

## INVESTMENT TRUSTS AND UNIT TRUSTS

The Bank of England have begun to collect from investment trusts and unit trusts annual returns of their assets and quarterly returns of their transactions. The form of these returns will allow the aggregated figures to be used in conjunction with similar statistics for other groups of financial institutions, when these become available, to build up a more complete and consistent account than is at present available of holdings of, and movements in, financial assets, particularly government and local authority debt.

The Bank have agreed the forms of questionnaire with the Association of Investment Trusts and the Association of Unit Trust Managers. The Associations have recommended participation in this continuing enquiry to all their members; investment trusts and managers of unit trusts who are not members have also been invited to contribute. The Bank will, from December next, regularly publish these aggregated figures of assets and quarterly transactions in the Statistical Annex of this Bulletin.

**Investment trusts** The Bank invited returns from all members of the Association and all other companies listed as investment trusts by the London Stock Exchange; in all 319 companies were approached, but the number in existence has since been reduced, mainly through amalgamation. Returns of assets at the 31st December 1960 have so far been received from 290 trusts; a few more returns are still expected. The totals quoted below, although provisional, are likely to be near the final figures.

Investment trust assets at the 31st December 1960, quoted securities being valued at market prices, were as follows:

<i>£ millions</i>		
<b>Current assets</b>		
Cash and balances with U.K. banks ... ..	12	
U.K. Treasury Bills ... ..	1	
U.K. local authority bills and temporary money ... ..	8	
Other ... ..	<u>13</u>	
		34
less U.K. bank overdrafts and advances ... ..	2	
Other current liabilities	<u>13</u>	
		<u>15</u>
Net current assets ...		19
<b>Investments</b>		
U.K. government and government guaranteed loans ...	24	
Local authority securities ...	—	
Other loan capital and preference shares ... ..	106	
Ordinary and deferred shares	1,817	
Other ... ..	<u>6</u>	
Total investments ... ..		1,953
Of which: in United Kingdom	1,395	
United States ...	379	
Canada ...	76	
Other Commonwealth countries ... ..	78	
Other countries	<u>25</u>	
Total assets ... ..		<u>1,972</u>

The Memorandum of Evidence submitted by the Association to the Radcliffe Committee (Vol. 2, page 41) gives percentage divisions of the investments of 150 member trusts in 1949 and 1957 which, notwithstanding the different coverage and possible differences in geographical classification, are compared in the following table with the figures now available:

	1949	1957	1960
Fixed interest holdings ...	38	11	7
Equity holdings ... ..	62	89	93
	<u>100</u>	<u>100</u>	<u>100</u>
Of which:			
in United Kingdom ...	79	59	72
United States and Canada ... ..	5	31	23
Commonwealth, exc. Canada ... ..	10	7	4
Other countries ...	6	3	1

Returns of transactions during the first quarter of 1961 have been received from 249 trusts. They show that £4 million was raised by the issue of ordinary shares. Current assets were practically unchanged although local authority bills and temporary money were increased by £2 million. An amount of £77 million was received from investments sold or repaid and £86 million paid for investments acquired. (The trusts customarily add to their capital by investing a portion of the interest and dividends they receive.) A net sum of £3 million was invested in the United Kingdom; rather more than half of this was in government and government guaranteed securities, nearly all in the 5 to 10-year maturity range, and £6 million net was invested in overseas securities, nearly all in ordinary shares.

**Unit trusts** The annual returns of assets and quarterly returns of transactions which have been collected through the Association of Unit Trust Managers cover all the unit trusts in the United Kingdom authorised by the Board of Trade including those whose managers do not belong to the Association. Assets at the 31st December 1960, securities being valued at market prices, were as follows:

£ millions

**Current assets**

Cash and balances with U.K. banks	1	
U.K. local authority bills and temporary money ... ..	-	
Other ... ..	1	
		2
less Current liabilities ... ..		1
Net current assets ... ..		1

**Investments**

U.K. government and government guaranteed loans ... ..	3	
Local authority securities ... ..	-	
Other loan capital and preference shares ... ..	2	
Ordinary and deferred shares ...	185	
Total investments ... ..		190
Of which: in United Kingdom ...	174	
United States ... ..	4	
Canada ... ..	5	
Other Commonwealth countries ...	6	
Other countries ... ..	1	
Total assets ... ..		191

Returns of transactions during the first and second quarters of 1961 have been received. In both periods turnover was small. During the first quarter the managers' repurchases of units from investors exceeded their sales by £1 million whilst, in the second, sales of units by managers exceeded their repurchases by £2 million. There were corresponding net changes in investments, mainly in ordinary shares.

Some estimates of the unit trusts' assets are given in the Radcliffe Report. Their value was £80 million in 1939 and £60 million in June 1958; it then rose to £120 million in June 1959, some £25-30 million of the increase being capital appreciation and the rest new money. This rapid growth continued, for the Association of Unit Trust Managers, which was formed in October 1959 and has published monthly figures of the value of assets of all unit trusts, and of the amounts of subscriptions to and encashments of units, since the 31st December 1959, showed assets at that date to have been £200 million. At the 31st December 1960 they were £201 million (there is a difference in the method of valuation between these figures and those reported to the Bank). Assets then rose to £247 million at the 31st May 1961, falling back to £219 million at the 31st July, both movements being mainly due to changes in the prices of the underlying securities. The net inflow of new money during the whole period January 1960—July 1961 was £14 million.