



Thought leadership

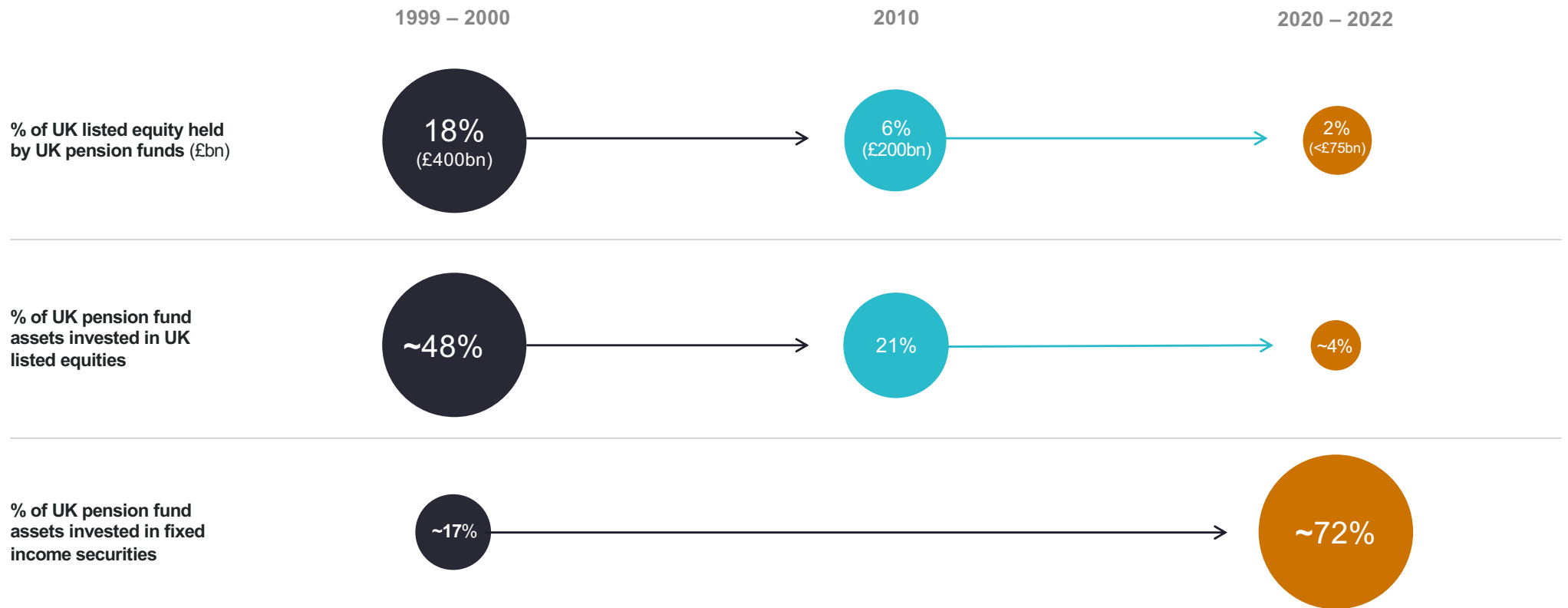
# There is no capitalism without capital

October 2022



Elements and data from these slides were referenced in recent articles by Michael Tory in the Financial Times 'UK pension fund crisis shows there is no capitalism without capital or risk' and The Sunday Times 'Let's use this crisis to bring sanity to our pension savings'.

# Regulatory and other changes taken 20+ years ago have led to a liquidation of pension funds' holdings of listed UK equities and a reallocation to bonds

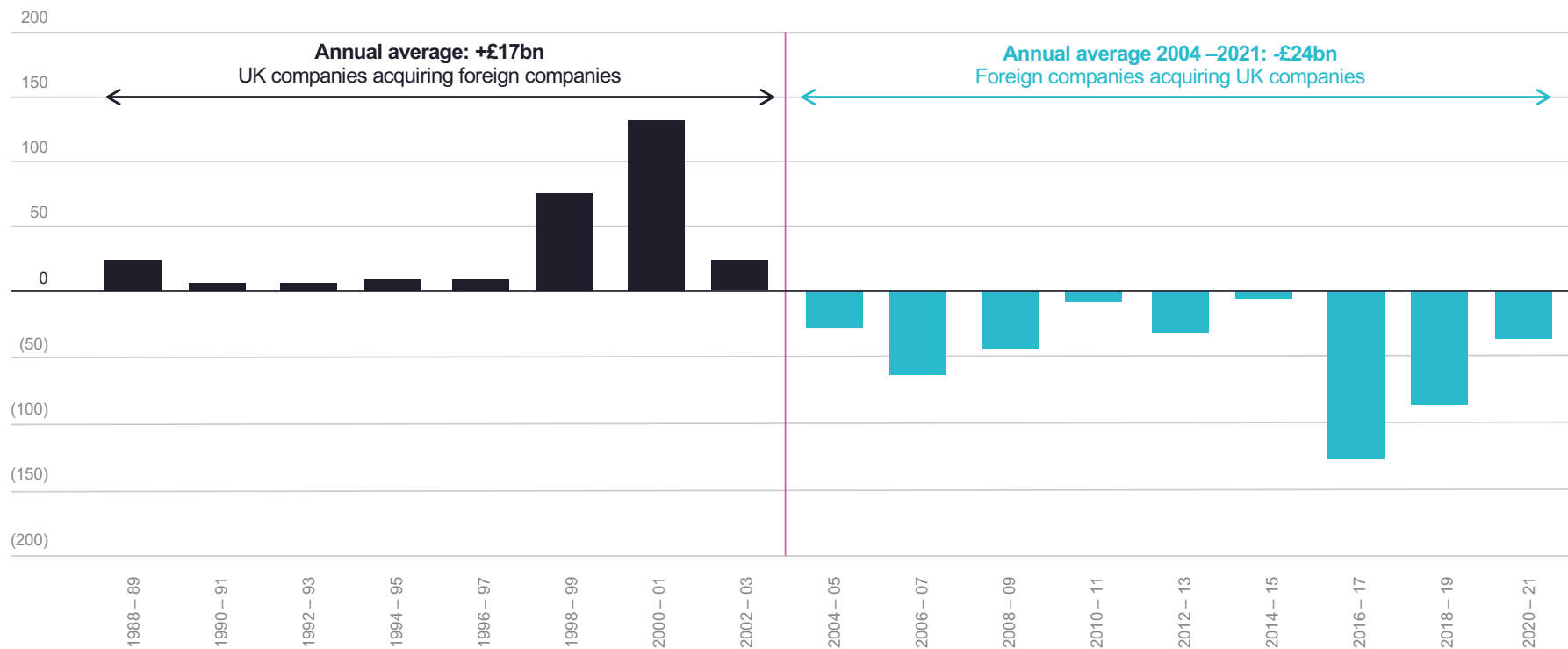


Sources: ONS (Percentage of total market value of UK quoted shares by beneficial owner), PPF (Purple book 2021), UBS Pension Fund Indicators (2016)

# The sharp reversal in the early 2000s of M&A flows is a symptom of this liquidation, together with pension driven prioritisation of dividends over growth



Total net value of outward / (inward) M&A of UK companies (£bn)

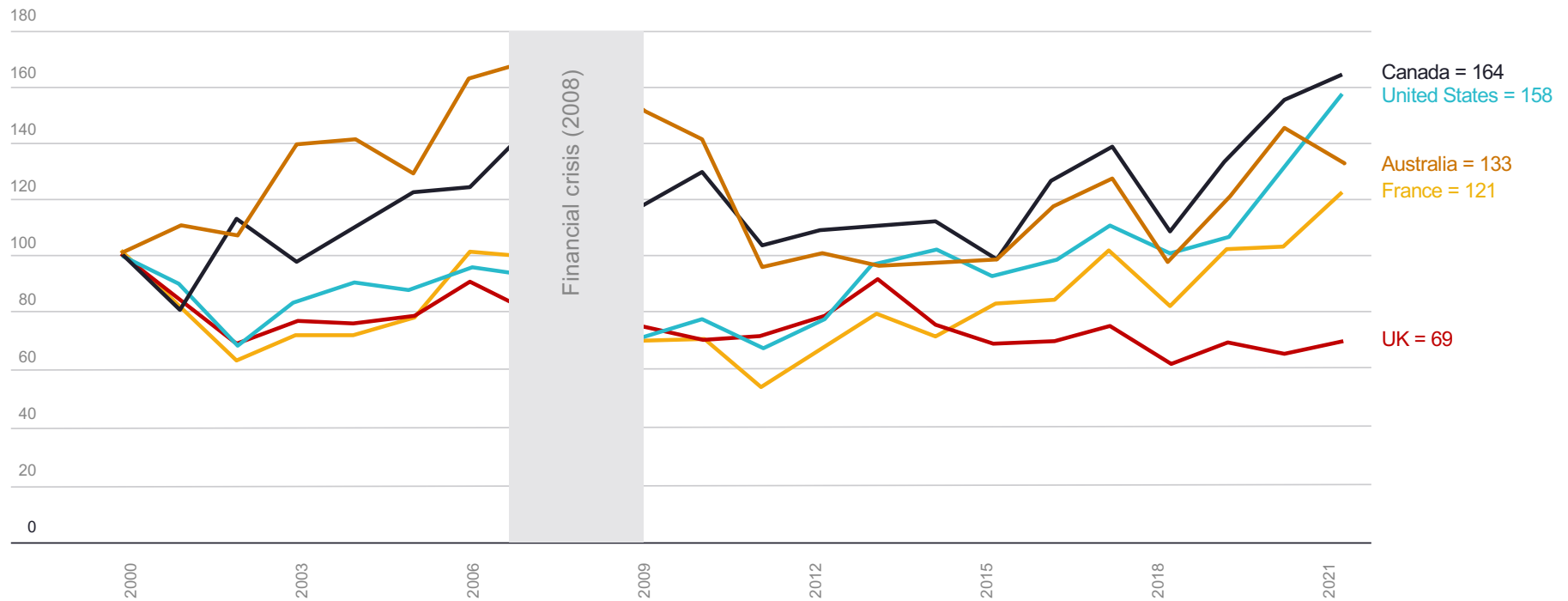


Source: ONS (Mergers and acquisitions involving UK companies)

# This is what it looks like when an entire industrial economy is consumed by a parasitic pension and insurance system



The value of the UK equity market as a % of GDP has collapsed over the last 20 years, especially compared to our peers (rebased to 100)

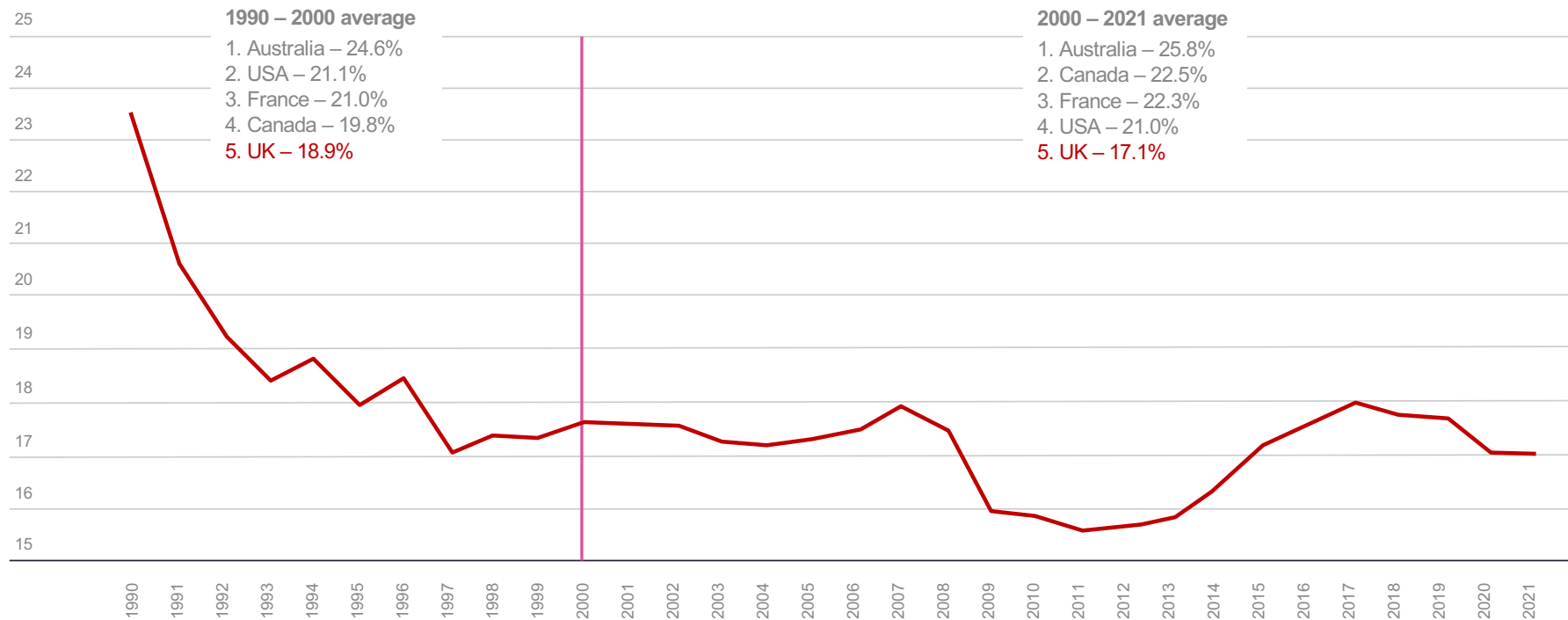


Sources: World Bank, CEIC

# UK has had a persistently low – and declining – level of capital investment, especially compared to other countries



## Gross fixed capital formation (investment) as % of GDP



Source: World Bank (Gross Fixed Capital Formation)

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