UPSIDE PODCAST — #Episode 113

Overseas pension funds invest 16 times more in UK private capital than UK pensions do

According to Karim Palant of UK Private Capital, British retirement savings mostly aren’t going into British growth companies.



WHERE THE MONEY COMES FROM

Most of the capital behind UK funds comes from abroad

Around 85 to 87% of the money raised by UK private capital funds in a typical year is international. For venture capital it's about 60%, and the largest single UK investor is the British Business Bank, which is government money.



THE PENSIONS GAP

£13bn from international pension funds last year

That’s what overseas pension funds put into UK-managed private capital funds. All UK pensions combined put in about a sixteenth of that. In 2022, Swedish pension funds invested more in UK venture capital and growth equity than UK pension funds did.



THE TARGET

The 5% target for 2030 is on course to be missed by about a decade

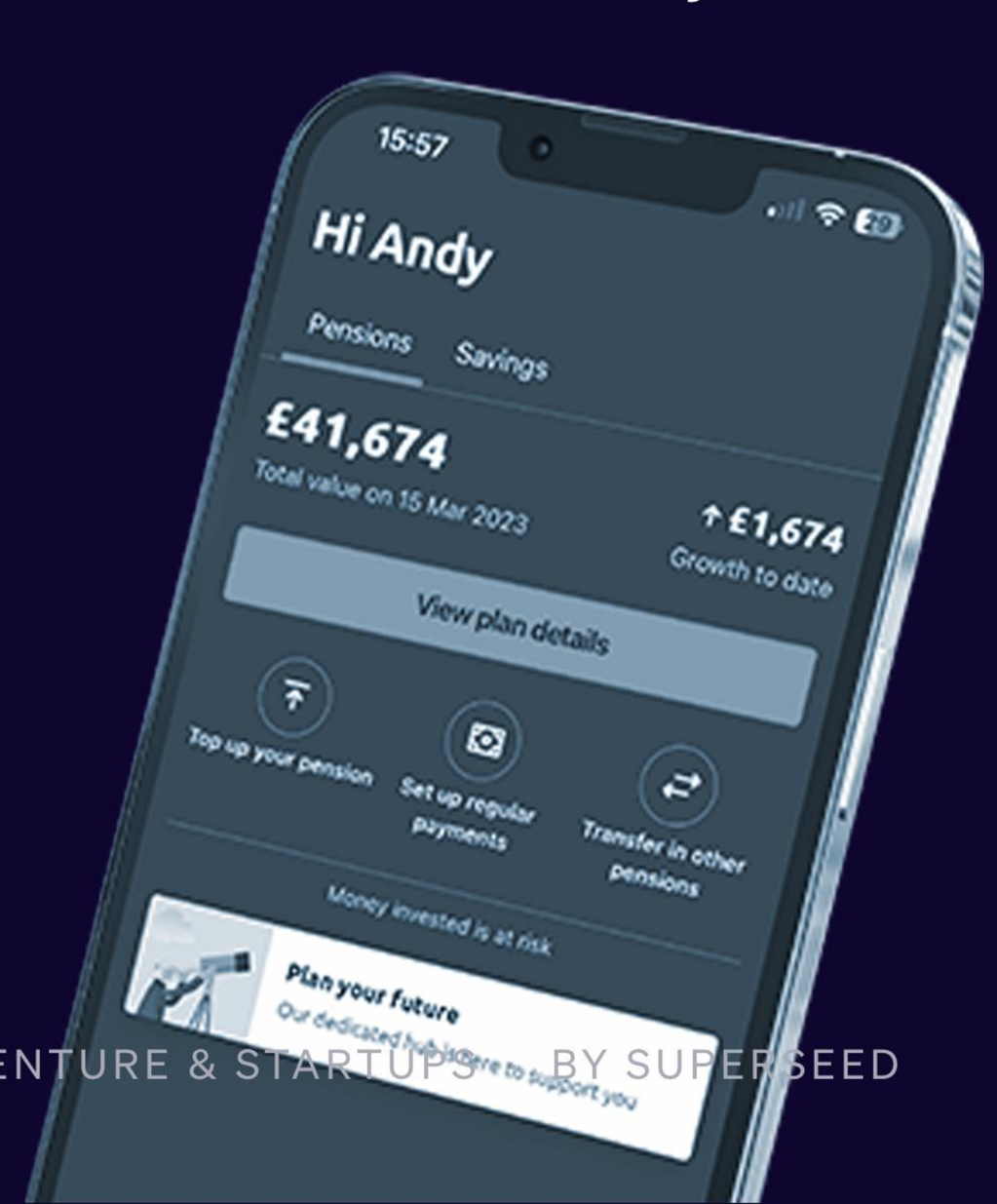
Under the Mansion House Compact, pension providers aimed to put 5% of default DC funds into unlisted equities by 2030. The figure was 0.36% in early 2024 and has since reached 0.85%. At that pace, getting to 5% takes until around 2040.



HOW PENSIONS GET CHOSEN

Employers pick workplace pensions on fees and apps

When UK Private Capital shopped for a pension for its own staff, advisers led with low fees and how good the app was. Asked about returns, they said they'd go and find out. A focus on fees tends to end up in index funds, which are heavily weighted to large US companies.



WHY IT MATTERS

UK venture depends on other countries' pension rules

If the EU changed the rules on where its pension funds can invest, a large share of UK fund capital could be affected. Most UK savers are now in DC schemes as defined benefit schemes close, which makes finding domestic sources of capital harder.



WHAT COULD CHANGE IT

The case against mandating pension investment

The alternatives discussed were tax incentives that favour UK assets, rules that judge pension providers on long-term returns as well as fees, and a pre-vetted list of UK funds so providers can allocate to them more easily.

CLOSER

The full conversation on pensions, the budget and UK tech investing

👇

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