

07

# Asset allocation

This chapter looks at trends in the types of assets DB schemes invest in.

## Summary

- This chapter contains information on how DB schemes have invested scheme assets since 2006 and how asset allocations in *The Purple Book 2022* dataset vary according to different scheme characteristics, such as scheme size.
- Around 99 per cent of schemes’ asset allocations in *The Purple Book 2022* dataset were at a date in 2020 or 2021.
- The aggregate proportion of schemes’ assets invested in equities rose slightly from 19.0 per cent to 19.5 per cent while the proportion in bonds fell slightly from 72.0 per cent to 71.6 per cent.
- Within bonds, the proportions held were broadly unchanged from last year with index-linked bonds making up the biggest proportion at 47.8 per cent. Corporate bonds accounted for 30.2 per cent of the bonds held and government fixed interest bonds contributed 22.0 per cent of the total.
- Smaller schemes tend to have higher proportions in government and corporate fixed interest bonds than larger schemes.
- Within equities, the UK-quoted proportion fell below 10 per cent for the first time and fell from 11.6 per cent to 9.9 per cent. The proportion of overseas-quoted equities increased slightly from 68.3 per cent to 68.6 per cent, while unquoted/private equities increased from 20.1 per cent to 21.5 per cent.
- Smaller schemes tend to hold higher proportions in UK equities with smaller proportions in both overseas and unquoted/private equities.
- The majority of total assets are invested in equities and bonds and the proportion does not vary greatly by funding ratio.
- As scheme maturity increases, the proportion of assets invested in equities falls.

## Asset data<sup>1</sup>

Figure 7.1 | Distribution of schemes by asset allocation date\*

Around 99 per cent of schemes provided an asset allocation with an effective date in 2020 or 2021.

Asset allocation year	Number of schemes	Percentage of <i>The Purple Book 2022</i> dataset
2017 or earlier	6	0.1%
2018	12	0.2%
2019	47	0.9%
2020	1,739	33.9%
2021	3,318	64.7%
2022	9	0.2%
<b>Total</b>	<b>5,131</b>	<b>100%</b>

Source: PPF

\* There can be a significant gap between the date of the scheme return and the date at which the asset allocation was taken. This means that the date at which asset allocation data is provided differs from scheme to scheme.

1 Asset allocations submitted by schemes are not adjusted for market movements. Most of this chapter uses weighted average asset allocations. For example, the weighted average share of equities is the total amount of equities across all schemes divided by the total amount of assets across all schemes. The simple average takes the arithmetic average of each scheme's proportion of its assets held in equities.

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Figure 7.2 | Weighted average asset allocation in total assets

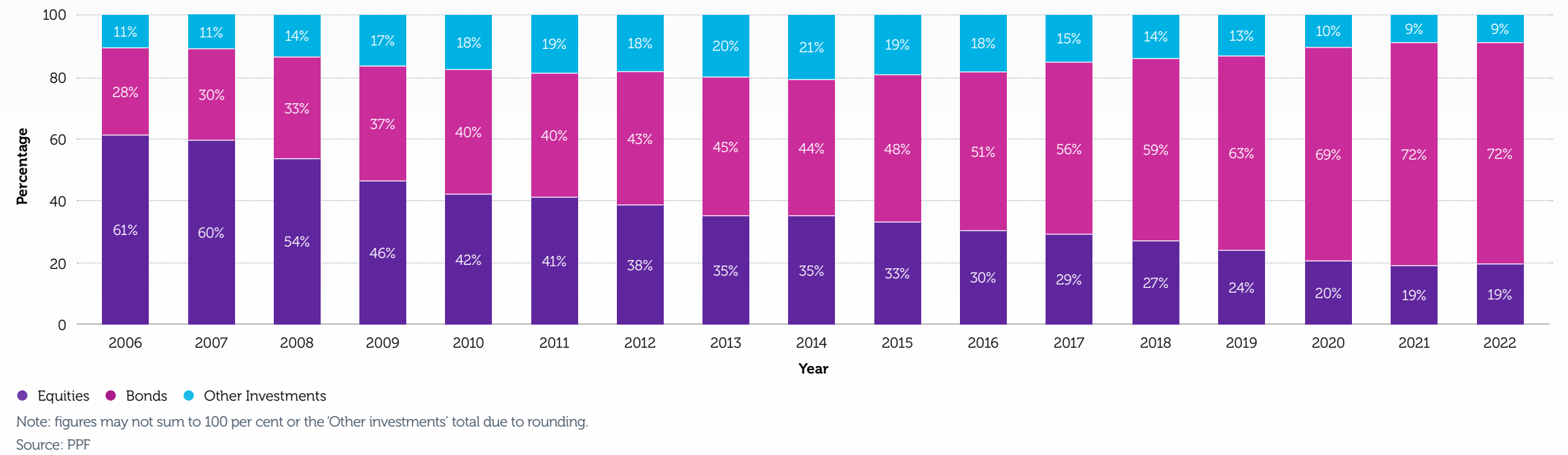
The proportions of assets invested in equities and bonds have been broadly stable since 31 March 2020.

Year/ <i>The Purple Book</i> dataset	Asset class								
	Equities	Bonds	Other investments	Breakdown of other investments					
				Property	Cash and deposits	Insurance policies	Hedge funds*	Annuities*	Miscellaneous
2006	61.1%	28.3%	10.6%	4.3%	2.3%	0.9%	n/a	n/a	3.1%
2007	59.5%	29.6%	10.9%	5.2%	2.3%	0.8%	n/a	n/a	2.5%
2008	53.6%	32.9%	13.5%	5.6%	3.0%	1.1%	n/a	n/a	3.8%
2009	46.4%	37.1%	16.5%	5.2%	3.9%	1.4%	1.5%	n/a	4.5%
2010	42.0%	40.4%	17.6%	4.6%	3.9%	1.4%	2.2%	n/a	5.4%
2011	41.1%	40.1%	18.8%	4.4%	4.1%	1.6%	2.4%	n/a	6.3%
2012	38.5%	43.2%	18.3%	4.9%	5.1%	0.2%	4.5%	n/a	3.6%
2013	35.1%	44.8%	20.1%	4.7%	6.7%	0.1%	5.2%	n/a	3.5%
2014	35.0%	44.1%	20.9%	4.6%	6.1%	0.1%	5.8%	n/a	4.3%
2015	33.0%	47.7%	19.3%	4.9%	3.5%	0.1%	6.1%	n/a	4.7%
2016	30.3%	51.3%	18.4%	4.8%	3.0%	0.1%	6.6%	2.1%	1.7%
2017	29.0%	55.7%	15.3%	5.3%	-0.9%	0.1%	6.7%	3.3%	0.8%
2018	27.0%	59.0%	14.0%	4.8%	-2.5%	0.1%	7.0%	3.4%	1.2%
2019	24.0%	62.8%	13.2%	5.0%	-4.4%	0.3%	7.4%	4.0%	1.0%
2020	20.4%	69.2%	10.4%	4.9%	-7.2%	0.1%	6.8%	5.0%	0.8%
2021	19.0%	72.0%	9.1%	4.7%	-9.5%	0.1%	6.1%	6.6%	0.9%
2022	19.5%	71.6%	8.9%	4.6%	-8.8%	0.1%	5.2%	6.8%	1.0%

The weighted average proportion of assets held in cash and deposits being negative represents a number of large schemes with significant negative cash holdings which are likely to be related to investments such as swaps and repurchase agreements.

\* n/a denotes not available, where schemes may have been invested in these asset classes but the percentages cannot be determined from the data held.

Note: figures may not sum to 100 per cent or the 'Other investments' total due to rounding.



Asset allocation continued

Figure 7.3 | Asset allocation: simple averages

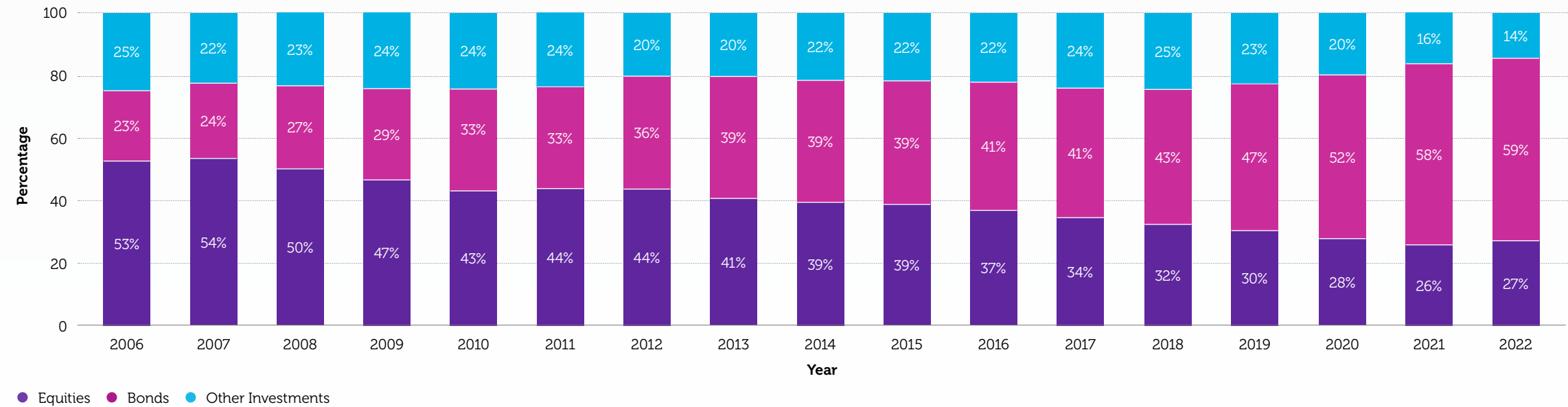
A comparison of simple and weighted averages in 2022 shows there is greater weighted allocations to bonds and a smaller allocation to other investments. This reflects the fact that the larger schemes hold a greater proportion of bonds than smaller schemes.

Year/ <i>The Purple Book</i> dataset	Asset class								
	Equities	Bonds	Other investments	Breakdown of other investments					
				Property	Cash and deposits	Insurance policies	Hedge funds*	Annuities*	Miscellaneous
2006	52.6%	22.6%	24.8%	2.1%	3.9%	14.9%	n/a	n/a	3.6%
2007	53.5%	24.0%	22.5%	2.5%	3.7%	13.7%	n/a	n/a	2.6%
2008	50.2%	26.5%	23.3%	2.9%	4.4%	13.0%	n/a	n/a	2.9%
2009	46.6%	29.2%	24.2%	2.8%	5.6%	12.4%	0.7%	n/a	2.6%
2010	43.1%	32.6%	24.3%	2.6%	5.7%	12.3%	0.9%	n/a	2.8%
2011	43.7%	32.6%	23.7%	2.7%	4.9%	11.8%	1.0%	n/a	3.3%
2012	43.7%	36.1%	20.2%	3.5%	5.5%	4.4%	3.7%	n/a	3.2%
2013	40.6%	39.1%	20.3%	3.6%	6.2%	2.0%	5.0%	n/a	3.5%
2014	39.4%	39.0%	21.6%	3.5%	6.4%	1.8%	6.2%	n/a	3.9%
2015	38.8%	39.4%	21.8%	3.6%	5.7%	1.7%	7.3%	n/a	3.7%
2016	36.8%	41.1%	22.1%	3.7%	5.4%	1.2%	7.9%	2.4%	1.5%
2017	34.5%	41.4%	24.1%	3.7%	3.6%	0.7%	7.9%	6.8%	1.3%
2018	32.4%	43.1%	24.5%	3.3%	1.8%	0.6%	8.5%	8.9%	1.4%
2019	30.4%	47.0%	22.7%	3.4%	-0.8%	0.5%	8.9%	9.4%	1.3%
2020	27.8%	52.3%	19.9%	3.4%	-3.2%	0.6%	7.9%	9.7%	1.7%
2021	25.8%	58.0%	16.3%	3.2%	-6.6%	0.6%	6.9%	10.6%	1.7%
2022	27.1%	58.5%	14.4%	3.0%	-7.5%	0.6%	6.0%	10.7%	1.6%

The simple average proportion of assets held in cash and deposits being negative represents schemes with negative cash holdings which are likely to be related to investments such as swaps and repurchase agreements.

\* n/a denotes not available, where schemes may have been invested in these asset classes but the percentages cannot be determined from the data held.

Note: figures may not sum to 100 per cent or the 'Other investments' total due to rounding.



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Source: PPF

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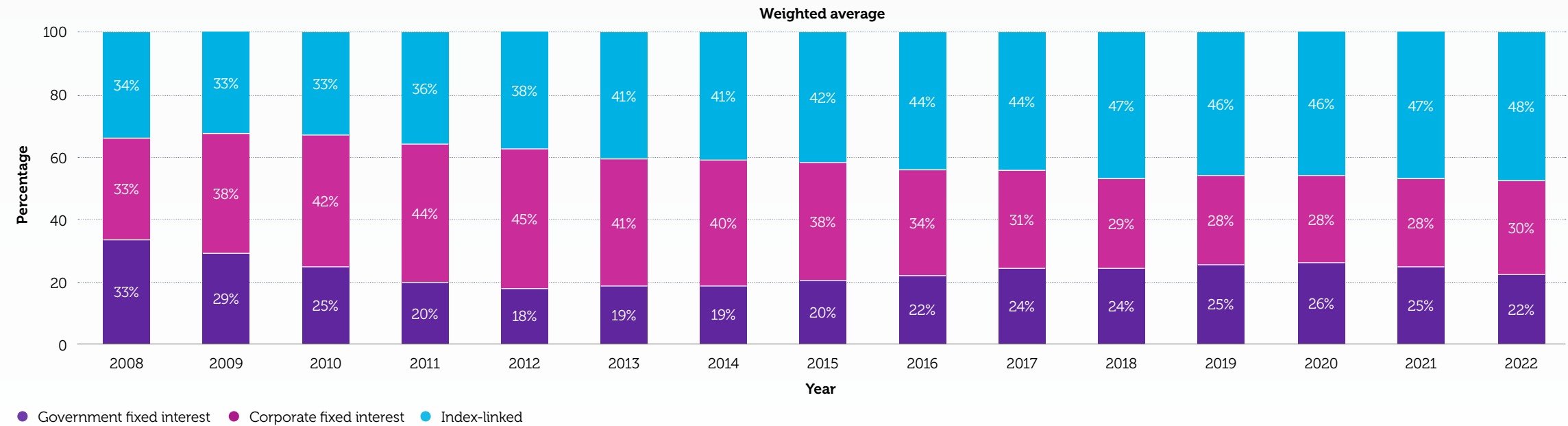
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Figure 7.4 | Bond splits

The proportion of bonds in each class has remained broadly unchanged in recent years.

Year/ <i>The Purple Book</i> dataset	Bonds					
	Weighted average			Simple average		
	Government fixed interest	Corporate fixed interest	Index-linked	Government fixed interest	Corporate fixed interest	Index-linked
2008	33.2%	32.6%	33.9%	47.2%	33.0%	19.8%
2009	29.0%	38.3%	32.6%	45.6%	37.3%	17.1%
2010	24.6%	42.2%	33.1%	37.3%	43.0%	19.8%
2011	19.6%	44.3%	36.1%	31.2%	47.1%	21.7%
2012	17.7%	44.8%	37.5%	28.2%	49.4%	22.4%
2013	18.5%	40.6%	40.9%	27.0%	49.6%	23.4%
2014	18.6%	40.3%	41.1%	23.8%	51.9%	24.4%
2015	20.3%	37.7%	42.0%	23.8%	51.2%	25.0%
2016	21.9%	33.7%	44.4%	24.4%	49.0%	26.6%
2017	24.1%	31.4%	44.5%	25.9%	46.8%	27.3%
2018	24.1%	28.8%	47.1%	27.2%	42.1%	30.8%
2019	25.4%	28.4%	46.2%	29.0%	38.9%	32.1%
2020	25.9%	28.0%	46.1%	29.4%	36.1%	34.6%
2021	24.6%	28.2%	47.2%	30.4%	34.8%	34.8%
2022	22.0%	30.2%	47.8%	30.2%	35.7%	34.1%

Note: the rows may not sum to 100 per cent due to rounding.



Source: PPF

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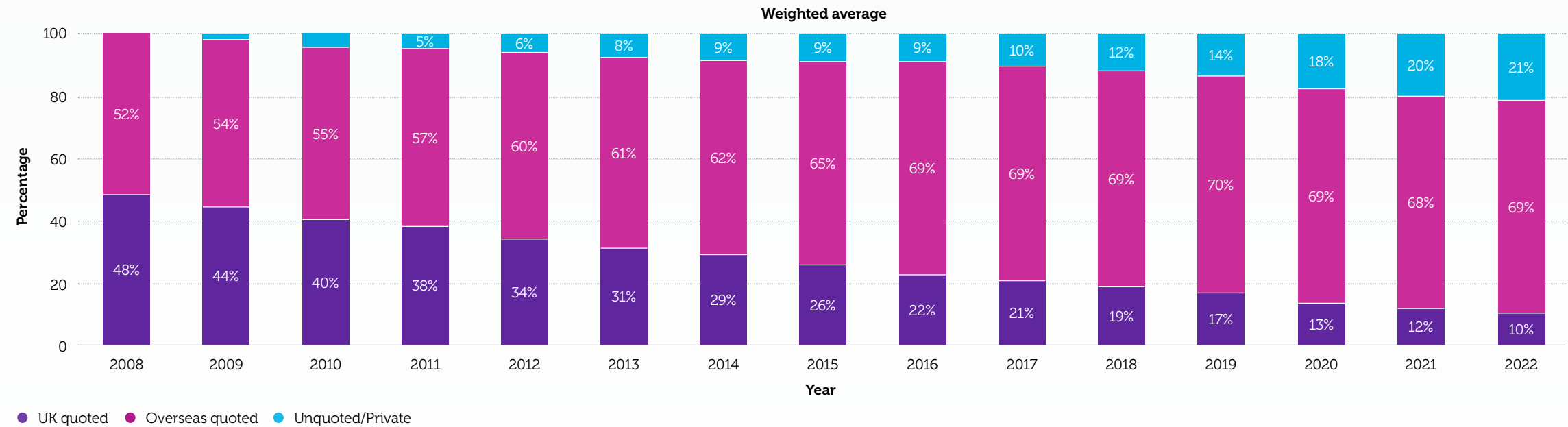
Asset allocation continued

Figure 7.5 | Equity splits

Within equities, the proportion invested in UK equities continued to fall and is below 10 per cent for the first time, while the proportion invested in private equities continued to rise.

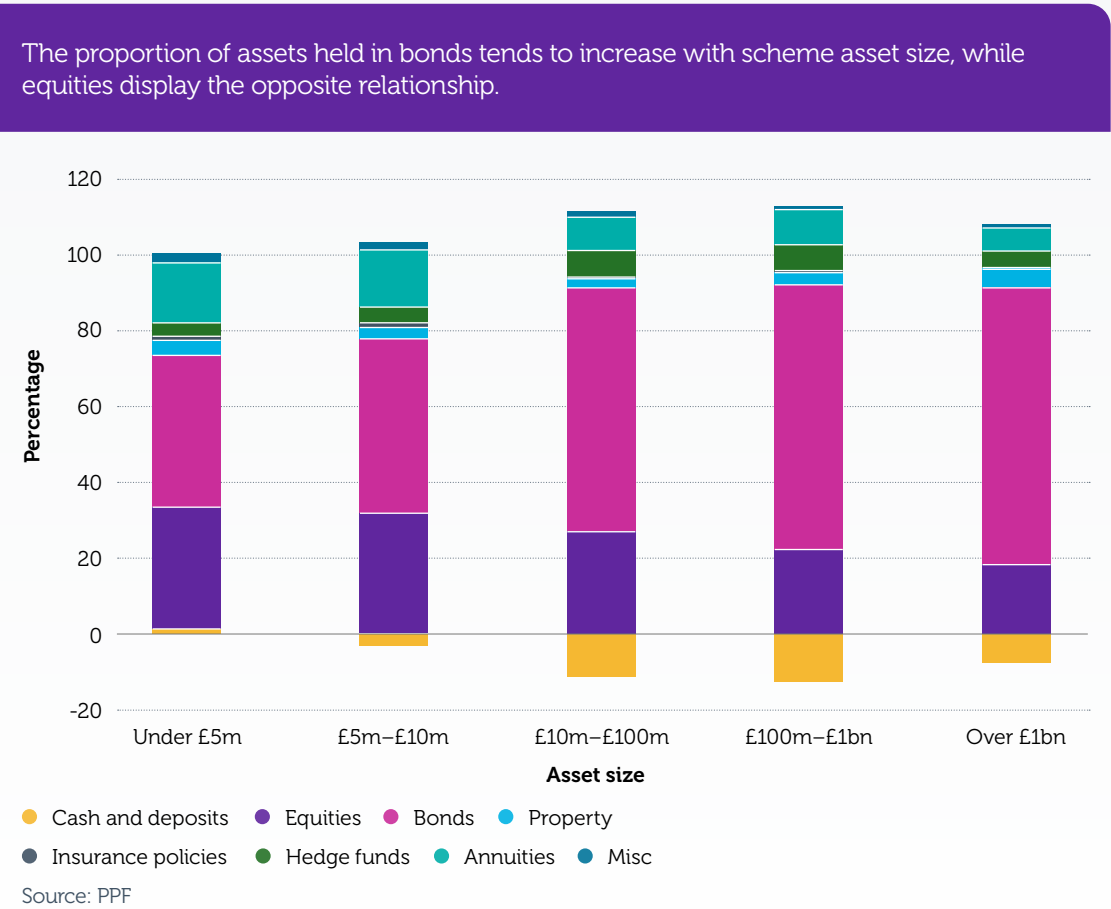
Year/The Purple Book dataset	Equities					
	Weighted average			Simple average		
	UK quoted	Overseas quoted	Unquoted/ Private	UK quoted	Overseas quoted	Unquoted/ Private
2008	48.2%	51.8%	n/a	60.4%	39.6%	n/a
2009	44.2%	53.8%	1.9%	57.6%	41.7%	0.7%
2010	40.1%	55.3%	4.4%	55.3%	43.7%	1.0%
2011	38.0%	57.2%	4.8%	52.7%	46.1%	1.2%
2012	33.9%	60.0%	6.1%	49.9%	48.5%	1.7%
2013	31.0%	61.3%	7.7%	47.5%	50.3%	2.2%
2014	28.9%	62.4%	8.7%	44.9%	52.7%	2.4%
2015	25.6%	65.4%	9.0%	42.2%	55.3%	2.5%
2016	22.4%	68.6%	9.0%	38.8%	58.6%	2.6%
2017	20.5%	69.0%	10.5%	36.3%	61.0%	2.7%
2018	18.6%	69.4%	12.0%	32.1%	65.0%	3.0%
2019	16.6%	69.7%	13.7%	29.6%	66.7%	3.7%
2020	13.3%	69.0%	17.7%	26.9%	68.4%	4.8%
2021	11.6%	68.3%	20.1%	24.9%	69.4%	5.8%
2022	9.9%	68.6%	21.5%	22.5%	70.9%	6.6%

Note: the rows may not sum to 100 per cent due to rounding.



Note: figures may not sum to 100 per cent or the 'Other Investments' total due to rounding.  
Source: PPF

Figure 7.6 | Weighted average asset allocation of schemes by asset size



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Figure 7.7 | Weighted averages of equity and bond holdings split by asset size

Larger schemes tend to hold a higher proportion of overseas and private/unquoted equities within their equity portfolio, and a higher proportion of index-linked bonds in their bond portfolio.

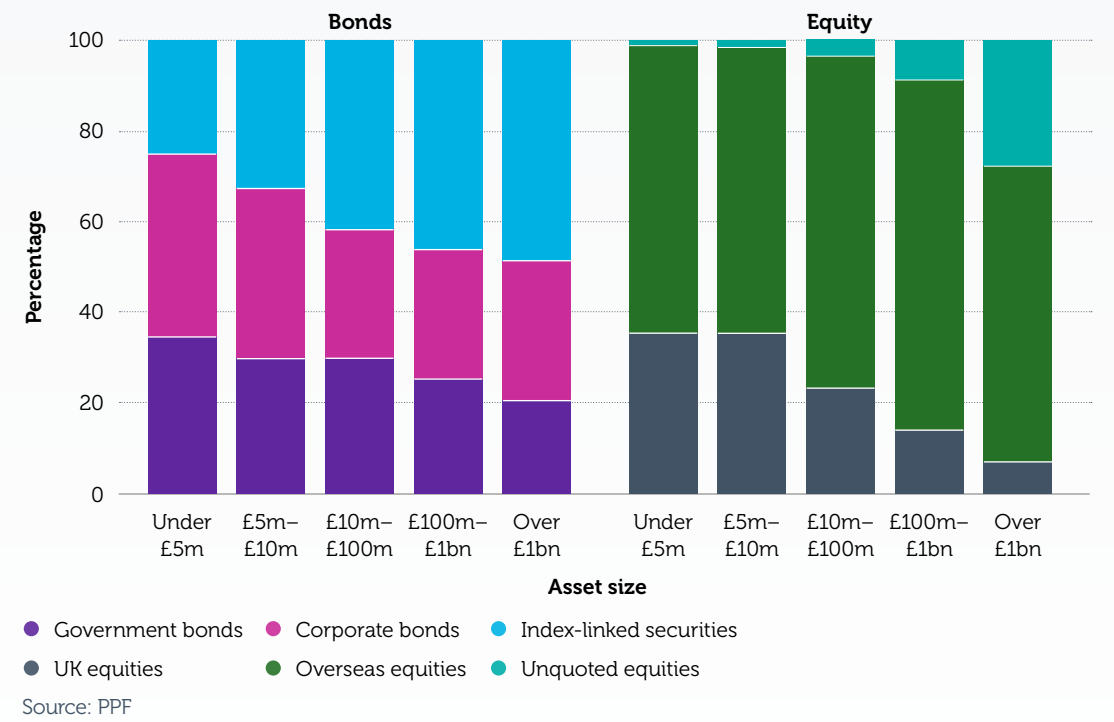


Figure 7.8 | Weighted average asset allocation by s179 funding ratio

The majority of scheme assets are invested in equities and bonds for all funding ratio groups.

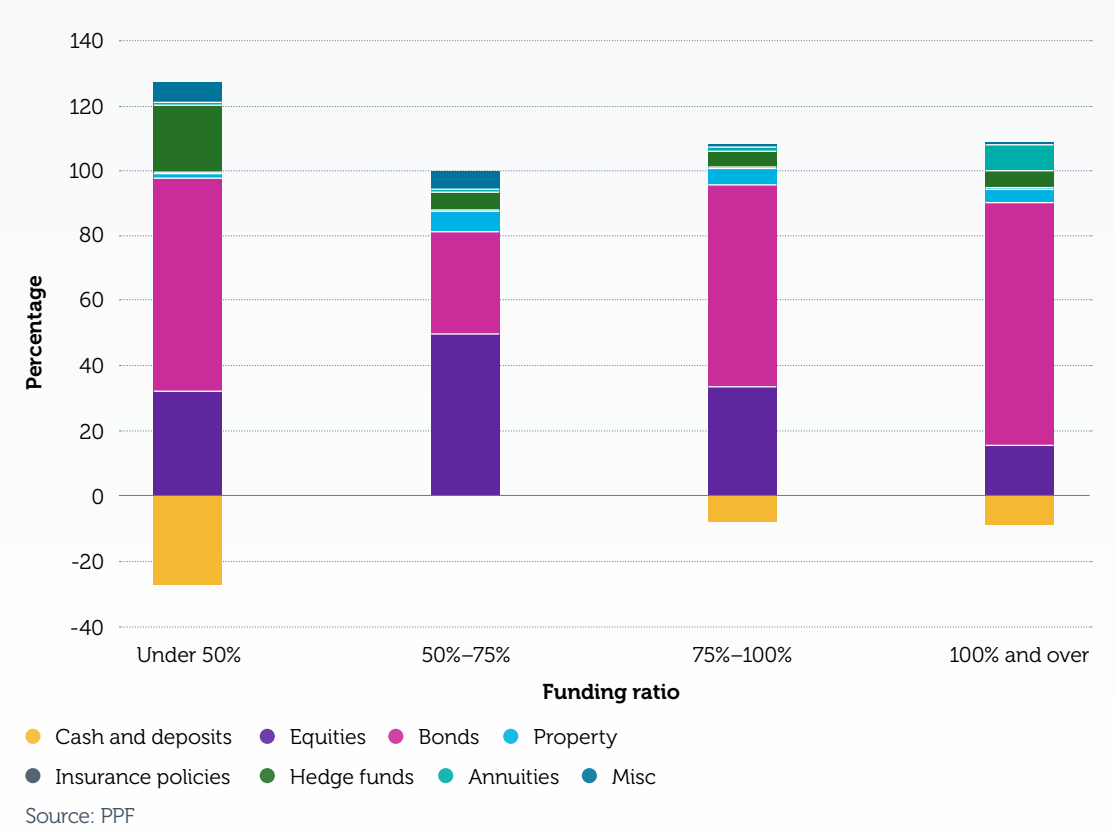


Figure 7.9 | Weighted average asset allocation of schemes by scheme maturity

As scheme maturity increases, the proportion of equities falls.

