Warhorse Dianomi Survey: self-directed investors research and buy investment trusts on their own terms

Piers Currie and Robert Quinlan, Warhorse Partners Limited, 31 May 2022

Self-directed investors using direct-to-consumer (D2C) platforms are the growing, significant source of investment trust ownership, accounting for around one third of shares in total. They are typically longer-term investors and crucial for balanced, sustainable investment trust structures.

This 2021 Warhorse Dianomi survey, released today, is instructive about guiding manager and board priorities in investment trust marketing and the deployment of resources to reach the elusive self-directed audience. The survey findings, to some extent, warn of the opportunity costs of dead ends, channels with limited audience exposure or appeal. This highlights that paid-for media may well be necessary to engage this core buying audience, on their own terms, in their own time.

Respondents to the survey find the impact of statutory events such as AGMs and annual reports have limits in reaching and engaging them. The survey also indicates the possible recruitment costs of a youth market may be prohibitive, or an opportunity cost too far for limited manager resources, especially when trying to service core buyers.

A majority of investors hold more than six investment trusts in their portfolios. A sizable minority have portfolios of £500,000 or more. These are compelling reasons to engage, actively and competitively, to add value to the experience of core investors. Many marketing measures in isolation, however, such as “clicks”, “impressions” and other online analytics, can fail to offer an integrated insight of marketing impact and reach during the investor journey.

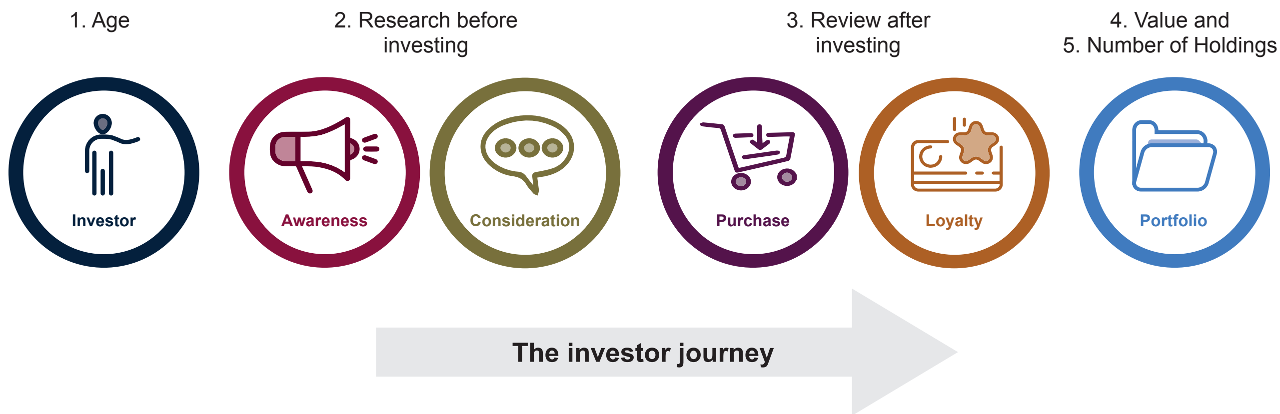
Methodology

In 2021, Warhorse Partners and Dianomi, the investor-focused advertising platform, surveyed self-directed investors using D2C platforms to invest in investment trusts. We contacted 600 users online, readers of five major websites: Evening Standard, The Independent, CNN, The Times and Reuters. We asked five questions about their investment trust holdings in trading accounts, SIPPs and ISAs and 188 people responded to all questions.

The answers provide important marketing insights for boards and managers to establish and sustain a connection with these investors.

Conclusion

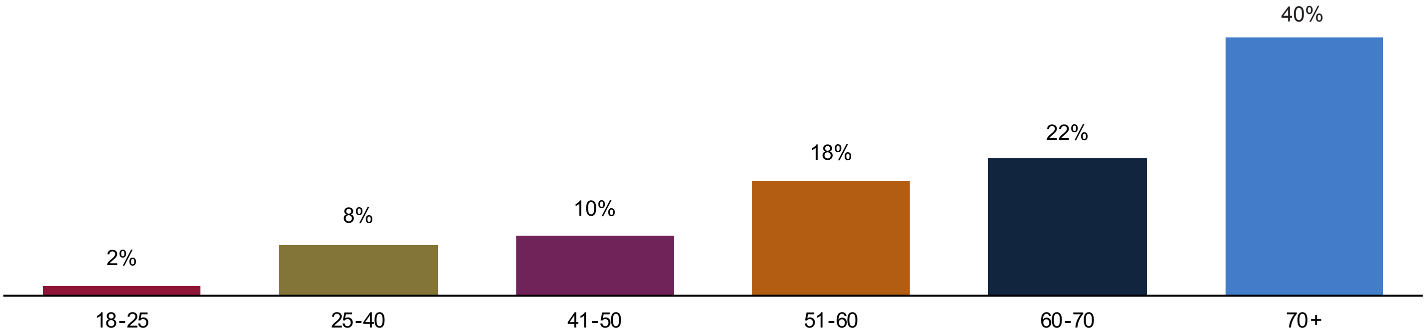
Our survey highlights specific investor attributes and behaviours. They are older, roam widely when researching and reviewing their investments and often have sizeable, multiple holdings. The challenge for boards and managers is to connect with D2C investors and deliver what they want, where they want it and when they want it. Given investor journeys are online and with weakening links to named investors or enquirers, there can be a disconnection unless mindfully considered. An integrated programme, with bespoke, persistent marketing, is required to establish a meaningful connection with this valuable group of investors.



1. What is your age?

Investment trusts are predominantly owned by older investors; 80% are aged 51 or older.

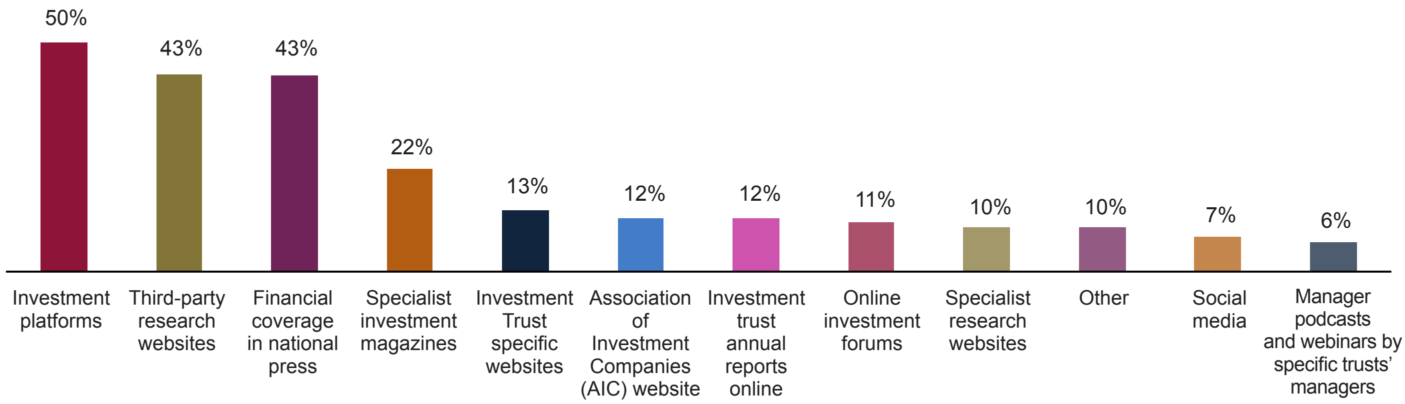
Older investors have surplus capital to invest and investment trusts are a vehicle of choice to foster and protect retirement assets. This group has the time to conduct research prior to investing and typically carefully research and review their investments. They use a wide range of online and traditional sources of information, tuned to their individual preferences and needs. Marketing therefore needs to be precise, aligned to the older investor profile and investing habits.



2. Where do you primarily research investment trusts before investing?

When researching investment trusts, half of investors use online platforms, such as Interactive Investor and Hargreaves Lansdown. However, around 40% also use third-party websites, such as Trustnet and Morningstar and also refer to the influence of financial coverage in the national press, for example, the Telegraph, The Times and the Mail on Sunday.

Traditional media is still important to many individuals investing in investment trusts. Older investors are typically less reliant on social media than younger investors. Marketing therefore needs to leverage traditional as well as online media to reach investment trust investors. Indirect marketing, such as press relations, is therefore important. However, press relations, described as “earned media”, is typically insufficient alone to engage self-directed investors fully, nor is it consistent and controllable. Persistency of coverage is also important given investors are typically longer-term holders. Statutory materials, such as annual reports and even trust-specific websites, however can have less impact and reach, before investment, than other sources.



3. Where do you primarily review and monitor your investment trust holdings after investing?

Over 60% of investors use platforms, but around 25% also refer to annual reports, fact sheets and regulatory announcements. Despite board enthusiasm to encourage greater attendance in person, AGMs are not widely popular.

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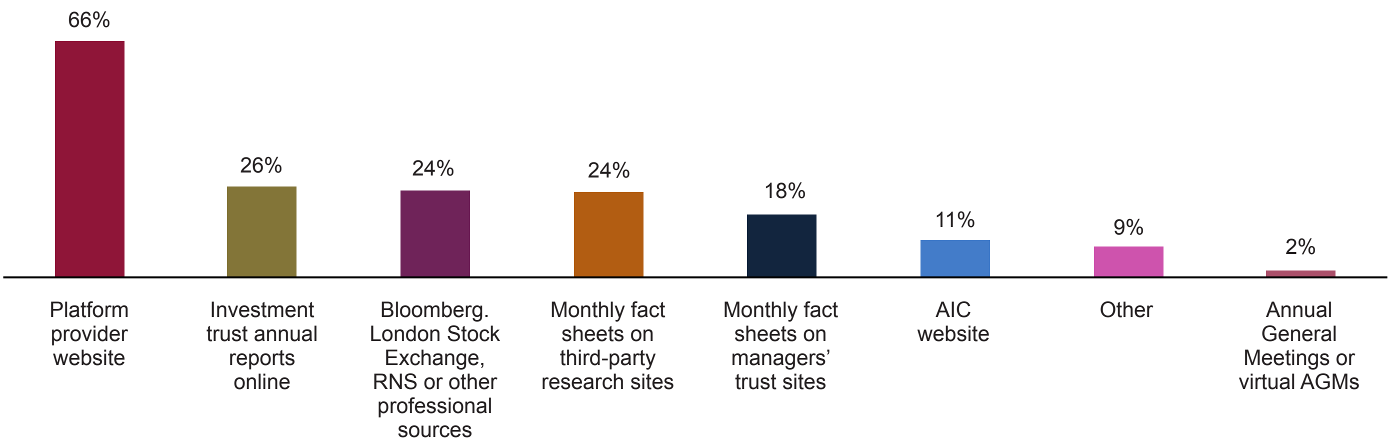
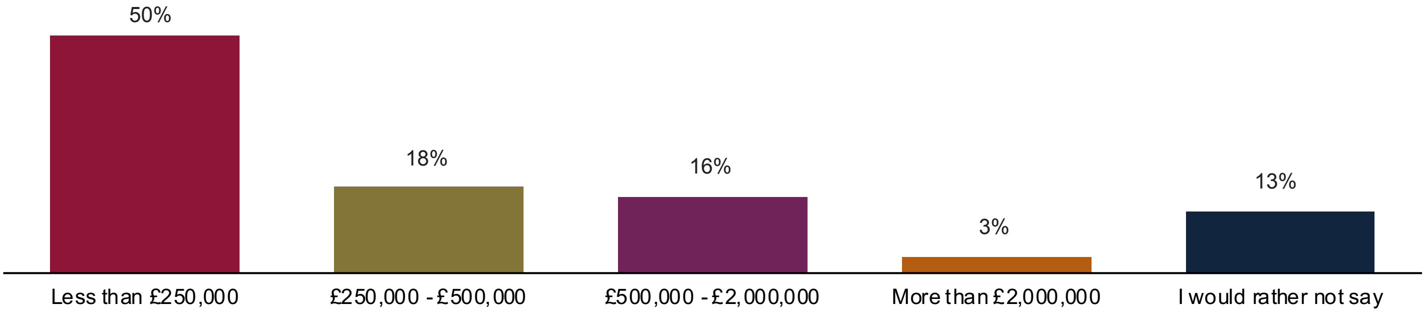


4. What is the approximate value of your investment trust holdings?

Holdings vary significantly among investors. Half of investors have investment holdings valued at less than £250,000. However, over 30% have holdings between £250,000 and £2 million.

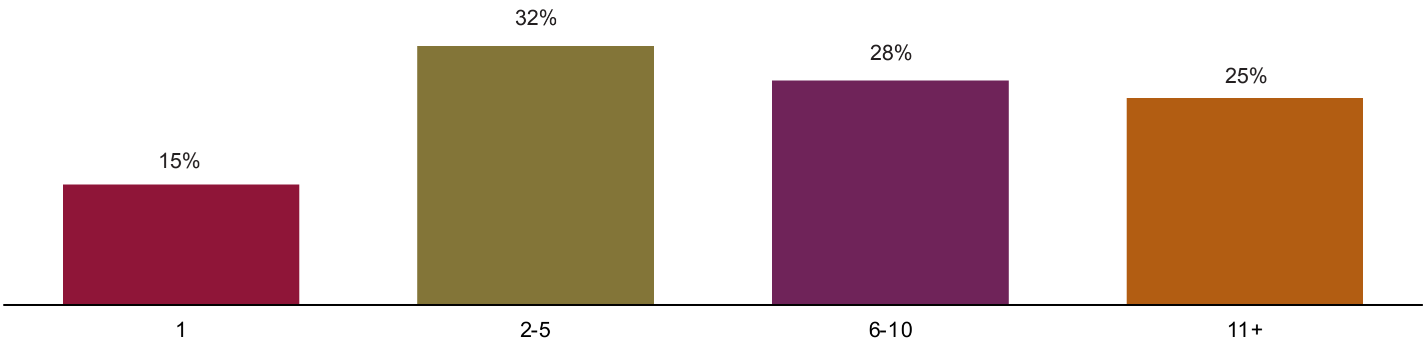
This reflects the fact that older investors account for a significant proportion of investment trust ownership, in line with national wealth dispersal. Given sizable investment trust holdings, marketing needs to be clear, insightful, differentiated and consistent.



5. What is the number of holdings in your investment trust portfolio?

Most investors responding have multiple holdings of investment trusts. A quarter have eleven or more. Investment diversification is clearly a consideration in decision-making.

Multiple holdings are partly a reflection of the fact that investment trust investors are older, with a conservative approach to risk management compared to younger investors. Given multiple holdings, marketing needs to ensure investors have a clear understanding of where particular trusts fit into their portfolios and broader investment strategies. For example, positioning as part of a “core/satellite” strategy, or to provide access to a particular asset class.



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