

THE ENSEMBLE
P R A C T I C E

PULSE OF THE INDUSTRY 2024

START OF THE YEAR SURVEY RESULTS

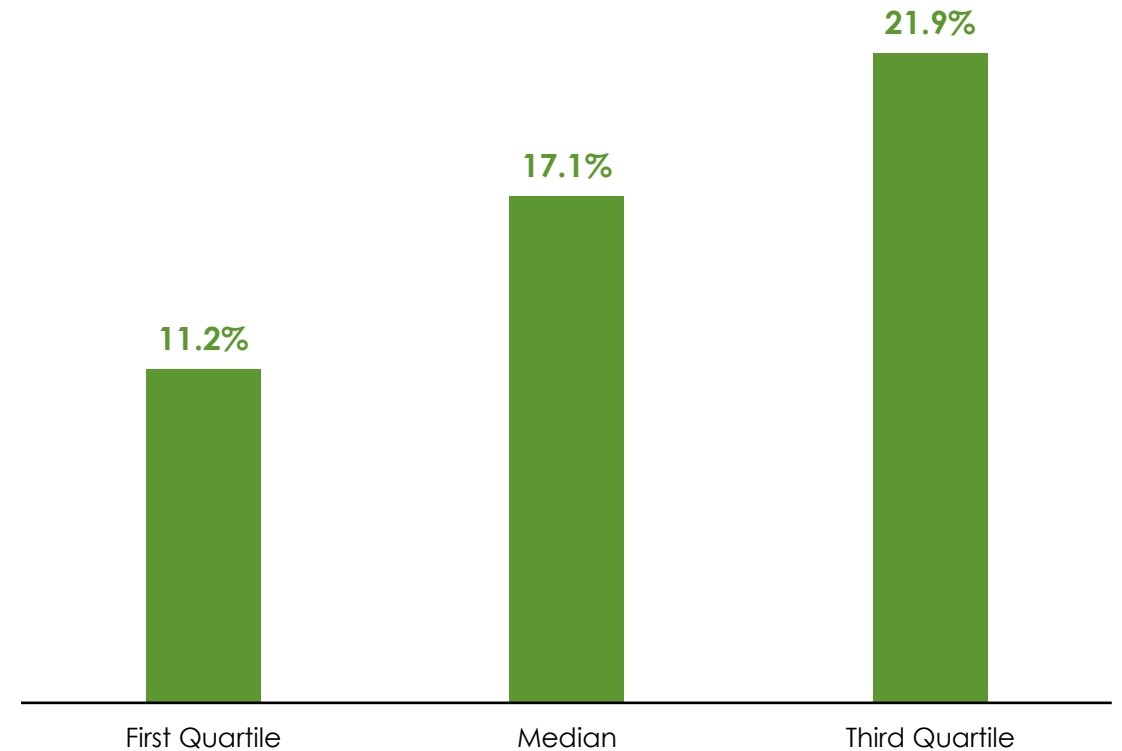
Executive Summary

- **Advisory Firms Ride the Market to Record AUM:** Firms experienced median increase in assets under management (AUM) of 17.1% in 2023. The S&P was more than helpful, with a 24.2% return for last year.
- **Business Development Is Better But Still Slow:** Firms had 7.2% growth in the number of client relationships serviced in 2023, which is the fastest growth we have witnessed in the last three years. This rate met the expectations of the largest firms, who were targeting 5% in 2023, but it is still slower than the ambitions expressed for 2024, for which the median growth budget is 10% or more.
- **Client Loss Keeps Creeping Up:** The loss of assets due to clients lost has always been very low in the independent advisory industry, but it seems to be gradually (and dangerously) increasing. In 2023, firms lost 3.6% of their client relationships—a number slightly higher than 2022 (3.3%), which was in turn a bit higher than 2021 (3.1%). It is possible that the losses of clients are slowly changing the dynamics of growth and retention.
- **With AUM Increasing, Firms Return to Hiring:** As assets grew, firms started to hire more aggressively, and 54% of firms increased their headcount in 2023. A notable 80% of large advisory firms have an opening in their advisory department in the beginning of 2024, with smaller firms following suit in growing their capacity to service clients.

Changes in Assets Under Management (AUM)

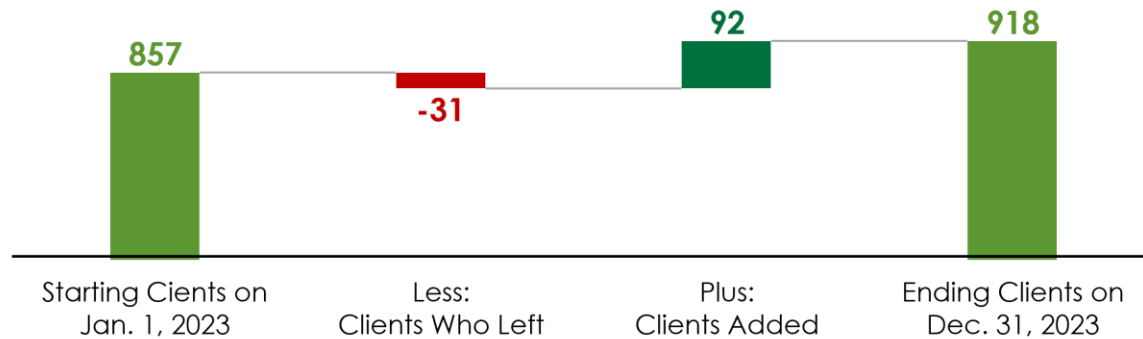
- Advisory firms grew their assets to record levels followed the recovery of the equity markets.
- The typical (median) firm saw assets higher by 17.1% at the end of 2023 compared to the start of the year.
- The impact of the market was the primary driving force for growth, with the S&P 500 returning 24.2% in 2023.
- The fastest-growing firms (those in the top quartile of AUM growth) were better at organic growth and were just as likely to acquire as the average business.

Percentage Change in AUM in 2023



Changes in Client Relationships

**Changes in Client Relationships
from Jan. 1 to Dec. 31, 2023**



CHANGES IN CLIENT RELATIONSHIPS: JAN. 1 TO DEC. 31, 2023

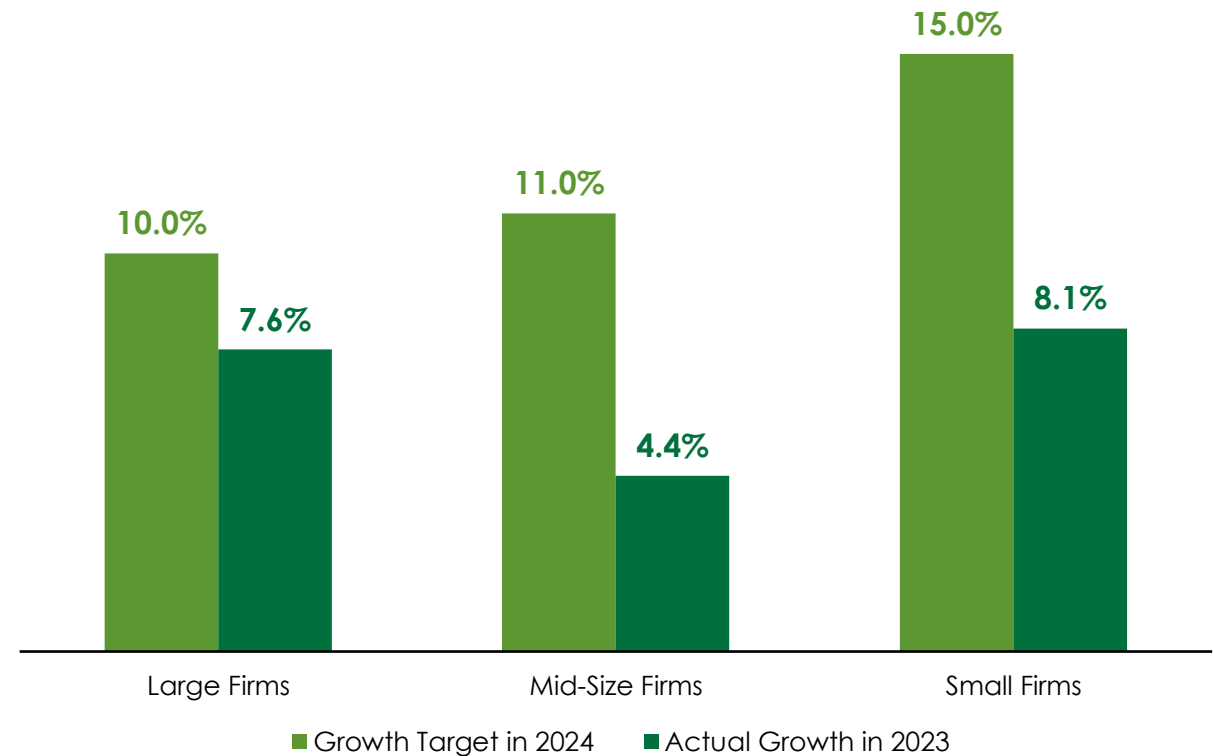
Starting Clients: January 1, 2023	857	
Less: Clients Who Left	-31	-3.6%
Plus: Clients Added	92	10.8%
Ending Clients: December 31, 2023	918	7.2%

- Advisory firms added client relationships at a net rate of 7.2%, with the typical (median) firm adding net 61 new relationships in 2023.
- For comparison, in 2022 firms added net new clients at a rate of 6.4%, and in 2021 the net increase was 6.1%.
- Business development yielded a median of 92 new relationships, or a 10.8% increase. In 2023, business development grew client numbers by 9.7% .
- Client losses were greater than in previous years: The typical (median) firm lost 31 clients in 2023, representing a reduction of 3.6% in their client base, compared to -3.3% in 2022 and -2.5% in 2021. Overall, losses of client relationships appear to be accelerating.

Growth Targets for 2024

- The growth expectations of the largest firms appear to have been tempered by their size and past results but are much more optimistic than in 2023. Large firms target 10% growth for 2024, compared to 5% in 2023.
- Mid-size and small firms are even more aggressive—they target a median of 11% and 15%, respectively.
- All firms target much faster growth that they have historically achieved.
- *Note: We measure growth in client relationships, but firms can also reach their AUM growth target by adding fewer but larger clients.*

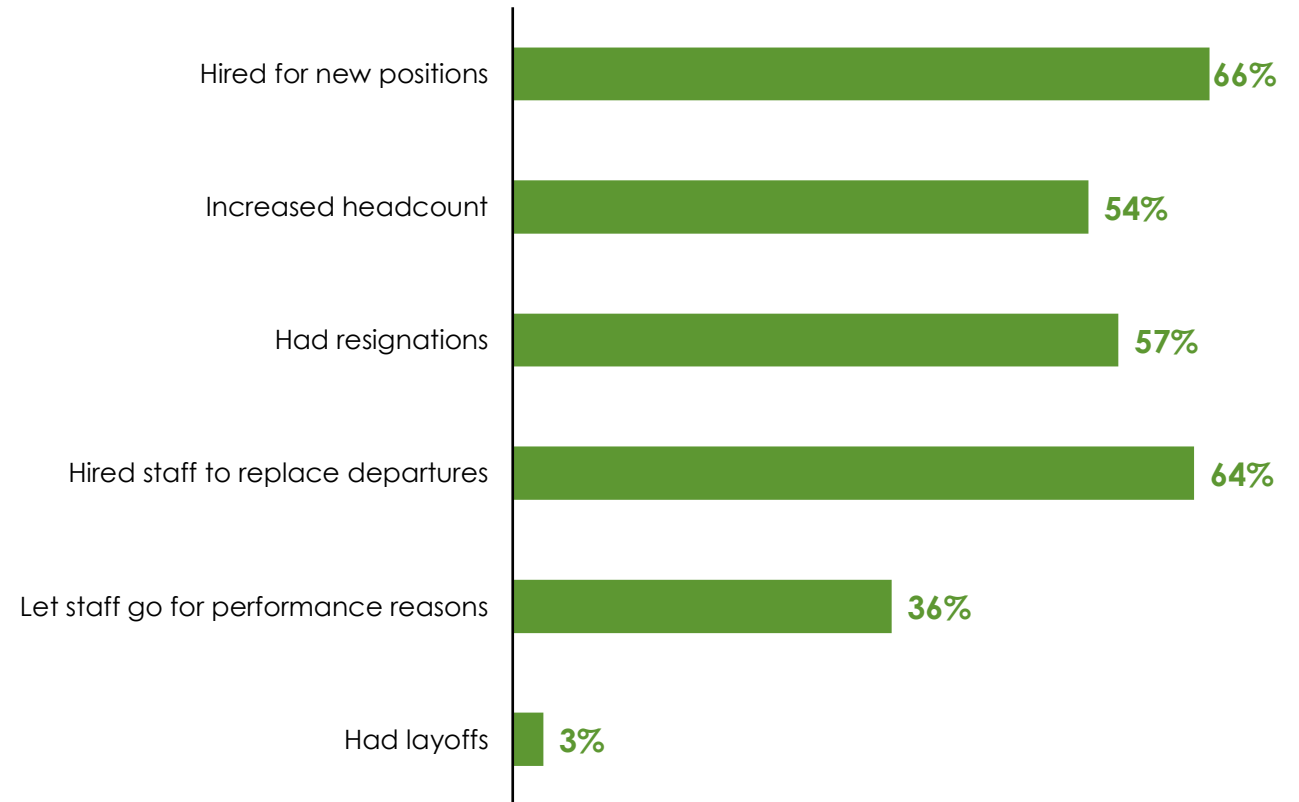
Growth Targets in 2024 and Actual Growth in 2023



Changes in Staffing

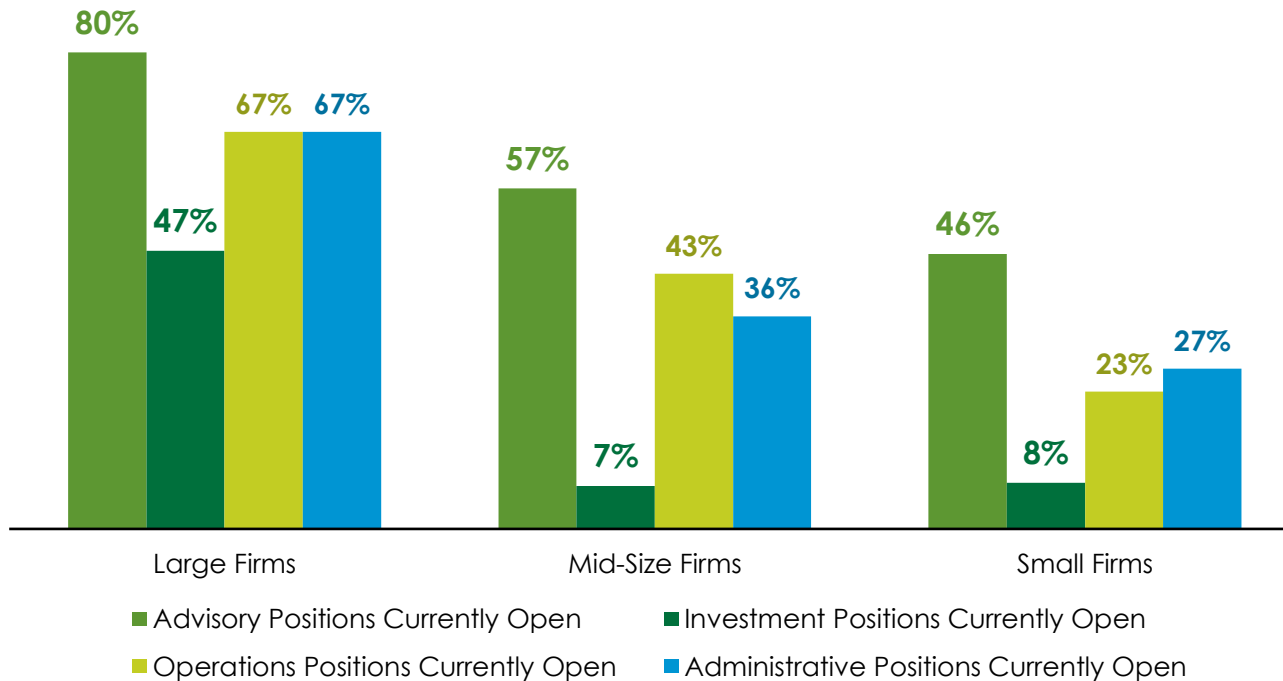
- With markets gradually recovering in 2023, firms continue to hire, with 66% of all firms having opened new positions in 2023.
- The result was 54% of firms ending the year with an increased headcount—similar to 2022.
- Turnover was a common challenge: 57% of firms had resignations, and 36% had departures related to performance.

Percentage of Firms With Changes in Staffing in 2023



Hiring By Department

Percent of Firms That Currently Have Positions Open By Department
(Firms By Size)

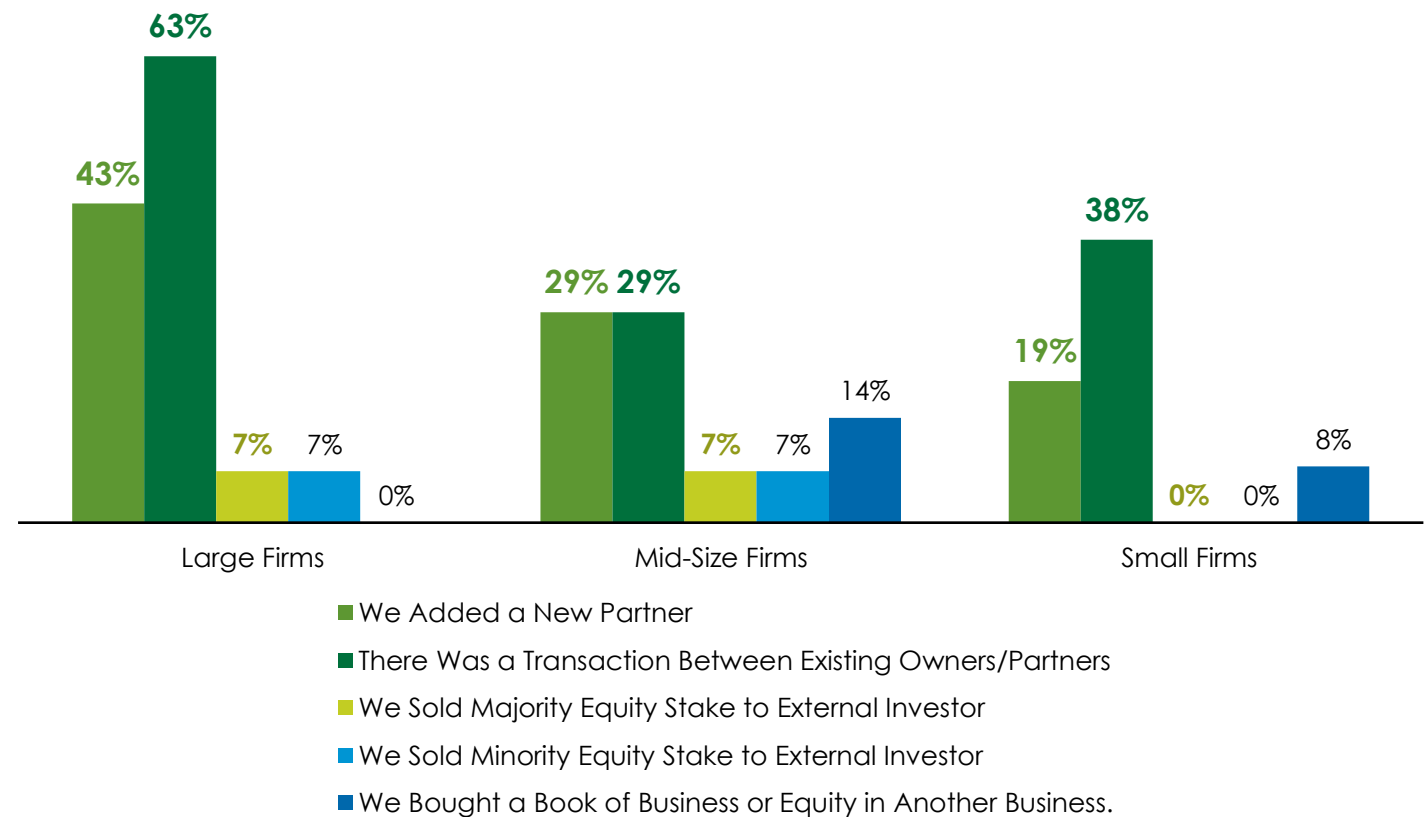


- Large firms that were reluctant to hire at the start of 2023 have returned to the talent market with enthusiasm. Of the largest firms, 80% are hiring in the advisory department, compared to 38% in 2023. The same is true of hiring across all departments in the large firms—the openings have increased dramatically.
- Mid-size and small firms are also hiring across departments with the largest area of growth in advisory positions in mid-sized firms at 57%.

Equity Changes

- Large firms continue to promote employees to “partner” positions where they are equity owners of the business, with 43% having added a new partner.
- Acquisitions by participants have become rarer, with large firms reporting none. On the other hand, 14% of mid-size firms completed a purchase of a business or a book of business.
- Internal transactions between existing owners continue to be very common, with 63% of large firms reporting such deals.

Equity Transactions by Size of Firm



2024 Guiding Priorities

- The top priority of firms in 2024 is adding more clients.
- Firms also seek to improve their client services and continue to train and develop their people.
- The top three priorities of firms of all sizes are perfectly aligned. Organizations of every size share the same top three goals.

PRIORITIES OF FIRMS IN 2024

1	Add new clients and assets using the same positioning and strategy as we have had
2	Make additions and changes to our overall client service
2	Train and develop our people
4	Recruit professionals
5	Acquire and merge practices and businesses
6	Change and improve our investment process, services and results
7	Plan or implement a plan for founder succession
7	Improve our efficiency or processes
9	Integrate a merger or acquisition made in the last few years
10	Enter a new market or service
11	Change our technology significantly
12	Change our brand and positioning, including our name
13	Change a strategic partner relationship, including custodian or broker-dealer
14	Improve our profitability
15	Add more owners (partners)
16	Raise capital through loan or investors

Survey Methodology

- The Ensemble Practice invited its consulting clients as well as participants and alumni of its G2 Leadership Institute to complete the *Pulse of the Industry* survey.
- Seventy firms responded to the survey.
- The characteristics of the sample are consistent from year to year, and repeat participation is high, allowing for the examination of trends.
- Due to the nature of the sample selection, data may not be representative of the entire industry.
- The average participating firm had \$1.9 billion in assets under management (AUM) at the end of 2023.
 - Forty-three percent of firms surveyed have AUM over \$1.0 billion.
 - Thirty-seven percent of firms surveyed have AUM under \$500 million.



VISIT WWW.ENSEMBLEPRACTICE.COM
FOR MORE DATA AND INSIGHTS.

PLEASE CONSIDER PARTICIPATING IN FUTURE
SURVEYS.

PARTICIPANTS IN THE SURVEY AND CLIENTS OF
ENSEMBLE HAVE ACCESS TO ADDITIONAL INSIGHT
AND DETAILED DATA.