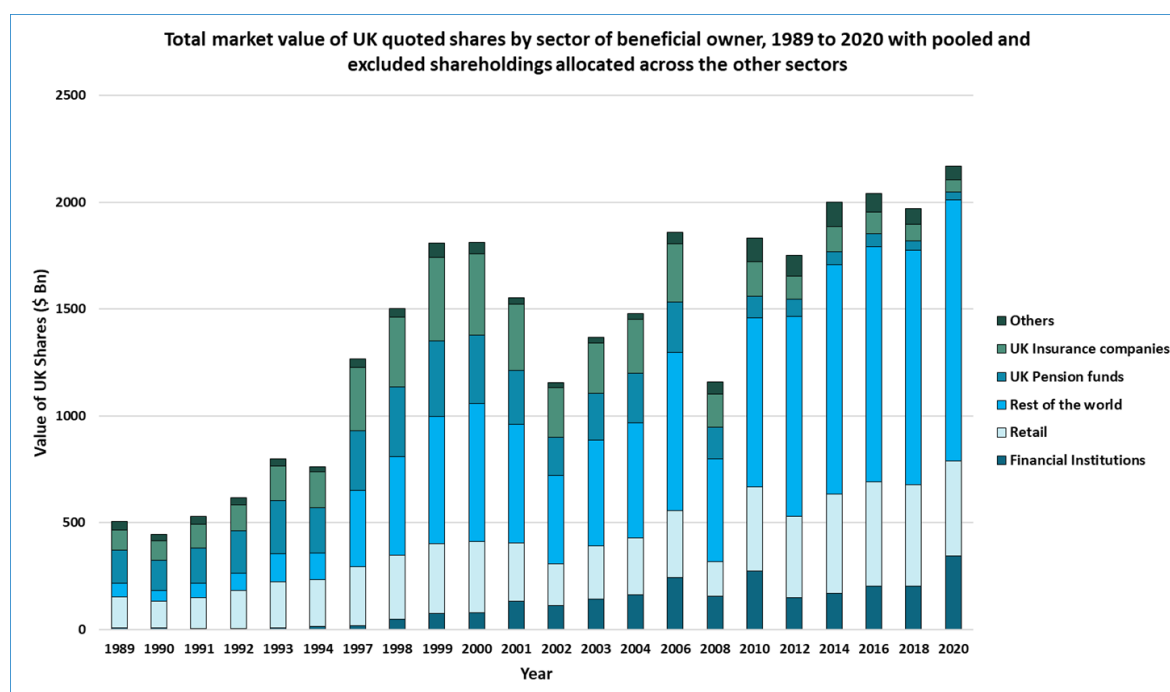


The traditional domestic institutional owners have diversified their portfolios away from UK-listed companies. To better understand the implications of this shift in ownership, we analysed the share register of each of the FTSE 100 companies and aggregated the data to illustrate which groups have become the biggest owners of UK equities. The analysis illustrates how global forces, rather than domestic priorities, have come to influence both the flows of capital and the nature of the company/investor dialogue. When it comes to stewardship, ownership matters.

### Context

The UK is one of the most internationally owned stock markets in the world<sup>1</sup> (after Hong Kong and the Netherlands). The changing nature of the ownership between 1990 and 2020 has been well documented, and the shift in the market structure over that time has been remarkable:

- International ownership has increased from 12% to 56%;
- UK Pension Fund and Insurance Company ownership has fallen from 52% to a little over 4%;
- Individuals and Unit Trusts have fallen from 26% to 20%.



Source: [Ownership of UK shares, ONS \(2022\)](#)

### FTSE 100 Ownership

We analysed ownership of the FTSE 100 companies using data from Refinitiv Eikon (as at 31<sup>st</sup> October 2022). While the data is known to have imperfections, across the FTSE we believe the data set to be broadly representative, even if some of the holdings presented may be stale. We examined each company's 30 largest investors and calculated the percentage these largest holders represented of the company's market cap.

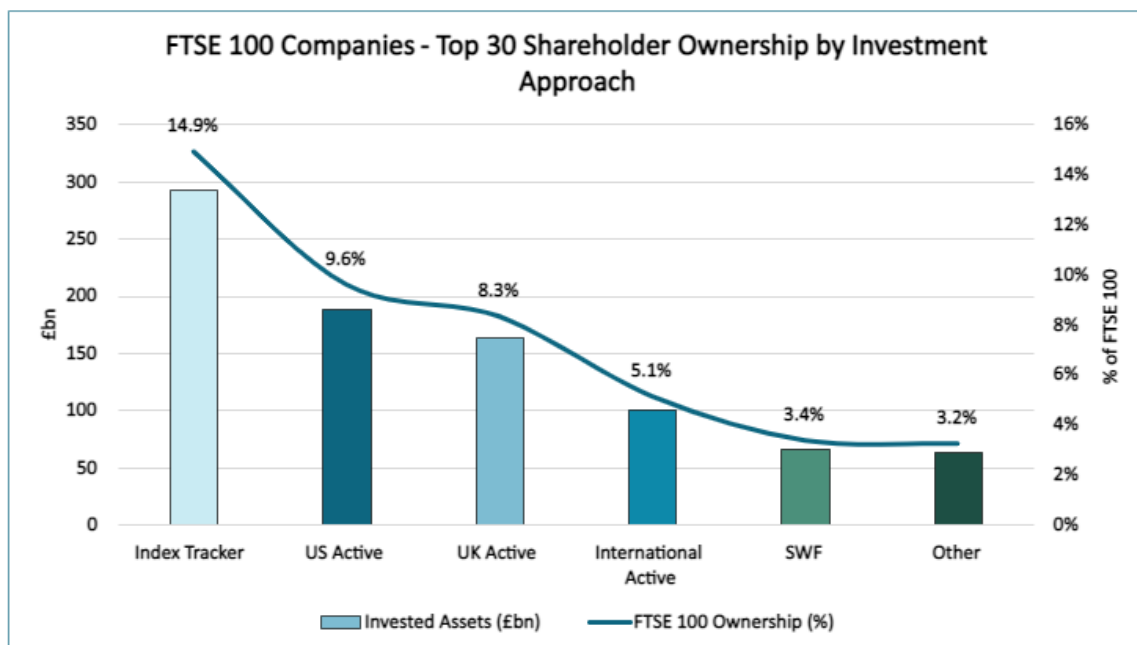
In aggregate:

- 452 shareholder entities appeared in the list of the 30 largest owners of each FTSE 100 company.
- The sum total of invested assets of the top 30 investors in each FTSE 100 company amounted to £875bn, which represented 45% of the total value of the FTSE 100 Index.

<sup>1</sup> Owners of the World's Listed Companies, OECD (2019)

We focused on the top 30 registered investors because these institutions represent a material percentage of the shareholder register but also because these are the shareholder groups on which companies focus their engagement effort.

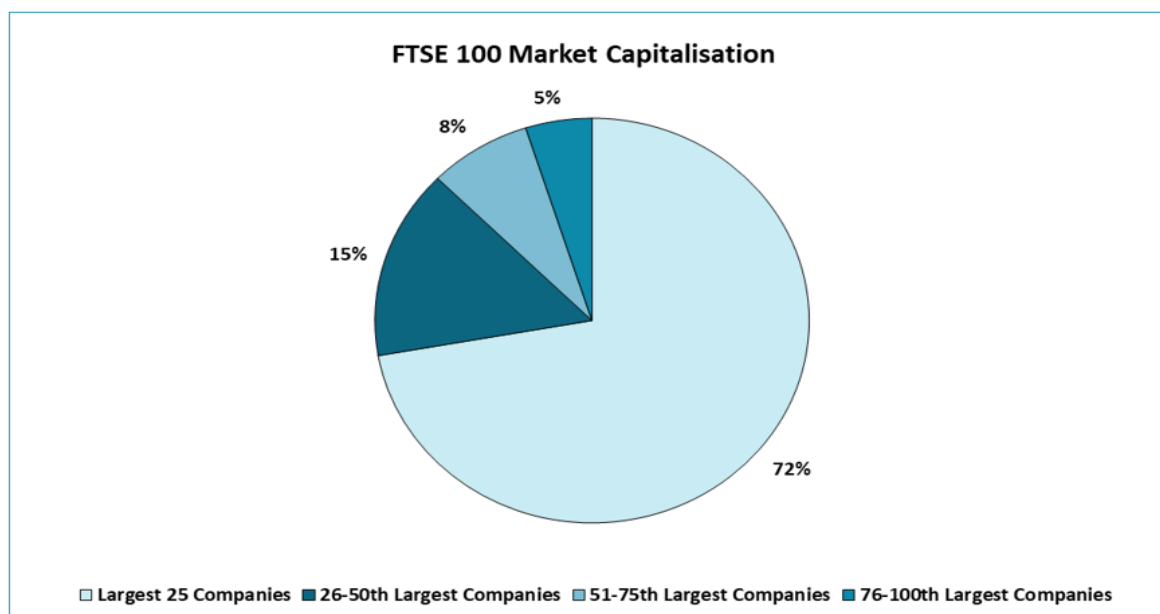
We categorised the top 30 shareholders into six groups, based on the headquarters of the investment firm and their predominant investment style. The chart below shows the ownership percentage of the FTSE 100 index by each group, and the value (£bn) represented.



It is notable that Index trackers and US Active investors together own circa 25% of the FTSE 100 and are by far the dominant investor types. Given that 3 of the 4 index tracking providers are US owned entities, the influence of US investors and US regulation cannot be understated, irrespective of the domicile of the ultimate beneficiary.

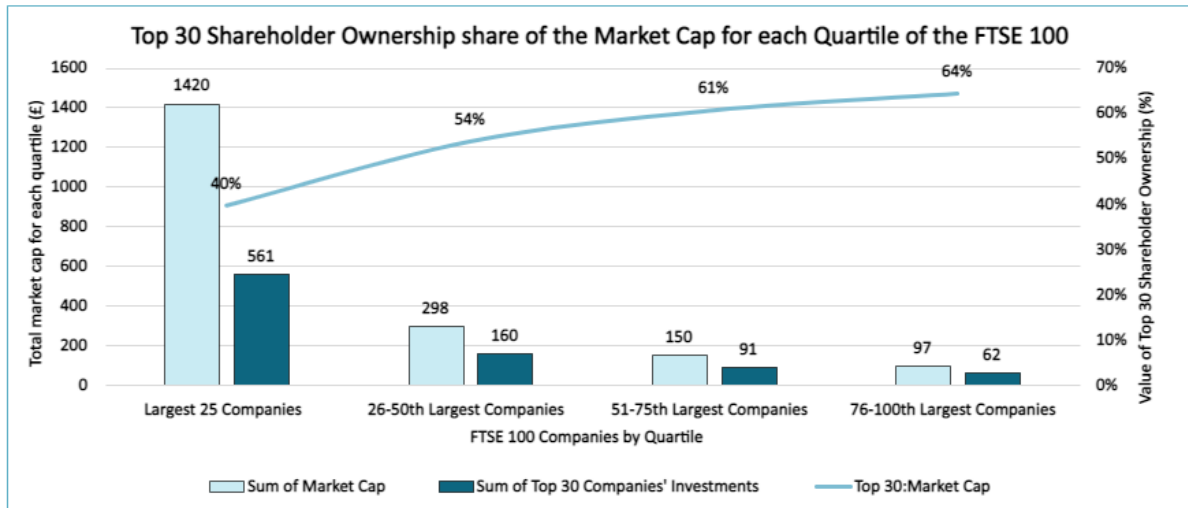
### FTSE 100 Characteristics

We also ranked the FTSE 100 by market capitalisation and sorted the companies into quartiles in descending order of value. The 25 largest companies account for 72% of the value of the FTSE 100.

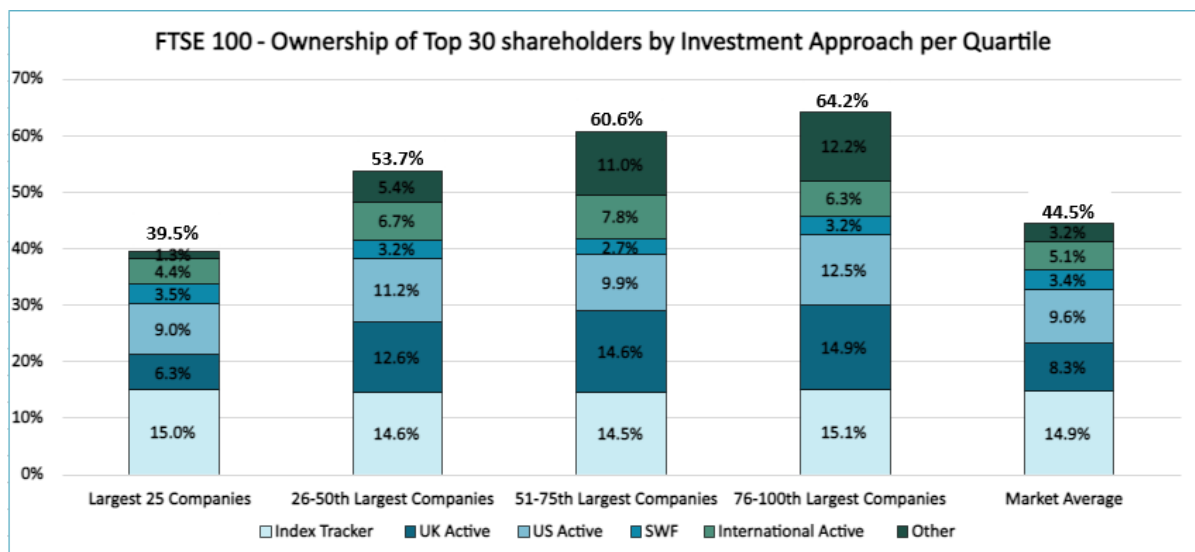


## Investor ownership and Company size

While the Top 30 investors in each of the FTSE 100 companies account for 45% of the market capitalisation across the FTSE 100 index, it is noticeable that the Top 30 investors represent only 40% of the market cap for the largest companies rising to 64% of the market cap of the smallest quartile in the FTSE 100.



We then analysed how the distribution of ownership across the six investment approaches differed by size of company.



As would be expected, index tracking approaches have a consistent exposure across the quartiles, but it is notable how much deviation is evident amongst the other investment approaches. In particular:

- UK active funds registered in the Top 30 shareholders make up approximately 8.3% of the total value of the FTSE 100 but, throughout each quartile, the ownership is very different.
- Most notably, Top 30 registered ownership of the top 25 largest UK companies by UK active managers is only 6.3% of the market capitalisation whereas in the fourth quartile, the approach represents ownership of 14.9%.
- It is also notable that as company size decreases, the presence of other shareholders in the Top 30 increases – primarily this group comprises block holders, family groups or employee trust shareholdings.

## Valuation

Alongside this analysis of ownership, it is also interesting to note how valuation varies across the quartiles.

While the FTSE 100 is currently valued at 12.9x 2023 forecast earnings, the largest quartile of companies (which is dominated by energy, pharmaceuticals, materials, consumer and financial companies) is valued at just 12.0x expected earnings.

	Prospective PE Multiple
Largest 25 Companies	12.0x
26-50th Largest Companies	15.2x
51-75th Largest Companies	16.8x
76-100th Largest Companies	12.9x
FTSE 100	12.9x

The mix of sectors will have a material impact on the valuation of the quartiles as will the growth prospects of the individual companies. Nevertheless, it is notable that the largest companies, which account for 72% of the index by value, in aggregate are valued at a discount to the broader index and also exhibit a lower ownership concentration than the other index quartiles.

## Conclusions

The changes that have been seen in the ownership of the UK equity market over the last 30 years are nothing short of dramatic:

- Starting from the point that UK institutional ownership of the UK equity market is now de minimis, it is evident that the investment approaches which dominate the share registers of UK companies have changed beyond recognition.

Not only has the domestic institutional ownership of the market been hollowed out, but in aggregate the voice of UK asset managers with the largest companies now ranks third behind the voices of index tracking strategies and US active investors:

- This picture is particularly acute when considering the composition of ownership of the largest 25 listed companies in the UK amongst the largest 30 owners of FTSE 100 companies.

The UK has been able to attract international investment to its public markets over many decades and these inflows have in effect offset the impact of 30 years of diversification away from UK equities by domestic institutions.

The changed ownership structure of the UK market means that stewardship agendas have been, and will continue to be, significantly impacted by a combination of the broader range of global reference points that inform the decisions of many of the largest investors, and the ever greater role of index tracking investment approaches.

The re-balancing of ownership has had profound implications, not just for the health of the UK market, but also for the nature of the investor/company dialogue.



## Appendix: FTSE100 - Top 30 Shareholder Ownership (ranked by market capitalisation)

	<i>MV £bn</i>	<i>Top 30 £bn</i>	<i>Top 30% of MV</i>		<i>MV £bn</i>	<i>Top 30 £bn</i>	<i>Top 30% of MV</i>
Shell	177.1	49.0	28%	Smurfit Kappa Group	7.5	3.1	41%
AstraZeneca	165.5	58.7	35%	Sage Group	7.3	4.0	54%
Unilever	101.3	30.5	30%	Burberry Group	7.2	4.0	56%
HSBC Holdings	92.5	29.3	32%	Mondi	7.1	3.8	54%
BP	90.6	19.5	22%	Pearson	7.0	5.6	80%
Diageo	81.9	35.8	44%	Coca-Cola Co	6.9	4.3	63%
British American Tobacco	75.1	37.9	51%	Rolls-Royce	6.7	3.9	59%
Glencore	67.2	27.2	40%	Schroders	6.4	4.4	68%
GSK	58.6	17.0	29%	Next	6.4	3.9	61%
Rio Tinto	58.4	22.9	39%	United Utilities Group	6.4	3.2	51%
Relx	44.4	17.1	39%	Severn Trent	6.2	3.8	61%
Reckitt Benckiser	41.1	16.7	40%	INTL Consolidated Airline Group	6.1	2.2	36%
London Stock Exchange Group	38.4	25.4	66%	Admiral Group	6.0	3.9	64%
Anglo American	35.5	16.2	46%	Intertek Group	5.8	3.4	57%
National Grid	35.3	13.6	39%	St. James's Place	5.7	3.5	61%
Compass Group	32.9	18.4	56%	Smiths Group	5.6	3.6	64%
Lloyds Banking Group	28.4	8.8	31%	Pershing Square Holdings	5.5	1.5	26%
Vodafone Group	28.2	11.1	39%	Phoenix Group Holdings	5.4	3.5	64%
BAE Systems	25.5	15.7	61%	Ocado	5.3	4.0	75%
Haleon	25.0	14.0	56%	Fresnillo	5.2	4.8	93%
Experian	24.2	9.0	37%	Whitbread	5.2	2.6	50%
Barclays	23.7	10.5	44%	JD Sports Fashion	5.1	3.6	71%
CRH	23.5	9.2	39%	Sainsbury	5.0	2.9	59%
Prudential	23.1	8.9	39%	Autotrader	4.9	2.7	54%
Natwest Group	22.4	15.0	67%	DCC	4.8	2.7	57%
Ashtead Group	20.4	7.5	37%	Melrose Industries	4.7	2.8	59%
Imperial Brands	19.8	10.5	53%	Centrica	4.7	2.6	56%
Flutter Entertainment	19.8	11.0	56%	F&C Investment Trust	4.7	2.4	52%
SSE	17.0	8.2	48%	Airtel Africa	4.4	4.0	89%
Tesco	16.6	8.2	50%	Convatec	4.4	2.9	66%
Standard Chartered	15.4	9.2	59%	Kingfisher	4.3	2.9	67%
Legal & General Group	13.8	4.7	34%	Land Securities Group	4.2	2.5	58%
Rentokil	13.1	7.7	59%	RS Group	4.2	2.9	70%
Aviva	11.8	4.8	40%	Persimmon	4.1	1.8	44%
3i Group	11.7	4.9	42%	Rightmove	4.1	2.6	63%
Antofagasta	11.6	9.3	80%	M&G	4.1	2.4	59%
BT Group	11.6	6.6	57%	Homeserve	4.0	3.7	93%
Associated British Foods	10.9	8.1	74%	Smith (DS)	4.0	1.9	47%
Scottish Mortgage	10.7	1.8	16%	Berkeley Group Holdings	3.8	2.4	61%
BUNZL	9.6	4.4	46%	Barratts Developments	3.8	1.6	41%
Aveva Group	9.5	9.4	99%	Hargreaves Lansdown	3.7	2.8	76%
Segro	9.4	4.7	51%	Endeavour Mining	3.6	2.5	68%
Smith & Nephew	9.0	3.1	34%	Unite Group	3.5	2.3	67%
Croda International	8.8	3.9	45%	Harbour Energy	3.5	2.3	65%
WPP	8.5	3.7	43%	B&M European Value Retail	3.5	2.1	60%
Intercontinental Hotels Group	8.3	4.9	58%	British Land	3.4	2.0	58%
Informa	8.1	5.5	68%	Taylor Wimpey	3.3	1.6	48%
Halma	7.8	3.5	45%	Intermediate Capital Group	3.2	1.8	56%
Spirax-Sarco Engineering	7.8	4.6	60%	Frasers Group	3.1	2.8	90%
Entain	7.5	5.0	66%	Dechra Pharmaceuticals	3.0	1.4	48%

Source: Refinitiv Eikon 31/10/2022

