

Research, by BUTTERFIELD.



The implications of the Covid-19 pandemic have been severe and far-reaching. For investors, navigating an economic landscape that has, since the start of 2020, been defined by sharp fluctuation across most financial markets has been fraught with difficulty.

In the UK, the Bank of England base rate fell to an all-time low of 0.1% last year. Meanwhile, the Office for National Statistics (ONS) has reported that the UK's net debt reached £2.2 trillion at the end of July 2021, representing 98.8% of GDP, the highest ratio since March 1962.

Set against a backdrop of such economic volatility, investment markets have performed in contrasting ways. The property market, for instance, has experienced remarkable growth, with low interest rates, faith in bricks and mortar's resilience, and the incentivisation of the stamp duty holiday combining to drive demand and activity sharply upwards; ONS data shows that average UK house prices increased by 13.2% over the year to June 2021, the fastest pace of growth recorded in 17 years.

To provide broader, timely insight into the investment sector, Butterfield's mortgage team in the UK commissioned an independent study among 1,479 UK-based investors, all of whom had investments worth in excess of £20,000, excluding their property, savings, and pensions. The research examines how investors have responded to the challenges of the pandemic, their current outlook, and the assets that they will be considering for investment opportunities in the next 12 months.

Here are the key findings:



33% of UK investors have seen the value of their investments and savings decrease during the pandemic, with 29% saying they have significantly altered their investment strategies in response to Covid-19



47% of investors said record-low interest rates have prompted them to reconsider how they are managing their savings and investments over the past 18 months



37% have paused on making major financial decisions or significant decisions over the past 18 months due to the uncertainty caused by the pandemic



37% have become more risk averse in their investment strategies since the start of the pandemic



44% of UK investors are confident that their investments and savings will perform well over the coming year, compared to just 20% who are not confident



41% said, however, that the long-term economic fallout from the pandemic remains a major concern

Percentage of UK-based investors surveyed considering investing in each asset over the coming 12 months



ISAs
30%



Stocks
and shares
26%



Bonds
14%



Cryptocurrencies
12%



Real estate
10%



Currencies
7%



Precious
metals
7%



Private equity
6%



Collectibles
(art, wine, classic cars, etc.)
6%



Commodities
6%



None of
the above
22%

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Cautiously optimistic or risk averse?

“Navigating the turbulent economic landscape during the pandemic has been a challenge for investors. Our research shows that, for many, their favoured approach has been to either pause on making major investment decisions, or to adopt a more risk-averse financial strategy.

“Investors will likely not have had a more complex range of factors to consider before. On the one hand, there have been the vastly contrasting Covid responses and economic policies between different countries. On a global level, disruption in supply and demand, compounded by social distancing measures and a sudden shift from a physical to a digital world, has altered the makeup of many industries.

“It will be interesting—and, indeed, important—to monitor how investors manage their portfolios as the UK, and other countries, begin to map out their post-pandemic recovery plans. Our study highlights that traditional assets such as ISAs, bonds, stocks and shares, and real estate feature on the radar of a significant proportion of investors. Commodities and currencies are seemingly attracting less interest, perhaps in light of investors’ wariness of predicting how the world will reshape in the aftermath of the Covid-19 crisis.

“That said, it is positive to note that the number of optimistic investors more than doubles those lacking confidence. How this translates into their investment strategies and financial decisions remains to be seen.”



Alpa Bhakta
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BML is a London-based prime property mortgage provider with a particular focus on UK and international high net worth individuals. For more information about our prime property mortgages, get in touch with a member of the team today.

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About the research

The market research was carried out between 31 August and 4 September 2021 among 1,479 UK adults via an online survey by independent market research agency Opinium.

At the time of the survey, the 1,479 respondents all had investment portfolios worth in excess of £20,000 – this includes all assets from bonds and currencies to commodities and stocks and shares but excludes savings, pensions and any property that is used as their primary residency.

Opinium is a member of the Market Research Society (MRS) Company Partner Service, whose code of conduct and quality commitment it strictly adheres to. Its MRS membership means that it adheres to strict guidelines regarding all phases of research, including research design and data collection; communicating with respondents; conducting fieldwork; analysis and reporting; data storage.

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