Investors Withdraw £1 Billion from UK Funds as Election Nears

Thursday 30 April, 2015

Private investors withdrew £1 billion from UK equity funds in March, according to Investment Association statistics released this morning.

Overall, net fund sales to retail investors were down by more than half compared to March 2014, at £1.1 billion. Indeed fund sales in 2015 have been weak all year so far.

These figures follow an 11% fall in the latest reading of the Hargreaves Lansdown Investor Confidence Index, the largest monthly fall since May 2012.

There would seem to be one obvious explanation of these investor trends- the forthcoming general election. (Later today we will be sending out a note giving 5 reasons why investors shouldn't worry about the election).

Laith Khalaf, Senior Analyst, Hargreaves Lansdown:

'Private investors are staging a buyer's strike in the lead up to the election. This is pretty par for the course when it comes to the uncertainty generated by such a big political event, and the Footsie reaching a record high won't have helped matters.

However investors need to take a deep breath and try to tune out the election clamour when it comes to making decisions about their portfolio. The election can certainly dent market confidence in the short term, but it won't have a significant impact on the long term profits of UK companies, many of which derive their earnings from overseas.

When you look back at events that shaped stock market returns in the last fifteen years, you think of the dot com crash, the financial crisis, and ultra-loose monetary policy. The elections of 2005 and 2010 come pretty far down the list.'

Other highlights

European funds saw a surprise fillip with retail inflows of £506 million, as investors bought into the Quantitative Easing phenomenon. This made Europe (ex-UK) the best-selling sector in March, a title it has not held since August 2000.

Tracker funds saw record inflows of £938 million in March, and broke through £100 billion in assets under management for the first time, as the tracker revolution goes from strength to strength.

ISA sales for the tax year as a whole were up, but faltered in the last month of the year. £2.6 billion was put into ISAs in 2014/15, up from £2.2 billion the previous tax year. But the final month of the 2014/15 tax year saw ISA sales of £585 million, compared to £822 million the tax year before.

Laith Khalaf, Senior Analyst, Hargreaves Lansdown:

'Europe has been seen as the sick man of the world when it comes to investing for several years now, but we are beginning to see a reversal of this trend as investors reappraise the region's prospects. Things still aren't good, but maybe they quite aren't as bad as the market predicted.

Tracker funds are breaking all sorts of records as the passive price war starts to pay off for passive providers. Tracker fund inflows have benefited from reduced costs, but also from auto-enrolment, and as a result of first-time investors simply wanting a home for their money which doesn't require much maintenance.

Meanwhile the ISA pot got bigger last tax year, but with less of a last minute rush in March and April. This may well be down to the increase in the allowance to £15,000 last July, which acted as a trigger for investors to top up their ISAs sooner rather than later.'

Media Contacts

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Scan Me:

Laith Khalaf

Senior Analyst

0117 980 9866

07977 570 820

laith.khalaf@hl.co.uk

Mark Dampier

Head of Investment Research

0117 980 9929

07979 652 185

mark.dampier@hl.co.uk

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Hargreaves Lansdown is equipped with a live in-house broadcast camera via the Globelynx network and has ISDN lines used daily for radio interviews. With high quality video and audio services Hargreaves Lansdown is able to offer expert commentary, whenever required.

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