

Investment Trust sector: top buyers, sellers and platforms 2018

RDIR data analysis, Warhorse insight

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Introduction

According to RD:IR, the public company register analysts, self-directed private investors using D2C platforms now own between a quarter and a third of investment trusts' issued share capital. More powerfully perhaps in the short term, as a group they can account for between half and three-quarters of all positive annual share purchases.

Understanding this group's varied constituencies, preferences and behaviours are more challenging than the once simple world in which a small group of large institutional investors judged "performance" through simpler metrics.

Buyers, sellers, holders, the investment trust sector 2018

- Just under 50% of all buying of investment trust shares in 2018 was undertaken by private investors via D2C platforms.
- D2C platforms now have 25% of overall sector assets under administration.
- This is dominated by Hargreaves Lansdown Vantage Platform, who accounted for a meaty 30% of all D2C platform buying in 2018. They were followed by broker platforms from AJ Bell with 9% and then Interactive Investor representing 8% of the top investment trust buyers in 2018.
- In terms of ownership, the largest owning “platform” remains fund managers’ own savings schemes and ISA wrappers. Although slightly declining in recent years, these still represent a chunky 7.8% ownership of sector assets, some £6.5 billion, around £1.2 billion more than Hargreaves at £4.7 billion at year end.
- With Interactive Investor announcing the acquisition of Alliance Trust Savings in 2019, these combined account for over £5 billion of investment trusts AuA.
- By contrast to D2C platforms, which have £21 billion of investment trust assets under their administration (25.18% of sector assets), adviser platforms represent a small group, just £2.3 billion (2.82% of sector assets).
- The most significant adviser platform is Transact which accounts for £694 million of investment trusts assets under administration.
- Some key wealth managers have been reducing their overall sector exposure (eg Brewins, Investec Wealth)

Top 20 buyers: investment trust sector 2018

Top 20 Buyers Dec 2018 - Dec 2017	Type	%	%	% of top		D2C
		31-Dec-18	31-Dec-17	Change	buyers	
Hargreaves Lansdown, stockbrokers (EO)	D2C platform	5.68	5.15	0.52	28.80%	28.80%
AJ Bell, stockbrokers (EO)	D2C platform	1.84	1.42	0.42	9.35%	9.35%
UBS Wealth Management	Wealth Manager	0.31	0.17	0.14	1.59%	
Vanguard Group	Asset Manager	0.56	0.43	0.13	2.82%	
Mattioli Woods	Pension	0.53	0.41	0.12	2.71%	
Baillie Gifford	Asset Manager	0.45	0.34	0.11	2.28%	
Transact (EO)	IFA platform	0.83	0.74	0.10	4.23%	
Border to Coast Pensions Partnership*	Pension	0.10	0.00	0.10	0.51%	
Raymond James Investment Services	IFA platform	0.42	0.33	0.09	2.16%	
Interactive Investor (EO)	D2C platform	1.65	1.57	0.09	8.39%	8.39%
M&G Investment Management	Asset Manager	0.82	0.75	0.08	4.18%	
Smith & Williamson Wealth Management	Wealth Manager	1.75	1.67	0.08	8.86%	
EFG Harris Allday, stockbrokers	Wealth Manager	0.86	0.79	0.07	4.35%	
Investec Wealth & Investment Ireland	Wealth Manager	0.31	0.25	0.06	1.57%	
Canaccord Genuity Wealth Management (ND)	Wealth Manager	1.22	1.17	0.06	6.21%	
Quilter Investors	Wealth Manager	0.81	0.76	0.06	4.13%	
1607 Capital Partners	Asset Manager	0.86	0.80	0.06	4.34%	
Newton Investment Management	Asset Manager	0.28	0.23	0.05	1.41%	
PGGM	Pension	0.05	0.00	0.05	0.26%	
FundsDirect, stockbrokers (EO)	D2C platform	0.36	0.31	0.05	1.84%	1.84%
		19.71	17.28	2.43		48.38%

Source: Richard Davies Investor Relations, March 2019

Top 20 sellers: investment trust sector 2018

Top 20 Sellers Dec 2018 - Dec 2017		31-Dec-18	31-Dec-17	Change
Lazard Asset Management	Asset Manager	1.48	2.10	-0.62
Investec Wealth & Investment	Wealth Manager	3.89	4.18	-0.29
Barclays Smart Investor (EO)	D2C platform	1.00	1.23	-0.23
HSDL, stockbrokers (EO)	D2C platform	1.54	1.71	-0.17
East Riding of Yorkshire**	Pension	0.25	0.41	-0.17
Cazenove Capital Management	Wealth Manager	0.93	1.06	-0.13
South Yorkshire Pension Authority**	Pension	0.07	0.19	-0.12
Aberdeen Standard Investments	Asset Manager	1.85	1.95	-0.10
Alliance Trust Savings	D2C platform	3.94	4.02	-0.09
Speirs & Jeffrey, stockbrokers	Wealth Manager	1.95	2.03	-0.08
JPMorgan Asset Management	Asset Manager	0.54	0.62	-0.07
Wells Capital Management	Asset Manager	1.16	1.23	-0.07
BMO Global Asset Management (UK)	Asset Manager	0.45	0.51	-0.06
Brewin Dolphin, stockbrokers	Wealth Manager	3.50	3.56	-0.06
Architas Multi Manager	Wealth Manager	0.14	0.20	-0.06
Cohen & Steers	Asset Manager	0.01	0.06	-0.05
BP Investment Management	Pension	0.02	0.07	-0.04
Aberdeen Standard Capital	Wealth Manager	0.22	0.27	-0.04
GLG Partners	Wealth Manager	0.00	0.04	-0.04
Sarasin & Partners	Wealth Manager	0.09	0.13	-0.04
		23.04		-2.53

* Result of Local Government Pensions pooling

** Local Government that has pooled into Border to Coast

Ownership through D2C platforms, end 2018

D2C Platform	Value in Group (£)		Value in Group (£)		Value in Group (£)	
	31-Dec-18	% Group 31/12/2018	31/12/2017	% Group	31-Dec-16	% Group 42,735
Manager Plans	£6,498,644,173	7.81	£6,909,122,161	7.90	5,947,970,841	8.39
Vantage	£4,725,594,966	5.68	£4,505,473,734	5.15	2,988,990,081	4.21
Alliance Trust	£2,892,648,367	3.47	£3,028,853,670	3.47	2,288,478,121	3.23
AJ Bell Youinvest, Sippcenter	£1,534,430,734	1.84	£1,245,101,749	1.42	780,770,434	1.1
Interactive Investor	£1,376,346,857	1.65	£1,369,543,305	1.57	996,913,745	1.41
Halifax	£1,284,153,753	1.54	£1,495,997,342	1.71	1,347,278,896	1.9
Barclays Smart Investor	£831,192,752	1.00	£1,074,195,894	1.23	1,008,684,567	1.42
Selftrade, Standard Life Wrap, Axa Self Investor	£639,416,651	0.77	£659,654,279	0.75	530,106,355	0.75
The Share Centre	£375,858,376	0.45	£408,864,036	0.47	189,206,414	0.27
Fidelity (platform)	£279,018,037	0.34	£209,081,389	0.24	70,524,933	0.1
X-O, SharedealActive	£127,253,076	0.15	£116,585,662	0.13	75,840,693	0.11
ASB Securities Online Trading	£111,937,084	0.13	£117,999,981	0.14	112,190,418	0.16
Interactive Brokers	£72,663,748	0.09	£53,100,658	0.06	32,221,897	0.05
NatWest Sharedealing	£49,610,881	0.06	£53,509,755	0.06	41,029,866	0.06
iDealing	£45,620,960	0.05	£49,845,789	0.06	40,508,983	0.06
PureDeal	£42,246,157	0.05	£31,384,931	0.04	6,824,720	0.01
Pershing	£35,800,567	0.04	£38,424,881	0.04	29,525,251	0.04
Charles Schwab	£21,157,429	0.03	£22,782,808	0.03	10,104,141	0.01
SVS XO	£6,610,358	0.01	£8,262,212	0.01	7,201,806	0.01
Beaufort Securities	£2,601,308	0.00	£17,109,564	0.02	18,255,747	0.03
POEMS	£2,136,461	0.00	£2,219,118	0.00	1,709,963	0
Platform Securities	£1,410,810	0.00	£1,094,280	0.00	685,719	0
Thomas Grant, stockbrokers	£1,185,848	0.00	£1,415,206	0.00	1,190,916	0
Cortal Consors	£1,103,908	0.00	£1,226,577	0.00	1,478,838	0
Nordea Bank	£764,325	0.00	£1,016,686	0.00	815,406	0
TD Direct	£614,801	0.00	£6,904,068	0.01	582,238	0
Binckbank	£344,059	0.00	£348,854	0.00	1,723,221	0
Concorde Trader	£24,624	0.00	£27,413	0.00	15,399	0
Total	£20,960,391,067	25.18	£21,429,146,006	24.52	16,530,829,610	23.31

Ownership through IFA platforms, end Dec, 2018

Adviser Platform	Value in Group (£) % Group		Value in Group (£) % Group		Value in Group (£) % Group	
	31-Dec-18	31/12/2018	31/12/2017		31-Dec-16	31/12/2016
Transact	£693,781,345	0.83	£644,091,046	0.74	479,626,253	0.68
Nucleus, Novia, James Hay	£573,800,534	0.69	£603,778,486	0.69	470,421,965	0.66
Nucleus, Stocktrade, Novia, James Hay	£384,691,402	0.46	£487,628,725	0.56	425,975,816	0.6
Ascentric/Strawberry Invest	£302,293,879	0.36	£273,034,711	0.31	206,327,808	0.29
Wealth Interactive	£167,362,451	0.20	£177,707,349	0.20	157,169,949	0.22
Standard Life Wrap	£145,014,445	0.17	£155,381,597	0.18	115,799,410	0.16
Citi Private Bank	£29,421,390	0.04	£27,591,296	0.03	20,918,372	0.03
Fusion Wealth Platform	£13,813,981	0.02	£18,961,723	0.02	16,950,526	0.02
FNZ	£11,035,829	0.01	£12,210,811	0.01	8,519,548	0.01
True Potential Investor	£9,788,249	0.01	£9,409,461	0.01	11,023,623	0.02
Old Mutual Wealth	£3,710,857	0.00	£2,888,176	0.00	1,737,464	0
Embark Platform	£3,624,707	0.00	£0	0.00	0	0
Amber Platform	£3,113,295	0.00	£3,124,153	0.00	2,167,389	0
Conexim Advisors	£1,843,079	0.00	£537,049	0.00	131,338	0
James Hay	£1,591,876	0.00	£920,731	0.00	427,428	0
Total	£2,344,887,318	2.82	£2,417,265,314	2.77	1,917,196,888	2.7

Source: Richard Davies Investor Relations, March 2019

Financial Clarity only collects some IFA platform data

Platform	Route to Market	Financial Clarity Contributor	Value in Group (£)	% Group £
			31-Dec-18	31-Dec-18
Adviser Platform				
Transact	Adviser Platform	Partial	693,781,345	0.83
Nucleus, Novia, James Hay	Adviser Platform	Yes	573,800,534	0.69
Nucleus, Stocktrade, Novia, James Hay	Adviser Platform	Yes	384,691,402	0.46
Ascentric/Strawberry Invest	Adviser Platform	Yes	302,293,879	0.36
Wealth Interactive	Adviser Platform	Yes	167,362,451	0.20
Standard Life Wrap	Adviser Platform	Partial	145,014,445	0.17
Citi Private Bank	Adviser Platform	No	29,421,390	0.04
Fusion Wealth Platform	Adviser Platform	No	13,813,981	0.02
FNZ	Adviser Platform	No	11,035,829	0.01
True Potential Investor	Adviser Platform	No	9,788,249	0.01
Old Mutual Wealth	Adviser Platform	No	3,710,857	0.00
Embark Platform	Adviser Platform	No	3,624,707	0.00
Amber Platform	Adviser Platform	No	3,113,295	0.00
Conexim Advisors	Adviser Platform	No	1,843,079	0.00
James Hay	Adviser Platform	Yes	1,591,876	0.00
			£2,344,887,318	2.82

The rise and influence of D2C platforms

Key findings

- D2C platforms now hold 25% of issued investment trust share capital, with Hargreaves Lansdown dominating the overall market
- D2C platform users tend to be retired and 'buy-and-hold' investors
- Structural challenges may be deterring advisers from holding ITs

Top ten third-party platforms for investment trusts (RD:IR)

	% of sector issued share capital
Hargreaves Lansdown (Vantage)	5.94
Alliance Trust Savings	5.07
Barclays Smart Investor	1.78
AJ Bell Youinvest	1.63
TD Direct ¹	1.27
Halifax	1.16
Self-Trade (Equinity)	0.93
Transact	0.89
Interactive Investor	0.66
Nucleus/James Hay	0.58
Top ten total percentage of ISC	20.91

Source: RD:IR, share analysis as at 30 November 2017, percentage of issued share capital

¹ Alliance Trust purchased Stocktrade from Brewin Dolphin in 2015.

Top D2C platforms for investment trusts

	Total AuA m	% of customer owning ITs ²	Total all clients	Est. Investment Trust clients ³
Hargreaves Lansdown	£443,000,000,000	28%	653,000	182,840
Alliance Trust Savings	£5,000,000,000	56%	100,400	56,000
Barclays Stockbrokers	£14,900,000,000	37%	309,000	114,000
AJ Bell	£2,400,000,000	N/A	N/A	Unknown
TD Direct	£18,000,000,000	29%	320,000	93,000
Halifax Share Dealing	£N/A	36%	N/A	Unknown
Interactive Investor	£2,100,000,000	61%	110,000	67,100
The Share Centre	£2,500,000,000	35%	250,000	87,500
Fidelity Personal Investor	£10,300,000,000	33%	272,400	90,000
	£93,000,000,000			

Source: Platform, UK Fund Distribution: Investment Trusts 2017, RD:IR/ Aberdeen Standard Investments estimates.

¹ Platform UK D2C Guide 2015 and platform.

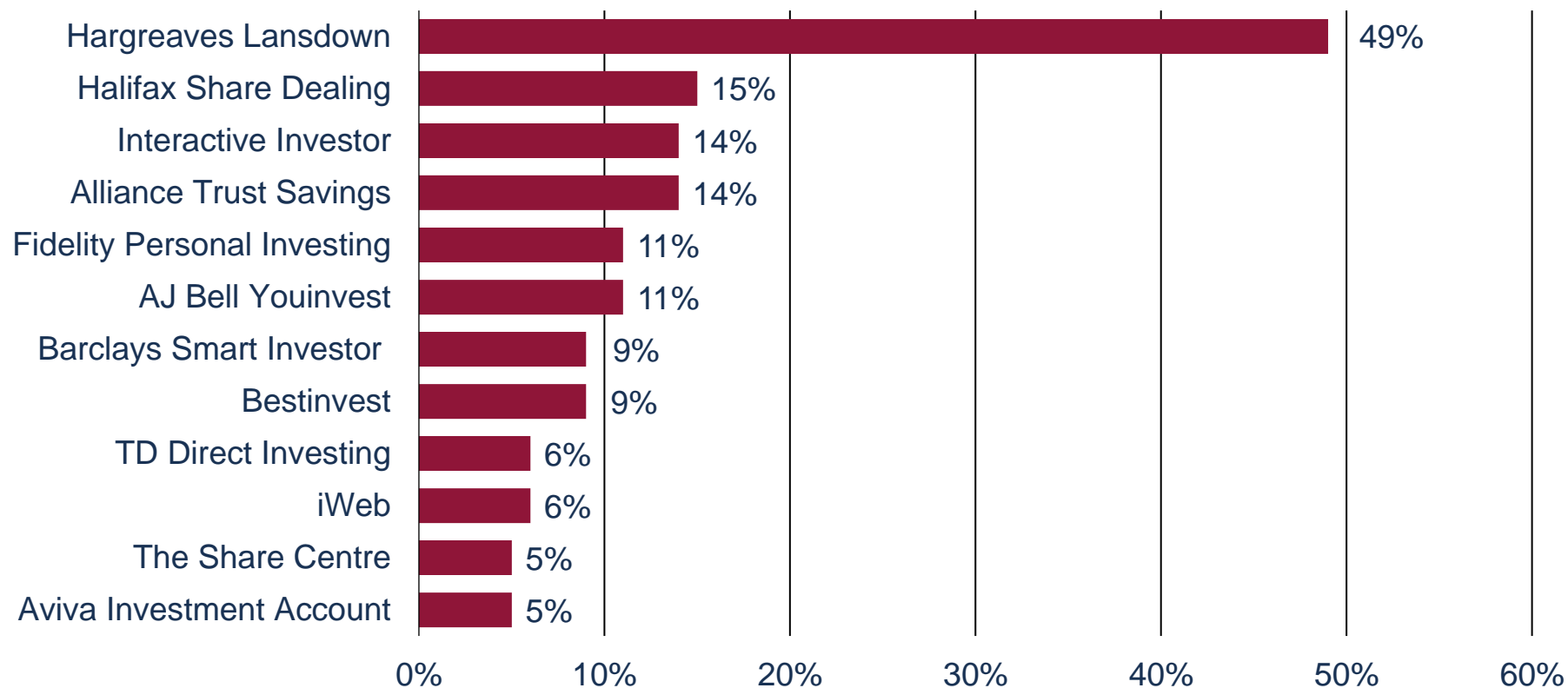
² RD:IR and manager estimates.

Research in Finance, UK Investment Trust Study, February 2018

Hargreaves Lansdown is by far the most popular platform through which to buy ITs.

43% of investment trust investors use more than one platform, increasing to 52% of those described as “fans”.

Which platform(s) do you use to buy investment trusts?



Source: Plaforum, UK Fund Distribution: Investment Trusts 2017, RD:IR/Warhorse Partners estimates.

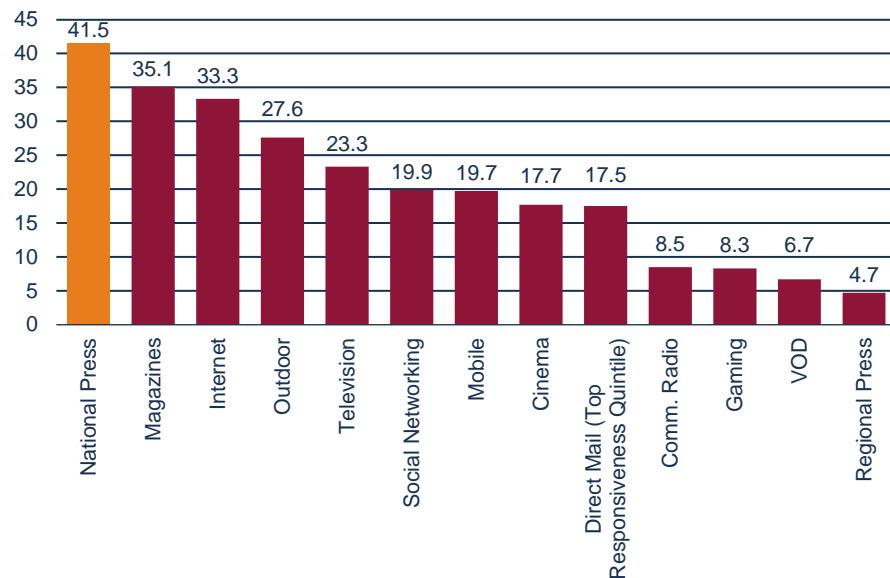
Traditional media revisited

Scaling the UK IT audience investment

- Total investors for investment trusts = 600,925
- IT audience = 18% of the investment audience
- 150,000 may be active in any one year
- 4.8% of Times readers have an investment trust, Times readers represent 11.9% of the IT population of 600, 925

National press remains the champion medium for reach and efficiency, followed by magazines

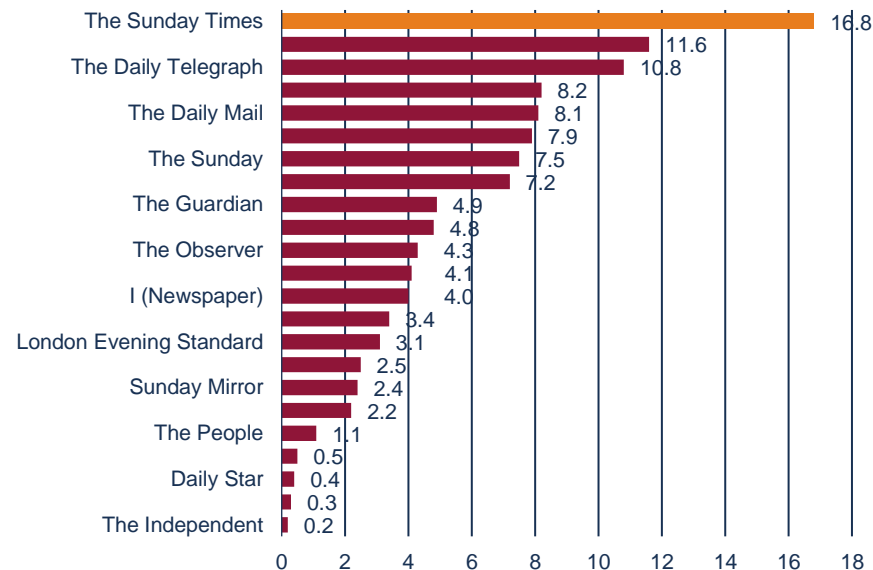
Site, media and publications regularly visited by genre (Reach %)



Source: Premier TGI/Ptarmigan Media. Readership percentage by investment trust holders.

The Sunday Times leads the national press pack in terms of reaching investment trust holders

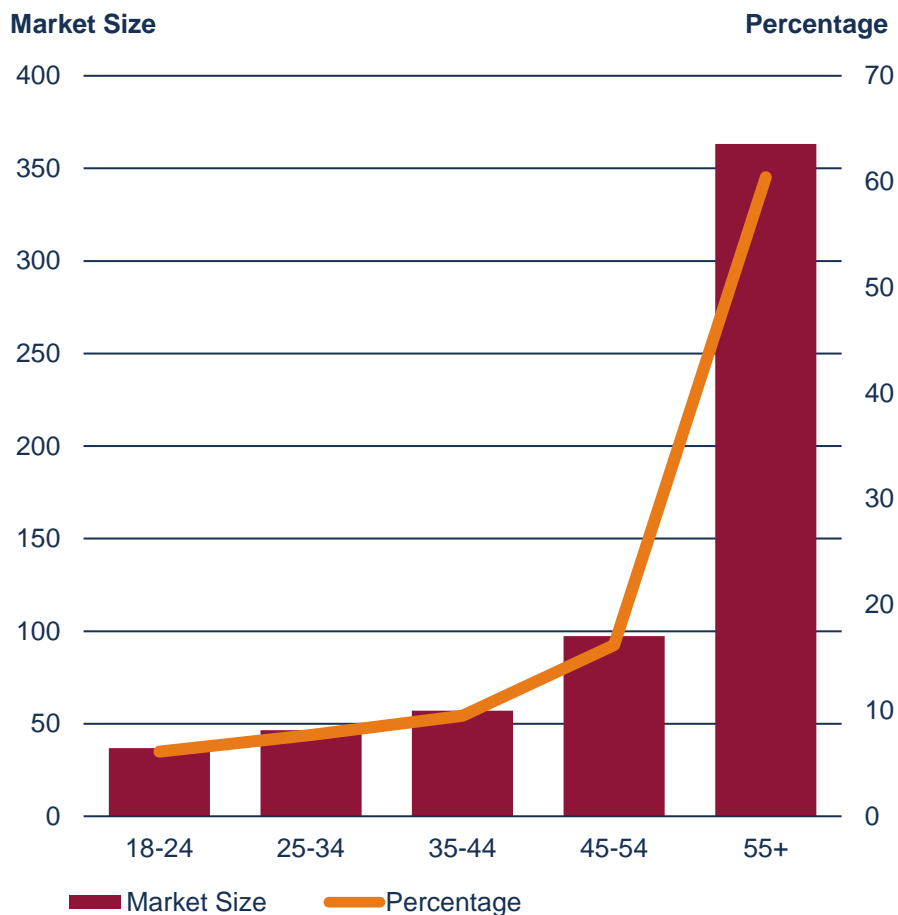
Readership % by IT Holders



Source: Premier TGI, March 2015.

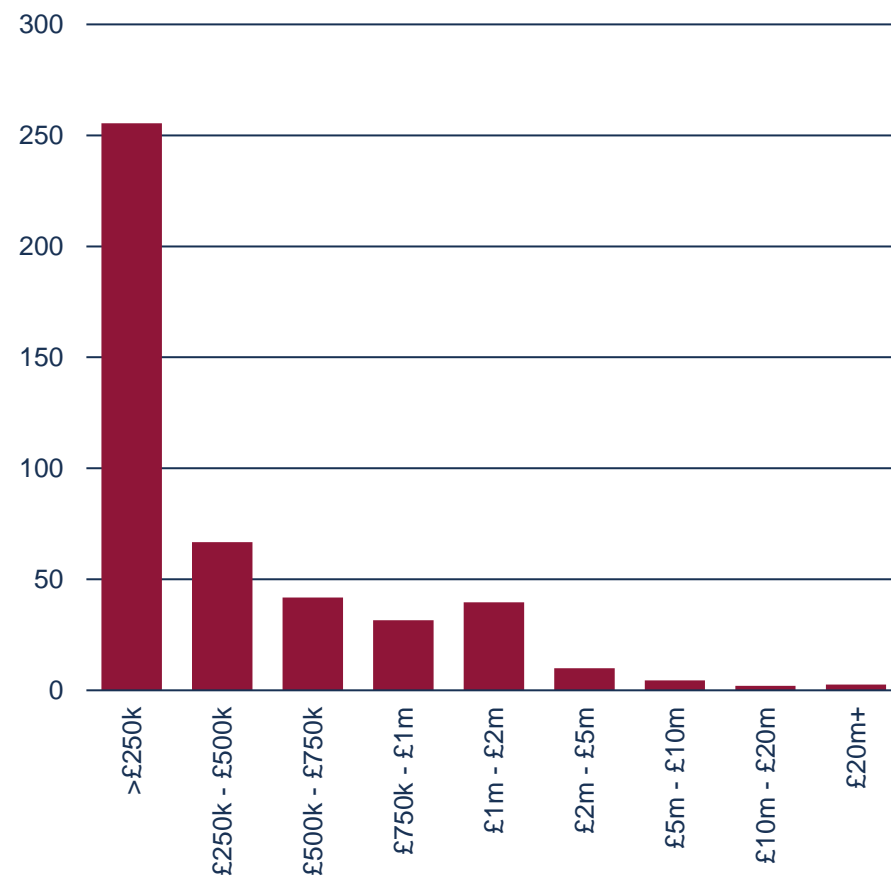
Appendix II: demography of investment trust owners

Investment trust owners age profile



Source: YouGov, 2018.

Total value of wealth and assets (investment trust owners)



Source: YouGov, 2018.