

# Contents

5	<b>Chapter 1: Executive summary</b>
7	<b>Chapter 2: Historical development</b>
8	To regulation and beyond - the most recent interventions
10	The regulatory blockbusters and franchise spin-offs
11	The law of unintended consequences
12	Rise of the platform model
13	The advice gap
14	Alternative solutions
15	Pension freedoms
16	The regulator's response
19	<b>Chapter 3: Savings trends</b>
20	From bust to boom...
20	The noughties
21	The pandemic era
21	House prices drive net worth
23	The great wealth transfer
25	<b>Chapter 4: Distribution overview</b>
25	The landscape
26	Aggregators
26	Platforms
28	Life & pension
29	Consumer-facing channels
34	Robos
35	Gatekeepers
36	Regulation
39	<b>Chapter 5: Platform snapshot</b>
41	Key players
41	Hatches, matches and dispatches
43	Disruption and innovation

44	Fund house entry
45	New look abrdn
46	Parmenion - not just one new owner but two
46	Tech and the regulator
47	Evolving platform models
49	<b>Chapter 6: The advice channel</b>
50	Consolidation
51	Private equity
52	Leading advice firms
57	Shrinking accessible market
58	Gatekeepers
60	Implications for fund managers
60	Selection criteria
58	The future - hybrid advice?
63	<b>Chapter 7: The wealth channel</b>
63	Business models
66	Client offerings
69	Key trends
72	Rising stars
73	Selection criteria
74	Relevance to fund managers
77	<b>Chapter 8: The D2C channel</b>
79	Leading D2C players
87	Trading mentality
88	Goodbye Wealthsimple
89	Access to customers
91	Robo 2.0
92	Opportunities and challenges for fund managers
93	<b>Chapter 9: Five-year projections</b>
94	Inflation and interest rates
94	Cash is not king
95	Pessimistic scenario
96	Realistic scenario
97	Optimistic scenario

## Chapter 1: EXECUTIVE SUMMARY

- The UK distribution landscape has been shaped by a range of influences from multiple, seismic regulatory changes to rapid advances in technology, resulting in changes to the fortunes and influence exerted by participants.
- Growth is robust. At the end of September 2021, the UK retail wealth management industry had assets under administration of £1.4trn. Gross and net sales for the year to September were equally robust at £180bn and £70bn respectively.
- Households' net worth stands at £11.4trn as at September 2021, driven largely by house price growth. With property stripped out, financial net worth stands at £5.5trn, of which 26% is in cash and deposits and 56% in life & pensions. Pension freedoms, at-retirement choices and the great wealth transfer is expected to see assets flow into the retail wealth management industry at a punchy rate.
- The level of cash savings also increased significantly during the pandemic and there is a substantial wall of cash that can also be converted into investments. The FCA acknowledges that households currently hold too much in cash and has set itself a target of converting at least 20% (£16bn) of this excess savings into investments.
- We forecast that a realistic projection for the retail wealth management industry is £3.4trn by 2026. Our pessimistic projection is £2.3trn and our optimistic projection is £4.7trn.
- Advice is the largest customer-facing channel in the UK accounting for more than half of the retail wealth management market's gross and net sales. The demand for advice, particularly in retirement and intergenerational wealth transfer, is higher than ever before.
- Technology has changed every aspect of our lives from shopping, eating out and entertainment and it's finally changing how consumers access investments. This isn't a temporary, pandemic-induced blip, this is a permanent demographic shift. D2C platforms are coming of age. The market is nearly at £300bn and recent growth has also come from a new cohort of younger, more environmentally minded clients.
- Platforms are an aggregator of flows and facilitate the customer-facing channels, rather than being a distribution channel in their own right. The platform market has reached £892bn of assets. There is growing interest from private equity as they see potential and seek to use their capital to drive growth and fuel consolidation.

Fear of missing out on the growth opportunity has led to asset managers and existing platforms also acquiring alongside cash-rich PE houses.

- As we went to press, news broke that the Praemium platform is to be bought by Morningstar for £35m. Combining the Praemium platform and Morningstar investment and research capabilities creates a compelling offering to advisers. Expect more deals of this kind. Meanwhile Epiris, Nucleus and James Hay's PE owner, is planning to flip the newly combined business to a new owner (although the platforms are still far from combined).
- The wealth market is well positioned for future growth due to the increased demand for discretionary services and trend for outsourcing investment management by advisers. Just under £400bn is managed by discretionary fund managers, with 30% managed on behalf of the advice channel. This activity continues to grow rapidly.
- DFMs are just one of the many gatekeepers that are growing in importance in the landscape. They include funds of funds, in-house and ex-house model portfolios, risk-profilers, centralised investment propositions, DFMs, and in the D2C arena, recommended fund lists and ready-made portfolios. At least 80% of platform assets are under some kind of influence. If fund managers are not on gatekeepers' radar, they're missing out on substantial future fund flows.