

Advisers see fixed income opportunities yet are mindful of implementation risk - BNY Investments research reveals

LONDON, JUNE 23, 2025 – The Bank of New York Mellon Corporation ("BNY") (NYSE: BK), a global financial services company, today announces new research from BNY Investments which reveals how UK financial advisers are deploying fixed income investments both to protect client portfolios and drive returns, against an increasingly complex market backdrop.

Interest rates driving changes to allocations

Market swings, notably tariff driven volatility and 2022's bond sell-off, undoubtedly created an uncertain backdrop for advisers allocating to fixed income. However, findings reveal increased confidence in the asset class, showing advisers have increased their allocations to fixed income over the past twelve months¹. The outlook for interest rates was cited as the primary factor for these changes (55%), followed by inflation expectations (43%) and the relative value of bonds against other asset classes (42%).

In response to significant market swings, almost a quarter of advisers increased their diversification across different bond types² as a means of hedging the risk. Advisers also stated that they anticipate increasing allocations further in the year ahead³.

Weathering volatility with strategic bond funds

Increased use of strategic bond funds proved to be the most popular approach to navigate market instability, with nearly a quarter of advisers increasing strategic bond fund allocations in a response⁴ to notable market swings. Over three quarters (77%) highlighted the primary point of attraction was the flexibility these funds provide in navigating shifting interest rate dynamics. Over a third of advisers (38%) value the ability of the strategic bond approach to provide one-stop diversification, preferential to making separate allocations to underlying sub-asset classes.

However, advisers recognise that these strategies may carry risks. Nearly half of advisers selecting strategic bond funds stated their main concern was risk concentration if the manager's view is incorrect (43%). This indicates advisers require solutions that can navigate changing markets without taking on excessive risk, instead generating controlled incremental returns.

Capturing the benefits of institutional approaches

When asked what institutional approaches could be valuable for retail clients, over a third of advisers stated outcome-oriented portfolio construction techniques (37%) and having access to fixed income markets typically restricted to institutions (36%). This indicates advisers are increasingly recognizing the value of institutional methods, such as using liability matching techniques as a decumulation tool for clients approaching, and in, retirement.

"Advisers remain understandably cautious about fixed income, yet it's evident they recognise the opportunities in bonds as current yields approach the returns we might normally expect from equities", said **Michael Beveridge, UK Head of Intermediary Distribution at BNY Investments**. "At BNY Investments, we focus on bringing institutional discipline to retail fixed income management. Through Insight Investment⁵, our fixed income investment platform, advisers can get what they clearly need – an investment process that focuses on the delivery of incremental returns through thoughtful risk management, a process increasingly critical in today's market environment."

"As a leading institutional investment manager, Insight offers transparent and repeatable investment processes with carefully controlled risk exposures", said **Peter Bentley, Global Head of Fixed Income at Insight Investment**. "Combined with our specialist expertise and established track record, all of these features can support fixed income solutions for retail investors with clear goals, including retirement income".

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¹Data shows that advisers have increased fixed interest allocations over the past 12 months (31% increased, 62% stable, 7% decreased) and expect to continue to do so over the next 12 months (23% increase, 73% stable, 4% decrease).

²Data shows figures of 25% in reaction to the 2022 bond sell off, and 22% in today's market environment.

³Data shows nearly a quarter (23%) anticipate increasing allocations further in the year ahead.

⁴Data shows figures of 22% in reaction to the 2022 bond sell off, and 24% in today's market environment.

⁵[Insight Investment](#) is a leading global asset manager with £665bn under management in liability driven and fixed income investment.

Notes to editors

The quantitative research, in collaboration with NMG Consulting, surveyed 125 UK financial advisers in April 2025. Eligible respondents were either involved in fund selection, have at least 10% average fixed income allocation across client portfolios, generate at least 30% of their income from investments and pensions combined. This excluded those whose business was entirely outsourced to discretionary fund management or external model portfolios. This screening ensured the sample comprised advisers with meaningful exposure to and responsibility for fixed income implementation decisions across diverse client portfolios, representing both independent and restricted advice models.

About BNY

BNY is a global financial services company that helps make money work for the world – managing it, moving it and keeping it safe. For more than 240 years BNY has partnered alongside clients, putting its expertise and platforms to work to help them achieve their ambitions. Today BNY helps over 90% of Fortune 100 companies and nearly all the top 100 banks globally to access the money they need. BNY supports governments in funding local projects and works with over 90% of the top 100 pension plans to safeguard investments for millions of individuals, and so much more. As of March 31, 2025, BNY oversees \$53.1 trillion in assets under custody and/or administration and \$2.0 trillion in assets under management.

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BNY Investments is one of the world's largest asset managers, managing almost \$2 trillion across a range of traditional and alternative assets through seven specialist investment firms – ARX Investimentos, Dreyfus, Insight Investment, Mellon Investments Corporation, Newton Investment Management, Siguler Guff & Company, and Walter Scott & Partners. For more information, visit www.bny.com/investments.

NMG Consulting is a leading multinational consulting and insights firm specialising in asset management, wealth management and insurance. For over 30 years, NMG has partnered with financial services clients around the world to support strategy, distribution, proposition development and performance, underpinned by proprietary research, data analytics and custom insights.

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