

PRESS RELEASE (EMBARGOED UNTIL 12 NOV 2018 8AM)

BREXIT WEIGHS ON INVESTOR SENTIMENT IN THIRD QUARTER

In July the UK government finally agreed an exit strategy with the EU and the outlook began to look rosier. But as the quarter wore on, resignations and vocal criticism abounded dampening investor sentiment and sending stock markets into the red — the FTSE 100 and the FTSE All Share indices fell by 1.8% in the quarter.

Platform assets appear to have defied the trend with a £30.3bn (5%) increase to £634bn. But below the surface, assets were boosted by Aegon adding £16bn of DC assets to its platform following the completion of the Part VII transfer from BlackRock to Aegon. With this £16bn figure stripped out, UK platform assets rose by £14.4bn to £618bn — an increase of just 2.4%.

Brexit uncertainty had an inevitable impact on sales and this was exacerbated by the holiday season and the continued slowdown in the DB transfer pipeline. As a result (with Aegon's transfer stripped out), real gross sales were down 1.4% year on year to £28.2bn. The decline was far worse for net activity, with year-on-year sales down by 22% to £9.4bn. On a year-to-date business, gross sales of £89bn were only marginally down on the £91bn achieved in the same period in 2017. But net sales of £36bn were considerably lower than the £41bn registered in 2017.

Q318 ASSET TRENDS							
	Q4 17 AUA	Q2 18 AUA	Q3 18 AUA	Q318 growth (£m)	Q318 growth (%)	YTD growth (£m)	YTD growth (%)
Cofunds	94,555.20	95,638.00	94,562.00	-1,076.00	-1.1	6.8	0
HL e	86,037.00	91,579.00	94,100.00	2,521.00	2.8	8,063.00	9.4
Fidelity	79,679.00	81,603.20	83,201.50	1,598.30	2	3,522.50	4.4
St Life	54,022.00	56,335.10	57,652.00	1,316.90	2.3	3,630.00	6.7
Quilter	51,469.50	53,679.30	54,767.50	1,088.20	2	3,298.00	6.4
Aegon	22,191.00	25,472.00	43,506.50	18,034.50	70.8	21,315.50	96.1
AJ Bell e	33,566.40	36,700.00	38,600.00	1,900.00	5.2	5,033.60	15
Transact	29,700.00	31,884.00	33,113.00	1,229.00	3.9	3,413.00	11.5
J Hay	25,531.60	26,244.00	26,535.10	291.1	1.1	1,003.40	3.9
Aviva	20,129.60	22,670.90	23,345.70	674.8	3	3,216.00	16
ATS	15,785.00	15,772.00	15,993.70	221.7	1.4	208.7	1.3
Ascentric	14,422.30	15,062.20	15,400.30	338.2	2.2	978.1	6.8
Nucleus	13,576.70	14,338.80	14,693.10	354.3	2.5	1,116.40	8.2
Zurich	8,680.00	9,490.00	9,838.00	348	3.7	1,158.00	13.3
7im	7,767.20	8,222.30	8,493.20	270.9	3.3	726	9.3
Next 4**	13,946.00	18,877.00	20,049.00	1,172.00	6.2	6,103.00	43.8
Total	571,058.60	603,567.70	633,850.50	30,282.80	5	62,791.90	11

Business was far less sticky across the board, with the net sales ratio dropping to 35% — one of the lowest rates on record. The retail advised channel recorded a far more robust 48%, demonstrating the latent strength of the advice market. Aegon topped the overall net sales table thanks to its newly platformed DC business, while our more conservative estimate for Hargreaves Lansdown (usually first) put it into third place.

The biggest surprise occurred in the retail advised channel where Transact jumped into pole position with net sales of £979m, beating Standard Life by just £3m and demonstrating that ‘sticking to your knitting’ pays off in the long run. Although Transact’s adviser base differs substantially from those of Aviva and Aegon, the fact that it is a publicly listed and financially robust platform is likely to have led to an uplift in adviser enquiries in response to Aviva and Aegon’s well documented re-platforming issues.

TOP 5 PLATFORMS BY GROSS SALES Q318	
Cofunds	£7.4bn
Fidelity	£3.0bn
Hargreaves Lansdown (est)*	£2.7bn
Aegon***	£2.6bn
Standard Life	£2.1bn

TOP 5 PLATFORMS BY NET SALES Q318	
Aegon***	£1.2bn
AJ Bell (est)*	£1.2bn
Hargreaves Lansdown (est)*	£1.2bn
Transact	£979m
Standard Life	£976m

TOP 5 RETAIL ADVISER PLATFORMS BY GROSS SALES Q318	
Standard Life	£2.1bn
Quilter Wealth	£1.8bn
Transact	£1.5bn
AJ Bell	£1.3bn
Aviva	£1.2bn

TOP 5 RETAIL ADVISER PLATFORMS BY NET SALES Q318	
Transact	£979.0m
Standard Life	£976.0m
AJ Bell	£960.0m
Aegon**	£759.6m
Aviva	£628.8m

Bella Caridade-Ferreira, CEO of Fundscape said, “The early optimism surrounding the Chequers deal soon faded and sentiment was also exacerbated by the UK’s creeping inflation and weaker economic growth. The slowdown in DB transfers, the main driver of 2017 sales, is another factor in the quarter’s weaker sales.”

“Unfortunately, the fourth quarter will be more of the same. Geopolitical uncertainty bathed October’s stock markets in a sea of red with markets falling between 5% and 9%. Those concerns are unlikely to recede any time soon. Closer to home, If the government fails to pull off a Brexit deal in time, the outlook for the industry in 2019 will be fairly bleak. As the March 2019 deadline thunders down the track towards us, investors will become increasingly risk-averse. ISA business, the mainstay of the first half of the year, will be another damp squib for the industry.”

Q318 ASSETS AND SALES BY CHANNEL				
	Retail advised	Corp/Institutional	D2C	Totals
Q318 assets	382,780.6	110,787.1	140,282.7	633,850.5
Q317 assets	336,983.8	84,107.1	119,211.4	540,302.4
Growth %	45,796.8	26,680.0	21,071.3	93,548.1
<i>Change (%)</i>	<i>13.6</i>	<i>31.7</i>	<i>17.7</i>	<i>17.3</i>
Q318 gross sales	15,703.2	8,072.5	5,506.7	29,282.4
Q317 gross sales	17,551.0	6,202.1	4,836.4	28,589.5
<i>Change (%)</i>	<i>-10.5</i>	<i>30.2</i>	<i>13.9</i>	<i>2.4</i>
Q318 net sales	7,585.1	359.9	2,295.7	10,240.7
Q317 net sales	8,491.2	1,206.7	2,421.5	12,119.3
<i>Change (%)</i>	<i>-10.7</i>	<i>-70.2</i>	<i>-5.2</i>	<i>-15.5</i>

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Notes to Editors:

The Platform Report is a confidential report published by Fundscape LLP. To subscribe to the report, platforms must contribute asset and sales data on a quarterly basis. For further information about the report and Fundscape, please visit www.fundscape.co.uk. A total of 19 platforms are included in the analysis. Platform coverage is estimated at 98% of the platform universe.

*For timing reasons and because the data is market sensitive, Hargreaves Lansdown reports its figures to Fundscape a quarter in arrears. AJ Bell is preparing for stock-market flotation so its figures have been estimated.

**Next four: Novia, Raymond James, Hubwise and Embark.

*** Excludes re-registered former BlackRock business.

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