Office for National Statistics

Statistical bulletin

MQ5: Investment by Insurance Companies, Pension Funds and Trusts: Quarter 2 (Apr to Jun) 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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Next release:
December 2016

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1 . Main points

The reporting period for this release covers Quarter 2 (Apr to Jun) 2016 and therefore only includes data for a short period after the EU referendum.

Net investment of £6 billion was reported by insurance companies, pension funds and trusts in Quarter 2 2016. The 5-year quarterly average for this series is net investment of £8 billion.

The net investment of £13 billion in UK government sterling securities in Quarter 2 2016 was the largest since records began in 1986. This was mainly caused by net investment by self-administered pension funds (£16 billion).

In Quarter 2 2016, the net disinvestment of £4 billion reported for overseas "other" corporate securities (corporate bonds and preference shares) was the first net disinvestment since the third quarter of 2005 (£0.5 billion) and the largest for this series since records began in 1986.

The 2015 provisional annual estimate of net investment by insurance companies, pension funds and trusts was £49 billion, compared with £13 billion in 2014 and £48 billion in 2013.

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, along with 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).

A question often asked of the MQ5 release is “why does it only cover certain institutional groups?” The answer is that these institutions control a substantial level of assets (over £3 trillion) 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 users 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 billion. The estimate of total net investment for Quarter 1 (Jan to Mar) 2016 has been revised downwards by £15 billion (see background note 7 for further information).

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

3 . 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 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 users to access, use and customise data more effectively. The Data Explorer makes it easier for users 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.

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.

5 . Net investment by asset type

The total assets of the businesses covered by this release (insurance companies, pension funds and trusts) were valued at £3,655 billion at the end of 2014, the latest period for which annual results are available. During 2014, these businesses acquired £1,613 billion and disposed of £1,581 billion longer-term financial instruments. Net investment is the difference between these substantial levels of acquisitions and disposals, 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.

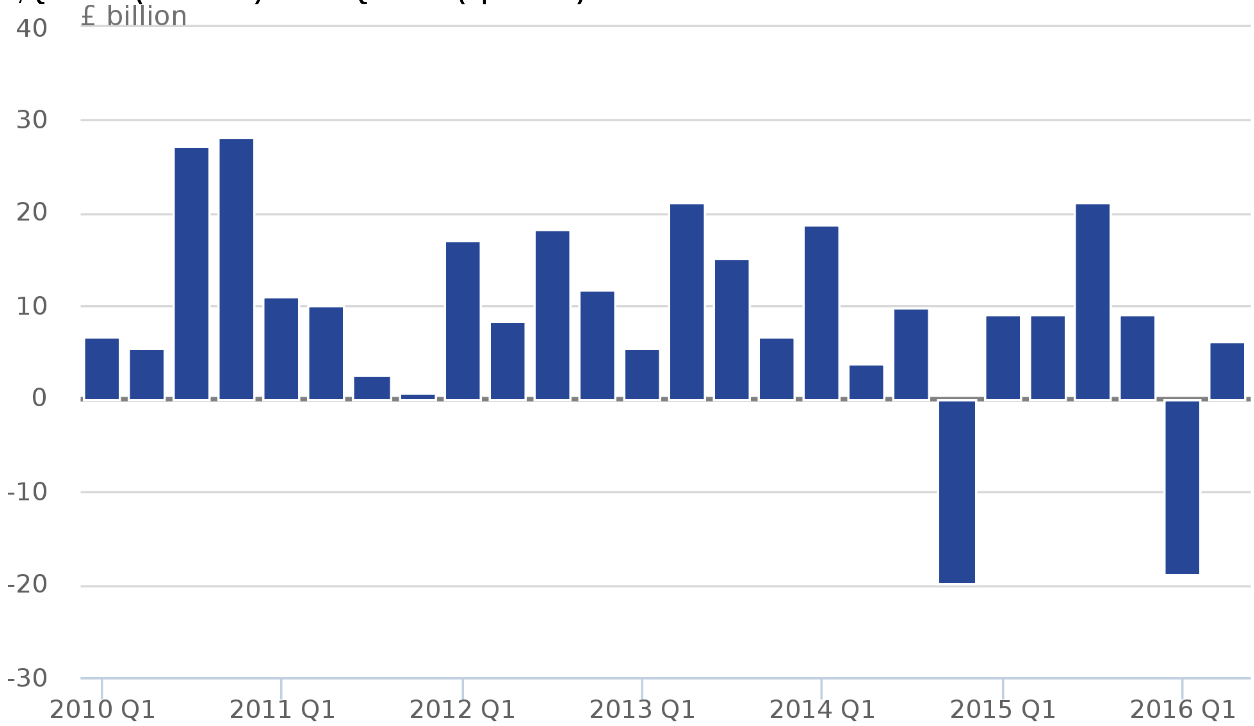
In Quarter 2 (Apr to Jun) 2016 there was net investment of £6 billion (Figure 1). Net investment was reported in UK government sterling securities and short-term assets while net disinvestment was reported across overseas securities, other assets and UK corporate securities.

Total 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 – these estimates are more likely to reflect varying investment strategies. In terms of context, the 5-year quarterly average for this series is net investment of £8 billion. The highest quarterly estimate of net investment since records began (in 1987) was £43 billion in Quarter 3 (Jul to Sep) 2007.

For 2015 as a whole, net investment reported by the institutions covered in this release is provisionally estimated at £49 billion, the highest since 2010 (£68 billion).

Figure 1: Total net investment

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Short-term assets

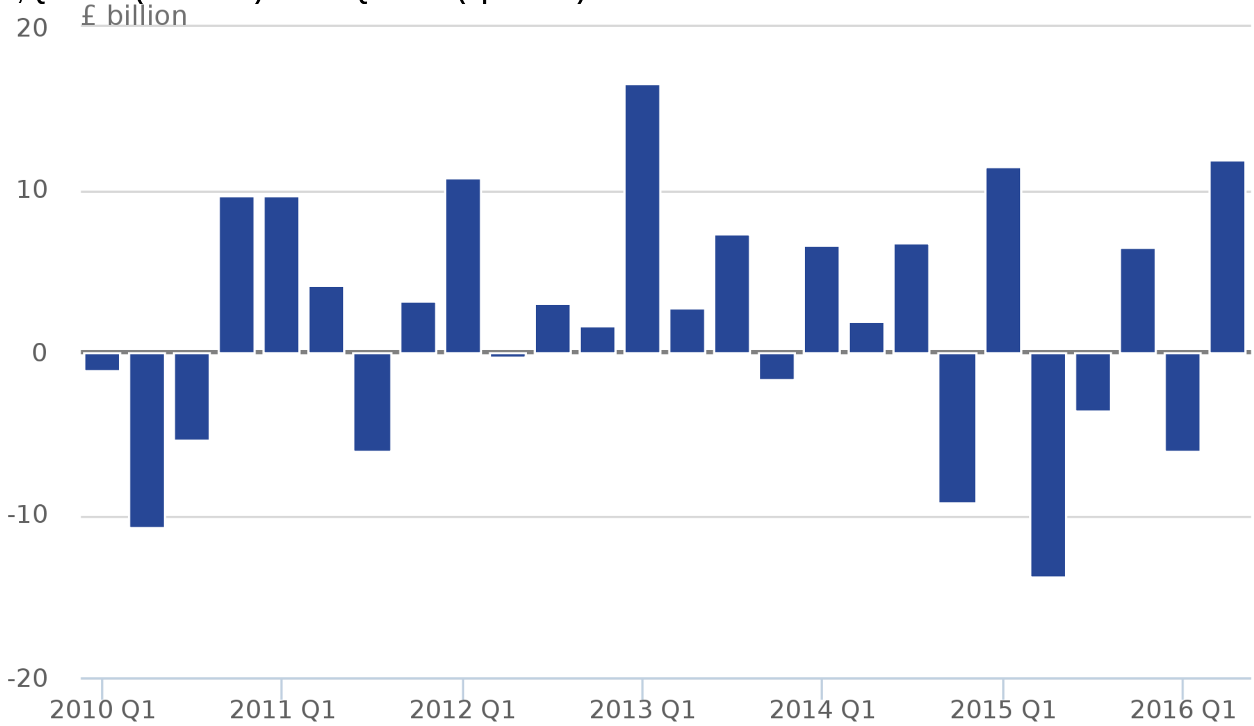
Investment in short-term assets (those maturing within 1 year of their originating date) can be affected by the level of the net inflows of funds into the businesses concerned (premiums or contributions, for example) and by the relative attractiveness of other investments, both in terms of their potential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

In Quarter 2 2016 there was net investment of £12 billion in short-term assets (Figure 2), the largest net investment in this asset type by these businesses since Quarter 1 (Jan to Mar) 2013. The 5-year quarterly average for this series is net investment of £2 billion. This may signal that these businesses are currently reluctant to commit to longer-term investment strategies.

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 provisional estimate is net investment of £1 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 2 (Apr to Jun) 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 investment in gilts in Quarter 2 2016 of £13 billion (Figure 3). This was the largest net investment reported for this series since records began (in 1986) and was mainly due to net investment by self-administered pension funds (£16 billion). This may indicate that these businesses regard gilts to be a relatively safe investment option at this time.

Looking at the annual picture, net investment in gilts is provisionally estimated to have been £14 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.

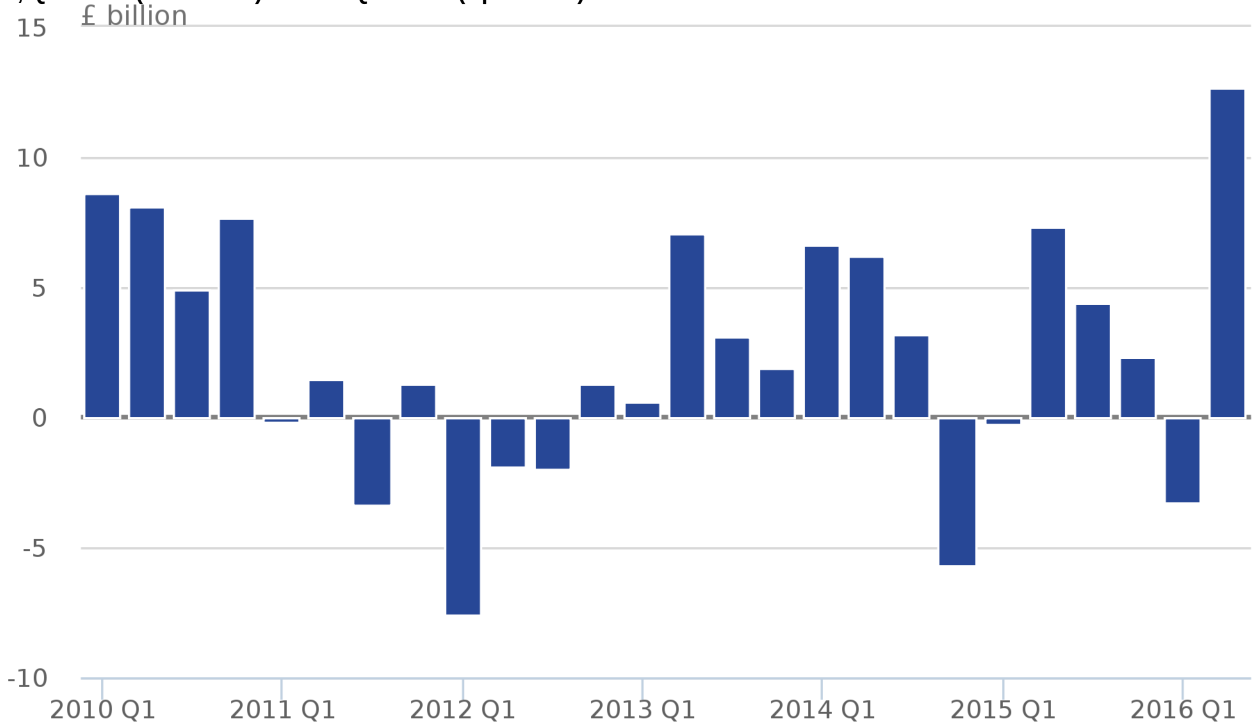
In recent times, the market for gilts has been notably influenced by the Bank of England's Quantitative Easing (QE) programme. Approximately £375 billion of gilts had been bought by the Bank under QE since the start of the programme in 2009.

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 2 (Apr to Jun) 2016



Source: Office for National Statistics

UK corporate securities and overseas securities

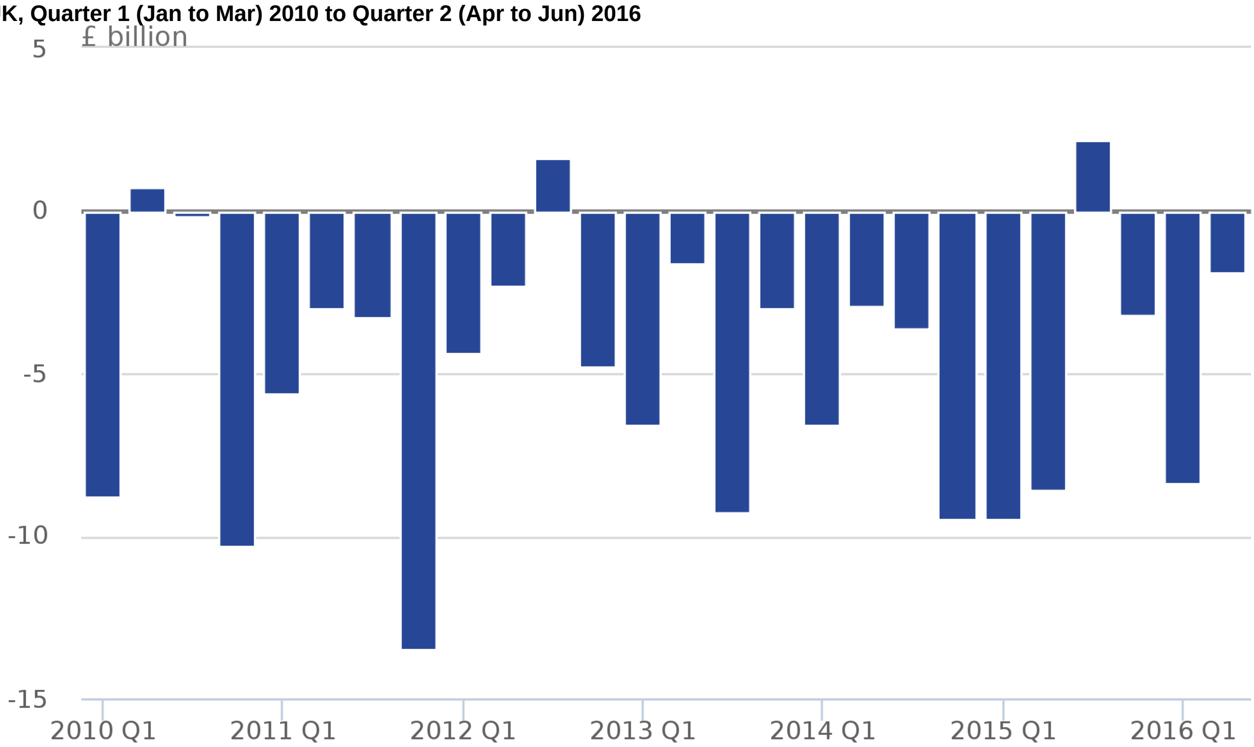
These asset categories comprise ordinary shares, corporate bonds and preference shares. In addition, non-UK government securities are included as part of overseas securities.

UK corporate securities

In Quarter 2 2016, there was net disinvestment of £2 billion in UK corporate securities (Figure 4). This is in keeping with the general pattern of disinvestment since the beginning of 2010. The 5-year quarterly average for this series is net disinvestment of £5 billion.

Figure 4: Net investment in UK corporate securities

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Overseas securities

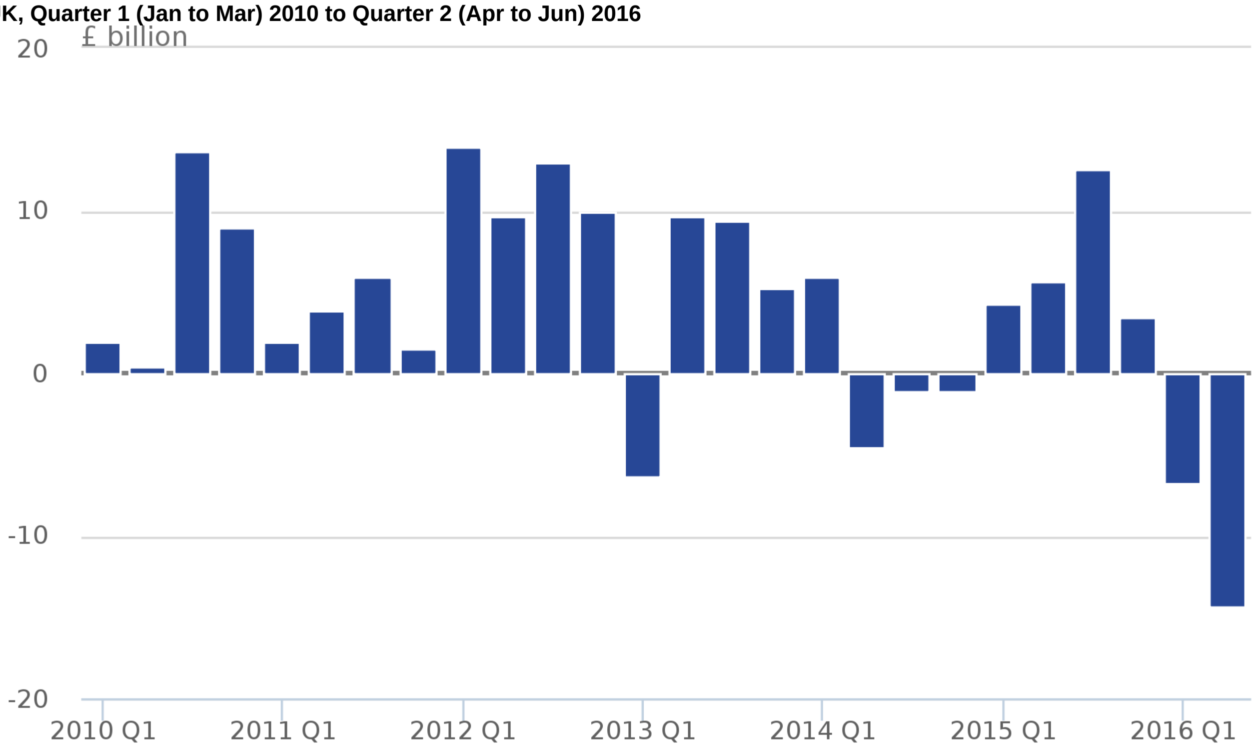
In Quarter 2 2016, the institutions covered by this release reported net disinvestment of £14 billion (Figure 5). This was caused by net disinvestment in overseas ordinary shares (£7 billion), other overseas corporate securities (£4 billion) and overseas government securities (£3 billion). The net disinvestment in other overseas corporate securities (corporate bonds and preference shares) was the largest for this series since records began in 1986 and the first quarter of net disinvestment in this asset type since Quarter 3 2005.

The net disinvestment in overseas securities in the first 2 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, the provisional annual estimate of net investment in overseas securities in 2015 was £26 billion.

Figure 5: Net investment in overseas securities

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Other assets

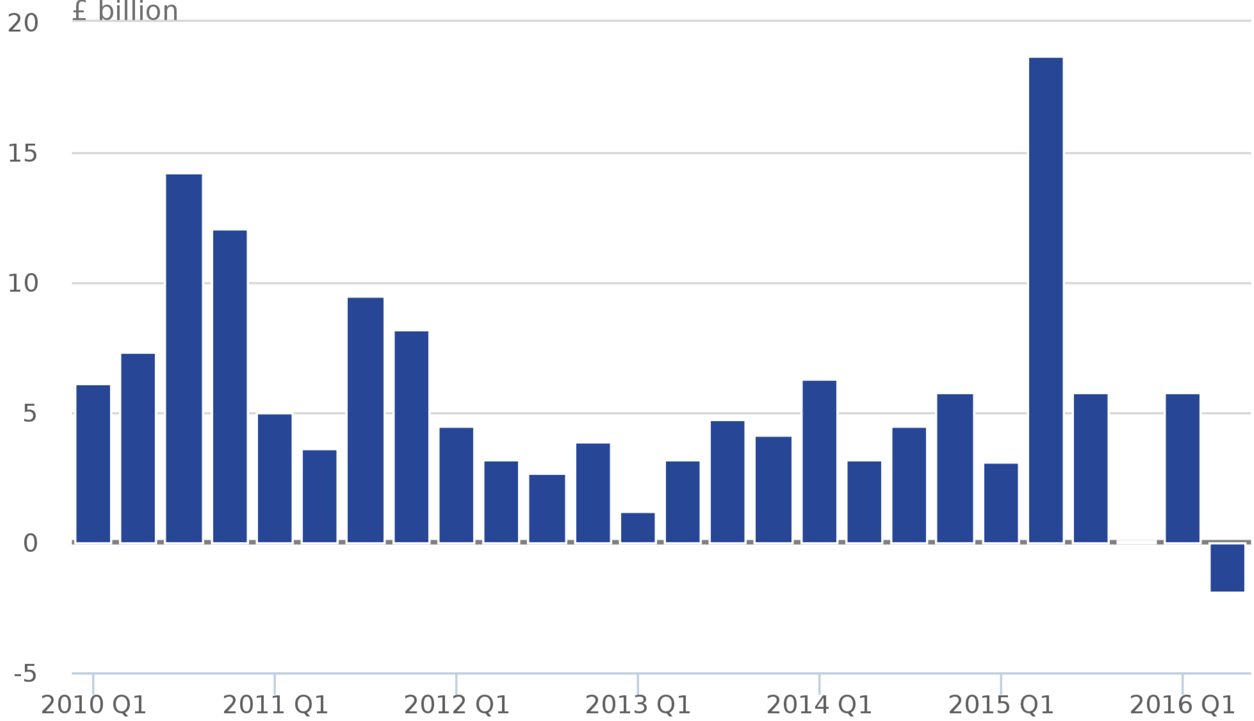
The category “other assets” covers UK and overseas investment in:

- 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 2 2016, there was net disinvestment of £2 billion in other assets (Figure 6). This was the largest net disinvestment in this asset type since records began (in 1987) and the first since Quarter 2 2002 (£0.3 billion). This was mainly due to net disinvestment in mutual funds and assets not elsewhere classified. In terms of context, the 5-year quarterly average for other assets is net investment of £5 billion.

Figure 6: Net investment in other assets

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Table 1: Net investment by asset type

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 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	-10.2	-10	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	48.8	0.6	13.6	-19	25.9	27.6
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	9.7	-0.2	-5.6	2	5
2011 Q2	10.1	4.1	1.5	-3	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	-2	1.6	13	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	5.3	4.1
2014 Q1	18.8	6.6	6.6	-6.6	6	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	9.1	11.5	-0.3	-9.5	4.3	3.1
2015 Q2	9.2	-13.8	7.3	-8.6	5.6	18.7
2015 Q3	21.2	-3.6	4.4	2.2	12.5	5.8
2015 Q4	9.2	6.5	2.3	-3.2	3.5	0.1
2016 Q1	-18.8	-6.1	-3.3	-8.4	-6.8	5.8
2016 Q2	6.3	11.9	12.7	-1.9	-14.4	-1.9

Source: Office for National Statistics

Notes:

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

2. Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016.

6 . 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

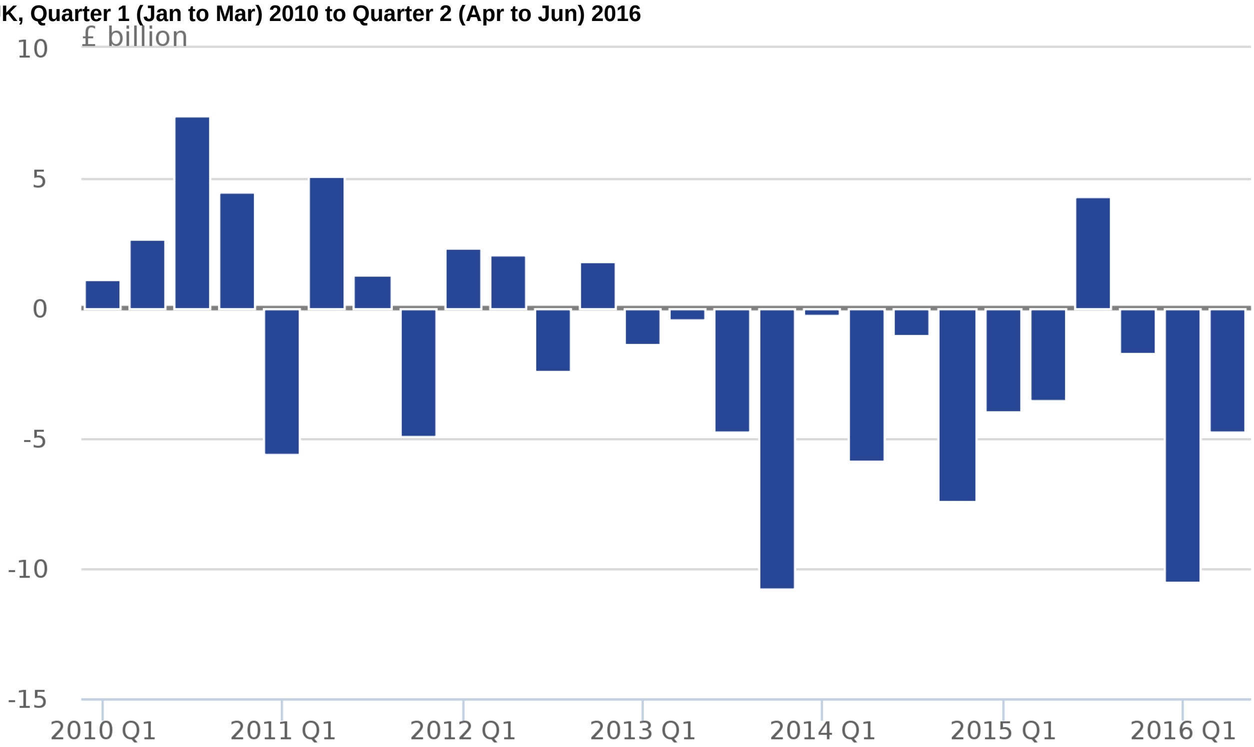
These are companies which provide either protection in the form of life assurance or critical illness policies, or investment in the form of pension provision.

Long-term insurance companies showed net disinvestment of £5 billion in Quarter 2 (Apr to Jun) 2016 (Figure 7). The 5-year quarterly average for this series is net disinvestment of £3 billion.

The Quarter 2 2016 disinvestment in UK gilts by long-term insurance companies (£4 billion) continues the trend of disinvesting in these securities which dates back to Quarter 3 (Jul to Sep) 2013.

Figure 7: Net investment by long-term insurance companies

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

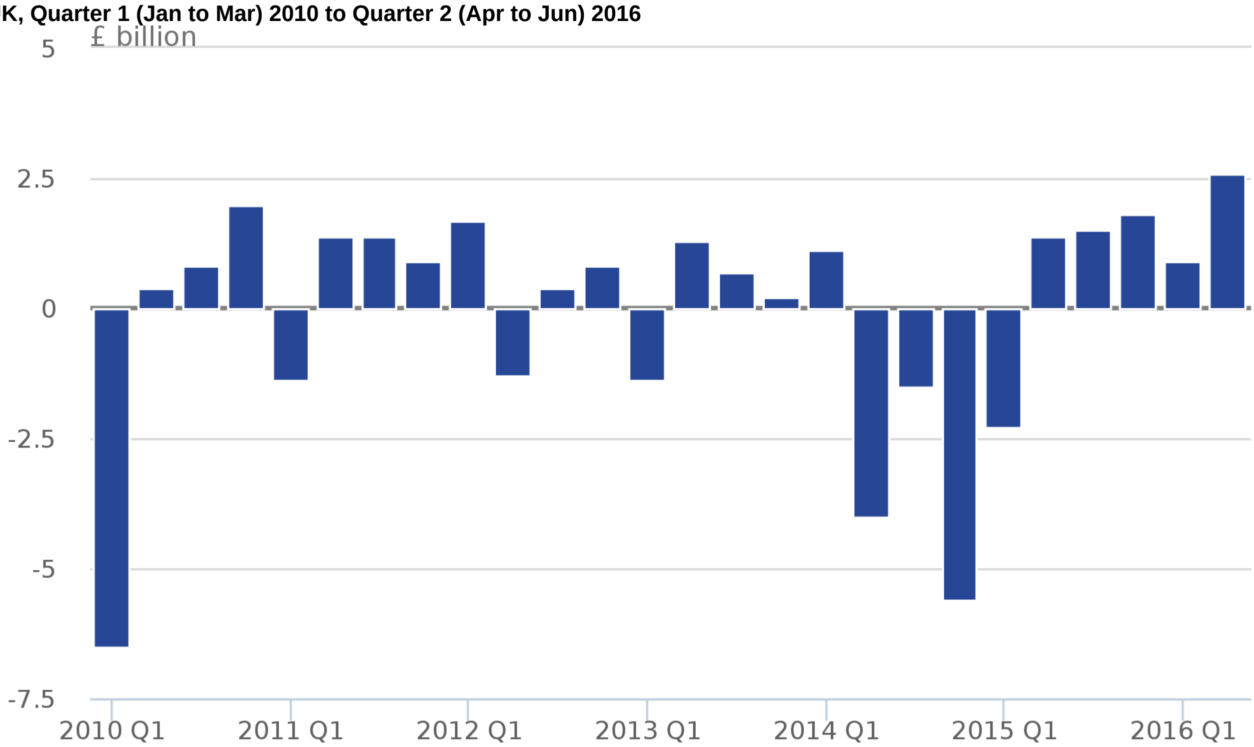
General insurance companies

These are companies which 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 2 2016 of £3 billion (Figure 8). This is the fifth consecutive quarter of net investment for this series following 4 quarters of net disinvestment.

Figure 8: Net investment by general insurance companies

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Self-administered pension funds

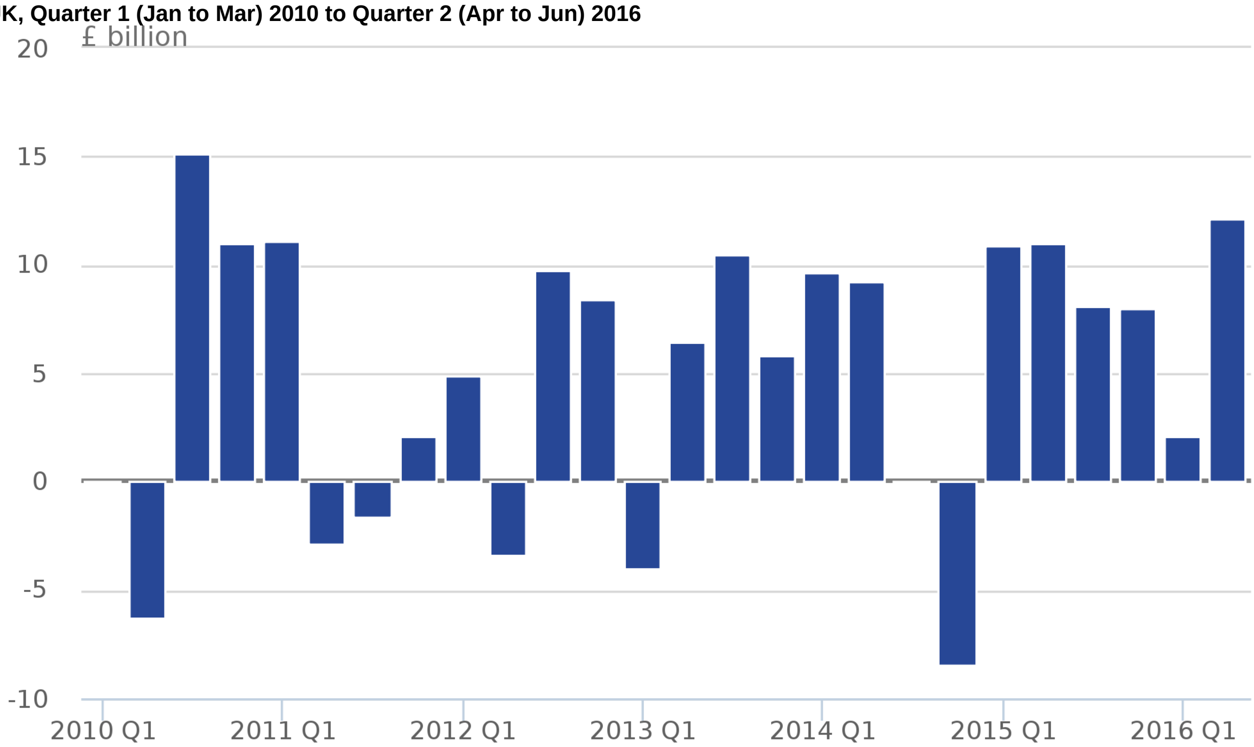
These are funds established by pension scheme trustees to facilitate and organise the investment of employees' retirement funds.

Self-administered pension funds reported net investment in Quarter 2 2016 of £12 billion (Figure 9). This was mainly due to investment in UK government sterling securities of £16 billion, the largest net investment in this asset type by these businesses since records began in 1963.

The 2015 provisional annual estimate of net investment by self-administered pension funds (£38 billion) was the largest on record, with the previous highest being £33 billion in 2009. This was mainly caused by net investment in gilts, provisionally estimated to be £33 billion in 2015, 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 2 (Apr to Jun) 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 2 2016, investment trusts reported net investment of £0.2 billion, broadly in line with the 5-year quarterly average for this series (net investment of less than £0.1 billion).

Unit trusts and property unit trusts

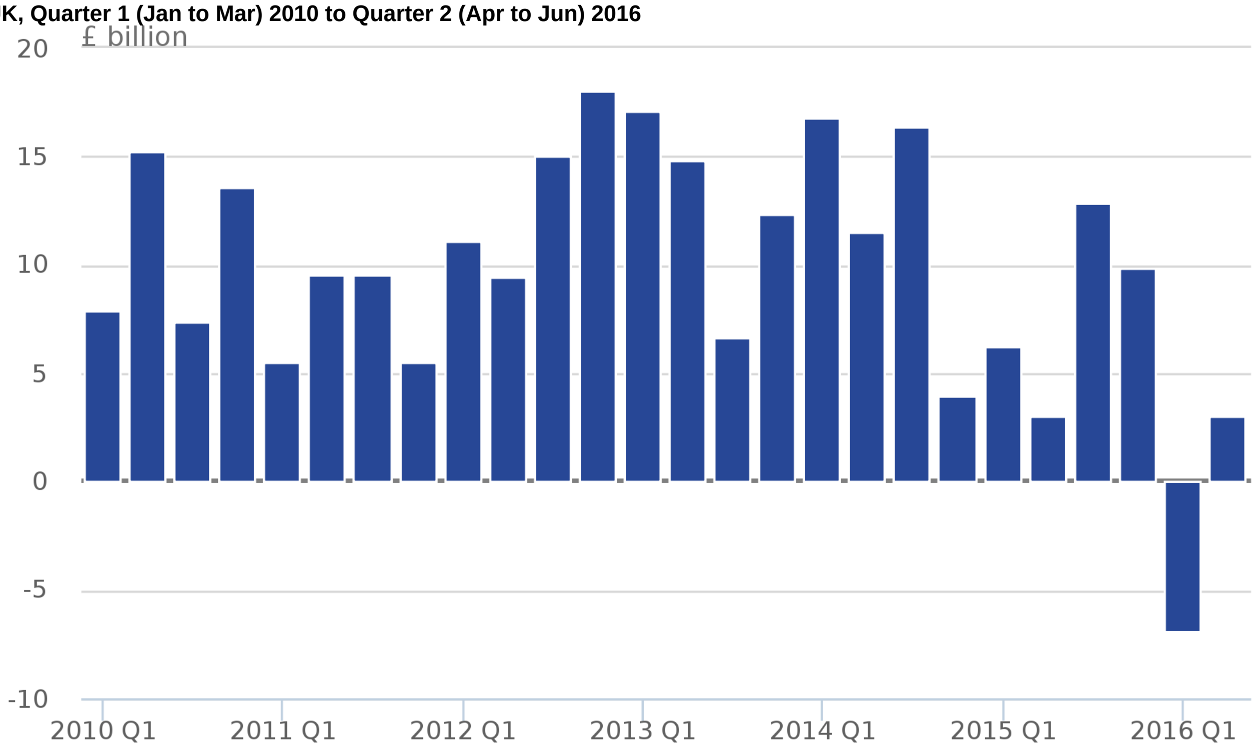
Unit trusts include open-ended investment companies (OEICs) but do not cover other unitised collective investment schemes or those based offshore. They are set up under trust deeds, the trustee usually being a bank or insurance company. The funds in the trusts are managed not by the trustees, but by 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 2 2016, unit trusts and property unit trusts reported net investment of £3 billion (Figure 10). The 5-year quarterly average for this series is net investment of £10 billion.

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

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Table 2: Net Investment by institutional group

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 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	-9.1
2011	24.3	-4.2	2.3	8.6	0.4	30.3	-13
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	10.3	0.8	48.7	-22.7
2015	48.8	-5	2.3	37.9	-0.4	32.1	-18.1
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
2010 Q3	27.2	7.4	0.8	15.1	0	7.4	-3.4
2010 Q4	28.1	4.5	2	11	0.5	13.6	-3.6
2011 Q1	11	-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
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	-4
2012 Q4	11.8	1.8	0.8	8.4	0.1	18	-17.2
2013 Q1	5.4	-1.4	-1.4	-4	0.5	17.1	-5.5
2013 Q2	21.1	-0.4	1.3	6.5	-0.2	14.8	-1
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	9.2	0.3	11.5	-7.3

2014 Q3	9.8	-1	-1.5	-0.1	0.4	16.4	-4.4
2014 Q4	-19.8	-7.4	-5.6	-8.4	0	4	-2.4
2015 Q1	9.1	-4	-2.3	10.9	-0.9	6.2	-0.7
2015 Q2	9.2	-3.5	1.4	11	0.8	3	-3.5
2015 Q3	21.2	4.3	1.5	8.1	0.2	12.9	-5.8
2015 Q4	9.2	-1.7	1.8	8	-0.5	9.9	-8.2
2016 Q1	-18.8	-10.5	0.9	2.1	0.6	-6.9	-5
2016 Q2	6.3	-4.7	2.6	12.1	0.2	3	-6.8

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 all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016.

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.

7 . 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, premiums and claims are the focus, 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.

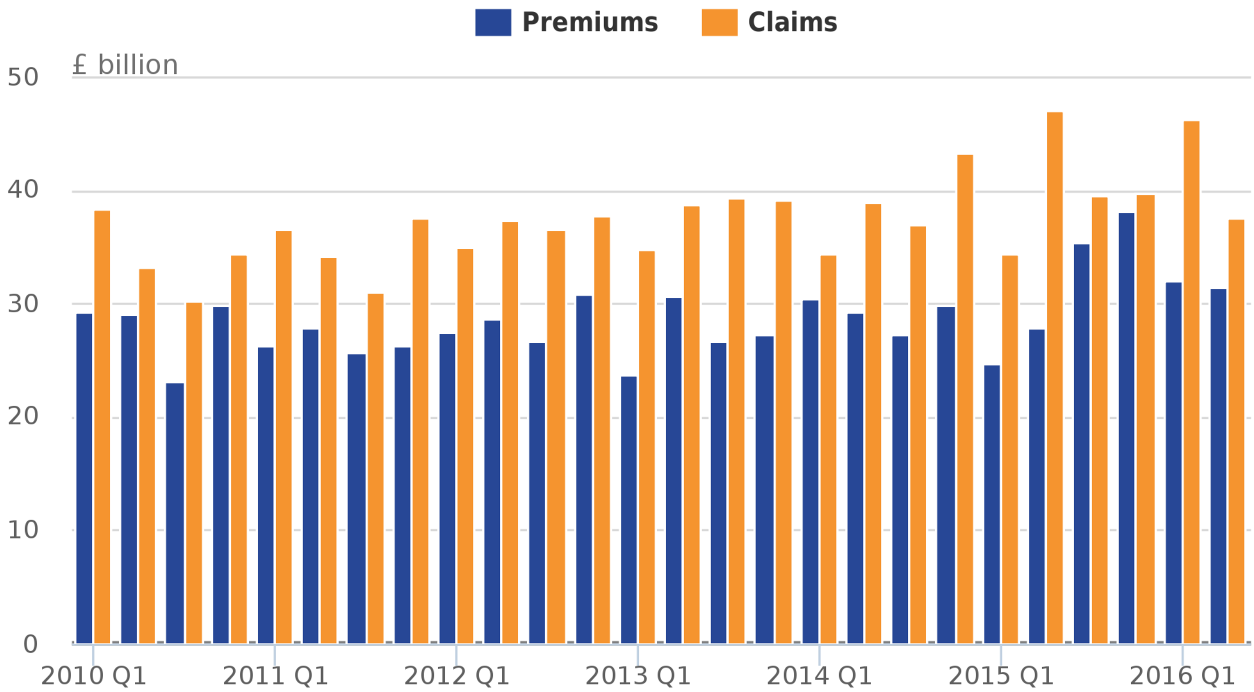
Long-term insurance companies

In the second quarter of 2016 (Apr to Jun), the value of claims (£38 billion) was approximately 19% greater than the value of premiums (£32 billion).

The value of premiums exceeded the value of claims between 2003 (when records for these series began) and 2007. However, this trend reversed and has continued in each of the years 2008 to 2014. Provisional estimates for 2015 show the value of claims to be around 27% greater than the value of premiums.

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

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



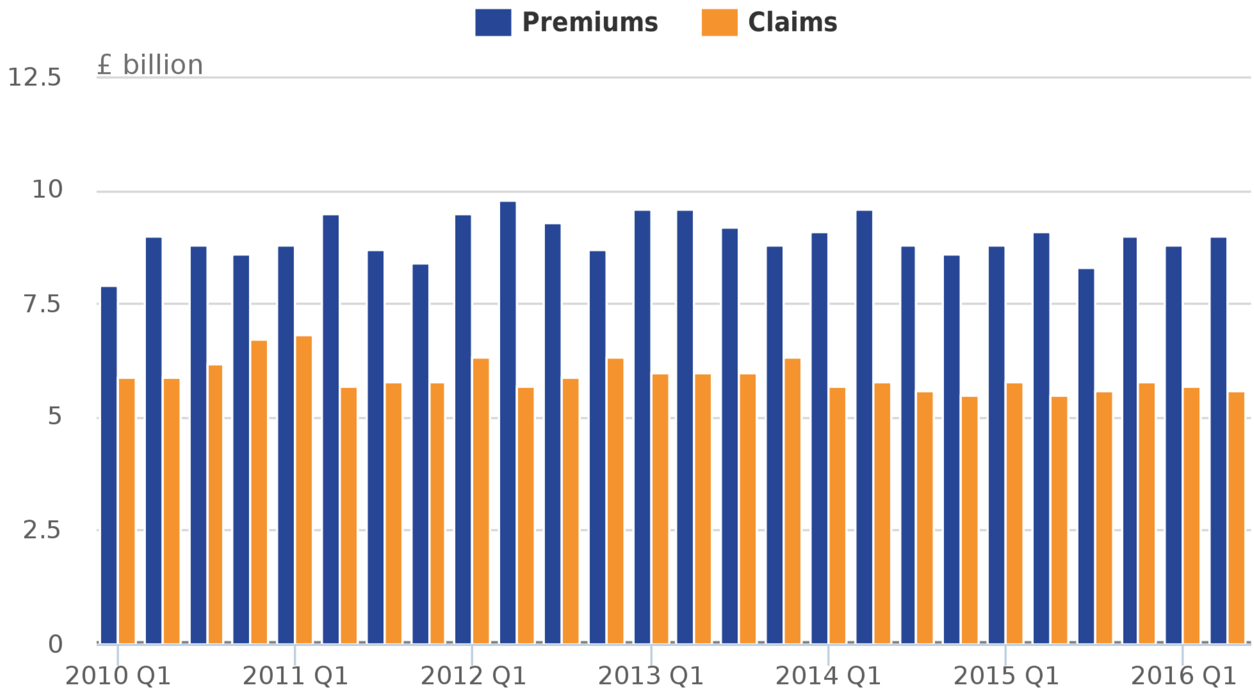
Source: Office for National Statistics

General insurance companies

For general insurance, premiums (£9 billion) were around 61% greater than the value of claims (£6 billion) in Quarter 2 2016 (Figure 12).

Figure 12: General insurance companies' premiums and claims

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

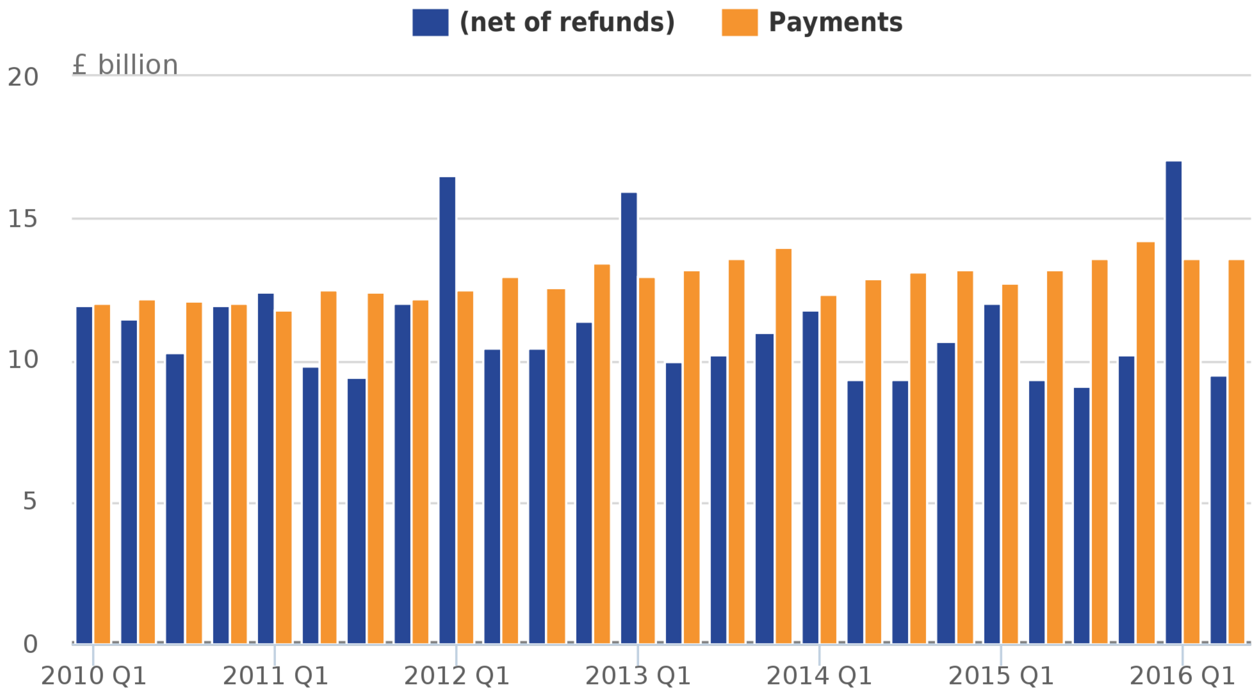
Self-administered pension funds

Contributions to self-administered pension funds (net of refunds) in Quarter 2 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 payments 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 contributions needed to fund any deficit. Deficits can be addressed in the form of employers' special contributions. Estimates of these one-off payments were relatively high in the first quarter of each year since 2012. In Quarter 1 2016, pension funds made special contributions of £9 billion.

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

UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to Jun) 2016



Source: Office for National Statistics

Table 3: Income and expenditure by institutional group

UK, quarter 1 (Jan to Mar) 2010 to quarter 2 (Apr to Jun) 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	126.0	160.5	35.2	22.6	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	24.7	34.3	8.8	5.8	12.0	12.7
2015 Q2	27.9	47.0	9.1	5.5	9.3	13.2
2015 Q3	35.3	39.5	8.3	5.6	9.1	13.6
2015 Q4	38.1	39.7	9.0	5.8	10.2	14.2
2016 Q1	32.0	46.2	8.8	5.7	17.1	13.6
2016 Q2	31.5	37.5	9.0	5.6	9.5	13.6

Source: Office for National Statistics

Notes:

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

2. Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016.

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.

8. Background notes

1. **Institutional groups**

   Insurance companies

   Active in both life insurance 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 two 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. Basic quality information

A Quality and Methodology Information (QMI) report can be found on our website. The QMI report aims to provide users with a greater understanding of our statistics, their quality and the methods that are used to create them.

3. 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 background note 2.

4. Uses of data

The primary use of data from the insurance companies, pension funds and trusts surveys is in the Financial and Sector 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: Compare 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: Compare 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): Use 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): Analyse 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.

5. 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 15.

6. 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.

7. Revisions

Data for all quarters of 2015 remain provisional and subject to revision until the incorporation of the 2015 annual survey results in December 2016. 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. Users of this release are strongly advised to read this policy before using these data for research or policy-related purposes.

Data for the first quarter of 2016 has been revised as a result of receiving further survey responses and improving the weighting of components of pensions data. For Quarter 1 (January to March) 2016, net investment has been revised from net disinvestment of £3 billion to net disinvestment of £19 billion. No revisions were made to the quarters of 2015 for this release.

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.

8. 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 4: Overall response rate by survey

Q2 (Apr to Jun) 2016		%
Transactions		
	Long-term insurance companies	91
	General insurance companies	83
	Self-administered pension funds	81
	Unit trusts	93

	Investment trusts	87
	Property unit trusts	69
Income and expenditure		
	Long-term insurance companies	91
	General insurance companies	80
	Self-administered pension funds	81
2014 Annual		%
Balance sheet		
	Long-term insurance companies	99
	General insurance companies	96
	Self-administered pension funds	95
Income and expenditure		
	Long-term insurance companies	97
	General insurance companies	92
Assets and liabilities		
	Unit trusts	97
	Investment trusts	91
	Property unit trusts	100

Source: Office for National Statistics

9. 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 over estimate - 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

10. **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.

11. **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).

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

12. **National Statistics**

    The UK Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

    Designation can be broadly interpreted to mean that the statistics:

    - meet identified user needs
    - are well explained and readily accessible
    - are produced according to sound methods and
    - are managed impartially and objectively in the public interest

    Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

13. **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.

14. **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.

15. Details of the policy governing the release of new data are available by visiting our website or by emailing our Media Relations Office at media.relations@ons.gsi.gov.uk

    These National Statistics are produced to high professional standards and released according to the arrangem