

Asset Management in Transition: Key Trends Shaping 2026



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February 18, 2026

The asset management industry is again at an inflection point. Europe's re-emergence as a key distribution centre, alongside the rapid expansion of private assets and active ETFs, is redefining growth opportunities across the market.

At the same time, asset managers must balance these opportunities against sustained operational pressure, relentless regulatory change and ongoing margin challenges, conditions that have become structural features of the industry over the past five years.

The ability to navigate these challenges will define tomorrow's industry leaders.

Key Trends Shaping the Market

Europe's Resurgence as a Distribution Hub

Amid heightened geopolitical uncertainty in recent years, global managers are strategically realigning towards Europe for fundraising efforts, capitalising on supportive regulation and structures that foster strong investor appetite. In private assets, the UK's Long-Term Asset Fund (LTAF), broadened in 2023, is attracting defined contribution pension schemes and wealth channels, supported by an expanding base of authorised vehicles. From 2026, the LTAF will also become an eligible asset within ISAs, further opening this asset class, subject to certain restrictions, to retail investors.

The EU's ELTIF 2.0 and a clarified RTS have unlocked retail-compatible private-asset strategies in the EU; launches and AUM have ramped up noticeably since the rules took effect in 2024, reinforcing Europe's position as a key driver of expansion. Managers and the broader industry can further support the growth through broad-scale investor education, not just for retail investors, but also for wealth managers, family offices and smaller institutional investors.

Active ETFs: Innovation with operational gravity

Active ETFs have surpassed \$1.9Tn globally and continue to set new monthly records. In Europe, assets have doubled over the past two years but still sit at \$62.4bn (less than 3% of global ETF assets) indicating further room for growth.

Active ETFs combine liquidity and transparency with active management, offering tactical flexibility. Adoption is accelerating, but readiness depends on data transparency, market-making relationships and primary-market operations. Many managers underestimate the effort involved in listing preparations and portfolio disclosure workflows.

Private Markets Expansion

Alternatives continue to dominate strategic agendas, with product innovation increasingly focused on semi-liquid, evergreen structures. PitchBook estimates that the evergreen, semi-liquid private fund universe has surpassed US\$427bn in AUM and is expected to exceed \$1trn within five years, underscoring how quickly these vehicles are moving from niche to mainstream. Evergreen and interval funds are gaining traction as crossover solutions, offering periodic liquidity features while expanding access to private credit, private equity, real assets and multi-asset strategies. PitchBook also notes interval funds are nearing \$100bn in AUM, highlighting the scale already achieved.

As 2026 unfolds, the momentum reflects a mix of push and pull: institutions face tighter pacing, liquidity constraints and allocation limits, while private clients are seeking yield, diversification and simpler access to private markets. In parallel, managers are repositioning distribution around the wealth and advisor ecosystem, where evergreen formats enable a more durable, recurring fundraising model supported by improving platform infrastructure and advisor adoption. The competitive edge increasingly comes down to execution, how well firms balance liquidity design, portfolio construction and investor education in semi-liquid structures, particularly under stressed market conditions. The recent suspension of the Greenman ELTIF serves as a poignant reminder to the market that investors need to understand liquidity risks when investing in private markets.

Technology and AI Integration

Technology and AI are becoming core drivers of competitiveness in asset management, reshaping how firms distribute products, engage clients and run their operations. Digital platforms now enable personalised reporting, seamless data integration and real-time portfolio insights, helping managers meet rising expectations for transparency and responsiveness while reducing operational friction.

As AI scales across research, risk, compliance and product development, it is delivering meaningful speed-to-market advantages and cost efficiencies. Managers that embed AI into their workflows are freeing teams from manual processes, accelerating decision-making and improving overall productivity, positioning themselves to compete more effectively in an increasingly digital, client-centric industry.

Firms are struggling to keep up as they tackle fragmented systems and a historical reliance on spreadsheets without large teams or large budgets to undertake the necessary transformation.

ESG Divergence

Sustainability momentum in 2026 remains strong across Europe, the Middle East and increasingly in APAC, where regulatory alignment and institutional adoption continue to deepen. In contrast, the U.S. market shows a persistent decline in ESG uptake, driven by regulatory uncertainty, political polarisation and an ongoing anti-ESG narrative.

While Europe experienced a sharp downturn in Q3 2025, this was primarily the result of large institutional mandate reallocations rather than a shift in underlying retail sentiment, suggesting the region's long-term ESG commitment remains intact. The U.S., by comparison, continues to record steady outflows, though at a smaller and more structurally driven scale rooted in sentiment rather than asset-class fundamentals.

As we move through 2026, these regional dynamics are increasingly shaping product design, investor messaging, and distribution strategies, requiring asset managers to adopt highly tailored, market-specific ESG approaches rather than relying on one-size-fits-all models.

Emerging Theme – Tokenisation

Europe, particularly Luxembourg, has maturing legal frameworks for issuing, recording and transferring fund units and securities via distributed ledger technology (DLT), under MiCAR, the DLT Pilot Regime and national “blockchain” laws. While activity is rising, secondary-market liquidity remains thin and interoperability is still a work in progress.

Investor appetite for digital-asset-enabled products, including tokenised funds, is growing. Comfort levels are likely supported by ESMA's ongoing focus on mitigating risks related to settlement finality, custody and ownership rights.

Opportunities and Challenges for Investment Managers: What's Ahead?

In 2026, following the trends of the past few years, investment managers continue to navigate a rapidly evolving landscape, presenting both significant opportunities and complex challenges. Innovation in products, technology and ESG leadership continues to offer new growth prospects, while operational, regulatory and talent pressures mount. Striking a balance between agility and disciplined execution will be key to success.

Opportunities for Investment Managers

- **Product Innovation:** Active ETFs and semi-liquid alternatives offer new growth avenues.
- **Distribution Expansion:** Wealth management and family office channels, along with the emergent growth of mid market firms seeking to expand beyond their home markets, create fresh access points across fund structure.
- **Technology Leverage:** AI and automation can unlock operational scalability and deliver personalised client experiences.
- **ESG Leadership:** Credible sustainability strategies remain a key differentiator in Europe and for institutional mandates.

Challenges Facing the Industry

- **Operational Complexity:** Multi jurisdictional compliance, new fund structures and legacy systems continue to strain efficiency.
- **Fee Compression:** Margin pressure from passive products and increased pricing transparency requires disciplined cost management.
- **Regulatory Burden:** Divergent ESG and regulatory standards and tightening compliance increase costs and risk.
- **Talent Gap:** Digitalisation and sustainability require new skillsets, intensifying competition for specialised talent.
- **Speed-to-Market:** Long regulated product launch cycles, often exceeding nine months, are incompatible with today's competitive environment.

Key Considerations for Fund Managers

Success hinges on how swiftly and effectively investment managers adapt, invest and collaborate. The following imperatives provide a blueprint for driving operational excellence, fostering trust and building the next generation of talent, critical steps to thriving in a market where speed and sophistication are everything.

- **Accelerate Innovation:** Build capabilities in distribution, consider how to offer your strategy in multiple structures, (active ETFs, evergreen vehicles and hybrid solutions) to meet investor needs.
- **Invest in Technology:** Prioritise AI, automation and cloud-native platforms to reduce costs and enhance agility.
- **Strengthen Partnerships:** Outsource non-core functions and collaborate to scale efficiently. Ensure appropriate focus on regulatory guardrails and operational resilience protecting your business for the future.

- **Enhance Transparency:** Deliver advisor-ready narratives and robust investor reporting to build trust.
- **Focus on Talent:** Upskill teams and attract expertise in data science, risk analytics and sustainability.

The Bottom Line

Future leaders in asset management will be those who master complexity, move with speed and build strategic alliances. Success isn't just about growth; it's about integrating operational strength with innovation to stay ahead in a market that rewards agility and collaboration.

Ready to Unlock Growth and Navigate Complexity with Confidence?

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