BERKSHIRE GLOBAL ADVISORS

2025 Midyear Report

The first half brought stock market volatility, varying results for asset managers, and several significant deals worldwide

Trade wars, fee wars

While the Trump administration's trade war grabbed the headlines in the first half of the year, within the U.S. asset management industry **Vanguard** sparked a potential war of a different sort: In February, the company revived a how-low-can-you-go competition when it cut fees on 87 mutual funds and ETFs, saying the action will save investors $350 million this year.

Noting that Vanguard drew $306 billion of U.S. ETF inflows last year, CEO Salim Ramji told the Wall Street Journal, "Our longstanding deal with clients as owners is that as we grow our economies of scale, clients benefit. And one of the most obvious ways they benefit is through lower fees." For one of Vanguard's largest funds, the Total Bond Market Index (AUM: $355 billion), the initiative translated into a drop of one basis point to 0.04%. The Total International Stock ETF (AUM: $455 billion) delivered a larger three basis-point decline to 0.05%.

The news also generated plenty of favorable publicity for Vanguard, whose AUM rose 30% in 2024 to $10.4 trillion. In the first quarter, Vanguard's ETF inflows alone totaled $88 billion, according to **Morningstar** estimates, $20 billion more than **BlackRock**'s and $24 billion more than the total for the next eight largest ETF providers.

Ramji, who became Vanguard's CEO last July, has also expressed an interest in expanding the company's actively managed fixed-income portfolio. As part of the fee announcement, Greg Davis, Vanguard president and chief investment officer, opined that bonds "are poised to play a crucial role in investors' portfolios going forward. We expect yields to settle at levels higher than those seen over the past 15 years."

In the short term at least, none of Vanguard's major competitors bit, in contrast to some earlier fee wars that generated quick responses. But the latest data from the Investment Company Institute (ICI) show the steady erosion of pricing power among traditional U.S. managers: Average asset-weighted expense ratios for equity funds as a whole fell from 0.99% in 2000 to 0.42% in 2023. Among actively managed equity funds, the average expense ratio declined from 1.06% to 0.65% during that period while active bond funds fell by a similar proportion to 0.46%.

Equity index fund fees have dropped far more on a percentage basis, from 0.27% to 0.05%. Index equity ETFs as a whole sport a higher 0.15% average expense while actively managed ETFs average 0.43%, underlining the incentive managers have to enter that growing marketplace. Moreover, ICI data show that equity funds with expense ratios in the lowest quartile held 86% of index assets and 72% of actively managed assets. In an ICI survey, 87% of investors said that fees and expenses are "very/somewhat important" in their fund selection process, on par with the categories of historical performance and risk.

Given those trends, it's not surprising that the latest report from BCG found that 70% of the industry's $58 billion in global revenue growth last year was driven by market performance. That longstanding trend "underscor[es] the industry's vulnerability to external conditions — especially in a period marked by extreme market volatility, rapid shifts in sentiment, and heightened economic uncertainty arising in part from the disruptive effects of the US tariffs."

On the plus side, revenue growth exceeded costs last year, helping to drive up profits by 22%, although fees on net inflows were on average about 40 basis points lower than in 2023. Globally, AUM rose 12% to $128 trillion, with all regions contributing.

Coming off that robust 2024, the first quarter delivered uneven results, as volatile markets played havoc with performance: The S&P 500 and Nasdaq both suffered through their worst quarters since 2022, impacted by trade policies and economic concerns. The succeeding two months brought new volatility but more positive returns, as markets seesawed with sentiment on trade.

BlackRock, coming off a record year for net inflows ($641 billion) and financial results ($7.6 billion in operating income), reported $84 billion in net inflows in the first quarter, driven by its ETF business, and record AUM of $11.6 trillion, up 11% over the year-earlier period. The company's technology services and subscription revenue rose 16% vs. the 2024 first quarter and accounted for 8% of overall revenue. Private markets, to which Chairman and CEO Larry Fink devotes a considerable amount of ink in the company's latest shareholder letter, recorded $7.1 billion in net inflows, with liquid alternatives adding another $2.2 billion.

In the midst of the stock market's swings in April, Fink told analysts that BlackRock had not seen "true capitulation" among investors. "In most cases," he said. "more and more of our clients are saying ... when do we come in and buy more equities?" But Fink did wonder aloud whether the U.S. domination of global capital markets — a number he placed at 75% of total value — might begin to ebb. "As Europe is now finally focused on growing instead of controlling, could Europe become a new — a better destination for capital?" he asked. "Are there other areas where you could see reallocations?"

At **AllianceBernstein**, AUM rose 3% vs. the 2024 period to $785 billion, but revenue and operating income were both down slightly. The firm noted that private market AUM rose 20% vs. the year-earlier period to $75 billion as it aims for $90 billion to $100 billion by 2027. For mid-size global equity manager **Artisan Partners**, the first quarter delivered a slight increase in AUM to $162 billion, driven by investment returns, and a 5% bump in revenues to $277 million. **Amundi**, which in 2024 had record AUM (€2.2 trillion/$2.5 trillion) and net income (€1.4 billion), enjoyed continued momentum in the first quarter: AUM rose 6% to €2.3 trillion vs. the year-earlier period, including the highest quarterly net inflows since 2021 (€31 billion). Pretax income increased 11% to €458 million.

70%

Industry revenue growth driven by market appreciation in 2024

Among the alternatives firms, **Blackstone**'s AUM ($1.2 trillion) and fee-earning AUM ($860 billion) both rose 10% vs. the year-earlier period while dry powder reached $177 billion. Distributable earnings rose 11% to $1.4 billion. AUM at **Apollo Global Management** rose 17% to $785 billion (82% in credit) while fee-related earnings climbed 21% to $559 million. During the conference call, CEO Marc Rowan said he expects traditional asset managers to become "large consumers of private assets" as they "redefin[e] what active management is." Apollo is working with these firms to "integrate private assets in an appropriate way into products that we and the industry never really expected," he said.

Amid a mixed bag of first-quarter performances among brokerages and wealth managers, several of the largest U.S. firms managed to deliver solid results. **Morgan Stanley** generated $94 billion in net new assets and a gain of 7% in net revenues vs. the year-earlier period.

Charles Schwab reported $138 billion in new assets, an 8% increase in new brokerage accounts, and record revenues that rose 18%. Schwab also experienced its two highest trading days ever in April amid the tariff hikes. Among European firms, **BNP Paribas**' wealth business reported net asset flows of €9.4 billion (total wealth AUM: €469 billion), with particular strength in Asia, and an 11% increase in revenues vs. the year-earlier period.

Credit goes big

Private credit fundraising in 2024 dropped from 2023 to $197 billion worldwide, according to PitchBook, but the average size of a fund rose significantly to $1.3 billion, more than twice the level during the record fundraising year of 2021 ($300 billion). **Ares Management**'s close of a €17.1 billion ($19 billion) European direct-lending fund in January and **Oaktree Capital Management**'s close of a $16 billion opportunistic fund in February underline a trend in the sector reflected in last year's numbers: The dominance of the largest managers.

PitchBook reports that emerging managers with three funds or less garnered just a 6% share of funds in 2024 while established managers "consolidated share." Only 24 funds under $100 million closed last year, accounting for 15% of all funds compared with an annual average of 32% during the previous five years. Funds last year with more than $5 billion accounted for 5.5% of all funds but 44% of capital raised, the highest such totals ever.

Blackstone led the pack in 2024 with a $22 billion direct-lending fund, and the dominance of such firms isn't likely to end. Noting that direct lending to midsize companies has been the predominant strategy, McKinsey said in a 2024 study that as the sector extends into "additional, larger subsectors," the largest companies will be best-positioned for multibillion-dollar financings of investment-grade companies, infrastructure projects and major property financings. This includes having the scale to invest in technology, including artificial intelligence that can "improve underwriting decisions and support more effective portfolio monitoring, particularly across large pools of assets."

Ares' European fund, which the company touted as the largest such institutional fund "in the global direct lending market," could reach €30 billion with expected leverage and related vehicles. The fund is focused on Ares' traditional target of midsize firms. Michael Dennis, co-head of European credit at Ares, told Alternative Credit Investor that commercial banks continue to "cede market share" in the middle market as "liquid markets have come back pretty strongly" for larger companies. As a result, even with a large fund, "it doesn't make a lot of sense" to target the market for larger companies "as the relative value sits better in our core middle-market franchise."

While private credit managers are increasingly courting wealthy investors — Blackstone in March received SEC approval for a private credit fund for individuals, as just one example — institutions remain both the dominant investors and overwhelmingly bullish. In the latest survey by Pensions & Investments, the 200 largest U.S. defined-benefit plans recorded a stunning 57% increase in their private credit assets in the year through September 2024 to $198 billion. "A lot of those [underfunded] investors definitely are using private credit as a yield enhancement," the head of private markets at **Mercer** told the publication. He added that it's also a "return enhancement for their broader portfolio, and we're seeing allocations move from fixed income in particular."

6%

Share of funds in 2024 for emerging managers with three funds or less

As buyers naturally follow demand, the market for private credit managers remained strong in the first half, following a 2024 that saw a robust pace of 22 transactions valued at $18 billion, only slightly less than the total value for the previous four years combined. Large insurers again figured prominently among the buyers, including **Northwestern Mutual** and Italy's **Generali**. For Northwestern, the target was **Sixth Street**, in which it assumed a minority shareholding. As in other such deals, Sixth Street (AUM: $100 billion) gains a source of perpetual capital and will also manage $13 billion of Northwestern's general account assets.

In an interview with Bloomberg TV, Sixth Street President and Co-Chief Investment Officer Josh Easterly highlighted the challenge finding talent with an "investor mindset" to match the growth of the asset class. "People typically think about the business model having either one of two constraints," he said. "One constraint is capital, the other is opportunities. That's actually not the constraint. The real restraint is actually people to deliver the returns."

Generali paid $320 million for 77% of another U.S.-based manager, **MCG Investment Group**, the deal concluded via Generali's U.S. asset manager, **Conning & Co.** MCG focuses on non-sponsored middle-market companies with $10 million to $50 million in EBITDA, primarily in first-lien senior-secured structures. In one deal this year, MCG invested in an HVAC plumbing and repair services business to support its "continued rollup acquisition strategy."

A strictly domestic U.S. transaction saw **T. Rowe Price** form a "strategic partnership" with life insurance and annuity provider **Aspida Holdings**, in which it already held a minority interest. The deal was done through T. Rowe's private credit subsidiary, **Oak Hill Advisors**. The partnership involves the management of both public and private credit assets as well as product development. Apollo Global Management added CLO specialist **Irradiant Partners** to its credit business, the deal cut through independently managed affiliate **Redding Ridge Asset Management**. Irradiant adds about $11 billion in CLO AUM to make Redding a top-five player in that market with $38 billion in AUM.

In a third U.S. deal, **Mesirow** expanded its alternatives business by acquiring **Bastion Management**, a lower-middle-market asset-backed lender that has completed more than $2 billion in commitments over its 13-year history.

Data power

Some analysts began recalibrating their assumptions about the demand for artificial intelligence-related power following the January news about DeepSeek's trimmer AI model, but simultaneously an exchange was launched to create a marketplace for that demand.

Compute Exchange, headquartered in Silicon Valley, provides a trading mechanism for sellers such as data centers and cloud providers and buyers like AI firms.

Backed by trading firm **DRW**, CE says demand for AI-related computing power could account for more than 9% of the U.S. energy grid by 2030. "Obviously, oil is the largest commodity right now, [but] I believe it will be displaced by compute," DRW founder and CEO Don Wilson told the Wall Street Journal.

AI-related computing power could account for 9% of the U.S. energy grid by 2030

The users include asset managers: A KPMG survey released in January showed that 61% of respondents named AI awareness and education as their top employee "change and knowledge management" priority followed by 49% saying they want to "empower" employees to experiment with AI. For the moment, the survey found that generative AI was mainly being employed for back-office functions, although the percentage calling their efforts "developmental" jumped 13 points to 39% from a survey just six months earlier.

The broad real assets sector that incorporates data centers — variously defined as infrastructure or real estate — has caught fire among investors. In the first quarter, **JPMorgan Chase** was involved with two $2 billion loans related to data center construction in Texas and Utah. During the same period, **Principal Asset Management** closed a $3.6 billion fund focused on data centers, an amount "well in excess of the target, from a diverse global investor base."

The race to meet computing demand is global. A South Korean province signed a memorandum of understanding with a Silicon Valley investment startup for the construction of what will be one of the world's largest data centers, with three gigawatts of power. The initial $10 billion investment in South Korea could reach $35 billion, the parties say. The Silicon Valley partner,

Stock Farm Road, was co-founded this year by Brian Koo, a venture capital investor and part of the family that founded South Korean giant LG Electronics.

In Vietnam, **Saigon Asset Management** announced it will build a data center in collaboration with a domestic industrial park developer involving an investment that could reach $1.5 billion. SAM also plans to launch a $300 million fund to develop additional data centers in Vietnam.

Asset managers seeking to enter or expand their presence in the broader infrastructure sector have in recent years sparked an M&A rush. In 2024, an infrastructure target accounted for the largest asset management deal of the year: BlackRock's $12.6 billion cash-and-shares acquisition of **Global Infrastructure Partners**. In March, BlackRock potentially expanded that infrastructure portfolio significantly by agreeing to acquire 44 ports in 24 countries, including the Panama Canal. BlackRock partnered in the $22.8 billion deal — which faces some political obstacles — with Switzerland's **Terminal Investment Ltd.**, in which GIP is a shareholder. If the transaction is completed, BlackRock and partners will operate 100 ports in total.

The deal was cut with Hong Kong conglomerate **CK Hutchison Holdings**, controlled by one of the territory's legendary tycoons, Li Ka-shing. Discussing the port business at an energy conference soon after, BlackRock Chairman and CEO Larry Fink said, "It's a great, stable business. If you believe the world can grow at 2% or 3% a year, that means even with tariffs and other things, the ports are going to be quite active and are going to throw off 15% or 16% returns."

Apollo Global Management in the first quarter had its eyes on the expansion of data centers, in part, with the acquisition of **Argo Infrastructure Partners** (AUM: $6 billion), whose portfolio includes digital infrastructure, as well as power generation and transportation. Two pension funds also tapped the infrastructure market. One was **British Columbia Investment Management**, which paid £1.1 billion ($1.3 billion) through a special limited partnership for **BBGI Global Infrastructure**, one of the largest publicly traded infrastructure funds in the UK.

UK pension fund **National Employment Savings Trust** acquired a 10% interest in the holding company for Australian infrastructure giant **IFM Investors**. IFM is owned by 16 of Australia's superannuation funds. Nest said it plans to invest £5 billion ($6.4 billion) through the asset manager by 2030.

Office revival?

Is the office sector ready to rebound? In January, Blackstone President and Chief Operating Officer Jonathan Gray weighed in with his opinion that office had bottomed out. "Companies are starting to go back to the office, we've seen a complete stoppage of new building, and in some cases we're seeing real growth, particularly in financial services," he told Bloomberg TV. But Gray did emphasize that Blackstone, which over time has pared U.S. office holdings to less than 2% of its real estate portfolio, would be selective, focusing "on better-quality buildings in better markets."

To Grays point, in an interview with Nareit, **Empire State Trust Realty** President Christina Chiu called the New York City market "a story of haves and have-nots." The "haves," she explained, are newer or renovated buildings that are attractive, with "great floor plans, are energy efficient and have amenities." Blackstone is reportedly eyeing one of the "haves" in Manhattan — a 50-story office building near Central Park.

The "have-nots" are searching for answers. For one such property in New York's financial district, the answer involved what is believed to be the largest-ever U.S. office-to-residential conversion, with more than 1,300 apartments. Still, residential conversion remains a challenging option, based upon urban demand, the suitability for conversion, cost and government incentives.

First-half deals for real estate asset managers continued to target industrial and logistics.

Within that uneven picture, JLL noted that in the final months of 2024 the U.S. sector enjoyed its first quarter of positive net absorption since 2021 — and the third consecutive quarter of post-pandemic highs for leasing activity. MSCI reported that the volume of U.S. office building sales rose 20% last year to $64 billion, the first such increase since 2021, though still below pre-pandemic activity.

In the first quarter of this year, net absorption went negative, according to **Cushman & Wakefield**, but the haves continued to show strength: Class A building rolling net absorption rose 55% over the year-earlier period. "The shift in economic policies under the Trump Administration has not yet had a noticeable impact on office demand," the firm wrote. Meanwhile, central business districts continue to grapple with a vacancy rate of 19% nationally as of April, according to Yardi Matrix.

Capital raised in the first quarter by private real estate funds dropped by 17% year-over-year to $30 billion, according to Preqin, but doubled from the fourth quarter of 2024. Real estate debt funds accounted for $11 billion of the first-quarter total, bolstered by the close of Blackstone's $8 billion fund. Deal value ($35 billion) and volume (987) were up slightly from the year-earlier period. In May, **Brookfield Asset Management**, with more than $270 billion in real estate AUM, announced that in the first quarter it raised $5.9 billion for its fifth global opportunistic fund. That brought the total to $16 billion, just $2 billion shy of the target and BAM's largest-ever real estate fund.

In discussing that fund during BAM's earnings call, President Connor Teskey cited the opportunity to capitalize on the lack of new supply in major markets for "great real estate" that has created "a very robust supply-demand dynamic." A second factor in the fund's favor, he said, is "some legacy capital structure not well-suited for the current interest-rate environment. That's going to create very attractive opportunities to buy quality assets with imperfect capital structures at significant discounts to replacement costs."

Within the real estate asset management sector, buyers continued to target the hottest parts of the market, industrial and logistics. Those areas factored into deals involving **Affiliated Managers Group** and **Australian-Super**, that nation's largest superannuation fund. For AMG, the target was **NorthBridge Partners**, an investor in last-mile logistics properties with $2 billion in AUM. In recent years, AMG has zeroed in on alternative managers, which account for 39% of its $700 billion in AUM but 48% of EBITDA.

AustralianSuper, with an eye on expanding its investments in European property, cut a deal for 50% of **Oxford Property Group**'s €840 million ($940 million) European industrial and logistics portfolio and a similar share in Oxford-owned **M7 Real Estate**. M7 is a pan-European investor with €5.5 billion in AUM, nearly 90% in industrial/logistics and retail-related warehouses.

But the largest transaction involved a more diversified real estate manager: Apollo Global Management's $1.5 billion acquisition of **Bridge Investment Group**. The all-equity deal adds $33 billion in complementary strategies to the $77 billion Apollo already managed in real estate debt and equity. Bridge, which has $50 billion in total AUM, will retain its branding as a standalone platform within Apollo. Bridge said the deal positions it "for the next phase of growth."

Aging Advisors

Demographics has been one factor behind the torrid M&A activity in the wealth sector, as baby boomer owners begin to monetize their investments. But an aging advisor workforce in general poses a major challenge for the industry. In a report released earlier this year, McKinsey estimates that the U.S. could face a shortfall of 100,000 advisors by 2034, a circumstance requiring the industry to recruit new talent "significantly faster than before."

The consulting firm notes that fee-based advisory revenues in the U.S. climbed from $150 billion in 2015 to $260 billion in 2024, while growth in "human-advised relationships" has outpaced population growth by three times during that period. McKinsey projects the number of relationships could grow from 53 million in 2024 to between 67 and 71 million by 2034. Rising wealth is one factor, but so is demand: A McKinsey survey of affluent and high-net-worth (HNW) investors shows that the share seeking "holistic advice" has grown from 29% in 2018 to 52% in 2023.

Against that increasing demand is an advisor headcount that grew by an annual average of just 0.3% in the 10 years through 2024. Firms have coped by adopting team-based initiatives, hiring specialists for support, and through technology. While artificial intelligence will further enhance productivity, McKinsey's prescription on the human side includes broadening the search for talent, including career switchers and women, the latter of which account for 60% of college graduates but just 15% of advisors.

Following another robust year for buyers and sellers of wealth firms, M&A has remained active this year. By **Fidelity Investments**' count, there were 72 deals during the first quarter compared with 50 during the same period in 2024, 28% of which involved targets with $1 billion or more in assets. "M&A remains strong with healthy pipelines reported by strategic acquirers and investment bankers," wrote Fidelity. April delivered more strong numbers: 26 transactions, up 44% over the previous year's period, with strategic buyers accounting for three-quarters of the deals.

Among the high-profile strategic buyers in the first half were **Captrust, Carson Group, Cerity Partners** and **Wealth Enhancement**. For Wealth Enhancement, backed by **Onex Partners** and **TA Associates**, targets included **Capstone Wealth Advisors**, an RIA with an office in Oregon and several in Washington state, and **Marcum Wealth**, a Cleveland firm with $3 billion in AUM. In 2024, Wealth Enhancement closed 20 acquisitions en route to topping the $100 billion mark in assets.

New York-based Cerity expanded its Boston presence by acquiring **Prio Wealth** while adding more than $4 billion in AUM. Prio Wealth primarily serves a HNW clientele, whose accounts average nearly $7 million, as well as a smaller mass-affluent group. Cerity's investors are **Genstar Capital** and **Lightyear Capital**. Captrust stayed local for one of its first-half deals, adding **Carolinas Investment Consulting**, a Charlotte, N.C.-based firm with $1.4 billion in assets. With the addition, Captrust inched toward a total of 100 offices in 35 states. Captrust is backed by **Carlyle** and **GTCR**; it has $850 billion in assets.

Following the acquisition late last year of the leading RIA in Maine, **Corient** welcomed the new year with a second major deal by acquiring New York multifamily office **Geller & Company**, adding $10.4 billion in assets to bring its total above $190 billion. Geller strengthens Corient's presence in New York as well as its family office capabilities. Corient is part of Canada's **CI Financial**, taken private last year by **Mubadala Investment Co.**

Carson Group tapped its Midwest backyard in acquiring full ownership of firms based in Chicago and Iowa in which it already held interests. Combined, the two firms have $2 billion in AUM. **Carson Wealth Chicago**, where AUM grew sixfold between 2019 and 2024 to top $1 billion, said the deal "will allow us to streamline our operations and focus on delivering even greater value to clients while continuing our expansion in the region through acquisitions." The Chicago firm has five locations and 15 advisors while Carson Group has a total of $40 billion in AUM. **Bain Capital** has been an investor in Carson Group since 2021.

3X

Growth in advisory relationships vs. population growth

In May, **Mercer Advisors**, backed by several investors, surpassed a total of 100 deals since 2016 with the acquisition of two firms, including a small one in its Denver backyard, **Lewis Wealth Management**. The addition gives Mercer a total of $5.5 billion in AUM in Colorado, where it has eight offices. Lewis said the link to Mercer will provide "the resources and support to serve clients more comprehensively in the long term."

New York's **Snowden Lane Partners** cut against the consolidation trend by acquiring "a significant portion" of the stake held by longtime investor **Estancia Capital Partners**, underlining its "commitment to advisor and employee ownership." Snowden, coming off a 2024 in which revenue rose 30% to more than $80 million, has some $12 billion in assets.

Independent firms continue to add assets and capabilities to remain competitive. For Cleveland's **Carnegie Investment Counsel** that meant tying up with **Eagle Ridge investment Management** of Connecticut to further expansion in the Northeast, where Carnegie already had several offices. The combination has $6.3 billion in assets. Philadelphia-area firm **Pitcairn** made the first acquisition in its 102-year history, for ultra-HNW firm **Brightside Partners.** In addition to adding $2.5 billion in assets to bring Pitcairn's total to $9 billion, Brightside brings a significant network of relationships with alternatives managers. In an interview with InvestmentNews, Pitcairn CEO Andrew Busser called the deal "part of our evolution" and said the firm will continue to "selectively pursue acquisitions."

Regional and local banks have been steady if minor buyers of wealth firms, including **Hancock Whitney Bank**, which tapped the market for the second time since 2018 by acquiring Florida's **Sabal Trust Co.** The Mississippi-based bank said the deal will make Florida its largest wealth market and will be immediately accretive to earnings per share. Sabal had $3 billion in AUM and revenues of $22 million in 2024.

In Switzerland, **EFG International**, coming off a record year for profits, acquired **Cite Gestion**, an ultra-HNW firm with CHF 7.5 billion ($8.4 billion) in AUM. EFG said the deal will enhance its Swiss business, which together with Italy accounts for 27% of AUM (total AUM: CHF 165 billion). Fortified by a 2024 investment from **Allianz** and Chicago's **Constellation Wealth Capital, AlTi Global** acquired one of Germany's larger independent firms, **Kontora Family Office**, adding €14 billion ($15.2 billion) in AUM to push total assets above $90 billion. Both firms serve the ultra-HNW market.

The wealthtech space delivered its third $1 billion-plus transaction since 2024: **Clearwater Analytic**'s $1.5 billion cash-and-stock acquisition of **Enfusion**. The deal merges the after-trade and trading platforms of the two firms, including Enfusion's end-to-end platform for hedge funds and liquid alternatives. "Both [firms] have built outstanding platforms but for different parts of the business," Clearwater CEO Sandeep Sahai told Bloomberg. "And this combination will allow clients and companies to get a comprehensive solution from us fully built out on native cloud technologies [and] SaaS platforms. So that is exciting for the industry as whole."

New No. 1

In addition to its decision to lower fees on scores of mutual funds and ETFs, Vanguard made news in the first quarter for another reason: In February, the Vanguard S&P 500 ETF overtook **State Street**'s SPDR S&P 500 ETF to become the largest ETF worldwide with $634 billion in assets, Morningstar reported. "Some investors will start their ETF journey using the largest ETF and build broader portfolios around [that]," the head of research at **TMX VettaFi** told Investors Business Daily. "This should further help Vanguard gain scale."

Another among the big-three ETF providers, BlackRock, saw its iShares Core S&P 500 ETF approach the $600 billion mark in the first half, while last year it became the first firm to pass the $1 trillion threshold in ETF assets in Europe, according to ETFbook. At the same time, BlackRock's European market share has been declining over the past 10 years from 48% to below 42%.

€1.9
trillion in AUM
Generali and Groupe BPCE combined

Following a 2024 that saw the global ETF market deliver another record-breaking year — $1.9 trillion in net inflows and $14.9 trillion in total assets — the market continued its climb in the first quarter, drawing record inflows of $298 billion in the U.S. and $464 billion worldwide, according to ETFGI. Against the backdrop of global trading tensions, physically backed gold ETFs had one of their best quarters ever, drawing $21 billion worldwide, according to World Gold Council.

On the M&A front, however, the pace of acquisitions for smaller, niche-oriented ETF providers remained subdued in a continuation of the trend in 2024, following an aggressive pace between 2018 and 2023 that saw some two-dozen deals. But the traditional investment management sector as a whole did produce two major deals on both sides of the Atlantic and another involving two of the biggest players in Asia-Pacific.

Within Europe, Italian insurer **Generali** and French bank **Groupe BPCE** agreed to merge their asset managers to create Europe's second-largest such firm behind **Amundi**. The 50-50 joint venture, named **NewCo**, will have €1.9 trillion ($2.1 trillion) in AUM and €4.1 billion in revenues and will be the leader in insurance asset management based on general account AUM. Groupe BPCE's asset manager, **Natixis Investment Managers**, accounts for two-thirds of AUM. The venture will last at least 15 years.

In the second deal, occurring in the U.S., private equity firm Genstar Capital acquired a majority of **First Eagle Investments**, with some reports placing the value at more than $4 billion. Genstar acquired the stake held by Blackstone, **Corsair** and co-investors since 2015. A value investor, First Eagle (AUM: $140 billion) has been diversifying its portfolio, including building a significant private credit business via acquisition. Genstar, with investments in several wealth managers, said the addition of First Eagle allows it to "capitalize on growth trends in the investment management industry."

Nomura Holdings primarily expanded its U.S. footprint via a $1.8 billion all-cash deal with **Macquarie Group** that also included two European businesses. The deal adds $180 billion in AUM (90% U.S.) in a mix of equity, fixed-income and multi-asset strategies to the $590 billion Nomura already managed. Nomura had set a goal of ¥129 trillion ($900 billion) in AUM by 2030 based on organic growth alone. While Macquarie will retain its leading traditional asset management business in Australia, the deal underlines the firm's commitment to its large and higher margin alternatives business.

The demand for outsourced chief investment officer/ consulting firms in evidence last year continued into the first half. Buyers included wealth manager **Mariner Wealth Advisors,** which tacked on its third such deal since 2024 by acquiring **Cardinal Investment Advisors**. Employee-owned Cardinal has $292 billion in assets under advisement. Mariner CEO and President Marty Bicknell called the deal "a defining chapter for Mariner in becoming the premier partner for institutional consulting services." OCIO giant Mercer added its third such deal since 2023 by acquiring a boutique firm, **Secor Asset Management**, with $35 billion in assets under management and advisement.

In a couple of tack-on deals in the U.S., **MetLife Investment Management** acquired $6 billion in fixed-income assets and the related investment teams from **Mesirow** while wealth and institutional manager **Tocqueville Asset Management** added $1.3 billion in assets by acquiring a value-oriented manager, **Poplar Forest Capital**. Tocqueville cited its "long history of attracting entrepreneurial investment professionals who share our healthy skepticism of fashionable investment trends and a dedication to bottom-up, absolute return-oriented portfolio construction."

PE "fog" clearing

In its 2025 report on private equity, McKinsey categorized the industry as "emerging from the fog." For one thing, the "long-awaited uptick in distributions finally arrived" in 2024, the consultant writes, noting that sponsor distributions to limited partners (LPs) exceeded capital contributions for the first time since 2015 and were the third highest on record.

Following a two-year decline, deal-making picked up, with a notable increase in transactions above $500 million in enterprise value: 31% of the total by deal count compared with an average of 26% during the previous five years. The resurgence, McKinsey writes, was driven by a decline in the cost of buyout financing and new-issue loan value for private equity-backed borrowers that nearly doubled.

At the same time, fundraising worldwide declined for the third year in a row in 2024, to $589 billion, and those funds took longer to close (a record-high 21.9 months, up from 19.6 in 2023). Dry powder in the first half of 2024 dropped 11% from the same period in 2023 to $2.1 trillion. The consultant reports that in its survey of "leading" LPs, 30% said they plan to increase their private equity allocations this year vs. 16% that plan on reductions (54% plan to stand pat). Overall, LPs have increased their target allocations by two percentage points since 2020 to 8.3%.

As the new year began, **Ardian** of France completed fundraising for the largest-ever secondaries fund of $30 billion, $11 billion more than its previous such fund in 2020. The fund, in which private wealth clients accounted for 22% of the capital, will invest in "high-quality" assets in Europe and North America. "I have never seen so many secondaries deals in the pipeline," Jason Yao, Ardian senior managing director, told Secondaries Investor. "We are very confident that deployment will be one of our least concerns for this fund."

Driven by that fund and an $11 billion fund from **ICG**, secondaries funds worldwide collected $51 billion in the first quarter, according to Secondaries Investor. That comes off a record 2024 for secondaries volume, which rose 45% to $162 billion, according to **Jeffries Financial Group**. Average pricing for LP portfolios was 89% of net asset value in 2024, representing a 400-basis-point jump for the second straight year.

$30B

Ardian's record secondaries fund

Although trade friction gave some industry participants pause regarding the prospects for the full year, in the first quarter the U.S. delivered 406 exits with value that more than doubled from the year-earlier period to $194 billion, according to PitchBook. That helped drive the global number to $270 billion, or $104 billion more than in 2024. But U.S. fundraising was soft, at just $57 billion, and globally at $88 billion.

Transactions for private equity firms, which totaled 53 in 2023 and 2024 — double the average annual number in the three prior years — settled into a quieter pace in the first half of this year. But buyers included two high-profile alternatives firms: Blackstone and **Wafra**. The former targeted an established middle-market investor in the industrial sector, **American Industrial Partners**. AIP has $17 billion in AUM and a portfolio with more than two-dozen companies "that are generally among the world leaders in their industrial market niches" and with opportunities for expansion. Among them is Commonwealth Rolled Products, an aluminum rolled products manufacturer in Kentucky with revenues of more than $1 billion.

For Wafra, the target was a startup focused on the technology sector, **Niobrara Capital**, the deal done through Wafra's **Capital Constellation**, which invests in next-generation managers. Niobrara was formed by an experienced tech investor and focuses on midsize firms "benefitting from mega trends in the evolving technology landscape." A small deal in France between two boutiques involved the merger of **Cerea Partners** and **Demeter Investment Managers**. Cerea focuses on the agri-food value chain and Demeter on energy and ecological transition. Combined the two firms have €2.8 billion ($3.2 billion) in AUM.

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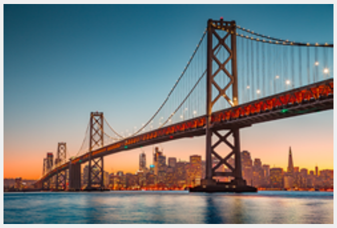

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