

NEIL WOODFORD TIMELINE

April 2014

Woodford sets up Woodford Investment Management and launches its flagship Equity Income fund (WEI) after 25 years at Invesco Perpetual.

April 2015

Launches Woodford Patient Capital Trust (WPCT). The fund raises £800 million when floated – the largest ever for a UK investment trust.

April 2017

Launches the Woodford Income Focus fund (WIF), raising £553 million.

May 2017

WEI reaches a peak of £10.2 billion in assets under management (AuM).

10 October 2017

Jupiter Merlin pulls £300 million from WEI fund.

March 2018

WEI fund removed from the Investment Association's UK equity income sector.

22 May 2018

Charles Stanley drops Woodford from its best buy list.

3 June 2019

The WEI fund is suspended with £3.7 billion in AuM after a flood of requests to withdraw money amid concerns about the fund's performance. Investors still have to pay fees even though their money is trapped.

18 June 2019

Financial Conduct Authority launches probe into WEI fund.

15 October 2019

Link Fund Solutions, the fund's administrator, decides to remove Woodford and liquidate the fund. Link appoints BlackRock to manage the winding up of the WEI fund.

19 October 2019

Schroders takes over management of the WPCT.

16 December 2019

WPCT renamed the Schroder UK Public Private Trust after Schroders is appointed to take charge of the £501 million portfolio.

20 December 2019

Aberdeen Standard Investments takes over WIF fund.

January 2020

BlackRock pays out £2.1 billion to investors.

March 2020

Investors receive a second payment of £143 million.

5 June 2020

Link agrees to sell 50% of the WEI fund's remaining assets to US-listed Acacia Research for £224 million.

Woodford investors still wait for £500m in cash one year on

BY STEPHEN LITTLE

One year on from the collapse of the Woodford Equity Income fund, many frustrated investors are still waiting for their money to be returned.

The Woodford Equity Income fund was suspended on 3 June 2019 after a flood of requests to withdraw money amid concerns about the fund's performance.

The decision sent shockwaves through the fund management industry, leaving investors facing huge losses.

In October, Link Fund Solutions, the fund's administrator, decided to remove Woodford and liquidate the fund.

It has so far returned £2.3 billion from the fund, now called LF Equity Income. But a year after the fund was suspended, there is still £500 million stuck in illiquid assets. Link has not confirmed when investors will see this money returned.

Equity income funds such as Woodford's invest in companies that pay out dividends. They have been popular with investors in recent years but have been hit hard by the pandemic, with many having to suspend dividend payments in order to stay afloat.

When will investors get their money back?

Most experts agree that the final amount of money trapped in illiquid assets will prove hard to sell.

Ryan Hughes, head of active portfolios at investment platform AJ Bell, says: "Given the current state of the global economy due to the impact of Covid-19, there is little immediate prospect of progress being made in selling these assets, and a big question mark hangs

around their valuations during current market conditions."

Darius McDermott, managing director of FundCalibre, says: "The remaining assets are in illiquid companies and there is little indication of when they are likely to be sold."

"We are estimating about another six months, but don't really know, and how much is received is anyone's guess. The recent sell-off will not have helped matters at all. It was very unfortunate timing, especially when illiquid assets need to be sold."

Investor confidence

The demise of the fund left the fund management industry reeling and is a stark reminder to investors that past performance is no guarantee of future success.

The crisis has tarnished the image of active managers, damaging investor confidence in the process.

The Financial Conduct Authority, the financial regulator, has launched an investigation into the fund, but it has not yet revealed its results.

Annabel Brodie-Smith, communications director of the Association of Investment Companies,

says: "The Woodford saga made clear beyond all doubt the structural mismatch that results from open-ended funds holding unquoted, hard-to-sell assets.

"But beyond that, the suspension and subsequent failure of the Woodford Equity Income fund justifiably damaged consumer confidence in the investment management industry."

Are we over star fund managers?

A number of star fund managers have risen to prominence over the past 15 years, but Woodford's fall from

grace highlights how success does not always last for ever.

Brodie-Smith says the Woodford saga has made the market much more sceptical of star fund managers.

She says: "Although it is still true that well-known managers with consistently strong track records are respected and followed by many investors, others have begun to perceive big name managers negatively. Management groups have been keen to promote co-managers and the team rather than one star."

But McDermott points out that Woodford's legacy should not be overlooked.

He says: "The high-profile nature of the Woodford saga has been bad for the industry at a time when it has never been more important to encourage long-term savings.

"But it is important to remember that a lot of people also made a lot of money in his funds – over a couple of decades in total – before things went bad. This tends to get forgotten." **mw**

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