

Slowing down or fattening up?

🔍 **Laura Blows takes stock of the UK fiduciary management market, including the shift towards fewer, larger mandates**



🔍 Summary

- UK fiduciary management assets have grown over the past year, but the number of mandates has fallen for the first time since 2008, as more pension schemes de-risk and move toward buyouts.
- OCIO mandates now account for 53 per cent of the total AUM. Meanwhile, smaller schemes are seeing less provider competition.
- Fees are generally falling due to competition, especially for large mandates, while consolidation among providers and increased use of technology are reshaping how services are delivered.
- Scheme oversight of their FM providers remains somewhat patchy.

The UK fiduciary management (FM) market is continuing to grow, with total assets under management (AUM) having increased over the past year, now being north of £250 billion, a 58 per cent increase over the past three years, Quantum Advisory research found.

However, that is only one metric to measure its size. For the 12-month period to June 2025, the overall number of mandates for the UK FM market fell (by 4 per cent) – the first time it has done so since 2008, Isio's 2025 fiduciary management survey discovered.

"We have seen a reduction in the number of FM mandates, driven by FMs helping clients to secure insurance transactions," Isio director, Anthony Webb, explains.

Indeed, Quantum Advisory's research found that 55 per cent of mandates were now targeting returns of less than 1.5 per cent above liabilities, "reflecting a continued focus on risk reduction and protecting funding positions".

"We have witnessed rapid growth in the number of insurance transactions completed in the FM market, as schemes have matured quickly post-gilts crisis. Approximately 26 per cent of schemes using fully delegated FM are expected

to achieve buyout within the next three years," Webb adds.

Barnett Waddingham partner and head of outsourced investment services, Peter Daniels, suggests that another reason for the fewer FM mandates may be due to the use of investment/delegated consulting, "which can solve a lot of the administrative headache, without going all the way down the full fiduciary route".

TPT head of consultant relations, Katherine Lynas, agrees that as schemes de-risk and move out of complex growth assets into matching assets, "there is a part of the market questioning the value that a fiduciary manager will bring to those schemes". However, "this is missing the point" as fiduciary management is not just an investment solution but a governance solution as well, she adds.

Isio's research also noted more than 60 new mandates awarded during the year-period, "showing that although more schemes are exiting after securing insurance, new schemes continue to adopt the model," Webb says.

A larger influence

Isio's research found that FM mandates from small, sub £200 million schemes decreased over the year, while FM mandates for larger-sized pension funds

increased.

Another area for growth is for partial mandates, which had its assets under

management increase by 4 per cent to £68 billion, according to Isio's research.

While OCIO mandates remain relatively few in number (6 per cent as a proportion of the UK FM market), they now account for 53 per cent of the total AUM in the UK DB FM market, driven by several multi-billion-pound delegations," Webb says.

It was the pension schemes with assets of over £1 billion that drove 90 per cent of FM's AUM growth. This is despite 50 per cent of FM mandates being for schemes with AUM of less than £50 million, while less than 1 per cent of FM mandates, by number, are for schemes with AUM greater than £1 billion, Quantum Advisory's research found.

"We find that services often differ based on different scheme sizes, with larger schemes providing the scale to warrant more bespoke or tailored solutions, whereas smaller schemes tend to have more of a 'cookie-cutter' solution," Webb says.

However, Lynas feels OCIO may not be just for larger schemes. "It is more to do with if a scheme has a complex investment strategy or a benefit structure as to whether they would go down the OCIO route or not", she says, noting that its use is starting to come down from the £1 billion scheme size.

Webb suggests that "there is often new manager research or technology/platforms required to service OCIO mandates. Once developed and implemented, this can then filter down to smaller schemes in a more cost-effective manner".

Fees

IC Select's 2025 annual survey of the FM market noted that FM fees have fallen 27 per cent over the past five years, due to a combination of new services by lower-cost providers and more intense competition between fiduciary managers, it suggested.

However, Quantum Advisory principal investment consultant, Anne-Marie Gillon, notes that while fees are tightening at the top end, smaller schemes still face wide variation.

Lynas notes that fees for sub £50 million schemes have started to increase slightly, "and there are probably fewer fiduciary managers willing to tender at that end".

"For the first time in three years, we have seen an increase in FM fees for mandates up to £50 million in size," Webb says. "In contrast, competition amongst providers to win large FM mandates and OCIO arrangements continues to drive down FM fees for mandates over £500 million in size. These mandates may also attract bespoke pricing and enhanced service models, intensifying competition among providers."

Consolidation

As well as competition, there has been a great deal of consolidation among FM providers in recent years. This includes Mercer acquiring both Cardano and Secor Asset Management, along with Nuveen Asset Management in the process of purchasing Schroders.

The sector has also seen companies such as Brightwell, TPT, Insight and Momentum register as FMs, and Columbia Threadneedle exit the FM market.

"The FM market is growing increasingly competitive, and we believe cost pressures and the need for more in-house innovation has driven some of the recent acquisitions in the FM market," Webb states.

Technology

Indeed, Lynas feels that "some of the

processes and systems in the legacy fiduciary management universe are maybe not as modern as they could be, and therefore having an impact on the service that they can supply".

Utilising that latest of technologies, AI, are 85 per cent of FM firms, Isio's research found, primarily for efficiency and lower-risk operation, such as drafting reports and responding to emails.

Oversight

Webb also notes that AI is currently not used by fiduciary managers to make independent trading decisions.

Maybe its use would be welcomed, as Barnett Waddingham's 2025 research found that FMs are still recovering from the financial shocks of recent years, and long-term investment performance remains 'underwhelming'.

It discovered that while most FMs achieved their investment objectives in 2024, "many struggled to beat their objectives over the longer term despite relatively favourable conditions in the equity markets".

Notably, the report highlighted an emerging divide between top- and bottom-performing FMs, with increasing dispersion in returns among clients within the same FM.

Client service, performance and fees have historically driven FM provider reviews, Gillon notes.

According to Daniels, to change provider, "you want to be confident that you will get something better".

"From a performance perspective, that can be quite a difficult assessment to make... what we are seeing is those pension schemes moving probably had a bad experience, for instance from the 2022 LDI crisis, which meant they reached that quite high bar for wanting to move," he says.

While the Pensions Regulator and Competition & Markets Authority have emphasised the need for schemes to monitor FM arrangements, "cost considerations mean independent

oversight remains limited across smaller schemes, even as pressure on schemes to demonstrate robust governance keeps climbing", Gillon says.

A recent study from XPS Group discovered that only one in three UK pension schemes using fiduciary management have formal, independent oversight in place.

"I think part of the barrier has been that a lot of schemes using fiduciary managers are relatively small, and monitoring has been costly so far," Daniels says. "What we have seen more recently is a trend towards more cost-effective monitoring solutions."

XPS also noted that FM's own oversight of environmental, social, and governance (ESG) issues stalled in 2025, with just 21 per cent of fiduciary managers rated as 'green' by XPS in 2025, down from 38 per cent in 2024.

Future plans

Looking ahead, Gillon finds that FM providers are shifting towards liquidity-focused portfolios, to support schemes nearing their long-term goals.

Van Lanschot Kempen managing director, UK fiduciary management, Patrick Race, expects the trend for larger schemes to outsource to a FM provider to continue, to best harness surplus generation through continual fund monitoring.

"But the interesting work is in the £2-5 billion zone, he adds, "where they never would have thought about outsourcing before, because they could get a good survey from a consultant. But that does seem to be a trend that has got a lot of legs."

Gillon notes that some FMs are already supporting schemes that plan to run on and share surplus with members and sponsors. She explains: "Despite the complexity involved, the FM model can make this viable even for schemes as small as £50 million."

 Written Laura Blows