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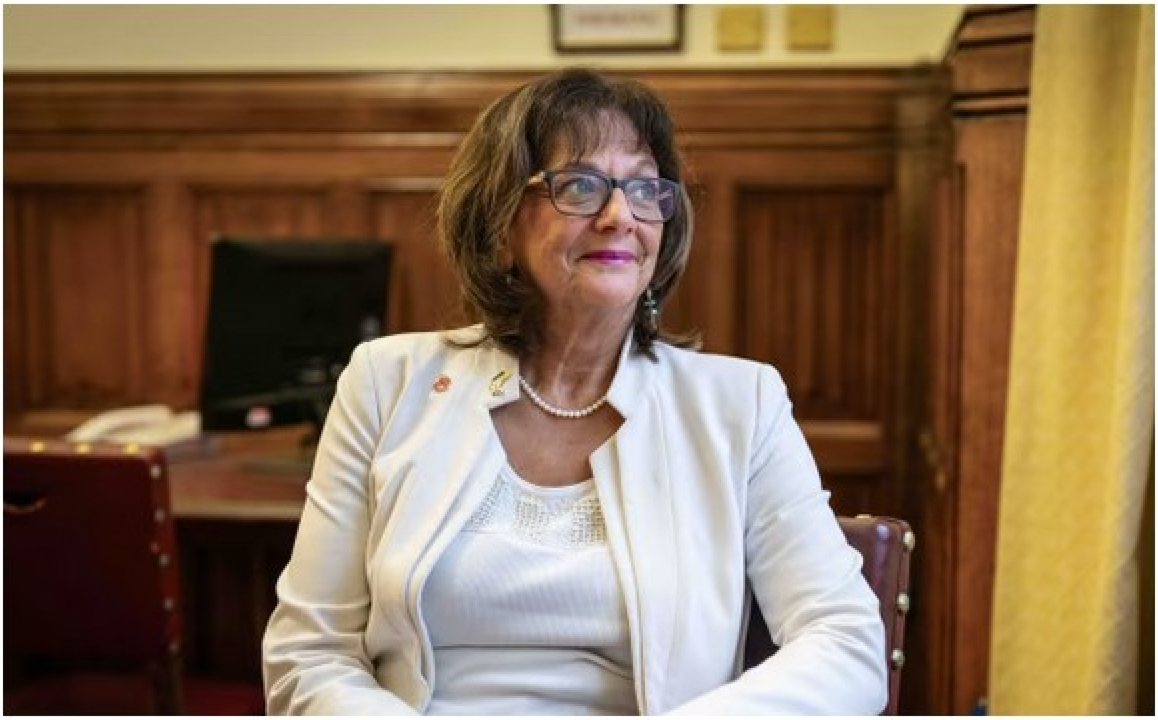
Intervention for UK investment trusts a boost to markets



Former pensions minister Baroness Ros Altmann

By Ima Jackson-Obot 0

Emergency intervention to protect UK investment trusts from "flawed regulations" could turbo-charge UK markets and growth while boosting investor returns, former pensions minister Baroness Ros Altmann has claimed.

She noted that UK-listed investment trusts were intended to help democratise investing for retail and institutional investors in long-term, less liquid assets such as infrastructure, growth businesses and renewable energy.

But she warned that they were being starved of capital as regulations required them to "misrepresent investor costs".

Altmann said: "UK investment trusts are a long-standing British success story. For more than 150 years they have offered access to ready-made portfolios that most investors could not put together or manage themselves.

"The closed-ended investment structure is ideally suited to long-term institutional investment in illiquid assets, and offers exposure to a wide range of environmental and social investments.

"But the sector has been undermined in recent years by charges disclosure rules, which have been misapplied to investment trusts, forcing these companies to show misleading information to investors and exaggerate the costs of holding their shares.

"This has culminated in waves of selling, lack of buyers, unwarranted large discounts to net asset value, and share price weakness that has stopped capital raising for vital growth sectors as UK investment companies suffer an exodus of capital from institutions and wealth managers."

Fears persist that current European regulations (Mifid) can make investment trusts appear too costly and put off investors.

Current rules mean investment trusts are viewed as collective investment vehicles, rather than as equities.

This means the total costs incurred by a trust must be shared with a client, and means fund-of-funds investors and model portfolios are less able to invest in the asset class.

In a notice on November 30, the FCA said that under current EU laws, “the required costs and charges disclosure may not result in representative cost information being published”.

The regulator said while long-term solutions are being worked on, this would introduce some temporary measures to support the sector.

At a Treasury Committee meeting in December chancellor Jeremy Hunt assured MPs that the Treasury and Financial Conduct Authority would work “at pace” to deliver much needed solutions to concerns about investment trust cost disclosures.

On the day of the Autumn Statement last November, the government published its “near final version” of a statutory instrument to replace inherited EU regulations on Packaged Retail and Insurance-based Investment Products (Priips). A consultation on the proposals closed on January 10.

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