2 THREE THEMES THAT WILL SHAPE THE EVOLUTION OF UK INVESTMENT MANAGEMENT

KEY FINDINGS

- The UK investment management industry enters its next phase of evolution in a strong position and with a clear sense of direction. Assets under management rose 11% to £11.1 trillion in 2025 – a second consecutive year of double-digit growth – and 53% of assets are managed on behalf of overseas clients, confirming the UK's standing as one of the world's truly international centres of portfolio management. That position rests on enduring strengths: a respected regulatory regime, a sophisticated professional services ecosystem and depth of talent.

- A more inward-looking global order, a structural rebalancing towards investing in broader geographies and private markets and growing political interest in how capital is deployed at home are reshaping the environment in which firms operate. Industry growth is being driven by market performance rather than net inflows, placing a premium on efficiency and distribution. While the UK industry continues to grow, tax changes, uncertainty over policy direction and barriers to accessing global talent are being felt at the margin.

- The opportunities in prospect are substantial and industry leaders are equally clear about what it will take to extend the UK's leadership. The Leeds Reforms represent the most comprehensive package of financial services reform in over a decade and mark a decisive shift away from the post-crisis focus on risk avoidance; the FCA's innovation agenda gives the UK a genuinely differentiated position on tokenisation; and by building a stronger culture of investing there is the chance to bring a large pool of UK savers into investing. Three products are central to broadening access: ETFs for a younger, digitally engaged generation, LTAFs (eligible for Stocks & Shares ISAs from April 2026) opening private markets to retail investors, and Money Market Funds as a potential bridge from cash. With firms, regulators and policymakers aligned on innovation, competitiveness and growth, the coming years can mark a period of renewed strength. The three themes outlined in this chapter are central to the evolution of investment management in the UK.

THE THREE THEMES

- **A shifting global landscape and UK competitiveness** — defending the UK's international competitiveness while demonstrating the value of investment management to the domestic economy.

- **The technology inflection point** — how is AI being embedded across businesses today and why is tokenisation a longer-term opportunity where the UK can lead.

- **Opening up access to investing** — turning UK savers into investors to building a stronger culture of investing and better access to key products.

INTRODUCTION

The UK investment management industry enters the next phase of its evolution from a position of relative strength. AUM grew 11% through 2025 – a second consecutive year of double-digit growth – and 53% of assets are now managed on behalf of overseas clients, underlining the UK's status as a truly international centre of portfolio management. This has been achieved against a more turbulent geopolitical backdrop and, in the nearer term, the flat growth in assets managed for European clients between 2021 and 2024 following the UK's exit from the European Union.

International competitiveness remains a core strength but the industry must also demonstrate its significant value to the domestic economy: as an allocator of capital to UK companies and projects and as a steward of UK citizens' long-term financial futures. As the once-unstoppable force of globalisation gives way to a sharper political focus on the national interest – a shift seen across the developed world – this dual role shapes the themes our senior leaders have drawn out in this year's interviews.

This year's interviews spanned firms across public and private markets and wealth management-led businesses, drawn from the IA Board and Advisory Council. The message was consistent: the UK has the hallmarks of a market that can sustain its international competitiveness, underpinned by a respected regulatory regime, the rule of law, a sophisticated professional-services ecosystem and deep pools of talent. To stay competitive, however, the UK must make it easier for firms to attract and retain talent, launch and distribute products, deploy new technology and build an ecosystem that serves a broader base of investors at home and abroad. Leaders were candid about where the UK risks losing ground – chiefly high and unstable taxes and the level of capital firms must hold — warning that, left unaddressed, these could erode competitiveness over the longer term.

This chapter reflects three defining themes that will shape the industry over the next five years, if not the next decade:

- a shifting global landscape and UK competitiveness;
- the technology inflection point; and
- opening up access to investing.

Industry leaders are candid about the challenges they face. But there is also a clear recognition that, with firms, regulators and policymakers aligned on innovation, competitiveness and growth, the coming years can mark a period of renewed strength.

FIGURE 6: THREE FORCES SHAPING UK INDUSTRY EVOLUTION

1 Global instability and the new risk environment

1. **Global landscape:** Conflict, tariffs and concentrated returns drive rebalancing across regions and asset classes.
2. **UK investability:** Capital follows opportunity, pipeline and returns. Mandation is a growing theme but not optimal.
3. **Politicisation of sustainability:** Energy and defence sharpen tensions between performance, investor preferences and disclosure.
4. **UK competitiveness:** Talent, tax, capital rules, fund domicile and policy instability test the UK's global position.

STRATEGIC IMPERATIVE:
Navigate instability while improving UK investability and long-term competitiveness.

2 Technological transformation

1. **AI and operating models:** Automation, productivity and research capability reshape costs, margins and distribution.
2. **Data and competitive edge:** Data quality enables AI, while common access raises the risk of alpha commoditisation.
3. **Workforce transformation:** Roles and hiring change, requiring upskilling and protection of future talent pipelines.
4. **Tokenisation and infrastructure:** Funds, settlement and collateral move on-chain, requiring pace, standards and coordination.

STRATEGIC IMPERATIVE:
Use AI now while building the skills and infrastructure for a tokenised future.

3 Participation and democratisation

1. **Closing the participation gap:** Move long-term cash savers towards investing and build a stronger culture of participation.
2. **Opening the product set:** ETFs, LTAFs, MMFs and retirement income broaden routes into investment.
3. **Advice and targeted support:** Combine trusted personal advice with scalable, technology-enabled guidance and support.
4. **AI, trust and understanding:** Improve information judgement, communication of risk and reward, literacy and confidence.

STRATEGIC IMPERATIVE:
Widen access while strengthening support, understanding, trust and protection.

1. A SHIFTING GLOBAL LANDSCAPE AND UK COMPETITIVENESS

Three key themes emerged from our conversations with industry leaders that indicate that there is a challenging investment and risk environment in prospect. In this section, we consider each of these in turn and the longer-term implications for the UK's competitiveness:

1. A world in flux: a new global order and the UK's role

2. Increasing pressure to direct capital to benefit domestic markets

3. The politicisation of key investment themes such as sustainability against a backdrop of pressure on defence

Taken together, the industry must consider how to manage these powerful forces alongside preserving its strengths as a global centre and access to global talent pools.

A WORLD IN FLUX: A NEW GLOBAL ORDER AND THE UK'S ROLE

The global investment landscape is changing. Geopolitics is increasingly febrile and unpredictable and politicians are turning inward. Concerns about the impact of immigration on living standards is reshaping policy on freedom of movement, with direct consequences for access to talent. Following the US lead, a return to tariffs designed to protect domestic industries is moving the world away from free-flowing trade: this has implications both for how investment management operates and for asset allocation. International conflict is no longer a distant threat: the past five years have seen major conflicts involving Russia and Ukraine, and the US, Israel and Iran. The former moved markets as inflation surged after the pandemic; the Iran war has so far had a more muted impact, though the longer-term risks are significant given Iran's influence over shipping through the Strait of Hormuz and, with it, the supply and price of oil and key commodities.

Through 2025, equity returns became increasingly concentrated in a small number of very large US-listed stocks, forcing a re-calibration of risk assessment and asset allocation. US capital markets continue to offer deep pools of capital and to attract investment but the concentration of returns has created an opening for other governments to draw flows away from the US and has also prompted investors to re-examine diversification. Our interviews suggest this reassessment is taking place not only across regions but across public and private assets, with institutional investors leading the way.

"We live in a world where there are tonnes of geopolitical issues... bring clients back to basics, which is diversification. This, in my view, is here to stay."

The implication is not that investors are turning away from US assets wholesale but that a structural rebalancing — toward broader geographies, private markets and more diversified return sources — is under way. This creates opportunity for firms with genuine global reach and breadth, or with specialist expertise outside the US, while raising new questions about how risk is priced. In private markets, leaders highlighted the fast-growing private credit market, which some noted has begun to display characteristics "reminiscent of what we saw during the financial crisis."

The UK historically balanced an international focus with a sophisticated domestic market, which attracted significant pools of capital from both UK and international investors. Arguably in the 1980s, the UK had one of the most effective domestic risk capital markets in the world. However, as portfolio management has evolved in the decades following the financial crisis, the UK has shifted to a hub where global capital is analysed, managed with sophistication and allocated globally but with a decreasing share of capital allocated domestically. This evolution did not occur in the US, which remains a market with a primarily domestic focus. The UK's strength in global portfolio management must be defended but arguably now needs to be balanced with a greater focus on domestic investment to respond to the intensifying political focus on allocating capital to the UK.

GLOBAL CAPITAL FLOWS AND THE UK INVESTMENT CASE

There has been a long-term structural shift away from UK equities, accelerated as more money has flowed into global and US benchmarks. The scale of the shift is material: domestic pension allocations to UK equities have fallen sharply over two decades, reflecting the move toward global portfolio construction. As interviewees stressed, this is not a rejection of the UK per se, but a consequence of modern investment frameworks.

"This is not a decision to cut UK equities, but a transition to modern portfolio construction."

For global institutional investors, the UK remains attractive where it offers compelling opportunities particularly in private markets, infrastructure and sectors aligned with long-term growth. But there is a clear tension between policymakers' ambitions, the industry's role in allocating capital to the UK, and managers' fiduciary duty to deliver long-term risk-adjusted returns. Senior leaders remain firmly opposed to any mandation of UK allocations.

The Mansion House Accord reflects the industry's desire to meet the Government's ambitions, but through a voluntary commitment aligned to a genuine pipeline of opportunities rather than mandation. As many interviewees put it: capital will follow investment opportunities, not policy direction.

"The best way to attract investment into UK equity is to have political stability in the UK, economic growth and opportunities to invest."

SUSTAINABILITY AND THE POLITICISATION OF INVESTMENT THEMES

The UK has been a global leader in sustainable and responsible investing and interviewees report that institutional demand remains robust. Climate transition and impact investing for social and environmental good are long-term societal issues and this remains unchanged but the investment management industry must now navigate the increasing politicisation of themes such as climate change and diversity, equity and inclusion. This goes beyond traditional concerns such as risk management, capital allocation and performance. Sustainability has evolved from being publicly lauded as a defining investment approach to firms exercising much greater caution about how they communicate sustainable investment strategies as the operating environment for firms, particularly firms with global businesses, becomes more complex.

Key questions are being asked over allocating capital to energy and defence stocks as part of sustainable investment strategies in the context of supporting the climate transition and the critical role investment in defence plays in national security and ultimately preserving peace. These developing issues have forced a more explicit conversation about whether investment in these assets involves trade-offs or the dilution of sustainable investment themes or if, in fact, they are compatible with sustainable investment approaches. Alongside this there is the question of investment performance and investment outcomes –investors want to do good alongside seeing acceptable long-term returns. One interviewee noted that "if you're not invested in defence or energy, you are underperforming the market today."

Attitudes towards sustainable investing are often governed by individual investor preferences, underscoring the importance of robust, transparent disclosure. This was a central aim of the UK's Sustainability Disclosure Requirements (SDR), and the EU is building on the SFDR framework through SFDR 2.0. While the objective is widely supported, interviewees remain critical of SDR's execution, with one describing the associated regulatory and disclosure burden as, at times, a distraction from other priorities. A more complex political dynamic has also shaped the environment, though the sentiment this year has shifted from acute concern to a view that much of the complexity is playing out in the US. In the UK and Europe there remains broad support for sustainable and responsible investment. Expertise here — in active ownership, transition finance and stewardship — remains a UK strength but one that must continue to evolve in a way that is at once credible but at the same time commercially viable. For the majority of firms that we spoke to, despite the politicisation of sustainability and the more complex operating environment, there remains commitment to core sustainable investment principles and achieving good client outcomes.

THE UK AS A FUND DOMICILE AND THE IMPLICATIONS FOR UK COMPETITIVENESS

Competitiveness is also shaped by the UK's product and regulatory framework. As a fund domicile, there is broad recognition that competing directly with Ireland and Luxembourg in traditional structures is increasingly difficult.

UK-domiciled funds are largely distributed domestically. This is not new: even before Brexit, the UK's share of the cross-border market never rivalled Luxembourg or Ireland. The more telling shift is that UK investors are increasingly allocating to overseas-domiciled funds, a trend accelerated by the growing popularity of ETFs. As the European ETF market has grown rapidly, the lack of ETFs domiciled in the UK has pushed activity offshore.

The strategic implication is not simply about capturing flows but about retaining ecosystem value — keeping innovation, distribution and product development expertise anchored in the UK. This connects directly to the significant potential of tokenised funds, explored later in this chapter. Interviewees strongly favoured preserving and developing the UK's fund manufacturing infrastructure but were generally sceptical that the UK could scale its capabilities and reform regulation quickly enough to attract ETF domiciliation. The larger opportunity, in their view, lies in tokenised funds and the supporting infrastructure, where the UK could "leapfrog" straight to tokenisation and position itself for longer-term success.

"We shouldn't fight yesterday's battles. Instead of trying to claw back business from Luxembourg or Ireland, we'd be better off going all in on what comes next — like tokenisation — and positioning the UK as a leader in that domain."

If competing on ETFs is challenging, the LTAF is a clear example of UK-domiciled product innovation with the potential to broaden access and channel long-term capital into the UK economy. However, there is significant work still to do to ensure that the wider ecosystem is able fully to support access to LTAFs. We assess the potential of LTAFs to democratise access to private markets in the final section of this chapter.

MAINTAINING THE UK'S STRENGTH AS AN INTERNATIONAL CENTRE: ACCESS TO TALENT

The strategic challenge is not to rebuild competitiveness from a weak base but to sustain and extend a global leadership position in a more complex environment. Talent sits at the heart of the proposition and is where interviewees see the most immediate pressure. The UK continues to attract highly skilled professionals but several firms reported that recent changes to tax policy, particularly around non-dom status and inheritance tax, are affecting access to talent at the margin.

The issue is not simply higher taxation but perceived instability and uncertainty around policymaker intent. Interviewees repeatedly stressed that uncertainty about future change can influence behaviour as much as current policy.

"It's not even specific policies; it's the sense that something may come down the line that acts as a brake on progress."

There is nuance. The issue is more acute for firms with highly international workforces and client bases; others report limited direct impact.

"I haven't had anyone raise tax with me. Our staff turnover is very low."

Leaders warned of longer-term implications for the talent pipeline, including for new graduates or school leavers. Interviewees observed that "hiring someone overseas for two, three months, a student — almost impossible... so the talent pool has to be widened," and pointed to a "brain drain" among younger UK professionals weighing where to build their careers. The UK remains competitive for talent but is losing ground at the margin — particularly among globally mobile senior professionals and the next generation of international entrants with potential long-term consequences for its standing as a global centre.

"I'm worried about all the good young people deciding not to stay in London or the UK. There's definitely been a brain drain. If that continues, it's a big problem for the UK. And that's not really about our industry or regulation at all — it's that people are fed up with the government and the tax system. That's not a good place to be."

THE UK AS A GLOBAL CENTRE OF INVESTMENT EXPERTISE

Taken together, the interviews present a balanced picture. The UK remains a global centre of investment expertise, with highly rated talent and an unparalleled portfolio-management ecosystem; a hub for the deployment of international capital; and a leader in asset allocation with strong expertise. But it faces pressure at the margin on talent, in attracting capital to invest in the UK, and as a fund domicile. The industry must reinforce its strengths while addressing these pressures by advocating for policy stability, defending the UK's appeal to international talent, and focusing on product innovation and the UK's role as a fund domicile. UK competitiveness is defined by a mosaic of policy choices made by successive governments and regulators. Reframing these for better interoperability, though desirable, can feel unrealistic in the short term to many of the executives we interviewed. The industry invests over long horizons and both clients and firms need confidence that the policy framework will remain broadly consistent through ever-shortening political cycles.

Set against this is a recognition that the current environment is genuinely constructive. As we note in our analysis on opening up access to investing later in this chapter, the Leeds Reforms, announced on 15 July 2025, set out the most comprehensive package of financial services reform in over a decade, with an explicit ambition to make the UK "the number one destination for financial services businesses by 2035." Underpinned by a Financial Services Growth and Competitiveness Strategy that seeks to "double down on the UK's global strengths," the reforms resonate directly with CEOs. However, in our conversations they send another clear message to policymakers: **policy stability is as important as the right policies.**

"Any policy or political stance should be tested by a simple question: is it keeping the UK a place where the most talented, creative, entrepreneurial people want to build their futures? If we lose that, we quickly lose our competitive edge."

While political pressure to support domestic investment is unlikely to dissipate, interviewees underlined the importance of not losing sight of the UK's core strength: its position as a global centre of investment management expertise, with a genuinely global approach to asset allocation. The industry oversees £11 trillion in assets for clients around the world, combining:

- deep expertise in multi-asset portfolio construction;
- global leadership in active management and stewardship;
- strong capabilities in private markets and alternatives; and
- a mature ecosystem of managers, wealth firms, advisers and service providers.

This ecosystem remains a powerful competitive advantage. As one interviewee observed, the UK continues to attract global firms and talent because of the scale of the opportunity: "the market's massive... that still pulls people in."

2. THE TECHNOLOGY INFLECTION POINT

The global competitive environment remains fierce. According to BCG's Global Asset Management Report [3], more than 80% of the industry's $16 billion of revenue growth was driven by market performance rather than net inflows. Assets are growing, but the market is increasingly stratified: this environment can favour scale players and specific investment specialisms but for small to medium players there is intensifying pressure on fees and revenues. Client expectations are shifting too, shaped in part by the rapid advance of AI. The UK industry shares all of these challenges.

Technology is the second defining theme of this chapter. AI is reshaping how firms operate today. For firms pursuing scale, pairing that strategy with technology-enabled efficiency is increasingly essential to protect margins and AI offers significant productivity gains. Over the longer term, tokenisation promises to modernise investment infrastructure and could transform the UK's future as a fund domicile. But it is tokenisation that represents the deeper structural shift and many interviewees believe the UK has a genuine opportunity to lead. Managers must decide whether to be pioneers or fast followers as they navigate the accelerating pace of change.

MAINTAINING MARGINS: THE ROLE OF TECHNOLOGY

Interviewees broadly agreed that AI is not only redefining the operating model of investment management but already transforming how we live and work. It is reshaping how investors consume information and could transform access to products. With growth in AUM driven by markets rather than rising demand, stronger distribution will be critical to guard against market corrections but so too will be near-term investment in technology and automation to reduce operating costs. As BCG notes in its annual global study [3], cost discipline is now strategic and generative AI is transforming process automation and product delivery.

In 2026, AI has moved from experimentation to a capability every firm is embedding across the business. Nearly every firm reported active deployment, with adoption now seen as essential to operational effectiveness. Beyond efficiency and productivity, improving the breadth and depth of investment research is viewed as one of the most compelling use cases. Interviewees consistently highlighted data quality as a precondition for AI to deliver at scale: firms that have invested in cleaning and structuring their data are further ahead. Many are running multi-year foundational programmes that encourage employees to experiment within clear guardrails and note that access to the right model matters — several have moved from Copilot to Claude, widely perceived to produce better results.

"We spent two to three years cleaning and unifying all our data. That's paid off now — we have clean and well-structured data, which is essential for harnessing AI. You can't shortcut that."

THE ALPHA-COMMODITISATION QUESTION

A more strategic implication is surfacing: the competitive edge from AI is smaller than initially expected. If every firm has access to broadly similar capabilities, the classical sources of active edge may narrow further. This is prompting firms to interrogate where human judgement continues to add value: in client relationships, in complex investment decisions and in integrating qualitative insight with quantitative analysis. As interviewees observed, no firm has yet demonstrated a decisive AI-led advantage; adoption today is about "productivity improvements and avoiding falling behind competitors" rather than transformative differentiation.

"AI is available to everyone, so it's not a guaranteed competitive advantage — it's more of a necessity to stay in the game. If anything, it could further commoditise aspects of active management. If every firm's AI can instantly process all the data in developed markets, finding an edge might become even harder."

[3] Global Asset Management Report 2026: An Imperative for Growth, Boston Consulting Group, April 2026.

WORKFORCE TRANSFORMATION

The workforce implications of AI are among the most debated topics of the interviews. Views diverge on pace and scale but every firm expects material change in how work is organised. Interviewees pointed to a shift in hiring logic and a demand for clear justification of new roles: "convince me that you can't do it with technology... you won't get the recruitment budget until you've been through the process of exploring AI first."

Most leaders were clear that AI is not driving significant headcount reduction now but is leading firms to take on fewer new hires, although some felt that the industry was reticent on the implications for job losses, which could be in prospect across all industry sectors not just investment management. For most, however, the greater focus is on transforming how employees work in existing roles, enabling them to take on more and a greater variety of tasks.

"The idea that AI will simply support the same number of employees isn't realistic. The technology will reshape workforces and change the way firms are organised."

This carries long-term implications for the talent pipeline. Curtailing entry-level hiring too aggressively risks capability gaps at mid-career level in five to ten years. Alongside industry-wide coordination on upskilling, leaders see growing importance in preserving graduate and apprenticeship pipelines.

"It is about productivity, not replacement. We still need to recruit graduates. If you stop, you will pay the price in the future. AI will not replace portfolio managers or human judgement."

Across all our conversations, interviewees emphasised the enduring importance of human judgement in relationship-driven parts of the business: AI enables the delivery of human expertise at greater scale — particularly in wealth, advice and complex decisions — rather than replacing it.

"No app or algorithm can put its arm around someone who's just lost a family member and is trying to navigate their financial future. Those are deeply human moments. Technology is an enabler for us, not a replacement."

TOKENISATION: OPPORTUNITY AND REALISM

If AI is the immediate technology inflection point, tokenisation represents the deeper structural shift. Its potential is significant: it can reshape fund structures, reduce intermediation, enable new forms of settlement and open new routes for retail access to private and alternative assets. But it will play out over a longer horizon and requires coordination across firms, regulators and infrastructure providers.

Some interviewees still see tokenisation as "a solution in search of a problem" for many use cases, but attitudes are shifting: many more leaders now see its transformational potential and the opportunity for the UK to lead in building the supporting ecosystem. A degree of constructive scepticism is warranted - as one interviewee noted, "tokenising commercial real estate doesn't make it liquid." Tokenisation changes how ownership is recorded and transferred and can fractionalise ownership but it does not alter the underlying liquidity of an asset. Interviewees pointed to the fact that tokenisation is scaling: around $36bn of real-world assets on-chain, ~$15bn in US Treasury Debt[4]. This is evidence that adoption is real but early. There was agreement that the most realistic near-term applications are tokenised money-market funds, fund share classes on distributed ledgers and collateral management with broader retail adoption in illiquid assets following over a longer horizon.

"Incumbent players have little incentive to build that tokenised future because it would severely disrupt their current economics. This is why regulators and public initiatives are important — they can nudge the transition even if... firms drag their feet."

[4] RWA.xyz Global Market Overview, as of 30th June 2026.

UK POSITIONING: THE FCA'S INNOVATION AGENDA

This is an area where the UK has a genuinely differentiated policy proposition. The FCA has been active through the Digital Securities Sandbox — a joint initiative with the Bank of England providing a regulated space to develop distributed-ledger applications in issuance, trading and settlement. In October 2025 it published CP25/28: Progressing Fund Tokenisation, proposing to enable UK authorised fund managers to issue and record fund units using DLT, and giving firms the "clarity and confidence" to use DLT for fund records and trading. This follows a phased roadmap[5] first sketched by the IA's Technology Working Group in 2023. For an industry overseeing £11 trillion in client assets, the strategic significance is meaningful and interviewees welcomed the direction of travel.

"Why do we need multiple national stock exchanges and duplicated infrastructure on separate blockchains? I foresee a future with a few global exchanges, running 24/7, where liquidity finds its natural home. The UK's real opportunity is to lead on tokenisation and the new market infrastructure."

Continued execution with industry, regulators and infrastructure providers translating the roadmap into operational reality will determine whether the UK secures a leadership position before global standards are set elsewhere.

[5] UK Fund Tokenisation: A Blueprint for Implementation, The Investment Association, November 2023.

PAVING THE WAY TO FUND TOKENISATION IN THE UK

The IA has spent several years laying the groundwork for fund tokenisation, working in close partnership with the FCA and HM Treasury. Its Technology Working Group set out the original UK Fund Tokenisation Blueprint in 2023 and the first tokenised UK UCITS was authorised under that model in January 2025.

The FCA's consultation CP25/28, 'Progressing Fund Tokenisation' (October 2025), is a significant milestone. It provides guidance for operating a tokenised fund under the Blueprint, proposes a streamlined 'Direct-to-Fund' (D2F) dealing model, and sets out a roadmap to address remaining barriers — a clear signal of a more technology-positive, innovation-friendly regulator. The IA's response is being coordinated through its Investment Fund 3.0 (IF3) Lab, which now has several hundred firms on its circulation list.

Momentum is building on three fronts:

- **Investment Management Taskforce:** a dedicated digital workstream, expected to begin in early 2026, will define a roadmap for a world-leading UK digital investment ecosystem, complementing the Government's Wholesale Financial Markets Digital Strategy;
- **Regulatory co-creation:** the IF3 Lab and D2F Working Group are working with the FCA on tokenised fund registers, the use of tokenised money market fund units as collateral, and settlement using digital forms of money; and
- **International alignment:** through Project Guardian, led by the Monetary Authority of Singapore, the IA and UK-Singapore regulators have published joint work on digital assets and DLT, calling for international standards and interoperability.

Realising the opportunity now depends on pace and coordination: converting proofs of concept into commercially viable, scalable markets, while removing legal, regulatory and tax frictions so that this activity is developed, tested and scaled in the UK.

3. OPENING UP ACCESS TO INVESTING: TURNING UK SAVERS INTO INVESTORS

The third theme of this chapter is supporting more UK adults to become investors. Retail investors are now the single largest client group in this year's Investment Management Survey, accounting for 30% of UK-managed AUM in 2025. Despite the growth in assets managed on behalf of retail investors, there remains a national imperative to help more UK adults move from saving to investing. The FCA's Financial Lives study[6] finds that 7 million people are sitting on £10,000 or more in cash. Culturally in the UK, there has been a perception that investing is for the wealthy or for people prepared to take significant risks with their money. Significant attention is now being paid by both the investment industry and policymakers to challenging this perception and to demonstrating that investing can promote better long-term financial outcomes. A stronger culture of investing and greater levels of investing also links directly to the potential for higher flows of capital into domestic stocks and bonds. IA investor research[7] shows that among end investors, a degree of home bias persists and 67% of all investors have confidence that investing in UK companies will help them to meet their financial goals, the highest of any equity market and significantly higher than confidence in investing in the US (54%).

The policy environment has moved decisively over the past 18 months following the Leeds Reforms to open up access and to override the "safetyism" that became embedded in financial regulation after the Global Financial Crisis: the significant focus understandably placed on consumer protection during that period unfortunately also served to reinforce the perception that investing is too risky. The Leeds Reforms of July 2025 tackled long-standing issues: instilling a culture of investing through the Invest for the Future campaign and laying the groundwork to reform risk warnings to explain investment risk and reward in a more balanced way. These reforms provide a foundation to support real momentum in achieving greater participation in investing.

THE PARTICIPATION GAP

Research supporting the Invest for the Future campaign found that 10.1 million savers with no investments — some 44% of those with savings but no investments — want to learn more about investing. This shows that there is a significant opportunity to convert more people to the benefits that investing could bring. Closing the gap is not a task for the investment industry alone but it is one where the industry has both a strong economic interest and a clear social contribution to make and where the policy environment is now more aligned than at any point in recent history.

OPENING UP THE PRODUCT SET: ETFS, LTAFS AND MONEY MARKET FUNDS

The industry's product set will be central to enabling participation. Three products in particular stand out as playing an important role in serving a broader base of investors:

- Exchange-Traded Funds are reshaping how a new generation invests;
- Long-Term Asset Funds are further opening up access to private markets for retail investors within Stocks & Shares ISAs, the most widely used investment ISA wrapper;
- Money Market Funds have the potential to act as a low-risk bridge from cash into investing.

In this section we consider the opportunity for democratising investing in the context of these three products and we also look ahead to the opportunities for retirement income: a new area of product innovation that will become increasingly important as more UK adults start to retire with significant defined contribution pension pots.

ETFs AND A NEW GENERATION OF INVESTORS

ETFs are increasingly the entry point to collective investing for a new generation of investors. The IA's 2025 research, Retail Investors and ETFs, found that ETF investors are typically younger, higher-earning and more digitally engaged: 41% are aged 18–34 and nearly

[6] Financial Lives 2024 survey, Financial Conduct Authority, May 2025.
[7] ISA Barometer 2026: Investing in Britain – UK Investment in a Changing ISA Landscape, The Investment Association, June 2026.

half started investing within the last five years. ETF holdings in Stocks & Shares ISAs rose from 25% to 29% year-on-year, driven by Gen Z (41%) and Millennials (50%), according to the IA's 2026 ISA Barometer survey.[8]

The significance of ETFs lies in their alignment with how a new generation wants to invest —a new breed of neo-brokers (investment platforms such as Trading 212 or Freetrade) allow investors to invest little and often through ETFs and at low cost. However, amongst the broad UK investor population almost half (49%) of retail investors say they have little or no knowledge of ETFs[9]. Broadening the ETF investor base to include more women and older investors depends on coordinated investor education, better platform access, lower minimum investment sizes and clearer signposting of dealing costs.

LTAFs: DEMOCRATISING ACCESS TO PRIVATE MARKETS

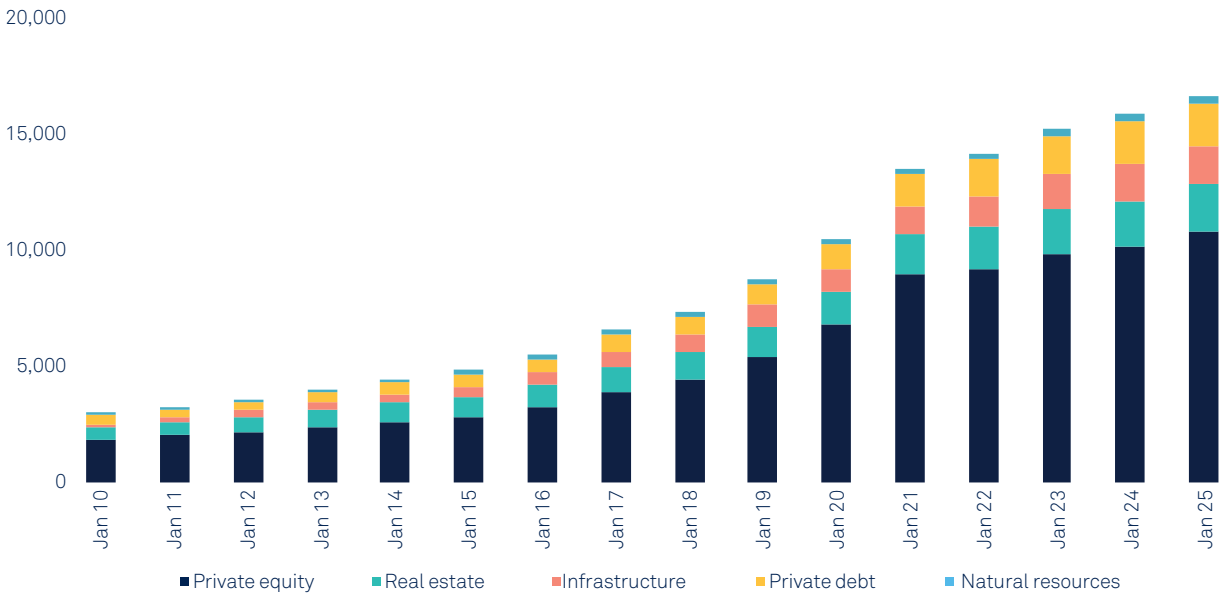
Companies are staying private for longer, raising capital from private equity, venture capital and private credit rather than from public markets and a growing share of economic activity now sits outside public markets. Preqin's global private capital database (Chart 7) shows AUM has roughly doubled in six years, from $8.8 trillion at the end of 2019 to $16.6 trillion at the end of 2025, with infrastructure and private debt the fastest-growing segments. Growth has cooled since the 2021 peak as higher interest rates have weighed on fundraising and dealmaking, but the direction of travel is clear, more institutional capital is flowing into private assets.

"You have to look at this long term. The investment universe is divided between public and private markets, and private markets are growing significantly. Investors want exposure to both."

This trend means that without access to private markets, the investment opportunities available to retail investors will inevitably shrink.

April 2026 marked a landmark moment: for the first time, Long-Term Asset Funds (LTAFs) were eligible to be held within a Stocks & Shares ISA — a change the industry long campaigned for. LTAFs give retail investors access to infrastructure, private equity, private debt and real estate within a familiar, tax-efficient wrapper offering diversification and the potential to achieve returns that are not correlated to public markets over the longer term. As one interviewee noted: " The structure of markets is changing, and more companies are staying private for longer. So a greater proportion of the investment opportunity now

CHART 7: GLOBAL PRIVATE CAPITAL AUM (2010-2025)



Source: Preqin

[8] ISA Barometer 2026: Turning Savers into Investors, The Investment Association, June 2026.
[9] Retail Investors and ETFs, The Investment Association, September 2025.

sits in private assets than it did 10–15 years ago. That changes the starting point for investors."

The IA's investor research[7] shows the demand potential among retail investors for private assets but also illustrates the challenge of providing wider access and effective education. Around half of investors (49%) say they would consider investing in an LTAF when provided with an explanation of the features of the fund structure and the risks and rewards of investing in private assets. In common with ETFs, however, awareness is a significant obstacle: 52% of investors say they have never heard of an LTAF, and just 5% know exactly what one is. Investors say that they remain willing to accept the central trade-off that investors must make — tying money up for longer in exchange for higher potential returns (63%) and there is awareness that this asset class may only work once a sensible cash or liquid investment buffer has been built up. However, Senior leaders interviewed see the potential for private assets to support good investment outcomes but are also cautious about the risks to investors:

"We shouldn't treat private markets as one monolithic thing. There's a role for private credit in providing income and stability and a role for growth-oriented private equity — but only if expected returns clearly exceed what you'd get from a global equity index. The bar has to be high."

LTAFs have the potential to act as an important bridge between investors' appetite for real-world impact – interest in infrastructure remains the highest of any private asset in our investor research – and the UK's need for long-term capital. But ensuring that investors understand the risk and liquidity profile of the fund and the investment time horizons will be critical to their success.

"Whatever we do with private markets for retail clients, it needs to be absolutely explicit that those assets are illiquid. The industry hasn't always been great at this."

Further retail access will need not only appropriate structures with well-designed liquidity mechanisms but also robust investor education and distribution that engages platforms and advisers as partners.

[10] Public/Private Convergence: LTAF Landscape, Morningstar, April 2026.

THE IA'S WORK TO BRING LTAFS INTO THE STOCKS & SHARES ISA

The Long-Term Asset Fund (LTAF) is the UK's flagship open-ended vehicle for private markets. Until recently, retail access was effectively limited to General Investment Accounts and the little-used Innovative Finance ISA. The Leeds Reforms, announced by the Chancellor in July 2025, confirmed that LTAFs would be eligible for the Stocks & Shares ISA from April 2026 — an important step in the UK's shift toward wider, well-governed access to private markets, and one where the IA has been a consistent advocate.

The prize is significant. The LTAF broadens access to infrastructure, private equity, private credit and real estate within a familiar, tax-efficient wrapper, giving savers exposure to a wider investment universe while providing patient capital to UK companies and projects. LTAF assets reached around £7.3bn by March 2026 [10] (up from £5bn in June 2025), with a further £3.1bn of committed capital still to be called.

The IA is convening industry to make this a practical reality, working closely with manufacturers, distributors and regulators through:

- the LTAF Manufacturers ISA Delivery Group, addressing manufacturing, operational and regulatory barriers;
- the Retail LTAF Delivery Group and its Dealing Sub-Group, working with the UK Platforms Association to map the end-to-end dealing lifecycle and reduce reliance on manual processes; and
- ongoing engagement with HM Treasury, HMRC and the FCA on enabling legislation, the treatment of the Restricted Mass Market Investment (RMMI) regime and valuation and disclosure standards.

Adoption is expected to build gradually — initially in the wealth channel — but ISA eligibility marks the beginning of a multi-year journey to broaden retail access to private assets.

LONG-TERM ASSET FUNDS: UK-DOMICILED PRODUCT INNOVATION

The LTAF is a clear example of UK-domiciled product innovation with the potential to broaden access and channel long-term capital into the UK economy. Making the LTAF eligible for the Stocks & Shares ISA — a change the industry long campaigned for and a key element of the Leeds Reforms — is a landmark step in democratising access to private markets and promoting UK investment opportunities. However, there is significant work still to do to ensure that the wider ecosystem is able to fully support access to such opportunities.

MONEY MARKET FUNDS: A LOW-RISK BRIDGE FROM CASH INTO INVESTING

If ETFs and LTAFs broaden the investment universe, Money Market Funds (MMFs) have the potential to help cautious savers take their first step. Once given a clear, neutral definition, the IA's 2026 consumer research with Opinium shows that 64% of Cash ISA holders and half of those who hold only a Cash ISA and no other investments would consider investing in an MMF. For cash savers, the most appealing features were the potential to earn a higher return than cash and the ability to hold a lower-risk investment. With the right education, MMFs could act as a low-risk entry point to investing.

THE GROWING FOCUS ON DELIVERING RETIREMENT INCOME

Retirement income is the next major frontier for product innovation and access. The transition from accumulation to decumulation is described by many as one of the most significant long-term opportunities. The product landscape remains fragmented however, with "many retirement products essentially repurposed accumulation products." And as interest rates have risen, the popularity of annuities has rebounded with one firm commenting that around 20% of its DC pension clients leave 'at retirement' to buy annuities from a different provider. For firms with a significant DC pension capability, the ambition to serve clients to and through their retirement is clear and this is driving a focus on product innovation. One area of focus is expanding ways to pay income from funds to support clients decumulating their wealth.

"When our pension customers retire, we often help them shop for an annuity with someone else — essentially handing our clients off. That's not ideal. We'd like to provide the decumulation products ourselves so we can keep serving those customers through that phase of life."

HOW ADVICE IS EVOLVING

Turning savers into investors is not only a question of the right culture and the right product set, it also depends on how people are guided and advised on how to make the right choices to achieve their personal investment objectives. In this section, we consider three themes that emerged from our interviews: reinforcing the enduring value of personal financial advice, the introduction of Targeted Support and the rapid emergence of AI as a source of investment information.

THE VALUE OF PERSONAL FINANCIAL ADVICE

The traditional advice model where clients are offered face-to-face consultations with regulated advisers works well for many higher-net-worth clients but does not reach most of the population. Where it does reach, its value is considerable and, in the view of our interviewees, enduring. Advisers add significant value where decisions are complex, emotional or highly individual. In the near term, advice firms are developing their propositions beyond the wealth accumulation phase of their clients' lives to incorporate sophisticated retirement-income planning and cash-flow modelling and to help clients consider intergenerational wealth planning. As one wealth management leader put it,

"No app or algorithm can put its arm around someone who's just lost a family member and is trying to navigate their financial future. Those are deeply human moments."

The challenge is not the value of advice, but its reach.

TARGETED SUPPORT AND THE IMPLICATIONS FOR OPENING UP ACCESS TO INVESTING

To tackle the advice gap effectively, scalable, technology-enabled guidance must sit alongside traditional advice. Policy has now moved to enable this. From April 2026, the FCA's new Targeted Support regime allows firms to alert customers to specific opportunities and to prompt them to consider moving from cash into investing: a significant shift in the boundary between guidance and regulated advice.

The implications are far-reaching. Targeted Support has the potential to bridge the advice gap by giving banks, platforms and investment providers the ability to nudge consumers towards appropriate investment options at key moments in their financial lives without incurring the full costs of regulated financial advice. The task for the industry and the regulator is to ensure that Targeted Support achieves good outcomes for consumers at scale while maintaining the consumer protection that underpins trust.

AI AND THE FUTURE OF HOW INVESTORS ACCESS INFORMATION

AI is already changing how savers and investors consume information and, increasingly, how they make decisions. This has significant potential to disrupt the way that consumers access investing with both positive and negative implications. IA investor research with Opinium finds that for younger investors, AI has become a normal entry point to investing: it is the second most common source used when they first start investing (33%), behind only social media, whereas just 3% of over-55s say they use it at the start of their investment journey. Three in five (58%) Gen Z investors also say they would use AI to choose where to invest their money. [11]

Adoption is being driven by accessibility: among those who used AI when they started investing, the key drivers are that it is free and that it is quick and convenient. For a significant minority, there is greater comfort in asking AI questions about investing than a human. This finding links to the cultural challenge that the UK faces not only in investing but also in basic numeracy where many UK adults lack confidence. This suggests that AI may help reach audiences that traditional channels have struggled to engage.

Trust remains a pivotal issue. Around 45% of investors say they would trust AI for investment information and 49% would not according to the IA's research. The quality of AI's advice can also depend heavily on the quality of the prompt. This suggests that our views on financial literacy need to evolve to encompass information judgement as well as improving basic knowledge of financial concepts.

A CULTURE OF INVESTING

Whilst improving the product set, broadening distribution and increasing the standard and availability of good guidance and information all play a significant role in opening up access to investing, arguably the hardest task is breaking down the cultural barriers to investing in the UK. This means changing how people feel about investing and giving them the confidence to take the first step. That is the purpose of the Invest for the Future Campaign that the industry is delivering as part of the Leeds Reforms.

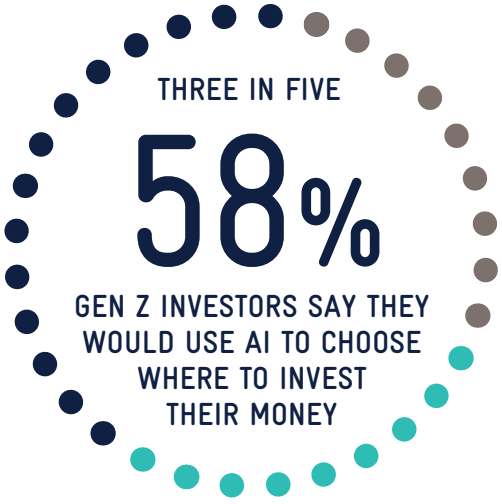
[11] AI and Investing: Trust, Usage and Emerging Behaviours, Opinium/ The Investment Association, July 2026.

4. CONCLUSION: A POSITIVE AGENDA FOR THE UK

The UK investment management industry enters this period of change from a genuinely strong starting position: one of the world's leading centres of global investment expertise managing money for investors around the world, with a mature ecosystem, respected regulatory framework, deep talent and a large pool of domestic investors with the potential to widen participation further.

SETTING A POSITIVE AGENDA FOR THE UK

Our conversations with senior leaders show an industry adapting. The overall message is one of realistic ambition with a clear sense that the UK has the assets and capabilities to remain a leading global centre. With the right policy and regulatory environment, it has the potential to lead in areas where the global investment industry is heading next such as tokenisation. The decade ahead will be shaped by how effectively industry, policymakers and regulators work together to deliver on that agenda. On the evidence of these conversations, and the direction of travel over the past 18 months, there is a strong basis for confidence and a clear path forward for the UK.



INVEST FOR THE FUTURE – AND SAVVY THE SQUIRREL

The Leeds Reforms recognised that regulatory change alone will not build a stronger investment culture. To effect real change, we must alter how people in the UK think about, and access, investing.

Invest for the Future is the multi-year, multi-channel, industry-funded campaign to build a nation of investors. Backed by 20 of the UK's leading financial services firms — banks, platforms, wealth managers and investment managers — with HM Treasury, the FCA and the Money and Pensions Service as observers, and the IA acting as Secretariat, it is the first coordinated, industry-wide effort of its kind. Its objectives are to raise awareness of the importance of investing to people's financial wellbeing and to the wider economy, and to shift perceptions so that more people consider investing over time. It responds directly to the participation gap: in the UK, FCA data suggests that around 7 million adults have at least £10,000 in cash and are ideally positioned to start investing but could be missing out on the long-term benefits of investing. [12]

At its heart is a simple insight: the majority of the target audience — 18 to 65-year-olds with £10,000 or more in savings — do not see investing as something for "people like me," despite already demonstrating positive financial behaviours through saving. To reframe that perception, the campaign reimagines one of the most recognisable symbols of saving, the squirrel. Savvy the Squirrel is a calm, confident, long-term investor who has already taken the next step and made the decision to invest. The campaign's objective is to make a complex, sometimes intimidating topic feel relevant and accessible. Launched around ISA season in April 2026 and running across TV, radio, social and in everyday settings on high streets across the UK, the campaign takes the conversation about investing into people's daily lives.

[12] Financial Lives 2024 survey, Financial Conduct Authority, May 2025.