

Collective Investments - UK - August 2009

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What is this report about?

After a tough 2008, gross and net new sales of collective investment funds have experienced a recovery in 2009, with the second quarter net retail sales figure the highest on record at £7.4 billion. A major contributor to this growth has been the improvement in investor confidence which has resulted in the recent rebound in stock market performance early in the year. Low inflation and interest rates have also played their part, with the former helping to ease pressure on personal budgets and the latter causing investors to seek out higher returns.

Key issues covered in the analysis

- Collective investment providers and advisers could be taking greater advantage of the power of word of mouth. Research by Mintel reveals that more than 10 million people listen to friends and family as an important source of information when choosing and investment.
- Increasing longevity and the decline of both private and public pension provision is increasing the need to generate income from multiple sources during retirement. The demand for income-producing investments is likely to increase for those in or nearing retirement.
- Fifteen million savers are unaware of how inflation can affect their savings: the real rate of return is something that providers of collective investments should be emphasising.
- Lack of cash and understanding are two of the main barriers preventing potential investors from putting money into collectives. If the industry ever hopes to increase business among the mass market, it should be introducing simpler and easier to understand products.
- The 10 million people who fall into Mintel's target group "Savvy and Demanding" (the most willing to take on risk due to their high level of financial savvy) show that educating potential investors should be a constant and a key element of any provider's product proposition.
- Further improvements in the functionality of retail fund supermarket could open up a whole new target market to the collective investment industry – people who have enough to invest but not enough to hire an intermediary to help them select and manage funds.



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Scope of the report