



Wealth and asset management Global Capital Confidence Barometer



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A note from Nadine Mirchandani, EY Global Wealth & Asset Management Transactions Leader

Wealth and asset managers use M&A to accelerate digital transformation

Technology serves as the foundation of most companies' transformation strategy. But with today's unprecedented waves of technological innovation, wealth and asset management (WAM) companies are feeling increasing pressure on multiple fronts, especially from changes in customer behavior and increasing competitive pressures.

Despite these challenges, 89% of WAM respondents agree that digital transformation will present them with opportunities to reposition their overall business strategy and reshape their portfolios. Dealmaking is at the heart of this transformation – 77% of WAM executives believe that their CEO has a clear vision of how M&A can help accelerate their digital transformation.

WAM executives are increasing the proportion of annual investment capital they spend on digital and technology. However, with 43% planning to devote 25% or more, their digital investment plans fall short of global respondents, who indicate increased minimum spend of 55%. WAM executives will want to make certain that their future investments keep pace with the rapidly changing sector dynamics.

WAM executives look to M&A for a range of priorities

WAM companies are turning to M&A as the fastest route to deliver the transitional capabilities they need to augment and accelerate their growth agendas. Thirty-nine percent of WAM companies say they'll be pursuing M&A in the next 12 months across a range of priorities, from technology to growth into adjacent businesses, to acquiring talent.

The outlook for M&A is more cautious, with a drop in the proportion of WAM companies looking to actively pursue M&A in the year ahead. With fees and margins under pressure, WAM companies that choose to use M&A will be focused on targets that support growth through new geographies, products and distribution channels, as well as scale to drive operational efficiencies.

Economic optimism grows but a deeper look reveals cracks in confidence

Where other financial services companies have seen their confidence in the economy slip slightly, WAM executives are more optimistic than they have been for the last two years, with 82% believing that the economy is growing. Yet even as their economic optimism is higher, their concerns over the potential for an economic slowdown are slightly higher as well.

Where 43% of WAM respondents see the potential for an economic slowdown (77% of whom think it could happen in the next two years), only 40% of banking and capital markets executives and 36% of insurance executives express similar concerns. Confidence in macroeconomic fundamentals reflects this unease, with positive sentiment across corporate earnings, short-term market stability, credit availability and equity valuations dropping by 25 percentage points or more from six months ago.

WAM executives recognize the imperative to measure and communicate their social value

Ninety percent of WAM executives say they already have metrics in place to measure financial value. Sixty-three percent say they have metrics in place to measure customer value, with a further 33% expecting to implement them in the next 12 months. However, as WAM executives look ahead, they are being called upon by individuals and investors alike

Top five investment destinations



to demonstrate leadership around social issues. Similarly, employees and prospective employees are looking for some indication that WAM companies value their contributions. In response, WAM companies are taking steps to measure talent and social value to gain a more holistic picture of their long-term value creation.

The best businesses see the importance of creating value for shareholders, customers, employees and society alike. Being able to measure and communicate long-term value creation across these four groups will help WAM companies demonstrate their commitment to solving global challenges and allow them to boost their corporate growth ambitions.

The C-suite remains optimistic in the near-term economic outlook.

52%

are confident in short-term market stability.

57%

do not expect an economic slowdown in the near to mid term.

M&A intentions have softened over the past six months, but the C-suite is still cautiously optimistic on the outlook for dealmaking.

44%

are expecting the M&A market to improve in the next 12 months.

39%

are planning to actively pursue M&A in the next 12 months.

Finding the right talent and technology at speed is driving deals as executives articulate long-term value beyond traditional financial metrics.

60%

of companies have difficulties securing the right talent.

84%

already have or plan to have social value reporting metrics in place over the next year.

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