3 TRENDS IN CLIENT ASSETS AND ALLOCATION

KEY FINDINGS

ASSETS BY CLIENT AND MANDATE TYPE

- Retail is now the largest single client group, at 30% of AUM in 2025, up from 28% in 2024 and reaching 30% for the first time. Private clients account for 1% of AUM with institutional clients accounting for the remaining 69%.
- Pension fund assets fell again to 25% of AUM from 27%, continuing a decline from a peak of 45% in 2018. Assets managed on behalf of insurance clients rose to 14%, a fourth consecutive year of growth.
- Assets in pooled vehicles rose to 54% of UK-managed AUM in 2025, from 52% in 2024, leaving funds and segregated mandates fairly evenly split. The shift is driven mainly by the shrinking DB pension base and the move from DB to DC, rather than a broad retreat from segregated mandates, which remain in demand in parts of the market.

TRENDS IN ASSET ALLOCATION

- Equities rose to 50% of AUM, their highest share in almost two decades, up from a revised 49% in 2024, lifted by strong global equity market performance.
- Fixed income was broadly stable at 30% of AUM, with non-sterling and overseas government bonds now 63% of the fixed income total. Assets in the 'Other' category fell to 11%, partly reflecting improved look-through to mixed asset strategies where assets have been re-categorised into equities and bonds and the continued run-down of Liability Driven Investment (LDI)
- Within equities, North America held steady at around 46% of equity holdings despite US equities being among the weaker major markets in 2025. The UK fell to 14%, from 16%, even though UK equities performed well, its holdings were broadly flat in value while overseas markets grew faster, so its share slipped. Continental European equities rose to 18%, their first increase in six years, helped by Europe being the strongest-performing major region over the year.

INDEXING AND ETFs

- Index-tracking strategies reached a record 36% of UK-managed AUM, up by 1 percentage point from 35% in 2024. Active management accounts for two-thirds (64%) of AUM.
- The global ETF market grew 32% in 2025 to a record $18.2 trillion, with assets in European-domiciled ETFs growing by 42% over the year to $3.2 trillion.
- Actively managed ETFs, still under a tenth of global ETF assets, were the fastest-growing segment, reaching $1.8 trillion.

This chapter examines how the assets managed in the UK are put to work and who they are managed for. It looks in turn at the client base and how it is shifting, the mix of asset classes and the regional spread of holdings and the balance between active and passive management and between segregated mandates and pooled vehicles. The figures reflect UK-managed assets as at December 2025. Some data on the composition of AUM by asset class has been restated in 2025 where members have refined their reporting to provide more accurate data (see page 43, trends in asset allocation).

CLIENT TYPES

IA member firms manage assets for a broad range of clients, usually grouped as institutional or retail, although the line between the two is increasingly blurred as DC pension fund risk sits with the end investor and they have some discretion in selecting the pension fund (see Box 3). Chart 8 sets out how the £11.1 trillion of assets managed in the UK at the end of 2025 breaks down by client type.

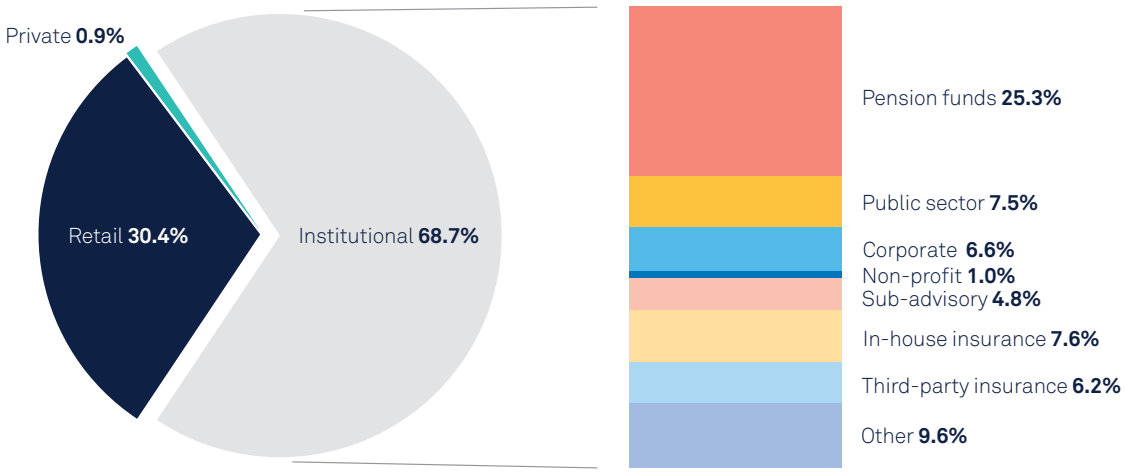
2025 marks a turning point in the industry's client base: for the first time in IA data, retail investors are the largest single client group, overtaking pension funds. This reflects both the steady growth of retail assets and the long-run decline in defined benefit pension assets.

The client mix continues to shift. Retail clients increased their share of UK-managed assets from 28% to 30% in 2025, and pension funds declined from 27% to 25%. While institutional investors continue to account for 69% of assets overall, these changes reflect the gradual rebalancing of the industry's client base as the UK's long-term savings market evolves.

This is not just a UK trend: BCG's 2026 global asset management[13] report found retail investors are now the primary driver of AUM growth, accounting for 61% of global expansion between 2020 and 2025. In the UK, government and industry have launched Invest for the Future, a campaign to improve understanding of investing, alongside work to improve how risk is communicated — if successful, this could lead to a continuation of the trend towards greater retail participation in capital markets.

The changing shape of pensions is reshaping institutional asset management. The growth in retail's share also reflects changes on the institutional side. The share of assets managed for pension funds fell from 27% to 25% in 2025, continuing a longer-term trend. We also see insurance assets rising for the fourth year in a row from 13% to 14%. Mature defined benefit (DB) schemes have been increasingly focused on endgame strategies over the last few years, including insurer buy-ins and buyouts, while the UK's defined contribution (DC) market continues to accumulate

CHART 8: **ASSETS MANAGED IN THE UK BY CLIENT TYPE (2025)**



Source: The Investment Association

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

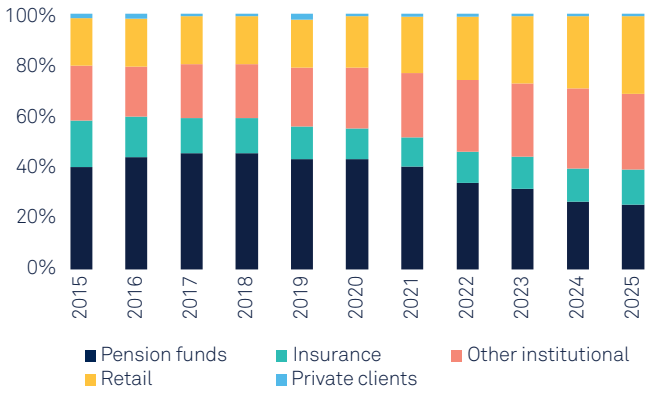
assets through automatic enrolment. With very different risk profiles, this changing balance between DB and DC pensions represents a shift in the kind of products and asset classes pension money increasingly flows into. The lingering effects of the 2022 gilt market episode continue to weigh on valuations. Chapter 4 covers the decline in liability-driven investment (LDI) and the de-risking market in more detail.

The Other clients category was 10% of AUM in 2025, down slightly from 11% in 2024. Much of this catch-all reflects assets where members cannot classify the underlying investor. For example, it is difficult to determine if an ETF investor is retail or institutional as the investment manager cannot see who is trading the ETF and the underlying client profile.

Private client portfolios remain a small and stable part of the asset base, at around 1% of AUM.

"If we're serious about improving financial outcomes, we need to do a better job of helping people move from being savers to becoming investors. That starts with engaging younger generations and making investing more accessible. We have an important role to play in that."

CHART 9: **ASSETS MANAGED IN THE UK BY CLIENT TYPE (2015-2025)**



Source: The Investment Association

Chart 9 shows how the distribution of UK-managed assets by client type has shifted over the ten years to December 2025. The picture is one of steady rebalancing, with retail rising, the pension fund share falling, and insurance recovering.

- Retail assets have grown without interruption since 2019, climbing from 19% of total AUM to 30% in 2025. This is the largest increase of any client group over the decade, and the first time retail has reached 30% of the asset base. The expansion gathered pace after 2020, when low interest rates, higher pandemic-era savings and strong markets drew in large numbers of new investors, and it proved resilient through the inflation and rate rises of 2022 and 2023, when retail assets held up better than parts of the institutional market and recovered quickly. The IA sees considerable room for further growth and expects reforms such as the Leeds Reforms and the Invest for the Future Campaign to encourage more people towards long-term investing.

- Insurance assets are recovering. Having fallen almost continuously for close to two decades, from a peak of 31% of AUM in 2005 to a low of 11% in 2021, the insurance share has now risen for four consecutive years, reaching 14% in 2025. The turn in the interest rate cycle from 2022 has been central to this: higher rates have pushed more defined benefit schemes to full funding, driving activity in the buy-in and buy-out market, where insurers take on both scheme liabilities and their assets. Chapter 4 examines the pension de-risking market in more detail.

- Other institutional clients, a grouping that covers corporates, public sector bodies, non-profits and sub-advisory mandates, account for 30% of AUM in 2025, up from around 21% a decade ago but down slightly from 31% in 2024. Public sector clients are the largest cliebt within this group, at 8% of the £11.1 trillion managed by IA members. Corporates account for 7%, more than double their 3% share in 2015, though their share edged down over the year.

BOX 2: BLURRING OF CLIENT TYPES

Insurance vs. Pension

Defined contribution (DC) pension assets operated through life companies wrapping funds are not counted as pension fund assets but appear instead within assets managed for insurance companies. This includes assets managed for personal pensions and Group Personal Pensions. It blurs the line between pension and insurance assets and means the allocation to pension funds understates actual pension investment.

Retail vs. Institutional

DC pension schemes sit between retail and institutional. In a DC scheme the value of the pension depends on contributions and investment returns, and the ultimate investment risk lies with the individual, which makes DC pensions closer to retail investment than institutional. In the IA's data, however, they appear as either pension fund or insurance assets.

TRENDS IN ASSET ALLOCATION

Over the past year, firms have invested significantly in improving the quality of their underlying datasets, in order to ensure the data feeding into their systems is robust enough to support the growing use of AI-driven analytics. As a result, a small number of firms now have materially improved look-through to their underlying holdings and have restated their asset allocation data across the past six years (2020–2025). The analysis in this section is based on this revised dataset. As a result, the figures presented below, including for years prior to 2025, may differ from those published in previous editions of this report.

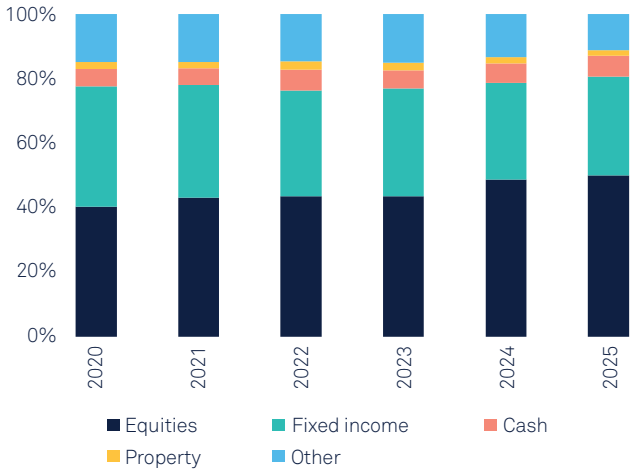
Chart 10 sets out the breakdown of UK-managed assets by asset class over the six years to December 2025, based on the restated dataset described above. Equities extended their multi-year climb, while fixed income, cash and 'Other' allocations moved in line with continuing shifts in the industry's client base and in underlying market conditions. We observe the following trends:

- **Equities extended their climb to 50% of total UK-managed AUM in 2025.** This is up 1 percentage point from a revised 49% in 2024 and takes the equity share of industry assets to its highest level since before the global financial crisis. The move was supported by strong global equity market performance in 2025, with the UK, Europe, China and Japan all delivering double-digit sterling returns over the year (see Box 1 in Chapter 1 for further detail).
- **Fixed income allocations remained unchanged at 30% of AUM in 2025.** This follows a decline from 37% of AUM in 2020, when allocations were still elevated following the sharp rate cuts and quantitative easing introduced in response to the pandemic. The overall value of fixed income assets grew by around 13% over the year to £3.4 trillion, a period in which government bond markets stabilised (although at the time of writing, we are seeing further spikes in UK gilt yields in 2026): UK gilts returned 5% in sterling terms, recovering from a 4% loss in 2024, while global bonds returned approximately 1%.
- **The 'Other' category fell to 11% of AUM in 2025, its lowest level in the dataset.** This is down 3 percentage points from a revised 14% in 2024, extending the sharp multi-year decline from this category's earlier peaks. Part of this fall reflects the improved look-through discussed above: better data quality has allowed some firms to attribute holdings previously bucketed as 'Other', largely multi-asset and alternative strategies that members were previously unable to break down. This look through to the correct underlying asset class has principally resulted in more assets attributed to fixed income. It also reflects the ongoing run-down of Liability Driven Investment (LDI) strategies that were captured within 'Derivatives based strategies' within 'Other'.

- **Cash allocations ticked up slightly to 7% of AUM in 2025, from 6% in 2024.** This is the highest level recorded over the past five years and likely reflects a degree of caution during the bout of market volatility triggered by the April 2025 US tariff announcements, ahead of the recovery in risk sentiment later in the year. The IA's own retail fund data show a record year for inflows into money market funds, particularly around April's volatility. Cash-like strategies are seen by many investors as a useful short-term option to manage liquidity and to provide stable returns.

- **Property allocations continued their gradual decline, falling to 1.6% of AUM in 2025.** Allocations are now below the level recorded at the start of the six-year period in 2020, when they stood at 2%, having risen to a peak of 2.5% in 2022 before declining in each of the past three years. This reflects sharply higher interest rates driving a valuation reset in commercial property, while consolidation among listed UK property vehicles, down from over 80 in 2019 to around 40 by 2025, has narrowed the domestic opportunity set.[14]

CHART 10: OVERALL ASSET ALLOCATION OF UK-MANAGED ASSETS (2020-2025)



Source: The Investment Association

EQUITIES BY REGION

Chart 11 sets out the regional breakdown of UK-managed equity holdings over the five years to December 2025. 2025 saw a marked rotation in global equity markets away from the US and towards the UK, Europe and Asia (see Box 1, Chapter 1), but this was only partially reflected in the regional allocation of UK-managed equity portfolios in our data:

- **North America's allocation held broadly steady at 46% of UK-managed equities in 2025, essentially unchanged from a revised 46% in 2024.** Looking back over the six years to 2025, North America's share of UK-managed equity portfolios has climbed from around a quarter in 2020 to close to half today. The first jump came in 2021, as vaccine rollouts and unprecedented fiscal and monetary stimulus fuelled a rapid rebound in US equity markets. The second came in 2024, when a rally concentrated in large-cap technology stocks pushed US equities to a 26% return in sterling terms. The region remains by far the largest regional allocation, more than double the next-largest region. The 2025 plateau comes as US equities delivered their weakest performance among major markets in several years, returning just 9% in sterling terms in 2025 as trade-policy uncertainty weighed on large-cap technology valuations. UK investors nonetheless kept adding to North American holdings through the year: the IA's own retail fund data show continued net inflows into North American equity funds even during April's tariff-driven turbulence, split fairly evenly between active and index-tracking approaches.

- **UK equity allocations edged down to 14% of equity holdings in 2025, from a revised 16% in 2024, even as UK equities delivered some of their strongest returns in over a decade.** The FTSE All-Share returned 24% in sterling terms, its best in recent years, led by energy, financials and industrials as investors rotated from growth into value. UK equity holdings were broadly stable year on year at £778 billion. The fall is one of relative weighting rather than retreat: portfolios have diversified globally and overseas markets have outperformed, so faster-growing overseas allocations have risen around a steady UK base.

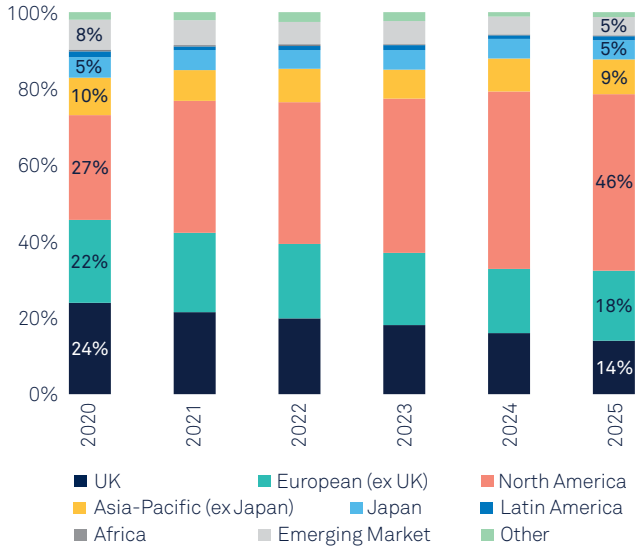
- **Continental European equity allocations rose for the first time in six years, to 18% of UK-managed equity portfolios in 2025.** This is up 1 percentage point from a revised 17% in 2024, and marks the

[14] Is there anything left to buy? The relentless consolidation of UK REITs, Association of Investment Companies, January 2026.

first increase since 2020, when European equities accounted for 22% of equity AUM. The rebound reflects a standout year for European equity markets, which returned 28% in sterling terms, the strongest of any major region. Eurozone growth held steady at 1.2% in 2025, while the European Central Bank continued to cut its base rate. European defence stocks re-rated sharply after NATO members committed to raise defence spending to 3.5% of GDP by 2035, and a weaker US dollar and a broader rotation away from US assets lent further support.[15]

- **Smaller regional allocations were broadly stable in 2025.** Asia-Pacific (ex Japan) allocations were little changed at 9% of UK-managed equities. Japan held steady at around 5%, and emerging markets were also stable at 5%. Asian equity markets performed strongly over the year: Japanese equities returned 20% and broader emerging-market equities saw a return of 18%, supported by continued strength in India, Taiwan and South Korea and an ongoing recovery in China, but these gains were not accompanied by a corresponding rise in the percentage share of equity allocations in IA data.

CHART 11: UK-MANAGED EQUITIES BY REGION (2020-2025)



Source: The Investment Association

BONDS BY REGION

- Chart 12 sets out the composition of UK-managed fixed income by currency and type over the five years to December 2025. UK-managed bond holdings rose around 13% over the year, to £3.4 trillion, as government bond markets stabilised, and within that the long-run tilt towards non-sterling denominated and overseas government bonds continued.

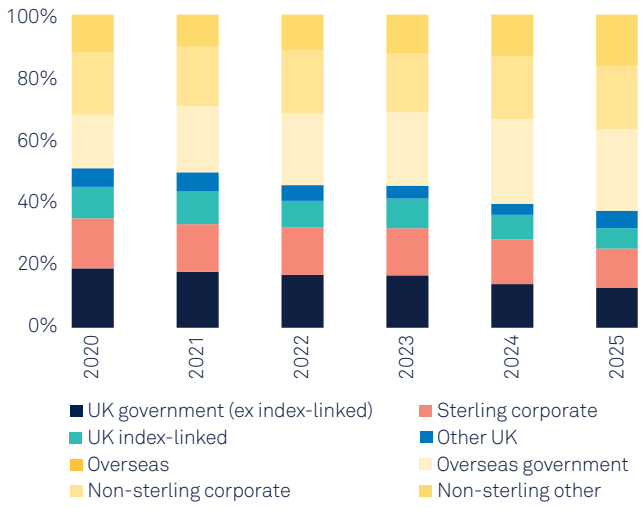
- Non-sterling and overseas government bonds rose to 63% of UK-managed fixed income holdings in 2025, up 3 percentage points from a revised 60% in 2024 and continuing the shift seen over the past six years, when non-sterling bonds and overseas government bonds have grown from just under half of the book in 2020. Because non-government bond holdings are reported by currency of issuance, this reflects a move into bonds denominated in other currencies rather than necessarily a move out of UK issuers. The largest single move was in the non-sterling 'other' category, which rose 40% to £555 billion, from 13% to 16% of holdings. A jump of that size in one year points substantially to the improved reporting discussed above, with firms attributing more previously unclassified holdings to this line, rather than to reallocation alone. Overseas government bonds have seen the largest increase since 2020, increasing 8 percentage points to reach 26% in 2025.

- UK government bond holdings continued to fall, with conventional gilts down to 13% of fixed income in 2025 and index-linked gilts to 6%, from a revised 14% and 8% in 2024. Together, sterling government debt has fallen from around 29% of the book in 2020 to 19% in 2025. The decline was gradual to 2023 but accelerated over the past two years, with the sharpest single drop between 2023 and 2024. This is consistent with the shrinking pool of UK DB pension assets, historically the largest holders of gilts and index-linked debt, and the pace of DB de-risking over this period (see Chapter 4), rather than the direct effect of the 2022 gilt market episode, after which the share held broadly steady in 2022 and 2023. Gilts themselves returned a positive 5% in sterling terms in 2025, recovering from a 4% loss in 2024 as inflation eased and the Bank of England continued cutting rates.

[15] GDP and employment estimates for the fourth quarter of 2025, Eurostat, March 2026.

- Sterling corporate bond holdings fell to 13% of fixed income, their lowest in the dataset, down 1 percentage point from a revised 14% in 2024, with the decline concentrated in the past two years after a stable period between 2020 and 2023. Non-sterling corporate holdings held steady at around 20%.

CHART 12: ALLOCATION OF UK-MANAGED FIXED INCOME BY TYPE AND REGION (2020-2025)



Source: The Investment Association

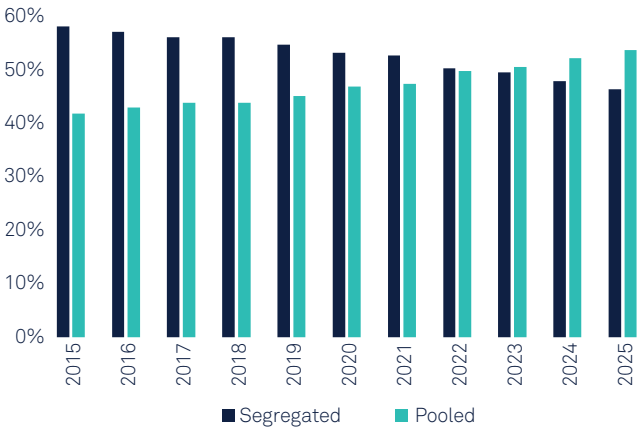
SEGREGATED VS. POOLED

Chart 13 shows that assets in pooled vehicles continue to grow as a share of the overall asset base, reaching 54% of total assets in 2025. This is up from 52% in 2024 and from around 42% a decade ago. Segregated mandates account for the remaining 46%.

A few forces sit behind the steady increase in pooling:

- The first is the growth of index strategies (including ETFs), which are almost always accessed through pooled funds, and which now make up a record share of UK AUM at 36% (see the indexing section overleaf).
- The second is the increasing use of fund-of-one structures, largely by institutional clients such as pension schemes and insurers, where a single client's bespoke portfolio is held within an authorised fund and recorded here as pooled. This gives the client a tailored mandate alongside the governance and operational benefits of a fund vehicle.

CHART 13: SEGREGATED VS. POOLED INVESTMENTS (2015-2025)



Source: The Investment Association

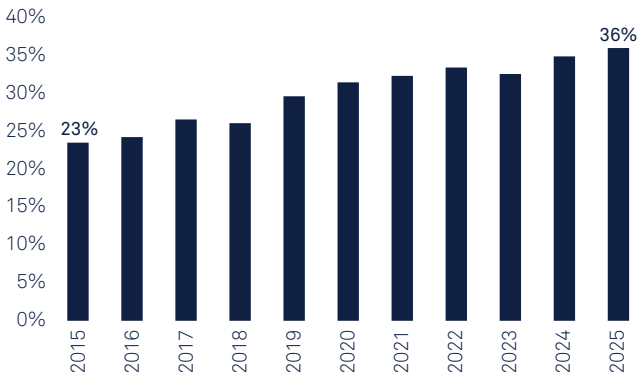
INDEXING STRATEGIES

Chart 14 shows index-tracking strategies as a proportion of total UK AUM. Indexing reached a new record share of 36% of AUM in 2025, up from 35% in 2024 and from 23% a decade earlier, with active strategies accounting for the remaining 64%. The steepest single-year rise came between 2018 and 2019, coinciding with a marked acceleration in retail flows into tracker funds and the growing presence of low-cost providers in the UK market. The long-run trend reflects sustained demand for low-cost market exposure. 2025 saw a broad, market-capitalisation-weighted rally across most major equity regions rewarding simple index exposure as the largest benchmark constituents captured much of the gain. Since indexing has always been more prevalent in developed market equities, a strong year for equity markets tends to lift its share directly.

The growth of indexing is closely bound up with two other shifts noted in this chapter. Index strategies are almost always delivered through pooled vehicles or ETFs, so the record indexing share, the continued move towards pooling and the rapid expansion of ETFs share a common underlying trend. Tracker assets are also concentrated among a small number of large providers, reflecting the scale economics of running low-cost index strategies.

Even as indexing strategies reach a record share of assets, active management still accounts for close to two-thirds of UK AUM. The same direction of travel is visible internationally, and is further advanced in the United States, where passive mutual funds and ETFs overtook active funds in total assets for the first time in 2024, reaching over $19.1 trillion against $16.2 trillion in active by late 2025. Outside the US, passive remains a smaller share of assets, at around 29% on Morningstar's measure, a reminder that the shift is more advanced in some markets than others. [16]

CHART 14: INDEXING STRATEGIES AS A PROPORTION OF UK AUM (2015–2025)



Source: The Investment Association

[16] Active vs. Passive Investing: Which Categories Are More Successful?, Morningstar, 2025

BOX 3:
EXCHANGE-TRADED FUNDS

Exchange-traded funds (ETFs) are pooled investment vehicles that provide investors with exposure to a diversified portfolio of assets such as equities, bonds or commodities through a single trade. Most ETFs are designed to replicate the performance of a specific index. However, unlike traditional open-ended funds, the shares of an ETF are listed on a stock exchange and can be bought or sold throughout the trading day. This allows investors to adjust their holdings in real time in response to market developments. As a result, ETFs combine the diversification benefits of a collective investment vehicle with the liquidity and flexibility of individual shares.

GLOBAL GROWTH TRENDS IN 2025

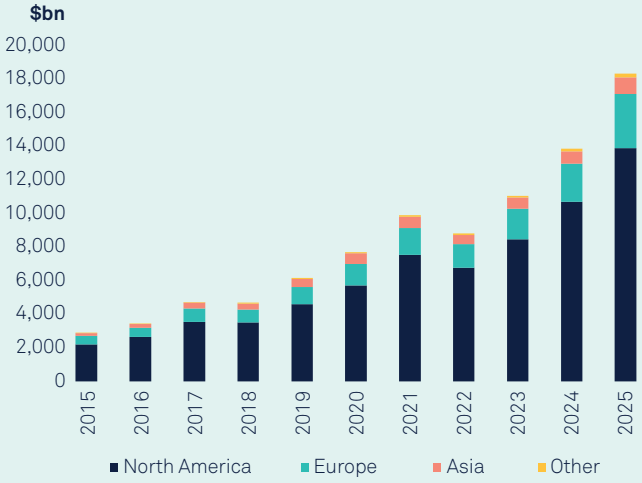
The global ETF market continued its rapid expansion, extending several years of strong growth. In 2025, global ETF assets under management (AUM) reached $18.2 trillion, up 32% on the $13.8 trillion recorded for 2024, and a new record (Chart 15). More than half of the growth in assets in 2025 again came from net inflows rather than market movements, reflecting that much of the growth has come from active allocation decisions by investors.

"If you were launching a new product today, you would almost default to asking why it wouldn't be an ETF. That's how quickly thinking has shifted. Traditional mutual funds remain dominant, but ETFs are increasingly seen as the preferred vehicle for both institutional and retail channels."

North America accounts for 76% ($13.8 trillion) of global ETF AUM, a 30% increase on the prior year. Within that, the United States remains the market that sets the pace on growth, benefiting from a well-established regulatory framework that facilitates tax-efficient ETF structures, deep retail investor participation and the continued growth of model portfolios and direct indexing strategies built around ETFs. But the story of 2025 was the breadth of growth beyond the US.

European-domiciled ETFs grew 42% to $3.2 trillion, the highest annual growth rate on record for the region. Asian-domiciled ETFs grew 33% to reach $974 billion, while the 'Other' category, which includes markets such as Australia, Brazil and South Africa, grew 47% to $214 billion, albeit from a much smaller base.

CHART 15: ETF ASSETS UNDER MANAGEMENT BY REGION OF DOMICILE (2015-2025)



Source: Morningstar

EUROPEAN ETF MARKET

Europe's record growth rate of 42% in 2025 reflects both deepening institutional adoption and an accelerating shift in how retail investors across the continent access markets. Interviews with member firms suggest that institutions are heavier allocators to ETFs in Europe.

"Interestingly, institutions may be driving more assets into ETFs in Europe than retail."

Chart 16 overleaf shows that Ireland retained its position as the dominant EU domicile in 2025, accounting for 71% of European ETF assets (although the Irish domiciled share of ETF assets is down slightly from 73% in 2024) and $2.3 trillion in AUM, with 80% of net inflows in Europe directed towards Irish-domiciled products. Its structural advantage is well-established: the US-Ireland double tax treaty reduces withholding tax on dividends from US equities from 30% to 15%, making Dublin the natural home for ETFs with significant US equity exposure. This combines with a well-established ecosystem designed to support ETFs and means that many ETF issuers choose Ireland to domicile funds.

Luxembourg remains the second largest European ETF domicile at $560 billion in AUM. In 2025 ETF assets grew 46% outpacing Ireland's growth (39%) for the first time in seven years. Growth was broad-based across asset classes. Luxembourg also benefitted from strong demand for money market ETFs, as allocation to Money Market Funds by European investors grew substantially. Luxembourg's AUM in ETF strategies targeting 'capital preservation' grew 56% to €28bn, a category where Luxembourg is the dominant European ETF domicile by some distance, dwarfing Ireland's €1.2bn. Germany and Switzerland domiciled ETFs also saw strong growth of 52% and 65% respectively in 2025, reaching $128 billion and $92 billion. Germany's growth has been driven by the structural expansion of ETF savings plans (Sparpläne), which let investors automate small, regular ETF purchases at low cost, a model scaled by neo-broker platforms such as Trade Republic, which surpassed 10 million customers across Europe by end-2025.[17] In 2025, 14.1 million Germans owned shares, equity funds or ETFs, a record and up 2 million on the previous year.[18] Younger investors in particular favour automated investing: more than 80% of ETF investors aged 18-34 use savings plans.[19]

Member firms see the potential for younger generations to adopt the low cost, regular investing model in the UK too.

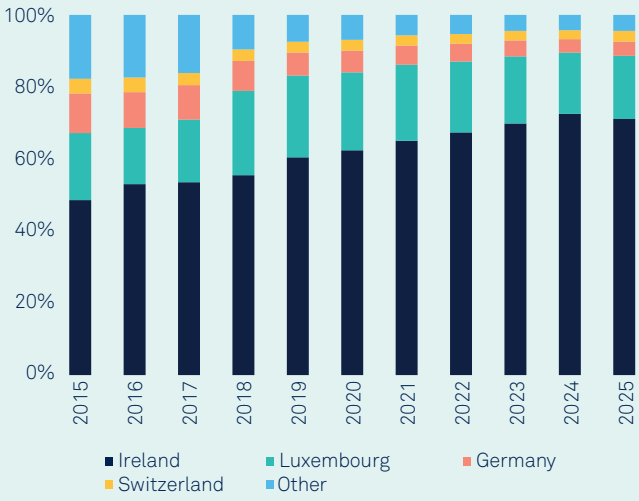
"You need to be part of the wealth transfer because (if you are not part of it) it's going to pass you by and you'll lose all your clients. So learn about ETFs, get more familiar with them, because it is the direction of travel. The new people that are coming through are using ETFs on platforms that are not the traditional platforms that we are most familiar with."

Data from LSEG Lipper's 2025 European Fund Market Review suggests that ETFs accounted for approximately 5% of total European fund AUM in 2015; by 2025 that share had grown to 15%, a threefold increase. Despite being a relatively smaller share of the overall funds market, investor demand is significant: total ETF inflows across European long-term assets of €333 billion in 2025, compared with mutual fund inflows of €371 billion. In equities, however, ETFs have become the fund of choice, attracting inflows of €249.6 billion while equity mutual funds saw net outflows of €73.9 billion.[20]

[17] Trade Republic expands from Brokerage to Wealth Management, Trade Republic, September 2025.
[18] Shareholder numbers 2025, Deutsches Aktieninstitut, January 2026.
[19] ETFs are widely known and used in Germany, yet often poorly understood, Franklin Templeton, April 2026.
[20] European Fund Market Review 2025, LSEG Lipper, March 2026.

BOX 3: EXCHANGE-TRADED FUNDS MARKET (CONTINUED)

CHART 16: EUROPEAN ETF ASSETS UNDER MANAGEMENT BY DOMICILE (2015–2025)



Source: Morningstar

ACTIVE ETFs

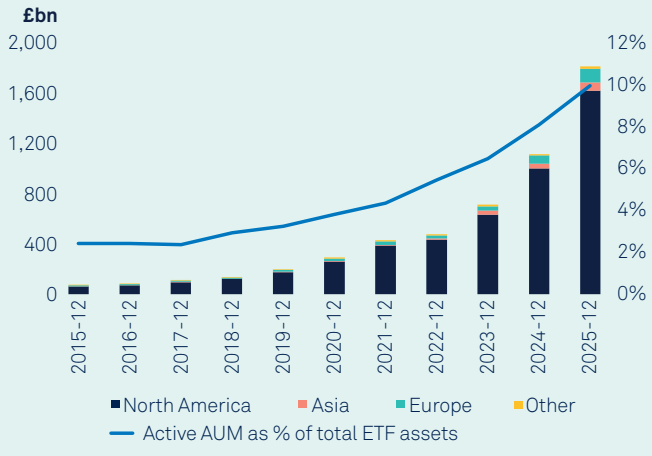
One of the defining themes in the ETF market in 2025 was the accelerating growth in actively managed ETFs. Chart 17 shows active ETF assets have grown substantially over the past decade, rising from $69 billion globally in 2015 to $1.8 trillion by the end of 2025. While active ETF strategies still account for less than 10% of total global assets, they have attracted a relatively high share of net ETF inflows in recent years (27% of ETF flows went into active ETFs in 2025). North America accounts for the vast majority (89%) of active ETF assets.

"Active ETFs are a natural evolution. The ETF is simply a wrapper; it does not need to be passive. Active ETFs, particularly in fixed income, have performed well and will continue to grow."

In the United States, one regulatory development has been particularly significant. Before 2019, launching any ETF required the issuer to obtain individual 'exemptive relief' from the SEC, a bespoke, case-by-case exemption from rules in the Investment Company Act that were not designed with ETFs in mind. This made launches slow and costly, and active ETFs, being the most complex to get approved, were held back the most. The SEC's 2019 'ETF Rule' (Rule 6c-11) replaced this with a single standardised framework: any ETF meeting its conditions can now come to market without separate SEC sign-off. While the rule applied to ETFs generally, its greatest effect was on active ETFs, and launches accelerated sharply in the years that followed.

More recently, the expiry of the Vanguard patent, which allows firms to offer ETF and mutual fund share classes backed by the same portfolio, may drive a further expansion in the number and variety of active ETF share classes in the US. Because of the tax advantages ETFs offer, running an ETF share class alongside a mutual fund one lets advisers move client assets between the two 'in specie', without selling down holdings, realising capital gains, or taking clients out of the market.

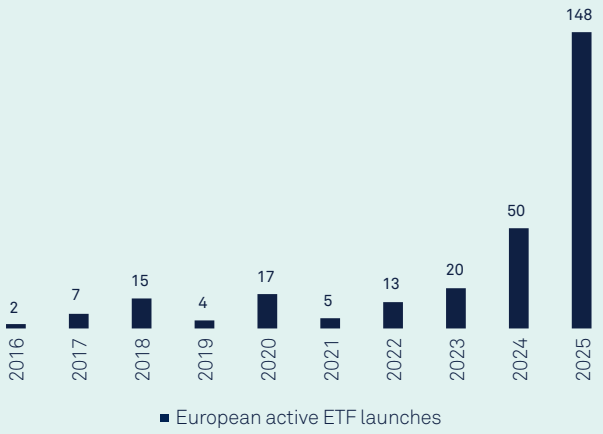
CHART 17: ACTIVE ETF ASSETS UNDER MANAGEMENT BY DOMICILE (2015–2025)



Source: Morningstar

European active ETFs represent only 3% of total European ETF AUM, a relatively low penetration rate compared with the United States (approximately 11%) and Canada (approximately 32%). However, while a smaller market, European domiciled active ETFs recorded the fastest growth rate of any region globally in 2025, growing 66% to reach $106 billion. Assets have almost tripled over the previous two years. A look at fund launch activity (Chart 18) shows that there were more active ETF fund launches in 2025 (148) than the previous 9 years combined (133 over 9 years). This includes a wave of launches by traditional active asset managers entering the ETF market for the first time.

CHART 18: EUROPEAN DOMICILED ACTIVE ETF LAUNCHES (2016–2025)



Source: Morningstar

Equity strategies are the largest component of active ETF assets, accounting for 59% of total active AUM in 2025. This is up from 31% in 2015, a 28-percentage-point rise and reflects the significant shift in the share of assets moving from fixed income active ETFs dominating to a greater share of active equity ETFs. Fixed income active ETFs now represent 34% of active assets, down from 60% in 2015, a 26-percentage-point decline. However, active fixed income ETFs remain a structurally important part of the market: most bond trading occurs over the counter rather than on exchange and therefore quoted prices can be stale. ETFs provide continuous price discovery and the ability to trade during periods of stress, precisely when traditional fixed income funds may face liquidity challenges. This means that active and index fixed income ETFs play an important role in supporting bond market price discovery and liquidity, as seen in 2020 when markets responded to the Covid-19 lockdowns.

The composition of the market is also shifting. Early European active ETFs were predominantly systematic, rules-based strategies designed to deliver modest outperformance of an index with limited deviation from it, an approach well suited to the risk and compliance frameworks of institutional investors. More recently, the range has broadened to include higher-conviction equity mandates, unconstrained fixed income strategies and income-oriented approaches. Discretionary (actively managed) strategies still account for approximately three-quarters of European active ETF assets but systematic equity strategies attracted the largest proportion of new flows in both 2025 and Q1 2026.

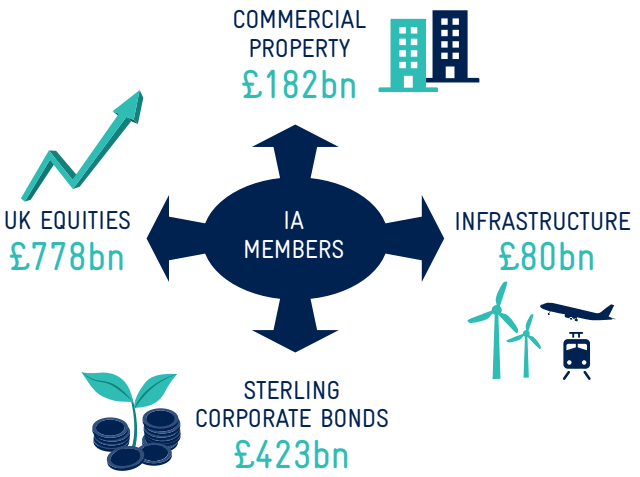
INVESTMENT IN THE UK ECONOMY

The investment management industry plays an important role in channelling savings into the domestic economy through both public and private markets. IA members help finance the UK through holdings of UK-listed equities, sterling-denominated bonds, commercial property and infrastructure (see Figure 7), together worth around £1.46 trillion at the end of 2025.

The total was up around £2 billion from 2024 but the composition of investment in the UK has shifted year on year. A sharp rise in the value of infrastructure assets to £80 billion offset falls in commercial property and sterling corporate bonds, while UK equity holdings were broadly flat.

- **UK equities** were steady at £778 billion (2024: £780 billion). As set out in the equities section above, holdings held their value year on year.
- **Sterling corporate bonds** fell slightly to £423 billion from £429 billion, continuing a gradual decline that in part reflects the shrinking pool of UK defined benefit pension assets, historically large holders of sterling credit.
- **UK commercial property** fell to £182 billion, from £198 billion, an 8% drop that extends the sector's multi-year adjustment to higher interest rates and changing patterns of office and retail demand as well as a preference for more globally diversified property portfolios in common with trends in other asset classes.
- **UK infrastructure** rose significantly to £80 billion from £54 billion, a 48% increase and the highest growth of any UK asset. The rise reflects a combination of improved data from members, acquisition activity and higher allocations to the asset class by member firms. This is consistent with the global picture, where infrastructure has been one of the fastest-growing segments of private markets (see Chapter 2).

FIGURE 7: IA MEMBER HOLDINGS IN UK ASSET CLASSES (2025)



Source: The Investment Association

INVESTMENT IN UK INFRASTRUCTURE

Infrastructure investment falls broadly into two categories: economic infrastructure, which includes renewable energy, utilities, transport and telecommunications, and social infrastructure, which includes health, education and public buildings.

Figure 8 maps the breadth of IA member infrastructure investment across the UK. The projects span both categories and are spread across the nations and regions, ranging from renewable energy generation, utilities and transport to schools, hospitals and other public buildings. Infrastructure has remained one of the more resilient UK asset classes, offering the long-duration, often inflation-linked cash flows that continue to appeal to institutional investors.

The focus on channelling investment into UK private assets and infrastructure in particular, to the benefit of local communities, will continue to be championed by politicians of all political parties. Recognising the importance of allocating productive capital to UK private assets, leading DC pension providers came together to sign the Mansion House Compact and Accord. This commits participating defined contribution pension providers to invest a 10% share of their default funds into private markets, including a

5% share in UK private markets, by 2030. This initiative could help to direct substantial new capital flows towards UK infrastructure. Access has started to widen for retail investors too. Whilst retail investors have long been able to invest in physical infrastructure through investment companies, since April 2026, Long-Term Asset Funds have been eligible to be held in Stocks & Shares ISAs, opening an additional route for individual investors into infrastructure and other private assets.

On the supply side, government action has focused on building a larger pipeline of investable projects. The Planning and Infrastructure Act 2025, which received royal assent in December 2025 and whose measures are being phased in through 2026, is intended to speed up approvals for major schemes, including nationally significant infrastructure. The earlier removal of restrictions on building onshore wind farms has reopened opportunities in the renewables market and Great British Energy has been established to co-invest alongside private capital and to help de-risk large projects. Together, these measures position investment managers to play a larger role in financing the UK's infrastructure and its transition to net zero.

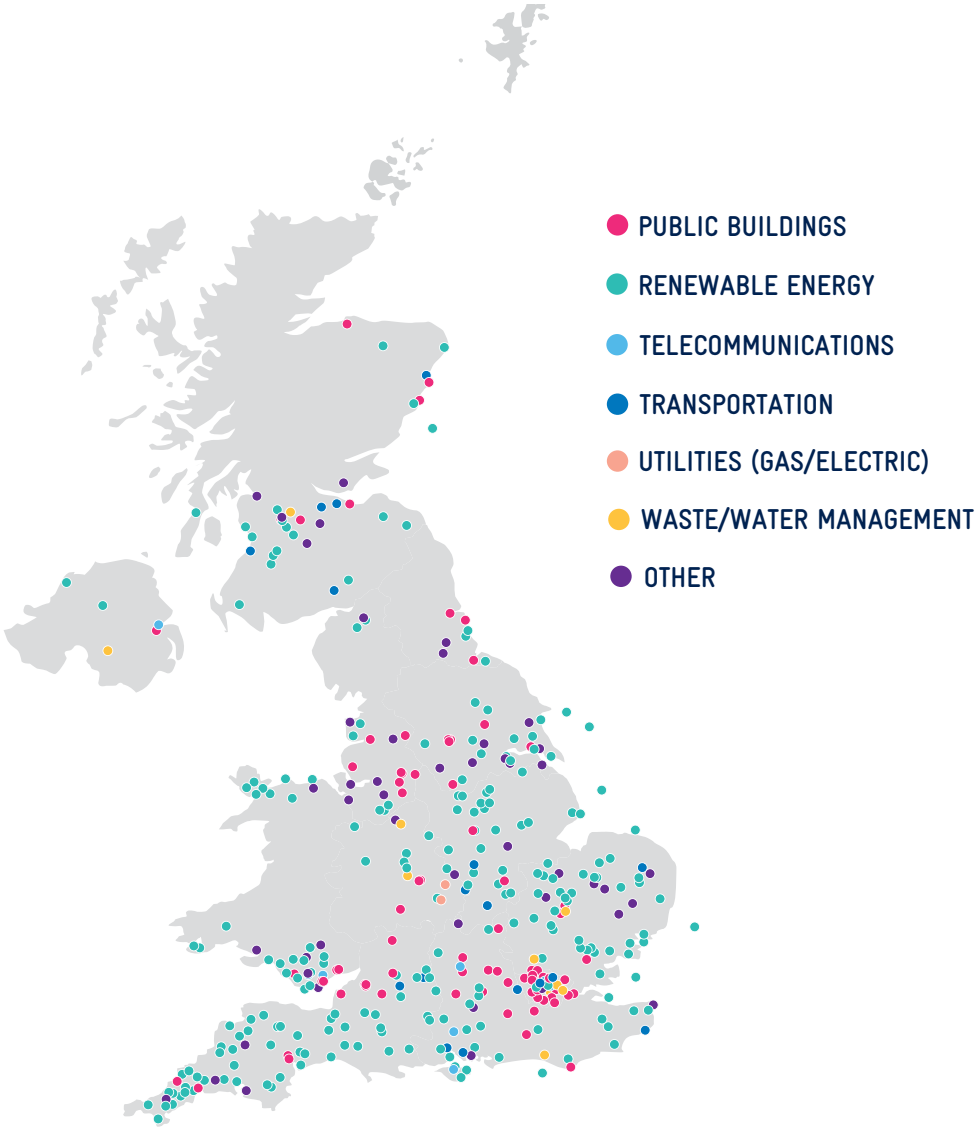



FIGURE 8: SELECTION OF UK INFRASTRUCTURE INVESTMENT FACILITATED BY IA MEMBERS (JUNE 2026)