2 KEY THEMES SHAPING THE UK INVESTMENT MANAGEMENT INDUSTRY (2024–2025)

KEY FINDINGS

- Strong industry growth in AUM to record highs of £10.0 trillion in 2024 reflect a resilient industry adapting and innovating amidst a more complex regulatory and economic environment. The three themes addressed in this chapter are critical to understanding how UK investment managers are evolving and positioning themselves for long-term success.

ACCELERATING TECHNOLOGICAL TRANSFORMATION

- Investment managers are leveraging AI for investment research and operational automation, enhancing efficiency and decision-making while maintaining human oversight. AI regulation should be developed in parallel with innovation, enabling businesses to experiment within guardrails.
- While still in its early stages, tokenisation of funds and digital assets shows promise for improving fund operations and expanding access to illiquid assets. The introduction of common standards will be key, and opportunities to experiment through pilot projects remains an important next step.
- Firms are prioritising data security, privacy, and accountability in AI and tokenisation initiatives, ensuring robust risk management alongside technological advancements.

SUPPORTING UK ECONOMIC GROWTH

- The current political climate is encouraging for UK investment. The investment management industry is pivotal in driving domestic economic growth by allocating capital to infrastructure, innovation and regional development, aligning with the government's growth agenda.
- Investment managers are expanding their capabilities in private markets, actively engaging in stewardship and consolidating pension capital to support long-term investments in UK projects.
- While enthusiastic about supporting the UK's economic growth objectives, investment managers prioritise their fiduciary duty to clients, advocating for voluntary commitments over mandated allocations to avoid misallocation of capital.
- Clear, proportionate and equivalent fiscal and regulatory frameworks will be critical to maintain the industry's ability to support UK growth. Priority areas include a stable tax regime and a strong pipeline of shovel ready, investible products.

DEMOCRATISING INVESTING: BROADENING RETAIL PARTICIPATION IN THE UK

- In 2024, for the first time in IA data, retail investors are the largest client group at 28% of AUM. The UK investment industry is actively working on initiatives to increase the proportion of UK adults investing.
- Improvements to financial education, modernising and simplifying communications and disclosure to retail investors, national campaigns to promote investing and normalising investing in everyday life were highlighted by industry leaders as critical to improving the UK's culture of retail investment.
- There is a significant focus on addressing the gap in affordable financial advice for the mass market. The industry supports regulatory reforms to enable more accessible guidance and expanding the range of investment products and vehicles easily accessible to everyday investors, such as Exchange-Traded Funds (ETFs) and Long-Term Asset Funds (LTAFs).

Each year, UK investment management leaders share insights on the forces transforming the industry. This chapter examines three interlinked themes that emerged as the critical forces shaping the development of investment management in the UK: the role of investment managers in **supporting UK economic growth, accelerating technological transformation** and **democratising investing**. These themes reflect an industry adapting: maintaining resilience in a more complex environment remains in the spotlight but investment managers have balanced this with a focus on innovation and there is now real momentum behind technological change.

Nevertheless, the imperative to innovate comes at a time when investment managers remain under intense cost pressures and whilst investing in artificial intelligence is seen as critical to maintaining competitive advantage it is not yet making a significant dent in the cost burden. Investment managers have also navigated short term bouts of market volatility in 2025 and commitment to clear client communication, alongside delivering on investment objectives, has never been more important. This is particularly true as many firms gear up to make a significant push to grow retail investing in the wake of the Leeds Reforms. Going for growth dominates the UK political agenda but investment managers are firm that their fiduciary duty to clients remains paramount.

In previous years, our interviews have revealed frustration over the heavy regulatory burden in the UK. However, in 2025 insights from senior leaders across the spectrum of IA member firms show that investment managers are embracing the shift in the UK away from a focus on regulatory 'safetyism' towards more proportionate regulation that allows for calibrated risk in the system. Our conversations suggest that there is optimism that this cultural shift can lay the foundations for a more competitive market that allocates productive capital to the benefit of investors but also to the UK economy and that sows the seeds for greater participation in UK capital and private markets. Against this backdrop, this chapter's three key themes show how investment managers are delivering amidst economic and competitive shifts, increasing political pressure to help deliver the growth agenda and evolving client needs and expectations.

ACCELERATING TECHNOLOGICAL TRANSFORMATION

The investment management sector in the UK is embracing new technology at an unprecedented pace. In the near term, transformation is focused on the benefits that Artificial Intelligence can deliver in two key areas: investment research and operational automation. Investment managers are also testing the waters around tokenisation of funds and digital assets. Whilst tokenisation is not driving significant change now, its longer-term potential to transform investment infrastructure is seen by many as incredibly powerful.

Generative AI and machine learning have quickly moved from buzzwords to practical tools embedded in daily operations. Every senior leader that we interviewed for this year's Survey mentioned that AI is a major strategic priority. Whilst they outlined the significant developments taking place in AI, they were also keen to underscore that AI is a powerful tool to enhance, not replace, human expertise.

Most firms have started with focused applications that deliver quick wins:

- **Research & Data:** Large language models sift through vast datasets – news, financial filings, internal research notes – to spot patterns and relevant information. One firm trained an in-house AI assistant on its research library, enabling portfolio managers to query, for example, which stocks are most exposed to specific fundamentals such as high wages, and get synthesised answers drawing on collective intelligence. This speeds up analysis without supplanting the manager's own judgement. Data-driven insights will help to manage risks and improve investment outcomes: for example, an AI agent detecting a supply-chain risk that humans missed.

- **Operational Automation:** Many managers use AI bots to draft routine reports and client commentary, which humans then refine. Natural language processing can summarise lengthy central bank minutes or earnings transcripts in seconds, saving analysts hours. Coding assistants are accelerating IT tasks as well, auto-generating standard code and troubleshooting bugs. Automating low-value tasks frees up staff for higher-value work. If used well, AI allows firms to "do more with less," which will be critical for competitiveness. AI-driven efficiency is helping firms to cope with margin pressures.

Crucially, firms stress that human oversight remains central. AI is viewed as an augmenting tool and AI suggestions are subject to human review before any action.

"We emphasise that AI isn't there to replace people but rather a tool to enhance their fundamental insight. We always return to the idea that humans still need to interpret outputs and apply judgement."

Investment managers still make the final calls, applying seasoned judgment to outputs. AI cannot yet replace all human strengths: no one believed that it could forecast scenarios as effectively as expert portfolio managers, a critical differentiator in active management strategies.

"Portfolio managers now have access to internal AI tools that help them screen and analyse thousands of bonds – AI can help speed fundamental research, run through regulatory filings, and extract insights, but only if the data governance is robust."

The firms that we spoke to are also alive to managing AI's risks. Chief among these is maintaining data security and privacy. Several firms forbid feeding proprietary data into public AI tools. Instead, the focus has been on developing secure internal models (one firm's chatbot "Vera" was trained on internal data only). Investment managers also remain wary of AI errors or "hallucinations," insisting that algorithms work off vetted data and that humans double-check AI-generated content.

"We emphasise that AI is a tool to enhance their fundamental insight, not replace them."

Another key concern is accountability. Ultimately, the firm is responsible for decisions, so completely delegating to a "black box" is off the table

"High-quality AI outputs can spark better debates, because if everyone relies on the same model, you lose cognitive diversity."

Regulators are taking note but are so far adopting a fairly enabling stance. Industry leaders appreciate that the UK's approach to using AI in finance has been pragmatic and principles-based, allowing experimentation within guardrails. Still, they would like more guidance on issues like the transparency of AI models and coping with AI bias. The consensus is that sensible oversight should develop in parallel with innovation: "protect consumers from harm but don't stifle innovation." Striking this balance will be critical if the UK is to retain its edge.

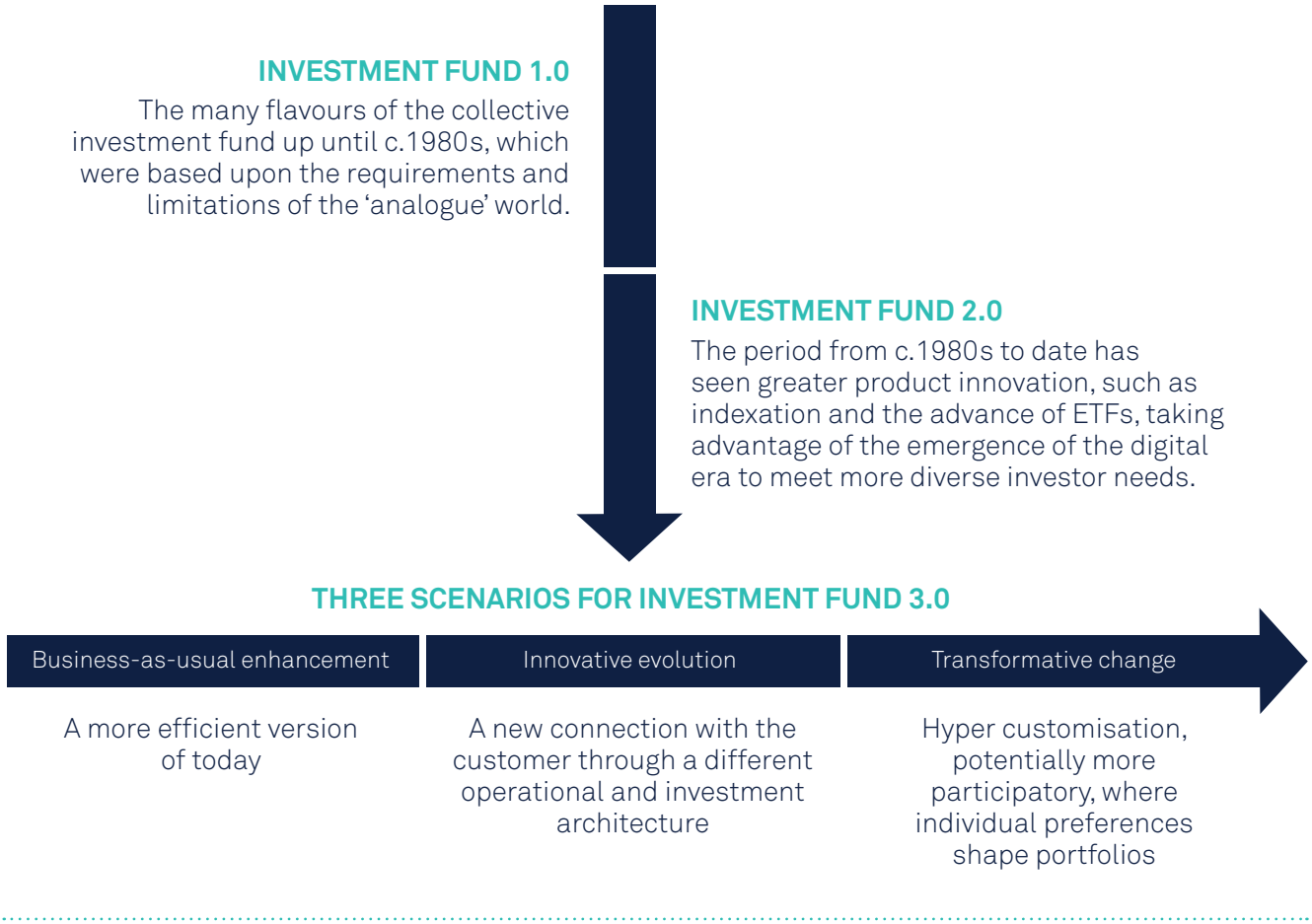
Looking ahead, AI is seen as indispensable for firms to remain competitive. It offers a way to boost productivity and client service without commensurate cost increases, which is increasingly integral to remaining competitive in a tight fee environment. Many predict that routine analytical work will be increasingly AI-driven, allowing human professionals to focus on strategy, complex client needs and creative thinking.

"Technology will inevitably drive down costs and increase efficiency, but we must ensure that any cost savings align with client expectations of value."

THE ROLE OF ETFs AS TECHNOLOGY EVOLVES

The IA's "Investment Fund 3.0" agenda recognises that the funds industry needs to adapt as it embraces advances in technology but also in response to evolving investor needs and behaviours. Exchange Traded Funds (ETFs) have modern characteristics such as exchange trading, intra-day pricing and transparency and represent the second wave in fund modernisation, a development called Fund 2.0. In 2025 there is significant momentum behind the growth in ETFs and as the market develops, we will see innovation accelerate. Investors will increasingly demand real-time pricing information and access through digital platforms. Investment platforms will start to embrace fractional trading, which could facilitate more effective portfolio re-balancing and encourage retail investors to invest small amounts more frequently. In the US, the SEC has ruled in favour of allowing ETFs as share classes to enable the seamless transfer of assets out of mutual funds into ETFs. In Europe, there is momentum behind product innovation following the launch of semi-transparent active ETFs. These developments signal that a third iteration of investment products and services is underway moving the industry closer to "Investment Fund 3.0", where tokenisation will be pivotal in leveraging technology to offer greater efficiency and connectivity with investors through personalisation of investment portfolios.

FIGURE 6: EVOLUTION OF THE INVESTMENT FUND



TOKENISATION AND DIGITAL ASSETS

Beyond AI, firms are also exploring distributed ledger technology (DLT) and the tokenisation of assets. Here, attitudes are a bit more tempered about the potential for transformation, certainly in the nearer term. The long-term possibilities are seen as significant, if they can be realised. The most important opportunities are more efficient fund operations and expanded access to illiquid assets. Generally, firms feel that the industry is in an early-stage exploratory phase and there remain some out and out sceptics:

"True tokenisation – using distributed-ledger technology to subdivide an asset like a commercial building – remains a solution in search of a problem, for now."

Despite this, we are starting to see momentum behind tokenisation and DLT and there have been some notable pilot projects globally. In the UK, the first FCA-regulated tokenised fund (an OEIC investing in bonds using blockchain for its unit register) launched recently, proving that the technology can meet regulatory standards. Several large investment managers have run sandbox tests that, for example, simulate the tokenisation of a small portion of an existing fund. These tests are often in partnership with fintech firms, showing the value of the UK fintech ecosystem in supporting innovation. These experiments are yielding valuable early lessons but most firms have not yet moved to full-scale implementation, partly because the ecosystem is "not fully ready" for wide-reaching tokenisation.

Custodians, investment platforms and exchanges need to upgrade infrastructure to handle digital tokens alongside traditional securities. Legal and regulatory clarity is still evolving and firms want certainty that a token legally equals ownership, with robust investor protections.

When asked about the major opportunities delivered by tokenisation, industry leaders highlighted two key areas of development:

Back-Office Efficiency: There is broad agreement that DLT could streamline trading, settlement and record-keeping. A shared ledger for fund units or securities promises instant settlement and fewer reconciliation errors.

"We see the greatest potential with tokenisation coming from making contract notes, rebate payments, and so on – distributed-ledger technology could streamline those workflows."

In trials, moving a fund's register to blockchain has cut transfer times and operational costs. These "*plumbing*" improvements, while invisible to end-investors, could ultimately reduce fees and operational risks.

Investor Access and Liquidity: In theory, tokenisation can fractionalise large illiquid assets (real estate, infrastructure, private equity) into bite-sized units tradable on secondary markets. This could democratise access, for example by allowing a retail investor to buy £100 worth of a commercial property token. This has the potential to open up new sources of return for clients and new capital for the economy.

"For retail, tokenisation could democratise access to larger assets – like allowing investors to buy a fraction of a UK commercial building."

However, in our interviews there was considerable caution that tokenising illiquid assets does not magically create liquidity: finding buyers for niche tokens could be difficult and prices might be volatile. Fractional ownership helps with initial access but does not necessarily remove the challenges and risks associated with large scale redemption events: a token of a building can still be hard to sell in a downturn.

Looking ahead, the will to embrace tokenisation is growing but caution remains. Many would like to see common standards in place and perhaps a few more success cases before committing major resources. Given these hurdles, most view tokenisation's development timeframe as longer than AI. In the near term, they expect incremental steps. A likely path is starting with tokenising relatively liquid assets. For instance, money market funds are already being tokenised, where there is regular trading and valuation. This would test the infrastructure in a low-risk way,

perhaps enabling 24/7 trading or integration with digital wallets, without introducing liquidity mismatch. Over the longer term, as the infrastructure develops, tokenisation could extend to traditionally illiquid assets like private credit, real estate or infrastructure.

The UK's regulators are encouraging experimentation through the Digital Securities Sandbox and there is an opportunity to be a leader in regulated tokenised finance. One interviewee stressed the importance of *"building knowledge now, even if immediate payoff is small"*. Those who build internal expertise in blockchain and smart contracts today will be well-placed when client demand and infrastructure catch up. In the meantime, firms are ensuring they balance innovation with robust risk management. Cybersecurity was highlighted by all as a non-negotiable priority alongside any technology rollout, especially as more assets and processes go digital. However, whilst the industry is focused on adopting AI and strengthening cyber security, industry leaders reflected that this was adding in high implementation costs in the near term, even if in the longer-term technological advancement will help to streamline costs.

In summary, technology is transforming UK investment management step by step: AI is already delivering tangible improvements, while tokenisation and related fintech innovations are moving from concept toward practical reality. The firms that innovate thoughtfully – reaping efficiency gains and deepening data insights while controlling risks – will be best positioned to thrive.

SUPPORTING UK ECONOMIC GROWTH

A major theme in this year's discussions was the investment management industry's role in driving domestic economic growth. With the UK government placing an emphasis on boosting investment in infrastructure, innovation and regional development, investment managers are under the spotlight as key allocators of capital. Industry leaders signalled their willingness to rise to the challenge but always ensuring that it is *"consistent with our fiduciary duty to clients"*.

THE GROWTH AGENDA:

The current political climate is encouraging for UK investment. Executives described a noticeable shift in tone from policymakers, with one CEO highlighting "*better mood music*" from both regulators and government in promoting competitiveness and growth. There was a clear recognition that we are starting to see the shift away from a culture of safetyism towards an increasing rebalancing of regulation to allow more risk in the system. There is also a notable shift away from a focus on cost towards value, which is unlocking opportunities for investors in private markets.

In 2023, the Chancellor's Mansion House Compact saw pension providers aiming to invest 5% of default funds in unlisted equities by 2030 and in 2025 a broader Mansion House Accord doubled that target to 10% (with at least 5% in UK assets including private assets, not just unlisted UK equities). There has been strong industry buy-in and 17 of the major Defined Contribution providers are signatories. If achieved, this could unlock up to £50 billion for UK companies and projects by 2030. The industry views these developments positively and as a signal that the UK is serious about channelling capital into productive economic uses.

There are several ways that investment managers are supporting the growth agenda:

- **Providing Long-Term Capital:** Nearly all firms have been expanding their capabilities in private markets (private equity, venture capital, private credit, infrastructure and real estate) and this intensifying focus should help to meet the demand for UK long-term investment. New funds and mandates are being launched that focus on areas like renewable energy, social infrastructure, or small and mid-sized enterprises (SMEs).

"All the stars are aligning to increase the focus on private markets: the Mansion House Accord, pension fund pooling and wider pension review work, plus the FCA looking at retail access to private markets and the launch of targeted support allowing people to get better guidance on how to pick appropriate strategies. It's a potentially enabling environment."

Several cited recent examples of deploying capital into UK projects that offer solid returns and clear economic benefits, such as fibre broadband rollouts or wind farm financing.

- **Reform of UK listings & effective stewardship:** The drive by the FCA drive to simplify the UK listing regime should reduce complexity and costs for issuers and bolster the UK market's competitiveness as an attractive and trusted place to list and invest. At the same time, the UK must maintain key shareholder protections and facilitate effective stewardship responsibilities to preserve high standards of governance and investor protection, reflecting its broader ambition for UK capital markets that are both dynamic and dependable for companies and savers alike. Beyond deploying capital, investment managers are active stewards of UK companies. Through engagement and voting, they can encourage portfolio companies to invest in expansion, Research & Development and job creation. For instance, by encouraging UK-listed firms to take advantage of government investment incentives and to commit retained earnings to productivity improvements. This stewardship role is an important complement to direct investment and plays a role in ensuring that companies are focused on sustainable growth.

- **Investment Partnerships:** The industry is increasingly working hand-in-hand with government on blended finance vehicles. A notable development is the British Growth Partnership, aligned to the British Business Bank, and the National Wealth Fund. These entities are helping to co-invest public and private money into early-stage firms and infrastructure. The British Business Bank and the National Wealth funds invest at different stages and in different ways both playing a distinct but important role in the co-investment ecosystem.

"This is a signal of intent – the government wants to boost investment into green and high-growth industries, and we're keen to collaborate."

- **The Role of Consolidation:** many agreed with the UK Government that larger pools of capital are better positioned to invest in illiquid, long-term assets. UK private sector defined benefit (DB) plans have been de-risking and smaller pension schemes, whether DB or DC, may not have the governance or scale to pursue investing in illiquid assets directly. The consolidation of DC master trusts or pooling in Local Government Pension Schemes (LGPS) should help to unlock more investment in the UK because bigger schemes have scale, can bear illiquidity and have in-house expertise. Critical to effective consolidation is an emphasis on pursuing '***sophisticated scale***'. Size for its own sake won't automatically improve outcomes unless schemes also adopt best-in-class governance and expertise, Sophisticated scale means achieving the benefits of scale while maintaining investment expertise including specialist knowledge in private markets, real assets and other illiquid or niche investments. Robust, accountable decision-making structures will also be critical to handling complex strategies and long-term objectives.

The emergence of Long-Term Asset Funds (LTAFs) – a new UK fund structure tailored to illiquid assets– was also highlighted as significant. Firms view LTAFs as a crucial conduit for pension money into areas like infrastructure and private equity that historically were hard to access. At Mansion House, it was announced that LTAFs can be held in Stocks & Shares ISAs from the 2025/26 tax year, opening up access to retail investors under certain conditions.

Importantly, these growth-oriented moves align with the government's ambition to "level up" growth across UK regions. Many investments (for example building wind farms in the North Sea or funding affordable housing developments) also have inherent environmental or social benefits alongside a regional focus. This makes them attractive to asset owners with sustainable investment goals, creating a double incentive. One firm observed that "*It can be a double win – achieving positive impact and stable returns*", citing a recent investment in a regional farming infrastructure project.

BOX 2: REVISING THE STEWARDSHIP CODE – SUPPORTING THE GROWTH OF UK MARKETS

In recent years, there has been considerable debate on the role of the UK Stewardship Code (the Code) and whether it is supporting the effectiveness and growth of UK markets. The Code continues to be viewed as the 'gold standard', seeking to drive-up high-quality stewardship. Asset owners and investment consultants place great importance on their managers receiving and maintaining signatory status. In practice, Stewardship Code signatory status has become a commercial imperative – many clients treat it as a basic requirement when selecting or retaining investment managers.

The Code was first published in 2010 by the FRC following recommendations from the Walker Review (2009) which called for stronger oversight of institutional investors' responsibilities. The Code aimed to enhance the quality of engagement between institutional investors and companies and focused on the long-term growth of companies and investments. The Code operates on an "apply and explain" basis, meaning signatories both state that they apply the Code's principles and explain how they do it, recognising that principles can be met in different ways. It is further underpinned by the FCA's Rulebook which requires authorised firms to disclose the nature of their commitment to the Code or any alternatives.

The Code has continued to evolve since its inception in 2010 and has been subject to several review processes.

- In **2012** it was revised to provide a clearer delineation of responsibilities between asset managers and owners, clearer explanations on conflict of interest and greater assurance of stewardship activities.
- In **2016**, the FRC introduced a tiering system to assess the quality of signatories' statements, helping to distinguish between signatories who had reported well and those where improvements were needed.
- In **2020** the Code was substantially revised. The definition of stewardship was expanded to include environmental, social and governance (ESG) factors. Reporting broadened to cover a wider range of asset classes beyond listed equities. Asset owners and service providers joined asset managers as Code signatories. Annual reporting focused on stewardship activities and outcomes, with the FRC judging whether reporting was sufficient to meet the expectations under the Code and whether signatory status should be awarded.

In 2024, the FRC committed to reviewing the Code following several years of its operation. In the lead up to the review, there were calls for the FRC to consider the impact of the Code on the UK's economic growth and international competitiveness. Companies argued that the Codes' focus on demonstrating how signatories had achieved stewardship outcomes incentivised formulaic approaches to engagement and voting on environmental and social issues, instead of focusing on companies' long-term success and their particular circumstances. Various stakeholders, including many signatories, felt that the commercial necessity to maintain signatory status was leading to greater volumes of reporting. This resulted in longer and less decision-useful reporting to clients, with the FRC often becoming their primary audience. Responding to these concerns, the 2024 review of the Code focused on how to support long-term value creation within investee companies; reducing the reporting burden on signatories; and supporting growth and the UK's competitiveness.

As part of the first phase of the review, the FRC announced a series of immediate changes which would seek to reduce the reporting burden on existing signatories. It also announced that it would be focusing on five themes as part of the Code's revision including: purpose of the Code; principles necessary for reporting; the role of proxy advisors; process to reduce the reporting burden; and positioning of the Code with other regulators.

The second phase of the review led to a formal consultation in November 2024, with the final version

of the Code being released in June 2025. The following revisions were made to the Code:

- A **revised definition of stewardship** as "*the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries*" which emphasises delivering returns for clients while accommodating their broader investment objectives.
- A **streamlined reporting structure** with a split between a Policy and Context disclosure (to be submitted every 4 years) and an annual Activities and Outcomes Report.
- **Clarity on outcomes and flexibility** in the form of prompts and optional guidance to help signatories explain their approach to stewardship in a meaningful way.
- **Fewer, more targeted Principles**, and distinct principles for service providers including proxy advisors and investment consultants.
- Balanced approach to **identifying and responding to systemic risk** including through engaging with policy makers and industry initiatives.

The new Code takes effect from January 2026, with the FRC having designated 2026 as a "transition year," providing a smooth adjustment period for signatories to meet new reporting expectations.

We welcome the revisions to the Code which promote flexibility and pragmatism in reporting, provide meaningful disclosures for a range of stakeholders, and support high standards of stewardship in the UK and internationally. This ensures that the Code is a strategic tool which can deliver long-term value, support innovation and strengthens the UK's position as a trusted market for investment stewardship. By fostering trust, accountability and alignment between investors and companies, the Code underpins a market environment conducive to sustainable growth which can attract greater amounts of international capital.

BALANCING GROWTH AND FIDUCIARY DUTY:

While enthusiastic about supporting the UK's economic growth objectives, investment managers are clear that fiduciary duty comes first. UK economic policy objectives are not more important than good client outcomes. This was most clearly expressed in the context of proposed pension reforms that would require mandated investment in UK assets.

Investment managers have voiced strong caution against forced or quota-based allocations to specific assets. A blanket rule could misallocate capital if UK markets underperform or if liquidity needs change.

"If managers deliver superior risk-adjusted returns in the UK, allocations will rise. But shifts in market conditions – such as geopolitical risks or valuations – could push mandates toward suboptimal decisions."

Executives praised the collaborative approach of the Mansion House initiatives noting that voluntary commitments rather than mandation is preferred. Mandation is particularly challenging given that the UK faces capacity constraints over investible projects– the pipeline of shovel-ready UK projects must grow in parallel with rising allocation, otherwise a wall of pension money could drive up asset prices or sit idle.

"If you mandate too early, you risk unintended consequences – pushing up costs or reducing yields by forcing too much capital through a pipeline not built for that capacity."

In striking the right balance, interviewees emphasised that alignment of incentives is key. The best outcome is when supporting UK growth also delivers great results for clients – a win-win. Fortunately, many pointed out that current valuations create opportunity: UK equities trade at a discount to global peers and UK infrastructure/credit offer attractive yields, so investing locally can deliver sustainable returns.

"Bringing people together – asset owners, managers, government – is crucial to debunk myths and align on UK growth."

UK COMPETITIVENESS:

The industry's confidence in supporting UK growth is bolstered by a more supportive policy environment. The Edinburgh Reforms (aimed at post-Brexit financial regulation simplification) and the FCA's new secondary objective on competitiveness have reinforced the view that the pendulum is swinging away from 'safetyism' towards a more pro-investment stance. This follows nearly two decades of heavy focus on protecting consumers against risk in the aftermath of the Global Financial Crisis.

"The wider message from the government and FCA is that people need to take risk in order to generate returns."

There has been continued momentum behind the pro-investment agenda in 2025 as the Government announced the Leeds Reforms. The Reforms mark a further shift in UK financial regulation aimed at boosting growth by deepening capital markets and rewiring the financial system to attract inward investment to the UK, as well as paving the way for more 'working people' to invest in order to grow their savings.

That said, policymakers need to deliver on a clear set of expectations:

- **Predictable Rules & Tax Regime:** Frequent changes in tax or regulation can deter long-term investments. Interviewees urged the government to maintain consistency in areas like capital gains tax treatment and pension tax relief. Uncertainty in these areas makes it harder to commit capital for decades.

  "Clear, consistent, and proportionate regulation is critical to maintaining a stable environment for us to deploy capital."

- **Investment Pipeline:** As referenced earlier, government facilitation of investible projects is crucial. Whether through public seed funding or speeding up planning approvals for infrastructure, a healthy pipeline of opportunities will ensure pension money can be put to work productively. The creation of vehicles like the National Wealth Fund and programmes under the British Business Bank are steps in this direction.

- **Access to global talent:** A subtle point repeatedly raised was that thriving as a global investment hub requires the UK to attract top professionals. One CEO argued: *"the UK has a strong value proposition for attracting talent with it being a diverse and deep global centre for talent,"* calling for visa regimes that make it easy for skilled workers to come to the UK and start work swiftly.

- **Proportionate, equivalent regulation:** Many noted a positive change in tone in the UK recently. The FCA and government have publicly recognised that capital markets play a role in growth and that not every risk can be regulated away.

  "Regulators have been under pressure, but doing their best to ensure they focus on growth while maintaining consumer protection."

  There was widespread agreement that the UK's regulatory regime is among the most robust and respected in the world.

  "The UK is a highly regarded jurisdiction; non-UK institutions want to do business here precisely because it's FCA-regulated. That's a strength which other countries look to as a model."

  The call from many leaders we spoke to is for closer UK-EU regulatory cooperation where possible. While full alignment may be politically fraught, practical steps (like mutual recognition of some disclosures or coordinated implementation timelines) could ease burdens.

  Industry leaders also urged pragmatism in the development and implementation of new regulation. The sheer volume of regulatory change in recent years – MiFID II, PRIIPs, SFDR, SDR, Consumer Duty, Operational Resilience, CCI etc. – has stretched compliance teams and management bandwidth. *"The volume of change is massive."*

  One example of the potential to streamline regulation was combining the new Consumer Duty (ensuring firms act to deliver good outcomes for retail clients) with the existing Assessment of Value (AoV) process for investment managers.

  "Two separate processes – assessment of value and Consumer Duty – could be combined into one. I've provided that feedback to the FCA."

The FCA has set its sights on reducing the administrative burden of regulation, setting out an objective to reduce costs by 25% in its 5-year strategy in alignment with the UK Government's commitment to reduce the administrative cost of regulation by 25% over the course of this Parliament.

Taken together, these factors not only under pin UK competitiveness but also serve to support the growth of the UK economy by helping to foster a dynamic financial sector that better serves investors.

In summary, UK investment managers are ready to allocate more capital to fuel Britain's growth, as long as suitable opportunities exist and client interests are protected. They are actively engaging in the national conversation on productive finance by piloting new fund structures, contributing to consultations, and committing investment funds. The tone is optimistic yet realistic.

"The UK regulatory environment is well respected and seen as highly capable – we want to keep that reputation but also not fall behind. If we implement this growth agenda pragmatically, we can achieve both strong investor returns and a thriving, innovative economy."

DEMOCRATISING INVESTING: BROADENING RETAIL PARTICIPATION IN THE UK

In 2024, for the first time in IA data, retail investors are the largest client group at 28% of AUM. The UK investment industry is engaged in multiple initiatives to help to turn more of the UK population into investors.

This is both a societal challenge and a significant opportunity. Efforts are underway, most notably through the Retail Investment Campaign – part of the Chancellor's 2025 Leeds Reforms – to build a stronger investment culture in the UK and increase the proportion of UK adults investing. Our interviews took place before the Leeds Reforms were announced but investment managers talked about many of the principles underpinning them. Central to our discussions were how we can bridge the advice gap to ensure that more investors receive regulated advice or have access to targeted support, widening access to investment products including ETFs and LTAFs and ways to overcome behavioural barriers for savers who could become investors.

"Financial education must be meaningful for boosting retail investor participation in illiquid markets... simplifying disclosure documents into digital, consumer-centric formats would help."

BUILDING A NATION OF INVESTORS

One senior executive observed that Britain lacks the deep savings and investing culture seen in some other countries – *"we've never had a huge savings culture in this country compared to the US"*

Changing this will require a cultural shift over time. Industry leaders highlighted several critical pillars:

- **Financial Education:** Early and ongoing financial education is seen as vital.

"It starts with financial education. Many people don't understand how inflation eats cash or how compounding works – if you appreciate how money compounds, you'd likely invest earlier to build a pension or long-term nest egg."

Many firms support initiatives in schools and workplaces to teach investing basics such as the power of long-term investing and the importance of diversification in managing risk. The consensus is that improved financial literacy would make people more comfortable with investing instead of leaving money in cash.

- **Modernise Communications and Disclosure:** Simplifying how the industry communicates with retail customers is also a priority. Current disclosure documents are seen as dense and ineffective. There was particular frustration when it comes to risk warnings and lengthy prospectuses.

"(I received) a wedge of paper from my adviser: terms and conditions plus dozens of risk warnings . I didn't read any of it and shredded it, but this exemplifies the "safety first" culture."

While consumers must grasp risks, excessively dire warnings can deter even prudent investing.

"It's not appealing to an end investor if the first thing they encounter is a barrage of dire warnings about losing all their capital. Instead, if those materials emphasised the importance

of long-term investing and not timing markets – I think it could encourage better outcomes."

The industry is advocating for more balanced messaging that helps to inform investors about risks but clarifying that sensible investing can lead to growth and can be used to beat inflation.

The industry, alongside regulators, is exploring more user-friendly disclosure – like concise, digital summary documents – that still convey key risks but also clearly explain benefits. Enhanced digital platforms are being developed to make investing feel more intuitive; for example, some providers use interactive tools or short videos.

- **National Campaigns:** Executives widely supported the idea of a government-backed mass campaign to promote investing before it was announced by the Chancellor in the summer. Some invoked the "Tell Sid" adverts during 1980s privatisations: *"That whole campaign... was very powerful and people still talk about it today."*

"A national campaign... would have a decent chance of changing behaviours, at least at the margin – hopefully more fundamentally."

The **"Retail Investment Campaign"** will launch a multi-year effort along these lines to help to bring more UK adults into investing.

- **Normalise Investing in Everyday Life:** industry leaders emphasised the need to make investing "feel normal" for people. Auto-enrolment into pensions has helped, but outside of pensions many Britons still equate investing with buying shares and view the stock market as for the wealthy. Firms are trying to change this through engagement that frames investing as a common, responsible step for anyone planning for the future. Some invoked analogies from abroad: in the US, in the US, investing is not seen as the preserve of the well off and is talked about widely in schools, at home and in everyday conversations, the classic example being New York cabbies. The UK could move in that direction and this links to financial education and normalising money conversations from an early age. The UK could move in that direction and as referenced above good, widespread financial education is an important platform to build from.

BRIDGING THE ADVICE GAP

A recurring theme in the interviews was the gap in affordable financial advice for the mass market. Traditional independent financial advice often serves wealthier or older clients; many UK adults don't have an adviser and may be unsure where to start with investing. The industry is supportive of regulatory reforms to enable more accessible guidance:

Targeted Support and Guidance: Firms welcome the Advice/Guidance Boundary Review being led by HM Treasury and the FCA. It is hoped that a new category of "targeted support" will help customers make investment decisions without triggering the full regulatory burden of formal advice. For example, providers might be able to suggest a suitable fund or model portfolio to a customer based on simple questions about their goals and risk comfort – today, many firms hold back from personalised suggestions due to liability fears under the current rules. "Guidance should be more permissible than it currently is." The current rules around advice have made firms reluctant to even nudge consumers in the right direction

"We need to allow 'GPS navigation' for investors, not just hand them a map and say good luck."

Some are exploring use of AI chatbots to answer customer questions about investing basics (within compliance limits). Open Banking data could also help personalise guidance with consent, for example seeing someone's savings accounts to suggest moving a portion to higher-return investments. All these tools exist but current rules make firms cautious in deploying them beyond generic information. The hope is that within the next 1–2 years, the FCA will implement a new regime enabling "targeted support" as a defined, lower-risk activity, which will unlock a wave of innovation in this space.

"The industry must offer frictionless paths from savings to investments, using triggers, such as cash balances, to nudge clients. We need triggers otherwise money will continue to sit in cash."

BROADEN RETAIL INVESTOR ACCESS TO A WIDER PRODUCT SET

Democratising investing also means expanding the range of investment products and vehicles easily accessible to everyday investors, including access to markets and asset classes that were once the preserve of institutions:

- **Exchange-Traded Funds (ETFs):** ETFs are low-cost funds traded on stock exchanges and they have exploded in popularity globally. In the UK, however, retail uptake has somewhat lagged the US and Europe. Historically, some UK fund platforms didn't offer ETFs or charged extra for buying and selling them, meaning that investors gravitated to mutual funds. That is changing fast. More platforms are now offering a wider range of ETFs and a new breed of 'neo- brokers) have made ETF investing easy via mobile apps. As young investors increasingly use neo-brokers to start investing, they are gravitating to ETFs for their cost effectiveness and diversification benefits compared with broader based index trackers. IA research shows that current ETF investors in the UK skew younger, male, and higher-income – indicating growth potential among older investors and women.

- **Access to Private Markets via LTAFs:** Traditionally, investments like private equity, venture capital, infrastructure, or direct property were only accessible to institutional investors (pensions, endowments,) or very wealthy individuals, due to their illiquidity and high minimum investment requirements. One of the advantages of investing in private assets is unlocking returns that are less correlated with public markets, an important diversification tool. The UK has introduced the **Long-Term Asset Fund (LTAF)** structure. LTAFs are regulated funds designed to hold illiquid assets, with appropriate notice periods for withdrawals. Initially aimed at defined-contribution pension schemes, there is a clear vision to eventually offer LTAFs (or similar vehicles) to retail investors within ISA wrappers and as part of the Leeds Reforms, LTAFs will be eligible for Stocks & Shares ISAs from the 2025/26 tax year. Even before this announcement, industry leaders were enthusiastic about the potential to broaden retail investor choice and access:

"The regulator is looking at how to enable access for more private markets into wealth channels, whether advised or direct to retail. If they can find an appropriate route, that could be really good for the UK economy."

There is optimism that with sustained effort through education, better support and positive investment experiences, the UK can gradually grow the proportion of the public who invest.

"A national campaign to highlight the importance of investing could be beneficial – for UK assets specifically, but more broadly to encourage people to put money into savings products and investments rather than just cash ISAs."