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Chapter 1: EXECUTIVE SUMMARY

- Over the last 30 years, financial regulation has become increasingly strict in the UK, which has contributed to a dramatic re-shaping of the distribution landscape. Overall, there have been three significant changes to the financial advice regime.
- Historically the UK has always had one of the lowest household savings rates among OECD countries. The British have generally privileged home ownership over savings as a way of saving for the future. In difficult times. the savings rate climbs significantly.
- The savings rate has fallen to just 4.3% in Q118. Despite the falling savings rate, UK households have substantial financial assets of £6.7trn, an average of £245,000 per household.
- Despite the high average wealth, a decade of exceptionally low interest rates has dulled the precautionary motive to save and lulled the UK population into a false sense of security. Future generations will not have it so good.
- The UK is the largest domestic fund market in Europe with £1.1trn at the end of June 2018. As a result, fund groups from all over the world arrive here to sell their funds, but find it difficult to gain a foothold.
- The UK landscape is complex and multi-layered, the introduction of the retail distribution review (RDR) only increasing its complexity. Fund managers wanting to gain traction in the UK need a multi-channel strategy to succeed.
- Platform use in the UK has risen steadily in the last two decades. Assets have grown from £53bn in 2006 to £604bn by June 2018. RDR and pension freedom have fuelled demand. As a result, the 12-year compound annual growth rate (CAGR) for platforms is 24% compared to the fund industry's more modest 9.1%.
- Platforms aggregate around 60-65% of wholesale retail fund business in the UK, significantly eroding the insurance channel's market share.
- The advice channel is the largest customer-facing channel in the UK accounting for approximately half of all industry sales. This channel has benefited from the uplift in pension business since pension freedom was introduced in 2015.
- Advisers now compete directly with other parts of the value chain by gaining discretionary permissions, launching their own funds, model portfolios and even their own platforms. From being reliant on fund managers and life companies pre-RDR, they are increasingly masters of their own ecosystems.
- The Intrinsic adviser network is the largest advice distributor in the country, ahead of its competitors by a country mile.

- Direct wealth manager activity has been sluggish for more than three years now in response to the more challenging competitive environment. Gross sales have maintained a fairly even keel of £20bn to £22bn annually, but net sales have been in the red since 2014. Thankfully indirect business from the adviser channel has been a boon to business.
- Concentration is significant in the wealth manager channel with the top 20 wealth managers accounting for more than three quarters of gross sales. Brewin Dolphin led the way by a significant margin over its closest rival in H118.
- The D2C channel is a comparatively small channel, but it has been punching well above its weight with robust sales since RDR came into force. It accounts for 10 to 12% of industry sales and outperforms the direct wealth and life channels.
- Brexit volatility and other geopolitical uncertainty is likely to drag on D2c performance in the mid term. In the longer term, Brexit is likely to have a negative impact on the whole UK market — but to what extent is impossible to gauge.