

# STATE OF THE MARKET

## The Road Ahead: 2026-2030

SLOWING GROWTH

ETFs DOMINATE

## 2025 EDITION IS PUBLISHED BY ISS MARKET INTELLIGENCE

1177 Avenue of the Americas, 14<sup>th</sup> Floor  
New York, New York 10036

P. +1 212 217 6884  
E. sales@issmarketintelligence.com

For information on any Global Research  
& Advisory Solutions product, please email:  
research@issmarketintelligence.com

For sales inquiries, please contact:  
sales@issmarketintelligence.com  
+1 212 217 6884

## KEY CONTACTS

Christopher Davis and Benjamin Reed-Hurwitz

## THIRD-PARTY EDITING:

Annie Rosenberg

## DESIGN AND PRODUCTION:

seven zero, Pam Byroe  
and Carol DeWolf

## DISCLAIMER

This publication is intended only to convey information. The publisher and its data providers have taken all usual and reasonable precautions to determine that the information contained in this publication has been obtained from sources believed to be reliable, and that the procedures used to summarize and analyze such information are based on approved practices and principles in the investment funds industry. However, the market forces applicable to the subject matter of this report are subject to sudden and dramatic changes and data availability and reliability varies from one moment to the next. Consequently, neither the publisher nor its data providers makes any warranty as to the accuracy, completeness or timeliness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. The publisher and its data providers disclaim all liability of whatsoever kind for any damages or losses incurred as a result of reliance upon or use of this publication. Past performance is no guarantee of future results.

## COPYRIGHT

©Institutional Shareholder Services (ISS) 2025. Global Research & Advisory Solutions is an ISS Market Intelligence (ISS MI) brand. ISS MI is a division of ISS. All rights reserved. The publisher hereby asserts its moral rights to the integrity of the work and to be associated with the work as its author by name.

## LICENSE

Subject to the licenses granted hereby, the publisher shall retain all right, title and interest in and to the information contained in this publication. The publisher hereby grants to the subscriber a non-exclusive, perpetual, worldwide, non-transferable, fully paid-up, irrevocable licence to use, copy, install, perform, display, modify and create derivative works of the publication and its contents, in whole or in part, solely in connection with the subscriber's own business enterprise. Subject to the rights herein, no part of the publication or its contents may be reproduced, stored in a retrieval system or transmitted in any material form whatever by whatever means, whether electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher. Any attempt to deliver such information outside of the subscriber's enterprise must have prior written consent of the publisher.

## Key Takeaways

- 01 ISS MI forecasts long-term fund assets will climb to \$48 trillion by 2030, but annual growth will slow to 6.7% from 8.5% over the next five years, reflecting weaker U.S. equity returns and muted organic growth.
- 02 With market appreciation fading, net inflows will account for a larger share of growth—\$28 of every \$100 in new assets—though organic sales will remain sluggish at just 1.6% annually.
- 03 Passive ETFs are expected to attract \$3.4 trillion in flows, while active ETFs take in about \$1.5 trillion, driven by conversions from mutual funds and a wave of new strategies. The advent of ETF share classes will accelerate an already brisk pace of launches.
- 04 Weaker U.S. stock returns will trim investors' domestic equity exposure as international allocations rise modestly. Aging demographics and elevated yields favor fixed income, while alternatives advance selectively, supported by regulation and demand for defined outcome strategies.
- 05 Active funds will remain the industry's revenue backbone, generating nearly 80% of revenues by 2030, but shrinking margins and tougher competition demand strategic clarity. Active managers must decide between scale, specialization, or capturing more of the value chain. This is a time for choosing.

EXHIBIT **Links**

THE ROAD AHEAD:  
SLOWER GROWTH, EMERGING PATHS TO SUCCESS

- 1 Anatomy of Growth: Historical and Forecasted
- 2 An Increasing Sales Haul for ETFs, Heavy Redemptions for Mutual Funds
- 3 Growth Accelerates in Bonds, International Equities, U.S. Rate Halved
- 4 On Revenue Basis, Active Management to Shrink, Remain Dominant

APPENDIX

- 1 Capital Market Assumptions, 2026P-2030P
- 2 Capital Market Assumptions by Vehicle Type, 2026P-2030P
- 3 Projected Long-term Assets Under Management, Net Flows, and Organic Growth, 2025P-2030P
- 4 Projected Long-term Assets Under Management, Net Flows, and Organic Growth, Active and Index Funds, 2025P-2030P
- 5 Projected Long-term Assets Under Management, Net Flows, and Organic Growth by Vehicle Type, 2025P-2030P
- 6 Projected Long-term Assets Under Management, Net Flows, and Organic Growth by Fund of Fund Type, 2025P-2030P

## The Road Ahead: Slower Growth, Emerging Paths to Success



EVERYONE HAS A PLAN UNTIL THEY GET PUNCHED IN THE FACE

MIKE TYSON

Asset managers felt the punch in early 2025 as a new administration announced sweeping tariffs. Fears of a global trade war sent markets reeling—the S&P 500 dropped nearly 20% from its peak—but the downturn was short-lived. Redemptions were mild—just \$39 billion in April—and sales rebounded as the year wore on. In fact, 2025 is on pace to be the strongest sales year since the bonanza of 2021 and a year of solid, if unspectacular, asset growth.

Of course, asset managers have absorbed far larger body shots—the 2008 financial crisis and the 2020 pandemic, for example—and the latest was a glancing blow by comparison. But the more punishing hits are the persistent one-two jabs that wear managers down over time. 2025 will mark the ninth year out of the

past 10 in which active mutual funds have posted net redemptions, shedding more than \$400 billion through September alone.



And now, new competitors are stepping into the ring. Private market players present a fresh challenge, while a wave of innovative products is redefining the boundaries of traditional investment solutions.

The steady migration from active mutual funds to index ETFs has been accelerated by seismic shifts in the investment product distribution landscape. The rise of fee-based advisory models has fundamentally reshaped how products are selected and sold, fueling demand for low-cost, transparent investment vehicles.

While a handful of large-scale players have successfully adapted, much of the industry is grappling with shrinking asset bases, slowing revenue growth, and margin compression. At the same time, new distribution realities have rewritten the rules of engagement: Advisors now demand greater product flexibility so they can deliver better client outcomes, such as improved tax efficiency, which pressures asset managers to rethink how they deliver value in a transformed marketplace. Separately managed

accounts (SMAs) have emerged as a key tool in this effort—marketed less as bespoke portfolios and more as tax-alpha engines that help advisors generate measurable after-tax benefits for clients. To top it all off, consolidation, especially in the RIA space, leaves managers with fewer places to distribute their wares as the proliferation of new products intensifies competition for shelf space.

And now, new competitors are stepping into the ring. Private market players present a fresh challenge, while a wave of innovative products—leveraging ETF technology not only to deliver alpha or beta, but also to engineer income, downside protection, and leverage—is redefining the boundaries of traditional investment solutions.

#### **ABOUT ISS MARKET INTELLIGENCE**

ISS Market Intelligence (MI) is a leading global provider of data, analytics, insights, media, and events solutions to the global financial services industry. ISS MI empowers global asset and wealth management firms, insurance companies, distributors, service providers, and technology firms by providing cutting-edge market-engagement platforms and the actionable intelligence necessary to fully assess their target markets, identify and analyze the best opportunities within those markets, and execute on comprehensive go-to-market initiatives to grow their business. ISS MI clients benefit from our increasingly connected global ecosystem that leverages a combination of proprietary data, powerful software and analytics, timely and relevant insights, in-depth research, as well as an extensive suite of industry leading media brands that deliver unmatched market connectivity through news and editorial content, events, training, ratings, and awards. ISS MI data and analytics solutions include intelligence from BrightScope, Discovery Data, Financial Clarity, Flowspring, FWW, Investor Economics, MISight, Mortgage Clarity, Plan for Life, RainmakerLive, and Simfund, and ISS MI media brands and market-engagement platforms include Chief Investment Officer, PlanAdvisor, PlanSponsor, Financial Standard, FS Sustainability, Money, and Industry Moves.