

THE  
INVESTMENT  
ASSOCIATION

# HOW INVESTMENT MANAGEMENT SUPPORTS UK GROWTH



## ABOUT THE INVESTMENT ASSOCIATION

**The IA champions UK investment management  
to support British savers, investors and businesses.**

The industry we represent helps 84% of British households to secure their financial futures, and invest over £1.4 trillion into the British economy.

Our mission is to make investment better. Better for our clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers.

The IA is here to answer any question or provide any information about the investment management industry.

You can reach us on [politics@theia.org](mailto:politics@theia.org)

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Investment management sits at the heart of the UK economy. It helps people to secure their financial future by giving them the potential to generate returns over the long term and drives economic growth by directing money to projects and companies looking to expand.

To do this, we ensure that the companies we work with are considering long-term threats such as climate change and have the best possible workforce leveraging diverse skills and backgrounds.

The UK investment management industry is a global success story which gives the UK a powerful voice in financial services issues on the world stage.

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# 1. WHAT IS INVESTMENT MANAGEMENT?

Investment management helps households around the country to build their financial security while helping British businesses to grow. We do this by pooling the money invested by individuals either directly or through pensions funds and investing that money to achieve the best returns.

Investment management allows households who want to build their financial security to take a stake in businesses and infrastructure to share in their success. This provides funding to the projects which deliver jobs, and public services such as utilities and social housing.

We think about the long term. Often, the role of investment managers is to help people to grow their pension savings which they may not need for many decades. This means investment managers focus on sustainable growth. We work with the companies we invest in to ensure that they are part of the solution to the global issues we are facing in the present and in the future, most notably the climate emergency.

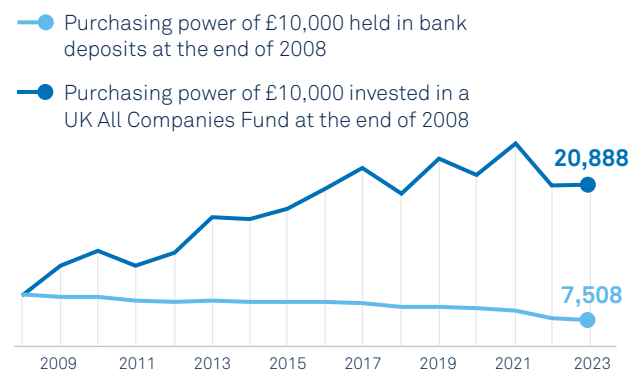
## 2. HOW INVESTMENT MANAGEMENT SECURES FINANCIAL FUTURES

84% of households in the UK use an investment manager to secure their financial futures. For most people, this is through their workplace pensions, including through the UK's highly successful auto-enrolment programme. Investment managers are also responsible for helping to build individual's financial resilience through products such as Stocks and Shares ISAs, private pensions and direct investment.

An investment manager's role is to find the right mix of assets, such as shares, bonds and stakes in infrastructure programmes which have the potential to generate sustainable returns over many years. This often leads to better financial outcomes compared to relying on cash savings, which can be eroded by inflation.

Recent IA research indicates that, after taking into account the impact of costs, fees and inflation, the purchasing power of £10,000 invested in UK companies at the end of 2008 would have nearly

doubled by now. It far exceeds the purchasing power of £10,000 which had just been held in interest paying bank deposits over the same time.



**84%**  
OF HOUSEHOLDS  
IN THE UK USE AN  
INVESTMENT MANAGER  
TO SECURE THEIR  
FINANCIAL  
FUTURES



People entrust their money to investment managers as they have the expertise to identify the appropriate blend of assets and level of risk for them, and because they can access a wider range of assets than would normally be available to an individual.

Investing may not be suitable for everyone; for many households, the initial focus should be on debt repayment or building cash savings for challenging times. However, there is the potential for more people to boost their financial

resilience through investment. The FCA has calculated that over 15 million adults in the UK have investable assets of over £10,000. More than half of these people have at least three quarters of these assets in cash (*FCA Consumer Investments: Strategy and Feedback Statement*). The FCA recognises this could mean many consumers losing out on the chance to build their financial resilience.

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# 3. HOW INVESTMENT MANAGEMENT DRIVES ECONOMIC GROWTH

Investment management is crucial to the UK economy as the industry directs people's savings towards businesses and projects looking for the finance needed to expand, develop new products and create new jobs.

IA members invest £1.4 trillion in the UK economy through investments such as company shares and bonds, and new infrastructure projects.

People's savings are channelled towards businesses and projects looking for finance through capital markets.

Strong capital markets allow the UK to unlock the potential of businesses based here, as well as attracting growing businesses from around

the world which have long looked to the UK as a source of the finance they need to expand.

These businesses provide jobs, contribute to the UK tax revenue, and spread wealth by giving investors around the UK the opportunity to invest in successful businesses.

The UK's capital markets have thrived for centuries, but we need to make sure that we continue to be competitive with other markets such as the US. To do this the financial services industry must keep providing the products people need and deliver high standards of service. Government and regulators also have a part to play in establishing a legal, policy and tax framework which fosters innovation, supports investment and makes the UK an attractive destination to do business.

## Investing in Innovation: Semiconductor Innovation

M&G, alongside the UK Infrastructure Bank, have invested £40 million into Pragmatic, a world leader in semiconductor innovation, headquartered in Cambridge. Pragmatic produces ultra-low cost chips with a wide variety of innovative applications across multiple sectors. This investment will enable Pragmatic to scale-up its County Durham based factory and build two new production lines.



IN 2023 UK INVESTMENT  
MANAGERS CHanneled  
OVER

£15 billion

INTO SOCIAL PROJECTS SUCH AS  
NEW SCHOOLS AND IMPROVED  
HOSPITAL BUILDINGS

### Private markets

In previous years investment managers have focused on investing in companies listed on the stock market. Increasingly, investment managers are investing directly into smaller, growing companies which are not publicly listed. This is known as private market investing.

UK investment managers also invest directly in infrastructure projects, ranging from renewable energy projects and new rail programmes, to building the new schools, hospitals and social housing which we all rely on.

In 2023 UK investment managers channeled over £15 billion into social projects such as new schools and improved hospital buildings.

### Investing in Society: The Velindre Cancer Centre, Cardiff

Aviva Investors is part of a group financing the new Velindre Cancer Centre in Cardiff, which will provide specialist cancer services to over 1.7 million people in South East Wales. The hospital, due to be complete in 2027, will be one of the most sustainable hospitals in the UK with air source heat pump infrastructure.

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# 4. HOW INVESTMENT MANAGEMENT INVESTS IN A SUSTAINABLE FUTURE

Investment management requires taking a long-term view because we are managing money for people who are looking to provide for their future financial health – such as through their pension – and may not need the returns on their investment for many decades. Taking a long-term view means investment managers must think about resolving long term threats such as climate change and target investments accordingly.

Our industry therefore has a vital role to play in financing the transition to a cleaner and greener economy. We support government goals to decarbonise the economy by investing in low carbon projects. We also encourage the companies we invest in to consider and report their environmental impact.

The Climate Change Committee estimates that an additional £50–£60 billion of capital investment will be required every year over the next decade to deliver the UK's net zero ambitions. Our industry is playing its part by allocating capital to companies and projects that are leading the transition and by supporting programmes such as the

## Investing in a Sustainable Future: Nature Restoration

Royal London has invested £260m alongside the South Yorkshire Pension Authority to acquire 21,000 acres of farmland across Cambridgeshire and Lincolnshire. This investment into agriculture and natural capital will potentially include lowland peat restoration, habitat banking and hedgerow afforestation; contributing to the UK's climate goals and providing a return to finance savers' retirements.

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UK Green Gilts. This allows institutional investors to buy a government bond (also known as a gilt), which is specifically used to fund renewable energy projects, energy efficiency tools and the development of clean transport.

The Global Green Finance Index confirms the UK already leads the world in green finance thanks to the money invested here in clean projects, and the expertise available in sustainable finance. Continuing to improve access to responsible and sustainable investment opportunities will not only drive long term economic growth, but it will also allow UK investors to contribute to the planet's environmental well-being and play a role in adapting to climate change.

## **Investing in a Sustainable Future: The Moray East Offshore Windfarm**

The Moray East Offshore wind farm has built its capacity thanks to a £268 million investment from Legal & General. It can now power 1.4 million homes with green energy, and the return on doing this will help to finance savers' retirements.

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# 5. HOW INVESTMENT MANAGEMENT SUPPORTS A HIGHLY SKILLED WORKFORCE

Around 125,000 people in the UK work in investment management, most of them in highly skilled roles.

Investment managers take their responsibility to support the next generation very seriously, and for over a decade has supported those starting their careers through the Investment20/20 programme.

Investment20/20 focuses on working with schools and universities that do not have a

tradition of sending people to work in financial services, giving their students the confidence and opportunity to join our industry.

So far over 2,700 young people have started their career in investment management through year long, well paid placements across our industry through Investment20/20.

If you would like to link Investment20/20 with schools, colleges and universities in your constituency please contact [politics@theia.org](mailto:politics@theia.org)

## Investing in the Next Generation: Westminster Kingsway College

Since 2020, Investment20/20 has visited Westminster Kingsway College over 30 times, helping their students consider career paths and connecting them to trainee opportunities in the industry.

Westminster Kingsway College, part of the Capital City College Group, welcomes students from particularly diverse parts of the South East, including neighbourhoods that rank in the top 10% most deprived areas. This programme means that more students than ever have the confidence and practical ability to consider a career in investment management. It also supports the investment management industry to attract the most talented individuals to serve our customers.

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AROUND  
**125,000**  
PEOPLE IN THE UK WORK  
IN INVESTMENT MANAGEMENT

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“ Investment20/20 is unique, providing employability sessions, work experience, and internships which create pathways into investment management. The programme prepares our young people to be ‘future job ready’ by providing the technical knowledge required while also developing a much broader set of employability skills. The impact on our learners is transformative, offering them an insight into the world of work and the confidence to forge successful future careers. ”

Jasbir Sondhi, Group Principal Capital City College Group.



# 6. HOW INVESTMENT MANAGEMENT BRINGS THE WORLD TO BRITAIN

The UK's investment management industry is one of the strongest in the world. It is second in size only to the US, and with £9.1 trillion managed in the UK it is larger than France, Germany and Switzerland combined.

This is in largest part thanks to the UK industry's international focus. Savers and investors from around the world look to us to help them to secure their financial futures.

For instance, the expertise that we have in the UK makes this a natural home for Australian savers looking to manage their money.

Australia's largest pension scheme, AustralianSuper, which manages assets on behalf of 1 in 10 Australians, chose to establish their European base here in 2016. AustralianSuper investments in the UK include the London King's Cross development and Heathrow Airport, and they plan to invest a further £23 billion in the UK and Europe over the next 5 years.

This helps the UK economy in a very direct way. Investment management was responsible for £11.7 billion of net exports in 2022, which is 6.7% of the total export of services from the UK. The opportunity for the industry to export its

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MANAGED IN THE UK IT IS LARGER THAN FRANCE,  
GERMANY AND SWITZERLAND COMBINED

services globally benefits the UK directly as it boosts tax revenue, provides high skilled jobs based in the UK and encourages more overseas firms to trust the expertise of UK investment managers when it comes to looking after their money.

This gives the UK an important voice in the global financial system. It helps British policy makers play a leading role in setting high global regulatory standards that safeguard financial markets in our highly interconnected economy and make it easy for those companies to trade across borders. It also enables the UK to lead international cooperation on issues such as setting professional standards which make it straightforward for British citizens and companies to work and do business around the world.

“ The benefits of the on the ground presence in London have certainly been realised – access to talent, increased investment opportunities and being part of a mature and substantial investment and financial ecosystem. ”

Damian Moloney, Head of Investments,  
International, AustralianSuper.





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