

Brexit: Retail investors continue flight from UK equities



According to data from the Investment Association, retail investors have withdrawn roughly £18bn from UK funds over the past five years. Photo: Reuters/Yuriko Nakao

Retail investors fled UK equity funds in February to the tune of £1bn (\$1.4bn) — a continuation of a trend that was initially triggered by Brexit in 2016.

According to data from the Investment Association, retail investors have withdrawn roughly £18bn from UK funds over the past five years.

The data also showed that global funds and fixed-income funds registered the biggest inflows in February. Alongside this, ESG fund sales slumped by £1bn in a month.

The Investment Association found that sector-wise, global funds fared the best, with net retail sales of £1.2bn.

This was followed by Asia Pacific, excluding Japan, which netted retail sales of £510m.

Laith Khalaf, the financial analyst at AJ Bell, said: “Retail investors still won’t touch UK equity funds with a disinfected bargepole, despite some better performance from the cyclical companies of the FTSE 100, and the success of the UK’s vaccine programme.

“There may well be an element of performance chasing to the long term swing from UK to global funds, which in itself helps to renew the market conditions which precipitated the shift. This self-fulfilling circle of performance and fund flows is virtuous for global investors, and vicious for UK equity fund managers.”

Khalaf notes that the lack of rotation in market leadership means this has been a winning strategy for some time now, and COVID-19 has only exacerbated well-

established market trends.

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“There has been some movement back towards cyclical, value-orientated stocks in recent months, but so far it’s been a slight swivel rather than a full-blown rotation. As yet, it’s not long or deep enough to challenge the performance record of global growth funds, but it does serve as a warning sign for those who have weighted their portfolios very heavily to past winners.”

The Investment Association research also showed that savers looked for opportunities in smaller companies, with inflows of £252m into North American Smaller Companies and £142m into UK Smaller Companies.

Tracker funds saw a net retail inflow of £993m in February 2021. Tracker funds under management stood at £251bn as of the end of February. Their overall share of industry funds under management was 17.5%.

Source:

<https://uk.finance.yahoo.com/news/brexit-retail-investing-funds-ftse-stocks-uk-equities-financial-markets-094435843.html>

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