



Fiduciary Manager Review 2026

May 2026

Contents

Executive summary	1
2025 market backdrop	2
Fiduciary manager performance comparisons	3
Contribution to returns	6
Volatility-adjusted growth portfolio performance	7
Model portfolio returns vs actual scheme growth portfolio performance	8
Dispersion of returns across the market	9
Conclusion and actions	10

Executive summary

Equity markets performed strongly again in 2025, presenting opportunities for fiduciary manager (FM) growth portfolios to achieve significant returns for pension schemes. With many well-funded schemes now considering their long-term objectives, and run-on solutions becoming an increasingly attractive and realistic option for different types of schemes, scrutiny and expectations of growth portfolio returns versus scheme objectives are higher than ever. Our survey, covering over 90% of the UK fiduciary management market, reviews 21 growth portfolios managed by 15 FMs in 2025, providing an assessment of which solutions delivered the strongest absolute and relative performance.

Key findings

- 1** 2025 saw robust absolute returns across all FM growth portfolios, but the spread between top and bottom performers remained significant, highlighting the importance of selecting the right FM.
- 2** Despite strong broad equity market performance, high allocations to equity didn't always translate to the best FM results. Evidence shows portfolio construction, implementation, and active management also delivered meaningful value.
- 3** While most FM growth portfolios outperformed their stated targets, there was considerable variation in targets themselves; trustees must regularly challenge whether their FM's targets remain fit for purpose and represent fair benchmarks.
- 4** Manager selection and tactical allocation had varied impacts on returns across FMs, underscoring the importance of monitoring active decisions within portfolios.
- 5** Actual scheme portfolio returns sometimes diverged from FM model portfolios, owing to real world constraints such as liquidity and legacy assets; this stresses the importance of understanding scheme-specific outcomes versus benchmark models.



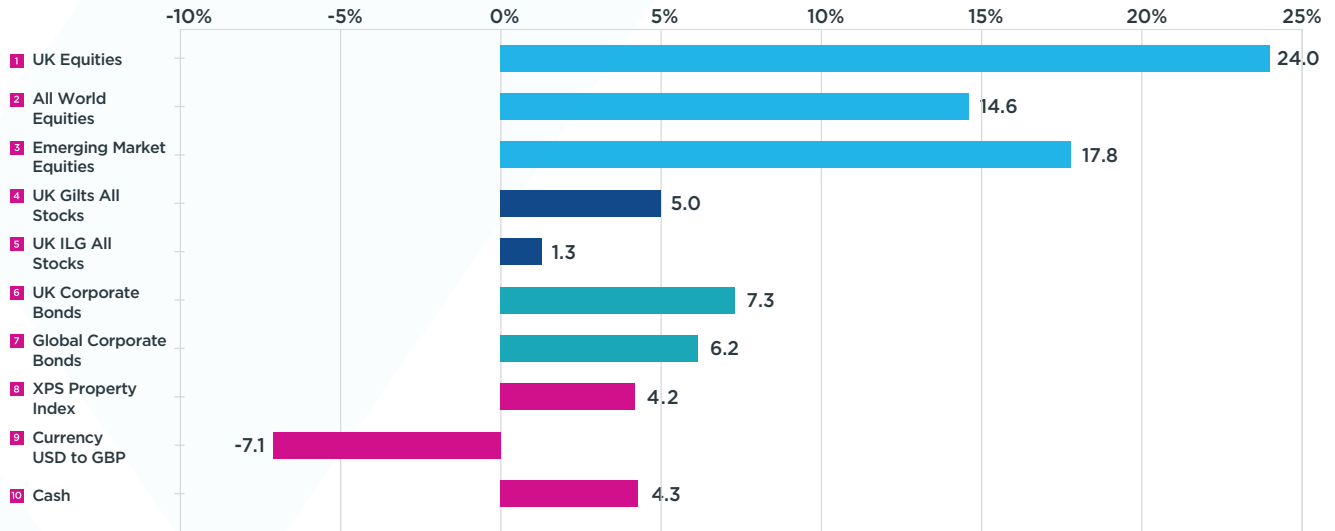
Now more than ever, trustees and company representatives are seeking stability and certainty over returns to reach their goals, and your FM should be delivering against this.



André Kerr
Head of Fiduciary Management Oversight
andre.kerr@xpsgroup.com

2025 market backdrop

Chart 1: 2025 market performance



Source: LSEG, XPS Investment

1	FTSE All Share - Total Return Index	6	iBoxx £ Corporates - Total Return Index Today
2	FTSE All World £ - Total Return Index	7	ICE BofA Global Corporate Index - Total Return Index
3	FTSE Emerging £ - Total Return Index	8	XPS Property Index
4	FTSE UK Conventional Gilts Index All Stocks - Total Return	9	US \$ to UK £ (WMR) - Exchange rate
5	FTSE UK Inflation-Linked Gilts Index All Maturities - Total Return Index	10	UK SONIA

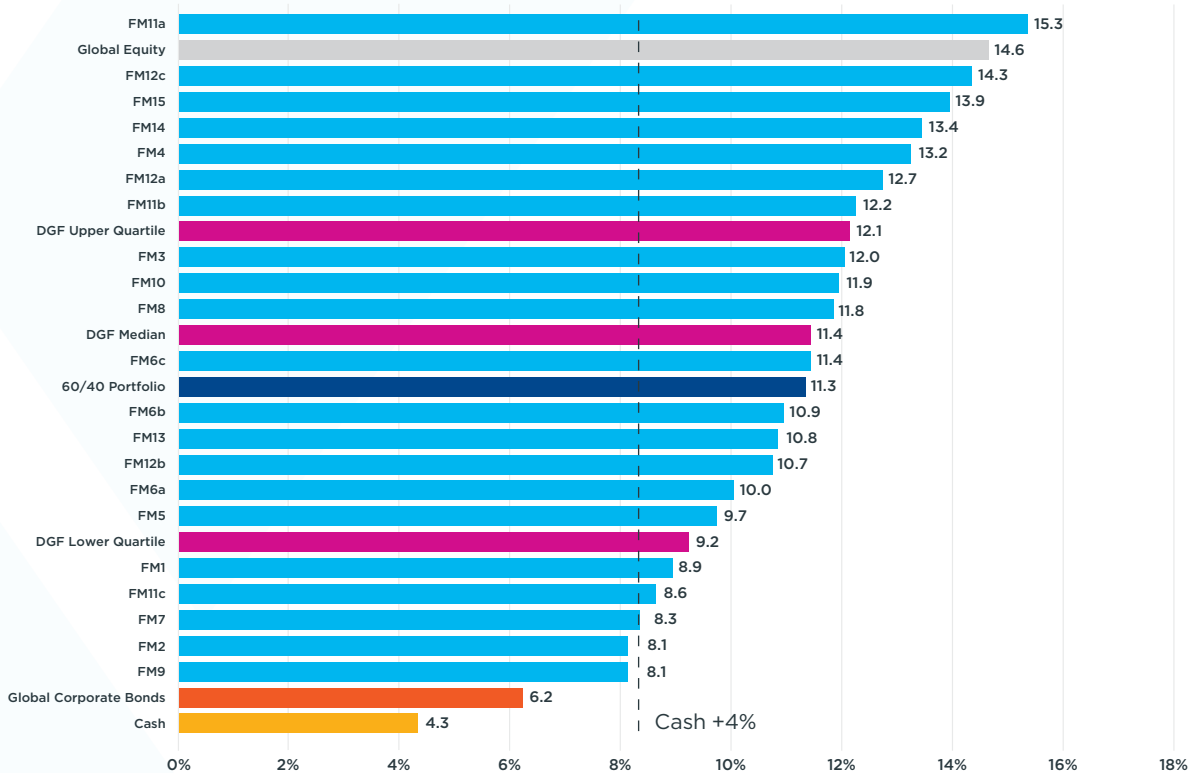
Chart 1 provides 2025 market performance for some of the key assets and asset classes that pension schemes would typically have exposure to. Over 2025, global equities delivered a third consecutive year of double-digit returns. US markets performed strongly despite headwinds from the ‘Liberation Day’ tariffs and AI disruption in the first half of the year but were outpaced by overseas markets over the full year. UK equities were a standout, significantly outperforming the US and many European markets. This marks a possible shift away from US market dominance as investors perhaps sought to diversify amid high US valuations, advances in Chinese AI and renewed trade tensions. In addition, 2025 saw a shift away from USD as a ‘safe-haven’ currency, with USD depreciating against many other major currencies, significantly impacting non-US investors in US stock markets that did not hedge against currency movements.

Gilt returns were positive in 2025, although yields finished the year close to their starting levels after early-year rises driven by concerns over heavy issuance and a global bond sell-off. Softer-than-expected inflation later in the year strengthened interest rate cut expectations and led to easing yields.

Combined with positive growth asset returns, schemes with higher liability hedges are likely to have benefited from these yield movements and may have seen improvements in funding levels.

Fiduciary manager performance comparisons

Chart 2: Fiduciary manager and comparator performance - 2025



Source: LSEG, XPS Investment, FMs

Chart 2 shows the 2025 absolute performance for 21 FM growth portfolios, with three FMs also providing alternative growth portfolios for clients with different objectives. Each FM supplied monthly returns net of all fees. Performance was also compared against a range of benchmarks: cash, global equities, global corporate bonds, a low-cost tracking “60/40” index (60% equity / 40% bonds), and the diversified growth fund (‘DGF’) universe.

As in the previous year, all FMs delivered positive absolute returns over the calendar year. Over 2025 we observed a range of 7.2% between the highest-performing FM portfolio (15.3%, FM11a) and the lowest-performing FM portfolio (8.1%, FM9). This compares with a range of 7.3% in 2024 and 12.9% in 2023. Although the range of performance still appears quite wide, the narrowing since 2023 suggests FMs on the whole have been tilting away from more defensive positions in such a favourable growth market environment. We know some FMs have been slower than others to adopt this approach which will have affected longer term returns.

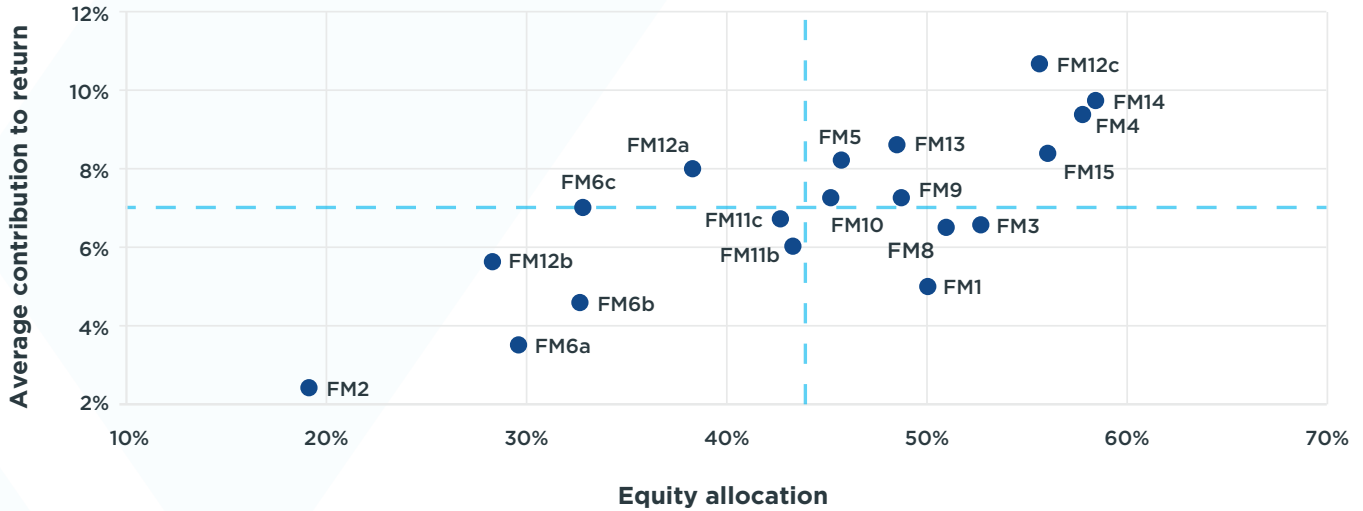
Nevertheless, the continued wide spread of returns is interesting yet unsurprising, given the supportive environment for growth assets during the year. In strong market conditions, especially during periods of equity market rallies, differences in asset allocation, implementation, and risk management tend to be amplified, leading to greater variation in outcomes across FMs. **This dispersion reinforces the importance of selecting the right FM and undertaking effective ongoing monitoring so as not to leave returns on the table and underperform against targets during these favourable market periods.**

As in previous years, a number of FMs outperformed DGFs. Seven FM growth portfolios exceeded the upper-quartile DGF return, although ten FM portfolios underperformed the median. Such was the strength of global equity returns, only one FM growth portfolio was able to provide returns higher than global equity performance. Additionally, no FM underperformed global corporate bonds or cash this year. This is in contrast to prior surveys where the market environment has been tougher, and shows how even in positive market environments, some FMs were not well positioned to add value for clients.

A small number of managers in the analysis follow a cashflow-driven approach focused on contractual assets and controlled risk. Their returns do not reflect a traditional growth asset mix and may therefore appear lower in absolute terms than broader market returns, whilst still delivering against their client specific objectives.

Fiduciary manager performance comparisons

Chart 3: Equity allocation vs contribution to return



— — — Dotted line represents the average equity allocation and the average contribution to returns from equity holdings across FMs researched within the market.

Source: FMs

Given the strong equity market performance in 2025, it might be expected that FM growth portfolios with the highest equity allocations would have generated the strongest returns. This was not necessarily the case. **Chart 3** shows equity return contribution to the overall portfolio performance relative to the average equity allocation for the FMs analysed. While ten managers delivered above-average equity return contributions relative to the market, only two did so with a below-average equity allocation (top left quadrant of Chart 3). This indicates that for these two FMs, portfolio construction and implementation added significant value in the equity allocation. Conversely, FMs in the bottom right of Chart 3 have had lower equity performance relative to the market, with higher equity allocations, potentially indicating that active decision making within the equity allocation detracted value.

Some managers may hold more defensive equities, which could explain part of the weaker performance. However, we expect most of the dispersion in equity performance to reflect active equity selection across, for example, regions. Trustees should understand exactly what sits “under the bonnet” of their equity allocation, which in most cases represents over 40% of growth portfolios.



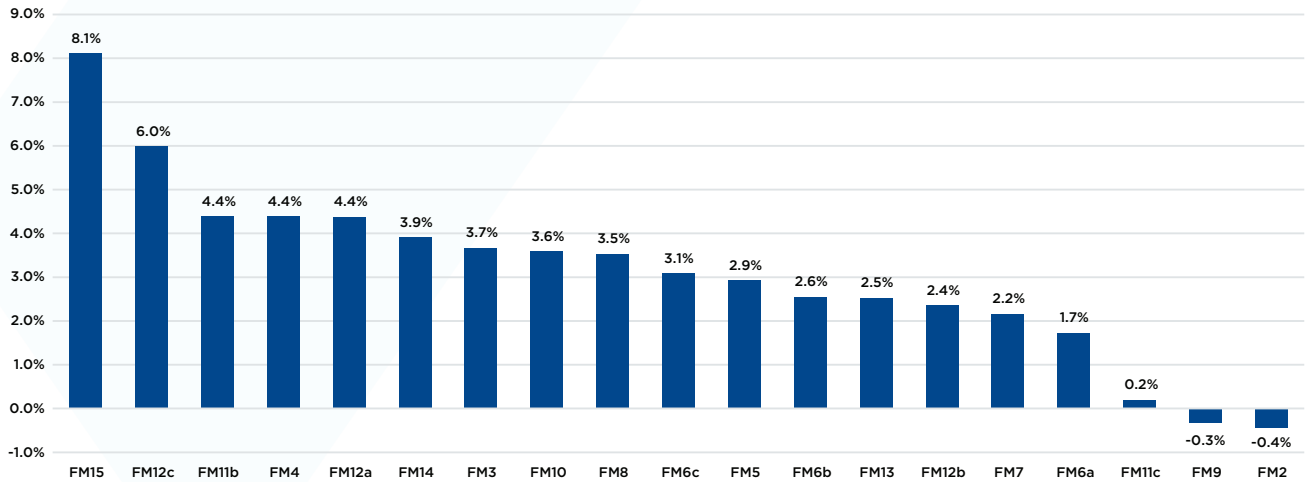
Investors should remain cognisant on the purpose and use of targets and benchmarks. Targets are an objective and should be personal and specific to your desired goal. Benchmarks and peer groups are more like an opportunity cost – essentially answering would you have been better or worse off with a different investment approach or with a different manager.



Fraser Weir
Head of Fiduciary Management Oversight
fraser.weir@xpsgroup.com

Fiduciary manager performance comparisons

Chart 4: FM growth portfolio relative return vs. target return – 2025



Source: FMs

Looking beyond absolute returns, FM growth portfolios should be assessed against their stated targets as these indicate the intended returns that are being sought after. Each FM has provided different stated target returns above various metrics such as gilts, cash and CPI, and **Chart 4** shows that relative performance varied between -0.4% and +8.1% p.a.

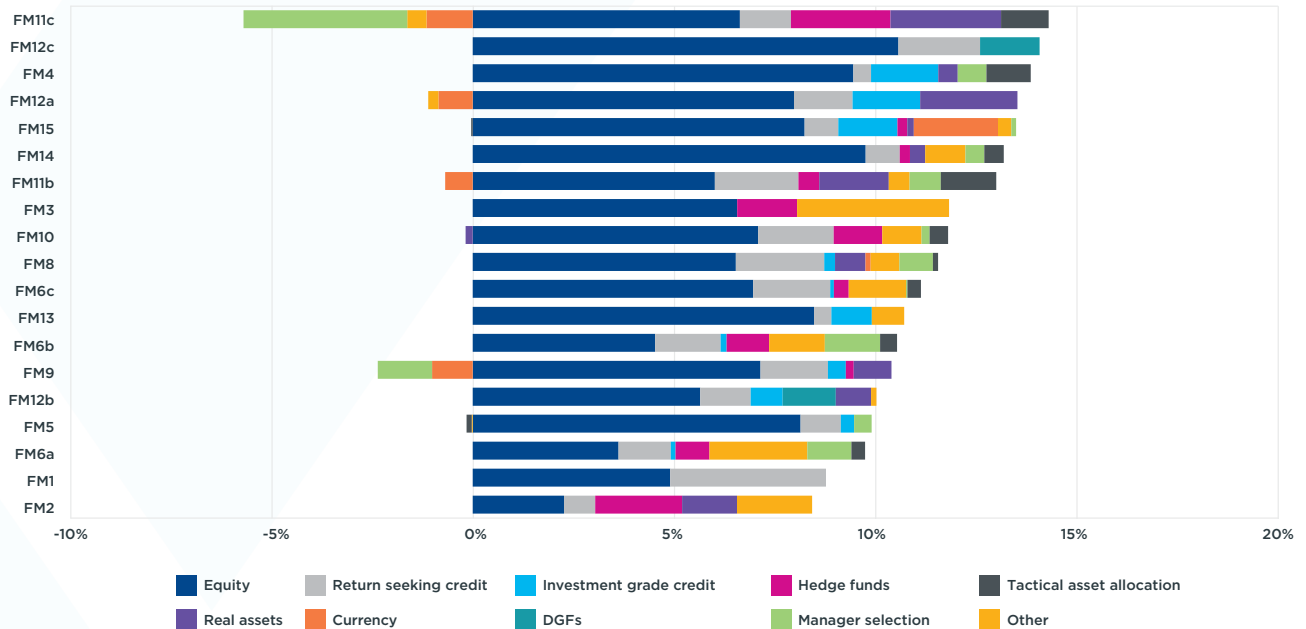
Over 2025, two FMs underperformed their stated target, and conversely 17 FM growth portfolios outperformed their stated target. With a range of 8.5% between the highest outperforming portfolio (8.1%) and lowest underperforming portfolio (-0.4%) being greater than the range of absolute returns (7.2%). This highlights the importance that should be placed on relative returns and the appropriateness of the target. Whilst showing a variety of target returns can be useful, we are always of the view that a 'cash plus' or liability related benchmark return should always be accompanied by a benchmark consisting of similar assets to those held in the portfolio. This provides another lens for trustees to evaluate the return they have generated, helps to ensure the return comparison is fair, and indicates where an FM is adding or detracting value.

Chart 2 shows FM absolute performance plotted alongside a cash + 4% target, which is the most commonly observed benchmark across the FMs analysed. The majority of FM growth portfolios have outperformed this target, indicating strong performance over the year. Although the cash hurdle remains relatively high compared to recent history, in a year with such a favourable environment for growth asset returns, it is reasonable to expect your FM to have comfortably outperformed a risk-free return. While targets may be suitable given the underlying asset mix, they may also be too lenient or too demanding to achieve consistently, and finding the correct balance is important with potentially large impacts on funding objectives.

This reinforces the need for trustees to challenge whether current return targets remain appropriate, understand the assumptions underpinning them, and assess whether they are being adequately compensated for the level of risk taken. Currently, we are observing that this is particularly important for investment portfolios with illiquid assets which are in the latter stages of their life cycle, as returns can often underperform stated targets at this stage as cash is paid back to investors.

Contribution to returns

Chart 5: Contributions to returns – 2025



Source: FMs

Chart 5 shows the contribution of each asset class (as defined and where provided by the FMs) to 2025 returns for each FM growth portfolio. Although equity exposure was generally strongly correlated with equity contribution to returns, this relationship didn't hold across all managers. For example, FM12c had the highest contribution from equities, yet three other FMs had higher average equity allocations over the year.

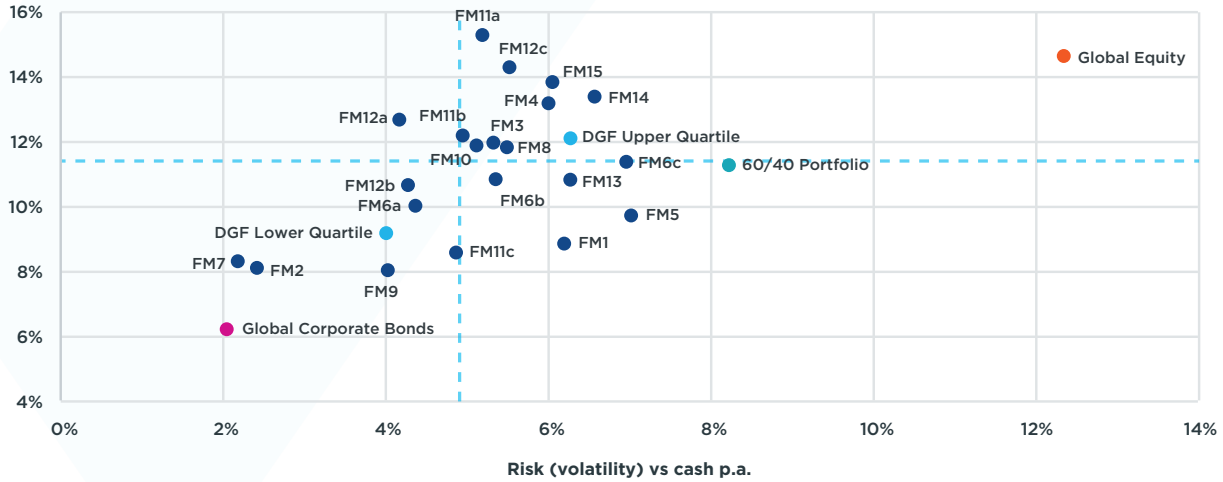
Where provided by the FMs, we have also shown contributions to returns from manager selection and tactical asset allocation decisions. This can be quite varied between FMs as to whether it adds or detracts from the overall returns. However, it can also be quite substantial, as was the case from FM11c (-4.1%) and FM9 (-1.3%) over 2025. Given the value that can be added or removed from overall returns, trustees should always assess whether active management, manager selection and tactical asset allocation has delivered value add against the higher associated fees and challenge the FM where this isn't clear from reporting or performance outcomes.

Against a backdrop of significant market volatility and heightened geopolitical tensions, a number of FMs had impactful currency positions. Over the same period, currency markets, most notably the US dollar, underwent a reversal from the long-standing trend of the previous two decades, during which the dollar had typically acted as a safe-haven asset. In this new environment, currency exposure detracted from overall performance for the majority of FMs. The magnitude of impact varied across managers, with currency positioning reducing total portfolio returns by up to 1% in some cases. This highlights the extent to which changes in currency market dynamics affected FM performance during the period.

We also observe that some FMs either outperformed or matched global equity returns over the year, while doing so with materially lower levels of risk. This underscores the diversification benefits of FM portfolios and highlights the breadth of tools available to FMs to actively manage portfolios and mitigate risk.

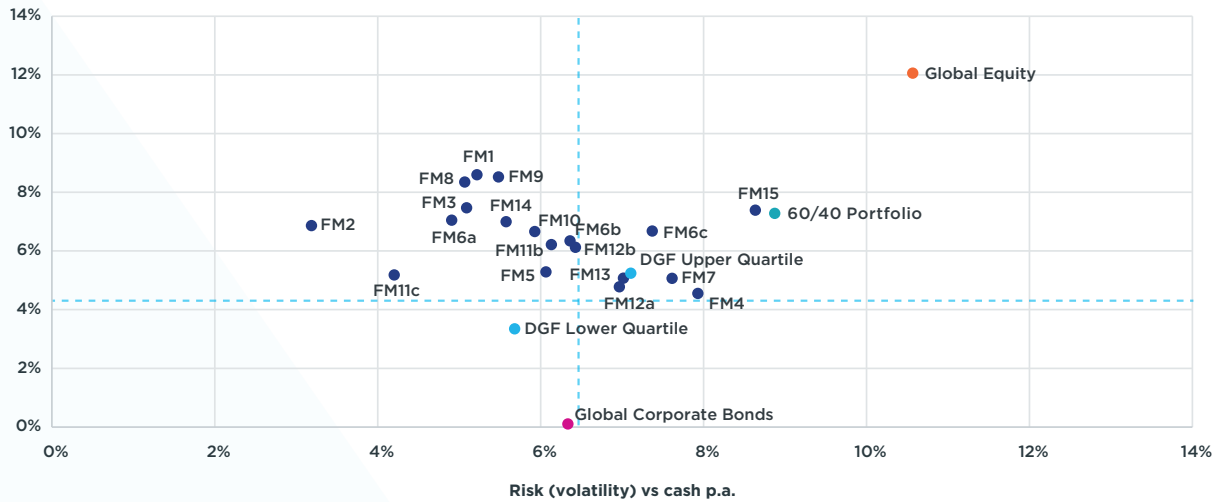
Volatility-adjusted growth portfolio performance

Chart 6: Return vs volatility – 1 year to 31 December 2025



--- Dotted line represents the median DGF portfolio

Chart 7: Return vs volatility – 5 years to 31 December 2025 (p.a.)



--- Dotted line represents the median DGF portfolio

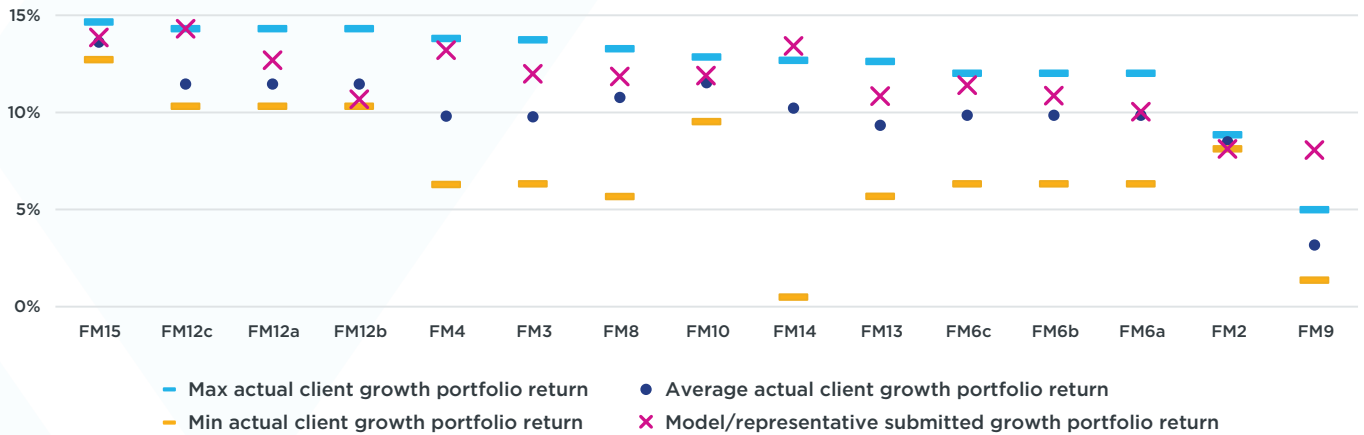
Source: LSEG, XPS Investment, FMs

Trustees should also consider returns on a risk-adjusted basis when reviewing the performance of FM growth portfolios. **Chart 6** illustrates the FM growth portfolio returns against the monthly volatility of returns over the 12-month period to 31 December 2025, based on calculations by XPS and using monthly return data provided by each FM. Over the reporting year, most FM growth portfolios outperformed the median DGF on a risk-adjusted basis. However a few did not, and some FMs also underperformed the lower quartile of DGFs analysed. In contrast to our analysis in 2024, this year we observed many FMs outperform a simple 60/40 equity, bond portfolio on a risk-adjusted basis, further demonstrating a strong year of returns for many FMs.

Over the five-year period **Chart 7**, which could be considered to cover more of a full market cycle, FM1, FM2, FM8 and FM9 in particular have demonstrated much better returns per unit of volatility versus cheaper less complex multi-asset funds. In addition, we also observe that higher volatility equated to higher performance over one year, but over five years this relationship did not necessarily hold, suggesting that while equity returns can be the primary driver of risk-adjusted returns in the short term, in the long-run diversification benefits are clear.

Model portfolio returns vs actual scheme growth portfolio performance

Chart 8: Max, min and average actual client growth portfolio returns vs. model growth portfolio return - 2025



Source: FMs

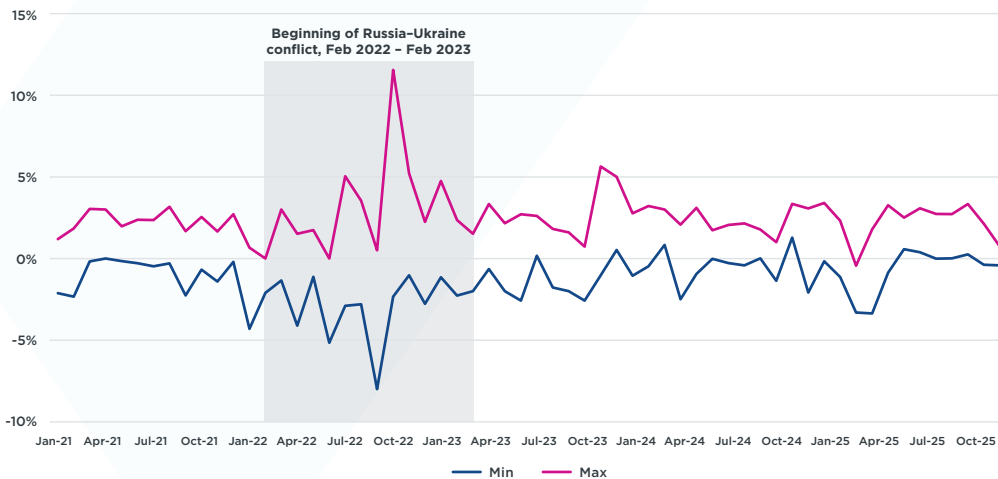
Similar to our 2024 survey, some FMs have been forthcoming with providing us anonymised actual scheme growth portfolio returns for full-service UK fiduciary clients. In comparison to our report last year, the actual client returns submitted are much more closely aligned to the model growth portfolios submitted by FMs and analysed throughout this report. We still observed instances where client returns did not align with the model portfolio, and this should be a close consideration when analysing FM model portfolio returns as part of any FM selection.

For two FMs, the model growth portfolio return was higher than any actual client growth portfolio return. Some of these were substantial and it indicates that scheme growth portfolios can be materially different from the FM's model growth portfolio approach. It should be noted however that actual scheme growth portfolios can differ to an FM's 'best ideas' growth portfolio due to real life constraints on factors such as liquidity, cashflow requirements, and legacy assets. Trustees should be mindful of this when considering their expectations of growth portfolio returns, and a third-party evaluator can help to moderate this and manage expectations.

Nonetheless, this raises an important consideration for trustees and clients: **whether their FM's return assumptions are suitably reflective of current market conditions. These assumptions underpin return targets and strategic asset allocation, and any misalignment may result in relative performance or client outcomes undershooting expectations.** Based on the data received from FMs this year, XPS will undertake further analysis to assess the suitability of return targets with the results to be shared in a paper later this year.

Dispersion of returns across the market

Chart 9: Dispersion of monthly returns



Periods with the greatest return dispersion between highest and lowest performing FMs in their growth portfolio

Date	Range (%)
Jul 22	7.9
Aug 22	6.3
Sept 22	8.5
Oct 22	13.9
Nov 23	6.7

Source: FMs

Chart 9 compares the range of monthly returns from the FMs analysed over the five year period as at 31 December 2025. We have plotted the top performing FM across each month against the FM with the lowest absolute returns from its growth portfolio over the corresponding month.

We observe many periods of relatively minimal dispersion, highlighting a tightly aligned market. However, in periods of elevated market conditions we observe a wide divergence in FM returns. We observe a dispersion in returns as much as c.13.9% in October 2022 when analysing the five year period.

We have highlighted a period of particular market turmoil with the shaded box surrounding Feb 2022 – Feb 2023 to display the effects on markets and portfolios of the Russian invasion of Ukraine. Whilst not directly correlated, we can observe similarities and impacts on global trade (high energy prices and volatile trade negotiations) to the current geopolitical tensions between the US and Iran, allowing trustees to draw similar conclusions that returns across FMs can vary substantially.

The questions at the forefront for many, when we conduct oversight and selection exercises, are centred on performance and whether the grass is greener elsewhere. This chart highlights that in stable market conditions there can be limited differentiation between FMs in terms of performance. It is in periods of heightened market uncertainty where certain FMs display their value, navigating through these periods relatively unscathed.



Our analysis this year reinforces that benchmarking against model portfolios is only part of the story. Trustees need to understand how real-world factors, like liquidity, cashflow, and legacy assets, influence actual scheme outcomes. Meaningful oversight is about challenging assumptions and ensuring return expectations are grounded in the realities of each scheme’s circumstances.

Fraser Weir
 Head of Fiduciary Management Oversight
fraser.weir@xpsgroup.com

Conclusion

2025 has demonstrated that, even in a favourable market environment, there is no substitute for diligent FM oversight and robust benchmarking. Performance dispersion, differences in portfolio construction, and the impact of active management all underscore the need for trustees to interrogate both absolute and relative results. As schemes increasingly focus on long-term objectives and run-on solutions, demanding clarity and accountability from FMs remains essential to secure the best possible outcomes. Trustees must continuously assess not just the headline returns, but the underlying drivers and relevance of targets, to ensure strategic alignment and value for their members.

Key observations

- 1** Trustees should ensure that ongoing monitoring frameworks capture not just performance, but the risk-adjusted value added by their FM, especially during volatile market periods.
- 2** The alignment between actual scheme portfolio outcomes and FM model portfolio returns is critical - expectations require careful management given real-life constraints.
- 3** Diversification and active risk management provided notable benefits, with some FMs capable of outperforming equity benchmarks with lower volatility.

Actions for trustees

-  Understand whether your FM was able to deliver strong returns and outperform your objectives in such a favourable growth market environment as was 2025.
-  Understand the impact of any active decision making that was made across the portfolio, and particularly in the equity allocation, throughout the last year and over longer periods, and assess it against the fees paid to ensure value add.
-  Given the expected funding improvements across many schemes in 2025, consider whether your current return target remains appropriate, and whether a third-party evaluator could help to assess this on an ongoing basis.
-  Consider how your FM has delivered over the long run during periods of intense market volatility and explore a comparison against peers in the market. Importantly, assess if your FM's actions during these periods delivered against your objectives.

Find out more

For further information, please get in touch with André Kerr, Fraser Weir, Ollie Turner, Joel Curtis, or speak to your usual XPS Group contact.



André Kerr
Head of Fiduciary
Management Oversight
andre.kerr@xpsgroup.com



Fraser Weir
Head of Fiduciary
Management Research
fraser.weir@xpsgroup.com



Ollie Turner
Senior Investment Associate
ollie.turner@xpsgroup.com



Joel Curtis
Investment Consultant
joel.curtis@xpsgroup.com

About us

XPS Group is a leading UK consulting and administration business specialising in the pensions and insurance sectors. A FTSE 250 company, XPS combines expertise and insight with advanced technology and analytics to address the needs of over 1,300 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over one million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 83 with assets over £1bn+. We also provide wider ranging support to insurance companies in the life and bulk annuities sector.

Award winning

Pensions advisory



Investment consulting



Administration



Culture and Sustainability



Important information: Please note the opinions expressed herein do not take into account the circumstances of investors and accordingly may not be suitable for your fund. The information expressed is provided in good faith and has been prepared using sources considered to be reasonable and appropriate. While information from third parties is believed to be reliable, no representations, guarantees or warranties are made as to the accuracy of information presented, and no responsibility or liability can be accepted for any error, omission or inaccuracy in respect of this. This document may also include our views and expectations, which cannot be taken as fact. The value of investments and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount invested. Past performance is not necessarily a guide to future returns. The views set out in this document are intentionally broad market views and are not intended to constitute investment advice as they do not take into account any client's particular circumstances.

Please note that all material produced by XPS Investment is directed at, and intended solely for the consideration of, professional clients within the meaning of the Financial Services and Markets Act 2000 (FSMA). Retail or other clients must not place any reliance upon the contents.

This document should not be distributed to any third parties and is not intended to, and must not, be relied upon by them. Unauthorised copying of this document is prohibited. This document should not be distributed to any third parties and is not intended to, and must not, be relied upon by them. Unauthorised copying of this document is prohibited.

© XPS Group. XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392. Penfida Limited, Registered No. 8020393. Polaris Actuaries and Consultants Ltd, Registered No. 9640309. All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

This communication is based on our understanding of the position as at the date shown. It should not be relied upon for detailed advice or taken as an authoritative statement of the law.