

Investment trusts changing ownership 2020: Report highlights

Annual sector ownership and buying liquidity
trends, RD:IR share analytics data



Warhorse Partners, 15 May 2021

[Watch our video](#) Warhorse in 75 seconds

RD:IR and Warhorse Partners Project 2018-2021

Attending to all distribution channels is indispensable to managing share prices and discounts and to the future health of the investment trust sector. The report analyses share register data, trends and behaviours from over 220 UK-listed investment companies with a combined market value of £136 billion.



**Richard Davies,
Managing Director of RD:IR:**

“The ownership of UK investment trusts has changed significantly since we started our analysis of the sector, and particularly since the arrival of RDR.

We are delighted to work with Warhorse Partners on this study to provide the sector with the data and insights to help Boards and managers navigate the complexities of the contemporary investment trust share register for better marketing.”



**Piers Currie
of Warhorse Partners**

“The challenge for any investment trust board today is to identify how effectively it is tailoring its marketing and communications to this new audience and also their advisers - who read and share what they do too.

In our view, there are two key benchmark targets that investment trusts should be looking at, namely retail issued share capital growth over time and buying liquidity in sterling terms, excluding market impact and performance.”

Our grateful thanks to Ian Smith, Joint Head of Analytics at RD:IR,
for his patient hard work on the data that acts as the foundation of this report

Context of the RD:IR universe (nearly 70% by number)

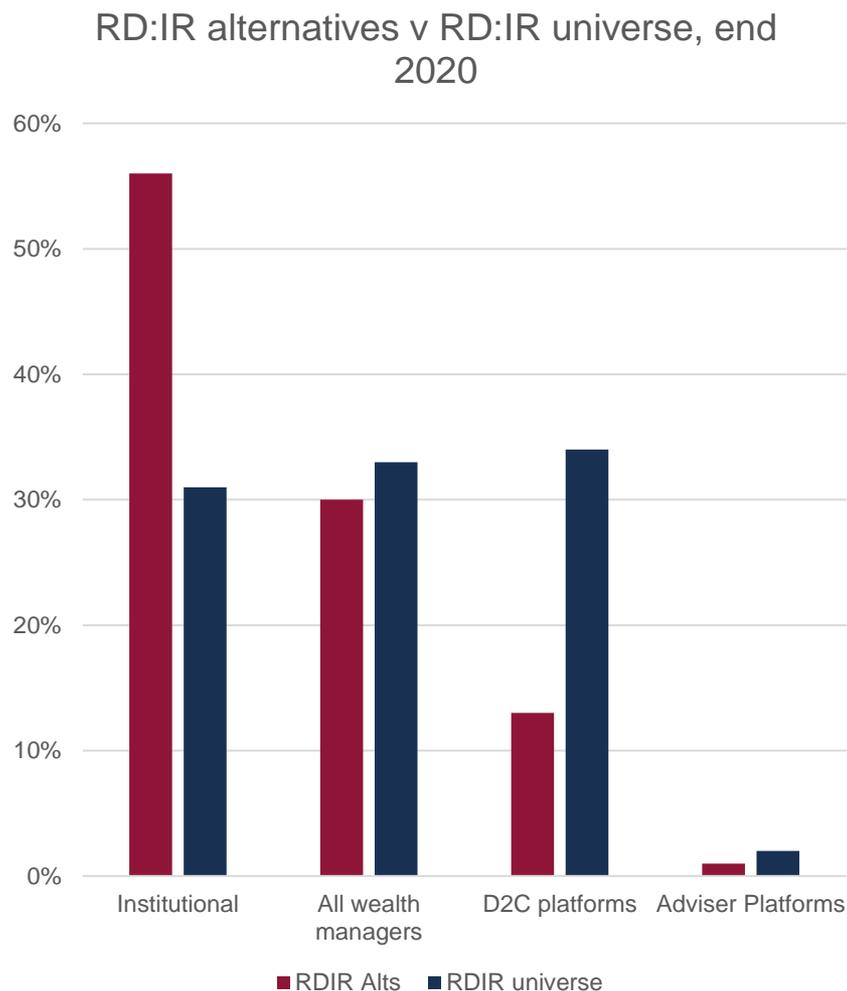
RD:IR universe was 221 trusts with a total value of £136bn at end of 2020. This rose from £112 bn in 2019.

The share price total return for the FTSE Equity Investment Instruments Index was +17.8% last year.

According to the AIC's website, there are 388 investment companies at present (including VCTs) representing assets of £239bn. WINs had the universe at 322 companies at 9 May 2021, with total assets (not net assets) of £234bn. Looking at WINs datasheets at the end of 2019 and 2020, aggregate nets stood at £168,534m and £193,642m respectively. Adjusting for capital changes, growth in assets comes out as £20.5bn in 2020 – see the table below.

		£m	£m
Net Assets	31/12/2019		168,534
Buybacks		-1,678	
Tenders		-999	
Liquidations		-503	
Issuance		7,827	
Net cashflow			4,647
Growth in assets			20,461
Net Assets	31/12/2020		193,642
<i>Increase in net assets in 2020</i>			14.9%
<i>Growth in Assets as % of starting assets</i>			12.1%

Caveat: alternative ITs have higher institutional ownership



The RD:IR universe comprises 161 conventional equity trusts and 60 alternative investment trusts (out of a total of 129 alternatives). The RD:IR universe includes 221 investment trust companies in all, valued at £136 bn of the overall AIC sector (ex VCTs). By comparison, WINs had the AIC universe at 322 companies at 9 May 2021, with total assets (not net assets) of £234bn. So this is 68% of the sector by number of trusts and 60% by value.

RD:IR offers unparalleled depth and granularity of analysis which is not accessible from limited public information sources and not easy to aggregate and compare, so RD:IR data offers the strongest available trend intelligence, liquidity and ISC% by owners, also with long term histories and uses share analytics used by most of the sector boards for their reporting.

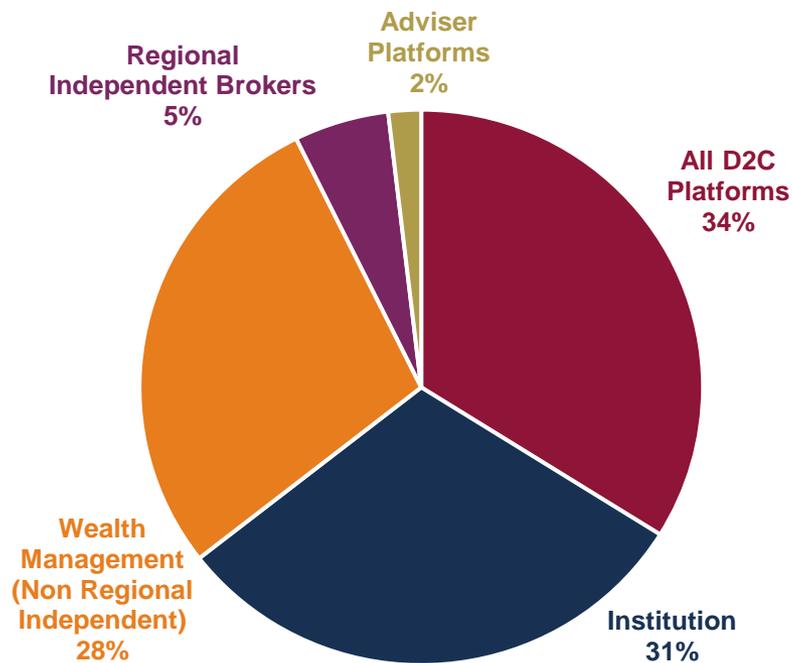
While certain alternatives may have greater institutional ownership than the sector overall, the universe provides a strong benchmark for boards to assess their own company relative positions.

Changing investment trust sector 2020

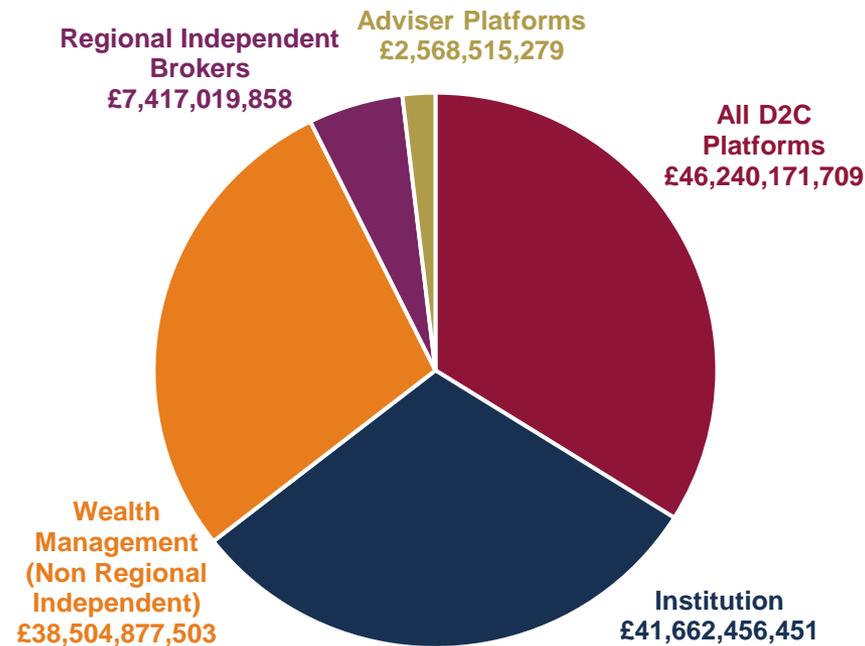
- **Institutional** owners led by activists and indexers
 - £41bn 2020 (£33bn n 2019) AuM, top ten holders dominate, indexers 40% of top ten
- **National wealth managers** see many still reducing sector exposure
 - £38bn 2020 (£32bn in 2019) many divesting, eg outflows of £1.8bn from two last year
- **Regional independent brokers** 5% of AuM, mainly static
 - £7bn (£6bn in 2020) Raymond James growing
- **D2C and self-directed** investors still the fast growing space – a third of cash flow
 - £46bn (£38 bin 2019), inflows of £8.2bn v £6.75 bn in 2019
- **Adviser platforms** are small, less than 3% of AuM
 - £1.35bn v £1.5 bn AuM in 2019

RD:IR IT universe 2020: ownership by shareholder type: £136 bn

RD:IR sector ownership ISC%, end 2020



Ownership by £ value, end 2020

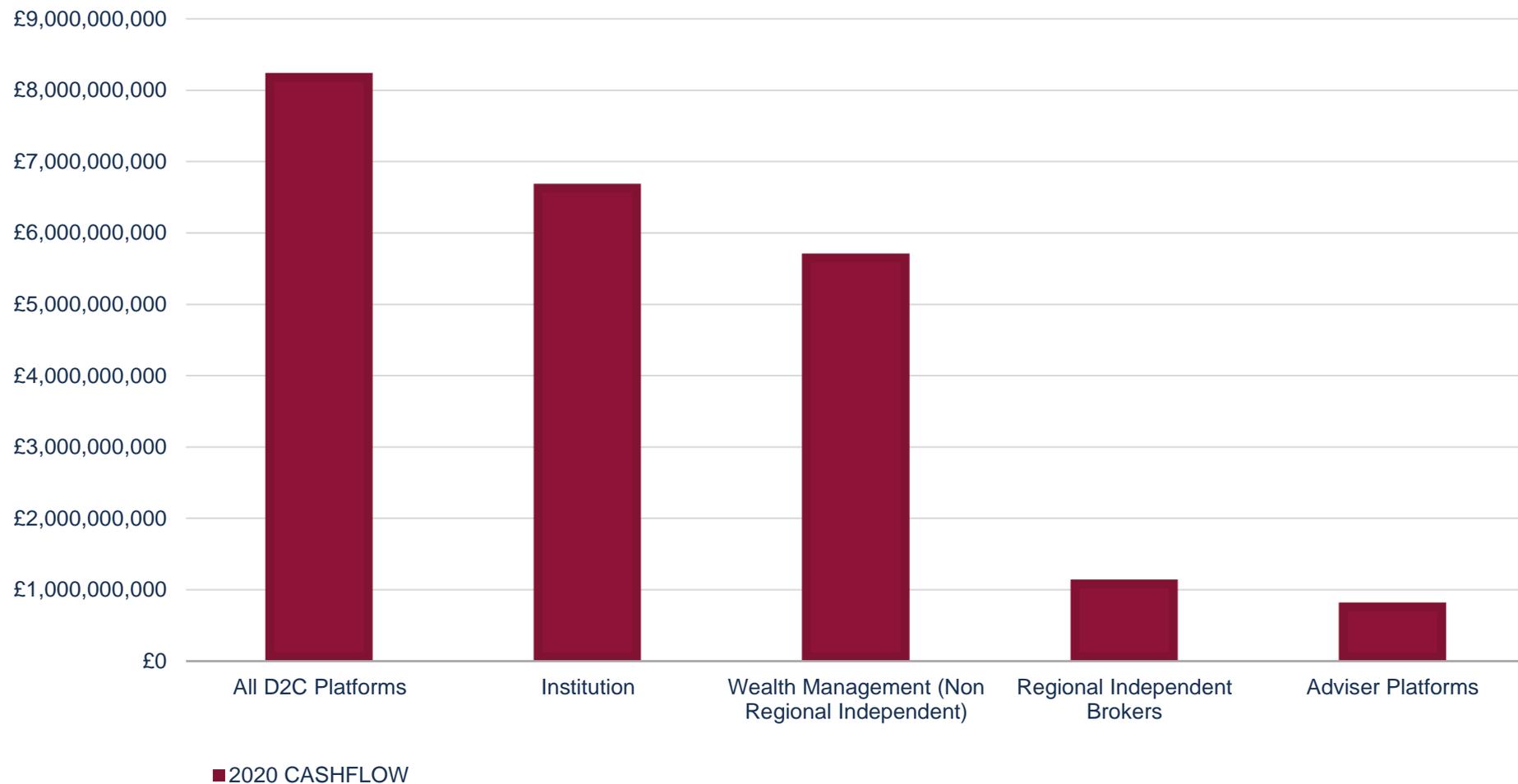


RD:IR analyses over 60% of all investment trusts at a granular level

Source: Richard Davies Investor Relations/ Warhorse Partners topology

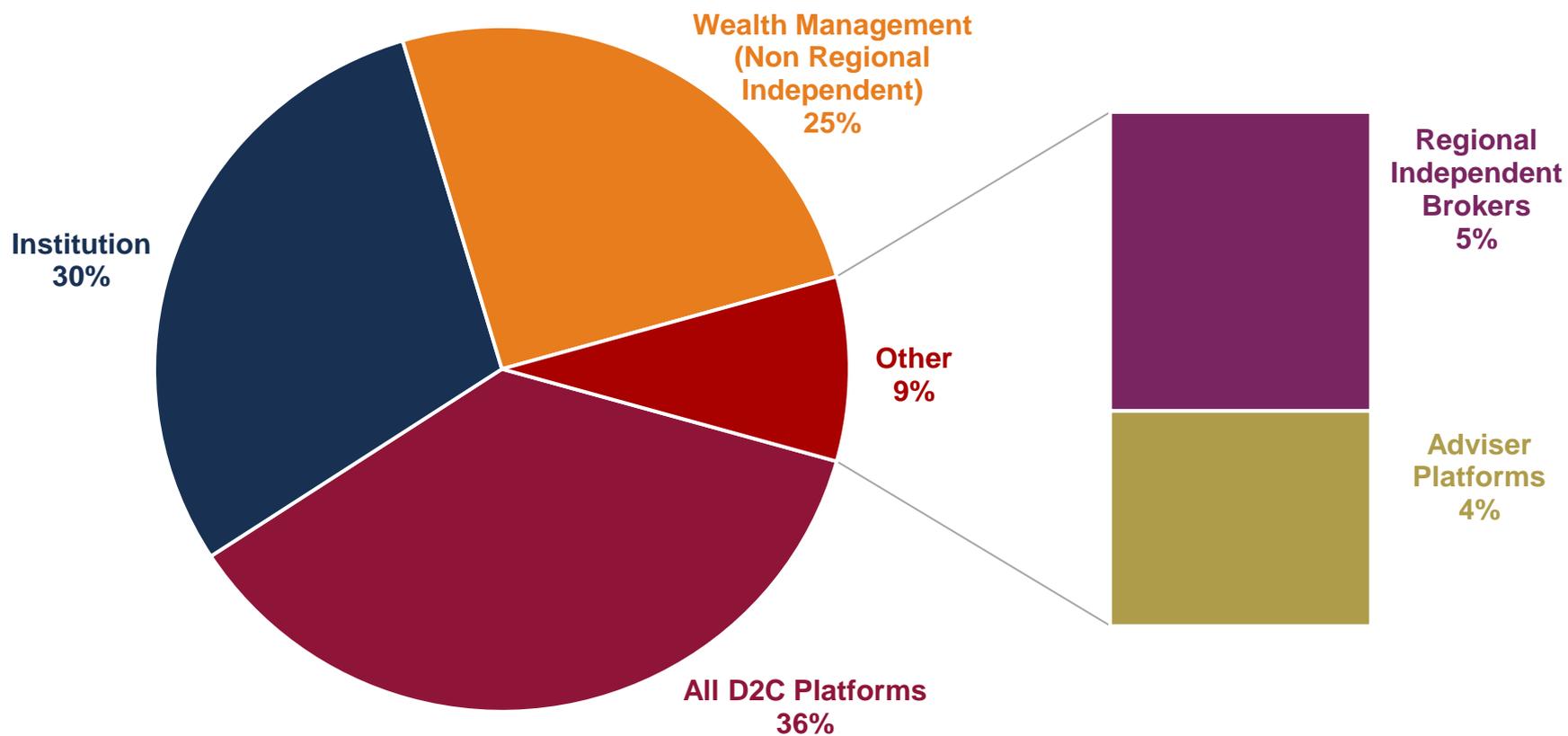
Cashflow ex performance 2020 by investor group (23bn)

2020 CASHFLOW



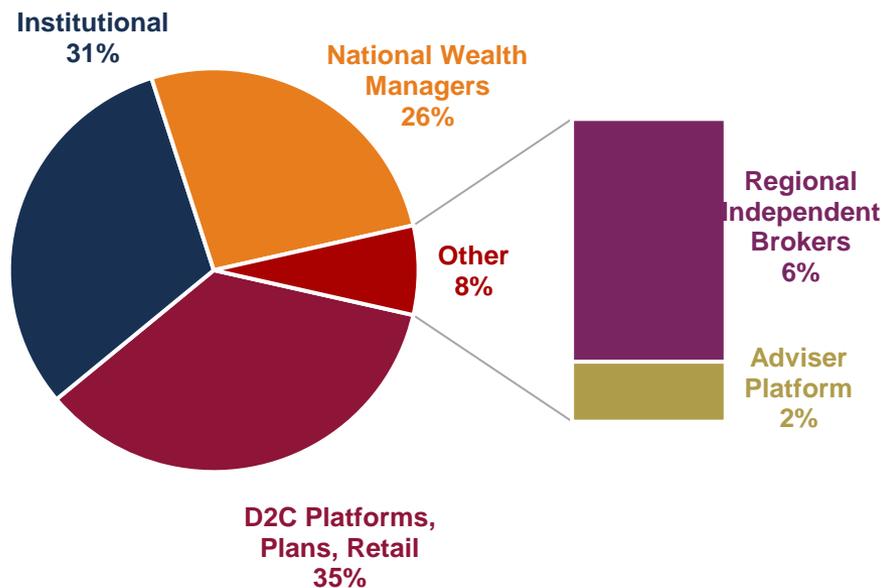
Cashflow by percentage by investor group 2020 (23bn)

2020 CASHFLOW

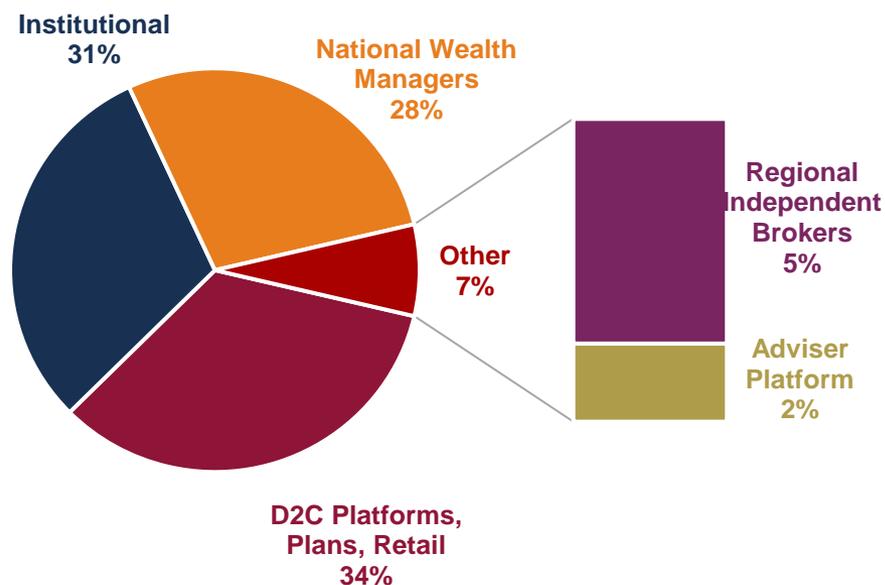


D2C is the dominant single growth segment by cash flow

2019 EX-MARKET CASH FLOW: £19 BILLION



2020 EX-MARKET CASH FLOW: £23 BILLION



D2C segment overall was c. £8.3 bn (£6.7 billion in 2019) (36%) of all annual positive buying liquidity last year

Activists are 40% of top buying 10 institutions, indexers also high

Top ten institutional holders in the sector, ranked by y-o-y change

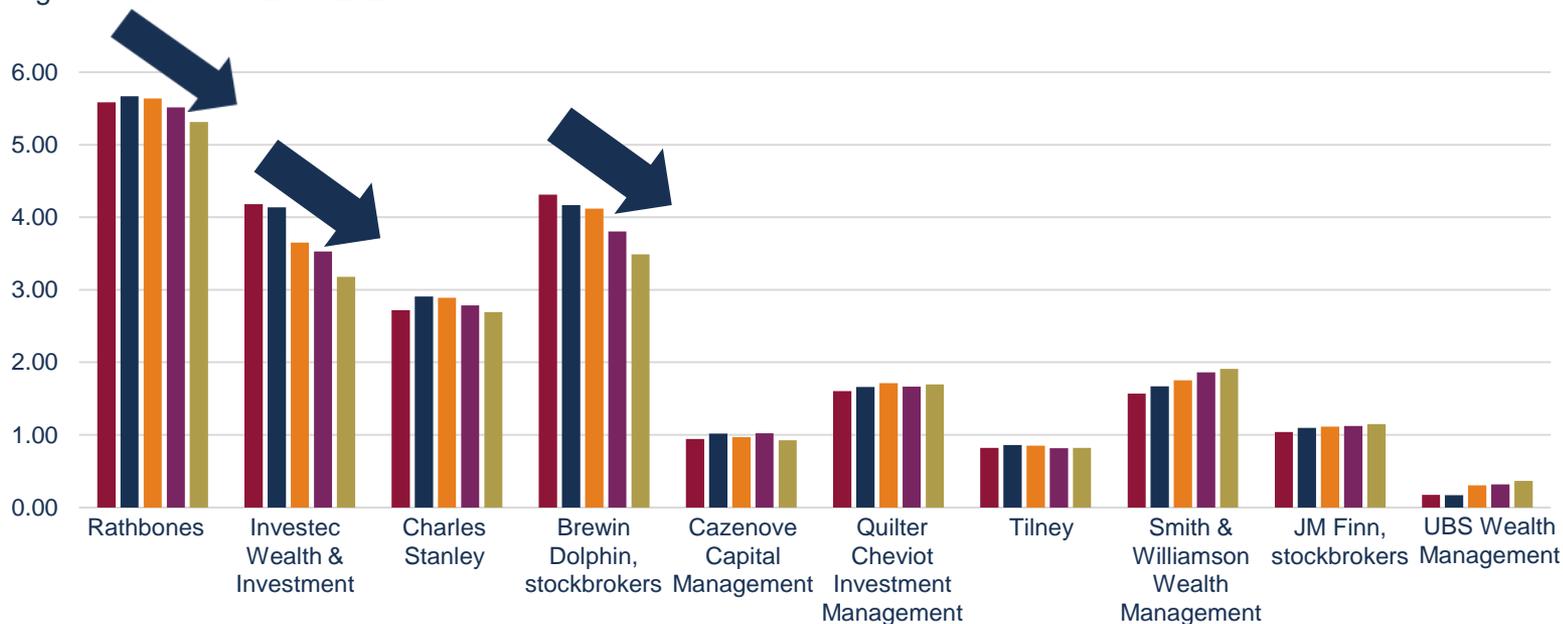
Institution	Dec 2020 £ RD:IR Stable	Dec 2020 % RD:IR Stable	Dec 2019 £ RD:IR Stable	Dec 2019 % RD:IR Stable	Change > £50m
BlackRock	3,961,078,672	2.90	2,895,251,202	2.66	1,065,827,469
City of London Investment Management	2,764,684,378	2.03	2,037,832,434	1.87	726,851,943
Legal & General Investment Management	2,516,762,717	1.85	2,127,997,212	1.95	388,765,505
Lazard Asset Management	1,967,157,227	1.44	1,448,070,703	1.33	519,086,524
Wells Capital Management	1,611,068,006	1.18	1,047,178,941	0.96	563,889,065
Vanguard Group	1,390,126,160	1.02	1,080,835,196	0.99	309,290,964
M&G Investments	1,238,678,044	0.91	958,933,275	0.88	279,744,769
1607 Capital Partners	1,068,108,496	0.78	967,636,836	0.89	100,471,660
Close Brothers Asset Management	860,801,803	0.63	652,196,471	0.60	208,605,332
Quilter Investors	668,073,354	0.49	594,698,828	0.55	73,374,526
Top ten holders by change		13.23%		12.68%	£4,235,907,757

Top ten holders are over 40% of the top ten institutional segment by ISC% in 2020, The top ten are 40% of all institutional buyers by ISC%.

The trend not favouring growth from the national WMs

Investec Wealth, Brewin reducing sector exposure (% ISC)

National Wealth Managers leaderboard 2016-2020



■ Dec 16 % RD:IR Stable	5.58	4.18	2.72	4.31	0.94	1.61	0.82	1.57	1.04	0.17
■ Dec 17 % RD:IR Stable	5.67	4.14	2.91	4.17	1.02	1.66	0.86	1.67	1.10	0.17
■ Dec 18 % RD:IR Stable	5.64	3.65	2.89	4.12	0.97	1.71	0.85	1.75	1.12	0.31
■ Dec 19 % RD:IR Stable	5.51	3.53	2.78	3.80	1.02	1.67	0.81	1.86	1.12	0.32
■ Dec 20 % RD:IR Stable	5.31	3.18	2.69	3.49	0.93	1.70	0.82	1.91	1.15	0.36

Exclusion from FCA-risk model portfolios, central white lists, buying-time liquidity and concentration of institutions externally

Source; Richard Davies Investor Relations/ Warhorse Partners topology

Big groups Investec, Brewin, Quilter see secular reduction in ISC%

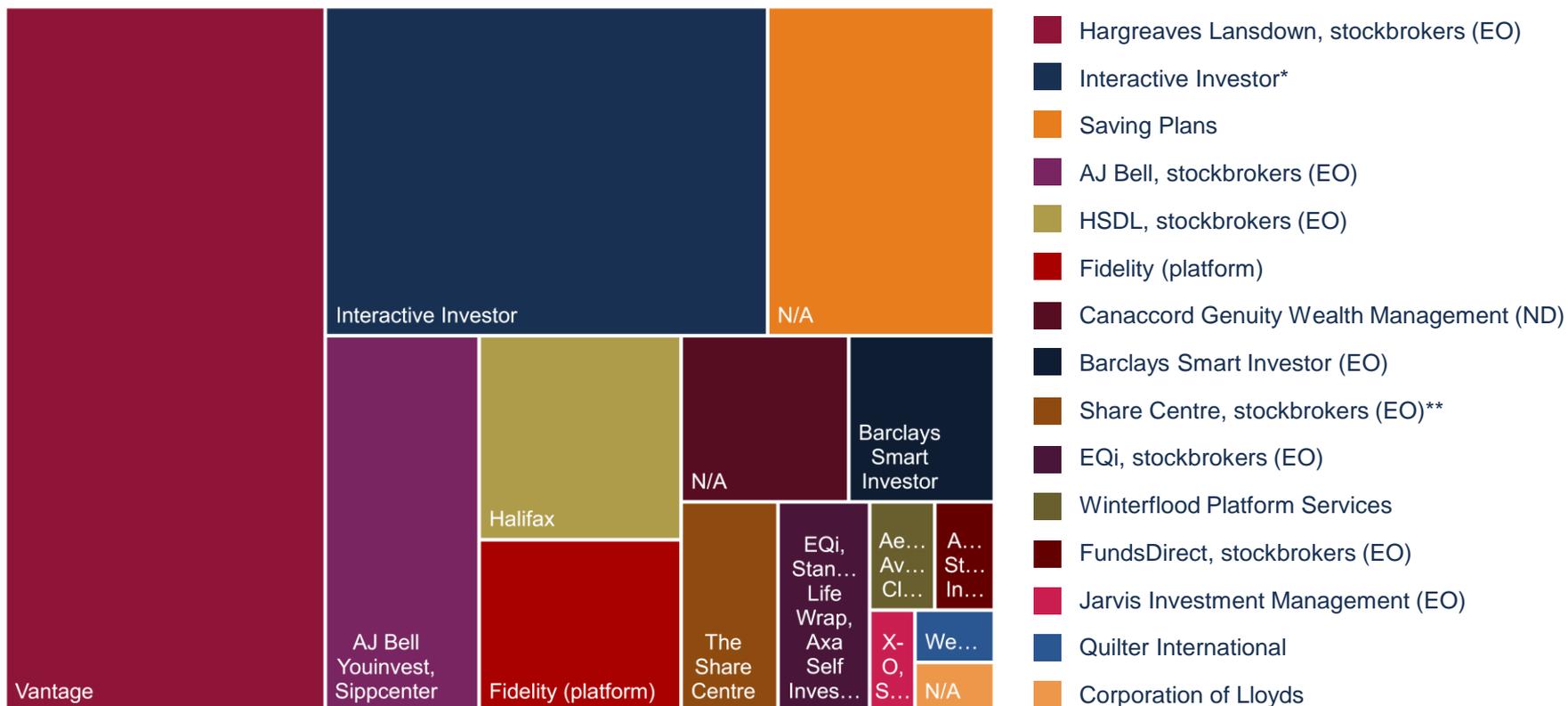
National wealth manager top ten by growth, in absolute value 2020

Wealth Management (Non Regional Independent)	Dec 2020 £ RD:IR Stable	Dec 2020 % RD:IR Stable	Dec 2019 £ RD:IR Stable	Dec 2019 % RD:IR Stable	Change > £50m
Rathbones	7,246,945,143	5.31	6,005,338,532	5.51	1,241,606,611
Brewin Dolphin, stockbrokers	4,759,821,452	3.49	4,142,703,871	3.80	617,117,581
Investec Wealth & Investment	4,337,927,634	3.18	3,843,813,558	3.53	494,114,076
Charles Stanley	3,672,401,437	2.69	3,031,568,049	2.78	640,833,388
Smith & Williamson Wealth Management	2,607,223,055	1.91	2,029,118,961	1.86	578,104,094
Quilter Cheviot Investment Management	2,312,544,043	1.70	1,813,919,371	1.67	498,624,673
JM Finn, stockbrokers	1,564,534,703	1.15	1,225,145,484	1.12	339,389,218
Cazenove Capital Management	1,262,263,017	0.93	1,111,311,936	1.02	150,951,082
Tilney	1,118,466,367	0.82	886,995,059	0.81	231,471,308
Killik, stockbrokers	695,592,837	0.51	554,807,836	0.51	140,785,001
Top ten holders by change	£29,577,719,690	21.69%	£24,644,722,657	22.63%	£4,932,997,033

The top ten national WMs are three quarters of their overall segment by ISC%

Vantage (HL) still leads the D2C platform cohort (ISC%)

Direct Platforms, Plans and Self-Directed



Interactive meanwhile bought Alliance Trust Savings and The Share Centre

*Interactive Investor (D2C Platform) purchased the D2C business of Alliance Trust Savings (Adviser & D2C platform) October 2019

**Share Centre acquired by Interactive Investor February 2020

D2C channel concentrated: but c £8.2 bn of positive net flows in 2020

	Dec 2020 £ RD:IR Stable	Dec 2020 % RD:IR Stable		Dec 2020 £ RD:IR Stable	Dec 2020 % RD:IR Stable
Hargreaves Lansdown, stockbrokers (EO)	11,830,143,881	8.67	Winterflood Platform Services	368,853,137	0.27
Interactive Investor*	7,630,072,490	5.59	FundsDirect, stockbrokers (EO)	338,647,075	0.25
Saving Plans	3,908,217,534	2.87	Jarvis Investment Management (EO)	241,166,074	0.18
AJ Bell, stockbrokers (EO)	3,028,042,104	2.22	Quilter International	217,380,537	0.16
HSDL, stockbrokers (EO)	2,160,227,463	1.58	Corporation of Lloyds	205,908,627	0.15
Fidelity (platform)	1,824,505,495	1.34	James Sharp, stockbrokers	199,166,799	0.15
Canaccord Genuity Wealth Management (ND)	1,458,130,167	1.07	Interactive Brokers (EO)	190,374,857	0.14
Barclays Smart Investor (EO)	1,269,179,191	0.93	ASB Securities (EO)	134,419,746	0.10
Share Centre, stockbrokers (EO)**	1,063,290,142	0.78	IG Markets, stockbrokers (EO)	103,819,051	0.08
EQi, stockbrokers (EO)	1,006,733,377	0.74	Saunderson House	103,075,858	0.08

The top five platforms and retail outlets account for over 60% of its AuM,

*Interactive Investor (D2C Platform) purchased the D2C business of Alliance Trust Savings (Adviser & D2C platform) October 2019

**Share Centre acquired by Interactive Investor February 2020

Top twenty regional wealth managers by penetration and region

RDIR Category	Region	Dec 2020 % RD:IR Stable	Dec 2020 £ RD:IR Stable	Dec 2019 % RD:IR Stable	Dec 2019 £ RD:IR Stable
EFG Harris Allday, stockbrokers	Birmingham	0.89	1,220,264,875	0.93	1,010,646,768
Redmayne Bentley, stockbrokers	Leeds & N East	0.78	1,064,763,591	0.86	937,444,033
Raymond James Investment Services	Regional Offices (Raymond James)	0.50	680,528,836	0.48	518,842,184
WM Thomson	Scotland	0.32	442,951,776	0.37	401,063,554
Rowan Dartington, stockbrokers	Bristol	0.17	232,434,847	0.17	190,568,588
Adam & Co Investment Management	Scotland	0.16	216,167,778	0.17	187,635,659
WH Ireland, stockbrokers	Manchester	0.12	168,191,858	0.17	186,637,045
Wesleyan Assurance	Birmingham	0.18	245,513,901	0.18	193,849,525
Pilling, stockbrokers	Manchester	0.16	212,647,113	0.17	180,184,493
James Sharp, stockbrokers	Manchester	0.15	199,166,799	0.16	169,079,117
Brewin Dolphin Ireland	Ireland	0.53	724,041,507	0.45	494,330,919
Hawksmoor Investment Management	Exeter	0.14	187,425,647	0.15	158,404,988
Barratt & Cooke, stockbrokers	Norfolk	0.13	180,397,755	0.14	151,046,921
Albert E Sharp, stockbrokers	Birmingham	0.13	178,991,939	0.13	146,796,968
Rossie House Investment Management	Scotland	0.12	161,612,486	0.11	117,471,110
Ravenscroft	Channel Islands	0.19	256,529,963	0.11	115,170,015
Gore Browne Investment Management	Salisbury	0.09	121,599,614	0.10	106,039,083
Davy Private Clients	Ireland	0.11	146,742,842	0.09	93,404,041
Murray Asset Management	Scotland	0.06	85,587,635	0.07	79,680,931
Brown Shipley	Manchester	0.17	234,162,154	0.20	216,682,265

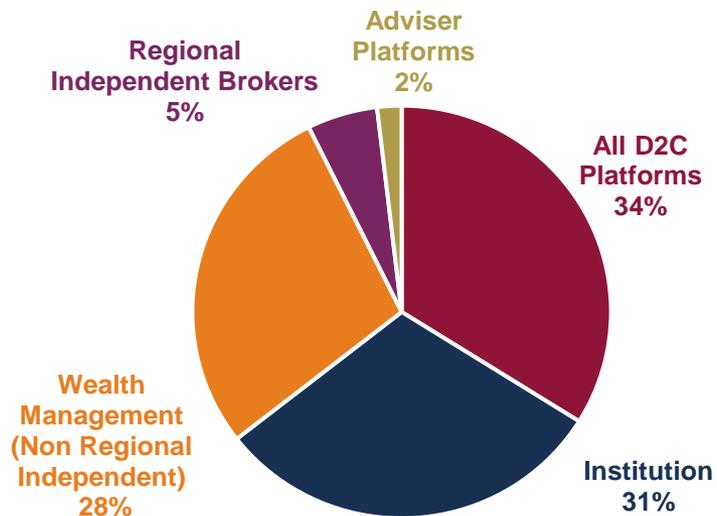
Advisor Platforms 2020 vs 2019

Dec 2020 £ / % RD:IR Stable	Advisor Platform name	Dec 2019 £ / % RD:IR Stable
£1,148,797,501 / 0.84%	Transact	£889,225,644 / 0.82%
£675,927,251 / 0.50%	Embark Platform	£5,983,904 / 0.01%
£429,430,394 / 0.31%	Stocktrade, Novia , James Hay (ATS)	£391,421,748 / 0.36%
£153,327,962 / 0.11%	Standard Life Wrap	£140,529,080 / 0.13%
£59,643,194 / 0.04%	Nucleus, Novia, James Hay (BD)	£60,661,014 / 0.06%
£36,451,909 / 0.03%	Alliance Trust Savings	£619,783,958 / 0.57%

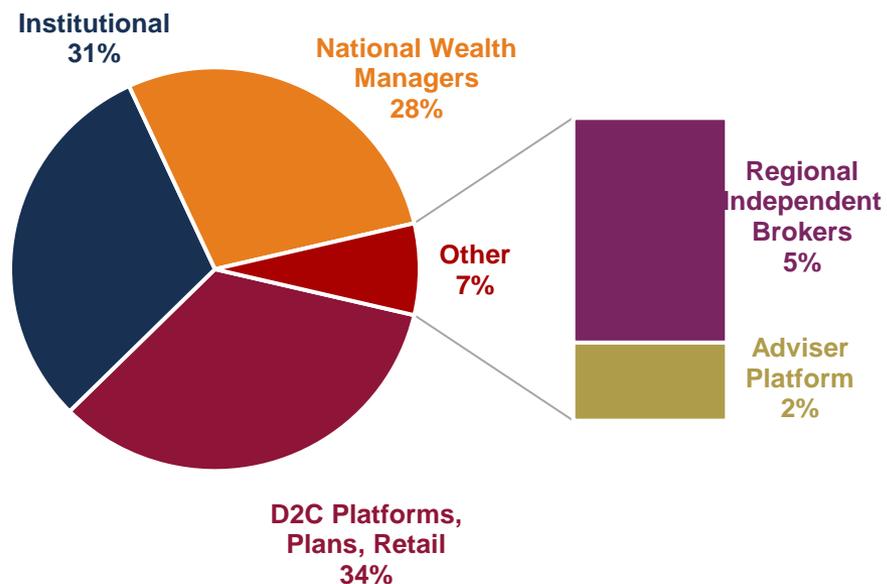
*Embark (Adviser Platform) purchased ATS (Adviser & D2C Platform) advisor business. Completed November 2020

Summary: ownership and buying liquidity the key indicators

RD:IR sector ownership ISC%, end 2020



2020 EX-MARKET CASH FLOW: £23 BILLION



Conclusions

- Institutions are not what they were long ago: activists are now 31%
- National wealth managers: many are still reducing sector exposure, year on year
- Regional independent wealth managers just 5% of AuM
- D2C through self-directed investors still the fast growing space – a third of cash flow, 34% of AuM
- Adviser platforms are small, 2%

Appendix

Eight year trend

Top groups: buyers and sellers

Eight year trend, platforms v professional audiences ISC%

Key segmentation	% 31 Dec 20	% 31 Dec 19	% 31 Dec 18	% 31 Dec 17	% 31 Dec 16	% 31 Dec 15	% 31 Dec 14	% 31 Dec 13
D2C Platforms, Plans	26.14	25.78	26.48	25.75	24.28	23.42	23.00	23.85
Adviser Platform	1.88	1.44	1.56	1.56	1.51	1.42	1.37	1.30
Institutions and Wealth Managers	71.98	72.78	71.96	72.69	74.21	75.16	75.64	74.84

RDIR broad topology type of Investor	% 31 Dec 20	% 31 Dec 19	% 31 Dec 18	% 31 Dec 17	% 31 Dec 16	% 31 Dec 15	% 31 Dec 14	% 31 Dec 13
Warhorse D2C								
Manager Share Plans	2.87	3.62	6.98	6.98	7.12	7.44	8.39	9.02
Self-directed D2Cs, certificated	32.46	30.56	28.11	28.44	27.05	26.29	25.03	23.03
	35.33	34.18	35.09	35.42	34.17	33.72	33.42	32.05
Warhorse Wealth Management								
Raw wealth Management	34.12	35.02	35.14	34.63	33.82	34.08	34.91	35.32
	34.12	35.02	35.14	34.63	33.82	34.08	34.91	35.32
Warhorse institutions								
Mutual Fund Manager	2.77	2.94	2.75	2.71	2.43	1.89	1.73	1.58
Asset Manager	11.01	10.77	10.12	9.93	10.37	10.04	9.81	10.45
Pension Fund Manager	6.84	7.17	7.03	7.62	8.30	9.18	9.01	9.34
Institution <3%	5.66	5.44	5.21	5.15	6.11	5.39	5.42	5.16
Insurance Fund Manager	4.28	4.48	4.67	4.53	4.79	5.71	5.70	6.10
	30.56	30.79	29.77	29.95	32.01	32.20	31.67	32.63

Top twenty investor groups since 2012

Top 20 Investors	%								
	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16	31 Dec 15	31 Dec 14	31 Dec 13	31 Dec 12
Hargreaves Lansdown, stockbrokers (EO)	8.67	7.56	5.62	5.08	4.08	3.73	2.95	2.75	2.19
Interactive Investor (EO)*	5.59	5.40	1.65	1.57	1.38	1.28	1.12	1.07	0.98
Rathbones	5.31	5.51	5.64	5.67	5.58	5.47	5.62	5.62	5.44
Brewin Dolphin, stockbrokers	3.49	3.80	4.12	4.17	4.31	4.86	5.53	5.72	5.45
Investec Wealth & Investment	3.18	3.53	3.65	4.14	4.18	4.42	4.35	4.25	4.08
BlackRock	2.90	2.66	2.49	2.48	2.55	2.58	2.45	2.59	2.49
Charles Stanley	2.69	2.78	2.89	2.91	2.72	2.55	2.55	2.60	2.53
AJ Bell, stockbrokers (EO)	2.22	1.98	1.85	1.43	1.10	0.99	0.71	0.51	0.26
City of London Investment Management	2.03	1.87	1.80	1.76	1.75	1.31	1.38	1.17	2.14
Smith & Williamson Wealth Management	1.91	1.86	1.75	1.67	1.57	1.56	1.53	1.50	1.49
Legal & General Investment Management	1.85	1.95	2.11	2.10	2.31	2.40	2.49	2.73	3.18
Quilter Cheviot Investment Management	1.70	1.67	1.71	1.66	1.61	1.61	1.64	1.79	1.76
HSDL, stockbrokers (EO)	1.58	1.57	1.54	1.71	1.86	1.64	1.65	1.77	1.83
Aberdeen Standard Investments	1.52	1.91	1.91	2.01	2.14	2.24	2.27	2.39	2.84
Lazard Asset Management	1.44	1.33	1.47	2.08	2.07	1.99	2.08	2.08	2.15
Fidelity (platform)	1.34	1.15	1.08	1.10	0.97	0.69	0.75	0.86	0.98
Wells Capital Management	1.18	0.96	1.09	1.17	1.36	1.08	0.74	0.50	0.44
JM Finn, stockbrokers	1.15	1.12	1.12	1.10	1.04	1.09	1.09	1.12	1.01
Canaccord Genuity Wealth Management (ND)	1.07	1.10	1.20	1.14	1.01	0.94	0.86	0.86	0.65
Vanguard Group	1.02	0.99	0.57	0.44	0.35	0.28	0.17	0.14	0.10

*Interactive Investor purchased the D2C business of Alliance Trust Savings October 2019