THE UKSA NEWSLETTER

UKSA
UK Shareholders' Association

ISSUE 13

Chairman's message

Dear members

As we approach the end of 2022, which I think could be described as "interesting times", I wanted to mention a few things.

The first is that your board has sharpened up the description of UKSA's purpose and direction. We should have this on our website under the heading "About us" by the end of the year. This should also enable us to focus on what we think you want from UKSA, such as company meetings, socials and other events on investment-related topics. I have asked before, but please tell us what you would like to see us organise for you.

Since the last newsletter, Nick Steiner of our company meetings team volunteers organised meetings with BHP on 14th October and a Shaftesbury walk (through their property portfolio around Carnaby, Soho and Covent Garden) on 24th October. I have now attended all three of Nick's company meetings this year (the earlier one was BP) and found them much more interesting and engaging than virtual meetings. Let's hope our company meetings team organise a few more in the coming year or so. Associate members should note that these company meetings are only available to full members.

Virtual company meetings are also useful and Sue Milton, our external relations director, has been organising an UKSA link-up with Investor Meet Company. Details follow later on in our newsletter but information about Investor Meet can be found here. The aim is to provide retail shareholders with fair and equal access to the management teams of UK listed companies, enabling them to make a more informed investment decision. If your company(ies) is(are) not there, you can ask as a registered user for them to be included and Investor Meet Company will do their best to get them included, especially if they can let a company know how many shareholders are clamouring for the interaction.

Onto environmental, social and governance (ESG), three umbrella factors that may be key to assessing an investment in a company. To me

Charles Henderson - Chairman

ESG reporting is only meaningful if it helps with making an investment decision. Knowing about a company's governance arrangements and their effectiveness has always been important, which is why, since the Cadbury and Greenbury reviews in the 1990s, we have had the Corporate Governance Code in the UK. Companies seem to find it more difficult to decide what is important in terms of E and S factors. If such factors are key or material to the business model of a company or the way it operates, then they should be reported on. If not, they shouldn't. The problem comes when those running the company feel they have to mention ESG factors that are in the public mind but not key to their business, which then confuses the reader in trying to make any investment decision. Shareholders should think about pressuring their companies to only report on their key ESG factors, over which they have some control.

Diversity and inclusion is usually expressed as a sub-factor of ESG, especially S and G, and usually reported on in an unhelpful way. This is because the focus tends to be on setting up and meeting diversity targets rather than deciding what these should be in the context of a business model or a way of operating. Again, companies should work backwards from what they are aiming to achieve and from this decide where ESG factors fit in. I also find it odd that diversity and inclusion tends to include minorities and exclude majorities – it doesn't strike me as inclusive if it is excluding.

Finally, onto the market turmoil we have seen this year – as I opened – interesting times! All I know is that I am never going to know enough detail on what really causes the turmoil, but at the same time making uninformed reactive decisions may cause me even more problems. I suppose the guidance is don't panic. In the long term things should get better.

Wishing you all a happy Christmas and New Year.

Sue Milton - External Relations Director

Northern Rock update

Mo Majid has been part of the campaign for a few years and is now the only remaining member of the NRSAG leadership team.

Both Mo and UKSA thank the original committee for their incredible energy and work over the last 14 years in NRSAG's search for justice.

Mo is acutely aware of the need for a new NRSAG committee and a new strategy for the campaign in a fast-changing political, social and economic climate.

Mo and UKSA thank the people who put their names forward as volunteers. We have not forgotten you. It is taking time to manage the transfer from the old committee and we will continue to update you.

Policy Team news

The Policy Team has identified a number of concerns for investors:

The current parliamentary scrutiny of the Financial Services and Markets Bill. There are two key issues for UKSA: encouraging market competitiveness as a primary objective of the regulatory regime; and giving ministers the authority to challenge financial regulators over decisions they disagree with. Regarding the first issue, it should not be an objective of regulators to promote the businesses that they are charged with regulating. Indeed, one of the Financial Services Authority's roles was to act as a cheerleader for the City and its institutions. We all know how that ended. The second issue, that of 'ministerial meddling' in regulatory decisions, creates a risk to regulatory independence. We are also concerned that proposed parliamentary amendments that add greater consumer protection are being vetoed.

We have also identified the **lack of 'joined-up' thinking about the DWP's proposals on 'Enabling Investment in Productive Finance'**. This would enable defined contribution (DC) pension funds to invest in much riskier assets than at present. The impact on defined benefit (DB) pension funds, arising from the mini budget, revealed the unexpected and unintended consequences of allowing them to invest speculatively in equities, private equity and hedge funds using disguised borrowings or leverage. What is the logic in encouraging the DC schemes to take on similar risks?

The lack of investor protections surrounding the implementation of the Secondary Capital Raising Review. We are supportive of many of the recommendations made in the Review. However, we are concerned that these changes could leave the door wide open for advisors and intermediaries to push unlisted investments at people who have little idea of the true risks are of investing in these things. We don't want the 'nanny-state' to assert itself; but we do want sensible protections for retail investors.

UKSA Future Events & Meetings

Date	Time	Detail	Link to register
7 Dec 22	11:00 -12:00	Hargreaves Lansdown Zoom presentation	Here
14 Jan 23	10:30 -12:00	North general investment Zoom discussion	Here
3 Feb 23	16:30 -18:00	Midlands, South West & Wales Sharetalk Zoom discussion.	Here

NB. Only Full members should register.

The Frank Redington Prize

UKSA is delighted to report that Martin White has won the prestigious Frank Redington Prize awarded by the Institute and Faculty of Actuaries (IFoA).

Martin submitted the winning paper answering the following competition brief:

"What would be a sustainable economic and finance system for the public interest? This would be a wide-ranging paper on what has gone wrong in the last 30 years in the context of the British and Anglo-Saxon financial services industries – and what can be done to improve the situation and the sector. The risks we have are systemic. There is an over-emphasis on growth and the use of share prices as a proxy of growth in value, leading to planetary degradation and biodiversity loss – an ecological disaster happening in real time. The professions and business are conflicted, as most financial professionals are employed by organisations that have a primary purpose of creating shareholder value. The benchmarking of investment returns and mandates leads to herding behaviour and unintended long-term consequences. What needs to change? What needs to be reformed? What immediate and practical changes would you recommend?"

Martin reports as follows:

The Frank Redington essay competition was announced by the IFoA at the end of 2021, with a deadline for entries in May 2022. The judging was done blind, in that the judges were not told the names of the authors. The results were announced at an event on 22 October at the Actuaries' meeting hall at Staple Inn in London. It was a little nerve-wracking, as the authors who were on the shortlist were all asked to attend – but to be prepared in case they won! We each had to prepare a short talk to introduce our paper, and then to take part in a discussion with the head of the judging panel, Sir John Kay. And the whole thing was live streamed and was recorded and subsequently loaded onto YouTube. Here is the link to the full session. Frank Redington Prize Evening - YouTube Note that there were actually two challenges – the one I answered, and another about a sustainable pension system. The first part of the youtube is about the pensions essays, and this took over half of the time as the judges decided to equally commend three pensions essays and all three of the authors were invited to speak.

Here is the link to the IFoA announcement of the results: IFoA reveals winners of Frank Redington Prizes (actuaries.org.uk) and here is the link to the papers themselves The Frank Redington Prizes (actuaries.org.uk).

For some reason, at the time of writing (November) it is currently practically impossible to find any of this, or the YouTube recording of the event, by Googling. I am assured this it is a technical error rather than a wish to suppress the story!

Martin White, UKSA director and creator of Savers Take Control

An amusing little sideline: 20 October 2022 will not go down in history as the results day for the Redington prizes. It was the day the PM Liz Truss resigned – so thoughtless of her.

So what did I say in the essay?

Members keen to have a look can follow the links above, but in a nutshell my theme is that the power of the financial sector over its customers is deeply damaging and that something radical is needed to tackle it, as the political process is just too captured by the business lobby. This is precisely the rationale behind the Savers Take Control campaign.

My essay as submitted included a table of contents that helps see at a glance the overall argument, and I will be putting a copy onto the UKSA website under my name. The versions of all the published essays that appear on the IFoA website were formatted to a consistent style, and this did not include tables of contents.

Finally, I'd like to share with you my introductory speech, that I gave before the discussion with John Kay (full thing is at the YouTube link I gave above). You'll see that I mention the UK Shareholders' Association. And in the discussion that follows, it was nice that John Kay mentioned the time he came to an UKSA conference to talk to us about his book "The Long and The Short of it".

First of all, I'd like to thank the Institute and Faculty for the initiative to hold this competition, and I'd like to thank the sponsors, and all those, including the judges, who have been involved in running it.

And I'm extremely pleased and honoured that the judges liked my essay enough to select it today.

We know that there are many aspects of life in which actuaries could contribute to the public interest, outside the mainstream activities of our paid employment – I think the term "the Big Society", which was used by a British prime minister David Cameron not so many years ago, still has relevance.

Perhaps its relevance is even greater today. Indeed, so many of the things that make our society run depend on volunteers to lead them. Local government is a case in point, we have people standing for councils, we have parish councils, we have school governing bodies. And the Citizens Advice organisation, which provides vital services to many people in difficulty, is reliant on volunteers. I know a bit about that as my wife Caroline, who is with me here today, works for Citizens Advice.

But when you think more about it, so many things just wouldn't exist without volunteers. You may want to attend a church, join a choir, a cricket club, a sailing club, you may want to take your children to football practice on Saturday mornings – behind all these there is a mass of committed people putting in spare time, all reliant on each other, and in the process getting a sense of purpose, achievement, and one hopes harmony and fun.

I know of a number of actuaries who serve on bodies like those I have *just described, essentially contributing a bit of specialised financial nous to the team.*

Now the subject matter of my paper is really extremely simple. As it happens, in asking John Kay to chair the judges, the Institute selected one of the very best known writers on the subject. I wasn't courting favour when referencing a number of his works in the paper; it would have been a serious omission not to mention them.

Put simply, the financial sector exploits the public to a degree that I think is completely unacceptable and something needs to be done about it. However, I conclude, and I explain why in the paper, that to really make a difference, something radically different has to happen.

In the paper, the longest section of all has this mouthful of a title:

"Information asymmetry and the problem of who to trust: decades of regulatory reluctance".

In this section I talk about a succession of attempts to improve things, one of which was the Kay review and another the Sandler review. But the one outcome which, whatever reviews might recommend, seems stubbornly not to happen, is material reform that actually puts the interests of the consumers of financial services – in other words the public at large – above those of the financial sector.

What people need to know is where to go for unbiased and knowledgeable information and advice. And my contention is that hardly any of the "players" in the system are genuinely unbiased. The financial sector still has a culture of "sales", where players think they have a right to take an annual percentage of people's wealth. However, if you only know how, you can avoid this. But nobody's going to tell you.

So my proposal involves individuals who have this knowledge and who are not conflicted from speaking out, telling the public the essential financial truths that the financial sector is never going to tell them. I did once have a hope that the Financial Conduct Authority would have a policy of encouraging this, but I'm afraid that is partly where my section title "decades of regulatory reluctance" comes from.

So what do I want? Essentially I want publicity for the idea, so that just a few people come forward to help.

There is a lovely precedent here that I'd like to mention. In 1992, I was one of a group of people who set up a voluntary, not-for-profit, organisation called the UK Shareholders' Association. For me, it was a way in which I could use my actuarial knowledge in the public interest. There were a number of objectives, but one of them was to try and represent the interests of savers and investors. After a while, I discovered that we had a retired actuary leading the policy team – Roy Colbran. Roy was instrumental in supporting the commission ban that came out of the Retail Distribution Review.

The UK Shareholders' Association is still around today. Over the years, the idea of approaching people for financial support has been *raised, but we are resolutely independent of the financial sector. Paul Myners, who sadly died recently, was a good friend to us, and spoke to us a number of times – and he very strongly advised us that without complete independence, we just wouldn't have the credibility we needed.*

The core campaigning title I like to use today is "savers take control". The idea is not to give the impression that this is about rich people enriching themselves further – it's about providing useful and truthful information to the public, in the face of a financial sector who would rather this did not happen. But I'm also thinking about the equally catchy "who to trust".

I'm just hoping that, with publicity, I might just find a few retired actuaries sharing my concerns, that jump at the idea of helping!

Thank you.

Click the image above to view parts of the award event

ShareSoc Investing Basics

Our colleagues at ShareSoc have produced a set of videos entitled Investing Basics.

The series is designed to engage and educate people of all ages about investing. The videos are presented by former BBC business correspondent turned full-time investor Glen Goodman.

Commenting on the videos, UKSA Chairman Charles Henderson said: "We congratulate ShareSoc on this investor education initiative, accessible to all. The approach is a refreshing contrast to the conflicting educational efforts of various government agencies. These videos should be a basic starter for anyone thinking about long-term investing, especially those who do not really know anything about it or where to start. However, anyone using the videos should be cautious and recognise they are "Basics".

Investor Meet

Want to make sure you never miss company notifications? Thanks to Investor Meet Company, we now have a solution.

Who is Investor Meet Company? It is an organisation that directly connects any individual investor to any UK listed company, giving retail investors the same access to management as institutional investors have regardless of how many shares we hold directly, in nominee accounts or funds.

Is signing up worth it? UKSA's board members have already signed up to check. The answer is an unequivocal YES.

Marc Downes, CEO of Investor Meet, tells us more:

Providing corporate access for the individual investor is full of complexities. Unlike the institutional investor, the retail investor is more difficult to access, often invisible and hidden behind the nominee accounts of the growing number of online share-dealing platforms, brokers, and wealth managers. As a result, corporate access and engagement are focused on the larger funds and institutions.

We believe that all investors should be treated fairly and equally regardless of the number of shares they own, or where they are located. Investor Meet Company levels the playing field by providing a free digital solution enabling retail investors to directly engage with the management teams of UK listed companies that matter to them. Through live, interactive presentations around results, capital markets days, and AGMs, retail investors can engage directly with management regardless of the number of shares they own or where they are located and ensure they can make a more informed investment decision. It is not only the investor that benefits through engagement. Through unique functionality, retail investors can provide direct feedback to management, ensuring they can better understand the views and expectations of all shareholders and not just the biggest.

We aim to provide the institutional experience for the retail investor, which continues beyond providing engagement at scale. In addition to providing direct engagement with nearly 700 UK listed companies, with companies joining weekly, Investor Meet Company has gone further to preserve the rights of retail investors. In collaboration with several leading UK investment banks, Investor Meet Company has recently deployed BookBuild, a B2B retail capital raising platform. The digital platform enables retail investors to participate in secondary offers and IPOs directly through their broker, wealth manager, or share dealing platform and in doing allocation can be made on a soft pre-emptive basis.

In addition to secondary offers being open to retail investors for up to five days, like institutional investors, management can also offer retail investors a presentation relating to the transaction, ensuring that any decision to participate is based on more than a discounted share price.

The UK Shareholders' Association has long campaigned on behalf of retail investors. Through our collaboration, technology and access to UK listed Companies, we look forward to collectively strengthening the role of the retail investor in the UK equity market.

Register for free https://www.investormeetcompany.com/partners/uk-shareholders-association/register-investor

Don't forget, Associate Members can take advantage of **half-price full membership** of UKSA in the first year by clicking here.

The UKSA Board

28 November 2022