

Where the money is(n't)



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The most hotly contested assets represent <20% of a £12tn market

Synopsis

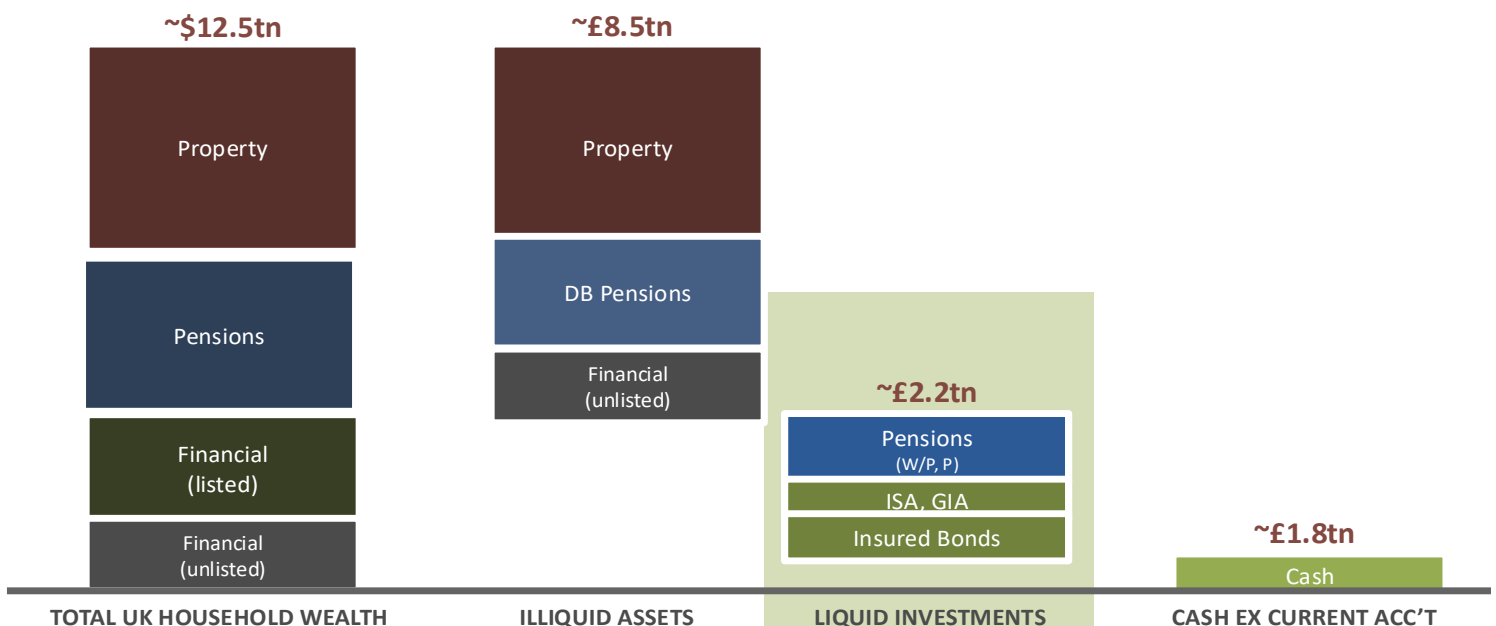
The overall picture of where the £12tn in total UK household assets sit has not changed significantly over the past 5 years. However, there are major shifts emerging in the £2.2tn world of traditional, liquid investments captured by pensions, ISA's, GIAs, and insurance bonds. There are over 4000 life & pensions players, investment firms, and wealth managers competing in this space. Hitting growth and profitability targets requires a forensic analysis of the details and ruthless discipline in choosing where to play and how to win.

Findings

We created the Ethos Market Map to enable clients to see the full spectrum of UK assets on a single sheet of paper. The model that underpins the Market Map solves a big problem for our industry - i.e. data that comes from multiple sources, is captured using different definitions, is tough to reconcile, and, therefore, can produce many different versions of the truth depending on the perspective of the user and where they work.

We have been running these models for many years, adapting them to tax law and regulatory changes, introduction & obsolescence of products, and changing investor behaviours.

Of the £12tn of household wealth in the UK, < 20% is in "traditional" investments like workplace & personal pensions, ISAs, & GIAs



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Some key points to note:

- The overall proportions of where assets sit has remained relatively constant
- The noted increase in assets held in non-publicly listed vehicles has prompted us to add these as a category, reflecting the market flows into this space over the past decade or so
- AUM in DB schemes continues to exceed that in DC schemes and personal pensions
- Not surprisingly, the highest growth we have seen, when comparing 2023 to 2019 AUM, is in primary and secondary property. . .
- . . .while growth in traditional investment assets---those in workplace pensions, personal pensions, GIAs, ISAs, and insurance wrapped bonds & legacy products has been flat.

There are over 4000 life and pension companies, investment management firms, fintechs, and wealth managers all focusing on winning a proportion of this £2.2tn in investment assets. Some are owned by private equity firms. Everyone is seeking to grow, capture flows, and create value. Uncovering opportunities requires drilling into each of these investment categories---and the types of customers who own them---in great detail to determine where you want to play and how you will win.

Our analyses point to some fundamental changes afoot:

- Individual pensions & SPPs AUM now exceeds that in Workplace, where profitability continues to be elusive

- The recent high-interest rate environment has educated a whole new generation about the power of interest income; fintechs have made it easy to track this income and move money around. Many major players are now wisely offering cash propositions, effectively doubling the size of their addressable market. But at a cost of margin and loyalty.
- >93% of ISAs are in top ups, so capturing share here means stealing it via better investment returns, pricing, and easier switching
- The Magnificent 7 and entry of multiple equity trading platforms has driven flows into direct equity holdings and increased the number of new equity investors--often
- Fragmenting a consumers' assets across many providers.
- While active funds still represent a greater proportion of AUM relative to passives, passives have seen positive net inflows over the past 10 years, while actives have seen far greater churn.

We are witnessing more shifts in the UK long-term savings market than ever before. These shifts create a lot of opportunities for growth. But also requires the discipline of choice on where to play and right to win for which customers and with what propositions.

We will be publishing the latest findings from the Ethos Customer Balance Sheet & Mapping of the UK investment sector in October. Contact me jpfrohling@ethosmanagementconsulting.com or Martin Windle martin.windle@strategybites.co.uk.

