Statistical bulletin

# MQ5: Investment by Insurance Companies, Pension Funds and Trusts: Quarter 3 (July to Sept) 2016

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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15 December 2016

Next release:
March 2017 (provisional)

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# 1 . Main points

This is the first full quarterly estimate of investment by insurance companies, pension funds and trusts following the EU referendum, but only a very limited number of our survey respondents mentioned this as a factor in their returns.

Net disinvestment of £15 billion was reported by insurance companies, pension funds and trusts in the third quarter (July to Sept) of 2016. This was the second occurrence of total net disinvestment during the year to date and only the fifth since the start of this series in 1987.

The net disinvestment by unit trusts of £3 billion in other assets was the largest net disinvestment for this series since it started in 1987.

Net disinvestment of £11 billion in overseas ordinary shares in Quarter 3 2016 was the largest net disinvestment for this series since the first quarter of 2000 (£23 billion).

This release reports on these institutions’ balance sheets at the end of 2015. Total assets were valued at £3,696 billion, compared with £3,655 billion at the end of 2014. This was the smallest annual increase (1%) since 2008.

# 2 . Overview

This release contains information about the investment choices of insurance companies, self-administered pension funds, investment trusts, unit trusts and property unit trusts. It includes quarterly net investment data arising from financial transactions (investments) made by these institutional groups. Also included are quarterly balance sheet data for short-term assets and liabilities, plus 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 Sept) release contains annual balance sheet data for all the institutional groups for the previous full year, providing information on the market values of assets and liabilities. Annual income and expenditure data for insurance companies are also reported at this time. This bulletin contains revisions to 2015 data (see background note 6).

Data for Quarter 1 (Jan to Mar) 2016 onwards remain provisional and subject to revision until the incorporation of the 2016 annual survey results in December 2017.

A question often asked of the MQ5 release is “why does it only cover certain institutional groups?” The answer is that these institutions control £4 trillion of assets 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 you make use of these data for modelling or forecasting purposes. In doing so, careful attention should be paid to the MQ5 revisions policy and history (see revisions triangle). 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 £8.5 billion. The estimate of total net investment for Quarter 2 (Apr to June) 2016 has been revised downwards by £0.3 billion (see Background note 6 for further information).

An Investment by insurance companies, pension funds and trusts (MQ5) Glossary is available to assist your understanding of the terms used in this release.

# 3 . Your views matter

We aim to constantly improve this release and its associated commentary. We welcome any feedback you might have and are particularly interested to know 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.

# 4 . Net investment by asset type

The total assets of the businesses covered by this release (insurance companies, pension funds and trusts) were valued at £3,696 billion at the end of 2015, the latest period for which annual results are available. During 2015, these businesses acquired £1,586 billion and disposed of £1,545 billion longer-term financial instruments. Net investment is the difference between acquisitions and disposals of longer-term assets, 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 Sept) 2016, there was net disinvestment of £15 billion (Figure 1). This was the second occurrence of total net disinvestment during the year to date and only the fifth since the start of this series in 1987. In terms of context, the 5-year quarterly average for this series is net investment of £6 billion. In Quarter 3 2016, net disinvestment was reported in overseas securities, UK corporate securities, other assets and UK government sterling securities. This was partly offset by net investment in short-term assets.

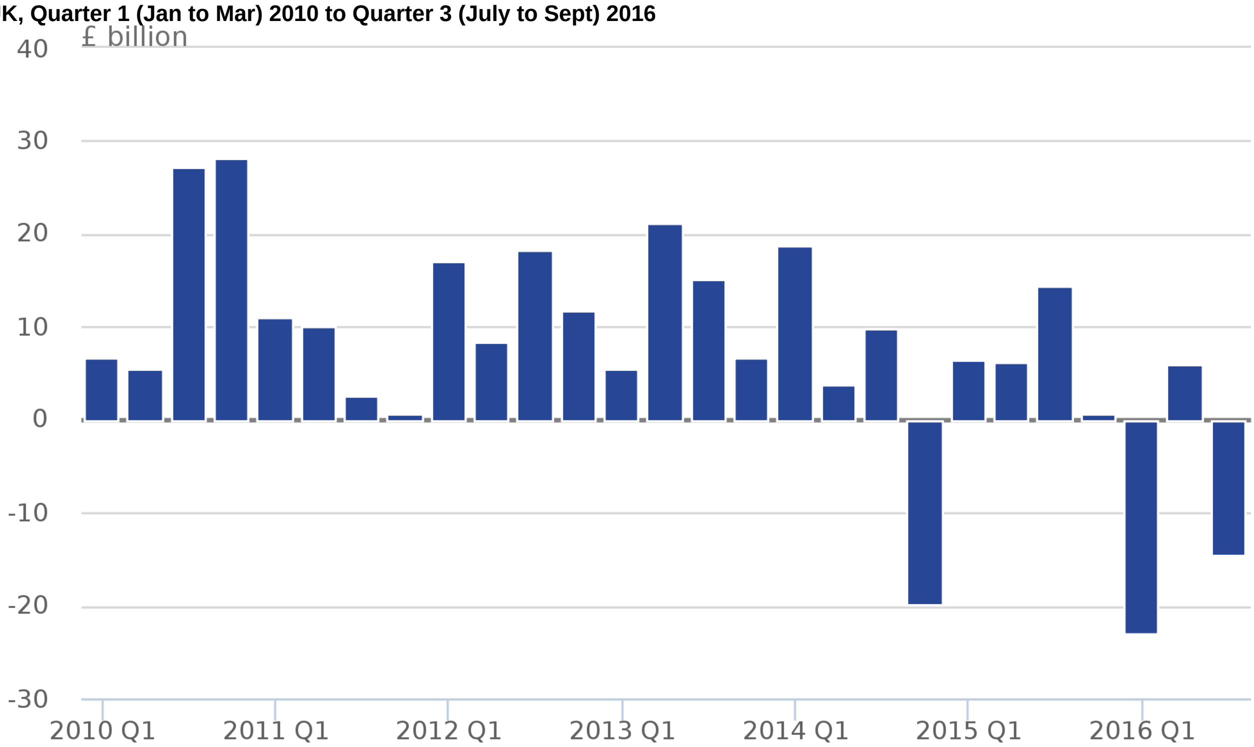
Net disinvestment at a total level is unusual and may be influenced by changes in investor confidence in the economic environment. Net investment varies across the quarters of a calendar year and so an increase or decrease in investment from one quarter to the next is not necessarily an indicator of improved or worsening economic activity. A better gauge of investor activity is the composition of investment between types of instruments over a number of quarters, which is more likely to reflect varying investment strategies.

In Quarter 3 2016, the overall net disinvestment was caused mainly by disinvestment in overseas ordinary shares (£11 billion) and UK ordinary shares (£8 billion). This was the third consecutive quarter where net disinvestment occurred in both of these asset types. It will be interesting to see if this pattern continues.

For 2015 as a whole, net investment reported by the institutions covered in this release was £28 billion.

**Figure 1: Total net investment**

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

## Short-term assets

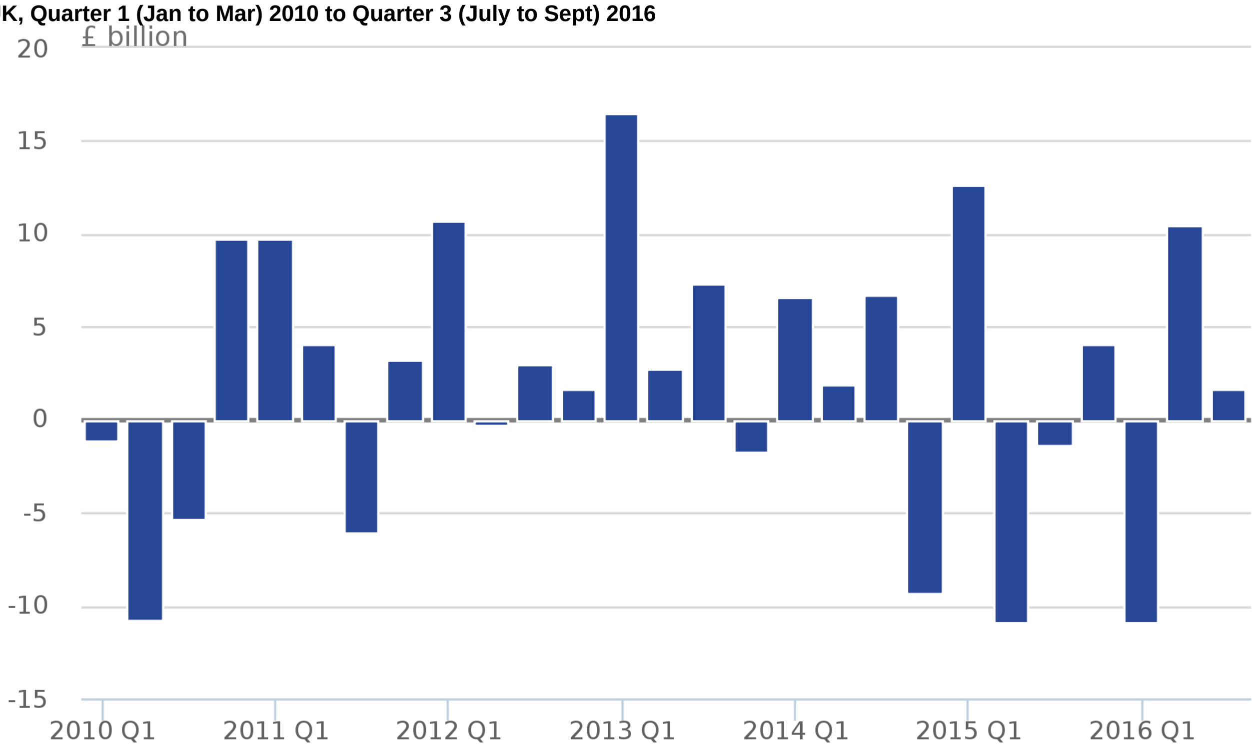
Investment in short-term assets (those maturing within 1 year of their originating date) can be affected by the level of the net inflows of funds into the businesses concerned (premiums or contributions, for example) and by the relative attractiveness of other investments, both in terms of their potential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

In Quarter 3 2016, there was net investment of £2 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. In 2015, the net investment was £4 billion. 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 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

## UK government sterling securities (gilts)

UK gilts (gilt-edged market securities) 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 disinvestment in gilts in Quarter 3 2016 of £1 billion (Figure 3). The 5-year quarterly average for this series is net investment of £1 billion.

Looking at the annual picture, net investment in gilts was £1 billion in 2015, following net investment of £10 billion in 2014 and £13 billion in 2013. This was preceded by net disinvestment in 2011 and 2012. This 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.

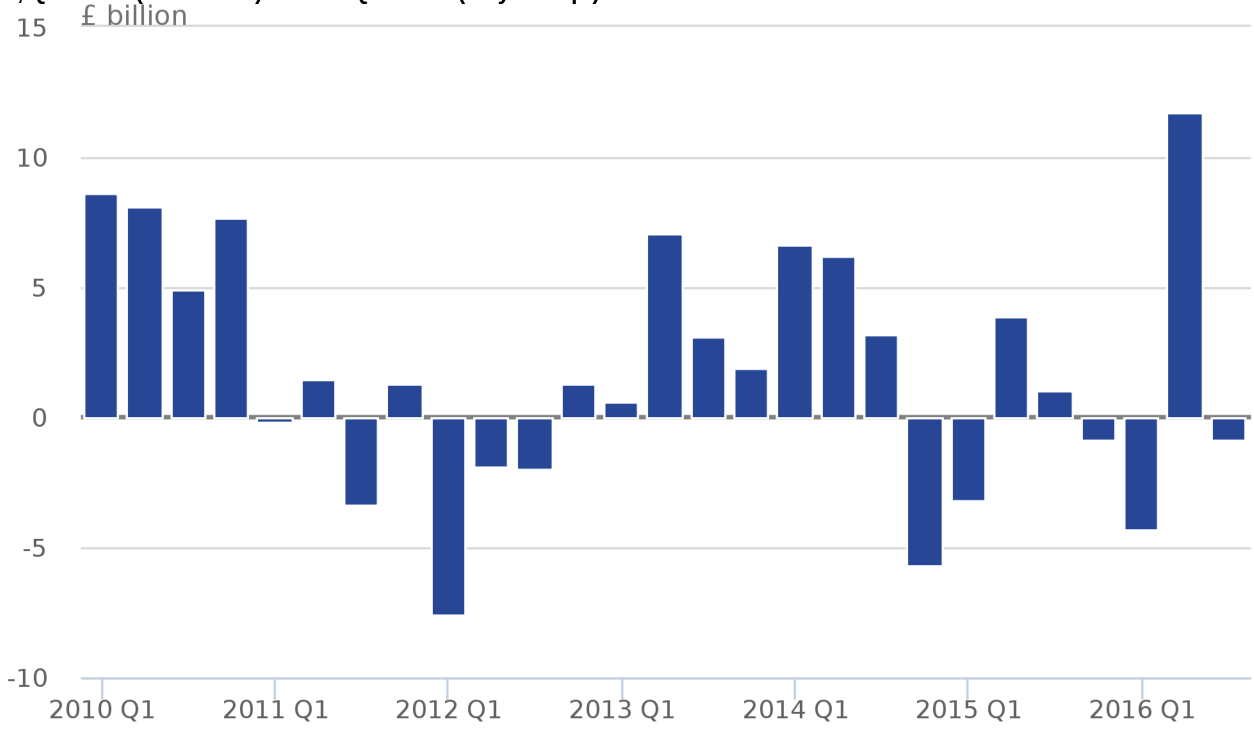
In recent times, the market for gilts has been notably influenced by the Bank of England's Quantitative Easing (QE) programme. On 4 August 2016, the Monetary Policy Committee voted to increase the stock of purchases of UK government bonds by £60 billion. Since the start of the QE programme in 2009, the Bank has bought £435 billion of gilts.

UK gilts can be an attractive investment option because they are very secure, reflecting the fact that the British government has never failed to make an interest or principal payment when they are due. The demand for government bonds can increase in periods of economic uncertainty and geopolitical risk, with the popularity of this investment leading to an increase in the price of gilts and a fall in their yields. The demand for gilts can also be driven by market expectations. For example, if the market anticipates that the central bank is going to announce expansionary monetary policy measures like quantitative easing, demand for these assets can grow, leading to an increase in the price of bonds and a fall in their yield. These characteristics may help to explain the longer-term profile of net investment in gilts.

If you are interested in additional information about gilts that is not already covered in this release, please visit the UK Debt Management Office or the Bank of England.

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

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**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.

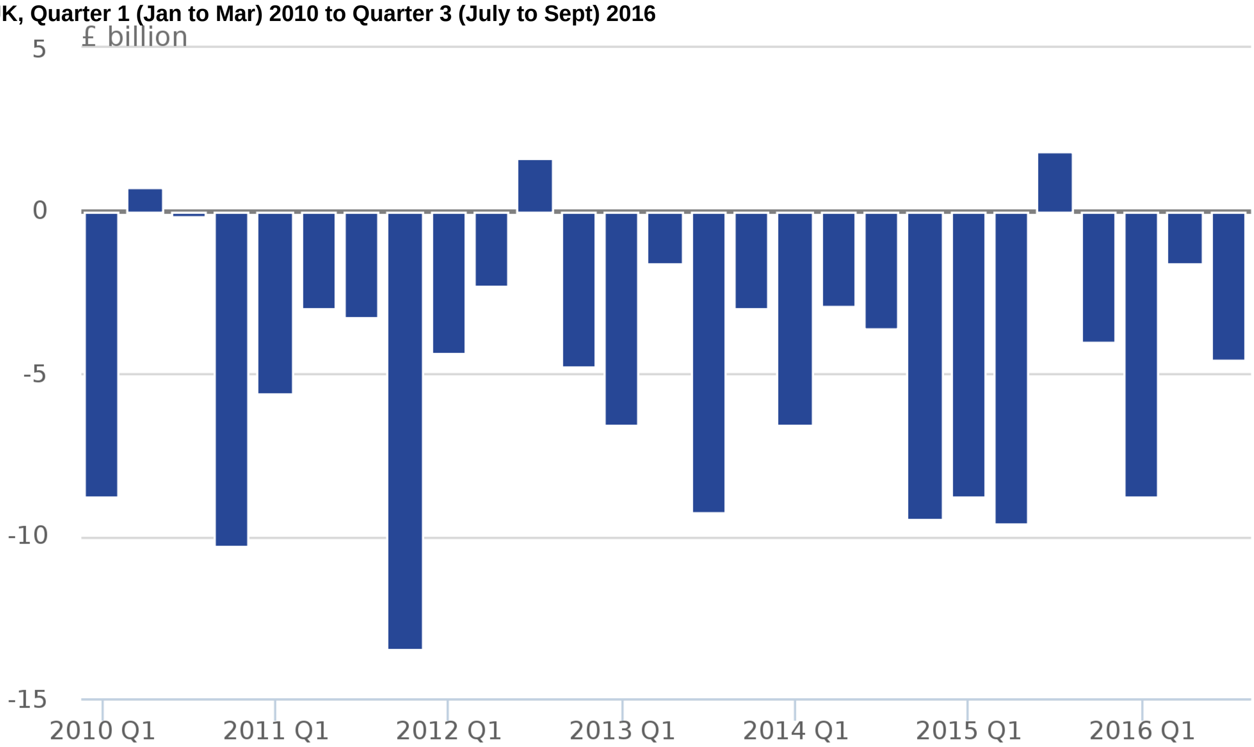
## UK corporate securities

In Quarter 3 2016, there was net disinvestment of £5 billion in UK corporate securities (Figure 4). This is in keeping with the general pattern of disinvestment since the beginning of 2010 and in line with the 5-year quarterly average for this series. The net disinvestment in UK ordinary shares (£8 billion) was the largest for this series since Quarter 3 2013 (£10 billion).

In Quarter 3 2016, the net investment in other UK corporate securities (mainly corporate bonds) of £4 billion was the largest for this series since Quarter 1 (Jan to Mar) 2012 (£7 billion). This may indicate that investors feel these assets offer a better rate of return over this period, in relation to other instruments such as gilts, where yields have fallen.

### Figure 4: Net investment in UK corporate securities

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

## Overseas securities

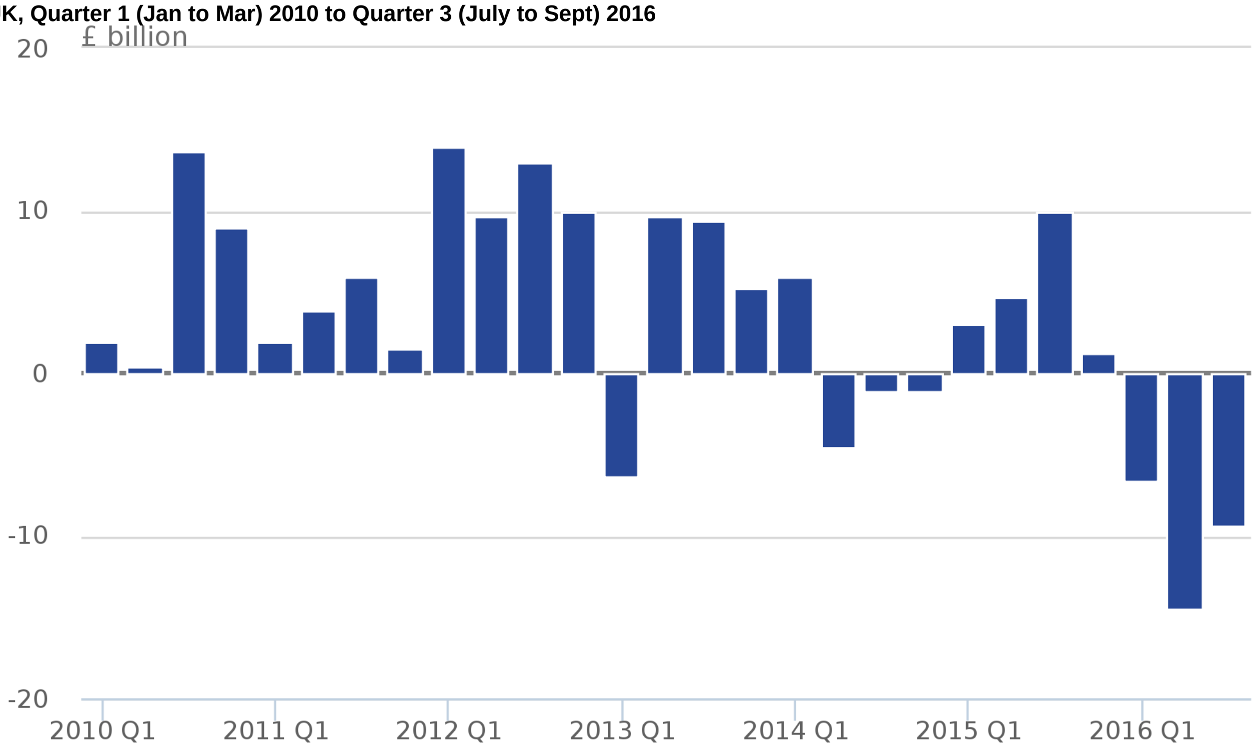
In Quarter 3 2016, the institutions covered by this release reported net disinvestment of £9 billion (Figure 5). This was caused mainly by net disinvestment in overseas ordinary shares (£11 billion), the largest disinvestment for this series since Quarter 1 2000 (£23 billion).

The net disinvestment in overseas securities in the first 3 quarters of 2016 follows 4 consecutive quarters of net investment in this asset type. This may indicate a change in investment strategy and it will be interesting to see if this is the start of a longer-term trend of disinvestment in this asset type.

In contrast to the general trend of net disinvestment in UK corporate securities in recent years, in 2015 businesses reported net investment in overseas securities of £19 billion.

**Figure 5: Net investment in overseas securities**

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

## Other assets

The category "other assets" covers UK and overseas investment in:

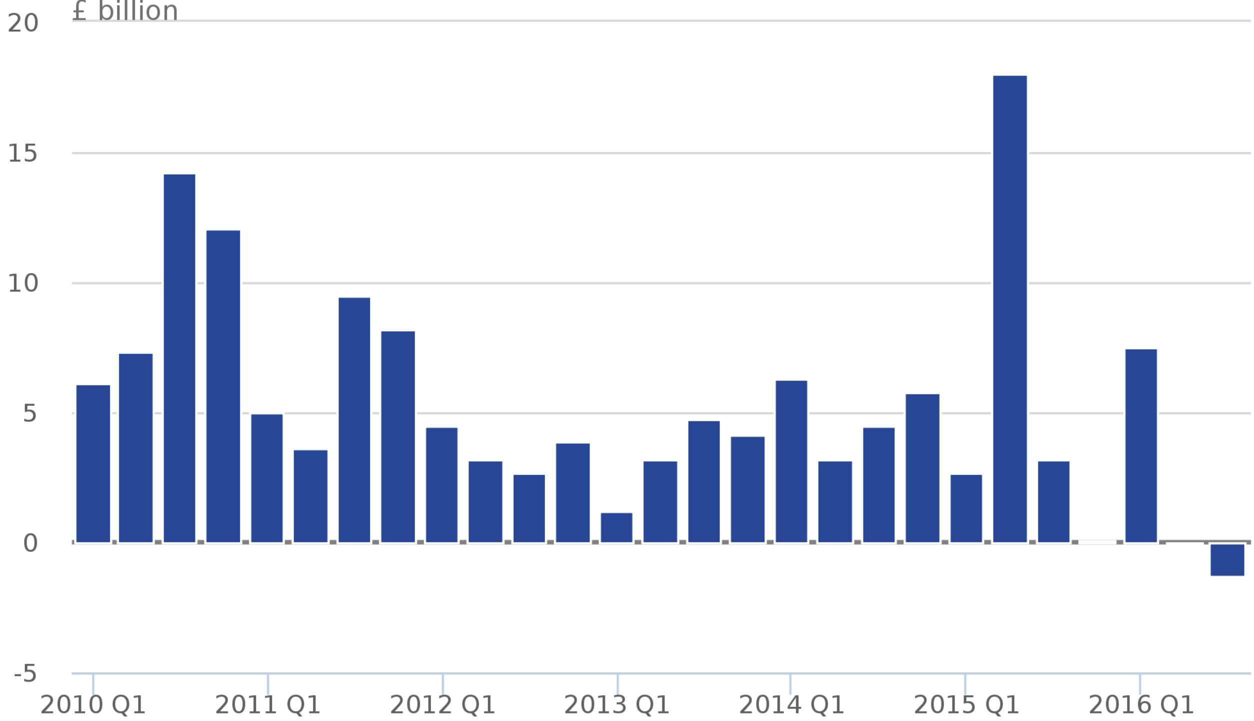
- mutual fund investments
- insurance-managed funds
- UK government securities denominated in foreign currency
- local authority and public corporation securities
- loans
- fixed assets
- insurance policies and annuities
- direct investment
- other assets not elsewhere classified

In Quarter 3 2016, there was net disinvestment of £1 billion in other assets (Figure 6). The 5-year quarterly average for this series is net investment of £4 billion.

In 2015, the net investment of £24 billion in other assets was the largest for this series since 2011 (£26 billion).

### Figure 6: Net investment in other assets

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

**Table 1: Net investment by asset type UK**

UK, quarter 1 (Jan to Mar) 2010 to quarter 3 (Jul to Sep) 2016 £ billion

| | Total | Short-term assets | UK government sterling securities | UK corporate securities | Overseas securities | Other assets |
|---|---|---|---|---|---|---|
| 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 |
| 2015 | 27.6 | 4.5 | 0.8 | -20.6 | 18.8 | 24.1 |
| 2010 Q1 | 6.6 | -1.1 | 8.6 | -8.8 | 1.9 | 6.1 |
| 2010 Q2 | 5.6 | -10.8 | 8.1 | 0.7 | 0.4 | 7.3 |
| 2010 Q3 | 27.2 | -5.4 | 4.9 | -0.2 | 13.7 | 14.2 |
| 2010 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 |
| 2011 Q2 | 10.1 | 4.1 | 1.5 | -3.0 | 3.9 | 3.6 |
| 2011 Q3 | 2.5 | -6.1 | -3.4 | -3.3 | 5.9 | 9.5 |
| 2011 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 |
| 2012 Q2 | 8.4 | -0.3 | -1.9 | -2.3 | 9.7 | 3.2 |
| 2012 Q3 | 18.3 | 3.0 | -2.0 | 1.6 | 13.0 | 2.7 |
| 2012 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 |
| 2013 Q2 | 21.1 | 2.8 | 7.1 | -1.6 | 9.6 | 3.2 |
| 2013 Q3 | 15.2 | 7.3 | 3.1 | -9.3 | 9.4 | 4.7 |
| 2013 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 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2014 Q2 | 3.8 | 1.9 | 6.2 | -2.9 | -4.6 | 3.2 |
| 2014 Q3 | 9.8 | 6.7 | 3.2 | -3.6 | -1.1 | 4.5 |
| 2014 Q4 | -19.8 | -9.3 | -5.7 | -9.5 | -1.1 | 5.8 |
| 2015 Q1 | 6.4 | 12.6 | -3.2 | -8.8 | 3.0 | 2.7 |
| 2015 Q2 | 6.1 | -10.9 | 3.9 | -9.6 | 4.7 | 18.0 |
| 2015 Q3 | 14.5 | -1.4 | 1.0 | 1.8 | 9.9 | 3.2 |
| 2015 Q4 | 0.6 | 4.1 | -0.9 | -4.0 | 1.2 | 0.1 |
| 2016 Q1 | -23.1 | -10.9 | -4.3 | -8.8 | -6.6 | 7.5 |
| 2016 Q2 | 6.0 | 10.5 | 11.7 | -1.6 | -14.5 | -0.1 |
| 2016 Q3 | -14.6 | 1.6 | -0.9 | -4.6 | -9.4 | -1.3 |

Source: Office for National Statistics

Notes:

1. Components may not sum to totals due to rounding.

2. Data for Quarter 1 2016 onwards remain provisional and subject to revision until the incorporation of the 2016 annual survey results in December 2017.

3. Q1 is Quarter 1 January to March, Q2 is Quarter 2 April to June, Q3 is Quarter 3 July to September and Q4 is Quarter 4 October to December.

# 5 . 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 that provide either protection in the form of life assurance or critical illness policies, or investment in the form of pension provision.

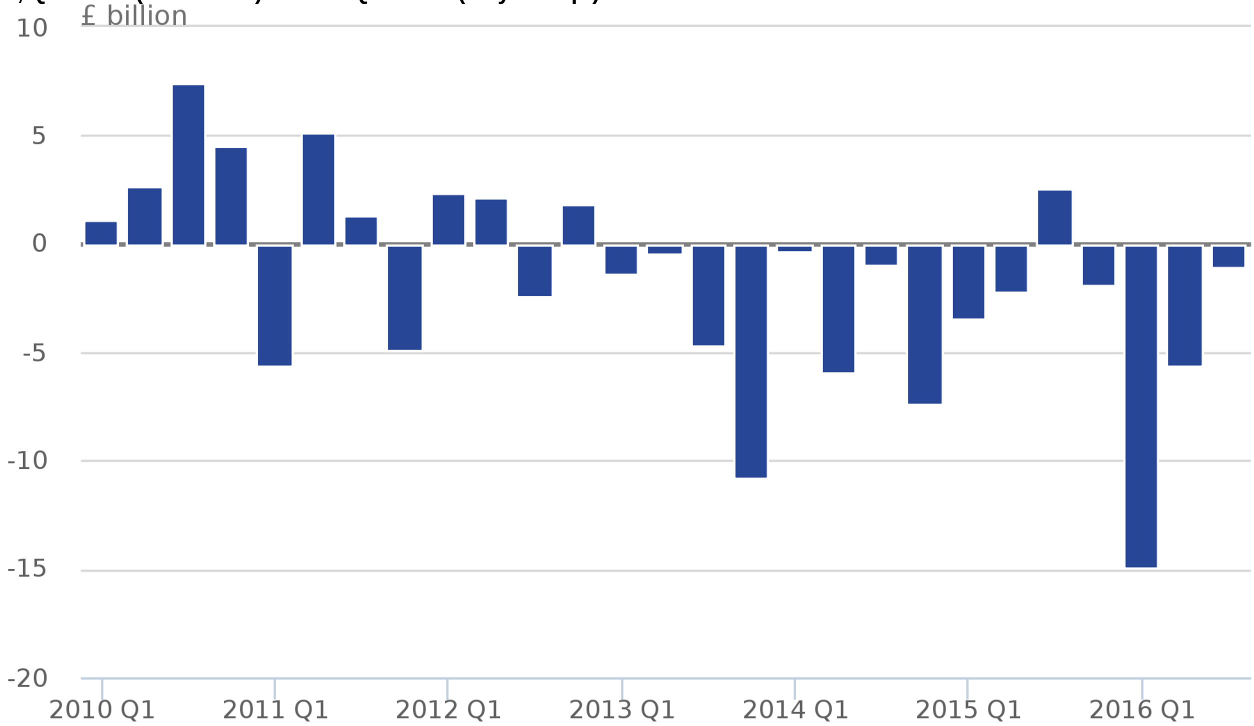
Long-term insurance companies showed net disinvestment of £1 billion in Quarter 3 (July to Sept) 2016 (Figure 7). The 5-year quarterly average for this series is net disinvestment of £3 billion.

The Quarter 3 2016 net disinvestment in UK gilts by long-term insurance companies (£5 billion) continues the trend of disinvesting in these securities, which dates back to the third quarter of 2013.

The net disinvestment in overseas ordinary shares by long-term insurance companies in Quarter 3 2016 (£5 billion), was the largest since the first quarter (Jan to Mar) of 2013 (£9 billion).

**Figure 7: Net investment by long-term insurance companies**

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

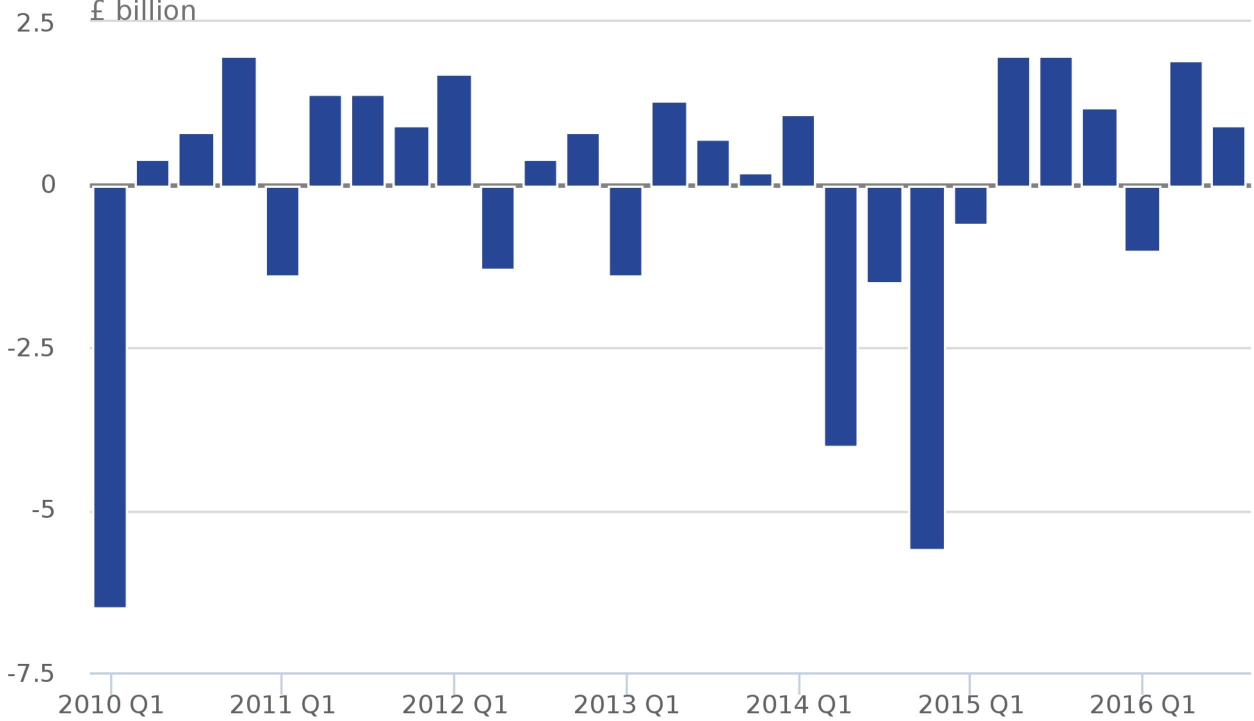
## General insurance companies

These are companies that 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 2016 of £1 billion (Figure 8).

**Figure 8: Net investment by general insurance companies**

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

## Self-administered pension funds

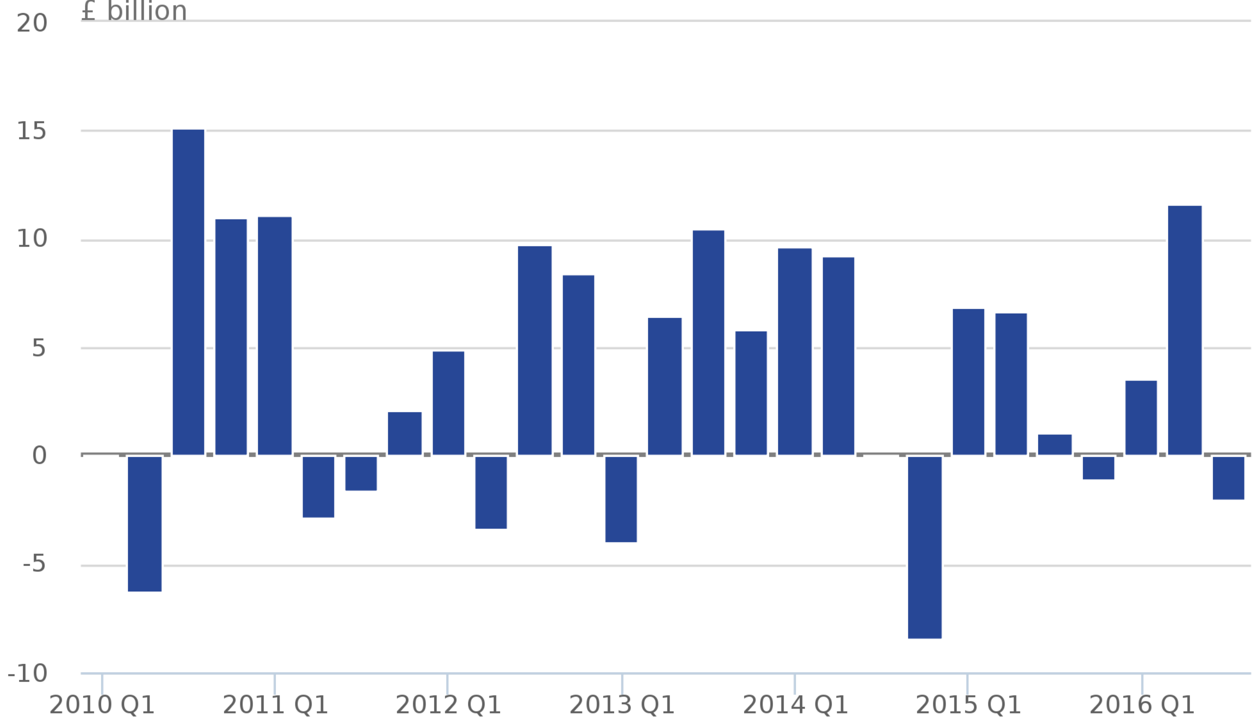
These are funds established by pension scheme trustees to facilitate and organise the investment of employees' retirement funds.

Self-administered pension funds reported net disinvestment in Quarter 3 2016 of £2 billion (Figure 9). In terms of context, the 5-year quarterly average for this time series is net investment of £4 billion.

In 2015, self-administered pension funds reported net investment of £14 billion, caused mainly by net investment of £20 billion in UK government sterling securities, following net investment of £14 billion in 2014 and £17 billion in 2013. These are the highest levels of annual 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 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**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 Quarter 3 2016, investment trusts reported net disinvestment of £1 billion. The 5-year quarterly average for this series is net investment of £0.1 billion.

## Unit trusts and property unit trusts

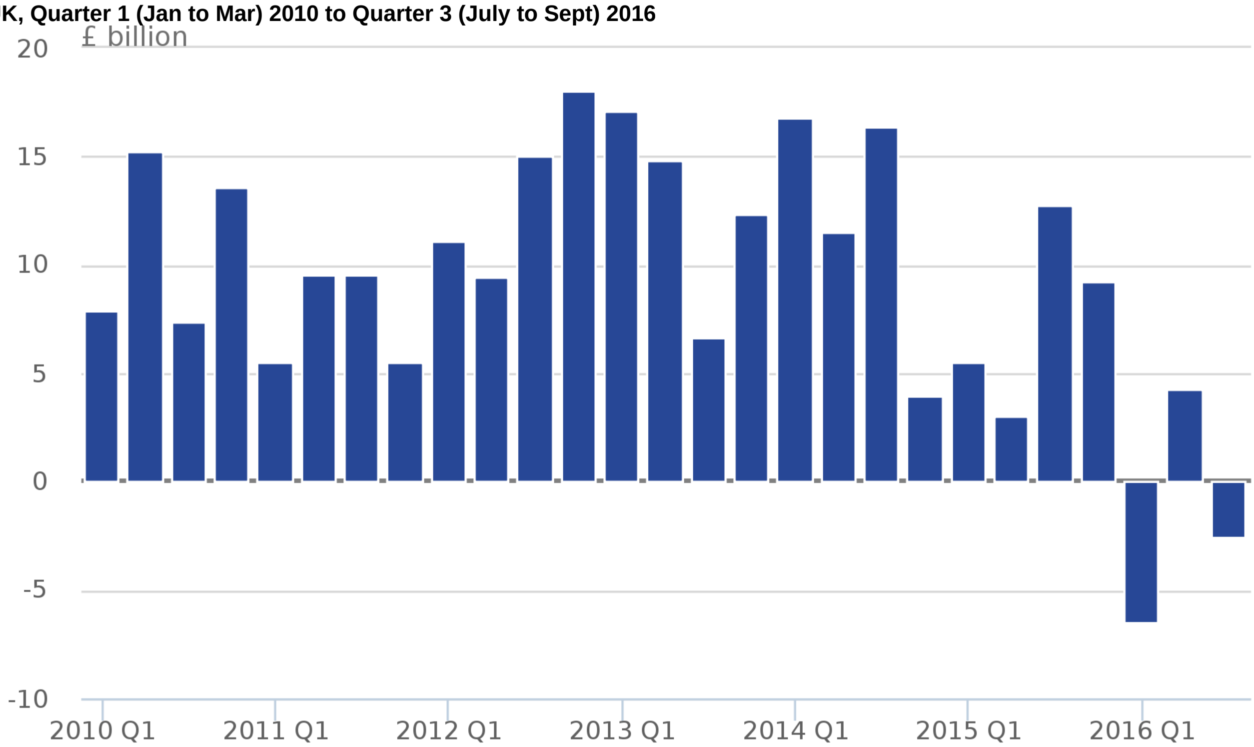
Unit trusts include open-ended investment companies (OEICs) but do not cover other unitised collective investment schemes or those based offshore. They are set up under trust deeds, the trustee usually being a bank or insurance company. The funds in the trusts are managed not by the trustees, but by 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.

In Quarter 3 2016, unit trusts and property unit trusts reported net disinvestment of £2 billion (Figure 10). The 5-year quarterly average for this series is net investment of £9 billion.

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

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

**Table 2: Net Investment by institutional group**

UK, quarter 1 (Jan to Mar) 2010 to quarter 3 (Jul to Sep) 2016 £ billion

| | Total | Long-term insurance companies | General insurance companies | Self-administered pension funds | Investment trusts | Unit trusts and property unit trusts | Consolidation adjustment[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 |
| 2015 | 27.6 | -5.0 | 4.6 | 13.6 | 0.2 | 30.5 | -16.3 |
| 2010 Q1 | 6.6 | 1.1 | -6.5 | -0.1 | -0.7 | 7.9 | 4.9 |
| 2010 Q2 | 5.6 | 2.7 | 0.4 | -6.3 | 0.7 | 15.2 | -7.0 |
| 2010 Q3 | 27.2 | 7.4 | 0.8 | 15.1 | 0.0 | 7.4 | -3.4 |
| 2010 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 |
| 2011 Q2 | 10.1 | 5.1 | 1.4 | -2.9 | 0.3 | 9.6 | -3.4 |
| 2011 Q3 | 2.5 | 1.3 | 1.4 | -1.6 | -0.1 | 9.6 | -8.1 |
| 2011 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 |
| 2012 Q2 | 8.4 | 2.1 | -1.3 | -3.4 | 0.1 | 9.4 | 1.6 |
| 2012 Q3 | 18.3 | -2.4 | 0.4 | 9.8 | -0.4 | 15.0 | -4.0 |
| 2012 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 |
| 2013 Q2 | 21.1 | -0.4 | 1.3 | 6.5 | -0.2 | 14.8 | -1.0 |
| 2013 Q3 | 15.2 | -4.7 | 0.7 | 10.5 | 0.1 | 6.7 | 1.9 |
| 2013 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 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2014 Q2 | 3.8 | -5.9 | -4.0 | 9.2 | 0.3 | 11.5 | -7.3 |
| 2014 Q3 | 9.8 | -1.0 | -1.5 | -0.1 | 0.4 | 16.4 | -4.4 |
| 2014 Q4 | -19.8 | -7.4 | -5.6 | -8.4 | 0.0 | 4.0 | -2.4 |
| 2015 Q1 | 6.4 | -3.4 | -0.6 | 6.9 | -0.9 | 5.5 | -1.1 |
| 2015 Q2 | 6.1 | -2.2 | 2.0 | 6.7 | 0.8 | 3.0 | -4.1 |
| 2015 Q3 | 14.5 | 2.6 | 2.0 | 1.1 | 0.2 | 12.8 | -4.3 |
| 2015 Q4 | 0.6 | -1.9 | 1.2 | -1.1 | 0.1 | 9.2 | -6.8 |
| 2016 Q1 | -23.1 | -14.9 | -1.0 | 3.6 | 0.4 | -6.5 | -4.7 |
| 2016 Q2 | 6.0 | -5.6 | 1.9 | 11.6 | 1.1 | 4.3 | -7.3 |
| 2016 Q3 | -14.6 | -1.1 | 0.9 | -2.0 | -0.8 | -2.5 | -9.2 |

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 Quarter 1 2016 onwards remain provisional and subject to revision until the incorporation of the 2016 annual survey results in December 2017.

4. Q1 is Quarter 1 January to March, Q2 is Quarter 2 April to June, Q3 is Quarter 3 July to September and Q4 is Quarter 4 October to December.

# 6 . 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, the focus is on premiums and claims, 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.

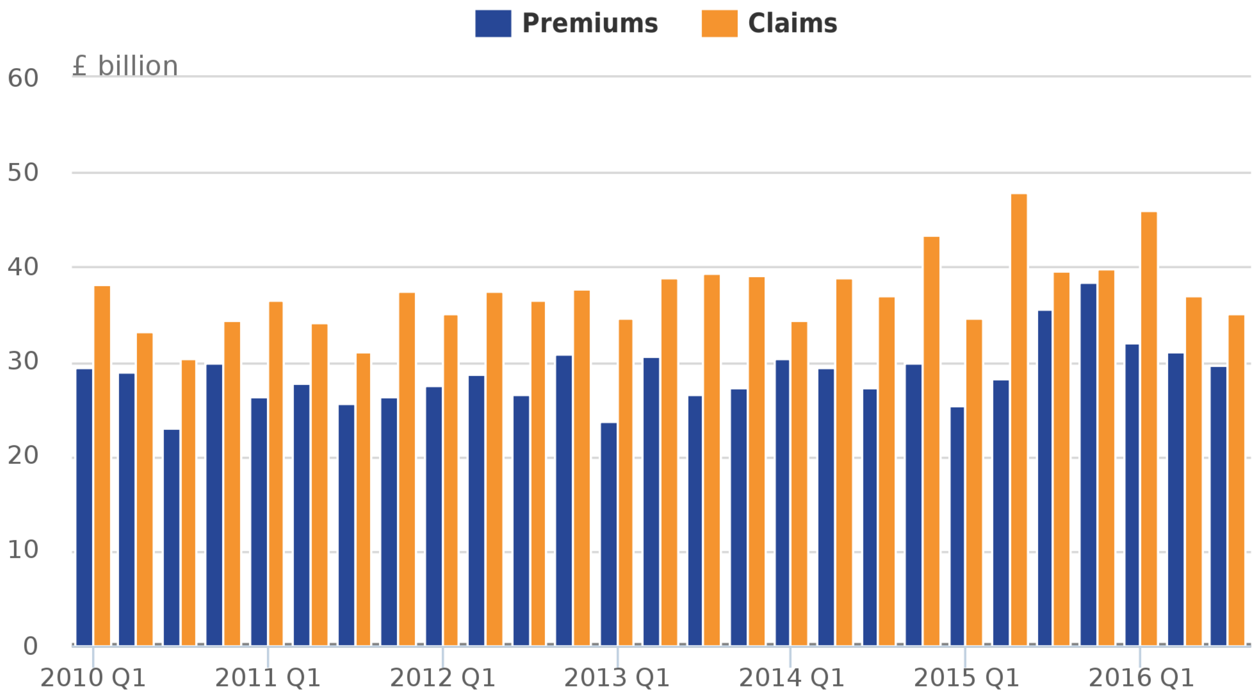
## Long-term insurance companies

In Quarter 3 (July to Sept) 2016, the value of claims was £35 billion. The 5-year quarterly average for this series is £38 billion. In the same period the value of premiums was £30 billion. The 5-year quarterly average for this series is £29 billion.

The value of claims exceeded the value of premiums in each of the years 2008 to 2015, reversing the trend of premiums exceeding the value of claims, evident between 2003 (when records for these series began) and 2007.

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

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**



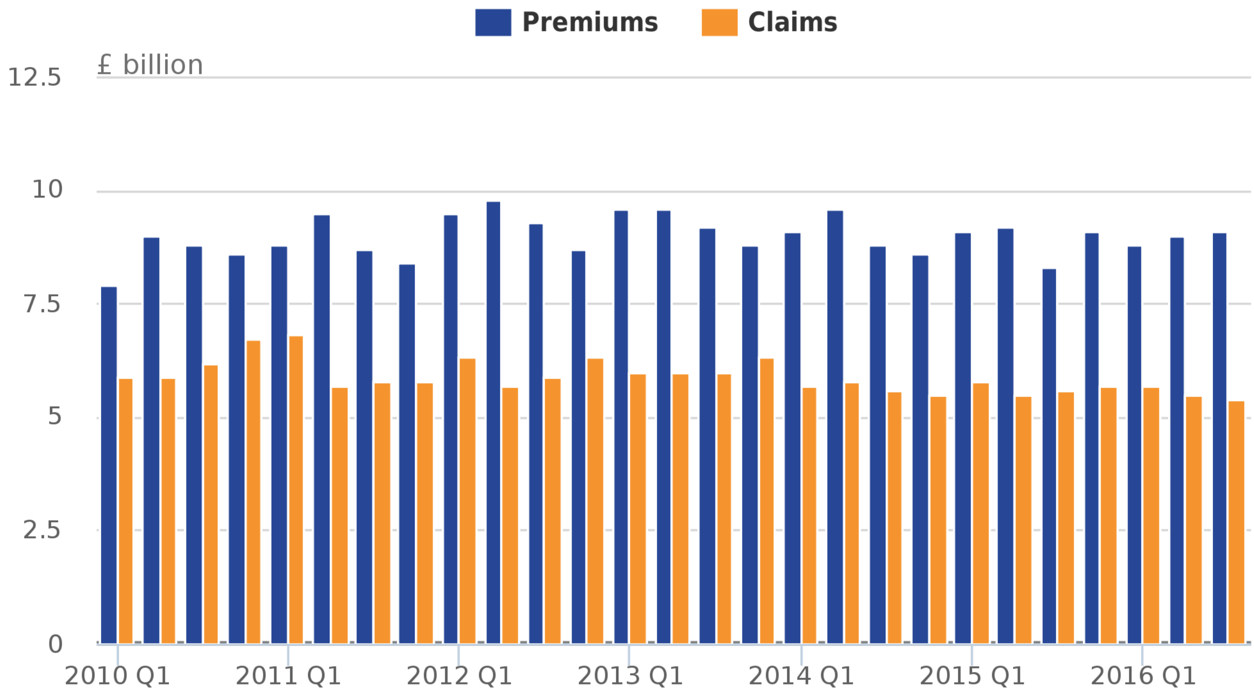

**Source: Office for National Statistics**

## General insurance companies

For general insurance, premiums (£9 billion) were around 69% greater than the value of claims (£5 billion) in Quarter 3 2016 (Figure 12). The difference between the value of premiums and claims is at its largest since Quarter 2 (Apr to June) 2012.

**Figure 12: General insurance companies' premiums and claims**

**UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016**




**Source: Office for National Statistics**

## Self-administered pension funds

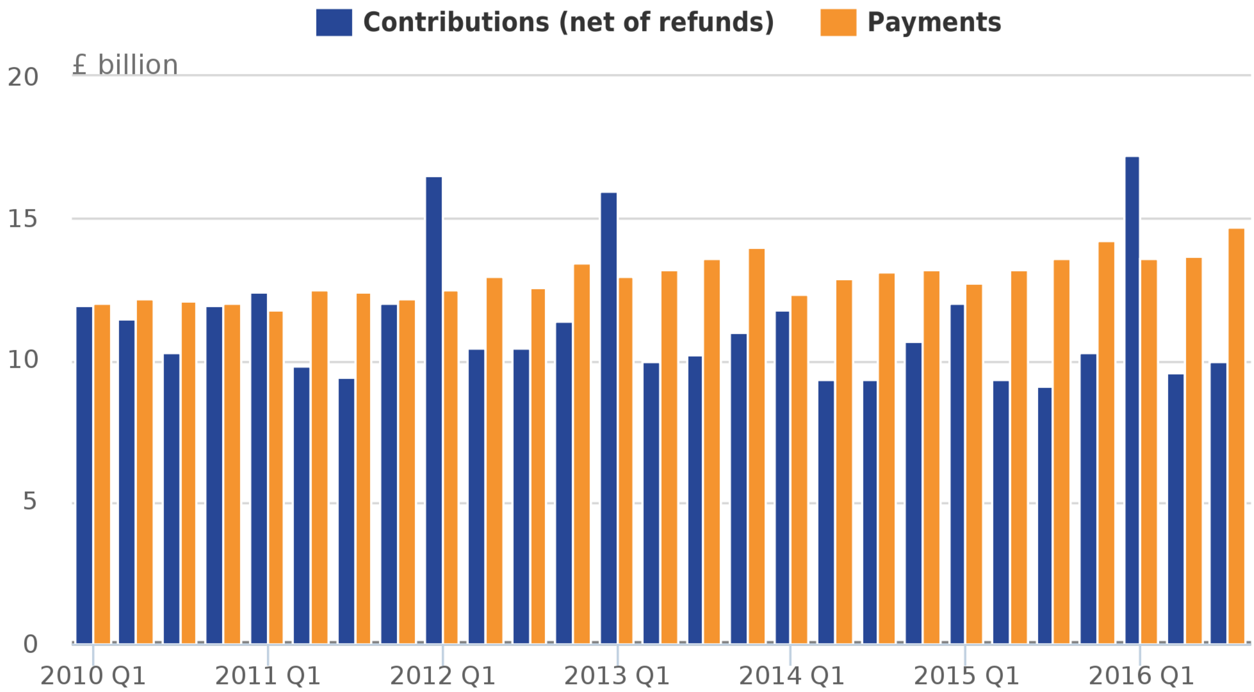
Contributions to self-administered pension funds (net of refunds) in Quarter 3 2016 were £10 billion, broadly in line with the 5-year quarterly average for this series (£11 billion).

In recent years there seems to be a pattern for pension funds to make one-off "special contributions" in Quarter 1 (Jan to Mar) 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 additional input required to address pension fund deficit. Estimates of these one-off employers' special contributions were relatively high in the first quarter of each year since 2012. In Quarter 1 2016, pension funds made special contributions of £9 billion.

Payments (comprising pensions payable gross of Income Tax, lump sums payable on retirement and death benefits) by self-administered pension funds in Quarter 3 2016 were £15 billion. The 5-year quarterly average for this series was £13 billion.

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

#### UK, Quarter 1 (Jan to Mar) 2010 to Quarter 3 (July to Sept) 2016




**Source: Office for National Statistics**

**Table 3: Income and expenditure by institutional group**

UK, quarter 1 (Jan to Mar) 2010 to quarter 3 (Jul to Sep) 2016 £ billion

| | Long-term insurance | | General insurance | | Self-administered pension funds | |
|---|---|---|---|---|---|---|
| | Premiums | Claims | Premiums | Claims | Contributions (net of refunds) | Payments |
| 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 |
| 2015 | 127.5 | 161.9 | 35.6 | 22.5 | 40.6 | 53.6 |
| | | | | | | |
| 2010 Q1 | 29.3 | 38.3 | 7.9 | 5.9 | 11.9 | 12.0 |
| 2010 Q2 | 29.0 | 33.2 | 9.0 | 5.9 | 11.5 | 12.2 |
| 2010 Q3 | 23.1 | 30.3 | 8.8 | 6.2 | 10.3 | 12.1 |
| 2010 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 |
| 2011 Q2 | 27.8 | 34.2 | 9.5 | 5.7 | 9.8 | 12.5 |
| 2011 Q3 | 25.6 | 31.1 | 8.7 | 5.8 | 9.4 | 12.4 |
| 2011 Q4 | 26.3 | 37.5 | 8.4 | 5.8 | 12.0 | 12.2 |
| 2012 Q1 | 27.4 | 35.0 | 9.5 | 6.3 | 16.5 | 12.5 |
| 2012 Q2 | 28.6 | 37.4 | 9.8 | 5.7 | 10.4 | 13.0 |
| 2012 Q3 | 26.6 | 36.6 | 9.3 | 5.9 | 10.4 | 12.6 |
| 2012 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 |
| 2013 Q2 | 30.6 | 38.8 | 9.6 | 6.0 | 10.0 | 13.2 |
| 2013 Q3 | 26.6 | 39.4 | 9.2 | 6.0 | 10.2 | 13.6 |
| 2013 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 |
| 2014 Q2 | 29.3 | 39.0 | 9.6 | 5.8 | 9.3 | 12.9 |
| 2014 Q3 | 27.3 | 36.9 | 8.8 | 5.6 | 9.3 | 13.1 |
| 2014 Q4 | 29.8 | 43.3 | 8.6 | 5.5 | 10.7 | 13.2 |
| 2015 Q1 | 25.3 | 34.6 | 9.1 | 5.8 | 12.0 | 12.7 |
| 2015 Q2 | 28.2 | 47.9 | 9.2 | 5.5 | 9.3 | 13.2 |
| 2015 Q3 | 35.5 | 39.6 | 8.3 | 5.6 | 9.1 | 13.6 |
| 2015 Q4 | 38.4 | 39.8 | 9.1 | 5.7 | 10.3 | 14.2 |
| 2016 Q1 | 31.9 | 46.1 | 8.8 | 5.7 | 17.2 | 13.6 |
| 2016 Q2 | 31.1 | 36.9 | 9.0 | 5.5 | 9.6 | 13.7 |
| 2016 Q3 | 29.6 | 35.0 | 9.1 | 5.4 | 10.0 | 14.7 |

Source: Office for National Statistics

Notes:

1. Components may not sum to totals due to rounding.

2. Data for Quarter 1 2016 onwards remain provisional and subject to revision until the incorporation of the 2016 annual survey results in December 2017.

3. Q1 is Quarter 1 January to March, Q2 is Quarter 2 April to June, Q3 is Quarter 3 July to September and Q4 is Quarter 4 October to December.

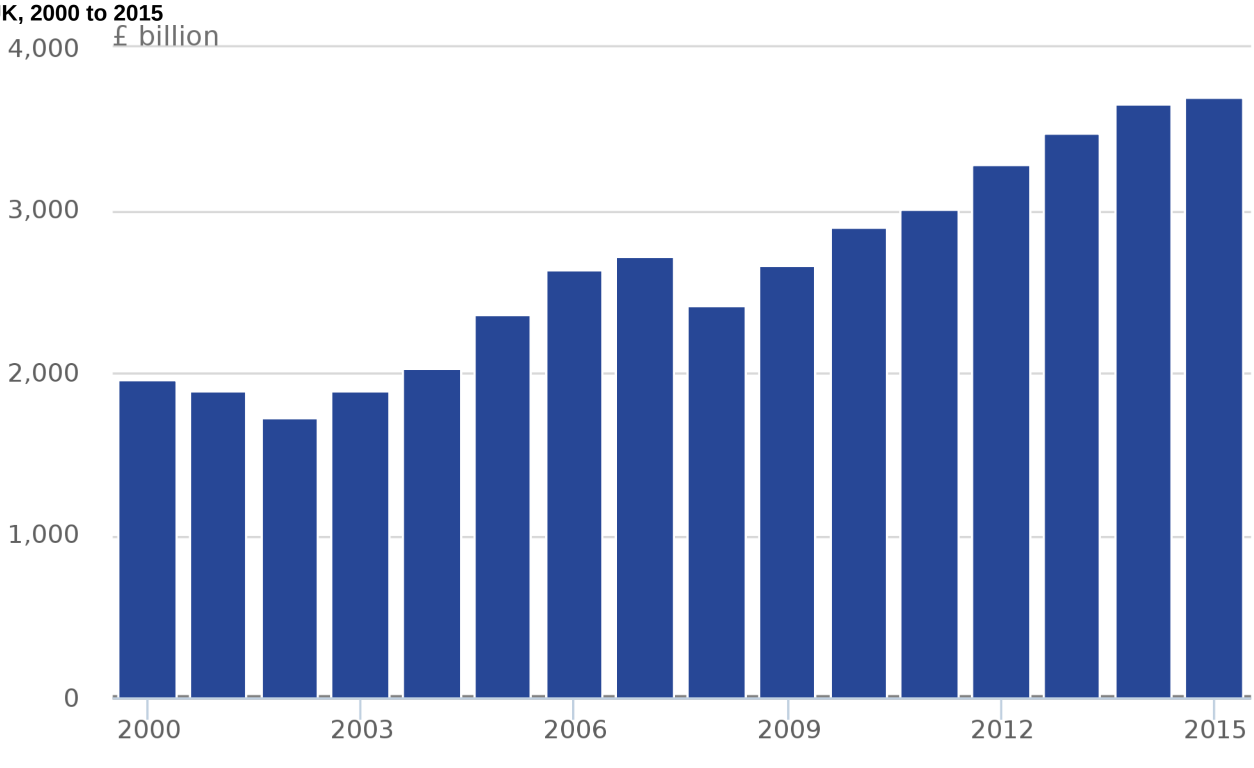
# 7 . Holdings at market values

Market value is the quoted price at which assets are bought or sold, at a given time. Increase or decrease in the total holdings of assets 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).

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 2015 was valued at £3,696 billion. This compares with £3,655 billion at the end of 2014 (Figure 14). This increase of 1% was the smallest annual growth in the level of total assets held by these institutional groups, since 2008 (the last year in which total holdings decreased).

**Figure 14: Holdings at market values**

**UK, 2000 to 2015**

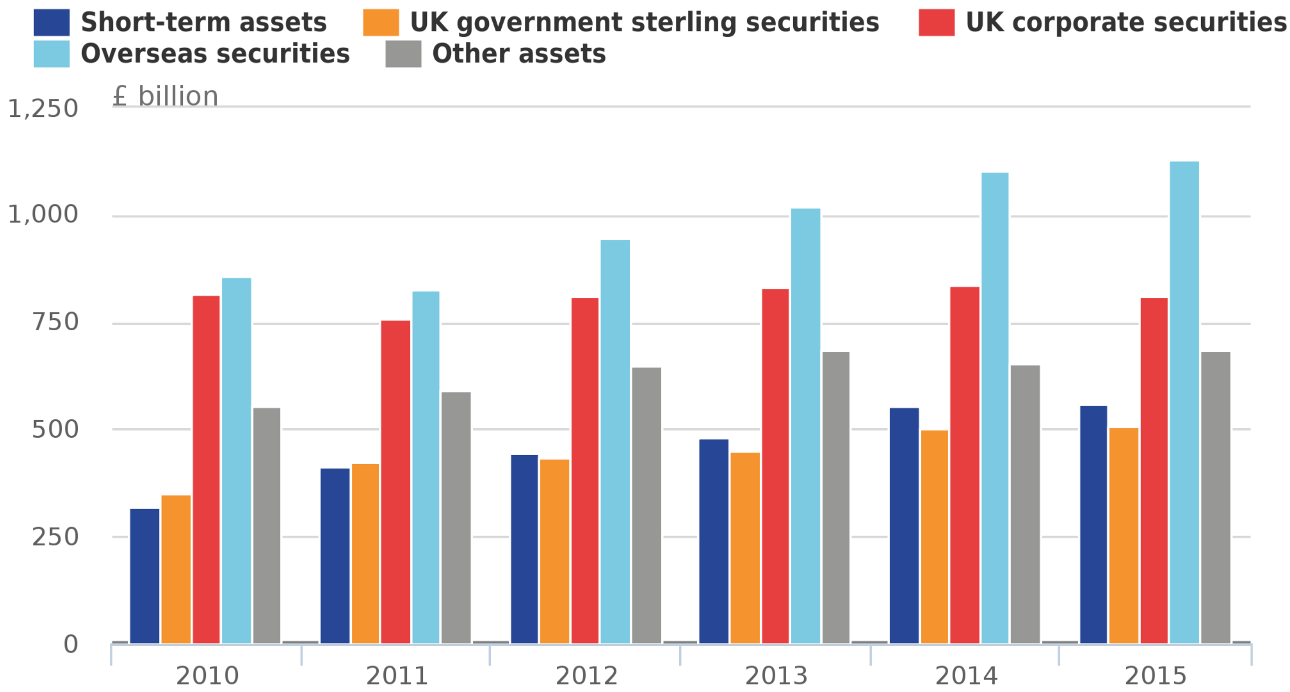



**Source: Office for National Statistics**

Between 2014 and 2015, the value of asset holdings rose for each of the 5 asset types except for UK corporate securities (Figure 15) which decreased by 3%.The value of asset holdings increased for other assets (by 4%), overseas securities (by 2%), UK government securities (by 2%) and short-term assets (by 1%).

**Figure 15: Holdings at market values by asset type**

**UK, 2010 to 2015**




**Source: Office for National Statistics**

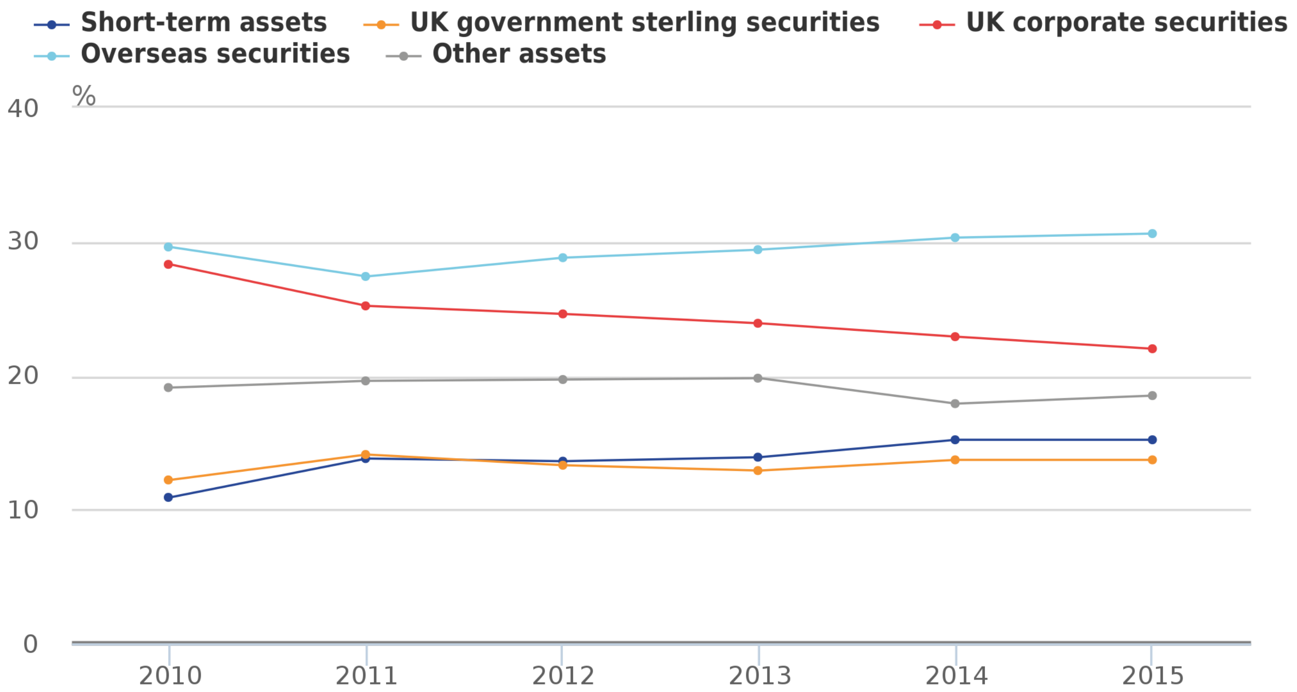
In 2015, overseas securities continued to be the largest asset type as a proportion of total holdings (31%). This asset type has increased its contribution to total holdings in each of the past 4 years (Figure 16).

Between 2010 and 2015, short-term assets as a proportion of total holdings increased from 11% to 15% and UK government sterling securities increased from 12% to 14%.

The value of UK corporate securities, as a proportion of total holdings, decreased from 28% in 2010 to 22% in 2015. The contribution of this asset type to total holdings has decreased in each year since 1997. Between 2010 and 2015, the contribution of other assets to total holdings decreased from 19% to 18%.

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

**UK, 2010 to 2015**




**Source: Office for National Statistics**

**Table 4: Holdings at market value by asset type**

| UK | | | | | | £ billion |
|---|---|---|---|---|---|---|
| | Total | Short-term assets | UK government sterling securities | UK corporate securities | Overseas securities | Other assets |
| 2010 | 2894.8 | 316.8 | 351.9 | 817.8 | 856.5 | 551.8 |
| 2011 | 3009.8 | 414.1 | 423.8 | 757.1 | 825.3 | 589.5 |
| 2012 | 3283.9 | 446.6 | 435.2 | 809.0 | 944.6 | 648.6 |
| 2013 | 3472.5 | 483.4 | 449.1 | 831.4 | 1021.5 | 687.1 |
| 2014 | 3654.8 | 556.5 | 500.1 | 837.3 | 1106.0 | 654.9 |
| 2015 | 3696.1 | 560.9 | 508.0 | 812.5 | 1132.0 | 682.6 |
| Proportion of total holdings at market values by asset type | | | | | | % |
| | | Short-term assets | UK government sterling securities | UK corporate securities | Overseas securities | Other assets |
| 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 | 19.7 |
| 2013 | | 13.9 | 12.9 | 23.9 | 29.4 | 19.8 |
| 2014 | | 15.2 | 13.7 | 22.9 | 30.3 | 17.9 |
| 2015 | | 15.2 | 13.7 | 22.0 | 30.6 | 18.5 |

Source: Office for National Statistics

Notes:

1. Components may not sum to totals due to rounding.

Balance sheet estimates for the end of 2015, 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) and may suggest that investors feel overseas share markets offer a more profitable return.

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”.

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

| UK | UK securities | | | Overseas securities | | £ billion |
|---|---|---|---|---|---|---|
| | Government sterling securities | Ordinary shares | Other [1] | Government securities | Ordinary shares | Other [1] |
| 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 |
| 2015 | 508.0 | 485.2 | 327.3 | 94.5 | 727.2 | 310.2 |

Source: Office for National Statistics

Notes:

1. Includes corporate bonds and preference shares.

In 2015, "mutual funds and assets not elsewhere classified" comprised 79% of the other assets total, broadly in line with estimates in previous years (Table 6).

**Table 6: Holdings of other assets at market values**

| UK | UK loans | Mutual funds and assets not elsewhere classified [1] | UK land, buildings and new construction (£ billion) |
|---|---|---|---|
| 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 |
| 2015 | 38.9 | 542.4 | 101.3 |

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.

# 8 . Accessing MQ5 data

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

The MQ5: Investment by insurance companies, pension funds and trusts dataset shows 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 trusts and property unit trusts

If you are interested in a particular series or groups of series covering a longer period of time (pre-2010), then you can access the Investment by Insurance Companies, Pension Funds and Trusts time series dataset.

Our Data Explorer and Open API explorable datasets are additional tools which enable you to access, use and customise data more effectively. The Data Explorer makes it easier for you to find, view and download data. The Open API allows data to be used directly by other applications. 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 are keen to hear your views – please email us: financial.inquiries@ons.gsi.gov.uk.

# 9 . Quality and methodology

The Investment by insurance companies, pension funds and trusts (MQ5) Quality and Methodology Information document contains important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- how the output was created
- the quality of the output including the accuracy of the data

# 10. Background notes

1. **Institutional groups**

**Insurance companies**

Active in both life assurance 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 1 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 1 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 1 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 and 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**

Unit trusts authorised by the Financial Conduct Authority under the terms of the Financial Services and Markets Act 2000. These statistics include open-ended investment companies (OEICs). They exclude other unitised collective investment schemes such as 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 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 cover 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. 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 the Quality and methodology section.

## 3. Uses of data

An important use of data from the insurance companies, pension funds and trusts surveys is in the UK Sector and Financial 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: Compares its own data with our data to ensure both datasets display similar trends.

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

The Investment Association: Compares 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): Uses 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): Analyses 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.

## 4. Your views matter

We aim to constantly improve this release and its associated commentary. We welcome any feedback you might have and are particularly interested to know 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 13.

## 5. 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 Organisation for Economic Co-operation and Development (OECD) compare institutional investment data across countries to help formulate economic growth and financial stability recommendations.

## 6. Revisions

Data for 2016 remain provisional and subject to revision until the incorporation of the 2016 annual survey results in December 2017.

A revisions policy is available to assist users with their understanding of the cycle and frequency of data revisions. You 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 Sept). Revisions to the data for 2015 have been caused by incorporating the results of the 2015 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 2015 has been revised downwards to £28 billion from net investment of £49 billion published last quarter. The most notable revision was in UK government securities, which decreased by £13 billion.

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

## 7. 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 2016 | % |
|---|---|
| Transactions | |
| Long-term insurance companies | 92 |
| General insurance companies | 89 |
| Self-administered pension funds | 84 |
| Unit trusts | 93 |
| Investment trusts | 88 |
| Property unit trusts | 77 |
| Income and expenditure | |
| Long-term insurance companies | 92 |
| General insurance companies | 88 |
| Self-administered pension funds | 84 |
| **2015 Annual** | **%** |
| Balance sheet | |
| Long-term insurance companies | 96 |
| General insurance companies | 93 |
| Self-administered pension funds | 93 |
| Income and expenditure | |
| Long-term insurance companies | 99 |
| General insurance companies | 93 |
| Assets and liabilities | |
| Unit trusts | 90 |
| Investment trusts | 87 |
| Property unit trusts | 90 |

Source: Office for National Statistics

## 8. General information

These points should be noted when examining datasets:

- 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 overestimate – 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

9. **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.

10. **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).

    An Investment by Insurance Companies, Pension Funds and Trusts (MQ5) Glossary of the terms used in this release is available to assist you.

11. **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.

12. **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 the StatsUserNet website.

13. Details of the policy governing the release of new data are available by visiting the UK Statistics Authority website.