Statistical bulletin

MQ5: Investment by Insurance Companies, Pension Funds and Trusts: Quarter 3 (July to September) 2015

Investment choices of financial institutions based on financial transactions (investments and disinvestments), including balance sheet data for short-term assets and liabilities, and income and expenditure data.

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17 December 2015

Next release:
17 March 2016

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1. Main points

- Total net investment by insurance companies, pension funds and trusts is estimated at £33 billion in the third quarter (July to September) of 2015. This was the highest level of net investment since the second quarter of 2009

- The Quarter 3 2015 estimate of net investment by unit trusts and property unit trusts (£26 billion) was the highest level of net investment since records began in 1987

- The net investment of £24 billion in overseas securities in Quarter 3 2015 was the largest since the start of this series in 1986. This was driven by net investment in ordinary shares (£23 billion)

- This release reports on these institutions' balance sheets at the end of 2014. Total assets were valued at £3,655 billion compared with £3,473 billion at the end of 2013, an increase of 5%

- The total net investment of £13 billion in 2014 was the lowest since the start of this series in 1987

2. Overview

Information about the investment choices of insurance companies, self-administered pension funds, investment trusts, unit trusts and property unit trusts. This release contains quarterly net investment data arising from financial transactions (investments and disinvestments) made by these institutional groups. Also included are quarterly balance sheet data for short-term assets and liabilities, along with quarterly income and expenditure data for insurance companies and self-administered pension funds. All data are reported at current prices (effects of price changes included).

Every Quarter 3 (July to September) release contains annual balance sheet data for all the institutional groups; providing information on the market values of assets and liabilities. Annual income and expenditure data for insurance companies are also reported at this time.

A question often asked of the MQ5 release is "why does it only cover certain institutional groups?" The answer is that these institutions control a substantial level of assets (over £3 trillion) and engage in considerable volumes of investment activity to fund their operations. An understanding of their investments and assets is important in order to monitor the stability of the financial sector and is used in the compilation of the UK National Accounts.

We make every effort to provide informative commentary on the data in this release. As part of the quality assurance process, individual businesses are contacted in an attempt to capture reasons for extreme period-on-period data movements. It can prove difficult to elicit detailed reasons from some businesses to help inform the commentary. Frequently, reasons given for data movements refer to a "change in investment strategy" or a "fund manager's decision". Consequently, it is not possible for all data movements to be fully explained.

We are aware that a number of users make use of these data for modelling or forecasting purposes. In doing so, careful attention should be paid to the revisions policy (113.1 Kb Pdf) for this release. Comparing the first published estimates of total net investment with the equivalent estimates published 3 years later, the average quarterly revision (without regard to sign) is £8 billion. The estimate of total net investment for Quarter 2 (April to June) 2015 (last quarter) has been revised downwards by £10 billion (see background note 7 for further information).

A glossary is available to assist users with their understanding of the terms used in this release.

3. Accessing MQ5 data

There are several ways to view the data underlying this release.

The reference tables (1.82 Mb Excel sheet) show data from both the quarterly and annual series:

- Tables A to D combine information from the different institutions
- Section 1 combines information from the long-term and general insurance surveys
- Section 2 covers information from the surveys of long term insurance companies
- Section 3 covers information from the surveys of general insurance companies
- Section 4 covers information from the surveys of self-administered pension funds
- Section 5 covers information from the surveys of investment trusts
- Section 6 covers information from the surveys of unit and property unit trusts

If you are interested in particular series or groups of series covering a longer period of time (pre-2010), then you can access the data through the time series route. Information here is structured in a similar way to the reference tables.

The ONS Data Explorer and Open API are additional tools which enable users to access, use and customise data more effectively. The Data Explorer makes it easier for users to find, view and download data. The Open API allows data to be used directly by other applications. This quarter is the first time the MQ5 data has been available via this route. The data have been categorised into 4 datasets:

- MQ5QNI: Net investment by insurance companies, pension funds and trusts
- MQ5AAL: Assets and liabilities of insurance companies, pension funds and trusts
- MQ5QAD: Acquisitions and disposals of insurance companies, pension funds and trusts
- MQ5QH: Holdings of insurance companies, pension funds and trusts

There is scope to expand coverage of these datasets and/or add further datasets. We would be very keen on hearing your views – please email us: financial.inquiries@ons.gsi.gov.uk.

4. Your views matter

We are constantly aiming to improve this release and its associated commentary. We would welcome any feedback you might have, and would be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: Financial.Inquiries@ons.gsi.gov.uk or telephone Fred Norris on +44 (0)1633 456109.

5. Net investment by asset type

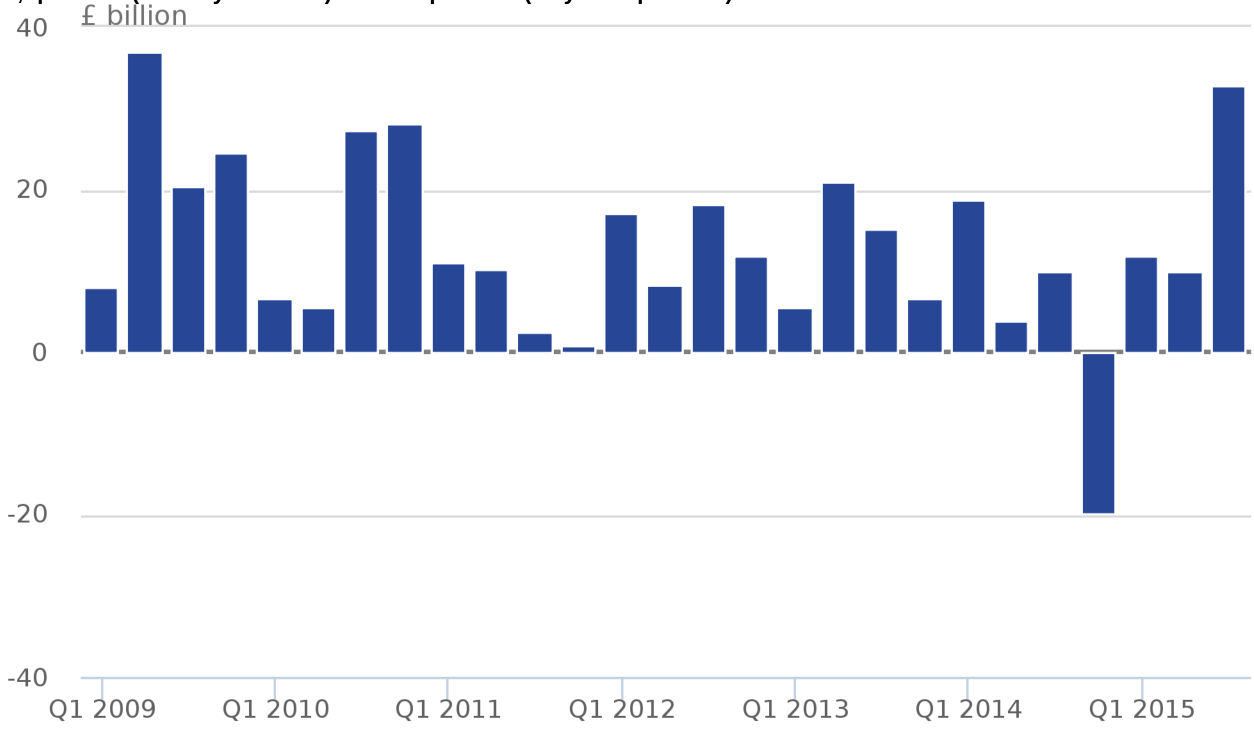
The total assets of the businesses covered by this release (insurance companies, pension funds and trusts) were valued at £3,655 billion at the end of 2014, the latest period for which annual results are available. During 2014, these businesses acquired £1,613 billion and disposed of £1,581 billion longer-term financial instruments. Net investment is the difference between these substantial levels of acquisitions and disposals, as well as changes in holdings of short-term assets, and can therefore be volatile. Table 1 (at the end of this section) displays net investment data by asset type.

In Quarter 3 (July to September) 2015 there was net investment of £33 billion (Figure 1). Total net investment varies across the quarters of a calendar year and so an increase or decrease in investment from one quarter to the next is not necessarily an indicator of improved or worsening economic activity – these estimates are more likely to reflect varying investment strategies. In terms of context, the 5-year quarterly average for this series is net investment of £11 billion. The highest quarterly estimate of net investment since records began (in 1987) was £43 billion in Quarter 3 2007.

For 2014 as a whole, net investment reported by the institutions covered in this release is estimated at £13 billion. The 5-year annual average for this series is net investment of £42 billion.

Figure 1: Total net investment

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Short-term assets

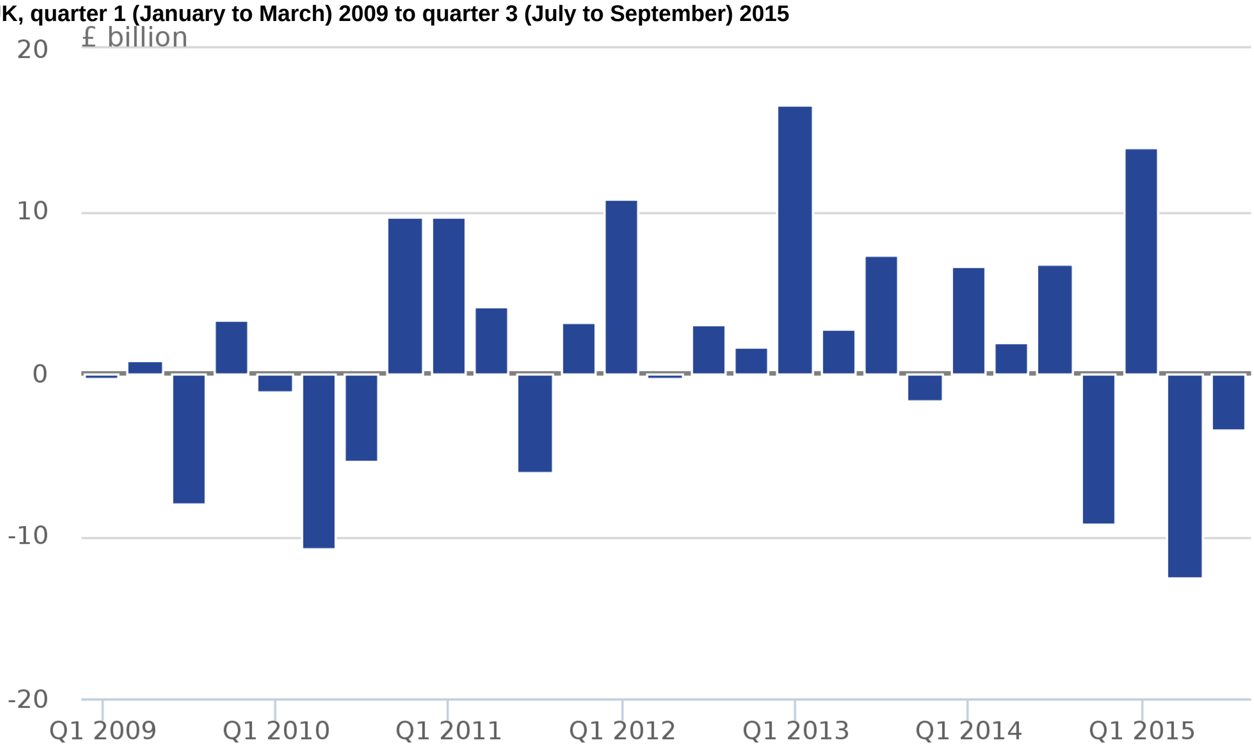
Investment in short-term assets (those maturing within 1 year of their originating date) can be affected by the level of the net inflows of funds into the businesses concerned (premiums or contributions, for example) and by the relative attractiveness of other investments, both in terms of their potential returns and in their perceived risk.

In Quarter 3 2015 there was net disinvestment of £3 billion in short-term assets (Figure 2). The 5-year quarterly average for this series is net investment of £3 billion.

There was net disinvestment in short-term assets in each of the years 2008, 2009 and 2010. This contrasts with all subsequent years, where a net investment has been reported. This longer-term comparison highlights how institutions, taking account of the prevailing economic climate, have chosen to restructure their investment portfolios.

Figure 2: Net investment in short-term assets

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

UK government sterling securities (Gilts)

Gilts are fixed income or index-linked bonds issued by the UK government. On the primary gilt market, the purchaser of a gilt lends the government money in return for regular interest payments and the promise that the nominal value of the gilt will be repaid (redeemed) on a specified future date. These assets may then be bought and sold by investors in the secondary market. Gilts are very liquid assets which offer virtually risk-free returns.

The institutions covered by this release reported net investment in gilts in Quarter 3 2015 of £6 billion (Figure 3) and £8 billion in Quarter 2 (April to June) 2015, following net disinvestment in gilts in the previous 2 quarters. This may indicate a shift towards the relative security and liquidity of gilts. On 6 July 2015 the Financial Times, reflecting on recent investment trends, reported “increased appetite for gilts reflecting concerns over Greece and improving government finances”. The 5-year quarterly average for this series is net investment of £2 billion.

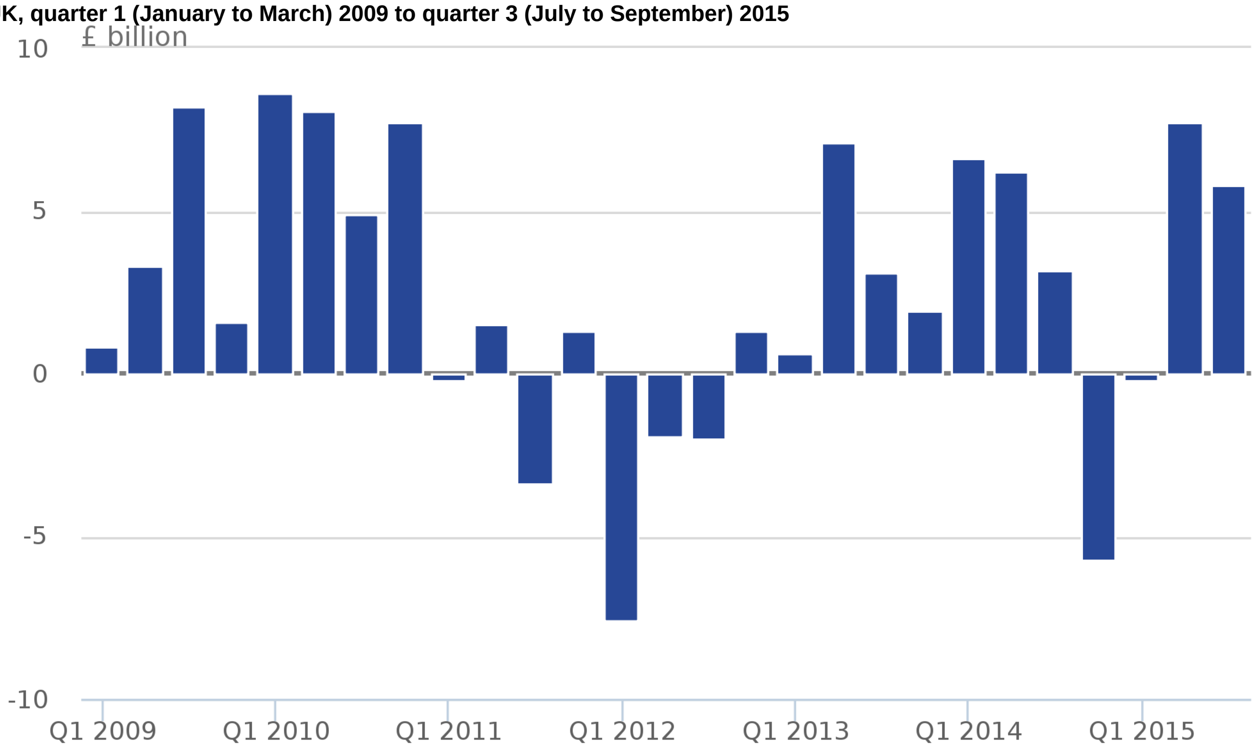
Net investment in gilts is estimated to have been £10 billion in 2014, following net investment of £13 billion in 2013. This was preceded by net disinvestment in 2011 and 2012. Looking at this annual picture, it would seem to suggest that some market participants (particularly pension funds) have been switching back to gilts in recent years, possibly in an attempt to avoid the relative volatility of equity markets.

In recent times, the market for gilts has been notably influenced by the [Bank of England’s Quantitative Easing (QE) programme](). Approximately £375 billion of gilts have been bought by the Bank under QE since the start of the programme in 2009.

Investment trends in gilts can best be explained by reviewing the role they play in financial markets. Gilts are attractive investments when interest rates are high and are likely to fall. If interest rates fall, the price of the gilt rises and it may therefore be sold at a profit. Conversely, if interest rates are low (as they have been since early 2009) the price of gilts is high and a loss might be anticipated if the stock is held to redemption. These characteristics, coupled with the QE programme, helps to explain the longer-term profile of net investment in gilts.

Figure 3: Net investment in UK government sterling securities (gilts)

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

UK corporate securities and overseas securities

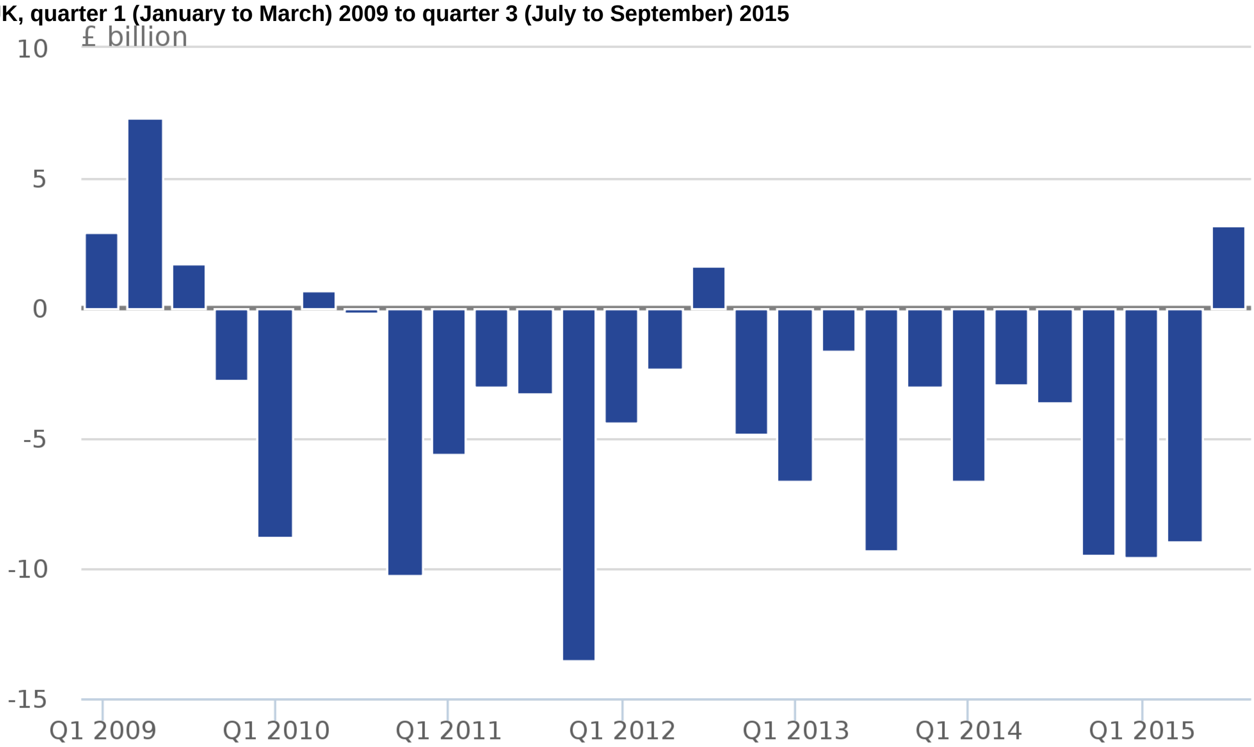
These asset categories comprise ordinary shares, corporate bonds and preference shares. In addition, non-UK government securities are included as part of overseas securities.

UK corporate securities

In Quarter 3 2015, there was net investment (£3 billion) in UK corporate securities (Figure 4). This was the first period of net investment since Quarter 3 2012 (£2 billion) and only the third quarter of net investment since the end of 2009. In terms of context, the 5-year quarterly average for this series is net disinvestment of £5 billion.

Figure 4: Net investment in UK corporate securities

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Overseas securities

In contrast to the general trend of net disinvestment in UK corporate securities, Figure 5 shows that in recent quarters, there has been net investment in overseas securities. This may indicate that businesses have more confidence in their ability to make money from overseas securities than they do from UK corporate securities.

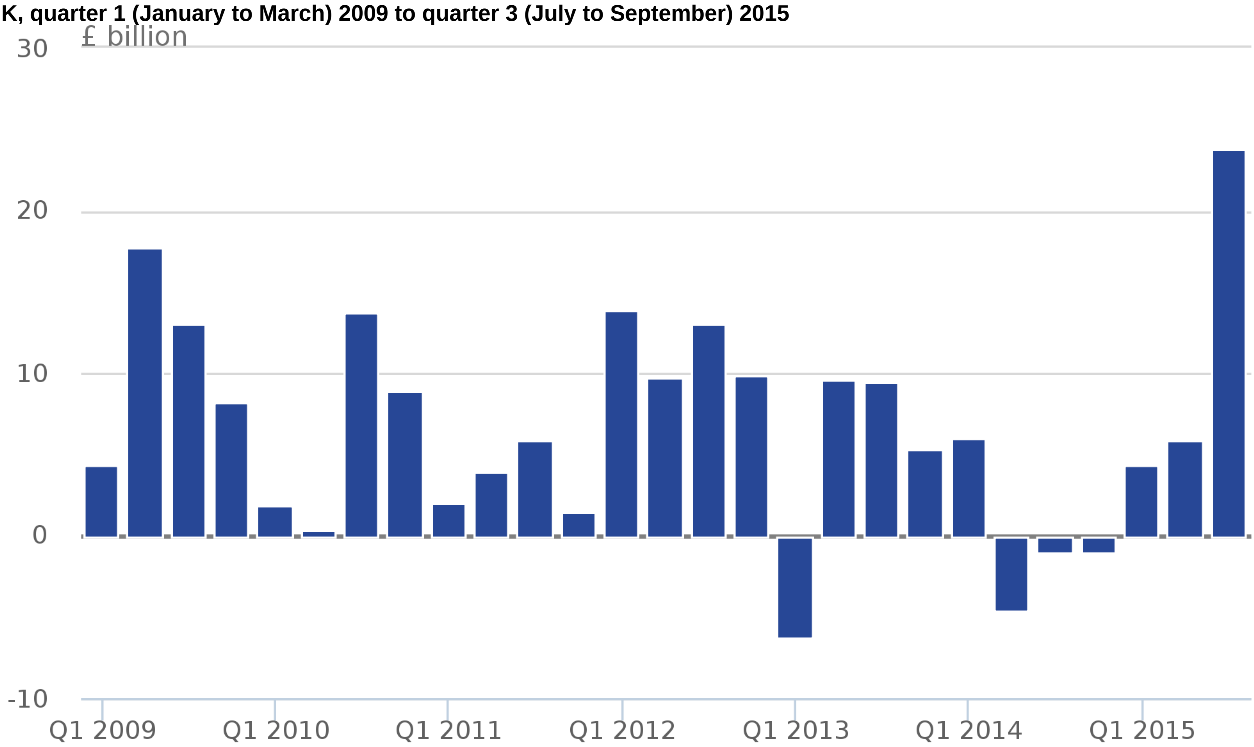
In Quarter 3 2015, the institutions covered by this release reported net investment in overseas securities of £24 billion. This was the largest net investment in this asset type since the time series began in 1986 and was driven by net investment in overseas ordinary shares by unit trusts and property unit trusts (£18 billion).

In March 2015, the Daily Telegraph commented that: “Investors of all sizes, from individuals overseeing their Isas to huge institutional pension funds, are increasingly global in their outlook.” and that “This trend is gaining momentum so rapidly that most stockbrokers are refining their overseas shares service, cutting charges and offering new features such as the ability to hold different currencies or trade across many niche markets”.

The 5-year quarterly average for overseas securities is net investment of £6 billion.

Figure 5: Net investment in overseas securities

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Other assets

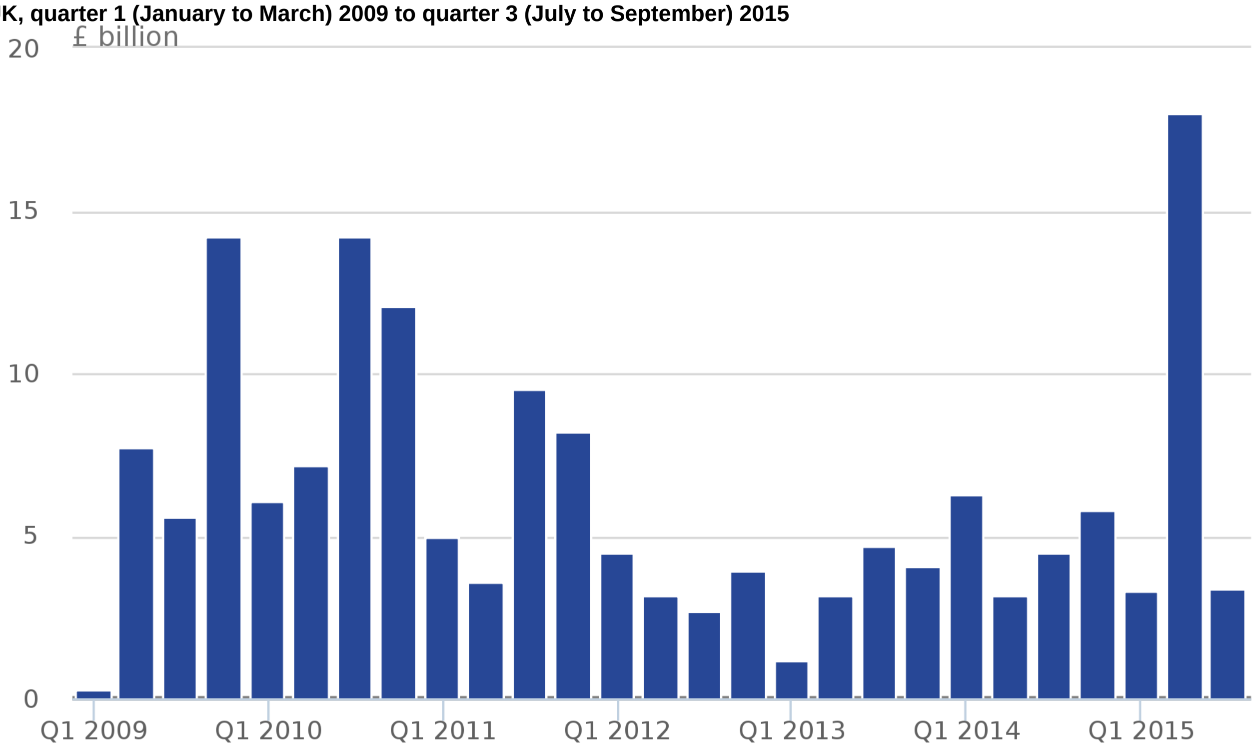
The category “other assets” covers UK and overseas investment in:

- mutual fund investments
- insurance-managed funds
- UK government securities denominated in foreign currency
- local authority and public corporation securities
- loans
- fixed assets
- insurance policies and annuities
- direct investment
- other assets not elsewhere classified

In Quarter 3 2015, there was net investment of £3 billion in other assets (Figure 6). In terms of context, the 5-year quarterly average for other assets is net investment of £6 billion.

Figure 6: Net investment in other assets

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Table 1: Net investment by asset type

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015

£ billion

	Total	Short-term assets	UK government sterling securities	UK corporate securities	Overseas securities	Other assets
2009	90.0	-4.2	13.9	9.1	43.3	27.8
2010	67.5	-7.6	29.2	-18.5	24.8	39.6
2011	24.3	10.9	-0.8	-25.5	13.3	26.3
2012	55.6	15.0	-10.2	-10.0	46.5	14.3
2013	48.4	24.9	12.6	-20.4	18.1	13.3
2014	12.5	5.9	10.2	-22.6	-0.7	19.8
2009 Q1	8.0	-0.3	0.8	2.9	4.4	0.3
Q2	36.9	0.8	3.3	7.3	17.7	7.7
Q3	20.5	-8.0	8.2	1.7	13.0	5.6
Q4	24.6	3.3	1.6	-2.8	8.2	14.2
2010 Q1	6.6	-1.1	8.6	-8.8	1.9	6.1
Q2	5.6	-10.8	8.1	0.7	0.4	7.2
Q3	27.2	-5.4	4.9	-0.2	13.7	14.2
Q4	28.1	9.7	7.7	-10.3	8.9	12.1
2011 Q1	11.0	9.7	-0.2	-5.6	2.0	5.0
Q2	10.1	4.1	1.5	-3.0	3.9	3.6
Q3	2.5	-6.1	-3.4	-3.3	5.9	9.5
Q4	0.7	3.2	1.3	-13.5	1.5	8.2
2012 Q1	17.1	10.7	-7.6	-4.4	13.9	4.5
Q2	8.4	-0.3	-1.9	-2.3	9.7	3.2
Q3	18.3	3.0	-2.0	1.6	13.0	2.7
Q4	11.8	1.6	1.3	-4.8	9.9	3.9
2013 Q1	5.4	16.5	0.6	-6.6	-6.3	1.2
Q2	21.1	2.8	7.1	-1.6	9.6	3.2
Q3	15.2	7.3	3.1	-9.3	9.4	4.7
Q4	6.7	-1.7	1.9	-3.0	5.3	4.1
2014 Q1	18.8	6.6	6.6	-6.6	6.0	6.3
Q2	3.8	1.9	6.2	-2.9	-4.6	3.2
Q3	9.8	6.7	3.2	-3.6	-1.1	4.5
Q4	-19.8	-9.3	-5.7	-9.5	-1.1	5.8
2015 Q1	11.9	14.0	-0.2	-9.6	4.4	3.3
Q2	9.9	-12.6	7.7	-9.0	5.9	18.0
Q3	32.8	-3.5	5.8	3.2	23.8	3.4

Source: Office for National Statistics Notes: 1. Components may not sum to totals due to rounding. 2. Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016. 3. Q1 is Quarter 1 January to March, Q2 Quarter 2 April to June, Q3 Quarter 3 July to September and Q4 Quarter 4 October to December.

6. Net investment by institutional group

Net investment data for each of the institutional groups covered by this release are displayed in Table 2 (at the end of this section).

Long-term insurance companies

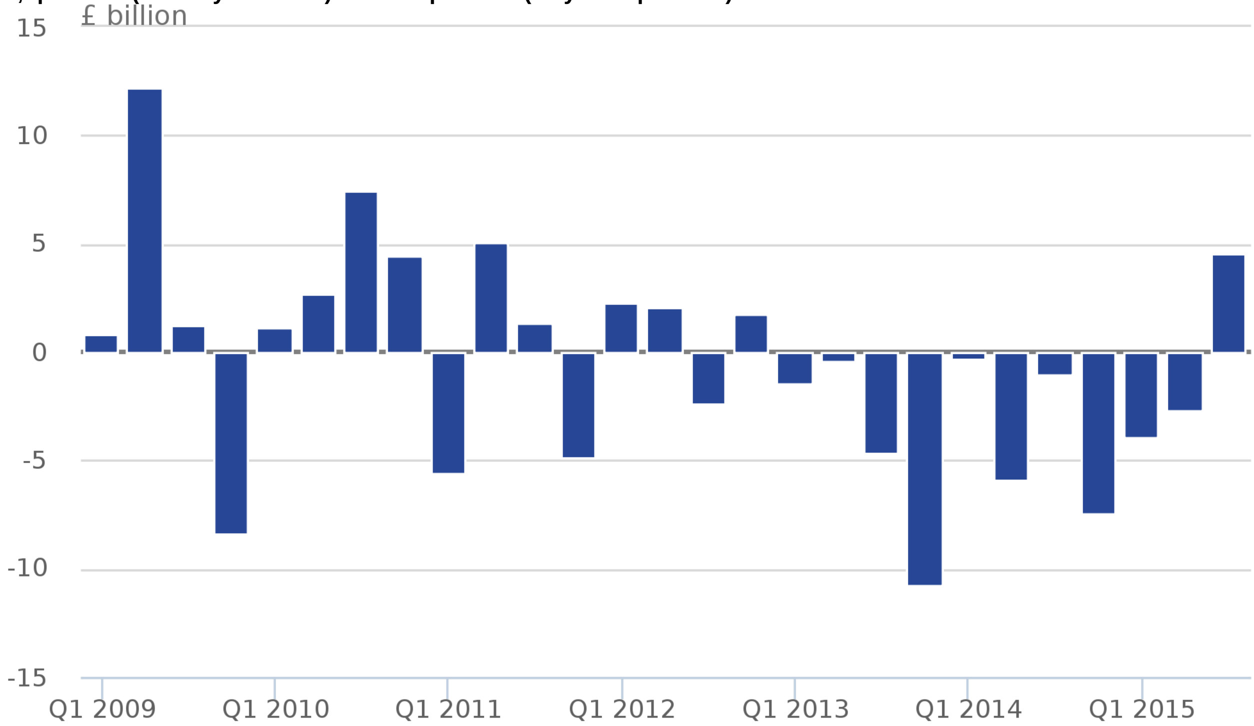
These are companies which provide either protection in the form of life assurance or critical illness policies, or investment in the form of pension provision.

Long-term insurance companies showed net investment of £5 billion in the third quarter (July to September) of 2015 (Figure 7). This was the first period of net investment since Quarter 4 (October to December) 2012 (£2 billion). The 5-year quarterly average for this series is net disinvestment of £1 billion.

In Quarter 3 2015, long-term insurance companies reported net investment of £2 billion in overseas securities. This was driven by net investment of £4 billion in overseas ordinary shares, which was the largest net investment in this asset type by these businesses since Quarter 3 2007.

Figure 7: Net investment by long-term insurance companies

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

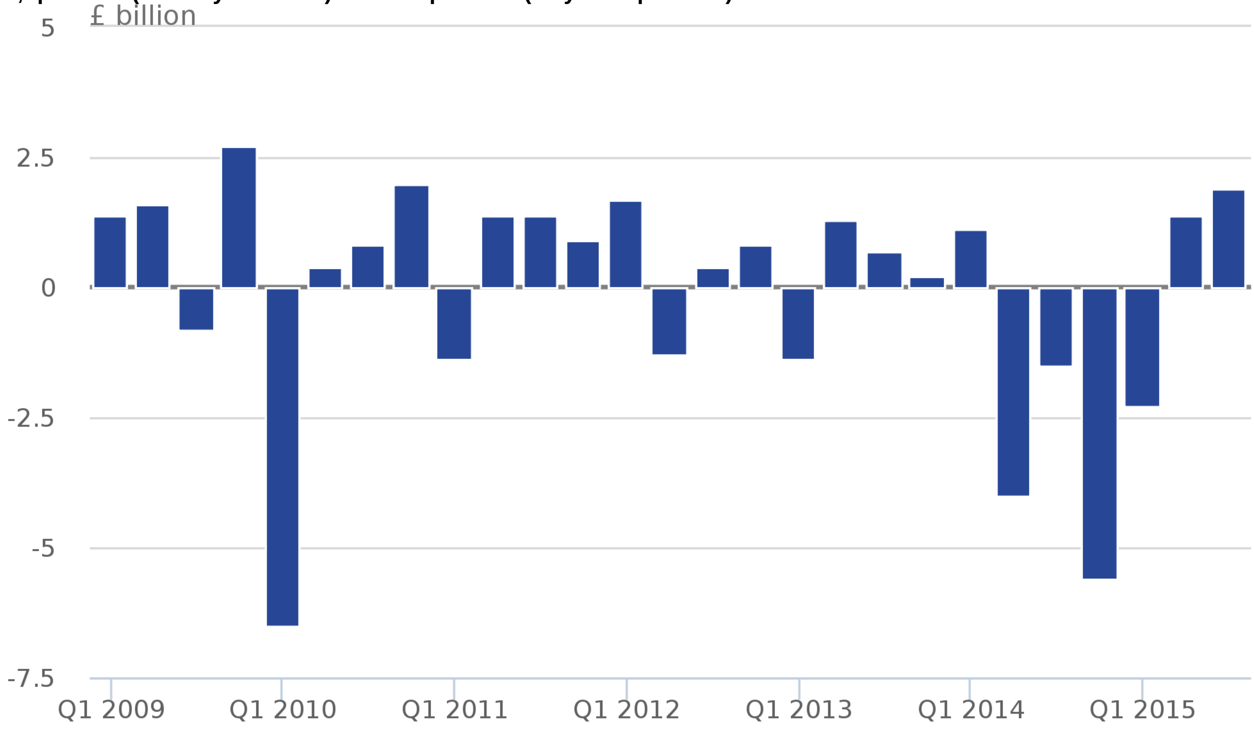
General insurance companies

These are companies which undertake other types of insurance such as motor, home and travel. This type of insurance is usually over a shorter period, most commonly 12 months.

General insurance companies showed net investment in Quarter 3 2015 of £2 billion (Figure 8). The 5-year quarterly average for this series is net disinvestment of £0.1 billion.

Figure 8: Net investment by general insurance companies

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Self-administered pension funds

These are funds established by pension scheme trustees to facilitate and organise the investment of employees' retirement funds.

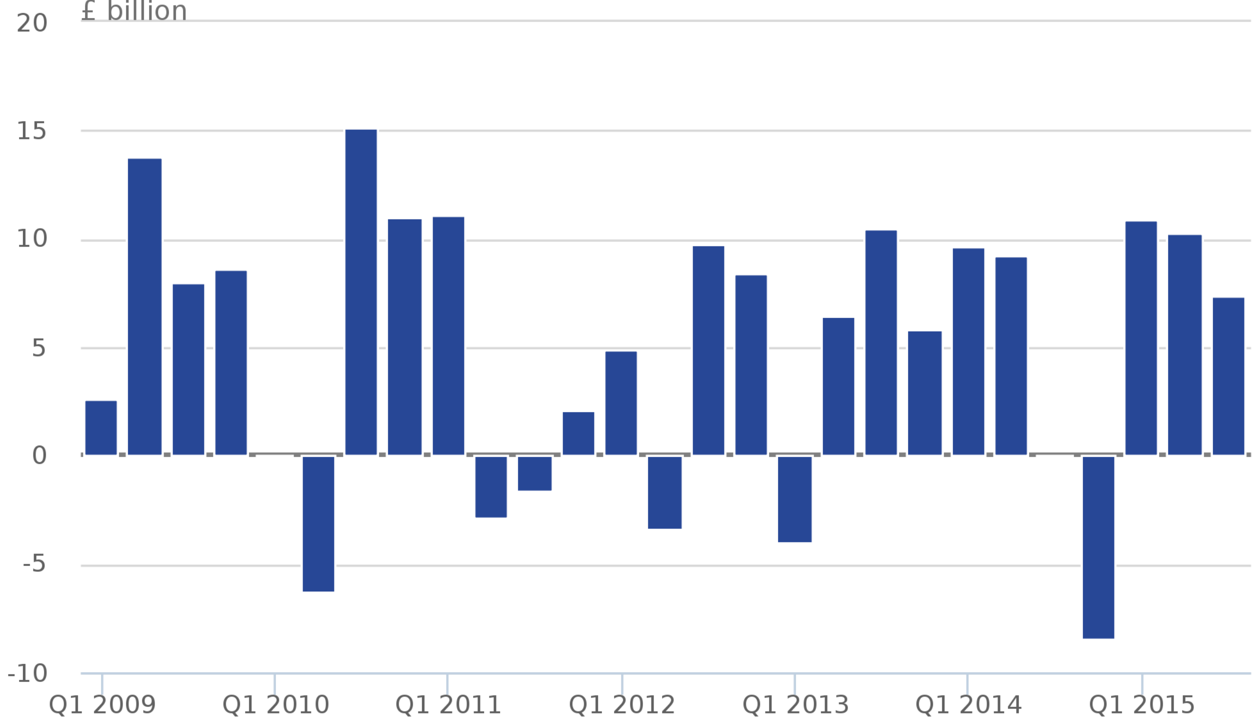
Self-administered pension funds reported net investment in Quarter 3 2015 of £7 billion (Figure 9). The 5-year quarterly average for this series is net investment of £5 billion.

In Quarter 3 2015, self-administered pension funds reported net investment in overseas securities of £5 billion. This was the largest net investment in this asset type by these businesses since Quarter 3 2010.

Net investment in gilts by self-administered pension funds is estimated to be £14 billion in 2014, following net investment of £17 billion in 2013. These are the highest levels of net investment in gilts by these businesses since the time series began in 1963.

Figure 9: Net investment by self-administered pension funds

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Investment trusts

Investment trusts acquire financial assets with money subscribed by shareholders or borrowed in the form of loan capital. Investment trusts are not trusts in the legal sense, but are limited companies with 2 special characteristics: their assets consist of securities (mainly ordinary shares) and they are debarred by their articles of association from distributing capital gains as dividends. Shares of investment trusts are traded on the Stock Exchange and increasingly can be bought direct from the company.

In the third quarter of 2015, investment trusts reported net investment of £0.5 billion, in line with the 5-year quarterly average for this series.

Unit trusts and property unit trusts

Unit trusts include open-ended investment companies (OEICs) but do not cover other unitised collective investment schemes or those based offshore. They are set up under trust deeds; the trustee usually being a bank or insurance company. The funds in the trusts are managed not by the trustees, but by independent management companies. Units representing a share in the trusts' assets can be bought from the managers or resold to them at any time.

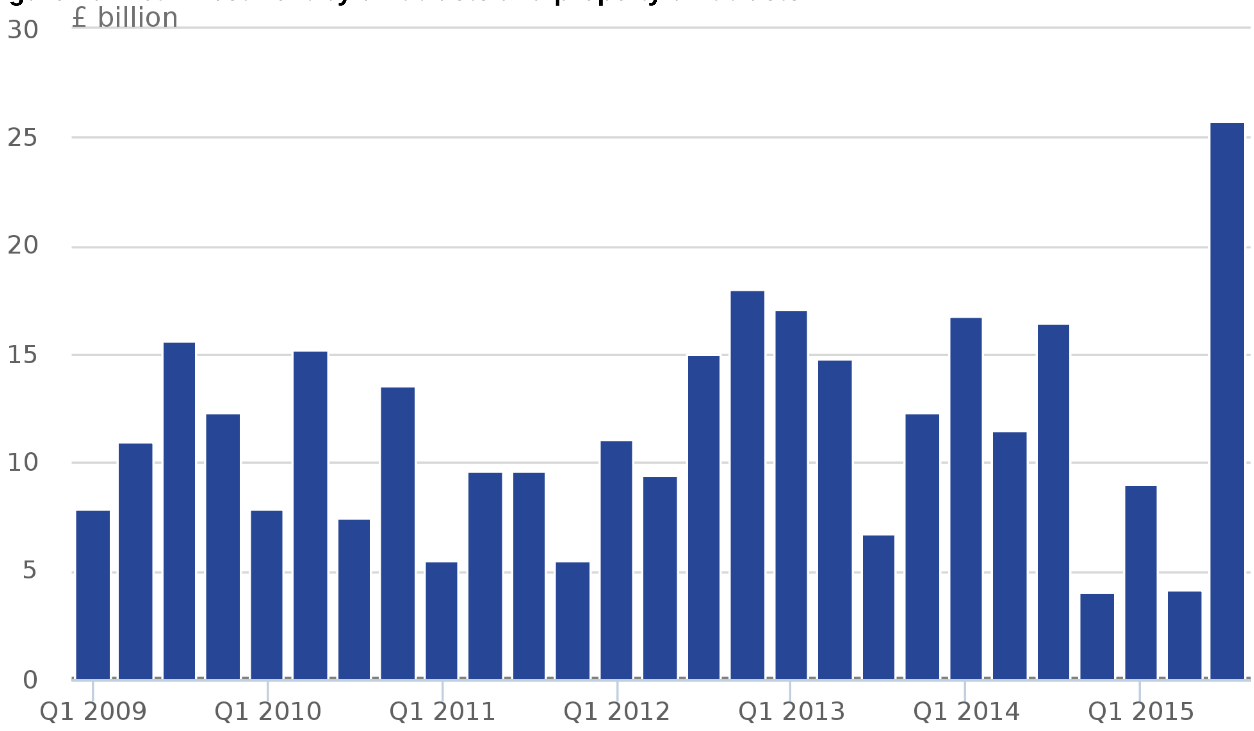
Property unit trusts invest predominantly in freehold or leasehold commercial property yet may hold a small proportion of their investments in the securities of property companies.

Unit trusts and property unit trusts have reported net investment in each quarter since Quarter 4 2007. In Quarter 3 2015, unit trusts and property unit trusts reported net investment of £26 billion (Figure 10). This was the highest level of net investment by these businesses since the series began in 1987. The five-year quarterly average for this institutional group is £12 billion.

In Quarter 3 2015, unit trusts and property unit trusts reported net investment in overseas ordinary shares of £18 billion. This was the largest net investment by these businesses in overseas ordinary shares since the start of this time series in 1986.

The full-year estimate of net investment for 2014 (£49 billion) follows net investment of £53 billion in 2012 and £51 billion in 2013.

Figure 10: Net investment by unit trusts and property unit trusts



Source: Office for National Statistics

Table 2: Net Investment by institutional group

UK

£ billion

		Total	Long-term insurance companies	General insurance companies	Self-administered pension funds	Investment trusts	Unit trusts and property unit trusts	Consolidation adjustment[1]
2009		90.0	5.9	4.9	32.9	-0.6	46.8	0.1
2010		67.5	15.6	-3.2	19.7	0.5	44.0	-9.1
2011		24.3	-4.2	2.3	8.6	0.4	30.3	-13.0
2012		55.6	3.7	1.6	19.7	-0.2	53.5	-22.6
2013		48.4	-17.3	0.8	18.8	0.6	50.9	-5.4
2014		12.5	-14.6	-10.0	10.3	0.8	48.7	-22.7
2009	Q1	8.0	0.8	1.4	2.6	-0.3	7.9	-4.4
	Q2	36.9	12.2	1.6	13.8	-0.2	11.0	-1.5
	Q3	20.5	1.2	-0.8	8.0	0.1	15.6	-3.6
	Q4	24.6	-8.4	2.7	8.6	-0.2	12.3	9.7
2010	Q1	6.6	1.1	-6.5	-0.1	-0.7	7.9	4.9
	Q2	5.6	2.7	0.4	-6.3	0.7	15.2	-7.0
	Q3	27.2	7.4	0.8	15.1	0.0	7.4	-3.4
	Q4	28.1	4.5	2.0	11.0	0.5	13.6	-3.6
2011	Q1	11.0	-5.6	-1.4	11.1	0.6	5.5	0.7
	Q2	10.1	5.1	1.4	-2.9	0.3	9.6	-3.4
	Q3	2.5	1.3	1.4	-1.6	-0.1	9.6	-8.1
	Q4	0.7	-4.9	0.9	2.1	-0.5	5.5	-2.3
2012	Q1	17.1	2.3	1.7	4.9	0.1	11.1	-3.0
	Q2	8.4	2.1	-1.3	-3.4	0.1	9.4	1.6
	Q3	18.3	-2.4	0.4	9.8	-0.4	15.0	-4.0
	Q4	11.8	1.8	0.8	8.4	0.1	18.0	-17.2
2013	Q1	5.4	-1.4	-1.4	-4.0	0.5	17.1	-5.5
	Q2	21.1	-0.4	1.3	6.5	-0.2	14.8	-1.0
	Q3	15.2	-4.7	0.7	10.5	0.1	6.7	1.9
	Q4	6.7	-10.8	0.2	5.8	0.1	12.3	-0.8
2014	Q1	18.8	-0.3	1.1	9.7	0.1	16.8	-8.6
	Q2	3.8	-5.9	-4.0	9.2	0.3	11.5	-7.3
	Q3	9.8	-1.0	-1.5	-0.1	0.4	16.4	-4.4
	Q4	-19.8	-7.4	-5.6	-8.4	0.0	4.0	-2.4
2015	Q1	11.9	-3.9	-2.3	10.9	-0.9	9.0	-0.9
	Q2	9.9	-2.7	1.4	10.3	0.8	4.1	-3.9
	Q3	32.8	4.6	1.9	7.4	0.5	25.8	-7.3

Source: Office for National Statistics Notes: 1. The consolidation adjustment is an adjustment to remove inter-sectoral flows between the different types of institution covered. The adjustment includes (i) investment in authorised unit trust units, open-ended investment companies and investment trust securities by insurance companies, pension funds and trusts and (ii) investment by pension funds in insurance managed funds and property unit trust units. 2. Components may not sum to totals due to rounding. 3. Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016. 4. Q1 is Quarter 1 January to March, Q2 Quarter 2 April to June, Q3 Quarter 3 July to September and Q4 Quarter 4 October to December.

7. Income and expenditure by institutional group

Rather than provide analysis on total income and expenditure for the institutional groups, it is considered more beneficial to users, based on their feedback, if commentary is concentrated on particular components. For insurance companies, premiums and claims are the focus, while contributions (net of refunds) and payments are the focus for self-administered pension funds (see Table 3, at the end of this section). It should be noted that income and expenditure data are not currently collected for the trusts institutional group.

Long-term insurance companies

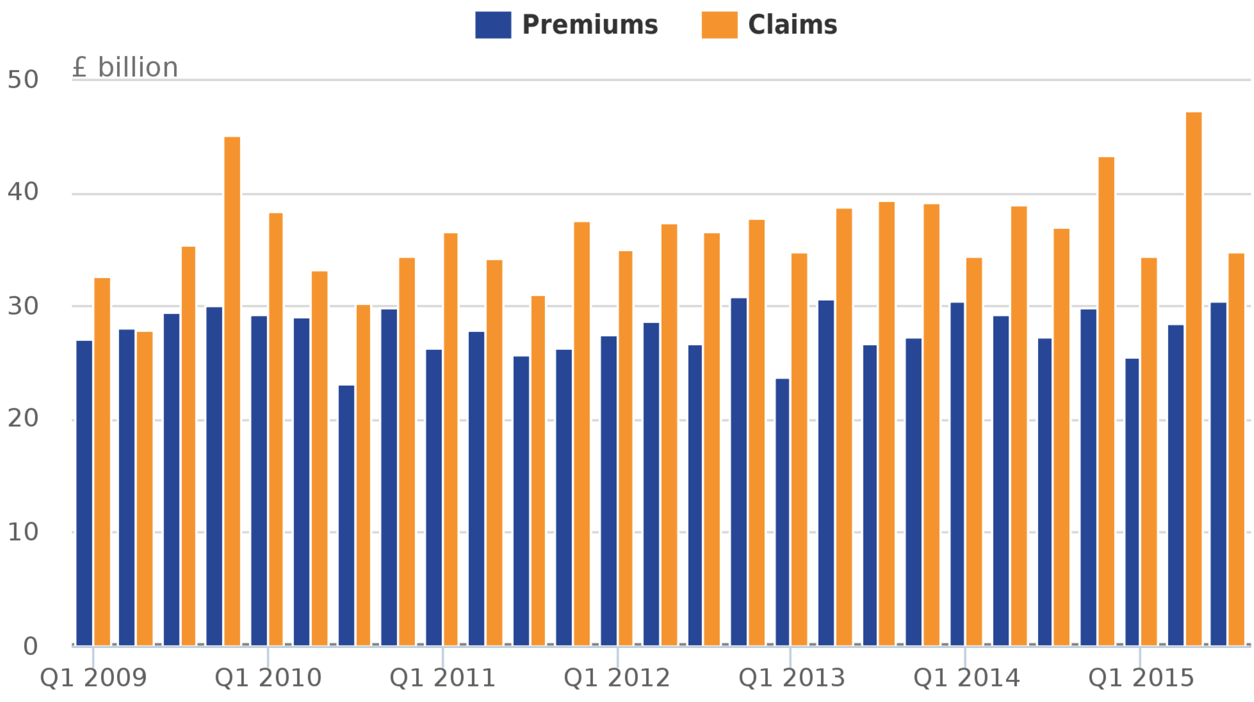
In the third quarter of 2015 (July to September), the value of long-term insurance premiums was £31 billion (Figure 11), broadly in line with the 5-year quarterly average for this time series (£28 billion).

The value of premiums exceeded the value of claims between 2003 (when records for this series began) and 2007. However, this trend reversed and has continued in each of the years 2008 to 2014. In 2014, the value of claims was 32% greater than the value of premiums.

In Quarter 3 2015, claims (£35 billion) were approximately 14% greater than the value of premiums (£31 billion).

Figure 11: Long-term insurance companies' premiums and claims

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



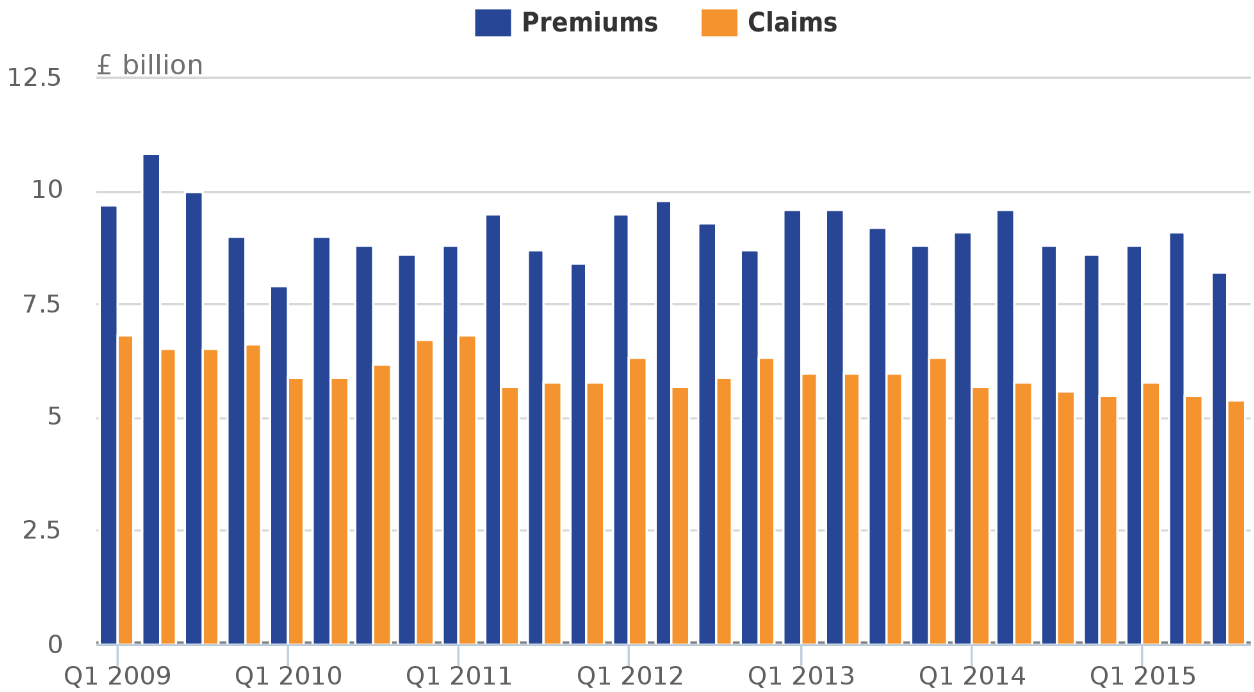
Source: Office for National Statistics

General insurance companies

For general insurance, premiums (£8 billion) were around 51% greater than the value of claims (£5 billion) in Quarter 3 2015 (Figure 12).

Figure 12: General insurance companies’ premiums and claims

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

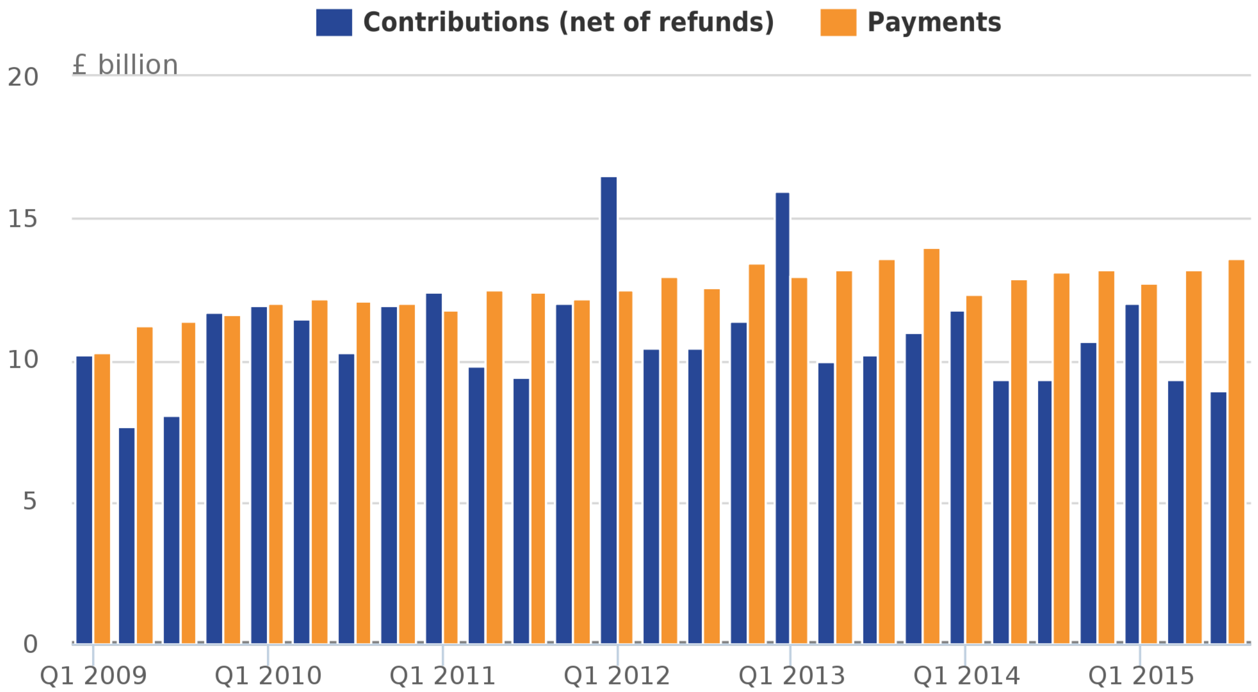
Self-administered pension funds

Contributions to self-administered pension funds (net of refunds) in Quarter 3 2015 (£9 billion) were lower than the 5-year quarterly average for this series of £11 billion.

In recent years there seems to be a pattern for pension funds to make one-off payments in Quarter 1 (January to March) of a given year, in order to reduce the deficits in their funds. This would lead to generally higher net contributions in this quarter compared with other quarters of the year (Figure 13). A possible explanation for this pattern is that companies with defined benefit schemes, while compiling their end of year accounts, are better placed to determine the level of contributions needed to fund any deficit. Deficits can be addressed in the form of employers’ special contributions. Estimates of these one-off payments were relatively high in the first quarters of 2012 (£8 billion), 2013 (£8 billion), 2014 (£5 billion) and 2015 (provisionally estimated at £4 billion).

Figure 13: Self-administered pension funds' contributions (net of refunds) and payments

UK, quarter 1 (January to March) 2009 to quarter 3 (July to September) 2015



Source: Office for National Statistics

Table 3: Income and expenditure by institutional group

UK

£ billion

		Long-term insurance		General insurance		Self-administered pension funds	
		Premiums	Claims	Premiums	Claims	Contributions (net of refunds)	Payments
2009		114.6	141.1	39.5	26.4	37.7	44.5
2010		111.2	136.1	34.3	24.8	45.6	48.3
2011		106.1	139.5	35.4	24.1	43.6	48.8
2012		113.6	146.8	37.4	24.1	48.6	51.4
2013		108.2	152.0	37.3	24.2	47.3	53.9
2014		116.8	153.5	36.0	22.7	41.1	51.6
2009	Q1	27.0	32.6	9.7	6.8	10.2	10.3
	Q2	28.0	27.9	10.8	6.5	7.7	11.2
	Q3	29.5	35.4	10.0	6.5	8.1	11.4
	Q4	30.1	45.1	9.0	6.6	11.7	11.6
2010	Q1	29.3	38.3	7.9	5.9	11.9	12.0
	Q2	29.0	33.2	9.0	5.9	11.5	12.2
	Q3	23.1	30.3	8.8	6.2	10.3	12.1
	Q4	29.8	34.3	8.6	6.7	11.9	12.0
2011	Q1	26.3	36.6	8.8	6.8	12.4	11.8
	Q2	27.8	34.2	9.5	5.7	9.8	12.4
	Q3	25.6	31.1	8.7	5.8	9.4	12.3
	Q4	26.3	37.5	8.4	5.8	12.0	12.1
2012	Q1	27.4	35.0	9.5	6.3	16.5	12.4
	Q2	28.6	37.4	9.8	5.7	10.4	13.0
	Q3	26.6	36.6	9.3	5.9	10.4	12.6
	Q4	30.9	37.8	8.7	6.3	11.4	13.4
2013	Q1	23.7	34.7	9.6	6.0	16.0	13.0
	Q2	30.6	38.8	9.6	6.0	10.0	13.2
	Q3	26.6	39.4	9.2	6.0	10.2	13.6
	Q4	27.3	39.1	8.8	6.3	11.0	14.0
2014	Q1	30.4	34.3	9.1	5.7	11.8	12.3
	Q2	29.3	39.0	9.6	5.8	9.3	12.9
	Q3	27.3	36.9	8.8	5.6	9.3	13.1
	Q4	29.8	43.3	8.6	5.5	10.7	13.2
2015	Q1	25.5	34.3	8.8	5.8	12.0	12.7
	Q2	28.4	47.2	9.1	5.5	9.3	13.2
	Q3	30.5	34.8	8.2	5.4	8.9	13.6

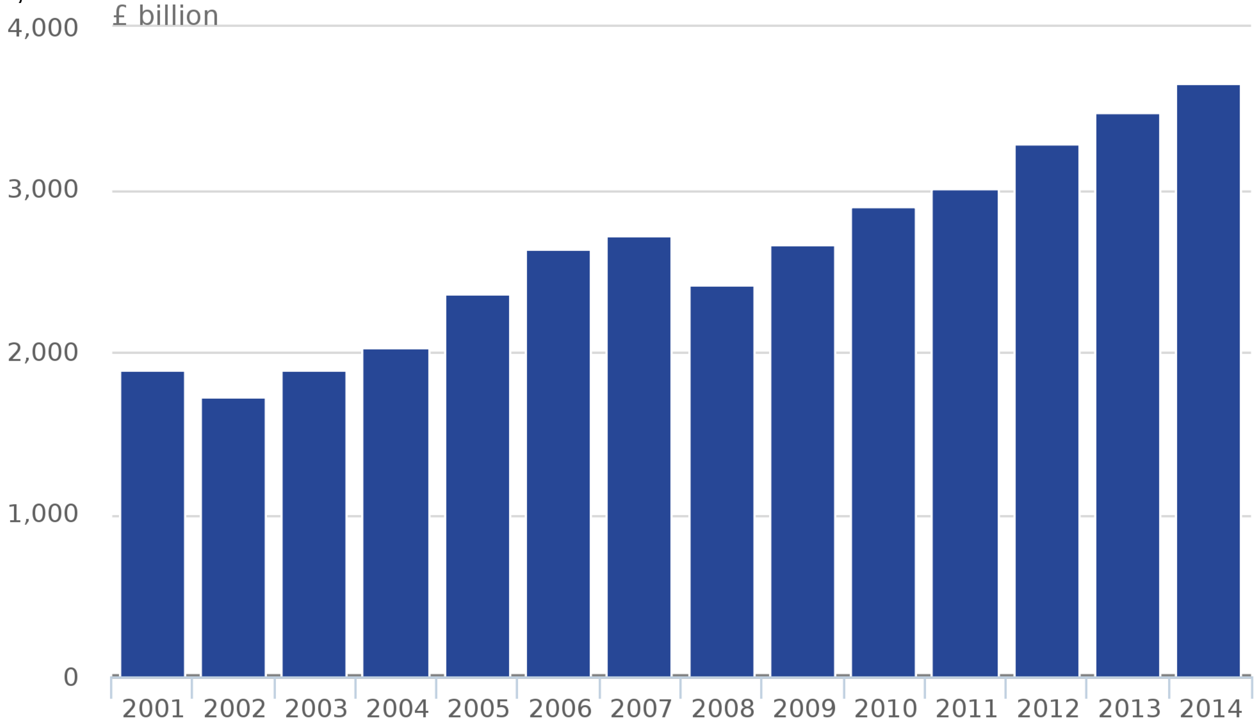
Source: Office for National Statistics Notes: 1. Components may not sum to totals due to rounding. 2. Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016. 3. Q1 is Quarter 1 January to March, Q2 Quarter 2 April to June, Q3 Quarter 3 July to September and Q4 Quarter 4 October to December.

8. Holdings at market values

Market value is an estimate for how much the assets would be bought or sold for on the market, at a given time. The total assets held by insurance companies, pension funds and trusts (at market values) has increased each year since 2008 and at the end of 2014 was valued at £3,655 billion. This compares with £3,473 billion at the end of 2013 (Figure 14). This rise of 5% reflects both the revaluation of assets held through the year and the balance between the sales of some assets and the purchase of others (net investment or transactions).

Figure 14: Holdings at market values - total assets

UK, 2001 to 2014

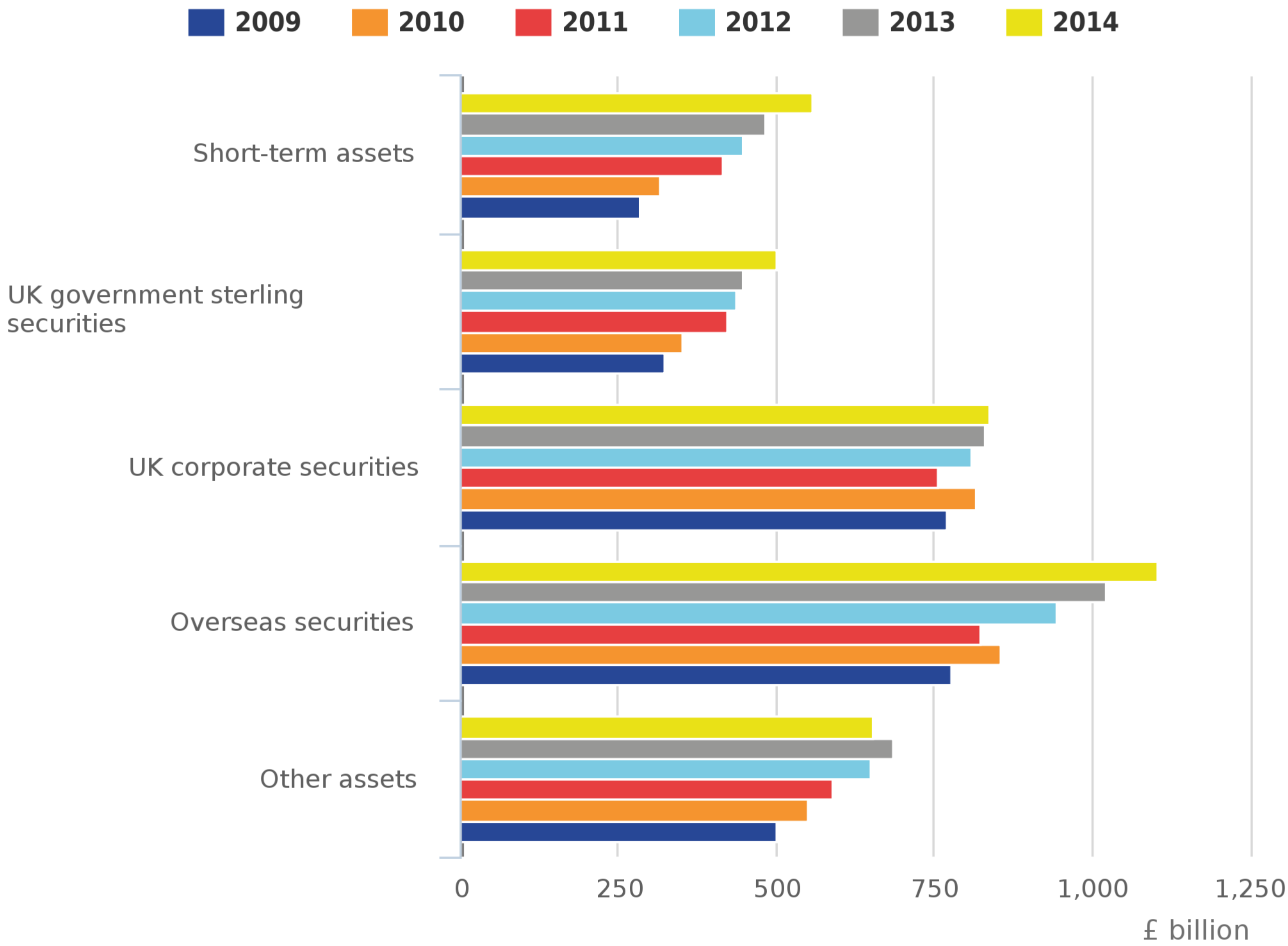


Source: Office for National Statistics

Between 2013 and 2014, the value of assets rose for each of the 5 asset types except for other assets (Figure 15). The value of assets increased for short-term assets (by 15%), UK government sterling securities (by 11%), overseas securities (by 8%) and UK corporate securities (by 1%). The value of other assets decreased by 5%.

Figure 15: Holdings at market values by asset type

UK, 2009 to 2014



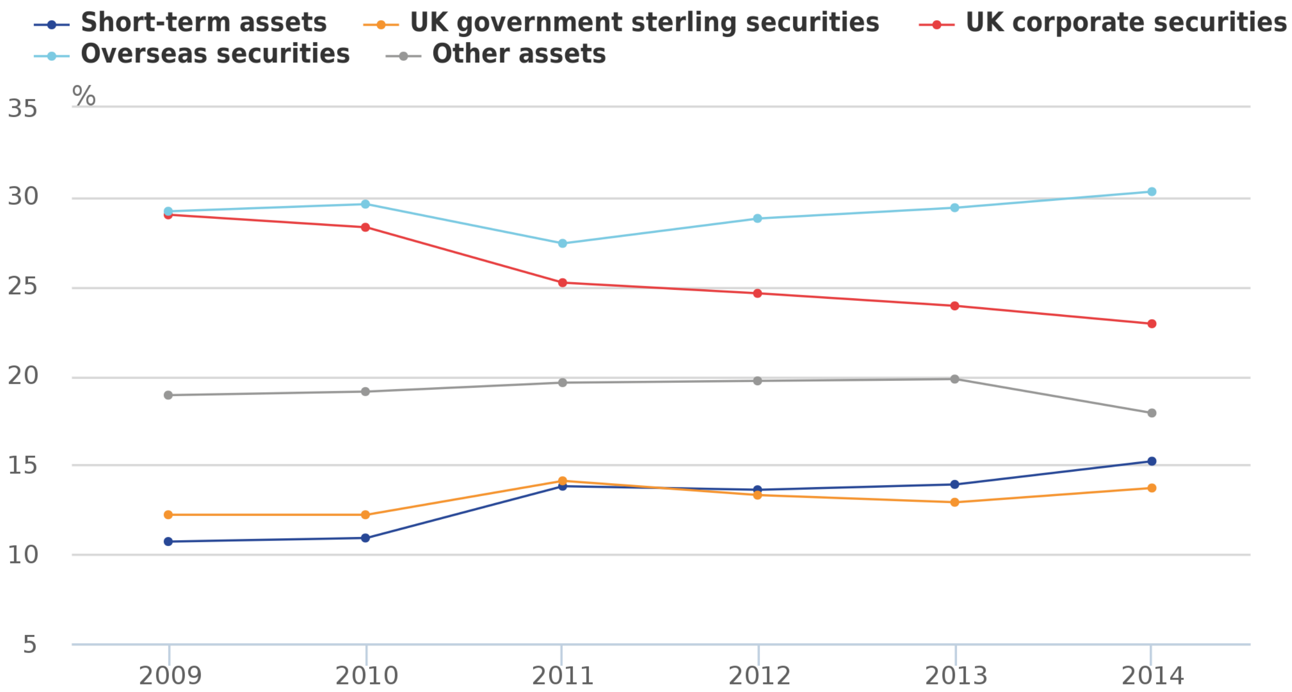
Source: Office for National Statistics

In 2014, overseas securities were the largest asset type as a proportion of total holdings (30%).

Holdings of UK corporate securities as a proportion of total holdings has decreased from 29% in 2009 to 23% in 2014 (Figure 16). Over the same period (2009 to 2014), short-term assets as a proportion of total holdings increased (from 11% to 15%), UK government sterling securities (gilts) increased (from 12% to 14%) and other assets decreased (from 19% to 18%).

Figure 16: Holdings at market values by asset type, as a proportion of total holdings

UK, 2009 to 2014



Source: Office for National Statistics

Analysing patterns of investment and the final value of different asset types during 2014 highlights some of the defining features of financial markets during this period (Table 4). For example, the institutions covered by this release disinvested £23 billion in UK corporate securities in 2014, but the value of their holdings in 2014 increased by 1%.

Table 4: Holdings at market values by asset type

UK

£ billion

	Total	Short-term assets	UK government sterling securities	UK corporate securities	Overseas securities	Other assets
2009	2,657.4	285.4	323.0	770.5	777.3	501.3
2010	2,894.8	316.8	351.9	817.8	856.5	551.8
2011	3,009.8	414.1	423.8	757.1	825.3	589.5
2012	3,283.9	446.6	435.2	809.0	944.6	648.6
2013	3,472.5	483.4	449.1	831.4	1,021.5	687.1
2014	3,654.8	556.5	500.1	837.3	1,106.0	654.9
Proportion of total holdings at market values by asset type, %						
2009		10.7	12.2	29.0	29.3	18.9
2010		10.9	12.2	28.3	29.6	19.1
2011		13.8	14.1	25.2	27.4	19.6
2012		13.6	13.3	24.6	28.8	19.8
2013		13.9	12.9	23.9	29.4	19.8
2014		15.2	13.7	22.9	30.3	17.9

Source: Office for National Statistics Notes: 1. Components may not sum to totals due to rounding.

Balance sheet estimates for the end of 2014, showed that the value of overseas ordinary shares held by the institutions covered by this release continued to exceed the value of UK ordinary shares (Table 5). This trend was seen for the first time in 2010 (this time series started in 1964). Since 2009, holdings in overseas ordinary shares have increased by 48%, while holdings of UK ordinary shares increased by only 2%. This may suggest that investors feel overseas share markets offer a more profitable return.

Table 5: Holdings of UK and overseas securities at market values

UK

£ billion

	UK securities			Overseas securities		
	Government sterling securities	Ordinary shares	Other 1	Government securities	Ordinary shares	Other 1
2009	323.0	493.3	277.2	54.8	485.8	236.7
2010	351.9	534.8	283.0	57.5	557.4	241.7
2011	423.8	467.6	289.6	65.7	514.1	245.5
2012	435.2	489.3	319.7	79.9	588.1	276.6
2013	449.1	525.8	305.7	82.9	664.1	274.5
2014	500.1	502.5	334.8	88.5	718.6	298.8

Source: Office for National Statistics Notes: 1. Includes bonds and preference shares.

In 2014, “mutual funds and assets not elsewhere classified” comprised 79% of the other assets total, which is in line with estimates in previous years (Table 6).

Table 6: Holdings of other assets at market values

UK

£ billion

	UK loans	Mutual funds and assets not elsewhere classified[1]	UK land, buildings and new construction
2009	22.1	404.1	75.1
2010	22.8	443.8	85.1
2011	31.0	464.9	93.6
2012	34.0	526.7	87.8
2013	35.1	563.4	88.6
2014	37.6	520.0	97.2

Source: Office for National Statistics Notes: 1. UK and overseas. Includes authorised and unauthorised unit trust units; property unit trusts; investment trust securities; open-ended investment companies; hedge funds; other mutual fund investments not elsewhere classified; UK government securities denominated in foreign currency; local authority and public corporation securities; overseas loans; other UK fixed assets; overseas fixed assets; investment in insurance managed funds, insurance policies and annuities; direct investment and other assets not elsewhere classified.

9. Background notes

1. **Institutional groups**

   Insurance companies

   Active in both life insurance and non-life insurance, they also conduct pension business on behalf of companies and individuals.

   Long-term business (mainly life insurance and pensions) has an emphasis on the spreading of risks over time, whereas general business (mainly home, motor and travel insurance) is largely concerned with the spreading of risks between people and organisations.

   Long-term insurance companies typically hold premium income for a long time, therefore investment income is an important component of their overall income.

   Besides consisting of life insurance, long-term business also includes workplace and individual personal pension business. Pension business includes both insured funds and insurance-managed funds. Fully-insured funds belong to pension schemes where the schemes’ trustees hold, as a sole asset, an insurance policy contract or an annuity contract. All the schemes’ assets are held in one insurance company. Insurance-managed business is where investment of the pension funds for a group of employees is managed by an insurance company. This is in the form of an investment contract in which the insurance company offers participation in one or more pooled funds. Insurance-managed funds are reported both by insurance companies and self-administered pension funds, so caution should be exercised if combining estimates from the 2 sources.

   The figures for long-term funds include items relating to shareholders' funds in respect of pure life companies. For other companies these items are consolidated into the figures for general funds.

   Self-administered pension funds

   A self-administered pension is defined as an occupational pension scheme with units invested in one or more managed schemes or unit trusts. The trustees of these types of schemes can employ either an in-house fund manager to make the day-to-day investment decisions or they can opt to use an external manager to oversee the investment. Insurance-managed funds are reported both by insurance companies and self-administered pension funds (see “Insurance Companies”).

Fully-insured funds are excluded but their activity is included in figures for insurance companies' long-term business.

The data in this release relates to the self-administered pension and superannuation funds of the private sector and to the funded, self-administered schemes of local authorities and employees previously employed in the nationalised industries. The main superannuation arrangements in central government are unfunded and these are excluded from the statistics.

Investment trusts

The figures cover investment trusts recognised as such by HM Revenue & Customs for tax purposes and some unrecognised trusts. Investment trusts acquire financial assets with money subscribed by shareholders or borrowed in the form of loan capital. They are not trusts in the legal sense, but are limited companies with 2 special characteristics: their assets consist of securities (mainly ordinary shares) and they are debarred by their articles of association from distributing capital gains as dividends. Shares of investment trusts are traded on the Stock Exchange and increasingly can be bought directly from the company.

Unit trusts

The data covers unit trusts authorised by the Financial Conduct Authority under the terms of the Financial Services and Markets Act 2000. The statistics include open-ended investment companies (OEICs) but they do not cover other unitised collective investment schemes (for example, unauthorised funds run on unit trust lines by securities firms and merchant banks, designed primarily for the use of institutional investors) or those based offshore (Channel Islands, Bermuda etc.) or in other EU member states.

Unit trusts are set up under trust deeds, the trustee usually being a bank or insurance company. The funds in the trusts are managed not by the trustees, but by independent management companies. Units representing a share in the trusts’ assets can be bought from the managers or resold to them at any time.

Property unit trusts

The statistics aim to cover all UK property unit trusts authorised under the terms of the Financial Services and Markets Act 2000. Property unit trusts invest predominantly in freehold or leasehold commercial property yet may hold a small proportion of their investments in the securities of property companies. Their assets are held in the name of a trustee and are managed on a co-operative basis by a separate committee (elected by the unit holders) or company.

2. **Basic quality information**

   A Quality and Methodology Information (QMI) (268.3 Kb Pdf) report can be found on our website. The QMI report aims to provide users with a greater understanding of our statistics, their quality and the methods that are used to create them.

3. **Administrative data**

   The surveys that underpin this release use administrative data sources as their target populations. Further information can be found in the QMI report linked in background note 2.

4. **Uses of Data**

The primary use of data from the insurance companies, pension funds and trusts surveys is in the Financial and Sector Accounts and the compilation of Gross Domestic Product (GDP) estimates within the UK National Accounts and the UK Balance of Payments. There are numerous other users within and outside government who use these data to produce various financial analyses and to inform policy decisions. Such users include:

Bank of England: Data are used for monetary policy and financial stability monitoring.

Department for Work and Pensions: Specifically interested in the investment activity of pension funds, and any pension business undertaken by insurance companies.

HM Revenue and Customs: Data are used to aid taxation analysis of financial institutions.

Association of British Insurers: Compare its own data with our data to ensure both datasets display similar trends.

Department for Business, Innovation and Skills: Use data to analyse investment activity across various financial instruments.

Debt Management Office: Data are used to monitor the investment activity in British government securities (gilts).

The Investment Association: Compare its own data with our data to ensure both display similar trends. They also use these data to provide an overall view of the UK savings and pensions markets and the components that make it up.

European Union's Statistical Office (Eurostat): Use data to compile statistics at a European level to enable comparisons between countries and to support the development of European fiscal policy.

Organisation for Economic Co-operation and Development (OECD): Analyse investment activity to help formulate economic growth and financial stability recommendations for member countries.

Trade associations, city analysts, institutional investors and fund managers use these data for modelling or forecasting purposes and also to track asset allocation trends. Academics and journalists also use the data for research purposes.

5. **Your views matter**

We are constantly aiming to improve this release and associated commentary. We would welcome any feedback you might have, and would be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: financial.inquiries@ons.gsi.gov.uk or telephone Fred Norris on +44 (0)1633 456109.

There is a Business and Trade Statistics community on the StatsUserNet website. For more information, see background note 15.

6. **International comparisons**

It is difficult to compare the "Investment by Insurance Companies, Pension Funds and Trusts" release with that of other countries. This is largely due to different rules and regulations surrounding insurance and pension provision, and also because other countries do not combine data for these specific institutional groups into a single detailed publication.

The focus for other countries is frequently on collecting data for National Accounts purposes, not on producing a separate publication for these institutional groups. Many countries around the world use different sources to collect these data. In some cases the data collection is split between the national statistical office and the central bank (Belgium) or the industry regulator (Finland). The periodicity of data collection also varies between countries; some collect data quarterly (Sweden), others on an annual basis (New Zealand). In addition, some countries use a transactions approach (UK) to data collection, while others prefer a balance sheet style (Ireland).

International bodies such as the OECD compare institutional investment data across countries to help formulate economic growth and financial stability recommendations.

7. **Revisions**

Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016.

A revisions policy (113.1 Kb Pdf) is available to assist users with their understanding of the cycle and frequency of data revisions. Users of this release are strongly advised to read this policy before using these data for research or policy related purposes.

The revisions policy explains the annual alignment process which is conducted at Quarter 3 (July to September). Revisions to the data for 2014 have been caused by incorporating the results of the 2014 annual insurance and pension funds surveys. As part of the processing of these results, discrepancies in the returns of individual respondents are identified and corrected by comparing their quarterly and annual returns.

Total net investment in 2014 has been revised downwards to £13 billion from net investment of £43 billion published last quarter. The most notable revision was in overseas securities, which decreased by £12 billion.

Revisions to data provide one indication of the reliability of main indicators. A spreadsheet is available giving a revisions triangle (505 Kb Excel sheet) of estimates of net investment from 1996 to date. This also includes information on average revisions to other series contained in this publication.

8. **Response rates**

The figures in this release are based on a system of quarterly and annual surveys collecting data on income and expenditure, transactions in financial assets and the balance sheet in separate surveys.

Table 7: Overall response rate by survey

Q3 2015	%
Transactions	
Long-term insurance companies	90
General insurance companies	89
Self-administered pension funds	86
Unit trusts	92
Investment trusts	85
Property unit trusts	100
Income and expenditure	
Long-term insurance companies	90
General insurance companies	86
Self-administered pension funds	86
2014 Annual	%
Balance sheet	
Long-term insurance companies	99
General insurance companies	96
Self-administered pension funds	95
Income and expenditure	
Long-term insurance companies	97
General insurance companies	92
Assets and liabilities	
Unit trusts	97
Investment trusts	91
Property unit trusts	100

Source: Office for National Statistics

9. **General information**

These points should be noted when examining reference tables:

- total pension contributions made to funded schemes cannot be derived by summing pension premiums from Table 2.4 and contributions from Table 4.3. To do so would result in an over estimate

- i) as a result of transfers within the long-term insurance sector and ii) as insurance managed (see background note 1) pension business is reported by self administered pension funds and insurance companies

- certificates of deposits issued by overseas banks are included in short-term assets overseas
- an increase in borrowing is indicated by a positive figure, a decrease by a negative figure
- total net investment for long-term insurance companies includes investment by self-administered pension funds in insured funds
- loans to a parent authority by local authority funds are included with UK local authority securities
- the consolidation adjustment is an adjustment to remove inter-sectoral flows between the different types of financial institution covered by this release – it has been produced by identifying and calculating totals for net investment in mutual funds such as authorised unit trust units, investment trust securities and insurance managed funds by the institutions
- components in tables denominated in £ billion may not sum to totals due to rounding

10. **Disclosure**

It is sometimes necessary to suppress figures for certain items in order to avoid disclosing investment activity by individual institutions. In these cases the figures are usually combined with those for another item and this will be indicated in the tables by means of a footnote.

11. **Definitions and symbols used**

c suppressed to avoid the disclosure of confidential data - nil or less than £0.5 million : not available.

Throughout this release Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 refers to Quarter 3 (July to September) and Q4 refers to Quarter 4 (October to December).

A glossary of the terms used in this release is available to assist users.

12. **National Statistics**

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs
- are well explained and readily accessible
- are produced according to sound methods
- are managed impartially and objectively in the public interest

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

13. **Social media**

Follow ONS on Twitter and receive up to date information about our statistics.

Like ONS on Facebook to receive our updates in your newsfeed and to post comments on our page.

14. **Government Statistical Service (GSS) business statistics**

To find out about other official business statistics, and choose the right data for your needs, use the GSS Business Statistics Interactive User Guide. By selecting your topics of interest, the tool will pinpoint publications that should be of interest to you, and provide you with links to more detailed information and the relevant statistical releases. It also offers guidance on which statistics are appropriate for different uses.

15. **Discussing business statistics online**

There is a Business and Trade Statistics community on the StatsUserNet website. StatsUserNet is the Royal Statistical Society's interactive site for users of official statistics. The community objectives are to promote dialogue and share information between users and producers of official business and trade statistics about the structure, content and performance of businesses within the UK. Anyone can join the discussions by registering via either of the links.

16. **Special events**

We have published commentary, analysis and policy on "Special Events" which may affect statistical outputs. For full details visit the Special Events page on our website.

17. **Release policy**

All data in this release can be downloaded free of charge from our website. Here are the instructions to obtain a full time series of data from the statistical bulletin or release pages:

- select 'Data in this release'
- select 'View datasets associated with this release'
- select the latest release
- select 'Select series from this dataset'
- select the reference table of interest
- select 'View series'
- select the series of interest (Hint: for a custom download you can use SHIFT to select a range of series or CTRL to select multiple individual series)
- select 'View selection'
- select 'download'

18. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.