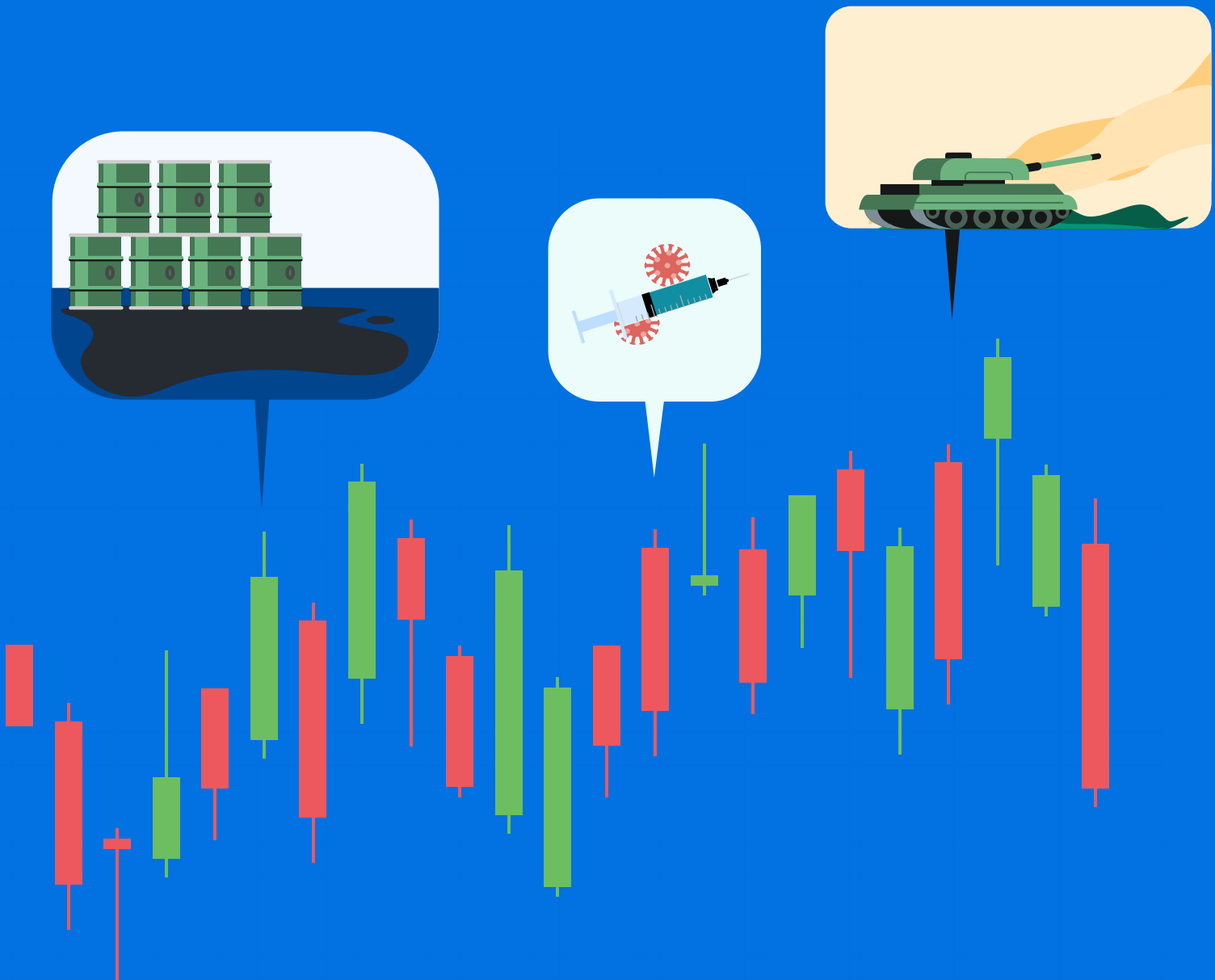


Guilt-edged stocks: How investors are reacting to war

An analysis of British attitudes to investing during controversial events, and what the industry is doing to show customers where their money is invested



The pandemic stock market crash heralded a new era of turbulence and a new generation of investors who've known only uncertainty. Now Russia's invasion of Ukraine is, for many investors, their first major ethical test: which way do they want to jump? Do they even know what they're invested in? If they want to sell, do they know how?

To understand how investors are reacting, and why, Finder spoke to a panel of industry experts and surveyed 2,000 Brits in April 2022. We found that 46% would feel guilty about investing in Russian companies and/or companies operating in Russia. And 25% said that they would like to sell investments in industries or countries that made them feel guilty but wouldn't know how to do it.

Are platforms doing enough to show investors where their money is going and how to change their investments? Or are investors not really looking for the information?

Our panel, which included an academic and a journalist, generally felt that platforms are transparent and it's easy for investors to access information and change holdings. It's possible that the information is there but investors find it too difficult to digest - or maybe they aren't looking or can't find it. Either way, many are in the dark. Those who didn't know what industries, sectors and countries their pension or other investments were invested in far outnumbered those who did know. One respondent assumed that providers would just remove Russian stocks from their funds.

There's certainly scope for improvement in current information. Although fund providers show investors the top 10 holdings of the fund, this can account for only a small percentage of the investments. In many cases, country and sector breakdowns relate to the entire fund, which could give an idea of which countries or sectors an investor has bought into, but it's difficult to dig much deeper. It won't help, for example, those who want to know about "green energy", which might be reported under "energy". And vegetarians might find reporting doesn't separate meat farming from "farming".

Our report covers how investors, and the industry, are reacting in this era of seismic global events and ethical dilemmas, and our panel give predictions for the sector.

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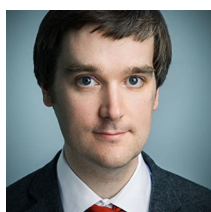
Expert predictions

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About Finder

**Emma Wall, head of investment analysis and research, Hargreaves Lansdown**

Hargreaves Lansdown is a major investment broker in the UK offering ISAs, junior accounts and SIPP. It was the share dealing winner in the Finder Customer Satisfaction Awards 2022.

**Dr Matthew Partridge, shares editor at MoneyWeek and author of Investing Explained: The Accessible Guide to Building an Investment Portfolio**

MoneyWeek is a print and online investment magazine. Dr Partridge is also the author of two books: Investing Explained: The Accessible Guide to Building an Investment Portfolio and Superinvestors: Lessons from the Greatest Investors in History.

**Sam Dickens, portfolio manager, IG**

IG is a major online trading platform that offers shares, ETFs, funds and ready-made portfolios.

**Dr Vikram Finavker, academic lead, research centres, London Institute of Banking and Finance**

The London Institute of Banking and Finance is a training and professional body that was established in 1879.

Dr Vikram Finavker, London Institute of Banking and Finance

A large proportion of the investors are looking at their portfolio composition from an ethical viewpoint because of the Russia-Ukraine war. Many investors are even inquiring about their pension funds provider on their holdings on investments in Russian-owned companies. Investors have also moved their funds into safer assets to reduce volatility in their holding.

Sam Dickens, IG

Since the beginning of 2022, we have seen investors shift their interest to energy and materials sectors. Over the first quarter, IG trading volumes showed that deals on energy stocks rose from 8% to 12%. The key reason for this is multi-decade high levels of inflation which was exacerbated by Russia's invasion of Ukraine; both of whom are key energy and commodity producers. IG's self-directed investors have reacted to this macro trend by adjusting their portfolios to better position themselves for a prolonged period of high inflation and slower economic growth.

Dr Matthew Partridge, MoneyWeek

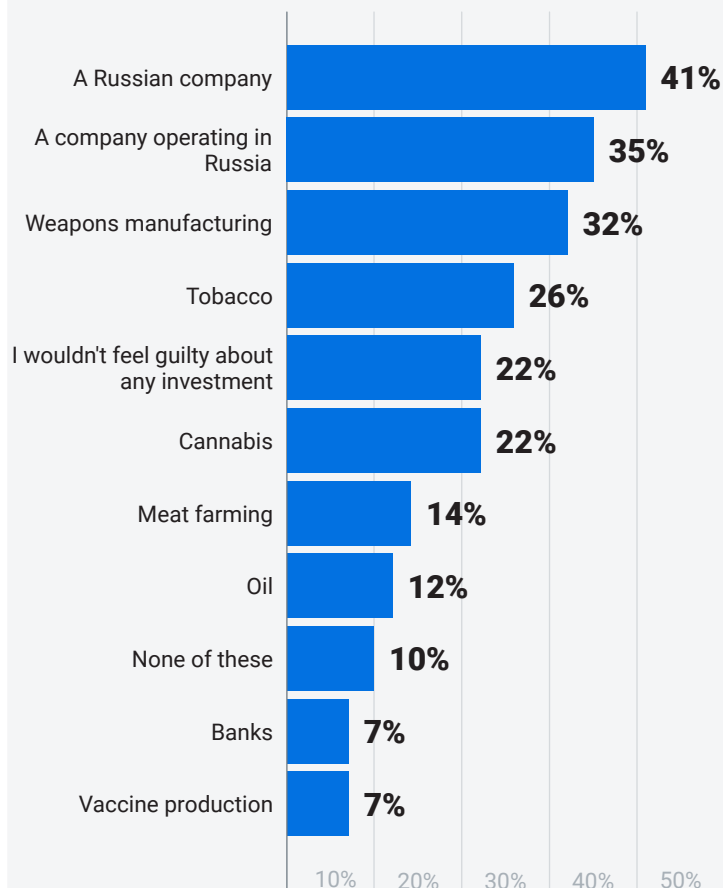
Investors sometimes overreact to big geopolitical events - it's tempting to say to ignore these events or to be a contrarian investor. The reality is that even if you're right, it can take quite a long time [to see profits]. In the case of Russia and Ukraine, investors are quite right to avoid Russian stocks – even if you ignore the moral considerations, it's going to be a long time before Russia's relations with the rest of the world are going to be normalised.

Emma Wall, Hargreaves Lansdown

When the pandemic broke out and then again when Russia invaded Ukraine, we saw... increased trading activity across our platform – this is as expected when markets are volatile.

The most common queries we were getting from clients were: "What is my exposure to Russia?" and "Markets are dropping at a concerning rate, what should I do?"

If an investment performed well but included companies in these industries or countries, would you feel guilty?



Source: Finder survey, April 2022



Dr Matthew Partridge, MoneyWeek

There's a wide range of investment apps, so it's never been easier to see how your money is being invested. Even with funds, they're required to put out regular newsletters and list their top 10 holdings. So if in the case of a fund or a trust, it's very easy, with a few minutes of research, to go on their website, download the recent investment newsletter and find out how they are invested.

Sam Dickens, IG

Defined benefit pension plans are slowly being replaced by defined contribution plans, so the onus of long-term investment planning is thrust upon people who aren't currently prepared to manage those long-tail risks. Many individuals are not prepared; unaware of what their investments entail, it is expected that many will request greater transparency to help them manage their wealth planning.

Those who have already decided to take their long-term investing into their own hands by using an investment platform to manage their wealth have this purview already, as the majority of investment platforms should show your holdings and their current market value.

IG investors showed considerable interest in getting greater transparency about portfolio data points in their ready-made portfolios, which led to the development of additional breakdowns by asset class, region, and currency exposure.

Emma Wall, Hargreaves Lansdown

Hargreaves Lansdown clients can use the portfolio analysis tool to see how and where their portfolio is invested. They can analyse their entire portfolio, a certain account, or specific holdings from different accounts, as well as investments they are considering adding to their portfolio. The x-ray analysis feature allows them to look across their fund investments and review the underlying holdings alongside any direct shares and bonds they own. This information can be broken down by asset class, region, and sector.

“

IG investors showed considerable interest in getting greater transparency about portfolio data points in their ready-made portfolios

Sam Dickens, IG

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Dr Vikram Finavker, London Institute of Banking and Finance

Investment platforms where investors can invest directly do have a lot of options to select and change their holdings when the market is open.

However, this is not the case for pension providers and fund managers as they are restricted by the objective or strategy of the fund. They also bundle capital and invest large amounts and hence cannot accommodate changes requested by investors. Investors, however, can select different funds based on their objectives and strategies.

Sam Dickens, IG

Workplace pension providers who currently offer a limited array of investment options may face pushback from their investors demanding greater autonomy over their investments.

IG has continually evolved its offering based on investor demand, but also towards what we anticipate traders may need in an ever-evolving market.

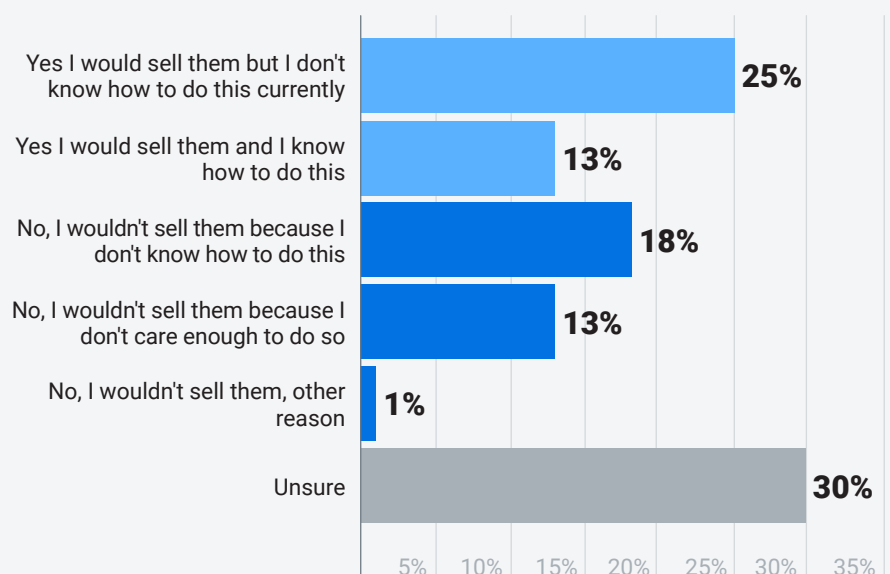
We have worked to enable our investors to be able to make changes to their portfolio both during and outside of the main market hours, providing users with access to the pre- and post-market on over 70 stocks listed in the US. This is because US companies often report earnings in the pre- and post-market.

Emma Wall, Hargreaves Lansdown

The pandemic accelerated the trend that was already being seen across the industry – a permanent shift to digital. Over 98% of Hargreaves Lansdown client interactions and transactions are via digital channels. All securities...on the website can also be bought via the app.

Hargreaves Lansdown clients like that they can view their investments, including details of buys, sells and income received, top up and withdraw, access live share prices, set stop losses and limit orders, and track their investments using watchlists while they're out and about, as well as have access to digital tools for tracking market movers, and commodity and currency rates, and can read comprehensive investment research, global market reports and newspaper roundups.

Would you sell profitable investments if they made you feel guilty?



Source: Finder survey, April 2022



Dr Vikram Finavker, London Institute of Banking and Finance

More investors are looking at ethical investments and impact investments. Fund managers and investment houses can use AI based technologies to provide investors with various scores on their holdings broken down to company levels.

Sam Dickens, IG

We believe that the demand for transparency about investments will continue to grow over time as more investors become self-directed.

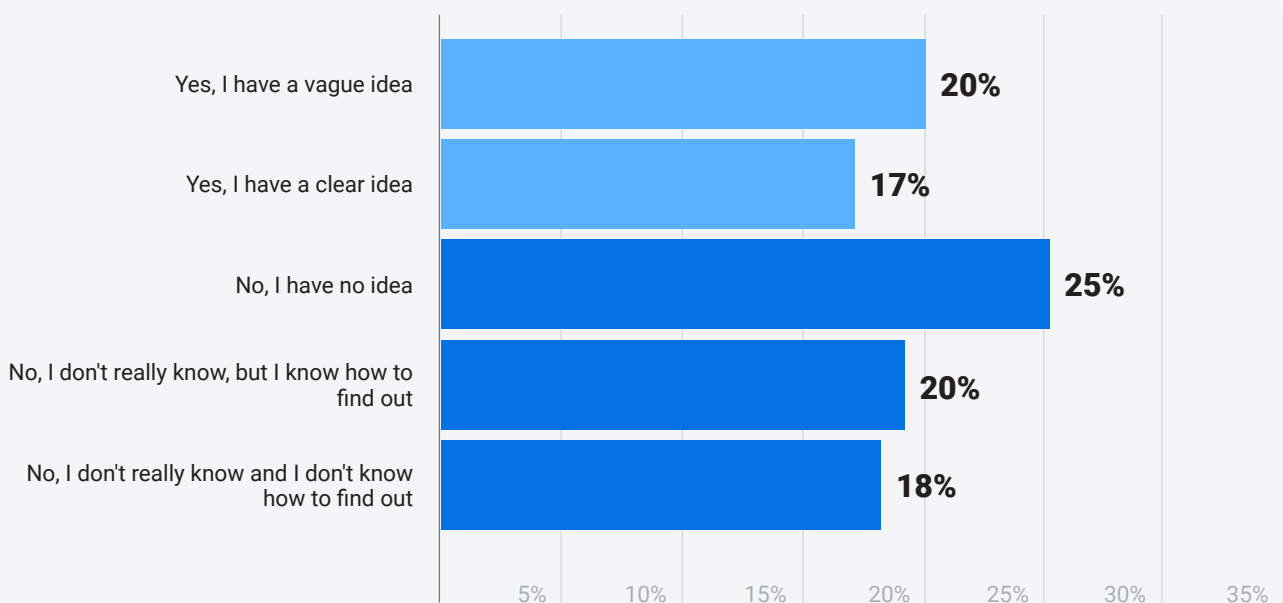
Greater transparency involves creating a holistic offering that provides both the right tools and education to help customers make better investment decisions at the right time to meet individual wealth building goals.

In January 2022, IG surveyed over 800 share dealing customers and found that traders prioritise a user interface that enables individual portfolio and industry information at a trader's fingertips.

Dr Matthew Partridge, MoneyWeek

I think platforms do provide quite a degree of transparency at the moment - it's never been easier to do research to see what your fund or pension fund is invested in, as long as investors take the time once every few months just to go through the information provided by them.

Do you know what sectors your workplace pension is invested in?



Source: Finder survey, April 2022



Sam Dickens, IG

The number of self-directed investors in the UK has grown rapidly in recent years with the value of self-directed assets estimated to have grown by an average annual rate of 18% over the 5 years to June 2021, according to Boring Money. As more investors take control of their wealth, we expect demand for greater transparency to grow.

As well as providing in-depth portfolio insights, education on relevant trading topics is key so that investors can make trading decisions in a dynamic, ever-evolving market. ...Relevant content [and] portfolio transparency delivered through an optimal user interface are... tools that can aid investors in building more efficient portfolios suited to their individual circumstances.

Emma Wall, Hargreaves Lansdown

What is certain is that the pandemic and the events in Ukraine have spurred retail investors on to take a greater interest in where they are invested, and how the companies they invest in are impacting on society more broadly – we've seen flows into responsible investment funds up around 6,000% in over the past 5 years.

For some people, there are certain sectors – ...sin stocks – that are simply unpalatable to invest in. It may not matter to them that a tobacco company is pivoting away from cigarettes, or an oil major is developing renewable energy technology.

A best-in-class investor recognises that whether we like it or not, oil and tobacco are going to make up part of society for years to come, and what matters is supporting those that are striving to do their best for the environment [and] society and integrate the highest levels of governance.

Conclusion

Several of the experts we spoke to highlighted that the popularity of ESG is on the rise and is likely to keep growing - something we covered in our report *ESG: Is the investing landscape changing for good?*.

Our survey highlights a gap in consumers' knowledge about their pensions - workplace pensions in particular. In our poll, 63% of those who said they have a workplace pension don't know what they are invested in, and 10% of all respondents don't know whether they have a workplace pension. There's plenty of scope for the industry to support this group to better understand what they have.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare utilities, mortgages, credit cards, insurance products, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (source: Experian Hitwise).

For all media enquiries, or for additional comment, contact matt.mckenna@finder.com.

About the author

Zoe Stabler is a senior writer for Finder and specialises in investing. Zoe has a Diploma for Financial Advisers (DipFA) from the London Institute of Banking and Finance. She also has a BA in English literature and several years of experience in writing about all things personal finance. Before embarking on her journalism career, she worked as a management accountant.