Asset Management – whether passive or active management, assets under management are growing but they are also getting more concentrated

[*The Asset Management Industry Is Getting More Concentrated – Institutional Investor, Oct 29,2018*]

The big continue to get bigger with the top 500 fund managers in the world growing assets by 15.6 percent last year - the most significant increase since 2009 with the top 20 firms managing a large portion (43%). This is a continuing trend with the market growing and becoming more concentrated.


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Whilst concerns over trade issues and rising rates had initially caused a flow into US stocks, in recent months we have had increasing anxiety about various factors potentially causing a break in the uptrend in Equities that we have been experiencing for so many years since early 2009. Now we are seeing something of a correction. Fixed income is under pressure because of the mentioned rise in rates and as such investment managers have been adjusting duration and also shifting to less affected sectors to protect returns.

Now more than at any time recently, diversification and rotation into the right sectors to protect returns is paramount, as it always is at times when markets face potential turning points. Whether it is calls to rotate out of tech stocks into the payments sector or from tech stocks into pharmaceuticals, rotation of portfolios is always happening. For some time there has been an increasing shift in investment towards passively managed funds (which grew 25% in 2017) and a perception of a corresponding shift out of active funds, but despite this the Portfolio Management industry as a whole has still grown steadily for the last 5 years at 2.5% annual growth even with pressure on fees and costs.

Whatever your view on different sectors, duration or market trends, as always it starts with knowing the fundamentals -

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