



## Sept. 2026: Asset Management Board Update

September 2026 reinforced several structural shifts reshaping asset management: **persistently high interest rates and renewed Treasury volatility** are resetting valuation and liquidity assumptions; the **migration from mutual funds to ETFs continues to accelerate**, including in active fixed income; and **regulators are opening new pathways for retail participation in private markets** while increasing scrutiny of liquidity, valuation, technology and operational resilience. At the same time, **AI is evolving** from a technology theme into a broader economic and strategic force, supporting capital investment, potentially lifting productivity and GDP, transforming asset-management workforces and creating opportunities across semiconductors, data centers, power infrastructure and cybersecurity. **Tokenization** is moving closer to mainstream market infrastructure, while **quantum computing** remains an emerging investment opportunity but an increasingly relevant cybersecurity consideration.

### Interest Rate Regime Shift

#### 1. U.S.: Treasury yields surge, and the Federal Reserve tightens

**What happened.** On Sept. 16, the Federal Reserve raised the federal-funds target range by 25 basis points to 3.75%–4.00%, citing persistent inflation despite solid economic activity, strong productivity, and robust capital investment. By month-end, the 10-year Treasury yield had risen more than 50 basis points during September

to roughly 5.3%, its highest level since 2007. The Treasury market posted its worst month in four years, with concerns about inflation, energy prices, federal debt and technical/leveraged selling reinforcing the move.<sup>i</sup>

**Why it matters.** This is more than a bad month for bonds. A sustained 5%+ risk-free rate changes equity discount rates, private-equity hurdle rates, real-estate valuations, credit spreads, liability-driven investing and the relative attractiveness of cash and fixed income. Investment-grade bond funds lost roughly 3.7% during Q3 even as investors continued allocating heavily to fixed income<sup>ii</sup>.

**Board response.** Ask management to rerun portfolio and enterprise stress tests at materially higher long-term Treasury rates—not merely temporary rate shocks. Examine duration, liquidity, derivatives collateral, leverage, securities lending and counterparty exposures, and challenge valuation assumptions for private assets.

Monitor: Treasury-market liquidity; term premium; inflation expectations; fiscal/debt dynamics; Fed policy; credit spreads; leveraged-fund positioning; and whether higher yields trigger liquidity events elsewhere in the financial system.

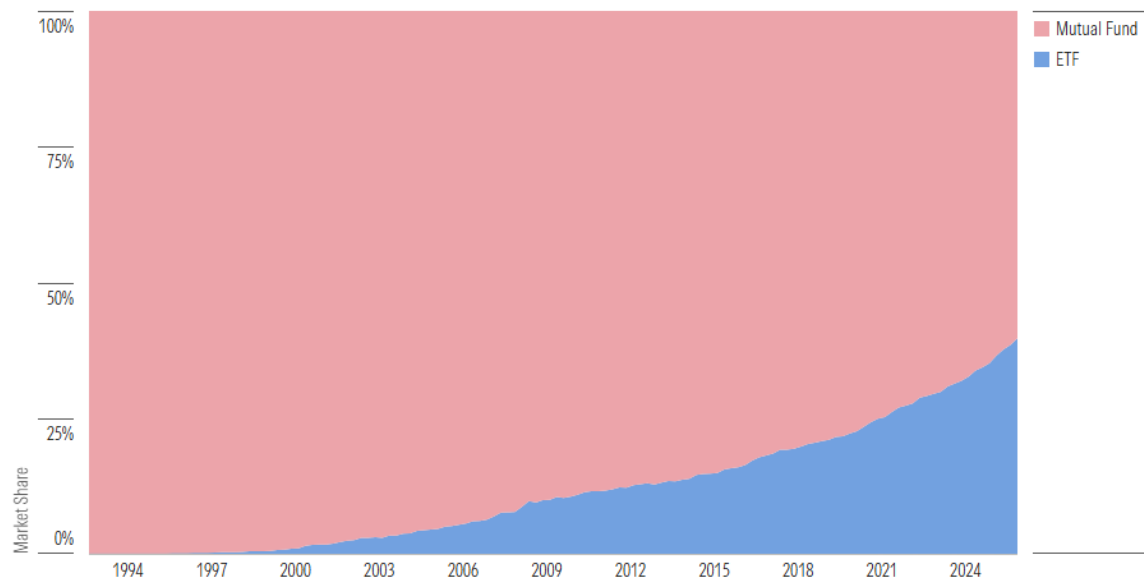
## **U.S.: Mutual Fund / ETF migration accelerates**

### **2. The mutual-fund-to-ETF migration accelerated — including active fixed income**

**What happened.** The Investment Company Institute reports that U.S. ETF assets continue to rise, reaching \$16.3 trillion at August month-end, up 34.1% year over year and one-month net ETF issuance of \$169 billion, while mutual funds' AUM has been flat to down (first chart). Indicative of the mutual to ETF shift, Morgan Stanley Investment Management announced plans to convert eight municipal mutual funds representing nearly \$10 billion into ETFs, subject to shareholder approval.<sup>iii</sup>

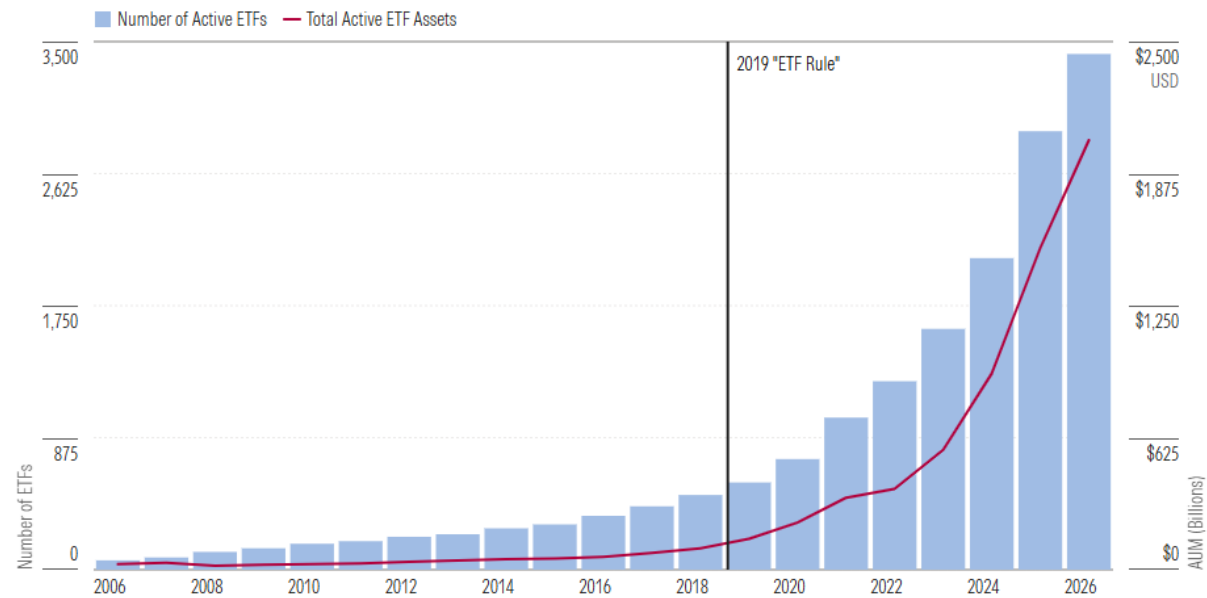
**Why it matters.** More than 30 years after the launch of SPY, exchange-traded funds have evolved from a niche investment wrapper into one of asset management's most influential innovations. and have become an important industry growth engine.<sup>iv</sup> The shift is due to three forces. First, investors prefer ETFs' throughout-the-day trading, transparency and liquidity, to mutual funds' end-of-day NAV settlement, delayed information reporting and sometime illiquidity. Second, there has been a significant increase in ETFs implementing actively managed strategies (active fixed income, municipal bonds, alternatives and increasingly sophisticated strategies, see second chart), such that active ETFs represent 12.5% of ETF assets by mid-2026. The shift was catalyzed by the SEC's 2019 adoption of Rule 6c-11 (the "ETF Rule") which simplified the regulatory framework for ETF launches and made it significantly easier for active managers to enter the market while preserving many of the structural advantages of ETFs. And third, ETF innovation and specialization: 'ETF 3.0' is a category encompassing niche exposures, derivatives-based strategies, outcome-orientated products, digital asset products, leveraged offerings and other alternative strategies<sup>v</sup> (event-driven, macro-trading, systematic trend, relative value arbitrage, multi-strategy) as shown in third chart. The rise in ETF variety has been accompanied by a large increase in the number of sponsors (fourth chart).

## Market Share of ETFs and Mutual Funds



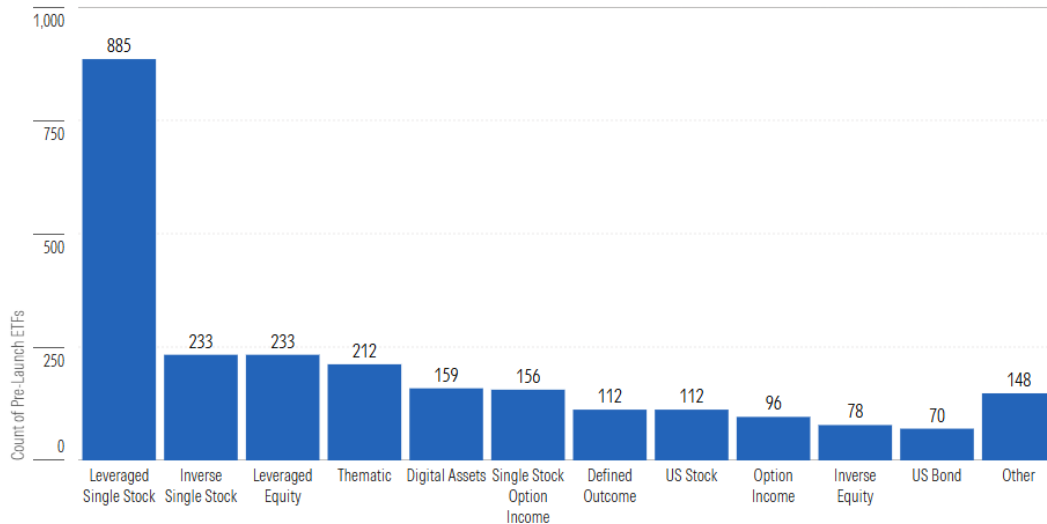
Source: Morningstar Direct. Data as of June 30, 2026.

## Growth of Active ETFs Catalyzed by the 2019 "ETF Rule"



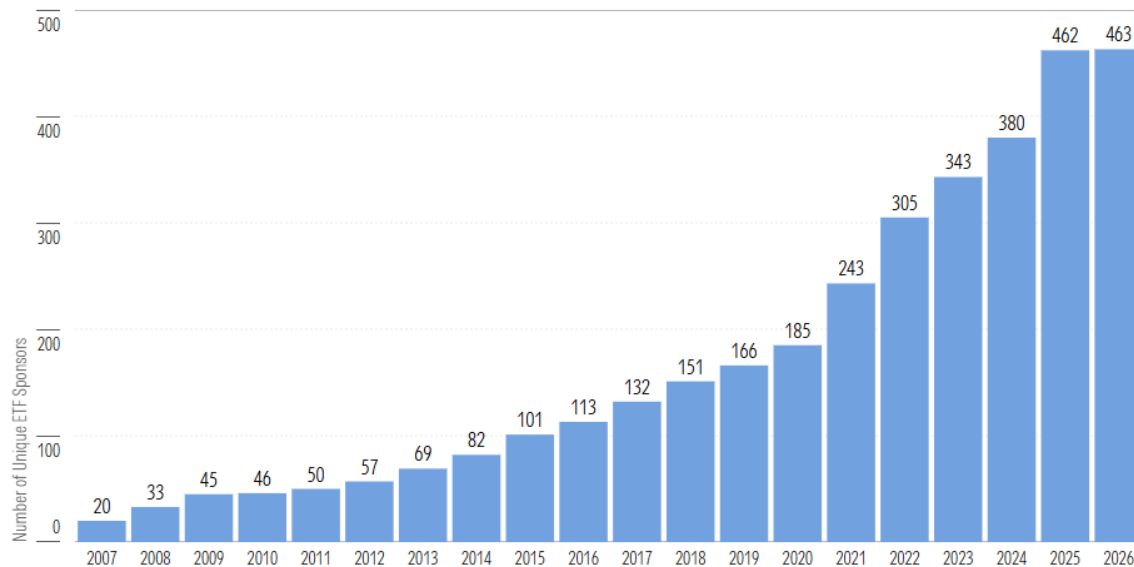
Source: Morningstar Direct. Data as of June 30, 2026.

## Few Traditional ETFs Are Set to Launch Soon



Source: Morningstar Direct. Data as of June 30, 2026.

## Number of Unique ETF Sponsors Per Year



Source: Morningstar Direct. Data as of June 30, 2026.

**Board response.** Require a **wrapper-by-wrapper profitability and competitiveness review**. For every significant mutual-fund franchise, ask whether the strategy belongs in a mutual fund, ETF, SMA/CIT, model portfolio, interval fund, or several simultaneously. Examine cannibalization, tax implications, distribution economics and operational capability. Monitor: Active ETF flows; mutual-fund redemptions; conversion announcements; ETF fee compression; semi-transparent structures; dual-share-class developments; advisor-platform adoption and whether scale increasingly concentrates among a smaller group of ETF sponsors.

## U.S.: Regulation moves towards retail access to private markets and tokenization

### 3. SEC moved toward broader retail access to private markets

**What happened.** On Sept. 30, the SEC's private-markets proposal sought to expand retail access to private investments. Among other changes, the Commission is considering additional routes to accredited-investor status, including professional credentials such as CFA, CFP and CPA qualifications, while proposing reforms involving interval funds, multiple share classes and performance-based compensation disclosures.<sup>vi</sup>

**Why it matters.** The boundary separating traditional retail asset management from private equity, private credit, real estate and venture capital continues to erode. Asset managers potentially gain an enormous new distribution opportunity, but 'retailization' creates difficult issues around liquidity, valuation, fees, suitability, transparency and investor expectations. Private-market demand is already becoming strategically important: a September global asset-manager survey found private markets ranked as the leading area of client demand across regions.<sup>vii</sup>

**Board response.** Decide whether private-market retailization is a strategic growth priority. If so, require explicit governance around valuation, liquidity matching, fee transparency, conflicts, distribution/suitability, investor education and stress testing before pursuing product expansion. Monitor: Final SEC rules; interval/tender-offer fund growth; accredited-investor changes; retirement-plan access; evergreen private funds; private-asset ETFs and partnerships between traditional managers and alternative-asset firms.

#### **4. Tokenization moved closer to mainstream securities infrastructure**

**What happened.** On Sept. 17, the SEC issued an "Innovation Exemption" providing temporary conditional relief intended to facilitate trading of tokenized NMS stocks through permissioned automated-market-maker structures and liquidity pools. Separately, on chain portfolio structures continued developing internationally.<sup>viii</sup>

**Why it matters.** Tokenization increasingly represents a potential market-infrastructure transformation, rather than merely a crypto story. Funds, securities, collateral and cash instruments could eventually operate on interoperable digital rails with faster settlement, fractional ownership and programmable compliance.

**Board response.** Management should develop a tokenization roadmap covering products, custody, transfer agency, trading, settlement, cybersecurity, AML/KYC, smart-contract controls and interoperability. The board need not predict which blockchain wins; it should ensure the firm can operate if the infrastructure changes. Monitor: SEC rulemaking; tokenized equities and funds; stablecoins/tokenized deposits; institutional blockchain adoption; custody regulation; interoperability and traditional exchange/depository responses.

### **Global: Private credit challenges**

#### **5. Private credit's growth increasingly carries liquidity and systemic-risk questions**

**What happened.** September brought additional warning signals around private credit. The European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) identified external dependencies, emerging technologies and private credit as key vulnerabilities for the EU financial warning that the sector's reliance on non-EU providers and infrastructures could amplify the impact of geopolitical shocks and operational

disruptions. Dependence on ICT service providers outside the European Economic Area remains a particular concern, alongside growing cyber risks linked to increasingly capable AI models. Although the sector remains relatively small in the EU, its rapid growth, limited transparency and increasing links with the wider financial system could create risks during periods of stress.<sup>ix</sup> Meanwhile, some U.S. non-traded private-credit funds experienced redemption requests exceeding their normal quarterly redemption capacity, although conditions varied substantially across managers.

**Why it matters.** Private credit increasingly connects asset managers, banks, insurers, private-equity sponsors and retail investors. Its performance through a severe credit downturn remains largely untested. AI disruption adds another dimension: software and other business models traditionally attractive to private lenders may face rapidly changing competitive economics.

**Board response.** Treat private credit as credit + liquidity + valuation + interconnectedness risk, rather than simply another high-yielding asset class. Require vintage, borrower, sponsor and industry stress tests and scrutiny of NAV methodology and redemption structures. Monitor: Defaults, non-accruals, amendments-extensions, payment-in-kind income, NAV marks, redemption queues, bank/private-credit linkages and AI-sensitive borrowers.

## **AI and Quantum: from technology theme to economic regime change**

### **6. AI investment is increasingly large enough to affect GDP, inflation and monetary policy**

**What happened.** In September, the IMF presented its assessment of the global AI race, characterizing AI investment as a significant near-term positive demand shock while ultimately becoming a positive supply / productivity shock. The IMF estimates AI could eventually increase annual global potential growth by roughly 0.1–0.8 percentage points.<sup>x</sup> The near-term mechanism matters: enormous spending on chips, data centers, power generation, transmission, cooling and related infrastructure supports investment and GDP—but can simultaneously intensify energy and capacity constraints.

**Why it matters.** Asset allocators should stop treating AI purely as a technology-sector theme. It affects assumptions for GDP growth, productivity, inflation, interest rates, electricity demand, capital expenditures and corporate margins. The investment opportunity therefore extends beyond semiconductor and hyperscaler equities into electricity generation and grids, data centers, cooling, networking, industrial equipment, cybersecurity, real estate and private infrastructure.

**Board response.** Ask the CIO to identify how AI changes the firm's capital-market assumptions, rather than merely identifying an “AI allocation.” Stress test both an AI-productivity boom and an AI-capex disappointment. Monitor: Productivity statistics; AI capex/revenue ratios; data-center construction; electricity prices; grid interconnection queues; semiconductor demand; hyperscaler free cash flow; AI monetization and corporate adoption rates.

## 7. AI's workforce impact is becoming a strategic issue for asset managers themselves

**What happened.** The IMF estimates AI could affect up to 60% of jobs in advanced economies, while roughly one in ten vacancies already calls for at least one new skill. Within financial services, adoption moved rapidly from experimentation toward embedded workflows. September saw specialized AI tools aimed at investment and financial professionals expand into portfolio reviews, investment research, financial modeling, meeting preparation and client communications.<sup>xi</sup> Separately, a Nasdaq, Inc. survey found 80% of asset managers were already using AI somewhere in product development, although only 26% were using it across multiple stages.

**Why it matters.** AI may change the economics of active management by lowering the marginal cost of research, coding, risk analysis, operations, compliance and distribution. The likely result is not simply headcount reduction; firms can potentially increase research coverage and client capacity while shifting human labor toward judgment, relationship management and oversight.

**Board response.** Ask management for an AI workforce and operating-model plan, including which functions will be automated, augmented or expanded; productivity metrics; reskilling; hiring changes; model governance; intellectual-property protection and accountability for AI-generated work. Monitor: Revenue or AUM per employee; research productivity; technology expense versus compensation expense; AI-related job redesign; model-error incidents; employee adoption and competitor efficiency gains.

## 8. AI valuations and concentration became an explicit financial-stability concern

**What happened.** On Sept. 10, the European Securities and Markets Authority (ESMA, the EU's financial markets regulator and supervisor), warned that stretched technology valuations and geopolitical risks were being masked by strong investor optimism. While markets have remained resilient, ESMA finds that stretched technology valuations and heightened geopolitical tensions are testing this resilience in a climate of persistent inflation and weaker economic growth. Despite heightened market volatility and event-driven uncertainty, strong performance in technology and AI-related sectors has been helping to sustain fast recovery of investor optimism and financial markets valuations.<sup>xii</sup> The IMF similarly highlighted leverage, circular financing and cross-border holdings as channels through which disappointment in AI earnings or investment returns could become a broader financial-market shock.

**Why it matters.** Index investors may unknowingly have substantial factor concentration in a relatively small group of AI beneficiaries. Active portfolios, retirement portfolios and institutional benchmarks can therefore share correlated exposures even when they appear diversified by security count.

**Board response.** Request an AI concentration map across funds and institutional portfolios—including direct equities, benchmark exposure, semiconductor supply chains, private markets, credit and infrastructure. Monitor. AI-company earnings versus capex; index concentration; valuation multiples; semiconductor inventories; data-center financing; hyperscaler debt; private AI valuations and correlations among nominally different AI-related investments.

## 9. European regulators elevated AI, cyber resilience and third-party technology dependency

**What happened.** ESMA announced that **innovation with investor safeguards** will become a strategic supervisory priority beginning in 2027. Supervisory attention will include AI governance, testing, data quality, bias, output reliability and dependence on concentrated third-party providers, alongside continuing Digital Operational Resilience Act-related (DORA)<sup>xiii</sup> cyber and operational-resilience supervision. On Sept. 23, ESAs highlighted external ICT dependencies, AI-related cyber threats, private credit and quantum computing among emerging financial-system risks.<sup>xiv</sup>

**Why it matters.** AI governance is migrating from innovation committees toward the regulated operational-risk framework. Asset managers increasingly must govern not only proprietary models but vendor models embedded in portfolio, data, cloud, risk and client systems.

**Board response.** Expand technology-risk reporting to include a complete AI inventory, critical vendors, model validation, human oversight, data provenance, hallucination/error controls, cyber vulnerabilities and concentration risk among cloud/model providers. Monitor: DORA implementation; EU AI supervision; U.S. SEC examination practices; third-party AI concentration; AI-related cyber incidents and regulatory convergence/divergence between the U.S., UK and EU.

## **10. Quantum became worth monitoring—but remains an emerging rather than core investment theme**

**What happened.** In September, the U.S. Department of Energy launched a competition providing up to \$215 million toward development of fault-tolerant quantum computers, supplemented by \$45 million for validation and verification capabilities. Investor interest has also accelerated. ESMA reported growing quantum investment activity, while investment-industry commentary increasingly identifies both portfolio applications and the cybersecurity threat posed by sufficiently capable quantum machines.<sup>xv</sup>

**Why it matters.** Potential applications include portfolio optimization, derivatives pricing, Monte Carlo simulation, risk modeling, materials discovery and cryptography. But near-term commercial economics remain highly uncertain. For boards, the more immediate issue may be post-quantum cybersecurity: encrypted information stolen today could potentially be stored and decrypted later as quantum capabilities advance.

**Board response.** Don't treat quantum as the next AI and chase thematic exposure indiscriminately. Instead, separate three issues: investment opportunity, potential investment-process applications and cybersecurity preparedness. Ask the CISO whether the firm has identified cryptographic dependencies and developed a migration path toward post-quantum cryptography. Monitor: Logical-qubit progress; error correction; fault-tolerant systems; government funding; commercial use cases; quantum-related valuations; NIST/post-quantum cryptography implementation and vendor readiness.

## **11. Global regulation is simultaneously encouraging innovation and increasing operational demands**

**What happened.** Europe continued preparing major changes involving AIFMD/UCITS reporting, the Retail Investment Strategy, DORA, ESG ratings and the move to T+1 settlement in October 2027. ESMA's September 2027 work program emphasizes integrated fund reporting, data/AI supervision, operational resilience and

regulatory simplification. The UK, meanwhile, is redesigning its alternative-fund-manager regime and proposing a consolidated reporting framework, FRAME, with implementation targeted around 2028.<sup>xvi</sup>

**Why it matters.** Globally active asset managers face simultaneous regulatory simplification and technological complexity. Data architecture is becoming strategic: the same underlying investment, risk, liquidity and transaction information increasingly must support regulatory reporting, AI, client reporting and real-time operational controls.

**Board response.** Request a three-year regulatory/data architecture roadmap, rather than treating individual regulatory projects independently. Global managers should identify where U.S., UK and EU requirements can share common data and control infrastructure. Monitor: AIFMD/UCITS implementation; UK AIFM reform; T+1 readiness; DORA; ESG-rating regulation; retail-investment rules; U.S. 24-hour trading developments and cross-border settlement interoperability.

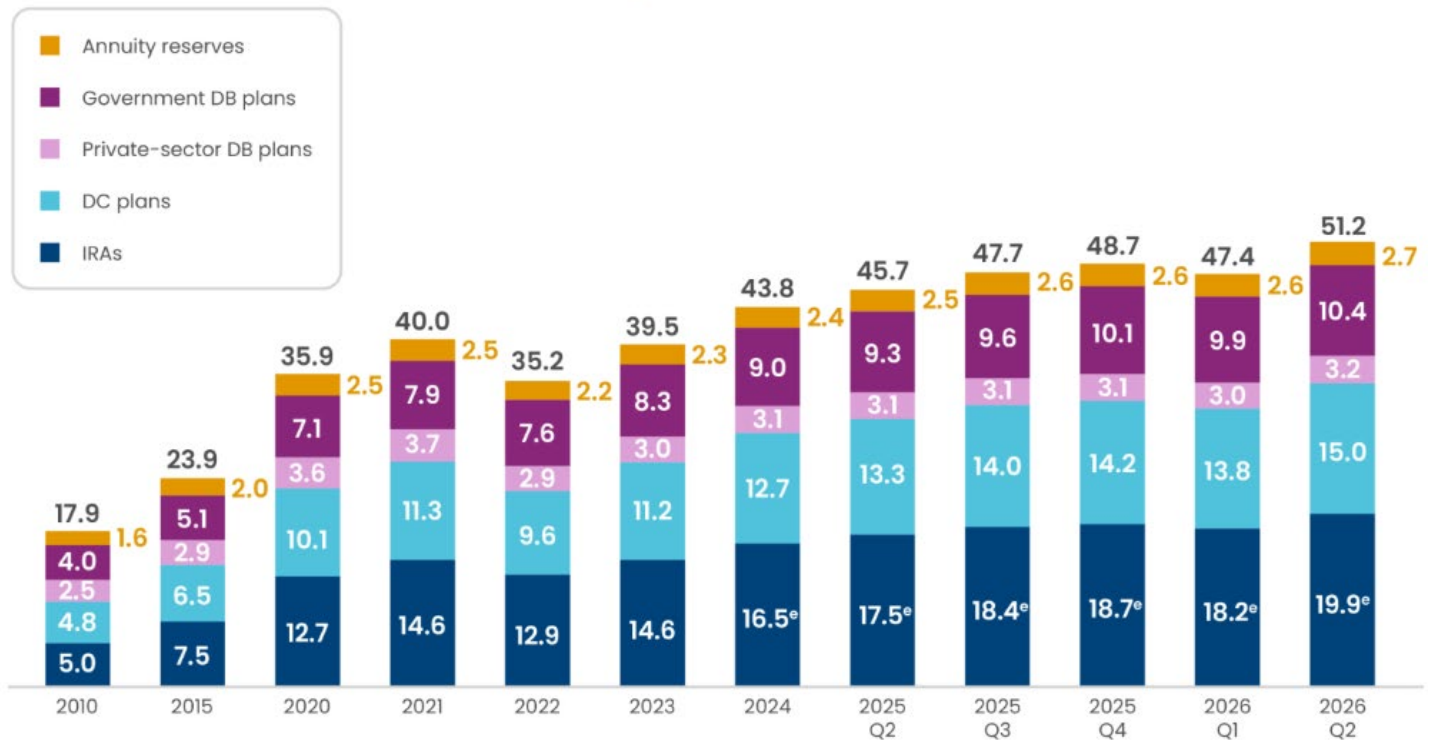
## **U.S.: The Retirement Challenge**

### **12. Retirement assets remain an enormous strategic battleground for asset managers**

**What happened.** ICI reported that June 30 U.S. retirement assets reached \$51 trillion, representing approximately 1/3 of U.S. household financial assets. Of this, IRAs hold ~\$20 trillion, defined benefit plans hold ~\$13.6 trillion, and 401(k) plans hold ~\$10.3 trillion. At the same time, major managers are increasingly experimenting with combinations of target-date strategies, private assets and guaranteed-retirement-income solutions.<sup>xvii</sup> [Reuters](#)

## US Total Retirement Market Assets

*Trillions of dollars, end-of-period, selected periods*



**Why it matters.** Retirement is where several industry trends converge: ETFs versus mutual funds, collective trusts, private-market democratization, personalization, managed accounts, annuitization and AI-enabled advice.

**Board response.** Challenge management's long-term retirement strategy. The critical question is no longer simply, “Do we manufacture target-date funds?” but rather where does the firm sit in the retirement ecosystem—accumulation, advice, private assets, income, personalization or infrastructure? Monitor: DC-plan private-market adoption; target-date innovation; lifetime-income solutions; managed accounts; CIT growth; participant personalization; fee pressure and regulatory fiduciary standards.

### Summary and CTAs:

For asset-management boards, the priority is to ensure that strategy, risk oversight and operating capabilities evolve together. Directors should challenge management to:

- stress-test portfolios and private-asset valuations for structurally higher interest rates;
- reassess product architecture as ETFs, private-market vehicles and retirement solutions reshape distribution;
- scrutinize private-credit liquidity and valuation risks;
- develop a comprehensive AI strategy covering investment exposure, productivity, workforce redesign, model governance and third-party technology dependencies;
- prepare for tokenized market infrastructure and post-quantum cybersecurity.

The most important strategic conclusion is that AI, ETFs and private markets are beginning to converge. AI lowers the cost of research, personalization and distribution; ETFs and tokenization lower the cost and friction of product delivery; and regulatory reforms are broadening the universe of assets that can potentially reach individual investors. That combination could substantially reshape the economics and competitive structure of asset management over the next several years.

In the coming months, directors should closely monitor Treasury-market stability, credit deterioration, active ETF flows, implementation of private-market reforms, AI-capex economics and productivity gains, regulatory developments and any signs that concentrated technology valuations are becoming a broader source of financial-system risk. In synthesis, September suggests that asset-management boards should organize their oversight around five interconnected structural shifts:

| <b>Structural shift</b>                              | <b>Board-level question</b>                                                                                                   |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Higher-for-longer rates / Treasury volatility</b> | Are portfolio, liquidity and valuation assumptions calibrated for structurally higher risk-free rates?                        |
| <b>ETF migration</b>                                 | Is our product architecture evolving as quickly as client preferences?                                                        |
| <b>Private-market retailization</b>                  | Can we capture the growth opportunity without importing inappropriate liquidity, valuation and conduct risks?                 |
| <b>AI transformation</b>                             | Are we managing AI simultaneously as an investment theme, macroeconomic force, workforce transformation and operational risk? |
| <b>Tokenization + quantum</b>                        | Is our technology architecture prepared for changing market infrastructure and next-generation cybersecurity risks?           |

## LinkedIn:

Asset management is entering a new competitive regime: higher-for-longer rates, accelerating ETF migration, expanding private-market access and AI-driven changes to productivity, portfolios and the workforce are converging to reshape how firms invest, manufacture products and manage risk. #AssetManagement #BoardGovernance #ArtificialIntelligence #ETFs #PrivateMarkets #PrivateCredit #InvestmentManagement #DigitalAssets #Tokenization #QuantumComputing #RiskManagement

<sup>i</sup> <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a.htm>

<sup>ii</sup> <https://www.wsj.com/finance/investing/stock-funds-q3-2026-ebcfc5c8>

<sup>iii</sup> [https://www.ici.org/research/stats/etf/etfs\\_08\\_25](https://www.ici.org/research/stats/etf/etfs_08_25) and <https://www.morganstanley.com/im/en-us/institutional-investor/insights/press-release/msim-announces-effort-to-convert-nearly-10b-in-municipal-mutual-funds-to-etfs.html>

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- <sup>iv</sup> <https://kessler-prod.reta52d8.eas.morningstar.com/business/insights/blog/the-state-of-us-etfs>
- <sup>v</sup> <https://www.morningstar.com/business/insights/blog/alternative-etfs-primer>
- <sup>vi</sup> <https://www.sec.gov/newsroom/press-releases/2026-96-sec-proposes-amendments-expand-responsible-retailization-private-markets>
- <sup>vii</sup> <https://ir.nasdaq.com/news-releases/news-release-details/private-markets-and-ai-emerge-defining-priorities-asset-managers>
- <sup>viii</sup> <https://www.sec.gov/newsroom/press-releases/2026-90-sec-issues-innovation-exemption-facilitate-trading-tokenized-nms-stock-request-comment>
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- <sup>xiii</sup> [https://www.eiopa.europa.eu/digital-operational-resilience-act-dora\\_en](https://www.eiopa.europa.eu/digital-operational-resilience-act-dora_en)
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- <sup>xv</sup> <https://www.quantum.gov/news/> and <https://www.esma.europa.eu/press-news/esma-news/ongoing-geopolitical-and-economic-vulnerabilities-masked-strong-investor>
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