

Investment trusts changing ownership 2021: Report highlights for Financial Times

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

Warhorse Partners, 17 October 2022

<https://www.youtube.com/watch?v=1NP8joazII>

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. This report analyses share register data, trends and behaviours from over 225 UK-listed investment companies with a combined market value of £158 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

Findings

- The UK ownership structure of investment trusts is concentrated into three main buying cohorts: institutions, wealth managers and retail platform users, with each segment dominated by its top ten buying nominees
- D2C platforms used by self-directed investors have been the growing space in recent years
- Activists were 35% of top ten institutional investors in 2021, indexers over 30%
- National wealth managers: many are still reducing their sector exposure year on year, in issued shared capital terms
- Regional independent wealth managers account for just 5% of AuM
- Adviser platforms remain small, 2%
- The ownership buying pattern in 2021 saw institutions slightly ahead of D2C platform owners for the year, buying volumes slightly down

Context of the RD:IR investment trust universe

The RD:IR universe represented 67% of the AIC investment trust sector by number of trusts and 66% by value at the end of 2021. The RD:IR universe in 2021 was 225 trusts with a total value of £158bn at end of 2021. This rose from £109 bn in 2020.

The weighted average share price total return for investment companies was +13% last year in 2021. <https://www.theaic.co.uk/aic/news/press-releases/top-performing-investment-company-sectors-in-2021>

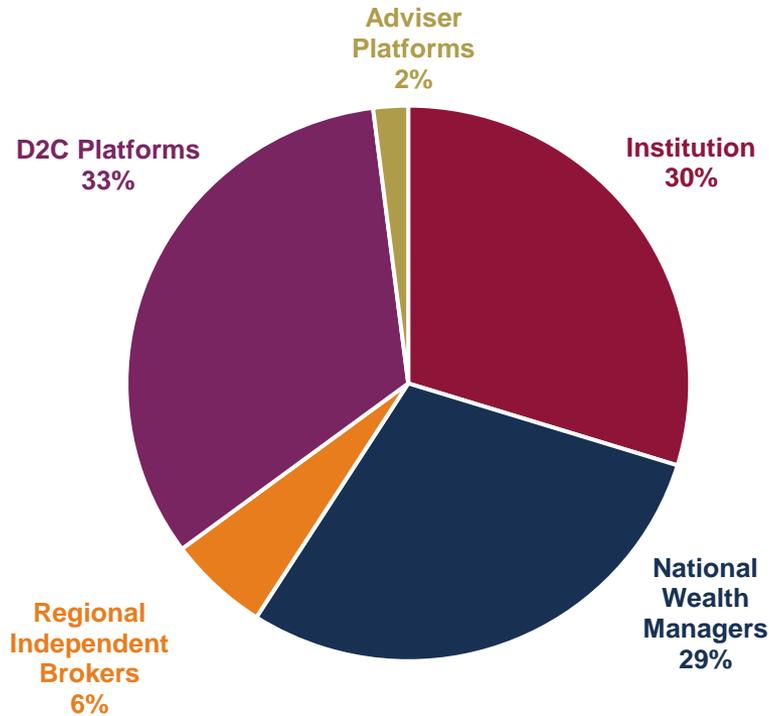
According to the AIC's website, there are currently 382 investment companies at present (including VCTs) representing assets of £262 bn as at 30 September 2022.

Changing investment trust sector 2021

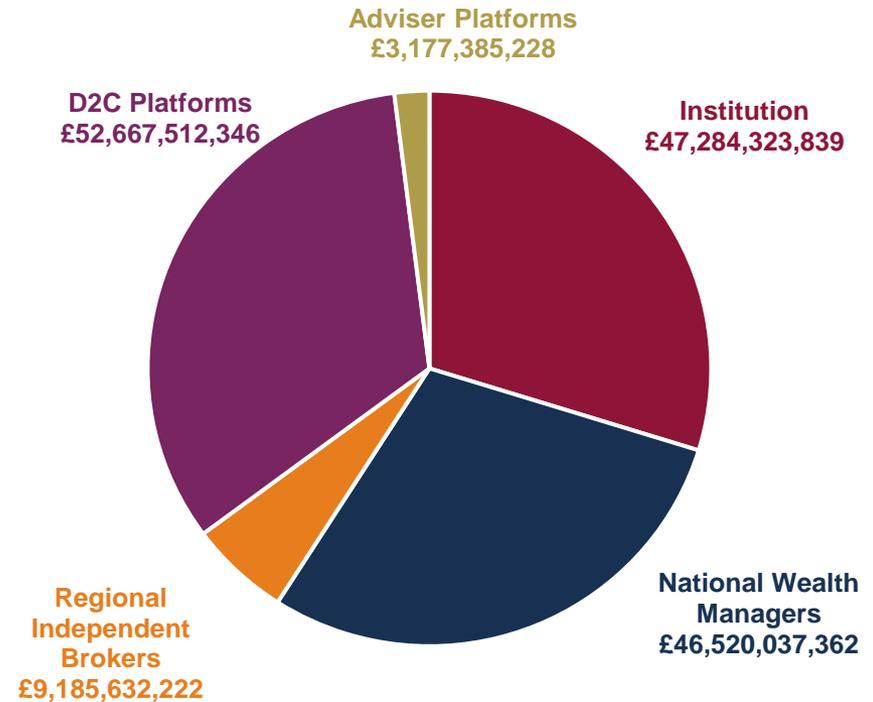
- **D2C and self-directed** investors still the growing space : 33% of the universe
 - £53bn by end 2021, 2020: £46bn (£38bn in 2019)
- **Institutional** owners concentrated, presence of activists and indexers :30% of the universe
 - £47bn at end of 2021, £41bn 2020 (£33bn n 2019) AuM, top ten holders dominate, indexers 40% of top ten
- **National wealth managers** saw many still reducing sector exposure: 29% of sector ownership[
 - £46bn end of 2021, £38bn 2020 (£32bn in 2019)
- **Regional independent brokers** 7% of sector ownership
 - £9bn by end 2021, £7bn (£6bn in 2020) Raymond James growing
- **Adviser platforms** were small, 2% of overall ownership
 - £3.2 bn in 2021, v 1.35bn 2020 v £1.5 bn AuM in 2019

RD:IR IT universe 2021: ownership by shareholder type: £159bn

RD:IR sector ownership ISC%, end 2021



Ownership by £ value, end 2021

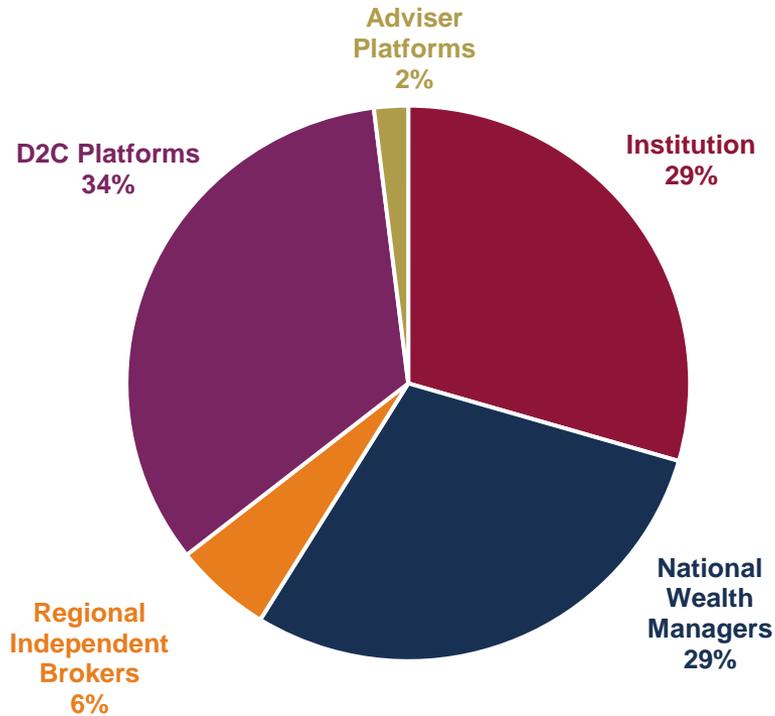


RD:IR analyses over 60% of all investment trusts at a granular level

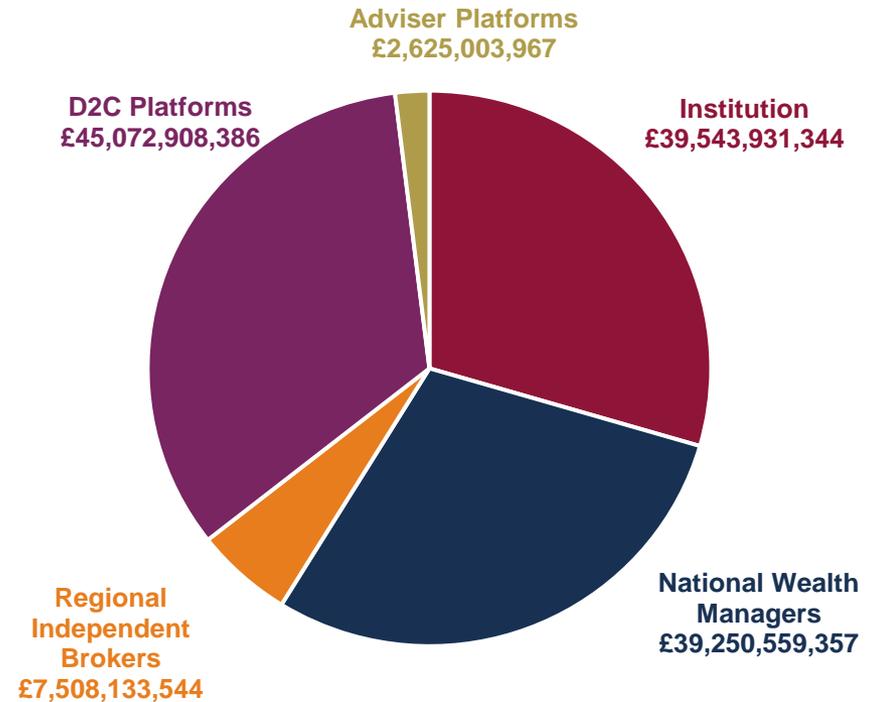
Source: Richard Davies Investor Relations/ Warhorse Partners topology

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

RD:IR sector ownership ISC%, end 2020



Ownership by £ value, end 2020

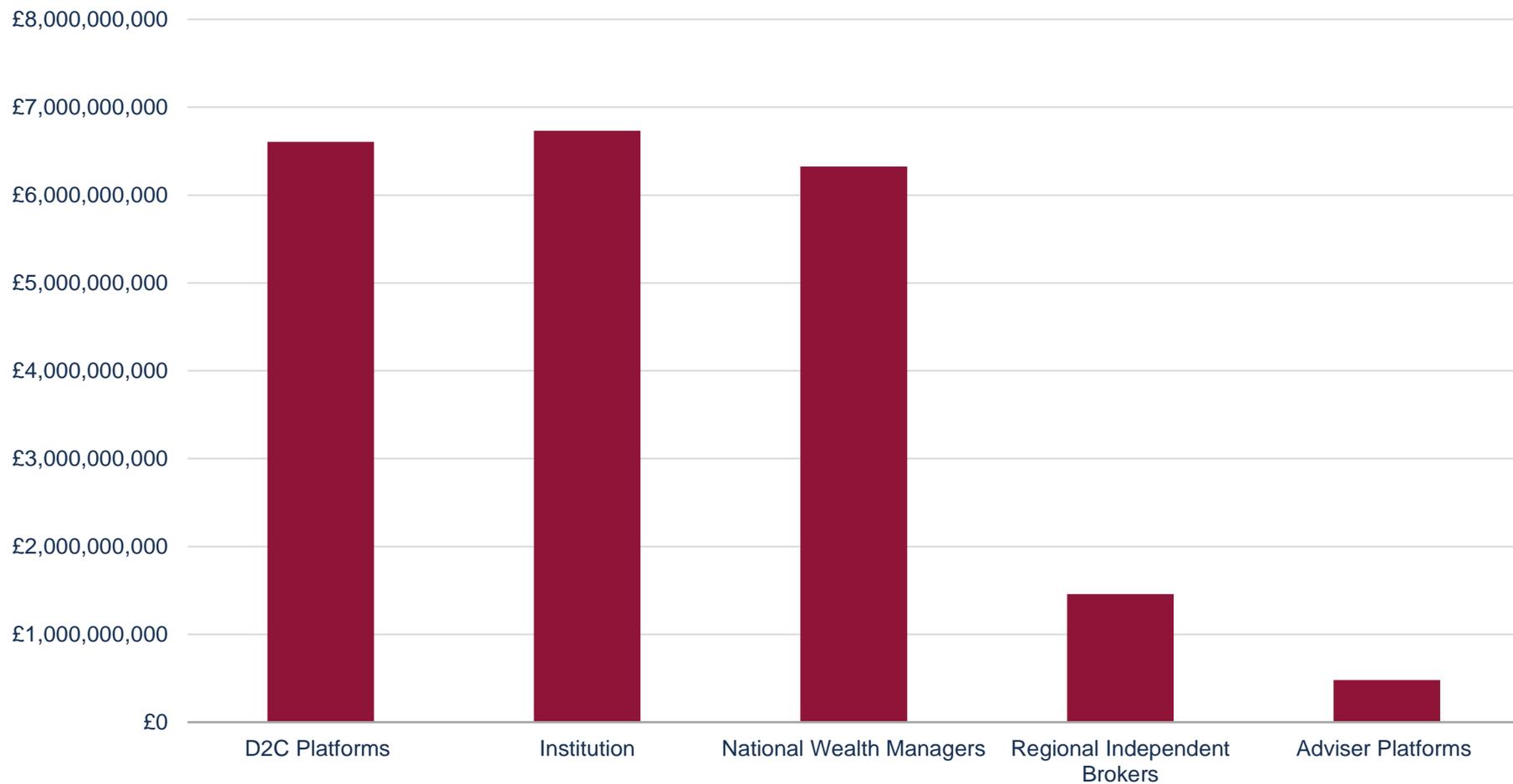


RD:IR analyses over 60% of all investment trusts at a granular level

Source: Richard Davies Investor Relations/ Warhorse Partners topology

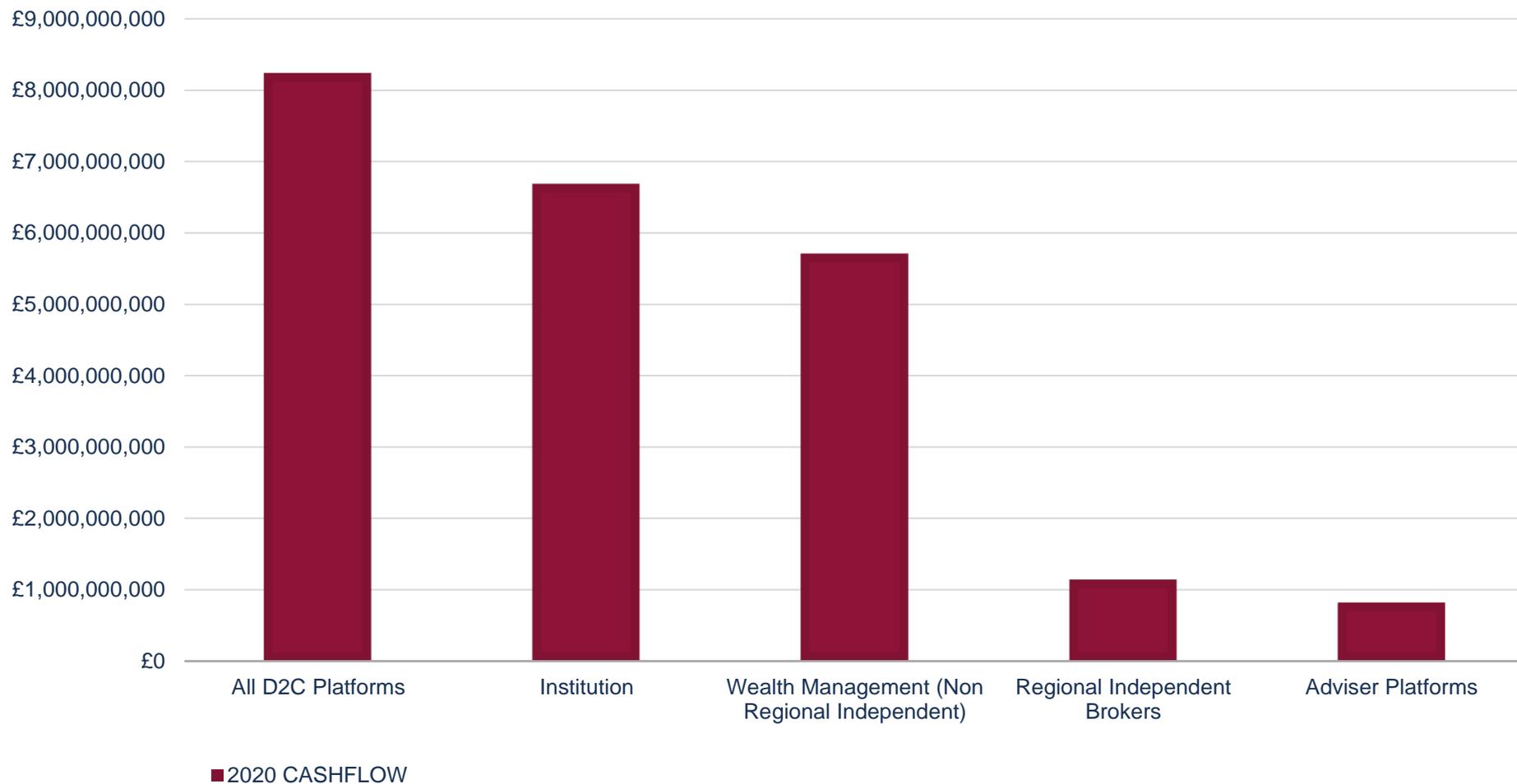
Fund flow ex performance 2021 by investor group (£21.6bn)

Annual 2021 growth excl ave performance



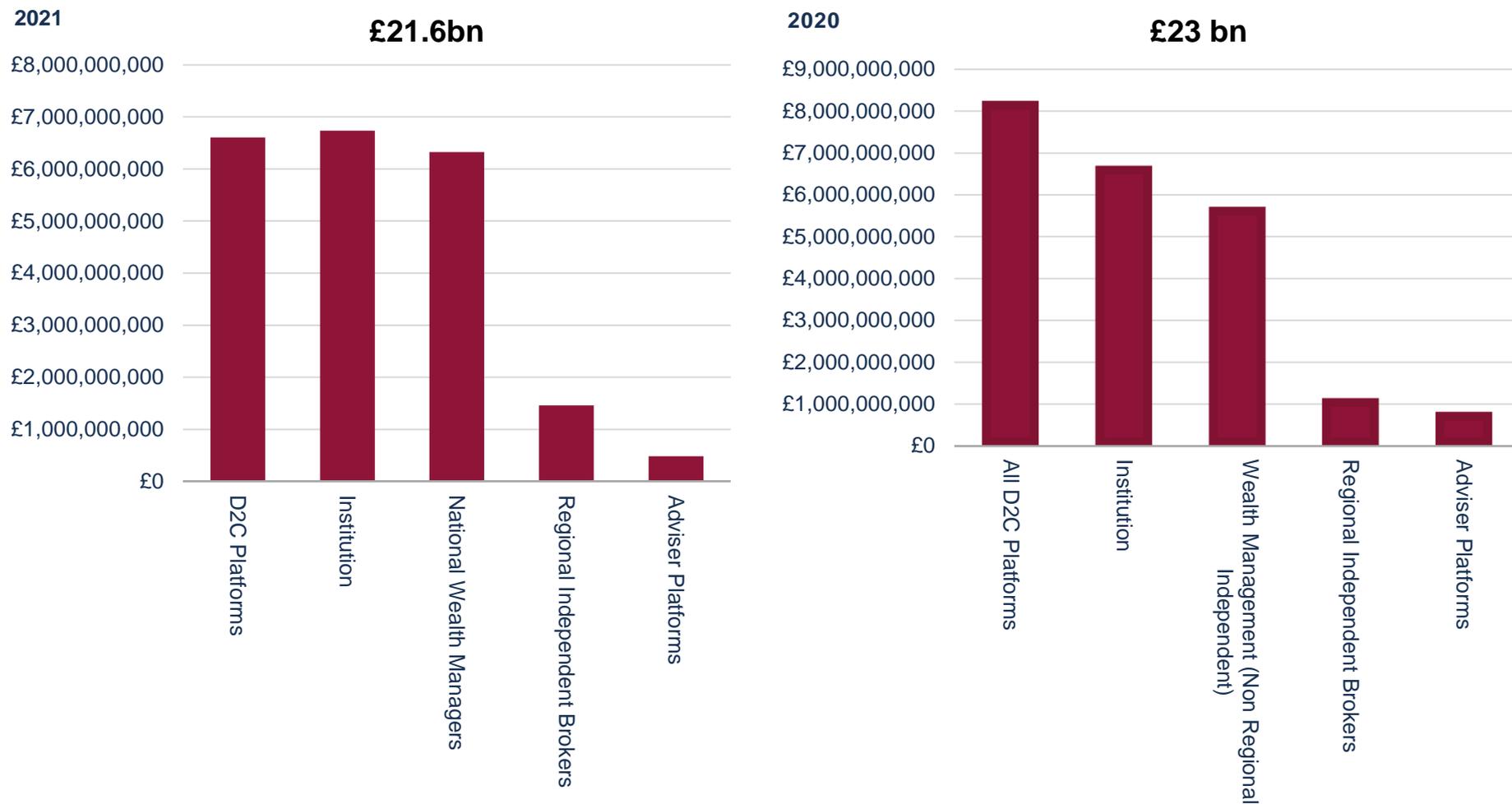
Fund flow ex performance 2020 by investor group (£23bn)

2021 CASHFLOW

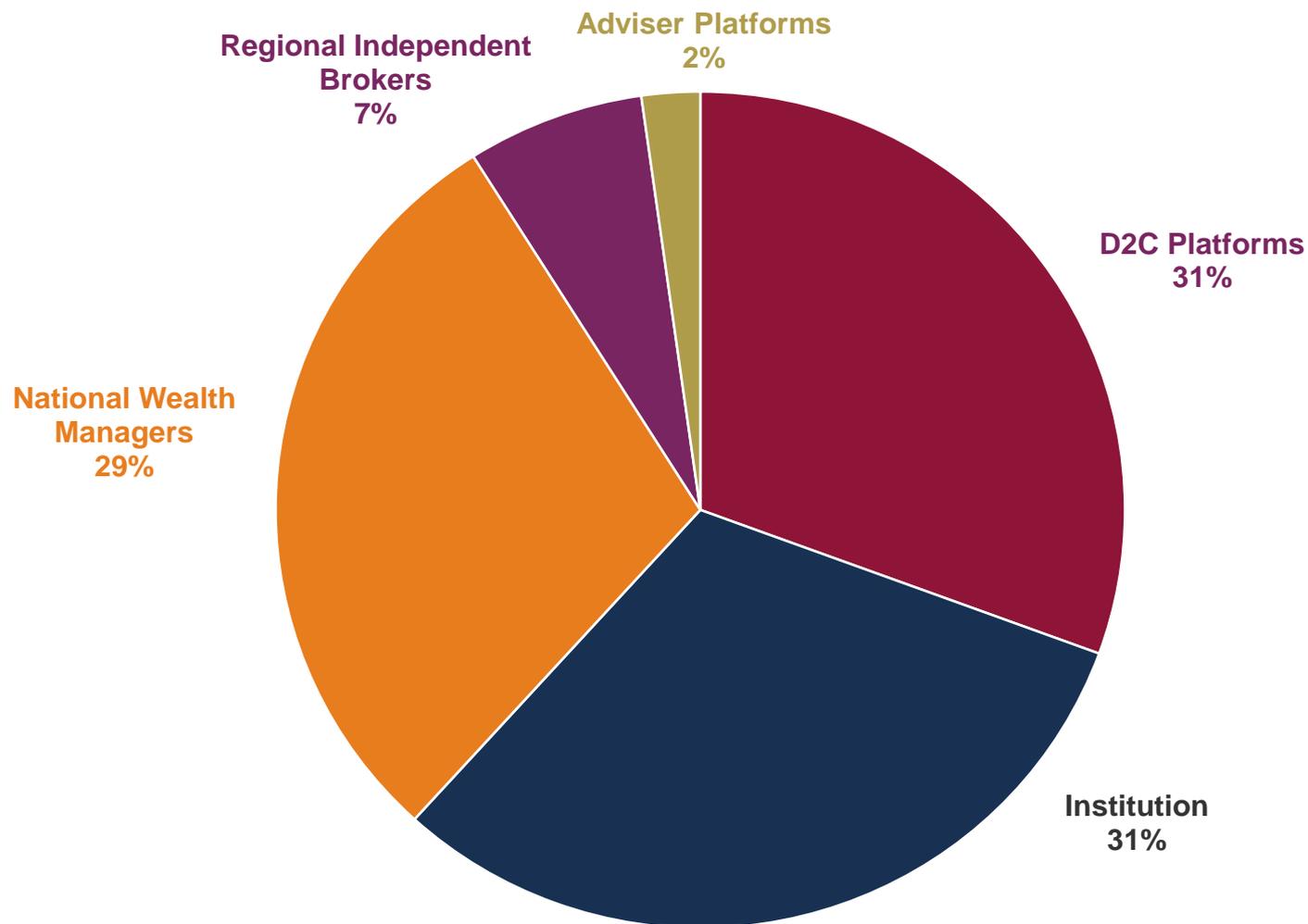


Fund flow ex performance 2021 by investor group (£21.6bn)

Annual 2021 v 2020 growth excl average annual performance

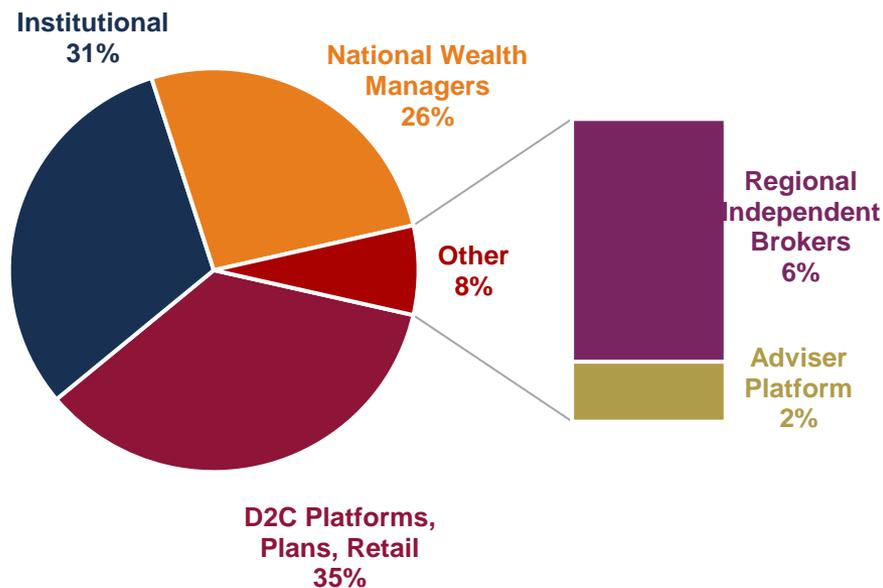


Cash inflow by percentage by investor group 2021 (£21.6bn)

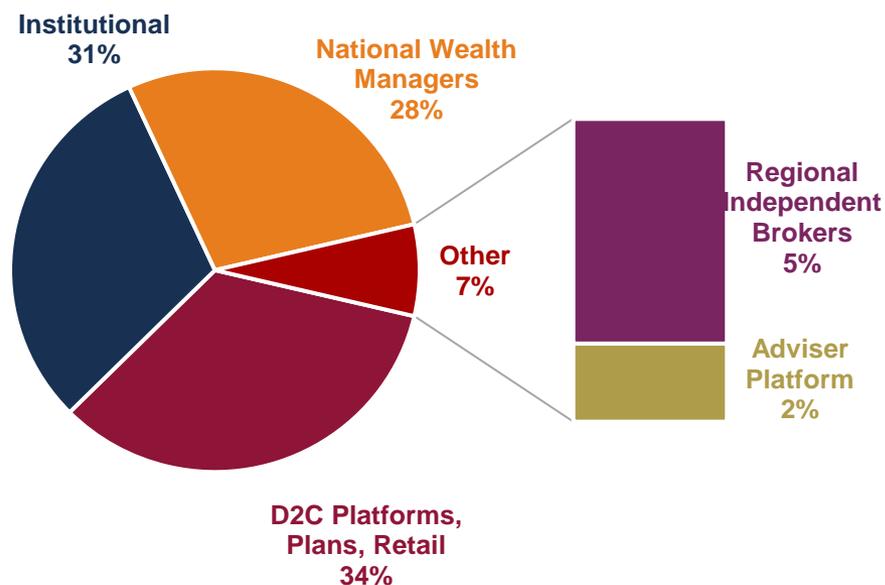


D2C were the dominant single growth segment in 2020

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 35% of top buying 10 institutions, indexers also 35%

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

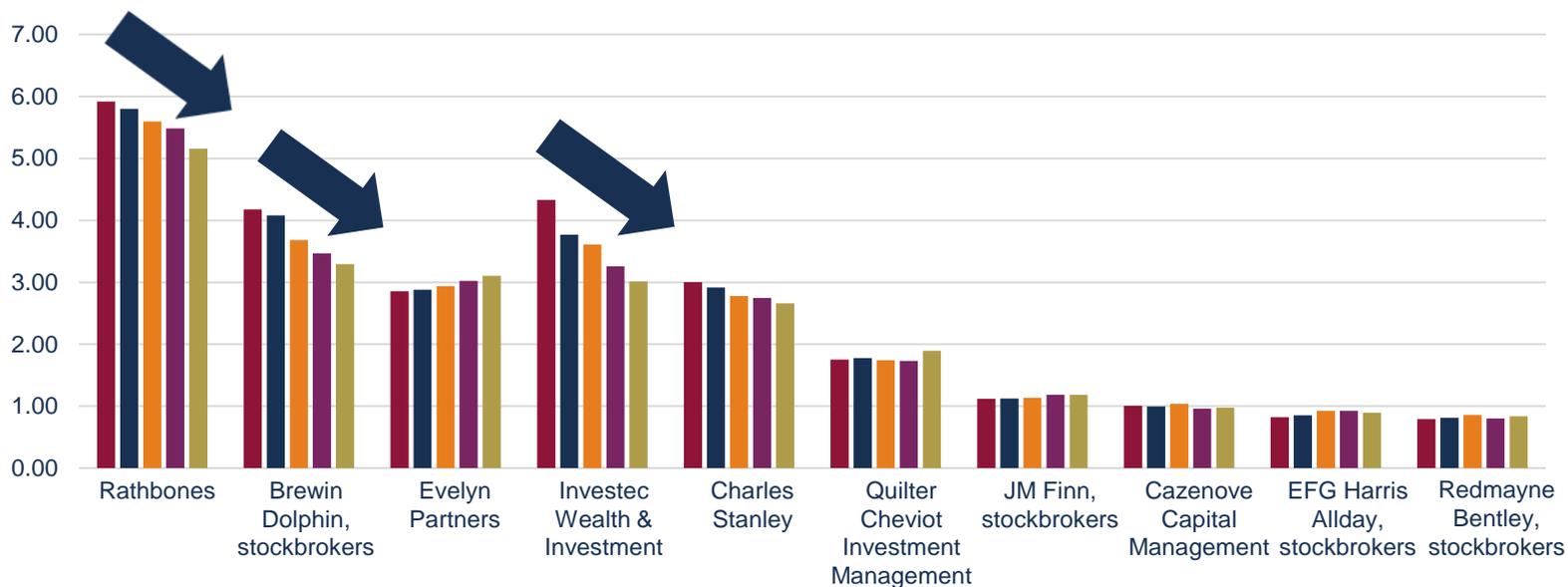
Institution	Dec 2021 £ RD:IR Stable	Dec 2021 % RD:IR Stable	Dec 2020 £ RD:IR Stable	Dec 2020 % RD:IR Stable	Change > £50m
BlackRock	4,200,791,579	2.64	3,830,401,057	2.86	370,390,522
City of London Investment Management	2,756,571,538	1.74	2,638,882,188	1.97	117,689,350
abrdn	2,184,918,864	1.38	2,029,022,521	1.51	155,896,343
Allspring Global Investments	1,732,511,838	1.09	1,620,294,053	1.21	112,217,785
Vanguard Group	1,723,319,979	1.08	1,378,276,871	1.03	345,043,108
M&G Investments	1,383,246,740	0.87	1,233,025,697	0.92	150,221,043
Close Brothers Asset Management	1,154,057,069	0.73	869,286,638	0.65	284,770,431
1607 Capital Partners	1,139,992,934	0.72	1,026,607,797	0.77	113,385,138
Columbia Threadneedle Investments	892,613,795	0.56	690,668,482	0.52	201,945,312
Baillie Gifford	879,652,865	0.55	709,062,657	0.53	170,590,208
Top ten holders by change	£18,047,677,201	11.36%	£16,025,527,960	11.96%	£2,022,149,241

Source; Richard Davies Investor Relations/ Warhorse Partners topology

The trend still not favouring growth from the national WMs

Investec Wealth, Brewin, Rathbone reducing sector exposure (% ISC)

National Wealth Managers leaderboard 2017-2021



■ Dec 17 % RD:IR Stable	5.92	4.18	2.86	4.33	3.00	1.75	1.12	1.01	0.82	0.79
■ Dec 18 % RD:IR Stable	5.80	4.08	2.88	3.77	2.92	1.78	1.12	0.99	0.85	0.81
■ Dec 19 % RD:IR Stable	5.60	3.68	2.94	3.61	2.78	1.74	1.13	1.04	0.92	0.86
■ Dec 20 % RD:IR Stable	5.48	3.47	3.02	3.26	2.75	1.73	1.19	0.96	0.93	0.80
■ Dec 21 % RD:IR Stable	5.16	3.30	3.11	3.01	2.66	1.90	1.19	0.98	0.89	0.84

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, others see ongoing reduction in ISC%

National wealth manager top ten by growth, in absolute value 2021

Wealth Management (Non Regional Independent)	Dec 2021 £ RD:IR Stable	Dec 2021 % RD:IR Stable	Dec 2020 £ RD:IR Stable	Dec 2020 % RD:IR Stable	Change > £50m
Rathbones	8,191,431,379	5.16	7,346,071,259	5.48	845,360,120
Brewin Dolphin, stockbrokers	5,234,425,221	3.30	4,643,965,016	3.47	590,460,205
Evelyn Partners	4,933,805,280	3.11	4,052,373,258	3.02	881,432,022
Investec Wealth & Investment	4,786,764,901	3.01	4,367,464,193	3.26	419,300,708
Charles Stanley	4,229,038,484	2.66	3,681,567,817	2.75	547,470,668
Quilter Cheviot Investment Management	3,010,991,563	1.90	2,318,118,046	1.73	692,873,516
JM Finn, stockbrokers	1,883,481,668	1.19	1,590,281,388	1.19	293,200,280
Cazenove Capital Management	1,552,623,083	0.98	1,290,375,950	0.96	262,247,133
EFG Harris Allday, stockbrokers	1,418,437,119	0.89	1,239,708,220	0.93	178,728,899
Redmayne Bentley, stockbrokers	1,331,666,103	0.84	1,075,587,982	0.80	256,078,121
Top ten holders by change	£36,572,664,802	23.03%	£31,605,513,129	23.59%	£4,967,151,672

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

D2C channel is concentrated: but £6.6bn of positive net flows in 2021

	Dec 2021 £ RD:IR Stable	Dec 2021 % RD:IR Stable		Dec 2021 £ RD:IR Stable	Dec 2021 % RD:IR Stable
Hargreaves Lansdown, stockbrokers (EO)	14,095,411,578	8.87	FundsDirect, stockbrokers (EO)	360,912,749	0.23
Interactive Investor (EO)	11,202,356,806	7.05	Interactive Brokers (EO)	284,551,453	0.18
Saving Plans	4,560,906,778	2.87	Jarvis Investment Management (EO)	283,302,921	0.18
AJ Bell, stockbrokers (EO)	3,852,389,692	2.43	Quilter International	249,133,321	0.16
HSDL, stockbrokers (EO)	2,573,428,368	1.62	Corporation of Lloyds	226,575,125	0.14
Fidelity (platform)	2,161,616,066	1.36	James Sharp, stockbrokers	215,248,162	0.14
Canaccord Genuity Wealth Management (ND)	1,775,174,017	1.12	IG Markets, stockbrokers (EO)	143,859,682	0.09
Barclays Smart Investor (EO)	1,428,998,498	0.90	Saunderson House	134,988,670	0.08
Winterflood Platform Services	545,990,307	0.34	ASB Securities (EO)	88,474,399	0.06
EQi, stockbrokers (EO)	378,239,753	0.24	Idealing, stockbrokers (EO)	82,812,270	0.05

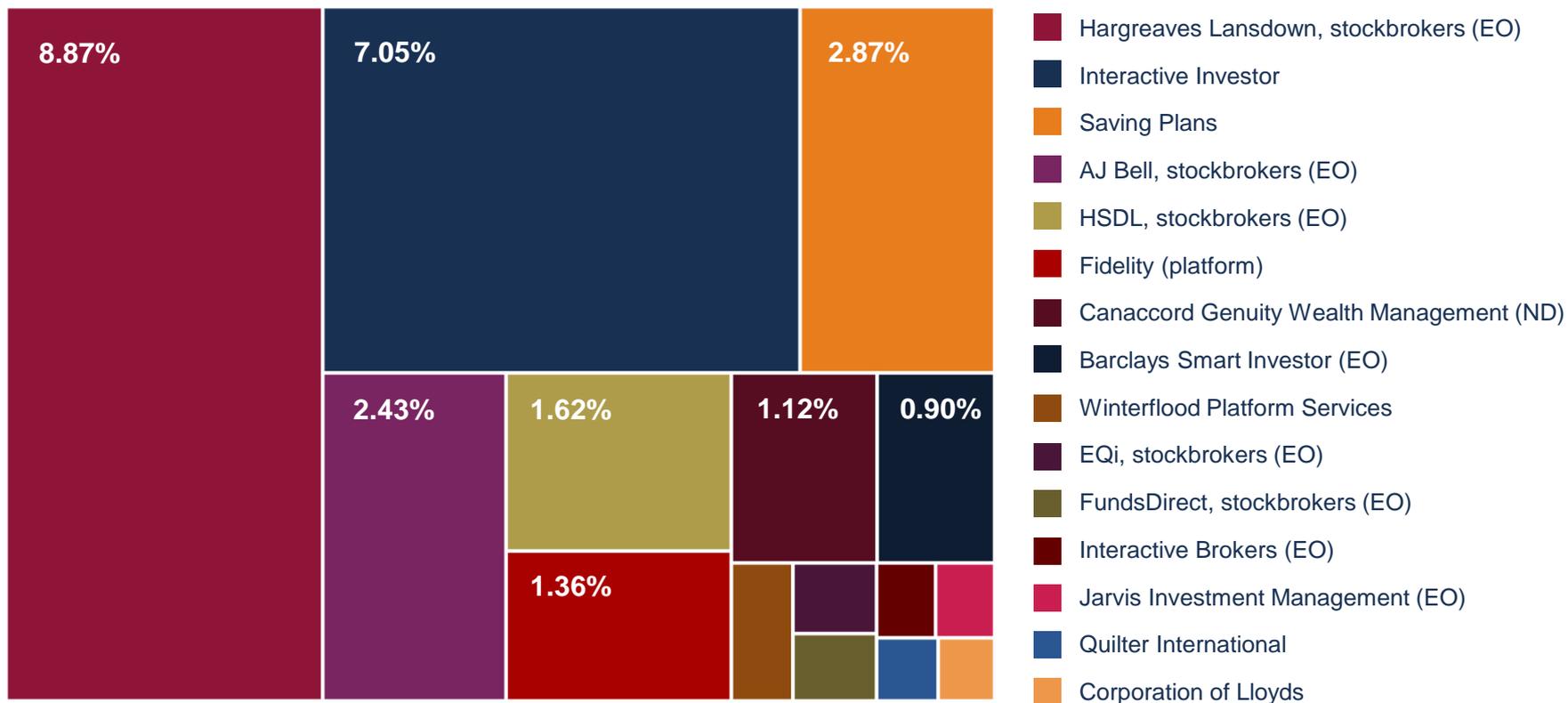
The top five platforms and retail outlets account for over 60% of its AuM,

*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

Vantage (HL) and ii.co.uk lead the D2C platform cohort (ISC%)

Direct Platforms, Plans and Self-Directed investors



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

Top twenty regional wealth managers by penetration and region

RDIR Category	Region	Dec 2021 % RD:IR Stable	Dec 2021 £ RD:IR Stable	Dec 2020 % RD:IR Stable	Dec 2020 £ RD:IR Stable
EFG Harris Allday, stockbrokers	Birmingham	0.89	1,418,437,119	0.93	1,239,708,220
Redmayne Bentley, stockbrokers	Leeds & N East	0.84	1,331,666,103	0.80	1,075,587,982
Raymond James Investment Services	Regional Offices (Raymond James)	0.59	941,386,890	0.50	668,018,097
Brewin Dolphin Ireland	Ireland	0.55	865,865,933	0.53	707,386,046
WM Thomson	Scotland	0.35	550,005,965	0.34	453,330,495
Ravenscroft	Channel Islands	0.23	360,119,410	0.19	253,094,364
Rowan Dartington, stockbrokers	Bristol	0.22	354,638,132	0.19	247,931,158
Hawksmoor Investment Management	Exeter	0.21	326,836,051	0.17	225,391,806
Wesleyan Assurance	Birmingham	0.19	297,031,785	0.20	263,211,004
Pilling, stockbrokers	Manchester	0.16	255,941,616	0.16	213,332,446
Davy Private Clients	Ireland	0.16	251,178,538	0.12	154,436,068
Brown Shipley	Manchester	0.15	243,595,661	0.18	243,179,900
Albert E Sharp, stockbrokers	Birmingham	0.14	224,573,643	0.13	177,241,985
James Sharp, stockbrokers	Manchester	0.14	215,248,162	0.14	185,946,736
Rossie House Investment Management	Scotland	0.13	211,927,616	0.12	164,709,612
Barratt & Cooke, stockbrokers	Norfolk	0.13	205,625,805	0.13	179,374,767
WH Ireland, stockbrokers	Manchester	0.12	185,933,549	0.13	168,092,428
Gore Browne Investment Management	Salisbury	0.08	131,809,354	0.09	121,198,371
Cantor Fitzgerald Ireland	Ireland	0.08	121,167,576	0.04	48,524,055
Adam & Co Wealth Management	Scotland	0.07	106,388,622	0.16	220,391,666

Advisor Platform 2021 vs 2020

Dec 2021 £ / % RD:IR Stable	Advisor Platform	Dec 2020 £ / % RD:IR Stable
£1,447,362,997 / 0.91%	Transact (EO)	£1,191,416,390 / 0.89%
£1,205,427,381 / 0.76%	Embark Investment Services (EO)*	£684,754,810 / 0.51%
£314,058,765 / 0.20%	Standard Life Wrap (Platform)	£258,320,773 / 0.19%
£68,878,542 / 0.04%	Brewin Dolphin, stockbrokers (ND)	£55,806,859 / 0.04%

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