

Prime Minister and Chancellor challenge UK investors to create an 'Investment Big Bang' in Britain

In an open letter to industry, they challenge UK institutional investors to consider investing a greater proportion of their capital in long-term UK assets – from pioneering firms to infrastructure – enabling pensions savers to access better returns and support an innovative, greener future for the UK.

The Prime Minister and Chancellor believe that now is the time to unlock the hundreds of billions of pounds sitting in UK institutional investors and help drive the UK's recovery from the pandemic.

The letter, co-signed by the Prime Minister and Chancellor, says:

It's time we recognised the quality that other countries see in the UK, and back ourselves by investing more money into the companies and infrastructure that will drive growth and prosperity across our country...

...we want to see UK pension savers benefitting from the fruits of UK ingenuity and enterprise, being given the opportunity to back British success stories, and secure higher returns and better retirements.

Currently, global investors, including pension funds from Canada and Australia, are benefitting from the opportunities that UK long term investments afford, while UK institutional investors are under-represented in owning UK assets. For example, over eighty per cent of UK defined contribution pension funds' investments are in mostly listed securities, which represent only twenty percent of the UK's assets.

The Prime Minister and Chancellor recognise that choosing which assets to invest in remains a matter for pension fund trustees and other institutional investors, but urges them to consider whether they could invest more UK assets that require longer-duration investments.

This challenge comes alongside the action the Government is already taking to remove obstacles to long-term illiquid investment within the UK, by setting up the UK Infrastructure Bank and introducing flexibilities into the cap on fees that defined contribution pension schemes can charge. The Government is also working closely with regulators to ensure a supportive regulatory environment – for example, with the support of the Productive Finance Working Group, the Financial Conduct Authority will launch a framework for a new vehicle for long-term investment, the Long Term Asset Fund. The government remains open to addressing further barriers where they are identified.

This letter comes ahead of the Investment Summit in Downing Street in October.

Andy Briggs, Group CEO Phoenix Group, said:

We welcome the challenge letter issued by the Prime Minister and the Chancellor of the Exchequer today. Phoenix remains supportive of directing substantial long-term investment into infrastructure and housing, as well as providing early stage capital for companies, across all regions of the UK. We will continue to seek the best possible outcomes for our customers and our shareholders, and believe that investing in a sustainable long-term manner across a range of asset classes delivers this whilst also supporting the UK to build back better and greener.

Anne Richards, Chief Executive of Fidelity International, said:

As both an asset manager and DC provider, we are committed to achieving the best outcomes for our clients and can see the benefits of making long term, less liquid assets available to both our DC and retail customers. We also believe our customers will welcome more choice and access to a wider investment universe. Making this a success will require a collaborative approach from a policy, regulatory, tax, industry and wider stakeholder perspective and we welcome the opportunity to work together to make it a reality.

Chris Cummings, Chief Executive of the Investment Association, said:

Opening up access for investors to long term projects such as infrastructure and new technologies is a positive move that will benefit pension savers, while at the same time boosting the supply of much needed productive finance for the UK economy. It is welcome news that the government sees this opportunity and is working to make it easier for institutional investors to invest in the country's long-term growth. Certain retail investors should also be allowed to access the same opportunities as well. The IA pioneered the proposals for the Long-term Asset Fund and it is heartening to see FCA framework for the LTAF now under construction as it will provide a significant new way for investors to benefit from illiquid investments. Getting this right will require a new partnership between the regulatory authorities and industry to ensure that pension funds, and retail investors, have access to transparent, well governed funds that return good value for money. The industry will look to work with pension scheme trustees, and their advisers, to deliver these outcomes.