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Executive summary

- The cost-of-living crisis has had a significant impact on UK households. With inflation reaching a 41-year high of 11.1% in October 2022, the buying power of many households has been severely diminished. While the situation has partially improved, with inflation at 4.0% in January 2024, many households are still feeling the pinch and new business volumes are constrained.
- The UK distribution landscape currently stands at £1.3trn, of which the largest channel is advice (£560bn). DFMs now influence a significant part of the advice market and that will continue to grow as Consumer Duty takes hold.
- In addition, a host of gatekeepers – including asset allocators, fund selectors, funds of funds, model portfolios – limit fund manager access to assets. We estimate that roughly 70% to 75% of assets (£875bn) are under some kind of influence.
- Private equity (PE) houses are investing heavily across the retail investment market. PE money provides capital for growth, acquisitions, and technological advancements. However, PE firms are known for their focus on profitability within a specific time frame and may push for operational changes and cost reductions to improve a business's bottom line at a given point in time.
- There are seven key asset management trends that will gain momentum in the next three years. They include the move from building blocks to global funds and the seismic shift to multi-asset funds and index solutions. In particular, the use of MPS will continue to strengthen, resulting in a smaller number of hands controlling larger pots of money.
- This has implications for the size and shape of asset management sales teams – they will need to be smaller and more technical. As a result, we expect to see significant downsizing of distribution teams over the next two years.
- The ongoing demand for advice is strong and should remain so for the foreseeable future, despite short-term shocks that affect investor sentiment. We project the retail wealth management industry will grow to £1.7trn (pessimistic scenario), £2.2trn (realistic scenario) and £2.6trn (optimistic scenario) by 2028.