

Asset manager margins squeezed as infrastructure bill climbs, PwC finds



Infrastructure moves up the strategic agenda as asset managers confront margin pressure.

Infrastructure is moving from the back office to the centre of asset managers' strategy. With profit per AuM down 19% since 2018 and projected to decline by a further 9.1% by 2030, decisions about which capabilities to build, buy or access to partnerships are now shaping how firms compete, according to PwC's [Asset Management Infrastructure: Rethinking the industry's piping report](#). Two-thirds (67%) of asset managers say fee compression is already affecting their ability to invest in infrastructure upgrades.

Spending is also tied to the past: only 23% direct most of their technology budget to new capabilities, while 29% spend more than 70% of it maintaining legacy systems.

At the same time, AI, the expansion of private markets, faster settlement, regulation, and geopolitical fragmentation are reshaping operating requirements, making decisions about technology, data, and operating capabilities increasingly strategic.

« Infrastructure has quietly become one of the most consequential strategic decisions an asset manager makes. The firms that pull ahead won't be those that own the most technology, but those

that decide deliberately what to build, what to buy, and where a partner can do it better, » said [Peter Pollini, Financial Services Industry Leader, PwC US](#).

Drawing on insights from 150 asset managers and 50 infrastructure providers, the report highlights an industry in which infrastructure is becoming increasingly connected to how firms execute strategy, scale their businesses, and respond to evolving requirements. However, many organisations continue to operate across fragmented technology stacks, data and operating processes, limiting the ability to integrate new capabilities and extract value from existing investments.

Overall, the findings point to an infrastructure challenge that extends beyond technology investment. Asset managers must support more complex products, markets and regulatory requirements while ensuring that their infrastructure can scale without adding disproportionate cost and operational complexity.

« The industry's profits per dollar managed have fallen by almost a fifth, and the bill for the pipes keeps rising, » said [Roland Kastoun, Global Asset and Wealth Management Advisory Leader, PwC US](#). « The managers who survive the next five years won't be the ones with the flashiest AI, but rather the ones who fixed the so-called boring stuff first. »

Indeed, AI is bringing these constraints into sharper focus. Some 24% of asset managers identifying data fragmentation and 17% of them citing legacy systems and processes as major barriers to scaling AI. At the same time, 67% identify AI and machine learning infrastructure as a technology investment priority.

The findings suggest that the ability to capture value from AI will depend not only on access to models and applications, but on the underlying data, platforms and governance needed to integrate them across the organisation

Market data, regulatory infrastructure, and core technology platforms are also seen as poor value for money. Some 58% of asset managers rank market data among the most strategically expensive infrastructure layers relative to the value delivered, while 47% cite regulatory compliance and reporting systems and 46% core technology platforms.

The role of infrastructure providers is also evolving. Some 70% of infrastructure providers expect to capture a larger share of the asset management revenue pool over the next five years, including 26% expecting significant growth. The infrastructure layer is also becoming a competitive arena in its own right: hyperscale cloud providers are the most-cited emerging threat, named by 68% of providers, followed by AI-native data and analytics platforms (54%).

This reflects the increasing demand for specialist technology, data, operational expertise and managed services as asset managers seek to modernise increasingly complex operating models. The relationship between asset managers and infrastructure providers is consequently becoming more strategic, with asset managers increasingly considering where external capabilities can complement internal expertise.

« Seven in ten infrastructure providers expect to take a bigger slice of the pie, which tells you where the power in this industry is quietly shifting, » said [Björn Ebert, Financial Services Leader, PwC Luxembourg](#).

Asset managers are looking beyond a binary choice between insourcing and outsourcing: 44% favour hybrid models that combine different approaches, while 21% prefer to buy capabilities, 18% to partner with third parties and 13% to build in-house.

The report identifies four emerging infrastructure archetypes: (1) infrastructure orchestrators, (2) digital and tokenisation platforms, (3) specialist modular providers and (4) integrated asset managers, reflecting different approaches to control, scale, specialisation, and external dependency. Notably, the integrated asset managers may seek to commercialise infrastructure originally built to run their own business. Some 34% of infrastructure providers already see vertically integrated asset managers building and exporting their own infrastructure as a credible emerging competitive threat, while 19% of asset managers aspire to become infrastructure builders by 2030, with proprietary platforms embedded in their operating model and potentially exported to the market.

Ultimately, these models are not fixed- end states. Instead, they illustrate how asset managers can make more deliberate choices about which capabilities to own, which to standardise and where specialist providers can provide greater scale, expertise or continuous investment.