

Private Investor Watch



June 2011

Highlights

- Private shareholdings reach **£237bn** at end May, highest since November 2007
- Investors pump **£798m** into equities in last three months, trading **£1.4bn** of their shares
- Longest sustained period of net buying, a total of four quarters, adding **£2.3bn** added to holdings
- Cyclical stocks firmly in fashion as private investors regain appetite for risk.

Charles Cryer, Chief Executive of Capita Registrars said:

"50 years ago, private shareholders owned more than half of the UK's listed companies. Those days are long gone as pension funds, insurance companies and foreign investors now dominate the market. Nevertheless, equity ownership is not dying out. Private investors have recognised equities offer protection against inflation, the prospect of growth, and a superior income to many other assets. It's no wonder they have been pouring their savings into shares. Since interest rates were slashed to 0.5% just over two years ago, net investment in equities has been £2.7bn."

Profiling the UK's share transactions

Private investor shareholdings boom to highest level since before the crunch

Retail shareholdings rose to £237bn in May, the highest level for three and a half years since before the UK began its plunge into recession, according to the latest analysis of UK share registers from Capita Registrars.

The increase reflects the longest unbroken period of net buying of equities since Capita began the research in 2006, coupled with a becalmed stock market in recent months.

Private shareholders added a net £798m to their direct holdings of shares between March and May, making the fourth successive quarter of net buying. This was the largest net purchase in two years and took the total net new money invested over the last year to £2.25bn. By the end of May, private investor shareholdings were 11.7% of the UK market, far ahead of the all time low of 10.9% reached exactly a year ago.

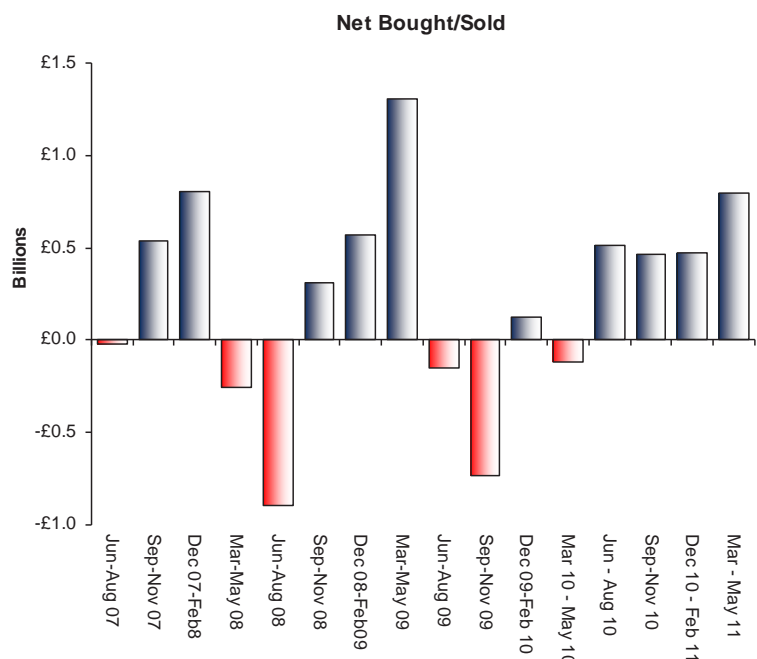


Chart 1: Net buying/Selling by private investors

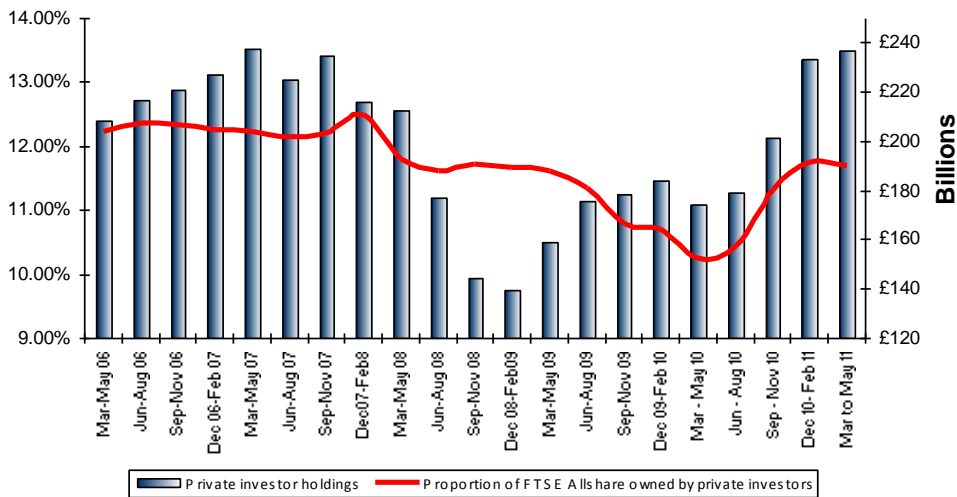


Chart 2: Private investor holdings

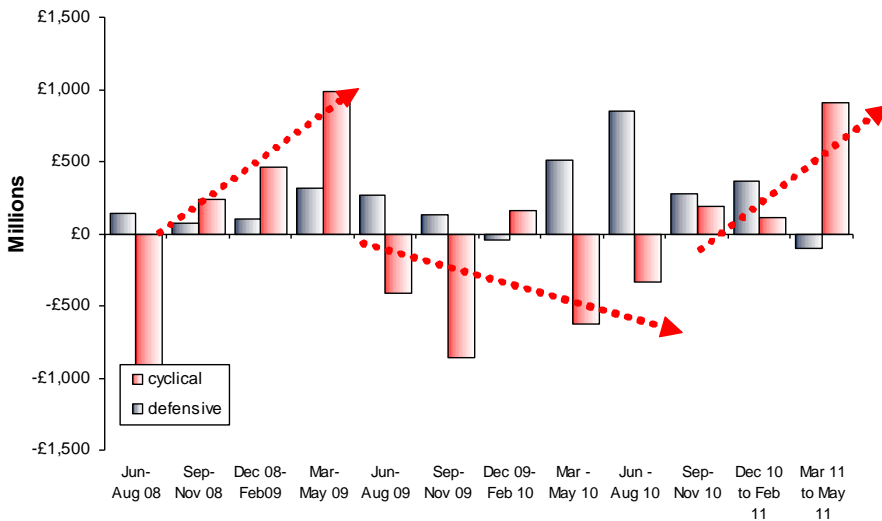


Chart 3– Cyclical v Defensive shares – how private investors have traded

Investors again opted for cyclical sectors in the last three months, spurred by an appetite to benefit from potentially higher returns, and to rebalance a heavy reliance on defensive sectors over recent years. Overall, they bought £905m of cyclicals. The biggest purchases were in commodities, no doubt spurred by the Glencore publicity, in financials and in consumer services. They sold £106m in defensives, with utilities seeing the biggest reductions.

The red arrows within Chart 3 show how private investors have traded riskier equities over the last two and a half years. The first wave of buying accelerated as the market weakened sharply to its May 2009 nadir. This was followed by five quarters of selling into strength. Until February investors slowly started to buy cyclical shares again, but only cautiously, and continued to favour defensives. In the latest quarter the prospect of a gradually brightening economic outlook has encouraged them once again to switch back to cyclical shares and modestly reduce defensive stocks.

In total, private investors traded £1.4bn between March and May, the busiest two-way trading period since last summer.

Charles Cryer concluded:

“The latest quarter has shown a big shift in risk appetite. This is only the second time in three years private investors have sold defensive shares. The shift is quite a brave step to take, but private investors have shown they trade astutely on the whole. With such sustained buying from private investors, corporate advisors may be encouraged to progress with sensibly priced IPOs that tap into this strong retail demand.”

About us

Capita Registrars is the UK's largest provider of share registration and value-added services to more than 1,500 companies in the UK, Ireland, Channel Islands and Isle of Man. We are responsible for share registration, corporate actions, share plans, and company secretarial support across a base of clients that range from small or recently floated to large multinationals. In 2010 we have been appointed to more FTSE companies and have managed more IPOs than any other registrar. We are the only registrar that is part of a FTSE 100 organisation, a fact that delivers our clients increased assurance.

The Capita Group Plc is the UK's leading provider of BPO and integrated professional support service solutions. With over 36,000 people at more than 300 sites, across the UK, Ireland, the Channel Islands and India, the Group uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange, with turnover of £2,744m and pre-tax profits of £364.2m in 2010.

Further information on Capita Registrars can be found at: www.capitaregistrars.com

Statistical Methodology

Capita Registrars' research is the best established and most comprehensive analysis of private investor trading in the UK.

Capita records all the share transactions taking place in the stocks whose registers it maintains. The sample in the Capita Registrars Private Investor Watch captures the trading activity of over 1.6 million private investors. The figures are based on over 200,000 separate trades.

A sample of Capita Registrars' client stocks is selected representing 10% of the FTSE Allshare's market capitalisation (depending on share price levels at the beginning of each period). By analysing the registers, Capita identified which shareholders are private individuals (holding their stock in certificate form) and which nominee accounts comprise retail investor holdings in dematerialised form (excluding unit trusts and pensions). In order to calculate the average trading volumes of private shareholders and their average portfolio values, the sample was scaled up to the value of the whole market. Regional population data, sourced from National Statistics, was used to determine shareholdings per capita. Nominee account holdings were assumed to be distributed regionally in line with the regional distribution of shareholders who own shares in certificate form.

