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## **Structured products continue to meet needs of investors, latest research from UKSPA shows**

16 June 2021: Today, the UK Structured Products Association (“UKSPA”) announces the results from recent consumer research, showing that structured products continue to meet the needs of investors in the UK.

Over the last five years, the structured product industry has been conducting independent research to take an in-depth look into the investment needs and behaviours of UK investors, exploring their views on various markets and their risk appetite, and analysing how these evolve over time. Interviewing over 2,000 investors each time, the research highlights some interesting developments over the last five years.

Most striking are the results indicate that many investors still believe that markets such as the FTSE 100 may not rise over the medium term, and that structured products are increasingly adopted by investors to meet their needs.

For example:

Half (49%) of all survey respondents said they were happy to leave a portion of their money invested for 5 to 10 years in order to achieve their financial goals.

60% of those we surveyed are interested in investing in equity indices like the FTSE 100, but only half of those expect equity indices to rise over a 5-10 year horizon (42% are neutral and 7% think they will actually decrease in value over the medium term).

And almost half (46%) of respondents cite preservation of wealth a key reason to invest.

Investors who want exposure to equity indices but are not confident in their performance over the medium term may be attracted to structured products that offer the chance for returns even if markets like the FTSE 100 do not rise, with the vast majority offering to protect capital against market falls of up to 40% and with a typical investment horizon of between 6 and 10 years.

And this is born out in the latest research, which shows there has been a 20% increase in the number of investors holding structured products as part of a portfolio over the past 5 years (in 2016, 20% of respondents said they held SPs and in 2021, 25% of respondents said they held SPs).

The most popular structured product sold in the UK is the FTSE Kickout, designed to significantly outperform cash even with modest falls in the FTSE 100, while protecting from all but the most extreme falls in FTSE 100 over a six-year period. Based on this extensive analysis, it is estimated such a product would meet the investment needs of nearly 6 million retail investors in the UK, most notably sophisticated investors (36%) and those who are informed/educated (22%).

UKSPA Chairman, Zak de Mariveles, comments:

“Since we first started conducting our research into the needs of UK investors in 2016, we’ve documented a consistent trend in the increased use of structured products across all types of investor, from the least experienced to the most knowledgeable. And all evidence points to this trend continuing into the future, as the low rate environment persist and investors consider alternative options that are better matched to deliver the outcomes they are seeking.”

Other interesting general findings from the research include:

- **More and more people in the UK are holding investments.** In 2017, just over one third of those surveyed (35%) had actively invested in the past two years. This has increased to almost one half (45%) of all those surveyed in our most recent research.
- **Investors say they have less of a need for income than in previous years.** Could this reflect the fact that the levels of income on offer aren't sufficient for investors to meet their financial goals, meaning they are pursuing capital gains as a higher-yielding alternative?
- **Investors are increasingly optimistic on market performance in the short term.** While the 'mass retail' segment is still sceptical on short term market performance, there is a net positive outlook for all markets across all time frames. If we look at the FTSE 100 in particular:
  - 41% expect it to perform positively in the short term (0-5yrs) (47% are neutral, 13% expect it to fall)
  - 52% expect it to perform positively in the medium term (5-10 yrs) (42% are neutral, 7% expect it to fall)
  - 56% expect it to perform positively in the long term (10yrs+) (35% are neutral, 9% expect it to fall)
- **Investors seek to hold a range of products with different risk profiles in their portfolios,** and these results are broadly consistent with our 2019 and 2017 research. While investors ideally want to fully protect around 40% of their assets against losses, they want some element of protection for 30% of assets, no protection for 19% of assets, and are willing to put more than their capital at risk for 11% of assets.
- **A clear majority of those we surveyed want at least some of their investment portfolio to have an ESG focus.** Half of all respondents wanted at least 50% of their portfolio to be in ESG investments, and only 6% of respondents wanted less than 10% of their portfolio to have an ESG focus. The most important driver of interest into ESG investments is performance, but risk/return and personal reasons are also important. And when asked to determine which of Environmental, Social or Governance factors were the most important, the majority of those surveyed thought they had equal

importance. Environmental factors were deemed slightly more important by the 'sophisticated' segment.

- **Investors are becoming wealthier.** The average amount of funds to invest has increased quite significantly (by over a third), from £122,000 in 2016 to £164,000 in 2021.

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### **Note to Editors**

The UK Structured Products Association ('UKSPA') was first established in 2009 by the leading manufacturers of structured products in the UK. It has grown to 17 members today (Barclays, Cirdan Capital Management, Citi, Credit Agricole CIB, Credit Suisse, Deutsche Bank, Hilbert, HSBC, Investec, JP Morgan, Mariana Capital, Meteor, Morgan Stanley, RBC Capital Markets, Societe Generale, Tempo Structured Products and Wisdom Tree), who represent a significant majority of the UK market. UKSPA provides a unified voice for its members, working with regulators, financial advisers and other trade bodies. It serves a number of important functions including engaging with regulators, developing best practice, educating the investment community and providing information for manufacturers, financial advisers and retail investors within the UK.

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