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VIEWPOINT

SEEMA SHAH

Here's what big investors really think

More than 400 trillion megabytes of data are created every day. Whereas investors once moaned about too little information, the problem now is data overload – often poor quality or uninteresting.

The challenge is sifting noise from the data that really matters – information providing a genuine signal on the direction of markets.

One annual dataset that falls into the latter category, but flies under the mainstream media's radar, is Mercer's "Large Asset Owner Barometer", which was released last week. Mercer advises pension schemes, sovereign wealth funds, wealth managers and insurers that, collectively, have more than $17 trillion (£13 trillion) worth of assets. The barometer tracks how the biggest plan to allocate their capital, and why.

Piecing together the data in this year's report, a concerning pattern is developing for Britain, the US and other developed public markets. The largest pools of capital have gradually been reducing their exposure to equities in these markets, and that trend appears to have accelerated. Weak growth, regulatory flux and policy uncertainty, especially around trade, are creating a dim view about the prospects for developed markets.

Large asset owners think that the most serious risks to their investments over the next three to five years are geopolitical upheaval and regulatory change.

At a time when the International Monetary Fund is busily downgrading growth forecasts, governments need to pull every lever possible to remain attractive destinations for international capital. To that end, I suggest two priorities for Rachel Reeves.

Given the clear deregulation agenda in the UK and US, big asset owners citing "regulatory change" as a worry seems odd on the face of it. Every investor I speak to believes ardently, as I do, that slashing red tape is absolutely key to growth. My interpretation of Mercer's data is not that the big investment firms disagree with deregulation, but that they worry about it being implemented badly.

Deregulation should not mean they will have less of the information they require to be confident that they are putting their money to work in the right companies.

Second, Labour should act on the principle that the biggest investors won't back companies that don't appear to be backed by their own government. Tax rises that stunt business growth – such as employers' national insurance and corporation tax hikes – are big red flags.

The current plan isn't working: only 8 per cent of large asset owners said in the barometer that they intend to increase their UK equity holdings this year; 23 per cent plan to reduce them.

Mercer's respondents think in terms of decades, not weeks and years. To attract these investors, governments must do likewise.

Seema Shah is chief global strategist at Principal Asset Management