6 OPERATIONAL AND STRUCTURAL EVOLUTION

KEY FINDINGS

INDUSTRY PROFITABILITY

- The industry experienced a 10% increase in net revenue to £25.0 billion in 2024, following two years of decline. However, operating costs rose by 14% to £20.6 billion, leading to a slight decrease in operating profit to £4.5 billion (£4.6 billion, 2023).
- Operating margins dropped to 18% in 2024, continuing a five-year decline from 31% in 2019. This reflects a persistent imbalance between revenue growth and cost escalation. Operating profit margins varied widely in 2024, ranging from -34% to +78%, a broader span than 2023.

INDUSTRY EMPLOYMENT

- The UK investment management industry supports approximately 123,300 jobs. Approximately 44,900 people are employed directly by investment management firms, with the remainder employed in industries such as custodian banks, transfer agents and wealth managers.
- Direct employment fell for the second consecutive year, from a peak of 46,200 in 2022. The divergence between headcount and AUM growth highlights how firms are increasingly leveraging technology, outsourcing, and efficiency measures to expand capacity.
- Of the 44,900 people employed by investment managers, 29% of employees work in investment management roles, up from 26% in 2023. 18% work in business development and client services and 13% in operations and fund administration, a decrease on 16% in 2023.
- The highest proportion of investment management roles (30%) are in London, whilst the highest number of operations and fund administration roles are located in Scotland (18%).

INDUSTRY FIRM SIZE

- As of June 2023, the mean AUM per firm reached £76 billion (£62 billion 2023) and the median AUM reached £15 billion (£11 billion, 2023).
- Small firms (<£15 billion AUM) make up 50% of IA membership (57%, 2023). Medium-sized firms (£15-£50 billion AUM) account for just over a fifth of IA members, and large firms (>£50 billion AUM) account for 26% of IA member firms (22%, 2023).

INDUSTRY CONCENTRATION

- In 2024, the top five firms managed 43% of total assets, close to the long-term average of 42%. The share of assets managed by the top ten firms rose to 60%, the highest level recorded over the past decade.
- The UK industry remains relatively unconcentrated, but a steady rise in recent years reflects the growing scale advantages of the largest firms.

INVESTMENT MANAGER OWNERSHIP

- Firms headquartered in the UK managed 35% of total assets in 2024, down from 37% in 2023 and continuing a long-term decline from 43% in 2014. North American groups increased their share to 54% in 2024, up from 52% in 2023.
- The share of assets managed by independent investment managers has continued to increase to 47% of AUM in 2024. They are the only parent group to have consistently expanded their share over the last 15 years.
- Assets managed by firms with an insurance company parent accounted for 21% of AUM in 2024, continuing a decade long decline. Retail banks continue to represent only 2% of UK AUM, unchanged since 2014.

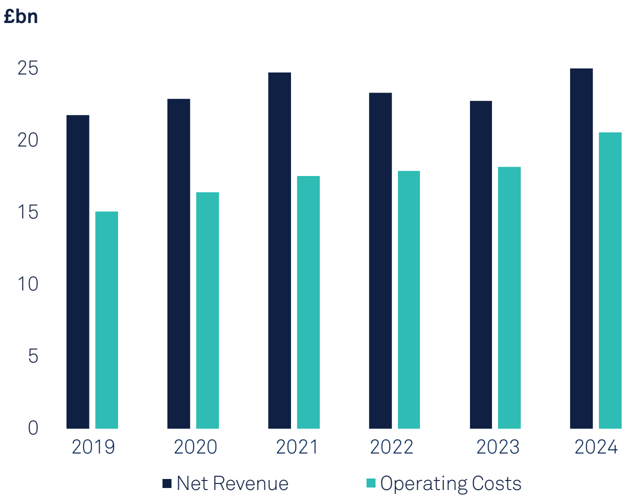
In 2024, firms have had to navigate persistent cost pressures, ongoing regulatory change, market volatility and macroeconomic uncertainty. At the same time, technological advances such as artificial intelligence and the migration of core systems to the cloud are reshaping how firms structure their operations and manage risk, but has also significantly altered the cost base and talent requirements. These developments sit alongside long-standing trends: the growing influence of overseas parent groups and a changing workforce that is both adapting to new skills demands and dispersed more widely across the UK.

This chapter examines the key features of the industry's operational and structural landscape, including profitability and cost trends, employment and workforce distribution, the spectrum of firms by size and ownership patterns.

INDUSTRY PROFITABILITY

This section reviews the aggregate revenue and cost base of the UK investment management industry. Chart 52 shows the evolution of net revenue and operating costs since 2019. The industry saw a return to growth in net revenue following two years of decline, rising 10% to £25.0 billion in 2024. Operating costs also increased significantly, rising 14% over the year to reach £20.6 billion. The outpaced growth in costs relative to revenue meant that operating profit slipped to £4.5 billion, slightly lower than the £4.6 billion recorded in 2023.

CHART 52: INDUSTRY NET REVENUE AND OPERATING COSTS (2019–2024)



Source: The Investment Association

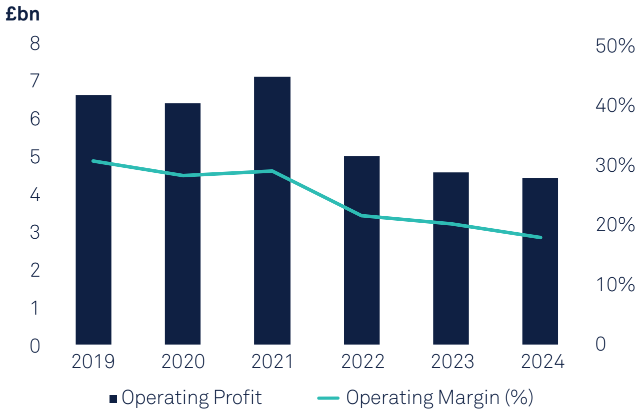
Chart 53 illustrates the trend in operating profit and industry margins. Operating margins measure how efficiently a company converts its revenues into profits after covering operating costs. It reflects operational efficiency – such as cost control and scale – and, by excluding financing and tax effects, provides a clearer view of the core business. Operating margins fell two percentage points to 18% in 2024, continuing a five-year decline from 31% in 2019.

Taken together, the charts underline a persistent imbalance between revenue growth and cost escalation. Since 2019, revenues have grown by 15%, but operating costs have risen by more than one-third (36%). As a result, industry operating profit is down 33% since 2019 and is now at its lowest level in over a decade.

While record revenues reflect the return to robust growth in assets under management, sustaining profitability in the face of rising regulatory, operational and technology costs is increasingly challenging. Research by McKinsey found that tech spending by investment managers across Europe and North America has been one of the biggest drivers of rising costs in recent years, increasing at an annual rate of nearly 9% since 2019. That hasn't yet resulted in substantial efficiency gains for the biggest investors in technology, but McKinsey forecasts that well-deployed AI could deliver efficiency gains of 25 to 40% in the coming years.[24] Scale and efficiency remain critical to long term competitiveness, with firms under increasing pressure to manage costs more tightly if margins are to recover. Recent employment trends suggest part of this adjustment is already underway, with headcount edging down and operational roles declining as firms streamline support functions and redeploy resources.

"Revenue pressure and margin compression are real. On costs, data-licence fees and transaction expenses stand out. We've invested in distributed-ledger pilots and upgraded portfolio management software, sacrificing immediate cost savings for long-term scalability and risk-mitigation."

CHART 53: INDUSTRY OPERATING PROFIT AND MARGIN (2019–2024)

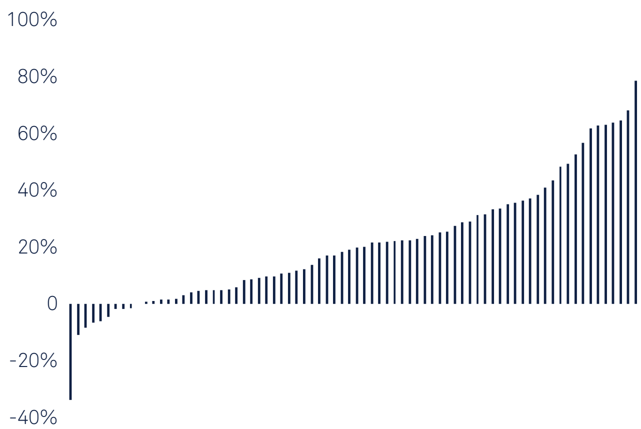


Source: The Investment Association

Chart 54 shows the spread of profitability among IA member firms, highlighting the wide variation in outcomes across the industry.

- In 2024, operating profit margins ranged from -34% to +78%, a marginally broader span than in 2023 (-33% to +70%). This underlines the diversity of experiences across the sector, with some firms delivering very high margins while others continue to face sustained losses.
- The upper quartile of firms reported operating margins of 33%, while the lower quartile was 5%. Although both quartiles are slightly higher than in 2023, the persistence of firms operating at or below break-even highlights the pressure from fee compression and rising costs, leaving some firms particularly vulnerable to consolidation or market downturns.

CHART 54: DISTRIBUTION OF INVESTMENT MANAGER PROFITABILITY (2024)



Source: The Investment Association

[24] McKinsey: How AI could shape the economics of the asset management industry, July 2025

EMPLOYMENT IN THE INVESTMENT MANAGEMENT INDUSTRY

For the past eighteen years, the IA has tracked employment in the UK investment management industry, reflecting the industry's role as a significant source of high-skilled jobs across the economy. In addition to those directly employed within investment management firms, the IA also reports on "indirect employment," which captures roles in supporting industries such as custodians, transfer agents, investment platforms, and professional services providers. This broader measure helps capture a more complete economic footprint of the industry as both an employer and a driver of specialist services.

As of December 2024, the number of people directly employed in the UK investment management industry stood at 44,900. The remaining 78,400 were indirect roles supporting the industry, bringing the number of jobs supported in total to 123,300.

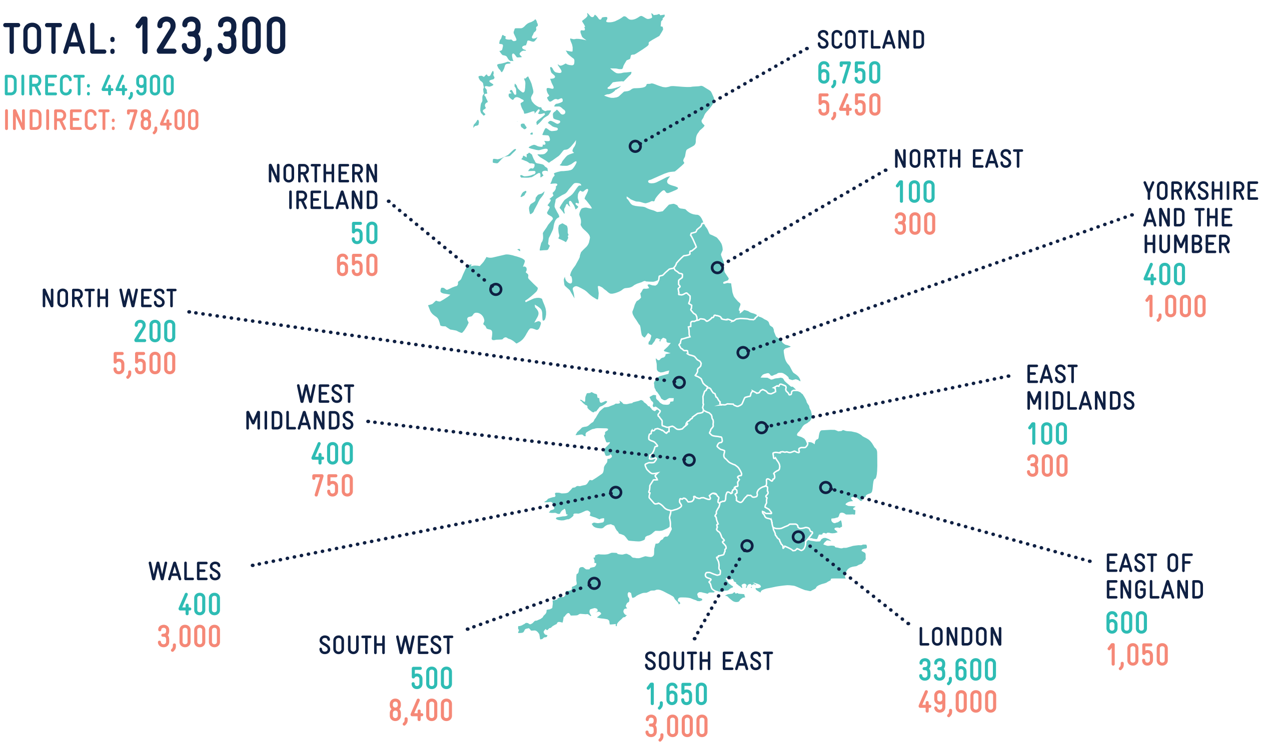
London remains the largest centre of employment, home to both global and UK-headquartered firms. However, significant clusters also exist in other regional hubs such as Scotland and the South West. The regional spread of employment highlights the industry's contribution to supporting professional services jobs beyond the capital.

The balance between direct and indirect employment is also important. Growth in outsourced and specialist functions has meant that indirect roles account for a large share of the industry's footprint. This reflects the industry's integration into the wider financial services ecosystem, where efficiency and scale are increasingly achieved through external partnerships.

Looking ahead, employment trends are likely to be shaped by several structural drivers:

- **Technology and automation;** which are reshaping roles in operations and client reporting, but will impact other employment functions over time.
- **Global integration;** with overseas firms continuing to expand their UK presence.
- **Regulatory demands;** which are generating new roles in compliance.

FIGURE 11: MAP OF DIRECTLY AND INDIRECTLY EMPLOYED STAFF ACROSS THE UK (2024)



Sources: Investment Association estimates are from information provided directly by member firms and publicly sourced information. All regional numbers have been rounded to the nearest 50 and therefore may not add up to exact total.

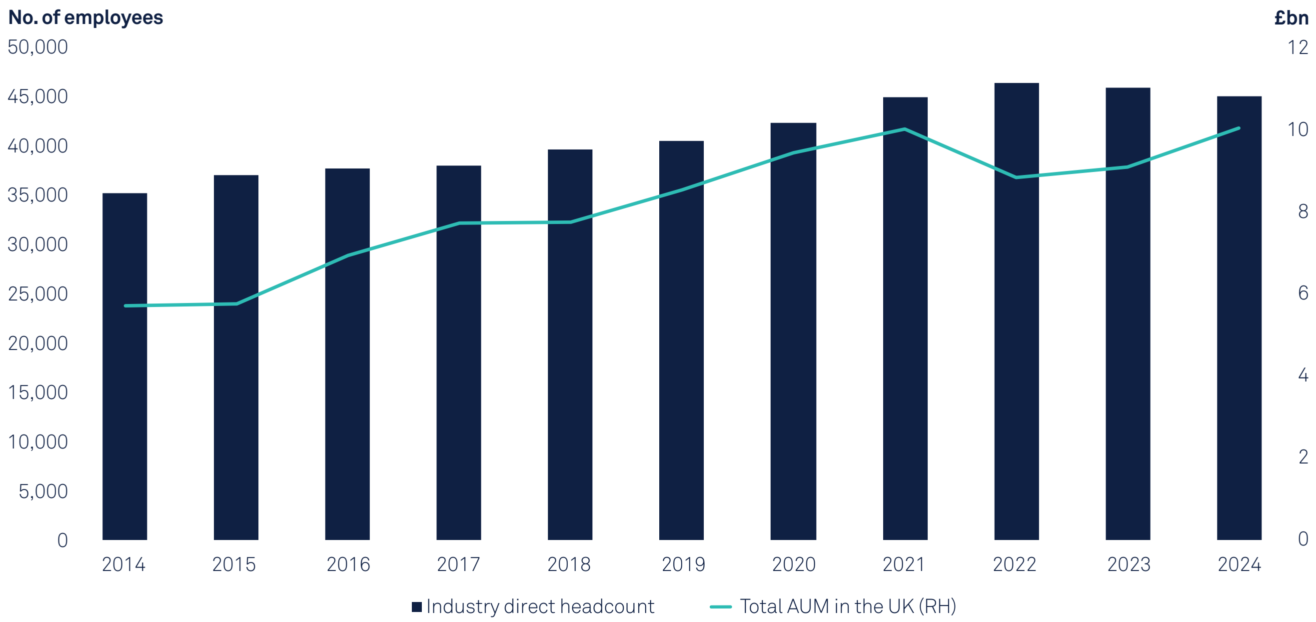
DIRECT EMPLOYMENT

The Investment Association (IA) estimates that around 44,900 people were directly employed in the UK investment management industry in 2024. Chart 55 illustrates the relationship between industry headcount and assets under management (AUM) since 2014. We make the following observations:

- **Direct employment fell for the second consecutive year, down 2% from 45,800 in 2023 and from a peak of 46,200 in 2022**. This recent decline has taken place as we saw a return to robust growth in UK-managed assets, which rose to £10.0 trillion in 2024, the highest level on record. The divergence between headcount and AUM highlights how firms are increasingly leveraging technology, outsourcing, and efficiency measures to expand capacity without a corresponding increase in staff headcount.
- **Over the longer term, however, direct employment has grown by over 28% since 2014, when just over 35,000 people were directly employed by IA members**. The fall in headcount over the past two years likely reflects both cyclical and structural factors. Cyclical pressures include tighter margins and cost control in response to a period of weaker industry profitability. Structural drivers include advances in digital solutions, automation, and global operating models that enable firms to scale activity without equivalent increases in local employment.

"We're focused on cost savings and operational efficiencies: reducing headcount slightly, outsourcing more, closing subscale funds – looking at every area for efficiency."

CHART 55: INDUSTRY HEADCOUNT ESTIMATES VS. UK ASSETS UNDER MANAGEMENT (2014–2024)



Source: The Investment Association

In Table 2, we show the distribution of people directly employed in the industry by job function. Almost one-third (29%) of staff are concentrated in investment management roles, which include portfolio and fund managers, investment analysts, and dealers. Alongside this front-office activity, the majority of the workforce is employed across a broad range of functions such as operations and fund administration, distribution and client services, compliance, technology and corporate support, reflecting the diverse skills required to sustain the industry's global competitiveness.

TABLE 2: DISTRIBUTION OF STAFF BY ACTIVITY (2024)

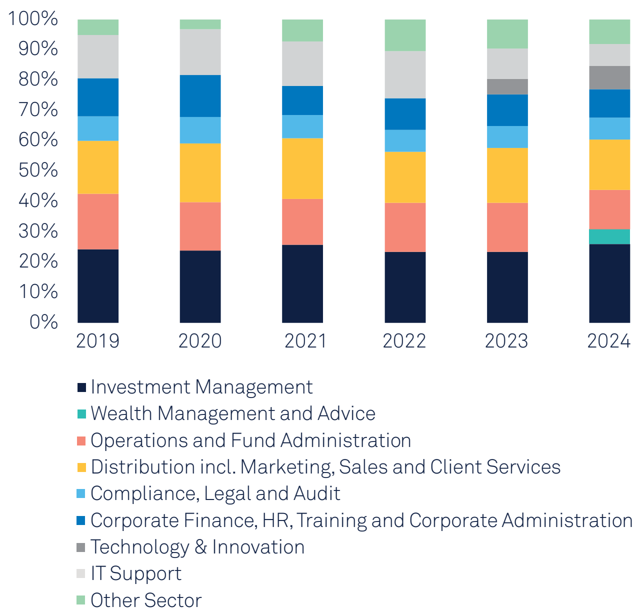
Activity	Share of total headcount
Investment management	29%
Wealth management and advice	3%
Operations and fund administration	13%
Distribution incl. marketing, sales and client services	18%
Compliance, legal and audit	7%
Corporate finance, HR, training and corporate administration	9%
Technology and innovation	7%
IT Support	8%
Other sector	6%

Source: The Investment Association

Chart 56 illustrates the evolution of employment by staff segment between 2019 and 2024. Over this period, investment management roles have steadily expanded while operational and administrative roles have contracted, with technology and innovation emerging as a growing area of focus:

- **Investment management** roles expanded to 29% of total headcount in 2024, up from 26% in 2023. This marks the highest share recorded in the series and reflects strong demand for portfolio managers, fund managers, and investment analysts to support client outcomes in a growing AUM environment.
- **Operations and fund administration** declined to 13% of headcount, down from 15% in 2023 and continuing a longer-term fall from 18% in 2019. This could reflect how firms are increasingly leveraginging automation and outsourcing to reduce the reliance on large operations teams.
- **Technology and innovation** accounted for 7% of industry employment in both 2023 and 2024, underlining the sector's continued focus on digital capability, data analytics and AI. Over the same period, IT support fell slightly from 9% to 8%. Taken together, the share of staff in technology-related functions has remained broadly stable, but there appears to be a rebalancing within the segment with more roles dedicated to innovation and transformation rather than traditional support functions.
- **Other functions (compliance, legal, audit, and corporate roles)** have remained relatively stable, though their combined share has edged down slightly as front-office and technology-focused roles expanded.

CHART 56: DIRECT EMPLOYMENT BY STAFF SEGMENT (2019–2024)



Source: The Investment Association

The IA tracks industry employment not only by job function but also by location. London remains the largest hub for investment management in the UK, followed by Scotland and a wide range of centres elsewhere across the country. Table 3 shows the distribution of roles across London, Scotland and other regions:

- **Investment management roles are increasingly concentrated in London, accounting for around 30% of the city's industry workforce**. The growth in investment management roles in 2024 was driven by the capital, with headcount in these roles across the rest of the UK falling. This reinforces London's position as the nation's primary hub for front office roles such as portfolio management, investment research and trading activity.
- **Operations and fund administration roles are falling across the UK, but particularly in Scotland**. These roles account for 18% of jobs in Scotland and 17% elsewhere in the UK, compared with 10% in London. In Scotland, the share of operations roles has fallen sharply, down from 24% in 2023 to 18% in 2024, reflecting a shift away from the region's traditional concentration in administration. Over the same period, the proportion of distribution roles in Scotland rose three percentage points to 19%, underlining the growing importance of client-facing activity alongside core operational functions.
- **Scottish jobs are rebalancing away from operations and fund administration to increasing IT, tech and innovation roles**. Headcount across these functions has increased in 2024 and now account for 20% of all Scottish jobs, up from 18% the previous year and overtaking operations and fund administration for the first time.
- **Support and specialist roles are broadly consistent across regions**. Compliance, legal and audit account for 7% in each region, while corporate finance, HR, training and administration represent 9–12%.

TABLE 3: DISTRIBUTION OF INVESTMENT MANAGEMENT JOBS BY REGION (2024)

Activity	London	Scotland	Elsewhere in the UK
Investment management	30%	17%	25%
Wealth management and advice	2%	0%	16%
Operations and fund administration	10%	18%	17%
Distribution incl. marketing, sales and client services	19%	19%	12%
Compliance, legal and audit	7%	7%	7%
Corporate finance, HR, training and corporate administration	9%	12%	10%
Technology and innovation	8%	6%	8%
IT Support	8%	14%	4%
Other sector	7%	6%	1%

Source: The Investment Association

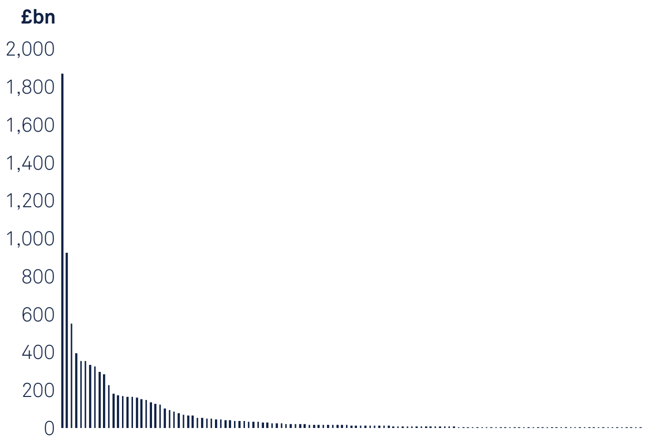
INDUSTRY FIRM SIZE

This section looks at the scale of investment managers, highlighting how firm size varies across the industry as measured by assets under management.

Chart 57 provides a ranking of IA member firms by UK assets under management. The shape of the curve highlights a sharp drop from a handful of very large firms to a long stretch of mid-sized and smaller managers, reflecting both the concentration of assets at the top and the breadth of firms operating in the market.

In June 2024, the average AUM per firm reached £76 billion, while the median AUM was £15 billion. Both measures rose compared with 2023 (mean £62 billion; median £11 billion). The higher median indicates that the typical IA member firm is now managing more assets than a year ago, though the gap between mean and median continues to underline the influence of a small number of very large managers on overall industry averages.

CHART 57: IA MEMBER FIRMS RANKED BY UK ASSETS UNDER MANAGEMENT (JUNE 2024)



Source: The Investment Association

Table 4 tracks the distribution of IA member firms by assets under management over the past six years to June 2024. The data show both continuity in the dominance of smaller firms by number, and some notable shifts across size bands:

- **Smaller firms** (<£15 billion AUM) remain the largest group, representing 50% of firms when including those under £1 billion. However, their share has fallen from 57% in 2022 to 50% in 2024, the lowest level recorded over the period. This suggests that consolidation and growth have reduced the relative weight of smaller firms in the overall industry profile.
- **Mid-sized firms** (£15–50 billion AUM) account for just over one fifth of firms in 2024, broadly consistent with previous years. Within this segment, firms managing between £15–25 billion increased their share from 9% in 2023 to 12% in 2024, indicating some upward movement of firms into higher AUM brackets.
- **Large firms** (>£50 billion AUM) have grown their presence in the industry. In particular, the proportion of firms managing more than £100 billion has risen steadily from 11% in 2019 to 18% in 2024. The £50–100 billion segment also recovered slightly in 2024 to 8%, following a dip to 6% in 2023.

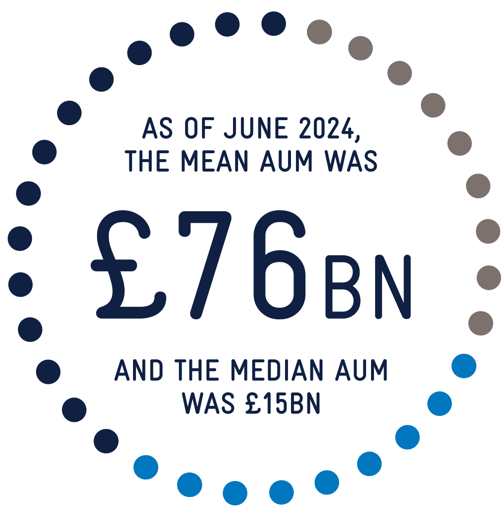


TABLE 4: ASSETS MANAGED IN THE UK BY IA MEMBERS BY FIRM SIZE (2019-2024)

AUM	% of firms (June 2019)	% of firms (June 2020)	% of firms (June 2021)	% of firms (June 2022)	% of firms (June 2023)	% of firms (June 2024)
>£100 billion	11%	12%	13%	14%	15%	18%
£50-100 billion	7%	9%	9%	9%	6%	8%
£25-50 billion	11%	9%	9%	11%	11%	11%
£15-25 billion	12%	14%	12%	9%	9%	12%
£1-15 billion	45%	48%	47%	49%	49%	42%
<£1 billion	10%	10%	10%	8%	9%	8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

ROLE OF BOUTIQUES

Boutique firms remain a distinct segment of the UK investment management industry. For the purposes of this survey, a boutique is defined as meeting all of the following criteria:

- Independent ownership
- Managing less than £5 billion in AUM
- Providing a degree of investment specialisation
- Self-identifying as a boutique

In 2024, 9 IA members meet this definition, unchanged from last year and down from 34 in 2014. The gradual decline in boutique numbers reflects both consolidation and the rising barriers to entry for smaller firms. Increasing regulatory obligations and the resources required to comply have been cited as particular challenges for smaller firms.

Nevertheless, interviews with senior industry figures suggest that opportunities remain for boutiques with a clear focus. In particular, specialist managers in private markets and other differentiated strategies are well positioned to benefit from growing client demand, even as the overall pipeline of new boutiques appears limited. Although many IA members meet the AUM threshold, it is often the independent ownership requirement that determines their boutique status; once acquired by larger groups, these smaller firms will fall out of this definition. In recent years, these boutique firms have become attractive acquisition targets for larger groups seeking to add specialist capabilities.

"Over the next five to ten years, the technological and structural revolution taking place in the industry will force boutiques and larger players to rethink their value proposition."

"It's tougher now to be a boutique manager – barriers to entry are higher: you need more capital, maybe seed money; platforms and institutional clients expect a certain level of infrastructure, which costs money. Setting up a boutique today is more challenging, but not impossible."

BOX 8: M&A AND BROADER OPERATIONAL IMPLICATIONS

As we have seen throughout this chapter, investment managers are facing an increasing challenging operational environment. There has been some recovery in revenue and a return to solid growth in assets under management, but costs are rising, margins have become more and more compressed and firms are having to make challenging decisions regarding employment and recruitment. In our interviews with CEOs two main drivers of rising costs came up time and time again; heavier investment in technology (including AI and cybersecurity), and a more complex and divergent global regulatory environment.

"There is additional costs to having to comply with both UK and EU regimes to distribute across Europe. The cost of cyber-security and AI infrastructure is rising. Consolidation is almost inevitable because standalone firms will struggle to absorb these fixed costs."

The industry is increasingly characterised by a barbell structure: a handful of very large managers able to spread fixed costs across much larger asset bases, and a growing set of boutiques with specialist expertise in areas such as private credit, infrastructure, or sustainable investing. Firms that sit in the "muddy middle" as one firm put it, are faced with a much more challenging operating model. For these firms mergers and acquisitions (M&A) are one of the ways to secure the economies of scale and cost management needed to compete.

"Margin compression and regulatory costs make scale essential. Mid-sized firms face high fixed costs... consolidation may be inevitable unless firms can carve out a highly differentiated niche."

"Fixed costs associated with cyber security, AI infrastructure and compliance make it hard to sustain operations without scale – consolidation can reduce overlap and cut costs."

Private markets remain a particular focus of acquisition activity with managers seeking exposure to higher-margin and less commoditised areas of the market. Distribution platforms and wealth managers have also attracted strong interest, reflecting the importance of client access in an increasingly intermediated market, however views were mixed among CEOs on the return to more direct distribution model. At the same time, some members suggested that consolidation in fund administration, operations, and technology providers could deliever significant efficiency gains across the value chain.

"I doubt individual managers will go direct – each would face significant regulatory obligations and operational risk. A more realistic option would be for a consortium of large managers to jointly own a platform powered by fresh technology. That could be transformative."

While scale offers clear benefits, integration challenges from aligning investment cultures to retaining key talent remain a critical risk. Where deals succeed, they tend to do so not only by cutting costs but by broadening client offerings and strengthening distribution.

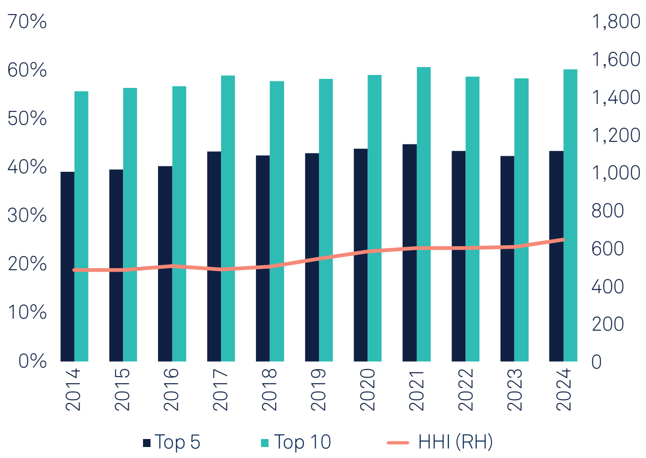
"Even though there hasn't been a wave of successful mid-sized mergers, I do think fixed costs are so high now – with regulatory burdens and technology investment – that scale is essential."

MARKET SHARE OF LARGER FIRMS

Chart 58 tracks the share of industry assets managed by the five and ten largest IA member firms, alongside the Herfindahl-Hirschman Index (HHI), a standard measure of market concentration.

- The top five managers oversaw 43% of UK AUM in June 2024, broadly unchanged from recent years and close to the long-term average of around 42%.
- The share of assets managed by the top ten firms rose to 60%, up two percentage points from 2023 and the highest level recorded over the past decade. In 2013, the top ten firms accounted for only half of all UK AUM.
- The industry's HHI increased to 641 in 2024, from 604 in 2023 and 598 in 2022. Looking back over the decade we observe that the index has climbed gradually by more than 160 points since 2014. However, even at a HHI of 641, the UK investment management industry remains far below the HHI threshold of 1,000 that denotes moderate concentration. Mergers and acquisitions, alongside organic asset growth, have reinforced the position of the biggest managers, particularly within the top ten, however as we have seen, the persistence of a long tail of smaller and mid-sized firms points to a market that is still open for entry and full of choice.

CHART 58: MARKET SHARE OF LARGEST FIRMS BY UK ASSETS UNDER MANAGEMENT VS. HHI (JUNE 2014-JUNE 2024)



Source: The Investment Association

INVESTMENT MANAGER OWNERSHIP

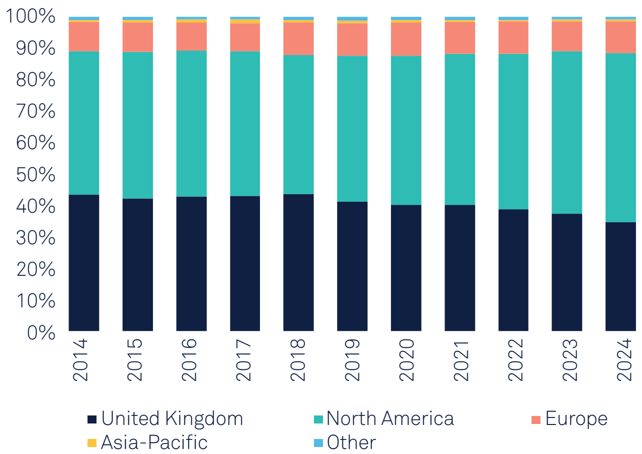
In this final section, we examine the ownership structures of IA member firms. Chart 59 presents the breakdown of UK assets under management by region of parent group headquarters, highlighting the increasingly international profile of the industry.

Firms headquartered in the UK managed 35% of total assets in 2024, down from 37% in 2023 and continuing a long-term decline from 43% in 2014. This reflects a structural shift over the past decade- industry market share is steadily transferring from UK-owned to overseas-owned groups, which now oversee almost two-thirds of UK-managed assets reflecting both the UK's role as a global hub for investment management and the increasing cross-border flow of capital. Industry feedback suggests this internationalisation brings clear advantages, notably: broader distribution, investment reach, and operational scale.

- North American groups increased their share to 54% in 2024, up from 52% in 2023. For much of the last decade, firms with headquarters in North America were responsible for 47% of UK managed assets, but this share has risen consistently in each of the last four years, and is seven percentage points higher today. The growth in index tracking strategies has reinforced the growing dominance of North American firms, which account for three quarters of UK managed tracker assets.
- European-headquartered firms have maintained a stable presence, consistently accounting for around 10% of AUM, while Asia-Pacific and other regions together remain marginal at around 1%. On a matched basis, the AUM of UK-headquartered firms fell by around 7% between 2021 and 2024. This contrasts with the steady share of European groups and the outpaced growth of North American parents and helps explain the relative decline of UK firms in the regional breakdown of parent headquarters.

"The UK is in a better place than some other markets. Valuations are attractive, government is stable, it's a good place to do business, and regulatory structures are increasingly supportive. Talent is readily available, and many of the macro arguments in favour of the UK remain valid."

CHART 59: BREAKDOWN OF UK ASSETS UNDER MANAGEMENT BY REGION OF PARENT GROUP HQ (2014-2024)

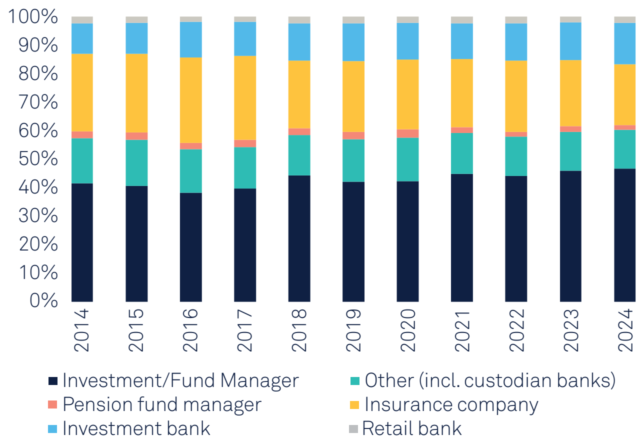


Source: The Investment Association

Chart 60 shows the distribution of UK-managed assets by parent company type, comparing independent investment managers with firms owned by wider financial services groups.

- **Investment manager-owned** firms increased their share to 47% of UK AUM in 2024, up from 46% in 2023 and 15 percentage points higher than the 32% recorded in 2009. They are the only parent type to have consistently expanded their share of AUM over the period, underlining the structural shift towards a more standalone investment management industry. This growth reflects both the success of overseas groups establishing independent operations in the UK and the spin-off of asset management businesses from insurance parents.
- **Insurance-owned managers** accounted for 21% of AUM in 2024, continuing a long decline from 27% in 2014. Demergers of investment arms from insurance groups remain the key driver of this trend, leaving a smaller but more specialised set of insurance-owned managers.
- **Investment banks** have increased their share modestly in recent years, reaching 15% in 2024, representing a two-percentage point increase over the previous year, reaching the highest level in over a decade.
- **Retail banks** continue to represent only 2% of UK AUM, unchanged since 2014. This reflects the retrenchment of banks from asset management after the Global Financial Crisis and the Retail Distribution Review, which led many to exit investment distribution.
- **Other parent types**, including custodian banks, account for a stable 14% of AUM, while pension fund managers remain marginal at 2%.

CHART 60: BREAKDOWN OF UK ASSETS UNDER MANAGEMENT BY PARENT TYPE (2014-2024)



Source: The Investment Association