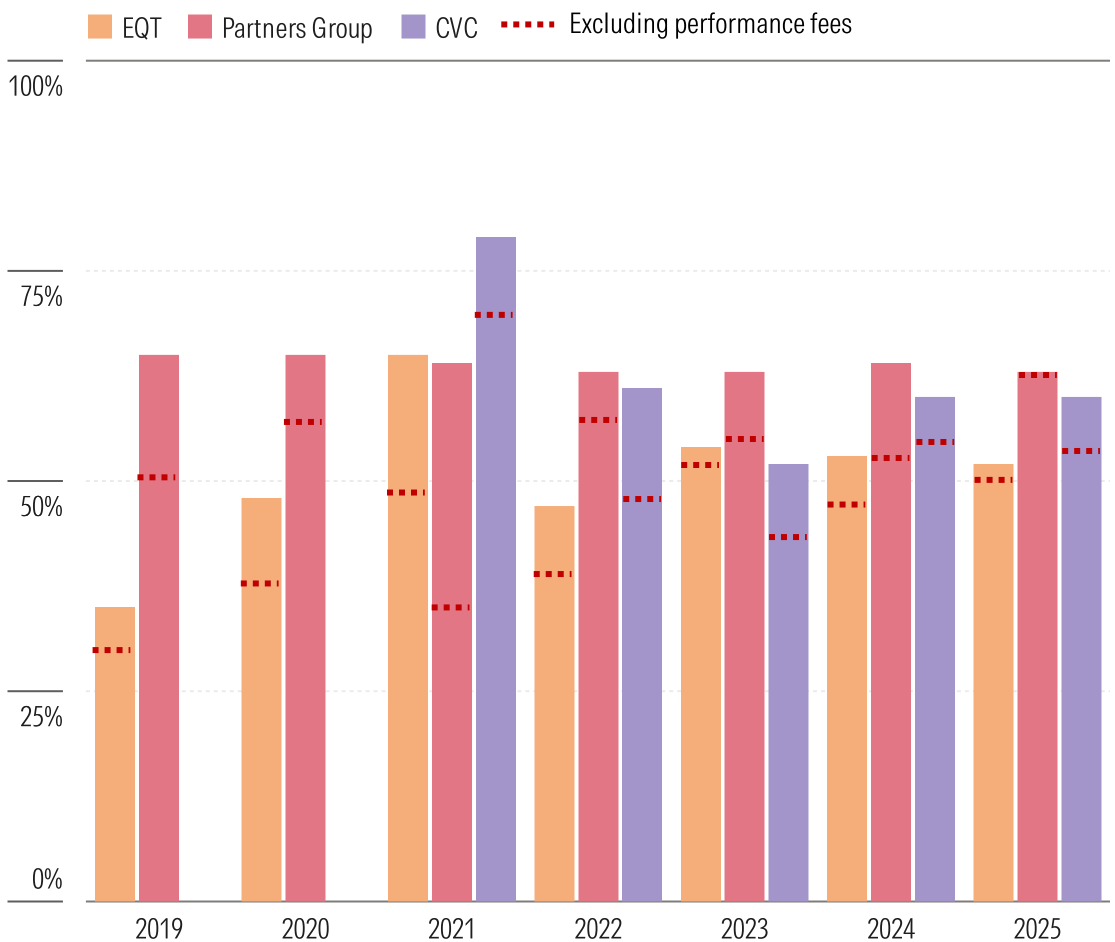
Source: Morningstar, Companies' filings, European Fund Management association.

Private Market Firms Look More Profitable, but Strip Out Performance Fees and the Gap Shrinks

EBITDA Margin for Traditional Asset Managers



EBITDA Margin for Private Market Firms

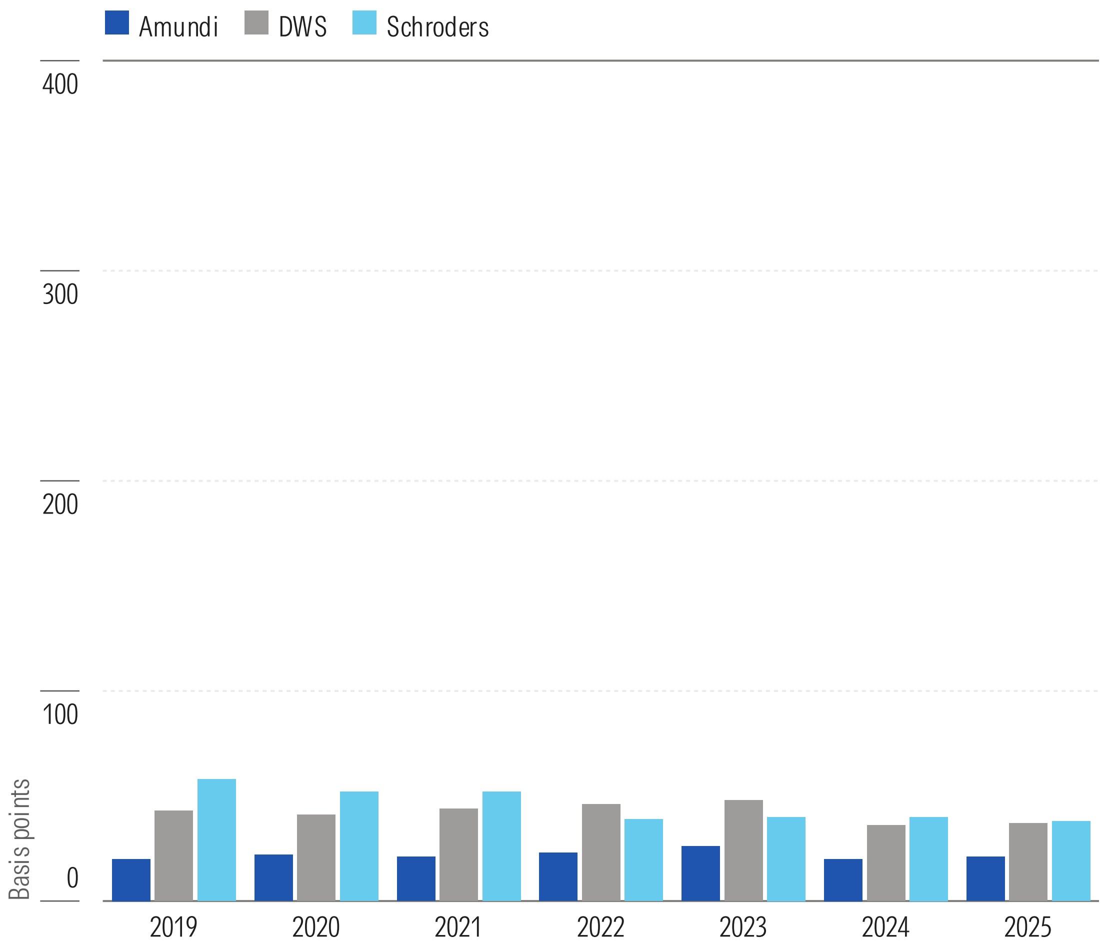


Source: Morningstar; Company reports for Amundi, DWS, Schroders, EQT, Partners Group, and CVC.

Asset Management Is Light on Capital — but Private Market Firms Use More Than Traditional Peers

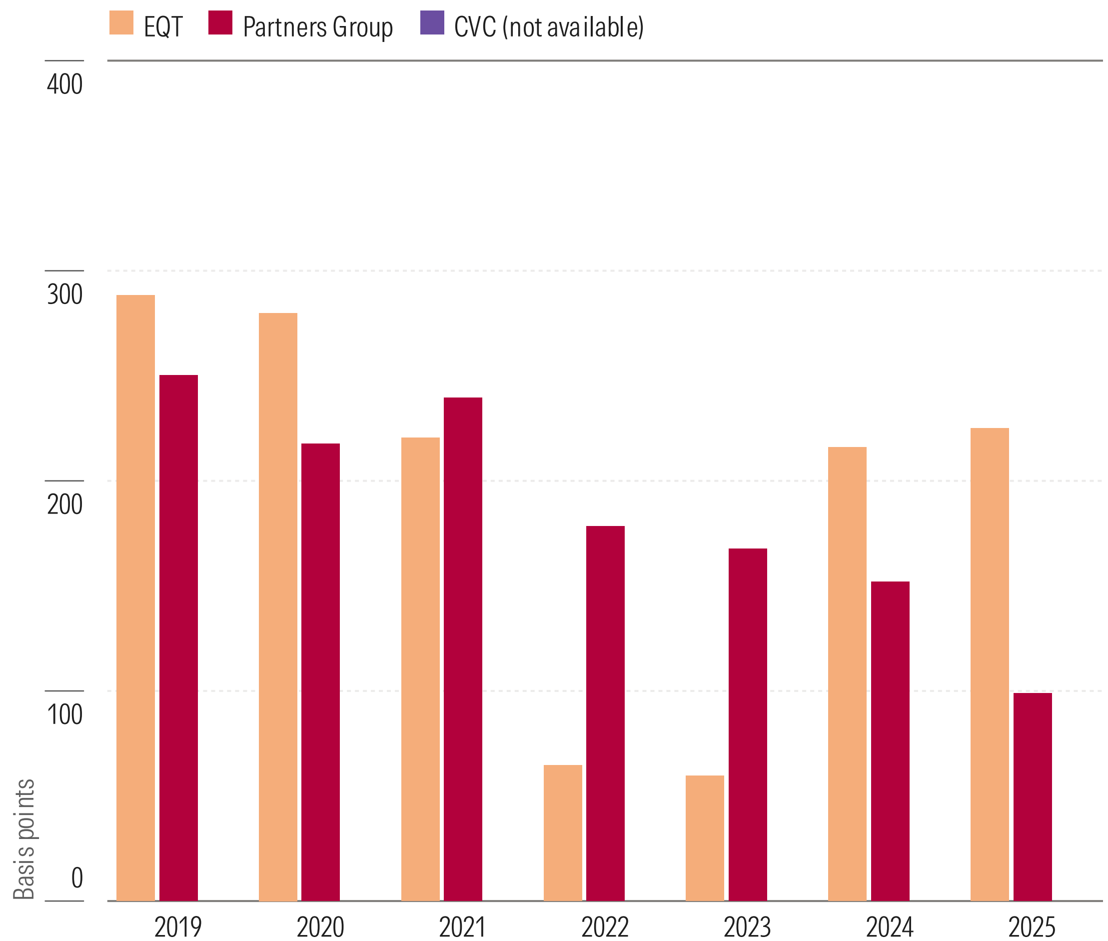
Traditional Asset Managers Enjoy Lower Capital Intensity

Tangible equity/AUM.



Alternative Asset Managers Require More Capital

Tangible equity/AUM.



Source: Morningstar; Company reports for Amundi, DWS, Schroders, EQT, Partners Group, and CVC.

Outlook

The industry faces a decade of structural change: private markets gaining share, retail investors gaining access, and technology beginning to reshape distribution and portfolio construction.

Private Market Firms Are Set to Outgrow Traditional Managers

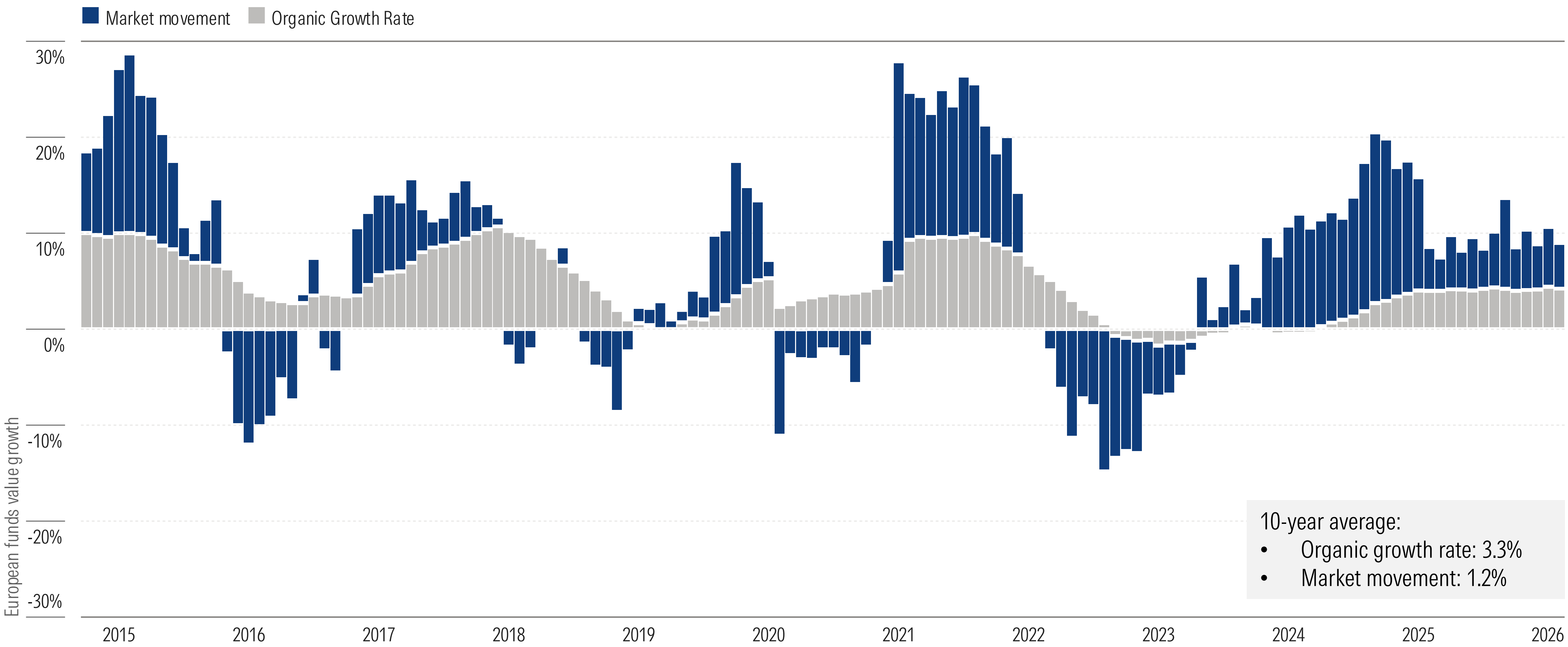
Better Outlook for Private Market Firms

	Traditional Asset Managers	Private Market Firms
AUM	Growing at 4%-6% annually., • Pressure on pension funds will place the onus on households to provide for retirement. • Recycling of cash into fee-bearing assets as rates decline.	Growing at 8%-10% annually. • Increased allocations from institutional investors. • Market share gains for large managers. • Opening up to retail investors.
Fee Margins	Annual decline of around 1 basis point. • Shift to low-margin passive assets to continue. • Offset partially by increasing share of AUM coming from retail products that typically have higher fee margins.	Largely stable.
Performance Fees	Stable share of revenue.	Gradually increasing share in revenue. • Relatively young portfolios coming toward divesting period.
Operating Expenses	Operating margin expanding by around 1% annually over the five-year forecast period and being stable thereafter. • With the larger portion being fixed, there are scale benefits with a growing assets base.	Largely stable. • Private market firms have less operating leverage than traditional peers due to higher involvement of investment personnel with a growing asset base.

Source: Morningstar.

Historical Growth Rate Backs Our View of AUM Growth Exceeding Nominal GDP

Historical Annual Growth Rate of European Funds—Excluding Money Market

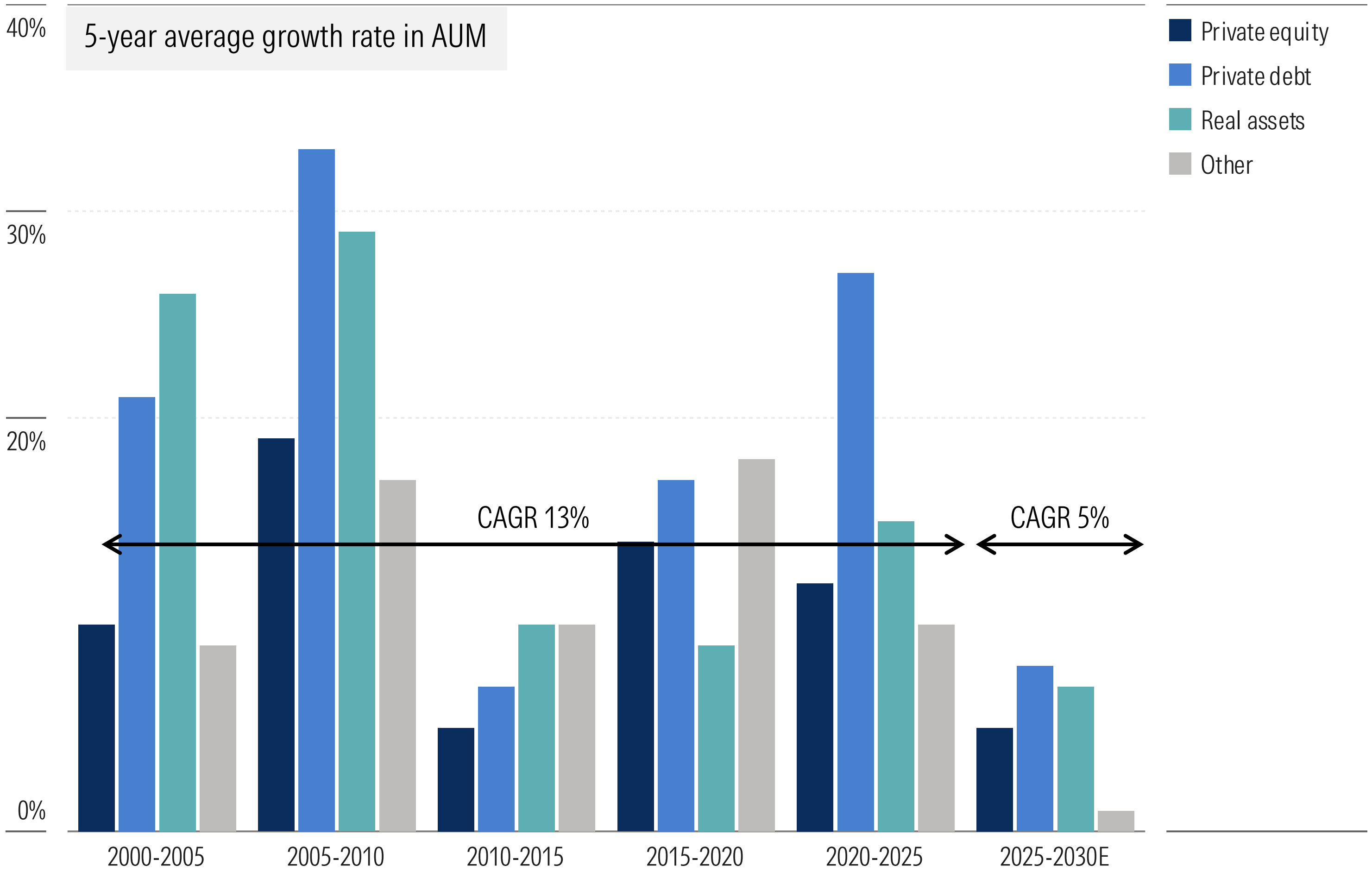


Source: Morningstar Direct. Includes European open-end and ETF funds excluding money-market, fund of funds, and Feeder funds
Note: Organic growth rate is calculated by dividing estimated net flows by net asset value at the beginning of a period. Market movement is calculated by taking the difference between total net asset value growth and organic growth rate. All calculations are made on a 12-month trailing basis.

PitchBook Expects Solid Growth for Global Private Markets

Private Equity and Secondaries Are Set for Faster Growth Across All Private Capital Segments

PitchBook estimates for base-case scenario forecast 2026-2030.



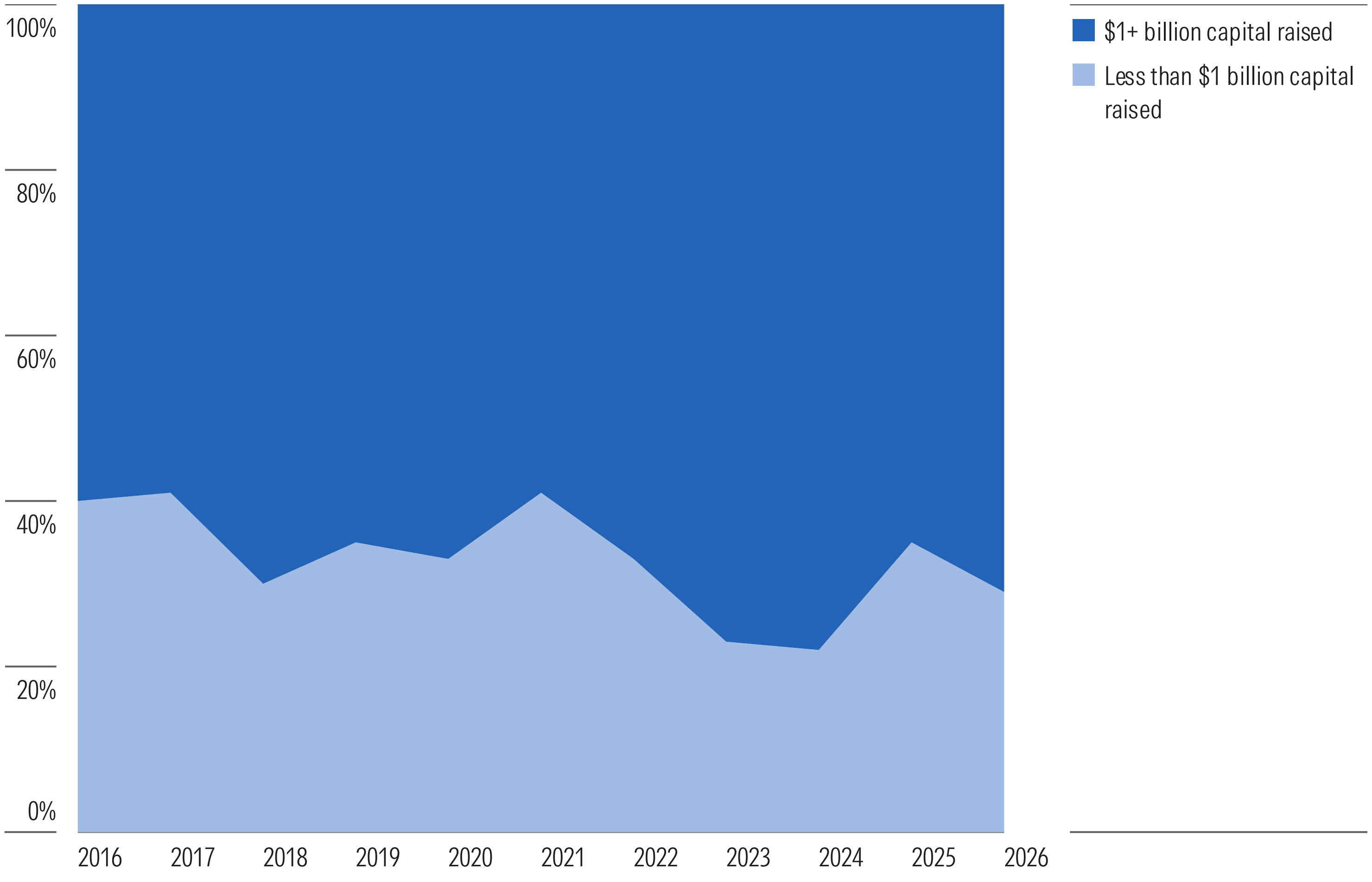
We believe significant untapped growth potential still exists in global private markets, particularly in private equity.

- A growing number of private companies prefer staying private, benefiting from operational flexibility, while public markets remain exposed to higher volatility and shifting investor sentiment.
- Rising allocations from private wealth, sovereign wealth funds, and pension funds continue to drive private market expansion.
- Industry consolidation enables leading private market players to scale further and access untapped opportunities.
- Private credit is gaining traction as stricter banking regulations limit traditional lending, creating demand for alternative financing solutions for growth companies and nonstandard cases.
- Real estate, infrastructure, and renewable energy investments are booming, fueled by sustainability initiatives, digital transformation, and increasing demand for data centers.
- The secondaries market is expanding, improving liquidity and efficiency in private markets by enabling more active trading of private assets.

Source: PitchBook (2030 Private Market Horizons – May 2026).
Note: real assets include real estate. CAGR for total private capital growth.

European Private Markets Concentration Trend Continues

Large Funds ($1 Billion-Plus) Share of European Private Equity Firms' Capital Raised



Source: PitchBook (first-quarter 2026 European P/E breakdown, April 2026).

Several Factors Explain Rise of Funds of $1 Billion-Plus

- Increased commitments from North American limited partners have significantly boosted European large funds.
- Competitive management fees have made large funds more attractive to investors.
- There's been a shift toward experienced managers with proven track records.

Investors Want to Deal With Fewer Firms

Investors are increasingly raising their private market allocations, favoring managers who can handle larger commitments and offer diverse strategies. Investing in large private equity funds offers investors the benefit of fewer relationships with private equity firms. Large, diversified private equity firms managing these large funds bring broad expertise in private market strategies and act as one-stop shops for investors. This consolidation reduces the burden of due diligence and effort for investors.

Europe's Unfunded Pension System Could Represent a Vast Long-Term Opportunity for Asset Managers

Unfunded Pensions the Norm in Europe

Unfunded, or "pay-as-you-go," pensions—where taxes or contributions from today's employees fund today's retirees' benefits—are dominant in the EU, except in the Netherlands and Nordic countries, where funded state or occupational pensions are more prevalent. The Netherlands, Denmark, and Sweden collectively hold nearly two-thirds of the EU's pension assets, despite accounting for just 12% of EU gross domestic product.

Aging Population Makes Unfunded Pensions Unmaintainable

The maintainability of unfunded pension schemes hinges on contributions from the younger workforce to meet obligations to retirees. However, this model is facing mounting pressure. Presently, the EU has a ratio of three working-age adults for every retiree. By 2050, this ratio is expected to fall to fewer than two workers per retiree, which could undermine the system's viability.

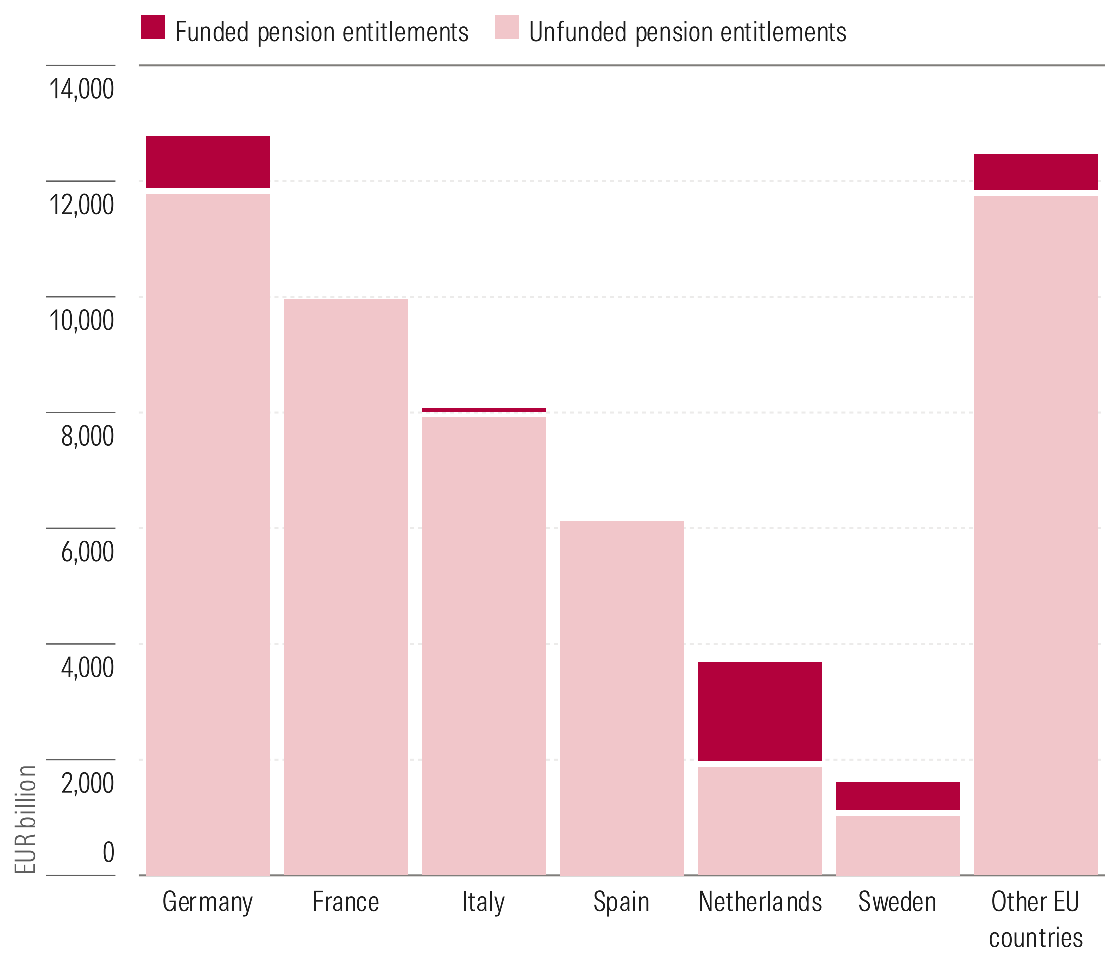
This Could Create Opportunities for Traditional and Private Market Firms

Investment returns support funded pensions, making it materially cheaper over the long term. Partially shifting to a funded model could have a tectonic impact on the asset pool available to fund managers, both public and private.

European Governments Dragging Their Feet

Transitioning to funded pensions is fraught with political challenges. Generous state pensions, perceived as guaranteed, are deeply embedded in Europe's social fabric. Even minor adjustments to the existing system have been met with strong resistance.

Unfunded EU Pension Entitlements Dwarfs Funded Entitlements



Source: Eurostat. Data as of December 2021.

Europe's State Pension Systems Are Under Strain — and Private Plans Are Set to Fill the Gap

Despite smaller European countries having top-notch pension systems, there are significant doubts around the maintainability of pension payments in most major European economies.

European governments are increasingly likely to back private pension plans to supplement state pensions. We foresee more traditional asset managers' AUM coming from retail investors in the longer term, which should support fee margins.

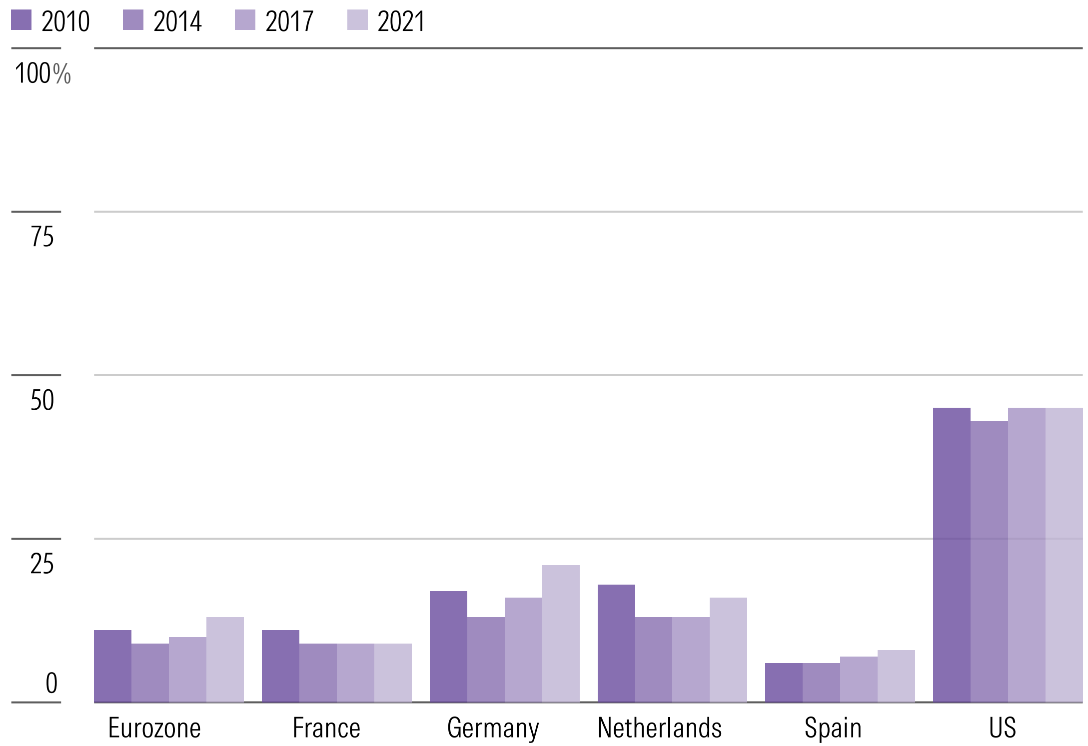
Pension Payouts in Most of Europe's Large Economies Are Not Maintainable

Mercer CFA Institute Global Pension Index 2025 sustainability rating

A	B+	B	C+	C	D	E
Denmark	Singapore	Chile	Croatia	Colombia	Belgium	Argentina
Iceland	Sweden	Canada	Hong Kong	Indonesia	Botswana	Austria
Israel		Finland	Mexico	Ireland	China	Brazil
Netherlands		Kazakhstan	Philippines	Malaysia	France	Italy
Australia		Kuwait	UK	Namibia	Germany	Spain
		New Zealand		Panama	India	Turkey
		Norway		Saudi Arabia	Japan	
		Switzerland		South Korea	Oman	
				Taiwan	Peru	
				Uruguay	Poland	
				US	Portugal	
					South Africa	
					Thailand	
					UAE	
					Vietnam	

Less Than 15% of European Households Own Funds

Ownership of investment funds by households



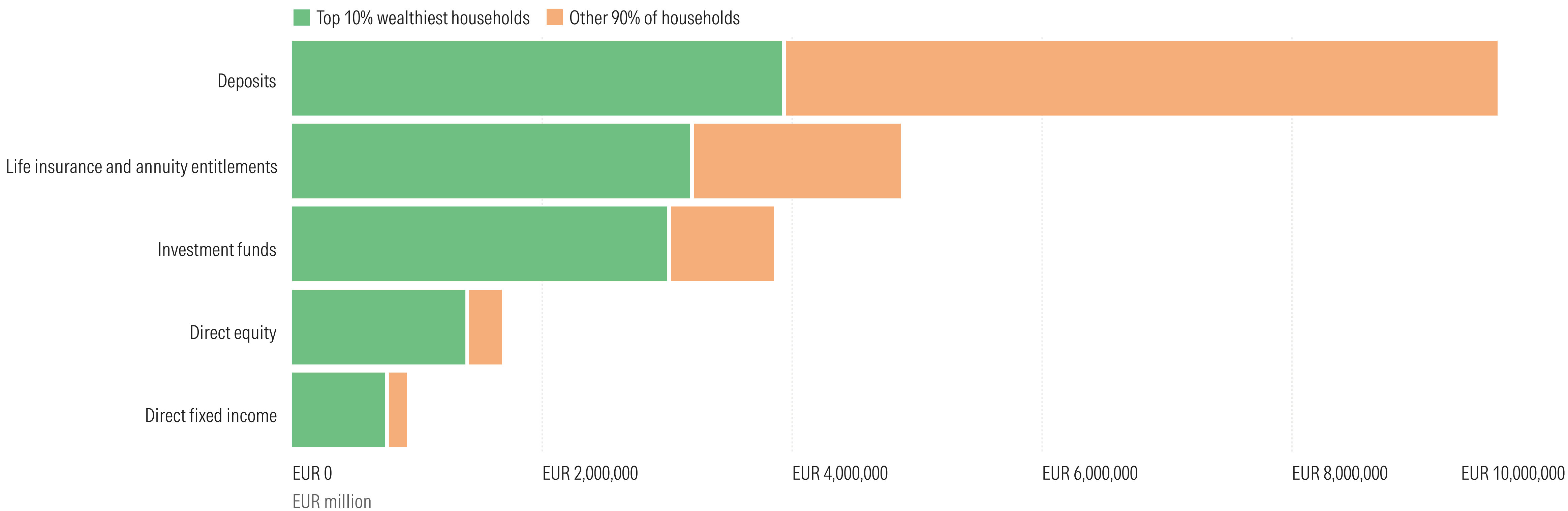
Source: CFA Institute. ECB Household Finance and Consumption Survey; Federal Reserve Survey of Consumer Finances; EFAMA. Morningstar.
Note: European counties in blue.

European Households Hold Too Much Cash—Converting Even a Fraction Would Be Material for Asset Managers

The structure of national pension systems, varying levels of financial literacy, tax incentives, and a cultural preference for cash's liquidity and safety all contribute to the high cash holdings of European households. This presents an opportunity for asset managers to attract these funds into diversified investment products, offering better returns and financial growth. As interest rates ease, cash becomes less attractive, and asset managers with successful income products could benefit.

European Households Heavily Overweight in Cash

Financial assets



Source: European Central Bank. Data as of September 2025.

Active ETFs Should Continue to Increase Rapidly From a Low Base

Yes, You Get Active ETFs

ETFs have become synonymous with passive investing strategies but are also used for active strategies. The key characteristic of an exchange-traded fund, as the name implies, is that it trades on an exchange. It can invest in any underlying asset basket, not just an index. Many active ETFs replicate an existing active open-end fund, but others are stand-alone products.

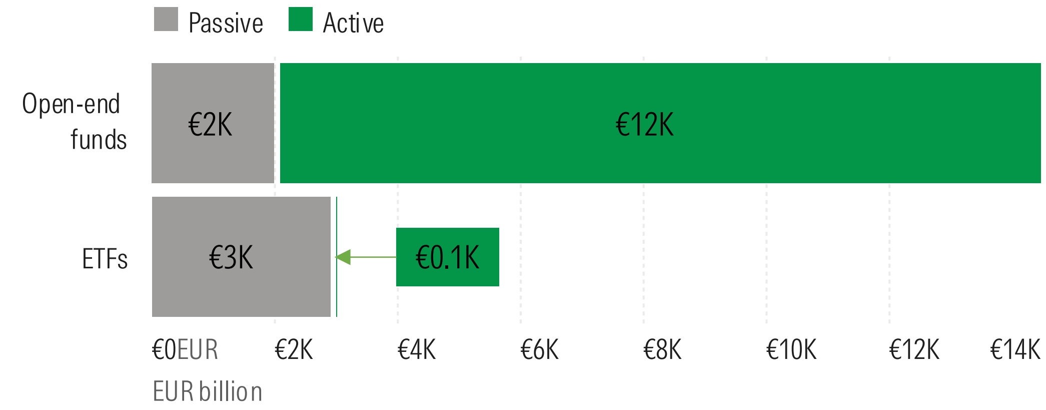
An Opportunity and Threat to Entrenched Firms

Due to its lower distribution costs, active ETFs offer investors a more compelling value proposition than traditional closed-end funds. ETFs do not need an established distribution network as they are exchange-traded, so this does open the door somewhat to players without entrenched distribution capacity. However, we think that most investors will access ETFs through the same distribution channel they use for mutual funds.

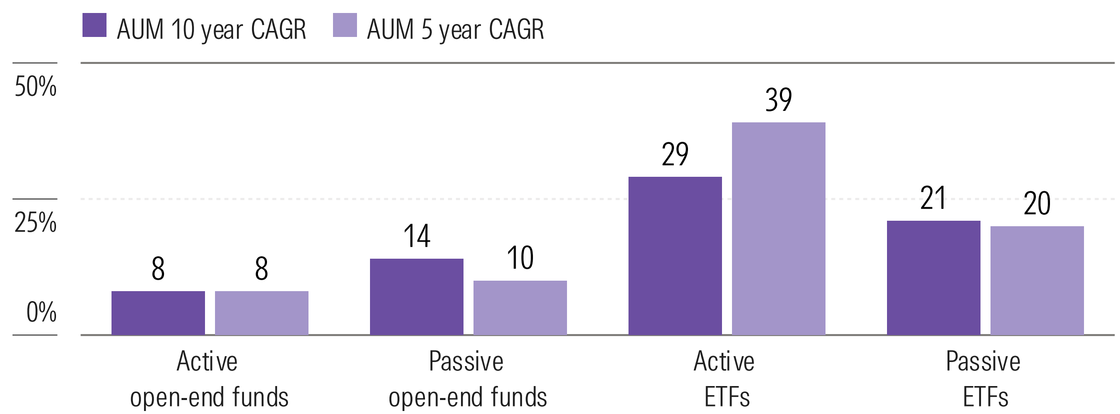
Active ETFs Come With Challenges for Asset Managers

ETFs typically provide full transparency of holdings on a real-time basis. Traditionally, most active managers were reluctant to disclose their “secret sauce” by revealing their holdings daily, as required by ETF regulations. Unlike mutual funds, ETFs can’t close to new investors when they get too big. Strategy capacity is critical in the ETF structure.

European Active ETFs Still a Fraction of Overall European Market



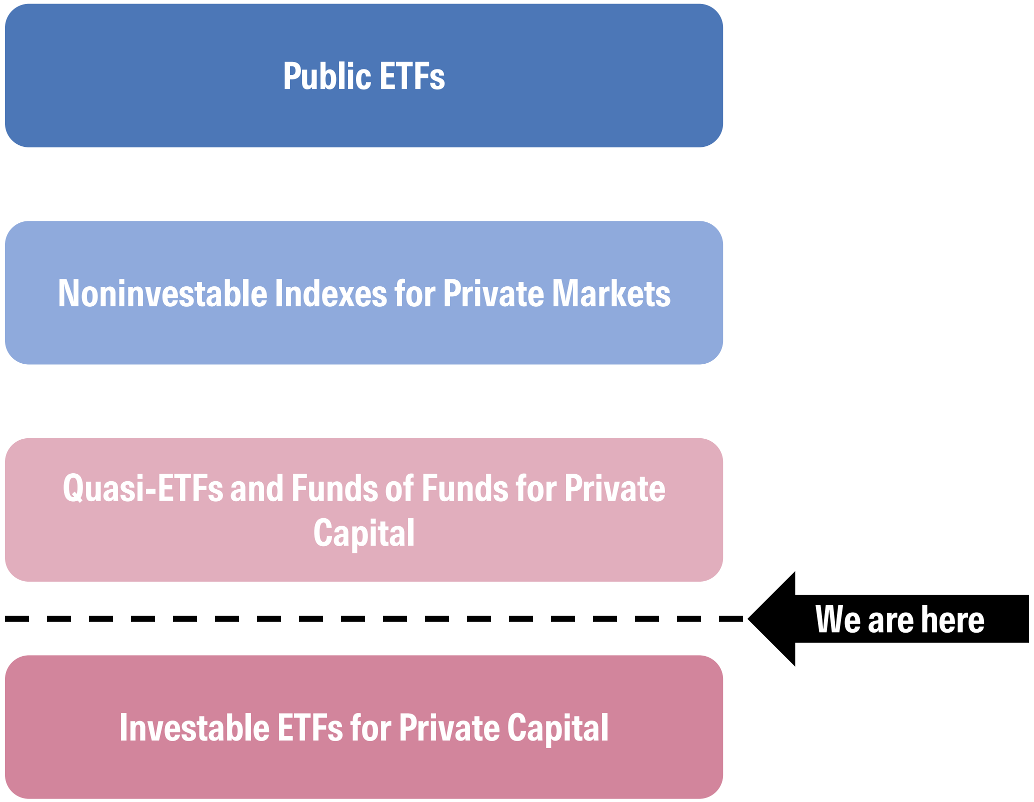
However, They Are Growing Rapidly



Source: Morningstar Direct. All European domiciled open-ended funds, excluding money market funds, fund-of-funds, and feeder funds. All European domiciled ETFs, excluding fund-of-funds and feeder funds. Data as of March and April 2026.

Private Indexing: A New Model That Lets Wealthy Clients Own Index Stocks Directly

Where Are We On the Way to Indexing Private Assets?



Source: Morningstar.

Numerous attempts have been made to establish reliable benchmarks for private capital returns. Benchmarks should improve performance assessments, enable comparisons with public markets, and facilitate historical analyses. However, the industry faces significant challenges, particularly with opaque and infrequent valuations, raising concerns about data reliability. The landscape for investable indexes remains largely untapped.

Challenges:

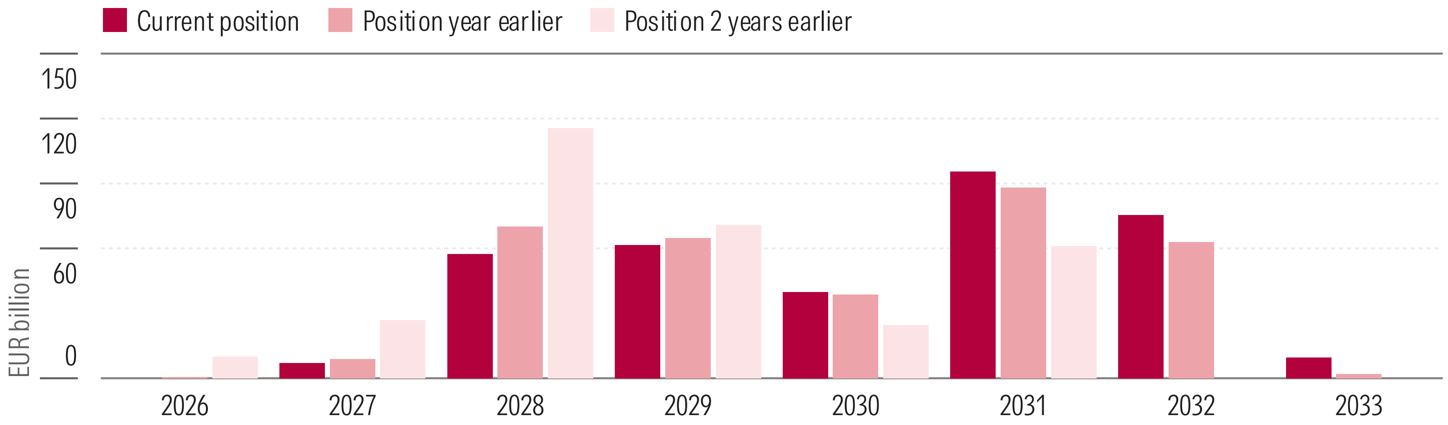
- Existing benchmarks require adjustments for volatility.
- Implied valuations rely heavily on judgment and lack market-based verification.
- Difficult to maintain available liquidity for exits.

Progress:

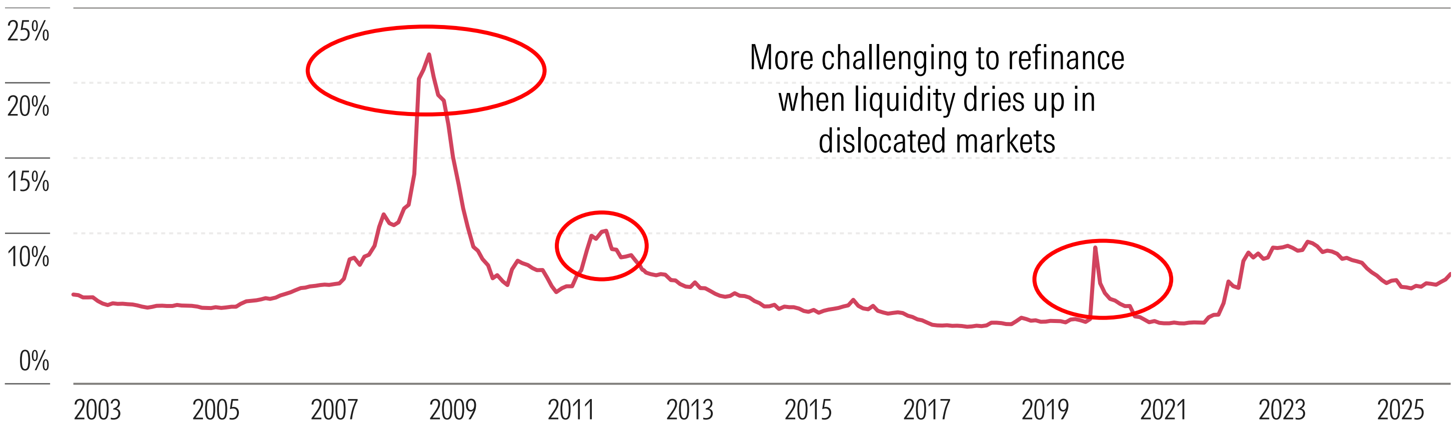
- Capital Group and KKR, and Apollo and State Street, have announced “quasi-private credit ETFs,” which will combine public and private credit investments.
- Invesco offers a “private equity ETF” that invests in companies providing capital or services to privately held businesses.
- In 2023, NewVest introduced a fund of funds that invests in the 50 largest private funds.
- BlackRock has announced its ambitions to venture into alternative investments indexing in the future.

European Leveraged Loans Face a Daunting Maturity Wall

European Leveraged Loans by Maturity



Morningstar European Leveraged Loan Index Yield-to-Maturity



Leveraged Loans Vital to Private Equity and Private Credit
Private equity portfolio companies are highly leveraged, primarily using leveraged loans. Conversely, leveraged loans are a key asset class for private credit firms.

EUR 160 Billion Loans Need Refinancing Over Next Four Years
The maturity wall refers to the significant volume of loans set to mature within a short time frame. This presents challenges and opportunities as companies seek refinancing solutions and investors navigate the evolving credit market landscape.

Under Normal Conditions, This Is No Problem
Currently, there is ample liquidity, and leveraged loan demand exceeds supply. However, this can change during periods of economic stress.

Lower Interest Rates Will Support Refinancing
Lower interest rates generally support refinancing by making it cheaper for borrowers to replace existing debt with new loans at more favorable terms. This reduces interest expenses, improves cash flow, and can make refinancing more accessible and attractive.

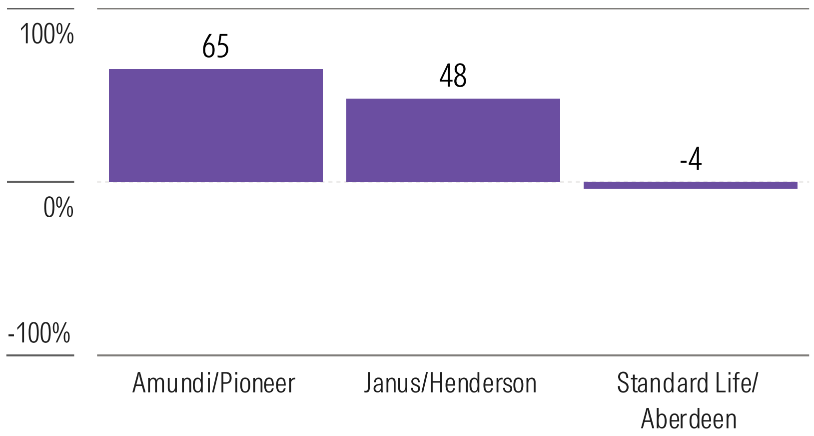
Source: Morningstar Direct; PitchBook. 2025-32 estimates.

Industry Consolidation—Mixed Picture on the Benefits of Large-Scale Mergers

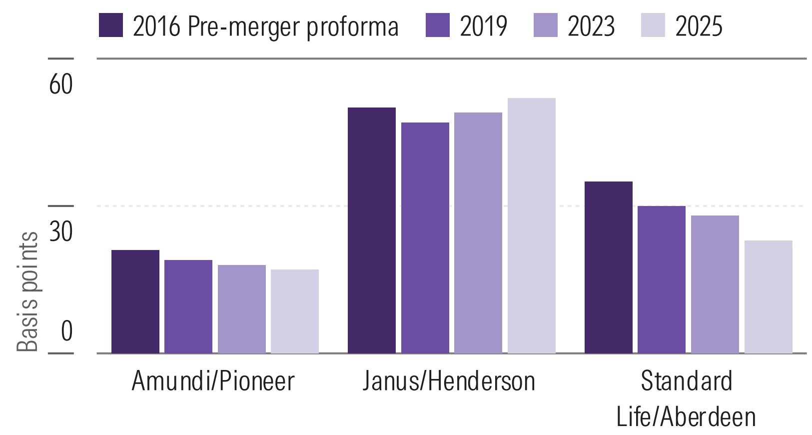
Consolidation Is Happening
The European asset management industry is undergoing significant consolidation as firms aim to achieve economies of scale and enhance their competitive edge. This trend is driven by the need to reduce fees, boost profitability, and adapt to the growing preference for passive investment strategies. Recent high-profile mergers such as Amundi's acquisition of Lyxor Asset Management and BNP Paribas' takeover of AXA Investment, underscore the industry's shift towards consolidation.

Scale Benefits Not Always Evident
The three megamergers that occurred in 2017 paint a mixed picture. Amundi continued to see healthy asset growth after the Pioneer Asset Management acquisition and kept margins intact. The Janus Henderson merger constrained asset growth and did not deliver any improvement in profitability. Aberdeen has a higher cost/income ratio than before the merger.

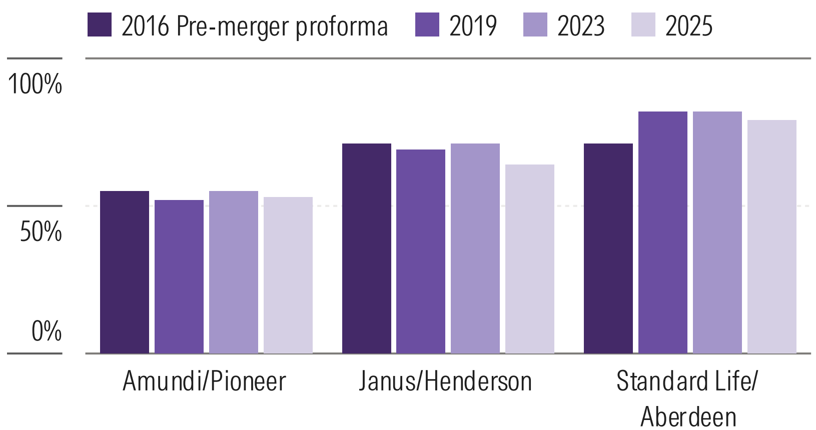
Change in AUM 2016-25



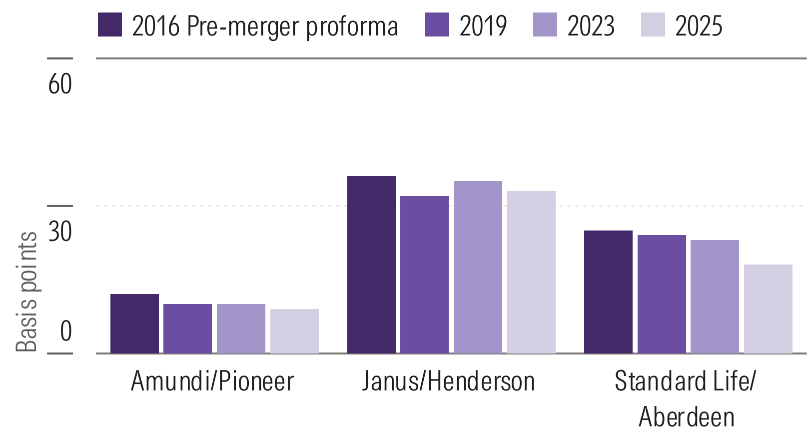
Gross Margin (Revenue/AUM)



Cost/Income Ratio



Operating Expense/AUM



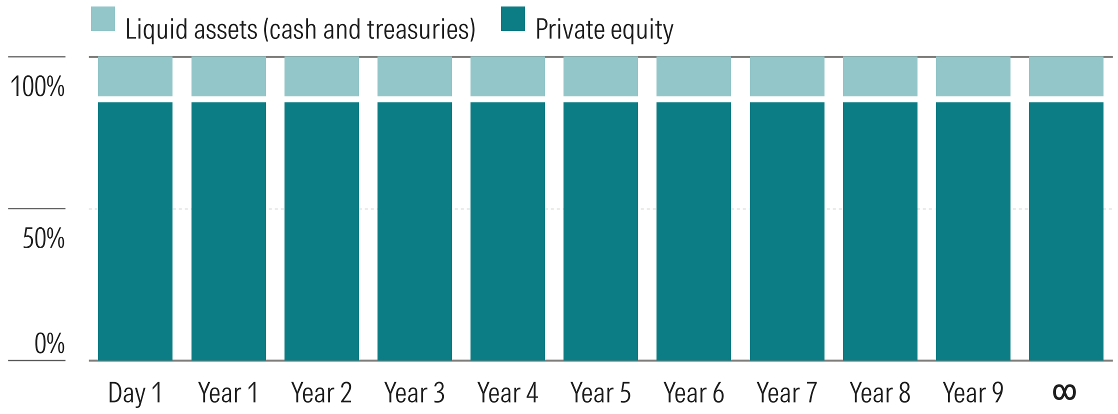
Source: Morningstar. Company data.

Evergreen Funds: How Private Market Managers Are Opening Up to Retail Investors

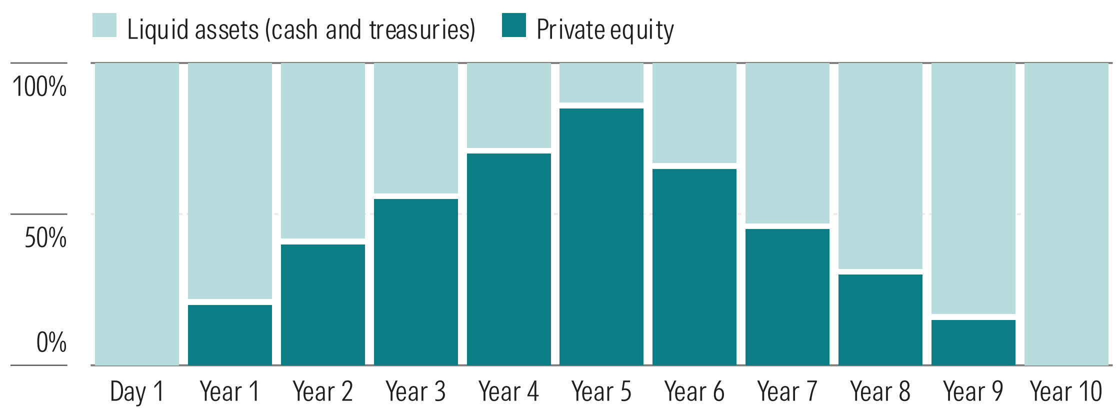
Evergreen funds in private markets have existed for decades but have gained attention only recently. Operating like open-end public market funds, evergreen funds still have some restrictions, especially around liquidity. They represent a step toward democratizing private markets, broadening the investor base, and potentially leading to more modest fees. Evergreen funds differ from the drawdown fund prevalent in private markets in several ways:

- Regular distributions and subscriptions: Evergreen funds are structured for periodic distributions (monthly or quarterly) and can accommodate investor subscriptions on a daily, monthly, or quarterly basis.
- Liquidity access: Investors can withdraw capital during specified periods due to the fund's "liquidity buffer," typically maintained at around 15% of the total fund value.
- Immediate capital deployment: Unlike drawdown funds, where capital deployment can take years, evergreen funds deploy capital from day one. Proceeds from exiting investments are recycled into new opportunities.
- Frequent net asset value valuations: Evergreen funds offer monthly NAV valuations, compared with quarterly valuations in drawdown funds, supporting higher liquidity and transparency.
- Broader accessibility: Evergreen funds often have lower minimum investment requirements, with some starting as low as EUR 1,000[1], allowing access to a wider range of investors.

Example of Evergreen Private Equity Funds Structure



Example of Drawdown Private Equity Fund Structure



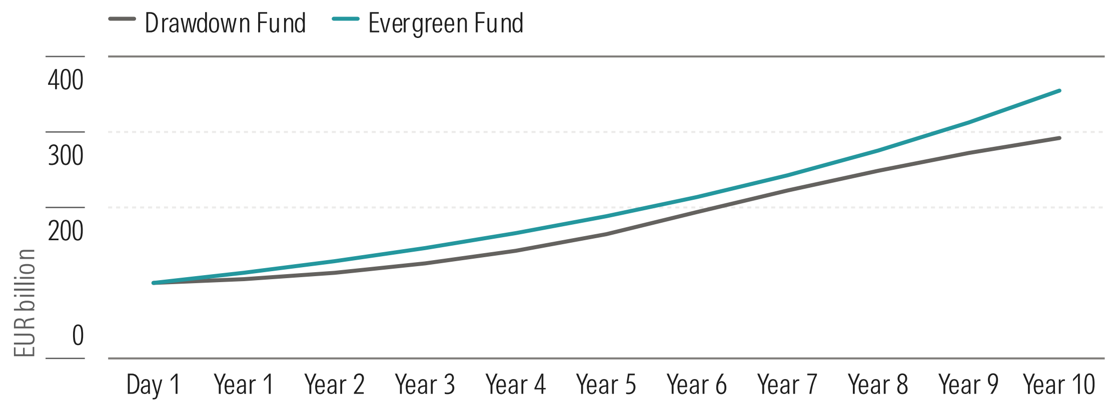
Sources: Morningstar, PitchBook, Partners Group, KKR.
1 –Amundi launched "Amundi Prima" fund in Europe (November 2024).

Evergreen Funds: Key Structural Features and Trade-offs

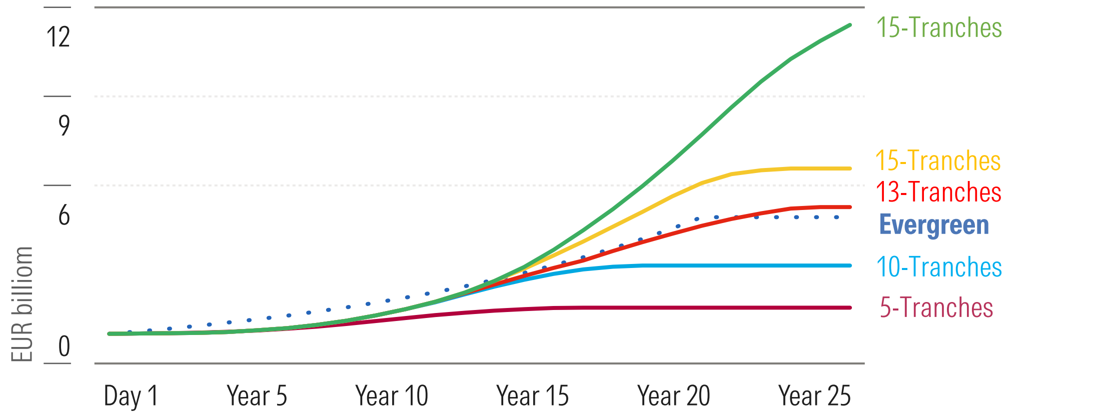
Evergreen funds may offer a better return profile than drawdown funds as those are fully invested from day one. But their availability remains limited in the global market. There are other important features for evergreens compared with drawdown funds.

- Potential outperformance: Despite the lower initial internal rate of return, evergreen funds may outperform drawdown funds due to consistent deployment across liquid assets and private equity investments.
- Fee structure: Management fees are typically paid on a net asset value basis, including original investments and capital appreciation, which means fees grow alongside the fund's value. Performance fees are also calculated on NAV and are based on total returns for the period.
- Simplified exposure: Evergreen funds eliminate the need for new commitments when drawdown funds mature, streamlining private market strategies for investors.
- Comparison challenges: Evergreen funds use time-weighted returns, while drawdown funds rely on IRR (money-weighted), complicating direct comparisons.
- Limited Availability: Evergreens remain a minority, and drawdown funds currently offer more options. A 2023 Goldman Sachs survey[1] found most GPs and LPs were not planning to offer semiliquid products soon.
- Operational complexity: Managing evergreen funds requires significant operational resources and a wide portfolio universe.
- Secondaries exposure: Evergreen funds are prone to heavy reliance on secondaries to have smoother capital deployment and a return schedule. However, such investments are often made with a significant discount and face the risk of a "value trap" if there is no future value creation left.

Example of Evergreen vs. Drawdown Portfolio Value



Example of Evergreen vs. Drawdown Investment Programs[2]

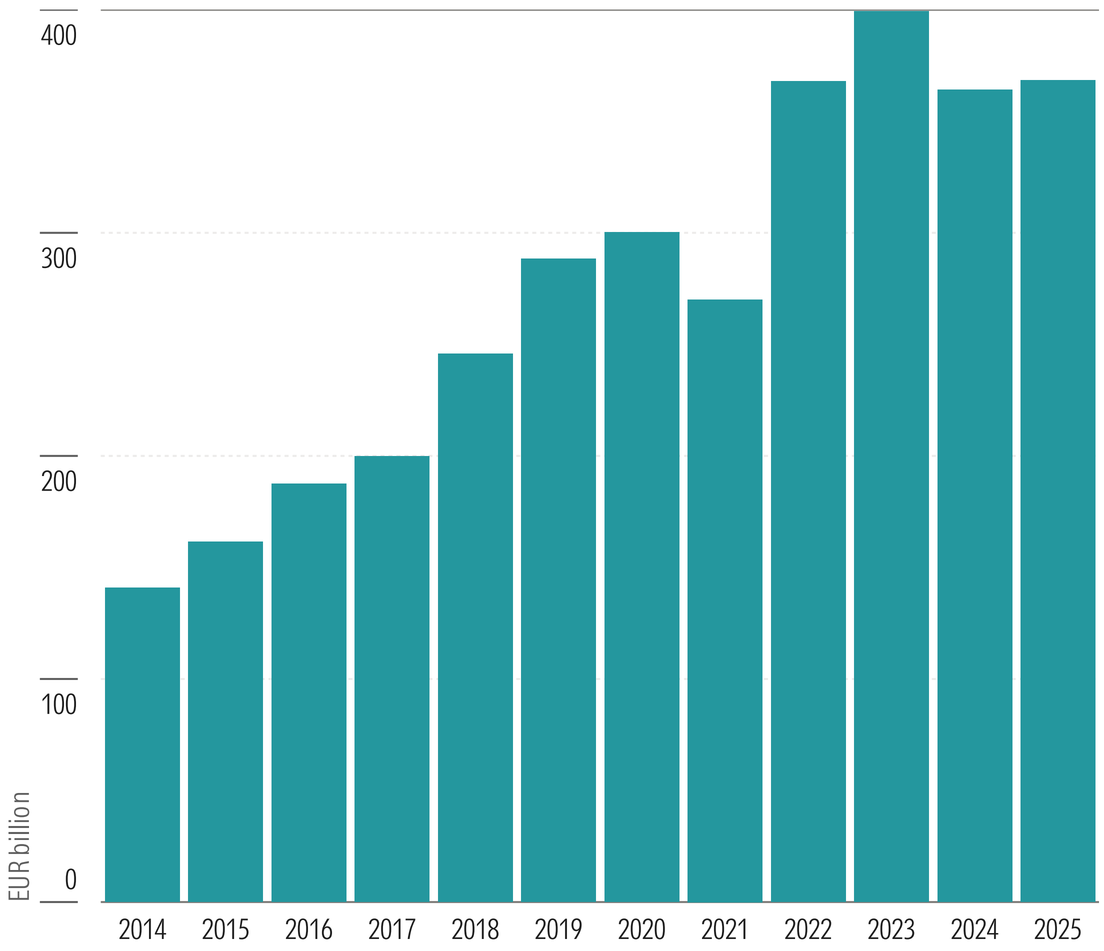


Sources: Morningstar, PitchBook, Goldman Sachs.
[1] Goldman Sachs "2023 Private Markets Diagnostic Survey."
[2] Goldman Sachs "Choose Your Vehicle: A Closer Look at Private Market Fund Structures, 2024"

European Private Markets Have Substantial Uninvested Capital or Dry Powder

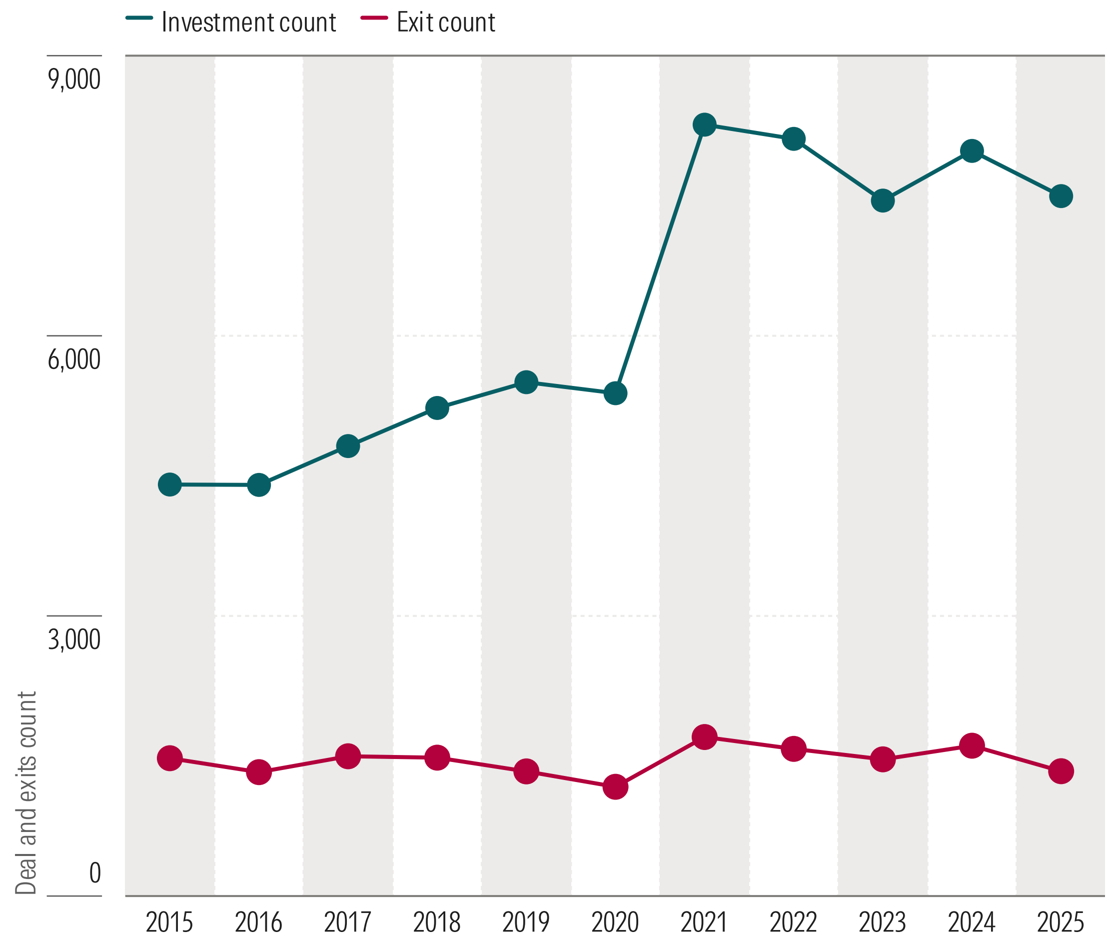
Private Equity Holds Ample Dry Powder Ready for Investment

European private equity dry powder data as of September 2025.



Deals and Exits Number Declines Since Peak in 2021

European private equity funds data, 2024 is nine-month data.



Source: PitchBook.

Artificial Intelligence Applications in Asset Management

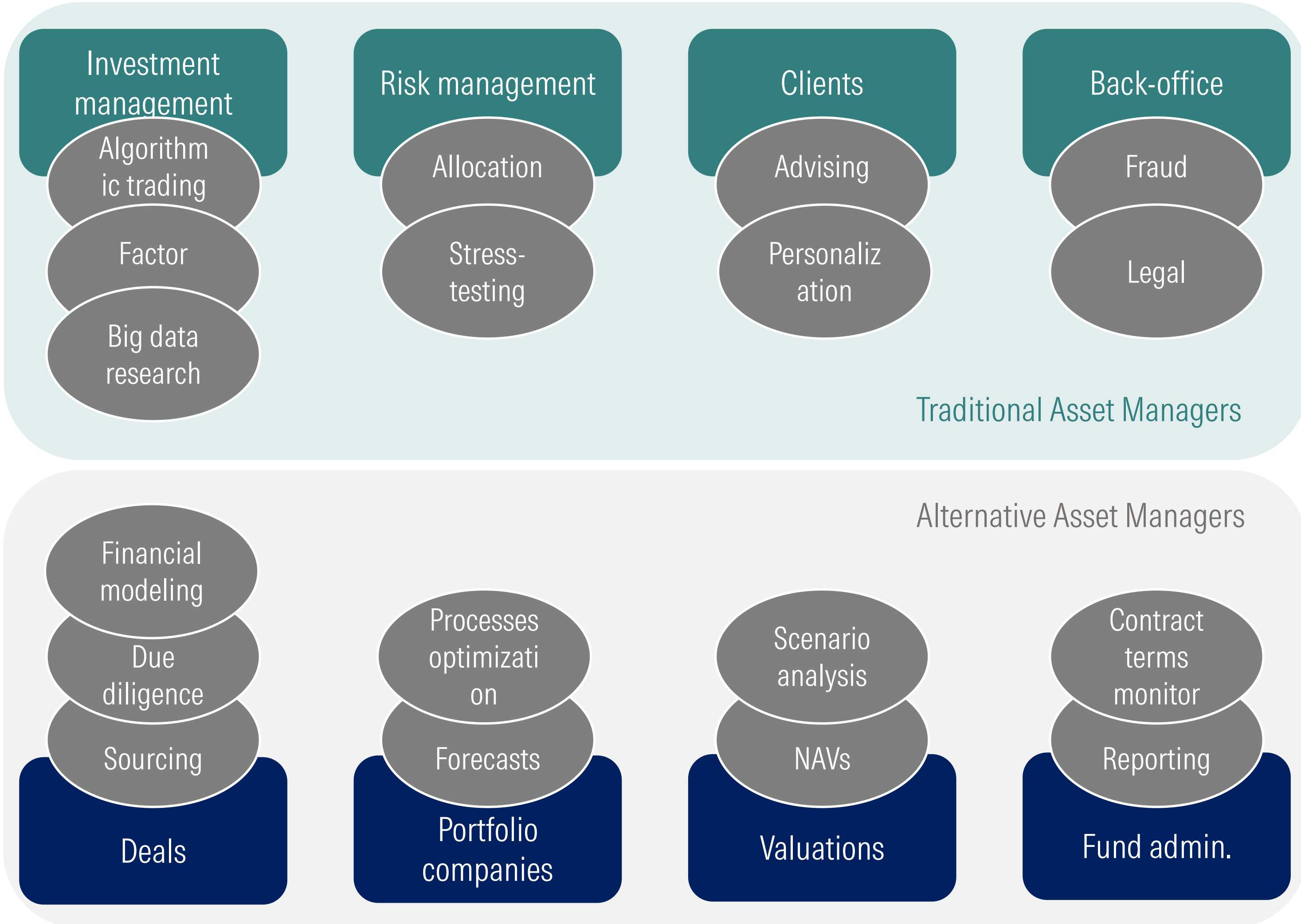
Traditional Managers at an Advantage
We think traditional asset managers can adopt AI faster due to their access to structured data, while alternative managers require more sophisticated solutions to effectively integrate AI into their operations.

Retail Distribution Will Become Personalized
Technological advancements, particularly in artificial intelligence, are poised to transform retail distribution by enhancing efficiency and enabling personalized client experiences.

Traditional Asset Managers Already Use AI
AI applications in trading, robo-advisors, client personalization, and risk modeling have existed for some time. It can also enhance internal functions like compliance and reporting.

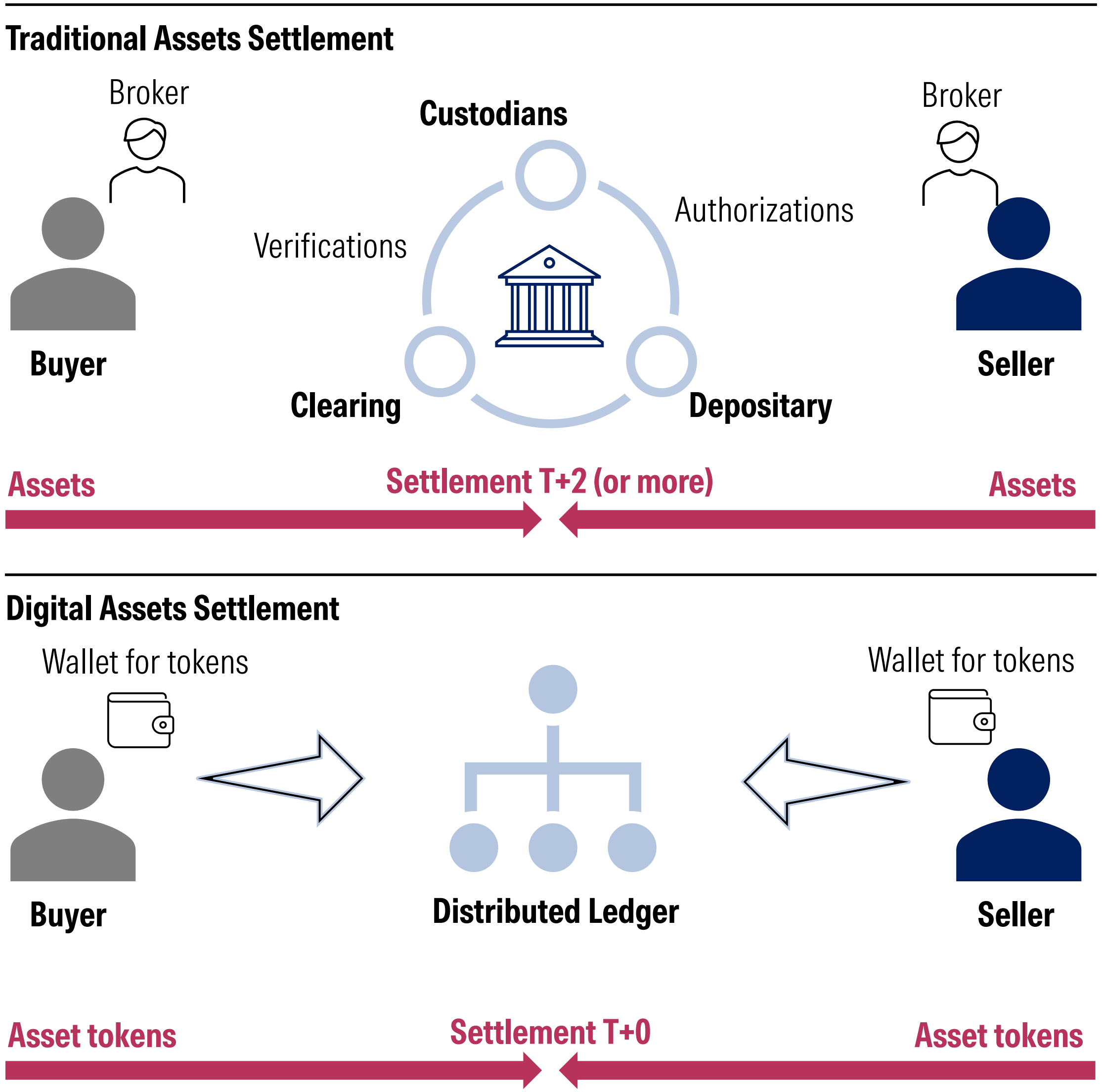
Alternative Asset Managers Face Greater Challenges
Implementing AI requires more complex models, extensive model training, and greater effort as the data needed for processing is highly diverse and less structured.

Existing and Potential AI Applications Across Traditional and Alternative Asset Managers' Operations



Source: Morningstar, EQT filings.

Tokenization of Financial Assets: Progress and Challenges



What is Tokenization?

Tokenization creates digital tokens on a distributed ledger, backed by real-world assets. While widely discussed, actual digital asset issuances remain rare with only a handful of examples, primarily in the fixed-income sector. Regulatory frameworks are still evolving and achieving a unified global standard remains a work in progress.

Expected Benefits

The digitalization of assets offers transformative advantages: Lower transaction costs by reducing intermediaries, faster settlements through automation, and increased liquidity, enabling broader access to traditionally illiquid markets (such as private assets). According to BCG, tokenization could unlock an additional $100 billion in annual investor returns while boosting financial institutions' profitability.

Challenges in Implementation

A key hurdle is selecting the right blockchain technology. Public blockchains offer transparency and accessibility, but face scalability and high transaction costs. Private blockchains are cheaper and efficient, but lack full transparency and interoperability, with corporate-controlled rules limiting accessibility. Interoperability between private blockchains requires specific integrations, further complicating adoption.

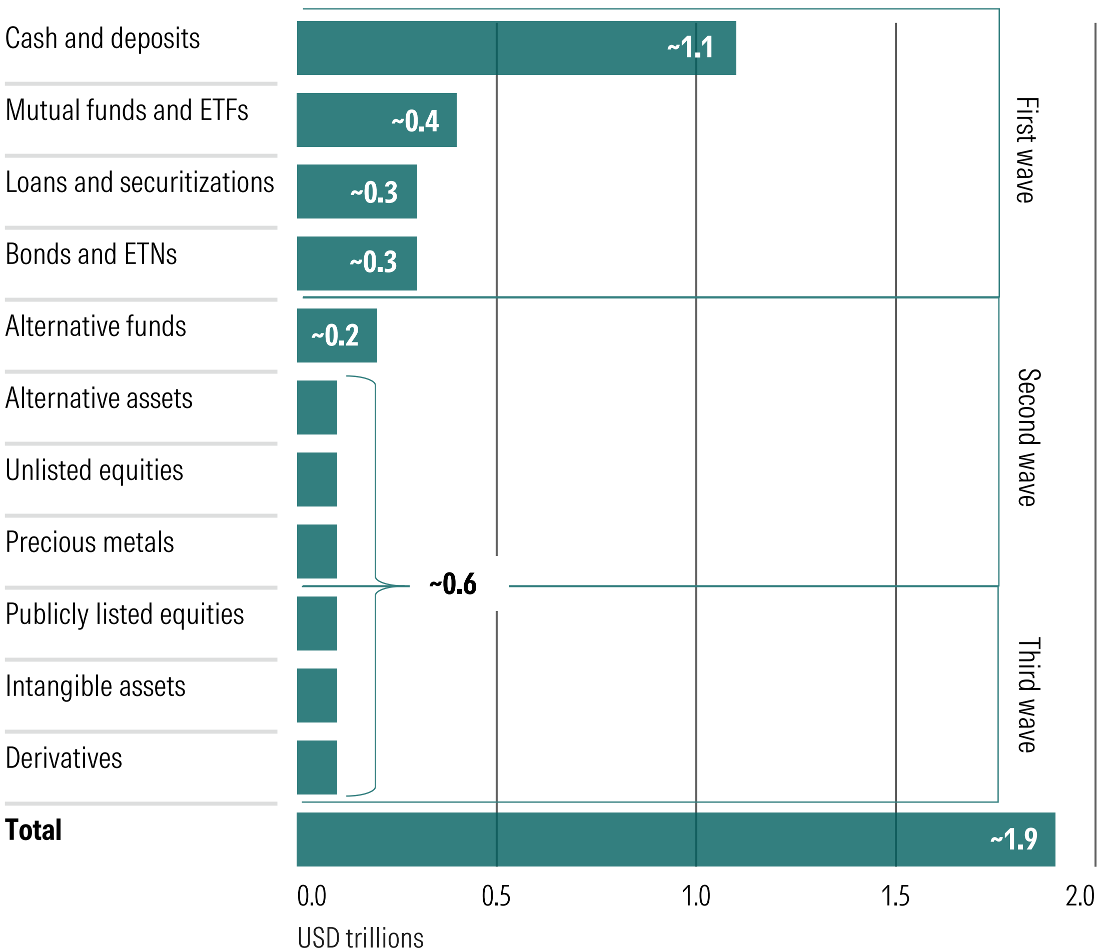
Where Are the Opportunities?

Not all asset classes benefit equally, but fixed-income securities and funds stand out: Fixed-income leverages automated underwriting and faster settlements, reducing inefficiencies. Funds gain from tailored solutions and improved ownership tracking, enhancing operational efficiency. According to McKinsey, a few tokenized funds available have already attracted around $1 billion of investments and bonds of around $10 billion.

Source: Morningstar, McKinsey, BCG, State Street.

Tokenization of Financial Assets: Adoption

Expected Tokenization by Asset Capitalization by 2030



Mutual Funds and ETFs Present Significant Potential for Early Adoption of Tokenization

What Does Tokenization Offer?

- **Simplified ownership:** Tokenization uses distributed ledger technology to streamline complex ownership structures, ensuring clear and efficient representation.
- **Lower barriers:** Fractional ownership reduces minimum investment sizes, opening funds to a broader investor base.
- **Automation:** Tokens embed asset or contract rules, automating dividend distributions, coupon payments, and regulatory reporting, cutting intermediary fees.
- **Enhanced liquidity:** Tokenized funds offer 24/7 or on-demand trading, providing greater flexibility for investors.
- **Streamlined compliance:** Tokenized networks simplify and enhance know-your-customer and anti-money-laundering processes.

Global asset managers are exploring tokenized funds, with early US movers like Franklin Templeton (FOBXX, UCITS fund), BlackRock (BUIDL), and WisdomTree (WTSIX, SPXUX, FLTTX). Smaller firms are testing niche solutions, but issuances remain limited. In Europe, DWS, Schroders, and Amundi's Italian division are researching tokenization, though no major issuances have occurred. Regulation-wise, Europe introduced the Markets in Crypto-Assets Regulation (2023) and launched Tokenize Europe 2025 with the Association of German Banks. Globally, Singapore, Hong Kong, and Switzerland lead in favorable tokenization regulations.

Source: Morningstar, McKinsey (June 2024). Note: FOBXX=Franklin OnChain US Government Money Fund. UCITS=Undertakings for the Collective Investment in Transferable Securities. WTSIX= WisdomTree Short-Duration Income Digital Fund. SPXUX=WisdomTree 500 Digital Fund. FLTTX=he WisdomTree Floating Rate Treasury Digital Fund.

ESG Snapshot

Summary of Sustainalytics ESG Ratings and Sources

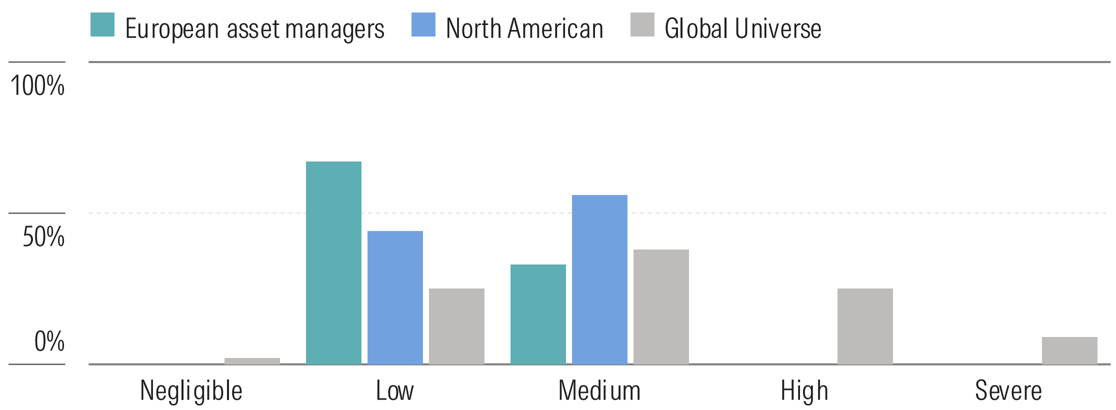
Sustainalytics ESG Risk Ratings assigned to all European asset managers in our coverage are Low, while for North American coverage, ratings range between Low and High. This is a significantly lower risk than the average Sustainalytics rating distribution across all industries.

- Product governance: Regulatory compliance is a major issue for asset managers, scoring higher for European managers compared with their North American counterparts and exceeding the industry average. This high score reflects the significant reputational risks and emergence of stringent regulations, with European regulators wielding more influence.

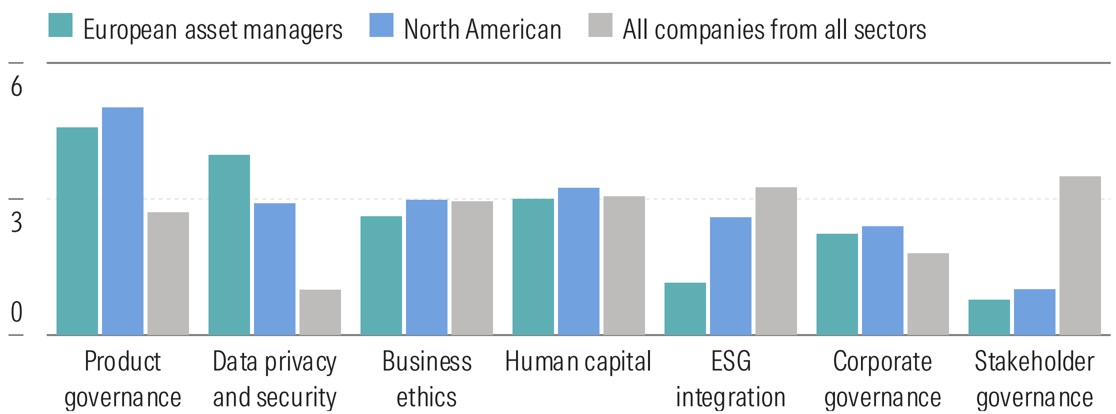
- Data privacy and cybersecurity: As asset managers transition into the digital realm, they handle vast amounts of sensitive information from companies and individuals. This shift poses a significant reputational risk in the event of data breaches.

- Human capital and business ethics: European asset managers score below the industry average but hold third place in ratings for material issues. Although the sector is talent-driven, it faces significant challenges in adopting artificial intelligence and machine-learning tools. Advanced IT systems have become crucial for operations in highly globalized and rapidly evolving financial markets. Business ethics, closely linked to financial markets, are prone to scrutiny, insider trading, and manipulation, posing risks for asset managers.

Distribution of ESG Risk Ratings for AMs and All Industries



Average ESG Risk Rating Scores by Material ESG Issues for AMs and All Industries



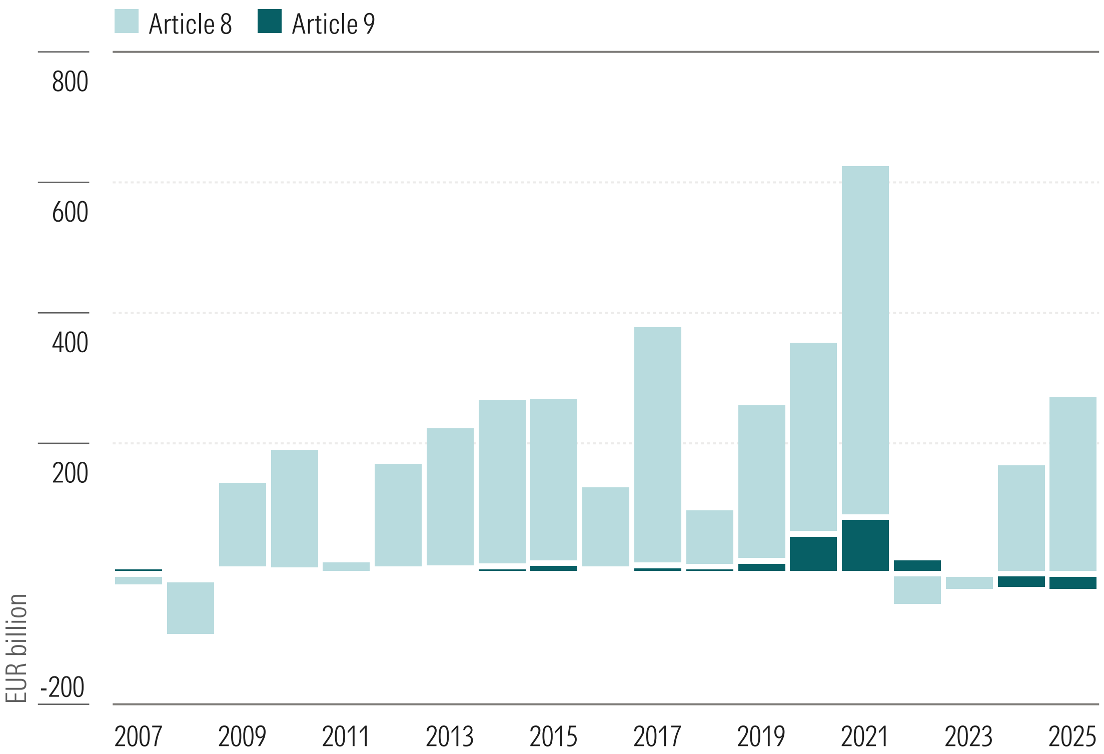
Source: Morningstar Sustainalytics. Data as of May 2026.
Note: For ESG Risk Ratings, there are six companies in the sample for European coverage and 16 companies in the North American sample. For material issues, six companies in the European sample and 14 in the North American sample. Subject to data availability.

Recent SFDR Investments Show Outflows

The EU's Sustainable Finance Disclosure Regulation requires asset managers to disclose ESG-related information for funds marketed as sustainable, ensuring greater transparency. Article 8 (light green) funds promote environmental, social, and governance characteristics, but sustainability is not their primary objective. They integrate ESG factors but may still invest in non-ESG assets. Article 9, or dark green, funds must have sustainability as their core investment objective and ensure all investments contribute to environmental or social goals. They are also required to exclude nonsustainable assets from the portfolio.

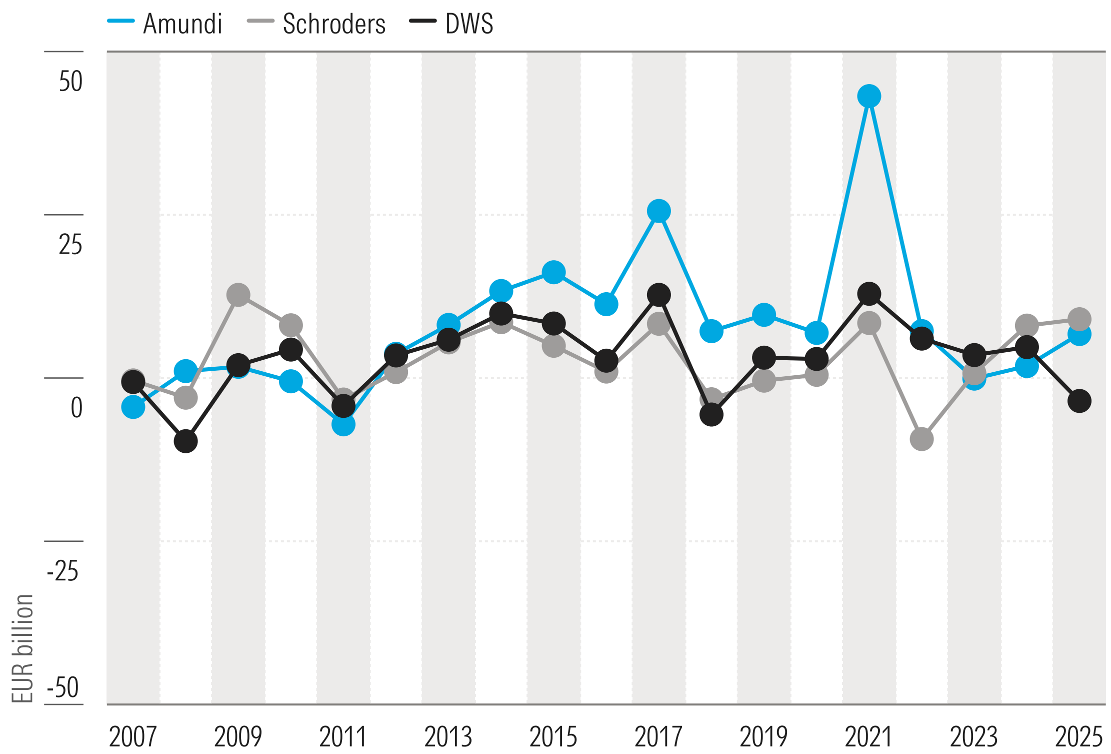
SFDR Flows Peaked in 2021; Now Slowly Recovering to Prepandemic Levels

European open-end and ETF flows into SFDR funds (retail).



Amundi Was a Leader Across the Big Three

Amundi, DWS, and Schroders open-end and ETF flows into SFDR funds (Articles 8 and 9).



Source: Morningstar Direct.

Note: All European-domiciled open-ended and ETF funds, excluding money market funds, fund-of-funds, and feeder funds

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