IGNITING AN INVESTMENT BIG BANG: A CHALLENGE FROM THE PRIME MINISTER AND CHANCELLOR TO THE UK’S INSTITUTIONAL INVESTORS

The United Kingdom’s economy possesses a rich pool of assets ripe for long-term investment and bolstered by a world-leading research sector, commitment to the green technologies of the future, and British entrepreneurial spirit.

Currently global investors, including pension funds from Canada and Australia, are benefitting from the opportunities that UK long term investments afford, while UK institutional investors are under-represented in owning UK assets. For example, over eighty per cent of UK defined contribution pension funds’ investments are in mostly listed securities, which represent only twenty percent of the UK’s assets. While we are glad that international investors prize UK assets, and are working hard to attract even more inward investment, we also want to see UK pension savers benefitting from the fruits of UK ingenuity and enterprise, being given the opportunity to back British success stories, and secure higher returns and better retirements.

The Covid pandemic represented the biggest shock to the UK economy in 70 years. Thanks to the hard work of the NHS, the success of the vaccine roll-out and the resilience of British business, we can now plan for a strong and sustained economy. While last year saw GDP fall by 9.8% and the number of unemployed people peak at 380,000 above pandemic levels, the OECD recently raised its 2021 growth rate for the UK to 7.2%, the fastest among large, developed economies.

This Government is determined to Build Back Better, uniting and levelling up the country. By delivering our Ten Point Plan for a Green Industrial Revolution we will support up to 250,000 jobs, while also being the first generation to leave the natural environment in a better condition than we found it. Together we can defeat currently deadly conditions like cancer and dementia. And our Innovation Strategy makes clear our ambition for the UK to become a science and tech superpower.
To seize this moment, we need an **Investment Big Bang**, to unlock the hundreds of billions of pounds sitting in UK institutional investors and use it to drive the UK’s recovery. It’s time we recognised the quality that other countries see in the UK, and back ourselves by investing more money into the companies and infrastructure that will drive growth and prosperity across our country.

We recognise the responsibility of the Government to remove obstacles and costs to making long-term, illiquid investments in the UK. The Government is doing everything possible – short of mandating more investment in these areas as some have advocated – to encourage a change in mindset and behaviour among institutional investors, and we remain open to addressing further barriers where they are identified.

To help with this, our new UK Infrastructure Bank is open for business and is ready to co-invest in green infrastructure and support regional economic growth. We will issue the UK’s first Green Gilt in September, allowing institutional investors to fund the Government’s vital green commitments. The Department for Work and Pensions is reforming the cap on fees that DC schemes can charge to ensure that they are not penalised for over-performance, as well as accelerating the consolidation of the pension sector, including through vehicles such as superfunds. We are reviewing the prudential regulatory regime for the insurance sector (Solvency II), and with the support of the Productive Finance Working Group, the FCA will launch in the autumn a framework for a new vehicle for long-term investment, the Long-Term Asset Fund.

We are also looking at how we can use the UK-UAE Sovereign Investment Partnership, which will invest £1 billion in UK life sciences as part of its investments into our leading tech sectors, as a model for other UK-anchored investment funds.

Choosing which assets to invest in to secure the best outcomes remains a matter for pension fund trustees, and other custodians of institutional capital. We recognise that there is no single ‘right answer’ for the amount that should be invested in these long-term asset classes. Some funds are already highly active; some – for good reason – are not. You will know best what is right for your business—whether that is committing to invest a greater proportion of your capital in long-term UK assets, establishing the vehicles to allow others to do so, or providing the necessary specialist advice. But we strongly believe this is a question that all institutional investors should be considering.
Whether you are a trustee or manager of a DC or DB pension fund, running an insurance company or advising investors on their investment strategy, we are challenging you this summer to begin to invest more in long-term UK assets, giving pension savers access to better returns and enabling them to see their funds support an innovative, healthier, greener future for their country. We know that this will require a change in mindset for many investors that won’t happen overnight, but that is why this change needs to start now.

Our Ministers and officials will be in touch during the coming weeks to tell you more about our ambitious plans, and to invite those institutional investors who are willing to make specific commitments to invest more in Britain’s long-term growth to join us at an Investment Summit in Downing Street in October.

Help us make 2021 the year that we light the touch paper on the UK’s Investment Big Bang.

THE RIGHT HONOURABLE
BORIS JOHNSON MP
PRIME MINISTER

THE RIGHT HONOURABLE
RISHI SUNAK MP
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