



ASSET MANAGEMENT AND INVESTMENT FUNDS

2025 Market Trends & Insights

INTRODUCTION

With 2025 firmly underway, the EMEA investment FUNDS market shows little sign of "slowing down". Whether it be the strategic consolidation across Wealth and Fund Management platforms, ethical investment decision-making (in an uber-conscious world), new market opportunities and the democratization of private markets, economic and geopolitical headwinds investors face, or indeed, the risks and opportunities inherent in embracing AI, there is plenty to keep us invigorated.

Rory McCormick, Principal for Asset Management and Investment Funds at Phoenix Search, recently attended the 2025 Funds Congress. The event, held in Westminster, London highlighted some really powerful insights, dynamic and forward-thinking ideas. The event and many of its attendees showcased a broad range of key themes and discussion points.

From a macro perspective, there appeared a shared sentiment and encouragement towards:

- The growth trajectory in the third-party fund management sector
- Increased expectations of AUM growth across the global Funds, Wealth, and IM market
- The increasing demand and focus on leveraging AI

Indeed, the opportunity to harness AI to scale operations, better manage costs, improve trading efficiency, asset allocation, data flows and accuracy, as well as explore new frontier markets/sectors is hugely apparent. AI offers huge opportunities but also comes with challenges and risks. Ensuring cyber resilience, control and protection around AI is an enduring agenda for technology leaders as well as wider leadership teams. While the Financial Conduct Authority (FCA) has not announced plans to implement a regulation identical to the EU's Digital Operational Resilience Act (DORA), the Cyber Security & Resilience Bill (CS&R) reflects the UK's commitment to bolstering its cyber resilience framework, aligning with many principles found in DORA.

This report delves deeper into the asset management sector, offering a focused regulatory perspective and outlining the emerging technical themes that business leaders must address.



LIQUIDITY RISK & PRICING CHALLENGES: REGULATORY CONSIDERATIONS

As retail investors gain increasing prominence, regulators are focusing on liquidity risk and the challenge of pricing illiquid assets across key markets, including Real Estate, Private Credit, and Private Equity.

Key Challenges:

- Effectively pricing illiquid assets in volatile markets.
- Balancing the shift towards retail investment with appropriate risk management strategies.
- Risks of gating or suspensions in open-ended funds during market stress.

Human Capital Focus:

- There remains a demand for specialized expertise in fund liquidity and risk management.
- The above challenges present the ongoing need for organisations to have experts who can navigate evolving market conditions.
- Expertise required to manage retail investor expectations and to address the constant complexities of illiquid asset pricing.

Strategic Considerations:

- Investment firms prioritize the development of robust governance frameworks to mitigate these liquidity risks and ensure compliance with increasing regulatory expectations.
- Appointing and retaining subject experts with deep knowledge of fund liquidity management, particularly for open ended funds and alternative vehicles, in light of rising retail investor participation.

CONSUMER DUTY & REGULATORY LANDSCAPES: IMPACT OF FCA PROPOSALS

Consumer Duty is regaining focus, driven by the FCA's outcomes-based approach and the Labour government's drive to enhance consumer protection.

Labour's proposal to streamline the FCA Handbook and increase regulatory discretion signals evolving regulatory priorities.

The emphasis on delivering positive customer outcomes ensures that retail investors receive fair value, suitable products, and active harm prevention.

Human Capital Focus:

- We have remained front and centre for clients who need advice about appointing Compliance professionals. We have witnessed a growing need for professionals with the ability to embed (governance) new and evolving frameworks that meet regulatory obligations while also supporting industry evolution.
- We have advised organisations on the value of hiring subject experts with a thorough working knowledge of Consumer Protection policy frameworks, and who can navigate the complexities of consumer protection standards and develop strategies to ensure strict compliance.

Strategic Considerations:

- As asset managers expand their engagement with retail investors, especially in private market investments, ongoing strengthening of their compliance and consumer protection capabilities will be crucial.
- Firms must adapt to evolving regulations, ensuring governance aligns with customer-centricity.
- Leaders must assess talent needs to sustain success and achieve best-in-class status.

THE ROLE OF TECHNOLOGY IN OPERATIONAL EFFICIENCY AND STAYING AHEAD IN THE EVOLVING LANDSCAPE

The Financial Conduct Authority (FCA) is responding to rapid technological advancements, such as the tokenization of funds, digital reporting, and enhanced investor engagement tools, ensuring innovation is balanced with transparency and accountability. This presents its own challenges, as these advancements are transforming operational practices within the Asset Management and investment funds sector.

Moreover, shifting investor preferences, driven by generational trends, are significantly influencing the demand for more personalized, transparent, and innovative investment solutions.

Alongside the FCA oversight, Labour's Pro-Innovation Framework aims to promote technology/fintech advancement, focusing on developing AI standards and fostering a regulatory environment that supports innovation while balancing oversight.

Human Capital Focus:

- Our Asset Management and Investment Funds practice has advised clients on strategic hiring to pent-up demand for functional technology professionals, particularly data experts. Data analytics professionals drive innovation and help address the demand for more sophisticated and customer-centric investment products.
- This has often meant firms need to upskill the existing workforce, often wrestling with increased need and limited understanding on how to fully harness the potential of new technology. Appointing technology leaders who understand and navigate the unpredictable whitespace, and who can deliver a strategic vision has proved just as important for clients as attracting Gen Z and Generation Alpha talent who bring new perspectives to technology, data, and investment preferences.

Strategic Considerations:

- A central theme for asset management organizations has been technology integration. Asset Management firms must continue to build the technological and data capabilities necessary to meet these demands. Now more than ever firms need to embrace technology and transformation Agendas. With data acting as an ever more powerful commodity in today's world, data-centric expertise will be critical for developing customized solutions that align with the expectations of tech-savvy, next generation investors entering the market.
- Moreover, as technology reshapes the wider financial services landscape, it will be fascinating to see firms cultivating a workforce proficient in both technology and regulatory strategy to ensure seamless integration.

CONCLUSION

The ongoing challenges of hiring, training, and retaining highly skilled professionals in this space will naturally remain a key focus.

What does all of this mean to our Asset Management clients?

In summary, we firmly believe the regulatory landscape in 2025 is poised to drive significant shifts in operational priorities and human capital needs across the UK Asset Management sector.

Conversations with industry leaders from both the Funds Congress event and our wider global network highlight a stringent focus on technology adoption, robust governance, AI integration, private capital growth, and operational resilience.

These interconnected forces and challenges, we feel, will reshape recruitment and retention strategies, creating increased demand for specialized talent to navigate these business-critical areas effectively.

Organizations that truly understand these issues and embrace the dynamic shifts at play will set the pace, becoming catalysts for change that others can only follow.

PRACTICE LEADERS



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