

**UK business****Pension funds should invest more in UK equities, investors tell ministers**

Downing Street meeting looks at ways to revive sentiment towards London stock market



Fund managers highlighted the fact that delistings from the UK market are outpacing new initial public offerings © Chris Ratcliffe/Bloomberg

**Harriet Agnew, Mary McDougall, George Parker and Emma Dunkley**

Published 4 HOURS AGO

---

Get ahead with daily markets updates.

**Join the FT's WhatsApp channel**

Leading fund managers have warned at a Downing Street meeting that sentiment towards the London stock market is at “rock bottom” and urged ministers to consider mandating UK pension funds to allocate at least 5 per cent of their investments to domestic equities.

A group of UK equities specialists led by Nick Lawson, chief executive of investment group Ocean Wall, this week met Varun Chandra, the government’s special adviser on business, to discuss ways to revitalise public equity markets.

The fund managers outlined their concerns about the state of the UK equity market and agreed investor sentiment was at “rock bottom”.

The meeting highlighted several challenges, including the fact that delistings from the UK market are outpacing new initial public offerings, a stark valuation gap between UK and US companies, and the view that UK companies are getting snapped up on the cheap by private equity and foreign buyers.

Participants also said companies were facing a “doom loop” caused by domestic pension funds being net sellers of UK equities for nine consecutive years.

The meeting came the day after US food delivery company DoorDash struck a £2.9bn deal for UK rival Deliveroo, four years after it floated in London with a £7.6bn valuation and was dubbed by one of its bankers “the worst IPO in London’s history” — it lost more than a quarter of its value on the first day of trading.

With valuation a major factor in deciding where companies choose to list, protracted UK underperformance has prompted them to look abroad, notably to the US. Listing costs and governance burdens have also been cited as off-putting.

Participants in the Downing Street meeting made the case for raising domestic equity allocations for British pension funds, including through mandation.

Targets of 5 per cent, 8 per cent and 10 per cent were discussed as reasonable thresholds to consider, and there was broad agreement that defined contribution schemes should be prioritised over defined benefit schemes.

“If UK pension funds go to 10 per cent it would be a heroin shot for UK markets,” said Lawson, adding that he was in favour of “gently guided mandation”.

Some participants at the meeting suggested that such a shift could herald a much wider “virtuous circle” that would benefit companies, markets, and savers alike by restoring confidence and supporting valuations.

But the concept of mandation is highly controversial.

Pension fund executives say that making investment targets compulsory would “open a can of worms” and cut across their fiduciary duty to secure the best possible return for investors.

Pension funds are expected this month to sign a voluntary compact — an update of the 2023 Mansion House compact signed under the last Conservative government — to invest 10 per cent in private assets by the end of the decade, with half of that in the UK.

However, the FT understands that there will not be any specifications to invest in listed stocks.

Although former chancellor Jeremy Hunt considered mandation, he did not introduce the policy before last year's election. Chancellor Rachel Reeves has not excluded the idea but ministers are hesitant.

Mel Stride, shadow chancellor, said the idea smacked of desperation, telling the Financial Times this week: "Pension funds must be free to make investment decisions based on what's best for savers."

The fund managers at the meeting included veteran stockpickers such as David Cumming, head of UK equities at Newton Investment Management, Andy Brough from Schroders, and Michael Stiasny, head of UK equities at M&G Investments.

A person close to the thinking of the National Employment Savings Trust — the UK's largest defined contribution pension scheme which is backed by the government — said its priority was to invest in the best way for its members but added that the fund had been public in its commitment to invest in the UK.

Nest, which manages over £50bn, said about 1.75 per cent of its total assets were invested in UK equities at the end of March. Liz Fernando, chief investment officer at Nest, told the FT in an interview that she had been "actively encouraging" all of Nest's partner managers to look for UK assets.

A government spokesman said ministers were looking to ensure that "businesses can access the finance they need to grow". The spokesman added: "It is right we engage with stakeholders as part of this."

"The final report of the Pension Investment Review will be published shortly and this will consider how to ensure any unlocked investment benefits the UK."

Copyright The Financial Times Limited 2025. All rights reserved.

---

## Follow the topics in this article

---

Fund management

UK economy

Pensions

Financial services

Equities