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Q3 DIRECT FLOWS IN THE DOLDRUMS WITH NO RESPITE IN SIGHT

With a disappointing ISA season having set the tone for the rest of 2023, the third quarter was always going to be a struggle. But thanks to modest upturns in stock markets, assets crept back over the £300bn mark, regaining a significant milestone for the direct platform market. Flows, however, disappointed with gross flows slumping to below £9bn and net flows dropping to a dismal £1.8bn — not their lowest ever, which was £1.5bn in the last quarter of 2022, but not far off it either.

TOP 5 D2C PROVIDERS BY ASSETS IN Q323	
Hargreaves Lansdown	£113.9bn
interactive investor	£57.7bn
Fidelity Personal Investing	£32.2bn
AJ Bell Youinvest	£22.7bn
Halifax	£18.7bn

TOP 5 D2C PROVIDERS BY ASSET GROWTH IN Q323 (£m)	
interactive investor	£900m
Moneyfarm	£900m
AJ Bell	£700m
Vanguard	£634m
Hargreaves Lansdown	£370m

TOP 5 D2C PROVIDERS BY GROSS SALES IN Q323	
Hargreaves Lansdown	£2.6bn
interactive investor	£2.0bn
AJ Bell	£1.3bn
Vanguard Personal Investor	£1.1bn
Fidelity Personal Investing	£497m

TOP 5 D2C PROVIDERS BY NET SALES IN Q323	
interactive investor	£800m
AJ Bell	£700m
Vanguard	£580m
Moneyfarm	£65m
True Potential	£42m

Hargreaves and interactive investor (now part of abrdn) remain the largest platforms by assets, but the fastest growing platforms in the UK are interactive investor and Moneyfarm. The acquisition of Profile Pensions boosted Moneyfarm's assets while interactive investor's multi-media advertising campaign continues to turn heads and attract investors.

Martin Barnett, Head of Content at Fundscape said: "In the short term, there is little likelihood of the headwinds abating and their impact on consumer finances and sentiment easing. Direct platforms are preparing for the possibility that next year's ISA season will be very similar to this year's — flows hard to come by with intense competition for new customers."

Gross and net sales for the year to date are lacklustre at £30bn and £9bn and unlikely match 2022's full-year figures of £37bn and £12bn. New customers and new money are much reduced, so platforms will have to work twice as hard to attract new customers. In these straitened circumstances, poaching customers from each other becomes a necessity. Such a situation creates winners and losers, and we expect to see further M&A with any struggling players being snapped up.

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Notes to Editors:

The Direct Matters report 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. Active Savings and the advised portion of HL's business have been excluded.