



How Regulation and Margin Pressure are reshaping UK Wealth Propositions

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The Rise of Model portfolio services



The Wealth Management market is undergoing a structural shift, with bespoke discretionary services (BPS) increasingly repositioned as a specialist offering, while model portfolio services (MPS) are becoming the core proposition:

- BPS is transitioning from being a core, high volume product to a **'specialist' proposition**. It is now reserved for Ultra High Net Worth (UHNW) and complex client needs where premium pricing is justified
- MPS, once a distribution channel, is now emerging as the foundational product proposition with platform anchored MPS propositions becoming the new baseline
- **Consumer Duty, margin pressure and evolving client needs** have driven a structural reset forcing Discretionary Fund Managers to compete through scale and clarity, favouring MPS-led models
- **As margins tighten, scale now determines profitability in discretionary wealth** – with MPS delivering operating leverage through lower marginal cost growth in Funds Under Management



Key drivers



Regulatory & Risk complexity– Consumer duty is forcing re-evaluation of value for money, creating barriers for expensive bespoke models in the mass market



Cost & Margin Pressure – increasing cost scrutiny and margin compression driving a move away from bespoke, process heavy models



Evolving client needs – Younger clients expect faster, modern digital-first tools. Traditional process heavy models are less attractive



Technology Enablement – Advances in cloud, data, AI and automation favour platform-based delivery



£200bn+

Total discretionary MPS AUM as at Q3 2025
(NextWealth MPS Proposition comparison Report Dec 2025)

£46bn

Net asset growth in the 12 months to Q3 2025
(Next Wealth MPS Proposition comparison Report Dec 2025)

32%

Year on year growth rate – aided by favourable markets and shift from advisory models (Next Wealth MPS Proposition comparison Report Dec 2025)

25%

Growth rate in Platform MPS AUM since 2019, more than double the rate for UK Wealth Management assets (Platform, July 2025)

Asset managers

have launched Model Portfolio Services signalling a shift from product manufacturing to end-to-end investment solutions



What are successful firms doing?



Unitising MPS to industrialise scale

- Fast growing firms are unitising MPS building blocks to enable consistent rebalancing, multi-platform operability and faster dealing
- This helps scale MPS economically because of low operational costs
- Unitising also supports clearer governance, auditability – increasingly critical as regulatory scrutiny of MPS intensifies



Move to "Hybrid First" Engines

- Winning firms have stopped fighting the "Active vs Passive" war
- They are deploying hybrid funds that use passive funds for efficient beta exposure
- This works because it lowers the Ongoing Charges Figure (OCF) making the proposition significantly more competitive in a fee-compressed market



Offering White-labelled MPS

- Instead of offering only generic "off-the shelf" models, firms are building white-labelled MPS propositions
- This meets the demands of the consolidators and large national advisory firms who want their brand stamped on the investment solution



Solving the Decumulation puzzle

- While most MPS solutions focus on accumulation and growth, some firms are launching dedicated decumulation MPS
- Unlike growth portfolios, these are designed to manage sequence-of-returns risk for retirees drawing income
- Firms winning flows are those offering clearly defined retirement income tiers, rather than generic risk-rated bands



Vertical Integration as a Moat

- Leading firms are blurring the lines between Manufacturer, Platform and Adviser
- By integrating the technology stack (e.g., Timeline Wealth Management) they capture the entire value chain. They are not just selling a model but a workflow that reduces administrative burden on advisers



Democratisation of Private Assets

- With public markets offering compressed returns, winners are differentiating their MPS by including allocations to private markets (LTAFs/ELTIFs)
- By placing illiquid assets inside a managed model structure, they provide mass-affluent clients access to institutional-grade diversification-something low-cost passive trackers cannot offer

Are you prepared for the future of Wealth Products?

Self Assessment Checklist

Manufacturer



- ☒ Do you have a clear framework for when to deploy passive, active and hybrid models?
- ☒ Is your MPS proposition fully unitised to enable portability across multiple platforms and lower fees?
- ☒ How are your product fees evolving in response to sustained fee compression?
- ☒ Are you offering propositions that are gaining market share including tailored, decumulation propositions?
- ☒ How are you evidencing fair value and consumer duty outcomes in an MPS led model?
- ☒ Do you have flows visibility in real-time to enable strategic decisions?

Platform



- ☒ Does your architecture natively support unitised, model-based investing at scale?
- ☒ Is the architecture flexible enough to support manufacturer-distributor co-branding, white-labelling and tiered propositions?
- ☒ Is your pricing model resilient to fee compression, enabling volume growth at lower margins without eroding profitability?
- ☒ Do you have real-time visibility of adviser consolidation, flows and model adoption?
- ☒ Is the platform capable of supporting bulk migrations and the rapid onboarding of new models, including retirement and decumulation solutions?

Financial adviser



- ☒ Have you defined where bespoke is genuinely value - adding vs where MPS should be default?
- ☒ Are your overall client charges competitive versus peers?
- ☒ Can clients move between models or platforms with minimal disruption?
- ☒ Are your advice workflows designed to scale with MPS (reviews, rebalancing, suitability checks)?
- ☒ Can you evidence fair value and consumer duty outcomes via real-time dashboards rather than static quarterly reports?
- ☒ Are advisers equipped to explain differentiated MPS propositions to clients?

Our observations on key UK Wealth Proposition Themes



The operating model is shifting from “many portfolios, many decisions” to “few portfolios, distributed at scale”



Value creation now sits in scalable product architecture and platform alignment



MPS is entering regulatory maturity as FCA scrutiny increases, raising the bar on governance, disclosure and control



AI and data are now essential infrastructure for running MPS at scale with control



Decumulation is emerging as a core proposition, not an extension of growth models



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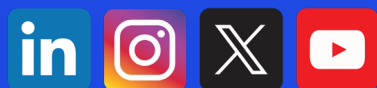
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