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FIRST QUARTER DISAPPOINTS AS CONSUMERS CONTINUE TO FACE HEADWINDS

After a difficult 2022, the D2C industry had been counting on business picking up in Q1 2023. For many D2C platforms, the ISA season is when they generate most of their flows so a buoyant Q1 is critical for annual revenues. However, a perfect storm of negative factors — rapidly rising interest rates, stubbornly high inflation, the ongoing cost-of-living crisis, a wave of public sector strikes and geopolitical uncertainty —had a major impact on investor sentiment. Despite this, assets rose by 4% on the back of strong stock markets and gross sales rebounded to £11.3bn – well up on Q422, and marginally ahead of Q122 figures.

However, the double whammy of higher living costs and lower investor morale weighed heavily on net flows. Although net sales rose to £3.5bn – more than twice the sales of the previous quarter (the worst quarter on Fundscape records) – they remained well below the usual ISA-laden, Q1 standards. One reason was withdrawals to meet living costs. Established platforms with mature books of business were disproportionately affected as older consumers withdrew to help children and grandchildren meet expenses.

TOP 5 D2C PROVIDERS BY ASSETS IN Q123	
Hargreaves Lansdown[1]	£112.4bn
interactive investor	£56.1bn
Fidelity Personal Investing	£30.3bn
AJ Bell	£21.3bn
Halifax Share Dealing	£18.6bn

TOP 5 D2C PROVIDERS BY ASSET GROWTH IN Q123	
Hargreaves Lansdown[1]	£3.7bn
interactive investor	£2.1bn
AJ Bell	£1.0bn
Vanguard Personal Investor	£929m
Fidelity Personal Investing	£791m

TOP 5 D2C PROVIDERS BY GROSS SALES IN Q123	
Hargreaves Lansdown[1]	£3,686m
interactive investor[2]	£2,250m
Vanguard Personal Investor	£1,462m
AJ Bell	£1,100m
Fidelity	£1,066m

TOP 5 D2C PROVIDERS BY NET SALES IN Q123	
Vanguard Personal Investor	£1,011m
interactive investor	£900m
Hargreaves Lansdown[1]	£662m
AJ Bell	£600m
Halifax Share Dealing	£91m

In terms of assets, Hargreaves and interactive investor (now part of abrdn) are the largest platforms by a clear margin so they always stand to benefit the most from any rise in markets. However, in a repeat of last quarter's trading, Vanguard continues to defy the market. It was third for gross sales in the quarter and topped the table for net sales, outperforming much larger platforms. The simplicity of its pricing and proposition continues to resonate with UK investors, and its pension business was a significant contributor to its sales success.

Martin Barnett, Head of Content at Fundscape said, 'For many D2C platforms, the ISA season is the main driver of annual business — a good Q1 usually means a good year and vice versa — so a poor start to the year is always disappointing. The D2C market is ultimately a scale game, so smaller platforms may struggle to achieve the scale necessary to generate consistent revenues. We have already seen one platform exit the market this quarter and we expect others to follow or be acquired.

'Some platforms reported that business finally started to improve in Q2. The Bank of England issued a more positive outlook statement and GfK, the consumer index, reported an improvement in consumer sentiment in April as economic indicators were better than expected. GfK described it as a "sudden flowering of optimism among households". Let's hope it's right.'

- Ends-

Notes to Editors:

The Direct Matters report is a quarterly report that covers the direct market and is published by Fundscape. It has been running since Q121. For further information or background please contact: press@fundscape.co.uk

1. The estimated advised portion of HL's business has been excluded.
2. Interactive investor gross flows are our estimates. Assets and net flows are actual.