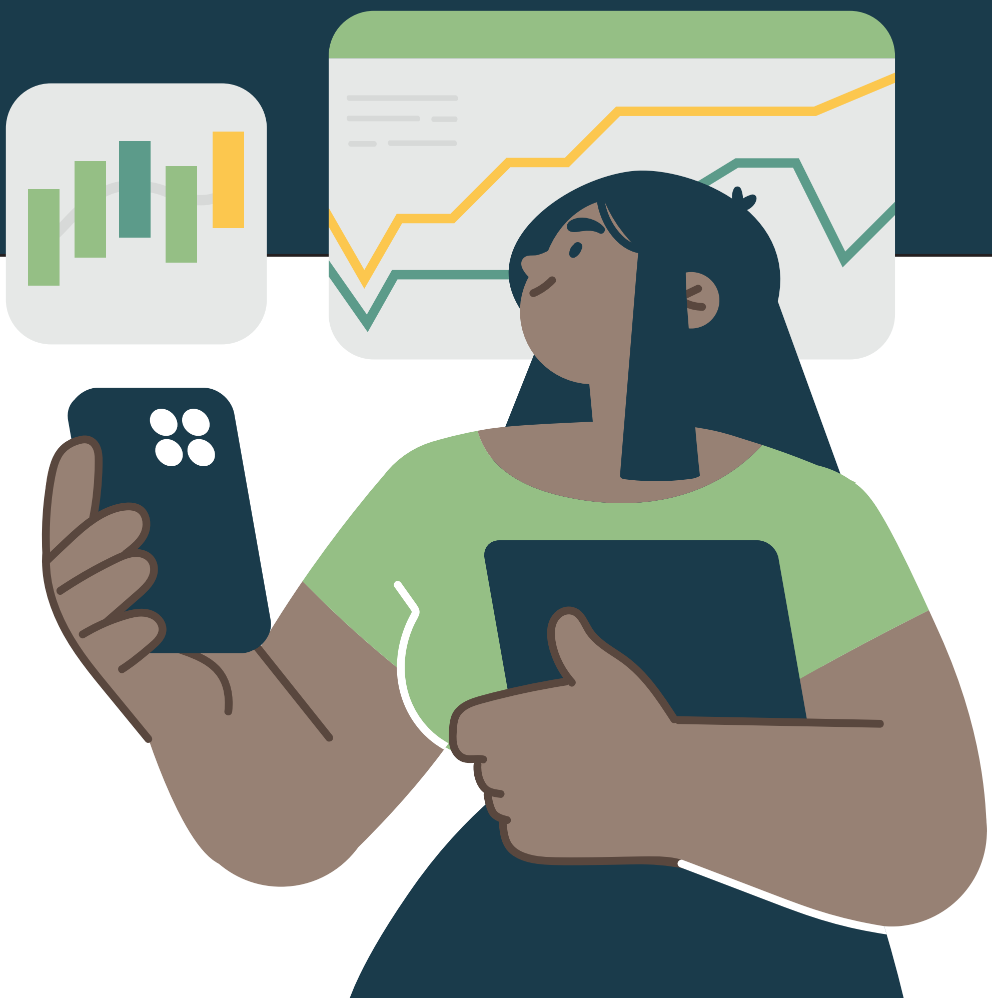
InvestingReviews

InvestingReviews Annual Report 2023

The State of the UK Investment App Landscape



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Introduction

Welcome to the first InvestingReviews Report 2023, where we seek to uncover the state of the UK investment app landscape, and what it means for the finance industry.

2022 was a challenging year for UK investors, with the war in Ukraine, the cost of living crisis, and some questionable actions by the incumbent UK government all adding to the inevitable UK and wider global recession.

However, this didn't stop the fintech industry from launching a plethora of investing, trading, and crypto apps, but with so much choice, where does this leave the average UK investor?

We hope to understand more on this in our first ever annual report on the state of the UK investment platform market.

What's in this report?

Our report focuses mainly on a survey of over a 1,000 investors[1], conducted and analysed by Behind Login, where they analyse the different investing apps that exist across the market and how they are servicing a diverse set of consumer needs.

We also have industry comments and predictions from leading experts across finance and fintech, who share their thoughts for the industry in 2023 and beyond.

About InvestingReviews

InvestingReviews.co.uk is a leading independent comparison review site which was set up to help people make smarter decisions about investing. We create in-depth reviews, guides, and opinions on investment accounts, products, and associated services.

Our aim is to connect the smarter investor to the appropriate financial service or provider to suit their individual needs.

About Behind Login

Behind Login helps FinTech and financial services teams understand their evolving competitive landscapes by removing the risks and pains of in-house competitor research.

With a global research panel, tech that tracks evolving products and an expert research team, Behind Login is your partner for unparalleled competitor intelligence.

Simon Jones, CEO, InvestingReviews

Oliver Lane, CEO, Behind Login

> “We hope you enjoy this inaugural report and look forward to receiving your comments.”

1. Survey of 1,016 UK investors conducted in November 2022.

Investment App Survey

Our survey sought to understand the different investing platforms that exist across the UK market, and how well they are servicing a diverse set of consumer needs.

We explored the different investment apps that exist, from traditional players like Interactive Investor and Hargreaves Lansdown, to newcomers like Lightyear and Wealthyhood as well as the underlying needs and wants of consumers when engaging with their investing platforms.

We have witnessed the stratospheric rise of new investing platforms launching and adjacent players, (including neobanks and trading platforms) broadening their services to include investing capabilities. This growth has seen a big increase in competition as these new platforms jostle for position to acquire customers with differentiation and competitive advantage becoming ever harder.

With the rise of investment infrastructure providers such as Seccl or WealthKernel and the continued ease of access to technology, the barriers to creating investing platforms have significantly decreased.

Now, new FinTech businesses can leverage partners across their entire technology ecosystem to significantly bring down the cost and barriers of launching new investing platforms. But this comes at a cost, which we go into more detail in our report.

As we dive into this report to uncover the type of investors our market is serving, we delved deeper into how their behaviours and preferences change across different platforms and where the untapped innovation opportunities lie for the industry.

Whilst developing the research, our hunch was that whilst the UK is a global fintech leader, the market is over-served and saturated with investment apps...

Our Approach

Our research was gathered from a UK representative sample of 1,000 UK investors, sourced from Behind Login's consumer panel.[2]

To uncover the trends and insights from our research participants, we created a survey to understand the different types of investor that exist in the market, from demographic data such as age, gender, and income, to investor behaviour data such as frequency of trading, number of investments, and engagement with platforms.

From our research sample there were 45 different apps that participants use to invest, which is a huge selection available to UK investors and a reflection on the saturation of the market.

To ensure our research remains statistically significant we only conducted platform-level analysis on the top 10 platforms that had large enough numbers of responses to ensure confidence in our data integrity.

Our questions that explore demographic and behavioural insights leverage our entire 1,000 participants.

From our survey responses, the most commonly used investing apps are:

01 TRADING 212

02 HARGREAVES LANSDOWN

03 Freetrade

04 eToro

05 AJBell Youinvest

06 moneybox

07 Fidelity Investments

08 wealthify

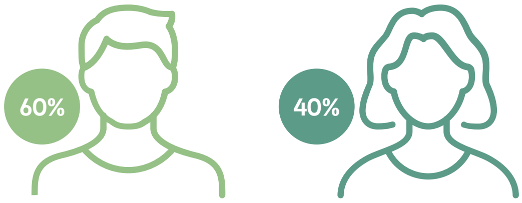
09 interactive investor

10 Nutmeg.

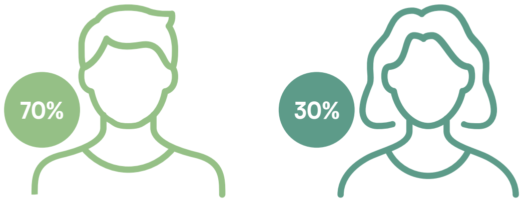
2. Behind Login consumer panel has access to over 1 million global investors.

Demographics: Gender

When analysing the typical investor landscape from a gender perspective, we found research from Boring Money showed[3] that there are 6.4 million female investors, compared to 9.7 million male investors in the UK; that's a 60/40 male/female split.

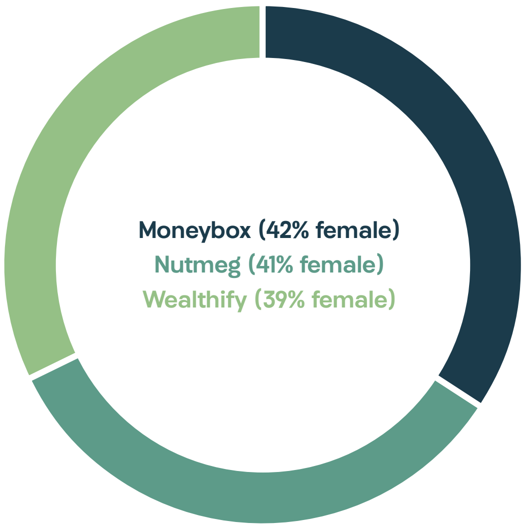


Our survey followed a similar pattern, with a slightly more male bias with a 70/30 male/female split.



Highlights

The most popular investing apps amongst women from our panel are:



These apps all provide managed investment portfolios over individual stocks and share trading; an interesting insight into the preferences of female investors.

The least popular investing apps for females were eToro and Interactive Investor, and the more traditional investing platforms with trading capabilities, further backing up the insight that managed investment portfolios are preferable for women.

3. https://moneyweek.com/personal-finance/605478/gender-investment-gap

Demographics: Age

From our research, as a percentage of the total responses, the most popular investing apps for different age groups are shown in the table below:

Age Range	Platform
18-24	Trading212
25-34	eToro
35-44	Moneybox
45-54	Interactive Investor
55-64	Fidelity
65-74	Fidelity
75+	Hargreaves Lansdown

From our survey, evidence suggests that younger investors prefer app-first investing platforms, and older investors prefer more traditional and well-known platforms.

Perhaps this is because older investors started investing before the app-first investing platforms hit the market, and are less likely to transfer to using an investment app, and younger investors are tempted by newer platforms with better service.

Trading 212 is most popular with younger investors

Hargreaves Lansdown is most popular with older investors

Demographics: Household Income

Our survey explored the average household income of investors across different platforms. The majority (47%) of our participants sat within the £25,000 to £49,999 bracket.

The most popular apps for low income households (less than £25K annual income) are **Trading 212** and **Freetrade** and for higher household incomes (more than £75K annual income) are **Fidelity** and **Wealthify**.

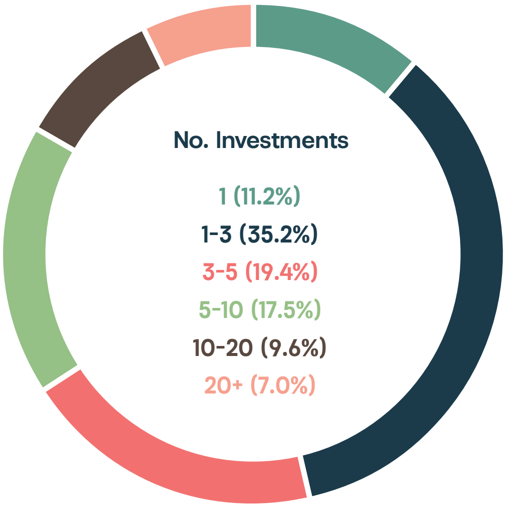
We would expect lower income investors to favour price-sensitive platforms, such as Freetrade with its fractional shares and zero commission offer.

For high income investors we would expect to see them prefer more established and premium platforms and apps such as Hargreaves Lansdown or Interactive Investor.

The most popular apps for low income households are Trading 212 and Freetrade and for higher income households are Fidelity and Wealthify.

Behaviours: Number of Investments

Interestingly from our panel, just under half (46%) only have 1-3 investments in their portfolio.



Whilst diversification of portfolios has always been suggested as being critical to risk mitigation and long term investing success, it doesn't look like consumers have taken the advice!

This might indicate that people are taking up the free shares and recommend-a-friend promotions from the likes of **Freetrade** and **Trading212**, and doing little or nothing else.

However, the most popular platforms for over 10 investments are **Trading212, AJ Bell**, and **Interactive Investor.**

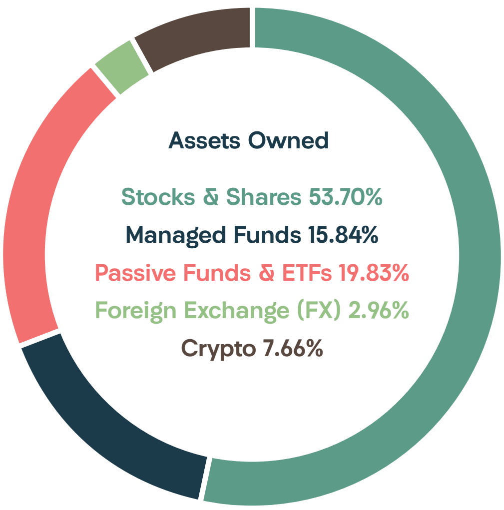
Perhaps this is no surprise with **AJ Bell** and **Interactive Investor** being older, more traditional platforms. Better diversification perhaps and pre-app revolution?

Interestingly; Trading 212 launched in 2004 as a forex trading platform, but didn't launch in the UK with commission-free share trading until 2017.

Behaviours: Types of Asset Owned

Intro

We asked our panel about the type of assets they hold in their investing apps.



Highlights

- **Over half (54%) hold stocks and shares**
- **A third (36%) have managed and passive funds**
- **Only a slim percentage (10%) has FX and crypto.**

Analysis

Over half (54%) hold stocks and shares, and when you compare this with the 'total number of investments' people have in their portfolio it identifies a serious lack of diversification (or a lot of people taking advantage of "free share" offers and doing nothing else).

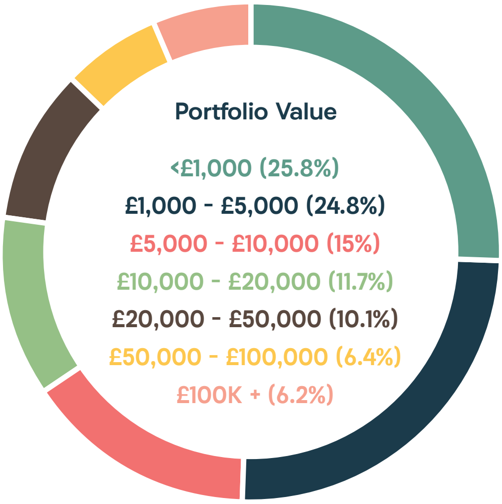
Crypto and FX scored low in popularity indicating users either invest these assets on alternative platforms or they aren't very popular with investors. This may present an opportunity for platforms to broaden their offering to include more asset types and look after more of investors' portfolios.

Behaviours: Portfolio Value

The average portfolio value throughout our survey was £1-5K with just over 50% of our panel in this bracket.

The most popular platforms for larger portfolios (£50K+) are **Fidelity** and **Hargreaves Lansdown**. These are both some of the heritage platforms on the market and as such consumers have had longer to build up their portfolios. It will be interesting to see how this data shifts as the newer platforms continue to serve customers.

Trading212, Freetrade, & eToro are the most popular platforms for smaller portfolios of £1,000 or less. These companies often have low barriers to entry, low/no platform fees and often provide incentives to sign up, which might indicate why they are popular for lower portfolio consumers.



Behaviours: Usage Behaviour

In this section of our survey, we looked at the themes and common behaviours of investors. How frequently they trade, how often they check their app, and the various tasks whilst using their app.

Highlights

- **Most people use their investing platform at least once a week.**
- **Freetrade, eToro, and Trading212 ranked as the most frequently used platforms with investors checking daily or even multiple times a day.**
- **36% of investors trade monthly and 31% trade less than once a Quarter.**
- **The least frequently used platforms were Vanguard, Wealthify, and Nutmeg. All these platforms provide managed funds, which require less active management.**
- **55% of people use their investing platform for less than 5 minutes per time.**
- **The most popular platforms for quick sessions of 1-3 minutes are Wealthify and Nutmeg.**
- **AJ Bell and Fidelity are the investing platforms with the longest user sessions of 5 minutes or more.**
- **Trading212 and eToro are platforms with the highest frequency traders with 34% and 35% trading once a week respectively.**
- **Wealthify and Nutmeg have the lowest frequency traders within our survey. Again due to these platforms providing managed funds.**
- **79% of investors spend more time checking things on their app as opposed to doing things.**

Analysis

Evidence has identified[4] that the more people trade, the worse their overall portfolios perform. Higher frequency app usage is indicative of higher trading activity and therefore puts these platforms at risk of negatively impacting investors.

It is evident that more people are frequently opening their app, checking on performance vs doing things like actually investing, buying, or selling shares.

Evidence has identified that the more people trade, the worse their overall portfolios perform.

4. https://markets.businessinsider.com/news/stocks/if-you-re-day-trading-you-will-probably-lose-money-here-s-why-1030667770

Behaviours: Net Promoter Score (NPS)

NPS measures customer loyalty and satisfaction by asking consumers how likely they are to recommend a product or service to a friend. In general, across all industries, brands have scores of around 31 to 50 out of 100.

Thoughts?

The data in the table shows that investing apps generally have lower NPS scores than all other industries. Does the overall NPS suggest a lack of long-term investment strategy coupled with poor performance in the markets, where investors are blaming their chosen investment platform?

App	Score
Interactive Investor	25
Trading 212	20
Fidelity	19
Moneybox	18
HL (Hargreaves Lansdown)	15
Freetrade	7
AJ Bell	0
Etoro	-1
Wealthify	-11
Nutmeg	-14

App Preferences: Investment App Choice

In this section of the survey we asked why they chose a specific investment app, with the option to select from the list below.

What are the main reasons for choosing this investment app?

Analysis

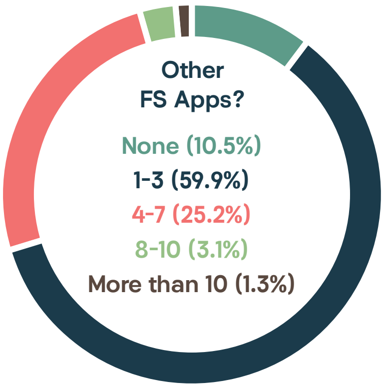
Consumers favoured brand reputation above everything else when it comes to choosing an investment app, which goes to show the power of a brand and the importance of perception. Price came in at the second most important reason to choose an investment app, indicating the price sensitivity of consumers, and the need for investing platforms to offer attractive rates.

As predicted the more traditional platforms such as AJ Bell, HL and Fidelity are favoured for their brand reputation. Freetrade customers were the only ones that cited 'price' as the most important factor, the clues in the name on that one. Interestingly eToro and Trading 212 both had User Experience as they key reasons for choosing their apps.

App Preferences: Number of Finance Apps Used

We asked participants, 'aside from this investing app, how many finance* apps do you regularly use in your life?'.

*Note: Based on the responses in our survey, participants interpreted this to mean investment-specific, not general finance (10% of participants said they don't use any other providers).



Highlights

- 60% use 1-3 different investing apps
- 25% use 4-7 different investing apps
- 25% use between 4-7 additional apps
- 60% of people use 1-3 additional finance platforms (in addition to their preferred investment app)

Analysis

The data suggests people use different platforms for different types of investing, e.g. funds vs shares, ETFs, ISAs etc.

App Preferences: The Appetite for Super-apps?

We asked participants in our survey "If your investing app had all the tools and features needed to manage your financial life, would you be happy to use just one app?".

Highlights

- By a slim majority (52.7%) of our participants said that 'Yes', they would use one app.
- 26.2% said 'Maybe' depending on certain factors
- 20.8% said an outright 'No'.

Analysis

The main reasons for participants wanting to use one app are around 'convenience', 'ease of use', having things 'all in one place' and 'simplicity'.

The main reasons for participants not wanting to use one app are around 'risk' and 'over-reliance' on one platform's security and technical capabilities. One recurring phrase, cited in over 28% of 'maybe' and 'no' responses, is that the people **"don't put all eggs in one basket".**

Our hypothesis leading into this question was that our responses would be mixed. Whilst apps such as AliPay and WeChat have proven to be successful as 'Super Apps' in Asia, providing users with all the capabilities needed to manage their financial (and wider) lives through one app, consumer preferences are different in the West. We predicted that consumers wouldn't want to rely on one company for all their financial needs and would rather "spread their bets".

Overall, the positive response bodes well for companies like Plum and Revolut who are continually evolving their propositions to meet the broad financial needs of their customers, but also limits their addressable market over time.

Features and Task Analysis

We used a popular innovation framework called 'Jobs To Be Done' to analyse which features exist across the various investing apps, and how important and how easy those different features and tasks are to complete on various investing apps.

Highlights

What features exist?

- The most/least common features and tasks are broadly as expected. Offering users the ability to create accounts, add/withdraw money and check transactions are consistent across all types of investing apps, whether that is shares, funds, managed portfolios etc.
- The 'least common features and tasks' are those only offered by a subsector of the market such as engaging in communities, using demo/practice accounts and micro-investing or "round-ups".

Most features

eToro has the most features across all the apps we analysed, covering 20 of the 23 (87%) most common investing app features.

Least features

Wealthify had the fewest features of any app with only 12 of 23 (52%), although as an app that only offers managed funds, this makes sense.

Analysis and Findings

When we look at 'how important' each feature and task is to users and then compare that with 'how easy' each is to do we can identify where there are gaps that exist in the market and within specific apps.

Data shows that **the investing app landscape is saturated**. All the features and tasks that users are looking to do are being well served by existing providers and there is very little opportunity to differentiate through functionality/features.

We can group features and tasks into three broad categories:

Over-served

These are the features and tasks that are lower on the 'importance' ranking and higher on the 'ease' rankings. These present no opportunity for innovation in a saturated market, such as using Regular Investing or Notifications.

Served right

These features and tasks are evenly weighted between 'importance' and 'ease' and provide little opportunity for innovation or differentiation. The majority of the investing features and tasks sit within this area including Adding Money, Reading News, and Discovering New Investments.

Under-served

These are the features and tasks that are important to users but not easy to do. They present a market opportunity to differentiate from the wider market or exploit a key competitor weakness. Withdrawing money is the only job that sneaks into this segment from our survey.

Here's the leaderboard for top ranking 'ease of job':

Interactive Investor
Top for 8 features

Nutmeg
Top for5 features

Wealthify, eToro, Moneybox
Joint top for 4 features

The table below shows each job to be done, and which platform was the easiest to complete the job.

Feature / Task	Best ranked app for 'ease of use'
Create an Account	Nutmeg
Use a Demo Account	Trading 212
Set a Risk Profile	Wealthify
Discover New Investment Opportunities	Moneybox & Trading 212
Analyse Individual Investments	Interactive Investor
Conduct Portfolio Analysis	Interactive Investor
Manage Regular Investing / Direct Debits	Moneybox
Add Money	Trading 212, Freetrade, AJ Bell, Wealthify
Read News	Interactive Investor
Learn & Self-educate	Nutmeg
Setup And Manage Watchlists	Interactive Investor
Trade Share	Interactive Investor
Buy/Sell Funds (Managed Funds, ETFs etc)	AJ Bell, Fidelity, Interactive Investor
Trade Cryptocurrency	eToro
Round-ups / Micro-investing	Moneybox
Withdraw Money	Interactive Investor
Manage Dividends & Investment Income	Interactive Investor
Check Transactions & Account History	Moneybox, Interactive Investor
View & Manage Notifications	Nutmeg
Setup & Use Widgets	eToro
Engage With a Community	eToro
Copy Others Trades / Follow Traders	eToro
Change / Transfer Providers	Nutmeg

Overall our analysis indicates there is little to no room for new market entrants.

Differentiation through features and user experience will be very difficult when consumers are currently well served by the market, forcing companies to differentiate through other channels such as price, customer service and marketing.

Is this a race to the bottom for investment app pricing and if so, who will stay afloat?

Investment Platform Advertising Spend

Whilst not part of our survey, we obtained data from The Nielsen Company, which revealed advertising in the UK by investment platforms in 2022 totalled over £45m. The media channels included digital, direct mail, outdoor, press, radio and TV.

This might give us an interesting insight into which brands are spending the most, and which ones are winning the race to onboard the most new customers.

The top 10 advertisers are shown in the table below.

No.	Brand	Spend £m
1	eToro	22.7
2	Hargreaves Lansdown	5.7
3	Vanguard	4.0
4	Nutmeg	3.0
5	Freetrade	2.7
6	Fidelity	2.6
7	Wealthify	1.6
8	AJ Bell	1.4
9	Moneybox	1.0
10	Trading212	0.01

Source: Nielsen. Figures quoted are 'value-based' and not necessarily the true amount actually spent.

Analysis

eToro is clearly investing heavily in advertising, particularly across digital channels and TV. This isn't surprising when you see eToro ads on just about every digital channel and televised sports events.

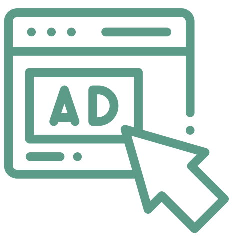
Advertising on TV is still a media channel of choice for most trading platforms, especially the more established brands like Hargreaves Lansdown, Fidelity, and Vanguard.

Outdoor advertising also gets a good portion of the advertising spend from a lot of the trading platforms, especially those trying to increase brand awareness.

AJ Bell surprisingly spent very little on their new brand Dodl, and this may well be a sign of things to come for other app-only investment apps. Time will tell.

Highlights

- eToro spent a whopping £22.7m on advertising, which is 50% of the total spent by all investment platforms.
- The majority of eToro's ad spend was promoting its trading platform on digital channels and TV.
- Hargreaves Lansdown were also big spenders on TV advertising.
- Vanguard spent big on TV advertising but also invested in brand building on radio.
- Nutmeg's biggest expenditure was on outdoor advertising.
- Freetrade also spent big on outdoor advertising.
- Fidelity's main expenditure was on TV advertising, but they also invested in press advertising for their stocks and shares ISA product.
- Wealthify appears to have evenly spread their advertising spend across digital, outdoor, press and radio across all their product range.
- AJ Bell also spread their advertising costs across all media, promoting most of their products, but interestingly only invested around 10% of their total advertising spend on new brand Dodl.
- Moneybox appear to have spent the majority of their advertising spending on TV
- Trading212's spend on advertising was negligible.



Executive summary - Top 10 findings

1 Gender split and platform skew

Our survey suggested a 70/30 male/female investor split, and women are more likely to invest in managed portfolios, suggesting women are more savings savvy than men perhaps.

2 Age

Younger investors are more likely to be attracted to app-only platforms, especially those offering free shares for recommending friends and family. What does this mean for the future of heritage investment platforms?

3 Household income

The most popular apps for low income households (less than £25K annual income) are Trading 212 and Freetrade and for higher household incomes (more than £75K annual income) are Fidelity and Wealthify. Is this a reflection of their desired target market or just a natural course?

4 Number of investments

The average portfolio value was £1-5K with just over 50% of our panel in this bracket. The most popular platforms for larger portfolios (£50K+) are Fidelity and Hargreaves Lansdown. Trading212, Freetrade & eToro are the most popular platforms for smaller portfolios of £1,000 or less. Are these smaller customers profitable?

5 Return on Advertising Spend

Whilst big spenders on advertising like eToro dominate, this does not suggest larger portfolio values. Clearly tactics like upselling retail investors from stocks and shares to CFDs and forex trading is their aim?

6 App usage

- Frequency of use was high but trading frequency was not
- Trade frequency was low especially amongst lower income households
- Behaviour - Checking vs doing - Voyeurism perhaps?

7 Net Promoter Score

Of those surveyed, the brands most likely to be recommended include Interactive Investor & Trading 212 with the least likely being Nutmeg and Wealthify. Is this a true reflection or just clients miffed with the recent bear market performance?

8 Other apps used

No single investment app seems to service all users' needs. Some have more than one app for investing and trading, suggesting that either free share offers or different assets available?

9 Feature rankings

Saturation in the market suggests most investment platforms and apps are successfully meeting customer needs and offer very little other points of differentiation.

10 Take note: Themes of industry

Any mergers or acquisitions will experience potential huge duplication of customer accounts where 90 percent have more than one account and with small amounts invested.

Final thoughts

The last few years have seen an explosion in the numbers of investment apps available to consumers, and it is likely that we'll see options start to decline in the coming years as the winners and losers emerge.

While investors have plenty of platforms to choose from, they are being poorly policed by the industry's guardians, the FCA. The industry currently resembles the Wild West, with apps using gamification tricks to push unwitting and inexperienced users into investing options for which they may not be ready. Points, rewards and league tables can all encourage investors to increase the frequency and value of their trades in a way that is not in their best interests.

The FCA, in its conclusion to its report Gaming trading: how trading apps could be engaging consumers for the worse, says it is 'following up' with firms whose design practices are 'problematic'. But what the industry needs is a code of practice that sets out what is acceptable and what is not.

Education is severely lacking in the finance industry and we strongly believe this is an opportunity for investment platforms to take the lead.

Taking investing online has lowered the traditional barriers to entry and invited a new generation to try their hand at trading. But education for novices is vital, and too many entry-level platforms have next to no help or guidance.

Perhaps similar models used by crypto apps on education are the key to increasing customer loyalty and ensuring the safety of users' funds?

With the Consumer Duty set to come into force for the finance industry on 31 July 2023, is it time that the investing apps cleaned up their act?

Simon Jones

CEO InvestingReviews.co.uk

Industry Comment and Predictions

We asked some of the prominent and leading figures in the finance industry for their comments and predictions for 2023.

Oliver Lane

CEO Behind Login

www.behindlogin.com

At the start of 2022 I wrote an article that explored how the 'Industry Life Cycle', conceptualised to show the cyclical trend of industries such as coal mining and steel production, could be applied to FinTech. The 5 stages; Introduction, Growth, Shakeout, Maturity and Decline, show how an industry goes through an initial period of growth before flattening out, consolidating and eventually declining.

One year on, the results of this survey and report represent a striking resemblance to the Shakeout phase of the Industry Life Cycle (identified through mergers, acquisitions and insolvencies) as a saturated market struggles to remain viable and differentiate from the competition.

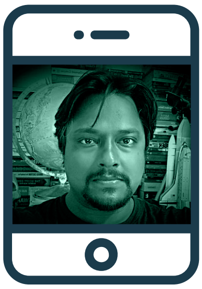
The findings in this report show that across the market, consumers are well serviced by their existing providers. The features and tasks investors want to complete on their apps are well serviced and there is very little incentive to move to a provider with a better user experience. With this, different areas of the proposition become more important; price, customer service, reputation and effective marketing are now more important than ever to survive the looming industry shakeout.

As we enter the cold depths of a bear market after a long bull run, investor sentiment has dropped (as we can see in the poor NPS scores across the survey). This shift is also likely discouraging the amount of investment and activity investors are willing to conduct on their investing apps. Engaging investors to keep up momentum is now more important than ever and helping investors through this time with educational content and encouraging good investing habits (such as pound-cost averaging) will be key to continued success.

The next few years will undoubtedly be interesting for the investing app landscape. I think we will see a number of mergers and acquisitions where well established players will look to snap up some modern technology and "buy the books" of smaller players that have grown in recent years but are struggling to generate profitability, such as we've recently seen with Freetrade looking for a buyer. I think we will also see some smaller players that have solid business models rise from the ashes to become established brands.

Exciting times ahead!

> "Engaging investors to keep up momentum is now more important than ever"



Dr. Anandadeep Mandal

Associate Professor (Mathematical Finance)

Scotcoin Distinguished Chair of Digital Finance
Programme Director MSc Financial Technology

Over the past decade, we have witnessed a growing interest in the crypto market. However, 2022 saw one of the worst events in the digital-currency market with the collapse of FTX.

Yet the crypto market is ever rich and there has been emergence of other choices that can earn more than Bitcoin.

In this report, it's interesting to see so few of the investment apps utilising crypto trading. But it's no surprise when there are dedicated crypto exchange apps like Coinbase and Binance.

Consolidation in the crypto exchange space is inevitable with the likes of BlockFi and Gemini platforms filing for bankruptcy in recent months, with no doubt more casualties to come in 2023 and beyond.

My top 7 predictions for the crypto market in 2023 are:

1. More Regulations: Emergence of more regulations that will threaten decentralisation.

2. Crypto market will rally up: The crypto market is expected to gain momentum from mid-2023.

3. Bitcoin will be outperformed: Ether will outperform Bitcoin in 2023 because of the surge in NFT trade. Also, most of the tokens in the market employ the Ethereum blockchain.

4. More acceptance of Dash 2 project: With the rising scale Dash 2 project, crypto trading will become more accessible. Further, with the collapse of FTX, projects like Dash 2 will gain momentum and more acceptance.

5. Web 3: New projects like Web3 and decentralisation will trigger an extended bull run for the crypto market. Innovations will be the key driving force.

6. Fall of spinoffs and meme coins: 2023 will see the end of meme coins and majority of the spinoff-coins, like Dogecoin and squid.

After the downturn in the crypto market in 2022, the crypto industry will see a major organisational change, ensuring stability and trustworthiness in 2023. The players are expected to take every necessary action to ensure investors' security. Bitgert, a crypto-engineering organisation, is expected to be the most trusted cryptocurrency of 2023 with an estimated value of over $10 billion USDK.

> "After the downturn in the crypto market in 2022, the crypto industry will see a major organisational change, ensuring stability and trustworthiness in 2023."

Charles Archer

Finance Writer

@that_stocks_guy

The COVID-19 pandemic has changed the face of investing and trading, potentially forever. It was not so long ago that UK retail clients were unofficially locked out of the markets; individuals with wealth delegated managing money to their IFA, while the middle classes simply upped pension contributions whenever their income slipped into the higher tax rate. However, the movement of individuals - rightly or wrongly – into investing into individual stocks has been a long time coming. Many of these new investors are millennials and Gen-Z, and it's perhaps worth looking at why the younger generation is now investing.

Clearly, there has been significant economic upheaval through most of their adult lives. The 2008 financial crisis, 2016 Brexit vote, 2020 pandemic, and now 2023 cost-of-living crisis have all conspired to create an environment where the traditional route into gaining wealth – saving cash for a house deposit, and then buying a first home – is essentially impossible without material initial capital from family or an above-average income.

But when lockdowns began, millions found themselves receiving the majority of their pay (80%) for months on end, were free to work a second job, and subsequently built up significant savings for the first time in their lives. Indeed, ONS analysis shows that over £140 billion of so-called 'forced savings' were accumulated during the crisis.

Where was this money to go? Naturally, some did flow into the housing market, which has seen consecutive record years of growth. But much of it went into the stock market; despite the annus horribilis of 2022, any investor who bought shares in almost any global index tracker, or any major cryptocurrency, at any point between April 2020 and November 2021 saw the value of their investment increase. This positive effect was compounded by the 'meme stock' hysteria of GameStop and AMC, where the first short squeezes in some time made overnight millionaires of some, while the steep falls thereafter served as a baptism of fire for others.

Of course, 2022 has happened, and the idea that 'stocks can only go up' has now been well and truly shattered. But where millions of new investors spring up, so too of course have the dozens of new retail investment platforms. Some, like CMC Invest, have spun-off their parent in hopes of attracting this new clientele, while others are new propositions entirely.

In brief, there are three trends I consider noteworthy for 2023 regarding the state of the investment platform industry.

Consolidation inevitable?

The first is that the recession is going to have a severe effect on the sector; overall client numbers will likely fall, the amount invested overall will fall, equities will fall reducing the investment incentive, and therefore the number of viable platforms will shrink. How this plays out will be very interesting; the very smallest players will collapse, while newer platforms which have garnered a reasonable number of clients may find themselves subject to bidding wars among the larger companies. But regardless, there will be consolidation among the industry, and already we are seeing some stop offering varying trading options.

Tighter regulation

The second is the coming crackdown on the gamification of investing. Several newcomers in the CFD and spread betting industry (I won't name names) are to some extent virtually indistinguishable from gambling sites, with incentives including free trades, and flashy apps that would not be out of place on the Las Vegas Strip. I expect the FCA will at some point introduce deposit limits or qualification requirements to trade these risky products – asking customers to tick a box and putting a disclaimer at the top of the page isn't going to be enough. Of course, while this will better serve to protect consumers, it will shrink the pool of clients even further. Related to this will be a suppression of advertising 'free trades' – it's often the case that platforms with transparent per-trade pricing works out cheaper, and I suspect platforms will be forced to reveal the actual cost to customers of buying shares on 'zero commission.'

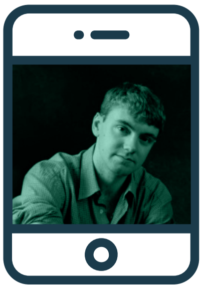
Trading vs investing

Third, I'd consider the changing relationship between investing platforms and trading platforms. While many companies offer both, most have a focus on one or the other. Investing in quality shares over the longer term is more profitable for the client but less so for the platform; meanwhile, rapid trading over the short term brings in more money for platforms but usually ends up with clients suffering losses. Again, I suspect there may be some regulatory effort to address this obvious conflict of interest.

About Charles Archer

Charles Archer is an experienced financial writer specialising in monetary law. With a background in stock market and private equity analysis, he's worked for many years as a freelance investment author, and has had articles published in a wide range of regional and national titles, both online and in print. He holds a Master's degree in Law from the University of Law, the UK's largest legal training institution.

Charles is a regular contributor to IG Index, and believes the key to successful investing lies in quality research, and aims to offer a unique viewpoint that investors cannot find elsewhere.



David Kimberley

CFDs Weekly

cfds.substack.com

Broadly speaking the proliferation of stockbroking platforms in the UK over the past few years fit into two categories. On one side you have CFD and spread betting platforms that have tacked on cash equities to their existing offering. This was done to bypass advertising restrictions on CFDs, reduce marketing spend and tap into investor appetite for stocks, which increased as a result of the bull market.

Stockbroking was a marketing expense for these companies. As a business line, it has likely been loss making for almost all of them but their goal was always to cross sell into CFDs and other leveraged derivatives.

To be fair, some providers, like CMC Markets and IG Group, have built relatively large stockbroking businesses and, although they have taken advantage of cross selling and marketing benefits, it wouldn't be reasonable to put them solely in the cross-selling category.

Declining investor interest in equities, the costs of adding and maintaining them as a product, as well as the regulatory work needed to have them on your platform, means it's plausible we'll see fewer CFD providers offering a cash equities product moving forward. Anecdotally, three companies that I'm aware of have already stopped offering them.

The other category of new stockbroking provider fits into the 'fintech' category. Just as there have been upstart banks in the UK, like Monzo and Revolut, so too has there been an increase in companies building new platforms and offering stockbroking. Some, like Freetrade or Stake, have made these services their sole offering, whereas others, like Plum or Revolut, have added it to a wider set of products.

These providers have, almost universally, sold their service as commission free. In more tangible terms that means having no dealing charges when executing trades. This seems to have been inspired by Robinhood's launch in the US.

Unlike Robinhood, regulatory restrictions mean that UK providers cannot sell client order flow. Robinhood also, much like its CFD peers, shifts clients to riskier products to generate most of its revenues. 'Fintech' providers in the UK have refused to add CFDs or other products, so cannot make money this way.

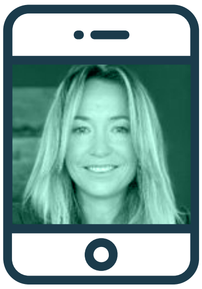
To compensate for this lack of revenue, most providers have pushed a premium subscription model. This model hasn't yielded profitability for any providers so far and it is unclear if it will do so moving forward.

Rising inflation, the end of a bull market and more attractive interest rates mean onboarding new clients is going to be much tougher moving forward. Investor appetite has already soured, meaning these companies are going to struggle to raise cash to continue operations. They will have to push for profitability, even though interest in equities has declined.

The result is that we may see some 'fintech' brokers closing shop in the next 12 months.

Companies launched since 2020 are unlikely to see much appetite from potential acquirers, as they are likely to have very poor quality client books and almost no in-house technology. Others may see more interest but it is likely to be at a steep discount to prior funding round valuations.

“The result is that we may see some 'fintech' brokers closing shop in the next 12 months.”



Antonia Medlicott

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The cost of financial advice has continued to soar in the last decade, making advice the sole domain of the affluent. However, as always, necessity is the mother of all invention, and this issue of affordability has prompted the rise of investment platforms that have come to the rescue in their droves. They offer an affordable and often easy way to grow wealth, without the high costs associated with human advice.

However, as the cost of living crisis continues to pinch, and market conditions fail to improve, the value of assets managed by investment platforms took a tumble in 2022.

Having reviewed most of the investment platforms on offer to UK investors at least once, it has become apparent that 2023 will see some winners and some losers in this highly competitive space.

Hargreaves Lansdown continues to dominate the market, taking the largest share of customers seeking execution-only services. This would indicate that resilience is still a compelling attribute for UK customers.

Value for money is another key component, and many of the successful start-ups have harnessed this notion successfully, alongside complete transparency in pricing. Wombat is one to watch, having just completed a successful crowdfunding initiative to fuel their international expansion plans.

Equally, InvestEngine has undercut most of the competition by offering a completely free ISA and a tool that calculates all your costs for you.

It wouldn't surprise me to see more platforms developing propositions devoted to servicing clients preparing for, and in, retirement. Equally, intergenerational wealth transfer is a hot topic as older generations look to redistribute wealth in a tax-efficient way. Junior ISAs that accept contributions from friends and families could be the winners here as could Lifetime ISAs, although the latter is badly in need of some reforms.

Of course, the elephant in the room is the performance of funds. Most have suffered on the back of the pandemic and war, however, historically these tend to recover and this could make now, the best possible time to buy in. It would stand to reason that platforms offering automated investment services that drip-feed your money into the market could be the winners in the months to come.

> “It wouldn’t surprise me to see more platforms developing propositions devoted to servicing clients preparing for, and in, retirement.”

Contact

This InvestingReviews Annual Report is created and published by the team at Buzzfire Ltd which operates and manages the UK's number one, independent investment review website Investingreviews.co.uk.

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