

Investment Week

FTSE reshuffle: Travel and aerospace firms punished by pandemic

By Mike Sheen

"One of the most far-reaching" FTSE reshuffles in the index provider's history has seen airlines and travel companies among the firms relegated to the FTSE 250 as the impact of the coronavirus pandemic proved the last straw for struggling groups, while companies with a digital focus to their business have seen promotion.

The 3 June reshuffle, which occurs every three months and is based on stocks' total market capitalisation at the end of the specified trading day, saw software company Avast, sports betting specialist GVC Holdings, Homeserve and retailer Kingfisher all promoted to the FTSE 100.

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Meanwhile, cruise operator Carnival, energy company Centrica, low-cost airline easyJet and aerospace firm Meggitt will leave the FTSE 100 index and enter the FTSE 250 index.

Adrian Lowcock, head of personal investing at Willis Owen, noted that both easyJet and Carnival "have been in the eye of the storm" of the pandemic so their relegation had seemed likely, and "it could be some time before they return to the blue chip index".

He added: "The reshuffle is one of the most far-reaching in the index's history and will impact many tracker funds. The crisis looks to have accelerated the shift to digital solutions for consumers.

"While some of today's reshuffle may be reversed in due course, the disruption caused to businesses has really highlighted the need for companies to have both robust demand and strong business models."

Elsewhere, there was significant movement for the FTSE 250, which saw Liontrust Asset Management step up in the latest reshuffle, joined by investment trusts Scottish American Investment and BB Healthcare Trust.

Similarly to the moves seen in the FTSE 100, promotions to the FTSE 2500 included online gambling group 888 Holdings and online-only retailer AO World.

Notable relegations from the FTSE 250 include the JPMorgan Indian Investment Trust, conference and event organiser Hyve Group, brewery company Marstons and transport operator Stagecoach Group.

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Adam Vettese, analyst at multi-asset investment platform eToro, said: "Coronavirus has been without a doubt the most dramatic thing to hit markets in living memory.

"Companies that had been performing saw their revenues disappear overnight, which caused widespread panic among investors and demolished share prices.

"There has been a lot of talk about the FTSE 100's recent recovery but it is way too soon to call an end to all of this yet. Many companies face a long, hard road to recovery, as this latest FTSE reshuffle shows.

"But while times are tough for firms, it is arguably a great time to be an investor, with the current crisis throwing up a number of opportunities to buy into world-class firms at knockdown prices."